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NCPA Comments on SB 100 Joint Agency Report Scope

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of: **SB 100 Joint Agency Report: Charting a Path to a 100% Clean Energy Future**	**Docket No. 19-SB-100**

NORTHERN CALIFORNIA POWER AGENCY COMMENTS ON SENATE BILL 100 JOINT AGENCY REPORT SCOPE

The Northern California Power Agency[1] (NCPA) appreciates the opportunity to provide these comments to the California Energy Commission (CEC), California Public Utilities Commission (CPUC), and California Air Resources Board (CARB) (collectively, the "Joint Agencies") on the scope of the Senate Bill (SB) 100 Joint Agency Report to the Legislature.

I. INTRODUCTION

Over the course of the last few months, the Joint Agencies have held workshops throughout the state to solicit feedback on the scope of information to be addressed in the SB 100 Report, which is intended to further guide the state towards meeting its increased renewable energy and carbon neutrality goals. In written and oral remarks reviewed to date, stakeholders have provided a broad range of comments on myriad important issues. While these NCPA comments are limited to just two issues, NCPA concurs with the points raised by other stakeholders; namely that the clean energy and carbon neutrality goals of SB 100 must be achieved while ensuring that (1) the reliability of the state's electricity grid is not compromised, and (2) lower-income, rural, and other traditionally disadvantaged communities share in the benefits of transitioning to carbon neutrality. In addition, NCPA urges the Joint Agencies to:

- Unequivocally recognize the important role that large hydroelectric generation resources will play in helping the state meet its broader clean energy and carbon neutrality goals, and

- Facilitate and expedite the ability of the state's electrical distribution utilities to utilize cap-and-trade proceeds to investment in much-needed wildfire risk reduction activities.

II. ABOUT NCPA

NCPA is a not-for-profit Joint Powers Agency established in 1968 to make joint investments in energy resources that would ensure an affordable, reliable, and clean supply of electricity for customers in its member communities. NCPA's 16 members include publicly-owned utilities (POUs), a rural electric cooperative, a port, a public transit district, and a public

[1] NCPA's members are the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District.

utility district. Services NCPA provides to its members, as well as other public agencies, include the purchase, aggregation, scheduling, and management of electrical energy.

NCPA and its member agencies prioritize the provision of clean, reliable, and affordable electricity for their residential, commercial, and industrial customer-owners. In furtherance of that objective, NCPA operates a fleet of power plants that is among the cleanest in the nation, and that provides reliable and affordable electricity to approximately 700,000 electric customers in central and northern California. NCPA's 775-megawatt portfolio of power plants is approximately 50% greenhouse gas emission-free. NCPA made a major investment in renewable energy in the early 1980s when it developed two geothermal power plants and financed and built a 250-megawatt hydroelectric facility. Thirty years later, these resources continue to generate reliable, emission-free electricity for its member communities. NCPA and its member utilities have also invested heavily in energy efficiency measures, having spent more than $100 million on energy efficiency since 2006, reducing demand for electricity by more than 350 gigawatt hours during that time.

NCPA and its member utilities are also committed to ensuring the safety of their electricity infrastructure. Member agencies have invested considerable resources in wildfire-prevention practices, aggressive vegetation management, system hardening, and state-of-the-art technologies to help monitor weather conditions and rapidly address any potential issues that arise. In light of the emerging and growing threat that climate change-induced events have on weather patterns and native vegetation in the areas where critical electricity infrastructure is located, implementation of all aspects of utility wildfire mitigation plans is vitally important.

NCPA and its member agencies have a long history of responsible environmental stewardship and commitment to the state's clean energy policies and objectives. NCPA's policies and values are set by the locally elected and appointed officials that live and work in the member communities for which they serve as energy regulators. The ability to continue to provide clean, reliable, and reasonably priced electricity while continuing this important legacy is paramount to NCPA. It is within this context that NCPA offers these limited comments on two important issues that the Joint Agencies should address in the context of developing the SB 100 Report.

