CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

915 L STREET, SUITE 1460 ● SACRAMENTO, CALIFORNIA 95814
(916) 326-5800 ● (916) 326-5810 FAX ● www.cmua.org

DAVID L. MODISETTE, EXECUTIVE DIRECTOR & CEO

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RE: CMUA'S COMMENTS ON THE JOINT AGENCY SYMPOSIUM – THE GOVERNOR'S GREENHOUSE GAS (GHG) REDUCTION GOALS

We appreciate the opportunity to provide comments following the July 9th Joint Agency Symposium to reduce GHGs. There were many points made during the symposium that may help to further reduce GHGs in California. The California Municipal Utilities Association (CMUA) provides this document to reiterate our verbal comments, and highlight responses to a few additional points made during the symposium.

As you know, CMUA represents 60 community-owned electric and water utilities. About 40 members are electric utilities, and in the aggregate we represent 25 percent of retail energy sales in California. Our members are diverse, ranging from LADWP and SMUD to midsized utilities like Roseville, Palo Alto and Riverside to very small utilities like Healdsburg, Shasta Lake, and Gridley. In fact, <u>our 26 smallest members' only represent 1.6 percent of retail energy sales in the state</u> (see Figure 1 on page 5). It is very important for the State to recognize that there is not a "one-size fits all" approach for utilities, since our small utility members have very limited resources from both a financial and staffing standpoint, and are especially challenged in meeting complex new regulatory requirements.

CMUA members in general are supportive of the Governor's commitment to address climate change and we are committed to meeting new carbon goals. We applaud the Governor's focus on carbon reduction as the primary policy driver and believe that a significant effort will be necessary to support the pillars. We also believe that utilities have a significant role in supporting the objectives under each of the pillars. It is fair to say, however, that the goals are aggressive, and the state will be challenged to meet the goals by 2030 and 2050. We believe that in order to successfully implement the Governor's goals, flexibility is necessary to ensure that carbon reduction is achieved at the lowest cost to consumers without impacting the reliability of the electric grid.

The utilities have not been sitting on the sidelines in the debate on how best to achieve these goals. For the past two years the five largest utilities have been meeting regularly on strategies to achieve carbon reduction. All of the utilities in the state are actively engaged in the legislative process.

Overall, in meeting new carbon targets, CMUA members want to ensure that implementation is done in a way that minimizes impacts to reliability; results in the lowest cost impact to our residential and business customers; and, where possible, fosters local economic development. Local economic development is vital, especially in geographic regions of the state where those communities have not rebounded from our past recession.

As an organization, CMUA members want to see the State move in a direction that allows for increased local economic growth, while addressing the following major issues:

(1) **Support Technology Neutrality:** The grid is changing because of technological advancements, and utilities are considering significant new investments in the distribution system to facilitate the expansion of distributed energy resources like roof-top solar, storage and demand response. In developing a new strategy to meet expanded renewable goals, the state should avoid establishing policies which inhibit investment in the emerging distributed grid and favor one set of technologies over another. For example, in meeting the renewable goals – the policy should not favor large scale renewables in Southern California over rooftop solar in local, midtown communities. The policy should create an equal playing field that recognizes the inherent carbon reduction benefits of both localized distributed generation and utility scale renewable projects.

(2) **Adopt a Regional Approach to Renewable Procurement:** A flexible renewable policy should recognize that California is part of a regional grid and some reduction in the current barriers to the ability to procure renewable energy in the broader Western Interconnection will provide both cost and reliability benefits. From a cost standpoint, modifying current procurement barriers will provide utilities access to potentially lower cost renewables – the savings of which will insure to the benefit of all Californians. Allowing more geographic diversity in the procurement of renewables will also provide grid operation benefits, including a reduction in renewable curtailments and integration challenges.

    One example of regional policy challenges that does not align well with state renewable energy and climate policies is a Renewable Energy Ordinance recently adopted by the Los Angeles County Board of Supervisors. This Ordinance is intended to encourage small-scale renewable projects on urban roof-tops, making it more difficult to develop large utility scale renewable projects, while banning utility scale wind projects in unincorporated areas of the County. This new policy was adopted due to local community concerns about in-state utility scale renewables development necessary to help utilities meet California's RPS goals. This is another reason why the State must embrace regional cooperation and also recognize the value of including local Distributed Energy Generation installations (such as solar roof-top energy) to count toward a "Bucket 1" or Product Content Category 1 resource within the existing RPS program, helping to further meet California's climate change goals.

