PASADENA WATER AND POWER

January 19, 2017

Submitted Electronically

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Pasadena Water and Power Comments on the 15 day Proposed Amendments to the Mandatory Reporting and Cap-and-Trade Regulations

Pasadena Water and Power (PWP) appreciates the opportunity to provide comments to the California Air Resources Board (CARB) on the 15 day Proposed Amendments to the Mandatory Reporting and Cap-and-Trade Regulations.

PWP's comments related to the 15 day proposed amendments to the Cap and Trade Regulation (C &T) are focused on the concerns below:

1) § 95892 (a) (2): 2021-2030 Electrical Distribution Utility (EDU) Allocation Proposal.

    a. 2021-2030 EDU Allocation Proposal and Methodology.
    b. Load Growth Assumptions.
    c. Renewable Portfolio Standard Factor Applied to Retail Sales

2) Attachment C: "2021-2030 Allowance Allocation to Electrical Distribution Utilities" Allocation Methodology.

    a. Staff consideration to require POUs to consign allocated allowances to auction

PWP's comments on the proposed amendments to the Mandatory Reporting Regulation (MRR) are focused on the following issues:

1) §95103(f), proposed language to bring forward the Final Verification Statement deadline to August 1st every year.

2) §95111(b) (2) (E) (1), proposed language to remove the 'Lesser of Analysis" exemption applicability for verification purposes.

Cap and Trade Program Proposed Amendment:

2021- 2030 EDU Allocation Proposal and Methodology:

The principle function of the EDU allocation is to mitigate the greenhouse gas (GHG) cost burden to utility ratepayers, consistent with AB 32 goals. EDU's were allocated allowances to reduce the cost burden on ratepayers from the electricity price increase as a result of the expense of carbon. Originally, allowances were allocated equivalent to around 97% of an EDU's expected obligation, then the allocation was reduced by approximately 3% per annum. Now, with the passage of SB32, the Cap and Trade Program has been extended to implement additional GHG reduction goals; for this reason, the 2021 allocation should also represent a gradual transition. However, PWP's proposed 2021 allocation is 17% lower than 2020.

Load Growth Assumptions:

We support CARB's decision to use a "change in load" assumption, rather than a fixed load over the 2021-2030 period. However CARB's growth assumption overlooks a key consideration, in that electricity load will grow increasingly as electric vehicles are put to use on the road. While the growth pattern may vary between utilities, the increased demand will be met with a mixture of electricity fuel types such as coal, natural gas, and wind or solar; subsequently, modeling of the anticipated and assured growth impacts will need to be performed to ensure that the cost burden effects are captured appropriately. These cost burdens include the expense associated with the upgrade of utility infrastructure, such as transmission and distribution burdens.

Renewable Portfolio Standard (RPS) Factor Applied to Retail Sales:

CARB staff's decision to use retail sales as the basis for the RPS procurement target is appropriate and consistent with the California Energy Commission's (CEC) procurement requirement calculation. Yet, the proposed allowance allocation methodology excludes key considerations:

1. The proposed allowance methodology does not account for the CEC's allowable procurement of unbundled Renewable Energy Credits (RECs) to the maximum of 10% annually.

2. By assuming that the RPS requirement is met by bundled renewables only, the specific EDU cost burden is understated.

Revising the allowance allocation approach to include the procurement of unbundled RECs to meet an EDU's RPS requirement is consistent with SB 350 legislation and the CEC's RPS procurement policy.

Consignment of Allowances:

The current regulation allows Publicly Owned Utilities (POUs) the flexibility to comply with the Cap and Trade Program through the distribution of allowances directly to the POU's compliance account, or through the consignment procedure. PWP considers the continuance of this distribution process as appropriate, as this ensures that allocated allowances are used "exclusively for the benefit of the retail ratepayers", consistent with AB 32 legislation.

CARB staff's, Attachment C of the Allowance Allocation to EDUs states that "Staff is also considering requiring POUs and co-ops to consign allocated allowances to auction and requiring that auction proceeds be used for specific purposes".

