Department of Water and Power the City of Los Angeles

ANTONIO R. VILLARAIGOSA
Mayor

Commission
THOMAS S. SAYLES, *President*
ERIC HOLOMAN, *Vice President*
RICHARD F. MOSS
CHRISTINA E. NOONAN
JONATHAN PARFREY
BARBARA E. MOSCHOS, *Secretary*

RONALD O. NICHOLS
General Manager

September 27, 2011

Chairman Mary D. Nichols and Members of the Board
California Air Resources Board
1001 "I" Street
Sacramento, California 95812

Dear Chairman Nichols and Members of the Board:

Subject: Los Angeles Department of Water and Power - Comments on the California Air Resources Board Proposed Second 15-Day Modifications to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation Under AB 32 (Dated: September 12, 2011)

The Los Angeles Department of Water and Power (LADWP) appreciates the efforts of the California Air Resources Board (ARB) staff to review and address the written comments submitted by stakeholders in response to proposed modifications released in July 2011 (First 15-Day Modified Text). A number of amendments proposed in the Second 15-Day Modified Text released September 12, 2011 have made improvements to the earlier draft regulation. LADWP's comments on the Second 15-Day Modified Text are focused on two key issues, including new amendments related to electricity imports and amendments that retain the provision of resource shuffling. Ultimately, LADWP's objective is to help ARB by identifying areas of potential weakness or concern and develop possible solutions that will improve the overall program.

The City of Los Angeles (City) and the LADWP reaffirm their strong support for AB 32 and the goal of reducing greenhouse gas (GHG) emissions back to statewide 1990 levels in a manner that, among other things, protects California consumers, keeps California businesses competitive, encourages early action to reduce GHG emissions, and minimizes impacts to low income communities. LADWP respectfully submits for your consideration these written comments on the Second 15-Day Modified Text of the proposed regulation.

LADWP is the third largest electric utility in the state and the nation's largest municipal utility serving a population of over four million people with annual sales exceeding 23 million megawatt-hours (MWhs). LADWP's service territory covers 465 square miles in

111 North Hope Street, Los Angeles, California 90012-2607 *Mailing address:* Box 51111, Los Angeles 90051-5700
Telephone: (213) 367-4211 *Cable address:* DEWAPOLA

the City and most of the Owens Valley. The transmission system serving the territory totals more than 3,600 miles and transports power from the Pacific Northwest, Utah, Wyoming, Arizona, Nevada, and other parts of California to Los Angeles. Over the next 25 years, LADWP will replace 90% of the energy resources that it has relied upon for the last 70 years, as a result of combined regulatory mandates for increased renewable energy, emissions performance standards on fossil fueled generation, energy efficiency, solar roofs, reductions in GHG emissions, and the elimination of once-through cooling for coastal power plants. At the same time, LADWP is implementing a long-term power reliability program to replace aging infrastructure and accommodate the integration of increased levels of renewable energy resources and distributed generation.

1) LADWP Strongly Supports ARB's Action to Initiate a New Regulatory Proceeding in 2012 to Address Outstanding Issues, Including Resource Shuffling and Electricity Imports

LADWP recognizes that ARB plans to finalize this regulation by the October 28, 2011 deadline for submittal to the Office of Administrative Law. It is LADWP's understanding that ARB will initiate a separate regulatory proceeding in 2012 to address outstanding issues related to the implementation of the Cap-and-Trade program. LADWP recommends that this new proceeding be initiated as soon as possible and be flexible for staff to address unresolved issues that have already been identified, such as resource shuffling, as well as any new issues in relation to the Second 15-Day Modified Text, including those related to electricity imports.

As mentioned by many parties in response to the First 15-Day Modified Text, the inclusion of the new resource shuffling provisions requires a significantly more thorough review process to allow ARB staff and stakeholders an opportunity to better understand the intent of the language and to properly vet the potential implications for the electricity sector. This proceeding should include marketers, utilities, other market participants, CPUC, CEC, and CAISO as well as the WECC, NERC and FERC to ensure that this regulation, as it applies to electricity imports to California, accurately and consistently assigns emissions liability, promotes reliability, supports efficient market transactions, appropriately accommodates load emergencies in the WECC, and stands strong against potential legal infirmities. These issues surrounding resource shuffling and electricity imports are discussed in more detail below.

