

**COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY TO THE
CALIFORNIA AIR RESOURCES BOARD ON THE SCOPING PLAN UPDATE
WORKSHOP**

JENNIFER TSAO SHIGEKAWA
NANCY CHUNG ALLRED
AMBER DEAN WYATT

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: 626-302-6961
Facsimile: (626) 302-7740
E-mail: Amber.Wyatt@sce.com

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I.

INTRODUCTION

Southern California Edison Company (“SCE”) respectfully submits its comments to the California Air Resources Board (“ARB”) on its Scoping Plan Update (“Update”) Workshop, held June 13, 2013 (“June 13 Workshop”). SCE appreciates the opportunity to comment on the topics discussed, elements of the Update, progress of the adopted components from the 2008 Scoping Plan, and the ARB’s focus on post-2020 activities.

II.

THE ARB SHOULD CONSIDER THE ENVIRONMENTAL AND ECONOMIC POTENTIAL FOR ADDITIONAL EMISSIONS REDUCTIONS BEYOND 2020, BUT SHOULD NOT ESTABLISH A NEW TARGET PAST THE 2020 TIMELINE

The California Global Warming Solutions Act of 2006 (“AB 32”) directed the ARB to develop a scoping plan, “for achieving the maximum technologically feasible and cost-effective reductions in greenhouse gas emissions. . . .”¹ The legislation further calls for the ARB to update this scoping plan every five years.² AB 32 further compels the ARB to make recommendations on additional emission reductions beyond 2020. However, AB 32 does not authorize the State Board to create any emission target past the 2020 timeline. Reducing emissions to a level significantly below the target established by AB 32 requires full consideration of the state legislature.

Rather than attempting to create a specific target or pursuing a goal that is not reflected in AB 32, the research the ARB performs should be used for the legislature to understand the scope of the challenge alongside the environmental and economic impacts of further emissions

¹ Cal. Health & Safety Code § 38561(a).

² “The state board shall update its plan for achieving the maximum technologically feasible and cost-effective reductions of greenhouse gas emissions at least once every five years.” Cal. Health & Safety Code § 38561(h).

reductions. For example, California is currently the only state within the Western Climate Initiative that has established a cap-and-trade program to reduce GHG emissions. If California alone were to reduce emissions by 80%, there would be no tangible effect on global GHG emissions, and no impact on global climate change. At the same time, however, pursuing such a policy will put the state at a distinct economic disadvantage. For this reason, SCE encourages the ARB to evaluate not only the technical feasibility, but also the cost effectiveness of further emissions reductions so that the legislature can make an informed decision concerning further emissions reduction goals.

III.

THE PRIMARY FOCUS OF THE UPDATE MUST BE TO EVALUATE THE COMPONENTS OF THE 2008 SCOPING PLAN

Communication at the workshop was not definitive regarding the role of the Update in evaluating specific measures outlined in the 2008 Scoping Plan. Although Staff indicated that the Update would describe where the State stands regarding achieving compliance with the 1990 emissions level mandated by AB 32, it is unclear whether Staff intends to utilize this process to update the forecast emission reductions and targets of specific measures and policies identified in the 2008 Scoping Plan. As described in more detail below, the Update should focus on evaluating the emissions reduction measures adopted in the 2008 Scoping Plan.

A. The ARB Should Evaluate the Capacity for Emissions Reductions from CHP

1. The CHP Settlement Adopted by the CPUC Relies on the ARB's Emissions Reduction Estimates Which Directly Affect Utility Procurement Decisions.

The 2008 Scoping Plan recommends various programmatic measures which have been adopted by other agencies, including the target for 4,000 MW of Combined Heat and Power ("CHP"). According to analyses used by the ARB, the addition of 4,000 MW of CHP would

result in 6.7 mmtons of emission reductions. This emission reduction value³ has been adopted in the CHP Settlement Agreement (“Settlement”) between the Investor-Owned Utilities (“IOUs”), CHP parties, and ratepayer advocates and adopted by the California Public Utilities Commission (“CPUC”).⁴ As a result, IOUs are compelled to continue to procure CHP generation until they meet the emissions reduction targets established in the Settlement. The Settlement also provides, however, that “If CARB pursuant to an official CARB document modifies the CARB CHP [Recommended Reduction Measure] to revise the goal of securing 6.7 MMT of incremental GHG reductions from incremental CHP resources, the GHG Emissions Reduction Targets adopted by this Settlement will be adjusted accordingly. . . .”⁵ Thus, it is critically important that the emissions reduction value identified in the Update accurately represents the technical and economic conditions at present. As discussed below, these conditions have changed, and therefore the capacity for emission reductions by CHP has also changed. The Update affords the opportunity to evaluate these circumstances and update the capacity. The ARB’s estimates have a direct impact on utilities’ procurement requirements, and as such, it is vitally important that the ARB’s estimates are accurate and up to date.

