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Re: ***Comments of the Northern California Power Agency on 2030 Target Scoping Plan Update Discussion Draft***

The Northern California Power Agency[1] (NCPA) provides the following comments on the *2030 Target Scoping Plan Update Discussion Draft* (Discussion Draft), released by the California Air Resources Board (CARB) on December 2, 2016. Building off the *2030 Target Scoping Plan Update Concept Paper*, dated June 17, 2016, and the preliminary information provided at the November 7 Scoping Plan Workshop, the Discussion Draft provides greater clarity regarding the State's plan for meeting the 2030 greenhouse gas (GHG) emissions reduction target and vision for attainment of the 2050 goal. This information is necessary for stakeholders to fully assess the various options and weight the implications of potentially competing objectives. However, until the modeling results and other supporting information is complete, stakeholder feedback is necessarily limited and based only on the additional information provided in the Discussion Draft.

The electricity sector plays an instrumental role in meeting the State's environmental policy objectives and will be directly and significantly impacted by the scenario eventually adopted by CARB. NCPA and its member agencies have continually stated their commitment to doing their part to help meet the state's ambitious 2030 GHG reduction goals, while continuing to ensure the provision of affordable, reliable, and clean electricity for residents and businesses in their member communities. Indeed, NCPA and its member agencies are proud of the significant emissions reductions they have achieved. As the Discussion Draft notes, the

1 NCPA is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 15 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

electricity sector "has made great strides to help California achieve its climate change objective," and "emissions from the electricity sector are currently approximately 20 percent below 1990 levels and are well on their way to achieving deeper emissions cuts by 2030."[2] These successes, however, have not come without a financial cost to California's electricity ratepayers that cannot be ignored. Furthermore, CARB's preliminary projections for the 2030 Target Scoping Plan Update show that the electricity sector is being called upon to make more reductions than any other sector to meet the statewide 2030 goal.[3] As such, since the final 2030 Target Scoping Plan Update will directly impact the cost of electricity and other services throughout the state, the information provided in the Discussion Draft and the additional economic analyses that will be forthcoming are critically important.

- NCPA supports the 2030 Target Scoping Plan Scenario that includes the cap-and-trade program as an important element of achieving the 2030 GHG emissions reduction target in the most cost-effective manner;
- NCPA encourages the Scoping Plan to place greater emphasis on the need for ongoing collaboration and coordination amongst the state agencies in development of the final scoping plan and implementation of the programs and measures included therein;
- Sector-wide GHG reduction targets have far reaching implications, and NCPA strongly caution against mischaracterizing the scope and purpose of the integrated resource plans and planning processes mandated by Senate Bill 350 when setting those targets for the electricity sector;
- The analysis of the impacts of natural and working lands must be included in the final assessment, and the importance of wildfire mitigation and prevention to ensuring that forests and natural lands provide a viable carbon sink must be part incorporated into the final scenario;
- The role of local agencies should explicitly account for flexibility in measuring and assessing local agency emission reductions for communities with publicly owned utilities; and
- Cross-sector interactions must be identified and quantified in the modeling and final scenario recommendation.

The Role of Interagency Coordination Must be Increased

The Discussion Draft acknowledges the integrated nature of climate programs and notes the importance of balancing trade-offs to maximize benefits and minimize costs.[4] Emission reduction programs and measures are administered by different agencies and entities across the state and in different manners. Ongoing collaboration and coordination between the state agencies that oversee the various programs, along with local governments separately administering related programs, is imperative if the State is to successfully meet its aggressive GHG reduction targets. It is not enough to recognize that there are different programs and

2 Discussion Draft, p. 37.

3 November 7, 2016 Workshop, Staff Presentation; 2030 Target Scoping Plan Overview, pp. 32-33.

4 Discussion Draft p. 23

measures that will be leveraged to ensure that the State can meet its 2030 target; each agency must understand how these programs interact *and* how compliance with one program or measure may result in increased emissions in another sector or area of the economy. Similarly, without an understanding of how mandates in one program can result in reduced participation in other programs, emission reductions can be overstated, undermining the entire analysis. Collaboration between the agencies will help ensure a better understanding of these interactions from the outset and will also help ensure that the reduction measures are administered in a complementary manner.

