

To: VCEA Board Members and Alternates

From: Bill Julian

I would like to request a discussion of Item 6, Legislative Report, and specifically SB 540 (Becker and Stern), the so-called Pathways proposal to eliminate consumer and public protections put in place in the early 2000's to require accountability from the California grid operator, the CAISO, to quell the Energy Crisis. Specifically, the bill permits the CAISO to "use markets" created through a third-party entity "in lieu of" specific statutory obligations to the people of California to minimize costs, protect the public health and well-being, and maintain reliable affordable electric service. Further, the bill removes from the CAISO crucial powers it now has to interact with the Federal Energy Regulatory Commission (FERC) to effectuate regulatory reforms and protections if needed. The legal protections which Pathways seeks to abrogate were sustained in the courts against challenges by FERC and the Pathways proponents twenty years ago; the Pathways bill undermines these hard-won legal protections.

The VCEA Board has not taken a position on this bill but CalCCA is a prominent supporter, an unfortunate mistake that misrepresents VCEA and our community that you VCEA Board Members represent. After the discussion I am asking the VCEA Board to take an opposed position. This is not the time to be moving into uncharted legal and policy waters. I have spoken with several Board members and Mr. Sears previously about having a debate at the CalCCA annual meeting on this subject, to no avail.

A recent study of a new and untested approach to grid management by the CAISO, the Extended Day Ahead Market (EDAM) -- prepared for the Energy Commission before the Trump Executive Orders on promoting coal and attacking California cap-and-trade were issued -- shows that if the new market is implemented next year as proposed, there will likely be a net increase in emissions in the West and that hoped-for reliability resource increments will be almost entirely coal- and gas-fired generation. The Pathways bill, if enacted this year before the EDAM goes live, will make it virtually impossible to course correct if the dire CEC forecast proves correct, because it will enable the current CAISO board to give away its powers under the Federal Power Act. With the added uncertainty of the Trump policies, this is not the time to give up hard-won state powers and protections.

This is an extremely complex legal and policy discussion. A detailed examination of SB 540 will demonstrate that it undermines California's renewable portfolio standard (RPS); it undermines our commitment to carbon reduction programs, including VCEA's commitment to clean energy; it renders much more difficult our efforts to get control of

retail electric rates driven in part by the CAISO's (and FERC's) approach to price formation in wholesale energy markets (the single price auction and scarcity pricing). The risks are great; the promised reward – increased access to wholesale energy elsewhere in the West – is illusory because we already have access (both physical and commercial) to regional energy supplies and have had for sixty years. We gain nothing and lose a lot if Pathways moves forward.

Valley Clean Energy is facing many challenges, mostly stemming from the current CPUC's policies on "resource adequacy" and its war on distributed energy resources (DERs) and rooftop solar. The Pathways proposal and its underlying assumption that CA should go big – that we should get in bed with the hedge funds and Enron offspring – is not the answer to these challenges.

