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Submitted electronically

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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 SB 350 Workshop***

Dear Ms. Sahota:

These comments are submitted by the Northern California Power Agency[1] (NCPA) in response to the March 2 Workshop on SB 350 Targets. During the workshop the California Air Resources Board (CARB) presented its proposal for establishing the greenhouse gas (GHG) emissions target for the electricity sector and for each load serving entity (LSE) or publicly-owned electric utility (POU) meeting the statutory threshold for their respective integrated resource plans (IRP). NCPA appreciates the opportunity to provide these comments in response to the CARB staff's initial proposal for setting the GHG planning targets and the related discussion during the March 2 workshop. 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. NCPA offers the following comments to aid and inform this process, because even as the GHG planning targets for POUs and LSEs are not binding compliance obligations, they are an important element of the overall planning process.

The Appropriate Planning Range Should Not be Artificially Low.

CARB has proposed establishing the range for the electricity sector GHG planning target to be used in IRPs based on the modeling done for *California's 2017 Climate Change Scoping Plan* (Scoping Plan). That means that CARB is looking at using the electricity sector

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.

GHG emissions range from 30 million metric tons of carbon dioxide equivalent ($MMTCO_2e$) to 53 $MMTCO_2e$. Staff's presentation notes that this range reflects the uncertainty in both electricity demand and supply in the Scoping Plan modeling.[2] NCPA agrees that CARB should use a range based on the Scoping Plan modeling but cautions against simply taking the low and high ranges from the Scoping Plan and using those numbers as "book ends" for the sector-wide range. As noted in the Scoping Plan, the "high end of the electric power sector range is represented by the Scoping Plan Scenario, and the low end by enhancements and additional electricity sector measures such as deployment of additional renewable power, greater behind-the-meter solar PV, and additional energy efficiency." (Scoping Plan p. 31) These additional enhancements do not necessarily represent the most cost-effective or technologically feasible means by which to reduce GHG emissions in the electricity sector. Indeed, the Scoping Plan Update itself devotes considerable discussion to explaining why the Scoping Plan Scenario is the preferred alternative for meeting the state's emissions reduction goals. As the California Public Utilities Commission (CPUC) notes, "Though 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." (D.18-02-018, p. 58)

Furthermore, the IRP targets are intended to serve as planning tools, used to help frame long-term electricity procurement decisions. Accordingly, the IRP itself must include a certain level of speculation and forecasting to meet a long-term planning objective. There is a great deal of uncertainty inherent in the deployment of "enhancements" that would be necessary to meet the 30 MMT target. CARB should avoid including a number within the sector-wide (or entity-specific) planning range that compounds the uncertainty in this already complicated planning exercise.

As such, NCPA does not believe that the proposed "range reflect the appropriate breadth for planning purposes given the factors affecting electricity demand and supply." Instead of creating an artificially low target for the bottom end of the planning range, NCPA recommends that CARB set the sector-wide planning range between 42 $MMTCO_2e$ and 53 $MMTCO_2e$. This ensures that the Scoping Plan Scenario – the state's preferred approach – serves as the high end of the range and ensures that the low end of the range more readily reflects a planning target that is not beset by unnecessary uncertainties.[3] Even the high end of the range reflects a greater than 50% change from the electricity sector's 1990 emissions levels. (Scoping Plan, p. 31) Furthermore, as the CPUC observes, even the upper end of this range, "still represents an increase in momentum relative to current policies and activities already underway. For example, it would represent achieving somewhere between 53-57% renewables by 2030, without creating overly burdensome costs for the sector that would be represented by the 30 MMT Scenario." (D.18-02-018, p. 57) Using a range of 42 MMT to 53

2 Staff Workshop Presentation, p. 39; https://www.arb.ca.gov/cc/sb350/carb_march2.pdf.

3 The CPUC recommends setting the electric sector range at 42 million metric tons (MMT) by 2030, which represents a 50 percent reduction in electric sector GHG emissions from 2015 levels and a 61 percent reduction from 1990 levels. (D.18-02-018, p. 3)

MMT better reflects the realistic planning scenarios. In asking how a "more fine-tuned range be developed," it is important for CARB to first acknowledge that it is not necessary to narrow the planning range, but to ensure that it reflects a realistic reduction target for LSE planning purposes.

