ENERGY WORKING GROUP

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

Thursday, January 27, 2005

11:30 a.m. to 2:30 p.m.

SANDAG, 7th Floor Conference Room
401 B Street, Suite 800
San Diego, CA 92101

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## ENERGY WORKING GROUP
Thursday, January 27, 2005

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<th>ITEM #</th>
<th>ACTION</th>
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<td>1.</td>
<td>Welcome and Introductions</td>
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<td>+2.</td>
<td><strong>November 30, 2004 and January 11, 2005 Meeting Summary</strong>&lt;br&gt;Attached is the summary from the November 30, 2004 Energy Working Group (EWG) meeting. Please review and provide any comments on the summary.</td>
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<td>3.</td>
<td><strong>Comments and Communications</strong>&lt;br&gt;Anyone who wants to address the EWG on topics not on the agenda should do so at this time.</td>
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<td>+4.</td>
<td><strong>Comments on the Critical Peak Pricing Tariff Structure</strong>&lt;br&gt;Attached is the comment letter that was prepared after the January 11, 2005 EWG meeting to discuss SDG&amp;E’s Critical Peak Pricing workshop. The EWG should consider commenting on the actual tariff proposal to be submitted by SDG&amp;E on January 20, 2005. These comments must be considered by SANDAG’s Board of Directors before being forwarded to the CPUC.</td>
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<td>5.</td>
<td><strong>EWG Participation on SDG&amp;E’s Program Advisory Group (PAG) for Energy Efficiency Programs</strong>&lt;br&gt;The draft decision on the administration of Energy Efficiency by the CPUC required the utilities to form Program Advisory Groups to advise the utilities on the portfolio of programs to be funded by the Public Goods Charge. Representatives from SDG&amp;E will provide input to the EWG on how the EWG can be represented on the PAG. In addition, SDG&amp;E will present a proposed timeline for the PAG process, information about how to participate on the PAG, responsibilities, and the anticipated time commitment necessary to provide input. The EWG should consider nominating a member to participate in this process.</td>
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6. Reports from EWG Subcommittees
   a) Public Policy
   Alan Ball will provide an overview of the progress made by the Policy Subcommittee. The Policy Subcommittee has been discussing possible future structures of the EWG as well as policy issues regarding the Long-Term Resource Plan (LTRP).

   b) Energy Resources
   The Energy Resources subcommittee discussed the pilot project for a Community-based energy efficiency program. The subcommittee will update the EWG on the progress of the pilot project.

   C) Funding
   SANDAG has been taking steps to seek outside funding to support the EWG and implementation of the LTRP.

7. Suggested Meeting Topics for Next Meeting and Comments by EWG Member
   Energy Working Group Members should suggest items to be discussed at the next or future meetings as well as make any announcements.

8. Adjourn
   The next EWG meeting is scheduled for February 24, 2005 from 11:30 a.m. to 2 p.m.

+ next to an agenda item indicates an attachment.
December 15, 2004

TO: Energy Working Group

FROM: SANDAG Staff

SUBJECT: November 30, 2004 Meeting Summary

Members in Attendance

Councilmember Henry Abarbanel, North County Coastal
Scott Anders, San Diego Regional Energy Office (Alternate)
Alan Ball, Qualcomm (Alternate)
Marty Hunter, San Diego Labor Council (Alternate)
Jennifer Porter, San Diego Regional Chamber of Commerce (Alternate)
Michael Shames, UCAN
Irene Stillings, San Diego Regional Energy Office
Ralph Torres, DOD/NAVY
Frank Urtasun, San Diego Gas & Electric (Alternate)
Steve Zolezzi, Food & Beverage Association

Others in Attendance

Robb Anderson, San Diego Gas & Electric
Tom Blair, City of San Diego
Susan Freedman, San Diego Regional Energy Office
Julie Gelfat, IBEW/Local 569/JA Consultants
Alexandra Hart, IBEW/Local 569/JA Consultants
Keri Smith, San Diego Gas & Electric
Sandra Williams, San Diego Gas & Electric
Athena Besa, San Diego Gas & Electric

1. Welcome and Introductions

Councilmember Henry Abarbanel welcomed everyone, and self introductions followed.