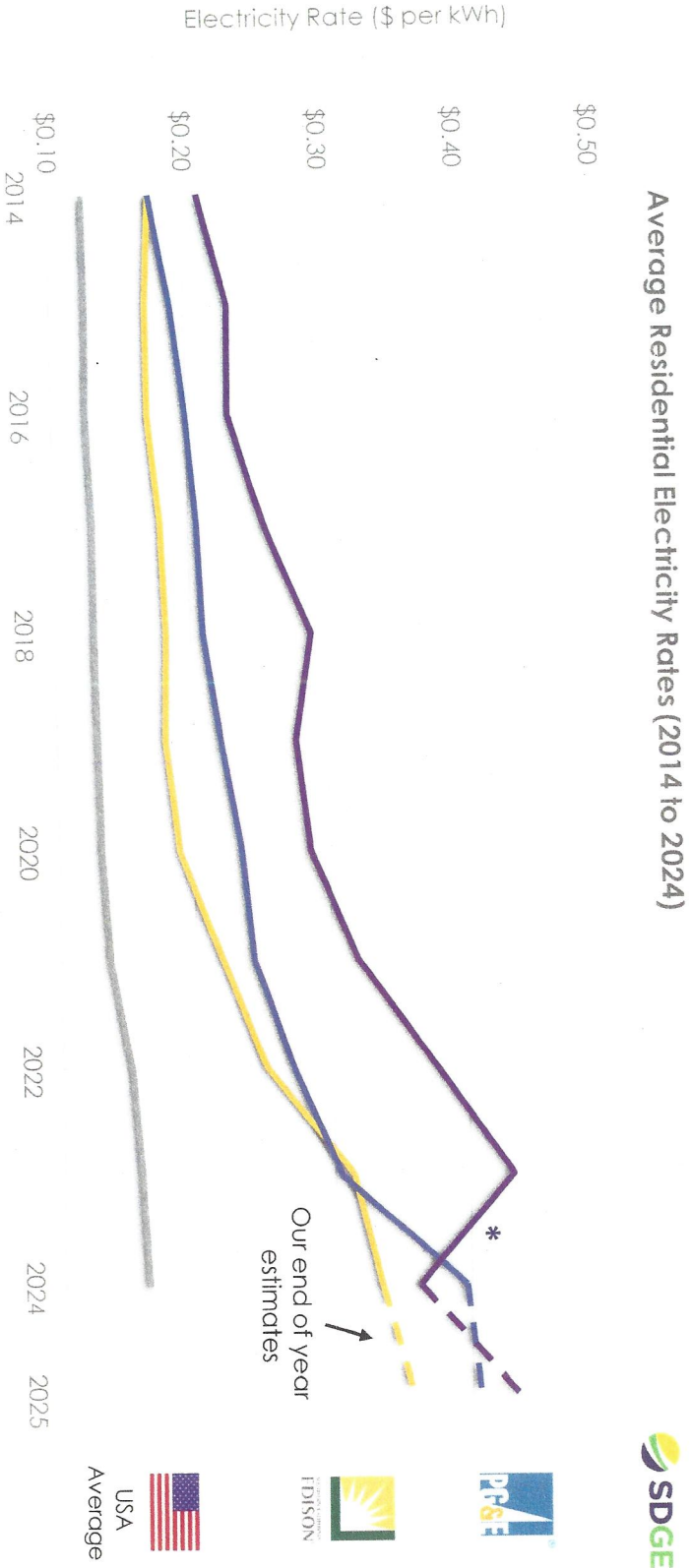
Let's have the discussion and move forward. SB 540 has not been set for hearing in the first policy committee; it is doubled-referred in the Senate (Energy and Judiciary) so there is time to have a robust discussion and take a reasoned decision.

VCEA should stand up.

April 9, 2025

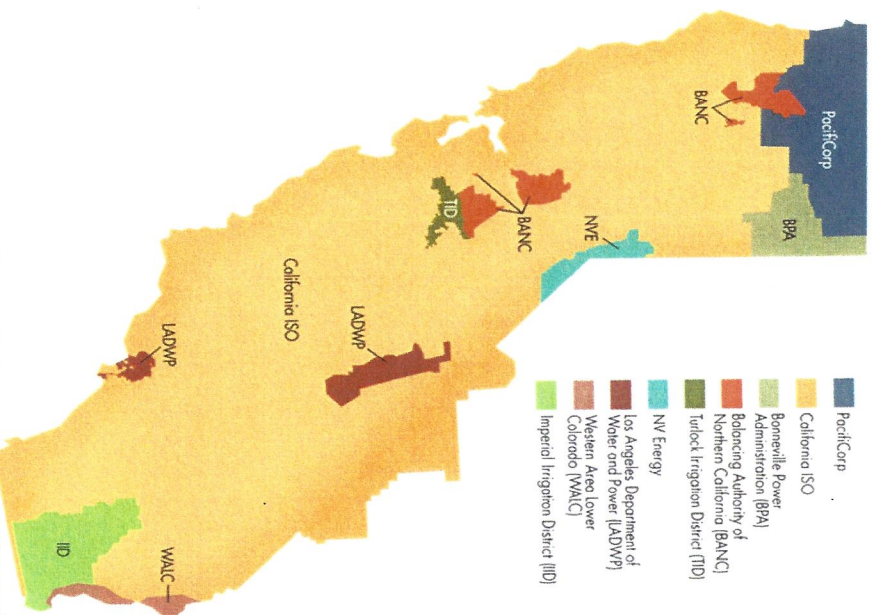
Verbal Public Comment: Bill Julian Item 6 of Board 4/10/25 Meeting  
 Hand Outs Apache

Residential electricity rates have nearly doubled in California over the last decade



