

October 15, 2018

Ms. Rajinder Sahota
Assistant Division Chief
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Los Angeles Department of Water and Power's Comments on the Proposed Amendments to the Cap-and-Trade Regulation, 45-day package (September 4, 2018)

The Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to provide comments to the California Air Resources Board (CARB) on the proposed amendments to the Cap-and-Trade Regulation (Regulation) that were posted on September 4, 2018.

In submitting these comments, LADWP reaffirms its strong support of the Assembly Bill 32 (AB 32) and Senate Bill 32 (SB 32) goals of expeditiously achieving substantial greenhouse gas (GHG) emission reductions in a cost-effective manner that protects ratepayers and minimizes impacts to low-income communities.

I. Use of Allowance Value

LADWP supports CARB's proposal to clarify and further specify the uses of allowance value by enumerating the types of activities that are consistent with the goals of AB 32. The proposed changes will provide greater certainty on which activities and allowance uses presumptively meet the requirements of the Regulation. LADWP supports the inclusion of a category for "Other GHG Emission Reduction Activities" to capture activities that do not fall into one of the other three listed categories: 1) renewable energy, 2) energy efficiency and fuel-switching, and 3) non-volumetric return of allowance proceeds to ratepayers. The establishment of this additional catchall category establishes a useful flexible framework for identifying and classifying other activities that may not necessarily fall into one of the other three categories, but still provide GHG emission reductions and ratepayer benefits. In addition, LADWP supports the use of allowance value "for reasonable administrative and outreach costs necessary to implement these uses of allowance value."

II. Demonstration of GHG Emissions Reductions for Use of Auction Proceeds

LADWP understands the need to improve program transparency and importance of considering GHG emission reductions when making decisions about using allocated allowance value. Therefore, LADWP supports CARB's proposal to allow electrical distribution utilities (EDUs) to demonstrate GHG emission reductions by estimation. CARB staff stated that the proposed GHG estimation amendments combine structure and flexibility. However, certain provisions of section 95892(e)(4)(B) -- the section for estimating GHG emission reductions -- can be interpreted as prescriptive, given that, the word "shall" rather than "may" is used when referring to information used for the calculation. For example, the proposed new provision requires that the GHG emission reduction estimation method shall utilize "use-specific information, specified or comparable emission factors, time period of emission reductions, and percentage of costs covered by the allocated allowance auction proceeds." To avoid being overly prescriptive and inflexible, LADWP recommends replacing the word "shall" with "may," to allow flexibility to exclude information that is not available or not applicable. Any estimation methodology should be flexible and not overly burdensome.

III. GHG accounting for the Energy Imbalance Market (EIM)

LADWP generally supports the proposed Energy Imbalance Market (EIM) Purchaser approach, while concurrently encouraging CARB to continue to work with the California Independent System Operator (CAISO) on enhancements in the EIM market design to directly account for the full and actual GHG emissions from resources supporting California load. LADWP understands that the EIM Purchaser approach "reduces secondary dispatches, but does not eliminate them." LADWP encourages CARB staff to consider potential cost and risk impacts associated with the EIM outstanding emissions accounting approach, and supports minimizing these impacts. In particular, CARB staff should consider the Cap-and-Trade compliance schedule and the timing necessary to allocate, purchase, and/or surrender compliance instruments, and the associated financial risk of unforeseen compliance obligations. LADWP recommends minimizing EDU reporting requirements by CARB obtaining EIM data directly from CAISO based upon settlement data on an annual basis, as opposed to five-minute basis as currently proposed, and allow publicly-owned utilities the option to designate allowances for compliance with the EIM Obligation.

IV. Direct Environmental Benefit

LADWP supports CARB's conclusion that Ozone Depleting Substances (ODS) projects that contain material sourced from within the State provides Direct Environmental Benefits in the State (DEBS) even if those ODS are destroyed outside of the State. LADWP agrees with CARB's assessment that there are also ozone-related benefits from destroying ODS gases that are in addition to the GHG benefits for which the projects are credited. LADWP's Refrigerator Exchange Program and Refrigerator

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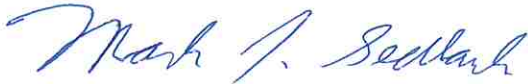
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Recycle Program incentivize the conversion to newer more energy efficient units that will reduce emissions of GHGs and criteria and toxic pollutants by reducing electricity demand.

If you have any questions, please contact me at (213) 367-0403 or Ms. Jodean Giese at (213) 367-0409.

Sincerely,

A handwritten signature in blue ink that reads "Mark J. Sedlacek". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

Mark J. Sedlacek
Director of Environmental Affairs

Enclosures

BP:ns

c: Mr. Jason Gray, ARB
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