Golden State Power Cooperative
The Power of Cooperatives
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July 5, 2018

Rajinder Sahota, Assistant Division Chief
Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: *Comments on Cap-and-Trade Program Second Preliminary Discussion Draft and June 21 Workshop*

Dear Ms. Sahota:

The Golden State Power Cooperative (GSPC) appreciates the opportunity to provide CARB staff with these comments on the Cap-and-Trade Program Second Preliminary Discussion Draft (Second PDD) and June 21 Workshop (Workshop).

California's electric cooperatives are electrical distribution utilities (EDUs) that receive an allowance allocation for the benefit of their electricity ratepayers to offset the cap-and-trade program cost burden for those electricity customers. The electric cooperatives are unique in that each cooperative is owned by their member-customers. As such, the value of these allocated allowances plays an important part of each cooperative's comprehensive plan to meet the State's ambitious climate and clean energy goals, and continue to provide ratepayers with safe and reliable electricity.

GSPC looks forward to participating in CARB's upcoming formal rulemaking process and reserves the right to comment on all aspects of the pending proposed amendments. In these comments, however, GSPC focuses exclusively on the provisions of section 95892(d) regarding the limitations on the use of auction proceeds and allowance value, and the suggested modifications to sections 95892(d)(3) and (4) set forth in the Second PDD. In particular, *GSPC supports the proposed addition of new section 95892(d)(3)(C)*, and wants to ensure that the EDUs continue to have the flexibility to exercise local judgement over the use of allowance value to guarantee that the individual member-customers of the cooperatives receive the maximum value from the allocated allowances.

Introduction

By law, the cooperatives are not-for-profit and are organized for the purpose of transmitting or distributing electricity *exclusively to their members at cost*.[1] The cooperatives provide electric service to their member-customers living in rural communities that were previously unserved or

[1] Cal. Pub. Util. Code (PUC), section 2776.

underserved by for-profit investor-owned utilities. Cooperatives are owned and governed by local, member-elected boards selected from the communities they serve. Collectively, California's three electric cooperatives serve just over 300 gigawatt-hours (GWh) of electricity in California, accounting for less than 0.1% of California's total electricity use. Many of the communities served by electric cooperatives are disadvantaged, despite the fact that they may not meet the definition of Health and Safety Code section 39711. For example, within Anza Electric Cooperative's service territory, up to 15.9% live at the poverty level and unemployment has been as high as 18.1%. Anza has a total of 3,880 member-customers in California, and an average of 6 meters per mile along the 737 miles of energized powerlines in its service territory. Similarly, Surprise Valley Electrification Corp. has 3,071 member-customers in California, with just 2 members per mile on their 1,566 miles of energized powerline. Unlike Anza, whose members are primarily residential (93% of the load), nearly half of Surprise Valley's load is for irrigation, with only a third residential. Surprise Valley's service territory has a declining population of nearly 9% in the past five years and unemployment of 7.8%[2] with 18.7% of the population living at the poverty level.[3] Plumas-Sierra Rural Electric Cooperative serves approximately 6 member-customers per mile, with over 1,305 miles of energized powerlines. Their load is largely industrial and residential, with an average poverty level of 14.9%[4] and an average unemployment rate of 8.6%[5] in the region.

Response to the Second PDD

As these numbers clearly demonstrate, the electric cooperatives play a unique and integral role in California's electricity landscape. In order to meet the needs of these diverse, rural service areas, the cooperatives have designed programs and measures that "are exclusively for the primary benefit their retail electricity ratepayers," but which do not necessarily fall into the categories delineated in sections 95892(d)(3)(A) or (B). The cooperatives' programs would qualify as "Other GHG Emissions Reduction Activities," and GSPC appreciates CARB staff's acknowledgement of the need to include this "other" category and recognition that not all acceptable uses of allowance value will fall neatly into three categories.