2) The Resource Shuffling Provision Does Not Provide Clarity Regarding Financial Divestiture Of An Emission Source [§95802 Definition (251), page A-44; and §95852(b)(2), page A-90]

The definition of resource shuffling, as amended in the Second 15-Day Modified Text has been shortened to the following in §95802 (page A-44):

> *"Resource Shuffling means any plan, scheme, or artifice to receive credit based on emissions reductions that have not occurred, involving the delivery of electricity to the California grid."*

The LADWP remains concerned that the resource shuffling provision, even as revised in the Second 15-Day Modified Text, does not provide clarity that early divestiture of LADWP's share of Navajo Generating Station would be treated as an emission reduction, and not as resource shuffling. It is LADWP's interpretation that such divestiture should be recognized as an emission reduction, especially since the very same action (i.e. financial divestiture) in 2019 would be recognized by the state of California as contributing to emission reductions toward the 2020 statewide goal. If this provision remains in the regulation, then LADWP strongly recommends that the ARB Board include a directive in its Board resolution that staff address LADWP's concerns regarding financial divestiture as soon as possible in the new regulatory proceeding so as to not impede our near-term negotiations to divest this asset prior to 2019 or long-term resource planning to replace this asset with cleaner generation resources.

3) The Resource Shuffling Provision Does Not Accommodate Load Emergencies Where A First Deliverer May Be Asked To Supply Excess Power Under Mutual Assistance

The priority for grid operators is, first and foremost, coordinating and promoting bulk electric system reliability to avoid costly regional power outages that risk life and property. LADWP previously expressed concerns that the inclusion of the resource shuffling provision does not necessarily coincide with the normal and emergency operations of the grid required by Federal Energy Regulatory Commission (FERC) reliability standards. The inter-connectedness of the electrical transmission grid was recently demonstrated during a regional 12-hour blackout earlier this month that was triggered in Arizona and that affected areas as far away as San Diego, parts of Orange County and Riverside County and cost an estimated $97-$118 million in losses.

Given the critical nature of blackouts, the LADWP strongly recommends that the ARB Board provide direction in the Board resolution to establish procedures under emergency scenarios that allow a covered entity to provide mutual assistance without the risk of penalty enforcement for perceived resource shuffling. A covered entity should not be forced to choose between providing mutual assistance to another load serving entity or staying in compliance with resource shuffling provisions of an emissions Cap-and-Trade program. As currently written, the regulation does not include a mechanism

for distinguishing a real load emergency from any other type of market transaction that ARB might legitimately consider resource shuffling.

4) The Resource Shuffling Attestation Is Problematic For A First Deliverer That Does Not Hold Title To Imported Electricity [§95851(b)(2), pg. A-90]

The resource shuffling provision and related attestation requirement are included in §95851(b)(2) (page A-90) as they relate to the emission categories used to calculate compliance obligations for first deliverers of electricity. They read as follows [bold emphasis added]:

> *"Resource shuffling is prohibited, and is a violation of this article.* ***First deliverers*** *must submit the following attestations annually to ARB, by June 1, in writing, by certified mail only:*
>
> *(A) "I certify under penalty of perjury of the laws of the state of California that [**facility or company name**] for which I am an agent has not engaged in the activity of resource shuffling to reduce compliance obligation for emissions, based on emissions reductions that have not occurred as **reported under MRR.**"*
>
> *(B) "I understand [facility or company name], for which I am an agent, is participating in the Cap-and-Trade Program under title 17, California Code of Regulations, article 5, and by doing so, now subjects itself to all **regulatory requirements and enforcement mechanisms** of this program and subjects itself to the jurisdiction of California as the exclusive venue to resolve disputes."*
>
> C&T Second 15-Day Modified Text, Page A-90

Separately, the Second 15-Day Modified Text includes new amendments to the definition of "Electricity Importers" (pg A-18) that removes the requirement that the importer hold title to imported electricity. Instead, the definition now reads as follows [bold emphasis added]:

> *"Electricity importers" are marketers and* ***retail providers*** *that ~~hold title to~~* ***deliver*** *imported electricity…For facilities physically located outside the state of California with the first point of interconnection to a California balancing authority's transmission and distribution system, the importer is the facility operator or the scheduling coordinator…"*
>
> C&T Second 15-Day Modified Text, Page A-18

First, LADWP is not a "scheduling coordinator" (a unique term used by CAISO), but it is a "scheduling agent" for Glendale Water and Power (GWP) and Burbank Water and Power (BWP) for electricity imported from Intermountain Power Project (Intermountain).

Based on these new amendments, it appears that LADWP may be identified as the first deliverer, not just for its own electricity imports, but also electricity owned by GWP and BWP that LADWP schedules and imports into California on their behalf.

Second, LADWP is a retail provider for the load that it serves, but it is not a retail provider for load served by GWP or BWP. Currently, the MRR entity-level emissions report aligns correctly with each retail provider's respective electricity imports from Intermountain. However, if this amendment is adopted, then LADWP becomes the first deliverer for GWP and BWP electricity imports from Intermountain. LADWP will not only be required to report on its LADWP entity-specific emissions for electricity it owns, but it will also have to add in the emissions for electricity from Intermountain that is owned and used by GWP and BWP for their retail load. Conversely, BWP and GWP entity-level emission reports will not include emissions associated with their share of Intermountain electricity imports, which might lead to more confusion and less transparency for the public. The result is that the entity-level report will no longer accurately reflect the true emissions profile for electricity imported for each affected retail provider. For BWP's and GWP's share, LADWP will be subject to regulatory requirements such as surrendering allowances and enforcement action. This outcome provides an inaccurate reflection of LADWP's emissions, and should be avoided.

Third, the entity that is best positioned to make decisions regarding whether or not to import power into California from a specified source like Intermountain is the entity that holds title to the power. The LADWP, as a scheduling agent, does not make the decision for BWP or GWP. Instead, BWP or GWP would identify in their schedule how much energy they intend to have imported into California. As such, when it comes to electricity imports that originate from a known, specified source like Intermountain, it is the owner of the power that has the most control and discretion over what is done with it, whether to lay it off outside California or import it into California, and not the entity scheduling the power.

LADWP is also concerned that it will be required to sign a resource shuffling attestation, as noted above, for these same non-LADWP emissions. As an illustration, if the electricity is "cargo" and the first deliverer is the "mail courier" this approach equates to making the mail courier responsible as if it is the owner of the contents of the cargo (i.e. the emissions profile of the electricity). In fact, the mail courier may not own the cargo and may be contracted to deliver the cargo, but does not make any decisions regarding the contents. The mail courier cannot buy or sell the cargo either, and can only deliver it from point A to point B as determined by the owner of the cargo. The only accurate information that the mail courier can reasonably attest to is how much cargo he delivered on his truck (MWhs), when it was delivered (date/time), and to what location inside California (point of interconnection). The mail courier cannot reasonably attest to

the contents or destination of cargo that may be on another truck (i.e. resources that are shuffled elsewhere).

Finally, LADWP strongly recommends that ARB retain the current emissions reporting requirements for entity reports under MRR that are based on electricity that is owned or under a power purchase agreement. Since Intermountain is directly linked to LADWP's Balancing Authority area, the entity that holds title to the power at the busbar is known. Such approach more correctly aligns the emissions reporting, compliance obligation, and attestation requirement to the party that has the most discretion and control over the electricity. More comments are included below regarding the unintended consequences for specified imports by removing the requirement that an electricity importer hold title to the power that is being reported.