III. COMMENTS ON SB 100 REPORT SCOPE

A. Large Hydroelectric Generation Should be Clearly Defined as a Zero GHG-Emitting Resource

The SB 100 Report should include the explicit clarification that large hydroelectric generation is a carbon-free resource. Based on the feedback received, the Joint Agencies have acknowledged that large hydroelectric and nuclear generation are "under consideration" as zero carbon resources for purposes of meeting the goals of SB 100 and the state's carbon neutrality objectives.[2] It is absolutely unacceptable to pursue a carbon-neutral energy policy that fails to recognize the zero-emissions nature of large hydroelectric resources. These investments provide immediate and tangible benefits to the state, and are an important tool to help the state meet its carbon-neutrality goals. Large hydroelectric generation is a zero-GHG emitting and renewable resource that provides critical support to the statewide electric grid and ancillary services that

[2] Presentation - SB 100 Report - Southern California Scoping Workshop, October 29, 2019; slide 32

facilitate the delivery of other renewable resources to California consumers. Large hydroelectric generation is a cost-effective, controllable zero-GHG emitting and renewable resource that can be turned on and off to offset the intermittent nature of resources like solar and wind. For several NCPA members, as well as other POUs across the state, such zero-GHG emitting and renewable resources play a prominent role in their respective integrated resource planning efforts.

While the state has long declined to include large hydroelectric generation as a California renewable portfolio standard (RPS)-eligible resource, that does not mean that the same arguments or policy objectives should be used to discount the value of these resources in furtherance of SB 100 policy objectives. Whether large hydroelectric generation are considered RPS-eligible or not, these resources are indisputably zero-GHG emitting and renewable. And whatever the policy reasons for excluding large hydroelectric generation from general eligibility under the RPS in the past, those reasons are not currently relevant in the context of meeting the state's SB 100 goals. Furthermore, the importance of large hydroelectric generation to the state's clean energy goals has not been ignored by the legislature. As the state move towards ever-increasing RPS mandates, there was also a recognition of the importance of the past and current investments in large hydroelectric generation and their impact on RPS compliance.[3] Likewise, the SB 100 Report should recognize the significant role that large hydroelectric generation plays in meeting the SB 100 policy goals.

As the Joint Agencies have already acknowledged, stakeholders have urged the state to ensure that attainting the SB 100 policy goals is done in a technology-neutral manner, without prescriptive mandates.[4] By failing to recognize the zero-GHG value of large hydroelectric generation, the state would be choosing winners and losers in the renewable and carbon free energy arena, without regard to how those decisions would impact electricity customers. Similarly, mandates to procure renewable generation from other resources when entities are already paying for clean generation by virtue of their investments in large hydroelectric generation would not only result in additional cost for electricity ratepayers, but could also thwart future "early actions" and diminish the value of these important zero-GHG emitting and renewable resources. Furthermore, it is important to note that recognizing the renewable and GHG-free nature of large hydroelectric generation is consistent with many of the SB 100 *key considerations*, including reliability, resource diversity & flexibility, affordability, and environmental impacts.

NCPA urges the Joint Agencies to remove any regulatory uncertainty regarding the GHG-free designation of these resources, and clarify that large hydroelectric generation resources are renewable, zero-GHG electric generation resources.

B. Cap-and-Trade Proceeds Available to Electrical Distribution Utilities Should Be Made Immediately Available for Wildfire Risk Reduction Activities

The wildfires that have swept the state over the last few years have highlighted the importance of investments in *GHG-emission avoidance*, and not just reductions. Having identified the benefit of avoiding GHG emissions from wildfires, and the direct role that utilities

[3] Public Utilities Code section 399.30 (k).

[4] Specifically, when defining SB 100 RPS and zero carbon resources, stakeholders have said: "Don't be prescriptive"; "Maximize optionality"; and "Be technology inclusive." Joint Agencies Staff Presentation, October 29, 2019; slide 32.

can play in such mitigation, the Cap-and-Trade Program was amended in 2018 to authorize the use of electrical distribution utilities' (EDUs) allowance value for wildfire risk reduction activities.[5] The Joint Agencies are uniquely situated to facilitate and expedite the ability of the state's electrical distribution utilities to utilize the value of their Cap-and-Trade Program allowances for investments in wildfire risk reduction activities. NCPA urges the Joint Agencies to facilitate completion of the administrative prerequisites that currently preclude the utilities from using those funds for such activities.