Entity-Specific Targets are Properly Set Using the Cap-and-Trade Allowance Allocation Methodology as the Basis.

CARB has proposed using the Electrical Distribution Utility (EDU) Allocation Methodology for 2021-2030 in the most recent Cap-and-Trade program amendments as the basis to apportion electricity sector planning targets among individual EDUs. NCPA believes that this is a sound starting point for setting the entity-specific GHG planning targets. With adjustments to the base methodology to factor in the emissions from industrial customers for which allowances were deducted from the EDUs and credited to the industrial customers, the EDU allowance allocation methodology provides a common means by which to apportion the sector target to the LSEs and POUs. This is an appropriate starting point because the methodology reflects entity-specific data that should reflect the EDUs' then-current procurement forecasts. It is appropriate to use these numbers as the basis for setting the range of GHG planning targets for the EDUs. The final target, however, will remain just as speculative in the long-term as the forecast data that is reflected in California Energy Commission's (CEC) Form S-2 forms, with extrapolated estimates beyond the 10-year S-2 period out to 2030. As CEC staff oft notes when discussing the demand forecasts, the only thing certain about any forecast is that it is not going to be correct. However, since the number is being used as a planning tool and not associated with a specific 2030 compliance obligation, it serves as a reasonable basis for this exercise.

To the extent that CARB is looking to develop a "point estimate within the range for implementation purposes," NCPA recommends that the agency clearly define what the purpose is and define how such a "point estimate" would be used.

Updating the Electricity Sector GHG Planning Target Should Not Impact LSE and POU IRP Planning.

CARB proposes updating the electricity sector GHG planning target ranges on a five-year cycle consistent with the development of Scoping Plan updates, as needed. The five-year cycle for updating the Scoping Plan necessarily requires CARB to review and re-evaluate that statewide GHG emissions target. This exercise will require the agency to look both at the success of existing programs and project future emissions. Indeed, emissions from expanded transportation and building electrification, for example, will materialize in the intervening years as the state moves towards meeting its aggressive electrification plans for these sectors. This shift will result in an increased carbon burden for the electricity sector to the extent that this increase cannot be met entirely with non-GHG resources 100% of the time, necessitating revisions to the economy-wide and sector-wide targets the agency develops because the additional carbon burden from such factors have not yet been calculated or factored into current electric sector GHG target.

These important and necessary updates to the GHG target could, if appropriate, be incorporated into the entity-specific planning targets that will be used for the POU and LSE future IRP processes when looking beyond 2030. Because the IRPs are intended to present long-term procurement planning, designed to meet myriad elements (reliability, reasonable costs, safety, RPS, energy efficiency, etc.,) and reach a GHG emissions reduction target by 2030, decisions put into play as a result of the IRPs will involve both long- and short-term commitments, making a change in the 2030 target mid-stream problematic in a variety of ways.

If a Scoping Plan update leads CARB to believe that a change in the sector-wide target is warranted, any corresponding changes to the entity-specific GHG planning targets should reflect a change to some post-2030 timeframe. For example, if the next Scoping Plan is completed in five years, then the planning target range should be pushed out to 2035 rather than modified for 2030. There is little value in emphasizing a long-term planning objective for meeting the 2030 emissions reduction target if that target is subject to change during the course of the planned-for period.

Individual LSE and POU GHG planning target ranges can change without triggering a change in the electricity sector range. However, CARB should include a clearly defined process for making such a change and articulate the specific parameters that would be used for any change in LSE or POU specific planning targets in any of the intervening years. Because the IRP is intended to serve as a long-term planning tool, it is imperative that there be a certain level of certainty around the target planning range in order for the exercise to be meaningful. While the GHG planning target is not an enforceable compliance obligation, it does represent an important planning tool that will be used to shape and frame long-term resource procurement decisions.

Changes to the Electricity Sector Range in Advance of a Planned Update Based on Materially Changed Circumstances Must Be Clearly Defined.

