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July 10, 2013

Mr. Richard Bode
Chief, Emissions Inventory Branch
California Air Resource Board
1001 I Street
Sacramento, CA 95812

Dear Mr. Bode:

Subject: Comments on the June 26, 2013 Workshop to Discuss
Potential Updates to the California Regulation for the Mandatory
Reporting of Greenhouse Gas Emissions

The Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to provide informal comments on potential changes to the California Air Resources Board (CARB) Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (MRR) as discussed at the June 26, 2013 public workshop.

1) Asset Controlling Supplier (ACS) Power: Update Conditions for Claiming ACS Power (Slide 10)

Requiring a written power contract for specified short term electricity transactions and ACS power will require changes in the standard operating practices and procedures for buying and selling electricity. Adequate time is needed to develop and implement new procedures and documentation to satisfy the new requirement.

We appreciate that CARB clarified during the workshop that this new requirement will not be applied retroactively. Rather, this new requirement will be phased in, and CARB will include transitional reporting instructions (similar to the special instructions in 95103(h) for Reporting in 2012).

Electricity may be purchased or sold under different master agreements (such as WSPP, EEI, or ISDA) or other bilateral agreements. In recognition of the fact that new procedures and documentation need to evolve to satisfy this new requirement, the proposed rule language should be flexible and not limit or be overly prescriptive

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with regards to the documentation format. In other words, one type of documentation will not fit all applications.

2) Full or Partial Ownership (Slide 10)

It is not clear what "full or partial ownership is evidenced by a contract for a share or percentage of output or capacity from a facility or unit" means, or what provision in the MRR is the intended target of the proposed clarification.

The term "full or partial ownership" appears in the definitions of "Generation Providing Entity" and "Specified Source of Electricity", as well as section 95105(d)(6) (GHG Inventory Program) and section 95111(c)(3) (High GHG Emitting Facilities).

While full or partial ownership of a generating facility may entitle the owner to receive a portion of the net generation produced by the facility, a contract to purchase a share or percentage of the output from a generating facility is not the same as ownership and should not be treated the same as full or partial ownership.

Please clarify what change CARB is proposing to make pertaining to full or partial ownership, and which section(s) of the MRR will be affected.

3) Reporting and Verification Deadlines (Slides 25 & 26)

LADWP recommends that the reporting and verification deadlines should remain as is and not be moved forward for the following reasons:

1. A variety of reports to different agencies are due in the first quarter of the year. If the deadline for reporting greenhouse gas (GHG) emissions to CARB were moved forward, preparing the report for CARB would overlap with reports to other agencies, and the staff that prepares the reports would be stretched thin. Each report requires time and attention to prepare; having to prepare different reports in parallel could lead to mistakes. Furthermore, data from the GHG emissions report to the Environmental Protection Agency (EPA) (due March 31) is used to prepare the GHG emission report to CARB (due April 10), so it is better to finalize the EPA report first before preparing the CARB report.
2. During years in which full verification is required, site visits are required for each facility and entity report. For larger facilities and entities, the site visits can consume one or more days. Scheduling site visits involves coordinating a date that works for the verifier and the facility and GHG reporting staff, and can be challenging when the verifier has multiple clients and multiple reports to verify. In addition to the site visit (field work), the verifiers also have to review all the report documentation (desk audit) and write their verification report. As the reporting

regulation gets more and more complicated, verifying each report will require more time.

3. Some data may not be finalized or may not be available earlier. For example:
 - a. Reconciling renewable energy delivered under firming and shaping contracts is a lengthy process involving multiple parties. Reconciliation may not be completed by the current reporting deadline of June 1, which is why CARB allowed until July 15 to make changes to the RPS Adjustment.
 - b. Electric Power Entities are required to include in their report the total quantity, vintage and serial numbers of Renewable Energy Credits (RECs) for specified renewable energy imports and the RPS Adjustment. There is a 3 to 4 month delay in issuing RECs after the generation data is reported to WREGIS. For example, RECs for December generation are not issued until April, sometimes early May. corrections made to the generation data will further delay issuance of the RECs.

If the reporting deadline were moved forward, it would be impossible to submit a complete and accurate report if data needed for the report is preliminary or not available.