Furthermore, as the Discussion Draft notes, while the 2030 Target Scoping Plan is intended to set the State's path to successfully reach the 2030 GHG reduction target, the State is also looking at the 2050 goal. Achieving the 2050 goal will require both momentum and planning to ensure that the groundwork is set for policies and measure that must go into effect now. For that reason, assessment and analyses of the programs and measures being considered for the current update must also take into account the manner in which the long-term and short-term pros and cons of each of these elements will be balanced. This further highlights the need for ongoing coordination and collaboration between the agencies at all levels of program development. Only through such coordination can we ensure that entities subject to the various mandates are not inadvertently and adversely impacted by competing policy directives. As NCPA has previously noted, this coordination is particularly relevant when weighing and assessing the trade-offs between various policies and measures referenced in the Discussion Document, and ensuring that short-term solutions do not compromise long-term objectives.

Finally, NCPA notes that this interaction and coordination should be transparent and include ongoing input from affected stakeholders. To that end, CARB should consider the creation of a multi-agency taskforce or working group that can identify areas where programs or policies overlap and identify ways to address any conflicts in a manner that maximizes emissions reductions and reduces compliance costs. Furthermore, since many policies and mandates administered by one agency directly impact programs within another agency, stakeholders should be aware of how each affected agency plans to incorporate or respond to changes or developments that cross between programs, and the agencies should have a predefined process in place for doing so. For the electricity sector, these coordination concerns have come up in the context of transportation electrification, GHG accounting and RPS contracts, and development of GHG planning targets for integrated resource planning. These examples of just a few of the areas were cross-agency coordination is essential highlights the importance of ongoing collaboration. Recognizing these program-level implications and providing clear direction on how the agencies will address this issue is notably absent from the Discussion Draft.

The Draft 2030 Target Scoping Plan Scenario Presents the Best Path Forward

California will best be able to meet its GHG reduction goals and environmental objectives by ensuring that the emissions reductions can be achieved in the most cost-effective and efficient

manner. That means that the State should ensure that the cap-and-trade program remains a part of the State's long-term strategy. Even with the added flexibility afforded by the cap-and-trade program, meeting the State's reduction objectives will come at a cost, particularly for California's electric utilities and their ratepayers. As many stakeholders and the Discussion Draft itself notes, only the Draft 2030 Target Scoping Plan Draft Scenario allows the state to reach its 2030 GHG reduction goal without the need for extensive new or enhanced mandates, while also providing a way to account for uncertainties to ensure actual reductions are achieved.[5] In comments filed after the November 7 Scoping Plan workshop, NCPA addressed the myriad reasons why this option was not only preferable, but the only proposal that addressed all of the State's competing interests while providing a clear and attainable path to reach the 2030 reduction target. Nothing in the Discussion Draft alters or contradicts the rationale discussed therein.[6] Without the cap-and-trade program to ensure that reductions are achieved even if other measures under-perform, the state – and in particular the electricity sector and its electricity ratepayers – will be faced with enhanced and new measures. Simply put, the "cost of these *enhanced* programs and measures are unknown and assessment of the economic impacts are far too speculative to form the basis of a sound policy recommendation."

Determining Electricity Sector Emissions Targets and the Role of Integrated Resource Planning for Load Serving Entities Must be Further Reviewed

To accurately set sector-wide emission reduction targets, projected reductions must be substantiated and included in the final modeling. A review of the projected emission reductions from each component included in the modeling is necessary because of the potential for programs or measures to compete for actual reductions and to correctly incorporate the timeline for achieving projected reductions. It is also necessary for the Scoping Plan to accurately reflect known commitments and their associated reductions. As part of the overall assessment of electricity sector emissions reductions, the Discussion Draft references potential reductions coming from the Integrated Resource Plans required by Senate Bill 350 (Chap. 547, Stats. of 2015, SB 350). These plans will be filed by the state's load serving entities under California Public Utilities Commission (CPUC) jurisdiction and by certain large publicly owned utilities (POUs). The Discussion Draft references these integrated resource plans in several places and notes that the "IRP process will reduce GHG emissions by driving the procurement of renewable energy and other preferred resources beyond the minimums required by law in a way that allows

5 The Draft 2030 Target Scoping Plan Scenario includes the known commitments, new refinery measure (resulting in 20% GHG reductions by 2030); post-2020 cap-and-trade program. Alternative 1–No Cap-and-Trade includes "enhanced" known commitments, "enhanced" refinery measure (30% GHG reduction by 2030); new industrial sector measures (25% GHG reduction by 2030); new incentive measure (early retirement of gasoline light-duty vehicles and furnaces); new measure for renewable gas standard for residential, commercial, and industrial end users; and new measure requiring heat pumps in buildings); this alternative does not include a cap-and-trade program. Alternative 2–Carbon Tax, includes all known commitments, new refinery measure (20% GHG reductions by 2030); and a carbon tax in lieu of Post-2020 Cap-and-Trade Program.

