MEETING NOTICE AND AGENDA

ENERGY WORKING GROUP
The Energy Working Group may take action on any item appearing on this agenda.

January 24, 2008
11:30 - 2:00 p.m.
SANDAG, 7th Floor Board Room
401 B Street, Suite 800
San Diego, CA 92101-4231

Staff Contact: Brian Holland
(619) 699-6915
bho@sandag.org

AGENDA HIGHLIGHT

• SUBCOMMITTEE REPORT ON SUNRISE POWERLINK AND TE/VS LEAPS TRANSMISSION PROJECTS

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<th>ITEM #</th>
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<td>1.</td>
<td>WELCOME AND INTRODUCTIONS</td>
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<td>+2.</td>
<td>SUMMARY OF DECEMBER 20, 2007, MEETING</td>
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The December 20, 2007, meeting summary is attached for Energy Working Group (EWG) review and approval.

| 3.     | PUBLIC COMMENT AND COMMUNICATIONS | COMMENT |

Members of the public who would like to address the EWG on a topic not on the agenda should do so at this time. Speakers are limited to three minutes each.

| +4.    | SUBCOMMITTEE REPORTS ON SUNRISE POWERLINK AND TE / VS LEAPS TRANSMISSION PROJECTS | DISCUSSION |

The EWG subcommittee has received reports from proponents of the Sunrise Powerlink and TE / VS LEAPS transmission projects at its December 11 meeting. At its January 9 meeting, the subcommittee discussed and confirmed their evaluative approach for the transmission projects. The EWG is asked to comment on the final evaluative approach and, in February, to forward their assessment of how the projects match the goals of the SANDAG-approved Regional Energy Strategy 2030.

| +5.    | CALIFORNIA ENERGY COMMISSION WORK PLAN UPDATE | COMMENT |

Staff will present an update on the SANDAG/CEC work plan and upcoming deliverables. The EWG is requested to provide any comment or feedback on the direction of the Regional Energy Strategy Regional Climate Action Plan, Sustainable Region and Alternative Fuels Toolkit.

| +6.    | RENEWABLES TARIFF DISCUSSION | DISCUSSION |

SDG&E representatives will update the EWG on revisiting the renewable electricity tariff discussion. At the December EWG meeting, a motion was made for SDG&E to “help local municipalities by offering a fair tariff that would allow the installation of renewables.” A copy of AB 1969 (a bill discussed at the December meeting as a possible fix) is attached.
7. CH2M HILL SOLAR MAPPING DISCUSSION

Kevin Murphy of CH2M Hill will discuss their solar mapping model, currently in use by the San Francisco Department of Environment and the Sacramento Municipal Utilities District.

8. SUGGESTED TOPICS FOR UPCOMING EWG MEETINGS INFORMATION

EWG members are invited to suggest topics for the upcoming February 28, 2008, meeting.

+ next to an item indicates an attachment
AGENDA ITEM NO.: 2

Action Requested: APPROVE

SUMMARY OF DECEMBER 20, 2007, EWG MEETING

AGENDA ITEM #1: WELCOME AND INTRODUCTIONS

Energy Working Group Co-chair Henry Abarbanel called the meeting to order at 11:35 a.m. and welcomed the group.

AGENDA ITEM #2: SUMMARY OF NOVEMBER 29, 2007, MEETING

Mr. Abarbanel asked working group members to look over the meeting minutes and to contact Brian Holland if there were any changes that needed to be made.

AGENDA ITEM #3: PUBLIC COMMENT AND COMMUNICATIONS

Public comments and communications were invited but none were made.

AGENDA ITEM #4: APPROACH FOR EVALUATING TRANSMISSION PROJECTS

Mr. Abarbanel said the Board of Directors had tasked the Energy Working Group with evaluating all viable proposals for transmission projects into the region. There are currently two projects: the east-west Sunrise Powerlink and the north-south Valley Rainbow 2, formally known as the Talega-Escondido/Valley-Serrano project, which had been introduced as part of the LEAPS project. On January 9, the resource and policy subcommittee will meet at the Del Mar City Hall Annex to discuss those two projects and how they fit into the Regional Energy Strategy (RES). Although the draft Environmental Impact Report (EIR) will be released before the meeting, the group needs to consider issues of reliability and security, not the biological impacts analyzed by the EIR. A representative from the Department of Homeland Security will talk about infrastructure security at the meeting.

Co-chair Art Madrid, City of La Mesa, noted that Attorney General Brown has been very proactive in forcing agencies to consider greenhouse gas emissions in their projects and plans. Therefore, we should be aware of any possible intervention, and be aggressive and proactive to incorporate the goals of the Attorney General into our actions. Brian Holland, SANDAG, said that since SANDAG is not the permitting agency for the Sunrise Powerlink, it would not be held accountable for the greenhouse gas emissions from such a project. Greenhouse gas emissions in the region are being considered under the RES update and the development of a climate action plan. Dave Carey, Port of San Diego, mentioned the Port of Los Angeles and the Attorney General’s office signed an MOU on their clean air action plan.
J.C. Thomas, SDG&E, said that the draft EIR is nearly 7,000 pages and addresses things like the biology around substation sites, it will not address the Powerlink’s value to the goals of the RES. The PUC will examine the EIR to decide the routes with the least impacts. The PUC had already gone through a needs process to look at other options for expanding the region’s energy resources.

Mr. Abarbanel noted that the group is not under great pressure to make a recommendation and could take more time to analyze the EIR if the group would like to do that.

Leo Miras, Environmental Health Coalition, said we should keep our options open since we haven’t yet seen the document. The document may contain a number of things worth reviewing and we can’t have a debate without having all the information.

Alan Sweedler, SDSU, advocated taking as much time as is needed to thoroughly review the project. Members who examine the EIR should be sure to let others know when they find relevant information. The subcommittee should at least look at chapter titles and review those which may be important. Paul O’Neal, North County Economic Development Council, noted that it would be impossible to review the whole Sunrise EIR and that we also need to review the TE / VS project.

Mr. Madrid said the group will give both projects a thorough review without straying outside the goals of the current and future RES. The group decided that two subcommittee meetings would be set to discuss the projects; more could be scheduled, if necessary.

Wednesday, January 9, 2008, from 9:30 a.m.-12 Noon at Del Mar City Hall annex.
Tuesday, February 5, 2008, from 12 Noon-2 p.m. at the California Center for Sustainable Energy.

AGENDA ITEM #4: SUBCOMMITTEE REPORT

Alan Ball, Qualcomm, Co-chair of the Resources and Policy subcommittee, gave a summary of the discussion at the last meeting. At that meeting, SDG&E presented information on the Sunrise Powerlink including how it meets the needs of the growing demand in the region, and also what the costs and benefits to ratepayers would be.

