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California Air Resources Board
1001 I Street
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Re: SCPPA Comments on the SB 350 Greenhouse Gas (GHG) Planning Targets under the Integrated Resource Planning (IRP) Process as Discussed at the March 2, 2018 Workshop

Thank you for the opportunity to provide comments to the California Air Resources Board (CARB or Board) as staff works to establish Senate Bill 350 (de Leon, 2015) IRP GHG *planning* targets, in consultation with the California Energy Commission, for the State's 16 largest publicly-owned utilities (POUs). Eight of the 16 largest California POUs are SCPPA Members.

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. Our Members collectively serve electricity to nearly five million people throughout Southern California. Each Member owns and operates a publicly-owned electric utility governed by a board of local officials who are directly accountable to their constituents. The eight SCPPA POUs that meet the SB 350 IRP reporting threshold are: Anaheim, Burbank, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District.

Each SCPPA Member has a duty to provide reliable power to their customers – many of whom reside in disadvantaged communities – at affordable rates, while also complying with all applicable local, regional, state, and federal environmental and energy policies. Currently, SCPPA and our Members own, operate, or have binding long-term procurement arrangements with 39 generation and natural gas projects and three transmission projects, generating power in California or importing from Arizona, New Mexico, Utah, Oregon, Washington, Nevada, Texas, and Wyoming. This is in addition to individual, Member-owned or contracted and operated transmission, generation, and natural gas projects throughout the Western United States. All are funded through municipally-backed financing mechanisms, which often come with terms that complicate our Members' abilities to quickly respond to substantial policy shifts that require near-term implementation.

Our Members have taken, and will continue to take, significant strides toward mitigating the environmental and public health impacts of climate change in their communities. Investments in renewables, energy efficiency, energy storage, and transportation and building electrification have all played a significant role in so doing – and such investments will only become increasingly more important as we partner with the State in achieving the myriad of climate and energy policy goals. Achieving the 40% below 1990 emissions level by 2030 GHG statewide goal is a monumental undertaking, and its potential costs and implications should not be understated.

IRPs are Planning Tools

It is important to reiterate that IRPs are wide-ranging *planning* analyses that lead to policy direction for our Member utilities. POUs must be able to retain the flexibility to establish resource plans that review a wide range of options, which will also reflect compliance with the Renewables Portfolio Standard mandate and compliance obligations associated with CARB's Cap-and-Trade Program, among others. The State's policy objectives will therefore be met through a panoply of measures and programs, and the affected POUs that provide IRPs will not unilaterally meet all of these objectives; nor are they required to.

To that end, it is important to properly frame the purpose and objective of the IRPs: these are *planning* tools that focus on prospective actions intended to meet multiple objectives. *The IRPs are not compliance filings.* Compliance, in terms of the IRP, means that the POU has reviewed and considered each of the mandatory SB 350 elements. For each POU, the assessment will necessarily differ, and preferred portfolios for one POU will differ from those that are appropriate in other jurisdictions. This is especially true as the electric industry undergoes changes of unprecedented magnitude and speed. IRPs must therefore provide local governing authorities the flexibility to adapt policies to each unique system, location, socioeconomic conditions, and the myriad of other needs of distinct local communities.

While the electric sector will play an important role in helping California meet its GHG reduction and climate change objectives, the POU IRPs are but one element in the State's suite of measures, mandates, and statutory direction on achieving the statewide emissions reduction goals. It is important for the public to understand that IRPs are simply not the correct tool to address multi-sector, statewide emissions and climate objectives. This is clearly demonstrated by reviewing CARB's Scoping Plan; the emissions reduction targets included in that document reflect a plan for achieving emissions reductions from *all sectors of the economy*. Those numbers do not, however, reflect an assessment of the feasibility or cost-effectiveness of the reductions. While there are a myriad of programs and mandates aimed at helping California meet its climate objectives, they are not all tied to setting the GHG planning targets for IRPs – nor are they appropriately considered as part of the POUs' IRP. We encourage and would strongly support CARB's efforts to ensure that this fundamental principle is clearly articulated in documents developed going forward as SB 350 is implemented.

