



# CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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JERRY JORDAN, Executive Director

**Date:** August 1, 2008

**To:** California Air Resources Board and Staff

**From:** Jerry Jordan, Executive Director  
California Municipal Utilities Association

**Re:** Comments on the Draft Scoping Plan (June 2008 Discussion Draft)

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The California Municipal Utilities Association (CMUA) is the statewide association that represents publicly-owned utilities throughout California, and submits these Comments on behalf of its members.<sup>1</sup> CMUA members are local public agencies in California that provide water, gas, and electricity service to California consumers. CMUA membership includes 43 electric distribution systems and other public agencies directly involved in the electricity industry. In total, CMUA members provide electricity to approximately 25-30 percent of the population in California.

These comments pertain only to the Draft Scoping Plan (Plan) issued by the California Air Resources Board (ARB) in June 2008. CMUA expects to file separate comments on August 11, 2008, in response to the material presented by ARB in the Plan's Appendices. CMUA will not comment on Section II.C.2 or Section III of the Plan since they deal with the costs and benefits. CMUA expects to provide comments on these sections after ARB releases the supplementary materials on economic, environmental, and public health impacts.

## Introduction to CMUA's Comments

The Plan declares that, "[t]he Scoping Plan, even after Board approval, will remain a *plan*. The measures in the Scoping Plan must be adopted through the normal rulemaking process, with the necessary public input. In some cases, legislative action may be necessary." (Draft Scoping Plan at 6).

<sup>1</sup> CMUA electric utility members are the Cities of Alameda, Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Corona, Glendale, Gridley, Healdsburg, Hercules, Lodi, Lompoc, Los Angeles, Needles, Palo Alto, Pasadena, Pittsburg, Rancho Cucamonga, Redding, Riverside, Roseville, Santa Clara, Shasta Lake, Ukiah, and Vernon, as well as the Imperial, Merced, Modesto, Turlock Irrigation Districts, the Northern California Power Agency, Southern California Public Power Authority, Transmission Agency of Northern California, Lassen Municipal Utility District, Power and Water Resources Pooling Authority, Sacramento Municipal Utility District, the Trinity and Truckee Donner Public Utility Districts, the Metropolitan Water District of Southern California, and the City and County of San Francisco, Hetch-Hetchy.

In regard to emission reduction measures, the Plan states that “ARB will continue to evaluate the measures presented in this chapter, including analyses of their economic costs and economic, environmental, and public health benefits. As ARB develops the Proposed Scoping Plan and regulations to implement specific measures, the details of the specific measures will evolve.” (Draft Scoping Plan at 14).

On the one hand, the fact that the Plan contains few details or mechanics of how the cap-and-trade program will work makes it very difficult to comment on the overall efficacy of the Plan. On the other hand, CMUA recognizes that the Plan is not a set of regulations and the preliminary recommendations presented in the Plan will be subject to processes including workshops, staff proposals, formal 45-day language, and input from all interested stakeholders. CMUA looks forward to actively participating in those processes.

With that said, CMUA offers the following recommendations to amend the scope of measures included in the Plan. CMUA notes several areas in which the Plan should be expanded so that stakeholders will have a full and fair opportunity to explore viable measures for achieving cost-effective emission reductions. CMUA also recommends the deletion of one measure.

### **Section II.B - CMUA’s recommendations for emission reduction measures**

- Section II.B.1, Cap-and-trade linked to the Western Climate Initiative: The Plan’s scope must be expanded to consider the efficacy and economic value of a “mandatory cap – voluntary trade” mechanism.
  - CMUA supports a program design permitting an entity in a capped sector to achieve its AB 32 goal purely through direct emission reduction measures. CMUA supports the imposition of a *mandatory* cap for achieving GHG emissions reductions. A market-based system, if adopted by ARB, should be a *voluntary* trading mechanism that is available to capped entities needing additional reductions. By including these two concepts into the Scoping Plan, ARB will both encourage and enable discourse on methods for entities within the capped sectors to select the most cost-effective and technologically feasible means for reducing their GHG emissions. CMUA notes that on its face, the Plan doesn’t indicate that ARB will be evaluating any program design similar to CMUA’s proposal. CMUA strongly urges its inclusion.
  - AB 32 requires the Scoping Plan to identify and make recommendations on measures, mechanisms, and incentives for sources and categories of sources that ARB “finds are necessary or desirable to facilitate the achievement of the maximum feasible and cost-effective reductions of greenhouse gas emissions by 2020.” (Health & Safety Code Section 38561(b)). In making these recommendations, ARB must “consider all relevant information pertaining to greenhouse gas emissions reduction programs in other states, localities, and nations, including the northeastern states of the United States, Canada, and the European Union.” (Health & Safety Code Section 38561(c)). There are several current examples of emission trading mechanisms in which trading takes place in the commercial marketplace (i.e., the secondary market). The relevant regulatory authority doesn’t mandate any particular method of trading emissions allowances or credits. In some cases, the transfers may be registered, but market participants

