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*Comment Received From: Susie berlin*

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## **Joint POU Comments on GHG Target Setting for IRP Planning**

JOINT POU COMMENTS ON JOINT AGENCY WORKSHOP ON 2030 GREENHOUSE GAS EMISSION REDUCTION TARGET FOR INTEGRATED RESOURCE PLANNING AND CPUC/CEC STAFF DISCUSSION DOCUMENT

*Additional submitted attachment is included below.*

**BEFORE THE CALIFORNIA ENERGY COMMISSION**

**In the matter of,**

**2017 Integrated Energy Policy Report  
(2017 IEPR)**

**Docket No. 17-IEPR-07**

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**JOINT POU COMMENTS ON JOINT AGENCY WORKSHOP ON 2030  
GREENHOUSE GAS EMISSION REDUCTION TARGET FOR INTEGRATED  
RESOURCE PLANNING AND CPUC/CEC STAFF DISCUSSION DOCUMENT**

The California Municipal Utilities Association<sup>1</sup> (CMUA), Northern California Power Agency<sup>2</sup> (NCPA), and Southern California Public Power Authority<sup>3</sup> (SCPPA) (collectively, “Joint POU’s”), provide these comments to the California Energy Commission (Commission or CEC) in response to the February 10, 2017 California Public Utilities Commission (CPUC) and CEC Staff Discussion Document, *Options for Setting GHG Planning Targets for Integrated Resource Planning and Apportioning Targets among Publicly Owned Utilities and Load Serving Entities* (Staff Paper), and the February 23, 2017 *Joint Agency Workshop on 2030 Greenhouse Gas Emission Reduction Target for Integrated Resource Planning* (Workshop). The purpose of both the Workshop and the Staff Paper was to present and discuss options for setting the 2030 greenhouse gas (GHG) emissions reduction target for the integrated resource plan (IRP) planning. As presented by CEC and CPUC staff, this process would involve three separate parts: Part 1, setting the statewide electric GHG reduction target to be used in IRP planning; Part 2, how to divide the statewide number between the load serving entities (LSEs)<sup>4</sup> and publicly owned utilities (POUs); and Part 3, determining the entity-specific GHG targets from the

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<sup>1</sup> CMUA is a statewide organization of local public agencies in California that provide electricity and water service to California consumers. CMUA membership includes publicly-owned electric utilities that operate electric distribution and transmission systems. In total, CMUA members provide approximately 25 percent of the electricity load in California.

<sup>2</sup> NCPA is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 15 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

<sup>3</sup> 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. SCPPA’s Members collectively serve nearly five million people in Southern California.

<sup>4</sup> In these comments, the term “load-serving entity” or “LSE” refers specifically to CPUC-jurisdictional LSEs, which does not include POU’s, and which is consistent with the use of the term as set forth in Public Utilities Code section 454.52(a)(1),.

aggregate LSE and POU totals established in Part 2. The Staff Paper included proposals for Part 1 and Part 2, and envisioned that Part 3 would be addressed in separate CPUC and CEC proceedings for the LSEs and POUs respectively.

## **INTRODUCTION**

The Joint POU are committed to doing their part to help the state meet its ambitious 2030 GHG reduction goals. We will do so through a combination of actions guided by a hallmark principle of public power: ensuring the provision of affordable and reliable electricity for residents and businesses in their member communities and local jurisdictions. We will rely on public and transparent processes, and consider the impacts on our most vulnerable customers, including those in low-income and disadvantaged communities. The POU greatly appreciated CPUC President Picker's acknowledgment during the Workshop<sup>5</sup> - and concurring references throughout the day – that it is essential that we be able to determine the cost-effectiveness of carbon reduction programs and measures.

POUs across the state, guided by local control and governance, will continue to responsibly serve our customers and support the objectives of the state's climate program by making local, cost-effective choices to invest in clean energy resources, increase energy efficiency savings, and deploy technologically feasible energy storage and distributed energy resources when it is cost-effective to do so, while maintaining reliable electric service and recognizing the autonomy of local governing bodies.

