

*LAW OFFICES OF SUSIE BERLIN*

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*Submitted electronically via www.arb.ca.gov*

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

Re: ***Comments of the Northern California Power Agency on 2030 Target Scoping Plan Update Concept Paper***

Dear Ms. Nichols:

The Northern California Power Agency<sup>1</sup> (NCPA) appreciates the opportunity to provide these comments to the California Air Resources Board (CARB) on the *2030 Target Scoping Plan Update Concept Paper*, dated June 17, 2016. NCPA and its member agencies are committed to doing their part to help the state meet its ambitious 2030 greenhouse gas (GHG) reduction goals, while continuing to ensure the provision of affordable, reliable, and clean electricity for residents and businesses in its member communities. The electricity sector plays an instrumental role in meeting the state's environmental policy objectives and will be directly and significantly impacted by each of the four concepts outlined in the Concept Paper. Meeting the state's aggressive GHG reduction targets will also require continued coordination and collaboration amongst various state agencies and regulated entities. As noted throughout the Concept Paper, it will also require trade-offs between various policies and measures. It is imperative that these trade-offs be coordinated between the affected agencies and between sectors, and that short-term solutions not compromise long-term objectives. NCPA looks forward to the release of more detailed analyses of the various policy scenarios and providing feedback and guidance relevant to the potential implications of those policies. In the interim, NCPA appreciates the opportunity to provide these comments on the high-level assessment contained in the Concept Paper.

The Concept Paper notes several key elements as part of the "The Strategy." In particular, the paper highlights the need to account for interactions between sectors. This recognition of potential trade-offs and the need for flexible implementation is going to be key to the state's success, and must be part of the overall evaluation used when CARB applies the E3 PATHWAYS Model and the REMI PI+ Model to evaluate the Draft Scoping Plan. Indeed, the importance of the

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<sup>1</sup> NCPA is a not-for-profit Joint Powers Agency, whose members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Bay Area Rapid Transit District, Port of Oakland, and the Truckee Donner Public Utility District, and whose Associate Member is the Plumas-Sierra Rural Electric Cooperative.

interaction between sectors has also been publicly noticed by E3 when speaking about the potential and limitations of its PATHWAYS model. NCPA urges CARB to ensure that assessment of each of the policy scenarios looks closely at this aspect of any final plan proposal. Likewise, balancing the interactions between sectors of the economy and seemingly unrelated programs and measures is essential to providing an accurate depiction of the true impacts of each policy scenario. This is necessary to ensure that the fullest range of environmentally optimal choices is evaluated, and to ensure that the options assessed are both cost-effective and technologically feasible. The Concept Paper correctly recognizes the diverse range of issues and implications associated with the Draft Scoping Plan and meeting California's long terms goals. It is imperative that the final assessment thoughtfully and thoroughly take each of these into account in reviewing all of the potential policy scenarios for both long and short term impacts. Further, as with development of the Concept Paper itself, the final assessment of various scenarios evaluated and the ultimate implementation of the Scoping Plan Update must be undertaken as a multi-agency collaboration. The final assessment must also look at all sectors of the economy and continue to be coordinated with an eye towards eventual compliance with the U.S. Environmental Protection Agency's Clean Power Plan. Finally, as part of the state's comprehensive and holistic consideration of programs and measures to affect sustained, long-term emissions reductions, the state agencies and the legislature should continue to collaborate on the optimal allocation of priorities for projects supported by the Greenhouse Reduction Fund, and update and amend those priorities and programs as warranted.

The Concept Paper acknowledges the fact that meeting California's 2030 objectives will require a more stringent reduction trajectory between 2021 and 2030 than the current trajectory. Increased electrification of the transportation sector is one means by which to increase emission reductions. Indeed, the Legislature found that "widespread transportation electrification" is required to achieve the State's current and future emission reduction targets.<sup>2</sup> However, this means potentially greater GHG emissions from the electricity sector that should not be viewed as a failure of the electricity sector to meet its "fair share" of the state's reduction goals, but rather as an example of successful balancing of measures over the long-term. The Draft Scoping Plan should recognize the importance of electric utilities in facilitating greater electrification of California's highways, rails, and ports. For example, funding for programs that foster EV infrastructure development within a utility's service territory would allow for direct coordination between utilities and local communities that would provide not only the benefits of increased electric vehicle infrastructure, but also directly connect that infrastructure to local planning and development. This could include, but not be limited to, matters such as collaboration between CARB and the California Energy Commission on electric vehicle corridor planning and between CARB and local governments in electric vehicle charging station placement. Further, while the Legislature has provided clear direction to encourage greater transportation electrification, policymakers also acknowledged the corresponding impact of this transition on electric retail sellers and publicly owned utilities.<sup>3</sup> Allocation of allowances to electrical distribution utilities will be an important tool

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2 SB 350, Public Utilities Code section 740.12.

