



July 21, 2020

Assembly Member Wendy Carrillo
California State Assembly
State Capitol, Room 4167
Sacramento, CA 95814

Re: AB 1720 (Carrillo): Long-Duration Energy Storage – **OPPOSE UNLESS AMENDED**
Senate Energy, Utilities and Communication Committee

Dear Assembly Member Wendy Carrillo:

On behalf of the signatories below, we wish to express opposition to AB 1720, unless the bill is amended to address our collective concerns. Your bill seeks to transform the California Department of Water Resources (DWR) into an electricity procurement entity instead of recognizing its primary mission as a water delivery entity. By doing so, it could potentially burden 27 million State Water Project ratepayers with significant costs.

AB 1720 would improperly relieve the Load Serving Entities (LSEs) and California Public Utilities Commission (CPUC) of their duty to procure energy resources for California’s end-use electricity customers and instead impose this duty on DWR. The only instance when DWR procured electricity, beyond the needs of operating the State Water Project (SWP), was during the energy crisis of 2000-01 when the state literally could not keep the lights on, and California’s investor-owned utilities (IOUs) were deemed not credit worthy. There is no such dire emergency present today.

Pursuant to legislation (AB 1X, 2001) in January 2001, DWR began purchasing power for the IOUs through the California Energy Resources Scheduling (CERS) entity that was created for this purpose. DWR entered into contracts on behalf of the IOUs for approximately two years, which required the issuance of over \$11 billion in bonds that are being repaid through surcharges on end-use customer bills. As a consequence, DWR became mired in the energy crisis litigation that has yet to be resolved, including litigation to reduce the prices of the contracts into which CERS entered. Since that time, DWR has been appropriately transitioning this responsibility back to the IOUs, and the bonds associated with these purchases will be paid off in 2022.

DWR operates the SWP, a water storage and delivery system of reservoirs, aqueducts, power and pumping plants, and recreational facilities that spans more than 700 miles across the state. The SWP provides water to an estimated 27 million Californians and 750,000 acres of farmland. As such, in its role as the owner and operator of the SWP, DWR's primary purpose is to deliver water resources to wholesale water providers in California. Its procurement of energy is done solely to facilitate this purpose. Procuring and managing energy to "enhance" electric ratepayer "benefits" as stated in the bill, is not a primary or secondary purpose of DWR.

The bill also directs that DWR use its discretion to choose projects that maximize employment and stimulate new industries. This is inconsistent with DWR's mission and energy risk policy, which generally focuses on economics and reliability impacts to the SWP and its ratepayers.

Although the bill does not specify the amount of long-duration energy storage DWR would be required to procure, CPUC Decision 20-03-028 identifies 1,000 MW. While this procurement would require less expensive and fewer resources than CERS incurred as an aftermath of the energy crisis, DWR would still be significantly burdened with a procurement process that is outside of its mission and expertise — a process that LSEs were established to perform on behalf of their customers and that the CPUC was created to regulate.

DWR's experience with CERS was troubled, but that procurement was somewhat justified by the need to supply basic energy needs to Californians in the wake of PG&E's bankruptcy and Southern California Edison's loss of creditworthiness. There is no such crisis here that would justify the abdication of the LSEs' responsibilities and the CPUC's oversight authority. The CPUC and California Independent System Operator are the two entities who have the expertise and authority, can determine the energy storage capacity needs, make market design changes, direct utilities to facilitate procurements and develop the appropriate settlements and revenue and collection systems. This is not a role for DWR.

Regrettably, if AB 1720 moves forward as currently in print, we will have no choice but to oppose your bill when it comes before the Senate Energy, Utilities and Communications Committee. We hope to have the opportunity to discuss our concerns with you before the bill is heard and explore alternatives other than placing DWR in the LDES procurement role and exposing the State Water Contractors, and ultimately their ratepayers, to significant new costs. Jackson Gualco, from The Gualco Group, will soon contact your office to make arrangements for that discussion.

Thank you for your consideration.

Sincerely,



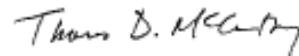
Dwayne Chisam, General Manager
Antelope Valley East Kern Water Agency



Jennifer Pierre, General Manager
State Water Contractors



Lance Eckhart, General Manager
San Geronimo Pass Water Agency



Thomas D. McCarthy, General Manager
Kern County Water Agency



Heather Dyer, General Manager
San Bernardino Valley MWD



Jeff Kightlinger, General Manager
Metropolitan Water District of Southern California



Jim Barrett, General Manager
Coachella Valley Water District



Mark S. Krause, General Manager
Desert Water Agency



Dennis D. LaMoreaux, General Manager
Palmdale Water District



Mark Gilkey, General Manager
Tulare Lake Basin Water Storage District



Roland Sanford, General Manager
Solano County Water Agency



Matthew Stone, General Manager
Santa Clarita Valley Water



Kathy Cortner, General Manager
Mojave Water Agency



Darin Kasamoto, General Manager
San Gabriel Valley Municipal Water District

cc: Members of the Senate Energy, Utilities and Communications Committee
Nidia Bautista, Chief Consultant, Senate Energy, Utilities and Communications Committee
Kerry Yoshida, Policy Consultant, Senate Republican Caucus