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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 11-IEP-1G
1516 Ninth Street
Sacramento, CA 95814-5512

Re: CMUA Comments on the CEC IEPR Workshop – Draft Renewable Power in California: Status & Issues

The California Municipal Utilities Association (CMUA) appreciates the opportunity to submit these comments as follow-up to its testimony before the California Energy Commission (CEC) on September 14, 2011.

CMUA represents the interests of water agencies throughout the state and all the publically owned utilities (POUs) in California that deliver both electricity and water. Our members provide electricity to over a quarter of the State, and have no profit motive. CMUA members are committed to expanding renewable power in California. Many of our members adopted plans to meet a 33% renewable requirement before passage of SBX1 2; some of our members are actually meeting this goal today, while others have plans to exceed 33% by 2020. Additionally, CMUA and our members are currently engaged in dialog with CEC staff on developing a Renewable Portfolio Standard (RPS) enforcement rule pursuant to SBX1 2 for POUs to meet the 33% renewable goal.

Below, are our general comments on infrastructure investment, meeting the renewable goals beyond 2020, progress on power transmission, the CEC's RPS Eligibility Guidelines, continued biomethane use as an RPS eligible measure, and other concerns on siting, permitting, and contracts.

Infrastructure Investment Requires Balance and Flexibility

The State needs to consider a balanced approach for implementing future renewable power goals that include (1) Reliability, (2) Affordability, and (3) Sustainability, while focusing on reaching our environmental goals, notably greenhouse gas emission reduction targets. Currently, our members must balance competing State mandates, often mandates that purport to have the same purpose but work at cross purposes. A primary draft strategic plan needs to bring a common direction to the numerous State mandates that must be met by utilities in the next nine years.

Our members will be making significant investments to replace aging electrical distribution infrastructure, building new transmission to meet reliability requirements and deliver renewables resources, eliminating or replacing existing resources, implementing smart-grid infrastructure and systems, increasing distributed generation, and complying with AB 32 mandates through the Cap & Trade program. The 33% RPS is *additive* to all of these activities. In order to minimize cost and retain reliability of the power grid, our members will need to carefully integrate the sequence of these complex activities. Additionally, the State must thoroughly examine the cumulative economic impacts of implementing both existing mandates and proposed new ones, across all energy and environmental agencies.

CMUA members need the CEC and other State agencies to look at the end game goals - reducing carbon, diversifying resources, maintaining reliability - rather than imposing specific mandates. Our infrastructure investments need to be technology neutral in order to develop the best, most cost-effective solutions for these goals while minimizing impacts on our consumers.

Looking Beyond 2020

CMUA agrees with the draft Report's focus on looking beyond 2020. As emphasized below with respect to transmission development, the State has already taken significant steps that will facilitate achievement of 2020 RPS goals. Post-2020 renewable energy goals need to be tied to GHG reduction goals and should be part of a Load Serving Entity's long-term integrated resource plan. This plan should look at all possible resource options and provide relief valves to avoid unnecessary costs and stranded investments. (e.g., low or no load growth; planned resource retirements).

Progress on Transmission has been Considerable

CMUA urges the CEC not to give short shrift to the considerable progress made on transmission development to accommodate the connection of renewable resources. Further, the CEC must take into account the impact on rates that has already been seen by California consumers to support this transmission investment.

The Transmission Access Charge, which is the vehicle by which the CAISO recovers the fixed costs of the transmission system, has roughly quadrupled in the last 5 years, and it is expected to double or even triple beyond today's rate. This will leave consumers paying roughly 8-10 times higher for transmission than what they paid at the beginning of this decade; this rate impact cannot be ignored.

Overall, substantial transmission investment is taking place. CAISO, within their transmission planning process, has concluded that sufficient transmission exists in the planning pipeline to deliver renewable energy to meet the 33% goal within the CAISO footprint. Many of these CAISO-identified lines have siting approval from the CPUC. However, CAISO's transmission planning process does not address additional needs, if any, beyond 33% nor does it address our members who are located outside the CAISO Balancing Authority. The Report should reflect these concerns of transmission planning.

<u>The Importance of the RPS Eligibility Guidebook</u>

In CMUA's recent filing to the CEC on the 33% RPS rule Concept Paper, one recommendation CMUA provided was for CEC staff to update the RPS Eligibility Guidebook in order to ensure that all utilities can continue their procurement activities that qualify under the new RPS requirements. This should be a first priority as it affects state-wide renewable procurement. CMUA believes this can be done in parallel with developing the CEC's RPS enforcement rule. Furthermore; all pre-June 2010 contracts approved by POU governing boards that meet the existing eligibility guidelines should continue to count towards the RPS requirement.

<u>Biomethane Use</u>

On September 30, 2011, CMUA filed comments on: "Use of Biomethane Delivered via the Natural Gas Pipeline System for California's RPS," Docket No. 11-RPS-01 & 02-REN-1038. The Los Angeles Department of Water and Power (LADWP), the Sacramento Municipal Utility District (SMUD), and the Southern California Public Power Authority (SCPPA) also filed substantial comments, all of which are posted on the CEC's website at http://www.energy.ca.gov/portfolio/documents/2011-09-20_workshop/comments/.

As explained in those comments, biomethane is an important renewable resource for energy production. No other renewable resource meets the "least cost, best fit" criteria of SBX1 2 better than biomethane. Biomethane can be delivered through the existing gas pipeline system. It can be consumed at existing generation facilities without any costly upgrades, it requires no electrical transmission additions, and it can be used as a base load resource. Given the ambitious RPS targets, biomethane plays a vital role in meeting the RPS goals.

CMUA recommends that the CEC allow for the continued use of this vital renewable resource and refrain from imposing any restrictions beyond those in the current RPS guidebook on the transportation and delivery of biomethane, and the CEC should disregard ill-founded claims that California consumption of biomethane should be in any SBX1 2 portfolio category other than Category One. Furthermore, the CEC should promptly process currently pending applications for certification of RPS-eligible generating facilities that would burn biomethane. The CEC should work with stakeholders and other agencies to reduce barriers for the use of in-state biomethane resources, in particular the prohibition in gas utility tariffs on injecting pipeline-quality landfill gas into the utility systems. Promptly facilitating the use of biomethane in existing California generating facilities is a critical issue for the first RPS compliance period (2011-2013).

<u>Other Issues</u>

What is the panel's perspective on the environmental issues and permits for large renewable projects, PV and wind?

- Based on CMUA member input and feedback, environmental issues remain a very high barrier to developing resources in California. There are limited locations for wind development and the environmental studies are taking up to five years. Even this lengthy study process does not resolve development risk. For example; with LADWP's Pine Tree Wind Farm litigation by one non-governmental organization held-up the development for several years after completing the CEQA review. This held-up over $350 million in investments and impacted achievement of RPS targets. This is a costly and time-consuming process in the development sequence.

What is the percent of contracts that have moved forward for renewables?

- As an example, SCPPA has reviewed over 500 individual project proposals for renewable generation over the last three years and found a large majority of them to be speculative, unable to meet environmental requirements, unable to obtain financing, and unreasonably expensive. SCPPA was able to select and engage in over 800 MW of these projects, many of which are already delivering renewable energy to members. However, the implication within the draft Report that there is a large potential of additional cost-effective projects ready to deliver energy by 2020 may not be realistic.

CMUA appreciates this opportunity to provide these comments to the CEC. We look forward to working with CEC staff as they fully develop the strategic plan for renewables within the 2011 Integrated Energy Policy Report (IEPR), helping to further the statewide renewable power goals.

Sincerely,

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Executive Director