Publicly Owned Utilities are vertically integrated with owned generation capacity along with contracted renewable resources that meet or exceed our current and projected future sales. A regulatory mandate that requires POU's to fully consign allowances for auction exposes them to a significant financial risk and rate impacts. In instances when the supply of allowances is less than the demand, POUs may be unable to secure a sufficient amount of allowances to meet its obligation. It is difficult for POUs to shoulder the financial unpredictability.

Additionally, it is incorrect to assign proceeds for a specific use, because the regulation already places limitations on the allowances and auction proceeds to ensure that AB 32 requirements are carried out. Imposing a "specific use" clause would be regulatory over-reach as the POU's governing board has the authority over utility investments into GHG reducing technologies. Such a severe change in regulatory direction could effectively negate the underlying reasons for many resource portfolio decisions made by POU's.

Mandatory Reporting Regulation:

Verification Deadlines Proposed Amendments:

Proposed Rule Language: MRR § MRR §95103(f)

Pasadena Water and Power (PWP) does not support the bringing forward of the verification statement deadline to August 1st. Considering the rigorous verification process and demands outlined in the MRR. The shortened verification timeline would subject Facility Reporters and Electric Power Entities (EPE) to the potential for unintended and unforeseen inaccuracies. Based on our past experience, many a time it takes considerable time to address and correct the information.

Moreover, PWP consistently begins its verification process, on or around June 1st of each year, however, we have routinely, arrived at the final stage of the verification process around mid-August. For this reason, if bringing forward the verification deadline is necessary, we are recommending a compromise deadline of August 15th instead of August 1st.

<u>Removal of the 'Lesser Of Analysis' Analysis Exclusions:</u>

Proposed Rule Language: MRR §95111(b) (2) (E)
Meter Data Requirement. For verification purposes, electric power entities shall retain meter generation data to document that the power claimed by the reporting entity was generated by the facility or unit at the time the power was directly delivered.

1. *~~This provision~~ <u>A lesser of analysis</u> is applicable to imports from specified sources, <u>including imported electricity under EIM</u>, for which ARB has calculated an emission factor of zero, and for imports from California Renewable Portfolio Standard (RPS) eligible resources, excluding the following: (1) ~~contract or ownership agreements, known as grandfathered contracts that meet California RPS program requirements in Public Utilities Code Section 399.16(d) or California Code of Regulations, Title 20 Section 3202(a)(2)(A); (2) dynamically tagged power deliveries; (3) untagged power deliveries, including EIM imports; (4)~~ nuclear power; (~~5~~2) asset controlling supplier power; and (~~6~~3) imports from hydroelectric facilities for which an entity's share of metered output on an hourly basis is not established by power contract. ~~. Accordingly,~~*

The proposed rule language under MRR §95111(b) (2) (E) will require EPEs to retain meter generation data and perform a 'lesser of analysis' for imports from zero emission specified sources. We are requesting that CARB reinstate the meter data retention and the 'lesser of analysis' requirements exclusion language to exempt:

(1) contract or ownership agreements, known as grandfathered contracts that meet California RPS program requirements in Public Utilities Code Section 399.16(d) or California Code of Regulations, Title 20 Section 3202(a) (2) (A);

(2) Dynamically tagged power deliveries;

(3) Untagged power deliveries, including EIM imports.

The "lesser of analysis" would be extremely burdensome and in many circumstances, impossible, as long-standing contracts/ownership agreements lack provisions to acquire the hourly meter data. Reporting entities shouldn't receive a non-conformance due to inaccessible data. Furthermore, the significant administrative burden is compounded as a result of the proposed August1st verification statement deadline.

Lastly, PWP appreciates the opportunity to provide comments. Thank you for your consideration. Should you have any questions, please feel free to contact Badia Harrell at (626) 744-7918.

Sincerely,

Gurcharan Bawa
Interim General Manager
Pasadena Water and Power

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