



September 5, 2023

Senator Steven Bradford
Chair, Senate Energy, Utilities and Communications Committee
1021 O Street, Suite 7210
Sacramento, CA 95814

Re: AB 1373 (E. Garcia) – Energy: SUPPORT

Dear Chair Bradford,

The undersigned organizations urge you to pass AB 1373 (Garcia) to ensure the state has a robust mechanism in place to facilitate the procurement of diverse clean energy such as offshore wind and geothermal energy. While California has made tremendous strides in leading the clean energy transition, building a grid that is clean and reliable will require new tools to bring online the next generation of zero-carbon resources and fill gaps in our resource portfolio. One of those tools is a central procurement mechanism for emerging large-scale, long lead-time resources like floating offshore wind and geothermal energy resources.

The promise of offshore wind in California is enormous. Offshore wind is an in-state, zero-carbon resource with high-capacity factors and a generation profile that complements California's abundant solar energy, including producing energy in the evening during the critical

“net peak” period after the sun sets. The offshore wind industry has the potential to create tens of thousands of California jobs and lift up economically disadvantaged regions in the state. By seizing the opportunity, California could become a global hub for the burgeoning floating offshore wind industry. For all these reasons, the state established offshore wind deployment goals of 2-5 GW by 2030 and 25 GW by 2045, enough electricity to power up to 25 million homes. To achieve these goals, however, the state needs to develop a durable procurement pathway for offshore wind energy.

Offshore wind is not like solar or battery storage. The projects in California will be large (1 GW or more) and capital intensive. They will utilize new technology and require a long development runway, dependent on port and transmission infrastructure that does not yet exist. These features will make it challenging for California’s growing number of load-serving entities (LSEs) to procure offshore wind projects, individually or collectively. Central procurement solves these challenges by consolidating contracting in a single buyer while spreading the costs and benefits of offshore wind development evenly across LSEs, thereby reducing financing risks and the cost of capital. It also provides essential market certainty at a time when offshore wind developers are evaluating whether and how to make the next major investments in project development. Without central procurement legislation this year, prevailing market risks will stall development and investment; these delays will ultimately increase costs and challenge California’s ability to achieve its goals.

We’re interested in how central procurement of offshore wind could facilitate investments in local communities and workforce development, promote capacity building for procedural justice, and support a regional wildlife science collaborative to proactively monitor and mitigate any adverse impacts on marine ecosystems. These procurement-related investments and programs can bring clarity and transparency to California’s state agencies and constituents while complementing federal bidding credit requirements.

In addition to offshore wind, clean firm power sources are needed to help replace the role of natural gas power plants that are available around-the-clock. Geothermal technologies are well-suited to the task, and California has an existing industry and ample resources. However, geothermal projects—like offshore wind—are capital intensive and require long lead-times, making them difficult to finance and build absent long-term power purchase commitments. A central procurement mechanism could support the further development of these important technologies whose reliability value will only grow in the years to come.

The central procurement mechanism proposed in AB 1373 would not undermine LSEs’ ability to procure diverse clean energy resources on their own. Rather, the proposals would create a more robust backstop mechanism to support those diverse clean energy resources that may be hardest to procure due to their size, lead-time, or technological maturity. We support the Department of Water Resources (DWR) as the central procurement entity due to its deep experience in energy procurement, bonding authority, ability to consider non-price criteria, and potential to incorporate alternative sources of cost recovery outside the rate base.

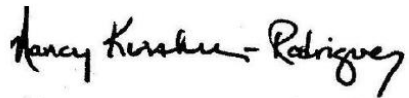
We also support elements of AB 1373 that would limit central procurement to specific diverse clean energy resources that are long-lead time and underrepresented in the state portfolio.

California has long been a leader in clean energy development and policy support for emerging technologies. As the state moves from ambitious target setting to committed implementation, it needs policy mechanisms like central procurement that can bring diverse clean energy resources online at the pace and scale required to meet our goals reliably and affordably. We urge you to resume negotiations and finalize legislation this session that will enable California to procure offshore wind, geothermal, and other diverse long lead-time energy resources that are foundational to our clean energy future.

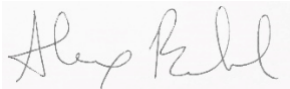
Sincerely,



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