CalETC
California Electric Transportation Coalition

December 12, 2011

To: California Air Resources Board

From: Eileen Wenger Tutt, Executive Director

Re: **Proposed Amendments to the Low-Carbon Fuel Standard Regulations**

## Introduction

The California Electric Transportation Coalition (CalETC) appreciates this opportunity to provide comments to the California Air Resources Board (CARB) on the Staff Report: Initial Statement of Reasons and the Proposed Amendments to the Low Carbon Fuel Standard (ISOR) and the Proposed Regulation Order, issued in October 2011. CalETC is committed to the successful introduction and large-scale deployment of all forms of electric transportation including plug-in electric vehicles, transit buses, port electrification, off-road electric vehicles and equipment and rail. The members of CalETC include: Southern California Edison; Sacramento Municipal Utility District; San Diego Gas & Electric Company; Pacific Gas & Electric Company; and the Los Angeles Department of Water & Power.

CalETC fully supports the need for a Low-Carbon Fuel Standard regulation (LCFS). We believe it is essential that our state move away from near-total dependence on a single fuel in the transportation sector, the LCFS is a key policy driver in the efforts to end the dependence. The current reliance on oil in the transportation sector is harming our economy, our environment and our national security. California's leadership on the LCFS has spurred action by other states and regions. CalETC is hopeful that the program developed by California will serve as a national model, helping to move our country towards a more economically secure and sustainable fuels future.

CalETC largely supports the proposed amendments to the LCFS as they relate to electricity as a transportation fuel. CalETC commends CARB staff on their efforts over the last year to draft the proposed amendments. We have participated in a number of workshops, working group meetings and Advisory Committee meetings. CARB staff has been accessible to stakeholders and has ensured that the process over the last year provided a collaborative and transparent environment for stakeholders.

CalETC believes the LCFS compliance ramp is quite modest, particularly in the early years of the regulation. California is already a leading target market for auto makers building plug-in electric vehicles (PEVs), almost half of all PEVs purchased in the U.S. have been purchased in California. As the PEV market expands and upon eligibility of LCFS credits for electrification of non-road vehicles and equipment, rail and transit, CalETC believes the availability of LCFS credits will commensurately increase. Any effort to reduce the stringency of the LCFS regulation should not be considered unless and until information supporting such a reduction is gathered from the nascent low carbon fuel markets, including all forms of electric transportation.

## The Primary and Default Regulated Parties Defined in the Proposed Amendments will Best Support the PEV Market

CalETC supports the approach in the proposed amendments. CalETC believes that the PEV customer is the entity that has made the biggest investment in ensuring the success of PEVs in the marketplace, and the PEV customer deserves any value LCFS may provide that results from his/her purchase. In the residential, public and fleet charging the proposed amendments help to ensure that the value of the LCFS credit will go to purchasers of PEVs. In the case of workplace charging, CalETC believes it is not unlikely that many workplaces will offer Level 1 charging as most employees park for many hours and Level 1 charging is a viable low-cost option. If a workplace installs Level 2 charging this is an additional benefit to support employees with PEVs, one the workplace has made an investment to provide. Therefore, CalETC agrees with ARB staff that the workplace should receive the LCFS credit value.

CalETC supports the EDUs as the default regulated party in non-residential market segments for two reasons. First, the EDUs are in the best position to ensure that viable LCFS credits are available to the LCFS credit market in a manner that is fully transparent and enforceable. Second, EDUs are committed to returning the LCFS credit value back to the customer, thereby providing an additional benefit to PEV customers, which will help with both market retention and growth, vital to ensure successful introduction and large-scale deployment of PEVs in the market.

## The Proposed Amendments Best Meet the Goals Outlined in the ISOR for Electricity Used as a Transportation Fuel

CARB staff has described a number of goals for the LCFS. CalETC believes the proposed amendments, as they pertain to electricity, best meet these goals. Specifically, CalETC supports designating electrical distribution utilities (EDUs) as the primary regulated party in the residential market segment and as the alternate regulated party in all other market segments to ensure that these goals in the ISOR will be met.

