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Submitted electronically

November 21, 2016

Rajinder Sahota
Branch Chief, Cap-and-Trade Program
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: *Northern California Power Agency Comments on November 7 Scoping Plan Workshop*

Dear Rajinder:

On November 7, 2016, the California Air Resources Board (CARB) held a Public Workshop on the 2030 Target Scoping Plan. The Northern California Power Agency[1] (NCPA) offers these comments to CARB staff in response to the materials presented and discussed during the Workshop. NCPA appreciates the challenges inherent in developing the 2030 Target Scoping Plan, including incorporation of new midterm targets and assessment of additional costs and impacts mandated by Assembly Bill 197. The document must address multiple objectives – some competing – while meeting the ultimate goal of setting out a viable *plan* that will allow California to meet its 2030 greenhouse gas (GHG) reduction target.

During the Workshop, staff acknowledged that the analyses and information provided were preliminary in nature, and that work is ongoing to further develop the scenarios and related economic impacts. NCPA understands that the final scenarios, assessments, and scope of impacts will likely vary from what was presented during the Workshop. As such, these comments are focused on broader policy issues and the implications regarding the materials and information presented and discussed during the November 7 Workshop, in the hopes of helping to edify staff and fellow stakeholders of issues of importance to the publicly owned utility

[1] 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.

members of NCPA and their electricity customers. In these comments, NCPA addresses the following critical issues:

- The need to ensure that the state's path forward for GHG emissions includes the cap-and-trade program;
- The need to recognize the role that the sector-wide emissions reductions targets set forth in the Scoping Plan will play in long-term planning for electric utilities;
- The importance of wildfire mitigation and prevention to ensuring that forests and natural lands provide a viable carbon sink; and
- The value of assessing cross-sector synergies and impacts when looking at local actions.

As the 2030 Target Scoping Plan is more fully developed and supporting assessments completed, NCPA will provide additional feedback to CARB on the updated documents and new materials.

A Scoping Plan Scenario that Includes Cap-and-Trade Provides the Greatest Assurances of Success.

As discussed during the Workshop, CARB is currently considering three scenarios: the Draft Scoping Plan Policy Scenario and two alternatives.[2] Of the three scenarios, only the Draft Scoping Plan Policy Scenario presents a way forward that will not result in extensive increased mandates and still provide a way to account for uncertainties to ensure actual reductions are achieved.

It is undisputed that "known commitments" will be insufficient to meet the state's ambitious 2030 GHG reduction targets. Without a program that provides an economy-wide cap to ensure emissions reductions outside of these known commitments, GHG reductions must come from "enhancing" existing programs and measures, or the addition of entirely new mandates. Enhanced and new measures will come with a significant cost to electricity customers, as implementation and compliance costs will be added to those already required of the electric sector. Indeed, potential measures discussed in the non-cap-and-trade alternatives include greater RPS mandates while the state has yet to complete the regulatory processes required to implement the most recent round of "enhancements." The cost of these *enhanced* programs and measures are unknown and assessment of the economic impacts are far too speculative to form the basis of a sound policy recommendation.

[2] The Draft Scoping Plan Policy Scenario includes the known commitments, new refinery measure (resulting in 20% GHG reductions by 2030); post-2020 cap-and-trade program. Alternative 1–No Cap-and-Trade includes "enhanced" known commitments, "enhanced" refinery measure (30% GHG reduction by 2030); new industrial sector measures (25% GHG reduction by 2030); new incentive measure (early retirement of gasoline light-duty vehicles and furnaces); new measure for renewable gas standard for residential, commercial, and industrial end users; and new measure requiring heat pumps in buildings); this alternative does not include a cap-and-trade program. Alternative 2–Carbon Tax, includes all known commitments, new refinery measure (20% GHG reductions by 2030); and a carbon tax in lieu of Post-2020 Cap-and-Trade Program.

On the other hand, the cap-and-trade program has been demonstrated to play a vital role in reducing the state's emissions. Further, it does so in a manner that allows compliance entities to minimize the cost impacts of meeting aggressive emissions reduction targets. For entities like NCPA's member agencies – already subject to the mandates of a majority of the known commitments – this has a direct bearing on the price of electricity their residential, commercial, and industrial customers will pay.

As previously noted, "NCPA supports continuation of the Cap-and-Trade program [] and believes that it should remain a cornerstone of California's climate strategy. The program ensures statewide emissions reductions without the imposition of additional source-specific mandates and measures, enabling compliance entities to plan and meet emissions reduction targets in the most cost-effective manner." Alternative 1, a scenario that does not include the cap-and-trade program, and rather relies on "enhanced" and new measures, mandates, and programs, raises a host of questions and concerns not addressed during the Workshop or in the Workshop materials regarding the cost-effectiveness and feasibility of those new requirements. While the electric utilities have been largely successful in meeting the aggressive reduction targets required from a suite of energy-policy mandates to date, that success has not come without a financial cost to the state's electricity customers. Past successes should be recognized and lauded, but not taken for granted; nor should they necessarily be seen as a clear indication that even more can be done. It is within this context that NCPA advises caution in reliance on direct mandates alone to achieve the GHG reduction target. Any decisions that will result in even greater mandates on electric utilities must be carefully and scrupulously assessed to determine whether they are not only cost-effective, but feasible as well.

