



The San Diego
Regional Energy Strategy
Implementation



DRAFT
ENERGY
2030

Prepared by
San Diego
REGIONAL
ENERGY
OFFICE



Creating a more secure energy future
for the San Diego Region



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Implementation

July 25, 2003

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Energy 2030: Vision Statement

The Regional Energy Strategy, Energy 2030 establishes nine goals that will help the region achieve an integrated approach to meeting the energy needs and supporting the prosperity of the San Diego Region. Our supply portfolio will be diversified, cost efficient, environmentally sound, self sustaining, secure, reliable and competitively priced. The development of clean, safe energy and environmentally benign resources will help prepare the region for the potential transition from a fossil-fuel economy to new supply sources and technologies.

The objective is to create an enduring framework for regional energy planning and implementation that is inclusive, transparent and incorporates the diverse needs and interests of all key stakeholders in the region.

This document, Regional Energy Strategy, Energy 2030, Implementation, suggests a path to achieve these objectives.

REPAC has demonstrated dedication and an exceptionally strong commitment to this process and this recommendation. The members of REPAC, the Advisory Group and the public have attended more than 20 three-hour meetings over the past 16 months, in addition to considerable work between meetings.

The City and County of San Diego, SANDAG, the Water Authority, the Port Authority, UCAN and the SDREO contributed significant dollars and time to fund and oversee the development of the Regional Energy Infrastructure Study.

This level of dedication and commitment by a group of elected officials and key stakeholders demands that the SANDAG Board of Directors seriously consider the approval of this report and take action to implement this recommendation.

Chapter 1: Developing the 2030 Regional Energy Strategy

When the region adopted Energy Plans in 1979, 1984 and 1994, there was a long-established industry and regulatory structure to oversee the operations of investor-owned utilities. After the development of the 1994 Regional Energy Plan, SANDAG's 35 member Regional Energy Advisory Committee, recommended the formation of a regional energy office to implement and bring the benefits of the 1994 Regional Energy Plan to the region. The San Diego Regional Energy Office (SDREO) was formed in 1995 and became fully operational in 1998. SDREO was, however, not given the funding or authority to fulfill the mission of implementing the 1994 Plan.

In 2001, in the midst of a severe energy crisis, SANDAG contracted with SDREO to update the 1994 San Diego Regional Energy Plan. SDG&E was no longer involved in resource planning. SDREO, in partnership with several public agencies and non-governmental associations, conducted a study of the region's existing and future energy needs. Determined to become more involved in shaping the region's energy future, the City of San Diego, the County of San Diego, the County Water Authority, SANDAG, UCAN, the Port and SDREO embarked on an unprecedented energy study that would lay the groundwork for the current Regional Energy Strategy. This team began this long-term planning process more than a year before the CPUC ordered the utilities to resume long-term integrated resource planning. The resulting Regional Energy Infrastructure Study (REIS), completed in December 2002, provided an in-depth, detailed picture of the state of energy in the San Diego Region. One of the recommendations of the REIS was to investigate the establishment of a public organization that would lead the region in taking increased regional control over its energy future and to take advantage of opportunities that could benefit the region's broad public interest.

In 2002 SDREO formed the Regional Energy Policy Advisory Council¹ (REPAC), a diverse group of regional stakeholders who advised and assisted the SDREO in developing a comprehensive Regional Energy Strategy (RES). Once agreed to by REPAC, the Regional Energy Strategy, Energy 2030, Part I, was submitted to the SANDAG Board of Directors for formal adoption and insertion into the San Diego Association of Government's Regional Comprehensive Plan (RCP)² in May 2003.

The 1978, 1984 and 1994 energy plans were not fully implemented, in part due to the lack of an organization with the funding, staffing and authority to take the needed actions.

¹ The Regional Energy Policy Advisory Council (REPAC) is a 13-member body formed to advise the SDREO in the development of a Regional Energy Strategy. It is an advisory body that provides regional oversight and policy recommendations to SDREO for the development of the Regional Energy Strategy. REPAC is composed of representatives of public and private entities that represent a broad cross-section of consumer and business interests. REPAC met regularly from March 2002 through July 2003 to discuss energy issues and hear presentations from energy industry experts on topics such as transmission and generation planning, public agency participation in power markets, and forming joint power authorities. A list of the REPAC members is included in the Acknowledgements. REPAC meetings are open public venues. The general public and interested community groups actively participated in the REPAC meetings.

² The Regional Comprehensive Plan (RCP) will serve as the foundation for integrating land uses, transportation systems, infrastructure needs, and public investment strategies for the San Diego region. It is currently being updated by SANDAG and this Regional Energy Strategy is an integral part of the RCP. See <http://www.sandag.org/>.

The REIS recognized this lack of focus and direction and suggested forming a new organization.

The Regional Energy Policy Advisory Council (REPAC) discussed and deliberated various options to form an appropriate agency.

There is broad consensus in REPAC that the region must create or identify an energy entity that has a high level of accountability to the public for implementing the policies and programs outlined in the 2030 San Diego Regional Energy Strategy.

The results of these deliberations, REPAC conclusions and recommendations, are contained in the following report.

Chapter 2: Functions and Qualities of a Regional Energy Entity

Desired qualities of the organization:

- Public Accountability: use an open, transparent, inclusive process in the development of energy policies, plans and services.
- Long-Term Commitment to Values: embody values that focus on the public good.
- Objectivity: be objective, unbiased and thorough in all actions.
- Effective Advocacy: forge a unified regional voice in energy-related matters that impact the region and effectively represent that view in forums, regulatory and legislative proceedings.
- Legitimacy: be perceived as a legitimate organization in the eyes of the public, regulators and legislators.
- Inclusive: be inclusive of all major energy stakeholders in the region and have full stakeholder representation.
- Equitable: policies, plans and services should attempt to be cost effective, practical and equitable to all customers and stakeholders.

The organization should:

- Energy Diversity: diversify energy resources in order to reduce the region's reliance upon imported fossil fuels.
- Economic Development: attract job-producing energy-based industries and encourage and facilitate the use of the local workforce and training programs in order to improve overall energy security, reliability and cost effectiveness to ensure energy is available to sustain the local economy.
- Environmental Justice: be mindful of the impacts of energy production, delivery, the siting of power plants on working families, on the environment and public health and take pro-active action to prevent negative effects.
- Financial Protection: work to prevent a repeat of the energy crises that have struck the region almost every decade.

Guidelines for the selection of an organization option:

- **Timeliness**: the region has been struggling with this issue for some time, and now is the time to act. Choose an option that can be formed in a reasonable timeframe.
- **Cost**: choose an option that is efficient in managing work and producing value for the most reasonable cost.
- **Funding**: stakeholders do not want new taxes or new fees. Seek a funding source that would not increase stakeholder costs.
- **Bureaucracy**: choose an option that does not increase the levels of bureaucracy and the inertia that bureaucracy can cause.
- **Conflict of Interest**: there should be no conflict of interest or vested interest in the governance and operation of the option.
- **Duplication of effort**: the option must deliver added value and enhance the region's energy planning, not duplicate functions that are being addressed by other organizations.