There was also discussion of the TE / VS / LEAPS project, which is actually two projects, a 500-mw pumped storage system in Lake Elsinore, and a 1600-MW transmission project from the Southern Riverside region, which is Southern California Edison (Edison) territory into SDG&E region north of Escondido. All the power from the pumped storage system would be going to Edison, but the transmission portion stands alone and would have the same capacity to import power into the San Diego region as the Sunrise Powerlink. It appears that the cost for the project would be much lower than the Sunrise Powerlink.

Mr. Abarbanel noted that the meeting was just the beginning of the discussion, not the end of it. Mr. Holland had distributed copies of the presentations, and anyone with information they’d like to share would be welcome to give it to Mr. Holland for distribution.

Mr. O’Neal said that the Subcommittee discussion had yielded great insights, and invited everyone to come to the future meetings. He said that they will book larger rooms to make sure everyone can attend.
AGENDA ITEM #6: LEGISLATIVE UPDATE

Jennifer Porter, California Center for Sustainable Energy, noted that H.R. 6, the Energy Independence and Security Act of 2007, had just been signed by President Bush and contains a number of provisions. The bill increases the Corporate Average Fuel Economy (CAFE) Standards from 27-35 MPG for cars by 2020. It also increases bio-fuel production to 36 billion gallons by 2022, with only a portion of that coming from corn-based ethanol. It increases federal funding for research into greenhouse gases. It also increases efficiency standards for lighting and phases out incandescent light bulbs. It also mandated new federal buildings to use 55% less energy by 2010 and 100% less by 2030. California already has tougher standards for new commercial and residential buildings. Notably the bill did not include renewable electricity standards or the extension of tax credits for solar and wind past 2008. A future bill might extend the tax credits.

Mr. Holland also noted that the EPA had rejected California’s application to set its own automobile efficiency standards.

AGENDA ITEM #7: CALIFORNIA ENERGY COMMISSION WORK PLAN UPDATE

Brian Holland gave a brief overview of the work being done under contract with the CEC, including the update of the Regional Energy Strategy, the development of the Climate Action Plan, the expansion of the Sustainable Region Program, and the formulation of an alternative fuels toolkit. The next deliverables on the RES and CAP will be draft reports in the late spring. The RES ad hoc committee has begun looking at the base conditions for the report.

Letters of Invitation were sent out for the Sustainable Region Program and applications were received from the cities of Solana Beach and Poway. Carrie Downey said that Coronado was moving forward with increasing efficiency, and thought that Poway and Solana Beach represented unique cases that could serve as good models to the rest of the region.

The Alt-Fuels Ad Hoc Working Group had met to begin exploring the issues and staff was ready to send a scope of work to the CEC. The study will be in three parts. It will start by looking at existing conditions both in terms of the availability of fuels and the number of alternative fuel vehicles already in service. The next part of the study will look at market penetration scenarios and strategies based on analysis already performed by the state. The final part of the plan will be the development of siting criteria, listing requirements, and recommending locations for alternative fuels infrastructure.

There were a few comments on the alternative fuels toolkit. It was noted that we need to look at the public as well as the private sector. The Military and Caltrans would be good agencies to work with both in terms of infrastructure and vehicle use, although there may be significant hurdles since most of their directives come from the state or federal levels. Consideration of plug-in stations for electric vehicles could also be given.

AGENDA ITEM #8: 2008 EWG MEETING CALENDAR

Working Group members were asked to review the 2008 meeting calendar, noting that the December date may be moved due to the Christmas holiday.
AGENDA ITEM #9: RENEWABLE TARIFFS DISCUSSION

J.C. Thomas (SDG&E) introduced Joe Velazquez of SDG&E, who works with the sustainable communities program and directly with jurisdictions and other large customers. He gave some background on the item, noting that some municipalities had sites ideal for the placement of renewable energy production but without much load, and wanted to be able to credit the energy produced at one site to another. Senator Kehoe’s bill (SB 451), which was vetoed, would have set up a system to do this.

Mr. Velazquez said that although this discussion had been initiated by customers, legislative processes had taken over. Another bill, AB 1967 (AB 1969?), was signed which allows water and waste water systems that generate excess energy to be sold back to the grid. SDG&E has proposed a tariff in compliance with the law and it is awaiting review. He noted that for most customers, on-site use of energy still provides the best value. Water agencies will able to take advantage of the new tariff soon, although they will not be eligible for incentives through the California Solar Initiative or the Self-Generation Incentive Program.

He said SDG&E has also come to a settlement on its rate case that includes a reduction of time-of-day charges for renewable net metering customers while reducing cross-subsidies between customer classes. Approval is expected by the PUC in January, and this will be a real victory for solar.

Mr. Abarbanel asked if SDG&E would provide a tariff that gave a city with a site for renewables but load elsewhere incentive to install such a system. Mr. Velazquez said that the qualifying water agencies would now have that incentive. Municipalities could still get some value for power sold back to the grid and could apply the value for a load at another site, but that direct access is not allowed.

Mr. Abarbanel stated that in previous discussions, SDG&E said that it would bring forward a specific rate proposal that would allow municipalities to generate power at site A and use it at site B, and only pay the wheeling charge. He asked if SDG&E would be able to bring forward such rate structure that could be presented to working group members in January.

Mr. Velazquez said that the cost to serve multiple sites was different than just transporting the power through the existing infrastructure. Although SB 451 was not signed into law (AB 1969?), it did force the PUC and utilities to look at this kind of tariff. We should see how this tariff works out for water agencies before moving forward with any other tariffs.

Mr. Abarbanel asked for clarification in the form of a yes or no answer to his question as to whether SDG&E would bring forward a rate structure allowing municipalities to use power generated at one site on a different site while paying only the cost to transport that power. Mr. Thomas indicated that SDG&E as well as other investor-owned utilities would want to see how the tariff under AB 1967 (AB 1969?) worked out before deciding on another rate structure. SDG&E would be happy to update the group on the progress of the water tariff and continue to explore how such a tariff would apply to all customers.

Mr. Abarbanel felt that the group had been promised such a tariff and indicated his willingness to make a motion asking SDG&E to bring forward a tariff. Mr. Madrid noted that he didn’t want to require the representatives from SDG&E to make a commitment on behalf of their employer, but
would make a motion asking them to inform their employer that the Working Group would like to see their commitment to develop a tariff honored. Mr. Castaneda said he would second that motion. Ms. Downey clarified that what was being asked for was a tariff for municipalities that would allow them to aggregate their energy charges and credits like a home customer in whatever way possible.

Mr. Carey stated his opposition to a motion that formally asked SDG&E to stand by a commitment that was made informally, especially since SDG&E had been expecting SB 451 to cover this item. He felt it was fair to allow them time to see how the tariff under AB 1967 would work. Mr. Madrid said that the motion simply asked the utility to stand by a previous commitment. Mr. Thomas said that he felt the discussion had been changed by AB 1967 (AB 1969?) and felt that we needed to take a look at the bigger picture before looking at any specific tariff.