6 Northern California Power Agency Comments on November 7 Scoping Plan Workshop, dated November 21, 2016 (https://www.arb.ca.gov/lists/com-attach/67-sp2030scenarios-ws-VjhTNlUkVGZWDwBj.pdf).

retail electricity sellers to tailor their portfolios to their particular needs."[7] NCPA does not believe that this statement accurately depicts the purpose of the integrated resource plans and cautions against such broad generalizations unsubstantiated by analytical data. The integrated resource plans are static, long-range *planning tools* that must take into account not only the resource requirements of the utility, but also obligations to meet statutory mandates for GHG reductions, renewable energy procurement, resource adequacy, transmission constraints, reliability, and cost effectiveness, as well as other planning requirements and constraints. The requirement to prepare an integrated resource plan *does not* alter any of the existing measures or mandates that load-serving entities are otherwise required to comply with. These plans will be reviewed and updated at least every five years. Further, each utility's integrated resource plan will necessarily differ based on their demographics and the integrated resource plans for CPUC-jurisdictional load serving entities will differ from the POU plans prepared pursuant to the direction of their local governing boards. At this time, there is no joint-agency public process for stakeholders to discuss development of the GHG planning targets for the electric sector. Nor is there such a process for developing guidelines for the POUs and LSEs for preparation of the IRPs;[8] while the CPUC and the California Energy Commission (CEC) each have separate proceedings to address their specific roles in implementation of the provisions of Public Utilities Code sections 454.52 and 9622 respectively, these are neither multi-agency proceedings, nor do they have the same scope since the statutory direction to each agency differs significantly.

While the integrated resource plan requirement is part of the electric sector's known commitments, the requirement to prepare the integrated resource plan *does not* reflect a separate or quantifiable GHG emissions reduction requirement for any load serving entities or publicly owned utility. It is incorrect to say that SB 350 requires "meaningful GHG emissions reductions by load-serving entities through integrated resource planning."[9] The integrated resource planning process is intended to present the utilities' *plan* to meet, among other things, the GHG planning target. The final 2030 Target Scoping Plan Update will be substantively flawed if it includes emission reductions for load serving entities and publicly owned utilities directly tied to an inaccurate interpretation of the role of the integrated resource plans.

As noted in comments on the November 7 Scoping Plan Workshop, the electricity sector GHG reduction target developed in the Scoping Plan process has far reaching implications for load-serving entities, including the POUs. It is important that the final Scoping Plan properly identify the electricity sector planning target and quantify the elements included in that sector-wide number. This is critical because the sector-wide target will then be used to determine entity-level planning targets. However, not all elements of the sector-wide target are attributable to programs, measures, or proposed GHG reductions within the control of the electric utilities and

7 Discussion Draft p. 38.

8 The Discussion Draft notes that CARB the CEC and CPUC "are currently developing the guidelines that publicly-owned utilities and load-serving entities will follow to prepare and submit IRPs." (pp. 37-38) This is not, however, part of a public process or proceeding.

9 Discussion Draft p. 40.

other load-serving entities. As such, those reductions would need to be removed from the number ultimately use to determine the entity specific planning targets. This distinction must be explicitly reflected in the final 2030 Target Scoping Plan Update.

Natural and Working Lands Must Play a Prominent Role in Statewide Reduction Goals

In developing the Scoping Plan, CARB has oft noted that policy considerations must balance potentially competing interests. The need to assess trade-offs and balance benefits is evident when addressing the role of the State's natural and working lands in meeting GHG reduction targets. These lands play a vital role in carbon sequestration, but also pose a risk of being an emission source if not properly managed. Additionally, protecting these resources and defining prohibitions on conversion must be balanced with the State's aggressive renewable energy mandates and the potential for development of renewable energy resources and infrastructure.

The modeling and assessment of the impacts of these lands must be considered in the final analysis. The Discussion Draft properly notes that protecting and enhancing natural and working lands must be central to the State's climate change strategy.[10] However, while the Scoping Plan will include "policies and programs that prioritize protection and enhancement of California's landscapes,"[11] the quantitative assessment is not included, nor will it be completed in time to truly inform the decision making. The analysis of business-as-usual net carbon sequestration rates from natural and working lands, including forecasts to 2030 and 2050, should be used to inform the current priorities and assess the full implications that these lands will have on the ability to successfully meet the state's climate objectives. The high-level objectives are important to framing the issue, but do not go far enough.