The Functions of the Regional Energy Entity

The functions of the Regional Energy Entity would be closely aligned with accomplishment of the goals outlined in the 2030 Regional Energy Strategy, Part I. The Regional Energy Entity, with appropriate authority and funding, would perform specific functions to achieve these goals, including:

- Recommend energy policy, planning and reporting.
- Track and represent the regional view in regulatory and legislative proceedings on behalf of the public-good.
- Administer and implement appropriate public-good energy programs, including energy efficiency, demand reduction, renewables and clean self-generation.
- Engage in energy-related economic development activities.
- Provide objective information and broad technical expertise in energy matters for consumers and the community.
- Deliver comprehensive, objective, ongoing public outreach and energy education.

- Finance/own renewable energy sources and clean, efficient, reliable self-generation in the San Diego Region.
- Aggregate and purchase energy products and services, which could include among other things contracts for base load generation, in order to lower costs.
- Work with Baja California to promote energy policies and resources that are environmentally responsible, affordable and compatible with San Diego and Baja California's needs.

Chapter 3: Achieving the Goals of the Regional Energy Strategy

Part I of the RES established nine goals that would help the region achieve an integrated approach to meeting the energy needs and supporting the prosperity of the San Diego Region. Our supply portfolio would be diversified, cost efficient, environmentally sound, self sustaining, secure, reliable and competitively priced. The development of clean, safe energy and environmentally benign resources would help prepare the region for the potential transition from a fossil-fuel economy to new supply sources and technologies.

One major objective is to create an enduring framework for regional energy planning and implementation that is inclusive, transparent and incorporates the diverse needs and interests of key stakeholders in the region.

What follows is a recitation of the nine goals followed by some opportunities for action that would ensure that the goals of this plan are realized. These opportunities are not in a priority order, nor have they been analyzed as to cost effectiveness. They are intended to focus attention on the types of activities that could be implemented by the entity that is implementing the Regional Energy Strategy 2030.

GOAL 1: Achieve and represent regional consensus on energy issues at the state and federal levels.

Opportunities for further action:

- Publish, on a regular basis, a summary and analysis of energy legislation and regulatory proceedings that would impact the San Diego region's interests.
- Conduct timely and technically sound public workshops on energy matters that are relevant to current issues (e.g. Liquefied Natural Gas).
- Organize and coordinate issue-driven Technical Advisory Working Groups that address issues critical to the accomplishment of the Regional Energy Strategy goals (e.g. distributed generation, renewables, etc)
- Publish an energy newsletter to keep energy stakeholders updated on current local, state and federal energy activities.
- Conduct an ongoing, inclusive and public process to involve all interested stakeholders in energy discussions, debate and decisions.
- Conduct an annual energy summit to focus on current energy issues.
- Advocate for the public good on regional energy issues.

GOAL 2: Achieve and maintain capacity to generate 65 percent of summer peak demand with in-county generation by 2010 and 75 percent by 2020.

Opportunities for further action:

- Work with existing power plant owners to encourage the repowering, retirement or replacement of existing older, inefficient regional power plants.
- Work with appropriate stakeholders to develop a process to identify and, if necessary, work with local agencies to identify appropriate land for future energy infrastructure.
- Promote and invest in alternative energy sources.
- Identify and encourage merchant companies to build generation within San Diego County.
- Work with municipalities and owners of stalled generating plant projects to develop financial options in order to complete projects in a manner that is environmentally sound and beneficial to the community.
- Provide alternative financial options and incentives such as revenue sharing, to ensure that indigenous power generation is sited in the most environmentally advantageous locations with the least negative economic impacts.

GOAL 3: Increase the total electricity supply from renewable resources to 15 percent by 2010, 25 percent by 2020 and 40 percent by 2030. Of these renewable resources, achieve 50 percent of total renewable resources from sites located within the County.

Opportunities for further action:

- 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.³
- 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

³ Partly as a result of the solar energy initiative started by SDREO in 1999, five homebuilders offer solar in new homes in San Diego County.

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 up-front capital costs of energy supply systems, such as photovoltaic 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 percent 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 Baja California and San Diego.
- Encourage credits in the Title 24 Energy Code for zero emission on-site energy production.
- Provide incentives for companies utilizing certified training programs that provide training in skills and technologies required for building renewable infrastructure.

GOAL 4: Increase the total contribution of clean distributed generation resources (non-renewable) to 12 percent of peak demand by 2010, 18 percent by 2020 and 30 percent by 2030.

Opportunities for further action:

- Actively pursue and support regulatory changes that permit customers to use excess power production from clean distributed generation to offset energy usage of their other accounts.

- Support the removal of regulatory barriers to clean self-generation, such as standby charges and exit fees.
- Develop programs and processes to promote the use of clean 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 clean distributed generation technologies in all regional and local permitting agencies.
- Develop a clean distributed generation economic development program to attract producers and suppliers of distributed generation.
- Develop a regional clean distributed generation education campaign.
- Increase use of state-funded and authorized incentive and financing programs.
- Aggregate clean distributed generation equipment purchases where feasible.
- Encourage a statewide working group to develop a long-term deployment strategy for clean distributed generation technologies.
- Promote innovative research and development of energy technologies that would improve energy, environmental performance, fuel diversity and the local economy.
- Promote heat recovery and utilization systems for existing power generation capacity.

GOAL 5: Increase the transmission system capacity as necessary to maintain required reliability and to promote better access to renewable resources and low-cost supply.

Opportunities for further action:

- Assist in the evaluation and pursuit of viable options for an additional high-voltage transmission interconnection to the region to improve reliability.
- Complete the necessary upgrades to the transmission system to improve reliability and access to 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 Operator⁴, SDG&E and surrounding states (including Baja California) to evaluate all alternatives for improving transmission supply into the region.
- Actively participate in CPUC transmission investigations to 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 the conflict of needed energy infrastructure with future development.

GOAL 6: Reduce per capita electricity peak demand and per capita electricity consumption back to 1980 levels.

Opportunities for further action:

- 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.
- Working with the CPUC and SDG&E, expand the current 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.
- Increase the efficiency of existing public benefit funds and assure that these funds are not diverted to other causes.

⁴ The California Independent System Operator (CAISO) is responsible for reliable operation of the transmission grid consistent with of planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council (WECC) and the North American Electric Reliability Council (NERC).

- 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 suite 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 initiatives and the development and leasing of energy efficient spaces.
- Participate in, and contribute to, the California Title 24 energy code updates.
- Educate local inspectors on the California Title 24 building code updates.
- Promote research and development that improves energy efficiency, reduces or shifts demand and creates economic development opportunities.
- Support and expand existing community-based energy efficiency and weatherization programs to make energy costs more affordable to low-income consumers.
- Design and construct an expanded Energy Resource Center to demonstrate energy efficiency, renewable energy, distributed generation technologies and educate regional residents.