may negotiate a price and select the trading mechanism. There are several types of trading mechanisms being used with bilateral contracts being fairly common. It is too early in the process for the Scoping Plan to reject the consideration of “all relevant information” from these programs.

- ARB should consider and be prepared to adopt program design options that, based on the record, may be shown to achieve the maximum technologically feasible and cost-effective emission reductions required under AB 32. ARB should expand the scope of its rulemaking to include an evidence-based evaluation of proposals that will not require participation in a market-based program. The Plan states that California will transition to a low carbon future by “harnessing the ingenuity and creativity of our society . . . .” (Draft Scoping Plan at ES-8). The expanded scope as recommended by CMUA will provide an opportunity to properly consider such innovative thought by evaluating emission reduction design options that may not depend upon a mandatory trading mechanism.
- For the electricity sector, AB 32 requires the Scoping Plan to consider “energy related matters including, but not limited to, electrical generation, *load based-standards or requirements*, [and] the provision of reliable and affordable electrical service . . . .” (Health & Safety Code Section 38561(a) (emphasis added)). For this reason, the Scoping Plan must not preclude evaluating different program design options such as a mandatory cap-voluntary trade mechanism using load-based standards.
- The Plan stated that ARB’s primary mandate is to protect public health and so ARB must consider the Plan’s potential effects on criteria pollutants and toxic contaminants (Draft Scoping Plan at 10). ARB stated that, besides market-based mechanisms, it will evaluate “related program design issues” for their economic, environmental, and public health effects. This presents another reason why ARB must expand the scope to include an evaluation of design proposals using direct reductions that may “provide both cost-effective GHG reductions and localized air quality benefits” without relying upon any market-based schemes.
- Section II.B.3, Energy Efficiency: The Plan’s scope should be expanded to include ARB’s direct consultation with local agencies in regard to energy efficiency measures.
  - The POU’s recognize that energy efficiency is an essential tool for reducing GHG emissions. The Plan presents a single number (32,000 GWh) as a statewide target that includes both POU’s and investor owned electric utilities (Draft Scoping Plan at 21). The Plan also states that ARB will work with the California Energy Commission (CEC) and the California Public Utilities Commission (CPUC) to facilitate partnerships for achieving these energy efficiency goals. The Plan does not clearly state that ARB will also consult with the local governing authorities in regard to the POU’s energy efficiency efforts.
  - AB 32 requires ARB to “consult with all state agencies with jurisdiction over sources of greenhouse gases . . . on all elements of its plan that pertain to energy related matters . . . .” (Health & Safety Code Section 38561(a)). Local governments, are agencies of the State of California, and also have jurisdiction over many sources of greenhouse gases. So, in line with the requirements of

Health & Safety Code Section 38561(c) discussed above, ARB should consult directly with local governments (e.g., POU) in evaluating energy efficiency opportunities.

