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Rajinder Sahota
Chief, Climate Change Program Evaluation Branch
California Air Resources Board
1001 I Street – P.O. Box 2815
Sacramento, CA 95812

Re: SDG&E Comments on March 29, 2016 Workshop – Cap-and-Trade Regulation 2016 Amendments: Setting Post-2020 Emissions Cap and Allowance Allocation

Dear Ms. Sahota:

San Diego Gas & Electric (SDG&E) respectfully submits the following comments in response to the California Air Resources Board (ARB) Public Workshop on March 29, 2016. Our comments address the following issues: 1) Electricity Allowance allocation, and 2) VRE.

I. POST-2020 ELECTRICITY ALLOWANCE ALLOCATION

At the March 29 workshop, ARB staff proposed to continue allocation to EDUs. SDG&E agrees that allocating free allowances provides ratepayer protection from severe cost increases and transition assistance that tempers the increase in carbon costs across all portions of California's economy in the coming years. Allocation helps California ratepayers manage costs for their electricity use, especially low-income consumers who are disproportionally affected by rising energy costs in all sectors.

The proposed allocation methodology, however, varies from the current method. The workshop proposes that new EDU allocations be reduced by industrial sector electricity emissions and increased by verified electrification. While it seems fair to reduce allocations by industrial sector emissions, staff indicated that reduction emissions would be based on a good forecast without true-ups. If indeed the emissions reductions are based on forecasts, there open questions such as: how often would the forecast be run? And how would forecasts be calculated? Forecasts should be run often enough to capture changes to industrial entities emissions. For example, annual expansion or contraction of output/energy consumption could go unnoticed if forecasts are allowed to become stale. For this reason, SDG&E suggests that true-ups occur once actuals are made available to make accurate emissions calculations.

Another difference from the current methodology EDU allocation is the electrification retroactive adjustment. SDG&E agrees that it is important to include this adjustment as the state pushes electrification to better leverage off renewable energy sources and help reduce statewide emissions. In the workshop staff indicated a desire to receive feedback on how to quantify/verify electrification. Clearly an increase in the LCFS credits assigned to utilities who chose to participate in the LCFS program would be a good estimate of the electrification due to electric vehicles. Another form of electrification is the conversion of appliances from natural gas to electricity. While this may be difficult to measure, if limiting to new construction as compared to a baseline of existing buildings/homes, it may be possible to get a reasonable estimate.

II. VOLUNTARY RENEWABLE ELECTRICITY PROGRAM (VRE)

At the March 29 workshop, ARB staff proposed to continue the VRE program. SDG&E agrees that the VRE program provides value and should be continued. At the workshop, staff requested feedback as to why this program has been undersubscribed and is proposing to stop funding it post 2020. SDG&E is currently implementing its Green Tariff Shared Renewables (GTSR) program and will rely on the VRE program to ensure GTSR participants receive the greenhouse gas benefits associated with their renewable energy purchases. The first component of SDG&E's GTSR program is scheduled to launch by the end of 2016. SDG&E is concerned that if the ARB cuts off the VRE set-aside, a void could be created that could put programs like GTSR in jeopardy over the long term. Therefore, SDG&E encourages the ARB to consider continuing the VRE set-aside post 2020. The other IOUs are also launching their GTSR programs, which should further increase VRE program participation over the coming years.

Thank you for the opportunity to comment.

Sincerely,

Tamara Rasberry /s/