Circumstances that warrant changes to the electricity sector target in advance of a Scoping Plan update must be clearly defined. NCPA supports the idea of revising the sector-wide target if circumstances warrant such a change. The electricity sector is obligated to assume a disproportionate burden for reducing emissions. The emphasis on transportation and building electrification, will transfer an emissions burden to the electric sector and additional cost to electricity ratepayers. Triggers for initiating such a change must be clearly articulated, and the revisions must be done as part of a public process that clearly vets the need for adjustments. For example, in limited areas like building and transportation electrification that have clearly been identified as areas that needs to be fully evaluated and existing assumptions could be significantly changed moving forward. Indeed, transportation and building electrification assumptions used in the current Scoping Plan and current LSE and POU forecasts pre-dated the Governor's latest push for greater deployment of electric vehicles, or the expanded electrification referenced in CEC's 2017 Integrated Energy Policy Report. Similarly, some POUs have experienced such sustained load growth that adjustments were necessary to their load forecast between the time their S-2s were submitted and the time that

CARB established the EDU allowance allocation proposal. Instances such as this may also warrant revisions to the planning target.

Despite ambitious goals and well-meaning intentions, it is simply not feasible to assume that this added burden can or will be met with zero-emissions resources, especially as policy makers have expressed a desire to more closely match individual utility loads with generation resources. Because long-term planning decisions are already in play, extreme caution should be used in proposing any adjustments in the intervening years that would tighten the GHG planning targets. Again, despite the fact that the GHG planning targets do not represent a separate compliance obligation, they send an important signal to state policy makers, and great care should be taken to ensure that this signal is accurate. And, as a *planning target and not a compliance obligation*, there should be inherent flexibility in the use/review of the LSE/POU IRPs using the number that reflects this fact. Only significant and unforeseeable changes to the economy-wide or sector-wide emissions should warrant an interim revision to the GHG planning target, since the exercise would likely be resource intensive, and ultimately not necessary since the entity-specific planning targets are not binding.

GHG Planning Targets Do Not Reflect A Compliance Obligation.

The CPUC and CEC have different statutory obligations vis-à-vis the LSEs and POUs and their IRP planning processes. That authority, however, is unrelated to CARB's authority to establish sector-wide and entity-specific GHG planning targets in consultation with the Commissions. The legislature has clearly defined the IRP requirements for LSEs and POUs, as well as the extent of the CPUC and CEC jurisdiction relevant to each. For the POUs, this means that the local governing boards establish the IRPs, and the CEC reviews the IRP filings for consistency with the statutory requirements – including the extent to which the POU IRPs would enable the utility to meet its GHG planning target. Irrespective of this exercise, the POU's 2030 GHG reduction may ultimately fall outside of the planning range. This does not however, represent a failure of the POU to comply with the statutory mandates and emissions reductions measures it is bound by, as those compliance obligations are separate and apart for any planning exercise of GHG reduction benchmarks incorporated into the IRP.

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

The individual POUs that meet the statutory threshold in Public Utilities code section 9621 will submit their completed IRPs to the CEC for review.[4] This review encompasses the totality of the POUs IRP, and not merely the GHG planning targets. To facilitate that review Section 9622 authorizes the Commission to "adopt guidelines to govern the submission of information and data and reports needed to support the Energy Commission's review," which the CEC adopted in 2017. As noted above, however, this review is not to determine

4 The CEC will "review the integrated resource plans and plan updates. If the Energy Commission determines an integrated resource plan or plan update is inconsistent with the requirements of Section 9621, the Energy Commission shall provide recommendations to correct the deficiencies." PU Code section 9622

compliance with a specified emission reduction requirement, but rather to ensure that the totality of the POUs IRP meets the myriad mandates and requirements related to the provision of safe and reliable electricity to their customers.

