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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies.	)	Rulemaking 06-04-009 (Filed April 13, 2006)

SACRAMENTO MUNICIPAL UTILITY DISTRICT'S REPLY COMMENTS ON MODELING RELATED ISSUES

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January 18, 2008

SACRAMENTO MUNICIPAL UTILITY DISTRICT'S REPLY COMMENTS ON MODELING RELATED ISSUES

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (CPUC) the Sacramento Municipal Utility District (SMUD) provides the following reply comments on modeling related issues. These reply comments respond to filings of other parties pursuant to the *Administrative Law Judge's Ruling Requesting Comments on Modeling-Related Issues* ("ALJ Ruling") and address two issues: 1) inaccuracies in assumptions and statements of other parties, and 2) improving the model to show the real costs and reliability impacts of absorbing 33% renewable resources.

I. *PG&E and SCE have Inaccurately Characterized SMUD's Renewable and Energy Efficiency Programs.*

SMUD provided detailed opening comments with suggested corrections to the model[1]. In those comments SMUD expressed concern about inaccurate representation of SMUD in the model.

Unfortunately, the inaccuracies were repeated in some of the comments. Specifically, Pacific Gas and Electric Company (PG&E) assumes that energy efficiency could have a higher potential and a lower cost for publicly owned utilities (POU)[2]. PG&E goes on to claim that POU energy efficiency and renewable energy programs "have not been identified, implemented or evaluated"[3]. In addition, Southern California

[1] *Sacramento Municipal Utility District's Comments on Modeling Related Issues,* R.06-04-009, filed on January 4, 2008.

[2] *Opening comments of Pacific Gas and electric company (U 39 E) on Economic Modeling Issues Under AB32* ("PG&E's Comments"), R.06-04-009, at pp. 11 & 16 (Jan. 4, 2008).

[3] PG&E's Comments at 31.

Edison (SCE) implies that POU customers are not contributing equally to renewable portfolio standard (RPS) and greenhouse gas emission goals[4]. SCE goes on to say that because POUs are not regulated by the CPUC they are less likely to reach their RPS goals[5].

Given SMUD's more than 20 year history of development of solar, both with its customers and as utility installations, development of wind resources, and contracts for additional renewable resources, the comments above by SCE and PG&E regarding SMUD, as one of the larger POUs, could not be farther from reality. As evidenced by the 2007 IEPR report, POU's have increased their renewable content percentage faster than IOU's, and have installed more new renewable energy capacity as a group than IOU's as a group over the past several years[6]. SMUD has also expended considerable funds in its 31 year old energy efficiency program. The program is nationally recognized, having received awards from ACEEE and Energy Star, and covers a diverse array of energy efficiency technology and incentive approaches. SMUD's residential New Construction program, established in the early 1980's, has pushed the envelope with aggressive efficiency measures and more recently moved towards zero energy homes with over 3,000 homes signed up in its SolarSmart new construction program. In addition, programs such as refrigerator recycling and rebates, central air conditioner and heat pump rebates and financing, award winning residential and commercial lighting efficiency programs, motor efficiency programs, and a 30 year old Air-Conditioning Load Management (ACLM) program have helped SMUD customers save energy and reduce greenhouse gas emissions over the years.

Lastly, SMUD has shown its leadership in environmental issues and has been a leader, not a follower, in the greenhouse gas arena. The implication that the SMUD Board or SMUD will somehow be less capable of reaching RPS or other goals simply because the CPUC is not looking over its shoulder says more about SCE's ability to reach

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[4] *Response of Southern California Edison Company (U 338-E) to Administrative Law Judge's Ruling requesting comments on Modeling-related Issues* ("SCE's Comments"), R.06-04-009, at 14, Jan. 7, 2008.

[5] SCE Comments at 18.

[6] *2007 Integrated Energy Policy Report,* California Energy Commission pp. 171, 172, (Nov. 2007).

its goals without CPUC supervision than SMUD's.

II. *The Model Should Show the Real Costs of Transmission Additions Needed to Support a 33% RPS.*

In addition to the issue of fair treatment in the modeling, SMUD would like to stress the importance of the Renewable Energy Transmission Initiative (RETI) in defining targeted development areas and transmission lines for meeting the state's RPS targets. SMUD agrees with the comments made by CEERT regarding the integration of the basecase and aggressive scenarios into the RETI planning process[7], but would also recommend that anything that can be learned from the RETI process in the next several months be incorporated into the modeling in Stage 2 to improve the cost estimation and selection of renewable resource areas based on transmission access. Incorporating information from the RETI process into the modeling effort should help improve the cost estimation associated with accessing these resources and will therefore, provide a more accurate picture of the costs of aggressive policy measures such as a 33% RPS target.

SMUD requests the CPUC and CEC ensure that the modeling effort is as accurate as possible. SMUD thanks the commissions for taking these comments into consideration in directing improvements to the model.

Dated: January 18, 2008

Respectfully submitted,

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[7] *Opening comments of CEERT on E3 Modeling Methodology and Staff Workpaper on Emissions Reduction Measures*, R. 06-04-009, pp. 3-4, (Jan. 7, 2008).

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the attached:

SACRAMENTO MUNICIPAL UTILITY DISTRICT'S REPLY COMMENTS ON MODELING-RELATED ISSUES

on all known parties to R. 06-04-009 and CEC Docket No. 07-OIIP-01 by transmitting an e-mail message with the document attached to each party named in the official service list. I served a copy of the document on those without e-mail addresses by mailing the document by first-class mail addressed as follows:

See attached service list

Executed this 18th day of January, 2008, at Sacramento, California.

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