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

RE: SCPPA Comments on the October 2, 2015 Public Workshop on EPA Clean Power Plan Compliance

Thank you for the opportunity to provide these initial comments towards the development of California's Clean Power Plan submittal as was reviewed at the October 2 public workshop. We greatly appreciate the opportunity to provide inputs on ARB staff's efforts to create a workable compliance plan for the State as outlined in the staff's "white paper."

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 appreciates the opportunity to submit these comments as the Air Resources Board (ARB) and other state agencies consider the design elements to be included in California's plan for implementation of U.S. Environmental Protection Agency's Clean Power Plan (CPP). Given the early stage in the public process, SCPPA presents these high-level comments at this time. We look forward to actively participating and providing detailed comments and recommendations on key implementation issues as the process continues towards developing an efficient, effective, and flexible program. Our Members particularly wish to highlight the following areas:

- **Inter-agency Coordination.** SCPPA appreciates ARB staff's collaboration with the California Energy Commission and California Public Utilities Commission in presenting initial proposals for Clean Power Plan compliance. Such interagency coordination will be instrumental in developing strategically-aligned policies that capitalize on the State's existing expertise and programs. A significant number of existing policy and legislative mandates will impact the State's implementation of the Clean Power Plan. These should be closely coordinated and, to the greatest extent possible, streamlined to eliminate redundant public processes. In addition, SCPPA strongly encourages ARB staff to further coordinate with the California Independent System Operator (CAISO) regarding opportunities for regional coordination of out-of-state resources, as further described below. Additional consultation and analysis with the South Coast Air Quality Management District is also advisable, especially as ARB evaluates unit-specific grid reliability impacts for compliance purposes.
- **Regional Coordination and Interstate Trading.** Out-of-state resources are of high importance to many California utilities, and to the reliability of the regional grid. Ongoing discussions regarding the expansion of the CAISO and the Energy Imbalance Market to reach other Western states should be considered in the development of California's compliance plan. Specifically, SCPPA encourages ARB to work with the CAISO, other balancing authorities within the Western Electricity Coordinating Council (WECC) and state regulatory agencies within WECC to ensure that we can collectively establish a plan that: 1) maintains system reliability, 2) captures the regional potential for emissions reduction, and 3) minimizes impacts on the owners of affected power plants that could result in increased costs for California ratepayers. Unique opportunities appear to be emerging to establish new trading regimes across broad geographic regions of the country; these should not be foreclosed upon by rushing through the planning process.

