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December 16, 2016 | Submitted Electronically

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

**Re: SCPPA Comments on the 2030 Target Scoping Plan Discussion Draft**

Thank you for the opportunity to provide these comments on the December 2, 2016, “Discussion Draft” of the 2030 Target Scoping Plan Update.

The Southern California Public Power Authority (SCPPA) is a joint powers agency whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. Our Members collectively serve nearly five million people throughout Southern California. Each Member owns and operates a publicly-owned electric utility governed by a board of local officials who are directly accountable to their constituents.

Each SCPPA Member has a duty to provide reliable power to their customers – many of which include numerous disadvantaged communities – at affordable rates while also complying with all applicable local, regional, state, and federal environmental and energy regulations and policies. Currently, SCPPA and our Members own, operate, or have binding long-term procurement arrangements with 38 generation and natural gas projects and three transmission projects, generating power in California or importing from Arizona, New Mexico, Utah, Oregon, Washington, Nevada, Texas, and Wyoming. This is in addition to individual, Member-owned or contracted and operated transmission, generation, and natural gas projects throughout the Western United States.

All three options outlined in the Discussion Draft will significantly impact SCPPA, its Members, and their customers for decades to come. None of these paths forward will be inexpensive or easily achievable. Energy resource planning is a multi-decade exercise; when significant changes in direction are recommended, as is the case in this Discussion Draft, they should be fully analyzed and enacted only after soliciting meaningful stakeholder input and developing a complete (or at least reasonable) understanding of the potential costs.

**Support for Continuity of Existing Greenhouse Gas Reduction Policy Framework**

SCPPA and its Members have historically supported the Cap-and-Trade Program as the most workable strategy to achieve the State’s increasingly aggressive long-term GHG emissions reduction goal. We remain steadfast in this position for a number of important policy reasons that were debated before and after the release of the 2008 Scoping Plan. Besides the numerous advantages Cap-and-Trade has over a carbon tax or a “command and control” regime, a significant reason SCPPA still supports the existing policy framework is that it is still in its infancy. Energy planning and resource procurement is a multi-decade process that is not suited for significant, wholesale changes in policy direction after just a few short years. Consistency of policy is a fundamental policy consideration in and of itself. SCPPA understands that ARB staff needs to evaluate other policy options given recently enacted legislation, but if any major change in policy is considered, then sufficient lead “policy transition” time should be provided to regulated entities. This time should not be shorter than 10 years in the case of a shift from Cap-and-Trade to a Carbon Tax, for example.

We believe that the Draft Scoping Plan Scenario, to further an internationally recognized market-based mechanism through the Cap-and-Trade Program, is the most effective and affordable approach to achieve GHG emissions reductions throughout the state. This Program is much broader than just the Cap-and-Trade Regulation; it includes funding Greenhouse Gas Reduction Fund projects and programs designed to simultaneously provide economic and public health co-benefits as well – particularly in disadvantaged communities. The Program, as currently constructed, allows our Members to pass the value of allowance allocations directly to their customers. These benefits flow through to all of our Members' customers, including those in the disadvantaged communities. **The continuation of a well-designed Cap-and-Trade Program is critical in supporting public utilities' ability to provide Californians with the most cost-effective energy products while working to achieve the State's aggressive path towards the 2030 statewide GHG emissions reduction goal.**

### **Procedural Concerns**

SCPPA continues to be troubled by the process through which the 2030 Target Scoping Plan is being considered. A 14-day comment period is simply an inadequate amount of time to review an incomplete document that will impact our state's policies, serve as the foundation for future legislation, and dictate fundamental market design for at least the next 14 years. The Discussion Draft does not include many important details that shape the modeling results and allow stakeholders to provide informed feedback based on data assumptions. With the understanding that a full draft of the 2030 Target Scoping Plan and technical appendices will be released in January, we strongly encourage ARB to offer a considerably lengthier review process with public meetings at appropriate points during that period. The concurrent and expedited reviews of both this Discussion Draft and the 2016 Cap-and-Trade Regulation amendments are not conducive to soliciting productive and meaningful stakeholder input in either proceeding.

### **Lack of Cost-effectiveness and Feasibility Evaluations**

Throughout the Discussion Draft, ARB relies on various assumptions for new policies and measures to support GHG reductions. The Plan does, necessarily, include brief discussion of the potential "technology, cost, or legal authority barriers that may prevent implementation from occurring."<sup>1</sup> In SCPPA's estimation, there is a *significant* likelihood that such barriers exist. Statute requires ARB to "adopt regulations to achieve the maximum **technologically feasible and cost-effective** greenhouse gas emissions reductions."<sup>2</sup> Yet, the Discussion Draft fails to evaluate the feasibility or cost-effectiveness of any of the scenarios and frames the discussion only around potential GHG emissions reductions based on assumptions that have not been fully vetted in public processes.