One of the key goals described in the ISOR is to maximize the number of LCFS credits available in the market. CalETC supports this goal and believes that it is essential to the success of the LCFS to ensure that electricity used in vehicles generates the maximum LCFS credits possible, and that these credits be made available in the market. This will promote a healthy market for two main reasons. First, it provides flexibility in meeting the LCFS requirements so that the market is not reliant only upon liquid fuels. Second, electricity is less expensive than the liquid alternative-fuel options for meeting the LCFS, on a per mile basis, so credits for electricity used in vehicles can help reduce the cost of compliance with the LCFS.



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EDUs have long standing relationship with their residential customers, in part because of the variety of information and services delivered over time, ranging from discussions about rates and billing, to the delivery of energy efficiency and low income programs and services (and more). As such, the EDU is in the strongest position to interact most effectively through education and outreach to ensure that the volume of unclaimed LCFS credits is minimized. Still, to accomplish this will be challenging. There are situations today where LCFS credits could go unclaimed due to the growing availability and variety of charging equipment. For example, a PEV customer may buy vehicle charging equipment from one of a few retail stores and either self-install or use an installer such as an electrician who regards the charging equipment as a routine circuit installation. In this situation, the LCFS credits will likely go unclaimed, resulting in a smaller number of available credits and increasing the compliance burden for regulated parties. However, because of long run long-standing EDU's relationship with residential customers, as well as with such retail stores (e.g., as it is with today's energy efficiency programs) the EDU has the strongest opportunity to capture the maximum LCFS credits through these relationships and communications.

Another important goal described in the ISOR is the need to incentivize electric transportation. Developing and facilitating the PEV market is an important aspect of achieving many of California's economic and environmental goals. Providing the value of the LCFS credits to the PEV customers encourages the market and sends a strong economic signal that PEVs are necessary for achieving the state's GHG goals. The proposed amendments would ensure that the value of the credit serves as an additional incentive in the market.

CalETC utility members have conducted workshops and participated in community meetings designed to, among other goals, educate the PEV customer about the financial and system benefits of charging the PEV off peak. There is no question that low-cost electricity rates provide the PEV customer an incentive for off-peak charging, and will lead to an overall lower vehicle fueling cost. Low cost transportation fuel will serve as a PEV market driver, retaining and increasing the use of the PEV, as well as attracting new customers to PEV purchases. Data gathered so far in 2011 indicates that when electricity is priced lower for off-peak charging, customers will charge off peak as much as possible to reduce their electricity costs. Customers see this flexibility in fuel price choice as an added-value, a clear benefit relative to gasoline (i.e., customers have much less control over the price they pay for gasoline than they do electricity). The EDUs can transparently ensure that the value of the LCFS credit is returned to the customer in a manner that supports PEV customer choice, while also increasing the efficient integration of PEV loads with the electricity grid, to benefit all electric customers.

CalETC recognizes that there is an additional benefit that can be achieved in passing along the value of the LCFS credit to customers through education and outreach. Although we understand why the CARB staff does not want to allow any LCFS credit value to be used for education and outreach, we would like to recognize that education and outreach is critical for the success of this new market and EDUs are actively involved in such efforts. We believe there could be benefits



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in using LCFS credit value for education and outreach efforts and will continue to work with CARB staff on how to best achieve these benefits in the future.

CalETC disagrees with CARB staff that "allocating LCFS credits to utilities in all market segments does not further the goal of 'maintaining relevancy.'"[1] EDUs are relevant as either the primary regulated party in the residential market segment or the alternate regulated party in the fleet, workplace, and public-access market segments. EDUs' relevancy is also demonstrated by their significant roles in transforming other markets, such as with the adoption of energy efficiency measures, and EDUs will do the same with the PEV market through education and outreach efforts with workplace, fleets, and public charging station providers, a role which CARB has acknowledged.[2] The efforts from EDUs with respect to innovation, research and development, and new metering solutions, benefit all of the market sectors that CARB has identified.