2. October 28, 2004 Meeting Summary

Motion was made and carried to approve the October 28, 2004 Meeting Summary.

3. Comments and Communications

There were no public comments or communications.
4. Stakeholder Based Approach for Long-Term Resource Planning

Susan Freedmen began by explaining that as the EWG moves forward, and initiates a participatory process for the 2006 LTRP update, it will be necessary to acquire both short and long term funding. She also explained the many benefits of a collaborative stakeholder-based process which included easier implementation of the goals that were established in the Regional Energy Strategy (RES), allowing for community stakeholder input, and encouraging a proactive approach towards energy issues. Susan also discussed approaches that other agencies have used to develop a stakeholder based process. Susan also presented a work plan for the LTRP update, and discussed some of the elements that should be included in a resource plan. She explained that the EWG’s Work Plan allows time for the group to develop and work within a stakeholder based process. Susan noted that with SDG&E’s help, the EWG would be able to complete the necessary processes more quickly and cheaply than the organizations that were presented were able to.

An SDG&E representative noted that SDG&E has always been interested in listening to public input, even before being a part of the Energy Working Group (EWG). SDG&E would agree that it is important for all organizations involved in energy issues to work together, especially because it can result in better decisions on important issues.

5. Reports from EWG Subcommittees

a) Public Policy

Alan Ball, Qualcomm, presented on behalf of the Public Policy Subcommittee, which has met twice since the last EWG meeting. The subcommittee is continuing their review of the current LTRP, and is also in the process of identifying and prioritizing the public policy issues that have been identified during that review.

At their last meeting the subcommittee had a guest speaker, Mike Cowett, who spoke about Special Act Districts, Community Energy Authority, and Joint Powers of Authority, as possible structure opportunities. His recommendation was that a JPA was the most encompassing for all of the stakeholders, and could include various public and private entities, including small and large business. It was also suggested that if a JPA were to be formed, SANDAG would be encouraged to be a member of the organization.

Bob Lieter, SANDAG Staff, asked for some clarification as to why the subcommittee had decided to look into forming a JPA. The response was that the subcommittee would prefer to form an organization within the SANDAG structure. If the Board does not approve of a proposal to do that, the subcommittee wanted to educate themselves on the other options that were available to them. It was made clear that the recommendation to form a JPA would only be made if a group can not be formed within SANDAG. One member recommended that if a JPA were to be formed, the goals and tasks that they will be responsible for should be identified prior to choosing the member groups. The suggestion was also made that the JPA should be responsible for funding issues. It was then re-iterated that the subcommittee was not making any endorsement to create a JPA at this time.

The subcommittee recommended that SANDAG submit comments regarding the existing long term procurement resource plan which is currently under consideration by the CPUC. The
comments enable the EWG to show their support for energy efficiency and renewables, as identified in the Regional Energy Strategy (RES).

b) Energy Resources
Ralph Torres, DOD/NAVY, presented on behalf of the Resources Subcommittee. The subcommittee’s presentation focused on the work that they have done on the pilot program, which the EWG was introduced to at the October 28, 2004 EWG meeting. Some of the goals that the subcommittee has for the project include developing a template that could eventually be used by other communities to develop an energy efficiency program.

The selection process that will be followed was discussed during the presentation. It was also decided that choosing a small or medium sized city would be the best approach and that criteria for selecting a community would be useful. The subcommittee also recommended choosing an inland city that had a higher rate of consumption so that the impact of energy efficiency programs would be greater. The subcommittee hopes to complete the pilot program by March 2005, and feels that it will be important to actively recruit a city that is willing to devote time to working on the pilot program.

The suggestion was made that a letter should be sent out to all of the jurisdictions, as well as sending the co-chairs to talk directly to those that the EWG feels are most likely to apply for the program. It was also emphasized that the City Manager for the selected jurisdiction be on board with the project so they will encourage their staffs’ much needed support for the project. It was also discussed, and eventually agreed on, that due to the time constraints in getting the project finished by March; only one jurisdiction should probably be chosen.

Tom Blair, City of San Diego, mentioned that the City of San Diego had developed a similar program a couple of years ago, and that it might be helpful to integrate it with what the EWG is doing. Ralph Torres noted that the subcommittee meetings are always open to anyone that would like to come, and encouraged other participants to attend the subcommittee’s meetings.

