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October 16, 2015 | Submitted Electronically

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95184

Re: SCPPA Comments on the “2030 Target Scoping Plan”

Thank you for the opportunity to provide comments on this update to the Global Warming Solutions Act of 2006 (AB 32) Climate Change Scoping Plan to reflect the 2030 greenhouse gas emissions reduction target as presented at the October 1 public workshop, the 2030 Target Scoping Plan.

The Southern California Public Power Authority (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. Each Member owns and operates a publicly-owned electric utility governed by a board of local officials. Our members collectively serve nearly five million people in Southern California. SCPPA Members have made major strides towards reducing emissions under AB 32, have been successfully working to meet a 33% Renewables Portfolio Standard (RPS), and have demonstrated a long-standing commitment to energy efficiency program achievements.

We look forward to working with ARB, other state agencies and stakeholders as the 2030 Target Scoping Plan is developed to ensure that the policies considered and the programs ultimately adopted by the State affordably yield the greatest benefits for Californians. SCPPA Members understand and appreciate the need for sustainable and economically equitable measures that achieve environmental goals. As we move forward, it must be a priority for programs and regulations to ensure grid reliability, to be technologically achievable, to be flexible enough to accommodate implementation challenges, and to be affordable for our diverse residential and business customers.

Reasonable options exist to ensure that environmental integrity is retained at equitable and stable costs. The emphasis of the 2030 Target Scoping Plan should continue to be on complementary measures (e.g., a 50% RPS, cost-effective and technologically feasible energy efficiency and demand response programs, regional planning, etc.) supported by the Cap-and-Trade program which ensures California's GHG emission targets are met with a long-term transparent price signal. This myriad of programs will continue to have a substantial impact on the electric sector through the expanding role of intermittent renewable resources and electrification of the transportation sector – which will likely require added system flexibility, will shift emissions burdens across sectors, and will require new transmission system investments.

SCPPA looks forward to actively participating in the upcoming workshops where many of the details of the program will be discussed. At this time, we would like to highlight some broad policy positions that need to be considered throughout the process.

- **Allowance Allocations.** Utilities must continue to receive an allocation of allowances *under the current allocation methodology beyond 2020* to ensure the value of investments and planning decisions already undertaken by utilities to achieve emission reduction goals are protected. The detailed stakeholder engagement, data analysis, and modeling work undertaken when this methodology was developed for the Cap-and-Trade Program resulted in a fair and reasonable allocation to protect ratepayers as California transitions to a cleaner economy. SCPPA further believes that the total allocation to the electric sector must be *increased* commensurate with the expected growth to

utility loads from transportation electrification initiatives as outlined by the State as necessary to meet the aggressive emissions reduction targets presented in the October 1, 2015 workshop. We do not believe it reasonable to assume that increased (*utility and customer-driven*) energy efficiency efforts will yield sufficient energy savings to offset an influx of electric vehicles charging needs through 2030 and beyond.

