

## Top environmental priorities for the California PUC

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Over the past decade, the California Public Utilities Commission, which regulates the state's investor-owned utilities, has emerged as a leader on policies that provide significant environmental and economic benefits. Governor Brown recently announced two of his three new appointees to the five-member CPUC, and the new Commission should continue to build on this proud track record of environmental leadership.

To some, it might be a surprise that one of the state's top environmental leaders is an agency without the word "environment" in its name. But PUCs across the country regulate most of the nation's utilities, whose sales of electricity and natural gas are responsible for more than half of the nation's carbon dioxide emissions, the primary pollutant causing global warming, and a large portion of the nation's air and toxic pollution. As regulated businesses, utilities' investments are guided by their regulators, so PUCs are in the driver's seat to determine whether investments continue to go to traditional technologies that create all that pollution, or to cleaner options like energy efficiency, wind and solar.

### CPUC's Leadership Over the Past Decade

The California PUC was an early environmental leader beginning in the 1970s and 1980s, helping to create and grow the energy efficiency and renewable energy industries. But the state's now infamous experiment with deregulation cut those investments to bare minimums, putting the industries on "life support." Over the past ten years, the California PUC emerged as an environmental leader once again, adopting policies and programs including:

- The state's "loading order" for energy resources, which makes cost-effective energy efficiency the top priority resource, followed by renewable energy and clean and efficient distributed generation;
- Aggressive energy saving targets for the utilities' energy efficiency programs to help customers save energy and lower their utility bills, and the largest utility efficiency investments in history to achieve those savings;
- A 20% Renewable Portfolio Standard (RPS), collaborating on the first-ever Renewable Energy Transmission Initiative to incorporate environmental considerations into transmission planning from the start, and adopting a variety of programs to promote the development of distributed renewable generation to dramatically increase use of renewable resources;
- The nation's first GHG emissions performance standard for long-term utility investments in power plants (codified by SB 1368); and
- A plan to limit the utilities' greenhouse gas emissions, which led directly to the state's

landmark law to limit statewide emissions (AB 32) that voters upheld last November by overwhelmingly rejecting Proposition 23.

## **Top Ten Priorities For Environmental Policies Today**

Looking forward, the state needs more than ever the environmental benefits and jobs that efficiency and clean energy offer. The following is a "top ten" list of priorities to ensure California continues to capture those benefits and remains an environmental leader:

1. Continue to expand and improve low-income energy efficiency programs. Efficiency programs designed specifically to help low-income consumers save energy provide lower energy bills and more comfortable homes for low-income families, improve public health in low income communities, and create jobs in local communities. The CPUC should continue to expand the programs, encourage the utilities to reach more households every year, and ensure that each household receives significant efficiency upgrades.
2. Encourage ever more aggressive and innovative energy efficiency programs. Over the past decade, the CPUC has established a good policy framework for the fast-growing energy efficiency programs. While some policy improvements are still needed (for example, ensuring that the CPUC's approach to evaluating savings does not undermine its ability to meet the vision laid out in its strategic plan to capture all cost-effective savings), the primary focus now should be providing stability to enable the efficiency industry to thrive, expanding successful programs and developing new programs to yield even greater energy savings.
3. Make water conservation the top priority for water utilities. Water is a critical and limited resource in California, and the state's water system is a large consumer of energy - it accounts for approximately 20% of gross electricity use and 30% of natural gas use. Yet, the state's policies to encourage more efficient use of water lag decades behind the state's energy efficiency policies. The CPUC should adopt many of the same types of policies to encourage water conservation.
4. Expand investments in renewables to reach 33% by 2020. The Legislature should adopt a 33% RPS by 2020, and the CPUC should continue to remove barriers, ensure rigorous analysis of the environmental impacts and feasibility of new development, and encourage utility investment in the necessary infrastructure (including "smart from the start" transmission planning) to continue to ramp up renewable energy.
5. Continue aggressive implementation of renewable distributed generation programs. Clean distributed generation is an important part of the state's renewable energy industry, and offers the added benefit of providing local generation without significant transmission investments. The CPUC should continue programs such as the California Solar Initiative, which supports solar photovoltaic and solar thermal technologies.
6. Pave the way for plug-in electric vehicles. Plug-in electric vehicles, powered by a clean and efficient electrical system, will be critical to cut pollution, lower costs for consumers, and break our dependence on oil. The CPUC should continue to lead the way to make it easy for consumers to switch to electric vehicles, and to ensure that the new loads are added to the grid in a way that minimizes costs, maintains reliability, and maximizes environmental benefits.
7. Ensure long-term utility investments go to clean and cost-effective resources. SB 1368, the state's greenhouse gas emissions performance standard, requires utilities to limit long-term investments to power plants that are at least as clean as a combined cycle natural gas plant.

Last year, the CPUC met its first test enforcing the law, eliminating future investments by Southern California Edison in the Four Corners coal-fired power plant, and leading the utility to sell its ownership share in the fifty year old plant.

8. Develop a plan to retire or replace inefficient and environmentally damaging power plants. Once-through cooling - an outdated technology that sucks large amounts of water out of the ocean to cool power plants - harms California's coastal and marine environment. Last year, the State Water Board adopted a requirement to phase out once-through cooling over the next 14 years. SB 1368 restricts life-extending investments in power plants that emit high levels of global warming pollution, such as the conventional coal-fired power plants that still provide about one-fifth of the state's power. The CPUC should develop a plan to retire, clean up or replace these power plants over the coming decade.

9. Ensure full implementation of AB 32's cap and trade program. In December, the California Air Resources Board adopted a regulation that limits GHG emissions from the state's major polluters, including the electricity and natural gas sectors, and requires polluters to obtain permits for emissions beginning in 2012. Those pollution permits will be quite valuable, and the CPUC should provide detailed guidance and regulatory oversight to ensure the utilities invest the proceeds from auctioning the permits to power providers in energy efficiency, renewable energy, and other strategies to reduce GHG emissions.

10. Ensure the "smart grid" helps customers save energy and integrates renewables. The CPUC is in the process of making the century-old grid dramatically "smarter" so that utilities get more information in real time about how much energy customers are using and how the grid is operating. To ensure the "smart grid" truly lives up to its potential to provide benefits for consumers and the environment, the CPUC should ensure that the new technologies' capabilities are fully utilized in the energy efficiency programs and to facilitate integration of intermittent renewables into the grid.

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