

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

<b>DOCKET</b>	
08-DR-1	
<b>DATE</b>	JUN 17 2008
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2008 Order Instituting Informational ) Docket No. 08-DR-01  
Proceeding and Rulemaking on )  
Load Management Standards )

**COMMENTS  
OF THE  
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION**

Pursuant to the procedures established in the Notice of Efficiency Committee Load Management Standards Workshop on Rate Design, Incentives, and Market Integration, posted May 28, 2008, the California Municipal Utilities Association (“CMUA”) respectfully submits these Comments on issues that arose during the Workshop held by the Efficiency Committee on June 10, 2008.

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.<sup>1</sup> In total, CMUA members provide electricity to approximately 25-30 percent of the population in California.

CMUA supports the consideration of all cost effective demand response initiatives. CMUA members have an affirmative obligation to consider all such options in the context of the “Loading Order” enacted by the Legislature and codified as follows:

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<sup>1</sup> CMUA electric utility members are 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.

(a) Each local publicly owned electric utility, in procuring energy, shall first acquire all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.

(b) Each local publicly owned electric utility shall report annually to its customers and to the State Energy Resources Conservation and Development Commission, its investment in energy efficiency and demand reduction programs. A report shall contain a description of programs, expenditures, and expected and actual energy savings results.<sup>2</sup>

With specific regard to the issue of load management, Section 25403 of the Resources Code recognizes the advisory role for the Commission as follows:

the commission shall submit to the Public Utilities Commission and to any publicly owned electric utility, recommendations designed to reduce wasteful, unnecessary, or uneconomic energy consumption resulting from practices including, but not limited to, differential rate structures, cost-of-service allocations, the disallowance of a business expense of advertising or promotional activities which encourage the use of electrical power, peakload pricing, and other pricing measures. The Public Utilities Commission or publicly owned electric utility shall review and consider such recommendations and shall, within six months after the date it receives them, as prescribed by this section, report to the Governor and the Legislature its actions and reasons therefor with respect to such recommendations.”<sup>3</sup>

As such, CMUA looks forward to collaborative efforts to examine how progress can be made to best ensure that cost effective load management initiatives may be considered as part of integrated resource programs developed and administered by local publicly owned electric utilities.

**A. The Workshop Testimony Supported the Need for Flexibility.**

As CMUA stated in public comments orally, a distinct theme emerged from the Workshop; the need for flexibility among retail service providers and between customers in order to effectively pursue cost effective demand programs and meet California’s goals of utilizing all cost effective energy efficiency and demand side programs.

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<sup>2</sup> Cal. Pub. Util. Code § 9615.

<sup>3</sup> Cal. Pub. Res. Code § 25403.

As noted by many of the participants in the workshop, there is little “standard” about maximizing load management opportunities. CMUA members noted in their testimony several factors that must be taken into account when considering load management, including:

- The existing resource mix of the utility. A representative of the Northern California Power Agency and the City of Santa Clara, Silicon Valley Power (“SVP”), testified that the power portfolio of SVP was capacity rich, and that their need was for more energy because of the energy-limited nature of certain SVP resources.
- The demand shape and capacity factors of the individual utility, and the mix of residential and commercial/industrial customers which may impact the cost effectiveness of load management programs;
- Whether or not large customers have manufacturing processes that actually make it cost effective or practical to shift load to off-peak periods;
- The fact that many CMUA members, because of their geographic concentration, are in a single climate zone. This works both ways. For CMUA members in inland areas, it may increase the attractiveness of load management initiatives; for CMUA members in cooler areas, the load curve may already be relatively flat;
- CMUA members inform CMUA that they often have had more success designing customized programs through contract with individual commercial and industrial customers, rather than a tariff-based approach; and
- Determination of the relative cost effectiveness of load management versus energy efficiency. A representative for the Southern California Public Power Authority and the City of Riverside testified that Riverside finds that weatherization programs for housing stock that would not otherwise be weatherized by the owner may provide more cost effective reduction of both overall energy consumption and on-peak energy consumption. CMUA members testified CMUA that many energy efficiency programs may be more cost effective than implementation of price-driven load management, leading to concentration of efforts in the former area consistent with the directives of the Loading Order.

CMUA took away from the Workshop that several factors may contribute to the cost effectiveness of load management programs, including utility portfolios, load capacity factors, and relative effectiveness of energy efficiency efforts. CMUA believes

these factors suggest that a flexible and collaborative exploration of load management opportunities would be more effective than a standard-setting procedure. CMUA looks forward to continued participation in this proceeding and consideration of these issues in the hope of making proposals and recommendations to the Commission on these matters.

**B. Consideration of Real Time Pricing (“RTP”) Must Be Accompanied by a Consideration of How Real Time Prices are Derived.**

It is not enough to simply point to prices derived in wholesale markets (presumably the California Independent System Operator Corporation’s (“CAISO”) Real Time or Day-Ahead Market) and conclude that these prices reflect market fundamentals. There are many factors that may affect wholesale prices and thus prices that would be passed through to consumers under RTP. Those factors include:

- How unit commitment decisions are made by the Balancing Authority (presumably the CAISO) and those decisions affect Real Time prices;
- Resource Adequacy and Capacity Obligations. Capacity obligations and pricing may impact Real Time Energy prices, perhaps blunting Real Time Energy prices, lessening volatility, or reducing the spread between on and off-peak prices;
- Scarcity Pricing rules, currently under consideration at the CAISO;
- Whether load prices are aggregated in large Load Aggregation Points, or more granular; and
- Market Power Mitigation rules. Given the operations of the wholesale markets, appropriate market power mitigation rules may be triggered, also affecting wholesale prices.

Thus, the Commission cannot conclude that because a wholesale price is derived through a market mechanism that it reflects market fundamentals that are intended to provide pricing incentives for end-use consumers. The messy truth is that peak periods on the CAISO grid have often resulted in lower or moderate wholesale prices, whereas off-peak periods have seen higher prices. CMUA suggests that before the Commission

makes recommendations on the use of RTP that it examine the wholesale market design choices that may impact the prices themselves.

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Respectfully submitted,

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