

MIDDLE RIVER POWER

Supplemental Comments on Discussion Draft of Potential Changes to the Regulation for Reducing Sulfur Hexafluoride Emissions from Gas Insulated Switchgear

April 26, 2019

Middle River Power is an owner, operator and investor in utility-scale power plants in California and elsewhere in the United States. MRP's California portfolio includes both combined cycle and simple cycle natural gas power plants that are used to cost effectively maintain system reliability and integrate the growing demand for renewable energy resources. MRP also operates the Coso geothermal project and is developing a new 108 MW solar project in Southern California. MRP appreciates the efforts of the ARB staff to develop a balanced regulation that meets the state's 2030 GHG emission reduction target and longer-term carbon neutrality goals with the need to develop a program that is administratively efficient and minimizes ratepayer costs of meeting the State's ambitious GHG reduction targets.

As MRP has continued to evaluate the proposed amendments and the implications of the phase out on its portfolio, MRP remains concerned about the potential cost of the regulation and the ability of merchant generators to recoup the costs of retrofitting Gas Insulated Equipment ("GIE"), particularly at the higher voltage levels. MRP encourages the ARB to focus its regulation on the lion's share of the statewide SF6 inventory, which are in the transmission and distribution sector. By focusing the Regulation in this way, the ARB will meet its environmental goals, while at the same time minimizing costs to consumers and the burdens on entities that have small SF6 inventories. MRP reiterates its request to make the de-minimis threshold in this SF6 Regulation consistent with the reporting threshold under the Mandatory Reporting Regulation of 10,000 MTCO₂(e). By setting the threshold at this level and exempting sources below this threshold from the phase-out schedule, the ARB will significantly minimize the total costs of the Regulation without compromising the environmental integrity of the program and the pursuit of the State's carbon targets. The ARB should still require reporting by sources below the proposed threshold to ensure that releases below the de minimis threshold remain at acceptable levels and the environmental integrity of the program is in fact achieved.

For sources that fall above the proposed de-minimis threshold, the ARB should set the nameplate capacity determination consistent with the phase out schedule. The establishment of a 2019 baseline nameplate capacity is problematic because it will make the already strict 1% emissions limit even more strict for any source that must adjust its inventory. For example, under the Discussion Draft, a source that replaces half of its SF6 inventory after 2019 would effectively be subject to a 0.5% emission limit. For entities with relatively small SF6 inventories, this proposal will make the already strict standard even more strict. The 1% standard already sets a high bar for compliance and reducing this threshold through the application of a 2019 baseline is not necessary in terms of meeting the environmental objectives of the Regulation. For sources above the de-minimis threshold, the ARB should set a baseline for each entity based on the inventory in the first year of the phase out schedule (e.g., 2025 for 145 kV and below, 2029 for 145 – 245 kV, and 2031 for 245 kV and above).

MRP also encourages the ARB to revise its proposal for a technical infeasibility exemption. We understand that the ARB staff wishes to be specific in the factors it considers, however the ARB should not be overly prescriptive and should endeavor to retain some flexibility to account for unforeseen circumstances and unique infrastructure needs. In particular, it is unclear at this time how much some of the alternative technologies will cost. To address infeasibility due to cost, the ARB should use a price metric derived from the cost-containment provisions of the Cap-and-Trade as one of the factors that may

be considered in an infeasibility exemption application. The ARB could multiply a “cost cap” by the total emissions sought to be exempted as infeasible – e.g., 1,000 MTCO₂(e) of capacity x \$90 cost cap = \$90,000. If the bid price for the SF₆ alternative is greater than \$90,000 to be fully installed for each individual replacement, then the infeasibility exemption would apply.

Finally, the ARB should establish a process for emergency approvals of the technical infeasibility exemption. Some parts in the power sector can have extensive lead times and it may be that in order to continue to make a power plant available to system operators, the part must be replaced quickly and within a specified outage window. There is a need for expeditious approvals and the technical infeasibility exemption should explicitly include the feasibility of installing an alternative technology within an approved outage window.

MRP appreciates the opportunity to provide these supplemental comments and looks forward to working with the ARB to ensure that this Regulation achieves its environmental objectives at least cost to regulated entities and end-use consumers.

Respectfully submitted,

/s/

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