



Golden State Power Cooperative  
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June 21, 2024

*Submitted Electronically*

Ms. Rajinder Sahota  
Deputy Executive Officer - Climate Change & Research  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

**Re: Comments on May 31 Cap-and-Trade Workshop**

Dear Ms. Sahota:

The Golden State Power Cooperative (GSPC) is the statewide association representing California's three Electrical Cooperatives: Anza Electric Cooperative (AEC), Plumas-Sierra Rural Electric Cooperative (PSREC), Surprise Valley Electrical Corporation (SVEC). GSPC provides these comments to the California Air Resources Board (CARB) on developing potential amendments to the Cap-and-Trade Program regulation and the May 31 Workshop. In addition to the matters addressed herein, GSPC is a signatory to the *Joint Utilities Group Comments on Potential Amendments to the Cap-and-Trade Regulation*, dated June 21, 2024 (JUG June 21 Comments).

**I. EDU Allowances Directly Benefit Electricity Customers**

The allowances allocated for the benefit of Electrical Distribution Utility (EDU) customers helps protect those customers from electricity rate impacts associated with cap-and-trade program costs. That value is especially important for utility customers in light of the many upward pressures on utility rates from things such as clean energy mandates and wildfire mitigation costs. Mitigating those costs is critically important for the GSPC members, as by law, the cooperatives are not-for-profit and are organized for the purpose of transmitting or distributing electricity *exclusively to their members at cost*.<sup>1</sup> The cooperatives provide electric service to their member-customers living in rural communities that were previously unserved or underserved by for-profit investor-owned utilities. Cooperatives are owned and governed by local, member-elected boards representing the communities they serve, and who have the cooperative's mission and purpose in mind: to provide safe, affordable, and reliable electric service in rural California.

Collectively, California's electric cooperatives serve just over 400 gigawatt-hours (GWh) of electricity in California, accounting for less than 0.1% of California's total electricity use. Many of the communities served by electric cooperatives are disadvantaged, despite the fact that they may not meet the definition of Health and Safety Code section 39711. For example, within

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<sup>1</sup> Cal. Pub. Util. Code (PUC), section 2776.

Anza Electric Cooperative's service territory, up to 15.9% live at the poverty level and unemployment has been as high as 18.1%. Anza has a total of 3,880 member-ratepayers in California, and an average of 6 meters per mile along the 737 miles of energized powerlines in Anza's service territory. Similarly, Surprise Valley Electrification Corp. has 3,071 member-ratepayers in California, with just 2 members per mile on their 1,566 miles of energized powerline. Unlike Anza, whose members are primarily residential (93% of the load), nearly half of Surprise Valley's load is for irrigation, with only a third residential. Surprise Valley's service territory has a declining population of nearly 9% in the past five years and unemployment of 7.8%<sup>2</sup> with 19.9% of the population living in poverty.<sup>3</sup> PSREC serves approximately 6 member-ratepayers per mile, with over 1,305 miles of energized powerlines. Their load is largely residential, with an average poverty level of 14.9%<sup>4</sup> and an average unemployment rate of 8.6%<sup>5</sup> in the region.

GSPC notes this information to underscore the importance of retaining the EDU allowance allocation at a level that covers the Cap-and-Trade Program compliance costs to avoid additional upward pressure on electricity rates. The best way for CARB to do this – and to continue providing much needed protection to electricity customers – is to ensure that EDUs are allocated allowances for 2025-2030 consistent with the principles set forth in the JUG June 21 Comments. CARB should allocate 2025-2030 EDU allowances for the benefit of electric utility customers, consistent with Public Utilities Code (PUC) section 399.16(c)(1) and Senate Bill 100 (SB 100), and the commitments made during the 2016 Cap-and-Trade rulemaking. As more fully set forth in the JUG June 21 Comments, PUC section 399.16(c)(1) mandated that at least 75% of the generation used to satisfy the RPS requirements of each compliance period come from renewable energy resources categorized as Portfolio Content Category (PCC) 1, starting January 1, 2017. PCC 1 RPS-eligible electricity is directly delivered from renewable generating resources, is treated as zero-emission under the CARB Mandatory Reporting Regulation (MRR), and does not have a Cap-and-Trade Program compliance obligation. PUC section 399.16(c)(1) allows up to 25% of RPS generation to come from non PCC-1 resources, which are not treated as carbon free under the MRR, and therefore have compliance obligations under the Cap-and-Trade Program. For that reason, the EDU allocation methodology should recognize the legislative directive that 25% of the RPS mandate can be met with resources that have a compliance obligation, and therefore, should be removed from the zero-emissions assumption used by CARB. Doing so would yield a 45% “Effective RPS” for 2030, and this Effective RPS should be used when determining the EDU allowance allocation.