- **Transportation Electrification.** The electric sector is an important stakeholder, but cannot achieve California's aggressive climate goals alone. While utilities continue to accelerate decarbonization efforts, there will necessarily be an interim period in which increased load due to transportation electrification is likely to be met with a mix of renewables and natural gas resources in order to maintain system reliability. This will increase the utility sector's emissions while reducing emissions from the transportation sector to the electric sector. SCPPA supports these ongoing efforts and respectfully requests that ARB identify and consider overall benefits and burdens associated with the continued trend towards electrifying the transportation sector as ARB is directed to do with enactment of Senate Bill 350 (de Leon, 2015): "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." Electrifying a significant portion of California's vehicles will require commensurate investments, including maintaining the charging system once in place and to generate the additional electricity that will be required to charge the increasing number of plug-in hybrid or zero-emission vehicles.
 - **Heavy-duty Vehicles.** SCPPA also recommends that ARB consider how best to incent electrification of heavy-duty vehicles – particularly those used by the utility sector in support of statewide electrification goals. While the 2030 Target Scoping Plan briefing materials for the October 1 public workshop referenced the "continued growth in natural gas (especially renewable natural gas)" and the "expanded use of electricity and hydrogen" in the transportation sector. Heavy-duty vehicle technology has advanced tremendously in the past 15 years and should be carefully evaluated to determine what can best be used to meet overall emission reduction levels -- including when vehicles are being driven, are parked, and are operating equipment. Regulations that prohibit investments in widely-available and increasingly cleaner diesel-powered grid-based hybrid trucks may impact the ability to quickly and reliably respond to disasters, emergencies, mutual aid requests, and operational demands when it matters the most for customers. ARB's policies should evolve along with technologies such that they are fuel- and technology-neutral to achieve overall emissions reduction goals.
- **Deepen Regional Cooperation.** SCPPA and our Members own, operate, or have binding long-term procurement arrangements with 25 generation and gas projects and three transmission projects, generating power in or importing power from California, Arizona, New Mexico, Utah, Oregon, Washington, Nevada, Texas, and Wyoming in order to provide reliable and affordable power to five million people. We have long recognized that cooperative regional approaches are likely to be the most economically efficient and environmentally sound approach to reducing carbon emissions from existing power plants. As part of this discussion, SCPPA urges ARB to thoughtfully consider:
 - **EPA Clean Power Plan Implementation.** SCPPA particularly appreciated ARB's recognition, in the September 2014 *Clean Power Plan Proposed Rule (111(d)) Discussion Paper* that, "...import/export relationships are particularly important in the West because there are numerous long distance power transfers in the region. California is particularly interested in working with our regional partners to explore joint compliance options and ensure that renewable energy and energy efficiency are accounted for across state lines to strongly encourage further investments." We urge ARB to seek active partnerships with other Western states *now* to promote the development of renewable generation and integration efforts throughout the West while also maintaining broader grid reliability, ensuring long-term power supply affordability, promoting a mutually beneficial Western regional marketplace, and to achieve an active leadership role on climate change policies here in the West that our neighboring States can and will participate in to achieve even greater GHG emissions reductions. Indeed, at a recent East Coast clean energy forum, White House staff expressed concern about states rushing to submit compliance plans – so much so, that the Administration was considering direct outreach to states to reiterate a key revision made to the final rule: to promote multi-state cooperation across regions on climate change policies.

- **“RETI 2.0.”** ARB should proactively engage with the California Energy Commission (CEC), the California Independent System Operator (CAISO) and other California Balancing Authorities, other state and Federal partners, tribes, and the California Public Utilities Commission (CPUC) to discuss what role it can play to promote the development of any necessary infrastructure needs through the Renewable Energy Transmission Initiative 2.0 as California moves towards a 50% RPS. Addressing regulatory hurdles (e.g., potentially with the Mandatory Reporting Regulation) towards advancing any RETI 2.0 recommendations early on would be an important contribution for ARB in this newly-initiated, collaborative inter-agency effort.
- **Over-generation.** While California has actively promoted the Energy Imbalance Market (EIM) and the broader regional evolution of the CAISO, SCPPA believes that broader regional coordination will also be necessary as neighboring states ramp-up the development of renewables to meet their state and/or federal climate goals, potentially compounding issues now associated with over-generation here in California (e.g., California utilities having to pay entities to take renewable power or to curtail production). ARB’s involvement in addressing such supply-side complications and potential solutions – such as by working with other states – would be helpful.
- **Grid Reliability.** ARB must consider the physical operational realities of the electric grid itself as California implements complementary measures (including SB 350’s 50% RPS and doubling energy efficiency in existing buildings mandates). As more and more large base-load, fossil fuel-fired generation sources are replaced with small, intermittent renewable resources that come with almost no “inertia,” we reduce the ability of our aging electric grid to withstand large swings in generation, to prevent over- or under-frequency incidents, and to maintain a steady state to reliably serve customers. A dramatic increase in the deployment of intermittent renewable resources may create significant challenges for the reliable operation of the electric grid – such as ramping needs and system-wide over-generation that could threaten system reliability. Ensuring that goals are technologically feasible and achievable at costs acceptable to the customers will be of paramount importance to achieve and sustain the goals.
- **Cost Containment.** ARB has acknowledged that Cap-and-Trade cost containment mechanisms are critical to ensure the Program’s long-term regulatory and political stability. In Resolution 13-44, the Board directed that staff develop a plan for a post-2020 Cap-and-Trade Program (including cost containment) before the start of 2018 to provide market certainty and address a potential 2030 emissions reduction target. We have previously urged ARB to not wait until 2017, and to engage stakeholders as soon as possible – while the market is stable – to design, test, and implement a cost containment mechanism rather than waiting until abatement costs escalate out of control or a crisis sets in. We further urge ARB to incorporate a meaningful “safety valve” in the event new technologies do not develop that allows entities to meet the goals in a cost-effective manner.
 - **Economic Analysis.** Further consideration is needed to determine whether emissions reduction targets are technologically feasible, adequately demonstrated at a commercial level, can be implemented in a cost-effective manner for California customers, and do not cause conflicts with other local, state, and national environmental regulations (including federal energy reliability standards). SCPPA agrees that ARB should assess the full economic impact of options for achieving the 2030 emissions reduction target on the California economy, California businesses, and individual ratepayers.
 - **Assessment.** ARB should work with state agency partners to include a quantitative analysis of progress to date in terms of meeting emissions reduction targets. That assessment should include an evaluation mechanism to ensure that the Mandatory Reporting Regulation and California’s state emissions inventory reflect *actual* emissions; additional analysis on the technical feasibility and commercial viability of carbon capture and storage technologies at existing natural gas power plants; an evaluation of permitting challenges to combined heat and power and biomethane development; and additional analysis on demand response as a renewable integration resource.
 - **Flexibility.** SCPPA urges ARB to maintain programmatic flexibility in available compliance options to minimize reporting and compliance costs for regulated entities.
- **Short-Lived Climate Pollutants.** SCPPA supports ARB’s work to comprehensively address emissions from short-lived climate pollutants, including developing a strategy to inventory sources and emissions, identify research gaps,

