

**COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY TO THE
CALIFORNIA AIR RESOURCES BOARD ON THE PROPOSED AMENDMENTS TO
THE LOW CARBON FUEL STANDARD REGULATION**

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Dated: April 25, 2012

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I.

INTRODUCTION

Pursuant to the Notice of Public Availability of Modified Text,¹ SCE respectfully submits its comments to the California Air Resources Board (“ARB”) on the proposed modifications to the Low Carbon Fuel Standard (“LCFS”) regulation, released on April 10, 2012 (“Modified Regulation Order”).² SCE appreciates the open dialogue with ARB staff and the opportunity for stakeholders to comment on improvements to the LCFS regulation. SCE generally supports most of the changes to the regulation and offers few observations and suggestions below. Specifically, SCE requests that the ARB clarify the definition of “on-road” and revise the language to apply the term “light-duty on-road” to the regulation in order to better reflect the record in the proceeding thus far.

II.

**ARB SHOULD REVISE THE REGULATION LANGUAGE TO CLARIFY THAT
SECTION 95484 APPLIES ONLY TO LIGHT-DUTY ON-ROAD VEHICLES UNTIL
MEDIUM- AND HEAVY-DUTY VEHICLES CAN BE APPROPRIATELY ADDRESSED
THROUGH A ROBUST STAKEHOLDER PROCESS**

Section 95481(a)(45) of the Modified Regulation Order adds a definition for “on-road” vehicles. This is necessary to clarify Section 95484(a)(6)(E), which allows the Electrical Distribution Utility (“EDU”) to opt in as the regulated party for measured on-road electricity that

¹ State of California Air Resources Board Notice of Public Availability of Modified Text, April 10, 2012, *available at* <http://www.arb.ca.gov/regact/2011/lcfs2011/lcfs15daynot.pdf>.

² Modified Regulation Order, Attachment 2 to Board Resolution 11-39, *available at* <http://www.arb.ca.gov/regact/2011/lcfs2011/lcfs2011.htm>.

is currently not covered in the regulation.³ However, the definition as written could conceivably include light-, medium-, and heavy-duty on-road vehicles ranging from small automobiles to large commercial trucks. Medium- and heavy-duty electric vehicles can also include single- or dual-fuel trucks or buses powered by a catenary (overhead wire),⁴ battery electric vehicles, or plug-in hybrid electric vehicles. The ARB should revise the regulation language to clarify that Sections 95484(a)(6)(B)-(E) currently apply only to light-duty on-road vehicles, until regulations for medium- and heavy-duty on-road vehicles can be appropriately examined in a future rulemaking.

As with non-road electric vehicle charging, medium- and heavy-duty electric vehicles face a unique set of issues that cannot be grouped in with light-duty vehicle charging. For example, an EDU's rates and costs differ greatly for fueling medium- and heavy-duty vehicles or equipment. Light-duty electric vehicles are generally automobiles used by the mass-market consumer and thus usually charge under residential and commercial rates. Large fleets of these light-duty electric vehicles *may* charge under large commercial or industrial tariffs depending on the total charging demand on a single meter. By contrast, medium- and heavy-duty on-road electric vehicles will likely fuel using commercial or industrial tariffs that include demand charges. Demand charges will likely also apply to electronic non-road transportation and equipment, such as ships, rail, and forklifts. Such demand charges are necessary for the EDU to recover the costs of the large utility "side-of-the-meter" transmission and distribution facilities built to meet customers' expected peak demands. In addition, customers utilizing medium- and heavy-duty technology might need to consider issues not as common in the light-duty segment, such as efficiently charging or operating during on-peak periods and significant up-front distribution infrastructure costs on the utility side of the meter. These are just some examples of the complex issues that might affect how the ARB determines which entity receives an LCFS credit and how that credit is calculated.

³ Modified Regulation Order, § 95484(a)(6)(E).

⁴ Currently, in the South Coast Air Basin, there is much discussion about the future of heavy-duty trucks powered by catenaries, either exclusively or through a dual-fuel variation that allows the trucks to use a diesel engine. San Francisco also has some on-road electric buses that utilize catenaries.

