

**BEFORE THE  
AIR RESOURCES BOARD  
OF THE  
STATE OF CALIFORNIA**

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY  
COMMENT ON  
OCTOBER 30, 2009 WORKSHOP TOPIC:  
*CALIFORNIA RENEWABLE ELECTRICITY STANDARD***

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The Southern California Public Power Authority (“SCPPA”)<sup>1</sup> respectfully submits this comment on the Air Resources Board (“ARB” or “Board”) Staff’s October 30, 2009 workshop topic: the California Renewable Electricity Standard (“RES”).

The SCPPA members are dedicated to adding renewable resources as rapidly as practicable to reduce the greenhouse gas (“GHG”) emission intensity of the electricity that they deliver to their customers. The SCPPA members are on track to achieve a 22 percent RES by year-end 2010, and they are fully committed to achieving the ARB’s goal of 33 percent by 2020. In fact, some SCPPA members are aiming to achieve an RES of *40 percent* by 2020.

Consistent with SCPPA members’ commitment to adding renewable resources aggressively, SCPPA supports the Staff’s proposal for an ambitious rulemaking timeline that would result in adoption of the RES regulation at the July 22-23, 2010 Board meeting. SCPPA appreciates the hard work that the Staff has already done in order to present implementation concepts and issues at the October 30, 2009 introductory workshop.

This comment addresses several of the issues that were raised at the October 30, 2009 workshop. The discussion of issues generally follows the sequence in which issues were raised in the Proposed Concept Outline for the California Renewable Electricity Standard (“Concept Outline”) that Staff provided for the workshop.

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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.

## **I. EXEMPTION THRESHOLD FOR REGULATED PARTIES**

The Staff proposes a 500 GWh threshold for imposing the RES requirement on entities. Concept Outline at 9. The 500 GWh threshold would exempt small electrical corporations and electricity service providers from being “regulated parties” under the ARB’s RES regulation.

SCPPA supports the Staff’s proposal. Although the output of most SCPPA members substantially exceeds 500 GWh/year, the output of four members is significantly below that level. Furthermore, their annual output is so low that it would be unlikely that they would grow so that their output would exceed the proposed threshold by 2020. Although the smaller SCPPA members join the larger members in diligently adding renewable resources to reduce the carbon intensity of their delivered electricity, the administrative burden that smaller utilities would bear if they were subject to RES requirements would be eased if they were exempted as proposed by the Staff.

## **II. RES ELIGIBLE RESOURCES**

Staff proposes that renewable resources or fuels that are currently eligible under the Renewable Portfolio Standard (“RPS”) would continue to be eligible under the RES program.

*Ibid.*<sup>2</sup> SCPPA supports continued eligibility as proposed by the staff.

Further, SCPPA applauds the Staff’s indication that they are open to including additional technologies and liberalizing existing RPS program limitations. *See* Concept Outline at 10. The objective of the RES program should be to facilitate and encourage the addition of renewable resources as efficiently as possible. To the extent to which eligibility criteria can be liberalized to broaden the scope of technologies that are under the RES umbrella, it may be possible for regulated entities to achieve the 33 percent RES goal at a lower cost.

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<sup>2</sup> These generally include power generating facilities using a combination of one or more of the following: biodiesel, biomass, conduit hydroelectric, small hydroelectric, incremental hydroelectric generation from efficiency

### **III. GEOGRAPHIC ELIGIBILITY**

The Staff proposes to place minimal geographic limits on eligibility for the RES: “Facilities located in- or out-of-state, and connected to the Western Electricity Coordinating Council (WECC) transmission system, would be eligible for the RES.” Concept Outline at 10. SCPPA supports minimal geographic limits. Minimal limits help to contain the cost of California meeting the RES goal.

The provision for all facilities that are “connected to” the WECC to be within the accepted geographic limit is especially important. Given current proposals for interconnecting the Electric Reliability Council of Texas with the WECC, the eligibility of facilities that are “connected to” the WECC with the term “connected to” being broadly construed could eventually result in inclusion of important new pools of renewable resources such as wind power located in western Texas.

SCPPA sympathizes with the job-related concerns of some parties who would prefer restrictive geographic limits on RES eligibility. Unemployment is high in southern California, and SCPPA supports well-focused policies that will reduce unemployment in California. However, interest in achieving that economic objective should not be permitted to impair efficient achievement of the GHG emission reduction goal that underpins the 33 percent RES requirement.

### **IV. RES COMPLIANCE METRIC**

The Staff proposes that megawatt hours continue to be the metric for determining compliance with the RES:

Similar to the existing RPS program, RES compliance would generally be assessed on the basis of a regulated party’s proportion of electricity sales obtained, or load served, from eligible

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improvements, digester gas, geothermal, landfill gas, municipal solid waste, ocean wave, ocean thermal, tidal current, photovoltaic, solar thermal, wind and fuel cells using renewable fuel.

renewable resources. A renewable energy credit, or REC, would be created for each MWh of renewable generation reported to and verified by the WREGIS tracking system.

Concept Outline at 10. SCPPA joins the California Energy Commission and many others in supporting the Staff's proposal.

The obvious alternative to using megawatt hours as a metric for determining RES compliance would be to use tonnes of GHG emission reductions as a metric. Using tonnes of GHG emission reductions as the compliance metric would involve converting from megawatt hours of output to tonnes of GHG emission reductions. The conversion would raise complicated issues. For example, in determining the emission reductions that would be obtained from a renewable project, there would be an issue about how to identify the emitting resource that would be offset by an eligible RES resource. Retaining megawatt hours as a metric for RES compliance would eliminate that and other complicated and perhaps divisive issues.