GOAL 7: Develop policies to insure an adequate, secure and reasonably priced supply of natural gas to the region.

Opportunities for further action:

- Monitor the development of LNG supplies that are aimed at supplying the San Diego region and encourage a high priority be placed on safety and environmental performance and environmental justice.
- Ensure that decisions that facilitate or hinder natural gas infrastructure consider the regulatory, political and environmental impacts of development and over-reliance on natural gas.
- Support interstate pipeline projects that enhance the region's ability to secure its gas supply at reasonable prices.
- Participate in the policy and decision-making process at the CPUC and the CEC to evaluate and comment on capacity expansions for the SDG&E/So Cal Gas system.
- Balance the gas demand needs and costs for all gas customers in San Diego against the regulatory, political, and environmental issues that facilitate or hinder gas infrastructure expansions.
- Monitor the progress of the new construction or expansion of interstate pipelines that serve California, and ultimately the San Diego region.
- Analyze the impact of bypass pipelines to offset So Cal Gas costs or provide alternate service to So Cal Gas.
- Recognize the price volatility and unstable supply of natural gas and ensure that natural gas serve only as a "transitional" resource on the path to the aggressive deployment of clean, renewable energy sources.

GOAL 8: Reduce regional natural gas per capita consumption by the following targets: 5% by 2010, 10% by 2020, and 15% by 2030.

Opportunities for further action:

- Facilitate and encourage the re-powering or replacement of the existing base load power plants with high efficiency combined cycle turbines by 2010 and 2015.
- Increase use of solar water heating in residential, pool and commercial uses to offset natural gas demand.

- Promote the use of clean, high efficiency distributed generation technologies (e.g., combined heat and power).
- Promote the insulation of un-insulated homes built before the development of building energy codes.
- Complete a comprehensive evaluation of current natural gas efficiency programs including penetration of various technologies to better align public good funding with the current need.
- Continue to improve existing offering of all natural gas efficiency programs.
- Develop a technology transfer program to track and demonstrate new energy efficiency products.

GOAL 9: Complete a transportation energy study by June 2004 to evaluate the potential savings through more efficient use of transportation technology and fuels.

Opportunities for further action

- Assemble a working group of local experts on transportation energy.
- Seek funding from local, state and federal agencies and the private sector.
- Identify barriers towards achieving more efficient transportation energy use.
- Identify and recommend opportunities to reduce the use of transportation energy.

Chapter 4: Analysis of Options

The key to a viable governance structure is that it is representative, accountable and sufficiently expert to deal with the technical elements of energy policy and economics. In particular, the governance structure must:

- Include broad representation of the region.
- Be highly accountable to the public.
- Not be able to commit any municipality to financial or other obligations without approval by the elected officials of that municipality.
- Not require participating municipalities to contribute funds in order to participate at the most basic level. However, contributions may be required for participation in revenue generating operations, e.g. investment in energy efficiency or renewable projects.
- Assure that technically competent individuals govern the entity.
- Assure there is no conflict of interest or vested interests in the governance structure.

REPAC considered many organizational options that meet the guidelines, characteristics and functions detailed above and in Chapter 2. Several were discussed and eliminated. Remaining are the following:

- Option 1. Maintain the current state, with SDG&E continuing to have primary responsibility for formulating and implementing the Regional Energy Strategy with input and guidance provided through a community council.
- Option 2. Establish an Energy Committee within SANDAG to implement the Regional Energy Strategy, with a Working Group structured along similar lines as the present REPAC, and with SDREO, as an independent entity, operating as staff to the Working Committee.
- Option 3. Establish a Regional Energy Authority under new state legislation to implement the Regional Energy Strategy.
- Option 4. Municipalities form a voluntary Joint Powers Authority (JPA) to implement the Regional Energy Strategy.

A discussion of each of these options follows.

Option 1: Maintain and Enhance the Current State

History of the Current State:

Traditionally the region's large generation and transmission infrastructure was funded and developed on a cost-basis using a fixed rate-of-return on the capital base. It was planned, constructed and maintained by SDG&E with oversight by the California Public Utilities Commission. Fundamental changes to this system were made by the State when it implemented a restructuring plan in 1996. SDG&E sold all their fossil fueled generation and was no longer responsible for long term resource planning. Wholesale prices were de-regulated while retail rates in most of the state were capped. SDG&E was able to meet their financial obligations, which allowed them to come out from under the rate cap and charge ratepayers the full amount of the energy cost. This flawed deregulation experiment was one among many factors that caused the energy crisis of 2000-2001, which was marked by extraordinarily high prices for wholesale power, soaring retail prices, brownouts, rolling blackouts and intense consumer anger and outrage.

The State entered into long-term contracts with energy suppliers to ensure an adequate supply of power for the citizens of the state. These contracts were negotiated at a time of extremely high prices. Subsequently the wholesale power market tumbled, but the State is still burdened with these high price contracts, which have been upheld by the Federal Energy Regulatory Commission.

While coordination and sharing of information among County entities is informal, concerted efforts by the City of San Diego, the County, SANDAG and SDREO to provide close coordination during the energy crisis proved beneficial and demonstrated the efficacy of coordinated regional action by public agencies.

In this period SANDAG contracted with SDREO to update the 1994 Regional Energy Strategy. With SDG&E no longer involved in resource planning, SDREO, the City and County of San Diego, SANDAG, the Port Authority, the Water Authority and the Utility Consumer Action Network pooled resources in order to undertake an assessment of the current energy infrastructure in the San Diego Region. This study was conducted during the time that SDG&E had no responsibility for planning. It was completed in 2002 and served as the factual, statistical basis for the development of the Regional Energy Strategy.

In late-2002, the California Public Utility Commission mandated that all investor-owned utilities (IOU) resume energy procurement and undertake long-term integrated resource planning. SDG&E submitted a 20-year resource plan to the CPUC on April 15, 2003. Several bills moving through the legislature propose repealing AB1890, thereby returning the IOUs to a more vertically-integrated structure and returning them to cost-based services such as building and owning generation.

The Current State

Effective January 1, 2003, State legislation and the CPUC returned SDG&E to its pre-deregulation role; responsible, and accountable for planning and acquiring the resources needed to meet its customers' energy needs. In compliance with that order, SDG&E procured the remaining resources needed to meet anticipated customer demand in 2003 and sufficient renewable resources to supply roughly 7% of the legislatively mandated 20% of energy delivered by 2017. SDG&E has filed an updated short-term procurement plan focused on 2004 needs. SDG&E is managing the CDWR contracts allocated to San Diego, as part of its overall energy supply portfolio.

SDG&E submitted a comprehensive 20-year electric resource plan to the CPUC on April 15, 2003. It addressed the balance of energy efficiency, demand reduction, renewable resources, conventional resources, and electric transmission. There is opportunity for regional input to the plan as it moves through the CPUC's process, including filed testimony, public hearings and cross-examination, and comments on the Commission's draft decision expected later this year.

