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Submitted electronically

May 14, 2018

Rajinder Sahota, Assistant Division Chief
Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: ***Northern California Power Agency Comments on Draft Staff Report: Senate Bill 350 Integrated Resource Planning Electricity Sector Greenhouse Gas Planning Targets***

Dear Ms. Sahota:

The Northern California Power Agency[1] (NCPA) appreciates the opportunity to provide these comments on the April 2018 Draft Staff Report: *Senate Bill 350 Integrated Resource Planning Electricity Sector Greenhouse Gas Planning Targets* (Draft Staff Report) and April 30, 2018 California Air Resources Board (CARB) staff workshop. Consistent with the direction set forth in Senate Bill 350 (SB 350) (De Leon, Chapter 547, Statutes of 2015), the Draft Staff Report presents CARB's proposal for setting the greenhouse gas (GHG) emissions target for the electricity sector and for each load serving entity (LSE) or publicly-owned electric utility (POU) to inform each entities' respective integrated resource plans (IRP).

As NCPA has previously noted, establishing the correct range for the GHG planning targets is vital, as these targets will be used by POUs and LSEs to help inform their long-term procurement planning consistent with GHG reduction and other important energy and environmental goals and mandates. The sector-wide GHG planning target will also be a valuable tool for policy-makers when reviewing the State's progress towards its broader GHG reduction goals.[2]

It is important for CARB, in coordination with the California Energy Commission (CEC) and California Public Utilities Commission (CPUC), to set a reasonable and achievable greenhouse gas (GHG) planning target for the electricity sector. Since the target will be used

1 NCPA is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 16 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

2 NCPA does not reiterate all of the concerns raised in response to the initial staff position presented on March 2, 2018, but notes that to the extent that not all of those issues are addressed in the Draft Staff Report, references the *Northern California Power Agency Comments on SB 350 Workshop*, dated March 23, 2018.

to inform procurement decisions – both in the near and long-term – it is important that the target is a reflection of cost-effective and technologically feasible emissions reductions that the State's electricity providers can realistically achieve. Significant financial commitments will be guided by these targets, commitments that will be funded by California residents and businesses. NCPA supports CARB's proposal to establish a GHG reduction range using the Scoping Plan as the basis for setting the sector-wide target, but cautions against setting that range at an overly aggressive level or as a "stretch goal."

The Electric Sector Target is Properly Set as a Range

The Draft Staff Report states that "CARB's proposed GHG planning target range for the electricity sector is a range of 30 MMTCO2e to 53 MMTCO2e, as reflected in the 2017 Scoping Plan Update."[3] NCPA supports using the Scoping Plan analysis as the basis for informing the appropriate range for the sector-wide target. As the Draft Staff Report recognizes, the Scoping Plan process takes into account myriad factors in determining the appropriate emissions levels for the electric sector. NCPA also supports CARB's determination that both the sector target and individual entity targets should be reflected as a range, rather than an absolute number. While staff has concluded that the proposed range is achievable, for some entities the proposed range may overly aggressive, especially given the uncertainty surrounding the electrification of not only the transportation sector, but the housing and building sector as well. For example, the current sector-wide number reflected in the Scoping Plan does not factor in Governor Brown's Executive Order B-48-18 calling for a new zero-emission vehicle target of 5 million ZEVs by 2030, nor the CEC's objective as part of the 2018 Integrated Energy Policy Report to advance GHG reductions in California's buildings.[4] Furthermore, even the CPUCnoted that "[t]hough the 30 MMT Scenario is appealing for some of its impacts, including positive air quality and economic benefits in disadvantaged communities, it represents too high a cost burden for the electric sector relative to other sectors of the economy."[5]

Given these considerations, it is important that the range not be artificially constrained. The record supports the use of a 42 MMT to 53 MMT range to better reflect the realistic planning scenarios. Using this range helps to ensure that the planning targets reflect a realistic reduction target for LSE planning purposes. Further, the final Staff Paper should clearly note that the GHG planning target range is intended for *planning purposes only* and is not a compliance obligation in and of itself. Indeed, in order to most cost-effectively maximize GHG and overall emission reductions, POUs will need to employ the full range of programs and measures contemplated in section 9621 of the Public Utilities Code, as well as the panoply of other practices and activities that best advance the State's goals, while meeting the needs of the individual communities in which they are employed.

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3 Draft Report Paper, p. 20.

4 See *2018 Integrated Energy Policy Report Update Scoping Order, dated March 20, 2018; 18-IEPR-09, Decarbonizing Buildings.*

5 D.18-02-018, p. 58.

It is Appropriate for the EDU Allowance Allocation Methodology to Inform the Entity Specific Targets

NCPA supports the staff proposal "to utilize the percentage of 2030 GHG emissions associated with each EDU from the allocation methodology in order to apportion the electricity sector GHG planning target range to individual POUs and IOUs."[6] This includes staff's recognition that the final apportionment will also take into account the industrial sector emissions that are not reflected in the current allocation to the EDUs. The EDU allocation methodology reflects entity-specific data that should reflect the EDUs' then-current procurement forecasts. Just as with the sector-wide number, the uncertainties and developments in the industry and the State's ever-increasing clean energy objectives warrant the use of a target range, which would be informed by the EDU allocation methodology. Even as non-binding targets, the GHG planning targets are an important element of the overall planning process.

