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November 1, 2013

Chairperson Mary Nichols
California Air Resources Board
1001 I Street
Sacramento, CA 95184

Re: Comments on AB 32 Scoping Plan First Update

Thank you for the opportunity to provide comments on this first update to the Climate Change Scoping Plan.

The Southern California Public Power Authority (SCPPA) is a joint powers authority consisting of eleven municipal utilities and one irrigation district. SCPPA members deliver electricity to approximately two million customers over an area of 7,000 square miles, with a total population of 4.8 million people. SCPPA members include the municipal utilities of the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District.

We look forward to working with ARB and other stakeholders as the specifics of the Scoping Plan are developed to ensure that the programs ultimately adopted by the State yield the most value. SCPPA members are working diligently to implement a wide range of mandatory programs already in place to meet California's aggressive climate change goals and are on target to meet or exceed the requirements.

We do have concerns with the direction of some of the future measures identified in the Scoping Plan – after all, it does indicate that a "new utility business model" may be needed to ensure that utilities remain financially viable. As we move forward, it must be a priority for the implemented programs and regulations to be pragmatic, to be flexible to accommodate unforeseen changes, and to be cost-effective for ratepayers. SCPPA members understand the need for and support measures that are sustainable and not only achieve environmental goals, but are also economic and equitable for our customers.

We believe that reasonable options exist to ensure that environmental integrity is retained at reasonable and stable costs. The emphasis of the Scoping Plan should continue to be on complementary measures, e.g., the Renewable Portfolio Standard, energy efficiency and demand response, etc., supported by the Cap-and-Trade program that ensures California's greenhouse gas emission targets are met with a transparent price signal.

SCPPA looks forward to working with ARB and other stakeholders in the State's efforts to significantly reduce greenhouse gas emissions by 2050. These efforts will have a substantial impact on the electric sector given the Scoping Plan's proposals to decarbonize the electric sector, expand the role of intermittent renewable resources, and electrify the transportation sector – which will likely require added system flexibility and transmission system upgrades.

- **New Utility Business Model.** The electric industry must be represented and involved in any discussions to develop such a model. The electric industry is facing a myriad of game changing challenges that should be taken into account in the updated Scoping Plan, e.g., technology advances and regulatory mandates that impact both the supply side and demand side that conceivably will decrease or at least slow the growth rate of electricity consumption while at the same time increasing the cost of serving electric customers. Such challenges should be carefully examined and concretely dealt with in the Scoping Plan to ensure a seamless transition to California's energy future.

- **Cap-and-Trade Cost Containment.** ARB has acknowledged that a Cap-and-Trade cost containment mechanism is critical to ensure the program's long-term regulatory and political stability. In Resolution 13-44, the Board directed that staff develop a plan for a post-2020 Cap-and-Trade Program (including cost containment) before the start of 2018 to provide market certainty and address a potential 2030 emissions reduction target. ARB should not wait until 2017. We urge ARB to engage stakeholders as soon as possible – while the market is stable – to design, test, and implement a cost containment mechanism rather than waiting until abatement costs escalate out of control or a crisis sets in.

- **Allowance Allocation.** Under a post-2020 Cap-and-Trade Program, electric utilities should continue to receive an allocation of allowances under the current allocation methodology. The detailed stakeholder engagement, data analysis, and modeling work undertaken when this methodology was being developed resulted in a fair and reasonable allocation method that protects ratepayers now and into the future. While allocation among utilities should follow the current methodology, the total allocation to the electric sector should be increased in light of the increased load from the proposed electrification of the transportation sector. Utilities will gradually decarbonize electricity generation towards 2050, but there will be an interim period in which increased load is likely to be met with a mix of renewable resources and natural gas, increasing the sector's emissions (while emissions decrease from the transport sector).

- **Electrification of the Transportation Sector.** SCPPA supports ongoing efforts and respectfully requests that ARB identify and consider overall benefits and burdens with the continued trend towards electrifying the transportation sector. Electrification may require significant initial investments. Significant ongoing investments will also be required to maintain the system once in place and to generate the additional electricity that will be required. Shifting the greenhouse gas emissions burden from one sector to another should be an important consideration in how best to allocate benefits/burdens (including Cap-and-Trade allowances) amongst the impacted sectors.

- **Grid Reliability.** When proposing complementary measures (including increasing RPS and energy storage mandates), ARB must consider the physical operational realities of the electric grid itself. As more and more large base-load, fossil fuel-fired generation sources are replaced with small, intermittent renewable resources that come with almost no "inertia," we reduce the ability of our aging electric grid to withstand large swings in generation, to prevent over- or under-frequency incidents, and to maintain a steady state to reliably serve customers. The California Independent System Operator (CAISO) has recently expressed concerns regarding how the high penetration of intermittent renewable resources in coming years will ultimately impact grid reliability.

- **Avoid Stranding Long-Term Investments.** CAISO has encouraged, and will likely mandate, that utilities procure additional flexible resources to assist with the integration of more intermittent renewable resources. The only technologically feasible resources at this time are fast-ramping fossil fuel-fired peaking units that utilities may need to procure in the near term. These resources require long-term investments (20 to 30 years) that may not be fully amortized before the resources are decommissioned due to the decarbonization of the electricity sector. ARB should work closely with California's balancing authorities to develop a plan that can reduce greenhouse gas emissions, maintain grid reliability, and avoid stranding investments, all at reasonable costs to ratepayers.

- **Energy Storage.** SCPPA recognizes the potential value of energy storage and would support further research to develop and deploy cost-effective technologies.

- **Short-Lived Climate Pollutants.** We support ARB's work to comprehensively address increasing emissions from short-lived climate pollutants, including developing a strategy by 2016 that will include an inventory of sources and emissions, identify research gaps, and a plan for developing necessary control measures. Because black carbon is already regulated under other air toxic contaminant regulations and rules, ARB's Scoping Plan update efforts may best be focused on addressing the six greenhouse gases; further discussion of SLCPs and black carbon in particular should be included in a separate white paper.

Thank you for your time and consideration.

Respectfully submitted,

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