C) Funding
Steve Zolezzi, Food and Beverage Association, presented on behalf of the Funding subcommittee. The last meeting of this subcommittee was November 12, 2004, at which they went through the short term funding, which is a combination of money from SANDAG, SDREO, and SDG&E. The subcommittee also discussed interim and long term funding, and feel that if the EWG and subcommittees were to develop a long-term purpose, finding funding sources would be easier. The subcommittee has also given some consideration to the idea of a surcharge on rates or efficiency money, and also to working with the Energy Commission or other private sector entities that could provide funding. The subcommittee also noted the importance of finding a permanent funding source, and the key role that developing a strong purpose and set of goals would play in getting that.

Bob Leiter, SANDAG Staff, explained that the short term funding is supporting the work that the EWG is currently doing. That short term funding will take the group through early next year. He also stated that before going to a fully funded program, there should be a middle step. He believes that step would be to focus on the update of the LTRP, for which a preliminary budget has already been established. That process would be looked at as a pilot program, and it
is hoped that money would be secured on the Federal and State level, with help from SDG&E and SANDAG. After and during that process would be the appropriate point at which to consider and develop a more permanent funding program.

6. **Motions to intervene**

Alan Ball, Qualcomm, presented this item, and asks for the EWG to make a recommendation to the board. In order to promote the EWG, and obtain the funding to keep it running, the subcommittee feels that it is time to start getting the EWG’s name out. The motions to intervene respond to the CPUC’s decisions, highlight the work and structure of the EWG, and explain that the EWG is setting the stage for a community-based planning process. Irene Stillings, SDREO, added that she feels commenting on this proposed decision is necessary in order to get the EWG more involved in the long-term planning process.

Motion was made and passed to accept and send both motions to intervene.

7. **DVD Presentation on a 100 – Year Vision of Sustainability for the San Diego – Tijuana Metropolitan Region**

Irene Stillings, SDREO, introduced the DVD that was shown. She explained that the DVD began as a written proposal that was submitted to a national competition for the best sustainable urban system design, by Scott Anders of SDREO in 2002. The proposal was to create a bi-national sustainable urban system design 100 years out (2103). The entry won the national competition, and was then presented in DVD format at the World Gas Congress in Tokyo in 2003.

The proposal was applauded at the congress for its vision and use of an energy resource management center, which turns waste into energy resources. The DVD presented a model in which both greenhouse gases and dependence on carbon based fuels were reduced. The proposal also made the important connection between energy, land use, and transportation. In San Diego the RCP is creating a vehicle to connect energy, transportation, and land use, which promotes a vision similar to the one shown in the DVD.

8. **Suggested Meeting Topics for Next Meeting and Comments by EWG Member**

Councilmember Abarbanel mentioned that a handout had been distributed, which lists all upcoming EWG meetings. An announcement was also made that the California Border Energy Workshop will take place December 14, 2004 at SANDAG.

Steve Zolezzi suggested further discussion on developing a long term vision for the EWG.

9. **Adjourn**

The meeting was adjourned. The next meeting is scheduled for January 27, 2005 from 11:30 a.m. to 2 p.m.
January 14, 2005

Ms. Anne Smith
San Diego Gas & Electric
8330 Century Park Court – CP31D
San Diego, CA 92123-1530

Dear Ms. Smith:

RE:  R.02-06-001 Comments on CPP Rate Design for Large Customers

The San Diego Association of Governments (SANDAG) Energy Working Group (EWG) is pleased to comment in advance of your filing of a proposed default Critical Peak Pricing (CPP) tariff as required by the California Public Utility Commission’s (CPUC) 12/8/2004 Assigned Commissioner’s Ruling (ACR). While we strongly support reducing critical peak demand and assuring reliability, we cannot support a mandatory cost approach that will penalize ratepayers that have no demand alternatives during the effective period of the peak. The EWG does not believe that a CPP tariff is the best mechanism to meet the desired outcomes of increasing reliability, reducing peak demand in summer 2005, and affecting long-term operational changes in customers. Rather, the EWG recommends employing a comprehensive voluntary strategy that includes all customer segments to encourage long-term demand reduction.