## **THE ROLE OF INTEGRATED RESOURCE PLANNING AND THE IRPs**

Integrated resource plans are long-range planning tools that provide utilities with an approach to document how we intend to provide power to our customers, similar to the way the California Air Resources Board (CARB) Scoping Plan is used by the state's policymakers to explain to California consumers how the state intends to reduce GHG emissions. Under the provisions of Public Utilities Code section 9621, POU IRPs must take into account not only the resource requirements of the utility, but also obligations to meet statutory mandates for GHG reductions, renewable energy procurement, resource adequacy, transmission constraints, reliability, and cost effectiveness, as well as other planning requirements and constraints. **The statutory mandate to prepare an IRP does not constitute a separate or quantifiable GHG emissions reduction requirement for any load serving entity or publicly owned utility.**

Beyond the need to connect resource planning with GHG emission reduction planning, the statute does not fundamentally change any of the existing measures or mandates that POU are otherwise required to comply with. The IRP process should not supplant CARB's GHG emissions accounting program, nor should it be used to create a separate GHG accounting

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<sup>5</sup> February 23 Joint Agency Workshop Transcript, p. 10, l. 3 (Picker); [http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-07/TN216426\\_20170307T114919\\_Transcript\\_of\\_02232017\\_Joint\\_Agency\\_Workshop\\_on\\_2030\\_Greenhouse.pdf](http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-07/TN216426_20170307T114919_Transcript_of_02232017_Joint_Agency_Workshop_on_2030_Greenhouse.pdf)

program. Collectively, the LSE and POU IRPs can provide insights that can help the Commission and policy makers assess a significant portion of the electric sector’s progress towards meeting the sector-wide GHG reduction goal under known and existing mandates that require routine reporting, as well as garner a better understanding of the interplay that occurs between the individual efforts of the POU’s and the mandated programs.

Additionally, please note that unlike the CPUC-jurisdictional LSEs, each POU already has its own well-defined, jurisdictional regulators serving on their boards and councils. Accordingly, caution needs to be exercised about both unreasonable regulatory overreach as well as unintended overlap(s) of “jurisdictional ownership” and responsibilities vis-a-vis the POU’s.

### **THE STATEWIDE GHG EMISSIONS REDUCTION TARGET**

Senate Bill (SB) 32, which added section 38566 to the Health and Safety Code, guides CARB’s development of GHG reduction measures. Section 38566 states that: *“In adopting rules and regulations to achieve the maximum technologically feasible and cost-effective greenhouse gas emissions reductions authorized by this division, the state board shall ensure that statewide greenhouse gas emissions are reduced to at least 40 percent below the statewide greenhouse gas emissions limit no later than December 31, 2030.”* SB 350 requires CARB to set the IRP planning targets to “reflect the electricity sector’s percentage in achieving the economywide greenhouse gas emissions reductions of 40 percent from 1990 levels by 2030.”<sup>6</sup> While the electric sector will play an important role in helping the state meet its statewide GHG reduction and climate objectives, **the LSE and POU IRPs are but one element** in the state’s suite of measures, mandates, and statutory direction on achieving the laudable, and very ambitious, statewide GHG emissions reduction goals. SB 350, AB 32, Assembly Bill (AB) 197, SB 32, and a myriad of other bills and regulations addressing building codes, energy efficiency, and land development all work together to reduce electric sector GHG emissions in the communities that POU’s serve; this includes low income customers and customers located in disadvantaged communities. Therefore, it is necessary that the GHG emissions reduction target be simply that – a *target*. **It should not become a compliance measure in and of itself because of the significant interplay between the various programs that will result in an overall reduction of emissions from the electricity sector as a whole. Achieving reductions under some measures may be out of the control of the LSE or POU, and will not be equally achieved by each individual utility.**

In setting the SB 350 GHG emissions reduction targets for IRPs, it is important to ensure that the role and objective of the various statutory mandates be clearly recognized. This must include recognition that not all of these various programs will achieve identical outcomes from all utilities; therefore, not all of the programs and mandates should be part of the IRP target setting. For example, while the mandates of AB 197 play an integral part in development of the Scoping Plan update, they do not impose a separate compliance obligation on LSEs or POU’s in the

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<sup>6</sup> Cal. Pub. Util. Code §§ 9621(b)(1) and 454.52(a)(1)(A).

context of IRP planning. While there are myriad programs and mandates aimed at helping the state meet its climate objectives, they are not all tied to setting the GHG planning targets for IRPs.

A primary example is the role of energy efficiency and customer choice. As has been discussed extensively in various energy efficiency proceedings in the past, decisions to invest in clean energy and energy efficiency go well beyond the direct control of load serving entities. While state programs and utilities can provide incentives for customers to invest in various program offerings, it is ultimately up to the consumer to make the final choice to invest, a decision that often includes many individual factors that extend beyond the need to reduce the state's carbon footprint. Individual decisions by ratepayers and customers must be carefully factored into the methodology for applying CARB's electricity power sector target to a utility's GHG emissions reduction target.

