

March 30, 2021

Assembly Member Eduardo Garcia
California State Assembly
State Capitol, Room 4140
Sacramento, CA 95814

Re: AB 1161 (E. Garcia) – **OPPOSE**
Eligible Renewable Energy and Zero-Carbon Resources: State Agencies: Procurement
Assigned to: Assembly Utilities and Energy Committee

Dear Assembly Member Garcia:

On behalf of the State Water Contractors (SWC) and twelve of its member agencies, we regret to you inform you of our opposition to your bill, AB 1161. AB 1161 seeks to accelerate the state’s **2045** goal of 100 percent renewable and carbon-free energy resources for **all** state agencies by placing the Department of Water Resources (DWR) in charge of procuring those resources, plus the accompanying energy storage, in an amount that satisfies a 100 percent procurement goal for state agencies by December 31, **2030**. The bill would also give DWR authority to enter into power purchase contracts for the development of new zero greenhouse gas emission resources to satisfy the

accelerated target for all state agencies. While we support the state's clean energy objectives, this bill would place undue burden on DWR, whose primary mission is the delivery of water, not the procurement of energy resources, and who would have to stand up an entirely new entity to implement this bill.

The SWC is a non-profit association of 27 public water agencies from Northern, Central and Southern California that deliver water for use in our homes, schools, hospitals, farms and businesses. Its member public water agencies receive some portion of their water supply from the State Water Project (SWP) and help manage our state's precious and finite water resources. The mission of the SWC is to advocate on behalf of our members for improved supply reliability and water quality based on sensible, science-based policies related to the SWP that result in sustainable and cost-effective management of the SWP for California's citizens, economy and environment.

DWR is the owner and operator of the SWP and its primary purpose is to deliver water resources to urban and agricultural wholesale water providers throughout California. DWR's procurement of energy is done solely to facilitate this purpose. Its mission and energy risk policy generally focus on economics and reliability impacts to SWP and its water ratepayers.

The SWC supports the state's carbon reduction goals and is working towards identifying cost-effective ways for the SWP to meet its share of those goals however, DWR is not the appropriate agency to implement procurement on behalf of **all** state agencies and must continue to procure renewable energy to meet **solely** SWP needs. The new mandates in AB 1161 would significantly increase risk to DWR and require a substantial investment in new staff and training, while placing an undue administrative burden on DWR that goes far beyond its primary purpose.

DWR is not positioned to take on such authority and responsibility without significant impact to performing its core mission of water delivery. An entity tasked with procuring renewables for state agencies must have a clear mission, adequate staff with specialized and extensive expertise to implement and manage the program and be guided by a corresponding energy risk management framework. The California Public Utilities Committee (CPUC) and the California Independent System Operator (CAISO) have the requisite expertise and authority, can determine energy storage capacity needs, make market design changes, direct utilities to facilitate procurement and develop appropriate settlements on revenue and collection systems. This is not a role for DWR.

The bill also requires DWR, in conducting competitive solicitation for the procurement, to review confidential pricing information collected by the CPUC or obtained from load-serving entities. The bill requires the CPUC to require all load-serving entities to provide DWR with the information necessary to carry out the purpose of this act, including market sensitive pricing information and provides that the pricing information is not subject to public disclosure. This creates significant legal and practical conflicts for DWR that would be a direct conflict in a competitive energy market.

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Additionally, not only would your bill codify DWR's renewable portfolio goals in statute but the accelerated timeline would result in significant cost increases to achieve these goals 15 years ahead of the current schedule. And, the bill could also result in the stranding of assets and contracts DWR has already procured on behalf of the SWP.

It is important to note that SWC members fund all costs associated with the SWP. AB 1161 would impose major cost implications on the public water agencies served by the SWP, and those energy costs will be ultimately borne by their respective water ratepayers. Shifting energy costs that should appear on Californians' energy bills to their water bills interferes with price signals by conflating energy and water prices. This undermines important price incentives water agencies use to encourage water conservation; decreases the ability of the customer to modify their energy consumption based on the cost of energy; and discourages water conservation at the customer level.

For all of the above reasons, we urge you to reconsider moving AB 1161 forward in its current form. Should the bill move forward as introduced, regrettably, we have no choice but to urge members of the Assembly Utilities and Energy Committee to vote "NO" on your bill.

If you have any questions, please do not hesitate to contact Jennifer Pierre, General Manager of the State Water Contractors, at (916) 447-7357 or by email at jpierre@swc.org.

Thank you for your consideration of our concerns.

Sincerely,



Jennifer Pierre
General Manager
State Water Contractors



Matthew Stone
General Manager
Santa Clarita Valley Water Agency



Dennis D. LaMoreaux
General Manager
Palmdale Water District



Dwayne Chisam
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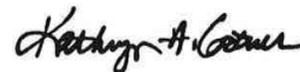
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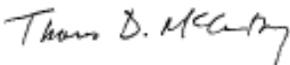
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Thomas D. McCarthy
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cc: Members of the Assembly Utilities and Energy Committee
Laura Shybut, Chief Consultant, Assembly Utilities and Energy Committee
Greg Melkonian, Policy Consultant, Assembly Republican Caucus