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SCPPA Comments on CEC/ARB Workshop on GHG Targets and Baselines

Additional submitted attachment is included below.

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California Energy Commission
Dockets Office, MS-4
Re: Docket No. 17-IEPR-07
1516 Ninth Street
Sacramento, California 95814-5512

RE: SCPPA Comments on the April 17, 2017 California Energy Commission (CEC) and Air Resources Board (ARB) Joint Agency Workshop on Potential Methodologies to Establish Greenhouse Gas (GHG) Emission Reduction Targets for Public Owned Utility (POU) Integrated Resources Plans (IRPs) (Docket No. 17-IEPR-07)

The Southern California Public Power Authority (SCPPA) appreciates the opportunity to provide these comments on the April 17, 2017 joint agency workshop as ARB, in consultation with the CEC, considers setting GHG targets pursuant to Senate Bill 350 (de Leon, 2015), and the CEC further considers establishing utility-specific baselines.

SCPPA is a joint powers authority whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. Each Member owns and operates a publicly-owned electric utility governed by a board of local officials. Our Members collectively serve nearly five million people throughout Southern California. Half of the 16 POUs that meet the SB 350 "size threshold" – an annual electrical demand exceeding 700 GWh, as determined on a three-year average commencing January 1, 2013 – are SCPPA Members, which include: the nation's largest municipal utility (the Los Angeles Department of Water and Power), the State's smallest incorporated city (Vernon) that is 99% industrial, the nation's largest irrigation district (the Imperial Irrigation District), and mid-sized utilities that serve coastal (Anaheim) and inland (Burbank, Glendale, Pasadena, and Riverside) urban areas. The four remaining SCPPA Members are small public power utilities (Azusa and Cerritos) including those that predominantly serve disadvantaged communities (Banning and Colton).

Our Members are committed to helping California meet its ambitious goal of achieving a 40% reduction in GHG emissions by the year 2030 in order to combat the effects of climate change, while also maintaining affordable and reliable electricity for customer-owners in their communities. We greatly appreciated Chair Robert Weisenmiller's recent recognition of POU efforts, in a March 30, 2017 letter addressed to public power leaders, that the utility sector "has made great strides to reduce GHG emissions and is currently about 20 percent below the sector's 1990 emissions." This achievement reflects significant efforts to comply with a myriad of evolving local, state, regional, and federal goals and mandates while also proactively ensuring that residents and businesses served by public power utilities are provided with an affordable, reliable, and sustainable source of electricity.

Establishing GHG Emission Reduction Targets

It is important to both recognize that the 2030 emissions reduction goal has repeatedly been referenced in state statute as a *statewide* or *economy-wide* objective – and that California's utilities represent only one important means of achieving efforts necessary to combat the effects of climate change. Other important sectors of the statewide economy must also do their share towards reaching the 2030 target in the most cost-effective manner possible. The utility sector has already made significant progress in reducing emissions through other complementary programs (*e.g.,* the Renewables Portfolio Standard Program, energy efficiency, etc.) in a manner that seeks to avoid unduly burdening low-income Californians.

SCPPA continues to work through a variety of ongoing and anticipated rulemaking proceedings at the state agencies to help inform implementation of statewide directives towards achieving the 40% below 1990 emissions level by 2030 goal. This includes SB 350, since California Public Utilities Code Section 9621(b) requires California's largest utilities to achieve "greenhouse gas emissions reduction ***targets established by the State Air Resources Board***, in coordination with … the Energy Commission, for the electricity sector and each local publicly-owned electric utility that reflect the electricity sectors percentage in achieving the ***economywide*** greenhouse gas emissions reductions of 40 percent from 1990 levels by 2030." Through enactment of Senate Bill 32 (Pavley, 2016), Health and Safety Code Section 38566 instructs ARB that, "[i]n adopting rules and regulations to achieve the ***maximum technologically feasible and cost-effective*** greenhouse gas emissions reduction authorized by this division, the state board shall ensure that ***statewide*** greenhouse gas emissions are reduced to at least 40 percent from 1990 levels by 2030." [emphasis added] Assembly Bill 197 (E. Garcia, 2016) further seeks to prioritize direct emissions reductions from large stationary sources.

