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April 30, 2004

California Energy Commission
Re: Docket No. 03-IEP-01 and 03-RPS-1078
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5504

In the Matter of:	Docket 03-IEP-01 and 03-RPS-1078
Informational Proceeding and Preparation of the 2004 **Integrated Energy Policy Report (IEPR) Update**	Notice of Committee Workshop on Accelerated Renewable Energy Development

Dear Energy Commissioners and Staff:

Calpine Corporation ("Calpine") appreciates the opportunity to submit the following comments to the May 4, 2004, Committee Workshop on Accelerated Renewable Energy Development.[1] Calpine's comments are as follows:

Accelerated RPS Goals Beyond 2010

1. Should the state pursue additional renewable development beyond 20 percent of retail sales by 2010 through either mandates or incentive structures?

   Calpine is the largest generator of renewable energy in California and believes that the pursuit of additional renewable development is a laudable goal, however policy makers need to be realistic. In its November 2003 Renewable Energy Development Report, the Energy Commission identified the need for an additional 24,800 gigawatt-hours per year of renewable energy beyond the current installed capacity in order to meet the 20 percent target by 2010. In order to meet this target, the state's investor-owned utilities, municipal utilities, energy service providers and other energy retailers will need to contract for 3,000 mw of new baseload renewable facilities, or 10,000 mw of wind facilities, or some combination. Given the time required to permit, develop, finance and construct projects, these contracts will need to be in place either this year or next. Frankly, we do not see that happening. Progress to date suggests that the 20 percent target by 2010 will not be met.

[1] The Commission's April 20, 2004 Notice of Committee Workshop on Accelerated Renewable Energy Development requested workshop comments by interested parties by April 30, 2004.

Re-calibration of Specific Utility Goals

1. Should RPS obligations differ by utility or retail seller, or should the obligations remain equal statewide as in current law?

   Calpine recommends that each load serving entity achieve an equal percentage of its retail sales from renewables as is provided in current law. If customers of energy service providers (ESP) and community choice aggregators (CCA) are required to pay an exit fee to a utility that is partially attributable to renewable power, then that ESP or CCA should receive credit for that power towards its RPS requirement.

   Additionally, we recommend that ESPs and CCAs be able to comply with their RPS requirements by acquiring renewable power or RECs on a term equal to their power sales commitments. For example, if an ESP is selling power to a retail customer under a two year contract, that ESP should be able to acquire renewable power or RECs for two years, rather than the 10 year minimum term required of utilities.

2. How should the varying amount of renewable energy available within each utility area be taken into account?

   There is no need to take the renewable energy available in each utility area into account. Utilities can purchase renewable energy located in other utilities' territories or from out of state.

3. How should the transmission infrastructure, including utilization of existing transmission capability within and among utility areas, be taken into account?

   Sellers should be allowed the flexibility to arrange creative solutions to transmission problems, without the need to purchase firm transmission rights. A utility should be able to contract with a project located in a different utility's service territory, pay for the power based on meter readings at the project's busbar, and take delivery in its own service territory without the seller being required to demonstrate a wheeling path. The seller could accomplish delivery (1) through a power swap, (2) by scheduling a like amount of power in the opposite direction, or through various other methods. Additionally, sellers should also be able to utilize shaping and firming services, such as the BPA wind integration product to reduce transmission costs.

4. How should differential costs of resource development in relation to electricity rates in each area be taken into account?

   Consideration should be given to differential value of renewable projects depending upon their location rather than differential costs. For example, projects located in areas where generation is needed to either relieve congestion or for reliability purposes should command a higher price and be valued higher in the least cost/best fit evaluation than those in less desirable locations.

5. How is the ownership of RECs affected when public goods charge funds support the associated renewable energy in the form of supplemental energy payments or other state or federal incentives?

Since supplemental energy payments will only be made to eligible projects that sell their power to California utilities, and since those utilities will require by contract that the RECs go to them, the answer is straight forward, the utilities get the RECs. With regard to other state or federal incentives, unless otherwise specified, the RECs stay with the generator.

Thank you for considering Calpine's comments. Please contact me if you have any questions regarding these issues.

Sincerely,

Jack Pigott
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