Alternatives 1 and 2 are also fundamentally inferior to the Scoping Plan Policy Scenario in that they both lack a means by which to ensure that the state can capture overall emissions reductions if the targeted reductions from any one program or measures do not materialize. Even with increased mandates, only with the cap-and-trade program does the state have a "catch-all" to safeguard against under-performing mandates. Under Alternative 1, at any given time the state may find itself falling short of the target and in need of new programs to affect the necessary reductions; even with the most timely of regulatory or legislative actions, implementing any new programs or enhancing existing programs will require considerable time and resources. Without the cap-and-trade program to fill that role, the state and stakeholders, and in particular compliance entities, will face considerable uncertainty, both in terms of emissions reductions and compliance costs.

Reliance on a carbon tax will not guarantee the desired reductions, either. There are differing opinions (and studies) regarding the efficacy of the carbon tax to reduce emissions without

resulting in leakage.[3] Making this option even more impractical is the need for legislative action to adopt the tax and define the manner in which the proceeds will be utilized to facilitate actual reductions. Without a defined cap on total emissions, or clear direction on how tax proceeds could be used to avoid leakage, mitigate cost impacts on electricity customers, or disproportionately impact different socio-economic segments of the state, the carbon tax offers little certainty as a viable option for meeting the emission targets.

Electricity Sector Emissions Targets are Very Aggressive and Play a Significant Role in Utility Resource Planning Requirements

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. Preliminary assessments show that under any of the scenarios being considered, the "electric power" sector is expected to deliver emissions reductions between 67% and 73% below 1990 levels by 2030.[4] Executive Order B-30-15 and Senate Bill 32 establish GHG *statewide and economy-wide* emissions reduction target of 40% below 1990 levels by 2030.

Table 1: Electric Power 2030 GHG Emissions

Electric Power	***Draft Scoping Plan and Alternative 2 (carbon tax)[5]***	***Alternative 1 (no cap-and-trade)[6]***
1990	108 MMTCO2e	108 MMTCO2e
2030 Draft Scoping Plan	36	30
Change in GHGs	-72	-78
% change from 1990	-67%	-73%

As currently proposed, the "electric power" sector is expected to achieve more emissions reductions than any other sector. By any standards, the electric power sector targets are very aggressive. Despite the fact that the Scoping Plan targets are not binding in the context of the Scoping Plan itself, these "targets" take on an entirely different meaning in light of the provisions of Senate Bill (SB) 350 that require retail sellers to develop integrated resource plans that demonstrate how retail seller will achieve the GHG emissions targets established by CARB. SB 350 requires retails sellers to plan for electricity procurement in a manner that ensures they will meet the GHG emissions reduction for the electricity sector that reflect the electricity sector's percentage in achieving the economywide greenhouse gas emissions reductions of 40

[3] See https://nicholasinstitute.duke.edu/sites/default/files/publications/ni_wp_15-04_full.pdf
[4] November 7, 2016 Workshop, Staff Presentation; 2030 Target Scoping Plan Overview, pp. 32-33.
[5] November 7, 2016 Workshop, Staff Presentation; 2030 Target Scoping Plan Overview, pp. 32.
[6] November 7, 2016 Workshop, Staff Presentation; 2030 Target Scoping Plan Overview, pp. 33.

percent from 1990 levels by 2030. Those GHG emissions reductions targets are to be established by CARB in coordination with the California Public Utilities Commission (CPUC) and California Energy Commission (CEC).

The emission reduction targets included in the 2030 Target Scoping Plan Update will therefore play prominently in the IRP planning process. For example, a recent CPUC Staff Paper states that "GHG reduction goals should be the primary drivers of investment and procurement authorized in the CPUC IRP process. . .".[7] As these targets are used to drive utility procurement planning into 2030, it is important that they be well defined, reasonable, and feasible. The target should also reflect interactions between other sectors. In particular, the impacts from increased electrification (and decreased emissions from the transportation sector) and local agency planning decisions must be recognized and accounted for in the electric sector planning target. To accurately determine what the target is and how it may be apportioned amongst the retail sellers, it is also necessary to clearly define the "electric power" sector as that term is used in the Scoping Plan.

Establishing the target that will ultimately be reflected in the Draft 2030 Scoping Plan Update must be done in an open and transparent process that also involves the CPUC and CEC, as contemplated by the legislature in SB 350. The deliberations and studies conducted to date that are used as the basis for the preliminary determination of the electric sector target must be further reviewed and refined – as part of that public process – to ensure that the final target is one that can accurately be applied in the IRP planning process.

