



California Municipal Utilities Association

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July 31, 2013

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

Dear Chairman Nichols:

On behalf of the California Municipal Utilities Association (CMUA), we are pleased to submit comments on the 2013 AB 32 Scoping Plan, specific to the water sector. CMUA represents water agencies statewide and the majority of the publicly owned electric utilities in the state. We believe that the updated Scoping Plan should be used as a roadmap to identify voluntary measures and potential legislative and regulatory actions, and possible funding or incentives by the state. Specifically, CMUA recommends that the action items and measures identified in the 2013 Scoping Plan that can show quantifiable reductions in greenhouse gas (GHG) emissions be considered for funding from the Cap and Trade General Auction Revenues and other funding sources designated for use on projects and programs that achieve GHG reductions.

General Scoping Plan Comments

CMUA is pleased that the California Air Resources Board (ARB) will be updating the Scoping Plan every five years and providing a status update to the Legislature. As with any plan, the Scoping Plan should be evaluated on a routine basis to assess and answer the following questions:

- Where is California with respect to GHG emissions reductions in 2013?
- What is the effectiveness of the measures implemented to date from the 2008 Scoping Plan in achieving GHG reductions, and what is the projected effectiveness by 2020?
- Where does California need to be by 2050?

Once the above questions are addressed in the 2013 Scoping Plan, then ARB can determine whether the existing measures need to be modified or the Scoping Plan needs to be augmented with additional measures. Based on this analysis, ARB may conclude that some of the Scoping Plan measures do not need to be implemented because the desired GHG emission reductions have been achieved.

Quantifying Emissions Reductions for Water Sector Measures

CMUA fully supports and applauds ARB for the continued inclusion of the water sector in the updates to the Scoping Plan. With more than 19 percent of the state's electricity used in the entire water cycle, there are clearly significant opportunities to reduce GHG emissions through a variety of targeted measures and actions. However, we believe protocols need to be developed to help the state verify the GHG emissions reductions to meet the state's AB 32 goals and provide water and wastewater agencies specific metrics to inform their resource management decisions. To this end, we support the recommendation provided by The Climate Registry that the state should encourage the development of a water-energy protocol and "sub-registry" within the two California recognized climate registries, The Climate Registry and the Climate Action Reserve. In fact, the California Public Utilities Commission (CPUC) recently hosted a workshop in March to discuss programs and cost-effectiveness related to the water/energy nexus. The workshop was held in response to the most recent Energy Efficiency Guidance Decision, 12-05-015, which gave direction on programs related to the water/energy nexus. CMUA understands that this initial workshop resulted in the initiation of a project to better quantify GHG emissions associated with the water/energy nexus. CMUA believes this is a good first step, but much more analysis in this area is needed.

In the 2008 Scoping Plan it was not clear how the estimated 4.8 million metric tons of GHG reductions was assigned to the water management measures (measures W-1 through W-5). Water sector emissions are often indirect emissions where actions in the water sector affect emissions in another sector such as power generation. We would suggest the inclusion of a more detailed explanation of how the emissions reduction targets are determined and assigned to each water management measure, and whether the reductions are also being accounted for within other sectors, which may result in double counting. This is especially important in that a number of water management measures overlap with other sectors such as (W-5), increased renewable energy production, which is also a major objective in the energy sector.

Review of the Specific Water Sector Measures in the 2008 Scoping Plan

As discussed above, for each measure CMUA would recommend that the 2013 Scoping Plan include what progress has been made in meeting the assigned reduction goal since 2008 and what additional uncertainties, or barriers, remain in achieving additional progress.

(W-1) Water Use Efficiency

The 2013 Scoping Plan should recognize that significant progress has been made in the area of water efficiency. One of the most significant state policy developments was the passage of SB 7X 7 (2009), which required water agencies throughout California to increase their commitment to water conservation over the next ten years to achieve the State's goal of a 20% reduction in water use by 2020. In many cases, water agencies are investing, or planning to invest, significant local resources to reduce water use and meet the requirements of SB 7X 7.

Another significant development since 2008 is the increased use of well stimulation, including hydraulic fracturing and other matrixes in California, and the planned further expansion of hydraulic fracturing with exploration of the Monterey Shale formation. Some “fracking” techniques reportedly use a great deal of water. California should monitor this hydraulic fracturing and related oil and gas development processes to ascertain how much water is used, and encourage water conservation/recycling methods be implemented wherever possible in addition to proper handling and disposal of production water.