Mr. Castaneda indicated that he didn't want to put SDG&E in an untenable position, but wanted to reaffirm the working group's position on the issue and the group's support and willingness to promote a new municipal tariff. Mr. Madrid clarified that his motion directed the SDG&E representatives to ask their employer to stand by a commitment to the EWG without putting the representatives on the spot. The motion does not include a timeline.

Ms. Downey clarified the motion referred to the commitment to give municipalities a mechanism to be credited for the power they generated at one site at another site. Dave Weil, UCSD, asked that the language include all public agencies. Mr. Abarbanel indicated that the motion covered this, although the idea for such a tariff had been around for a while. SB 1727 in 2006, which was not passed, would have allowed the commercial entities to credit power generator at one site to another. SB 451 would have done the same thing for public agencies, but it failed to retain its flavor and was vetoed by the governor. The motion asks SDG&E, the local utility, to help local municipalities by offering a fair tariff that would allow the installation of renewables. Mr. O'Neal said that SDG&E should propose a mechanism, but could not put a mechanism in place by themselves.

Mr. Abarbanel ended the discussion and asked for a vote. The motion carried with opposition from Mr. Anders, Mr. Carey, and Mr. Zolezzi. Mr. Thomas abstained.

**AGENDA ITEM #10: SCHEDULING ITEMS FOR FUTURE MEETINGS**

Mr. Madrid noted that energy is more than just transmission and peakers. He said the working group should ask the Regional Planning Committee to appeal to the 18 member cities to sign the climate change agreement that a number of cities in the nation have signed, but only six in the region have. Ms. Downey said that cities need more information for help with determining their carbon footprints. Others indicated there were some resources out there, including ICELI and a CARB Program. San Diego Foundation is working on a carbon footprint for the region.

Mr. Sweedler noted that he is affiliated with Clean-Tech San Diego, and that group would like to present to the group in February.

Cecila Aguilón, Kyocera Solar, said that the CEC is considering a 100% grid feed tariff similar to what is used in Europe, which the working group should look at. It should also consider how utilities should get value for renewable energy credits. She also noted that there were Time-of-Use
tariffs for solar and PG&E had benefited from a new tariff, but Edison and SDG&E did not use this tariff. She would like to have PG&E explain why the tariff worked for them.

**AGENDA ITEM #11: ADJORN**

The meeting was adjourned at 1:22 p.m. The next meeting will be January 24, 2008.
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SANDAG ENERGY WORKING GROUP MEETING
ATTENDANCE December 20, 2007
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<td>NRG Energy, INC</td>
<td>Steven Hoffman</td>
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**OTHERS**

Joe Velasquez, SDG&E  
Linda Wagner, City of Chula Vista  
Sephra Ninow, CCSE  
Curtis Dowds, The Renewable Choice  
J. Sharon Firooz, AES  
Joe Bessler, Silverwood Energy  
Tim Derrick, Helios Energy  
Jack Key, San Diego County Grand Jury  
J.W. Naish, San Diego Unified School District  
Cecilia Aguillon, Kyocera Solar  
Don Wood, PEPC  
Emery McCaffery, Ecology and Environment  
Julie Stout, Ecology and Environment  
Kevin Wood, SANDAG  
Brian Holland, SANDAG
SUBCOMMITTEE REPORTS ON SUNRISE POWERLINK AND
TE / VS LEAPS TRANSMISSION PROJECTS

Introduction

The SANDAG Board of Directors has requested the Energy Working Group to analyze two proposed transmission lines—the Sunrise Powerlink project and the LEAPS/TE-VS project. In December 2005, SDG&E filed an application (A.05-12-014, subsequently renamed A.06-08-010) for a Certificate of Public Convenience and Necessity with the California Public Utilities Commission for the Sunrise Powerlink. In November 2006, the EWG voted to not take a position on the Sunrise Powerlink or other proposed projects or scenarios at that time. Reasons given were that the Environmental Impact Report (EIR) for the Sunrise Powerlink had not been created, and the costs for several projects were not verified. Additionally, other options had been presented that had not been fully vetted as potential alternatives to the two proposed transmission lines.

Subsequent to its November 2006 recommendation, the Energy Working Group has gathered data from proponents and opponents of the Sunrise Powerlink (with cost revisions) and the TE / VS LEAPS transmission projects. The EWG is now reengaging in its evaluation of the transmission projects, and will forward its evaluation to the Board of Directors in the coming months.

EWG Charge and Evaluation Process

The SANDAG Board of Directors requested that the EWG evaluate the Sunrise and LEAPS projects for their consistency with the Regional Energy Strategy 2030 (RES). Components of the RES that may serve as evaluation criteria include the Guiding Principles, Goals, and Implementation Strategies of the document. The EWG is not empowered by the Board of Directors to analyze the projects on the basis of such factors as cost or the environmental impacts of transmission route alternatives, unless such factors are specifically called out in the principles, goals, or strategies of the RES.

The EWG Policy and Resources Subcommittee will develop recommendations on the projects for consideration by the full EWG. At its December 2007 meeting, the Subcommittee received presentations from project proponents, and began deliberation over its analysis at its January 2008 meeting. At its upcoming February 2008 meeting, the Subcommittee will continue its discussion and develop its recommendations for the full EWG.

When the Subcommittee concludes its evaluation, staff will work with EWG chairs and EWG Subcommittee chairs to draft a report describing the Subcommittee’s recommendations. This report will be presented to the EWG at its subsequent meeting. The EWG will then deliberate over the
report recommendations, request changes as desired, and adopt the report when it is prepared to do so. As the EWG’s recommendation to the Board of Directors, the report will be forwarded to the Regional Planning Committee for approval, and on to the Board. The following timeline illustrates the EWG’s goals for this process. This timeline is subject to change at the will of the EWG.

**February 5, 2:30 p.m. - 4:30 p.m., CCSE**—Policy and Resources Subcommittee develops its recommendations.

**February 28, 11:30 a.m. - 2:00 p.m., SANDAG**—EWG takes action on the Subcommittee recommendation report, developed and presented by the EWG chairs and staff.

**Regional Energy Strategy 2030**

The following matrix will be used to determine how each goal of the RES is addressed by the proposed projects. In addition, the following Guiding Principles and Implementation Strategies of the RES 2030 will also shape the EWG’s final recommendation.

<table>
<thead>
<tr>
<th>Goal</th>
<th>Sunrise Powerlink</th>
<th>LEAPS (Transmission Only)</th>
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<tbody>
<tr>
<td><strong>Goal 1:</strong> Regional Government Consensus</td>
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<td><strong>Goal 2:</strong> In-County Peak Load Generation Capacity</td>
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<td><strong>Goal 3A:</strong> Increase of Renewable Resources</td>
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<td><strong>Goal 3B:</strong> 50% Renewables from In-County</td>
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<td><strong>Goal 4:</strong> Increase DG % of Peak Demand</td>
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<td><strong>Goal 6:</strong> Reduce Peak Demand to 1980 Levels</td>
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<td><strong>Goal 7:</strong> Ensure Natural Gas Supply to Region</td>
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<td><strong>Goal 8:</strong> Reduce Natural Gas Consumption</td>
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<td><strong>Goal 9:</strong> Complete Transportation Study for Better Efficiencies</td>
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</table>
Regional Energy Strategy Implementation Strategies

The following passage describes the RES implementation strategies associated with the plan goals that are relevant to transmission projects.