SDG&E offers the region an existing energy planning, implementation, and advocacy vehicle, complete with staffing, expertise, financial strength, staying power, commitment to the community, and oversight mechanisms (including the CPUC, the FERC, the Legislature).

In this option, SDG&E has committed to the development of a REPAC-type advisory council that would provide consumer input and perform some oversight to their operations.

(The full proposal received from SDG&E is in the Appendix).

Pros

- Little direct financial risk to public agencies.
- Requires little additional taxpayer funding.
- May be the lowest cost option.
- It is an existing entity that can work with any consensus model.
- There is oversight and control through the California Public Utilities Commission (CPUC), the California Energy Commission (CEC), the State Legislature and the Federal Energy Regulatory Commission (FERC).
- It provides lobbying and advocacy services which might be improved with the support of regional stakeholders.
- SDG&E has public legitimacy.

Cons:

- There is the potential of conflict of interest between demand side management, energy efficiency and renewable energy development and the maintenance of the utility infrastructure.
- SDG&E has not indicated interest in building renewable and/or distributed energy infrastructure, such as solar or wind farms.
- SDG&E's activities are constrained by regulation.
- The CPUC, CEC, Legislative and FERC oversight and control prevents the local control and accountability desired by the community.
- Many in the region believe that SDG&E is profit driven and primarily represents its shareholders.
- The recent energy crisis and regulatory investigations, not yet concluded, have created negative perception of the utility.
- The relationship between SDG&E, Southern California Gas and Sempra Energy creates a perception of conflict of interest.
- As documented by the Regional Energy Infrastructure Study, the Region has the highest rates in the state, a potentially risky dependence on natural gas and market power problems within the region, which lead some key stakeholders to question whether SDG&E has performed well in the past decade.
- The SDG&E planning process is not transparent and inclusive.
- The Region has no ability to compel SDG&E to adequately represent the region's interests in achieving the goals of the Regional Energy Strategy.
- There is no regional independent objective control on the quality, breadth or accuracy of SDG&E's energy data and analysis.
- SDG&E has no responsibility for achieving the goals of the Regional Energy Strategy.

Option 2: SANDAG/Energy Committee /SDREO

The San Diego Association of Governments (SANDAG) represents all the citizens in the region through their elected representatives and, therefore could be an appropriate vehicle to speak for the region. The SANDAG Board of Directors, composed of elected officials, meets twice a month and the Executive Director and staff implements their decisions. Currently SANDAG lacks the in-depth technical expertise in the energy field required to provide the analysis needed by the SANDAG Board of Directors to make good energy-related decisions and develop energy policy options. SDREO provides that expertise on a limited basis.

The current system of weighted votes at SANDAG appears to be working and is becoming the model for regional governance. SANDAG is comprised of elected officials accountable to the entire constituency of the Region. It also includes a bi-national and interregional element, as non-voting representatives from Mexico and Imperial County sit on the Board of Directors.

An Energy Committee would be formed which would provide energy policy advice to the Board of Directors. The Energy Committee members will be elected officials and no alternate/staff member can sit as a voting member of the Committee. The Energy Committee would form a Working Group of stakeholders, whose members do not need to be elected, which could include such various community stakeholders as SDG&E, the Chambers of Commerce, the environmental community, the solar and renewables community, labor etc. This would be a stakeholders group similar to REPAC. The San Diego Regional Energy Office (SDREO), an independent, non-profit organization, could act as staff for the Energy Committee and the stakeholder Working Group. The Energy Committee or SDREO, representing SANDAG, could represent the region on energy issues in regulatory and legislative proceedings.

SDREO would provide technical and staff support to the Energy Committee and the Working Group. The Working Group would investigate, discuss and make recommendations to the Energy Committee. The Energy Committee would make recommendations to SANDAG. SANDAG would make decisions and SDREO would implement those decisions. SDREO would need to be funded to perform these activities.

Pros:

- Utilizing an existing entity such as SANDAG would spread risk to individual agencies and could reduce start-up time and initial costs.
- SANDAG has state agency authority, legitimacy and stature.
- Due to shared management and resources, administrative costs would be lower.
- SANDAG has a transparent planning process and open public participation, which would be consistent with the goals of the Regional Energy Strategy.

- The Energy Committee would integrate energy into SANDAG’s existing planning functions.
- This can be implemented rapidly with the least amount of organization design required.
- This would present a more efficient use of public resources in pursuing energy issues through cost sharing.
- SANDAG and the Energy Committee would be objective and unbiased.
- SANDAG is well positioned to work with Baja California, Mexico on energy issues.
- SANDAG is well positioned to make energy policy for the region.
- SDREO is structured and staffed to implement CPUC-funded energy efficiency programs*.
- SANDAG could be an effective advocate and lobby in all proceedings

Cons:

- Although SANDAG’s processes may be more efficient than state agencies, the extra level of bureaucracy might slow activity.
- SANDAG’s main priority is transportation, and thus energy might be considered a lower priority.
- Financing and/or project ownership could impact member agency bonding rating and costs.
- Political considerations and conflicts could hinder the work of the Policy Committee.
- State legislation may be required to authorize SANDAG to finance/own energy infrastructure or provide such services as aggregated purchasing of supplies.
- State legislation is unpredictable and the bill that emerges from the process may be different from that which was proposed.
- SANDAG is not structured to administer and implement public good energy programs*.

- The current SDREO Board of Directors may not be as representative or responsive enough to fulfill the varied requirements of this new responsibility.

* Currently SDREO administers a small percentage of the CPUC-funded energy efficiency programs in the San Diego Region. SDG&E in their Cost-of-Service filing and in their 20-year resource plan is asking that all energy efficiency programs be returned to them. Legislation has also been proposed to return the administration of all these funds to SDG&E (and other state IOUs), although this bill seems to be tables for this Legislative session. REPAC desires that this agency administer all energy efficiency programs, but these funds may not be available to SDREO or a regional regional energy entity in the future.

Option 3: Form a Regional Energy Authority with New Legislation

A Regional Energy Authority would be formed through new state legislation⁵, similar to the process creating the Regional Airport Authority. Mayor Richard Murphy of San Diego has proposed this option. It is intended to expand the role of the SDREO and REPAC.

This option allows the community, in developing the governance structure, to designate the membership and capability of the newly formed Authority. All significant stakeholders could be represented as full voting members and/or as advisory staff to the Authority. It is not limited by the powers already vested in an entity and use of this method can allow stakeholders (e.g. UCAN and SDG&E) to be members in the governance of the Authority. Significant detailed planning concerning the purpose of the organization and functional capability would be required to create the legislative language needed to create the structure. While the process would require a full legislative cycle to complete, the Authority would then have clearly defined functions and the power to carry out assigned tasks created in the legislation. In the interim a Regional Authority could be created and begin work prior to authorization.

State authorization will give SDREO and REPAC the standing in the state, the legitimacy that it needs to get things done. The Regional Energy Authority would represent the region, would be vested with both the political and technical authority to address the independent perspective on what is in the best interest of the people of the San Diego Region.