5) The CPUC/CEC Interim Decision on The Point of Regulation for The Electricity Sector Recommended The First Deliver as The "Owner" of The Electricity

Point of regulation for the electricity sector was extensively vetted during the CPUC and CEC joint proceeding (Rulemaking 06-04-009) in which the "First Deliverer" was recommended in March 2008 by the CPUC and CEC jointly. More specifically, the agencies further recommended to the ARB that the first deliverer be the entity that holds title to the power:

> *"We conclude that the most useful formulation of the deliverer point of regulation approach is that the point of regulation would be the entity that* ***owns electricity as it is delivered to the grid in California****. In most situations, this would be the entity that* ***owns the electricity*** *on the portion of the physical path just before the point where it is delivered to the California transmission grid, which would be the busbar for in-state generation or the first Point of Delivery in California for imported power…In this situation, the deliverer would be the* ***owner that delivers the electricity*** *to the first Point of Delivery in California, not an entity that accepts ownership of the electricity for the first time at that Point of Delivery." emphasis added]*
>
> CPUC Decision 08-03-018, page 71-72
> March 13, 2008

This has been a long-standing position held by the majority of the electric sector since 2008. As the rulemaking evolved since that time, it appears that ARB has focused on the use of NERC E-tags to identify the purchasing-selling-entity holding title to the power at the point of delivery to California, and only recently as part of this Second 15-Day Modified Text removed the ownership requirement.

6) The Cap-and-Trade Regulation and Mandatory Reporting Regulation Should be Closely Aligned with the 33% Renewable Portfolio Standard, Including Consistent Definitions

The CARB should harmonize its proposed regulations with those the California Energy Commission is considering in its proceeding under Docket 11-RPS-01, and those the California Public Utilities Commission is considering in its proceeding under Order Instituting Rulemaking, R.11-05-005. Both entities are currently receiving comments on the recently enacted California Renewable Energy Resources Act (sometimes referred to as "SB2 [(1X)]"). This is particularly important for publicly owned utilities where the CARB has the potential to impose penalties under the Public Utilities Code Section 399.30 (o). Rather than come up with different definitions, it would be more efficient for the regulated entities and the regulating authorities to provide consistent definitions for the same concepts.

For example, under the "resource shuffling" and "electricity imports" concepts, the CARB's focus of electricity is on the "delivery" of electricity while the California Renewable Energy Resources Act's focus is on procured and scheduled electricity.[1] The California Renewable Energy Resources Act will reward utilities that comply early by allowing them to apply excess procured electricity products to satisfy subsequent compliance periods under the law.[2] However, under the proposed concepts of "resource shuffling" and "electricity imports" LADWP may be penalized for not actually delivering electricity that it took credit for in an earlier compliance period for SB2 (1X). Therefore, it is unclear whether LADWP will be rewarded for early compliance with the California Renewable Energy Resources Act, yet run afoul of Cap-and-Trade regulations under AB 32.

Another example is the definition of "eligible renewable energy resource" which "has the same meaning as defined in Section 399.12 of the Public Utilities Code." Because the Renewable Portfolio Standard (RPS) program is currently undergoing modifications, it is unclear if this cross reference includes the entire legislative section as it does not expressly indicate that other portions of Section 399.12 are excluded. LADWP recommends that the cross reference be made to the California Energy Commission's Renewables Portfolio Standard Eligibility Guidebook, rather than Section 399.12. Without clarification on this definition, inclusion of the entire Section 399.12 would include the definition of "retail seller" which is different from "retail provider" in that it expressly does not include publicly owned utilities. Additionally, Section 399.12 does not include eligible renewable energy from incremental improvements at hydroelectric facilities as allowed under existing law (Public Utilities Code, Section 399.12.5). The

[1] PUC Sections 399.12(f), 399.16(b)(1), 399.30(d)(1).
[2] PUC Sections 399.30(d)(1), 399.13(a)(4)(B).

CEC Guidebook is the standard for RPS eligibility. These definitions should be more closely aligned to avoid confusion and potential conflicts in legal interpretation, especially given the unique role that ARB will have to establish penalties for enforcement of the 33% RPS for publicly owned utilities.

