

State of California
AIR RESOURCES BOARD

**SENATE BILL 350 INTEGRATED RESOURCE PLANNING ELECTRICITY SECTOR
GREENHOUSE GAS PLANNING TARGETS**

Resolution 18-26

July 26, 2018

Agenda Item No.: 18-6-2

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize the California Air Resources Board (CARB or Board) to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

WHEREAS, the Legislature enacted the California Global Warming Solutions Act of 2006 (AB 32, Statutes of 2006, Chapter 488; Health and Safety Code section 38500 et seq.), which declares global warming poses a serious threat to the economic well-being, public health, natural resources, and environment of California;

WHEREAS, Assembly Bill (AB) 32 charges CARB with monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases (Health and Safety Code section 38510);

WHEREAS, AB 32 directs CARB to create a comprehensive multi-year program to reduce California's greenhouse gas (GHG) emissions to no greater than 1990 levels by 2020, maintain and continue reductions in emissions of GHGs beyond 2020, and initiate the transformations required to achieve the AB 32's long-range climate objectives;

WHEREAS, Health and Safety Code section 38561(a) requires CARB to prepare and approve a "scoping plan" for achieving the maximum technologically feasible and cost effective GHG emission reductions by 2020;

WHEREAS, CARB prepared and approved the first AB 32 climate change scoping plan in 2008 and reapproved it in 2011 and 2017;

WHEREAS, in April 2015, Governor Edmund G. Brown, Jr. signed Executive Order B-30-15 that established a GHG emission reduction target of 40 percent below 1990 levels by 2030;

WHEREAS, Governor Brown's Executive Order B-30-15 ordered that CARB update the scoping plan to express the 2030 target in terms of million metric tons of carbon dioxide equivalent;

WHEREAS, the Legislature enacted the Clean Energy and Pollution Reduction Act of 2015 (Senate Bill (SB) 350, Statutes of 2015, Chapter 547), requiring the State to establish GHG reduction planning targets and implement them through Integrated Resource Planning in the electricity sector as a whole and among individual publicly owned utilities and load-serving entities;

WHEREAS, SB 350 codified an increase in the Renewables Portfolio Standard to 50 percent and doubled the energy savings required in electricity and natural gas end uses by 2030 as discussed in the Governor's 2015 inaugural address;

WHEREAS, the Legislature enacted Senate Bill 32 (SB 32, Statutes of 2016, Chapter 249; Health and Safety Code section 38566), which affirms the importance of addressing climate change by codifying into statute the GHG emissions reductions target of at least 40 percent below 1990 levels by 2030 contained in Governor Brown's Executive Order B-30-15;

WHEREAS, reducing California's GHG emissions to a scientifically recognized level necessary for climate stabilization will require California to keep building on the framework of the initial Scoping Plan and 2014 Update and 2017 Scoping Plan Update by continuing to pursue the maximum technologically feasible and cost-effective actions that will steadily drive down GHG emissions over the coming decades;

WHEREAS, the 2017 Scoping Plan Update establishes the mid-term (2030) statewide emissions level of 260 MMTCO₂e as required by SB 32, and the target serves as a milestone on the path to the deeper GHG reductions needed to avoid the most catastrophic impacts of climate change;

WHEREAS, in developing the 2017 Scoping Plan Update, CARB staff maintained a multi-year engagement with the Legislatively created Environmental Justice Advisory Committee (Committee), convened almost 20 community meetings throughout California, and evaluated Committee recommendations for the Scoping Plan, including those for the energy sector;

WHEREAS, in Board Resolution 17-46, the Board determined that the 2017 Scoping Plan Update should inform the initial 2030 GHG planning target range for the electricity sector, which, in coordination with the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC), will be evaluated and revised, as appropriate, as part of the Board's process to establish GHG planning targets for the electricity sector and each load-serving entity and publicly owned utility for use in Integrated Resource Plans (IRPs) pursuant to SB 350;

WHEREAS, the latest science contributes even stronger evidence that the widespread impacts of climate change are occurring at a faster pace than documented in previous assessments, and that human beings are extremely likely to be the primary contributors to this phenomenon, further underscoring the urgent need to accelerate GHG emission reductions;

WHEREAS, State agencies have a role to play in overseeing and guiding resource planning for California's load-serving entities and publicly owned utilities;

WHEREAS, Integrated Resource Plans will incorporate actions that load-serving entities and publicly owned utilities may take to achieve California's long-term GHG reduction goals, while considering cost effectiveness, reliability, impacts on disadvantaged communities, promotion of transportation electrification, as well as statutory mandates such as the fifty percent Renewables Portfolio Standard and doubling of energy efficiency savings;

WHEREAS, holistic electricity sector planning by load-serving entities and publicly owned utilities that incorporates GHG reduction goals will be facilitated by the GHG planning targets established by CARB;

WHEREAS, since December 2015, CARB staff has coordinated with CEC and CPUC pursuant to SB 350, and has engaged with a wide range of public stakeholders to establish the GHG planning targets to be used in IRPs;

