February 20, 2024

Honorable Chair Liane Randolph and Honorable Board Members
California Air Resources Board
1001 I Street
Sacramento, CA 95814
Submitted Electronically

Subject: Los Angeles Department of Water and Power's Comments on California Air Resources Board's Proposed Amendments to the Low Carbon Fuel Standard Regulation

Dear Chair Randolph and Honorable Board Members,

The Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB) Proposed amendments to the Low Carbon Fuel Standard (LCFS) Regulation (Proposal) posted on December 19, 2023, and updated on January 1, 2024. LADWP reaffirms its strong support of the LCFS program and its role in achieving the substantial greenhouse gas (GHG) emissions reductions goals of AB 32, SB 32, and AB 1279.

As an electrical distribution utility (EDU), LADWP is the largest municipal electric utility in the nation, serving approximately 1.4 million residential and business customers. As a large publicly owned utility, LADWP is in the most optimal position to promote transportation electrification and reduce financial impacts to our customers by investing in programs that benefit everyone. LADWP offers the following comments on the proposed amendments for your consideration.

I. **<u>§ 95484. Annual Carbon Intensity Benchmarks and Automatic Acceleration Mechanism</u>**

The LCFS regulation is vital to decarbonizing the transportation fuel sector. LADWP supports CARB's proposed 30% reduction in fuel carbon intensity (CI) by 2030 and 90% reduction in fuel CI by 2045. To comply with long-term zero-emission vehicle adoption targets of regulations such as Advanced Clean Cars II, Advanced Clean Fleets, Advanced Clean Trucks, and others, which have deadlines in 2045, extending the LCFS program will continue providing essential support for the transition. LADWP agrees with CARB staff that long-term deployment of low carbon technologies is necessary to achieve long-term transportation decarbonization goals.

Additionally, LADWP supports the proposed near-term step-down and Automatic Acceleration Mechanism. LADWP agrees that there needs to be a mechanism in place to enhance the stringency of the standard if and when transportation decarbonization advances more rapidly than staff initially anticipated.

II. § 95483(c)(1). Updates to Residential EV Charging

a. Base Credits

LADWP has been a long-time advocate of electrifying the transportation sector. From light-duty electric vehicle charger rebates first offered in 2013 to medium- and heavy-duty vehicle charger rebates in 2018 and previously owned electric vehicle rebates expanded in 2023, LADWP continues to develop various programs that promote electric vehicles and increase benefits to disadvantaged communities and low-income customers. LADWP relies on the LCFS program to continue funding these equity-focused efforts while reducing the financial impacts to our customers. LADWP supports the proposed reduction in the Publicly Owned Utilities' (POUs') minimum base credit contribution required to fund the Clean Fuel Reward and the corresponding increase in the holdback credit which will help fund LADWP's transportation electrification programs.

b. Restrictions on Use of Holdback Credits

LADWP supports the Proposal to keep the holdback equity requirement for POUs at 50% as stated in Appendix E (page 15) of the Proposed Amendment. However, this is not reflected in the language of the proposed regulation in section 95483(c)(1)(A)5.a. LADWP recommends that CARB staff amend the language of the proposed regulation to explicitly state the holdback equity requirements for POUs for clarification.

LADWP also agrees that the projects listed under section 95483(c)(1)(A)5.a. (Holdback Credit Equity Projects) unconditionally support the equity community and applaud CARB's efforts to include them. Under this section, a list of preapproved projects follow the statement, "These projects may include:", which casts uncertainty on whether all listed projects qualify as supporting equity. LADWP asks that CARB amend the text to clarify CARB's intent that the list of preapproved projects unconditionally supports equity (i.e. regardless of location of the project).

Section 95483(c)(1)(A)5.b. (Other Holdback Projects) of the Proposed Amendment states that, "Holdback projects that are not specified in subsection 95483(c)(1)(A)6.a. must follow the requirements…". LADWP asks CARB to verify whether subsection 95483(c)(1)(A)6.a. was incorrectly cited and instead was intended to refer to 95483(c)(1)(A)5.a.

Depending on which activities qualify towards the definition of administrative cost, the proposed reduction in allowable administrative costs for holdback credit equity projects to 5 percent of total spending on holdback credit equity projects may be too low, as proposed in section 95483(c)(1)(A)5.c. There is a misalignment on what is considered administrative cost between CARB's programs (i.e. LCFS guidance and Cap-and-Trade guidance), and other regulators (i.e. CPUC's Energy Efficiency Policy Manual). LADWP recommends that CARB staff clearly define and list examples of activities that are considered administrative and consider keeping the allowable administrative cost at 10 percent for holdback credit equity projects.