- CMUA recommends that the Scoping Plan should acknowledge that POU, as core departments within local governments, have unique opportunities to collaborate with other local agencies to capture synergies in achieving overall local *and* regional goals. ARB should expand the Plan's scope to consider the opportunity for local and regional collaboration in achieving energy efficiency by POU.
- CMUA understands that the CPUC wishes to present its Draft Strategic Plan for Energy Efficiency to ARB before ARB approves the Scoping Plan in November. The CPUC has not identified any language in the Draft Scoping Plan that would prohibit any of the programs or projects proposed in the Strategic Plan to move forward. In fact, the Draft Scoping Plan suggests ARB will consider a wide variety of programs to achieve the State's energy efficiency goals. CMUA does not support rushing an inadequately vetted proposal with admitted shortcomings to ARB. For reference, CMUA's comments on the Draft Strategic Plan filed with the CPUC are included as Attachment A herein.
- Section II.B.4, Renewable Portfolio Standards: The Scoping Plan must acknowledge the logistical, legal, and regulatory barriers to renewable resource development and encourage the appropriate State action to remove those barriers.
  - The POU recognize that renewable power is another essential tool for reducing GHG emissions. As was the case in the Plan's section on energy efficiency, the Plan offers a single target value (33% by 2020) that applies to all POU and IOU. (Draft Scoping Plan at 24) The CEC has recognized that many POU have either met the 33% target or adopted goals at least as stringent. Yet, CMUA is concerned that a rigid, monolithic approach will inhibit some retail providers from achieving the required emission reductions in the most cost-effective manner. As discussed below, CMUA believes that State action is required to enable the expansion of renewable resource development.
    - The Scoping Plan must recognize that California has many logistical, legal, and regulatory barriers to increasing the amount of renewable resources available to California's retail electricity providers. Integral to achieving this goal, is appropriate action by the relevant state agencies to remove all the barriers. These actions may include updating transmission siting processes or updating CEQA processes to put a proper emphasis on GHG reductions from siting new renewable generation. California may also provide incentives for renewable resource development by considering tax rebates or implementing educational programs to prepare Californians for work in the kinds of facilities comprising a new green economy. ARB, through the Scoping Plan, should demonstrate leadership in proposing such dramatic actions by the State. These issues are very important to POU, in particular, since they have smaller service areas that are located across California with dramatically different climates, different

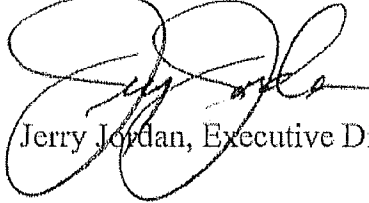
access to transmission capacity, and different access to the range of renewable resource types.

- The Plan must recognize and consider grid reliability issues as it evaluates recommendations for an RPS. This issue is of key importance and can hardly be over-emphasized in the Scoping Plan. Resource adequacy and preparing for reliable service is not a short term event. Public Utilities Code Section 9620 requires each retail electricity provider, through its respective local regulatory authority, to reliably serve its customers by procuring sufficient resources to meet its peak demand plus an operating reserve and a planning reserve margin. A rigid RPS requirement may not accommodate these resource adequacy requirements. Additionally, the Scoping Plan should address the logistical need for firming/shaping resources.
  - Many POU's own large hydro-electric facilities or have existing long-term contracts for power from them. Hydro-electric power is a highly reliable, least-cost, baseload resource that effectively emits no greenhouse gases during its production. The Scoping Plan's measures must recognize the economic and environmental value of existing long-term contracts for hydro-electric power.
- Section II.B.8, Water: The Scoping Plan must avoid implementing duplicative measures on the water and electricity sectors.
    - Many of CMUA's members are water purveyors having authority over flood control, water storage, water conveyance, and the provision of water for agricultural, municipal, and industrial purposes. Some of these water purveyors are also retail electricity providers. For the energy-related matters, AB 32 requires the Scoping Plan to ensure that emission reduction measures are "complementary, non-duplicative, and [able to be implemented] in an efficient and cost-effective manner." (Health & Safety Code Section 38561(a)). More specifically, CMUA has these concerns in regard to the Draft Scoping Plan's recommendation for a public goods charge on water. The Scoping Plan must clearly delineate the GHG *obligations or credits* for emission reductions made as a result of water efficiency improvements.
    - The Plan must ensure that duplicative reduction requirements are not placed on local governments providing services in both the water and electricity sectors.
  - Section II.B.13, Local government Actions and Regional Targets: The Scoping Plan should be expanded to evaluate the ability of the different departments within local governments to collaborate on energy-related issues.
    - CMUA appreciates the Plan's recognition that "local and regional governments are essential partners in achieving California's greenhouse gas goals." (Draft Scoping Plan at 31) CMUA recommends that the Scoping Plan should also acknowledge that POU's, as key departments within many local governments, have unique opportunities to collaborate with other departments to capture