⁵ SB 684 (Alpert: San Diego Regional Energy Authority) was a spot bill that would form a San Diego Regional Energy Authority based on the model of the existing Community Energy Authority Act. It was withdrawn until 2004.

The Regional Energy Authority would have no more than fifteen voting members as follows:

1. City of San Diego – 3 representatives appointed by the Mayor and confirmed by the City Council. The three representatives would be:
 - A San Diego City Council member
 - A San Diego City staff member, and
 - A resident of the City of San Diego.
2. County of San Diego – one Supervisor selected by the Board of Supervisors.
3. North County Coastal Cities – one Mayor or City Council member from Del Mar, Solana Beach, Encinitas, Carlsbad, or Oceanside selected by the Mayors of those cities.
4. North County Inland Cities – one Mayor or City Council member from Vista, San Marcos, Escondido, or Poway selected by the mayors of those cities.
5. East County Cities - one Mayor or City Council member from El Cajon, Santee, La Mesa, or Lemon Grove selected by the Mayors of those cities.
6. South County Cities - one Mayor or City Council member from Chula Vista, National City, Imperial Beach, or Coronado selected by the Mayor of those Cities.
7. San Diego Unified Port District – one Port Commissioner selected by the Port.
8. County Water Authority – one Board member selected by the Authority.
9. San Diego Gas and Electric – one employee selected by SDG&E.
10. Utility Consumers Action Network – the president or Executive Director of UCAN.
11. San Diego Regional Chamber of Commerce – one board member or staff member selected by the Chamber.
12. San Diego – Imperial Counties Labor Council – one board member of staff member selected by organized labor.
13. Governor of California – one resident of San Diego County representing the environmental community appointed by the Governor of California.

The Regional Energy Authority could establish a series of Expert Panels to provide specialized information and public participation into the process. SDREO would become the staff of the Authority, either as an independent entity or by being absorbed into the Authority.

Pros:

- The model of a Regional Energy Authority (REA) already exists in the Regional Airport Authority.
- The legislation forming the REA could include all the functions required to implement the Regional Energy Strategy.
- A permanent revenue stream (through a utility surcharge) would provide long-term stability and enhance the effectiveness of the REA in implementing the RES.
- The REA would protect local agencies from financial exposure and liability associated with its operations in accomplishing the RES.
- The REA may raise funds through general obligation bonds and could generate revenues from interest in financing or ownership of energy assets.
- Revenues generated could be committed to pursuing un-funded objectives (e.g. self-generation and renewables development).
- The governing body of the REA is inclusive of major stakeholders and through elected officials would have accountability to the public.
- Once the REA makes a decision it has the ability to implement that decision.
- The REA has state authority and legitimacy.
- The REA could be an effective advocate and lobby in all proceedings.
- SDREO could be integrated into the REA and provide expert administrative and operating staff.
- It may elevate how the regional view is perceived in San Francisco and Sacramento.
- The REA would provide a single purpose agency whose sole focus on energy would allow it to effectively develop the expertise necessary to deal with complicated, technical issues.
- The REA would provide a more efficient use of public resources in accomplishing the goals of the RES versus individual efforts of local agencies.

Cons:

- SDREO member agencies (SDSU Foundation, SANDAG, SDG&E, City of San Diego) may be unwilling to give up its independent status, thus requiring the time-consuming process of staffing.
- Project financing could impact bonding rating and costs.
- Funding through a utility surcharge would be objectionable to some stakeholders.
- The REA would take time to establish and would not be complete until late in 2004 or early 2005.
- The REA may not have access to funding from Foundations and other private sources, thus potentially limiting its activities.
- It may cost more than other options to create and operate.
- State legislation is unpredictable and the bill that emerges from the process may be different from that which was proposed.

Option 4: Form an Energy Authority Without Legislation (JPA)

An Energy Authority can be created by the use of current statutes. For example, the Joint Powers Authority (JPA) could be formed through the Joint Powers Act⁶, which allows for two or more public agencies to jointly exercise any power held in common, if authorized by their legislative or other governing bodies. The JPA could be the legal procedure to bring together multiple parties, and unless new legislation is introduced, a Joint Powers Agreement would likely be necessary to bind multiple agencies as a Regional Energy Authority.

There are two forms of energy-related JPA that have been authorized by statute.

The creation of an Energy Authority was contemplated in Government Code (52030-52190) which allows a City or County or groups of Cities and Counties to combine to accomplish long term energy efficiency planning and project development in a Community Energy Authority (CEA). The specified governance model, required in the codes, allows each participating entity to appoint officials to the CEA with the voting bodies of the individual cities acting as an oversight Board. One limitation is that the CEA may not operate or acquire utility facilities or property employed in the generation, transmission or distribution of electricity or gas except by mutual agreement with the IOU. The scope of the CEA is limited to energy efficiency and conservation, and activities to minimize the impact of energy price increases on disadvantaged and low-

⁶ Chapter 5 Section 6500-, Division 7 of Title 1 of the Government Code.

and moderate-income households and the local economy. It is questionable whether it would be empowered to implement the goals of the Regional Energy Strategy. A JPA or a MOU-type instrument would likely be needed to form an agreement between multiple agencies to invest in a project that required public financing

Another option is made possible through the recent passage of AB117. This model allows a Community Choice Aggregator to purchase power for delivery to retail customers with the IOU providing transmission and billing services for those customers. Multiple municipalities could band together to aggregate for their citizens. The law states that these entities would have access to all CPUC-funded public good funds collected from those aggregated customers. The rules for the Community Choice Aggregator have not been fully determined and it may be some time before they are. A JPA or a MOU-type instrument would likely be needed to form an agreement between multiple agencies to invest in a project that required public financing.

All three forms of JPAs can be formed using current law. Additional legislative authority would not be required.

Pros:

- A JPA is relatively easy to form since existing statutory authority already exists.
- A JPA can be formed without legislation.
- There are multiple options on how to form a JPA.
- A JPA can be formed under whatever rules seem appropriate.
- A JPA is voluntary and bases its governance upon municipalities' financial contribution to the entity.
- A JPA would have public legitimacy.
- A JPA could aggregate, finance and/or own infrastructure.
- This would present a more efficient use of public resources in pursuing energy issues through cost sharing.
- The JPA would come under the Brown Act, which requires an open and transparent process by law.

Cons:

- Participation is limited to public entities, thereby excluding a significant number of stakeholders and limiting inclusiveness.
- It is accountable only to the member agencies.
- The Brown Act, while requiring open, public meetings, does not require as transparent or open a planning process as some might desire.
- The powers of a JPA are limited to the powers of the least powerful member.
- If an organization other than a municipal government is exercising power as a voting member of the JPA, the JPA does not have the ability to use the laws allowing municipal delivery of utility services to retail customers (AB 117).

Chapter 5: Funding Options

Cost Estimates

The cost of operating a Regional Energy Entity will vary according to its governance structure and functions, whether current organizations are re-structured or the organization is formed from scratch.