(3) **Allow Flexibility in the Length of Renewable Contracts:** In meeting renewable goals, future policy should give utilities flexibility with regard to the length of renewable contracts. This will create opportunities to fill short-term renewable target shortfalls, mitigate portfolio risk, and allow consumers to benefit from advantageous pricing on shorter term renewable contracts. Under the current program, renewable contracts less than 10 years in duration are not afforded the banking treatment and therefore discouraged to the detriment of ratepayers.

(4) **Provide Non-Discriminatory Treatment Regardless of Resource Vintage:** With the emphasis on meeting aggressive carbon reduction goals, the new renewable strategy should not discriminate against renewable projects based on the age of the project. Rather the new policy should recognize the inherent carbon reduction benefits of the renewable resource rather than disfavor renewable projects commissioned prior to 2010.

(5) **Recognize that Customers are part of the Solution:** In meeting new renewable goals, utility customer renewable programs such as community solar and green pricing should be part of the solution. For example, SMUD implemented the nation's first community solar program and the utility plans to grow the current program to potentially 75 megawatts over the next several years to meet customer demand. In addition, SMUD has more than 70,000 customers enrolled in its Greenergy program which provides customers the option to pay more to ensure that <u>100 percent</u> of their electricity is sourced from renewable power. Under the current regulatory regime, publicly owned utilities (POUs) like SMUD get no credit for innovative programs such as the Greenergy program and are required to double procure renewables. The path to meeting the new renewable goals should remove the obstacles which discourage innovative customer renewable programs. Also noteworthy is that Senate Bill 43 (Chapter 413, 2013) allowed Investor Owned Utilities (IOUs) voluntary green tariff programs to subtract the renewable component associated with the green tariff from the utility's retail sales. In contrast, POUs are not afforded the same treatment.

(6) **Avoid a One-Size Fits All Approach with Energy Efficiency:** We all recognize that reducing energy use is still the best method to reduce carbon emissions. The utilities must play an important role in meeting aggressive new energy efficiency goals but there are many barriers to success, including the willingness of property owners to engage in

energy efficiency programs. CMUA members have a strong record of achieving energy efficiency results; the State should avoid an approach that dictates one-size-fits-all solutions or that overly complicates the delivery and measurement of these programs. Also, California has a very large building stock which does not meet Title 24 Codes & Standards and this represents a potential wealth of energy-efficiency opportunities. Utilities should be encouraged to develop programs to bring the existing building stock up to Title 24 standards and should be given credit for results in doing so.

(7) Support Utility Involvement in the Transportation Electrification: Any successful path to meeting California's Climate Change goals must rely heavily on switching to ultra-low carbon, alternative fuel vehicles – the bulk of which are expected to be electric powered vehicles. As the fuel supplier, electric utilities can play an important role in the adoption of transportation electrification and the State should remove disincentives to utility participation. Future policy should encourage utilities to play a role in the development of the infrastructure that will be necessary to support widespread adoption, including the installation of electric vehicle charging stations. Future policy should also recognize the net carbon benefits associated with Transportation Electrification and provide utilities with carbon allowances for any increase in load associated with electric transportation.

(8) Provide Flexibility for Unique Circumstances: While large POUs like LADWP and SMUD have greater resources and flexibility to meet new regulatory requirements, many of our members are small with limited resources. Some of our members have very unique circumstances that should be accounted for in meeting new carbon and renewable energy targets. For example, some POUs have contracted with the Federal government for non-carbon emitting hydro resources. These resources cannot be sold to others. In a very wet year, the total portfolio of hydro resources will exceed 50 percent; thus it would not be possible for these utilities to meet additional eligible renewable targets of 50 percent. A few other utilities are fully resourced through long-term contracts which may require some relief from interim targets to avoid large financial impacts to their consumers. The future policy should provide a flexible compliance approach for very small POUs and those POUs with unique operational or financial circumstances.