\*SDG&E rates fell 1.6% from Jan 2023 due to many factors such as one-time refunds from overcollections. Rates expected to rebound by end of 2024.  
 2024 USA Average Values Based on Q3 2023 data, the latest for which there was available information at the time of Publication.  
 CA rates represent residential average rates excluding California Climate Credit. Future estimates may be conservative as they only include pending applications.  
 Source: Investor-Owned Utility Advice Letters (California Rates) & Energy Information Administration (USA Average)

## CA Law Requires ISO Accountability to CA Consumers to Minimize Costs, Protect the Environment & Maximize Available Electricity to CA

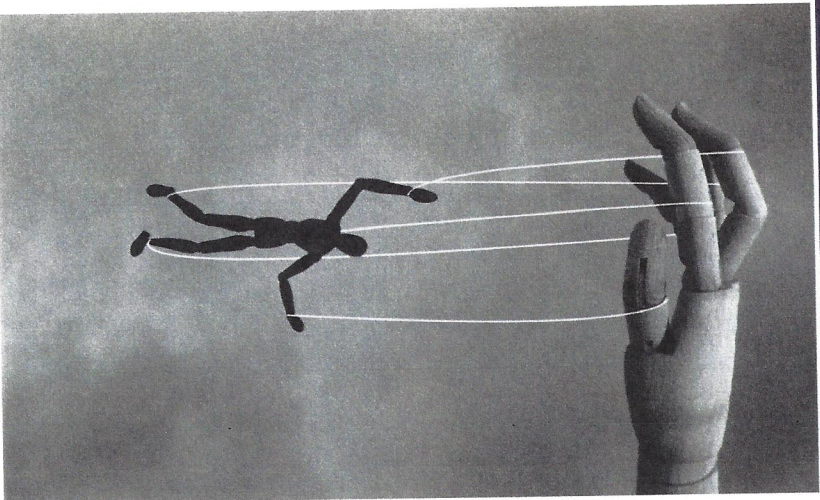


Source: California Independent System Operator ([CAISO](https://www.caiso.com/))

- CAISO runs both our electricity markets & our transmission grid, following both CA & Federal law (as a single state RTO)
- Section 345.5(b) mandates that CAISO “shall manage the transmission grid and related energy markets in a manner consistent with:”
  1. “Reducing . . . overall economic cost to the state’s consumers” (b)(2) & “minimiz[ing] cost impact on ratepayers. . . .”(b)(5)
  2. “Applicable state law intended to protect the public’s health and the environment.” (b)(3)
  3. “Maximizing availability of existing electricity generation resources necessary to meet the needs of the state’s electricity consumers.” (b)(4)
- CAISO, a state-created *CA public benefits corp. has specific duties to CA* (§§ 341 & 345.5) *that provide accountability*, with AG & Legislative oversight. CAISO board members answer to California. (Sec. 337)