In addition, EDUs, due to the transparency and oversight created through regulation, provide assurance that LCFS credit value will be returned to PEV customers in a fair and enforceable manner. The regulated environments in which EDUs operate provide an advantage to CARB in its implementation of the program. PEV owners, third-party EVSPs, and host charging sites are all EDU customers that will receive the benefit of LCFS credits through EDU programs. Accordingly, EDUs are relevant in all market segments and as regulated entities will help advance CARB staff's goals of maintaining relevancy.

## California Public Utilities Commission Decision is Consistent with the Proposed Amendments

CalETC does not agree with the electric vehicle service providers (EVSPs) comments that the proposed amendments are inconsistent with California Public Utilities Commission's (CPUC) Alternative Fueled Vehicles Order Instituting Rulemaking (OIR) Phase I and II decisions[3] and with Assembly Bill 631.[4] In fact the proposed amendments are entirely consistent with the OIR and with Assembly Bill 631. The CPUC decisions and statutes clearly state that EVSPs are not energy service providers, EVSPs operate as customers of the investor-owned utilities, and should not be regulated as electricity providers. There is no credibility in the suggestion by some EVSPs that in the context of the CPUC decision the EVSP is not the electricity provider, and then argue that EVSPs are electricity providers in the context of the LCFS regulation.

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1 Staff Report at ES-8.

2 Staff Report,

3 Decision ("D.") 11-07-029, Phase 2 Decision Establishing Policies to Overcome Barriers to Electric Vehicle Deployment and Complying with Public Utilities Code Section 750.2, July 14, 2011; D.10-07-044, Decision in Phase 1 on Whether a Corporation or Person Who Sells Electric Vehicle Charging Services to the Public is a Public Utility, July 29, 2011.

4 Assembly Bill 631, available at http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0601-0650/ab_631_bill_20111006_chaptered.pdf



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EVSPs, as utility customers, will benefit from favorable rates for electricity used in PEVs. In other words, as a utility customer, non-utility third-party EVSPs (consistent with the CPUC and AB 631) will receive the same benefits as any other utility customer.

Finally, CalETC supports the requirement that all regulated parties should return the LCFS credit value to the PEV customer. PEV customer growth is paramount for a sustainable electric transportation future for California, and every effort should be made to ensure that the PEV customer receive all the benefits attributable to clean transportation.

CalETC supports CARB in defining direct metering broadly (not just as sub-meters, but including separate meters).[5] CalETC also supports CARB in allowing sufficient time for the market to develop metering solutions for residences.[6] The CPUC is currently investigating metering options and is also allowing time for market development/solutions regarding type and location of metering solutions.[7] Also, it is not clear that a sub-meter is required to collect LCFS credits. Currently, it seems likely that low- or no-cost consumer metering options will emerge. In fact, some no-cost options under consideration would also capture charging at Level 1, currently about 40 percent of customers purchasing a PEV are not installing Level 2 charging systems in their homes. Because many PEVs are likely to charge at Level 1, which does not require the typical home charging installation, it is crucial to capture Level 1 charging for the benefit of the LCFS program. CalETC supports the proposed amendments' approach to measurement and metering, as it allows an appropriate amount of time for lower-cost metering and monitoring solutions to emerge, does not require the form or location of these solutions, and is consistent with CPUC decisions.

## Buyers and Sellers of LCFS Credits Should be Allowed Anonymity

CalETC recommends 15-day amendments to the proposed amendments to allow for third-party brokers who would ensure anonymity between buyers and sellers of LCFS credits. Without such anonymity competition between parties could interfere with credit transactions. The LCFS credit market needs to be fuel neutral and based entirely on emissions reduced. The use of third-party brokers, whose role is to provide anonymity, would maximize the number of viable LCFS credits in the market. Such anonymity creates a healthy market for LCFS credits unimpeded by any external competition.

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[5] Proposed Regulation Order, page 43.

[6] Direct metering solutions are not required until 2015 under the current LCFS. *See* Proposed Regulation Order, page 43.

[7] Commission Decision 11-07-029 page 42.



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## Conclusion

In conclusion, CalETC thanks the CARB Board for your consideration of our comments. We also thank CARB staff for their willingness to work through these complex issues with stakeholders. We look forward to continuing to work with you.

Sincerely,

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