



ORA

*Office of Ratepayer Advocates
California Public Utilities Commission*

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JOSEPH P. COMO
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April 22, 2014

Honorable Darrell Steinberg
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

RE: SB 1277 (Steinberg) – Support

Dear Senator Steinberg,

ORA (Office of Ratepayer Advocates) is the independent consumer advocate within the California Public Utilities Commission (CPUC). ORA's statutory mandate is to obtain the lowest possible rates for utility service consistent with reliable and safe service levels. ORA also advocates for customer and environmental protections in connection with utility service.

ORA supports your SB 1277, which would require the California Independent System Operator (CAISO) to seek approval from the California Public Utilities Commission (CPUC) prior to submitting a proposal to the Federal Energy Regulatory Commission (FERC) to institute a new auction or market-based mechanism for forward procurement of electricity or capacity products in California. SB 1277 would also require the CPUC to apply due process requirements, in reviewing such a proposal from CAISO, to allow sufficient stakeholder input on how it could affect California's policy goals to promote environmentally preferred resources and to ensure just and reasonable rates.

ORA supports the intent of your bill to provide the CPUC with the authority to formally review any market-based forward procurement mechanism proposed to FERC that could affect California's energy policy and its ratepayers.

Currently, the CPUC is the state agency with statutory responsibilities, pursuant to Public Utilities Code Section 380 and 454.5, to ensure investor-owned electric utilities' wholesale procurement activities result in a reliable and diverse portfolio of resources while maintaining just and reasonable rates. The CPUC also implements an array of legislative mandates to develop and promote environmentally-preferred resources to meet the State's greenhouse gas reduction goals. These important legislative mandates may be undermined, if the CAISO develops a procurement mechanism proposal, which is subject to FERC approval, without deliberate and thorough evidentiary consideration on its impact to ratepayers and on effectuating the State's energy policies.

California is still recovering from the last time a FERC regulated auction was implemented in California, the California Power Exchange. This experience resulted in gaming and manipulation by generators and led to the energy crisis of 2000-2001 and an estimated loss to California ratepayers of \$45 billion. The CPUC is still litigating cases at FERC which seek recovery for high prices caused by the Department of Water Resource's lack of bargaining power when it took over purchasing power in 2001. It is imperative that the actions that effect state energy policy be subject to the type of review that your bill contemplates. Your bill will ensure that the policy merits of such proposals are vetted through a rigorous public process.

If you have any questions or would like to discuss this matter further, please call ORA's Legislative Advisor Rebecca Lee, at (916) 327-1407 or me at (415) 703-2381.

Respectfully,

Joseph P. Como, Acting Director
Office of Ratepayer Advocates

By
Rebecca Lee
Legislative Advisor