

BOARD OF SUPERVISORS



## COUNTY OF SANTA CRUZ

GOVERNMENTAL CENTER

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WALTER J. SYMONS  
 SECOND DISTRICT

MARDI WORMHOUDT  
 THIRD DISTRICT

RAY BELGARD  
 FOURTH DISTRICT

JEFF ALMQUIST  
 FIFTH DISTRICT

AGENDA: 1/12/99


December 28, 1998

BOARD OF SUPERVISORS  
 County of Santa Cruz  
 701 Ocean Street  
 Santa Cruz, CA 95060

RE: ANNUAL REPORT OF THE ENERGY COMMISSION

Attached is the Annual Report of the Energy Commission for calendar year 1998. I recommend that the Board accept and file this report and direct the Chairperson to thank the members of the Commission for their efforts on the County's behalf.

Sincerely,

  
 JANET K. BEAUTZ, Chairperson  
 Board of Supervisors

JB:ted

cc: Energy Commission

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# County of Santa Cruz 178

## ENERGY COMMISSION

701 OCEAN STREET, SUITE 330, SANTA CRUZ, CA 95060-4073

15 December 1998

BOARD OF SUPERVISORS  
County of Santa Cruz  
701 Ocean Street  
Santa Cruz, CA 95060

### 1998 ANNUAL REPORT - COUNTY ENERGY COMMISSION

Dear Members of the Board,

Attached is the Annual Report of County Energy Commission activity for calendar year 1998, submitted in compliance with County Code 2.38.170.

Dominating Energy Commission agendas in 1998, and likely to do so next year as well, deregulation of the electric utility industry was implemented in California this year. This change effects every person in the State, yet it was done with very little public input and no public vote. Originally proposed on the basis that electric rates were too high, the plan was put on a fast track and implemented by the same groups responsible for setting rates - the Legislature and the Public Utilities Commission. And almost predictably, monthly utility bills are now higher than they were before restructuring and are unlikely to ever go below those levels again.

Two weeks before the much publicized start-up, the agencies necessary for the open market to operate were still not ready and the date had to be set back three months, a delay that put some competitors out of business before ever being allowed to sell in California. Nine months into deregulation, now other participants in the new market are crying 'foul' as the clearing house for the sale of power is apparently unable to compete on an even basis with independent exchanges and has requested that the State recover their start-up costs via rate increases.

Energy use in the transportation sector was another issue regularly seen on Commission agendas in 1998. A poll of County residents in late 1997 found traffic and congestion as the number one issue in the community, compounded by what appears to those polled as an official policy of not improving or even maintaining roadways to ease traffic flow and of not supporting rail service or other available alternatives to reduce traffic flow. The fact that growth and development is relatively modest in the County contributes to the perception that traffic and congestion problems have been ALLOWED to happen, exposing both residents and visitors to unnecessary frustration and causing smog and harmful emission levels to be substantially higher than necessary, and increasing energy (gasoline) consumption by an estimated 15%

As the attached report suggests, the transportation infrastructure and the electric utility deregulation are likely become even more urgent energy related issues in the coming year. The Energy Commission looks forward to serving your Board with data, analysis, and recommendations on these and other matters as requested.

*Hank Pielage, Chair*  
Very truly yours,

HANK PIELAGE,	Chair
JESSE BREGMAN,	Member
JACK BEST,	Member
RALPH MLJANICH,	Member
MICHAEL LUSSIER,	Member

**1998  
ANNUAL REPORT OF THE  
SANTA CRUZ COUNTY ENERGY COMMISSION**

**ROLE OF THE COMMISSION**

The Energy Commission is a volunteer panel established by the Board of Supervisors under the authority of Government Code Section 31000.1 and Santa Cruz County Code Section 2.38.060. The Commission acts as an advisory body to, and resource for, the County Board of Supervisors on matters relating to energy consumption, production, and distribution. The Commission attempts to provide information and recommendations to the Board relative to energy policies, programs, legislation, technology, and conservation, and responds to Board requests to review and comment on particular items.

There were no fiscal expenditures by the Commission in 1998, and there are no County budget appropriations associated with the Energy Commission for fiscal year 1998/99.

**MEETING DATES, TIMES, AND LOCATIONS**

This year the Commission voted to change the regular meeting dates, from 4:30 PM on the third Wednesday of the month to the third THURSDAY of the month. The time remains the same, and meetings are typically held in the Legislative Offices Conference Room 3rd floor, County Government Center, 701 Ocean Street, Santa Cruz.