III. § 95483(c)(2), 95491(d)(3)(A), and 95491(e)(5) Uses of Electricity Credit Proceeds for Non-Residential Electrical Vehicle Charging

The reclassification of non-limited chargers located at multi-family residences as non-residential EV charging, and subsequent changes to sections 95483(c)(2)(C), 95491(d)(3)(A), and 95491(e)(5), raise questions on the requirements for non-Load Serving Entity (non-LSE) owners of EV chargers at multi-family residences. In the Proposed Amendment, section 95483(c)(2)(C) includes a revision that replaces the requirements set forth in paragraphs 2. through 7. in section 95491(d)(3)(A) with requirements in section 95491(e)(5). The original language in paragraph 7 of section 95491(d)(3)(A), which is copied below, clearly cites the specific requirements for non-LSE owners making it clear how the cost of charging is applied:

> "A non-LSE credit generator must use credit proceeds to benefit EV drivers and their customers and educate them about the benefits of EV transportation (including environmental benefits and costs of EV charging, or total cost of ownership, as compared to gasoline). The credit generator must include, in their Annual Compliance Report, an itemized summary of efforts and costs associated with meeting these requirements."

The new proposed language under Section 95491(e)(5), as cited below, on the other hand, is more general and lacks the pertinent information that the previous language specified:

> "Entities generating credits from electricity must use all credit proceeds to further transportation electrification efforts in California. The credit generator must include, in their Annual Compliance Report, an itemized summary of efforts and costs associated with meeting this requirement."

LADWP is concerned with the new language's shift of allowable use of credit proceeds from benefitting EV drivers and customers to a more general "further transportation electrification efforts." From LADWP's experience, even with the current customer-focused requirements, credit proceeds are not being passed down to customers via affordable rates or incentives at multi-family residences. After charger installation, single-family residents pay little more than the cost of electricity to fuel their EVs. By contrast, multifamily residents can be subjected to additional fees, benefiting operators or landlords, eliminating the driver's cost savings versus fueling with gasoline. The cost of charging may be a barrier for EV adoption for residents of multifamily buildings. LADWP recommends that CARB consider amending the proposed language to include provisions to protect the customers, such as requiring non-LSE credit generators with

EV chargers located next to a multi-family residence to provide affordable rate options to those multifamily residents.

IV. § 95486.2(b) and 95486.3(b). Generating and Calculating Credits for ZEV Fueling Infrastructure Pathways

LADWP supports the proposed amendments that expand the current ZEV infrastructure crediting provisions beyond light-duty (LD) infrastructure to medium- and heavy-duty (MHD) infrastructure and extending the light-duty crediting. LADWP believes that infrastructure crediting will help reduce the risk of under-utilized chargers and will drive the buildout of necessary infrastructure.

V. § 95501. Requirements for Validation and Verification Services

Staff's proposal to add third-party verification requirements for EV charging except for section 95491(d)(3)(A) (non-metered residential) means that metered residential transactions, for base credits or incremental credits, will be subject to verification. Verification of residential EV charging may be challenging because of the required site visits.

Section 95501(b)(3) states that, "*Site Visits*. At least one lead LCFS verifier accredited by the Executive Officer on the verification team must, in addition to one visit to validate an application, annually visit each facility; and, if different from the fuel production facility, the central records location for which the records supporting an application or report subject to verification are submitted."

Annual site visits to *each* facility for verification of Quarterly Fuel Transactions Reports can be time consuming and burdensome. Fuel transactions that are low risk can easily be verified using the Lookup Table CIs, site visits, especially for the verification of residential EV charging data. LADWP recommends that CARB staff amend or add language that allows for site visits at a central records location for these types of verifications or exempt these transactions from the site visit requirement. Additionally, for small credit generators, it may not be financially feasible (even with deferred verification) to hire third-party verifiers. LADWP recommends verification exemption, through the Executive Officer approval process, for when the cost of verification exceeds the value of the LCFS credits generated.

In closing, LADWP appreciates the opportunity to provide comments and feedback on these important topics. If you have any questions about LADWP's comments, please contact Ms. Andrea Villarin at (213) 367-0409 or Mr. Bang Phung at (213) 367-8689.

Sincerely,

Katherine Rubin

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