



Nov 14, 2018

Honorable Chairman Mary D. Nichols and Honorable Board Members California Air Resources
Board 1001 I Street
P.O. Box 2815
Sacramento, CA 95812

Re: Item 19-10-04, SUPPORT Proposed Amendments to the Low Carbon Fuel Standard Regulation

Dear Chair Nichols and Honorable Board Members:

CalEtc appreciates this opportunity to SUPPORT the Low Carbon Fuel Standard regulation and provide feedback for CARB Board member consideration. This letter largely supports the proposed draft regulation order and provides some suggested modifications for consideration. We also appreciate the tremendous effort and accessibility of CARB staff during the extensive public process leading up to this hearing.

CalEtc is a non-profit association committed to the successful introduction and large-scale deployment of all forms of electric transportation including plug-in electric vehicles of all weight classes, transit buses, port electrification, off-road electric vehicles and equipment, and rail. Our board of directors includes Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison, and the Southern California Public Power Authority. Our membership also includes major automakers, manufacturers of zero-emission trucks and buses, and other industry leaders supporting transportation electrification. CalEtc supports and advocates for the transition to a zero-emission transportation future to spur economic growth, fuel diversity and energy independence, ensure clean air, and combat climate change.

CalEtc supports the LCFS, a program that has been successful in reducing the carbon intensity of California's transportation fuel. Given the near-total dependence on oil in the transportation fuels sector, the LCFS is essential to both diversify the transportation fuels sector and reduce emissions from carbon-based fuel.

CalEtc also supports the current program design with utilities generating "base" LCFS credits for residential charging and returning the value of those credits to electric vehicle drivers. Both CalEtc and the utilities are committed to working with stakeholders and regulators to improve utility investment of LCFS credit value, so that this investment effectively accelerates the market for electric vehicles and supports the Administration and Legislature in meeting the state's transportation electrification goals. The utilities are uniquely positioned to work with the state to invest the LCFS credit value as they are either local public entities (publicly owned utilities), or they are economically regulated (investor owned utilities).

CalETC largely supports the proposed amendments to the LCFS (also referred to as proposed regulation order). We request the following amendments to staff's proposal in an expedited 15-day change process:

1. CalETC supports the proposed regulation order's other provisions on the Clean Fuel Reward program but requests a 15-day change allowing CARB's Executive Officer to approve increases to the 10% cap on administrative costs. The administrative costs associated with the Clean Fuel Reward program are unknown at this time, and neither the utilities nor any other entity have yet been able to successfully implement a rebate for EVs at the point of sale. For example, procuring insurance for the Clean Fuel Reward program is one of the major risk reduction measures in the Clean Fuel Reward implementation and it is unclear how much that insurance will cost at this time.¹ The Executive Officer would approve and increase in the 10% cap only if the risk mitigation requirements in the CPUC approved advice letter or in the Clean Fuel Reward Governance document result in administrative costs exceeding 10%.
2. CalETC opposes the proposed regulation order's provisions regarding administrative costs associated with the "holdback" portion of the utilities' base residential credits and is concerned that CARB staff did not adequately reach out to equity groups or the utilities in the design of the equity provisions. We specifically request 15-day change language so that:
 - a. Administrative costs for equity programs are included in the equity portion of the holdback funds. Administrative costs for equity programs can be high as equity programs are often undersubscribed and extra effort is needed to make sure the funding is as easily accessible to those eligible as possible. This means the program administrator may take on many of the functions that the applicant for funding would cover in non-equity programs to ensure ease for applicants.
 - b. If there is a cap on administrative costs in the equity holdback percentages, CARB's Executive Officer has the authority to approve exceeding this cap, only in cases where the administration of an equity program is performed by a Community-Based Organization (CBO) or where the program is implemented in a community that has been overlooked and/or mistrusts government efforts. While most equity programs do not exceed 10% for administrative costs, these administrative costs can exceed 10% if the program is reaching communities that have long been overlooked and/or where the administration is done by a CBO.
 - c. If there is a cap on administrative costs internal to the utility, e.g. an EDU staff person working on implementation of an equity program, those administrative costs are external to the cap. Many utilities do not track the hours staff spends on equity program implementation versus other programs. Requiring the

¹ The detailed advice letters by the three investor owned utilities were filed in April 2019 and approved in October 2019 by the CPUC. The much more detailed governance agreement negotiated by over 20 electric utilities was completed in October 2019. The CPUC is currently reviewing this governance agreement. CARB staff actively participated in the development of all the above.

tracking of these hours to count against a limit would create undue burden on the equity programs, a burden that does not exist for non-equity program implementation.

- d. The equity holdback should include programs in rural communities, in addition to disadvantaged communities and low-income communities and/or households. It is important to include rural communities to the list of eligible projects in the equity holdback program as this is an important underserved population in CA.
3. CalETC supports the proposed regulation order's provisions where the borrowed credits come only from the big five utilities and can be used by them for the Clean Fuel Reward and holdback programs as prescribed.² CalETC also supports the other reforms in the proposed regulation order that we believe improve the credit clearance market.
 - a. However, CalETC requests 15-day amendments to § 95485 (c) (3)(C) and (F) clarifying that utilities who make good faith efforts to sell borrowed credits in the credit clearance market are not penalized if the contract cannot be completed with the buyer. This is to address the problematic "borrowed credits must be pledged for sale" language in the proposed regulation order. Electric distribution utilities, particularly the investor-owned utilities, have restrictions on contracting based on prudent risk management standards and CPUC requirements that could become an obstacle to timely completion of contracts. CalETC's proposed amendments provide flexibility to both CARB and the utilities, but do not limit the proposed regulation's restrictions on parties who voluntarily pledge credits to the credit clearance market

CalETC supports many of the staff's proposed modifications to the LCFS, including:

4. CalETC supports the proposed regulation order's provision that clarifies that credits generated from "base" residential electricity within the service area of EDUs that do not opt-in to the LCFS must be used exclusively to fund the Clean Fuel Reward (CFR) program.
5. CalETC supports the proposed regulation order's provision that prevents the electric utilities from having to renegotiate a governance agreement as new utilities come into the CFR program.
6. CalETC supports the proposed regulation order's provisions to limit all credit transactions between entities to no more than the credit clearance market's maximum price (\$200 in 2016 \$ indexed for inflation).
7. CalETC supports the proposed regulation order's provisions for borrowed credits from electric utilities to ensure there are enough credits to meet all obligations in each year's credit clearance market. These credits would be repaid in a clearly defined schedule by reducing future credit issuance to electric utilities from base residential electricity credits and the number of credits that may be borrowed would be limited to a maximum amount of 10 million credits, cumulatively.

² The borrowed credits would come from both the Clean Fuel Reward and holdback portions of base residential credits that are assigned to utilities.

Thank you again for the opportunity to provide CaETC's feedback on this important program.

Regards,

A handwritten signature in blue ink, appearing to read "Eileen Wenger Tutt". The signature is fluid and cursive, with the first name "Eileen" being more prominent and the last name "Tutt" following in a similar style.

Eileen Wenger Tutt, Executive Director
California Electric Transportation Coalition