NCPA also appreciates staff's recognition that use of the EDU allowance allocation methodology does not otherwise implicate the EDU's compliance obligations under the cap-and-trade program.[7] The EDU's have compliance obligations under myriad programs that all influence, inform, and impact the final procurement plans each entity will utilize. As noted above, while the GHG planning target will help inform the IRP process, it is not a separate compliance obligation. Likewise, the Draft Staff Report also recognizes that entities that fall below the statutory threshold for submitting an IRP do not require an individual GHG planning target.[8]

Updating the Planning Target Range is Properly Done During the Scoping Plan Update Process

"CARB proposes to update the GHG planning target ranges for the electricity sector as part of the process to update the Scoping Plan, which occurs at least once every five years."[9] The economy-wide assessment required by the Scoping Plan process will necessitate a review of the all GHG targets, including the success of existing programs and project future emissions. It is appropriate for this update to potentially set a revised electricity sector GHG target that will then be used to inform a revised GHG planning target for IRP purposes. Any revised target, however, must be utilized in the context of informing future IRPs and planning decisions. IRPs necessarily reflect long-term plans, and it is possible –even probable – that planning decisions put into effect during the current process will impact procurement decisions for far longer than the next five years. Therefore, any updates to the GHG planning targets necessitated by future Scoping Plan updates will have varying impacts on the IRPs of various LSEs and POUs, depending on their past procurement plans.

6 Draft Staff Report, p. 24.

7 Draft Staff Report, p. 17, fn. 24; p, 24.

8 Draft Staff Report, p. 25.

9 Draft Staff Report, p. 30.

It is Appropriate to Delegate Authority for Target Modifications that Maintain the Overall GHG Planning Target Range, but Specific Criteria for such Changes is Necessary

NCPA supports staff's decision to delegate authority to the CARB Executive Officer to update the LSE GHG planning target ranges consistent with the most recently-adopted CARB Board approved electricity sector range and apportionment methodology.[10] However, because these updates will impact other LSEs and POUs by virtue of the fact that "if one LSE's GHG planning target range increases, this necessarily means that another LSE's GHG planning target range must decrease in order to maintain the Board approved GHG planning target range for the electricity sector,"[11] it is imperative that all LSEs, POUs, and other entities assigned a GHG planning target be afforded the opportunity to participate in this process, and that the criteria upon which any changes in the entity-specific planning targets be clearly defined in advance of such a process. While there is certainly value in ensuring that there is a timely process to address the emergence of new energy providers and changes in load share amongst entities, the impacts of these changes can be far reaching, warranting a well-defined process for addressing any such changes.

Electricity Sector Range Modifications Must be Limited to Defined Circumstances

The Draft Staff Report recognizes the potential need for modifications to the electricity sector target range in advance of a Scoping Plan Update.[12] While the Draft Staff Report notes that "materially changed circumstances" may warrant such a change, aside from new legislation, there are no examples of what such materially changed circumstances may be. NCPA supports the idea of revising the sector-wide target if circumstances warrant such a change, but such circumstances must be better defined. NCPA urges CARB to better define the parameters around making such a change at this time. While it is impossible to foresee all eventualities, it is important that the entities required to complete the IRPs for long-term procurement planning be aware of the kinds of instances that may bring about a change to the planning target. It is also important to recognize that adjustments to the planning targets will have varying impacts on the procurement decisions already put into play by the various entities.

Final POU Benchmarks Must Align with the Final Sector-Wide Target and CARB's Methodology

While the CEC will review the POU IRP filings[13] the agency's role does not include a determination of whether the POU has "complied" with a specified emission reduction requirement. The purpose of the CEC's review is to determine whether the totality of the POU's IRP meets the myriad mandates and requirements related to the provision of safe and reliable electricity to their customers. In order to facilitate this review, the CEC has proposed

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10 Draft Staff Report, p. 32.

11 Draft Staff Report, p. 32.

12 Draft Staff Report, p. 32.

13 CEC review is outlined in a set of Guidelines the agency adopted in 2017, Publication Number CEC-200-2017-004-CMF.

using the EDU allocation methodology as the basis, but also includes additional assessments based on estimates of GHG emissions for each of the POUs (See Draft Staff Report, Appendix B: CEC Recommendations). To the extent that CARB's final report incorporates the CEC recommendations, the entity specific POU targets must be verified to ensure that they are consistent with the data sources used in the CARB allocation methodology, including the updates and adjustments that were incorporated into the final methodology that may differ from the initial S-2 filings[14] and related adjustments for industry sector allowances, and the final range adopted for the entire electricity sector. This step must be confirmed prior to finalizing the staff report.

Conclusion

NCPA appreciates the opportunity to provide these comments on the Draft Staff Report. Please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com if you have any questions regarding these comments.

Sincerely,

C. Susie Berlin

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Attorneys for the **Northern California Power Agency**

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14 S-2 filings are submitted to the CEC by electric utilities in support of a statewide electricity forecast the CEC develops as part of its biennial Integrated Energy Policy Report process.