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April 10, 2017 **|** Submitted Electronically

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: SCPPA Comments on the 2017 Climate Change Scoping Plan Update and February 9 and March 28 Staff Workshops

Thank you for the opportunity to provide these comments on the 2017 Climate Change Scoping Plan Update -- THE PROPOSED STRATEGY FOR ACHIEVING CALIFORNIA'S 2030 GREENHOUSE GAS TARGET ("Plan") and the subsequent workshops presenting modifications to the Plan and additional analyses on February 9 and March 28, 2017.

The Southern California Public Power Authority (SCPPA) is a joint powers agency whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. Our Members collectively serve nearly five million people throughout Southern California. Each Member owns and operates a publicly-owned electric utility governed by a board of local officials who are directly accountable to their constituents.

Each SCPPA Member has a duty to provide reliable power to their customers – many of which include numerous disadvantaged communities – at affordable rates while also complying with all applicable local, regional, state, and federal environmental and energy regulations and policies. Currently, SCPPA and our Members own, operate, or have binding long-term procurement arrangements with 38 generation and natural gas projects and three transmission projects, generating power in California or importing from Arizona, New Mexico, Utah, Oregon, Washington, Nevada, Texas, and Wyoming. This is in addition to individual, Member-owned or contracted and operated transmission, generation, and natural gas projects throughout the Western United States.

SCPPA and its Members have engaged in all of the ARB public workshops, written numerous comment submissions, and actively participated in the stakeholder meetings with the Joint Utilities Group to discuss the Cap-and-Trade Program and Mandatory Reporting Regulations, two key components of Scoping Plan implementation. At the January ARB Board Meeting and in written comments, several stakeholders - including SCPPA - requested more analysis of the "Proposed Plan Scenariou" and various alternative scenarios. The significant amount of work that staff has completed in response to ARB Board and stakeholder feedback is clearly evident in the presentations from February 9 and March 28. The additional analyses of economic, environmental, and health impacts are helpful in allowing stakeholders to weigh the pros and cons of the various alternatives. Much is at stake in considering possible changes to the current policy path. Below, SCPPA offers some general observations on the Plan and information provided in the follow-up workshops.

<u>Support for Continued Use of a Market-Based Greenhouse Gas Reduction Framework</u>

The updated Plan includes four alternatives to the Proposed Plan Scenario, including proposals for "all Cap-and-Trade", a Carbon Tax, a "Cap-and-Tax" system, and "no Cap-and-Trade" (effectively, reliance on direct regulation). SCPPA and its Members have historically supported the Cap-and-Trade Program as the most workable strategy to achieve the State's increasingly aggressive long-term greenhouse gas ("GHG") emissions reduction goal. Information presented by ARB staff during the March 28 workshop bolsters that support, as further addressed in the "economic analysis" section below.

We continue our commitment to working with ARB staff to ensure that the Cap-and-Trade Program and the Mandatory Reporting Regulation can remain key tenets of the Scoping Plan's implementation. To achieve this, the policy design and practice must adapt in ways that facilitate our Members' continued efforts to achieve the most *cost-effective* GHG emissions reductions. As ARB's analysis shows, the Proposed Plan Scenario appropriately balances the desire to achieve substantial GHG emissions reductions while minimizing the costs for ratepayers via passed down compliance costs.

Setting the Path to 2050

Historically, the Scoping Plan has been a mechanism for teasing out specific measures to achieve our state's *established* greenhouse gas emissions reduction goals. It has largely been based upon evaluating the suite of existing programs and how each of those measures individually stacks-up to meet the economy-wide targets. In this Plan, however, ARB does not provide a clear track to achieving the goals. It instead softly suggests that more policy shifts to expand upon existing program efforts will be necessary.

In SCPPA's last letter on the 2030 Scoping Plan Discussion Draft, we noted our concerns with the lack of cost-effectiveness and feasibility evaluations included in the Plan. Though the staff's work demonstrated in its recent workshops indicate that ARB is making efforts to allay this concern, more work must be done. The updated Plan includes few specific examples of policy changes, such as a 60% or higher Renewables Portfolio Standard and increased electric vehicle deployment. A full analysis of the anticipated costs for implementing such policies remains to be seen.