Goal 2: In-County Peak Load Generation Capacity

- Re-power, retire, or replace existing older, inefficient regional power plants. Replacement or re-powered plants should employ state-of-the-art technologies (such as dry-cooling) to minimize impacts on the environment, water resources, and public health.
- Construct sufficient new efficient, clean power plant(s) that employ state-of-the-art technologies (such as dry-cooling) to minimize impacts on the environment, water resources, and public health.
- Develop a process to identify and, if necessary, zone appropriate land for future energy infrastructure.
- To the greatest extent possible, utilize local workers, contractors, training programs, and manufacturers to support building a sustainable local energy economy.
- Partner with existing training programs and community outreach groups to train the next generation of the region’s energy workforce and energy decisionmakers for future energy infrastructure construction.

Goals 3A and 3B: Increase of Renewable Resources; 50% Renewables from In-County

- Develop a regional renewable energy development initiative to assist and promote the availability of renewable energy systems for public agencies, commercial and industrial customers, and residential consumers.
- Create a coalition of community-based organizations to jointly fund a regional penetration, feasibility, and placement study for renewables in the region.
- Evaluate opportunities for public-private ventures to develop large-scale renewable projects within the region to serve the needs of the region’s renewable energy supply goals.
- Develop remaining opportunities to tap local landfill gas resources.
- Organize a corporate pledge program to support a strong commitment to regional renewables development and use.
- Develop financing mechanisms to address the upfront capital costs of energy supply systems, such as solar electric systems.
- Support changes to the newly enacted Renewable Portfolio Standard to allow accelerated credit for on-site renewable energy generation.
- Support the removal of the current cap on the total capacity of renewable energy system that can take advantage of net metering (0.5% of peak demand or 18.7 MW).
- Promote quality jobs for workers employed in the energy sector through the invigoration of the local renewable energy industries.
- Develop incentives for increased levels of research and development in the region for new emerging technologies.
- Develop a bi-national renewable energy development plan with Baja California to develop the sizable potential of solar, wind, and geothermal energy generation in Northern Baja.
- Encourage credits in the Title 24 Energy Code for zero emission on-site energy production.

Goal 4: Increase DG % of Peak Demand

- Support regulatory changes that permit customers to use excess power production by distributed generation to off-set energy usage of other accounts (wheeling).
• Support the removal of regulatory barriers to self-generation, such as standby charges and exit fees.
• Develop programs and processes to promote the use of distributed generation resources. In particular, support the continuation of the Self-Generation Incentive Program with funding for all categories of distributed generation technologies.
• Develop and implement standardized and streamlined permitting processes for all distributed generation technologies in all regional permitting agencies.
• Develop a distributed generation economic development program to attract producers and suppliers of distributed generation.
• Develop a regional distributed generation education campaign.
• Maximize use of state-funded and authorized incentive and financing programs.
• Aggregate distributed generation equipment purchases where feasible.
• Encourage statewide working group to develop a long-term deployment strategy for distributed generation technologies.
• Encourage a regional or statewide aggregate level dispatchable power program and/or market that reward participants while offering greater system reliability.
• Promote innovative research and development of energy technologies that would improve energy, environmental performance, fuel diversity, and the local economy.


• Pursue viable options for an additional high-voltage transmission interconnection to the region to improve reliability. Identify a project as soon as possible and complete construction by 2008.
• Complete the necessary upgrades to the transmission system to improve reliability and access to new generation in Baja California as well as interconnections with renewable energy development in Imperial County and Eastern San Diego County.
• Actively participate in established regulatory forums to encourage an energy infrastructure planning process that is transparent and more accessible to the public.
• Conduct specific transmission infrastructure studies to evaluate, improve, and ensure system reliability.
• Continue to work with the California Independent System Operator, SDG&E, and surrounding states (including Baja California) to evaluate all alternatives for improving transmission supply into the region.
• Complete a long-term study to evaluate the need for and identify potential sites and corridors for future energy infrastructure projects with an emphasis on transmission that would enable better access to renewable generation sites.
• Develop a process to identify and, if necessary, zone appropriate land for future energy infrastructure to avoid conflict of needed energy infrastructure with future development.

Goal 6: Reduce Peak Demand to 1980 Levels

• Develop financing mechanisms to promote/encourage demand-side reduction.
• Encourage (but do not mandate) existing buildings to meet minimum efficiency standards upon resale through public-good programs or government incentives.
- Develop and implement a pilot program to achieve demand reduction through the use of time-of-use (TOU) metering and pricing for business and residential customers, as well as adopting more attainable baseline allowances for residential consumers.
- Maximize the efficiency of existing public-good funds and assure that these funds are not diverted to other causes.
- Encourage public agencies to establish revolving funds to reinvest a portion of energy cost avoidance in further energy project development.
- Develop a concerted and comprehensive program of energy efficiency and demand reduction programs to help achieve the long-term energy planning goals of the region.
- Complete a comprehensive evaluation of current energy efficiency programs to broaden the input from key stakeholders on program design and to maximize utilization of public-good program funding through continuous improvement.
- Develop and implement programs to reduce high-energy demand associated with the urban heat island, including shade trees.
- Develop and implement a regional customer education program focusing on energy efficiency and load shifting.
- Establish energy-engineering programs at local colleges and universities.
- Enhance K-12 school-based energy education programs.
- Organize a corporate pledge and commitment program to support green energy development.
- Develop a process to participate in the California Title 24 energy code updates.
- Develop training programs to ensure that local inspectors are informed about California Title 24 building code updates.
- Promote research and development that improves energy efficiency, reduces or shifts demand and creates economic development opportunities.

**Regional Energy Strategy Guiding Principles**

The following are the guiding principles of the Region’s Energy Strategy:

- The supply portfolio will be diversified, cost-efficient, environmentally sound, self-sustaining, secure, and reliable.
- The planning process will be open and inclusive.
- Energy projects, programs and policies will protect the interests of the vulnerable and disadvantaged communities in the San Diego region and Mexico.
- The region will have adequate indigenous resources to ensure reliability and stabilize prices.
- Energy efficiency and demand management programs will be preferred over the development of new fossil-fueled generation resources.
- Future development and land-use planning decisions will reflect progressive standards for energy efficiency and responsible energy supply.
- Energy programs and policies will support economic development activities and the creation of new jobs in the San Diego region.
- Public awareness and education programs will promote responsible energy decisions by the public.
- San Diego and Baja California, Mexico, are an inseparable economic and environmental region requiring close coordination of energy planning and action. Recognizing this union of economy and environment, energy generated in Mexico for use in the San Diego region should be encouraged to comply with both California and United States environmental and
labor laws. Likewise, energy projects located in San Diego should take into account potential environmental effects in nearby Baja California.