7) Recent Amendments to Key Definitions Warrant Further Review

Only at the time of this most recent amendment (September 12, 2011) did the definition of "first deliverer" strip the requirement that the electricity importer hold title to the power being imported. The public notice for this Second 15-Day Modified Text provides a vague description but no real explanation for why these definitional changes were made:

> *"Many of the modified definitions are necessary to clarify the"first deliverer" approach for the electricity sector, accommodate the inclusion of the calculation of the compliance obligation for this sector, and respond to stakeholder comments. Modifications were made to the definitions of "electricity importer," "direct delivery," "imported electricity," "purchasing-selling-entity," "qualified export," "marketer," "resource shuffling," and "specified source of electricity." These changes were made to either clarify staff intent in response to stakeholder comment or to conform to changes in section 95852..."*
>
> Second Notice of Public Availability of Modified Text and Availability of Additional Documents and Information, pg. 3

Comment: LADWP strongly recommends that ARB hold off on making these definitional changes until further consideration can be given to the amendments as part of the new proceeding in 2012. The ARB Board should not adopt the amendments to definitions that strip the requirement to "hold title" as these changes will have a ripple effect on specified imports that is not well understood and may be unintentional, and should be avoided. LADWP strongly recommends that the ARB not strike this requirement (i.e. to hold title) as part of the adoption of this regulation without adequate vetting from all stakeholders. This change has the potential to impact any entity that is importing electricity from a specified source, and it is essential that ARB seek different viewpoints from those that advocated only recently to remove this requirement from the definition. LADWP's ultimate objective is to ensure that the proper entity is attributed the emissions obligation (for fossil emissions) or zero emissions attribute (nuclear, hydroelectric or renewables) and that the regulation does not inadvertently impose an emissions obligation on zero-emitting specified imports, regardless of how the owner of the imported electricity elected to have it imported.

> ***Electricity Importers*** *(in both C&T & MRR)*
>
> *~~(59)~~(~~84~~87) "Electricity iImporters" are marketers and retail providers that ~~hold title to~~ deliver imported electricity. For electricity delivered between balancing authority areas, the ~~entity that holds title to delivered electricity is~~ electricity importer is identified on the NERC E-tag as the purchasing-selling entity (PSE) on the last segment of the tag's physical path, with the point of receipt located outside the state of California and the point of delivery located inside the state of California. For facilities physically located outside the state of California with the first point of interconnection to a California balancing authority's transmission and distribution system, the importer is the facility operator or scheduling coordinator. Federal and state agencies are subject to the regulatory authority of ARB under this article, and include Western Area Power Administration (WAPA), Bonneville Power Administration (BPA) and California Department of Water Resources (DWR). ~~When PSEs are not subject to the regulatory authority of ARB, including tribal nations, the electricity importer is the immediate downstream purchaser or recipient that is subject to the regulatory authority of ARB.~~*
>
> C&T Second 15-Day Modified Text, Page A-18

Comment: Aside from the comments above regarding the requirement to hold title to the power being imported, LADWP is also seeking clarification from ARB regarding the new amendment above for facilities located outside the state of California with the first point of interconnection to a California balancing authority's transmission and distribution system. It is unclear that the out-of-state facility would fall under the jurisdiction of California, so the facility operator would not be an appropriate point of regulation. Additionally, it is unclear if this new amendment is intended to address electricity imports that do not cross a balancing authority boundary and therefore do not necessarily generate a NERC E-tag.

> ***Marketer***
>
> *"Marketer" means a purchasing-selling entity ~~that takes title to wholesale~~ delivers electricity and is not a retail provider.*
>
> C&T Second 15-Day Modified Text, Page A-28

Comment: Marketers should be treated as any other PSE that imports electricity. The definition of "marketer" does not accurately reflect the standard use of the term in wholesale electricity markets. A retail provider can also be a marketer and elect to purchase or sell electricity on the wholesale market. A marketer may also hold title to the power and be listed as the PSE on the market segment (market path) that tracks title and responsibility on a NERC E-tag, but may not be listed as a PSE on the physical

path which would reflect a movement of energy. As amended, it appears that marketers may avoid the point of regulation for electricity imports that they own.