Wildfire Mitigation and Prevention are Vital to Ensuring that Forests and Natural Lands Provide a Viable Carbon Sink

Wildfires remain a significant threat to California's economy and ability to meet its climate objectives. At the same time, the Draft 2030 Scoping Plan update assumes that the state's forests will provide a net carbon sink,[8] despite the fact that the growing trend of wildfires in recent years suggests the opposite effect. The Scoping Plan must account for the wildfire mitigation and prevention that are vital to ensuring that forests and natural lands provide a viable carbon sink.

Staff's presentation lists fuel reduction in forests as a means of achieving the state's goal of ensuring that "Natural and Working Lands . . . be a resilient net sink of carbon in 2030, 2050 and beyond."[9] However, the only way that the forests can serve as a resilient carbon sink that grows over time is by reducing the number of wildfires that destroy that sink. Due to California's prolonged drought and insect infestations, the state's forests are extremely vulnerable.

[7] Implementing GHG Planning Targets in the Integrated Resource Planning (IRP) Process, CPUC Staff White Paper, dated November 15, 2016.
[8] November 7, 2016 Workshop, Staff Presentation; 2030 Target Scoping Plan Overview, pp. 32-33.
[9] November 7, 2016 Workshop, Staff Presentation; Natural and Working Lands Presentation, p. 7

Recognition that proactive measures must be taken to protect the forests and remove the fuel source that results in so much black carbon is not enough. That recognition must be supported by programs and measures that are adequately funded.

The current wildfire management and prevention activities being undertaken by the state are not robust enough to ensure that the forests can provide the much-needed carbon sink. The result is a two-fold hit to the state: (1) more and more forest lands are destroyed by fires reducing the overall sink and increasing emissions, and (2) upward pressure is put on the electricity sector and other sectors of the California economy to make even greater GHG reductions when the forests fail to provide the expected carbon sink. The 2030 Target Scoping Plan Update must address this critical issue, and include the fire prevention efforts necessary to ensure that the forests can provide the projected emission reductions.

Local Action Must Include Recognition of Cross-Sector Synergies and Impacts

Meeting the state's climate objectives is a statewide effort and local governments are critical partners in this effort.[10] The climate plans adopted by many communities present a sound basis for effecting greater reductions and CARB's proposal to shift to a per-person metric will allow communities greater flexibility in addressing climate reductions in the context of their own unique demographics. At the same time, the aggressive community-wide goal of 6 MTCO2e per capita by 2030 and 2 MTCO2e by 2050 will require even greater creativity and coordination from local governments in the coming years. While the target may be consistent with the statewide limits and reductions, the total reductions needed to meet the state's 2030 targets represent a substantial shift from business as usual for local agencies.

The Workshop presentation noted the importance of incorporating and reviewing climate impacts when considering new projects within a community; however, project-level emphasis alone will not be enough. For NCPA's member agencies, local action and electric sector emissions are inexorably linked. Opportunities to encourage emissions reductions through cross-sector interactions should also be an explicit part of the Scoping Plan. Greater emphasis should be placed on the relationship between the sectors represented within a single community so that reductions can be maximized by tailoring programs and projects that best fit that community. Inter-sector synergies can play a significant role in ensuring that net reductions are achieved, rather than merely shifting GHG emissions around. Emissions reductions in one sector may come at the cost of increased emissions in another sector, however, if the synergies result in net reductions and the impacts on each sector are recognized, the objective is still met.

[10] November 7, 2016 Workshop, Staff Presentation; 2030 Target Scoping Plan Overview, p. 10.

As the November 7 Workshop presentation aptly noted, the "rate of reduction to achieve 2030 target requires an 'all hands on deck' approach."[11] At the same time, reduction strategies and their associated impacts cannot be considered in silos. To successfully meet the state's aggressive and laudable climate objectives, it is imperative that cross-sector impacts and synergies be a part of the state-wide discussion on local action and reflected in the Scoping Plan.

Conclusion

Even in the face of potentially greater opposition to climate change policies on the national level, California has reaffirmed its commitment to reduce GHG emission levels. As a means by which to set forth the State's course for doing so, it is critically important the 2030 Target Scoping Plan set the course for a successful transition to a greener and cleaner climate, and one that enables California's electric utilities to continue their significant role in meeting that objective without adversely impacting the continued provision of safe, clean, reliable, and reasonably priced electricity for their electricity customers. NCPA appreciates the opportunity to raise these important issues and looks forward to providing additional feedback to CARB as the additional analyses, assessments, and supporting materials for the 2030 Scoping Plan Update are released. If you have any questions, please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com.

Sincerely,

LAW OFFICES OF SUSIE BERLIN
Attorneys for the **Northern California Power Agency**

[11] Id.