We appreciate recent efforts by the state agencies to work more collaboratively, but much more needs to be done. Specifically, we urge ARB to proceed expeditiously towards its formal process to establish the SB 350-directed GHG targets for the utility sector. SCPPA is concerned that an evolving bifurcation of GHG planning efforts amongst the state agencies could create both interim and longer-term uncertainty and confusion amongst utilities, for both their governing board leaders and customers that could not be easily resolved in resource planning processes or other initiatives.

We are increasingly concerned by the prospect of having different GHG-related goals established by different state agencies with different areas of expertise. The result is likely to be different emissions reduction requirements that could conflict with or decrease the effectiveness of the other programs and efforts. We recognize that ARB has the ultimate responsibility and is the most appropriate state agency to do so given their expertise in air quality matters and with the data available to them through well-established GHG reporting programs. We urge CEC to defer to ARB in this matter, even though it will necessarily require more time to ensure that the analysis is done properly and fairly, as the CEC (and CPUC) process must be done in concert with ARB to fully reflect the coordination between the myriad of programs needed to implement these programs effectively.

As stated in prior written comments and in oral testimony both before ARB and CEC, SCPPA continues to strongly support efforts to establish GHG target *ranges* that reflect the unique characteristics, circumstances, and limitations of each of the individual POUs. This is supported for a number of important reasons, including but not limited to factors such as:

1) **Utilities simply cannot dictate customer behavior.** As has been discussed extensively in the past, utilities cannot tell customers how to spend their money. A prime example of this is energy efficiency. Energy efficiency projects and programs must be considered and ultimately *adopted by end-use customers* – who routinely encounter robust advertising campaigns for competing alternative energy sources, such as rooftop solar, in a state that has already made *significant* advancements in energy efficiency programs for *decades*. (The "doubling" of energy efficiency savings goal outlined in SB 350 is also a *statewide* goal – not a call to create individual, utility-specific targets nor to focus exclusively on the utility sector.) Another example is transportation electrification. While we fully recognize that widespread market transformation of the transportation sector to low or zero carbon fuels and low or zero emission vehicles (plus ships) will be essential to achieving the 2030 emissions reduction goal, success in doing so will depend *significantly* upon the ability of state agencies, automakers, third-party charging networks, electric utilities, and a broad coalition of stakeholders to work collaboratively towards dramatically *increasing customer adoption* of electric vehicles. Utilities can offer incentives and data and undertake customer education campaigns, but they cannot dictate end-use customer behavior for significant elements of reaching the 2030 goal.
2) **Some utilities do not control generation dispatch.** While striving to meet California's climate-based "loading order" preferences, it must also be recognized that some utilities do not control the dispatch of their generation assets. For example, the California Independent System Operator dispatches generation units for some SCPPA Members as needed to meet the needs of Californians' demand for electricity from the electric grid. This is done to the extent doing so is also cost-effective. It also means that POUs may be *required* to run power plants to meet mandatory reliability

needs, such as meeting the evening "ramp" when the significant penetration of California's solar power suddenly drops off of the grid, which can result in increased emissions.

3) **Some utilities are "fully resourced" under long-term contracts.** While efforts are being made to comply with the 50% Renewables Portfolio Standard, the State Legislature also recognized through SB 350 that some utilities are "fully-resourced" under publicly-financed, long-term contracts and ownership agreements that were not divested of during California's failed deregulation plan. For example, ongoing efforts by certain POUs to divest of out-of-state coal-fired power plants under decades-old long-term contracts funded by municipally-backed assets with multiple parties have taken and will continue to take time to negotiate at minimal impacts to customers. This entails key "turning points" for those utilities where early action divestiture efforts will result in significant markers that result in significant reductions in emissions.

