



California Municipal Utilities Association

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March 7, 2013

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento CA 95814

Re: Comments on Cap & Trade Auction Proceeds Investment Plan: Water Sector

Dear Chair Nichols:

On behalf of the California Municipal Utilities Association (CMUA), I am pleased to submit a few general comments on the development of the Cap-and-Trade Proceeds Investment Plan. CMUA represents most of the publicly owned utilities in the state and many wholesale and retail water agencies that deliver water to more than half the state's population. These general comments are focused on how Cap & Trade Proceeds can be strategically invested in the water sector to help reach the greenhouse gas (GHGs) reduction goals of AB 32.

Background: Water Sector Energy-GHG Reduction Has Been Clearly Established

The California Energy Commission (CEC) in its landmark 2005 white paper, *California's Water-Energy Relationship*, found that 19% of the state's electricity is used by the water sector to collect, produce, treat and/or deliver water or wastewater, or to pump, heat or otherwise use energy for indoor or outdoor uses. By including water-related programs and activities in the Investment Plan, California can yield significant savings of energy and reductions in GHGs.

As you are aware, the Governor, the Legislature, and CARB's 2008 AB 32 Scoping Plan have acknowledged the need to reduce GHGs through targeted investments in the water sector. The Governor's 2013/14 proposed state budget highlights the water sector as one of the several key investments strategies for achieving California's climate goals. AB 1532 (Perez, 2012) specifically includes water-related projects as eligible and effective investments. Finally, the water sector was included in the 2008 Scoping Plan, recommending the following high priority strategies:

- Increase water use efficiency.
- Expand the use of recycled water.
- Increase water system efficiency.
- Expand storm water reuse.

Invest in New and Existing Programs to Reduce Water Sector Emissions

CMUA believes that it is critical that the majority of water-related Investment Plan funding be awarded to local water agencies to implement local programs that will reduce energy use and associated GHG emissions. There is a number of existing Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) grant and loan programs that fund the activities listed in the water sector of the 2008 Scoping Plan. Some of these programs

include the SWRCB's recycled water low interest loan program, the SWRCB storm water grant program and the DWR's Integrated Regional Water Management Program. CMUA believes State agency grants or low interest loans should be made available for these programs, as well as other new programs that fund loans or grants for water use efficiency or conservation. One way to implement this approach might be to create a new water/GHG reduction subaccount that could fund a variety of state agency programs that mirror the action items in the 2008 Scoping Plan, as listed above. Or, through the subaccount, make funding available for new grant or loan programs that is designed to achieve similar goals.

Other Potential Program Investment Strategies to Consider

CMUA also supports the position of the Metropolitan Water District of Southern California (MWD) and the State Water Contractors, Inc., to develop a methodology for allocating auction revenues in the investment plan to MWD for its operations and DWR for the State Water Project for reducing GHGs through water conservation, recycling, storage projects, local renewable energy installations (e.g. solar), energy conservation and water efficiency efforts, among others.

CMUA also recommends funding be made available for local water agencies climate planning and implementation. To fully recognize the benefits from the significant role that the water sector and local governments play in meeting California's AB 32 climate goals, it is critical to provide some level of funding for water-related GHG reduction planning and implementation efforts. Incentivizing water agencies to plan and implement their own greenhouse gas emission reduction efforts will assist the state to reach its emission-reduction targets faster and more efficiently.

CMUA also believes it is important to fund water-related projects that maximize co-benefits. To stretch limited Investment Plan funding, California should seek to fund projects that achieve co-benefits, such as increasing water supply reliability, improving water quality, stimulating job creation and enhancing community sustainability. Climate change is already having a profound impact on water resources as evidenced by changes in snowpack, river flows and sea levels. Another co-benefit of funding water efficiency measures is that these strategies will assist California in adapting to climate change by better managing its water supplies.

Conclusion

CMUA stands ready to work with this panel, and the Legislature to assure that the water sector is included in the Cap & Trade Auction Proceeds Investment Plan and help meet California's climate change goals.

Sincerely,



Jennifer West
Director for Water