- Markets and regulation must be designed and adapted as necessary to maximize the benefits of competition in wholesale markets while protecting the public from inappropriate pricing practices in retail markets.
- All energy usage affects the environment. Any energy policy or program must balance benefits and costs against the impact on the environment.
- Energy is an essential social need. All energy policies and programs must consider environmental justice impacts by ensuring the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income.

Key Staff Contact: Brian Holland, (619) 699-6915, bho@sandag.org
Introduction

SANDAG is participating in a two-year partnership agreement with the California Energy Commission to update the SANDAG Regional Energy Strategy (RES), develop a Regional Climate Action Plan, expand the Sustainable Region energy efficiency program for local governments, and create an Alternative Fuels Toolkit for Local Governments. This report describes activity under this agreement that has occurred since the December EWG meeting.

Regional Energy Strategy and Climate Action Plan Schedule

Discussions with the CEC resulted in a revision to the proposed timeline presented at earlier EWG meetings. Formerly, complete drafts of both the RES and the Climate Action Plan were to be complete by the end of May 2008. Upon renegotiation, the following components of these plans will be due to the CEC by the end of June 2008:

- Regional Greenhouse Gas Inventory. The inventory will assess existing and historic greenhouse gas emissions from the transportation and energy sectors.
- Business-as-usual Greenhouse Gas Forecasts. The forecasts will analyze greenhouse gas emissions in 2020 and 2030, given current trends and regulations, for the transportation and energy sectors.
- Emission Reduction Scenarios. Estimates of likely GHG reduction targets under AB 32 will be generated for the transportation and energy sectors. One emission reduction scenario will be developed for each sector, identifying a combination of policies that would reduce emissions to their target level by 2020.

Staff is currently working with the University of San Diego’s Energy Policy Initiatives Center—which is developing a regional greenhouse gas inventory in association with the San Diego Foundation—to provide necessary data for the inventory. Staff is also bringing together a team of land use and transportation planners and modelers to begin work on the emission reduction scenario for transportation.

When this phase of the project is complete, these tools will be used to further develop the policy components of the RES and Climate Action Plan in the second half of calendar year 2008.
For an update on state and regional climate change activities in the transportation and land use areas, please refer to the attached handout distributed at today’s meeting—a white paper that will be delivered to the SANDAG Board of Directors at its January 25 meeting.

**Sustainable Region Pilot Program**

The Cities of Solana Beach and Poway are participating in the Sustainable Region energy efficiency program. Staff is currently developing an implementation plan to map how the program will be rolled out, and will be holding a kick-off meeting with the participants in February. The implementation plan will be presented to the EWG in February.

Staff is also currently in discussions with SDG&E to extend a Sustainable Region-type program to additional jurisdictions through the existing SANDAG-SDG&E partnership. The program would provide audits and retrofit recommendations, education and outreach services, and policies and standards for energy efficiency, clean transportation, and clean generation that could be incorporated into local jurisdiction plans. Staff will update the EWG as this proposal is further refined.

Attachment: 1. White Paper on Climate Change Planning Issues

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White Paper on Climate Change Planning Issues  
SANDAG Board of Directors Meeting, January 25, 2008

INTRODUCTION

Earlier this year, a major scientific report was released by the Intergovernmental Panel on Climate Change, an international group that was established to provide decision makers with objective information on climate change. The “Fourth Assessment Report” expressed the consensus of its 1,250 academic authors that climate change is occurring, that it is caused largely by human activities, and that urgent action is needed to avoid its worst effects. Potential adverse effects of climate change in the San Diego region include a reduction in the quality and supply of water from the Sierra snow-pack and the Colorado River Basin, a rise in sea levels resulting in the displacement of coastal businesses and residences, damage to the marine environment and other ecosystems, and an increase in the incidence of infectious diseases, asthma, and other human health-related problems.

Over the past several years, this challenge has received increased attention at every level of government. All industrialized nations, with the exception of the United States, have endorsed the Kyoto Protocol, the international treaty that commits its signatories to sizable greenhouse gas (GHG) emissions reductions by 2012. In the United States, Congress is deliberating over several legislative proposals, including most prominently the Lieberman-Warner Climate Security Act of 2007, which would reduce emissions to 1990 levels by 2020.

In California, Governor Arnold Schwarzenegger and the State Legislature have recognized that climate change poses a serious threat to the economic well-being, public health, natural resources, and environment of California. GHG reduction legislation was signed by the Governor in 2006, and climate change mitigation strategies that will affect local and regional entities in the public and private sectors are being established by state regulatory agencies. At the local level, more than 700 local governments around the nation, including several in the San Diego region, have signed on to the U.S. Mayors Climate Protection Agreement, committing themselves to meet or beat Kyoto Protocol GHG targets in their own communities. This white paper provides background on state actions concerning climate change and information about current SANDAG efforts to address climate change at the regional level.

BACKGROUND

SANDAG has jurisdiction over activities that contribute to climate change, and is recognizing its responsibility to reduce greenhouse gas emissions. SANDAG has received direction from the state that it is obligated to address climate change in its planning activities. Both the Governor and the Legislature have acknowledged the threat of climate change and have enacted laws and regulations intended to address it, while various regulatory agencies also have responsibilities in the climate change arena, developing new standards and guidelines that will affect SANDAG operations.
Executive Order S-3-05

In 2005, Governor Schwarzenegger issued Executive Order S-3-05, which established statewide greenhouse gas emissions reduction targets:

- By 2010, reduce GHG emissions to 2000 levels
- By 2020, reduce GHG emissions to 1990 levels
- By 2050, reduce GHG emissions to 80 percent below 1990 levels

Executive Order S-3-05 directed the California Environmental Protection Agency to form a Climate Action Team composed of representatives from relevant state agencies, including the Business, Transportation and Housing Agency, the Department of Food and Agriculture, the Resources Agency, the Air Resources Board, the Energy Commission, and the Public Utilities Commission. The Climate Action Team was tasked with implementing GHG emission reduction programs and reporting on the progress made toward meeting the statewide greenhouse gas targets that were established in the executive order.

Assembly Bill 32 - The California Global Warming Solutions Act of 2006

In September 2006, GHG emission reduction targets were established in AB 32 (Nunez), the California Global Warming Solutions Act of 2006. AB 32 was signed into law, establishing a statewide GHG emissions targets that will reduce emissions to 1990 levels by 2020—a reduction of approximately 25 percent below current levels. AB 32 directs the California Air Resources Board (CARB) to monitor and regulate GHG emissions in pursuit of this goal, in coordination with all relevant state agencies.

