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Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Northern California Power Agency's Comments on California Air Resources Board's Low Carbon Fuel Standard Proposed Regulation Order

Dear Clerk of the Board:

The Northern California Power Agency ("NCPA") respectfully submits these comments to the California Air Resources Board ("CARB") regarding amendments to the Low Carbon Fuel Standard ("LCFS") regulation as drafted in the Proposed Regulation Order posted on October 1, 2019.

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.

NCPA supports the LCFS program as an essential and effective strategy for diversifying California's transportation fuels and significantly reducing greenhouse gas ("GHG") emissions from the transportation sector in furtherance of the state's climate change goals. With regards to the Proposed Regulation Order, NCPA supports enacting new cost containment mechanisms, clarifications pertaining to the Clean Fuel Reward ("CFR") governance agreement and the allocation of residential base credits, and the goal of ensuring that transportation electrification is available to all communities. However, NCPA opposes the provisions that limit the flexibility of publicly-owned electric utilities ("POUs") to develop and manage their transportation electrification programs in a manner that best support the needs of its communities.

POUs are uniquely positioned to complement the state's transportation electrification efforts by tailoring programs to the specific needs of the communities they serve. As POUs have no shareholders or profit motivations and are directly accountable to their customers through locally elected public officials, they serve as their customers' caretakers of LCFS credits. LCFS credit revenue is a critical source for many of the POU transportation electrification incentive programs, and LCFS funds are directed back in to the community.

We appreciate the Board's consideration of these comments, and would like to recognize CARB staff for the robust public process they have managed over the past months to develop the Proposed Regulation Order.

I. RESTRICTIONS ON USE OF HOLDBACK CREDITS

The revised section 95483(c)(1)(A)(6) of the Proposed Regulation Order updates the provisions for residential base credits issued to electrical distribution utilities ("EDUs") by establishing new "Restrictions on Use of Holdback Credits." NCPA supports additional efforts to encourage transportation electrification in hard-to-reach communities, including disadvantaged and low-income communities, so that all of California is able to benefit from the adoption of zero emission vehicles. In addition, NCPA supports the provision that allows a POU governing body to define "low-income individuals", as it recognizes the importance of using a public process to adopt definitions that reflect the cost of living and unique circumstances of specific areas.

However, the Proposed Regulation Order includes provisions within the requirements for holdback credits that should be broadened to allow POUs the flexibility to define the projects that best serve their communities' needs, and to recognize the administrative challenges faced by programs that are intended to provide additional support to hard-to-reach communities.

NCPA requests 15-day changes to the Proposed Regulation Order to address the following concerns:

A. <u>The LCFS program should allow for administrative costs that directly support the development and implementation of projects funded to benefit low-income and/or disadvantaged communities to count toward meeting the percentage holdback requirements for residential base credits.</u> The costs associated with the development and implementation of equity programs are of vital importance to the success of such programs, and should be recognized and included as part of the overall funding goals.

B. <u>"Rural communities" should be added to section 95483(c)(1)(A)(6)(a), alongside disadvantaged and low-income communities.</u> Rural communities face unique challenges that require additional assistance and support to ensure adoption of zero emission vehicle technologies, and the definitions of "disadvantaged communities" and "low-income communities" do not include all rural communities.

C. <u>Alternative projects subject to section 95483(c)(1)(A)(6)(a) should not require approval by the Executive Officer.</u> The Proposed Regulation Order includes a list of eligible projects that qualify as primarily benefitting disadvantaged and/or low-income communities and/or low-income individuals, and the provided list is broad enough to cover most types of projects currently planned. However, for POUs that are interested in developing unique projects through a public process to respond to feedback from environmental justice advocates and community needs, it is unnecessary for additional evaluation and approval from CARB, which would delay timelines and introduce uncertainty to the process. Instead, a public process for approval and reporting of the approved projects to the Executive Officer should be sufficient to ensure that projects fall within the requirements of the Proposed Regulation Order, and would encourage POUs to consider innovative projects with the goal of better reaching underserved communities.

D. CARB should allow for multi-year averaging or a true-up period for the requirements in section 95483(c)(1)(A)(6)(a). Designing and implementing successful transportation electrification programs for low-income and/or disadvantaged communities has been challenging, and the uptake and timing of projects is difficult to project. Based on the provisions within the Proposed Regulation Order, the undersubscription of a program could potentially have the unintended consequence of delaying the distribution of funding for other projects. EDUs should be able to correct for an underperforming project by launching additional or different projects in the following years, in order to assure multi-year compliance while continuing to support the equitable distribution of funding and infrastructure.

II. CLEAN FUEL REWARD PROGRAM

The LCFS program directs the state's opt-in EDUs to establish the CFR program funded exclusively by LCFS credit proceeds. NCPA and its members have been actively participating in the creation and implementation of the CFR program to ensure that small and medium POUs are able to successfully participate. NCPA appreciates clarifications to the Proposed Regulation Order for establishing exact timelines and expectations in regards to entrance into the CFR program governance agreement.

Similarly, NCPA supports the clarification in section 95486.1(c)(1)(A)(2) that base credits from EDUs not opted in or not participating in the CFR should be allocated to Large IOUs and Large POUs, rather than all opt-in EDUs. Directing these base credits to the Large EDUs will ensure the timely and streamlined processing and transfer of the credits to the CFR program.

III. BORROWED CREDITS

NCPA supports the Proposed Regulation Order's provisions to supply additional "borrowed" credits to Large IOUs and POUs if there are insufficient credits pledged in the Credit Clearance Market to clear the annual obligation of deficit generating entities. It is appropriate to direct the borrowed credits to only the large EDUs, who are able to easily absorb and manage the additional credits, and to allocate the proceeds from the borrowed credits to both the CFR program and to other holdback programs.

IV. CONCLUSION

NCPA appreciates your consideration of these comments, and we look forward to continuing our collaboration with CARB and other stakeholders to advance transportation electrification and reduce GHG emissions from California's transportation sector.

Respectfully submitted,

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