To add responsibilities and functions to the San Diego Regional Energy Office would involve adding appropriate staff, additional overhead expenses and funds for consultants, implementation, studies, etc. Estimated additional expenses could range from \$250,000 to \$400,000.

Start-up costs for a new entity are estimated to be between \$1,000,000 and \$1,400,000. This assumes a staff of seven or eight with salaries and benefits of \$440,000 to \$650,00; \$ 130,00 to \$200,000 for rent, equipment, furniture, supplies and other overhead costs; \$400,000 to \$500,000 for consultants and expert assistance; \$20,000 to \$50,000 for travel and other expenses. The purchases of equipment, furniture and other assets would, of course, be a one-time expense.

It is not possible to be more precise with costs estimates until decisions are made regarding the scope and functions of the Regional Energy Entity.

The additional costs of Option 1 are undetermined

Revenue Sources and Funding Options

A number of potential sources of revenue can be tapped to cover the startup and annual operational costs of a Regional Energy Entity. They include utility bill surcharges, contributions by local municipal entities, state and federal grants, existing public-good energy surcharges and proceeds from any energy investments made by the Regional Energy Entity. A discussion of each revenue source follows:

Funding through Public-Good Energy Programs

All electricity and gas customers in the State of California pay approximately 0.035 percent of their energy bill through a public-good energy surcharge, a line item on the energy bill. The purpose of this surcharge is to fund public-good energy efficiency, renewables development, research and development and low-income programs. The total funding for these energy efficiency programs for San Diego County is approximately \$60 million⁷ per year. Most of these funds (80%) are administered by SDG&E. The San Diego Regional Energy Office (SDREO) and some municipalities have received a small

⁷ Public-good funding for programs in San Diego includes approximately \$60 million for energy efficiency programs, \$15.5 million for self-generation program. Additional consumer funding also supports statewide energy research development, renewable energy programs and low-income programs.

portion of this funding for energy programs, projects⁸, education and research and have begun to build a track record of successful administration and implementation of these programs. These funds are limited to funding specific programs, but much of the implementation of the RES is centered on the success of these public good programs (e.g., energy efficiency, renewables, self-generation). Additional public-good funds are also available to promote clean self-generation.

As noted on page 22, the investor-owned utilities in the state, including SDG&E, are making a concerted effort to have administration of all of these public good funds returned to their control. REPAC recommends that all the energy efficiency funds be administered by this Regional Energy Entity.

Contribution by Municipal Entities

Currently, many of the various municipalities are investing a significant amount of staff time and general fund resources engaging consultants to accomplish many of the functions proposed by the Regional Energy Entity. Since the new entity would reduce the need for those consultants, there would be savings for the local governments. These savings could be contributed to the Regional Energy Entity.

The County and cities in the San Diego region, based upon population, could provide a significant portion of the annual operating budget through a proportionate contribution, which would entitle those contributing municipalities to the work-product of the organization as well as involvement in governance.

Contribution by Ratepayers

A portion of the basic operating budget could also be achieved through a surcharge on the SDG&E bill in the form of imposing either additional franchise fees or through the implementation of a utility surcharge. An estimate of the required surcharge to fully fund the annual operations of the entity is seventy-eight cents per year per account.⁹

State and Federal Grants

A number of state and federal grants are available to fund energy programs and initiatives. The Regional Energy Entity may be eligible to receive these grants.

Revenues from Investments

Most municipal utilities are funded from the revenues generated by their energy investments - for example, long-term revenue from payment for the sale of capacity and electric energy from the assets (e.g. generation) under ownership and control. After

⁸ SDREO currently administers annual program exceeding \$18 million per year including self-generation, energy efficiency and renewables. The City of San Diego is also administering an energy efficiency program.

⁹ Assumes 3 million SDG&E customers.

paying off revenue bonds and operational costs, there is normally a “margin” that in private companies would be retained earnings, distributed to shareholders and/or paid in taxes. Some forms of a Regional Energy Agency would be in a position to use any excess revenues to subsidize a portion of its operations. However, such revenues cannot be relied upon for initial funding, as any infrastructure investments by the Authority would take many years to implement. Additionally, if structured correctly, a public entity could issue public debt at very attractive interest rates to enable public infrastructure investment. A portion of the savings could be dedicated to funding the other objectives of the region, like deploying renewable energy. This is a long-term strategy that would not provide available funds for several years.

Chapter 6: Recommendation and Next Steps

Recommendation:

The Regional Energy Policy Advisory Council recommends that an Energy Committee be established within SANDAG (Option 2) with the possibility that this entity could transition into a Regional Energy Authority established by State Legislation (Option 3) after 18 months if progress has not been made, and into a Joint Power Authority (Option 4) if needed.

This recommendation was adopted by unanimous vote of those member agencies present:

SANDAG South County, SANDAG East County, SANDAG North County Inland, San Diego Port District, City of San Diego, San Diego County Water Authority, San Diego Regional Energy Office Board of Directors, Qualcomm, Utility Consumer Action Network, Restaurant and Beverage Association present at vote.

San Diego State University and SANDAG North County Coastal provided absentee votes.

The representative from San Diego State University voted for the recommendation.

The representative from SANDAG North County Coastal cast a cautionary vote. He stated that while he previously supported the concept of a public organization (Option 4) that could assume increased control of our regional energy future, because the state has re-regulated SDG&E it is likely that the current state regulatory climate diminishes the likelihood of any meaningful benefit to the rate paying public being derived from that action at this time.

The representatives of the Sierra Club and the Environmental Health Coalition concurred with the vote.

The SDG&E representative expressed SDG&E's preference for Option 1, but also stated, "SDG&E will work with whatever option is put in place which has a broad based governance body that includes SDG&E and other stakeholders as equal voting members." (This is embedded in Option 2 and Option 3).

Next Steps:

Should SANDAG accept this recommendation, funding for the Energy Committee and the Working Group will be found by REPAC and SDREO.

- REPAC and SDREO request that SANDAG commit the \$50,000, currently budgeted for the San Diego Regional Energy Office, to forming and staffing the proposed Committee and Working Group.

- SANDAG would work with REPAC to determine committee membership.
- Within 120 days of being established, the Working Group and SDREO will return to SANDAG with a funding plan for 18 months that will utilize government funding and private sector grants as a match for the SANDAG contribution.

Stakeholder Comments

1. San Diego Gas and Electric



SDG&E offers the following option for REPAC and SANDAG's consideration as a cost effective, easy to implement model for implementing the recommendations made in the Regional Energy Strategy.

SDG&E Implements the Regional Energy Strategy

BACKGROUND:

San Diego Gas & Electric (SDG&E) is a regulated utility that provides service to 3 million consumers through 1.3 million electric meters and 775,000 natural gas meters in San Diego and southern Orange counties. SDG&E's service area encompasses 4,100 square miles, covering two counties and 25 cities.

