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Submitted electronically via www.arb.ca.gov

Richard Corey
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: ***Comments of the Northern California Power Agency on Draft 2017 Climate Change Scoping Plan Update***

Dear Mr. Corey:

The Northern California Power Agency[1] (NCPA) appreciates the opportunity to comment on the January 20, 2017, *Draft 2017 Climate Change Scoping Plan Update* (Draft Update). As a roadmap to help the state achieve its aggressive climate objectives, the Scoping Plan is an important tool for California, and one that will have far reaching implications throughout the State. These implications will directly and significantly impact the electricity sector, and as such NCPA and its member agencies. As NCPA noted in comments on the December 2016 Discussion Draft, the electricity sector plays an instrumental role in meeting the State's environmental policy objectives and NCPA and its member agencies have continually demonstrated their commitment to doing their part to help meet the State's ambitious 2030 GHG reduction goals, while continuing to ensure the provision of affordable, reliable, and clean electricity for residents and businesses in their member communities. NCPA believes that the best way to do so, and the best way for the state to maximize the benefits of its climate reduction policies across all segments of the economy, is to *proceed with the climate policies that include continuation of the Cap-and-Trade program*. In these comments, NCPA addresses the following:[2]

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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.

2 *Comments of the Northern California Power Agency on 2030 Target Scoping Plan Update Discussion Draft*, dated December 16, 2016; https://www.arb.ca.gov/lists/com-attach/137-sp2030disc-dec16-ws-WjRcOQNyAzEBWAFi.pdf. To the extent that the comments for further clarification in the Scoping Plan are not

- The Proposed Scenario, which includes continuation of the cap-and-trade program, allows compliance entities to achieve the 2030 GHG emissions reduction target in the most cost-effective manner;
- Interagency coordination, the role of load serving entity and publicly owned utility integrated resource plans, and cross-sector interactions, including the increased emphasis on electrification of the transportation and other sectors, will impact implementation of the measures and programs discussed in the Scoping Plan;
- Results of the natural and working lands analyses must be incorporated into the Scoping Plan implementation as soon as the full assessment becomes available; and,
- Local agencies in communities with publicly owned utilities will have unique challenges and opportunities to meet emission targets that maximize the benefits to their residents and which should be recognized in the final Scoping Plan.

The Proposed Scenario, which includes continuation of the Cap-and-Trade program, allows compliance entities to achieve the 2030 GHG emissions reduction target in the most cost-effective manner.

Based on the information currently available and the preliminary economic assessments provided, the Board should approve the Scoping Plan Update that endorses the Proposed Scoping Plan Scenario. The final Scoping Plan does not, and cannot, provide a single solution to meeting all of the State's climate objectives. However, when examining the broader objectives that the Scoping Plan is intended to address, the Proposed Scenario best meets those objectives. Indeed, the Proposed Scenario is not only preferable, but the only proposal that addresses all of the State's competing interests while providing a clear and attainable path to reach the 2030 reduction target. The costs of effecting the State's greenhouse gas reduction goals and overall climate objectives should be mitigated to the greatest extent possible, including potential rate impacts for California's residents and businesses, to that end, the Proposed Scenario which includes the Cap-and-Trade program, presents the best available option.

Providing a path forward that includes continuation of the Cap-and-Trade program ensures that California can meet its climate objectives while simultaneously guaranteeing that the necessary reductions can be achieved in the most cost-effective manner. As the Draft Update explains, and as was further emphasized when comparing the various alternatives, only the Proposed Scenario provides revenues to the State and local communities, as well as cost-effective options for achieving reductions, and the necessary backstop by capping emissions. Continuing the Cap-and-Trade program also provides a means to address instances where the anticipated emissions reductions from known commitments may not materialize or where unanticipated events otherwise reduce expected reductions from other measures. Relying on a combination of direct measures reflected in the known commitments and the market mechanism also makes sense because such an approach has already been proven to be successful in reducing statewide GHG emissions. Continuing the Cap-and-Trade program enables the state to build upon the strong emissions reduction policies already in place. Providing stakeholders, compliance entities, and

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addressed in the Draft Update, rather than reiterate those comments, NCPA incorporates them herein.

the markets this continued certainty enables the state to move forward with achieving it's climate with minimal disruption in the markets. This is also important to entities like NCPA and its member agencies that have planned their long-term emissions reduction strategies around these long-term policy goals and existing structures. In whole, the Proposed Scenario best meets the State's overall objectives.

