

Comments of the San Francisco Public Utilities Commission Regarding the California Air Resources Board's Proposed October 20-21 Adoption of the *Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanism Regulation and Compliance Offset Protocols*

The San Francisco Public Utilities Commission (SFPUC) would like to thank the Air Resources Board (the Board) for its work on the proposed Cap on Greenhouse Gas Emissions (GHG) and Market-Based Compliance Mechanism Regulation and Compliance Offset Protocols. There are several points of support and thanks we would like to offer along with an issue of concern about Section 95852.2 regarding *Emissions without a Compliance Obligation*.

Support and Thanks

The SFPUC appreciates the willingness of staff to meet with and address San Francisco's specific concerns. Some issues on which we would like to specifically commend Board staff for their work are:

- Providing the SFPUC's local publicly owned electric utility operations with allowances that are expected to be sufficient to ensure we can continue to provide reliable service to its electric customers at a reasonable cost;
- Creating a Voluntary Renewable Electricity program that reflects the GHG emissions reductions caused by voluntary purchases of renewable electricity and encourages renewable electricity purchases in excess of mandated quantities;
- Ensuring that customers of community choice aggregators, such as the SFPUC's CleanPowerSF, are not unfairly disadvantaged by investor owned utilities in the use of allowance auction proceeds and allowance value; and
- Creating an adaptive management plan that will monitor the on-going implementation of the Board's cap-and-trade regulation and recommend changes if the program creates any unintended consequences related to localized air quality and to forests from their use in creating offsets for cap-and-trade compliance.

These provisions will help San Francisco meet our own aggressive GHG reduction goals, establish more clean energy options for our residents and businesses, and mitigate our environmental justices concerns stemming from the cap and trade concept.

Remaining Concern

There is a recent change to the proposed regulations that raises concerns for the SFPUC and wastewater treatment agencies across the state. Section 95852.2, *Emissions without a Compliance Obligation* in the proposed regulations posted on July 25, 2011 under the category *Fugitive and Process Emissions*, previously included the following line item:

(5) *CH₄ and N₂O from municipal wastewater treatment plants.*

This language was removed without explanation from the September 12, 2011 proposed regulation. The SFPUC opposes this deletion and urges the Board to reinstate it in the future as part of a separate regulatory action. The deletion of this language means that municipal wastewater treatment plants, many of which already capture CH₄ biogas to the extent possible and combust it or generate renewable electricity, or may have N₂O emissions from efforts to better protect water quality, now may have a compliance obligation based on un-captured process emissions. To our knowledge there were no negative comments regarding this particular provision in the comments for the July 25 posting, and we urge the Board to restore the compliance obligation exemption.

In the City and County of San Francisco's comments submitted in response to the July 25 posting, we urged the Board to adopt additional incentives to expand renewable electricity generation through biogas-fueled combined heat and power systems instead of the flaring of wastewater treatment plant digester gas. Those incentives might include the streamlining of offset protocols for municipal wastewater treatment plants to be paid to increase biogas capture and renewable energy generation. To date, these suggested incentives have not been included in the proposed regulation.

Saddling municipal wastewater agencies with a compliance obligation, instead of using the substantial resources available through offsets, will reduce public funds available for other important programs that protect and improve water quality. Again we urge the Board to restore the compliance obligation exemption for process emissions of CH₄ and N₂O from municipal wastewater treatment plants and instead make it easier for wastewater agencies to receive funding through offsets to capture more CH₄ and N₂O.

Thank you for the opportunity to provide these comments.