

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF THE COMMISSIONER

August 6, 2012

The Honorable Edmund G. Brown
Governor of California
Sacramento, California 95814

Dear Governor Brown:

As you know, the Federal Energy Regulatory Commission has repeatedly issued orders to assist the State of California in pursuing its environmental goals related to electricity production and consumption. These orders include approving the controversial (and successful) implementation of the California Market Redesign in September 2006, scores of orders modifying the California market, orders approving major transmission projects, and orders approving interconnection policies that allow for new sources of small-scale and large-scale electric generation to connect to the transmission grid.

I am now, however, extremely concerned about the potential disruption to California's electricity market that may arise from the California Air Resources Board's (ARB) implementation of California's greenhouse gas trading plan. Such market disruption would not only seriously impact California's economy, but as the 2000-2001 energy crisis showed, such a disruption would also have major negative impacts on the economy of the West.

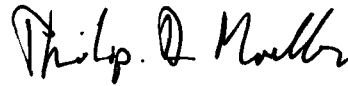
Specifically, by failing to clearly define "resource shuffling" but nevertheless prohibiting it, and by requiring energy importers to affirm, under penalty of perjury, that they have not engaged in resource shuffling, the ARB is creating uncertainty and great concern among entities that sell into California. Your state continues to depend on importing nearly 25 percent of its consumed electricity and could not maintain reliable and affordable electricity if out-of-state resources chose to avoid regulatory uncertainty by electing not to participate in the California market.

Regardless of any laudable intentions the ARB has in developing its approach to these issues, the potential ramifications to the economies of California and the Western states require extreme caution to prevent market and supply disruptions. Well-functioning markets require certainty, and the uncertainty created by ARB's approach must be rectified.

Therefore, I respectfully request that you direct ARB to suspend enforcement of the prohibition of resource shuffling until such time that the ARB clarifies rules surrounding compliance with, and enforcement of, the provision. Suggested guidance documents are not sufficient, as these do not provide the certainty needed by market participants.

I appreciate in advance your attention to this issue. The reliability and affordability of electricity in California and the rest of the West is too important to put at risk.

Sincerely,

A handwritten signature in black ink that reads "Philip D. Moeller". The signature is written in a cursive style with a large, stylized initial "P".

Philip D. Moeller
Commissioner

PDM/tb

Cc: Mary Nichols, Chair, California Air Resources Board
Michael Peevey, President, California Public Utilities Commission
Robert Weisenmiller, Chair, California Energy Commission