2. Changes in Technical Conditions Will Influence the Emissions Reduction Opportunities by CHP.

Because of many of the measures adopted by the ARB and other regulatory agencies, the electricity serving California customers is increasingly sourced from cleaner and more efficient generation. As the grid experiences an increasing supply of renewable generation supplanting fossil fire generation, and as less coal-fired generation is used to supply electricity to California, it becomes harder for CHP to provide electricity that is cleaner than this mix, further reducing its

³ Of the 6.7 MMT, 4.3 MMT was allocated to the bundled service customers of the investor-owned utilities based on their percentage shares of statewide retail electric sales, as determined by the most current California Energy Commission data. CHP Settlement Term Sheet, Section 6.2.

⁴ See CPUC Decision 10-12-035.

⁵ CHP Settlement Term Sheet, Section 6.7.1.

potential emissions reductions. A robust evaluation and update of the CHP policy target established in the 2008 Scoping Plan will provide the opportunity to recognize the current technical state of the grid. As a result, California will benefit from a more accurate evaluation of the benefits of the ARB's CHP policy.

3. Changes in Market Conditions Will Impact the Potential Availability of CHP Generation.

As a result of economic changes over the past five years, the CHP policy as well as other measures adopted from the 2008 Scoping Plan should be re-evaluated. Referencing a study performed prior to the recession of 2008, the 2008 Scoping Plan forecasts that 4,000 MW of new cogeneration capacity would be available, producing 30,000 GWh of generation, and reducing emissions by 6.7 mmtons.⁶ Due to the recession, however, the industrial need for heat, which is the underlying factor driving the supply of CHP, has decreased. As a result of this decrease, the opportunities for efficient CHP have also decreased. The ARB has already recognized this fact in its Updated Economic Analysis of California's Climate Change Scoping Plan ("Updated Analysis"). This Updated Analysis recognized the economic conditions resulting from the recession, and showed that less than 30,000 GWh of CHP potential was available, stating:

"The policy calls for a target of 30,000 GWh. However, the model did not find this level of self-generation potential to be available, so a lesser amount is actually achieved."⁷

SCE agrees with the ARB's assessment.

It is unreasonable for ARB to continue to claim a policy target when its own analysis shows the target value to be unachievable. However, because the updated analysis was performed in 2010, the results were not incorporated into the existing 2008 Scoping Plan. The

⁶ ARB 2008 Scoping Plan.

⁷ See Updated Analysis at 27, note 25.

Update affords an opportunity for the ARB to update its Scoping Plan to reflect its current analysis, which in turn will be recognized by other regulatory agencies.

B. SCE Agrees that the Cap-and-Trade Program is the Appropriate Program to Incorporate Needed Emission Reductions When Specific Measures Fall Short of 2008 Forecasts.

ARB Staff indicated at the workshop that it did not intend to make recommendations for further specific measures to be adopted prior to 2020, particularly in the event that specific measures fail to produce the emission reduction measures forecast in the 2008 Scoping Plan. SCE agrees with this approach. SCE recommends that the ARB fully evaluate the progress of specific measures, as indicated above. This evaluation can be used to drive both existing regulatory adoption at other agencies as well as forecasts for emission reductions beyond 2020. Absent achieving emissions reductions from measures specified in the 2008 Scoping Plan, SCE agrees that the cap-and-trade program should be the vehicle to produce emissions reductions in order to achieve AB 32 compliance.⁸

IV.

AB 32 DIRECTS THE ARB TO EVALUATE THE COST EFFECTIVENESS OF ALL MEASURES OUTLINED IN THE UPDATE

AB 32 requires that reduction measures described in the Scoping Plan and the Update must be cost effective.⁹ SCE notes that no mention of cost effectiveness analysis or an updated economic analysis was made at the workshop. In order to evaluate the cost effectiveness of existing measures, and maintain that cost effectiveness going forward, the Update should include a renewed economic analysis of all measures adopted under the Scoping Plan. As the ultimate

⁸ For example, in the event that any current measure is completely removed from the Scoping Plan, the cap-and-trade program will socialize the costs of the lost emission reductions. In such a case, the ARB should ensure that appropriate economic equity concerns are addressed.

⁹ See Cal. Health & Safety Code § 38561(h).

goal of AB 32 is to stem climate change, the cost effectiveness of any emissions reduction measures must be evaluated in terms of the actual influence of those measures on climate change. Establishing an emissions reduction target without considering the actual, direct impact on global climate change does not allow for an accurate measure of the cost effectiveness of a policy. SCE recommends that the Update's cost effectiveness analysis be evaluated by an objective third party, and that the results of that analysis be provided to stakeholders for review and comment.

V.

CONCLUSION

The Update provides a valuable opportunity for the ARB to evaluate the performance of all components of the Scoping Plan that were adopted in regulations. The ARB's primary goal should be compliance with the emissions reduction target established in AB 32. SCE encourages the ARB evaluate the performance of the measures developed in the 2008 Scoping Plan as the primary focus of the Update.

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Respectfully submitted,

JENNIFER TSAO SHIGEKAWA
NANCY CHUNG ALLRED
AMBER DEAN WYATT

/s/ Amber Dean Wyatt

By: Amber Dean Wyatt

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: 626-302-6961
Facsimile: (626) 302-7740
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