(W-2) Water Recycling

The Scoping Plan rightly recognizes the importance of water recycling in reducing carbon emissions in the water sector. The Recycled Water Policy of the State Water Resources Control Board (SWRCB) calls for increasing the use of recycled water over 2002 levels by at least one million acre feet per year (afy) by 2020, and by at least two million afy by 2030. These advances can only be achieved if regulatory policy is updated to address recycled water as a resource (i.e., not just a waste product) and financing tools are available to fund the cost. The Scoping Plan should recognize the need for administrative and financial support for recycled water programs.

(W-3) Water System Energy Efficiency

CMUA agrees this is an important measure that should remain in the 2013 Scoping Plan.

(W-4) Reuse Urban Runoff

This measure, in part, proposes managing stormwater with the development of “green infrastructure projects,” which capture, filter, absorb, and reuse stormwater to maintain or mimic natural systems and treat runoff as a resource. CMUA agrees these types of projects can encourage stormwater infiltration into the groundwater and enhance or maintain the health of local water supplies. However, it should be recognized in the 2013 Scoping Plan that state and local regulators may create barriers to these types of projects when green infrastructure is seen as interfering with flood control and safety. Numerous agencies are often involved in the permitting of these projects and complex interagency agreements may need to be developed or renegotiated to expand the number and scope of these types of projects in the state.

(W-5) Increase Renewable Energy Production

This section and the energy sector should recognize that in 2011 the Renewable Portfolio Standard (RPS) was expanded under SB X1-2 to 33% RPS by 2020 and is, we believe, the most ambitious renewable energy standard in the country. The RPS program requires investor-owned utilities, publicly owned electric utilities, and community choice aggregators to increase procurement from eligible renewable energy resources. CMUA supports breaking down barriers that prevent water agencies from developing additional renewable energy production. However, we do not support a requirement on water agencies to come under the RPS regulatory requirements as water agencies’ energy consumption is already included in the

energy sector. Also, as mentioned above, it is not clear if the 0.9 million metric tons of CO₂e emissions (MMTCO₂e) reductions in this section would be attributable to the energy sector or the water sector, and it is important to ensure the reductions are not being double counted and that any allowance value resulting from the work be directed to the entities that actually bear the actual cost of the project.

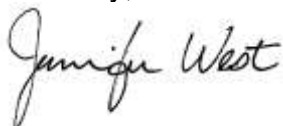
(W-6) Public Goods Charge

CMUA opposes the creation of a statewide water public goods charge. We ask that this measure be removed from the 2013 Scoping Plan because it is misplaced in the Scoping Plan and unfairly targets local water agencies. This measure has no emissions reductions associated with it and despite all sectors having significant financial needs; the Scoping Plan did not recommend a tax in any of the other sectors but water. Under the provisions of Proposition 26 (2010), it is clear the proposal would constitute a new tax – not a fee. As detailed above, water agencies across the state are currently making significant investments in local water infrastructure for conservation and water quality purposes. Additionally, water agencies, potentially more than any other public agencies, will face significant challenges mitigating the impacts of climate change and will need all additional local funding for this purpose. Some water agencies also have their own measures devoted to serving the needs of their communities and a public goods charge would take away those funds that are more effectively implemented locally. Finally, taxing water agencies will potentially waste funds as the State serves as the “middle man” administering funds and then redirecting monies back to the locals.

It should be noted that CMUA and many of its water members support and are advocating for additional financing mechanisms for water projects. These include, but are not limited to AB 1349 (Gatto), which would create the first in the nation revolving loan program for water use efficiency and conservation and AB 850 (Nazarian), which would authorize joint powers authorities to finance projects for public retail water utilities using asset-backed securities called "rate reduction bonds."

CMUA appreciates the opportunity to comment on the 2013 Scoping Plan. We look forward to working with you, the SWRCB, the CPUC and other agencies in developing a cost-effective 2013 Scoping Plan with measures that reduce GHGs without impacting the current financial challenges many of our members face in providing clean water to 34 million Californians.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer West".

Jennifer West
Director for Water