4) **Geography and demographics matter.**
   a. **Access to generation depends on location.** Southern California utilities do not have easy access to abundant sources of emissions-free hydropower supplies like Northern California utilities do. Southern California utilities also represent a number of the largest public power utilities in California – with significantly higher demands for electricity, which led to efforts decades ago to ensure a reliable supply of power from a diverse resource portfolio (*e.g.*, renewables, large hydropower and pumped storage, nuclear, natural gas, and out-of-state coal as noted above) to meet energy demands in a cost-effective and reliable manner. We also can similarly appreciate how Northern California utilities that *do* have extensive small- and large-hydro assets in their resource portfolios can be significantly impacted by dramatic fluctuations in hydrologic conditions – which may lead to increased emissions, in the case of prolonged drought conditions. Changes in hydrology is a factor for which California utilities have no control over.
   b. **Population and employment growth can drive emissions.** Some areas in California have and are growing at significantly faster rates than others. For example, Southern California's "Inland Empire" has been named one of the fastest growing areas in the State, which saw a 30% increase in population over a ten year period driven primarily by the availability of more affordable housing and access to developable land. This pace and timing of growth (and associated retail load) will have a significant impact on affected utilities in order to meet demand – and is not a factor that utilities typically have control over. POUs serve a wide variety of distinct local communities. Some are primarily non-residential while some serve primarily residential customers. Some serve areas that are fully developed and are experiencing infill development and land use changes that are not only preserving historic areas, but are now transitioning to increasing density, new construction, and new mixes of uses. These utilities are going to face different demand changes than utilities serving communities that are experiencing large-scale, new development of residential and/or non-residential uses.

5) **Change in law creates uncertainty.** Changes in both State and Federal law (and resulting regulations, or executive actions) can and do have significant effects on the utility sector. This can make it difficult to plan for long-range emissions reduction goals, especially on a statewide basis. Particularly when it comes to efforts to reduce mobile source emissions since the Federal Government has a key role to play in that policy arena. SCPPA is concerned that the State's efforts to reduce emissions from the transportation sector – which is a very large contributor to California's emissions footprint – may be thwarted by Federal efforts, resulting in additional and much more stringent regulatory regimes expected of the utility sector when California's utilities have already made significant progress to reduce emissions. Change in state or federal law (or rules) is another factor for which California utilities have little to no control over.

6) **Economic downturns can have prolonged impacts.** It can and should be expected that the nation's economy will continue to see periods of general economic decline on a relatively routine basis, which can significantly affect emissions profiles. For example, the housing mortgage and resulting housing foreclosure crisis resulted in the nation's "Great Recession" which began at the end of 2007. The Federal Department of Labor estimated that nearly 9 million jobs were lost between February 2008 and February 2010, that the nation's Gross Domestic Product contracted by 5.1%, and that the nation's unemployment rate peaked at 10% in October 2009 – marking the nation's worst economic downturn since the Great Depression in the 1930's. (SCPPA notes here, preceding discussion below about CEC's baseline effort, that that year 2009 would certainly *not* be reflective of an average *economic* year.) Changes in the economy are another factor for which California utilities have no control over.

7) **Transformative technological and operational breakthroughs impact planning.** Rapidly increasing deployment of distributed energy resources (including energy storage) will have an impact on POU resource procurement planning and decision-making in coming years. Integration and operational issues associated with rooftop solar, for example, have created significant issues for California's balancing area authorities and utilities to address. This includes how best to address over-generation and negative pricing issues, potentially *increasing* utility costs for ratepayers – which can negatively impact low-income customers the most. In the case of rooftop solar, much of that resource does not "count" under California's Renewables Portfolio Standard, and California's utilities are similarly not credited for exports of renewables under California's Cap-and-Trade Program. Herein is a case where utilities may not even be credited for emissions reductions efforts, which would seemingly run counter to the intent of setting utility-specific GHG reduction targets.
8) **Unrealized statewide/economy-wide GHG reductions will result in unintended consequences.** It is important to recognize that any one sector that does not achieve its own emissions reductions will necessarily impact the other sectors. The electricity sector has historically made, and continues to make, significant strides in reducing its GHG emissions consistent with the State's goals – but this sector should not be unfairly burdened if other sectors or programs do not achieve their share of necessary emissions reductions. Particularly if the electricity sector incurs increasing loads to support accelerating transportation electrification initiatives in order to meet the State's very own climate change goals. Electric utility customers and the functioning electricity markets must be protected from excessively high prices due to any failures of the various measures in achieving their forecasted reductions. This myriad of complementary measures implemented under the AB 32 banner provides significant direct reductions – with the Renewables Portfolio Standard, Low Carbon Fuel Standard, and the Clean Cars Standard leading the way. We recognize that these programs together with the Cap-and-Trade Program can help ensure that direct emissions reductions occur at the pace needed to meet the 2030 goal – and that no one sector can achieve the target alone.