Throughout the LCFS stakeholder process thus far, the ARB and stakeholders have focused on the charging of light-duty on-road electric vehicles, leading to a record that does not appropriately address the needs of medium- and heavy-duty on-road electric vehicles. Because the definition of “transportation fuel” in Section 95481(a)(59)⁵ of the Modified Regulation Order could cover medium- and heavy-duty electric on-road vehicles as well as non-road electric equipment and electric trains, all of these vehicles types are part of the LCFS. However, the market for medium- and heavy-duty electric vehicles has yet to be thoroughly analyzed, and raises broad, complex issues such as adjusting energy economy ratios (“EER”). To properly deal with the unique issues at stake, the ARB should conduct a separate stakeholder process, allow for stakeholder workshops, and set a public comment period to examine and set the rules for determining the credit generation process for medium- and heavy-duty vehicles and buses. Representatives of these markets were not heavily involved in the recent LCFS stakeholder processes. There are potentially thousands of medium- and heavy-duty fleets for the ARB to regulate, or for the EDUs to contact as an alternate credit generator. SCE proposes that the ARB consider medium- and heavy-duty on-road vehicles along with the non-road vehicle discussion that is scheduled to take place later in the year, given the similarities in their markets. This targeted approach will help facilitate the LCFS credit market, encourage electrification, reduce the administrative burden on the ARB and EDUs, and increase participation in the program. Accordingly, SCE suggests including the term “light-duty on-road” throughout Sections 95484(a)(6)(B)-(E) to clarify the regulation language and allow time to develop appropriate rules for the medium- and heavy-duty market segments.

⁵ Section 95484(a)(6) of the Modified Regulation Order addresses the regulated party for electricity by classifying the suppliers of “transportation fuel.”

III.

SCE SUPPORTS THE MODIFICATION TO ALLOW BLIND TRADING OF LCFS CREDITS

Section 95488(c)(3) allows credit facilitators such as brokers to conduct a “blind transaction” such that the identities of the buyers or sellers are not disclosed at the time of the transaction.⁶ SCE strongly supports this modification, which reflects the practice of brokers in the stock markets, wholesale electricity markets, and the upcoming cap-and-trade allowance markets. Ensuring the anonymity of market participants until trades are consummated will help prevent discriminatory behavior in the market. Thus, allowing brokers to conduct blind transactions increases the efficiency of the market and avoids the risk of leaving some credits unsold, while still allowing the release of other market information.

IV.

SCE SUPPORTS THE NEW DEFINITIONS ADDED TO THE REGULATORY TEXT FOR ELECTRIC VEHICLE, BATTERY ELECTRIC VEHICLE, HYBRID ELECTRIC VEHICLE, AND PLUG-IN HYBRID ELECTRIC VEHICLE

In Section 95481(a), a number of definitions were added to define “electric vehicle (EV)”⁷, “battery electric vehicle,”⁸ “hybrid electric vehicle (HEV)”⁹ and “plug-in-hybrid electric vehicle.”¹⁰ SCE supports the new definitions, which are necessary to increase clarity in the regulation. In particular, the new definitions clarify the meaning of the term “EV” used throughout the earlier regulatory text.

⁶ Modified Regulation Order, § 95488(c)(3) (“A credit facilitator may, with the consent of the parties, conduct a ‘blind transaction’ where the Buyer of the credit does not know the identity of the Seller, and/or the Seller of the credit does not know the identity of the Buyer.”).

⁷ Modified Regulation Order, § 95481(a)(24).

⁸ Modified Regulation Order, § 95481(a)(5).

⁹ Modified Regulation Order, § 95481(a)(32).

¹⁰ Modified Regulation Order, § 95481(a)(48).

V.

CONCLUSION

SCE thanks the ARB for the opportunity to comment on the proposed regulatory changes and urges the ARB to adopt changes in accordance with the suggestions provided herein.

Respectfully submitted,

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