# CAISO will answer to the RO, a Delaware Corp, side-stepping CA mandates to reduce costs & maximize electricity to CA



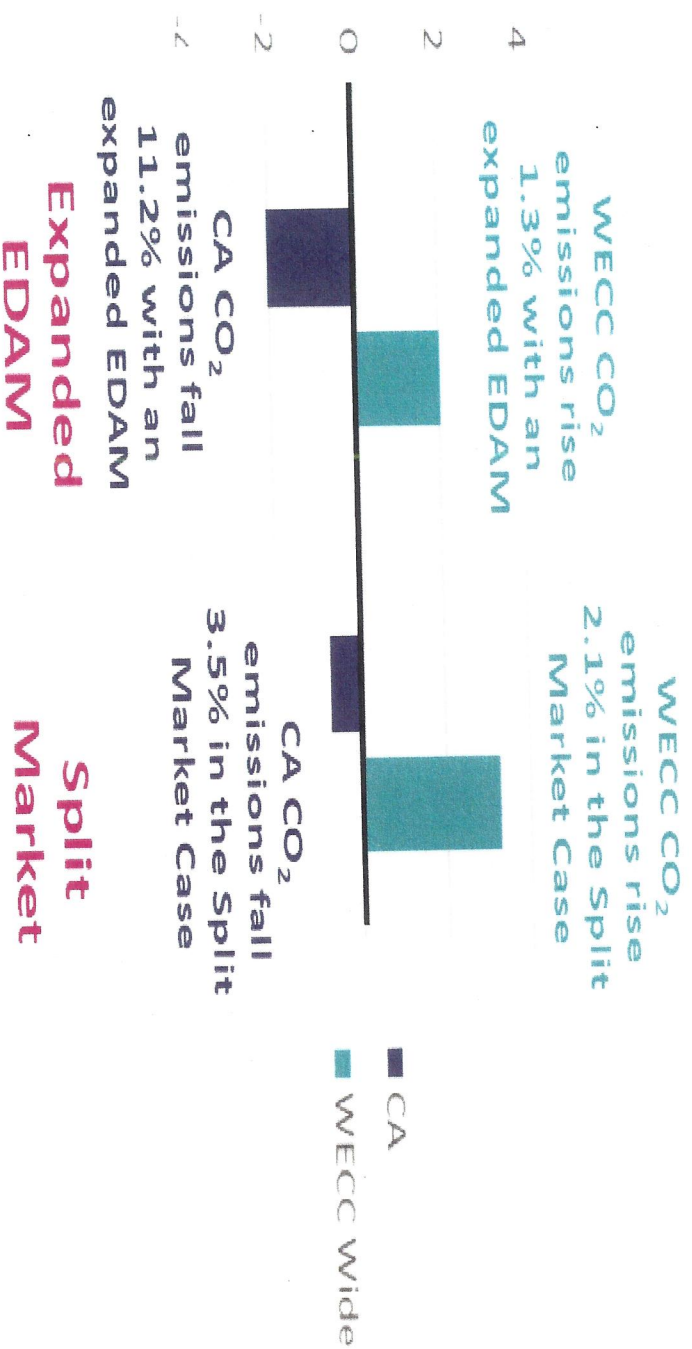
SB 540 allows the CAISO in 2027 to give away all decision-making power over electricity markets & grid operation rules & eviscerates the legal protections against FERC that CA won in Court.

- The CAISO Board can “use energy markets governed by an independent regional organization” “In lieu of the Independent System Operator managing related energy markets as provided in subdivision (b) of Section 345.5” (sec. 345.6(a))
  - No legal meaning of “use energy markets” will create years of litigation
- “In lieu of” means that CAISO can choose to NOT FOLLOW the requirements of Sec. 345.5 (b) to:
  - “Reduce[] . . . overall economic cost to the state’s consumers” (b)(2) & “minimize cost impact on ratepayers. . . .” (b)(5)
  - To comply with “Applicable state law intended to protect the public’s health and the environment.” (b)(3)
  - “Maximizing availability of existing electricity generation resources necessary to meet the needs of the state’s electricity consumers.” (b)(4)

