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The Honorable John D. Dingell
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

The Honorable Rick Boucher
Chairman
Subcommittee on Energy and Air Quality
Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515

Dear Chairmen Dingell and Boucher:

The Northern California Power Agency (NCPA) is pleased to respond to your recent questions on establishment of a federal portfolio standard. NCPA is a joint powers authority that provides wholesale power, scheduling, and other services to our 15 members (totaling more than 750,000 customers) that include municipal utilities and other consumer-owned utilities. Because our agency's decision-makers are local officials with a strong public interest ethic, our member utility systems have always placed a high priority on the cleanest possible generation resources. Today, the electricity output from NCPA's owned resource base is 64.1% geothermal, 32.7% hydroelectric, and 3.2% natural gas fired generation. We continue to look to renewable energy sources as we plan for our future needs, with plans underway to add an additional 58 megawatts of renewable energy to NCPA's own generation, with individual members making additional investments and commitments.

Just as California's Renewable Portfolio Standard recognizes and respects the local control aspects of public power systems, we urge Congress to similarly exclude public power systems from any mandate. NCPA and its members are living proof that our governing boards and communities want and will seek environmentally responsible resources. Moreover, given that positive track record, we encourage Congress to allow these excluded entities to "opt in" to the federal RPS – in that way respecting local control but also enabling the system to benefit from the resources developed by these entities.

Below are more detailed responses to some of the questions posed in your letter. We have limited our responses to those questions on which we have existing policy as established by our Commission.

1. Purpose of Portfolio Standards Proposal

- a. Do you believe that adopting one or more Federal “portfolio-standard” requirements applied to sources of retail electricity, mandating that a given percentage of the power sold at retail come from particular sources, is an advisable Federal policy? Why or why not?*

NCPA has long supported renewable resource development. NCPA’s resource mix includes 220 MW of geothermal generation and 250 MW of hydropower generation – and as well, has a 96% carbon emission free owned generation portfolio. Moreover, we continue to be a leader and innovator in renewable resource development. For instance, in response to depletion of the steam field at the Geysers, NCPA initiated a novel plan to pipe and inject treated wastewater effluent to rejuvenate the steam fields and extend the life of this vital clean resource. Similarly, in response to seismicity concerns, NCPA was the first geothermal operator to employ horizontal drilling techniques that have significantly reduced local seismic impacts.

It is important to note that NCPA investments in renewable resources resulted from responsible decisions made over many years by our member utilities, and not a federal or state mandate. In recognition of this initiative and the local control and accountability of public power systems, NCPA and its member utilities are able to implement our role under California’s Renewable Portfolio Standard mandate through local processes. Rather, California law requires public power communities to establish their own Renewable Portfolio Standard (RPS) and report progress in this regard to the California Energy Commission. Each NCPA member utility in California has enacted an RPS, and is taking action to ensure its goals are met or exceeded. In fact, as our State Legislature has subsequently revisited the RPS policy to increase percentages and accelerate timelines, there has been clear recognition that the state/local partnership in this area is working, and does not need to be revisited or mandated to ensure statewide progress toward RPS goals by public power systems. Local control has promoted stewardship in the past – and continues to ensure that public power is in the forefront of RPS measures going forward.

As outlined in greater detail below, NCPA supports efforts to appropriately facilitate participation of public power systems in a renewable credit trading program associated with a federal portfolio standard, but believes strongly that primary management related to establishing and implementing RPS goals should be left to the locally elected officials who oversee public power utilities.

2. Portfolio Inclusions and Exclusions

- b. What generation sources for retail electricity supplies (including efficiency offsets) should be included and should be excluded from any mandatory portfolio requirement that is adopted? Please provide your reasons for excluding any sources.*

NCPA believes that any federal portfolio standard should include renewable resources (including hydropower).