Further, energy efficiency measures will achieve different results in different areas due to a variety of influences. For example, more energy efficiency may be able to be achieved in areas with older building stock as opposed to newer buildings, because the buildings were constructed under older building codes. Additionally, the types of building uses will also influence the amount of achievable energy efficiency. Warehousing may not install many energy efficiency measures if it already employs skylights and is kept open during much of the day; however, class A offices may install and maintain numerous energy efficiency options to reduce costs and ensure a high-end office environment for clients and employees. In residential areas, income levels, whether the resident is a homeowner or renter, and other factors all affect the choices that a customer makes. While the POUs actively work with their customers and provide information on the various program options and benefits, the final decision whether to utilize these measures is not within the control of the POU.

### **INTERAGENCY PROCESS FOR SETTING THE STATEWIDE ELECTRIC SECTOR GHG EMISSION REDUCTION TARGET**

SB 350 requires LSEs and certain large POUs to prepare IRPs that show how these entities will achieve several objectives. Included in these is meeting "*the greenhouse gas emissions reduction targets established by CARB, in coordination with the CPUC and CEC, for the electricity sector and each local publicly owned electric utility that reflect the electricity sector's percentage in achieving the economy-wide GHG emissions reductions of 40 percent from 1990 levels by 2030.*"<sup>7</sup> Since the GHG emissions reduction target for the electricity sector will inform the LSEs' and POUs' IRPs, it is important that the final reduction target accurately reflect the sector's share of the 2030 statewide goal of achieving 40% reductions from 1990 GHG levels.

Since CARB has the ultimate responsibility for setting the statewide electricity sector reduction target, the joint CPUC and CEC process must be done in concert with CARB. The Joint POUs

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<sup>7</sup> Cal. Pub. Util. Code §§ 9621(b)(1) and 454.52(a)(1)(A).

appreciate the recognition by staff from the CEC, CPUC, and CARB of the importance of collaborating on the development of the GHG reduction target. However, the Joint POU's remain concerned that the collaboration to date has not been sufficient for this important task and believe that it must go further. Since "ARB must 'establish' sector and individual LSE planning targets" that must ultimately be approved by the CARB Board, it is imperative that a transparent public process and formal record in that proceeding be established.<sup>8</sup> While CARB's presentation included an outline of the collaborative process, it was devoid of a specific timeline. If the SB 350 IRP planning targets are to be established as a subset of the Scoping Plan, then final CARB approval would not be possible before the end of June 2017. If a separate approval process is sought, there is no indication of when the formal process outlined in CARB's presentation would occur. It is also unclear how the record being established in the CPUC's and CEC's respective proceedings will be integrated into the CARB process to establish a formal record before that agency. Both the CPUC and CEC are charting a course that would finalize the LSE-specific planning targets within their respective proceedings ahead of any formal CARB process focused solely on this issue, and appear prepared to use interim data to inform this process.<sup>9</sup> If these timelines are not reconciled, the POU's do not see how a complete record can be developed that meets the statutory mandate and fulfills the agencies' responsibilities relevant to the target setting.

#### **PART 1: SETTING THE STATEWIDE ELECTRICITY SECTOR Target (questions 1-4)**

*1. Under Part 1, which of the options do you recommend, and why? What issues should be considered when implementing that option, and how should those issues be addressed?*

#### **The Scoping Plan Expected Emissions Reductions and SB 350 IRP Planning Targets**

The GHG emissions reductions expected from the electricity sector, as discussed in the Scoping Plan, represent a reasonable starting point for discussing the statewide GHG emissions reduction target for the electricity sector required to be developed for IRP purposes. However, there is still much work to be done before the IRP planning targets can be extrapolated from those numbers, and it is important to keep in mind what the Scoping Plan targets for emissions reductions actually represent. The Scoping Plan only reports the emissions reductions expected from the various sectors dependent on the success of the various measures that are included in the plan. The Scoping Plan **does not** establish in and of itself any mandated reductions in specific sectors – instead it identifies a suite of measures that, if they work together will result in emissions reductions that can be attributed to each sector. However, to date, the only **target**, per se, is the 40% below 1990 levels or a specific target such as the refinery sector target being set. The

<sup>8</sup> CARB Staff Presentation, February 23, 2017, p. 3; [http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-07/TN216191\\_20170223T082120\\_SB\\_350\\_Integrated\\_Resource\\_Planning\\_Interagency.pdf](http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-07/TN216191_20170223T082120_SB_350_Integrated_Resource_Planning_Interagency.pdf).