By prior Commission action, alternative meeting dates may be scheduled or meetings may be cancelled to accommodate the work schedule or professional demands of the volunteer members, or the attendance of particular guests.

The Commission complies with the provisions of the Brown Act, and members of the public, private agencies, and interested organizations are welcome at all meetings. An agenda is posted and available prior to each meeting, and the Commission complies with the Board of Supervisors' ADA directive as to agenda notices inviting smoke and scent free attendance.

**COMMISSION STRUCTURE AND MEMBERSHIP**

The Energy Commission is made up of five volunteer members, one appointed by each County Supervisor. Each member is a County resident. Commission member qualification, nomination, Board confirmation, and service, is in accordance with Chapter 2.38.080 of the referenced Code. A Commission Chair is elected annually by the members, with voting scheduled at the regular meeting for April each year. All Energy Commission members file an annual Conflict of Interest form and statement.

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**Membership for calendar year 1998, by Supervisorial District:**

<b>1st District (Supv Beautz)</b>	<b>HENRY W PIELAGE</b>
<b>2nd District (Supv Synons)</b>	<b>JACK BEST</b>
<b>3rd District (Supv Wornhoudt)</b>	<b>JESSE BREGMAN</b>
<b>4th District (Supv Belgard)</b>	<b>RALPH MILJANICH</b>
<b>5th District (Supv Alquist)</b>	<b>MICHAEL LUSSIER</b>

**County Staff (General Services)     STEVE BAILEY**

There were no vacancies on the Commission in 1998, however, by policy, Energy Commission vacancies are reported in accordance with County Code Chapter 2.38.200, and also via a Notification of Vacancy Form filed with the Clerk of the Board of Supervisors.

First District Commissioner Hank Pielage was elected Chair this year, with Commissioner Jack Best to serve as Vice Chair. Staff for the Commission is provided by the General Services Department, which is also the mail, fax, and telephone communications location.

**SANTA CRUZ COUNTY ENERGY COMMISSION**  
**701 Ocean Street - Room 330**  
**Santa Cruz, California 95060**

**Phone: 408/454-2709     Fax: 408/454-2710**

**MEETING ATTENDANCE FOR CALENDAR 1998**

Two of the members had frequent professional duties outside of the area in the summer of this year and, by prior agreement, a number of meetings were cancelled. During this period, issues being considered by the Commission were assigned to the remaining members for research and/or resolution, with absent members contributed via phone and fax.

The Commission complied with the December 1997 request from the Board that meetings not be held in July and December 1998.

**(P=Present     A=Absent     X=Position Vacant     C=Meeting Cancelled)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>PIELAGE</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>P</b>	<b>C</b>	<b>A</b>	<b>P</b>	<b>C</b>
<b>BEST</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>c</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>P</b>	<b>c</b>	<b>P</b>	<b>P</b>	<b>C</b>
<b>BREGMAN</b>	<b>A</b>	<b>P</b>	<b>P</b>	<b>c</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>P</b>	<b>C</b>	<b>P</b>	<b>P</b>	<b>C</b>
<b>MILJANICH</b>	<b>P</b>	<b>A</b>	<b>P</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>c</b>	<b>P</b>	<b>C</b>	<b>A</b>	<b>A</b>	<b>C</b>
<b>LUSSIER</b>	<b>A</b>	<b>P</b>	<b>P</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>C</b>	<b>P</b>	<b>c</b>	<b>P</b>	<b>P</b>	<b>C</b>
<b>STAFF</b>	<b>P</b>	<b>P</b>	<b>P</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>c</b>	<b>P</b>	<b>c</b>	<b>P</b>	<b>P</b>	<b>C</b>

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**COMMISSION ACTIVITIES**

The County Energy Commission is a resource for the Board of Supervisors, providing information and response on energy related matters within and effecting the County. In 1998 comments, reports, and correspondence were received from a range of organizations, agencies, and individuals, on a variety of matters impacting the availability, distribution, usage, and cost of energy. Commission members and staff attended meetings of the Public Utility Commission, the Transportation Commission, and community groups. The following are two of the major areas of Commission concern:

**I. ELECTRIC UTILITY DEREGULATION**

Implemented in April 1998, three months after the intended start-up date, deregulation of the electric utility industry in California occupied much of the Energy Commission's attention this year. Although a "done-deal" and all but irrevocable at this juncture, the Energy Commission remains skeptical that this action by the California Public Utilities Commission (CPUC) and the State Legislature will prove beneficial to State and County residents.