Furthermore, Figure I-5 on page 31 of the Discussion Draft illustrates a potential pathway to reaching Governor Brown's target of 80% below 1990 GHG emission levels by 2040. This would move the target up ten years, and such an impactful change should not be taken lightly. **SCPPA has significant concerns with the lack of discussion and premature presentation of this chart, which does not include any analysis of the cost, feasibility, or authority necessary to move forward.**

The Scoping Plan is a cornerstone in state policy development and undoubtedly informs future legislative proposals. This only emphasizes the need for a more substantial analysis of cost and technology impacts linked to each of the scenarios. **Without the appropriate cost/benefit framing, the underlying assumptions within the scenario modeling and/or design of any new policy measures proposed may be taken out of context and inserted into new mandates for the state without proper consideration of the cost and implementation impacts that the mandates would have.**<sup>3</sup>

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<sup>1</sup> Scoping Plan Discussion Draft, page 92.

<sup>2</sup> California Global Warming Solutions Act of 2006, as modified by Senate Bill 32 (Pavley); emphasis added.

<sup>3</sup> One such example of a problematic potential new measure, presented in the draft on page 56, is the concept of "potentially free" electricity for zero-emission vehicle charging. As utilities invest more in transportation electrification efforts, the cost shift resulting from this proposal could very likely result in disproportionate impacts to low-income customers and disadvantaged communities, who are less likely to purchase zero-emission vehicles due to high costs.

SCPPA urges the ARB to release this information as soon as possible, but no later than 15-days prior to the January ARB Board Hearing, when the full Scoping Plan draft is slated for Board and stakeholder review.

### **Role of Integrated Resource Plans**

**To be clear, SCPPA strongly opposes the use of regulatory agencies' role in the IRP process to impose new mandates or to expand authority beyond that already established in the state's legislation.** SB 350<sup>4</sup> requires integrated resource planning for the majority of the electricity sector. SCPPA is concerned with several references in the Discussion Draft that seemingly characterize Integrated Resource Plans (IRPs) as vehicles for implementing new mandates or expanding enforcement authority on load-serving entities. For example, the Discussion Draft identifies a Known Commitment on Page 40 of "*ensur[ing]* meaningful GHG emission reductions by load-serving entities through Integrated Resource Planning."

IRPs are ***planning*** documents, illustrating how utilities intend to meet GHG reduction *planning* goals dependent upon the unique needs of their ratepayer base. A utility may, for example, choose to implement a more expansive set of rebate programs or procure higher levels of renewable energy than required by law -- if those decisions are appropriate for their specific customers and utility objectives. However, IRPs should not be construed as a means for regulatory agencies to *impose* requirements that go beyond existing, statutorily-required policies; nor should they inhibit local decision-making, in the case of publicly-owned utilities.

The overall scope and format of the IRPs are currently being discussed in both CEC and CPUC processes. We look forward to continuing to work with ARB, CEC, and CPUC staff on establishing and implementing sensible GHG planning targets for our Members to facilitate progressive increases in efforts to reduce GHG emissions. As SCPPA, and POU's more generally, have participated in those proceedings, there has been a clear emphasis on the need for flexibility to accommodate the diversity of POU's customer bases and planning needs. SB 350 gives the CEC the authority to review and make recommendations to POU's to correct any perceived deficiencies in their IRPs. Further delineation of this role and the related processes for submitting and reviewing the IRPs will be established in the CEC's proceeding for POU's.

Should ARB envision a need for increased data access to measure progress in achieving the state's climate goals, we encourage ARB staff to coordinate those needs with the CEC to streamline submissions to the greatest extent possible. Some of the information may already be available via reports submitted to the CEC, whether included as part of an IRP or otherwise submitted.

### **Land Use Constraints and Renewable Energy Procurement**

With an increasing RPS through 2030 and advancing discussions on regionalizing California's electric grid, it would be remiss of SCPPA to not comment on the highly relevant link between in-state land use limitations and their potential impacts on renewable energy procurement. Indeed, the "Natural and Working Lands" section discussion highlights the goal of "protect[ing] land from conversion to more intensified uses by increasing conservation opportunities and pursuing through local planning processes urban and infrastructure development patterns that avoid greenfield development."<sup>5</sup> Implicit in this goal are both a preference for specific renewable resources (biomass) and a constraint on development of other renewable resources within California.

SCPPA believes the State should take a resource-neutral approach to renewable energy procurement. While tree mortality and methane emissions from the agricultural sector are both problems that can be addressed with increased biomass uptake, a finite amount of resources are available in only certain parts of the state (principally concentrated in northern

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<sup>4</sup> Chapter 547, Statutes of 2015.

<sup>5</sup> Scoping Plan Discussion Draft, page 59.

California). As such, utilities should have discretion to procure the renewable resources that are most cost-effective for their customers as they comply with state laws.