and to plan for developing necessary control measures. We also recognize that methane can be used to produce clean power to help meet California's aggressive climate change goals. We urge ARB to work with the CEC to address existing regulatory barriers that otherwise prevent utilities from doing so.

- **Avoid Stranding Long-Term Investments.** SCPPA undertook considerable effort over the course of three years and approved a suite of agreements in July 2015 that would facilitate SCPPA's exit from its ownership of the coal-fired San Juan Generating Station in New Mexico. While that plant had been a valuable resource for SCPPA Members for over 20 years, in order to meet California's climate change goals, the decision was made to replace it with cleaner resources (including renewables and additional flexible resources to assist with the integration of intermittent renewables). "Flexible resources" include further investments in fast-ramping fossil fuel-fired peaking units that utilities may need to procure in the near term to maintain grid reliability. These resources require long-term investments (20 to 30 years) that may not be fully amortized before the resources are decommissioned due to accelerated demands towards decarbonizing the electricity sector. ARB should work closely with California's balancing authorities and utilities to develop a plan that can reduce emissions, maintain grid reliability, and avoid stranding investments – all at reasonable costs to California ratepayers.
- **Energy Efficiency.** California's publicly-owned utilities have demonstrated a long-standing commitment to energy efficiency. SCPPA Members have embraced energy efficiency as a means of lowering our customer's electric bills, reducing greenhouse gas emissions, and ensuring power system reliability. We have been implementing a myriad of voluntary and mandatory programs for over a decade. Indeed, since 2006, publicly-owned utilities have collectively invested over \$1 billion in customer energy efficiency projects, as is detailed in the most recent annual report, *Energy Efficiency in California's Public Power Sector: A 2015 Status Update*. A critical component towards meeting such an accomplishment is recognizing that **programs are customer-driven** and are significantly impacted by personal and macroeconomic circumstances beyond a utility's control. Our experience in this area demonstrates that although significant savings can be achieved through end-use energy efficiency *as chosen by customers*, there are legitimate concerns associated with the ability to sustain reasonable costs for incremental improvements over long periods of time given California's significant accomplishments to date. SCPPA members therefore question assumptions that utilities could reach the 2030 goal that would require the full offset of demographic- and economic-driven load growth while also beginning to reduce total energy consumption and that increasing energy efficiency would create significant "headroom lessening infrastructure build out for electrified transportation."
- **Data Reporting.** SCPPA urges ARB to work with stakeholders to improve and streamline both the growing data reporting needs and the data reporting processes for *all* governmental staffs involved.
- **Adoption Timing and Process.** SCPPA understands ARB's desire to aggressively move forward in adopting the 2030 Target Scoping Plan, but cautions against the potential for missteps as several significant and wide-reaching efforts are occurring simultaneously — including Cap-and-Trade Program amendments, EPA Clean Power Plan Section 111(d) implementation, implementation of a 50% RPS and new energy efficiency mandates, and adoption of additional complementary measures by other state agencies, and more. These overlapping planning and regulatory efforts place a burden on both ARB and other stakeholder resources. We encourage ARB to provide sufficient time, even if it means an overall lengthier adoption process, for stakeholder review, analysis, discussion and feedback of proposed policy and regulatory proposals.

Thank you for your time and consideration.

Respectfully submitted,



Tanya DeRivi
Director of Government Affairs