# Brattle Group Study Details that Expanded Electricity Markets Increase Climate Emissions in Western U.S.

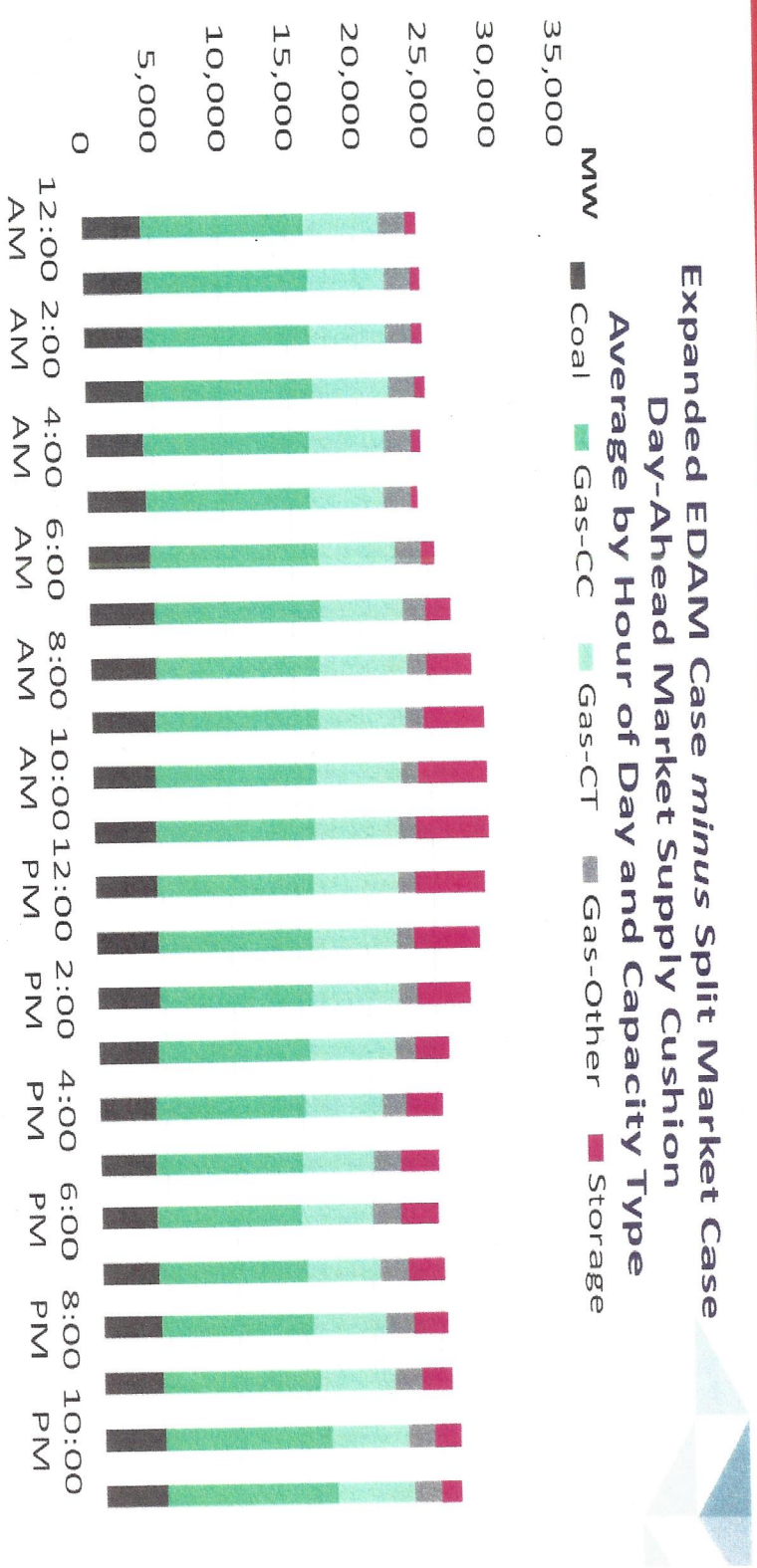
## CA Emissions Shifted to Other States under Pathways

### Change in CO<sub>2</sub> Emissions





# Brattle Group Study Shows that Any Added Market “Reliability” Comes From Out-of-State Coal and Gas Plants

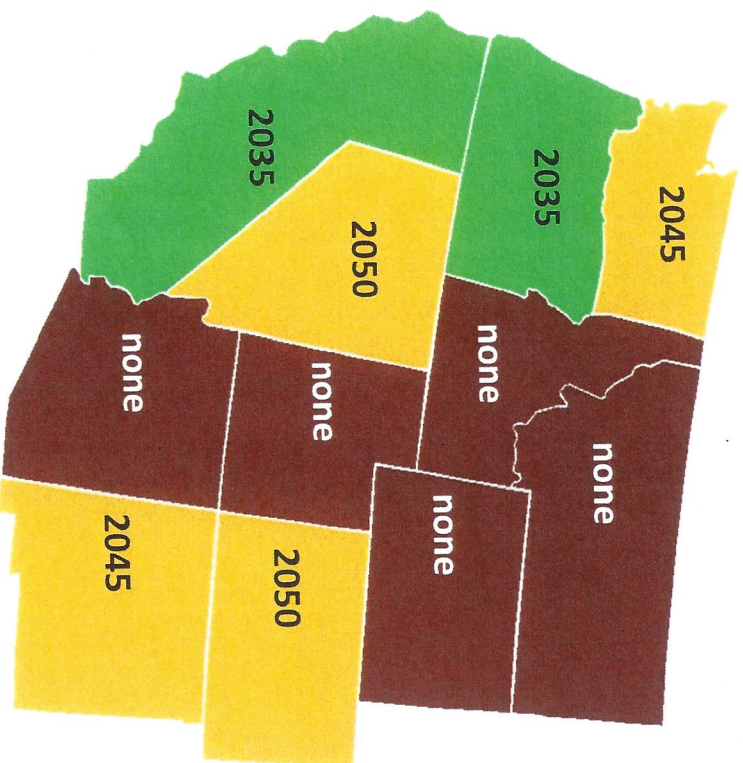


- The supply cushion is ~25,000 MW more in the Extended EDAM case than the Split Market case.