- synergies in achieving overall local *and* regional goals. Similar to air pollution control districts, which were developed in recognition of diverse local environmental conditions and local expertise, the Scoping Plan should be expanded to evaluate the ability of the different departments within local governments to collaborate on energy-related issues (particularly, energy efficiency).
- While the Plan should recognize the opportunities for additional or increased benefits through local collaboration, it must also avoid placing duplicative reduction requirements on local governments.
- Section III - CMUA's recommendations on other measures under evaluation: The Scoping Plan should not include the recommended Coal Emission Reduction Standard.
    - The Coal Emission Reduction Standard (Draft Scoping Plan at 39) should be deleted from the Scoping Plan. A more effective measure would be for ARB to set mandatory GHG emissions caps and rigorous mechanisms for *ensuring compliance* with those caps. The Scoping Plan should avoid micro-regulatory mechanisms that threaten grid reliability and rate stability by requiring the divestiture of baseload resources based on fuel-type. To the contrary, each retail electricity provider must be given sufficient flexibility to select the most feasible and cost-effective emission reduction methods for attaining the important AB 32 goals.
    - By way of an emission performance standard (EPS), CEC regulations and CPUC rules currently limit the types of baseload resource procurements into which retail electricity providers may enter. The EPS limits apply both to new procurements and to "covered procurements" involving current legal relationships (owned-operated-contracted) with high emission resources. Therefore, the Coal Emission Reduction Standard is duplicative to the EPS and is not "necessary or desirable to facilitate the achievement of the maximum feasible and cost-effective reductions of greenhouse gas emissions by 2020." (Health & Safety Code Section 38561(b)).
    - Although the details are still unknown, a Coal Emission Reduction Standard as recommended in the Draft Scoping Plan may implicate constitutional issues (regulatory takings) and should be avoided.
  - Section II.C.3, Offsets: The Scoping Plan should provide assurance that full offset credit will be attributed to certain voluntary emission reduction actions.
    - ARB has encouraged entities to voluntarily engage in activities that will offset their GHG emissions. ARB has encouraged these actions by stating that entities will receive credit for these offsets. CMUA recommends that the Plan should be modified to more clearly indicate that early actors *will* receive this credit for certain projects, particularly activities relating to ARB's approved protocols for forestry projects. In light of California's record-setting wildfires this summer, ARB should provide assurance to entities that projects qualified by ARB's forestry protocols are "compliance-grade," and will be accepted as offsets when AB 32 is implemented in 2012 and beyond.

CMUA thanks ARB Staff in advance for considering the matters set forth above while developing the Proposed Scoping Plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry Jordan", written in a cursive style.

Jerry Jordan, Executive Director

Attachment: Opening Comments of the California Municipal Utilities Association in CPUC Rulemaking (R.) 08-07-011, filed July 31, 2008.

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop the Commission’s Energy Efficiency Strategic Plan.	)	
	)	
	)	
	)	R.08-07-011
	)	(Filed July 10, 2008)
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	)	
	)	

Joint Application of Pacific Gas and Electric Company (U39E), Southern California Edison Company (U338E), San Diego Gas & Electric Company (U902E), and Southern California Gas Company (U904E) Submitting the California Energy Efficiency Strategic Plan.	)	
	)	
	)	
	)	Application 08-06-004
	)	(Filed June 12, 2008)
	)	
	)	

**OPENING COMMENTS OF THE  
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION**

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop	)	
the Commission’s Energy Efficiency Strategic	)	R.08-07-011
Plan.	)	(Filed July 10, 2008)
	)	
	)	
	)	

Joint Application of Pacific Gas and Electric	)	
Company (U39E), Southern California Edison	)	Application 08-06-004
Company (U338E), San Diego Gas & Electric	)	(Filed June 12, 2008)
Company (U902E), and Southern California Gas	)	
Company (U904G) Submitting the California	)	
Energy Efficiency Strategic Plan.	)	