GSPC urges the inclusion of additional clarifying text in the final proposed amendments to make clear that programs that fall within the ambit of section 95892(d)(3)(C) can vary greatly. One critical element is a clearer understanding of what is meant by "quantifiable GHG emissions reductions." Not all beneficial uses that otherwise meet the statutory and regulatory mandates are conducive to providing a formulaic expression of quantifiable reductions. Since these programs, however, still benefit electricity customers, meet the objectives of AB 32, and provide GHG emission reductions, they should not be excluded from the use of allowance value. Instead, the regulatory text should acknowledge the different types of emissions reductions and associated benefits from various projects, programs, and measures, and where appropriate, require the reporting of quantified reductions. For other programs, however, the success would not be measurable in quantified reductions, and for these projects and measures, and estimation

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[2] Career Trends (December, 2016) http://unemployment-rates.careertrends.com

[3] U.S. Census Bureau (2015) https://www.census.gov/quickfacts

[4] https://www.census.gov/quickfacts/table/PST045215/06063,06091,06035.

[5] http://unemployment-rates.careertrends.com/compare/2859-2873-2887/Sierra-County-CA-vs-Plumas-County-CA-vs-Lassen-County-CA.

of the reductions and accompanying explanation of the benefits *and* communities served, would be sufficient.

Proposed Changes to the Regulatory Text

To address these interrelated issues, GSPC joins with Northern California Power Agency and Southern California Public Power Authority in proffering the following proposed regulatory text:

Proposed Text in the Second PDD:

95892(d)(4) Electrical distribution utilities must demonstrate quantifiable GHG emissions reductions for each use of allocated allowance auction proceeds undertaken under sections 95892(d)(3)(A)-(C), as described in section 95892(e)(4)(B).

95892(e)(4)

(A) Describing the nature and purpose of each use of allocated allowance auction proceeds and specifying the amount of allocated allowance auction proceeds spent on that use;

(B) Estimating the GHG emission reductions from each use of allocated allowance auction proceeds allowed pursuant to sections 95892(d)(3)(A)-(C); and . . .

Suggested revision:

95892(d)(4) Electrical distribution utilities must demonstrate ~~quantifiable~~ GHG emissions reductions for each use of allocated allowance auction proceeds undertaken under sections 95892(d)(3)(A)-(C), as described in section 95892(e)(4)(B).

95892(e)(4)

(A) Describing the nature and purpose of each use of allocated allowance auction proceeds, **including the targeted recipients of such proceeds,** and specifying the amount of allocated allowance auction proceeds spent on that use;

(B) Estimating the GHG emission reductions from each use of allocated allowance auction proceeds allowed pursuant to sections 95892(d)(3)(A)-(C)**, including a qualitative assessment of the estimated GHG emission reductions, and where applicable, a quantitative assessment of GHG emission reductions**; and . . .

Proposed Text in the Second PDD:

Section 95892(d)(3)(C) Other GHG Emission Reduction Activities: Programs or activities other than renewable energy, integration of renewable energy, energy efficiency, or fuel-switching, for which the electrical distribution utility can demonstrate quantifiable GHG emission reductions per section 95892(d)(4). This includes funding:

1. Projects or activities that reduce emissions of sulfur hexafluoride.

Suggested revision:

Section 95892(d)(3)(C) Other GHG Emission Reduction Activities: Programs or activities other than renewable energy, integration of renewable energy, energy efficiency, or fuel-switching, for which the electrical distribution utility can demonstrate ~~quantifiable~~ GHG emission reductions per section 95892(d)(4). **Other GHG emission reduction activities** ~~This~~ include~~s~~, **but are not limited to** funding:

1. Projects or activities that reduce emissions of sulfur **hexafluoride or other greenhouse gases used in insulated switchgear;**
2. Programs and measures that educate the public on the benefits of reduced electricity consumption, reduced use of fossil fuels, renewable energy, energy efficiency, and greenhouse gas emissions reductions (including environmental benefits and costs of such reductions as compared to fossil fuel usage);
3. Programs and measures that harden utility infrastructure within the EDU's service territory in areas of heightened risk of wildfires;
4. Projects or activities that reduce GHG or other emissions from utility operations.

Conclusion

GSPC believes that by including the additional clarifications set forth above, the cap-and-trade regulation will better capture the full scope of acceptable uses of allowance value, and provide CARB and stakeholders the necessary assurances that the EDUs are responsible stewards of the allowance value entrusted to them to be used exclusively for the primary benefit of their electricity ratepayers – which in the case of the electric cooperatives means their member-customers.

Respectfully submitted,

C. Susie Berlin

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