- c. To the extent that multiple energy sources and efficiency or other sources are eligible for inclusion, should any tiers among them or separate sub-requirements be adopted?*

NCPA would discourage the tiering of selected resource. Resource tiering skews the market (for instance by providing “bonus” or “partial” credits to specific resources) and adds an unneeded layer of complexity. With this in mind, we would encourage the full inclusion of hydropower resources within the federal renewable portfolio standard. We appreciate that the renewable and non-emitting benefits of hydropower are recognized in the Senate proposals that “backs out” hydropower from the calculation of the “base” for purposes of determining the renewable portfolio standard percentage requirement. However, we encourage full eligibility of hydropower

- d. Should there be any distinction between existing and new sources of generation eligible for inclusion in the portfolio? If so, what would be the threshold date for eligibility?*

NCPA is greatly troubled by proposals to arbitrarily exclude renewable resource projects that were constructed before a specific date. We find it inappropriate that utilities that voluntarily invested in environmentally responsible resources would be penalized for these decisions. Restricting the eligibility of pre-existing renewable resources -- such as proposals to provide older renewable projects with “non-tradable” credits – is a classic example of the axiom that no good deed goes unpunished. Besides punishing utilities for progressive decisions, this “vintaging” of renewable projects has the net result of driving up the target percentage contained in the legislation, since the number of tradable credits will be artificially restricted and a greater percentage of new resources will need to be built on a national level to meet the portfolio standard.

5. Utility Coverage

- a. Should any retail sellers of electricity be exempt from the portfolio requirement? (e.g., municipal utilities, rural cooperatives, utilities selling less than a minimum volume of power, unregulated marketers in States with competitive retail markets, etc.).*

NCPA supports an exclusion for public power systems given their long track record of stewardship, and direct public accountability and oversight at the local level – as well as an exclusion for smaller utilities. However, if any exclusion is adopted, we would also support providing an opportunity for these exempted entities to “opt-in” to the RPS.

b. Should any standard apply to wholesale power markets or sales?

NCPA does not believe it is desirable or practical to impose a portfolio standard on the wholesale market. Given the increasing prevalence of short-term transactions, and sales into and out of organized markets, it would be infeasible to track the source of these purchases.

6. Administration and Enforcement

b. How should Federal and State enforcement be coordinated in States with their own portfolio requirements?

Coordination is needed to ensure that states do not take actions to impede the efficient and effective administration of the federal program. For instance, a state should not be allowed to prevent the trading of a credit on the national market that was generated from a resource undertaken to comply with a federal standard.

c. What penalties should apply for failure of utilities to meet the percentage mandate?

Great care must be taken in the establishment of penalties, since the penalty assessment will serve as a price ceiling for credit trading.

7. Credits and Trading

a. Should tradable credits for qualifying generation be utilized as the mechanism for establishing compliance?

Yes, a tradable credit is the most efficient and least-cost means of instituting a national portfolio requirement given the regional variations in renewable resource potential.

b. Should credit trading be permitted or required on a national basis to achieve least-cost compliance with the portfolio standard?

Yes.

c. Should there be a cap on credit values to limit costs?

While we support the concept of measures designed to limit programmatic costs, it is also important that the cap not be set below the level at which renewable energy credits currently trade.

d. As between a utility purchaser and a qualifying power generator, to whom should the portfolio standard credits be initially allocated?

The credit should be allocated to the party owning the qualifying power generator. However, existing contracts that already provide the transfer of the environmental attributes or credits to the utility purchaser must be respected.

e. What relationship, if any, should portfolio standard credits have to other State and Federal credit trading programs for SO₂, greenhouse gases, or biofuels?

No direct relationship is needed between these programs. However, the program designs and objectives should be consistent. For instance, allocating carbon allowances based on generation output is a natural compliment to establishment of a federal portfolio standard.

f. What requirements, if any, would there be concerning the length of contracts for qualifying generation and ownership of credit rights?

NCPA believes that renewable energy credits should be usable in either the year in which the credit is generated or “banked.” Parties should be able to contract for multi-year strips of credits.

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Thank you for this opportunity to share the perspective of NCPA on this important question. We look forward to working with you and the Committee as you continue in your efforts to shape federal energy policy.

Sincerely,



Jane Dunn Cirrincione
Assistant General Manager
for Legislative and Regulatory Affairs