



CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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DAVID L. MODISETTE, EXECUTIVE DIRECTOR

November 1, 2011

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Mr. Stuart Drown, Executive Director
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Re: CMUA Comments on the State's Coordination of Energy-Related Activities

Dear Mr. Drown:

The California Municipal Utilities Association (CMUA) would like to thank the Little Hoover Commission (LHC) for the opportunity to provide our initial comments to the posed general topics on the coordination of energy-related activities in California.

As you know, CMUA represents the interests of virtually all the State's publically-owned electric utilities (POUs), and many municipal water agencies as well. Our members provide electricity to over one-fourth of California's citizens.

POUs are units of local government, and as such have no profit motive. They have governing boards that are either elected, like a city council, or appointed by elected officials. Decisions of the governing boards are made in public, as required by law, with opportunity for public comment.

California's POUs have an excellent track record in providing reliable electricity at low rates. California's POUs have also demonstrated leadership on environmental issues, climate change, renewable energy, and energy efficiency. CMUA members supported AB 32, 33% renewables by 2020, the public goods charge, and all cost effective energy efficiency. California POUs are also committed to local economic development and job creation.

CMUA member electric utilities plan to attend the LHC Hearing on November 15, 2011. As requested by the LHC in your recent letter, our initial responses are provided below.

- **Describe the utility's progress toward helping the State meet its renewable goals.**

Many of California's POU's adopted goals to meet a 33% renewable requirement by 2020 before the recent statewide legislation was enacted. And some of our members actually meet this standard today, while others have plans to exceed 33% by 2020.

POUs have been both building new renewable power sources, and soliciting proposals from private developers, for years now. POU's report their progress to the California Energy Commission (CEC) on an annual basis, and more frequently update their local governing boards.

The CEC put together an "Updated POU Database as of September, 2010," which can be found on the CEC website and is attached to this letter. This database shows in detail the progress that POU's are making toward the 33% Renewable Portfolio Standard (RPS) goal. However, this database only includes data through calendar year 2009, and does not include the significant progress that was made in 2010. POU's have filed their 2010 data with the CEC, and this data should be officially available by mid-November on CEC's website. Preliminary 2010 data highlights 25 POU's meeting on average a 23% RPS.

POUs also provide other incentives and information to encourage renewable energy development within our service territories, including: Incentives for solar installations, Net Energy Metering, Feed-in-Tariffs, and interconnection mapping.

- **How the cost of implementing these goals will be absorbed or passed to customers?**

As mentioned above, CMUA supports the 33% renewables goal by 2020, and our members are working to meet this goal. Having said that, it is important for policy makers to recognize that meeting this goal comes with significant additional cost. Unlike investor-owned utilities (IOUs), POU's have no shareholders (stockholders), and have no "profit" in rates that goes to shareholders. Electric rates for POU's are largely based on "cost-of-service" (i.e., we charge customers just what it costs the utility to provide the service, and nothing more), and as achievement of renewable and other goals increases cost-of-service, rates increase as well. For CMUA members, rates are cost-based and generally lower than their IOU counterparts. Nevertheless rates and rate pressures have increased at a time when our customers are hard-pressed to cover these costs.

The cost implication from cumulative State policies and mandates is an issue that has not received adequate attention. This has two elements: (1) the overall cost of achieving State goals; and (2) the lack of coordination of overall policy objectives to allow achievement of primary goals at least-costs. For example, if the overarching goal of State energy policy is to reduce greenhouse gas (GHG) emissions, various tools to achieve that goal should be compared and balanced. Those tools may include the RPS, demand initiatives, energy efficiency, and other direct environmental regulation on the energy sector. However; today's policy approach results in separate GHG, energy efficiency, and RPS policies, when savings may be realized if these policies were part of an integrated whole. This results in higher costs for consumers.

- **Has the experience improved in recent years?**

The State Legislature and agencies have enacted many mandates and programs in recent years, including: AB32 rules such as the Cap & Trade program, SF6 for utilities, Mandatory Reporting; the 33% RPS by 2020 under recently signed SBX1 2 legislation; AB 1368 limitation on new higher-GHG base load generation; termination of Once-Through-Cooling; the California Solar Initiative; Net Energy Metering; energy efficiency and demand response targets, smart-grid development, and a Feed-in-Tariff. The Governor is also pushing for 12,000 megawatts (MW) of additional distributed generation by 2020.

There are multiple State and federal agencies that have some regulatory jurisdiction or influence over these many mandates and programs. These agencies include: the CEC, the California Public Utilities Commission (CPUC), the California Air Resources Board (CARB), the California Balancing Authority (CAISO), and the Federal Energy Regulatory Commission (FERC). In some instances, these agencies have joint jurisdiction on issues, in others overlapping jurisdiction, and in virtually all cases one agency can directly or indirectly affect the policies and regulations of the others with their own actions. Unfortunately, this has created the situation where stakeholders such as POUs must spend scarce resources to monitor and participate in the many proceedings being run by all these agencies. Again, this has a significant cost impact, which is borne directly by our customers.

This problem is made even worse, not by the overall program goals or targets established by the Legislature or the regulatory agencies, but by layers of

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detailed restrictions which dictate to POU's exactly HOW they must go about meeting the goals. We frequently urge the Legislature and regulatory agencies to adopt performance-based goals or standards, which specify the ultimate goal(s) they want POU's to meet, but then leave it up to the individual POU governing board to determine how to best meet the goal(s) in the most cost-effective manner. POU governing boards are in the best position to make these decisions in a way that keeps rates as low as possible, and also meets other local needs (e.g., reliability, reduced environmental impacts, local economic development, etc..).

