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Via Email to [www.arb.ca.gov/capandtrade/comments.htm](http://www.arb.ca.gov/capandtrade/comments.htm)

Ms. Manpreet Mattu  
Office of Climate Change  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

**Re: Southern California Public Power Authority Comment on the June 5, 2009  
Workshop on Reporting and Verification in a Cap-and-Trade Program**

Dear Ms. Mattu:

The Southern California Public Power Authority (“SCPPA”)<sup>1</sup> appreciates this opportunity to comment on the issues discussed at the June 5, 2009 workshop on Reporting and Verification in a Cap-and-Trade Program. Further, SCPPA appreciates the staff’s initiation of a process aimed at updating the existing Regulation on Mandatory Reporting of Greenhouse Gas (“GHG”) Emissions (“Mandatory Reporting Regulation”), 17 Cal. Code of Regs. §95100, *et seq.*

There will probably need to be a comprehensive revision of the Mandatory Reporting Regulations to reflect the programs that are ultimately adopted by the Air Resources Board (“ARB”) or (“Board”) to implement Assembly Bill (“AB”) 32. However, this comment focuses more narrowly on the need to include a provision for reporting on economic electricity exchange transactions.

SCPPA members are involved in a variety of economic exchange arrangements with counterparties that are, in many instances, located outside of California. Under the exchange arrangements, an exchange counterparty delivers electricity to a SCPPA member when the counterparty’s marginal cost of electricity generation is lower than the SCPPA member’s marginal cost of generation. The SCPPA member returns electricity to the counterparty at another time when the SCPPA member’s cost of generation is less than counterparty’s cost of

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<sup>1</sup> SCPPA is a joint powers authority. The members are Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles Department of Water and Power, Imperial Irrigation District, Pasadena, Riverside, and Vernon. This comment is sponsored by Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Imperial Irrigation District, Pasadena, and Riverside.

generation. Although the aggregate amount of electricity consumed by the SCPPA member's customers and the counterparty's customers is unchanged, the net cost of serving the customers is reduced. The result is a reduction in the societal cost of serving the aggregated consumers' demand for electricity.

Given the societal benefits of economic exchange arrangements, it would be good public policy for the ARB to adopt regulations that facilitate rather than discourage such arrangements. To that end, it would be helpful for the Mandatory Reporting Regulations to permit economic exchange transactions to be reported as a separate category so that the unique characteristics of exchange transactions can be taken into account.

However, under the existing Mandatory Reporting Regulations, the delivery of electricity under an exchange agreement is treated as a wholesale purchase, and the return of electricity is treated as a wholesale sale. Section 95111(b)(1)(A)9 requires that retail marketers: "Specify electricity received under exchange agreements as purchases and electricity delivered under exchange agreements as wholesale sales." As a result, information about the linkage between electricity received under an exchange agreement and electricity returned under the agreement is lost.

The loss of information that links deliveries and returned energy under an exchange agreement could prove to be a hindrance to the ARB's promulgation and implementation of other regulations. For example, the Staff's May 8, 2009 Initial Statement of Reasons ("ISOR") proposing administrative fees would apply the fees to electricity that is imported into California without regard to whether the import is under an exchange arrangement. An administrative fee would also be applied to exports either directly or indirectly regardless of whether the export was to an exchange counterparty. Given the failure of the current Mandatory Reporting Regulations to provide for reporting of the linkage between electricity that is imported under an exchange arrangement and electricity that is exported under the same arrangement, the current Mandatory Reporting Regulations do not facilitate the calculation of administrative fees that would net imports under an exchange arrangement against exports under the arrangement.

In its June 24, 2009 comment on the administrative fee regulation that was proposed in the May 8, 2009 ISOR, the Los Angeles Department of Water and Power ("LADWP") recommended that the Mandatory Reporting Regulation be amended so that energy exchange transactions would be reported as a separate category:

ARB's Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (Mandatory GHG Reporting Regulation) requires the California Retail Provider to report the exchange transaction as a separate purchase and a sale, and does not distinguish between an import that is part of an energy exchange and a straight import. We recommend that the Mandatory GHG Reporting Regulation be amended to report energy exchange transactions in a separate category rather than mixing them in with regular energy purchases and sales.

LADWP Comment on Administrative Fee Regulation at 3 (June 24, 2009). SCPPA understands that LADWP has or soon will recommend the following amendment to the Mandatory Reporting Regulations:

Mandatory Reporting Regulation section 95111(b)(1)(A)(9)

**Energy Exchanges.** Specify Report energy exchanges by counterparty on an annual basis, broken down as follows: 1) electricity received under exchange agreements (as measured at the point of receipt, specifying the source if known or region of origin), as purchases and 2) electricity delivered under exchange agreements (as measured at the point of delivery, specifying the source if known or region of origin), as wholesale sales. The retail provider or marketer shall retain for purposes of verification exchange agreement contracts, NERC e-tags, settlement data, or other information to confirm the transactions.

SCPPA joins and supports LADWP's call for the ARB to consider revising the Mandatory Reporting Regulations to permit reporting of energy exchange transactions as a separate category. LADWP's proposal would assure that the ARB would have available to it information linking exchange imports with exchange exports. As a result, LADWP's proposal would assure that the ARB would have information to facilitate the implementation of regulations that would encourage rather than discourage economic exchange arrangements.

SCPPA looks forward to providing further recommendations to the Staff on improving and enhancing the existing Mandatory Reporting Regulations as the ARB continues to develop its AB 32 programs. For now, SCPPA urges the staff to consider the addition of a new provision to the Mandatory Reporting Regulations to permit reporting of energy exchange transactions as a separate reporting category.

Respectfully submitted,

*/s/ Norman A. Pedersen*

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