In closing, CMUA members look forward to working with policy makers and stakeholders in support of the Governor's vision to reduce carbon while ensuring safe, reliable and affordable electric service for all Californians.

Sincerely,

David L. Modisette
Executive Director

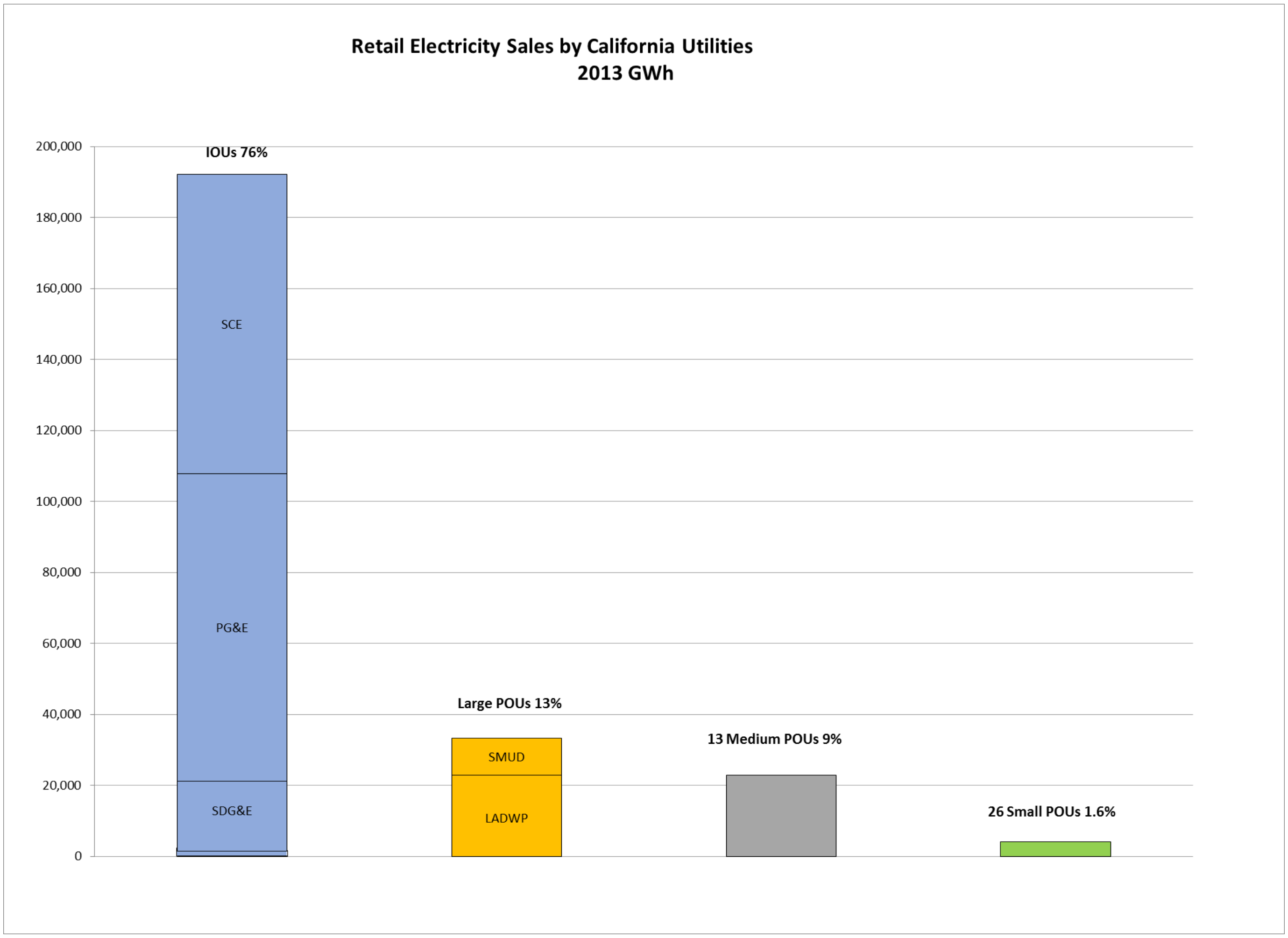

Figure 1. – Retail Electricity Sales by California's 47 Electric Utilities (GWH in 2013)