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December 8, 2022

Drew Bohan, Executive Director
California Energy Commission
1516 9th Street
Sacramento, CA 95814

Dear Executive Director Bohan:

In a letter dated September 23, 2022, the California Energy Commission (CEC), pursuant to Public Resources Code (PRC) section 25711.5 (h)(2)(A), notified the Joint Legislative Budget Committee (JLBC) that it is preparing to enter into a sole source agreement with the National Offshore Wind Research and Development Consortium (NOWRDC). According to the letter, the agreement would implement an offshore wind research and development program and allocate up to \$10 million in Electric Program Investment Charge (EPIC) funds, with \$1 million in funding immediately available. The balance of \$9 million would be available contingent upon the CEC's approval.

NOWRDC is a nationally focused, not-for-profit organization that works in collaboration with industry, state and federal governments to support research and development to reduce the costs and risks of offshore wind energy projects while maximizing economic benefits. NOWRDC was initially funded primarily by the United States Department of Energy (DOE) and the New York State Energy Research and Development Authority (NYSERDA) and supported by key offshore wind industry stakeholders and research institutions. Under the proposed sole source agreement, the funds provided by the CEC would leverage other federal and other states' funding and be used for a block grant administered by NOWRDC.

Pursuant to PRC section 25711.5 (a), the EPIC program requires funds be awarded for research, development, and demonstration projects that benefit California electricity ratepayers. As mentioned earlier, the CEC is proposing to provide up to \$10 million from the EPIC program over a 51-month period. Allowing a nationally focused, not-for-profit organization to award California electric ratepayer funds for research and development is a non-traditional approach to provide grant funding from EPIC. Therefore, I believe it is important to make certain there are appropriate levels of accountability and oversight to ensure the funds are being used as required by statute and in the best interest of ratepayers.

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After having discussions with the CEC, the following changes have been agreed to by the CEC and will improve the sole-source agreement and the scope of work:

- 1) The CEC will require NOWRDC, as part of the grant scoring process, to provide additional weight to grant proposals that spend funds within California.
- 2) The scope of work will be revised to include language that clearly states that the CEC has the final approval of any proposed awards that include EPIC funds. Citations in the scope of work that reference “input from the CEC” will be revised to read “input and approval from the CEC.”
- 3) The CEC will amend the scope of work to refine the definition of “Ratepayer Benefit” by including more specificity. Commission staff has agreed to include the definition developed by the Public Utilities Commission along with explicitly stating that grants must benefit California ratepayers and demonstrate they are for projects that reflect conditions applicable for California projects (such as floating off shore wind vs. fixed bottom).
- 4) The CEC has agreed to reduce the amount of ratepayer funds allocated to the block grant program administered by NOWRDC. Instead of an initial \$1 million and an additional \$9 million, for a total of \$10 million, the CEC will earmark up to \$5 million. After the initial \$5 million has been awarded, the CEC can submit a second notification to the JLBC to request authorization to spend an additional \$5 million pursuant to PRC 25711.5 (h)(2)(A), if it determines further research and development will help advance offshore wind energy in California.
- 5) Finally, as part of the Electric Program Investment Charge Annual Report, the CEC will include details on how the \$5 million in grants helped advance California’s goals for offshore wind energy production. The report will be provided to the JLBC at least 60 days prior to requesting any additional funding.

I believe offshore wind projects have significant potential in helping meet California’s future energy needs. Investing EPIC funds can help advance development of such projects but we need to ensure that these funds are used for their intended purpose and to benefit California ratepayers. With the proposed changes to the scope of work and the reduction in the amount allocated to the block grant program, I give my approval to the sole source agreement with NOWRDC.

Sincerely,



Nancy Skinner
Chair

cc: Members of the Joint Legislative Budget Committee