

March 8, 2013

Mary Nichols, Chair  
California Air Resources Board  
1001 I Street  
P.O. Box 2815  
Sacramento, CA 95812

**Re: Sacramento Municipal Utility District's Comments on Potential Uses  
Of Cap and Trade Auction Revenue and Draft Concept Paper**

SMUD appreciates the opportunity to comment on the "Cap and Trade Auction Proceeds Investment Plan – Draft Concept Paper", and the variety of investment topics discussed at the February 25<sup>th</sup> workshop regarding potential uses of State revenues from the auction of Cap and Trade allowances. SMUD generally supports the direction outlined in the concept paper, and thanks ARB/CalEPA staff for their hard work to this point.

SMUD agrees that it is appropriate to fund appropriate projects involving local governments, including the cities and counties that we serve, such as providing support for development of and implementation of Climate Action Plans, Sustainable Communities Strategies, or other formal plans or programs intended to reduce GHG emissions through energy efficiency, clean energy, and other local opportunities. In today's economic times, many local governments are in need of funding support for efforts to develop these plans, and for undertaking the active implementation of the GHG reduction programs addressed in them. SMUD's Board has adopted a policy of reducing the GHG emissions associated with providing electricity to our retail customers to just 10% of our 1990 level by the year 2050, and we appreciate programs undertaken by our local cities and counties that can help to achieve this goal. SMUD believes that it is important to utilize local governments or existing regional collaborations to help administer the State's GHG proceeds so that this funding can be implemented quickly and consistently across a region. SMUD further believes that funding local government planning and/or project implementation projects that align with each Metropolitan Planning Organizations' Sustainable Communities Strategies will be critical to meeting the regional greenhouse gas reduction targets required by SB375.

SMUD believes that an important and appropriate use of funding is to continue and to expand programs aiming to save or shift energy and reduce commensurate emissions from energy use. While there are many ways that utilities and local governments are currently working to save energy, increasing those efforts in certain markets with the state's long-term carbon goals in mind may be warranted. A few examples of programs that could be funded here include:

- **Deep Energy Retrofit Market:** SMUD would collaborate with local governments to target 30% or greater efficiency improvements in at least 1,000 homes per year over the next 3 years. The effort would strive to reach a significant portion of homes sold each year in the region, as well as homes that undergo substantial remodels, by reaching out to new partners including the real estate industry, appraisers, energy efficient mortgage providers, and contractors with a whole-house approach.
- **Regional LED Streetlight Replacement:** A regional effort to pool the collective purchasing power and demand of Sacramento County local jurisdictions to procure LED streetlights would reduce project costs and maximize other benefits resulting in a immediate and reliable GHG emission reductions. The Sacramento Area Climate Partnership's 2011 GHG Forecast and Reduction Measure Analysis estimated a feasible reduction of 1385 MT CO<sub>2</sub>e by 2020 for streetlighting and traffic signal retrofits. Widespread adoption of these types of programs could help transform the market for this technology and leverage much larger emissions reductions in the future.
- **Regional Water Conservation & System Efficiencies:** Improvements in water use efficiency offers significant local government operational and energy efficiencies and commensurate climate benefits. SMUD is currently working with the Regional Water Authority to plan an energy assessment which will identify and optimize efficiency and renewable generation opportunities across multiple independent local water districts. Projects may include accelerated installation of high efficiency pumps, variable frequency drives and hydro-kinetic devices. Regional evaluations such as this could identify opportunities that might go unnoticed by an individual water agency, and also may open up opportunities for reduced pricing of high efficiency devices if significant combined purchases are possible.
- **Electric Transportation:** SMUD supports projects to collaborate on electric vehicle infrastructure implementation such as the local Take Charge effort, which includes outreach work to increase regional knowledge, receptivity and acquisition of PEVs, and a two-year plan to develop supporting infrastructure, which includes estimating demand for and siting of public PEV charging infrastructure; incentives for consumer and fleet PEV purchases, leases and car-share programs; and removing barriers for PEVs in multi-unit dwellings and workplace settings. Enhancing the resources available to support planning and procurement efforts such as this one will help increase the adoption of PEV's in Sacramento and across the state.

SMUD also suggests that one factor that should be included, to the extent possible, as the State uses auction proceeds for a variety of GHG mitigation programs is how much the programs also helps a community prepare for the physical impacts of climate change. For example, land-use projects such as establishing wetlands can both

capture carbon and provide for a land-use buffer to protect against increased flooding risk due to climate change.

SMUD recommends that as the State allocates auction revenues to these and other projects in collaboration with the local utility or electricity distribution company as programs are designed and implemented should be a key consideration. Utilities certainly have a degree of experience in these programs over time, and can contribute to making programs more effective as they are designed and implemented.

SMUD again appreciates the opportunity to comment on the Concept Plan and the potential use of State auction revenues, and urges consideration of the comments described above.

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/s/

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cc: Corporate Files