**OPENING COMMENTS  
OF THE  
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION**

Pursuant to the Assigned Commissioner’s and Administrative Law Judge’s Ruling Regarding Initial Schedule on Strategic Plan (“Ruling”), the California Municipal Utilities Association (“CMUA) respectfully submits these Opening Comments in the above-captioned proceeding, in response to the inquiries set forth in the Ruling and on the Draft Strategic Energy Efficiency Plan (“Draft Strategic Plan”). As an organization, CMUA has not been involved in efforts leading up to the production of the Draft Strategic Plan. CMUA also notes that several other related policy initiatives, most notably the Draft Scoping Plan for Assembly Bill (AB) 32 implementation at the California Air Resources Board (“CARB”), have comment deadlines this week. Thus, despite time and resource constraints, and as requested by California Public Utilities Commission (“CPUC”) staff during the July 18, 2008 Pre-Hearing Conference, CMUA

submits these Opening Comments. Because of the lack of CMUA involvement in the proceeding and the press of other business, these Opening Comments are necessarily preliminary in nature.

## **I. INTRODUCTION**

CMUA is the statewide association that represents publicly-owned utilities throughout California, and submits these Opening Comments on behalf of its members.<sup>1</sup> CMUA members are local public agencies in California that provide water, gas, and electricity service to California consumers. CMUA membership includes 43 electric distribution systems and other public agencies directly involved in the electricity industry. In total, CMUA members provide electricity to approximately 25-30 percent of the population in California.

CMUA supports careful and deliberate consideration of cost-effective, reliable, and feasible energy efficiency initiatives, consistent with resource preferences for Publicly Owned Utilities (“POU”) that are set forth in the California Code. Since the general resource preferences that elevate cost-effective and feasible energy efficiency to the top of the list apply to both CPUC and non-CPUC jurisdictional entities, CMUA suggests that an independent and neutral forum is necessary to further consider appropriate energy efficiency goals, and how to achieve them. CMUA makes specific suggestions below on a possible process going forward.

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<sup>1</sup> CMUA electric utility members are the Cities of Alameda, Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Corona, Glendale, Gridley, Healdsburg, Hercules, Lodi, Lompoc, Los Angeles, Needles, Palo Alto, Pasadena, Pittsburg, Rancho Cucamonga, Redding, Riverside, Roseville, Santa Clara, Shasta Lake, Ukiah, and Vernon, as well as the Imperial, Merced, Modesto, Turlock Irrigation Districts, the Northern California Power Agency, Southern California Public Power Authority, Transmission Agency of Northern California, Lassen Municipal Utility District, Power and Water Resources Pooling Authority, Sacramento Municipal Utility District, the Trinity and Truckee Donner Public Utility Districts, the Metropolitan Water District of Southern California, and the City and County of San Francisco, Hetch-Hetchy.

CMUA also notes that energy efficiency goals and compliance with AB 32 are intertwined. It is difficult to assess appropriate energy efficiency goals without examining how those goals fit within California's broader efforts to meet Greenhouse Gas ("GHG") emission reduction targets. In this regard, CMUA understands that the CPUC wishes to present the Draft Strategic Plan to CARB before CARB approves the AB 32 Scoping Plan. However, at the same time the Draft Strategic Plan itself recognizes that it has significant holes that the CPUC does not plan to address until *after* it has been adopted and presented to CARB. CMUA does not support rushing an inadequately vetted proposal with admitted shortcomings to CARB. The CPUC has not identified any language in CARB's current Draft Scoping Plan that would need to be modified to permit any of the programs or projects proposed in the Draft Strategic Plan to move forward. In fact, the language currently in the Draft Scoping Plan suggests that CARB will consider a wide variety of programs to achieve the State's energy efficiency goals. In this context, it makes much more sense to lengthen the process so that parties can provide substantive input and a cost-benefit analysis can be performed *before* the CPUC adopts the proposed plan.

## **II. Publicly-Owned Utilities Reflect the Diversity of Local Communities that the Plan Recognizes.**

CMUA membership includes the largest POU in California (and the nation) to extremely small cities and communities. CMUA members serve coastal and inland communities, valley cities and communities in higher elevations, summer and winter peaking communities, communities with high capacity factors and those with a high percentage of residential load, and relatively affluent communities as well as those with a greater percentage of low income residents.

