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July 30, 2013

Ms. Edie Chang
Deputy Executive Officer
Air Resources Board
1001 I Street
Sacramento, CA 95812-4025

Re: 2013 AB 32 Scoping Plan Update

Dear Ms. Chang:

Please accept the following comments from the City of Visalia ("City") on the AB 32 Scoping Plan Update, and the eventual investment of Cap-and-Trade proceeds. The City appreciates the opportunity to be involved in this important public process, including the opportunity for engagement presented through the July 18, 2013 Regional Workshop in Fresno. The Central Valley presents a very unique set of challenges and opportunities, and we hope those opportunities are fairly represented in the AB 32 Scoping Plan Update.

- **The Energy Sector strategy should include the investment of additional funds in the California Energy Commission's low-interest revolving loan fund to assist with the State's goal of energy efficiency and renewable energy.** The State would realize administrative efficiencies since the program already exists, and this investment would allow for ongoing energy efficiency and clean energy projects since it is a revolving loan fund. This investment falls under the "Energy Efficiency and Clean Energy" investment category of the Cap-and-Trade Investment Plan, and would achieve the statute's goal of reduced greenhouse gas (GHG) emissions and complementing efforts to improve air quality.

The City of Visalia currently has a \$500,000 loan from the California Energy Commission for the implementation of energy efficiency measures at 19 city-owned facilities. The loan will result in a savings of approximately 800,000 kWhs per year, and has an average payback period of 3.52 years. The reduction in kWh represents reduced GHG emissions of approximately 284 metric tons of CO₂e annually. This partnership is an exemplary example of how a short-term investment of funding can reduce GHG emissions, save energy, and support revolving funds for ongoing impact.

- **The Energy Sector strategy should focus on regulatory and tariff challenges causing delays to implementation of distributed generation projects, including system size limitations on Net Energy Metering (NEM).** The City is currently implementing an upgrade to our Water Conservation Plant (WCP), which includes the implementation of 750 kW of microturbines and at least 1 MW of solar. Based on the annual consumption, the WCP could utilize approximately 5 MW of solar energy. However, due to the time-of-use challenges and limitations on NEM, the system can only be sized based on average usage. NEM only allows for 1 MW of renewable energy, and systems over that threshold are installed under Rule 21 non-export. Rule 21 requires

that all energy generated be used on-site, and does not allow for any energy to feed into the grid. This substantially hinders the City's ability to utilize renewable energy on-site, as it is a 24-hour operation with consistent energy use patterns over the 24-hour period. The solar can only be sized to offset energy consumption while it is producing, and not to offset the 24-hour consumption of the WCP. Due to this limitation, the City is missing the opportunity to reduce GHG emissions by an additional 2,648 metric tons CO₂e annually, which is the approximate emissions reduction that would result from the installation of an additional 4 MW of renewable energy through NEM. The City is willing to explore installation of enough renewable energy to support all of the WCP's electrical consumption, but NEM would need to be increased to account for the time-of-use consumption patterns at the WCP.

In addition to the size limitations imposed under NEM, the AB 32 Scoping Plan Update should include the allocation of additional resources to identify other barriers to the utilization of renewable energy through distributed generation. Other barriers include, but are not limited to, the investor-owned utilities' (IOUs) ability to deny projects proposed under existing tariff programs, such as the Local Government Renewable Energy Self-Generation Bill Credit Transfer Program (RES-BCT), expensive interconnection studies, and the IOU's inability to interconnect renewable energy projects in a reasonable amount of time.

- **The Water Sector of the AB 32 Scoping Plan Update should recognize the water-energy nexus, and include funding priority for projects that result in reduced electrical consumption to collect, clean, move, store, and dispose of water.** Priority could be reflected by increasing the NEM project size limitations for projects providing electricity to collect, clean, move, store, and dispose of water, and by providing additional funding and/or funding preference in other programs for these types of projects.
- **If the Waste Sector of the AB 32 Scoping Plan Update includes financial incentives for recycling manufacturing & composting/anaerobic digestion infrastructure, preference should be given for projects within close proximity to the source.** At the July 18, 2013 Regional Workshop in Fresno, the Waste Sector presentation included a potential implementation mechanism of "financial incentives for recycling manufacturing & composting/anaerobic digestion infrastructure." If financial incentives are provided, ARB should consider including a preference for projects in close proximity to the waste stream to mitigate other impacts of the improvements, such as additional transportation and adverse air quality impacts.

Please feel free to contact Betsy McGovern-Garcia at betsy.garcia@ci.visalia.ca.us or (559) 713-4538 if you have any questions about the City's feedback on the development of the AB 32 Scoping Plan Update.

Sincerely,



Steve Salomon
City Manager

CC: Visalia City Council