In addition to the proposed changes discussed at the workshop, LADWP wishes to point out several additional items for CARB's consideration.

1) Retirement of RECs for Specified Renewable Energy Imports: Should Not be a Non-conformance

RECs are for Renewable Portfolio Standard (RPS) compliance, not for GHG emissions reporting purposes. Under the RPS regulations, electric utilities have 36 months to retire RECs from the month the renewable electricity was generated. CARB's cap-and-trade regulation states that RECs for specified renewable energy imports must be retired but does not specify when. However, CARB staff has interpreted this to mean that the RECs for specified renewable energy imports must be retired by CARB's GHG emissions reporting deadline (June 1 of the following year) or else this is considered a non-conformance.

This interpretation is problematic because it puts pressure on electric utilities to retire their RECs prematurely, prior to knowing how many RECs will actually be needed to satisfy the utility's RPS compliance obligation. If the utility retires too many RECs, the surplus RECs will go to waste if they cannot

be carried over in to the next compliance period. This would be an undesirable and costly outcome.

If the utility waits to retire the RECs, the result will be a non-conformance and automatic Qualified Positive Verification Opinion on their Electric Power Entity report. A Qualified Positive Verification Opinion indicates there was some issue with the report. Since CARB publishes the emissions data and verification opinions, receiving a Qualified Positive Verification Opinion year after year could be viewed negatively by the public.

It is not justifiable to issue a Qualified Positive Verification Opinion strictly due to a conflict (timing issue) between the CARB and RPS regulations. Since the RPS rules allow 36 months to retire the RECs, LADWP requests that CARB revisit their interpretation and remove the non-conformance if RECs for specified renewable energy imports have not been retired prior to CARB's reporting deadline.

2) 95111(g)(1)(N): The Phrase "at the time the power was directly delivered" Should be Removed

For the purpose of verifying specified electricity imports, it is useful to compare the Electric Power Entity's share of the annual net generation from a specified generating facility or unit with the quantity of electricity claimed as specified in the annual report.

However, the condition "at the time the power was directly delivered" is problematic and should be removed for the following reasons:

1. The Electric Power Entity GHG emissions report to CARB is an annual report; therefore it should be sufficient to verify that the amount of renewable energy generated on an annual basis corresponds with the amount reported to ensure that directly delivered renewable energy imports are not over- or under- stated in the annual report. Any imbalance between the electricity generated and the electricity delivered is trued-up as part of the energy reconciliation process. Accuracy on an hourly basis (i.e. whether the electricity was generated "at the time the power was directly delivered") is not relevant for an annual report.
2. Limiting the quantity of renewable energy that can be claimed as specified (with a corresponding zero GHG emission factor) to only the amount generated at the time the power was directly delivered would increase costs for California electricity ratepayers. California electric utilities pay a premium to purchase and import renewable energy; it would be unfair to

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also have to pay a GHG emissions compliance obligation on the portion of the renewable energy that was not generated "at the time the power was directly delivered".

3. Not recognizing all the renewable energy purchased by California electric utilities as zero emission would be detrimental to the state's goal of reducing statewide GHG emissions to 1990 levels by 2020, because default emissions would be applied to the portion of the renewable energy that was not generated "at the time the power was directly delivered".
4. The RPS Adjustment gives credit for 100 percent of renewable energy generated that was not directly delivered. It would be inconsistent to recognize only the portion of the specified renewable energy imports that was generated at the time the power was directly delivered. CARB should be consistent and recognize 100 percent of the specified renewable energy imports as zero GHG emission.

Therefore, LADWP requests that CARB remove the phrase "at the time the power was directly delivered" from 95111(g)(1)(N).

Thank you for your consideration of these comments. If you have any questions, please contact me at (213) 367-0403 or Ms. Cindy Parsons of my staff at (213) 367-0636.

Sincerely,



Mark J. Sedlacek
Director of Environment and Efficiency

CSP:mt

- c: David Edwards, Manager - CARB Climate Change Reporting Section
- Mr. Wade McCartney - CARB Climate Change Reporting Section
- Ms. Renee Lawver, Manager - CARB Quality Assurance and Verification Section
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