



DESALINATION TASK FORCE MEMORANDUM

TO: DESALINATION TASK FORCE
FROM: PROGRAM MANAGERS
SUBJECT: ENERGY STUDY STATUS REPORT
DATE: MARCH 21, 2012

RECOMMENDATION: That the scwd² Desalination Task Force receive the ninth Energy Study status report and support the staff recommendation that the project be designed and operated with no net increase with regards to indirect greenhouse gases.

BACKGROUND: At the February 15, 2012 Task Force meeting, staff presented the basis and methodology for the No Net Increase/Net Carbon Neutral recommendation. At that meeting, Task Force members were given an opportunity to provide feedback and ask questions. Task Force members moved to postpone a vote on the recommendation until both the Soquel Creek Water District (District) Board of Directors and Santa Cruz City Council had an opportunity to discuss and provide feedback. Staff presented the item to both governing agencies as well as the City's Water Commission in late February and early March.

DISCUSSION: The District Board, City Council and City Water Commission all voted unanimously in favor of approving staff's recommendation to design and operate the project with no net increase of indirect greenhouse gases. A summary of discussions for each body is provided below.

District Board Discussion, February 21, 2012

The District Board raised general concerns as to how certified offset purchases are actually accounted for in portfolio assembly and requested further explanation with regard to the distinction between certified offsets and Renewable Energy Credits (RECs). The Board asked for clarification about the mechanism for cost and greenhouse gas (GHG) reduction credit sharing and suggested that staff begin to contemplate scenarios in which both agencies share projects. The Board asked for clarification about the other projects recommended by the Energy Technical Working Group (eTWG). Staff clarified that the remaining eTWG-recommended projects are not being eliminated, nor is either agency being restricted from continuing their search for other reduction projects. Rather, projects identified during the Board meeting (on-site energy recovery devices, on-site solar panels, certified offsets, micro-hydropower unit at the Graham Hill Water Treatment Plant) were selected for their ability to achieve the net carbon neutral goal by being feasible, local, cost effective and reliable – criteria used and supported by the eTWG. Implementation of any renewable energy or offset project(s) would coincide with approvals of the water supply project, giving ample time for each agency to continue its portfolio development.

Santa Cruz City Council Discussion, February 28, 2012

The City Council requested that additional information be shared in subsequent presentations about the GHG reduction project voluntary accounting measures (real, permanent, additional, quantifiable, verifiable and enforceable). In addition, the Council clarified that the No Net Increase project description approval does not prohibit the Council from taking further, more conservative measures during Project Approval. (This applies to both agencies; but the issue came up for discussion during the Council meeting.)

Santa Cruz City Water Commission Discussion, March 5, 2012

The Commission's feedback was generally in sync with the District Board with the majority of the discussion around the validity of certified offset purchases as well as the cost and GHG credit sharing options.

A short presentation will be provided by staff to further describe the current status of the Energy Study and outline the next steps.

FISCAL IMPACT: There is no fiscal impact associated with this item.