WHEREAS, on December 14, 2015, CARB held a public workshop to kick-off the process of implementing the SB 350 mandates for the electricity sector;

WHEREAS, in 2015, 2016, and 2017, CARB hosted more than 15 public workshops as part of the 2017 Scoping Plan Update process, including the August 23, 2016, Scoping Plan workshop on GHG emissions in the electricity sector;

WHEREAS, on February 23, 2017, CARB participated, with CEC and CPUC, in the joint agency workshop on 2030 GHG reduction targets for IRPs;

WHEREAS on April 17, 2017, CARB presented at the CEC workshop on potential methodologies to establish publicly owned utility GHG targets for IRPs;

WHEREAS, on March 2, 2018, CARB hosted a joint agency workshop with CEC and CPUC to discuss GHG planning targets and the GHG planning target setting process and requested written comments from stakeholders;

WHEREAS, on March 27, 2018, the CPUC submitted recommendations to CARB, based on its public process, electricity system modeling, and Commission Decision 18-02-018, to establish a GHG planning target of 42 MMT in 2030 for the electricity sector;

WHEREAS, as part of CPUC analyses, CPUC staff concluded that the GHG planning target of 42 MMT in 2030 reduces air pollutants relative to California's current policy trajectory, and did not find evidence that the statewide reduction in air pollutants would disproportionately harm disadvantaged communities relative to non-disadvantaged communities;

WHEREAS, CPUC also recommended that individual benchmarks for load-serving entities be established based on estimated 2030 GHG emissions from CARB's Cap-and-Trade 2021-2030 Electrical Distribution Utility (EDU) Allocation Methodology and forecasted load share in 2030 or that the load-serving entities utilize a GHG Planning Price of \$150 per metric ton of carbon dioxide equivalent in 2030;

WHEREAS, on April 12, 2018, CEC submitted recommendations to CARB based on its public process and the 2017 Scoping Plan Update, that CARB establish a GHG planning target range of 30–53 MMTCO₂e for the electricity sector;

WHEREAS, CEC also recommended CARB establish the individual publicly owned utility GHG planning target ranges based on estimated 2030 GHG emissions from CARB's Cap-and-Trade 2021-2030 EDU Allocation Methodology;

WHEREAS, on April 27, 2018, CARB staff prepared and circulated for public review the *Draft Staff Report: Senate Bill 350 Integrated Resource Planning Electricity Sector Greenhouse Gas Planning Targets* (Draft Staff Report), containing proposed GHG planning targets for the electricity sector, and each applicable load-serving entity and publicly owned utility (Proposed Targets);

WHEREAS, on April 30, 2018, CARB hosted a workshop to present the Draft Staff Report and Proposed Targets, and requested written comments from stakeholders;

WHEREAS, on July 13, 2018, CARB staff prepared and circulated for public review *Staff Report: Senate Bill 350 Integrated Resource Planning Electricity Sector Greenhouse Gas Planning Targets* (Staff Report);

WHEREAS, as required by SB 350, the Staff Report proposes a methodology to establish the Proposed Targets: a 2030 electricity sector GHG planning target range, and individual load-serving entity and publicly owned utility GHG planning target ranges;

WHEREAS, the 2017 Scoping Plan Update was used to inform the electricity sector GHG planning target range, which accounts for transportation and building electrification, complementary state policies and mandates, including the Renewable Portfolio Standard, and uncertainty in future electricity demand;

WHEREAS, the GHG planning target range of 30–53 MMTCO₂e for the electricity sector in 2030 is expected to result in a 51 to 72 percent reduction in the electricity sector's GHG emissions relative to 1990 levels, while recognizing the spectrum of unique factors across different load-serving entities and publicly owned utilities, including ratepayer impacts;

WHEREAS, the utility-specific, estimated 2030 GHG emissions from the 2021-2030 Cap-and-Trade Program EDU Allocation Spreadsheet provides a publicly vetted and transparent basis to apportion shares of the electricity sector target to investor owned and publicly owned utilities;

WHEREAS, forecast retail sales data provides an equitable manner to further apportion the electricity sector target between investor owned utilities, community choice aggregators and the direct access portion of retail sales;

WHEREAS, historical retail sales data is the best publicly available information to further apportion the direct access portion of the Proposed Targets to individual electric service providers;

WHEREAS, the CPUC IRP process will repeat every two years and shifts in load may occur due to electrification and/or the emergence and expansion of community choice aggregators and electric service providers, necessitating periodic updates to the load-serving entity and publicly owned utility GHG planning target ranges;

WHEREAS, publicly owned utilities will update IRPs every five years;

WHEREAS, periodic review every five years of the GHG planning target ranges for the electricity sector, load-serving entities, and publicly owned utilities, in coordination with updates to the Scoping Plan, will ensure the GHG planning target ranges reflect on-going changes in the sector and remain relevant and useful inputs for the IRP process;