CMUA appreciates the recognition of the diversity of local communities in the Plan. CMUA members reflect the diversity as described in the Draft Strategic Plan:

California's 600-plus local governments are remarkably diverse – they range from the largest county in the U.S. to small towns; from busy agricultural centers to residential suburbs to world-renowned cities. This diversity includes energy efficiency: California's local governments and their communities face different circumstances and have different constituencies, and today are at different levels of commitment and capacity. Many of them, however, are paying significant attention to energy efficiency and climate change and are interested in doing what they can, as quickly as they can, and in collaboration with their residents, other local governments, state government, utilities and other key participants.<sup>2</sup>

Going forward and with respect to implementation of energy efficiency goals, it is clear that specific targets in isolated areas of energy efficiency improvements may be more attainable in some communities than in others. This is a constant issue that CMUA and its members' stress when assessing CPUC-led initiatives that are proposed to apply beyond the jurisdictional boundaries of the Commission, or to super-large utilities whose size blurs the community distinctions noted above. A way to make progress on this issue is for the Commission to explicitly recognize in this docket that application of certain of the specific goals contained in the plan may not be well suited for all types of entities.

### **III. WORKING WITH OTHER NON-JURISDICTIONAL STAKEHOLDERS**

The Ruling poses the following question specifically for comment: “What Strategic Roles Should the Commission Take in Working with Other Governmental Agencies and Other Non-Jurisdictional Stakeholders in Support of a Commission Strategic Plan?”<sup>3</sup>

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<sup>2</sup> Draft Strategic Plan at 83 (footnotes omitted).

<sup>3</sup> “Order Instituting Rulemaking to Develop the Commission’s Energy Efficiency Strategic Plan”, R.08-07-011, July 14, 2008 at 2.

CMUA's first observations focus on the process to date leading to the Draft Strategic Plan. Second, learning from that process, CMUA makes conceptual suggestions for the process going forward in specific response to the Commission's inquiry.

With respect to the process utilized to date, CMUA understands that certain CMUA members participated in workshops, working groups, and brainstorming sessions to consider certain issues included in the Draft Strategic Plan. CMUA members are happy to contribute their perspective in Commission proceedings and have done so not only on energy efficiency, but also on Resource Adequacy, transmission planning, and other important matters even though the Commission lacks direct jurisdiction over CMUA members on these matters.

With respect to energy efficiency, participation in the proceeding was part of the "Big Bold" initiative and not focused on program design specifics. Further, the focus of the proceeding at that time was not to apply specific requirements to non-CPUC jurisdictional entities like CMUA's members, but rather to address issues related to energy efficiency applicable to the State's investor-owned utilities ("IOU"). Following the filing of the IOUs' Application 08-06-004, it is CMUA's understanding that the current proceeding was initiated so that the CPUC could present a CPUC-sponsored Draft Strategic Plan to CARB for statewide application. While CMUA supports a collaborative approach to further energy efficiency goals, CMUA cannot support proposals to apply a CPUC-derived workproduct to entities not subject to the Commission's jurisdiction.

That said, it is productive to focus on the process going forward. CMUA members share the Commission's goal of making systemic improvements to energy

efficiency efforts in California. A way must be found to not divert resources and attention with jurisdictional disputes, but instead focus on how statewide collaboration can best be facilitated.

CMUA suggests that models for neutral and independent forums are out there and that these models be considered to increase collaboration on energy efficiency initiatives. One such forum is the Northwest Energy Efficiency Alliance (“NEEA”). NEEA is comprised of diverse stakeholders across the electric industry in the Pacific Northwest, and includes state agencies, public power entities, investor-owned utilities, energy efficiency advocates, and public interest groups. The qualitative goals of NEEA appear well aligned with the direction of the Draft Strategic Plan. The existence and work of NEEA demonstrate that cross-industry groups, governed in an independent and neutral manner, do exist and can serve to facilitate broader collaboration toward meeting energy efficiency strategic goals. CMUA requests that the Commission support immediate establishment of a neutral and independent organization, perhaps consistent in concept with NEEA. CMUA commits to work to make that effort a success.

