



July 12, 2017

The Honorable Cristina Garcia
State Assembly
State Capitol, Room 2013
Sacramento, CA 95814

The Honorable Eduardo Garcia
State Assembly
State Capitol, Room 4140
Sacramento, CA 95814

The Honorable Miguel Santiago
State Assembly
State Capitol, Room 6027
Sacramento, CA 95814

RE: Renewable Baseload Providers SUPPORT AB 398 (E. Garcia) and AB 617 (C. Garcia)

Dear Assemblymembers E. Garcia, C. Garcia and Santiago:

A coalition of renewable baseload interests, including geothermal and biomass generators, agricultural interests and growers, forest interests, environmental and Central Valley environmental justice groups, business groups, and the Imperial Irrigation District (IID) support AB 398 (E. Garcia) and AB 617 (C. Garcia).

We applaud your leadership and dedication to accelerating emission reductions in the state that target the most economically and environmentally vulnerable regions and extending and enhancing California's cap and trade program to assure the state meets the deep reductions required by SB 32 without causing undue impacts to California's consumers and businesses.

Although we strongly support these two bills, one concern raised by AB 398 relates to its extension of the manufacturing sales and use tax exemptions to non-conventional generation or production of electric power and storage and distribution (Section 16) which may have an unintended consequence on the viability of baseload renewable resources. The current renewables procurement process—driven by the mandate to procure the “lest cost/best fit” resource—does not adequately value the unique attributes of baseload renewable generation from sources such as geothermal and biomass plants. Nor does it capture all the costs associated with transmission and distribution upgrades necessitated by integration of intermittent renewable generating sources (wind and solar) to the electricity grid. As a consequence, baseload renewable resources are increasingly losing ground in the RPS. In addition to their economic and environmental benefits, baseload renewable generating sources, such as the geothermal resources at the Geysers and Salton Sea and biomass plants in the Central Valley and throughout the state, provide unique benefits to the grid. Geothermal and biomass facilities are not weather dependent and can produce power 24/7 and can provided the added benefit of being able to reduce output when needed.

Additionally, geothermal and biomass do not have the same generous extended federal investment tax credit and production tax credit subsidies that solar or wind nor the exemption from paying property taxes that solar resources enjoy. While we appreciate that AB 398's extension of the sales and use tax exemption would apply to all renewable generation technologies for practical purposes it provides yet another price advantage for new solar and wind. This provision will therefore make it even more difficult for existing and new baseload renewable resources, most of which are located in economically and/or environmentally disadvantaged areas of the state, to compete for new contracts. To mitigate this unintended consequence we urge you and the Legislature to consider adopting a baseload renewable procurement requirement similar to the introduced version of AB 920 (Aguiar-Curry).

We look forward to working with you to assure that new and existing baseload renewable resources which can help accelerating emission reductions in some of the most economically and environmentally vulnerable regions while providing reliable clean energy can secure contracts to ensure their viability. Again, thank you for your leadership and commitment to reducing emissions and we are proud to support AB 398 and AB 617.

cc: The Honorable Governor Jerry Brown
The Honorable Kevin de Leon, Senate Pro Tempore
The Honorable Anthony Rendon, Assembly Speaker
Mary Nichols, Chair, California Air Resources Board