The impact of deregulation is profound, effecting virtually all citizens, yet it was done with no public vote and very little public dialog. Pushed forward aggressively on the sole promise of "lower rates for California's utility customers", the reverse has proven true and monthly invoices have in fact gone up. Bills are certain to remain high through 2002 and, with the carriers now seeking higher rates to transmit and deliver electricity, they are unlikely to ever return to pre-deregulation levels, let alone go lower. As this becomes more evident, the mantra is changing to "customer choice" - suggesting that the higher bills are a good thing because the customer gets to decide who will get the extra money.

The concept of green power, electricity from renewable or non-polluting sources, is freely and frequently used in association with the customer choice argument. It is true that most marketers include green energy offerings within their portfolio, at a cost typically 50% to 100% above generated electricity, but it is also true that the vast majority of power being sold by competitive marketers is from generating plants outside of California - coal burning facilities. The pollution from these facilities is much greater than that of the tightly regulated gas burning plants in California, and increased demand on these plants to service California accounts will more than offset the gains from green power sales. Those who champion the green power option in supporting deregulation ignore the fact that, at certain times of the year, the power supplied by PG&E has been as high as 70% hydro, geothermal, and other "green" sources - representing a volume not likely to be realized by independent marketers for decades.

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## II. TRANSPORTATION

In burning gasoline and diesel fuel, the transportation sector is the largest energy consumer worldwide, and it is no different in Santa Cruz County. In 1998, the Energy Commission was occupied with two unrelated aspects of this issue:

1) **TRAFFIC & CONGESTION** - In order to discourage local development (and other reasons, at least one of which may be questionable DPW priorities), there seems to be a concerted effort to NOT improve roads and thoroughfares and to NOT support such work by CalTrans on State Highways in this County. In public discourse El Nino gets the blame for the absolutely terrible conditions of the roads in Santa Cruz County, but in fact they have been abysmal for years. Many neighborhood roads in the San Lorenzo valley and in the unincorporated areas of South County have needed and gone without resurfacing for decades, not months or years. These conditions are the sole cause of damages amounting to hundreds of thousand of dollars to the vehicles of those living and operating businesses in the County, and are responsible for numerous accidents as drivers swerve and maneuver to avoid pot-holes and ruts... but the impact on traffic movement may be even more costly, in both the near and the short term

Refusal to maintain and upgrade the transportation infrastructure, coupled with lack of support for rail service and other alternatives available to the County, are defended in the name of "quality of life" for those who live here. But these very policies are in fact degrading that life. In addition to the unnecessary repair costs from damage caused by the poor road conditions and the anger and inconvenience caused by near-constant congestion, the effects of poor traffic management on energy consumption and air emissions can be major. A recent study by the California Energy Commission revealed that fuel consumption increases roughly 30% when the average speed drops from 30 to 20 mph, while a drop from 30 to 10 mph results in a 100% increase in fuel use. These same drops in speed will increase vehicle smog and greenhouse emissions per-mile by over 50% and 150% respectively.

2) **MTBE AND REFORMULATED GASOLINE** - Approved in a deal with car makers and gasoline refiners as an alternative to mandated sales of lower (or zero) emission vehicles, reformulated gasoline is now a primary strategy in the federal Clean Air Act. In this State, where 90% of the population breathes air the California Air Resources Board (CARB) has ruled unhealthy, that deal included adding the chemical methyl tertiary butyl ether (MTBE) to gasoline at a ratio of roughly 10%. An oxygenating agent, MTBE helps gasoline burn more completely and thereby reduces tailpipe emissions. The problem is that MTBE, as a known carcinogen, is more of a risk to health than the emissions it helps reduce.

In spite of California's underground tank upgrade program, requiring double walling and other safety measures on all underground fuel tanks, MTBE is being found in measurable quantities in the water tables throughout the State. Added to gasoline in more than trace amounts only since 1996, MTBE has proven to be extremely soluble, showing up in lakes, aquifers, and wells at an alarming rate. Over 10,000 groundwater sites in California are contaminated, 1,000 in the S.F. Bay area. In Santa Clara County over 250 underground wells have been contaminated and closed because of MTBE, and 3 of 10 Water District reservoirs have been effected. The City of Santa Monica has lost 75% of its ground water supply to MTBE contamination, and in Glenville, near Bakersfield, MTBE has been detected as high as 190,000 parts per billion - dramatically above the California Department of Health standard of 35 parts per billion.