CMUA also notes that the Renewable Energy Transmission Initiative (“RETI”) also includes diverse stakeholders in its Coordinating Committee, and includes state agencies, the California Independent System Operator, and CMUA members. Further, the RETI structure is open and inclusive at the working group level. Neither CMUA nor the Commission needs to endorse the outcome of the RETI process to recognize that the organizational structure does allow for participation of both CPUC and non-CPUC jurisdictional entities at all levels and on an equal footing. These are basic requirements of a neutral and independent forum if California is going to move forward with a

statewide plan for energy efficiency in which all relevant industry sectors are invested in the Plan's success.

As a final observation on process issues, CMUA believes it is imperative for any forward-looking initiative to respect the resource limitations of smaller stakeholders such as most CMUA members. While the Commission may wish to move expeditiously to aggressive plan implementation, if the process to consider implementation issues is not properly paced and structured to avoid parallel meetings and/or overlapping reports or comment opportunities, the ability of smaller entities to provide constructive contribution to such efforts is compromised.

#### **IV. PRELIMINARY COMMENTS ON SUBSTANTIVE GOALS**

CMUA's comments on the substantive goals of the Strategic Plan will focus on the overall goals and policy implications. This is because the specific goals will depend upon many unknown variables, including the results of a thorough cost-benefit analysis and the development of future technologies.

##### **A. A Rigorous Cost/Benefit Analysis is Necessary to Assess Specific Goals.**

CMUA strongly believes that a rigorous cost-benefit analysis is necessary to assess the specific goals addressed in the Draft Strategic Plan. Given the wide variety of programs that the Draft Strategic Plan recommends that utilities implement or assist in, a thorough cost-benefit analysis is crucial to determining if a particular program is appropriate for a specific utility. As noted in the Draft Strategic Plan chapter on local governments, local governments are extremely diverse. Because of this, certain energy efficiency programs may not be appropriate for particular utilities. One example is that a particular POU's customer base may not be representative of the types of customers

intended for the program. This would occur if, for example, a POU had mainly agricultural customers and a program was targeted at large industrial customers. Similarly, coastal communities will simply not achieve the same level of energy savings with air-conditioning based programs as those in the inland valleys.

It is also important to note that AB 2021 requires that POUs first acquire “all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.”<sup>4</sup> Because of this mandate, POUs must prioritize those energy efficiency programs that have been proven cost-effective. Therefore, before CMUA could voice support or opposition to any of the many specific goals proposed in the Draft Strategic Plan, the threshold issue of cost-effectiveness, on a utility specific basis, must be known.

Further, AB 2021 also requires the Energy Commission, in consultation with the CPUC and the POUs, to “develop a statewide estimate of all potentially achievable cost-effective electricity and natural gas efficiency savings and establish targets for statewide annual energy efficiency savings and demand reduction for the next 10-year period.”<sup>5</sup> The IOUs are similarly bound to meet their “unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.”<sup>6</sup> The legislature’s intent in this area is clear: all cost-effective energy efficiency must be pursued. However, the Strategic Plan proposes a wide variety of energy efficiency programs without regard to cost-effectiveness. CPUC staff acknowledged that time and resource constraints prevented the completion of a cost-benefit analysis in time for it to be included in the Draft Strategic Plan. However, CMUA

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<sup>4</sup> Cal. Pub. Util. Code § 9615(a).

<sup>5</sup> Cal. Pub. Res. Code § 25310.

<sup>6</sup> Cal. Pub. Util. Code § 454.5(b)(9)(C).



believes that the process should have been conducted with a cost-benefit analysis occurring first so that cost-effectiveness could have served as a threshold filter for the inclusion of programs and projects in the Draft Strategic Plan.<sup>7</sup>

**B. Properly Characterizing Plan Goals.**

Many of the goals proposed in the Draft Strategic Plan are extremely ambitious. The CPUC has acknowledged that many of these goals are stretch goals, and CMUA recognizes the value of stretch goals in certain circumstances. However, nowhere in the Draft Strategic Plan are any goals identified as stretch goals. CMUA believes that, in order for this document to be useful to any policymakers relying on its contents, the CPUC must clearly identify which goals it believes are realistically and readily achievable, and which ones are stretch goals.