<sup>9</sup> See, *February 23 Joint Agency Workshop Transcript*; p. 74; ll. 5-9 (Randolph); p. 88, ll. 13-23 (Weisenmiller)

Scoping Plan modeling also acknowledges uncertainties that will impact the anticipated reductions.<sup>10</sup>

Furthermore, the Scoping Plan and IRP processes serve different functions, and this differentiation must be addressed as part of the overall target setting process.<sup>11</sup> Before the final GHG planning targets for IRPs can be established, CARB and the energy agencies must delve more deeply into the preliminary assessment that was used for purposes of determining expected emissions reductions in the Scoping Plan to fully understand and assess how those expected reductions can be utilized to develop the SB 350 GHG emissions reduction targets. Several questions must be addressed, including but not limited to the following:

- To what extent does the Scoping Plan’s anticipated electric sector GHG emissions reductions account for impacts from fuel switching or transportation electrification?
- How are the SB 350 and other energy efficiency savings targets treated?
- How would variables such as energy efficiency and electrification be attributed to the LSEs and POUs?
- How will the statewide electric sector number be adjusted to reflect emissions that the LSEs and POUs cannot be responsible for?
- How will that number be factored into the final GHG emissions target to be attributed to the LSEs and POUs?
- What other assumptions for future emissions are included in the Scoping Plan’s anticipated emissions reductions from the electric sector, and how do those correspond to IRP planning targets?

As the Scoping Plan specifically states, the Plan is “expected to provide information to help establish **the range of GHG reductions required for the electricity sector**, and those numbers will be translated into planning target ranges in the IRP process.” (Scoping Plan, p. 86, emphasis added) The IRP planning targets cannot be determined until there has been an assessment of the Scoping Plan target that addresses the questions such as those raised above.

The IRP GHG planning targets must be based on electric sector GHG emissions that are well defined, objective, and properly accounted. As mentioned previously, the Scoping Plan does not create “binding” emissions reductions targets for any sector, but provides a projection of the reductions that *may* be achieved for each sector if the menu of measures are implemented and successful. Those targets, however, include not only known commitments (such as the 50% renewable portfolio standard (RPS) mandate), but additional reductions that have not been

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<sup>10</sup> As noted during the Workshop by Rajinder Sahota of CARB, “There may be some measures that may not be deemed cost-effective. There may be some technology barriers. There may be some technology that doesn’t phase in as quickly as we anticipate.” February 23 Joint Agency Workshop Transcript, p. 22; *Id.* 18-22 (Sahota).

<sup>11</sup> This point was further reiterated in CARB’s presentation during the Workshop; “Scoping Plan and IRP are separate processes that address different needs in response to different statutory requirements”; CARB presentation, p. 5.

assessed for feasibility or cost-effectiveness; something that would necessarily need to be done before those numbers can be translated into the IRP planning targets. This will require the agencies and stakeholders to carefully assess the draft electric sector target set forth in the Scoping Plan to identify those elements of the sector-wide target that are not attributable to programs, measures, or proposed GHG reductions within the control of the POU and LSEs. It is also important to consider the impacts from the interaction of statewide policies directed at other sectors of the economy and multi-sector programs, including the Cap and Trade Program.

Reductions outside the control of POU and LSEs: Since POU's and LSEs' IRPs should not be responsible for reductions beyond their control, any such proposed reductions would need to be removed from the number ultimately used to determine the entity specific planning targets. This includes energy efficiency savings and necessarily implicates broader issues with energy efficiency target setting.

Impacts from other entities: Additionally, consideration must be given to actions made by other entities, such as the California Independent System Operator (ISO), on how a POU operates its generation facilities. Some POU, to varying degrees, give some level of control over to the ISO, which dispatches generation units as needed to maintain grid reliability in a cost-effective manner. Under this construct, the POU may be required to run a power plant to serve regional load, thereby increasing emissions.