WHEREAS, CARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans has been certified by the Secretary for Natural Resources under Public Resources Code section 21080.5 of the California Environmental Quality Act (CEQA; California Code of Regulations, title 14, section 15251(d)), and CARB conducts its CEQA review according to this certified program (California Code of Regulations, title 17, sections 60000-60007);

WHEREAS, CARB prepared a draft environmental analysis under its certified regulatory program for the Proposed Targets entitled *Draft Environmental Analysis prepared for the Senate Bill 350 Integrated Resource Planning Electricity Sector Greenhouse Gas Planning Targets* (Draft EA), and circulated it as Appendix C to the Draft Staff Report for 45 days from April 27, 2018, through June 11, 2018;

WHEREAS, the Draft EA concluded implementation of the Proposed Targets has the potential to result in: beneficial impacts to energy conservation and GHGs; less than significant impacts to air quality (odor), energy conservation, hazards and hazardous materials, land use planning, mineral resources, population employment, and housing, public services, and recreation; and potentially significant impacts to aesthetics, agriculture and forest resources, air quality, biological resources, cultural resources, geology and soils, hazards and hazardous materials, hydrology and water quality, land use planning, mineral resources, noise, recreation, transportation/traffic and utilities and service systems;

WHEREAS, no comments were received during the 45-day public review and comment period that raise significant environmental issues associated with the proposal and no

approval of written responses to environmental comments is required under California Code of Regulations, title 17, section 60007;

WHEREAS, on July 13, 2018, staff posted on the CARB webpage the Final EA, which includes minor revisions;

WHEREAS, prior to the duly noticed public hearing held on July 26 and 27, 2018, staff presented the Final EA, as set forth in Attachment B to this resolution, to the Board for consideration; and

WHEREAS, in consideration of the Staff Report, written and oral testimony presented by the public, industry, and government agencies, the Board finds that:

The Proposed Targets for the electricity sector, individual load-serving entities and publicly owned utilities in Attachment A to this resolution meet the statutory requirements of SB 350 identified in Section 454.52 of the Public Utilities Code;

The Proposed Targets were developed in an open public process, in consultation with affected parties, through numerous public workshops, individual meetings, and other outreach efforts, and these efforts are expected to continue; and

The Proposed Targets are consistent with CARB's environmental justice policies to reduce dependence on fossil fuel combustion and associated emissions of GHGs, criteria, and toxics pollutants.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby certifies that the Final EA, set forth in Attachment B to this resolution, was completed in compliance with CARB's certified regulatory program to meet the requirements of CEQA, reflects the agency's independent judgment and analysis, and was presented to the Board whose members reviewed and considered the information therein before taking action to approve the Proposed Targets.

BE IT FURTHER RESOLVED that in consideration of the Final EA and the entirety of the record, the Board adopts the Findings and Statement of Overriding Considerations set forth in Attachment C to this resolution.

BE IT FURTHER RESOLVED that the electricity sector has a critical role in meeting the State's 2030 GHG goals.

BE IT FURTHER RESOLVED that planning for future GHG emission reductions will facilitate actions necessary to ensure electricity sector GHG emission reductions occur and to support the state meeting its 2030 GHG goals.

BE IT FURTHER RESOLVED that the Board hereby approves the Proposed Targets for the electricity sector, the individual load-serving entities, the individual publicly owned utilities and the update processes as set forth in Attachment A to this resolution.

BE IT FURTHER RESOLVED, that by planning for the lower end of the GHG planning target ranges, to the extent feasible and taking into account ratepayer impacts, load-serving entities and publicly owned utilities support identifying the most cost effective GHG reductions and actions critical to meeting the state's 2030 GHG goals.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer, in coordination with the CPUC and CEC, to update the load-serving entity and/or publicly owned utility GHG planning target ranges in advance of a Scoping Plan update, as necessary, provided that the sum of these changes do not exceed the approved electricity sector GHG planning target range, there is public process, and the methodology utilized for the update is consistent with the methodology set forth in Attachment A to this resolution.

BE IT FURTHER RESOLVED that updates to the electricity sector, load-serving entity, and publicly owned utility GHG planning targets should be considered every five years, in coordination with future Scoping Plan updates.

I hereby certify that the above is a true and correct copy of Resolution 18-26 as adopted by the Air Resources Board.

Rana McReynolds, Clerk of the Board

Resolution 18-26

July 26, 2018

Identification of Attachments to the Board Resolution

- Attachment A*:** Staff Report: Senate Bill 350 Integrated Resource Planning Electricity Sector Greenhouse Gas Planning Targets, released July 13, 2018.
- Attachment B*:** Final Environmental Analysis Prepared for Staff Report: Senate Bill 350 Integrated Resource Planning Electricity Sector Greenhouse Gas Planning Targets, released July 13, 2018.
- Attachment C:** Findings and Statement of Overriding Considerations

***Attachment A and B are NOT attached to the proposed resolution; it is simply described on this page.**