Valley Electric Association, Inc.
A Touchstone Energy® Cooperative

Valley Electric Association Comments to the California Air Resources Board on 2016 Amendments to the Cap and Trade Regulation

October 19, 2015

Valley Electric Association[1] (VEA) appreciates the opportunity to provide input to the California Air Resources Board (CARB) on its consideration of possible amendments to the Cap and Trade program for the third compliance period.

VEA does not have substantive comments at this time on the proposed areas offered by the CARB staff at the October 2, 2015 workshop. However, VEA wishes to reiterate the need for a change in the scope of the Cap and Trade amendments for the third compliance period to include changes to certain procedures and requirements for electric sector policies and reporting requirements.

Consistent with the comments VEA made at the workshop and in direct meetings with CARB staff, VEA urges CARB to address policies that are harming VEA and will – absent changes – harm other companies who serve load outside of California and join the California ISO (CAISO). Existing reporting requirements result in VEA incurring costs when it schedules energy through the CAISO to serve its Nevada customers. The cap and trade policies are intended to exempt energy used to serve VEA's Nevada load from reporting requirements; however, the reporting mechanisms fail to recognize this exemption. Quite simply, the existing reporting mechanisms, taken together with the existing Cap and Trade policies, result in carbon burdens for entities that serve load outside of California that wish to join the CAISO. This is counter-productive to regionalization goals, goals which have now been formally adopted by California's Governor and legislature through SB 350.

Existing CARB policies were developed to use tagged energy delivers to CAISO as a proxies for the energy that Californians are using from outside of California. This method is not a good fit under a regional CAISO model, because energy tagged through the CAISO will be used to serve loads outside of California.

The impacts of the policies on VEA were explained to CARB by VEA in 2011, yet no resolution has been offered by CARB. The result is that VEA continues to incur hundreds of thousands of dollars of adverse impacts a year as a result of the CARB policies – costs that VEA would not be incurring had we not joined the CAISO. While these costs may seem de minimis by some standards, the costs will rise to tens of millions of dollars per year for other larger entities considering joining the CAISO.

VEA urges the CARB to host an electric sector workshop to take up VEA's specific issue and other electric sector issues and to formally identify these VEA-identified issues as part of its 2016 Amendments.

We thank you for your consideration.

Rick Eckert
Executive Chief Operating Officer
Valley Electric Association, Inc.

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[1] VEA is a small electric cooperative utility, primarily serving load in Nevada. VEA joined the California ISO in 2013 as a Participation Transmission Owner and a Load Serving Entity.