> ***Purchasing Selling Entity (PSE)***
>
> *~~(165)(217~~224) "Purchasing-~~s~~Selling ~~e~~Entity" or "PSE" means the same meaning as ascribed in MRR. ~~functional entity that purchases or sells, and takes title to, energy, capacity, and reliability-related services,. A PSE is identified on a NERC E-tag for each physical path segment.~~*
>
> *In MRR, the PSE is defined as follows:*
>
> *(321)~~(314)(264)(163)~~ "Purchasing/-selling entity" or "PSE" means ~~an~~the ~~functional~~ entity that ~~is eligible to purchase or sell energy or purchases or sells, and takes title to energy, capacity, and reserve~~ is identified on a NERC E-tag for each physical path segment."*
>
> C&T Second 15-Day Modified Text, Page A-39

Comment: NERC defines the Purchasing-Selling Entity" as "the entity that purchases or sells, and **takes title to,** energy, capacity, and Interconnected Operations Services…" [bold emphasis added] and yet the ARB has elected to remove a fundamental part of this definition – title and responsibility – and ignore the market segments on the NERC E-tag where a PSE may also be listed. According to the NERC Electronic Tagging Function Specification, Version 1.8.1, "market segments contain information that describes the market information, such as the identity of the market participant, the firmness of energy the market participant is delivering, and the physical segments the entity is responsible for providing." The LADWP strongly recommends that these definitional changes being proposed by staff be revisited in order to provide consistency and alignment between the Cap-and-Trade program and standard wholesale market transactions.

The definition of "Specified Source of Electricity" has been modified to require that the reporting entity who is now the entity scheduling the power into California have ownership or contract rights to the electricity being imported into California. The definition of Specified Source in §95802 now reads as follows [bold emphasis added]:

> ***Specified Source***
>
> *~~(193)~~(~~258~~264) "Specified ~~s~~Ssource of ~~e~~Eelectricity" or "~~S~~Sspecified ~~s~~Ssource" means a facility or unit which is permitted to be claimed as the source of ~~imported~~ electricity delivered ~~by an electricity importer~~. The ~~electricity importer~~ **reporting entity must have either full or partial ownership in the facility/unit or a written power contract** as defined in MRR section 95102(a) to procure electricity generated by that facility/unit. Specified facilities/units include cogeneration systems. Specified source also means electricity procured from an asset-controlling supplier recognized by ARB.*
>
> C&T Second 15-Day Modified Text, Page A-47

Another amendment is found in §95852(b)(1)(C) and clarifies that if an electricity import cannot be reported as a specified source, then the default emission factor would be applied. This new section reads as follows [bold emphasis added]:

> *"(C) All deliveries of electricity not meeting the requirements for specified imports pursuant to MRR will have **emissions calculated using the default emissions factor** for unspecified electricity pursuant to section MRR 95111"*
>
> C&T Second 15-Day Modified Text, Page A-89

Another amendment is found in §95852(b)(3) and clarifies that electricity imports based on an emission factor less than the default emission factor (renewables, nuclear, large hydroelectric) must include ownership or contract rights. This new section reads as follows [bold emphasis added]:

> *"(3) The following criteria must be met for electricity importers ~~electricity deliveries~~ to be claim a compliance obligations ~~-~~for delivered electricity based on a ~~an ARB facility~~ specified source emission factor less than the default emission factor;~~for unspecified electricity specified pursuant to MRR section 95111:~~*
>
> *(A) Electricity deliveries must be reported to ARB and emissions must be calculated ~~to ARB~~pursuant to MRR section 95111.*
>
> *(B) The electricity importer~~first deliverer~~ must be **the facility operator or have right of ownership or a written power contract,** as defined in MRR section 95102(a), rights to the amount of electricity claimed and generated by the facility or unit claimed;*
>
> *(C) The electricity must be directly delivered, as defined in MRR section 95102(a), to the California grid…"*
>
> C&T Second 15-Day Modified Text, Page A-90 and A-91

Comment: LADWP is concerned that for some specified sources of imported electricity, the amendments that are being proposed above may result in these imports being incorrectly assigned default emissions under circumstances where the first deliverer that is scheduling the power into California on behalf of another party assumes responsibility as the first deliverer, and therefore must also include such imports as part of their MRR report. However, the entity scheduling the power under this scenario cannot demonstrate ownership in the facility or a written power contract for that electricity. This could have the potential unintended consequence of assigning default emissions to non-emitting specified imports (renewables, nuclear and hydro) that are currently reported based on ownership or contract rights.

