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**THE STATE OF CALIFORNIA
BEFORE THE
CALIFORNIA ENERGY COMMISSION**

In the Matter of:

Preparation of the
2009 Integrated Energy Policy Report

Docket No. 09-IEP-1A

**COMMENTS OF THE
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION
ON THE DRAFT 2009 INTEGRATED ENERGY POLICY REPORT**

Pursuant to the procedures established by the California Energy Commission (“Commission”), the California Municipal Utilities Association (“CMUA”) respectfully submits these Comments on the Draft 2009 Integrated Energy Policy Report, CEC-100-2009-003-CTD (“Draft 2009 IEPR” or “Report”). CMUA’s Comments are not intended to be exhaustive of its positions on the broad array of topics contained in the Draft 2009 IEPR.

CMUA is a statewide organization of 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.¹ CMUA members own and operate significant local and interregional transmission facilities for the benefit of their customers and all of California. In total, CMUA members provide electricity to approximately 25-30 percent

¹ CMUA electric utility members include the Cities of Alameda, Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Corona, Glendale, Healdsburg, Lodi, Lompoc, Los Angeles, Needles, Palo Alto, Pasadena, Rancho Cucamonga, Redding, Riverside, Roseville, Santa Clara, 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.

of the population in California. CMUA and certain of its members have been active participants in the IEPR process, providing oral and written testimony on several issues, including energy efficiency, renewable resource development, feed-in tariffs, and transmission policy.

II. COMMENTS ON ISSUES RAISED IN THE 2009 DRAFT IEPR

A. Energy Efficiency is Properly Procured as the First Resource in the Loading Order.

The Draft 2009 IEPR recommends that “Publicly owned utilities should apply integrated resource planning to compare demand-side resources with supply-side resources using cost-effectiveness metrics.”² The Draft 2009 IEPR goes on to conclude that: “This approach should result in increased funding for energy efficiency from utility sources beyond the Public Goods Charge, (that is, procurement) and increase future energy savings enough to reach adopted targets.”³ As discussed below, CMUA believes that this conclusion does not reflect the many variables inherent in the resource procurement process, and is therefore not necessarily true.

CMUA and its members support the “loading order” which puts cost-effective energy efficiency first among resource options. It’s a fundamental tenet of public power to consider resources (both demand and supply) that are cost-effective. However, there are many variables that impact resource decisions, including reliability, environmental objectives, state and local requirements, feasibility, cost, and timing. Given these many variables inherent in integrated resource planning, CMUA does not agree with the conclusion reached by the Draft 2009 IPER that strict comparison of supply and demand

² California Energy Commission, *2009 Integrated Energy Policy Report*, Draft Committee Report [Draft 2009 IEPR], September 2009, CEC-100-1009-003-CTD at 216.

³ *Id.*

side resources would necessarily result in the outcome anticipated by the Commission. In some cases it may result in funding beyond that available from the public goods charge, and in some instances it may not. CMUA recommends that the conclusion sentence be deleted from page 216 of the Draft 2009 IEPR, and that the first sentence be reworded as follows:

Publicly owned utilities should continue to apply integrated resource planning to compare demand-side resources with supply-side resources using cost-effectiveness and other metrics. ~~This approach should result in increased funding for energy efficiency from utility sources beyond the Public Goods Charge, (that is, procurement) and increase future energy savings enough to reach adopted targets.~~

B. Evaluation, Measurement, and Verification is an Important Part of an Effective Energy Efficiency Program.

The Draft 2009 IEPR recommends that “Each publicly owned utility should continue to complete evaluation, measurement, and verification studies to show that energy savings have been realized; and fund these studies consistent with their importance as a significant resource; and report on evaluation, measurement and verification plans, studies, and results in their next annual AB 2021 submittal to the Energy Commission.”⁴ CMUA’s members are committed to the evaluation, measurement, and verification studies and will continue to work with the Commission to improve this process.

C. Publicly Owned Utilities Already Have Transparent Energy Efficiency Programs.

As public agencies, CMUA’s members are committed to transparency. CMUA’s members have consistently provided more energy efficiency information than the CEC staff has requested. It is, therefore, unclear to CMUA what additional information is

⁴ *Id.*

needed. It is important that the information reported to the Commission is necessary for the evaluation of the publicly owned utility (“POU”) energy efficiency programs. Requiring reporting of unnecessary information puts a strain on both the utilities providing the data as well as Commission staff that must sort through it. CMUA recommends that the following sentence be removed from page 216 of the Draft 2009 IEPR:

~~To provide confidence that publicly owned utilities are achieving their efficiency targets with bona fide program savings, publicly owned utilities should increase the transparency of information on energy efficiency activities, expenditures, savings estimations, and cost effectiveness calculations. In addition, they should provide to the Energy Commission staff the data used to create their annual status reports. The Energy Commission will work toward developing protocols for the publicly owned utilities to provide information to explain 1) year to year differences in budget and savings accomplishments; and 2) methodologies and assumptions for estimating and verifying annual savings.~~

D. The Commission and Legislature Should Re-evaluate the 30 MW Limitation on Hydro-Electric Generation From Qualification as Renewable Electricity Generation.

