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May 19, 2017

Michael R. Picker, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Robert B. Weisenmiller, PhD
Chair, California Energy Commission
1516 9th Street MS-33
Sacramento, CA 95814

Dear President Picker and Chair Weisenmiller:

I write to urge you and your respective commissions to act expeditiously to ensure our state retail sellers of electricity procure as much inexpensive and available new renewable energy as possible in advance of the potential expiration of the federal production tax credits.

Now, more than ever, it is incumbent on California to intensify our leadership toward a clean energy economy. California should seize every opportunity to meet its carbon and energy objectives in the most cost-effective manner--this means swift and smart implementation of SB 350 and SB 32. Towards this end, I call your attention to the closing window of opportunity to secure the benefits of federal tax credits for procurement of utility-scale renewable energy.

California has a unique opportunity to save ratepayers over a billion dollars in advance of the federal phase out of wind and solar tax credits. The federal wind Production Tax Credit (PTC) and the solar Investment Tax Credit (ITC) are undergoing a permanent phase out, which creates an opportunity for projects that achieve commercial operation by December 31, 2020, to offer decades of renewable energy to California customers at significantly discounted prices compared to similar projects that achieve commercial operation in later years. For example, 1 gigawatt (GW) of high-capacity-factor wind with the full PTC can provide $1.8 billion in cost savings to consumers over a twenty-year power purchase agreement (PPA) when compared to a project that achieves commercial operation in 2024, after the PTC expires.[1]

The timing of renewable resource procurement is critical. If California is to capture the full federal discounts for utility-scale wind energy, renewable energy PPAs will need to be signed and executed by utilities up to two years in advance of the 2020 commercial operation deadlines. PPAs can be executed in a timely fashion to capture the PTC value, providing near-term certainty for utilities and customers, while arranging for actual power delivery later in the 2020s to meet known renewable energy needs.

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[1]The savings related to a 20-year PPA at $24/MWh (100% PTC) assuming a 44% NCF.

Other states across the country are taking swift and decisive action to capture the maximum PTC and ITC value for their ratepayers and constituents; California should do the same. Regardless of any near-term uncertainty regarding California's individual load serving entities' needs, new utility-scale renewable energy will certainly play an important role in meeting our state's 2030 carbon reduction goals, while also creating high wage jobs, reducing ratepayer costs, and providing grid reliability. The grid-balancing attributes of high-capacity-factor wind paired with utility-scale solar will play a vital role in the diverse portfolio needed to achieve California's new greenhouse gas reductions. This is evident from various analyses conducted by your agencies, by the National Renewable Energy Laboratory (NREL), and by the California Independent System Operator (CAISO). Utility-scale renewable energy will provide value to California consumers with or without the federal tax credits, but it can be acquired now with significant savings.

The Public Utilities Commission (CPUC) and the Energy Commission (CEC) are developing requirements for Integrated Resource Plans for load-serving entities as required by SB 350, and the process is understandably time-consuming. In parallel with this process, the CPUC and CEC should require load-serving entities to formally consider and plan for additions of utility-scale renewable generation in time to lock in federal discounts.

I respectfully request that you report back on the steps your agencies are undertaking to take advantage of this unique opportunity to accelerate investment in clean energy while saving customers billions of dollars.

If California is to continue to lead the way, we must act swiftly to take advantage of opportunities to do so at the lowest cost. Our state should take every opportunity to transform our energy system in a way that delivers maximum economic, reliability, and environmental benefits to the public.

I appreciate your attention to this important matter. If you would like further discussion on this issue, please do not hesitate to contact me directly.

Sincerely,

Kevin de León

KEVIN DE LEÓN
President pro Tempore
Twenty-Fourth Senate District

KDL:kl

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