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INTRODUCTION

Pacific Gas and Electric Company (PG&E) is pleased to provide comments to the Little Hoover Commission about the company's efforts to meet California's renewable energy goals and the ways in which the state can facilitate these efforts. These comments will address PG&E's Renewable Portfolio Standards (RPS) activities, including the company's own development of mid-sized photovoltaic projects though the Photovoltaic Program (PV Program). These comments will also discuss PG&E's recommendations for encouraging renewable project development in California, including streamlining processes, permitting, and coordination for these projects and increasing the resources available to involved state agencies.

PG&E is focused on the delivery of safe, reliable, and affordable energy to 15 million Californians in the northern and central parts of the state. PG&E is also committed to being a partner in California's clean energy future. More than half of the electricity we deliver to our customers comes from sources that are renewable and/or emit no greenhouse gases. PG&E estimates that 19 to 20 percent of the electricity we provide to customers in 2011 will come from RPS-eligible resources. PG&E expects that new resources under development will allow us to meet the RPS compliance goals established in the recent 33 percent RPS by 2020 legislation, which – for the first compliance period – requires an average of 20 percent renewables over 2011-2013. PG&E has been planning for several years already to build a diverse portfolio of resources so that it can meet the State's ultimate goal of 33 percent renewable energy by 2020.

To meet California's aggressive RPS goals, however, development of additional RPS-eligible resources is necessary. This development faces significant challenges in California, including lengthy and costly permitting and environmental review delays. PG&E appreciates the work of the Little Hoover Commission in ensuring that all of the key energy policymakers in the State work together to achieve our mutual energy and environmental goals in a coordinated, comprehensive, and cost-effective manner.

PG&E'S RENEWABLE ENERGY EFFORTS

PG&E is one of the nation's largest purchasers of renewable power. The company recognizes the need for a diverse portfolio of renewable resource technologies and has signed more than 110 RPS-eligible contracts since the start of the RPS program in 2002. These contracts will provide more than 9,900 megawatts (MW) of RPS-eligible energy from geothermal, wind, biomass, solar, small hydroelectric, and other facilities – a significant amount when compared to PG&E's peak load of approximately 20,000 MW. PG&E continues to contract with additional suppliers to help meet the goal of 33 percent renewables by 2020.

PG&E also just completed the first phase of its 500 MW PV Program, which is designed to accelerate the delivery of renewable power to our customers by targeting mid-sized PV projects sized under 20 MW. The PV Program calls for PG&E to develop 250 MW of utility-owned PV facilities and to procure another 250 MW of PV-generated energy from third party suppliers, both over a period of five years. PG&E brought the first 50 MW of utility-owned PV generation online in October. The California Public Utilities Commission (CPUC) also approved the first three third-party PV Program contracts, for 50 MW total, in August. PG&E

currently is constructing year two of the PV Program, during which it expects to bring another 50 MW of utility-owned generation online and solicit an additional 50 MW from third parties.

THE COST OF RENEWABLE POWER

PG&E knows that renewable energy procurement and development activities will significantly impact our customers' bills. It is PG&E's objective to perform these and all other company activities in a manner that is most cost-effective for our customers. Fundamentally, costs associated with all contracts for generation resources, whether renewable or non-renewable, are passed on directly to our customers with no profit for PG&E. PG&E does earn a regulated rate of return when investing directly in building generation assets, but the vast majority of our RPS energy is secured through third-party contracts. It is in this setting PG&E seeks to strike a balance between meeting California's aggressive RPS goals while providing safe, reliable and affordable energy to our customers.

Procurement related to RPS efforts is specifically reflected in PG&E's customer rates in three ways. Rates include the: (1) direct power cost paid to third party suppliers of RPS-eligible energy and authorized cost recovery for PG&E's utility-owned RPS-eligible generation facilities; (2) the cost of new transmission facilities developed state-wide (with the exception of facilities not operated by the California Independent System Operator); and (3) the cost of conventional resources needed to integrate intermittent renewable resources like wind and solar and ensure reliable operation of the electricity grid.

PG&E estimates that the total above-market costs of the RPS program (the incremental costs of RPS resources versus fossil resources like natural gas), plus associated transmission and integration costs will result in an approximately 15 percent real increase in average customer rates by 2020. Moreover, most of the renewable energy commitments that PG&E has made are for facilities not yet operating, so little of this expected increase is part of current electricity rates. Given this sizable rate increase, PG&E strongly advocates that RPS policies recognize the cost impact on our customers, reduce those costs wherever possible, and provide flexibility to help PG&E minimize these costs.