According to the California Public Utilities Commission’s (“CPUC”) 33% *Renewable Portfolio Standard Implementation Analysis Preliminary Results*, achieving a 33% Renewable Portfolio Standard (“RPS”) by the year 2020 is “highly ambitious.”⁵ In fact, the CPUC’s analysis finds that even under a very unlikely best case scenario, the state would not achieve a 33% RPS until 2021. It is also clear that the ambitious RPS goals of the state will be costly to achieve.⁶

⁵ California Public Utilities Commission, *33% Renewable Portfolio Standard Implementation Analysis Preliminary Results*, June 2009 at 1.

⁶ *Id.* at 1 (“In 2020, the total statewide electricity expenditures of achieving a 33% RPS utilizing the current procurement strategy is projected to be 7.1% higher compared to the 20% RPS, and 10.2% higher compared to an all-gas scenario.”)

All tools in the procurement toolbox will be necessary to achieve these RPS goals. Moreover, studies show that additional fast-ramping generation resources will likely be necessary to accommodate increased penetration of renewable resources, certain of which (solar and wind) will have intermittent characteristics. Also, the need for low or zero carbon resources will increase as higher-carbon resources are phased out to meet GHG reduction requirements under AB 32. In light of all of these factors, CMUA believes that the Commission should recommend that the Legislature reconsider the 30 MW limitation on hydro-electric resources for eligibility as renewable resources. CMUA recommends that the following paragraph be inserted on page 8 of the Draft 2009 IEPR:

The Legislature should consider amending Public Utilities Code section 383.5(b)(1)(A) to permit hydroelectric generation that is larger than 30 megawatts to qualify as renewable electricity generation technology.

Additionally, CMUA recommends that the following language be inserted as the last paragraph above Table 2 on page 76 of the Draft 2009 IEPR:

The acknowledged difficulties in achieving a 33 percent RPS by 2020 will demand the state and its many agencies to reconsider a variety of existing policies and legislation. One such policy that should possibly be reconsidered is the 30 MW restriction on hydroelectric generation from qualifying as renewable electricity generation technology. The Commission should study the impacts of this policy and, based on the results, make a recommendation to the Legislature.

E. Demand Response Measures Such as Advanced Meters and Dynamic Pricing Should Only Be Implemented if the Relevant Regulatory Authority Finds that such Measures are Cost-Effective.

Many CMUA members are aggressively pursuing full implementation of advanced meters. However, given the diversity of the size and characteristics of CMUA member utilities, the cost effectiveness of aggressive advanced metering programs can vary widely among utilities.

The 2009 Draft IEPR makes a variety of recommendations to “all utilities” related to demand response. These include the installation of advanced meters, providing customers with near-real-time energy usage information, and dynamic pricing.⁷ CMUA supports offering electricity customers cost-effective tools to manage their energy consumption and their bills, including time-of-use meters and rates. However, this does not mean that all utility customers statewide should be mandated to have (and pay for) these meters. In some utility service territories, this may be a beneficial and cost-effective option, but in other territories it may not be. This is a decision that should be evaluated on a utility-specific basis, by the CPUC for IOUs, and by the elected or appointed Governing Boards of the POUs.

CMUA looks forward to working with the commission on the issue of appropriate load management standards in order to develop truly reasonable and cost effective measures. CMUA recommends several changes be made to the Draft 2009 IEPR on this issue. First, CMUA recommends that the following paragraph on page 5 of the Draft 2009 IEPR be deleted:

~~To help the state meet its goal of reducing peak demand by 5 percent through demand response measures, the IEPR Committee recommends that all utilities, including publicly owned utilities, should install meters capable of recording hourly consumption and should publish their time varying electric rates in an actionable and open source format. Customers should have no cost access to near real time information about their energy use in a format that is both meaningful and easy to understand. In addition, the Energy Commission should continue its efforts to adopt a statewide load management standard requiring all utilities in the state to adopt some form of dynamic pricing for customers that have advanced meters.~~

⁷ Draft 2009 IEPR at 216.