For these reasons, SCPPA – along with the Northern California Power Agency and the California Municipal Utilities Association – had filed comments previously expressing our strong opposition to the use of "hard" GHG targets, particularly as part of CEC's Integrated Resources Plan Guidelines. Prescriptive and unreasonably low GHG targets would compromise the ability of POUs to respond to uncertainties and achieve emissions reductions in the most cost-effective manner possible for our customer-owners. This is particularly true when there are critically important drivers (as noted above) whereby utilities have little, if any, control over. The use of planning targets or ranges would be most appropriate, and SCPPA further recognizes that California's own Scoping Plan, which outlines how the State can *plan* to achieve the future emissions reduction goals, does not establish binding targets on any one sector. SCPPA similarly emphasizes that Integrated Resource Plans are ***planning*** documents, illustrating how utilities intend to meet GHG reduction *planning* goals dependent upon the unique needs of their ratepayer base. A utility may, for example, choose to implement a more expansive set of rebate programs or procure higher levels of renewable energy than required by law -- if those decisions are appropriate for their specific customers and utility objectives.

As SCPPA, and POUs more generally, have participated in pertinent SB 350 implementation proceedings, there has been a clear emphasis on the need for flexibility to accommodate the diversity of POUs' customer bases and planning needs. Should ARB or CEC envision a need for increased data access to measure progress in achieving the state's climate goals, we encourage staff to coordinate those needs to streamline submissions to the greatest extent possible. Some of the information may already be available via reports submitted to the ARB and/or CEC.

GHG Baselines

What is not delineated as a requirement in SB 350 is the CEC's request that POUs establish GHG "baselines" as a means for the CEC to track emissions reduction progress for California's POUs over time. SCPPA has been engaged over the last several months in discussions with CEC staff on this request for creating a GHG baseline methodology as it relates to the CEC's Integrated Resource Plan Guidelines, but have concerns that the GHG baselines methodology could become problematic for utilities, their customers, and their local governing boards going forward. Particularly now, since we now

understand that the GHG baselines will ***not*** by part of the Guidelines ***nor*** factor into the ARB-established and adopted GHG targets. It is unclear how the GHG baselines will develop and/or be used in the future.

It is unlikely that a "one-size-fits-all" approach can establish separate but fair and accurate baselines for each POU.

We appreciate that CEC staff is open to alternate suggestions and that staff has been responsive to concerns raised about the confusion that could easily result in differentiating, distinguishing, and understanding the differences between the ARB-established GHG emissions reduction targets to achieve the 2030 target, the forthcoming annual AB 1110 GHG emissions intensity under the Power Content Label, the independently-verified emissions numbers reported under ARB's Mandatory Reporting Rule, and this newly-proposed baseline year (and Integrated Resource Plans).

The two baseline years most frequently raised by the Energy Commission for potential use to date are either 1990 or 2009; the former of which is clearly articulated in the California Global Warming Solutions Act of 2006 (Assembly Bill 32), SB 32, SB 350, and Executive Orders, the latter which has been proposed by CEC staff because it represents an average hydropower year (and would have more robust associated data than 1990 – which is nearly three decades ago) – but, as noted above, certainly is not representative of an average year for the nation's economy or each individual POU. It should also be assumed that using 1990 data would necessitate accommodating reasonable high-level data assumptions.

