



August 31, 2015

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

RE: Cap-and-Trade Auction Proceeds Second Investment Plan

Dear Chair Nichols:

We commend you and your colleagues for your leadership and accomplishment in implementing AB-32 and bringing down greenhouse gas emissions in California. This work is critically important for the future and development of the second cap-and-trade revenue investment plan will provide important guidance going forward. I would like to offer recommendations regarding the recently issued draft concepts for development of the second investment plan for cap-and-trade revenue.

As you know, the Sonoma County Water Agency has a deep interest in programs to reduce greenhouse gas emissions and has a record of accomplishment in this area. Prior to 2005 we were a major power user consuming more than 60 million kilowatt hours of power per year. Today our annual power use is down to 37 million kilowatt hours and all of our electric power is procured from 100% carbon free sources. In 2012 we initiated an effort to bring Community Choice Aggregation to Sonoma County. Today 90% of the utility accounts in our county receive either RPS-compliant power or 100% pure geothermal power from Sonoma Clean Power. We are currently developing 12.5 megawatts of floating solar power on recycled water ponds that will feed additional local renewable energy to Sonoma Clean Power customers without negative environmental impacts.

Given our commitment and our record in this area we can offer informed comment on the draft investment plan as an agency that has experience, knowledge and accomplishment in greenhouse gas mitigation. Our recommendations for the investment plan include the following:

1. Establish an integrated grant and loan program for GHG mitigation at the local level.

Cities, counties and special districts have strategic opportunities to reduce greenhouse gas emissions by improving energy efficiency, developing Community Choice Aggregation programs, implementing residential and commercial on-bill financing programs, building renewable energy and electric vehicle infrastructure and through urban greening, improved soil management and other measures. Though

many of these programs can be cash-flow positive, the lack of funding to develop new programs, to backstop the financial risk from these programs and to bring them to full operational capacity is a limiting factor.

Existing grant and loan programs address some of these needs but may actually impede progress in developing integrated local GHG reduction programs because of the compartmental nature of the state bureaucracy. Under the state's current funding structure a comprehensive local GHG initiative would likely need funding from several state programs at several state agencies each having differing grant criteria and differing application deadlines, requirements and costs.

We urge you to consider including in the second investment plan language that places a priority on developing an integrated funding mechanism for integrated local GHG reduction initiatives. Ideally this program would bring together several state grant and loan programs in a forum that can fund multicomponent programs at the local level. It is essential that the program also foster development of regional projects encouraging groups of counties, cities, joint powers agencies and special districts to jointly apply for funding. A regional approach may also consolidate and reduce the total number of applications helping to cut the administrative burden on state agencies.

2. Provide incentives for renewable power generation in the water and wastewater sector.

In our view there is enormous potential for renewable power generation and energy storage at water and wastewater facilities in California. Projects developed at these facilities are optimal because these sites are often already disturbed from an environmental perspective and can be developed without further environmental degradation. As industrial facilities, these locations also often have large nearby power loads or power transmission infrastructure that can put new clean power to work with minimal losses.

An example would be implementation of floating solar photovoltaics. The Department of Water Resources lists more than 1200 jurisdictional dams with associated water impoundments in California. There are larger numbers of additional private, agricultural reservoirs in the state. Though a small percentage of these reservoirs are suitable for installation of floating solar panels, even a small share of these would have the likely potential for gigawatts of cost-competitive floating solar statewide.

We urge you to consider including in the second investment plan language that supports state incentives for development of all types of renewable power generation at local water and wastewater facilities.

3. Include a focus on water related energy use by residents and businesses

While the large energy use associated with water is well known, recent research indicates that more than 70% of this usage occurs on the customer side of the water meter by water users in homes and businesses. Local programs exist that have made significant progress in reducing customer side water-related energy use. Our Windsor PAYs program, for example, enrolled 36% of eligible multi-family homes in the first year of operation and delivered 10% energy use reductions and 15% water savings on average. On-bill programs like PAYs could be particularly important for disadvantaged

communities because they work well in the multi-family sector, require no up-front payment from participants and participants receive guaranteed net reductions in utility costs going forward.

We urge you to support funding to develop and implement water-energy efficiency programs at the local level that cut energy-related GHG emissions resulting from residential and commercial water uses.

Thank you for the opportunity to comment on the investment plan concepts. Again, we commend the Air Resources Board for its successful implementation of the Cap-and-Trade program and for the strategic scope of the draft concepts prepared for this discussion.

Sincerely,

A handwritten signature in black ink, appearing to read "Grant Davis". The signature is fluid and cursive, with the first name "Grant" being more prominent than the last name "Davis".

GRANT DAVIS, GENERAL MANAGER

cc: Richard Corey, Executive Officer