## **V. FLEXIBLE COMPLIANCE**

The Concept Outline suggests that the period for determining compliance with the RES standard could be as short as one year:

Compliance periods would be on an annual or multi-year basis, beginning with 2013. Alternatively, the compliance schedule may include annual reporting obligations with enforceable compliance targets at two- or three-year intervals.

Concept Outline at 12. Staff says it “recognizes annual compliance may be too frequent and is evaluating the appropriateness of different compliance schedules.” *Ibid.* Staff seeks comments on “establishing interim compliance targets and the frequency of meeting these targets to ensure steady progress towards meeting the 33% mandate.” *Ibid.*

SCPPA concurs with the Staff's view that annual periods may be too frequent. Although the addition of small household-scale renewable resources might proceed in a relatively smooth year-to-year continuum, the addition of the sort of central-station-scale projects that SCPPA

members are pursuing will be “lumpy.” The addition of central-station-scale projects will result in large but periodic increases in the percentage of electricity that is obtained from renewable resources. It may take a number of years to obtain permitting for the project and associated transmission facilities, to procure equipment which is often in high demand, and to complete construction. However, when a project finally comes on line, it will significantly increase the regulated entity’s RES percentage. Thus, a graph depicting a SCPPA member’s increase in the percentage of output that is represented by renewable resources will most likely show a series of step increases rather than a smooth upward curve.

Given the potentially long lead times required to bring on line large renewable energy projects, SCPPA urges the ARB to permit maximum flexibility to regulated entities in achieving the 33 percent RES goal. SCPPA recommends that penalties be assessed on regulated entities only if an entity fails to attain the 2020 goal. There should certainly be periodic reporting requirements that would permit the ARB to monitor and evaluate each regulated entity’s rate of progress toward achieving the 2020 goal, but penalties should not be assessed until 2020.

Additionally, extenuating circumstances such as permitting, equipment procurement, and construction problems that are beyond a regulated entity’s control may delay placing a project in service even by 2020. In order to avoid an unjust imposition of penalties, there should be some provision for granting variances if for reasons beyond its control a regulated entity misses the 2020 deadline.

If the ARB were to reject SCPPA’s proposal for requiring reporting and monitoring but not imposing penalties until 2020 and finds that shorter compliance periods with penalties would be appropriate, SCPPA recommends that the compliance periods be no shorter than triennial. Given the lumpiness of larger RES projects, compliance periods shorter than triennial would be unreasonably punitive.

## **VI. BANKING AND TRADING**

The Staff proposes that RES compliance credits could be banked for future compliance periods or traded with other regulated entities: “RES compliance credits (whether based on a percent generation or GHG metric) that exceed a regulated party’s obligation for a compliance period, could be used for future compliance periods or traded with other regulated parties. Such RES compliance credits would remain valid until used.” Concept Outline at 12-13.

SCPPA supports the proposals for banking and trading. For regulated entities such as SCPPA members who are likely to meet the RES standard by adding large renewable projects in a “lumpy” pattern as opposed to a smooth continuum, the provisions for banking and trading would provide an additional degree of flexibility, although there would still be a need to avoid imposing penalties until 2020 as discussed above.

## **VII. EXCLUDING LOADS SERVED THROUGH COMBINED HEAT AND POWER, DISTRIBUTED GENERATION, AND A LOW CARBON FUEL STANDARD**

The Staff proposes to calculate RES compliance as a percentage of load *excluding* load served through (1) electricity obtained from combined heat and power (“CHP”) in the regulated entity’s service territory, (2) electricity used to charge electric vehicles under the ARB’s Low Carbon Fuel Standard (“LCFS”) program, and (3) electricity from net-metered distributed generation in the regulated entity’s service territory. Concept Outline at 20.

SCPPA strongly supports the Staff’s proposed exclusions. Under the Scoping Plan, the RES measure is separate from the LCFS, CHP, and Million Solar Roofs measures. Scoping Plan at 17. Failure to exclude LCFS load would result in escalating the megawatt hours that are required to be obtained by regulated parties under the RES program as the regulated parties contribute to achieving the LCFS goal by electrifying the transportation sector. The regulated parties would be effectively penalized for contributing to the success of the LCFS program.

Failure to exclude electricity from CHP and Million Solar Roofs installations would impose a double emission reduction burden on a regulated entity for serving the same load. The regulated entity would reduce emissions by serving load from CHP or Million Solar Roofs installations instead of conventional fossil-fired generation, but the regulated party would also be required to reduce emissions associated with serving that same load by meeting the RES requirement. Just as a regulated entity's RES compliance obligation should not be increased when the entity contributes to electrifying the transportation sector through the LCFS program, a regulated entity's RES compliance obligation should be reduced as the entity increases the amount of load served from CHP or net-metered renewable distributed generation.

## **VIII. CONCLUSION**

As the Staff moves toward a more refined outline of the RES regulation, SCPPA urges the Staff to tailor the regulation to:

- Provide an exemption for small electrical corporations and electricity service providers that have an annual output that is under 500 GHh;
- Continue to apply the current RPS eligibility standards while remaining open to including additional technologies and to liberalizing existing RPS program limitations;
- Place minimal geographic limits on eligibility;
- To retain the megawatt hour compliance metric that has been used in the RPS program;
- To apply penalties only at the end of 2020 rather than after the end of interim compliance periods and provide for variances to prevent an unjust imposition of penalties;
- To allow banking and trading; and

- To exclude LCFS loads and loads served with electricity obtained from CHP or net-metered renewable distributed generation in calculating the RES compliance obligation.

SCPPA appreciates having the opportunity to submit these comments.

Respectfully submitted,

*/s/ Norman A. Pedersen*

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