# CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION

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**DAVID L. MODISETTE,** EXECUTIVE DIRECTOR




December 8, 2011

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: **Comments on the Proposed LCFS Amendments - Electricity Credits**

Dear Ms. Nichols:

Thank you for the opportunity to submit our comments on the proposed amendments to the Low Carbon Fuel Standard (LCFS) rule. The California Municipal Utilities Association (CMUA) has worked closely with Air Resources Board (ARB) staff on the proposed amendments and supports the proposed changes to the LCFS rule – specifically, the changes to section 95484(a)(6) *Regulated Parties for Electricity*.

In working closely with our members, utilities and other organizations, CMUA believes that the staff's proposal is reasonable, helps to further meet the 2020 carbon intensity standards, and would be scalable to a national program. Furthermore, CMUA believes it is vital to allow utilities to "opt-in" to the program and earn LCFS credits, as any LCFS credits received will be used on behalf of their customers to support the State's goals.

As you know, CMUA represents the interests of virtually all (over 40) of the State's publicly-owned electric utilities (POUs). Our members provide electricity to over one-fourth of California's citizens.

CMUA supports the ARB staff proposal that would make the electrical distribution utility the default "regulated party" provider in residential and multi-family situations, and thus eligible to receive LCFS credits. The staff proposal also provides that non-utilities may receive LCFS credits in other situations such as public access EV charging provided by private third-party infrastructure installers, business owners that provide workplace charging, and fleet vehicle operators who have three or more electric vehicles in their fleet. These entities are also eligible to receive LCFS credits.

The ARB staff proposal provides a logical and understandable division of default "regulated party" providers (and thus eligibility to receive LCFS credits);

according to those charging applications/situations where that provider is in many cases the most influential to affect Plug-in Electric Vehicle (PEV) owner decisions. Should a default provider decide not to receive LCFS credits, then these credits can flow to other providers. CMUA supports the ARB staff proposal and urges the Board to adopt it.

POUs are local government entities, and as such have no profit motive. They have governing boards that are either elected, like a city council, or appointed by elected officials. Decisions of the governing boards are made in public, as required by law, with opportunity for public comment.

Committed to local economic development and job creation, California's POUs have an excellent track record in providing reliable electricity at low rates, and have demonstrated leadership on environmental issues like climate change, renewable energy, and energy efficiency. CMUA members are leaders in complying with AB 32 (Pavley), 33% renewables by 2020, the public goods charge, and all cost effective energy efficiency.

CMUA is providing general comments today on the proposed LCFS rule amendments related to electricity credits earned; some of our individual members may suggest more specific regulatory language changes.

CMUA feels strongly that LCFS credits for electricity used as a transportation fuel (for both on and off-road applications) should go to the local electrical distribution utilities on behalf of their customers. In this way, the use of the LCFS credits and their value will be overseen by the regulated public agencies, returning these benefits to their customers and supporting the transition to increased electrification in the transportation sector. Unlike private third-party providers of PEV charging equipment and services, POUs must comply with AB 32 and the Renewable Portfolio Standard requirements in California, and have no market preference regarding the types of charging equipment sold on the market.

In transforming the market for electricity as a transportation fuel, LCFS credits should be given to reward those who invest and innovate.

- Publicly-owned Electric Utilities in California have a 20-year history of helping to transform the electric transportation market, including conducting research, development, and demonstration of PEV technologies; purchasing PEVs for our fleets; installing public and private charging infrastructure; developing safety standards for charging systems, vehicles, and emergency response providers; educating our customers about PEVs; developing low-cost "off-peak" electricity rates; and developing a "Smart-Grid" network that will offer additional benefits to PEV buyers.
- In the interests of making the LCFS credit program simple, transparent and efficient, the ARB should limit electricity credits to the relatively small number of existing regulated electrical distribution utilities.

- Utilities can easily transfer any value earned from LCFS electricity credits to PEV customers. The value can be integrated within ratepayers' billing statements, helping to keep electric rates low for PEV customers.
- Locally regulated electrical distribution utilities value their existing relationships with residential and business customers based on trust and confidence. New private third-party infrastructure providers do not have this regulatory oversight and related consumer trust and confidence, nor are they currently regulated by any agency.
- CMUA understands the complexities of including off-road sources under the current proposed set of amendments, and recommends that ARB staff examine the possibility of including off-road sources, such as electrified mass-transit (light-rail), in future LCFS amendments.
- CMUA suggests that ARB develop guidance documents to assist stakeholders with any implementation issues.

POUs recognize that the transition to electric transportation is occurring today, and will be vital in the future. This will be critical in meeting ARB's LCFS. A recent study released by a group of organizations, including UC Berkeley and the Lawrence Berkeley National Laboratory, on the technology path to significant GHG emission cuts by 2050, recognizes the importance of widespread electrification of the transportation sector, as "…technically feasible levels of energy efficiency and decarbonized energy supply alone are not sufficient[1]."

CMUA stresses that the best place for LCFS credits for electricity used as a transportation fuel is with the providers of electricity in California, which, in most cases, will be the regulated local electrical distribution utilities. We appreciate the efforts of the ARB and support California's goals for transition to increased electrification in the transportation sector.

Sincerely,

Tony Andreoni

Tony Andreoni, P.E.
Director of Regulatory Affairs
California Municipal Utilities Association

cc: Robert Fletcher, Deputy Executive Officer
Richard Corey, Chief, Stationary Source Division
Mike Waugh, Chief, Transportation Fuels Branch

[1] J.H. Williams, A. DeBenedictis, R. Ghanadan, A. Mahone, J. Moore, W.R. Morrow III, S. Price, M.S. Torn, *The Technology Path to Deep Greenhouse Gas Emission Cuts by 2050: The Pivotal Role of Electricity*, November 2011, http://www.sciencemag.org.