

Bear Valley
Electric Service
A Division of Golden State Water Company

October 2, 2008

Mr. Chuck Shulock, Chief
Office of Climate Change
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Via CARB website: <http://www.arb.ca.gov/cc/scopingplan/spcomment.htm>.

Subject: Bear Valley Electric Service's Comments on the Climate Change Draft
Scoping Plan and Appendices

Dear Mr. Shulock:

Bear Valley Electric Service (BVES), a small California Public Utilities Commission (CPUC) regulated utility, appreciates the opportunity to submit comments to the California Air Resources Board (CARB) on the Climate Change Draft Scoping Plan (Plan) and Appendices. BVES would like to recognize CARB for its efforts in preparing the Plan and working with the stakeholders under a demanding timeline to ensure comments are considered.

The following comments are submitted with the intent that CARB will give careful consideration and provide greater flexibility to small utilities to help maximize verifiable reductions in greenhouse gas emissions while minimizing overall costs to utilities and their customers.

Comment 1: Provide Greater Flexibility by Broadening Allowance Usage

The current design of the cap-and-trade program identifies the use of allowances to help control and reduce greenhouse gas emissions. As CARB proposes, allowances not surrendered to CARB at the end of each compliance period could be sold through auction or banked for future use. To increase the potential market under the cap-and-trade program, BVES recommends that the term "traded" be incorporated to permit entities with available allowances to trade allowances for other than monetary gain.

For example, if an entity wanted to construct an energy project, but during CEQA analysis the project was determined to have a significant impact related to carbon

dioxide sequestration, as a mitigation measure, allowances could be traded to offset the significant impacts.

BVES recommends the following revision to sentence two (2), paragraph three (3) on page C-12 of the Plan, describing the fundamentals of the cap-and-trade program.

“The allowances can be bought, sold, and **traded** by firms in the program.”

Comment 2: Thresholds for Small Facility Exemptions Under the Cap-and-Trade Program Should be Consistent with the Thresholds for Mandatory Reporting of Greenhouse Gas (GHG) Emissions

The Plan, during the first phase, potentially exempts small facilities from compliance with the cap-and-trade program. BVES recommends that the thresholds for exempting small facilities be consistent with GHG reporting thresholds as outlined in § 95103 (e) of the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions. Additionally, BVES recommends that the small facility exemptions under the cap-and-trade program identify electric utilities.

Comment 3: Investigate FERC Exemption for Interim Energy Market

To meet customer demand in its service territory at peak times, BVES operates the Bear Valley Power Plant (BVPP), which is designated by CARB as a Best Available Control Technology facility containing spark ignited, rich-burn, internal combustion engines. Currently, peak demand is such that the BVPP is operated less than the permitted operations and the BVPP remains idle for many hours per year. Because the BVPP runs cleaner (i.e., has lower GHG emissions) than most other facilities, as a GHG reduction tool, BVES could increase the BVPP's energy generation with the idea of displacing energy generated from higher GHG emission facilities on California's grid.

To operate in this proposed manner, BVES understands it would then become subject to the Federal Energy Regulatory Commission (FERC) regulation. This additional regulatory requirement would place additional burden and cost on these types of arrangements for BVES and other generation facility owners that could dispatch their lower GHG-emitting generation resources to achieve reductions in GHG emissions. BVES recommends that ARB contact FERC to investigate the potential to exempt entities that are able to generate cleaner power on an interim basis with the intention of displacing higher-emitting GHG generation with lower emitting GHG generation in an overall effort to reduce GHG emissions in California.

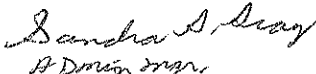
Comment 4: Provide Incentives to Small Utilities

The Plan recognizes that smaller utilities represent a significantly smaller share of GHG emissions than larger utilities. Yet the Plan does not address differential compliance requirements for smaller utilities within each of the electric sector

measures. If compliance requirements under the Plan for smaller utilities are equivalent to larger utilities, then BVES requests that smaller utilities be eligible for the same incentives, such as the California Solar Initiative (CSI). Without like incentives, when compared to large utilities that can take advantage of economies of scale, small utilities carry a relatively heavier financial burden.

Again, BVES recognizes the time and effort that the CARB has taken to produce the AB 32 regulations and looks forward to working with CARB and other stakeholders in the future on Plan implementation. If you would like to discuss any of the above information further, please contact me directly at (909) 866-1666.

Sincerely,


for Tracey L. Drabant
Energy Resource Manager

cc via email: James Goldstene, CARB Executive Officer
Bill McDonald, GSWC
Rick Lind, EN2 Resources, Inc.