CARB Should Set a Reasonable Electric Sector Range

We recognize CARB's efforts to establish an electric sector range based upon Scoping Plan modeling, and appreciate the relative ease in using the post-2020 Cap-and-Trade Program allowance allocation methodology as a basis for apportionment. However, SCPA is very concerned that using the 30 MMT "low end" range from the 2017 Climate Change Scoping Plan Update would simply result in a sector range that would be unrealistic for utilities to achieve. The California Public Utilities Commission also recognized this constraint – noting that the costs and financial risks would be too burdensome for the electric sector to bear. SCPA recommends that CARB not use 30 MMT as the low-end of the sector range. Doing so would be unfair to a sector that has *already made* significant early investments to help combat the effects of climate change, and would place POUs (and their local officials) in an untenable position of explaining to their ratepayers how their utility could be asked to shoulder even more of the economy-wide emissions reduction goals regardless of how much they had achieved to date – or were planning to do in the future. It would also be unfair to place unwarranted public scrutiny on achieving an unrealistic goal for the electric sector as a whole and each individual utility.

CARB Should Establish Non-Binding Utility Targets

At the outset of the SB 350 implementation process, SCPA was concerned that the SB 350 GHG planning targets would be used in other regulatory and/or administrative proceedings as quantitative, hard target mandates instead of a reduction forecast based upon assumed performance of a variety of programs interacting together. SCPA continues to support CARB's treatment of any newly-established SB 350 targets as non-binding "soft planning targets."

We have also encouraged CARB to establish an ongoing process that allows for flexibility, such as allowing for fair and reasonable adjustments to planning target ranges. For example, transportation and building electrification initiatives could be a significant contributor to *increased* energy demand that may not necessarily align with efforts to *reduce* utility sector emissions as utilities undergo a significant market transformation. Given the State's overarching multi-industry goals under its *economy-wide* Cap-and-Trade Program, adding a hard, *single industry-specific* target with discernible benchmarks could only complicate stakeholders' ability to comply and may indeed lead to unintended consequences for California's utilities and their ratepayers.

Addressing Non-IRP (Small) POUs

While we appreciate staff's inquiry to stakeholders on how CARB should evaluate the remaining 1.7% of the electricity sector-wide target that are not subject to the SB 350 IRP reporting requirement (which is comprised of the State's smallest utilities), SCPA does not believe it is necessary to establish GHG targets for them. First, the electricity sector GHG emission reduction targets will form the basis for the GHG planning targets used *only* by affected POUs in the IRP development process. (These

are POU's "with an annual electrical demand exceeding 700 gigawatt hours, as determined on a three-year average commencing January 1, 2013.") Most of the State's smallest utilities fall well below this threshold so there is no need to establish GHG targets for them, nor would they be required to submit an IRP to the California Energy Commission for review. The State Legislature recognized this to be unnecessary by including the minimum reporting threshold in SB 350. It is likewise unnecessary to try to evaluate GHG planning targets for these smaller utilities in the context of setting the sector wide target.

The express exclusion of smaller POU's both recognizes the administrative burden that would be placed on these entities themselves to submit detailed plans to the California Energy Commission, and upon the State to review those plans. Even though the "non-IRP" load represents less than 2% of the State's total load – and a *de minimus* share of the total sector wide emissions – small POU's are still subject to various state mandates, and provide a variety of reports and compliance filings to the state agencies that readily display their ongoing contribution towards meeting California's climate change objectives. This includes the Renewables Portfolio Standard, Cap-and-Trade Program, Mandatory Reporting Regulation, Low Carbon Fuel Standard, and various energy efficiency standards – in addition to operating requirements that incentivize the dispatch of lower-emitting resources. Because small POU's are on a similar trajectory as the larger POU's to increase renewable resource development and reduce their emissions profiles they already provide the State with substantial data regarding their compliance with various programs upon which to assess the total sector-wide contribution towards meeting the GHG reduction targets.

This is not to say that these small utilities are not doing their part to help California meet its ambitious climate change goals. California's utilities are doing more than their fair share to reduce emissions. Regardless of whether a utility is required to file an IRP, California's utilities are doing their part to help – indeed, the electricity sector has made significant early investments to reduce GHG emissions and has *already* surpassed the AB 32 goal, having achieved approximately 20% emissions reductions below 1990 levels. That is well ahead of other economy sectors and reflects a significant accomplishment.

As stewards of public funding, we look forward to continuing to work with CARB staff and other agencies working towards SB 350 implementation on efforts that best advance the State's climate change goals in an affordable manner for California POU ratepayers.

Respectfully submitted,



Tanya DeRivi
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