AB 32 directs CARB to monitor and regulate GHG emissions in order to reach the legislation's GHG reduction target. The bill mandates the following approach:

- By June 30, 2007, CARB will develop a list of early action measures that can be implemented by January 1, 2010. The list of early action measures has been published. While no measures fall directly under SANDAG jurisdiction, some are related to SANDAG transportation and energy activities, including port electrification, trucking efficiency, and the Low-Carbon Fuel Standard.

- By January 1, 2009, CARB will prepare and approve a scoping plan for achieving the maximum technologically feasible and cost-effective reductions in GHG emissions by 2020.

- By January 1, 2011, CARB will adopt regulations to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions in furtherance of achieving the statewide greenhouse gas emissions limit, to become operative beginning on January 1, 2012. Regulations may include emission reduction mandates, alternative compliance mechanisms, monetary and non-monetary incentives, voluntary actions, and market-based mechanisms such as a cap-and-trade system.

The Scoping Plan will contain the primary strategies California will employ to reduce GHG emissions. The plan, which is currently under development, will have a range of GHG reduction actions, including direct regulations, alternative compliance mechanisms, monetary and non-monetary incentives, voluntary actions, and market-based mechanisms such as a cap-and-trade system.
The Scoping Plan is expected to include strategies for regulating emissions resulting from land use and transportation plans. A draft of the plan is scheduled for release in June 2008, and the final plan must be adopted by January 1, 2009. SANDAG staff is following the plan development process and participating in stakeholder workshops on a regular basis.

**Climate Action Team—Land Use Subcommittee**

The Climate Action Team is an interagency group established under Executive Order S-3-05. It is organized into several subgroups, one of which is a Land Use Subgroup (LUSCAT) that is tasked with coordinating efforts in cross-cutting areas related to local government and land use activities. Specifically, LUSCAT is developing land use and transportation-related recommendations for the Scoping Plan, and will submit these recommendations to CARB in February 2008. The goal of these recommendations is to reduce vehicle miles traveled.

The current version of the LUSCAT recommendations takes the form of four broad themes:

- **State Preparations.** The state should add GHG considerations to internal programs related to state-owned facilities and infrastructure and to programs related to state-assisted infrastructure and land use planning, design and development.

- **Providing Structure.** The state should provide regional and local governments with clear guidance on how to inventory GHG emissions within their jurisdiction and on best practices for reducing GHG emissions.

- **Setting the Targets.** The state should define a land use-related GHG emissions target for the state and separate targets for each region for a specified target year. Regional agencies would be responsible for allocating these targets down to the local jurisdictions within their regions. This approach would be similar to the allocation process for the Regional Housing Needs Assessment (RHNA). CARB should establish these state and regional targets by January 1, 2011.

- **Measuring Progress.** The state should collect inventories of GHG emissions from local governments to track progress towards targets.

SANDAG staff is monitoring developments in the LUSCAT through participation in the LUSCAT stakeholder advisory group.

**California Transportation Commission—Regional Transportation Plan Guidelines Update**

In January 2007, Senate Pro Tempore Don Perata requested that the California Transportation Commission (CTC) review current state guidelines for preparation of Regional Transportation Plans to incorporate climate change emission reduction measures and to ensure that models used in the preparation of RTPs accurately measure the benefits of transportation and land use strategies aimed at reducing vehicle trips. The CTC established an RTP Guidelines Working Group to assist in developing recommendations for the guidelines. SANDAG staff participated in the working group meetings, which were divided into three subsections: Climate Change, Smart Growth/Land Use, and Transportation Modeling and Analysis.
The Working Group recommendations were provided to the CTC and Senate Pro Tempore Perata in December 2006, and were accepted by the CTC on January 11, 2008. The RTP Working Group’s recommendations will be provided to Caltrans for incorporation into the currently approved RTP Guidelines. The CTC will continue to review the RTP Guidelines as new statutory requirements are enacted and policies regarding climate change emission reductions are adopted.

California Office of Planning and Research—California Environmental Quality Act (CEQA) Guidelines Update

CEQA requires that “cumulatively considerable” impacts be analyzed in environmental documents. Appendix G of the CEQA Guidelines, published by the Office of Planning and Research (OPR), provides guidance on how to evaluate these impacts. Currently, the CEQA Guidelines do not provide direction on evaluating climate change impacts, resulting in significant uncertainty on the part of lead agencies in preparing their CEQA documents.

Senate Bill 97 (Dutton), which was signed into law by the Governor on August 24, 2007, addresses the current lack of guidance concerning addressing climate change under CEQA. SB 97 directs OPR to draft CEQA guidelines for analyzing climate change impacts and to submit them to the State Resources Agency for adoption by January 1, 2010. These guidelines will be utilized by SANDAG in drafting its future CEQA documents when they become available.

Attorney General CEQA Actions

Since the passage of AB 32, the State Office of the Attorney General has monitored and commented on the climate change component of both programmatic and project-level environmental impact reports (EIRs), including that of the recently adopted SANDAG 2030 RTP. The Attorney General’s office holds that climate change is a cumulatively considerable impact that must be analyzed and mitigated in CEQA documents. Though CEQA Guidelines do not provide a methodology for assessing climate change impacts, the Attorney General’s office has provided guidance on this subject through comment letters on an ad hoc basis. More than 20 comment letters have been delivered to lead agencies across the state, recommending an approach to environmental analysis that includes GHG inventories and low significance thresholds. The Attorney General’s office also has provided a detailed fact sheet with climate change mitigation best practices.

REGIONAL PLANNING IMPLICATIONS

The emergence of climate change as a high priority issue in state law affects regional planning in a number of ways. SANDAG responsibilities under AB 32 remain undefined at this point, but are likely to revolve around the influence of the regional transportation system in the growth of vehicle miles traveled (VMT). VMT is closely correlated to land use plans and the transportation system, which is tied to transportation fuel consumption and GHG emissions. In addition, SANDAG is currently working in the areas of alternative fuels, energy efficiency, and renewable energy through its energy planning activities, all of which will play a role in meeting AB 32 goals.

Currently, the largest contributor of greenhouse gas emissions in the state is the transportation sector, accounting for approximately 40 percent of all emissions. Transportation emissions can be affected over time through a combination of fuel efficiency, alternative fuels, and VMT reduction.
Electricity is the second largest contributor in the state. The following figure illustrates the relative share of greenhouse gas emissions from various sectors of the economy.

**Statewide Greenhouse Gas Emissions by Sector in 2004**

- Transportation: 38%
- Industrial: 20%
- Agriculture: 6%
- Electricity Generation (In-State): 12%
- Electricity Generation (Imports): 13%
- Commercial: 3%
- Residential: 6%

*California Air Resources Board, 2007*

The role of regional land use, transportation, public facilities, and environmental planning in the climate change arena is currently a topic of debate, with many questions still unanswered. For example, how should climate change impacts be addressed in CEQA documents? How should emission reduction goals be incorporated into long-range regional transportation plans? How should the state regulate GHG emissions from automobiles and light trucks, which account for such a large percentage of emissions statewide? And what can local and regional agencies do to slow the growth of per capita vehicle miles traveled? These questions are being addressed by SANDAG, in collaboration with state and local agencies, in order to achieve the goals of AB 32 while preserving local authority, protecting the economy, and improving quality of life in the region.