Most problematic in the latest draft of the Scoping Plan is the change to Figure I-5. SCPPA raised concern about this chart in its last round of comments, and that unease is now heightened with the extension of the "constant progress" line down to zero emissions in 2045. **It is premature to include this chart without analysis of the cost, feasibility, or changes to statutory authority that would be necessary to begin evaluating a plan for achieving this end-goal. Given California's push to "double down" on addressing climate change, there is considerable potential that the proposals or discussions in the Plan could be misconstrued and used to develop high-level policy mandates that lack the essential consideration of the key factors noted above.** We encourage ARB to either bolster the discussion around its analyses on feasibility and potential implications or clarify that additional analysis is necessary before any of the policy input assumptions can reasonably be implemented.

Social Cost of Carbon

During the February 9 workshop, staff noted its intent to use a Carbon Tax equivalent to the U.S Environmental Protection Agency's ("U.S. EPA") calculated social cost of carbon ("SCC"). This methodology would apply to two of the alternatives presented in the Scoping Plan, and therefore merits further discussion amongst stakeholders.

As was briefly discussed in ARB's workshops, the federal SCC construct is based on evaluation of *global* costs and benefits. In recent testimony before the Congressional Subcommittees on Environment and Oversight, Ted Gayer of the Brookings Institute noted that the "difference between global and domestic benefits of greenhouse gas regulations is significant, as the global measure is 4 to 14 times greater than the estimated domestic measure."[1] As we consider the application of this value to California's climate policies, we should ensure that all stakeholders fully understand that the cost/benefit calculation used in determining the SCC is not reflective of the direct impacts felt in California – or any subset of this state.

Just two weeks ago, President Trump released his "Executive Order Promoting Energy Independence and Economic Growth", rescinding the uniform SCC guidance previously developed through an interagency working group established by

[1] February 28, 2017, Testimony of Ted Gayer, The Brookings Institute, to Congressional Subcommittees on Environment and Oversight: https://www.brookings.edu/testimonies/the-social-costs-of-carbon/.

the Obama Administration.[2] In lieu of using the SCC, agencies are now directed to evaluate the costs and benefits of a rule *only as they relate to impacts on the U.S*. It is likely that this change would significantly lower any monetized benefits of GHG reduction activities. Despite the federal actions, it is within California's purview to determine whether it wishes to use SCC values. To be certain, SCPPA's comments on this issue are not intended to opine on the appropriateness of using the SCC in California. We understand that AB 197 (statutes of 2016) requires the ARB to "consider" the social costs of GHG emissions in its regulatory developments. We are not opposed to this effort, to the extent that the implementation of any resulting policy changes would, indeed, provide tangible benefits to our Members' customers in heavily-polluted areas and disadvantaged communities, and that ARB clearly supports and explains its use.

It is imperative that stakeholders have a firm grasp of the underlying assumptions used in policies being considered for adoption. Particularly as a shift to a Carbon Tax or "Cap-and-Tax" structure would be a substantial change in our carbon policy framework, and the existing carbon market, a robust stakeholder process will help mitigate against any unintended consequences of acting too quickly. SCPPA and our Members are pleased to hear that ARB is open to the idea of holding public workshops to ensure that all affected parties have a strong understanding of how the SCC could be applied to the various Scoping Plan scenarios. We look forward to engaging in these discussions.

Economic Analysis

ARB staff's presentation from February 9 includes a summary image of the direct cost for each of the alternative scenarios, with the "All Cap-and-Trade" scenario on the low end of the spectrum and the "Cap-and-Tax" scenario on the high-end. The slides presented on March 28 further explore this spectrum by showing that the Proposed Plan is expected to result in roughly $1.9 - $4.4 billion total direct costs in 2030; this is similar to the direct cost estimate for the Carbon Tax scenario, yet drastically lower than the sizable costs of $19.7 billion to implement the "No Cap-and-Trade" alternative and $63.6 billion to implement the "Cap-and-Tax" alternative.

We agree with staff that evaluation of the distribution of economic impacts across regions of the state, including disadvantaged communities, will be a valuable analysis.[3] Many SCPPA Members serve disadvantaged communities; in some cases, the *majority* of a Member's service area may be considered disadvantaged. The cost estimates that have been put forth to-date are far from inconsequential. Regardless of the alternative ultimately selected, costly policy shifts will require our Members to evaluate potential changes to their rate structures. As ARB policymakers weigh the options in-hand, SCPPA urges you to consider how certain alternatives may more heavily affect rates for all of our customers, but particularly those in disadvantaged communities that may already be facing the challenge of increasing energy costs today.

