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California Air Resource Board
1001 "I" Street
Sacramento, CA 95814

RE: December 14, 2015 workshop to discuss California's plan for compliance with the U.S. Environmental Protection Agency's Clean Power Plan

To Whom It May Concern:

San Diego Gas & Electric Company (SDG&E) appreciates the time and effort that the California Air Resources Board (ARB) and the California Energy Commission (CEC) have invested in the modeling of California's electric sector under the Clean Power Plan (CPP). In prior comments, SDG&E requested ARB look at a "stress case" and is appreciative that a stress case was included. The stress case did include elements recommended by SDG&E including high economic growth, low hydro conditions, and a high level of transportation electrification. In addition, ARB/CEC modeling included a shutdown of the Diablo Canyon nuclear facility. SDG&E agrees with ARB that the gas price and GHG allowance price assumptions are fairly irrelevant to establishing the stress case.

However, there are three changes that should be included in all the cases, but particularly the stress case:

- The 50 percent RPS needs to be modeled. It is difficult to model the 50 percent RPS with primarily in-state renewables and maintain grid reliability, but it should be included for parties to agree with the results of the cases.
- Imports should not be modeled based on an extrapolation of past trends. Explicit consideration of expiring coal contracts with California utilities should be included in the modeling. As those contracts end, electricity production may shift to California CPP-covered facilities to some extent through the operation of the market.
- While implementation of the CPP is unknown, it is known that emissions reductions are required. The modeling of the Western region should at least model the CPP the same way as was done for California units. Namely, units outside California should be removed from the

model based on known shutdown/retirement dates or based on unit age (40+ year old units should be assumed to retire throughout the West). As those inefficient plants shut down, electricity production may shift to efficient California CPP-covered facilities through the operation of the market.

A fourth change the ARB might also consider for the stress case is placing the GHG charge on all units in the West instead of modeling GHG costs as a wheeling charge into California. Under a widespread trading scenario, one might expect all units to have a GHG charge under the CPP. The effect may be to shift production from out-of-state coal to natural gas (to units such as California's efficient CPP-covered natural gas facilities). The main problem with this approach would be that natural gas prices would be critical to the forecast and so the gas prices in the stress case would need to reflect a West-wide increase in natural gas demand. SDG&E recognizes this change would require additional time and effort, but is unsure how much time and effort would be needed, and whether it would be worth it to make the change.

Thank you for considering these comments.

Sincerely,

Tamara Rasberry /s/