Effective January 1, 2003, State legislation and the CPUC returned SDG&E to its pre-deregulation role, responsibility, and accountability for planning and acquiring the resources needed to meet its customers' energy needs. In compliance with that order, SDG&E quickly procured the limited remaining resources needed to fully meet anticipated customer demand in 2003, as well as sufficient renewable resources to supply roughly 7% of the legislatively-mandated 20% of energy delivered by 2017. SDG&E has filed an updated short-term procurement plan focused on 2004 needs. SDG&E is also actively managing the CDWR contracts allocated to San Diego, as part of its overall energy supply portfolio on behalf of customers.

20-YEAR ELECTRIC RESOURCE PLAN:

In establishing the rules and policies for resuming the electricity procurement function, the Commission set forth a broad range of utility responsibilities, including the requirement for SDG&E to submit a comprehensive 20-year electric resource plan addressing the appropriate balance of energy efficiency, demand reduction, renewable resources, conventional resources, and electric transmission. Other policy issues, including fuel diversity, capacity reserve margin, and the role of utilities in future generation ownership are also addressed. SDG&E's plan was filed on April 15th, and it

contains significant analytical work, including detailed cost and benefit modeling of demand and supply-side options, as well as specific policy recommendations.

PUBLIC INPUT / INVOLVEMENT:

There is substantial opportunity for regional input to the plan as it moves through the CPUC's process, including filed testimony, public hearings and cross-examination, and comments on the Commission's draft decision expected later this year.

In addition to the CPUC's process, regional input from elected officials, business and community leaders, consumer groups and other interested parties will be an integral component of SDG&E's planning and implementation processes. SDG&E will continue meeting with stakeholders throughout the region on an ongoing basis to receive input on the current plan, as well as to understand and discuss issues and ideas as guidance for future policy, planning, analysis, and implementation. The current 20-year plan represents a starting point in this process, and one that can evolve to serve as a focal point for regional input, discussion, and advocacy in coming years².

FIT WITH REGIONAL MODELS, INCLUDING SANDAG:

The process described above works with any model for developing a regional consensus on energy policy and strategy: for example, SDG&E's plans and subsequent implementation can be informed and guided by the final SANDAG Energy Strategy that results from the REPAC's input and SANDAG's evaluations and decisions. An ongoing SANDAG energy committee, with SDG&E and other key regional energy experts and stakeholders as voting members, can ensure this linkage is preserved going forward. The important point is that SDG&E will seek broad-based dialogue with stakeholders as it formulates its proposed policies and implementation activities to ensure they continue to serve the region's interests.

IMPLEMENTATION / COMMITMENT / ENSURING RESULTS:

With respect to implementation, SDG&E has the necessary staff, expertise, financial resources, and legal/regulatory structures in place to continue to carry out both demand and supply side initiatives. Moreover, SDG&E is accountable for results: the CPUC and SDG&E's customers look to SDG&E to provide safe, reliable energy at fair prices. SDG&E has direct contact with Residential, Commercial, Industrial and Local Generation customers at all levels. SDG&E is uniquely situated to monitor evaluate and respond to the balanced needs and concerns of the customers it serves. As recent examples of SDG&E's ongoing role in implementation, an RFP has been issued to obtain additional local generating resources needed for reliability, along with the short-term RFP described earlier. SDG&E had a proposed northern transmission interconnection project, although it was recently denied by the CPUC.

SDG&E participates actively in statewide and region-wide transmission planning studies. Before, during and after the energy crisis, SDG&E's Energy Efficiency programs have delivered results, and SDG&E has proposed additional funding and other measures to increase the levels of these resources in its 20-year plan.

² The CPUC will conduct future long-term planning cycles after the current one; the frequency of these is a topic for discussion in the present plan. SDG&E advocates another cycle for 2004, and a bi-annual planning process thereafter.

Advocacy and representation in governmental, legislative and regulatory proceedings is a major part of SDG&E's role on behalf of customers. As regional consensus emerges on issues, SDG&E has the staff, expertise, and effectiveness needed to represent these interests at both the State and Federal level.

The examples provided here focus on electric issues; however, SDG&E also provides similar natural gas infrastructure and supply planning and procurement functions. SDG&E will employ similar processes for ensuring regional inclusion and input, and is equally well equipped to advocate for and implement gas-related policy and strategies.

SUMMARY:

SDG&E offers the region an existing energy planning, implementation, and advocacy vehicle, complete with staffing, expertise, financial strength, staying power, commitment to the community, and oversight mechanisms (including CPUC, FERC, Legislature, and local government). With the region's interest in increased involvement and influence in energy matters, SDG&E's current processes will continue to evolve in order to accommodate and facilitate this welcome participation. This model should be given serious consideration as the most cost-effective and likely to succeed approach to formulating and implementing the region's energy policies.

2. City of San Marcos

July 14, 2003

Irene Stillings, Executive Director
San Diego Regional Energy Office
8520 Tech Way, Suite 110
San Diego, CA 92123

Re: San Diego Regional Energy Strategy, Energy 2030 Part II: Implementation

Dear Irene:

The City of San Marcos thanks you and your staff at the San Diego Regional Energy Office (SDREO) for all the hard work done in preparing the Regional Energy Strategy (RES) Part II and I. Although the City supports the decision of the Regional Energy Policy Advisory Council (REPAC) Board to recommend the SANDAG/Energy Committee/SDREO option (Option #2) as a starting point in the implementation of the RES, the City still does have some concerns that we feel need to be presented to SANDAG.

Concern #1: Governance of SDREO

Discussion: In Option #2, SDREO would act as staff for an Energy Committee that is appointed by SANDAG. In this capacity SDREO may represent the region on energy issues in regulatory and legislative proceedings at the state and federal level. Overall the SDREO staff is very professional and unbiased and more than capable of performing this task, there is a perception among members of the REPAC, and the City of San Marcos in particular, that the Board of Directors of SDREO, which sets policy, is not representative of the entire region. If SDREO is to speak for the region, the governing board of SDREO must be changed to represent the entire region, not just special interests and select populations of the County. Currently SDREO's Board of Directors consist of the following members:

- Dr. David Rohy – Former Vice-chair of the California Energy Commission
- Dr. Alan Sweedler, PhD – Director, Center for Energy Studies, SDSU
- Mark Nelson – Sempra Energy
- John Moot, Esq. – Former Councilmember, City of Chula Vista
- Richard Ramos – Councilmember, City of El Cajon
- Richard Hays – Director of Environmental Services, City of San Diego
- Robert Resley – SDG&E
- James Callaghan – Qualcomm
- Liaison Member: Capt. Christopher Schanze, U.S. Navy
- Irene Stillings, Executive Director, SDREO

Although these individual Board members are quite capable, they however, do not represent the region as a whole. This point is supported in the RES Part II itself, under Option #2, page 20, “Cons”, where it states, “The current SDREO Board of Directors may not be as representative or responsive enough to fulfill the varied requirements of this new responsibility.”

Recommendation: The City of San Marcos recommends that the current representatives from the REPAC Board of Directors, which represents the entire San Diego region, replace the existing SDREO Board. This will insure that SDREO truly represents the wishes of the region or SANDAG in both legislative and regulatory matters. This change would allow the “new” SDREO Board of Directors to serve as the Energy Committee to the SANDAG Board of Directors.

