SOUTHERN CALIFORNIA
Public Power Authority

November 30, 2018 | Submitted Electronically

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: SCPPA Comments on the Proposed 15-Day Modifications for the Cap-and-Trade Program Regulations

Thank you for the opportunity to provide comments to the California Air Resources Board (CARB or Board) on the 15-day modifications released on November 15, 2018, to the regulations for the Cap-and-Trade Program ("the Program"). SCPPA thanks CARB staff for their diligence in working with stakeholders over the course of this rulemaking process, and we appreciate staff's efforts to better understand our Members' concerns.

SCPPA is a joint powers agency whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. Our Members collectively serve nearly five million people throughout Southern California. Each Member owns and operates a publicly-owned electric utility governed by a board of local officials who are directly accountable to their constituents. Each SCPPA Member has a duty to provide reliable power to their customers – many of whom reside in disadvantaged communities – at affordable rates, while also complying with all local, regional, state, and federal environmental and energy regulations.

SCPPA continues to strongly support the Cap-and-Trade Program. It allows our Members to pass the value of allowance allocations directly on to all of their customers, including those in disadvantaged communities. The continuation of a well-designed Program allows our Member utilities to achieve continued progress in emissions reductions while minimizing ratepayer impacts.

<u>Support for Staff's Proposed 15-Day Changes to Use of Allowance Values</u>
SCPPA supports the staff proposed changes which would:
1) Allow for the use of allowance value proceeds for vegetation management activities for wildfire risk reduction [§95892(d)(3)(C)(2)];
2) Allow for reasonable spending on customer education programs [§95892(d)(4)]; and
3) Require Electrical Distribution Utilities (EDU) to calculate the *expected* GHG emissions reductions from allowable activities as a helpful clarification [§95892(d)(5)].

We look forward to working with state regulators as the agencies devise a standardized methodology for quantifying GHG emissions reductions from wildfire-related fuel reduction activities per Senate Bill 901 (Dodd, 2018).

<u>EIM Amendments</u>
SCPPA appreciates CARB's ongoing collaboration with the California Independent System Operator (CAISO) and Utility stakeholders towards accounting for outstanding GHG emissions from the Energy Imbalance Market (EIM). We recognize that this is a complex issue and that more work needs to be done. We had previously recommended (as had CAISO) that CARB continue with the "bridge solution" until more data is collected such that any determination and issues with future compliance obligations are fully understood. It is also very concerning that the potential impacts from the proposed 15-day amendments are still unknown to stakeholders this late into a rulemaking process. Therefore, though this rulemaking is being

closed, SCPPA wishes to continue conversations with CARB, CAISO, and other utility stakeholders to better understand how amendments to the EIM GHG Accounting Methodology will be implemented.

SCPPA reiterates our previously raised concerns included in our 45-day comment letter that the following be a part of any final solution on the EIM GHG Accounting Methodology:

1. High accuracy on compliance obligation determinations;
2. Enable future borrowing ability for compliance purposes;
3. Provide POUs with control for retaining, designating, and retiring vintage allowances; and
4. Minimize EDU reporting requirements by obtaining data directly from CAISO based upon settlement data.

In addition, regarding the unknowns in the rulemaking, SCPPA would also like to continue the conversation with CARB to:

1. Update the default emission factor or have CAISO calculate an annual default emission factor since the one currently in use was calculated in 2008;
2. Give POUs a longer lead time on outstanding emissions for meeting the September 1 deadline;
3. Consider the implications for a shift to retail sales reporting and verification for EDUs participating in the CAISO 5-minute market in future rulemakings;
4. Base the total EIM Emissions on the net of purchase and sales;
5. Base utility allocations equitably, based on their proportionate contribution to EIM market emissions.

Future Rulemaking Issues

We would also welcome staff's recognition to assess potential upward adjustments to EDU allowance allocations to reflect the potential emissions shift to the electricity sector from transportation electrification-related activities based upon a demonstrable need. In order to achieve the aggressive transportation electrification efforts proposed by Governor Brown[1], SCPPA Member utilities will need to continue their transportation electrification efforts and shift to developing a broader scope of aggressive electrification efforts. Per Senate Bill 350 (de Leon, 2015), CARB was directed to "identify and adopt appropriate policies, rules, or regulations to remove regulatory disincentives preventing retail sellers and local publicly owned electric utilities from facilitating the achievement of greenhouse gas emission reductions in other sectors through increased investments in transportation electrification. Policies to be considered shall include, but are not limited to, an allocation of greenhouse gas emissions allowances to retail sellers and local publicly owned electric utilities, or other regulatory mechanisms, to account for increased greenhouse gas emissions in the electric sector from transportation electrification." We look forward to working with CARB staff in the next rulemaking to address this legislative directive.

SCPPA also recognizes CARB staff's desire to re-evaluate post-2020 EDU allowance allocations given enactment of Senate Bill 100 (de Leon, 2018) with an accelerated 60% Renewables Portfolio Standard by the year 2030. Opening up post-2020 EDU allowance allocation will require close coordination with stakeholders, and SCPPA encourages CARB to start early and provide plenty of review time. Additionally, SCPPA requests that any future CARB EDU Allowance allocation changes use the most recent IEPR Demand Forecast instead of the 2015 IEPR Demand Forecast to most accurately reflect allowance allocations.

Thank you for your consideration of these comments. SCPPA and our Members look forward to continued discussions with CARB staff and other agencies to work towards mutually agreeable solutions that best advance the State's climate change goals in an affordable manner for California ratepayers.

Respectfully submitted,

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[1] Executive Order B-48-18