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Ms. Claudia Orlando
California Air Resources Board
1001 I Street
Sacramento, California 95812-

Re: Comments of County of Los Angeles on Staff Proposals from May 1, 2013 Workshop

Dear Ms. Orlando:

The County of Los Angeles ("LA County" or "the County") greatly appreciates the opportunity to submit comments on the California Air Resources Board ("ARB") staff proposals concerning possible revisions to the Cap and Trade regulation, presented at the May 1, 2013 workshop.[1] Staff requested that interested parties submit comments on the staff proposal and any other relevant issues no later than May 21, 2013. LA County submits the following comments for staff's consideration.

The County supports the staff proposal to provide transition assistance to universities in recognition of universities' early actions to reduce greenhouse ("GHG") emissions and investments in energy efficiency and renewable energy. The County urges staff, to expand this category of transition relief to include municipal agencies, such as LA County, that are similarly situated to the universities insofar as they: (1) face significant GHG compliance costs as a result of an investment in CHP; (2) have demonstrated leadership through early actions to reduce GHG emissions; (3) have achieved GHG reductions as a result of past investments in energy efficiency; and (4) commit to further GHG emissions reductions.

As discussed further below, the County faces significant GHG compliance costs for emissions from the Pitchess and Civic Center cogenerators. In addition the County faces significant embedded GHG costs in electric rates. Under the current program, the County will not receive any allocation of allowances from ARB and will receive only a de minimus rebate to offset embedded GHG costs in electric rates. This is a perverse result in light of the significant

[1] The cap and trade regulation can be found at Title 17 California Code of Regulations, sections 95800-96023.

GHG reductions the County has achieved in its own facilities and the GHG reductions the County has made possible through County-wide and regional programs.

The County has demonstrated leadership on energy efficiency and sustainability through a number of initiatives, many of which are ongoing. Based on current and planned actions alone the County will reduce GHG emissions by 15% below 2009 levels by 2020, consistent with the target set by the ARB Scoping Plan. The County's Climate Action Plan, however, shows that the County is likely to exceed the AB 32 target. In addition to achieving GHG reductions in County facilities, the County has developed and supports a number of county-wide and regional programs to facilitate GHG reductions in buildings owned by private businesses and individuals as well as other public agencies. If the County is allocated allowances in recognition of its efforts to reduce GHG emissions to date, the County can commit to reinvesting any cost savings resulting from an allocation of allowances to the County in additional GHG reduction measures in the future.

A. Procedural Background

ARB Resolution 12-33 directs ARB staff to consider a number of amendments to the Cap and Trade regulation and to return to the board with a proposed regulatory amendments in mid 2013. Resolution 12-33 specifically requested that staff develop a methodology to allocate allowances to California universities in recognition of early actions to reduce greenhouse gas ("GHG") emissions and invest in energy efficiency and combined heat and power ("CHP"). Resolution 12-33 also directed staff to develop a methodology to provide transition assistance to covered entities that have a compliance obligation cost that cannot be reasonably recovered due to a legacy contract.

Staff held a workshop on May 1, 2013 to present an initial proposal regarding transition assistance to universities and generators facing stranded GHG costs as a result of legacy contracts. Staff noted that under the current program, allowances are freely allocated to the industrial sector for transition assistance and to prevent leakage and to the electric sector for the benefit of ratepayers. Allowances are not allocated to CHP facilities or municipal entities.

Staff reasoned that transition assistance is appropriate for universities because universities have taken early actions and provided leadership to reduce GHG emissions by investing in energy efficiency and renewable energy. Staff proposed to allocate allowances based on a 'grandfathering' approach similar to the energy based allocation methodology for allocations in the industrial sector, which would decline over time in proportion to the cap. Staff acknowledged at the workshop and in its proposal that the early action transition assistance being contemplated for universities could be expanded to include other similarly situated entities.

B. About LA County

LA County is home to 10 million residents, approximately 27 percent of California's population. The County provides municipal services directly to more than 1 million residents that live in unincorporated areas of the County. It also provides support and services to the 88 cities within its jurisdiction.

The County employs 100,000 people in 37 County departments. The county provides a diversity of services include public safety, hospitals and public health, children and family services, public works, parks and beaches, libraries, arts and entertainment, county counsel, district attorney, treasurer and tax collection, real estate, general services, procurement, and information technology.

C. About the County Cogens and the County's GHG Compliance Costs

LA County faces significant GHG compliance costs resulting from emissions produced by two 25 MW cogeneration facilities owned and operated by the County. Each facility is responsible for approximately 100,000 tons of CO2 production annually.

The Pitchess Detention Center cogenerator ("Pitchess Cogen") provides steam and electricity for the Pitchess Detention Center. The County sells, on average, 20 MW of the Pitchess Cogen's electrical output to Southern California Edison ("SCE") pursuant to a 1985 agreement.

The Civic Center cogenerator ("Civic Center Cogen") provides steam, chilled water and electricity for facilities throughout the county, most of which are affiliated with the County, such as the Hall of Administration, and some of which are not, such as the Catholic Archdiocese and the Los Angeles Law Library. The County sells 15 of the 25 MW of output from this facility to the Los Angeles Department of Power and Water ("LADWP") under a 1985 agreement. GHG compliance costs are not addressed and cannot be recovered by the County pursuant to the terms of the agreement with LADWP or the agreements with the Catholic Archdiocese, the LA Music Center and the Disney Concert Hall.

Between 2002 and 2006, the County invested over $3 million in efficiency upgrades to the Civic Center Cogen. As a result, the Civic Center Cogen has a significantly lower GHG emissions factor than LADWP grid power. If the County is forced to shut down the Civic Center Cogen due to high operating costs, it will serve the load currently served by Civic Center with purchased power supplied by LADWP, resulting in a net increase in GHG emissions.