Similarly, many of the goals presented in the Strategic Plan rely on the development of technology that does not yet exist. The Commission must clearly identify these goals so that policy makers can make informed decisions on which goals are truly feasible

**C. The Water-Energy Nexus is a Core Issue that is Well Suited to Evaluation by a Neutral and Independent Body.**

The Draft Strategic Plan explicitly states that the plan does not include proposals to take advantage of efficiency improvements within the water industry that may result in significant energy savings.<sup>8</sup> While the Draft Strategic Plan may not be able to encompass

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<sup>7</sup> Since the timing constraints appear to be linked to the CPUC's desire to present a final Strategic Plan to CARB for incorporation into that agency's Scoping Plan, CMUA reiterates its concerns that a more fully developed Strategic Plan would be more helpful for purposes of achieving AB 32 goals since AB 32 mandates that all emissions reduction measures be cost-effective and technologically feasible.

<sup>8</sup> Draft Strategic Plan at 6.

this issue, no energy efficiency plan for California can be termed comprehensive without a thorough treatment of this matter.

Water service is provided largely by public agencies. These agencies include state water purveyors, special districts water purveyors, county sanitation departments, and city departments. Some of these agencies have significant electric load, while other operations are largely gravity-fed. In a nutshell, the diversity of operations within the water industry belies a simple answer to the question of enhancing water operations to derive energy savings.

CMUA submits that the “water-energy nexus” is an issue well suited for consideration by a neutral and independent body that can focus on water issues as well as the possible benefits through decreased electricity usage or load management. Not only does the specialized nature of the issue lend itself well to an independent body that can access water-issue expertise; but also since a large segment of the industry is comprised of public agencies a collaborative process outside the jurisdiction of the CPUC is necessary.

**D. The Role of Self Generation to Achieve Zero Net Energy Targets Must be Discussed Fully.**

The Strategic Plan contains Zero Net Energy Targets for residential homes<sup>9</sup> and commercial buildings.<sup>10</sup> A key method for achieving these targets identified in the Strategic Plan is “clean, onsite distributed generation.”<sup>11</sup> While the Strategic Plan does not raise this issue yet, CMUA would be concerned if overall grid costs incurred to

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<sup>9</sup> *Id.* at 11.

<sup>10</sup> *Id.* at 27.

<sup>11</sup> *Id.* at 10, 27.

ensure reliability were disproportionately borne by customers without self-generation in order to facilitate a push for distributed generation.

CMUA recognizes that the Draft Strategic Plan makes no proposals in this regard. However, it is reasonable to anticipate this possible policy direction. With respect to future consideration of this issue, the Commission should explicitly recognize that the essential balancing of cost allocation to self generators of grid and reliability costs is inherently part of the ratemaking process and must be accomplished by the ratemaking authority for the relevant utility.

**E. CMUA Generally Agrees That Codes and Standards, and Enforcement, are Primary Tools for a Statewide EE Initiative.**

CMUA generally agrees that updating and enhancing codes and standards, as well as enforcement mechanisms, may be the best tools to achieve both short-term improvements and long-term market transformation. However, CMUA has concerns with respect to the specific Draft Strategic Plan proposals regarding codes and standards. In particular, the Draft Strategic Plan's recommendation that local governments create local energy codes more stringent than Title 24, despite the fact that the plan itself recognizes the challenges and problems this presents, is a further example of why it is imperative for the Commission to complete a cost-effectiveness and feasibility analysis at the front end of this process. The recommendations set forth in the final Strategic Plan are of little value to the State's stakeholders if they are simply unachievable.

Further, even as public agencies, many CMUA members are special districts and not part of municipal governments that are empowered to promulgate and enforce building codes and standards. The recognition of this reality underscores the need to create an independent and neutral forum that can bring industry segments together to

advocate for code and standard improvements and enforcement measures. CMUA member governing boards and the Commission largely lack the jurisdiction to modify the codes and standards applicable to energy efficiency. CMUA argues that this fact demonstrates the need to move this process to a different forum where the Commission is one party working among equals to make the systemic improvements necessary to achieve common energy efficiency goals.

**V. CONCLUSION**

**WHEREFORE**, CMUA appreciates the opportunity to provide these Opening Comments on the Draft Strategic Plan.

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Respectfully submitted,



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