Interactions between other sectors: The GHG planning target for the IRPs must address the impacts on the POU and LSEs emanating from outside the electricity sector. This includes statewide goals for increased electrification of other sectors of the economy, and in particular, transportation electrification goals set forth in SB 350 and elsewhere. For purposes of IRP target setting, the initial assessment that is embedded in the Pathways modeling is insufficient, and the impacts from transportation electrification must be more thoroughly assessed; CARB has noted that the Scoping Plan target does not fully assess transportation electrification impacts. Similarly, changes in local agency planning decisions will influence electric utility demand. POU that are inexorably linked with their local communities may be more impacted than other LSEs, so it may be appropriate to look more closely at how this impacts the subsequent "steps" of the target-setting process. However, in order to ensure that all relevant considerations are addressed, the first step in the target-setting process must clearly define what is and what is not included; for those items not included in Step 1, the overall proposal must clearly state where and when they will ultimately be resolved.

Feasibility of Scoping Plan reduction targets: As currently drafted, the Scoping Plan contemplates a range of reductions. Some of those reductions are attributable to known commitments. Others, like the potential 60% RPS, are not mandated or formally planned requirements, but instead are included to demonstrate reductions needed to meet the statewide objective beyond the business-as-usual scenarios. GHG reduction targets in the Scoping Plan

must be assessed separately in the IRP target-setting process for feasibility before they can be incorporated as an element in the POU's long-term planning.

POUs are particularly sensitive to the cost-feasibility of implementing additional measures that may be required to meet aggressive GHG reduction targets. Those POU's in which low income and disadvantaged communities are located are particularly concerned with the ability of its customer base to shoulder the cost burden associated with implementing measures to meet the targets.

*2. If recommending Part 1 Option A, should the IRP process use an emission reduction target equal to the lower end of this range (42 MMTCO<sub>2e</sub>), the higher end of this range (62 MMTCO<sub>2e</sub>), or a target somewhere within this range?*

### **The Importance of Planning and Procurement Flexibility**

Since the IRPs are planning documents, the course they chart will likely change over time; indeed, this was even acknowledged by the Legislature in the language of section 9621(b) that requires the IRP to be updated at least every five years. The importance of the IRP as a planning tool and the ability to address course changes in the long-term plan to reaching the 2030 goal cannot be overstated. This is why each of the utilities represented at the Workshop emphasized the need for "flexibility" in this regard. The final GHG planning target for LSEs and POU's should be reflected as a range or "soft target" that will guide and inform resource planning decisions. Applying the statutory mandate to achieve statewide reductions of 40% below 1990 levels by 2030, the electric sector soft target would be 65 MMTCO<sub>2e</sub>. Even assuming the use of the current Scoping Plan range without the necessary refinement, the electric sector target should be no lower than 62 MMTCO<sub>2e</sub>. This is appropriate, given that the GHG targets will be part of the comprehensive plan, but must also recognize and account for the evolving nature of resource planning, and the fact that these documents reflect comprehensive and well thought-out roadmaps to achieving the stated objectives.

**The Joint POU's strongly oppose the use of hard GHG targets for IRPs. Prescriptive and unreasonably low GHG targets compromise the ability of POU's to respond to uncertainties and achieve emissions reductions in the most cost-effective manner.** The POU's have supported continuation of the Cap-and-Trade Program for this very reason; attempting to supplant the GHG reduction requirements under the Cap-and-Trade Program with a separate GHG mandate through the IRPs runs contrary to the objectives of the program. There are several variables that are intended to be addressed through long-term planning, but which necessarily require course changes. For example, hydroelectric power can vary significantly from year to year. Likewise, LSEs and POU's cannot project how increased electrification will impact their procurement. Regulatory uncertainty, new mandates, impacts from market-based measures, uncertainties implicit in an expanded west-wide energy market, and the increased deployment of distributed energy resources will all influence POU resource procurement

decisions and planning in the coming years. These and other uncertainties are best addressed through built-in planning and procurement flexibility.

*3. Are there any other methods that should be considered for assigning an overall electricity sector target in 2030 for IRP purposes? If so, please describe the method in as much detail as possible and explain why it is preferable to the options listed above.*

As discussed in response to previous questions, the Scoping Plan offers a reasonable starting point for the development of the IRPs planning targets for GHG emissions reductions. Those emissions reductions must be further analyzed and detailed in order to develop an appropriate electric sector target that responds to the outstanding questions and limitations highlighted in these comments.