In its place, CMUA recommends the following Paragraph:

To help the state meet its goal of reducing peak demand by 5 percent through demand response measures, the IEPR Committee recommends that all investor owned utilities should install meters capable of recording hourly consumption and should publish their time varying electric rates in an actionable and open source format. Each publicly owned utility should install meters capable of recording hourly consumption if its governing board finds that such meters are cost effective and reasonable given the population, weather, and other characteristics of its service area. The IEPR Committee supports a state-wide policy of encouraging providing customers with no-cost access to near-real time information about their energy use in a format that is both meaningful and easy to understand.

Additionally, for the reasons stated above, CMUA recommends that the following recommendations be deleted from page 216 of the Draft 2009 IEPR:

- ~~All utilities, including publicly owned utilities, should install meters capable of recording hourly consumption, and should publish their time-varying electric rates in an actionable and open source format.~~
- ~~All customers should have no-cost access to near-real time information about their energy use in a format that is both meaningful and easy to understand.~~
- ~~All utility price signals should use open source, non-proprietary, formats.~~
- ~~The Energy Commission should continue efforts to adopt a statewide load management standard requiring all utilities in the state to adopt some form of dynamic pricing for customers that have advanced meters.~~

In its place, CMUA recommends the follow language:

All investor owned utilities should install meters capable of recording hourly consumption, and should publish their time-varying electric rates in an actionable and open source format. Each publicly owned utility should install meters capable of recording hourly consumption if its governing board finds that such meters are cost effective and reasonable given the population, weather, and other characteristics of its service area.

F. In Light of the 33% Renewable Portfolio Standard, a Feed-in-Tariff Would be Unnecessary and Potentially Counterproductive.

CMUA members testified before the Commission with respect to the advantages and disadvantages of feed-in tariffs as applied to their individual utilities. CMUA members observed that feed-in tariffs might play a roll to facilitate development of

certain smaller, distribution level resources, depending upon the needs and characteristics of the utility, level of renewable resource penetration, and physical characteristics of the distribution system. However, the efficacy of feed-in tariffs is likely to vary from utility to utility, making generic application of a “one-size fits all” approach unwise. CMUA is therefore concerned about mandatory and uniform application of feed-in tariffs to its members.

The 2009 Draft IEPR recommends that “[t]he Legislature should consider changes in state law to require that utilities or the California ISO offer technology-specific feed-in tariffs designed to effectively spur development and integration of utility-scale renewable energy along renewable-rich transmission corridors.”

CMUA supports the 33% Renewables Portfolio Standard, and views this as an appropriate “performance based” standard. The 33% Renewable Portfolio Standard establishes a clear goal for utilities to meet, but allows individual utilities to choose the best mix of tools and programs to meet this goal. In light of this performance standard, CMUA believes that a Feed-in-Tariff mandated on POUs is not only unnecessary, it might actually hinder efforts to achieve a diverse mix of renewable resources. Achieving the correct mix of renewable resources is important from a reliability standpoint because of the intermittent nature of most renewable resources. While some POUs may choose to adopt a Feed-in-Tariff to meet their RPS goals, others may want to employ other tools to meet the Renewable Portfolio Standard with a resource mix that protects the reliability of the electric grid. If any sort of Feed-in-Tariff is adopted, it should not be a one size fits all, but should be flexible to accommodate local conditions.

Moreover, as was made clear during the workshops on feed-in tariffs, momentum behind this policy direction is largely driven by perceived problems with contract failure and the overall dissatisfaction with the IOU procurement process. This problem has not been encountered by POU's. As the Commission itself has found, POU's have been able to ramp up renewable development at a faster rate than CPUC-jurisdictional entities.

CMUA recommends that the following language be deleted from page 8 of the 2009 IEPR:

~~The Legislature should consider changes in state law to require that utilities or the California Independent System Operator offer technology-specific feed-in tariffs designed to encourage development and integration of utility-scale renewable energy along renewable-rich transmission corridors.~~

Additionally, CMUA recommends that the following language be deleted from the 2009 IEPR:

~~The Legislature should consider changes in state law to require that utilities or the California ISO offer technology-specific feed-in tariffs designed to effectively spur development and integration of utility-scale renewable energy along renewable-rich transmission corridors.~~

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III. CONCLUSION

CMUA appreciates the opportunity to provide these Comments on the 2009 Draft IEPR.

Dated: October 28, 2009

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Justin Wynne", with a stylized flourish at the end.

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