**SANDAG EFFORTS TO ADDRESS CLIMATE CHANGE**

**Regional Climate Action Plan**

In June 2007, SANDAG entered into an agreement with the California Energy Commission to develop a Regional Climate Action Plan. SANDAG staff is currently developing the Plan, which will translate the state GHG reduction targets under AB 32 to the regional level. The SANDAG-CEC agreement also includes an update of the Regional Energy Strategy, the expansion of the
“Sustainable Region” local government energy efficiency pilot program, and an Alternative Fuels Toolkit for Local Governments.

In addition to satisfying the requirements of the CEC agreement, the Regional Climate Action Plan also was included as a mitigation measure in the RTP 2030 EIR. The plan will be drafted in the following four steps:

- **Regional GHG Inventory.** The plan will catalogue existing conditions in the region’s contribution to GHG emissions. An inventory will be performed that records GHG emissions by sector, from baseline 1990 levels to 2005 levels. The inventory will be performed in accordance with the methodology set up by the California Climate Action Registry, which is a state standard.

- **Business-as-Usual Forecast.** GHG emissions from the transportation and energy sectors will be projected to 2020 and 2030. In the transportation sector, the forecast will be based on the 2030 RTP, while the energy sector forecast will be based on SDG&E’s long-term procurement plan. Both forecasts will include adopted state goals and policies that will influence emissions levels.

- **GHG Reduction Scenarios.** Regional land use and transportation plan alternatives will be drafted and analyzed for their GHG emissions. These alternatives will vary in their assumptions about land use intensities and mixes, redevelopment possibilities, and relative levels of investment in highway and transit infrastructure. The GHG emission levels will be compared to potential GHG reduction targets to illustrate the political and financial feasibility of land use-driven climate change strategies. Scenarios for the energy sector will differ in their relative levels of fossil fuel generation, renewable generation, and energy efficiency.

- **Policy Planning and Implementation.** Goals, objectives, policies, and implementation strategies will be developed based on the outcomes of the scenario analysis and on an estimated GHG reduction target for the transportation and energy sectors.

The inventory, business-as-usual forecast, and draft emission reduction scenarios are scheduled for completion by June 30, 2008. These analytical tools will give the Regional Planning Committee and Board of Directors a basis on which to then guide SANDAG policy planning for climate change.

The Regional Climate Action Plan and other SANDAG climate change activities are designed to comply with existing laws and regulations and to prepare the agency for a new paradigm in planning that is emerging from the state level. State climate change goals are ambitious and will require good faith efforts and evolution in every major sector of the economy if they are to be achieved. Staff will continue to follow developments at the state and federal levels and will ensure that the Board of Directors is kept well-informed of these developments and of SANDAG climate change activities and work products.

**2030 Regional Transportation Plan Environmental Impact Report (EIR)**

The updated 2030 San Diego Regional Transportation Plan was adopted by the SANDAG Board of Directors on November 30, 2007. Updated every four years, the 2030 RTP is the public policy blueprint for how people and goods will move around the San Diego region during the next 23
years. The RTP features a section on transportation fuels and climate change, describing SANDAG initiatives to encourage alternative fuels and update the Regional Energy Strategy. The RTP also identifies a variety of projects and policies to encourage smart growth development patterns and transportation options.

On June 27, 2007, SANDAG received comments on the RTP EIR Notice of Preparation from the State Attorney General’s office, which requested that SANDAG “evaluate the GHG impacts of priorities and projects in the Transportation Plan and discuss feasible alternatives and mitigation measures to avoid or reduce those impacts.” In preparing the EIR, SANDAG analyzed the plan’s climate change impacts, identified them as “significant and unavoidable,” and established mitigation measures to address them. As part of the analysis, GHG emissions resulting from the 2030 RTP were quantified.

On November 29, 2007, the Attorney General’s office submitted comments on the RTP EIR stating that SANDAG did not fully analyze climate change impacts and should adopt additional mitigation measures to reduce these impacts. The Attorney General’s office letter included the following statements:

- The SANDAG Smart Growth Concept Map misguidedly includes suburban and rural areas that can not be served efficiently by transit. The Smart Growth Incentive Program will not be effective in reducing GHG emissions if it directs funds to all of these areas, as concluded by the Independent Transit Review panel.

- The EIR fails to consider a reasonable alternative that would substantially reduced investment in new freeway lanes and allocate funding to projects such as expanding public transit to shorten or eliminate vehicle trips, and increase biking and walking.

- The EIR does not adequately evaluate and identify the impacts of the numerous freeway widening projects (including many new freeway/highway lanes and some ML and HOV lane projects) that are included in the proposed RTP.

- SANDAG could adopt a more comprehensive policy to require all funded projects to mitigate GHG impacts from construction.

- SANDAG could have a significant impact on climate change by implementing a program to educate, encourage and assist jurisdictions in developing safe routes to school programs.

SANDAG has responded to these comments, and has offered to meet with the Attorney General’s office to discuss our responses.

**SENATE BILL 375**

Senate Bill (SB) 375 was introduced last year by Senator Darrell Steinberg (D-Sacramento) and is co-sponsored by the California League of Conservation Voters and the Natural Resources Defense Council. SB 375 is a two-year bill that, if passed, would create new provisions for the preparation of regional transportation plans (RTPs). Among the bill’s provisions are new requirements for RTPs to include a “sustainable communities strategy” in order to achieve greenhouse gas reduction targets set by the state and to preserve significant resource areas and farmlands. A key goal of the
legislation is to reduce vehicle miles traveled as part of how California addresses greenhouse gas emissions.

As currently amended, SB 375:

- Requires the California Transportation Committee (CTC) in consultation with the CARB to adopt guidelines for travel demand models used in the development of RTPs by July 1, 2008.

- Requires transportation agencies to report to the CTC about the relationship of projects included in the regional transportation improvement program (RTIP) to the RTP and the sustainable communities strategy supplement.

- Requires regional agencies to prepare a sustainable communities strategy (SCS) to meet greenhouse gas emissions targets by 2020 and 2035, as provided by CARB. In the event that the SCS does not reach the targets, requires the Metropolitan Planning Organization/Regional Transportation Planning Agency to submit a supplement that would achieve the targets through alternative development patterns or additional transportation measures.

- Requires the action element of the RTP to describe all transportation projects proposed for development during the life of the plan to be consistent with the SCS.

- Provides for a streamlined CEQA process for projects that are located within jurisdictions whose general plans are consistent with an SCS and that meet specific requirements.

SANDAG currently has taken an “oppose” position on the bill. However, the SANDAG Executive Committee has provided direction to staff regarding possible amendments that could allow SANDAG to modify its position.