*4. Do the proposed methods adequately account for interactive effects between the electric and other economic sectors, in particular with the transportation sector? If not, please explain how those interactive effects should be accounted for in the IRP process.*

None of the options set forth in the Staff Paper adequately account for impacts on the electric sector from interactions with other sectors. As noted above, this includes not only impacts from transportation electrification, but changes that are likely due to the increasing electrification of other segments of the economy and changes at the local and community level. The first step in addressing these effects would be to ensure that all known (and foreseen) impacts are accounted for in setting the IRP planning targets, including those that are not presently addressed in the Scoping Plan scenarios. After quantifying, to the greatest extent possible, the known impacts and influences, the final IRP planning targets must acknowledge remaining uncertainties. The only way to account for such uncertainties is through flexibility in the IRP process. Adopting GHG planning targets that are set on a reasonable range of emission reductions - rather than a singular number - would allow the POU's and LSEs the flexibility needed to determine the optimal way to reduce GHG emissions while meeting their communities' needs.<sup>12</sup>

## **PART 2: DIVIDING THE STATEWIDE ELECTRICITY SECTOR TARGET BETWEEN THE LSEs AND POU's (questions 5-7)**

*5. Under Part 2, which of the options do you recommend, and why? What issues should be considered when implementing that option, and how should those issues be addressed?*

If CARB were to use a different methodology to divide the electric sector GHG reduction target between LSEs and POU's than it uses to set entity-specific targets, it may create unnecessary

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<sup>12</sup> See The 2017 Climate Change Scoping Plan Update Scoping Plan, dated January 20, 2017; pp. 87-88.

confusion and unintended consequences. Once entity-specific targets are set, both the CEC and CPUC should be able to simply aggregate those targets to determine the relative share between the POU's and LSEs. It is not clear to the Joint POU's what value is added by treating this dividing process as a separate step. Therefore, the Joint POU's view this question as being necessarily linked to the process of setting entity-specific targets. In light of the importance of these targets, it is essential that the methodology appropriately considers the individual entity's characteristics such as history, resource mix, customer base, climate, and region. The options presented in the Staff Paper offer a starting point for developing the targets between the LSEs and POU's. However, because of the unique situations of each utility, the eventual split of the target between the two agencies should be a combination of a starting range and a bottom-up process that reflects what can be achieved by each individual utility.

In addition, many POU's are concerned with what is proposed by CARB to be a steep reduction in allowances allocated in the first years of the post-2020 Cap-and-Trade Program. The IRP process should not presume that the concepts of allocation decreases that may have been discussed or circulated will translate into the IRPs without completion of those discussions. Aside from the overall reduction in allowances, POU's are concerned with the sudden transition to a lower allocation of allowances, and POU's anticipate that this issue will be a matter of further discussion before CARB. Also, among the concerns with allocations is the variance in load/retail sales not being accounted for in the allowance allocation calculation on the one hand, while on the other hand, such variance in load/retail sales is being considered in setting the overall GHG emissions target.

With that said, the Joint POU's are still in the process of evaluating the three options presented, as well as considering other approaches. While the Joint POU's do not fully support any of the options in the Staff Paper, Option C does appear to partially meet some of goals necessary for this methodology because it incorporates part of an entity's existing portfolio. However, more changes will likely be necessary to develop a methodology that accurately apportions an entity's relative share of the electric sector target. In particular, there will need to be some method for accounting for fuel-switching, transportation electrification, and firmed and shaped resources. The Joint POU's will likely provide a more detailed response in a subsequent filing.

*6. Are there any other methods that should be considered for dividing the GHG emissions reduction target between the CPUC's and Energy Commission's respective IRP processes? If so, please describe the method in as much detail as possible and explain why it is preferable to the options listed.*

Please see responses in prior sections.

*7. What are the data requirements associated with the methodology you recommend? If these data entail forecasting or simulation, please describe the input data needed and potential sources of this data.*

It will require consideration of an initial IRP process to determine if there are opportunities for similar data to be acquired.

### **OTHER QUESTIONS RELATED TO GHG-TARGET SETTING (Questions 8-13)**

*8. How do we account for hydro variability, and what are the target GHG reductions during average hydro years? How do we incorporate uncertainty?*

Accounting for hydro variability is critically important. Even large hydroelectric facilities that are not RPS-eligible under the state's current RPS program provide clean energy throughout the state. One way to address the hydro variability is by looking at multi-year water resources and generation. Ensuring that the GHG planning targets are not viewed as separate GHG mandates is another way to help address this variability, as the fluctuation in generation can be addressed in the context of the GHG planning range depending on the amount of hydro power in an individual POU's portfolio. One option would be to use a 50-year averaging period for hydro generation. A 50-year timeframe is consistent with the Pacific Decadal Oscillation, which is the warming and cooling phase in the North Pacific Ocean.<sup>13</sup> A warm or cool phase typically lasts between 20-30 years, with cool phases associated with more droughts in California and warm phases associated with more wet years. A 50-year time frame is sufficiently long to include both a warm and cool phase.