Issue #2: Special Interest Groups represented on regional energy board of directors

Discussion: The City of Marcos, which voted to support Option #2 as a starting point, was initially supportive of Option #3 until it was changed to include the Airport Authority model for a governing board. The City of San Marcos favors a regional energy Authority that has the ability to 1) represent the region at the CPUC and both the state and federal level, 2) has the ability to administer Public Goods funds for energy conservation programs, 3) could act as a “community choice aggregator” for the region, and 4) could possibly finance and construct in-region generation projects if required. These four board powers will enable the Authority to implement the goals of the Regional Energy Strategy and help guarantee the reliability of the regions energy future. Therefore, it is our opinion that any Regional Energy Authority should be governed by a board of directors that is directly accountable to the public (e.g. elected officials from governmental organizations), not special interest groups. San Marcos is seriously opposed to any option that includes special interest groups on a governing board of directors. Only elected officials from the local bodies of government, who are accountable to the public, should represent the region on the board of directors. The special interest groups, which are stakeholders in the region, can be represented by serving as an “advisory” staff to the Regional Energy Authority, not unlike what is currently being done under the REPAC model. This will give the Authority the ability to serve as a community choice aggregator and finance and/or own generation at the lowest cost to ratepayers if that is the direction the stakeholders want to pursue. In addition, under Option #3 there should be some mechanism to allow for an increase in the number of directors who sit on the board. The member governmental agencies that participate financially in projects (generation, transmission or aggregation) should be represented on the board of directors as voting members.

Recommendation: Under Option #3, remove the following agencies from the recommended governing board: SDG&E, the San Diego Regional Chamber of Commerce, the San Diego-Imperial Counties Labor Council, and the Governor appointee. In addition, consider adding a provision to allow for an increase in the number of members of the governing board based on participation in infrastructure projects.

If you should have any questions regarding these comments, please feel free to contact me at (760) 744-1050, extension 3154, or my City Manager at extension 3115.

Sincerely,

Lee B. Thibadeau
Councilmember

C: Mayor and City Council
City Manager
Senior Administrative Analyst

3. Large and Small Business

The San Diego Regional Energy Strategy
ENERGY 2030
Part II: Implementation
Draft 06-26-03
Large and Small Business Comment

Much fact finding, thought, energy and negotiation has gone into finalization of the Regional Energy Strategy. Now comes the opportunity to recommend how to implement the important regional energy goals that this Strategy has identified. Regional energy stakeholders need to focus on how to best succeed with this implementation. Unresolved issues remain regarding how to fund implementation and what are the appropriate roles of the various and widely diverse energy stakeholders.

Of the possible alternatives only four implementation options have been identified as being most likely to succeed. All of these options have both positive and negative considerations. In the best interests of all stakeholders including large and small business, residential, environmental and municipal, only options that are timely, fiscally sound, and sustainable without creating new taxes, tariffs or levies should be given any further consideration. In evaluating these options it is relevant to also weigh the current roles of the IOU, SANDAG, CPUC, CEC, Legislature, FERC, and Congress.

Business therefore endorses amended option two where the SDREO has the opportunity and the responsibility to facilitate the implementation strategies while drawing upon the existing resources of SANDAG, the IOU, the CPUC, and CEC and continues to represent all of the energy stakeholders. SDREO operational funding is a challenging issue and there is no clear and immediate solution. Most probably a combination of revenue resources must be sought including grants, public goods funds, paid services and corporate/civic/public goodwill sources.

Ideally the SDREO forum will continue to include the participation of the IOU, environmental, health and safety advocates, public entities, concerned citizens and large and small businesses. Any organizational structure that does not include all of these regional interest groups will be embroiled in organization issues and will never begin implementation of the Regional Energy Strategy.

Alan Ball
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5775 Morehouse Drive
San Diego, California 92121

4. Sierra Club



July 14, 2003

Abigail Reyes
Office Manager
San Diego Regional Energy Office
8520 Tech Way, Suite 110
San Diego, CA 92123-1450

Please include our comments on the RES

We feel that an oversight board structured by SANDAG needs to be established and that board should be five members under option #2 as presented by REPAC. We are not in favor of another bureaucracy that cost a lot of money.

As REPAC stated in your Discussion Document dated 5/22/03

“The region must create or identify an energy entity that has a high level of accountability to the public for implementing the policies and programs outlined in the 2030 San Diego Regional Energy Strategy; an organization that is objective and fully committed to the public good.”

We agree with the above statement and suggest that the board be made up of professionals that are expert in the fields of:

Air Quality	50 % of our air pollution is created by electricity production.
Electricity Transmission	The way we transmit energy will change as we move into a solar and hydrogen economy.
Distributed Generation	New sources of energy will place new demands on the existing energy infrastructure. Solar and Fuel Cells will change the way we create our energy
New Technology	All new technologies will require the scrutiny of experts before they become part of our lives. Cost of R&D should not be at the expense of consumers. Un-biased opinion by those who understand new technology can save a lot of headaches in pricing and their utility function.
Power Purchasing	We need professionals who understands the ramifications of long term contracts for purchasing our

energy. They can serve as the eyes and ears of energy purchasing. It may become necessary to give the board the power to purchase direct if the current method isn't working.

This politically neutral board of five industry related people, appointed by SANDAG, would have the time, experience and knowledge necessary to make the important decisions on our energy future.

The structure of that board should be appointed and accountable to SANDAG. Energy is a moving target and their authority will change from time to time. It should be up to SANDAG to determine the powers of that new board. SDG&E, REO and environmental groups like the Sierra Club can serve as advisors to that board. They should all represent the best interest of the public and our environment.

The Regional Energy Office is certainly doing a respectable job of educating businesses on conservation, efficiency and renewables. We applaud them in that effort and hope they continue that important education process.

Educating the public about energy efficiency and solar for the home is another big job. The price of energy is going up so residential solar and efficiency retrofits are looking more attractive. REO could certainly play a larger roll in managing the public goods funds that are collected by SDG&E and used for public education.

Every homeowner should be provided the opportunity to retrofit energy efficiency and solar when they change their mortgage thereby amortizing the installation cost over 15 to 30 years. They can up-grade windows, insulation, install time of use meters and solar when they buy, refinance or remodel their home. We need 250 solar systems a month to meet the million solar roofs program goal by 2010. This is a major undertaking that I think SDREO is capable of handling. This should be part of the education process funded with the Public Goods Funds. Here again REO can play an important roll in education. Education should not be the job of the new energy board

The Regional Energy Office and SDG&E have great assets in the people they have on staff. The new energy board should take advantage of knowledge they and others have while developing our energy future.

This new independent board that you are about to create and the public education programs we recommend will go a long way in making us energy independent and cleaning up our environment. This will create jobs, improve the quality of life in San Diego and make people aware that being "green" can be profitable.

Respectfully Yours, Dan Perkins