Amendments discussed by the Executive Committee include providing an alternative that would allow regions like SANDAG that have adopted regional comprehensive plans and habitat conservation plans to use those plans as a framework for developing the sustainable communities strategy required by the bill. Rather than focus solely on transportation, the SANDAG alternative would provide a more integrated approach to addressing greenhouse gas emissions in the region through land use- and transportation-related measures.

Other amendments include ensuring the bill’s approach to reducing GHG emissions is consistent with the statewide approach that is currently underway to implement AB 32; revising how the bill defines “significant resources areas” and “significant farmlands;” and identifying meaningful incentives that will encourage better climate change planning by local governments and regional agencies.
RENEWABLES TARIFF DISCUSSION

Introduction

In 2007, the SANDAG EWG and SDG&E representatives discussed pursuing a tariff that would allow municipalities to aggregate their electricity bills in such a way that demand at one site could be offset by renewable electricity produced at another site. This was to be pursued in parallel with legislation that mirrored the request (it was proposed at the 2006 Legislative Forum—this legislation became SB 451, which was vetoed by Governor Schwarzenegger). Ultimately, the tariff was not pursued because the legislation appeared that it would meet the intent of the EWG’s original intent. However, when the bill was vetoed in November, the EWG re-identified the need to create a tariff that would achieve the intent of the failed legislation.

At the December 2007 EWG meeting, a motion was made for SDG&E to “help local municipalities by offering a fair tariff that would allow the installation of renewables.”

NOTE: SDG&E identified AB 1969 as a bill that could provide the tariff structure needed without the introduction of a new, separate tariff. The text of Assembly Bill 1969 is included.

BILL NUMBER: AB 1969

AB 1969, Yee Electrical corporations: water agencies.

(1) The Public Utilities Act requires the Public Utilities Commission to review and adopt a procurement plan and a renewable energy procurement plan for each electrical corporation pursuant to the California Renewables Portfolio Standard Program. The program requires that a retail seller of electricity, including electrical providers, but not including local publicly owned electric utilities, purchase a specified minimum percentage of electricity generated by eligible renewable energy resources, as defined, in any given year as a specified percentage of total kilowatt hours sold to retail end-use customers each calendar year (renewables portfolio standard).

Existing law, except as specified, requires every electric service provider, as defined, to develop a standard contract or tariff providing for net energy metering, and to make this contract or tariff available to eligible customer generators, upon request, on a first-come, first-served basis, until the total rated generating capacity used by eligible customer generators exceeds 0.5% of the electric service provider's aggregate customer peak demand.
This bill would require every electrical corporation to file with the commission a standard tariff for renewable energy output produced at an electric generation facility, as defined, that, among other things, is an eligible renewable energy resource. The bill would require the electrical corporation to make this tariff available to public water or wastewater agencies that own and operate an electric generation facility within the service territory of the electrical corporation, upon request, on a first-come, first-served basis, until the combined statewide cumulative rated generating capacity of those electric generation facilities equals 250 megawatts. The bill would specify that each electrical corporation would only be required to offer service or contracts under the bill until that electrical corporation meets its proportionate share of the 250 megawatts based on the ratio of its peak demand to the total statewide peak demand of all electrical corporations. The bill would provide that, upon approval by the commission, any tariff or contract authorized by the bill may be made available to an electric generation facility that has an effective capacity of not more than 1.5 megawatts if that electrical generation facility otherwise complies with the bill.

(2) Under existing law, the failure to file a required tariff, or a violation of an order or direction of the commission, including a commission-approved tariff, is a crime. Because the bill would require electrical corporations to file new tariffs, the bill would impose a state-mandated local program by creating new crimes.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) The health of the state's economy depends upon reliable, affordable, adequate, and environmentally sound supplies of energy and water.

(b) The state's rapidly growing population is increasing the demand for water and the energy needed to deliver and treat it.

(c) The state's water-related electricity demand accounts for nearly 20 percent of the state's overall electricity consumption.

(d) Despite improvements in power plant licensing, successful energy efficiency programs, and continued technological advancements, the development of new energy supplies is not keeping pace with the state's increasing demand. Moreover, the development of new renewable resources has been slower than anticipated and limited by existing transmission constraints.

(e) Unless properly managed on a statewide basis, water-related electricity demand could ultimately affect the reliability of the electric system.

(f) Public water and wastewater facilities are strategically located and interconnected to the electric transmission system in a manner that optimizes the deliverability of electricity generated at those facilities to load centers.
(g) Renewable energy produced at public water and wastewater facilities will reduce the demand for the production of nonrenewable energy needed to serve water-related electricity demand.

SEC. 2. Section 399.20 is added to the Public Utilities Code, to read:

399.20.

(a) It is the policy of this state and the intent of the Legislature to encourage energy production from renewable resources at public water and wastewater facilities in an amount commensurate with water-related electricity demand.

(b) As used in this section, "electric generation facility" means an electric generation facility, owned and operated by a public water or wastewater agency that is a retail customer of an electrical corporation, and that meets all of the following criteria:

1. Has an effective capacity of not more than one megawatt and is located on or adjacent to a water or wastewater facility owned and operated by the public water or wastewater agency.
2. Is interconnected and operates in parallel with the electric transmission and distribution grid.
3. Is sized to offset part or all of the electricity demand of the public water or wastewater agency.
4. Is strategically located and interconnected to the electric transmission system in a manner that optimizes the deliverability of electricity generated at the facility to load centers.
5. Is an eligible renewable energy resource, as defined in Section 399.12.

(c) Every electrical corporation shall file with the commission a standard tariff for renewable energy output produced at an electric generation facility.

(d) The tariff shall provide for payment for every kilowatt hour of renewable energy output produced at an electric generation facility at the market price as determined by the commission pursuant to Section 399.15 for a period of 10, 15, or 20 years, as authorized by the commission.

(e) Every electrical corporation shall make this tariff available to public water or wastewater agencies that own and operate an electric generation facility within the service territory of the electrical corporation, upon request, on a first-come, first-served basis, until the combined statewide cumulative rated generating capacity of those electric generation facilities equals 250 megawatts. An electrical corporation may make the terms of the tariff available to public water or wastewater agencies in the form of a standard contract subject to commission approval. Each electrical corporation shall only be required to offer service or contracts under this section until that electrical corporation meets its proportionate share of the 250 megawatts based on the ratio of its peak demand to the total statewide peak demand of all electrical corporations.

(f) Every kilowatt hour of renewable energy output produced by the electric generation facility shall count toward the electrical corporation's renewable portfolio standard annual procurement targets for purposes of paragraph (1) of subdivision (b) of Section 399.15.

(g) The physical generating capacity of an electric generation facility shall count toward the electrical corporation's resource adequacy requirement for purposes of Section 380.
(h) Upon approval by the commission, any tariff or contract authorized by this section may be made available to an electric generation facility that has an effective capacity of not more than 1.5 megawatts if that electrical generation facility otherwise complies with all of the provisions of this section.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

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