



October 5, 2011

Aubrey Sideco
Air Resources Engineer
California Air Resources Board (ARB)
Submitted via website

**Comments Regarding Second LCFS Regulatory Amendments Workshop
on September 14th, 2011**

Dear Ms. Sideco;

In accordance with the California Air Resource Board's (ARB's) requests for feedback regarding the Second Low Carbon Fuel Standard (LCFS) Regulatory Amendments Workshop held on September 14th, 2011, the San Francisco Public Utilities Commission (SFPUC) respectfully submits the following comments.

Through the SFPUC, the City and County of San Francisco (CCSF) provides almost 1 million MWh of electricity annually to San Francisco's municipal facilities and buildings and their tenants. Approximately 8% of this electricity fuels various forms of transportation including electric vehicles, light-rail, trolley buses, cable cars, and shore-side power for boats and ships. As an energy provider, the SFPUC has amongst the lowest greenhouse gas (GHG) emissions of any public electric utility or transportation fuel provider in California. Further, CCSF has a long-standing history as a leader in electrified transportation and the GHG reduction potential it offers compared to petroleum-based fuels, and both CCSF and the SFPUC recognize the LCFS as an opportunity to continue and expand on our efforts to achieve GHG emissions reductions for San Francisco and the State of California.

The SFPUC has four specific recommendations intended to stimulate broader participation in the LCFS by providers and users of electricity as a transportation fuel, and in so doing, to encourage and incentivize the use of electricity in place of petroleum-based fuels for transportation:

1. The LCFS regulations should broaden eligibility to include additional modes of electrified mass transit, specifically light rail systems.
2. The LCFS regulations should allow electricity providers and transit operators the opportunity to file reports and earn credits starting January 1, 2010, the start of the LCFS program.
3. The LCFS regulations should retain provisions allowing for carbon intensities for electricity to reflect the supplier's specific resource mix.
4. The LCFS regulations should not exclude Community Choice Aggregators (CCAs) from 'regulated party' eligibility.

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1. The LCFS regulations should broaden eligibility to include additional modes of electrified mass transit.

During the September 14 workshop, ARB staff confirmed that all forms of transportation, except those explicitly excluded in §95480.1(d), can be included in the LCFS program, but noted that for certain types of eligible transportation, such as light-rail systems, the factors necessary for compliance calculations, such as Energy Economy Ratio (EER), still need to be included and defined in the LCFS regulations.

The SFPUC recommends that the regulations be modified to include the factors necessary for light-rail and other forms of electrified mass-transit to participate in the LCFS program. Broad eligibility for mass-transit options that use electricity as an alternative to petroleum-based fuels encourages both (i) increased fuel switching from high-carbon petroleum to low-carbon electricity, and (ii) increased use of mass transit in favor of less efficient modes in terms of vehicle miles and hours travelled.¹ SFPUC would welcome the opportunity to work with ARB to develop the appropriate factors.

2. The LCFS regulations should allow electricity providers and transit operators the opportunity to file reports and earn credits starting January 1, 2010.

Most participants in the LCFS program were eligible to participate in the LCFS program since the program's inception, January 1st, 2010. As the regulations for electricity providers and transit operators (§95484(a)(6) *Regulated Parties for Electricity*) are being modified, regulatory uncertainties have discouraged broad participation by these parties. Given the regulatory lag, the SFPUC recommends that the ARB allow regulated parties for electricity to submit quarterly and annual reports back to the program's start, January 1st, 2010, and receive credit allocations where appropriate. Doing so will encourage more parties within the electricity sector to participate in the LCFS program and will increase the use of low-carbon electricity for transportation.

3. The LCFS regulations should retain provisions allowing for carbon intensities for electricity to reflect a supplier's specific resource mix.

The SFPUC recommends that the ARB retain the existing provisions that allow for alternative Carbon Intensity (CI) values to be established using either Method 2A or Method 2B.² The actual carbon intensity of electricity used for transportation varies based on the electricity supplier's resource mix, and for some suppliers, including the SFPUC, can deviate substantially from the base cases presented within Method 1, which uses system-wide average and marginal carbon intensities. Methods 2A and 2B allow for credit allocation to more fully reflect the specific carbon content of the portfolio of provided electricity supplies, thereby more closely matching credits with the actual carbon reductions that are achieved.

¹ This latter benefit supports one of the five strategies developed by the California Energy Commission (CEC) and ARB in accordance with AB 1007 (Pavley, Statutes of 2005) – *State Alternative Fuels Plan*: "Maximize the use of mass transit, encourage smart growth and land use planning to help reduce vehicle miles traveled and vehicle hours traveled."

² §95486(c) Method 2A – Customized Lookup Table Values (Modified Method 1) & (d) Method 2B – New Pathway Generated by California-Modified GREET (v. 1.8b).

4. The LCFS regulations should not exclude Community Choice Aggregators (CCAs) from 'regulated party' eligibility.

The current definition of 'Electrical Distribution Utility' excludes Community Choice Aggregators (CCAs) from acting as 'regulated parties' within the LCFS, such that CCAs would not be able to participate in the LCFS program. Prior draft language appropriately allowed any "Load Serving Entity" (LSE) to be a regulated party, thereby including CCAs and energy service providers along with investor-owned and publicly-owned utilities. Each of these provides electricity supplies to end-use customers, who in turn use electricity as a transportation fuel. The ARB should include all electricity suppliers as eligible parties both (i) to ensure that the LCFS program is non-discriminatory, and (ii) to further prevent the possibility of 'orphaned credits' that are not eligible in the LCFS market.

Conclusion

As noted above, the SFPUC fully supports the goals and objectives of the Low Carbon Fuel Standard as a means to reduce the carbon content of the State's transportation fuels. Our recommendations to include all forms of electrified mass transit and to adjust participation dates for electricity providers and transit operators will further encourage electrification of mass transit as a means to achieving these goals. Our requests to retain the alternative Carbon Intensity methodologies and to include Community Choice Aggregators as eligible 'regulated parties' are intended make participation in LCFS more inclusive and equitable. The SFPUC thanks the ARB for taking the time to consider its recommendations and is ready to work with the ARB as needed to implement these recommendations.

Please feel free to contact me at (415) 554-3115 or Jeremy Waen at (415) 554-3130.

/s/ Meg Meal

Meg Meal

Manager of Regulatory & Legislative Affairs

Power Enterprise

mmeal@sfgwater.org

cc:

Jeremy Waen

Energy Analyst, Regulatory & Legislative Affairs

Power Enterprise

jwaen@sfgwater.org

Barbara Hale

Assistant General Manager

Power Enterprise