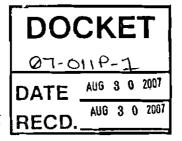
BEFORE THE PUBLIC UTILITIES COMMISSION AND THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE STATE OF CALIFORNIA



Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emission Standards into Procurement Policies.

Order Instituting Informational Proceeding – AB 32.

Rulemaking 06-04-009 (Filed April 13, 2006)

CEC Docket No. 07-OIIP-01

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY REPLY COMMENT ON PROPOSED DECISION ON REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR

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Dated: August 30, 2007

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In accordance with Rule 14 of the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC"), the Southern California Public Power Authority ("SCPPA") respectfully submits this reply to opening comments that were filed on August 24, 2007, in the captioned proceedings.

Upon review of the opening comments, SCPPA is concerned that there is a need for further refinement of the proposed electricity sector greenhouse gas reporting and tracking protocol ("Reporting Protocol") that would be adopted by the PD. Particularly, sections 3.8 through 3.11 regarding the treatment of sales and exchanges are difficult to understand. As a result, as evidenced by the opening comments, they are subject to varying interpretations. Additionally, key terms are left undefined. The lack of essential definitions could result in misapplication of the reporting rules by retail providers.

Ultimately, the Reporting Protocol would be subject to adoption by the California Air Resources Board ("CARB"). Insofar as CARB is subject to the California Administrative Procedures Act ("APA"), any rules that are ultimately adopted by CARB will be subject to the APA requirement of "clarity." The ultimately adopted regulations must be "written or displayed so that the meaning of regulations will be easily understood by those persons directly affected by them." Cal. Gov. Code § 11349(c). SCPPA recommends that the CPUC and the California Energy Commission ("CEC") (jointly, "Commissions") take some time to refine the Reporting Protocol. Although that might delay the date by which the Commissions would propose Reporting Protocol to CARB, taking more time now could expedite CARB's promulgation of a final reporting protocol that would, presumably, be tendered by CARB to the Office of Administrative Law ("OAL") for review under the APA. *See* Cal. Gov. Code § 11349.1(a).

SCPPA now responds to other points made in the opening comments.

I. THE REPORTING PROTOCOL SHOULD BE REVISED TO REQUIRE REPORTING OF EMISSIONS ASSOCIATED WITH ELECTRICITY DELIVERED FROM A SPECIFIED SOURCE TO A RETAIL PROVIDER RATHER THAN ELECTRICITY ASSOCIATED WITH A RETAIL PROVIDER'S "OWNERSHIP SHARE" OF A SPECIFIED SOURCE.

Section 3.2 of the Reporting Protocol would attribute "emissions to the reporting entity based on its proportional ownership share (not the amount of electricity received"). Reporting Protocol at A-6. Likewise, section 3.8 would require that reporting entities must "report the portion of any sales made by the plant operator based on the reporting entity's ownership share of the power plant." Reporting Protocol at A-8.

Various parties object to this requirement that reports be based on "ownership share." See, e.g., Northern California Power Agency ("NCPA") at 4. Those parties argue that "CARB should only attribute emissions for that portion of the energy that is *consumed* in California. *Ibid.* SCPPA concurs. Section AB 32 requires that CARB's regulations shall "account for greenhouse gas emissions from all electricity *consumed* in the state...." Cal. Health and Safety Code § 38530(b)(2)(f). Thus, requiring retail providers to report on the basis of electricity actually received from a specified resource would be consistent with AB 32. The requirement that retail providers report on the basis of "ownership share" is inconsistent with AB 32, and it would be inconsistent with the protocols for reporting emissions associated with deliveries of electricity from other sources.

Furthermore, it would be administratively burdensome to require reporting on the basis of "ownership share" with deviations being reported as proposed in section 3.8 of the Reporting Protocol. Deviations from the "ownership share" occur daily due to a wide variety of events ranging from variations in plant output to transmission outages. It is unclear from the Reporting Protocol how often reporting entities would be required to submit the reports required by section 3.8, but there could potentially be hundreds of events to report if the reporting is to be done on an

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annual basis. The administrative burden would unnecessarily increase the costs and complexity of the GHG regulatory program for the electric sector.

II. THE PROVISIONS IN SECTIONS 3.9 AND 3.11 FOR ADJUSTMENTS TO TOTAL EMISSIONS FOR SALES AND EXCHANGES TO COUNTERPARTIES WITHIN CALIFORNIA SHOULD BE GENERALLY APPLICABLE TO ALL COUNTER PARTIES, NOT JUST THOSE IN CALIFORNIA.