#### GOALS AND RECOMMENDATIONS

This year the Energy Commission began work on a local alternative to the State's Energy Emergency Plan, which still relies on the odd-even license plate approach in providing vehicle fuel to the public in the event of a shortage or emergency. Although this method proved inefficient and even counter-productive in the Arab Oil Cartel induced shortage of the late 70's it is still the operative plan in the State strategy. The Commission would like to develop and recommend a more efficient local plan and will continue work toward that goal in 1999.

The Energy Commission urged County support of the President's "million solar panel" program in 1998, and would recommend continued effort in that area in the future. Actions by local governments to support solar energy can provide both energy efficiency and environmental benefits. In fact, California law requires local governments to protect solar easements and to deny a subdivision map that does not provide for future passive or natural heating and cooling opportunities. County planning and land-use decisions should be consistent with the overall intent and the specific provisions of the Solar Rights Act of 1978, the Solar Shade Control Act, and the California Subdivision Map Act.

The electric utility restructuring in California appears destined to create confusion and increased costs for all but the proverbial "big business" interests and the utility stock holders. Local government can influence the process by working closely with elected State representatives and through support or opposition of legislation introduced to address the amount of utility company debt and stranded asset costs allowed to be transferred to the public.

As to the impact of the County's road conditions and the traffic congestion on energy consumption and air quality, it certainly seems obvious to the Energy Commission that it is time to abandon the do-nothing approach. The existing rail lines and rights-of-way are an asset of incredible value in addressing the County's severe transportation problems without the need to build additional freeways or build-up existing highways into freeways.

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**Developing a transportation future that does not rely entirely on the automobile and building more freeways will indeed be difficult, but the first step in the process is to determine that it must be done - and that part should not be a problem. The County must recognize that a workable rail system will help us meet the business, residential, and tourist transportation needs of the next century in a way that minimizes energy and resource expenditure and is the least traumatic to quality-of-life considerations. With that decision made, the problems to be overcome can be addressed incrementally, in a goal-driven approach not unlike that taken in the acquisition of the Coast Dairies property - one obstacle at a time.**

**The decision to add as much as 10% MBE to California's gasoline supply as a means of reducing tailpipe emissions was a concern from the outset. Although this method of reformulating gasoline does reduce emissions, it also reduces vehicle mileage. The environmental gains are largely offset by the additional fuel that must now be burned to travel the same distance. The carcinogenic threat of MBE, coupled with the fact that this additive has so quickly migrated to a majority of underground and virtually all surface water resources in the State, should make it obvious that this is NOT the best means of achieving air quality improvements, and is in fact dangerous.**

**Although the percentage of MBE added to fuel in California is higher than elsewhere, all gasoline has included trace amounts since the early 80's, and there is ample evidence that even these trace amounts are a problem. MBE was discovered in Florida groundwater in 1984, and in recent years has been found in amounts exceeding safe standards in such diverse locations as Montana, Colorado, Kansas and Maine. It is not just a California problem and is not a leaking storage tank problem yet the EPA is reluctant to ban its use. Although the State is spending \$5000 per month to supply fresh water to a small community in Kern County because of the level of MBE contamination, California regulators continue to suggest that adding this chemical to gasoline is not a problem. Such evasion and the refusal to acknowledge a very dangerous condition makes it difficult not to see this as official collusion with the refiners and big oil companies.**

**If MBE were banned today, years, and billions of dollars, would be required to remove it from contaminated drinking water sources. The head of the Association of California Water Agencies, Steve Hall has put it succinctly, "The longer MBE stays in the system the more contaminated sites there will be, and it will very soon outstrip our ability to cope with the problem." We must stop adding MBE to our gasoline immediately. The Commission urges support of legislation such as that introduced by Senator Feinstein last year that would maintain clean air standards but drop the requirement for use of MBE and other oxygenates contaminating California's drinking water.**

**The Energy Commission looks forward to serving your Board in 1999 and will continue to monitor, study, and analyze these and other issues effecting the citizens and the government of the County of Santa Cruz.**