The final Scoping plan, however, should also include a robust and transparent economic assessment that accurately reflects the full panoply of costs and benefits associated with each element of the proposed plan. NCPA urges CARB to continue to quantify the economic impacts associated with the various elements of the Proposed Scenario. NCPA also cautions that these comparisons, and incorporation of health benefits and the social cost of carbon, reflect verifiable and quantifiable analyses, and be representative of the impacts specific to California.

NCPA is concerned that Alternatives 2 and 4, a Carbon Tax and the Cap-and-Tax, respectively, would significantly increase the cost of emissions reductions and adversely impact the electric utility sector, including electricity customers. As evidenced in the March 28 Staff Presentation,[3] both of these alternatives result in the highest total costs, with Cap-and-Tax costing significantly more than any of the other alternatives. Both of these alternatives also have a greater potential for loss of businesses in California and could result in forcing program winners and losers[4] than the Proposed Scenario or the other alternatives discussed. The Cap-and-Tax alternative is particularly problematic for the electric utilities, which will likely end up being forced to effect greater year-over-year reductions given that other sectors of the economy are deemed unlikely to be able to sustain the necessary reductions to meet the State target.[5] NCPA believes that each of these alternatives present more challenges than benefits to the State, and will result in higher costs for all Californians, including electricity customers in low-income and disadvantaged communities.

Just as the Scoping Plan does not address all aspects of the State's energy policies, neither can the Cap-and-Trade program serve as the sole funding source for the myriad worthwhile and necessary programs and investments in low-income and disadvantaged communities. With that said, the Cap-and-Trade program funding does provide a valuable revenue source for such programs, and should continue to be invested in low-income and disadvantaged communities. NCPA and its member agencies are part of the communities they serve, providing a direct link between their customers and program revenues. Many of these communities are comprised of low-income and disadvantaged households, notwithstanding the fact that some may not meet the current statutory definition of "disadvantaged communities."[6] The Proposed Scenario ensures that this direct source of funding and investments can continue.

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3 CARB Staff Workshop Presentation, March 28, 2017, p. 23; https://www.arb.ca.gov/cc/scopingplan/meetings/032817/sp-march-workshop-slides.pdf.

4 Draft Update, pp. 51-52.

5 Draft Update, pp. 52-53.

6 NCPA does not believe that the CalEnviroScreen is not a comprehensive measure of all communities that re faced with both environmental justice and economic challenges and looks forward to working on refinements to this tool

Interagency coordination, the role of load serving entity and publicly owned utility integrated resource plans, and cross-sector interactions, including the increased emphasis on electrification of the transportation and other sectors, will impact implementation of the measures and programs discussed in the Scoping Plan.

The Draft Update clearly recognizes the importance of interagency collaboration and continues to recognize the need to balance various "trade-offs" to maximize benefits and minimize costs across the State.[7] These trade-offs impact not just programs and policies within the purview of the Scoping Plan, but other statewide matters, as well. As such, even after the Scoping Plan Update is approved, ongoing collaboration and coordination between the State agencies that oversee the various programs, along with local governments separately administering related programs, must continue. Indeed, while such collaboration was an essential part of developing the Scoping Plan Update, it is even more important during the *implementation* of the Scoping Plan. NCPA urges CARB and its sister agencies to continue coordination and collaboration at all levels of program development and implementation. As NCPA and other stakeholders have previously noted, "only through such coordination can we ensure that entities subject to the various mandates are not inadvertently and adversely impacted by competing policy directives." Of course, to be meaningful, this interaction must be transparent and include ongoing input from affected stakeholders. For electric utilities, this is particularly relevant in the context of transportation electrification, GHG accounting and RPS contracts, and development of GHG planning targets for integrated resource planning. The Scoping Plan Update should clearly identify these areas were cross-agency coordination is essential and recognize the program-level implications to ensure that implementation is not hindered by a lack of dialogue between the agencies.[8]

The electric sector emissions reduction target has far reaching implications for the electric utilities. For that reason, NCPA continues to encourage CARB to ensure that the final sector-wide reduction target for the electricity sector accurately reflects the reductions expected through known commitments. To do so, the Scoping Plan should explicitly recognize that the Integrated Resource Plans required by Senate Bill 350 (Chap. 547, Stats. of 2015, SB 350) do not represent a specified GHG emissions reduction mandate.[9] While the integrated resource plans will certainly inform electricity procurement and planning to maximize the utilities' emission reduction potential, they are planning tools and not a GHG reduction mandate. Further, because some of the known commitments, including the doubling of energy efficiency savings, for example, are not solely within the control of the load serving entities (LSEs) and POUs that comprise the electric sector, and this must be recognized when setting the electric sector reduction target and in the subsequent joint-agency process for setting targets that would apply to the LSEs and POUs. For that reason, the ongoing collaboration and interagency coordination

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so that it better reflects and covers all the impacted communities in our member service territories.