Recognizing the value of wildfire mitigation and prevention as an essential part of helping the state meet its long-term GHG goals, the state has authorized the use of the Greenhouse Gas Reduction Fund (GGRF) specifically for such purposes.[6] Allowing the use of value from electrical distribution utilities allocated allowances goes even further in this recognition. CARB's Cap-and-Trade Program amendments acknowledge not only the role that wildfire risk reduction activities can play in helping to avoid catastrophic wildfires *and* the devastatingly high GHG emissions that come from wildfires, but also the direct local advantages that can be wrought by utility programs and projects designed to benefit the electric ratepayers in their own service territories.

NCPA, a longtime advocate for the use of GGRF and other funds for wildfire mitigation, prevention, and response, supported CARB's proposed amendments, as did a host of other EDUs. The 2018 amendments authorized such use. As of April 1, 2019, EDUs can use the funds for wildfire risk reduction activities "*Only after CARB adopts a standardized system for quantifying GHG emissions reductions from fuel reduction activities pursuant to section 38535 of the Health and Safety Code, wildfire risk reduction or forest carbon sequestration activities will be an allowable use of allocated allowance proceeds, provided that the risk reduction or carbon sequestration activities are in conformance with section 8386 or 8387 of the Public Utilities Code, as applicable, as modified by SB 901 (Dodd; 2018).*"[7] This authorization makes available an essential source of funding for EDUs to commit to wildfire risk reduction activities identified in their respective wildfire mitigation plans.

Utilities are implementing aggressive vegetation management, system hardening, and other measures that directly reduce the risk of catastrophic wildfires, at considerable cost. The immediate availability of these funds would enable utilities to undertake even more mitigation measures, or accelerate the deployment of longer-term measures and programs. Unfortunately, at this time, EDUs are not able to use the funds for these activities, as CARB must still complete the development of a standardized system for quantifying GHG emissions from fuel reduction activities. While it essential for CARB to develop this important methodology for purposes of helping quantify emissions avoidance from wildfire reduction activities, the methodology has no bearing on actual wildfire risk reduction activities themselves. Indeed, use of the funds for these activities is not actually impacted by CARB's adoption of the emissions quantification methodology, nor is the methodology determinative of the validity of the wildfire risk reduction activities. The utilities may lawfully use allowance value for these purposes as long as they are

[5] Regulation for the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms; https://ww3.arb.ca.gov/cc/capandtrade/capandtrade/ct_reg_unofficial.pdf; effective April 1, 2019.

[6] *See* http://www.caclimateinvestments.ca.gov/annual-report/

[7] Cap-and-Trade Regulation, section 95892(d)(3)(C).2

for the primary benefit of retail electricity ratepayers and reduce GHG emissions (or avoidance),[8] and are included in EDU's adopted Wildfire Mitigation Plan.[9]

NCPA urges the Joint Agencies to facilitate the development of a quantification methodology that can be used immediately. The use of allowance value for this purpose can be facilitated by the Joint Agencies by integrating statewide programs, so the value of one program can support the objectives of other programs. In this case, direct benefits to local electricity ratepayers and avoidance of emissions from catastrophic wildfires. While critically important in the context of measuring emissions avoidance, the technical assessment and academic exercise to quantify avoided emissions should not be so constrictive, as to essentially delay the use of allowance value for this purpose for two years or longer after the amendments were adopted.

The Joint Agencies can – and should – clarify that that the comprehensive quantification of "fuel reduction activities" need not be so administratively limited that it delays for at least one wildfire season – and possibly longer – the use of allowance value for wildfire risk reduction activities.

III. CONCLUSION

NCPA appreciates the opportunity to bring these important matters before the Joint Agencies for inclusion in the SB 100 Report, and look forward to working with the Joint Agencies and stakeholders throughout this process. Please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com with any questions.

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Respectfully submitted,

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[8] Cap-and-Trade Regulation, section 95892(d)(3)

[9] Cap-and-Trade Regulation, section 95892(d)(3)(C).2