Any restrictions on in-state land use boosts the importance of out-of-state development, particularly for utilities that do not have access to cost-effective and readily available biomass resources. This becomes problematic as we look at increased RPS requirements, up to and including the 60% RPS assumption included in the modeling of Alternative #1, and costly transmission build-outs needed to bring out-of-state renewables to California consumers. The overall cost of compliance and customer costs could spike, as less cost-effective resources would potentially need to be selected to address state goals. Utilities' ability to comply with the diversity of regulations could also be compromised as policies conflict with one another (for example, RPS procurement content category limitations on out-of-state renewables for utilities are at direct odds with the goal of limiting land conversion in-state).

As the Natural and Working Lands Sector inventory is established over the next two years, we must look at proposals to address this sector as part of a comprehensive climate **and** energy policy framework that includes evaluation of the interactive and layered cost impacts of new policies to consumers.

### **Electrification**

Noticeably absent from the Discussion Draft's "Known Commitments" is the SB 350 mandate for ARB to address regulatory disincentives to increased investments in transportation electrification via "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."<sup>6</sup> We understand that ARB staff is working with the CEC and CPUC on exploring possible ways to address this and to quantify the amount of transportation electrification occurring throughout the state; this work should be mentioned. Additionally, we suggest that the 2030 Scoping Plan should include reference to the SB 350 requirement while the details of how it will be implemented are determined.

SCPPA welcomes further discussion with ARB and CEC staff on possible ways to better incent transportation electrification infrastructure build-out as well as zero-emission vehicle sales. Our Members understand the importance of reducing transportation sector emissions as a strategy to overall GHG emission reductions in California and stand ready to partner with the State and sector to accomplish these reductions.

The draft plan identifies assumptions of accelerated retirement of light-duty gas vehicles and natural gas furnaces in residential and commercial buildings. The draft correctly notes that there would need to be some additional incentive to motivate customers to take-on early retirement of functional, existing equipment. ARB should provide detailed analysis and opportunity for discussion of these underlying assumptions – including a full description of what staff envisions would be necessary to realize the amount of early retirements assumed to take place in the draft scenario.

### **Local Action**

The Discussion Draft discusses the importance of local government actions that complement state-level efforts to reduce GHG emissions. It further recommends that local governments adopt emissions goals of no more than six metric tons of CO<sub>2</sub>e per capita by 2030 and no more than two metric tons of CO<sub>2</sub>e by 2050. We appreciate the included flexibility for local jurisdictions to adopt region-specific goals. As ARB has acknowledged, there are vastly different geographies and demographics within our state; this flexibility will allow local jurisdictions to determine how best to support their communities in reducing GHG emissions. Though CEQA was briefly discussed, this section of the Discussion Draft could have significant consequences when specific projects are being reviewed for decades to come. It is important for ARB and local jurisdictions to continue the dialogue on this topic.

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<sup>6</sup> Clean Energy and Pollution Reduction Act of 2015.

SCPPA Members are committed to providing their customers with reliable, affordable, and safe energy. Our Members have taken, and will continue to take, significant strides toward mitigating the environmental and public health impacts of climate change in their communities. Investments in renewables, energy efficiency, energy storage, and transportation electrification have played a significant role in so doing – and such investments will only become increasingly more important as we partner with the State in achieving the myriad of climate and energy policy goals that are paving the way to a cleaner California.

### **Social Cost of Carbon**

Discussions on the social cost of carbon and the design of the proposed carbon tax will be of paramount importance to the future of California's climate policy. When details are released in January, it is absolutely critical that stakeholders have ample review time and opportunities for discussion with ARB. We urge ARB to provide clarifications on the required procedural steps for moving forward with adoption of a social cost of carbon and a carbon tax mechanism, particularly given the need for legislative action.

### **Intergovernmental Collaboration**

SCPPA appreciates the inclusion of a section regarding intergovernmental collaboration. Strong coordination amongst the federal, state, and local levels is necessary to ensuring that California's ambitious climate change policies are being implemented in a complementary, collaborative, and cohesive manner. While it is widely recognized that significant challenges lie ahead for California to combat the effects of climate change, it should also be recognized that we will not be able to achieve transformative long-term progress if the various energy agencies (and their staffs) do not work in parallel to implement these policies. As the State's policy partners, we continue to work with the state agencies toward achieving a more sustainable future for California -- but the plethora of policies must work together, as must both leaders and staff at the various agencies implementing those policies. We look forward to further building upon our relationships with state agencies and their staff, and we fully support increased efforts to collaborate across agencies at all levels.

### **Conclusion**

Thank you for your time and consideration. SCPPA and our Members continue to seek forward progress on a variety of issues that have been raised over the past year. We remain ready to meet with ARB staff to work towards mutually agreeable solutions that best advance the State's climate change goals in an affordable manner for California ratepayers.

Respectfully submitted,



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