

December 6, 2017

Mr. Sam Wade
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Mr. Wade:

Subject: Los Angeles Department of Water and Power's Comments on California Air Resources Board's 2018 Low Carbon Fuel Standard Preliminary Draft Regulatory Amendment Text posted September 15, 2017

The Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to provide comments on the Air Resources Board's (ARB) 2018 Low Carbon Fuel Standard (LCFS) Preliminary Draft Regulatory Amendment Text (Preliminary Draft), posted September 15, 2017, and presented during the September 22, 2017 workgroup meeting. LADWP reaffirms its strong support of the LCFS program and its role in achieving the substantial greenhouse gas (GHG) emissions reductions goals of AB 32 and SB 32. LADWP supports ARB's effort to reduce the carbon intensity (CI) of transportation fuel by at least 10% by 2020, and 18% by 2030.

As an electrical distribution utility (EDU), LADWP is the largest municipal electric utility in the nation, serving approximately 1.4 million residential and business customers. LADWP strives to promote transportation electrification amongst our customers, and continue to set an example by using cleaner fuels, such as compressed natural gas (CNG) and electricity, for our fleet vehicles. We offer our comments on the Preliminary Draft for your consideration.

§ 95481. Definitions and Acronyms

LADWP supports the updates related to classifying entities subject to the LCFS regulation in this section to improve clarity. The subdivision of the classification of Regulated Entity is helpful in making the distinction between each role an entity may fall under. It was also helpful that ARB notes that an entity may be subject to more than one classification.

§ 95482. Fuels and Regulated Parties

LADWP understands that the Preliminary Draft proposal to remove the opt-in status of fossil CNG is based on the CARB's anticipation of most fossil CNG pathways becoming deficit generating pathways in the 2020-2030 timeframe. LADWP is a CNG fuel provider to its own fleet with a limited number of consumers. LADWP recommends ARB allow regulatory flexibility to entities with small CNG operations. The requirement for mandatory reporting, and cost burden associated with the proposed compliance obligations will likely hinder investments in clean vehicles.

§ 95483 – 95483.2. Fuel Reporting Entities, Opt-in Entities, and LCFS Data Management System

For public access charging and private access charging, the Preliminary Draft states that any entity is eligible to generate credits, providing that only one entity makes such a claim for each piece of charging equipment during a given reporting period. LADWP understands the need to install more chargers in public and private access locations, which can be accomplished with incentives and participation in the LCFS program. However, the logistics of accounting for who is claiming which piece of charging equipment should be carefully thought out. The fueling supply equipment identification (FSE ID) can be useful in uniquely identifying each piece of equipment. However, how will entities know if a piece of equipment is being claimed by the counterparty? Will there be a system to check this? Can the right to claim be established with a contract (i.e. before the installation of the charger)? Additional guidance should be given on how this proposed requirement would be implemented to prevent credits from not being generated due to disputes among entities. LADWP does not recommend registration of FSE ID for residential charging as this can cause issues with privacy for residences.

§ 95487. Credit Transactions

ARB proposed changing the time the Seller must initiate the Credit Transfer Form (CTF) and the time the Buyer must confirm the CTF from within 10 days of the credit transfer agreement to within 5 days per party. The shortened timeframe does not allow sufficient time for wire transfers for entities that require prepayment before credit transfer. For example, LADWP requires the buyer to agree to the terms of prepayment by signing a contract. The turn-around time for the buyer to sign the contract could be a couple of days. In addition, LADWP only accepts wire transfers, which can take a few days to clear or show up in our accounts. Furthermore, the regulation does not specify between business or calendar days. If the credit transfer agreement was reached on a Friday or holidays, then time will be lost due to the weekend or holidays when banks are closed. The shortened timeframe will limit the days on which credit transfer agreements can be done and may

Mr. Sam Wade
Page 3
December 6, 2017

affect market prices based on the day of the week. LADWP recommends that ARB use working days to clarify the definition of "days," and to consider extending the proposal of five days to seven days.

§ 95488 – 95488.9. Fuel Pathways

LADWP supports the updates to the Lookup table pathway, in particular, the addition of fossil CNG and renewable electricity pathway. LADWP also supports the annual CI update to the CA Grid Electricity pathway.

§ 95500 – 95504. Third-Party Verification

LADWP supports ARB staff proposal outlined in the August 7th concept paper for reporters of electricity, hydrogen, fossil natural gas and fossil propane fueling using the Lookup Table pathways. In particular, LADWP supports ARB's policy that no validation/verification of CI, except for pipeline-injected biomethane claims for renewable hydrogen, is required when using the Lookup Table pathways. LADWP recommends ARB consistently apply its policy such that any fuel using the Lookup Table pathways, including CNG, is exempt from any third-party verification/validation. LADWP reiterates its recommendation for regulatory flexibility to entities with small CNG operations, to avoid additional cost burden associated with third-party verification/validation.

If you have any questions, please contact me at (213) 367-0403 or Ms. Jodean Giese at (213) 367-0409.

Sincerely,



Mark J. Sedlacek
Director of Environmental Affairs

BP:rs

c: Mr. Sam Wade, CARB
Mr. Jing Yuan, CARB
Ms. Veronika Pesinova, CARB
Ms. Jodean Giese