*9. What are reasonable expectations to allocate GHG targets for the other POUs (not just the 16 largest that are required to do IRPs)?*

The electric sector GHG planning target is not limited to just the LSEs and POUs that are required to file IRPs under SB 350. This is but one of the reasons why the proposed GHG reduction target set forth in the Scoping Plan cannot simply be lifted from that document and dropped into the IRP planning processes. As the statewide electric sector reduction target is refined to develop the aggregate IRP GHG planning target, it is reasonable to expect that a portion of the IRP GHG planning target will be attributable to the POUs that are not mandated to

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<sup>13</sup> See Generally Mantua, Nathan, *The Pacific Decadal Oscillation and Climate Forecasting for North America* (1999) (available at [http://www.atmos.washington.edu/~mantua/REPORTS/PDO/PDO\\_cs.htm](http://www.atmos.washington.edu/~mantua/REPORTS/PDO/PDO_cs.htm)); See also National Geographic, *Could California's Drought Last 200 Years?: Clues from the past suggest the ocean's temperature may be a driver*, Feb. 13, 2014 (available at <http://news.nationalgeographic.com/news/2014/02/140213-california-drought-record-agriculture-pdo-climate/>).

submit IRPs to the CEC. That portion of the planning target should be removed from the individual POU target setting efforts.

Whatever process is adopted in Part 2 should result in aggregate POU emissions that represent the POU-wide share of the electric sector target. Embarking on Part 3 of the process will require further refinement of the process utilized in Part 2, including incorporation of any variables or outstanding factors that were reserved for this final step. Even in Part 3, the focus of setting the entity-specific GHG planning targets, however, should rely on establishing a realistic and reasonable target for the state's largest POUs. **Establishing realistic entity-specific planning targets will require entity-level review and assessment; while this exercise and commitment of POU, CEC, and CARB resources is necessary to meet the mandates of PUC section 9621, it should not be expanded to include the POUs that were specifically excluded from the IRP requirement by the Legislature.** Indeed, the state's POUs that serve less than the 700-gigawatt-hour annual electric demand threshold represent a *de minimus* share the total sector emissions. More important than attempting to attribute a GHG target for these small POUs is ensuring that the GHG planning target for the 16 POUs that do fall under the statutory mandate is accurate.

Furthermore, attributing an entity-specific GHG planning target for the POUs not required by law to submit IRPs to the CEC does not enhance or alter the ability of the CEC to measure those entities' progress towards meeting the state's clean energy objectives. The IRP does not include a new emissions reduction mandate. Based on reporting and compliance with known and existing mandates, the Commission and other policy makers will be able to ensure that these POUs are doing their part in meeting the state's goals. For example, irrespective of the IRP filing requirement, all the state's POUs – whether over or under the 700-gigawatt-hour annual electric demand threshold – are subject to the RPS mandate. Through annual reports and submittals at the end of each compliance period, those POUs will demonstrate their trajectory towards meeting the 50% RPS mandate. Many of these same utilities rely on a significant amount of large hydro and/or nuclear generation to satisfy the resource needs of the other 50% of its portfolio, which in combination could render 60-80% of a small utility's load relying on carbon free resources.

The existing Cap-and-Trade Program provides further assurance that such utilities are contributing to the GHG reduction efforts. All POUs (regardless of size) with GHG emissions in their electric generation portfolios will need to surrender compliance instruments in the Cap-and-Trade Program annually equivalent to a third of their projected compliance obligation for any given compliance period, and true-up their surrender at the end of each compliance period. By virtue of the fact that the Cap-and-Trade Program compliance obligation is subject to a declining cap, compliance ensures that emissions reductions are being achieved. Added to this, all POUs – again, regardless of size – have targeted energy efficiency savings increases and ongoing review

of their portfolios for ways to incorporate cost-effective and technologically feasible energy storage technologies, among other emissions reductions measures.