Of particular concern to NCPA is the impact that wildfires have on these lands. The loss of stored carbon through wildfires between 2001 and 2010 exemplifies this concern.[12] These wildfires also threaten electricity infrastructure, including essential renewable energy resource and the transmission and distribution systems needed to bring that zero-GHG energy to California's business and residents. Further exacerbating the negative impacts caused by wildfires is the corresponding need to replace that clean energy, which often results in the need to turn to fossil fueled resources. Properly quantifying these impacts is very important. The preliminary results in Table II-2 must be confirmed as expediently as possible. Furthermore, the results of that final assessment must also be considered in the context of the funding sources that would need to be committed to implement the land management and restoration activities referenced, including fuel reduction and restoration for forests on state and private lands.

NCPA continues to be concerned that the full import and impact of the role natural and working lands have in meeting the State's emissions reduction targets is not recognized. This is true not

10 Discussion Draft p. 24.

11 Discussion Draft p. 25.

12 Discussion Draft p. 58.

only with regard to the 2030 target, but also for purposes of longer term objectives and reaching the ultimate target set for 2050.

Local Action and Cross-Sector Synergies Should be Clearly Recognized in the Scoping Plan

The Discussion Paper builds on the prior recognition that local action complements statewide reduction activities. Indeed, local agencies play a vital and key role in the state's GHG emission reduction plan. These agencies are ideally situated to facilitate deployment and implementation of emissions reduction strategies that have the potential to shape programs to provide the maximum benefit in their particular communities. NCPA's member agencies are in the unique position of being able to provide the local perspective as both a local agency and electric utility. As NCPA previously noted, this has been demonstrated in the success of programs promulgated by NCPA's member agencies.

The proposed "community-wide goal to achieve emissions of no more than six metric tons CO2e per capita by 2030 and no more than two metric tons CO2e per capita by 2050" inherently recognizes potential for community growth.[13] However, as NCPA had previously noted, "while the target may be consistent with the statewide limits and reductions, the total reductions needed to meet the state's 2030 targets represent a substantial shift from business as usual for local agencies."[14] Climate Action Plans provide a valuable tool for this planning, but even greater flexibility must be incorporated into the final assessment to account for the direct link between local action and electric sector emissions for those communities that have publicly owned electric utilities. In support of the Discussion Draft's explicit recognition of the vital role that local governments play in meeting the State's climate objectives, NCPA urges CARB to update the "local government toolkit" to incorporate recognition of inter-sector synergies. It is important to have both a clear understanding of the way that inter-sector synergies can result in emissions reductions in one sector that come at the cost of increased emissions in another sector, and a means to by which to acknowledge those synergies. This is key because as long as there continue to be net reductions, these reductions should be recognized and even encouraged. CARB's local government toolkit can include information that helps agencies incorporate this into their planning.

Cross-Sector Interactions Must be Identified and Quantified

Further evidencing the need for statewide and agency-wide coordination in developing the 2030 Target and a statewide plan for achieving that target are cross-sector impacts that result from statewide GHG reduction policies. As the Discussion Draft recognizes, this is especially relevant to the electricity sector, which interacts with nearly all sectors of the economy.[15]

13 Discussion Draft p. 103.

14 [NCPA November 21 comments]

15 Discussion Draft p. 40.

Everything from transportation electrification to reduced natural gas consumption shift emissions to the electric sector. Despite laudable goals and best efforts, not all of these emission shifts can be offset by other reduction measures. For that reason, it is important that cross-sector impacts are not only recognized, but quantified.

Transportation electrification presents a particularly significant challenge for electricity sector planning and emission reduction target setting. NCPA joins with the numerous other parties that have stressed the importance of recognizing this cross-sector impact. As a key element of the State's plan to achieve the target reductions,[16] transportation electrification will directly impact electricity sector emissions. It is vitally important that the final modeling take this into account when setting the strategy for meeting the 2030 reduction target. For that reason, the Draft 2030 Target Scoping Plan Scenario best addresses the inherent uncertainties.

NCPA appreciates the opportunity to provide these comments and looks forward to continuing to collaborate with CARB, its sister agencies, and stakeholders throughout the state in this process. If you have any questions regarding these comments, please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com.

Respectfully submitted,

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16 SB 350, Public Utilities Code section 740.12.