- **Timing and Stakeholder Involvement.** Given the complex nature of the issues and number of policy interdependencies, SCPA reiterates the concern raised by other California utilities during the October 2 workshop that additional time is needed to allow stakeholders to contribute more meaningful input to this critical effort. This includes how implementation will affect electric grid reliability for the State and how California's compliance plan would impact grid reliability and interstate coordination functions in the broader West. SCPA encourages a more measured approach to ensure that California does not find itself isolated from a broader market. Providing additional time for stakeholder input also makes sense given that the CPP deadline for submitting a final state plan is September 2018 – almost three full years from today and six years prior to the start of the CPP regulatory program in January 2022. ARB should take the time necessary to craft a state plan that addresses the many complicated technical and policy issues for implementing the CPP requirements in a manner that is coordinated and consistent with the State's already-complex greenhouse gas reduction goals. In so doing, California can still play a leadership role among states on climate policy development by adopting a workable and effective final state plan well before the 2018 deadline established by the Clean Power Plan.
- **Federally-Enforceable Backstop.** ARB staff proposes the use of a State Measures Plan, which would require a federally-enforceable backstop. SCPA urges staff to promptly convene stakeholder meetings to discuss possible options for designing backstop measures in a way that does not unduly or disproportionately burden California's publicly-owned utilities. Such a backstop should be designed to be as simple as possible so as to avoid disrupting utility operations and expectations. For example, it is unclear to what extent backstop measures are required to be addressed in permits. We recommend that ARB work with EPA, local air districts, and state energy agency staff in developing clear and easy-to-administer policy guidance for the electric sector. In addition, ARB should develop a backstop that ensures an equitable allocation of the regulatory burden among affected load-serving entities within the State to account for the fact that some affected electric utilities own little or no affected electric generation in the State. Furthermore, ARB has the option of selecting a mass-based and rate-based backstop to the State Measures Plan. There are many important issues and implications of each possible approach that need to be given careful consideration in making this selection. Notable examples include the ability to integrate the backstop measures with a mass-based Cap-and-Trade Program and the ability to use interstate trading of credits or allowances for meeting the backstop compliance obligations. SCPA believes additional time is necessary for ARB and stakeholders to meaningfully identify and evaluate the key issues for the development of an effective and equitable federal regulatory backstop for California. Finally, SCPA believes that ARB should give careful consideration of backstop measures that seek to assign emissions reduction responsibilities to the entities that cause them. This includes impacts for exceedances beyond the control of utilities, such as requirements to run power plants to maintain grid reliability beyond the off-ramp that is allowed for in the federal regulations, in the event of a natural or man-made emergency, or due to a major transmission outage. It is important to first fully understand the federally-enforceable backstop measure in advance of agreeing that the "state measures approach" is the best approach to ensure that they will work as intended.
- **Federal Enforceability of Cap-and-Trade Obligations.** ARB should clarify whether state-enforceable Cap-and-Trade requirements will be submitted as federally-enforceable requirements in ARB's state plan submission. ARB's white paper appears to contemplate that certain aspects of the Cap-and-Trade Regulation would become federally enforceable. The Clean Power Plan allows, but does not require, states using the "state measures approach" to impose federally enforceable emission standards on affected EGUs. ARB should clarify what aspects of the Cap-and-Trade Regulation, if any, it would seek to be federally enforceable, and should explain its decision to make such measures federally enforceable. As SCPA and other stakeholders have previously indicated, the principal benefit of the state measures approach is that existing state programs can continue to operate without the imposition of additional burdens or regulatory requirements associated with a plan so long as the state measures achieve carbon performance standards established by the CPP. SCPA urges ARB to minimize the imposition of federally enforceable Cap-and-Trade Program requirements and other complementary California regulations under a State-Measure Plan to the maximum extent permissible under the CPP rule.

- **Modeling.** SPCPA urges ARB to work with the California Energy Commission, the California Independent System Operator, and the California Public Utilities Commission to conduct detailed modeling of the final rule and potential implementation avenues under a mass- and rate-based approach to assess whether, and to ensure that, the proposals will work without huge costs or risks to California consumers. The modeling should also evaluate inter-state benefits and impacts given the inter-connected nature of the Western electricity grid and significant change EPA made to the final rule specifically to promote regional cooperation. This modeling should publicly assess how California can and should contribute to broader regional collaboration as other Western states assess using a mass- or rate-based approach and potential inter-state trading opportunities to comply with Clean Power Plan requirements.
- **Other Potential Issues with Relying on the Cap-and-Trade Regulation as the Principal State Measure.** ARB should carefully examine other potential issues with relying on the Cap-and-Trade Regulation as the principal state measure in its Clean Power Plan submission. These issues include:
 - How EPA would view the ability of EGUs in California's Cap-and-Trade system to use and trade emission allowances with affected sources in New York or other states through the emission trading mechanisms established under the CPP.
 - Future trading and use of emissions allowances with sources in Quebec and potentially other Canadian provinces.
 - The ability of EGUs in the Cap-and-Trade Program to rely on non-power-sector offset credits for compliance.
 - The Cap-and-Trade requirement to surrender emission allowances for emissions that occur outside of California and the probable compliance requirements in another state on the same emissions (*i.e.*, emissions from imported electricity).

SCPPA believes that it is vital for ARB to fully vet these issues with stakeholders to identify, evaluate, and address the potential impacts each issue could have. Further, we believe ARB should obtain clarification from EPA as to how these components of the Cap-and-Trade Program would be viewed before submitting a state measures plan that relies on the Cap-and-Trade Program as its primary or only state measure.

- **Clean Energy Incentive Program.** SPCPA encourages ARB to further analyze potential benefits of participating in this "early action" program. While we understand that the potential benefits may be relatively small, and that there are outstanding integration questions for the purposes of California's Cap-and-Trade Program, submitting a non-binding statement of interest at least provides the opportunity to explore impacts and benefits further.

Thank you for your time and consideration of SPCPA's comments. We look forward to continuing to collaborate with ARB and other agency staff and stakeholders towards developing a cleaner economy for Californians.

Respectfully submitted,



Tanya DeRivi
Director of Government Affairs