RECOMMENDATIONS FOR THE STATE

PG&E recognizes that fully realizing the potential of California's renewable energy resources is a significant challenge for the State. This perspective is driven not only by our position as a large purchaser of renewable power, but also as a developer of utility-owned PV projects. In both roles, PG&E appreciates the hard work performed by local, state and federal agencies to assist parties in developing renewable energy projects, siting and permitting these projects, and connecting them to the grid. PG&E likewise recognizes the efforts of the Renewable Energy Action Team to involve the relevant state agencies in joint activity and problem solving efforts around renewable development and appreciates the progress the team has made.

At the same time, it is clear that efforts to secure more renewable energy for customers has greatly strained California's state agency resources over the last several years. This is seen in the continued, significant permitting and environmental review delays faced by developers of renewable energy projects – although there has been recent, demonstrable progress. These delays threaten the development of renewable energy in the state and, ultimately, increase the costs of renewable energy for PG&E's customers.

While the causes of these delays are varied and often project-specific – precluding any so-called "silver bullet" to solve this complex challenge – PG&E believes that the following changes would enable developers of California's renewable energy projects to bring these projects online more quickly and at a lower cost:

- Streamline environmental, permitting, and other reviews required by state agencies to remove unnecessary overlap and duplicative requirements that do not impact the agencies' abilities to protect critical resources. For example, the duplicative "analysis of need" reviews done by the California Independent System Operator (CAISO) and by the CPUC for certain transmission projects create unnecessary work for the agencies and duplicative work and potential delays for transmission providers. The redundant processes should be identified and removed or simplified.

- Develop planning initiatives that facilitate timely permitting for renewable energy projects while advancing conservation goals. For example, the Desert Renewable Energy Conservation Plan's (DRECP's) identification and mapping of areas for renewable energy development (coupled with areas designated for conservation) provide more upfront review and guidance for developers as to where to site projects, and hopefully a streamlined permitting process if they chose to focus on designated renewable development areas. PG&E hopes that similar efforts are undertaken and continued throughout the State.

- Improve agency coordination and create single points of contact within the state and between local, state, and federal agencies. For example, the Renewable Energy Action Team successfully acted as project champion and single point-of-contact for solar thermal developers going through the California Energy Commission's (CEC) siting process. PG&E recommends that a similar, single-point-of-contact model be adopted to coordinate other efforts across local, state, and federal permitting activities. In particular, most project activity in California is now focused on PV and wind facilities, which will be sited and permitted mainly by county authorities. Thus, the State must take its lessons learned in driving the siting of solar thermal facilities by the CEC and transfer that knowledge and experience to county processes in order to build on its successes to date.

- Identify projects that are unlikely to be built earlier in the process which will free resources at the reviewing agencies. PG&E supports the development of a robust market for renewable resources in order to foster competition and drive down the cost of renewables for our customers, but recognizes that many projects proposed by developers are unlikely to be built. Simply put, there are far more renewable projects currently proposed than will be needed to meet California's ambitious RPS targets. One possible way to identify more likely to develop projects would be to require a larger upfront financial commitment from developers. This commitment could take the form of larger permitting or other related fees.

Ultimately, PG&E believes that procedural changes will have little impact if state agencies do not have adequate resources to perform the tasks they are assigned. These affected agencies are not only performing permitting and environmental review for renewable energy. It is vital that these agencies have appropriate levels of staffing to meet permitting and environmental review timelines for their work, including non-renewable-energy work. As such, PG&E strongly believes that the state must consider all methods to increase staff levels if agencies' budgets cannot support increased staff numbers. One way to do so would be to increase applicants' fees. Another would be to allow applicants and other interested parties to fund, through the State, additional positions for qualified, independent review personnel.

CONCLUSION

At PG&E, we are proud to work with policymakers, regulators, and stakeholders to support California's renewable power goals while protecting land, water, and wildlife resources. We appreciate the Little Hoover Commission's interest in these vital issues and look forward to working with the Commission to improve the speed with which renewable energy projects are developed in California and the speed with which PG&E's customers get access to cost-effective, clean, renewable power.

On behalf of the company, thank you for inviting me to speak today. I look forward to answering your questions.