October 16, 2024

Clerk's Office
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Submitted electronically via: https://ww2.arb.ca.gov/applications/public-comments

**Re: Northern California Power Agency's Comments on 15-Day Changes to the Low Carbon Fuel Standard Regulation**

The Northern California Power Agency[1] ("NCPA") respectfully submits these comments to the California Air Resources Board ("CARB") regarding the Second 15-day Changes to the Low Carbon Fuel Standard ("LCFS") regulation as posted on October 1, 2024.

NCPA SUPPORTS the proposed changes to the LCFS program and encourages the Board to adopt the amended LCFS program. The LCFS is vital for the continued deployment of publicly owned utility (POU) transportation electrification programs, and NCPA and its Members urge CARB to continue this important program.

The comments below detail NCPA's support for several changes made in the second 15-day package. In addition, NCPA requests that specific clarifications be incorporated into CARB's Final Statement of Reasons (FSOR) and future guidance documents to help avoid confusion during the implementation of the proposed amendments to the LCFS.

## I. THIRD-PARTY VERIFICATION OF ELECTRICITY CREDITS

### A. Delay of Third-Party Verification Requirements for Electricity

NCPA supports the delay of the third-party verification requirements for electricity credit generators to 2027. However, applying third-party verification requirements to electricity credit generators that generate a very low credit number, under 1,000 annually, will likely cause these entities to drop out of the LCFS program because their credit proceeds will not cover the

[1] NCPA was 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 District, and Truckee Donner Public Utility District – collectively serving nearly 700,000 electric consumers in Central and Northern California.

verification costs. Many POUs with owned EV chargers will be forced to stop generating non-residential credits and instead rely on base credits alone, thereby having to scale back their transportation electrification programs. While it is helpful that the LCFS allows for a two-year delay of the verification requirements for credit generators under 6,000 credits, entities such as small cities and non-profits may still need to stop generating non-residential credits in 2029 due to the increased costs. CARB should consider whether they can further delay the requirements for small credit generators and should monitor the impact of third-party verification on small credit generators.

B. Reduce Need for On-Site Visits

NCPA supports the clarification in the second 15-day package that the regulation does not require on-site visits to individual EV chargers. However, even visits to the central record location may be unnecessary, as reporting for EV chargers is done electronically and can be verified through an online meeting with third-party verifiers. Unnecessary site visits will add costs to contracts for third-party verifiers, taking credit proceeds away from local communities and funneling them to consultants instead. CARB should clarify that desktop verification qualifies as an "on-site visit" whenever possible, and monitor verification reports to ensure that more onerous on-site visits are not required unless warranted.

## II. ASSIGNMENT OF BASE CREDITS TO ORIGINAL EQUIPMENT MANUFACTURERS

A. EDU Holdback Allocations Must Be Protected

NCPA supports CARB's clarification that if base credits are allocated to the original equipment manufacturers (OEMs), base credit proceeds previously allocated to the Clean Fuel Reward (CFR) program that remain unspent will be returned to the Electric Distribution Utilities (EDUs).

However, the Second 15-Day Changes did not clarify how the Executive Officer will redirect future base credits from the EDUs to the OEMs, if such an allocation is triggered. Small POU transportation electrification programs depend on LCFS base credits; a loss of credits would severely impact and limit future program offerings. The current language only specifies an allocation of "up to 45% of base credits" – if 45% of base credits are re-allocated evenly from each EDU, small POUs will lose nearly half of all their base credits.

The FSOR should clearly state that the provision's intent is for the OEM allocation not to impact the number of holdback credits issued to each EDU, and the Executive Officer should ensure that the holdback credit allocations for individual EDUs are not negatively impacted.

B. Clean Fuel Reward Program Timing Is Unclear

The Executive Officer should coordinate with the EDUs on the timing of the OEM allocation decision so that the utilities have appropriate time and information to determine whether to implement the revised CFR program.

If the amendments to the LCFS program are adopted on November 8, 2024, it is unclear whether the EDUs should move forward with planning a modified medium- and heavy-duty Clean Fuel Reward program or if they should await a decision by the Executive Officer. With limited LCFS funds and staff resources available, it would be unfortunate for the EDUs to spend months planning a new program that won't actually be launched. This uncertainty would also negatively impact medium- and heavy-duty fleet owners, who won't know if or when funding will become available.

## III. UTILITY HOLDBACK PROGRAMS

A. The Equity Requirement for POUs

NCPA supports CARB's correction of the equity requirements in section 95483 (c) to align with the stated Appendix E: Purpose and Rationale for Low Carbon Fuel Standards Amendments. The corrected equity requirements for POUs will help ensure that POUs can design and implement effective transportation electrification programs for low-income and/or disadvantaged communities.

B. Potential Barriers to Accessing Base Credits

CARB did not clarify or remove the requirement in section 95483 (c) for EDUs to specifically provide rate options, despite the requirement being inappropriate and potentially delaying or stopping transportation electrification programs in areas with low EV adoption. CARB should provide clarification in the FSOR that the language in 95483 (c) is meant to encourage a variety of methods for encouraging off-peak charging, as needed by individual utility areas, and does not explicitly require the adoption of a formal rate.

C. Caps for Administrative Costs for Equity Programs

NCPA supports the proposed change in the Second 15-Day Changes to return the administrative cost cap for equity programs to 10%, which is more consistent with the needs for administering equity programs.

D. Additional Resources for Transportation Electrification in Small POU Territories

NCPA supports the additional language in section 95483 (c)(1)(A)(6) to clarify the process for redistributing unallocated base credits to small POUs that have joined the LCFS program by

March 31, 2025. These accumulated credit proceeds will help provide additional funding for the state's smallest utilities to design and launch transportation electrification programs.

E. <u>Clarification to Holdback Program List</u>

NCPA supports CARB's clarifications to the equity holdback program list, such as including "panel and service upgrades" and broadening the list of organizations with which utilities can coordinate workforce development projects.

However, CARB staff should clarify in the FSOR and future guidance documents that any project for electric medium- and heavy-duty (eMHD) infrastructure qualifies as an "equity" project without consideration of the location for the charger. eMHD vehicles provide many benefits to equity communities, whether or not the charging depot happens to be located within an equity community. An overly restrictive interpretation of the requirements for eMHD projects would severely hamper the ability of EDUs to support eMHD projects with LCFS funds.

## IV. CONCLUSION

We appreciate the Board's consideration of these comments, and urge the Board to adopt the proposed amendments to the LCFS program. NCPA looks forward to continuing our collaboration with CARB and other stakeholders to implement the LCFS amendments and ensure the success of the LCFS program.

Respectfully submitted,

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