The CEC proposes to evaluate the IRPs and review each POUs' emissions reductions as compared to the benchmarks set forth on page 4 of the CEC's presentation. NCPA agrees that the general framework proposed by the CEC would be useful for purposes of helping CARB determine the final POU-specific emissions reductions targets. However, the final 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. Furthermore, the final benchmarks must be adjusted to reflect the final range of emissions CARB adopts for the electric sector target, which should begin at a level no lower than 42 $MMTCO_2e$. Since the CEC does not have authority to assign specific GHG targets to the POUs, it is important that this process be clearly and transparently incorporated into CARB's broader rulemaking and final target setting.

There is No Need to Apportion the GHG Planning Target to CEC and to CPUC as Well as to LSEs and POUs.

CARB need not apportion the GHG planning target between the CPUC and CEC, as the legislature neither directed such an apportionment, nor is it necessary for purposes of carrying out the statutory mandate. To the extent that CARB is establishing a metric that is uniformly applied, there does not appear to be a need to separately apportion a GHG planning target to the CPUC or CEC. The sector-wide target referenced in SB 350 is not differentiated between LSEs subject to the CPUC's jurisdiction and POUs. Rather, the statute speaks solely to a target for the "electricity sector." The legislature specifically directed CARB – in coordination with the CPUC and CEC – to establish targets for the electricity sector, and for each LSE, and for each POU to which the provisions of 454.42 and 9621, respectively, apply. As such, the targets are specific to the entities and not the CPUC or CEC.

It Is Not Necessary to Establish a Metric for the Electricity Sector GHG Target be Evaluated with Respect to the Entities Not Subject to SB 350 IRP Requirements (i.e., 1.7% of Sector Emissions).

The electricity sector GHG emission reduction targets, to be established by CARB in consultation with the CEC and the CPUC, will form the basis for the GHG planning targets used by LSEs and POUs in IRP development. There is no need to evaluate GHG targets relevant to those small POUs and electric cooperatives that fall below the threshold for submitting an IRP established by the legislature. In setting a minimum threshold for the submission of these comprehensive planning documents, the legislature recognized that doing so for POUs and electric cooperatives that did not have "an annual electrical demand exceeding 700 gigawatthours, as determined on a three-year average commencing January 1, 2013 was unnecessary. As such, it is likewise unnecessary to try to evaluate the GHG target

for these smaller entities in the context of setting the sector wide target, and the target for LSEs and POUs subject to the provisions of PU code 9621 and 454.52.

The express exclusion of smaller POUs recognizes that the administrative burden on these entities to submit detailed plans to the Commission and on the state resources to review their plans. Even though the "non-IRP" load represents less than 2% of the state's total load, and a *de minimus* share of the total sector wide emissions, small POUs are still subject to various state mandates, and provide reports and compliance filings to state agencies that readily display their ongoing contribution towards meeting the state's clean energy objectives. They are subject to mandates the state's Renewables Portfolio Standard, Cap-and-Trade Program, Mandatory Reporting Regulation, and various energy efficiency standards. They also have programs and policies in place that reflect the state's energy loading order,[5] and periodically review the feasibility of greater energy storage procurement. Therefore, these entities are on a similar trajectory as other entities subject to the IRP to reduce their GHG emissions while providing the state with substantial data to assess the total contribution of the electric sector towards meeting the GHG reduction targets.

II. CONCLUSION

The GHG emission reduction targets are intended to serve as planning targets, not a carbon emissions compliance obligation.[6] As prospective planning tools, any evaluation of the manner in which an entity incorporates the GHG target into its planning would require review of an IRP or similar filing. Even as a planning tool, the electric sector and entity-specific GHG planning targets are an important element in assessing the State's progress towards meeting its overall clean energy and environmental goals. As such, it is important that CARB, in collaboration with the CPUC and CEC, establish the correct targets. NCPA appreciates the opportunity to provide these comments for CARB's consideration in carrying out this objective. 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,

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Attorneys for the **Northern California Power Agency**

5 California's loading order requires energy efficiency, demand response, renewables, and distributed generation to be considered to meet customer resource needs before fossil-fired generation. 2003 *Energy Action Plan*; see also SB 1037 (2005) regarding the legislature's recognition of energy efficiency as the resource of choice.

6 *See*, for example, D.18-02-018, p. 58.