Section 3.7 of the Reporting Protocol provides: "ARB sums the total metric tons of emissions of owned power plants, purchases from specified sources, and purchases from unspecified sources as described in both sections. ARB then converts the GHG emissions to CO₂ emissions to CO₂ equivalents and calculates the total." Reporting Protocol at A-7. Section 3.9 provides for adjustments to total emissions as calculated in section 3.7 to account for sales and exchanges from specified sources to counter parties within California. Section 3.11 provides for similar adjustments for sales and adjustments from unspecified sources to counter parties within California. In general, the adjustments that would be made under sections 3.9 and 3.11 to account for sales and exchanges would be a deductions from the totals described in section 3.7.

Parties object to limiting the adjustment for sales and exchanges to counter parties that are located within California. *See*, e.g., Sacramento Municipal Utility District at 10. They argue that the adjustments of the totals described in section 3.7 should be made for sales to and exchanges with *all* counter parties, not just those within California. SCPPA agrees. The recommended modification of the Reporting Protocol would be consistent with the AB 32 requirement that CARB adopt regulations that shall "account for greenhouse gas emissions from all electricity consumed in the state...." Cal. Health and Safety Code §38530(b)(2).

III. THE DEFAULT FACTORS FOR THE PACIFIC NORTHWEST ("PNW") AND THE SOUTHWEST SHOULD BE SET ON THE BASIS OF MARGINAL PRODUCTION COST.

The Commissions' joint staffs recommend in their June 12, 2007 Staff Proposal that the default factor for deliveries from the Southwest should be based upon a marginal production cost methodology. In its July 2, 2007 opening comment, SCPPA recommended that the same methodology be applied to develop the default factor for the PNW. In letters dated July 10, 2007, the states of Oregon and Washington essentially concurred with SCPPA's recommendation.

In response, the PD adopts a default factor of 1,062 CO₂/MWh for the Pacific Northwest states *excluding* deliveries from BC Hydro. The Commission regards BH Hydro as delivering 100 percent hydro electric energy. Upon including BC Hydro deliveries with PNW state deliveries, the Commission adopts an overall default factor of 714 lbs. CO₂/MWh for the PNW. PD at 31.

The Division of Ratepayer Advocates ("DRA") argues that an "averaging methodology" is more appropriate to setting reasonable default values than a production cost methodology. DRA Opening Comment at 4. The Natural Resources Defense Council ("NRDC") appears to agree. NRDC Opening Comment at 6. Conversely, Calpine Corporation ("Calpine") argues that regional default admission factors for unspecified resources should "reflect the highest emitting unit in a region." Calpine Opening Comment at 4. The Independent Energy Producers ("IEP") agrees. IEP Opening Comment at 3.

Both DRA/NRDC and CalPine/IEP err in making their recommendations. The purpose of the Reporting Protocol is to "account for greenhouse gas emissions from all electricity consumed in the state...." Cal. Health and Safety Code § 38530(b)(2). The clear implication is that the Legislation intends that there be an *accurate* accounting for "greenhouse gas emissions

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from all electricity consumed in the state." Although using the methodologies for determining regional default factors as proposed by DRA/NRDC and by Calpine/IEP would accomplish other policy objectives, they would fail to result in an *accurate* determination of the actual emissions associated with deliveries from unspecified resources for consumption in California. The proposals by DRA/NRDC and Calpine/IEP that the Commissions utilize other methodologies should not be adopted.

IV. CONCLUSION

For the reasons set forth above, SCPPA recommends that the Commissions improve the clarity of the Reporting Protocol. Further, for the reasons set forth in SCPPA's opening comments and herein, SCPPA recommends that the Commissions:

- Remove the anti "contract shuffling" provisions from the Reporting Protocol.
- Revise section 3.2 so that emissions attributed to a reporting entity are determined on the basis of electricity received by the entity from a specified resource rather than on the basis of the reporting entity's "proportional ownership share" in a power plant.
- Revise sections 3.9 and 3.10 regarding adjustments to total admissions for sales and exchanges so that the adjustments apply to sales to and exchanges with all counter parties, not just those located within California.

• Calculate default factors on the basis of marginal production cost methodology, with the Southwest factor being 1,075 lbs. CO₂/MWh and the PNW factor being 1,062 lbs. CO₂/MWh on an interim basis pending further results of modeling regarding the PNW factor.

Respectfully submitted,

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Dated: August 30, 2007

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY REPLY COMMENT ON PROPOSED DECISION ON REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR on the service list for CPUC Docket No. R.06-04-009 and CEC Docket No. 07-OIIP-01 by serving a copy to each party by electronic mail and/or by mailing a properly addressed copy by first-class mail with postage prepaid.

Executed on August 30, 2007, at Los Angeles, California.

/s/ Sylvia Cantos

Sylvia Cantos

R.06-04-009 SERVICE LIST DOCKET 07-OIIP-01 SERVICE LIST

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