For example, a transmission outage occurs and the owner of electricity from a nuclear or hydroelectric generating facility must make arrangements to have that power imported through another transmission path by another entity that has transmission rights, but does not hold title to the power. Under this scenario, the regulation would assign default emissions to that zero-emission electricity for no other reason than the entity scheduling the power does not own the power. This outcome is unreasonable and does not accommodate commonly occurring situations related to specified imports. To add more complexity to this, the entity that schedules this zero-emitting power into California that is now assigned default emissions must also surrender allowances on behalf of the party that holds title to the power. This outcome is unreasonable and should be avoided.

A separate issue of transparency also arises when the first deliverer of renewable energy is not also the entity owning the power. For example, LADWP schedules electricity imports into California from the Milford Wind Project in Utah on behalf of other SCPPA entities. Rather than correctly reporting the zero emission attribute in the MRR report of the entity that owns the electricity, the regulation requires that the first deliverer (i.e. LADWP) report the zero-emission renewable energy on LADWP's MRR report. This inappropriately distorts the emissions profile of the affected parties.

Conclusion

LADWP appreciates the opportunity to comment on the Second 15-Day Modified Text for the Cap-and-Trade regulation. LADWP supports the modifications that have clarified the emissions compliance burden for the electricity sector and supports the continued dialogue during next year's regulatory proceeding to further strengthen this program. LADWP will continue to do its part to reduce emissions and help California achieve its emission reduction goal. LADWP looks forward to working with ARB staff, other utilities, and stakeholders during the coming year to refine the regulation and ensure that AB 32 is implemented in a manner that achieves the greatest emission reductions while

balancing the financial impacts on our customers and promoting environmental stewardship.

Sincerely,

Lorraine A. Paskett
Senior Assistant General Manager

LP:LJK:ms
Enclosure
c: Mr. Daniel Sperling, ARB Board Member
Mr. Ken Yeager, ARB Board Member
Ms. Dorene D'Adamo, ARB Board Member
Ms. Barbara Riordan, ARB Board Member
Mr. John R. Balmes, M.D., ARB Board Member
Ms. Lydia H. Kennard, ARB Board Member
Mr. Sandra Berg, ARB Board Member
Mr. Ron Roberts, ARB Board Member
Mr. Ronald O. Loveridge, ARB Board Member
Governor Jerry Brown
Ms. Nancy McFadden, Office of the Governor
Mr. Cliff Rechtschaffen, Office of the Governor
Mr. Ken Alex, Office of the Governor
Mr. Michael Picker, Office of the Governor
Honorable John A. Peréz, Speaker of the Assembly, California State Assembly
Honorable Darrell Steinberg, Senate President Pro Tem, California State Senate
Honorable Alex Padilla, Chair, California Senate Energy Utilities & Commerce Committee
Honorable Steven C. Bradford, Chair, Assembly Utilities & Commerce Committee
Mr. Matthew Rodriquez, Secretary for Environmental Protection, CalEPA
Mr. Michael Gibbs, Deputy Secretary for Climate Change, CalEPA
Mr. James N. Goldstene, Executive Officer, ARB
Mr. Richard Corey, Division Chief, Stationary Source Division, ARB
Mr. Edie Chang, Assistant Division Chief, Stationary Source Division, ARB
Mr. Steven Cliff, Chief, Climate Change Program Evaluation Branch, ARB
Mr. Rajinder Sahota, Manager, Climate Change Program Evaluation Branch, ARB
Mr. Aram Benyamin, Senior Assistant General Manager, LADWP
Ms. Lorraine A. Paskett, Senior Assistant General Manager, LADWP
Ms. Cindy Montanez, Assistant General Manager, LADWP

Ms. Randy Howard, LADWP
Mr. Mark Sedlacek, LADWP
Ms. LeiLani Johnson Kowal, LADWP