- **The need for governance or organizational challenges & recommendations.**

The State needs to recognize and support the governance structure of local POU's. It is a structure that has served California citizens and ratepayers very well for over the past 100 years. Proof of that lies in the fact that POU rates are generally lower than those of IOU's, our reliability is better, we make 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 POU's. Absent specific statutory direction to the contrary, regulatory oversight, compliance, program design and funding should remain with the local elected or appointed governing boards.

CMUA appreciates this opportunity to provide these comments, and looks forward to discussing these issues further on November 15, 2011.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Modisette", enclosed in a thin black rectangular border.

David L. Modisette
Executive Director

Attachment

POU RPS Targets

Utility Name	RPS Target(s)	RPS Timeframe
Large POU (retail sales greater than 10 million MWh per year)		
Los Angeles Department of Water & Power (LADWP)	20% 35%	2010 2020
Sacramento Municipal Utility District (SMUD)	20% 33%	2010 2020
Medium POU (retail sales of 750,000 to 10 million MWh per year)		
Anaheim, City of	20%	2015
Burbank, City of	10% 33%	2011 2020
Glendale, City of	20%	2017
Imperial Irrigation District	20% 23% 26% 33%	2012 2014 2017 2020
Modesto Irrigation District	20%	2017
Palo Alto, City of	20% 30% 33%	2008 2012 2015
Pasadena, City of	15% 33% 40%	2010 2015 2020
Redding Electric Utility	20%	2017
Riverside, City of	20% 25% 33%	2010 2015 2020
Roseville Electric	20%	2017
San Francisco, City and County of	n/d	n/d
Silicon Valley Power (SVP)	20% 24% 28% 33%	2010 2013 2017 2020
Turlock Irrigation District	20%	2017
Vernon, City of	20%	2017
Small POU (retail sales less than 750,000 MWh per year)		
Alameda Municipal Power	40%	2009
Azusa Light & Power	20% 33%	2010 2020
Banning, City of	33%	2020
Biggs Municipal Utilities	20%	No Specified Date
Cerritos, City of	20%	2020
Colton Electric Utility	n/a	2020
Corona, City of	20%	2017

Eastside Power Authority	2% 20%	2010 2020
Gridley Electric Utility	20%	No Specified Date
Healdsburg, City of	20%	2017
Hercules Municipal Utility	100%	2006
Industry, City of	n/d	n/d
Lassen Municipal Utility District	20%	2020
Lodi Electric Utility	20%	2010
Lompoc, City of	20%	No Specified Date
Merced Irrigation District	15.5%	2012
Moreno Valley Electrical Utility	n/d	n/d
Needles, City of	33%	2020
Pittsburg, City of	20% 33%	2010 2020
Plumas-Sierra Rural Electric Cooperative	20%	2017
Port of Oakland	20%	2009
Port of Stockton	20%	n/a
Power & Water Resources Pooling Authority (PWRPA)	10% 20%	2010 2020
Rancho Cucamonga Municipal Utility	20% 33%	2010 2020
Shasta Lake, City of	20%	No Specified Date
Shelter Cove Resort Improvement District	n/d	n/d
Trinity Public Utilities District	No Specific Target	n/a
Truckee Donner Public Utilities District	21%	2010
Ukiah, City of	20%	No Specified Date
Victorville Municipal Utilities Services	20%	2017

Large Hydro Included	Green Power Sales Count Toward RPS?
Partial	No
No	No
Yes	No
Only if "low impact"	No
Yes	Yes
Only if "low impact"	Yes
No	Yes
No	No
No	No
Yes	No
Yes	No
Yes	No
n/d	n/d
No	No
No	No
Yes	No
Yes	No
n/d	No
No	No
No	No

Yes	Yes
Yes	No
Yes	No
No	No
n/d	n/d
No	No
Yes	No
No	No
No	No
n/d	n/d
No	No
Yes	No
Yes	No
Yes	No
n/d	No
No	No
n/d	No
Yes	No
n/d	n/d
Yes	No
Yes	No
n/d	No

Notes

LADWP counts towards its RPS target the generation from its Owens Valley Aqueduct and Gorge hydroelectric facilities, which include plants with nameplate capacity greater than 30 MW. LADWP also counts the renewable content in generic system power purchases toward its RPS.

SMUD has an overall renewables goal, which includes both its RPS and it's green power program, of 23.6% by 2010.

Palo Alto's RPS can be met only by new renewables constructed or re-powered after October 2002.

Roseville counts the renewable content in generic system power purchases toward its RPS.

Alameda's RPS policy is to maintain a minimum of 40% renewable through 2020.

Eastside Power Authority counts the renewable content in generic system power purchases toward its RPS.

Plumas-Sierra is a rural electric cooperative, and as such, is not obligated by state law to adopt an RPS policy.

Port of Oakland has also adopted a less formal objective of meeting 40% of its load with renewables by 2020

Port of Stockton does not have a specific target year

The PWRPA RPS Target is based on the Retail Sales that were not served by WAPA Base Resource (called Non-Tier 1 Load). PWRPA considers its WAPA Base Resource to be renewable, but it is not counted towards PWRPA's percentage RPS Targets.

Rancho Cucamonga counts the renewable content in generic system power purchases toward its RPS.

Trinity PUD has a legislative right to up to 25 percent of the energy from the Trinity River Division of the Central Valley Project, which will provide enough generation to fully meet Trinity PUD's entire load for the foreseeable future. As such, Trinity PUD does not have a specific RPS percentage target, but plans to acquire only CEC-eligible resources for meeting all future resource needs not supplied by its legislative right to hydroelectric generation from the Trinity River. For this reason, Trinity's RPS timeframe and incremental needs are identified as "n/a"