3 Health & Safety Code § 44258.5(b) provides: The state board shall identify and adopt appropriate policies, rules, or regulations to remove regulatory disincentives preventing retail sellers and local publicly owned electric utilities from facilitating the achievement of greenhouse gas emission reductions in other sectors through increased investments in transportation electrification. Policies to be considered shall include, but are not limited to, an allocation of greenhouse gas emissions allowances to retail sellers and local publicly owned electric utilities, or other regulatory mechanisms, to account for increased greenhouse gas emissions in the electric sector from transportation electrification.

in helping to ensure that increased electrification of transportation will not be accomplished to the detriment of California's electric utility ratepayers. Accordingly, the Scoping Plan update should explicitly acknowledge the impacts that increased transportation electrification will have on electric utilities' overall emissions and the provision of additional allowances to electric distribution utilities through the Cap-and-Trade Program should be considered. Furthermore, greater coordination between the Cap-and-Trade Program and Low Carbon Fuel Standard could help maximize the value of electrification benefits in both programs.

The Concept Paper properly recognizes that local actions can complement statewide measures. This has been demonstrated in the success of programs promulgated by NCPA's member agencies. Regional or local targets and measures should be assessed, and the Scoping Plan should avoid one-size fits-all solutions to the greatest extent possible. This is particularly important in the areas of electric utility integrated resource planning and energy efficiency program offerings.

In balancing and assessing the trade-offs between different options and measures, the Draft Scoping Plan must look closely at the various state policies to ensure that agency preferences in one area are not inadvertently compromising the ability to achieve maximum GHG reductions in the most cost-effective manner. For example, although a key component of SB 350 and the state's GHG reduction strategy, increased energy efficiency programs are not always the most cost-effective option for emissions reductions. Similarly, increased renewable energy targets and incentives can compete directly with potential investments in energy efficiency measures or programs. In order to ensure that reduction potential is properly counted and that the most technologically feasible and cost-effective GHG reducing options are employed, the Scoping Plan must not assess energy efficiency and renewable energy in silos, but rather look at the potential for reductions holistically. Likewise, as California moves towards greater integration of distributed resources in the electricity sector, it is imperative that customer perspectives and preferences be included in the final assessment.

As NCPA has previously noted, energy efficiency measures only successfully reduce GHG emissions if they are deployed. The same is true of other GHG reducing options, like solar installations. Accordingly, in order to meet the challenge of identifying "what additional policies or program enhancements we need to achieve the remaining amount of GHG reductions in a complementary, flexible, and cost effective manner to achieve the 2030 target," the Scoping Plan must take this into account and assess how consumer behavior impacts the efficacy and penetration of various competing GHG reduction programs and measures. Similarly, in assessing the individual components (and the respective trade-offs) of the various policy scenarios, the state should not dismiss the significance of adhering to the long-established loading order of resource priorities.

NCPA appreciates the Concept Paper's recognition of the significant impacts on the environment from wildfires and the "increasing trend in the severity of wildfires in California." Proper preservation and management of natural lands is crucial not only to achieving the state's 2030 and 2050 GHG reduction targets, but it also plays a critical role in the continued safe and reliable provision of renewable electricity resources located in forested areas. It is imperative that impacts from wildfires and impacts on these types of resources be evaluated as part of the Draft Scoping Plan and that any policies endorsed in the Scoping Plan include the necessary programs and funding to mitigate identified adverse impacts. NCPA supports the four-prong assessment of the scenarios that will be evaluated in the Draft Scoping Plan relevant to the state's natural and working

lands, as evaluation of these four-policy goals will be an important component of the comprehensive assessment of the various policy scenarios.

Further exploration of each of the proposed concepts must ensure that California's utilities, which will be required to affect many of the existing and proposed reduction measures, will be able to do so while continuing to provide reliable and affordable electricity to California's businesses and residents. This means that each scenario must also be viewed through the lens of increased electricity trading between California and its neighboring states, and a potential regional electric grid operator.

Based on the limited analytical data on each of the specific concepts in the Concept Paper, NCPA is unable to specifically endorse any of the proposed options at this time. However, within the context of the key elements discussed above, NCPA believes that Concept 1 (Complementary Policies with a Cap-and-Trade Program) likely provides the greatest flexibility in implementation for compliance entities while simultaneously meeting the state's objectives. However, Concept 1, like the other concepts, is not without its limitations as proposed. Indeed, without a thorough economic analysis or complete assessment of the manner in which the reductions targets projected for *each component* of the proposal will be met, stakeholders cannot provide detailed feedback to the agency. The final assessment must also explore the manner in which the various measures will be administered in a complementary manner (including the manner in which the long-term and short-term pros and cons of each program element will be balanced), and in particular the many different aspects of the proposal that directly impact the electricity sector. Accordingly, NCPA looks forward to reviewing the economic analysis of each of the policy concepts, as well as CARB's evaluation of the interactions between the various policy components outlined in each of the four concept proposals. NCPA also encourages CARB to expand upon the assessment of the various concepts to include retention of the Cap-and-Trade program in more than one of the potential scenarios.

NCPA appreciates the opportunity to provide these comments and looks forward to continuing to collaborate with CARB, its sister agencies, and stakeholders throughout the state in this process. If you have any questions regarding these comments, please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or [scott.tomashefsky@ncpa.com](mailto:scott.tomashefsky@ncpa.com).

Respectfully submitted,



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