CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

915 L STREET, SUITE 1460 ● SACRAMENTO, CALIFORNIA 95814
(916) 326-5800 ● (916) 326-5810 FAX ● www.cmua.org

DAVID L. MODISETTE, EXECUTIVE DIRECTOR

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July 20, 2011

Robert B. Weisenmiller, Chairman
Presiding Member
Integrated Energy Policy Report Committee
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Karen Douglas, Commissioner
Associate Member
Integrated Energy Policy Report Committee
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Re: Docket No. 11-IEP-1A, California Clean Energy Future

Dear Chair Weisenmiller and Associate Member Douglas:

The California Municipal Utilities Association is pleased to provide the following comments on the Committee Workshop on the California Clean Energy Future, held July 6, 2011.

These comments supplement the verbal comments provided at the Workshop by David H. Wright, General Manager of Riverside Electric Utility, and Vice-President of the California Municipal Utilities Association (CMUA).

CMUA represents over 40 publicly-owned electric utilities (POUs) in California that provide electricity to more than one-fourth of all Californians. As you know, POUs are governed by locally-elected, or locally-appointed, governing boards. The actions and performance of our utilities are closely scrutinized by these local officials, in a public hearing process (because we are subject to open meetings laws), that occurs every one or two weeks. This also makes it easy for our local customers to have their voices heard.

And we have no profit-motive. Our goal is simply to provide safe, reliable electricity, at reasonable rates, in an environmentally responsible manner.

CMUA supports the greenhouse-gas reduction goals of AB 32, and the AB 32 Scoping Plan. We support the 33% Renewable Energy Standard; in fact, many of our governing boards adopted a 33% standard, or higher, long before the statewide statutory standard. We support the Loading Order, and the goal of all cost-effective energy efficiency. We support a continued Public Benefits Chargeand our utilities provide both many and diverse incentives and other programs to increase the penetration of: energy efficiency, renewable energy sources, distributed generation, electric transportation – and the necessary infrastructure to accomplish all of these things.

Let me use Riverside Electric Utility (RPU) as an example. In Riverside, we adopted the 33% renewable energy goal in 2007, though we started the renewable procurement process in 2001. Most POUs adopted Renewable Portfolio Standards which were, and continue to be, more aggressive than those applied to the IOUs. I was disappointed that our Hoover Dam renewable hydropower was excluded from consideration as a renewable resource because of its size and would eventually like to see legacy large hydropower qualify as renewable energy. Like many of our peers, our renewable portfolio consists of resources such as wind, hydro, solar, geothermal, and biomass.. We invest in our future and provide research grants to local universities like UCR, where significant research on solar energy occurs.

Riverside has significantly reduced the proportion of coal-based power in our portfolio, and will eliminate that resource entirely at the end of our existing contract. As a co-owner in the San Onofre Nuclear Generating Station, we recently completed the replacement of all steam generators to ensure the continued efficient operation of this non-GHG emitting resource, and are on schedule to meet the requirements of once through cooling regulations at that plant.

RPU is a member of the ISO and we participate in their planning and development sessions. ISO costs are a factor in our rates so we have welcomed the inclusion of their members into the process of system development. RPU has participated in a recent major transmission upgrade to improve ISO market access to renewable resources in the Rocky Mountain Region.

Public Benefit programs are of major importance to RPU. As an example, public benefit funds provided low income energy assistance to almost 1 in 10 RPU customers during 2010 as the recession hit our area harder than other areas of the state. Also, we have created award winning programs such as the Whole House Rebate program where rebate levels increase the more energy savings, efficiency and solar efforts a customer performs. Federal DOE Secretary Steven Chu recognized this program as a national best practice.

We will make a few comments on the July 6, 2011 Workshop Staff Presentation, and the Discussion Questions. However, since these were just posted on July 1, 2011, the CMUA Board has not taken a position on them, so these comments are my own.

First, the key metrics identified by staff look reasonable. I believe that POUs are already reporting on all of these metrics to a variety of state and federal agencies, including the Energy Commission, ARB, and ISO. So we hope that this does not trigger another new set of reporting requirements. In fact, we would ask that there be a review and streamlining of reporting requirements, which removes overlap and duplication, and consolidates reporting to necessary data alone. Data collection and reporting can be quite expensive in these tough budget times, particularly reporting that triggers costly annual audit requirements by specially qualified vendors, and should be kept to a minimum. And reporting diverts resources from actual investment in energy efficiency, renewables, and infrastructure. To avoid duplicative reporting efforts and reduce costs, Riverside recently elected to focus on the ARB's data submittal requirements and discontinue its participation in the Climate Action Registry.

Second, I believe that one of the key metrics which needs to be added to your list is cost and cost-effectiveness. In fact, the goal of adopting least cost principles throughout our process toward sustainability is most important. It benefits the entire state if we meet our goals with the lowest impact to customer rates. The RPS statute recognizes that the cost to ratepayers to achieve these goals is not unlimited, and that reasonable limitations on cost are an appropriate policy tool.

Third, I agree with the staff suggestion that there should be a metric for the ability to maintain reliability in the face of high levels of renewables and distributed generation. This is a challenge for all of us. An important part of ensuring a successful outcome will be the careful coordination of activities among the various local and state regulatory agencies. For example, the potential elimination of coastal power plants that use once-through cooling, while simultaneously limiting new local generation and imports from outside of the state, could severely impact the reliability of California's grid. Success will require the coordination of the State Lands Commission, the CEC, CPUC, ARB, AQMD, ISO and the California Coastal Commission, to name a few.

Fourth, I agree that recent statutory changes and goals should be added to the California Clean Energy Future plan, including the 33% renewables statute. However, I believe that goals which have not been thoroughly evaluated and vetted through a public process, such as the legislative or regulatory process, should not be designated in the CCEF as "statewide goals or targets", until that public process is complete. The CEC has begun to evaluate the proposed goal in the Governor's "Clean Energy Jobs Plan", developed as part of his gubernatorial campaign, for 12,000 MW of "localized energy resources" by 2020. However, at this time many questions remain about this proposal. Basic questions, such as: What is the definition of these resources? How does this proposal interact with other targets and programs, such as the 33% RPS, CSI, self-generation, and FIT? Is this technically and financially feasible? What are the reliability and cost impacts? Lastly, how can this best be achieved? And what programs are needed to do this?

We have been participating in the CEC's IEPR process and workshops with you to conduct this evaluation and get these answers. I would urge the CEC, and all of the agencies represented here today, to do your due dillegence, complete your evaluations, and answer these questions, in an open and public process before adding these new proposed goals to the CCEF.

Lastly, we urge you to recognize and support the governance structure of local publicly-owned utilities. It is a structure that has served California citizens and ratepayers very well for over the past 100 years. And the proof of that lies in the fact that our rates are generally lower than those of investor-owned utilities, our reliability is better, we made decisions in an open and transparent process, we are responsive to our local communities and their specific needs, and most importantly – our residential customers and businesses prefer our service. The efforts of state agencies should be complementary to the governance structure of local publicly owned utilities. Absent specific statutory direction to the contrary, regulatory oversight, compliance, program design and funding, should remain with the local elected or appointed governing boards. Let's work together as partners to achieve our respective state and local objectives and needs.

CMUA appreciates this opportunity to provide these comments.

Sincerely,

David H. Wright

DAVID H. WRIGHT
Vice-President