Trying to allocate a GHG planning target to each of the small POUs that were explicitly exempted from the provisions of SB 350 would be administratively burdensome – for both the POUs and the agencies. Professional staff at smaller POUs are already disproportionately burdened (as compared to larger POUs) by the above-mentioned and other regulatory compliance requirements linked to resource planning and operations. In essence, small POUs comprise less than 1% of the state’s total load. Further, looking only at the NCPA member utilities, roughly two-thirds of their customer load will be met with carbon free resources by 2030, just through the simple application of complying with state RPS requirements. A specific goal is unnecessary and the pursuit of it is not in the best interest of state resources or budgets. This proceeding should focus only on determining the GHG planning targets for the POUs that must submit their IRPs to the CEC.

*10. What are stakeholder thoughts on the evolution of filing requirements between compliance periods, particularly between the first and second compliance filings?*

The Joint POUs are concerned that this question underscores an inherent misunderstanding regarding the purposes of IRPs. IRPs are planning tools; the POUs subject to the provisions of Public Utilities Code Section 9621 are required to provide their IRPs to the CEC by reporting deadlines; however, they should not be viewed as “compliance filings” within “compliance periods.” To be complete, the IRPs must address the required elements from Public Utilities Code section 9621 for purposes of prospective planning. The POU governing board must ensure that each of those elements are carefully considered and addressed, which would occur as part of the public process used to develop the IRPs. However, as a planning document, there are no specific mandates that can or should be subject to “enforcement.”

Because elements of the IRP are subject to separate filing requirements and deadlines, these should be referenced within the IRP that is submitted. Doing so ensures that all of the information is available, but avoids duplicative filing and reporting requirements. The Joint POUs also note that enough information is already provided through the CEC’s Integrated Energy Policy Report (IEPR) process. In fact, many of the forms the CEC is considering in the development of guidelines for IRP development are part of the electricity supply and demand forms, the next of which will be submitted in April 2017. The Joint POUs do not believe that the IRPs should require additional filing cycles that may not be consistent with existing filings requirements, and any filings that would require new legislation should be avoided.

*11. Should utilities consider the GHG emissions for their own facilities and their vehicle fleets?*

As a starting point, it is unclear what is meant by GHG emissions from their own “facilities.” Electric generation facilities are already within the scope of what is considered in the Scoping Plan analysis. A POU’s IRP is a planning document detailing how it will provide electricity to customers – it should not supplant other efforts being undertaken by local governments to achieve emissions reductions, energy efficiency or other facility or fleet goals. Additionally, fleet emissions – however they are defined – are outside the scope of the sector-wide GHG target setting. Before looking at whether and how these should be included, it is also necessary to determine how these emissions are currently treated in the Scoping Plan and how they are addressed in the final sector-wide target, as these emissions may already be part of the building sector and transportation sector targets.

*12. How should the Energy Commission and CPUC address publicly-owned utilities becoming community choice aggregators, and whose jurisdiction does that fall under for IRPs?*

The Joint POU’s do not express an opinion or provide any comments on the communities currently not served by POU’s which desire or plan to become Community Choice Aggregators (CCAs). Existing CCAs are already subject to specific provisions of Public Utilities code section 454.52, and any new CCAs should be treated the same as existing CCAs. Existing POU’s already provide electric service to their communities and do not have to become CCAs to continue doing so. Pursuant to Cal. Pub. Util. Code section 366.2(c)(1), CCAs may not aggregate electrical load if that load is served by a POU.

*13. Should utilities consider short-lived climate pollutants in their IRPs?*

The IRPs already address a number of different – potentially competing – measures; the scope of required elements should not be expanded.

## **CONCLUSION**

As with overall IRP guidelines, it is important to acknowledge the fundamental nature of a *plan*. Cost effectiveness must be maintained while achieving the end goal of GHG emissions reductions, and the overarching principle of providing safe and reliable electricity must not be discounted. IRPs are intended to reflect the POU’s best plan, exercising local control and governance, for providing reliable and safe electricity services and products to residents and businesses, while complying with State mandates. SB 350 and the IRP process do not change

that intent. The key is ensuring that this one element of the IRP process is properly defined and utilities are given the discretion to apply it in the most cost-effective manner. By statute, POUs are independently governed by selected or elected representatives of the communities they serve; with that in mind one should guard against unintended or overreaching jurisdictional and regulatory overlap.

Dated this 9<sup>th</sup> day of March, 2017.

Respectfully submitted,



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**Justin Wynne**  
Braun Blasing McLaughlin Smith, P.C.  
Attorneys for the *California Municipal Utilities Association*



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**C. Susie Berlin**  
Law Offices of Susie Berlin  
Attorneys for the *Northern California Power Agency*



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**Tanya DeRivi**  
Director of Government Affairs  
*Southern California Public Power Authority*