The SANDAG EWG is a regional advisory policy and planning body responsible for addressing energy issues critical to the San Diego region. Our members include local elected officials, large and small business entities, environmental groups, consumer groups, the Chamber of Commerce, the San Diego Regional Energy Office, as well as SDG&E.

The EWG has met with SDG&E representatives and attended the CPP stakeholder workshop held on January 5, 2005. Based on this participation and discussions among EWG members, we believe the concept of a short-term CPP tariff is flawed for several reasons. A mandatory CPP would be a short-term hammer that does not respond to the CPUC goal of encouraging long-term efficiency investments. Moreover, there are few steps that large customers can take in the short run to reduce their energy usage. Customers simply will not have time to complete efficiency or self-generation projects by summer 2005. A CPP tariff could result in hundreds of millions of dollars of unplanned and unbudgeted charges that businesses and local governments will not be able to
absorb, causing an inflationary effect in the region's economy. Finally, a CPP tariff would not properly reward customers who have already completed efficiency measures. Such a tariff would treat all customers equally regardless of historical demand and energy efficiency gains.

In addition to the private commercial customer base, we anticipate that the eighteen cities in our region as well as the County of San Diego would be severely affected by this plan. We also anticipate that the 22nd District Agricultural Association (San Diego County Fair), which is a prominent source of funds for the State of California, would be especially hard hit as their prime business occurs on many of the anticipated days when this tariff would be effective. Finally, we suspect that large educational institutions in the San Diego region, especially UCSD and SDSU would be harmed by such a tariff.

The EWG believes there are other ways to achieve long-term demand reduction. There are a number of positive and reward-based strategies that may produce a higher rate of reduction during these critical peak periods. Among these are increasing the reward for voluntary demand reductions to subsidize long-term behavior and resource investments. Additionally, by encouraging existing efficient private distributed generation assets to run without emissions penalties and standby charge adjustments, while providing for net metering where export is possible, would dramatically impact local supply. Other productive strategies include educating small users to participate in voluntary reductions during the critical peak for the benefit of their own reliability requirements.

In addition, instead of focusing on one demand reduction tariff, the EWG recommends that the CPUC and SDG&E explore all tariff structures to see if they promote demand reduction. Currently, SDG&E's AL-TOU rate has a non-coincident demand charge that is much higher than peak charges. Not only does this make it difficult for large customers to shift demand out of peak, it leads to customers shifting loads to on-peak times to avoid the high non-coincident demand charges. The CPUC also could offer enhanced rebates and incentives for projects that can be completed by June 2005. This action could expedite energy efficiency, distributed generation and demand response projects already in the pipeline or under consideration.

With non-punitive alternatives available, the EWG recommends that SDG&E file an appeal with the CPUC to address whether a mandatory CPP tariff is the necessary response to potential reliability challenges during the summer of 2005. The present ACR was developed by one CPUC commissioner leading to our expectation that this plan can be reversed and replaced with a program that leads to significant demand reduction.

During the electricity crisis of 2000-2001, SDG&E customers were hit first by rising prices and did their part by conserving and taking steps for long-term demand reduction before customers in other parts of the state took action. The EWG hopes that customers do not go unrecognized for taking positive action.
Thank you for this opportunity to provide comments and we look forward to continued discussion.

Sincerely,

[Signature]
Henry Abarbanel
Councilmember, City of Del Mar
Co-Chair, SANDAG Energy Working Group

[Signature]
Art Madrid
Mayor, City of La Mesa
Co-Chair, SANDAG Energy Working Group

cc: Governor Arnold Schwarzenegger
    Michael R. Peevey, President, California Public Utilities Commission
    Geoffrey F. Brown, California Public Utilities Commission
    Susan P. Kennedy, California Public Utilities Commission
    Dian Grueneich, California Public Utilities Commission
    Steve Poizner, California Public Utilities Commission
    William J. Keese, Chair, California Energy Commission
    Arthur H. Rosenfeld, California Energy Commission
    James D. Boyd, California Energy Commission
    John L. Geesman, California Energy Commission
    Jackalyne Pfannenstiel, California Energy Commission
    Michelle Mueller, San Diego Gas & Electric