SCPPA suggests that this is an area where deference to the POUs should be discussed given the widely disparate situations each POU is in – either because those systems are large *vs.* small, situated in Northern California *vs.* Southern California or are in coastal *vs.* inland areas, serve predominantly residential *vs.* industrial customers, are rapidly growing with significant retail load growth or are not, etc. In discussions with SCPPA Members, there are sound and compelling cases that can be made for choosing either 1990 or 2009 – or a different year of their choosing that would more accurately represent their "base year" for the reasons listed above and below in order to demonstrate how each utility is contributing towards meeting the State's climate change goals. To help illustrate why deference should be afforded to individual public power utilities, as regulated by their local governing boards, SCPPA Members have offered representative examples:

The Case for 1990

- **Pasadena.** Consistent with AB 32, Pasadena Water & Power's Integrated Resource Plan (IRP) (which was initially adopted in 2009), established a 1990 emissions baseline year. If *2009* was chosen as the GHG emissions baseline year, Pasadena would lose recognition for aggressive early action, as its City-adopted IRP ratified a voluntary Renewable Portfolio Standard *before* it was mandated for POUs by the State Legislature.
- **LADWP.** LADWP has been proactive in inventorying its GHG emissions and implementing programs to reduce GHG emissions. Over 20 years ago, LADWP voluntarily began reporting annual GHG emissions and reduction programs to the federal Energy Information Administration. This included GHG emissions from its power plants and GHG reductions achieved through energy efficiency, water conservation, tree planting and EPA Energy Star transformer programs. In 2002, LADWP joined the California Climate Action Registry. Under this program, LADWP reported and verified 2000 through 2007 GHG annual emissions and calculated historical GHG emissions back to 1990. LADWP has used that 1990 baseline in its Power System Integrated Resource Plan, press releases, and comment letters to agencies. Since 1990, LADWP has divested its share of four coal-fired power plants and repowered 13 natural gas-fired generating units using newer, cleaner combustion technology. In addition, LADWP has added a significant amount of renewable energy to its portfolio and achieved a 20% Renewable Portfolio Standard by 2010. As a result of these actions, LADWP's 2015 total power system GHG emissions are 19% lower than its 1990 baseline. Resetting the baseline from 1990 to 2009 would significantly discount LADWP's earlier efforts to reduce GHG emissions.
- **Burbank.** Burbank's long term planning efforts, to date, have been to comply with AB 32 which required GHG reductions to 1990 levels by 2020. Burbank Water and Power estimated its 1990 power-supply GHG emissions for use as a baseline in its 2015 Integrated Resource Plan. If 2009 was adopted as the baseline year Burbank Water and Power, along with other POUs, would not be able to have its early action, funded by ratepayers, recognized in future planning efforts.

The Case for 2009

- **Imperial Irrigation District.** IID supports use of 2009 as a baseline year, as it reflects IID's use of a more diverse resource mix including renewables, as a result of several factors, including changes to policy, compared to 1990. From 1990 to 2009, IID experienced significant load and energy resource growth in its service territory, and 2009's load and energy resources provide a more accurate comparison to IID's present day load and resources. IID's efforts to foster the development of renewables, including dispatchable geothermal generation, are more reflective of the generation mix in 2009 than of 1990. In addition, IID has exceeded its SB1 solar rooftop commitment by over 40%, from 50 MW to over 70 MW and continues to connect solar PV customers and reduce California GHG emissions.
- **Vernon.** The City of Vernon's Malburg Generating Station, a 134 MW natural-gas fired, combined-cycle facility, went into operation in October 2005. Currently, the facility supports roughly 65% of Vernon's load and is critical to the utility's reliability planning. Using a 1990 GHG baseline would not account for this important facility and therefore would not accurately reflect Vernon's current operational structure, which has changed significantly since that time.
- **Banning.** Banning's utility was much smaller in 1990, with very few resources of their own. Banning also acquired its share of the San Juan coal plan in 1993, which has since provided the bulk of their energy to serve load. Further, estimating 1990 emissions would be challenging as much of Banning's energy was unspecified energy purchased from Southern California Edison.

For the reasons noted above, should the CEC pursue setting separate baseline years, SCPPA strongly suggests that deference be afforded to each POU in choosing their base year that most accurately represents a base tracking point – be it 1990, 2009, or a different year as determined by the utility.

Thank you for your consideration of these comments. We look forward to continuing discussions with Commission staff as we collectively work to ensure that implementation of SB 350 is as successful as possible. SCPPA welcomes opportunities for continued collaboration with the Commission.

Respectfully submitted,

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