7 Draft Update, p. 17.

8 NCPA December 16 Comments, pp. 2-3.

9 Draft Update, Table II-1, p. 34.

between CARB and the California Public Utilities Commission and the California Energy Commission is critically important.

Another important consideration highlighting the need for statewide and agency-wide coordination is the State's ongoing emphasis on electrification of the transportation and other sectors of the economy. These impacts must be clearly acknowledged in the Scoping Plan, and better quantified in the final economic assessment, as reduced GHG emissions from electrification efforts provide a net benefit to the State, but may still result in incremental increases in electricity consumption, even with increased penetrations of non-GHG emitting generation options. Ongoing interactions between the affected State agencies and stakeholders will be necessary even after the Scoping Plan is approved to ensure the successful implementation of these measures without adversely impacting the electrical distribution utilities across the state.

Results of the natural and working lands analyses must be incorporated into the Scoping Plan implementation as soon as the full assessment becomes available.

NCPA appreciates the Draft Update's recognition of the important role that natural and working lands will play in ultimately achieving the State's GHG objectives. NCPA supports the comments already provided to CARB urging the incorporation of final analyses and data assessments into implementation of the Scoping Plan.[10]

The full import and impact of the role natural and working lands have in meeting the State's emissions reduction targets must be recognized, and in particular, the impact of the years-long drought and subsequent increased wildfires. The loss of stored carbon – an estimated 120 million metric tons between 2001 and 2010 due to wildfire – presents a significant reversal of what should be a carbon sink.[11] These impacts will not be ameliorated by a single season of higher-than-usual rainfall, and we would be negligent in assuming otherwise. While it is not likely that the data can be hastened to be included in the final Scoping Plan Update, it is necessary for the final document to acknowledge the extent to which that data will be incorporated into implementation of various measures.

Local agencies in communities with publicly owned utilities will have unique challenges and opportunities to meet emission targets that maximize the benefits to their residents.

Because inter-sector synergies can result in emissions reductions in one sector that come at the cost of increased emissions in another sector, the Scoping Plan should recognize these potential impacts. Local agencies are ideally situated to facilitate deployment and implementation of emissions reduction strategies that have the potential to shape programs that provide the maximum benefit in their particular communities. When their local POUs are also included in these efforts, the net reductions are optimized. Indeed, the Draft Update notes that "Regional

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10 NCPA December 16 Comments, pp. 5-6.
11 Draft Update, p. 109.

and local governments and agencies are leaders in addressing climate change and are uniquely positioned to reduce emissions from certain sources, especially by reducing the demand for electricity, transportation fuels, and natural gas."[12] As local publicly owned utilities, NCPA's members are keenly aware of the fact that decreases in emissions as a result of local agency actions could result in increases (albeit still a net reduction) in electricity usage. However, unless the Scoping Plan acknowledges the benefits and challenges that POUs and their local governing board face in maximizing these benefits, these communities could be faced with duplicate reduction targets and costs, all at the expense of their residents and businesses. NCPA recommends that one way to acknowledge the increasingly important role played by cities and local governments is to update the "local government toolkit" to incorporate recognition of inter-sector synergies and the related impacts on local governments.

Conclusion

When balancing the multiple objectives the Scoping Plan is intended to address, the State's interests are best served by adopting the *Proposed Scoping Plan Scenario*, which includes continuation of the Cap-and-Trade Program. NCPA encourages the Board to proceed with adoption of the Scoping Plan with the clarifications addressed in these comments and in the comments submitted by NCPA on December 6, 2016. NCPA appreciates the opportunity to provide these comments and looks forward to continuing to collaborate with CARB, its sister agencies, and stakeholders throughout the State in this process. If you have any questions regarding these comments, please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com.

Respectfully submitted,

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12 Draft Update, p. 27.