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

Re: California Municipal Utilities Association's Comments on California Air Resources Board's Low Carbon Fuel Standard Proposed Regulation Order.

Clerk of the Board,

The California Municipal Utilities Association ("CMUA") appreciates the opportunity to submit these comments on the California Air Resources Board's ("CARB") Low Carbon Fuel Standard ("LCFS") Proposed Regulation Order ("Proposed Regulation").

CMUA is a statewide organization of local public agencies in California that provide electricity and water service to California consumers. CMUA membership includes publicly-owned electric utilities ("POUs") that operate electric distribution and transmission systems. In total, CMUA members provide approximately 25 percent of the electric load in California. California's POUs are committed to, and have a strong track record of, providing safe, reliable, affordable and sustainable electric service.

CMUA supports the LCFS program as an essential and effective strategy for diversifying California's transportation fuels and advancing the state's climate change goals by significantly reducing greenhouse gas ("GHG") emissions from the transportation sector. CMUA supports CARB's efforts to firm up the structure of the LCFS and provide the market the regulatory certainty needed to promote investment in

low carbon transportation technologies. As such, the Maximum Price and the Borrowed Credit proposals not only strengthen LCFS cost containment features, but also facilitate the investment needed for California to achieve its clean transportation and GHG reduction goals.

In order to strengthen the incentive for transportation electrification that the LCFS provides, CMUA encourages CARB to allow greater flexibility to develop and manage equity programs.

CMUA Supports a Price Cap

CMUA supports the current Credit Clearance Market (“CCM”) component of the LCFS.¹ The Proposed Regulation, as a means to supplement the current CCM, establishes an LCFS credit maximum price (“price cap”) as a cost containment concept.² A price cap can provide the regulatory structure to promote stakeholder confidence in the ongoing successful operation of the LCFS program. By implementing a price cap, CARB can demonstrate its commitment to facilitate the continued success of the LCFS. Additionally, this can provide technology developers, low carbon-intensity transportation fuel suppliers, regulated parties and other stakeholders confidence that the LCFS will continue to promote low carbon transportation alternatives. A price cap supports the long-term sustainability of the LCFS by providing consumer protection while maintaining the economic incentive to invest in low carbon transportation technology. Additionally, by supporting the long-term sustainability of the regulation, CARB is able to send a signal to policy-makers in other regions that programs

¹ See 17 Cal. Code Regulation (“CCR”) § 95485(c).

² § 95485(c)(3)(D).

developed in California can be a successful means of moving toward a low carbon transportation future.

The Borrowed Credit Proposal Can Provide Greater Cost Containment and Help to Accelerate Investment in Low Carbon Transportation Technology.

CMUA supports the Borrowed Credit proposal. By authorizing the use of Borrowed Credits, CARB recognizes that reaching the state's low carbon transportation goals requires longer term actions. By making Borrowed Credits available for compliance, parties regulated under the LCFS can, with greater confidence, make investments in low carbon transportation technologies and not be as limited by immediate compliance constraints.

Borrowed Credits would be issued to large electricity distribution utilities ("EDU") based on their pro-rata share of base credits generated.³ By making this revenue available earlier, the Borrowed Credit proposal provides an opportunity for EDUs to make investments in low carbon transportation earlier than would otherwise be possible. This could further accelerate the state's move toward a low carbon transportation future. As such, the Borrowed Credit proposal not only strengthens the cost containment features of the LCFS but also increases the impact of the LCFS as a means of promoting low carbon transportation technologies.

Opt-In Utilities Should Be Able to Volunteer to Issue Borrowed Credits

The Proposed Regulation establishes a process by which CARB would issue Borrowed Credits when the cumulative outstanding deficit exceeds the Pledged Credits

³ § 95485(c)(3)(C)(1).

in the credit clearance market.⁴ EDUs would have neither the choice to opt out of the Borrowed Credit draw nor the choice to offer Borrowed Credits in a scenario in which CARB did not advance any credits. However, as discussed above, Borrowed Credits can provide a means to accelerate investments in low carbon transportation technologies and as a result, expedite the state's clean transportation and GHG reduction goals. CMUA encourages CARB to investigate the potential for EDUs to voluntarily provide Borrowed Credits.

The Proposed Regulation Should Provide POUs Greater Flexibility to Implement Equity Programs

The Proposed Regulation provides a limited set of potential equity programs. The Proposed Regulation further requires that any other potential equity programs be approved by the Executive Officer.⁵ An application for such approval would need to include "evidence that the project was developed with local environmental justice advocates and local municipalities".⁶ However, POUs already have an open and public process for community engagement and as such the additional layer of approval would needlessly delay such programs. Additionally, in order to provide EDUs with the flexibility to develop and manage equity programs, the Proposed Regulation should be modified to recognize the important role that administration plays in the success of equity programs. In order to do so, the administrative costs must be recognized as part of the cost of implementing such programs.

⁴ § 95485(c)(3)(C).

⁵ § 95483(c)(1)(A)(6).

⁶ *Ibid.*

Conclusion

CMUA appreciates the opportunity to comment on the Proposed Regulation.

Respectfully submitted,

/s/

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