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California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Joint IOU Comments on Workshop to Discuss SB 350 Integrated Resource Plans

On March 2, 2018, the California Air Resources Board ("ARB") held a public workshop, kicking off the process to formally set greenhouse gas ("GHG") emissions targets for the electric sector and individual load-serving entities ("LSEs"),[1] for use in integrated resource planning ("IRP"). These targets will govern LSE planning and related proceedings at the California Public Utilities Commission ("CPUC") and California Energy Commission ("CEC"). ARB outlined its planned process for setting electric sector and individual LSE targets, the method by which these targets may be revised, and asked stakeholders to respond to several questions. The investor-owned utilities ("IOUs") Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (herein, the "Joint IOUs") make the following comments with regard to ARB's plan and selected questions.

The Joint IOUs broadly agree with the ARB's planned methods to establish GHG emissions targets for use in IRP. The Joint IOUs believe this plan fulfills and adheres to the requirements set out in Senate Bill 350 ("SB 350"), namely, to set specific targets for LSEs to use in their respective IRP processes. The ARB has proposed to set the electric sector target in a manner consistent with the 2017 Climate Change Scoping Plan, and individual LSE targets according to a similar methodology used for the Cap-and-Trade Program's allowance allocation. The Joint IOUs support these proposals as clear, transparent, and fair. The ARB also proposes a method for updating LSE-specific targets in between the standard five-year cycle used in the

[1] In the context of these comments, LSEs includes all the entities that may fall under California Public Utilities Commission (CPUC) and California Energy Commission (CEC) jurisdiction, including community choice aggregators, electrical corporations, electric service providers, and local publicly-owned electric utilities.

Scoping Plan process, and acknowledges that factors may require intra-cycle sector target updates. The Joint IOUs support these proposals and suggest two example situations that may require more prompt sector-level updates.

The Joint IOUs look forward to supporting further development of this proceeding at the ARB through these comments and future opportunities for engagement with other stakeholders.

The Joint IOUs Agree That the ARB Should Establish the Electric Sector's Scoping Plan GHG Emissions Range for IRP

The Joint Utilities agree that the ARB should establish electric sector GHG emissions targets, as well as individual targets for all LSEs in the state to use in IRP. SB 350, as codified in the Public Utilities Code, is clear in delegating this authority to the ARB, directing LSEs to "[m]eet the greenhouse gas emissions reduction targets established by the State Air Resources Board, in coordination with the [public utilities] commission and the Energy Commission, for the electricity sector and each load-serving entity that reflect the electric sector's percentage in achieving the economy-wide greenhouse gas emissions reductions of 40 percent from 1990 levels by 2030."[2] In addition to the clear authority ARB has under SB 350, the ARB is the best positioned environmental agency to set the GHG emissions targets, given its holistic view of GHG emissions reduction goals and measures across various sectors in the state, and its authority with respect to all entities in the electric sector.

The Joint IOUs further agree that the overall electric sector target should match the range of 30-53 million metric tons ("MMT") of GHGs established in the ARB's 2017 Climate Change Scoping Plan update.[3] This range allows the electric sector to move towards the state's overall GHG emissions reduction goals while affording the appropriate flexibility for the sector, and the LSEs within it, to balance the state's carbon reduction goals and the uncertainties associated with annual supply and demand constraints. For similar reasons, the Joint IOUs agree that the LSE-specific goals should reflect target ranges rather than point estimates. Although SB 350 makes clear that the GHG targets are to be used for planning, rather than compliance, it is important to recognize the uncertainties around each individual LSE's supply and demand conditions and constraints. Further, establishing target ranges allows for the flexibility required by differing CPUC and CEC IRP process timelines.

The Joint IOUs Support ARB's Proposed GHG Target Apportionment Methodology

In the ARB's March 2, 2018, SB 350 Integrated Resource Plan Workshop, ARB Staff outlined a proposed methodology to allocate each LSE a specific portion of the overall 2030 electric sector target range.[4] At a high level, this methodology is similar to the one used in Cap-

[2] Cal. Pub. Util. Code § 454.52(a)(1)(A). *See also* Cal. Pub. Util. Code § 9621(b)(1).
[3] California's 2017 Climate Change Scoping Plan at 31.
[4] California ARB *SB 350 Integrated Resource Plan Workshop*, presentation slides at 8-9. Available at: https://www.arb.ca.gov/cc/sb350/carb_march2.pdf.

and-Trade allowance allocation. It involves apportioning the GHG targets to the state's electric distribution utilities ("EDUs") according to their anticipated demand and supply forecasts, and further subdividing the EDU's apportionment according to the share that is served by a community choice aggregator ("CCA") or electric service provider ("ESP"), if applicable.

The Joint IOUs support this apportionment methodology. First, it is appropriate to apportion GHG planning target ranges in a manner generally consistent with the Cap-and-Trade Program. While these programs serve different purposes, using similar methodologies helps to promote transparency and consistency across the ARB's GHG policies, and will provide clear guidance for the CPUC, CEC, and each LSE. Second, apportioning shares of the host EDU's target ranges to other LSEs that may operate within its borders is appropriate. This approach fulfills SB 350 obligations for the ARB to establish LSE-level planning target ranges for use in IRP processes.[5] Without a method to apportion GHG targets to entities that operate within EDUs, the LSE target-setting process will be incomplete.

The Joint IOUs Agree with the Proposed Timing and Guidelines for Planned Updates to LSE Targets, and Encourage the ARB to Consider Additional Guidelines that Would Trigger Intra-Cycle Sector Target Updates

The Joint IOUs appreciate that in order to keep electric sector targets consistent with a more holistic view of California-wide GHG emissions, it is reasonable to update electric sector target ranges for the IRP process within the ARB's process for examining statewide goals for GHG emissions reduction. This implies the electric sector target would be reconsidered on a standard five-year cycle, consistent with the Climate Change Scoping Plan. However, the ARB also recognizes that various factors can affect an individual LSE's share of load such that its target may require updates in a shorter timeframe than the standard five-year cycle would accommodate. Thus, it has recognized a need for intra-cycle updates to the LSE target ranges, and proposes that the ARB's Executive Officer be allowed to approve these changes.

The Joint IOUs support the ARB proposal to allow intra-cycle LSE target updates. In particular, due to the expansion of CCAs in EDU territories, it is important to provide a mechanism for target reapportionment. It is also appropriate to allow the ARB's Executive Officer to approve these target changes. Because the ARB has proposed a clear and transparent methodology to govern apportionment, the Joint Utilities agree that designating the Executive Officer to approve changes has the potential to balance timeliness with appropriate oversight. The Joint Utilities look forward to supporting the ARB in developing the details of this process.

There also may be circumstances that would warrant intra-cycle sector target updates. The Joint IOUs appreciate the ARB's consideration regarding the appropriate triggers that constitute "materially changed circumstances." For example, if there was substantial growth in electric vehicle charging, expanding electricity demand beyond levels that the current range can adequately accommodate, the ARB should consider how the range could be adjusted to ensure that further transportation electrification – which facilitates decarbonization in other sectors –

[5] *See* Cal. Pub. Util. Code §§ 454.52(a)(1)(A), 9621(b)(1).

is not discouraged. The ARB may also consider the extent to which relevant major legislative changes warrant intra-cycle updates, or whether it would be prudent to wait until a subsequent Climate Scoping Plan update to make sector range adjustments.

The Joint IOUs appreciate the opportunity to provide formal input on the ARB's GHG target setting process for IRP, and look forward to continuing engagement as ARB Staff develops its full proposal.

Sincerely,

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