Public Power Agency

P.O. Box 4060 • Modesto, California 95352 • (209) 526-7373

April 10, 2017

Submitted electronically

Richard Corey
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: *Draft 2017 Climate Change Scoping Plan Update Comments*

Dear Mr. Corey:

The M-S-R Public Power Agency (M-S-R)[1] appreciates the opportunity to provide the California Air Resources Board (CARB) feedback on the *Draft 2017 Climate Change Scoping Plan Update* (Draft Scoping Plan), dated January 20, 2017.

California has set aggressive climate objectives that can only be achieved through the collective and cooperative interaction between all of the state's regulatory agencies and all segments of the economy. The Scoping Plan is an essential tool for setting forth the manner in which some of those many objectives can be met, making it a critically important document. To the extent that the current Scoping Plan Update recommends continuation of the existing energy policy framework, M-S-R believes that it best addresses the need for regulatory certainty while also setting a viable course for achieving the State's emission reduction, greenhouse gas (GHG), and climate goals. At the same time, it is important to acknowledge that the Scoping Plan addresses myriad aspects of the State's climate policies, but not all of them. As such, even after adoption of the Scoping Plan Update, California will continue to discuss ways to meets the various objectives and policies outside the scope of this particular document.

M-S-R supports adoption of the Proposed Scenario, which includes continuation of

1 Created in 1980, the M-S-R Public Power Agency is a public agency formed by the Modesto Irrigation District, the City of Santa Clara, and the City of Redding.

the Cap-and-Trade program. M-S-R and its member agencies support the preferred scenario set forth in the Draft Scoping Plan and believe that of the alternatives considered, it provides the State – and affected stakeholders – the most viable option for achieving the greatest overall GHG emissions reductions at the most cost-effective price for California's electricity consumers. The Proposed Scenario allows compliance entities the flexibility to meet GHG reduction targets through a combination of direct measures and a market mechanism. This flexibility is important to the electric sector, as it provides an opportunity to control costs while maximizing GHG reductions. Continuation of the Cap-and-Trade program, inclusive of allocation of allowances directly to the electrical distribution utilities (EDUs) for the benefit of their electricity customers, also provides the EDUs – like M-S-R's member agencies – with the ability to mitigate the rate increases associated with GHG reduction mandates and make investments in further GHG reduction measures directly in the communities they serve. The cost-effectiveness of the Cap-and-Trade program is of paramount importance to M-S-R's members; in particular, to the Modesto Irrigation District, which serves an electric service area in which 40% of the ratepayers live in disadvantaged areas identified through SB 535.

Conversely, alternative scenarios that include a Carbon Tax or a Cap-and-Tax approach will increase costs to California to meet the emission reduction, and could result in significant new mandates for the electric sector to ensure the necessary reductions statewide through to 2030 and 2050. The increased costs, indeterminate revenues, and uncertainty regarding the sources of emissions reductions makes these alternatives less desirable than the Proposed Scenario.

The Scoping Plan must clearly recognize the potential for increased compliance obligations on the part of the State's electric utilities associated with increased electrification of other sectors. This recognition is important because the electric sector will play an even greater role in statewide emissions reductions as the transportation and building sectors move away from the use of natural gas. Even as local agencies encourage reduced vehicle miles traveled and other electricity conservation measures, shifts in energizing other segments of the economy will likely lead to increased use of electricity. Even with net reductions in statewide GHG emissions, under a declining cap, upward pressure on electricity consumption from other sectors could adversely impact California's electricity customers as utilities struggle to meet the demand with low-carbon and reasonably priced resources, and in compliance with resource mandates.

Known commitments represented in the Scoping Plan need to correctly reflect the scope of the reductions of each measure. This is particularly relevant for purposes of defining the reductions from various SB 350 mandates such as doubling of energy efficiency savings and load serving entity and POU integrated resource plan (IRP) planning. To be clear, the IRPs mandated by SB 350 are not a separate emissions reduction mandate or separate compliance obligation, and the Scoping Plan should expressly correct the impression that IRPs are part of the known commitments that represent a quantifiable reduction mandate. Additionally, the Scoping Plan should clarify that the EDUs are not solely responsible for effecting the GHG reductions anticipated under SB 350. These distinctions must be clarified in the final Scoping Plan adopted by the Board, as they set the basis for not only the sector-wide emissions reduction, but the eventual range of reduction targets that will be used by the California Public Utilities Commission and the California Energy Commission and applied to LSEs and POUs in their IRPs. It is also noteworthy that the target will be further implicated by the increased electrification of other segments of the economy discussed above.

M-S-R appreciates the opportunity to provide these comments on the Draft Scoping Plan Update. M-S-R and its member agencies strongly encourage CARB to move forward with a scenario that continues the Cap-and-Trade program and provides the best avenue for reaching the State's climate objectives and achieving GHG reductions in the most cost-effective manner.

Respectfully submitted,

Martin R. Hopper
General Manager
M-S-R Public Power Agency