In addition to the GHG compliance costs for the County's cogeneration facilities, LA County faces significant embedded GHG costs in utility electric rates. LA County is SCE's largest customer and one of LADWP's largest customers. Pursuant to California Public Utilities Commission Decision ("D.")12-12-033, SCE will provide rebates to certain classes of ratepayers to offset embedded GHG compliance costs. Rebates will be provided to emissions intensive and trade exposed industrial, small business, and residential ratepayers. No rebate will be provided to municipalities. The County will receive a de minimus GHG revenue rebate for power purchased from SCE on the small business rate schedule, which is approximately 3% of the County's total load. The vast majority of the County's load is on SCE rate schedules for large customers, which were excluded from relief per D.12-12-033 and Senate Bill 1018.

D. LA County Has Been a Leader in Sustainability and Has Made Significant Investments in Early Actions to Reduce GHG Reductions

LA County created the Energy Management Division in 1995, and has managed the implementation of nearly 400 energy efficiency projects throughout County facilities. LA County has expanded its leadership in sustainability and conservation throughout the region. In 2009, the County created the Office of Sustainability to serve as a central hub to coordinate energy efficiency, conservation and sustainability programs with the County and other municipalities throughout the region. The Office of Sustainability includes both Environmental Initiatives Division and the Energy Management Division. The Office of Sustainability is funded by the County and has a budget of $6 million per year.

For its municipal operations, the County has committed to reduce its municipal operations emissions by 15% below 2009 levels by 2020, consistent with the ARB Scoping Plan. This obligation is independent of any obligations the County has under the Cap and Trade regulation. The County forecasts that as a result of actions it has currently planned, it will reduce GHG emissions by 18% below 2009 levels by 2020, in excess of the 15% target. If the County commits to additional actions identified in its Climate Action Plan, it could feasibly achieve reductions of approximately 30% below 2009 levels. LA County will achieve these reductions by continuing its successful energy retrofit program for existing County facilities, requiring LEED silver certification for all new County facilities, reducing water consumption and increasing water efficiency and recycling efforts, expanding the County's existing public transit and telecommuting programs for County employees, expanding the Clean Fuels Program for the County's alternatively fueled vehicles, and implementing a green procurement program for appliances and hardware.

The County has leveraged its investments in the Office of Sustainability to gain additional federal and state funding in order to develop additional local, regional and statewide energy programs, above and beyond anything required under AB 32. The County led a statewide coalition to secure a $30 million Better Buildings Grant from the United States Department of Energy ("DOE"), one of 30 such grants awarded nation-wide. The County created programs for public and private buildings in support of statewide strategic energy goals, including the very successful Energy Upgrade California program. The County created a county-wide rooftop solar map which details the costs and benefits of installing solar for every rooftop located within the County (residential and non-residential). This tool provides the most detailed and sophisticated solar power potential of any publicly available solar mapping tool and has helped building owners, contractors and consultants assess solar potential in buildings throughout the County. Using DOE grants, the County developed a County-wide GHG inventory which includes transportation and energy consumption data down to the city boundary and zip code level of detail. This tool helps cities in the County develop Climate Action Plan strategies and will be expanded to provide a greater level of detail of GHG production. The County adopted Green Building Ordinances in 2010 applicable to buildings owned by entities other than LA County which phases in the requirement of LEED and other green building certifications for new building construction in unincorporated County jurisdictions.

In 2012, the County led the formation of the Southern California Regional Energy Network ("SoCalREN"). SoCalREN will access untapped energy efficiency potential in local jurisdictions throughout Southern California Edison's and SoCalGas's service territories to complement existing utility programs. In addition to continuing Energy Upgrade California, SoCalREN will provide financing for energy efficiency projects in private and public buildings as well as provide advanced energy management services to local governments. SoCalREN programs are projected to achieve reductions of 51,190,000 kWh and 1,875,000 therms between during its initial 2 year pilot. The savings achieved by SoCalREN will be credited toward SCE and SoCalGas's energy efficiency goals.

E. ARB Should Revise the Cap and Trade Regulation to Provide for Allocation of Allowances to the County

ARB should revise the Cap and Trade regulation to provide for allocation of allowances to the County in recognition of the County's leadership on sustainability and in order to offset the significant GHG compliance costs resulting from operation of the Pitchess and Civic Center cogenerators. As explained above, the County has demonstrated a commitment to sustainability and energy efficiency. In addition, the County is adept at leveraging available funds to obtain additional federal and state grant money for programs and projects. Many of the benefits of the initiatives on which the County has taken the lead will not accrue directly to the County. For example, energy efficiency achieved through the SoCalREN will be credited to SCE and SoCalGas to count against their energy efficiency goals. Cost savings resulting from SoCalREN projects will flow through to participating agencies and private property owners.

There are few, if any, other municipal entities which have a GHG compliance obligation as a result of owning and operating covered entities and which are not currently receiving some form of transition assistance. LA County may be uniquely impacted by the Cap and Trade regulation insofar as it has already committed to significant GHG reductions, which it will likely exceed, and it is not receiving any form of transition assistance from the ARB and only a de minimus utility GHG revenue rebate.

If ARB revises the regulation to allocate allowances to the County, the County could commit to reinvesting the cost savings in additional GHG reduction measures. If staff so desires, the County would be happy to identify examples of target projects and programs that it would likely reinvest the savings in, including possible retrofits of the Pitchess and Civic Center cogens.

Sincerely,

/s/ F. Jackson Stoddard

F. Jackson Stoddard
Attorney for the County of Los Angeles

cc: Mary Nichols
Virgil Welch
Richard Corey
Steve Cliff
Howard Choy

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