# SB 540 Yolks CA to Other Western States That Do Not Share CA's Ambitious Climate Goals

## 100% and 90% Carbon Free Electricity Targets



Clean Electricity Target Dates		
State	Target Date 90% Clean	Target Date 100% Clean
WA	none	2045
ID	none	none
OR	2035	2040
MT	none	none
CA	2035	2045
NM	none	2045
CO	none	2050
NV	none	2050
AZ	none	none
WY	none	none
UT	none	none

**Source Data:** <https://www.epa.gov/clean-energy/clean-energy-states-alliance>, <https://www.epa.gov/energy/filing-a-state-climate-action-plan>

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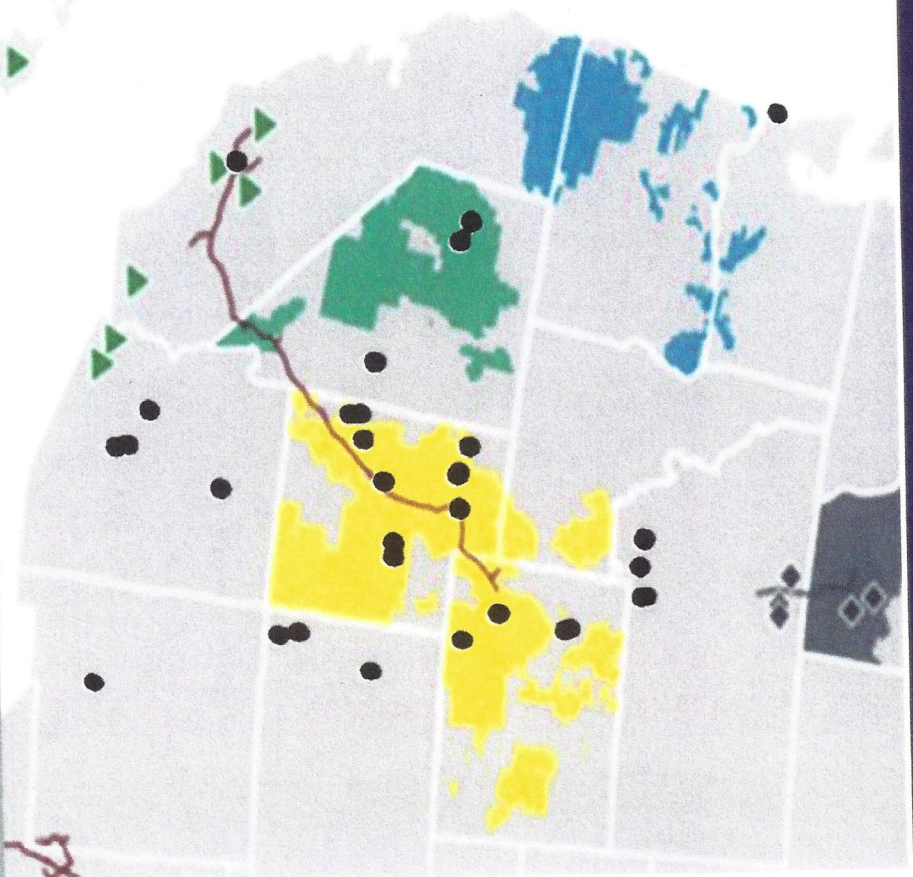
Filing a State Climate Action Plan as required to receive EPA federal grant funding does not equal making a commitment to clean electricity.. WY, ID & UT have no Climate Action Plan. Whatsoever.



# Berkshire Hathaway Coal + Fossil Assets Pervade the West



## ● Coal-Fired Generators



Source Data:

- Berkshire Hathaway Energy,



# California Buys & Sell Electricity Throughout the West Without Ceding Power to a Regional Operator

## A Regional Market Operator is Not Needed for CA to Access Out-Of-State Renewable Energy

- Power is bought & sold across the western United States throughout the Western Electric Coordinating Council (WECC) region. California has participated in WECC for decades & trades power throughout the WECC every day.
- California owns significant out of state electricity resources and maintains long-term contracts for the right to buy substantial power in AZ, NM, the Northwest & other states.
- California already obtains renewable energy through bilateral agreements, ownership rights & CAISO's market without compromising state authority.