Given the important findings presented at the March 28 workshop for economic impacts (as well as for environmental and health impacts), we are very interested in reviewing the new data and information that staff will make available with the next, and likely final, update of the 2030 Scoping Plan and its appendices. It would be helpful if the posted documents could attempt to explain ARB's speculated reasoning behind some of the findings. For example, it would be useful to include a discussion of why the analysis shows an anticipated slowing of the economy for all scenarios when compared to the business-as-usual 2030 Reference Scenario. We anticipate that adding this context to the values presented, in the form of a narrative discussion, will assist stakeholders with interpreting the results of the analyses.

Intergovernmental Collaboration and Local Action

SCPPA agrees with ARB that intergovernmental collaboration and local action are important to achieving our state's climate goals. We have worked with our Members to help bridge gaps as much as possible. Understanding that perfect alignment can be a challenge, we still strongly believe that greater progress can be achieved if we work closely together with the various state agencies on implementing policies and programs that sensibly and cost-effectively meet our Members' goals for their communities. One such example of how this can be achieved is through the adoption of "soft"

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[2] https://www.whitehouse.gov/the-press-office/2017/03/28/presidential-executive-order-promoting-energy-independence-and-economi-1

[3] Page 1 of Appendix E to the Proposed Plan: https://www.arb.ca.gov/cc/scopingplan/app_e_economic_analysis_final.pdf.

GHG targets to help guide the development of flexible integrated resource plans ("IRPs"); eight of SCPPA's twelve Members will be required to adopt IRPs pursuant to Senate Bill 350 (Statutes of 2015).[4]

Under this statute, ARB is directed to establish load-serving entity-specific GHG targets for the purposes of developing IRPs.[5] We encourage ARB to move ahead with stakeholder discussions regarding the development of these soft targets. These should be established in the context of the higher-level, sector targets and consideration must be given to the layered impacts of the myriad policies in place to support meeting the GHG targets (e.g. the Renewables Portfolio Standard). The Energy Commission and Public Utilities Commission have both opened proceedings to further evaluate IRPs; however, *ARB must actively engage in the discussion and should incorporate LSE-specific soft targets within this 2017 Climate Change Scoping Plan Update* (2030 Target Scoping Plan) to support the mandate for public utilities to submit IRPs by January 1, 2019.[6] SCPPA offers its support to ARB and will work diligently to provide any information to ARB staff that could assist in developing the load-serving entity-specific targets or, preferably, target ranges.

As we examine opportunities to improve coordination across agencies, SCPPA and its Members consistently look for ways to compliment and leverage state policies and programs. Our Members continually evaluate whether additional programs would be in the best interests of their customers – factoring in a focus on safety, reliability, and affordability. The continuation of the Cap-and-Trade Program, versus implementation of a new, more costly alternative, will allow our Members more flexibility to consider implementing new programs that benefit their local communities and distinct customer bases.

<u>Conclusion</u>

Thank you for your time and consideration. SCPPA and our Members continue to seek forward progress in both the development of the Scoping Plan, and the parallel changes occurring in the Cap-and-Trade Program and Mandatory Reporting Regulation. We appreciate ARB staff's hard work leading-in to the updated Plan, and remain ready to continue to meet to work towards mutually agreeable solutions that best advance the State's climate change goals in an affordable manner for California ratepayers.

Respectfully submitted,

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[4] California Public Utilities Code §399.30(a)(2) requires publicly owned utilities to submit integrated resource plans commencing in January 2019. Investor-owned utilities are subject to the requirements under PUC §454.52, which actually has an earlier compliance date – beginning in 2017.

[5] California Public Utilities Code §454.52(a)(1)(A) provides that load-serving entities must "meet greenhouse gas emissions reduction targets established by the State Air Resources Board, in coordination with the commission and the Energy Commission, for the electricity sector and each load-serving entity that reflect the electricity sector's percentage in achieving the economy-wide greenhouse gas emissions reductions of 40 percent from 1990 levels by 2030."

[6] *Ibid.*