

11-IEP-1A

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

In the matter of:)	Docket No. 11-IEP-1A
)	
Preparation of the)	RE: SMUD Comments on
<i>2011 Integrated Energy Policy Report</i>)	<i>2011 Integrated Energy Policy</i>
)	
)	December 23, 2011

**Comments of the Sacramento Municipal Utility District on
Docket No. 11-IEP-1A, 2011 Integrated Energy Policy Report,
Lead Commissioner Draft**

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide these comments on the Lead Commissioner Draft Report version of the 2011 *Integrated Energy Policy Report (2011 IEPR)*.

SMUD believes that the 2011 IEPR is a well-crafted and valuable treatise about energy demand, supply, and infrastructure issues in California.

SMUD supports comments filed by the California Municipal Utilities Association, and has the following additional comments.

A. SMUD's Plans For an Energy Efficiency Potential Study

The 2011 IEPR contains several statements regarding the status of and progress toward updated energy efficiency targets and goals pursuant to AB 2021. SMUD agrees that this process has not kept to the anticipated schedule, both at the CEC and at utilities such as SMUD. However, SMUD recommends some changes to the text in the 2011 IEPR to reflect our latest information and our understanding of the State's energy efficiency requirements.

First, SMUD acknowledges that no updated efficiency potential study for our service area is currently available or been provided to the Energy Commission, as stated on Pages 5 and 54 of the 2011 IEPR. However, SMUD wishes to correct the statement in footnote 60 on page 54, which indicates that: “*SMUD does not have current plans to revise its efficiency potential estimate.*” In fact, SMUD is in the process of getting a firm on board to do a revised potential study. SMUD has met with one potential contractor for such a study this December, and plans to complete a revised potential study next year.

Second, SMUD contends that the 2011 IEPR errs slightly by suggesting that: "...AB 2021 required all publicly owned utilities to submit **revised** efficiency potential estimates and targets by June 1, 2010..." on page 56, and suggesting that SMUD and LADWP were not in full compliance with AB 2021. In fact, AB 2021 does not require that there be a 'revised' potential estimate every three years, but rather only that annual targets be established for the next 10-year period by June 1 of every third year (June 1 of 2010), based on all potentially achievable, cost-effective energy efficiency savings. While it is perhaps best policy to base the annual targets on a revised potential study, it is permissible under the law to base the targets on potentially achievable savings as determined by the latest potential study available. SMUD adopted these targets and submitted them to the CEC in May of 2010 based upon a study completed in 2007. SMUD believes that it is in full compliance with AB 2021 requirements.

SMUD's action to adopt and submit targets was acknowledged in the CEC Staff report on AB 2021, stating: "*SMUD submitted revised efficiency targets approved by its board in May 2010; however, it did not revise its efficiency potential estimates.*" Again, SMUD suggests that the main point of AB 2021 was to establish efficiency targets, based on valid but not necessarily "new" potential estimates. SMUD has established targets that are 50% more aggressive than those suggested by the Energy Commission as a statewide goal, aiming at reducing our customers energy use by 15% over 10 years, rather than the 10% statewide goal.

B. Biomethane Policies In California

The IEPR references Governor Schwarzenegger's Executive Order S-06-06 that set a goal of achieving 20% of the RPS from biomass resources by 2020. The Report acknowledges that progress on these targets has been slow.

In September 2011, CEC staff held a workshop to discuss potential changes to the treatment of biomethane in the State's RPS. As CEC staff and Commissioners consider stakeholder input to the question, SMUD reiterates its position that the eligibility of biomethane was not altered by the enactment of SB X1-2.

In 2010, SMUD's biomethane use represented about 9% of our renewable resources. SMUD believes that biomethane is a highly efficient renewable resource, and plans to expand our use of biomethane. In the long-run, SMUD sees biomethane as critical to reducing our Greenhouse Gas (GHG) footprint to 10% of our 1990 levels, while maintaining sufficient local, dispatchable generation to provide reliable electrical service.

Biomethane use, as currently practiced, has many strategic benefits to California and to the State's RPS policy. Biomethane use:

- Reduces GHG emissions by displacing natural gas and preventing methane releases;

- Reduces retail rates by maintaining the value of ratepayer investment in existing power plants and by using a lower cost renewable resource;
- Increases productive development and use of renewable resources;
- Creates local jobs by keeping local power plants operating and keeping electricity costs lower, which helps local businesses to prosper and add jobs; and
- Requires no new transmission or other grid infrastructure.

When biomethane is injected into the interstate gas pipeline system we know that it is safe, that it displaces natural gas, and that it provides GHG benefits. Under the current structure, the entity that purchases and injects biomethane into the pipeline, and designates where that biomethane is “used”, receives credit for its use. SMUD contends that this is the only viable way to recognize and provide an incentive for the development of out-of-state biomethane and achieve the benefits listed above.


The IEPR states that opportunities exist within California at municipal wastewater treatment plants and landfills to capture fugitive methane emissions for electricity generation. However, significant difficulties concerning air permitting in some California air districts, the economics of power generation, and upgrading biomethane to meet pipeline quality standards stand in the way of meeting these goals. While the IEPR mentions important strategies from the 2011 *Bioenergy Action Plan* to overcome these obstacles, it should also include a quantitative analysis of the physical potential and economic feasibility of meeting the State’s bioenergy goals from in-state resources. It is not enough to set ambitious goals and simply refer to the potential resources for meeting those goals. The IEPR needs to do a realistic assessment, above and beyond the current references to the 2011 Bioenergy Action Plan, of where and how developers are to procure the necessary resources to meet such goals.

C. Revisit The Water-Energy Nexus

In past IEPRs, the Energy Commission has performed extensive analysis of the nexus between water use and energy use in California, and examined the amount of energy that is needed for California’s water supply system. The 2011 *IEPR* and future IEPRs should continue to examine the water/energy nexus in California.

One new process in this policy arena is that of determining new delta flow criteria by the recently formed Delta Stewardship Council (DSC). The current draft flow criteria developed by the DSC are beginning to raise concerns about how changes to Delta flows may impact energy facilities in the state, leading to higher energy costs and

potential system reliability issues, in addition to upstream environmental impacts. The 2011 IEPR and future IEPRs should prepare to examine the energy implications of this new process.


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cc: Corporate Files