CARB imputes the PUC section 399.1(c)(1) RPS mandate on the electrical cooperatives, notwithstanding the fact that the statutory provisions do not apply to the electrical cooperatives.

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<sup>2</sup> Career Trends (December, 2016) <http://unemployment-rates.careertrends.com>

<sup>3</sup> <https://www.census.gov/quickfacts/fact/table/modocountycalifornia,US/PST045221>

<sup>4</sup> <https://www.census.gov/quickfacts/table/PST045215/06063,06091,06035>.

<sup>5</sup> <http://unemployment-rates.careertrends.com/compare/2859-2873-2887/Sierra-County-CA-vs-Plumas-County-CA-vs-Lassen-County-CA>.

GSPC recognizes CARB's intent to provide a uniform incentive to procure zero-emissions resources for all EDUs, but believes it is important for CARB to likewise acknowledge the legislature's recognition that not 100% of renewable resources are zero-emissions, and thus come with a compliance obligation under the Program.

Furthermore, consistent with ensuring that Cap-and-Trade Program compliance costs are fully addressed in the allowance allocation, CARB should work with the EDUs to address "outliers" where the methodology does not address the full extent of compliance costs. Doing so is not without precedent, as CARB has addressed similar issues in the past rulemakings.

## **II. Response to Staff Question: Is the current EDU and NGS allocation sufficiently aligned to promote state electrification goals?**

GSPC believes that the current EDU allocation only promotes the state's electrification goals to the extent that the compliance costs are actually covered by the allocation. As discussed in Section I, above, this means that any change to the EDU allocation should be consistent with the principles discussed therein and in the JUG June 21 Comments. Furthermore, as discussed below, it is imperative that the EDUs retain the ability to invest and spend the allowance value consistent with the current rules, as further restrictions or changes could compromise existing investments, which could lead to increased utility costs, and corresponding adverse rate impacts. GSPC members are committed to providing safe and reliable electricity to their member-customers, and ensuring the affordability of that electricity is paramount. Any added Cap-and-Trade Program compliance costs would directly impact affordability, and thus the ability of the customers to invest in new electric technologies and appliances. The importance of affordable electricity is even more significant for rural consumers when they are considering vehicle electrification due to the higher vehicle miles traveled in rural areas.

## **III. Response to Staff Question: Should there be any additional limitations on the types of GHG reduction projects that can be funded with EDU or NGS allocated allowance value?**

GSPC does not believe that there should be any changes to the provisions regarding the programs that are funded by EDU allowance value, nor should there be any changes to the provisions regarding the consignment of allowances for cooperatives and POU's. The cooperatives provide reports to CARB annually, detailing the many ways in which the allowance value benefits their customer-members. The cooperatives have made resource plans and investment decisions based on programs authorized in the regulation for which allowance value could be utilized. These long-term plans are premised on the existing statutory requirements, which requirements have not been shown to be lacking in any way. Changes to the rules now would jeopardize those programs and compromise the ability of the cooperatives to continue providing the benefits to the customer-members.

Furthermore, any changes to the rules governing consignment would adversely impact the GSPC members. CARB is considering amendments to the regulation that would require POU's and cooperatives to consign all of their allocated allowances to the state auction. There have been no changes to the regulatory structure or legislative mandates that alter the underlying

rationale or justification upon which the current consignment rules are based, and it appears that the rationale for doing so comes solely from a desire from agencies to ensure parity between all EDUs. However, this rationale does not support making a change to the consignment provisions because it does not take into account the fundamental difference between POU and cooperatives, and the other EDUs. When this issue was previously raised, CARB concluded that “even though POU [and cooperatives] are not required to consign allocations, they are required to use that value for ratepayer benefit and no other purpose. *This is equitable with the requirements of the IOUs.*”<sup>6</sup> CARB has already recognized the fundamental differences between POU, electric cooperatives, and IOUs that warrant the current consignment structure. Furthermore, a requirement to consign all allowances into the auction would create administrative complexities not just for the cooperatives, but for the Bonneville Power Administration (BPA). SVEC purchases wholesale electricity from the federal power agency and utilizes the provisions of Section 95892 (b)(2)(B) to direct CARB to place allowances SVEC receives through direct allowance allocation directly into the compliance account of BPA. SVEC and BPA have made use of this process since it was adopted, having CARB directly deposit allowances to into BPA’s Compliance Account, thus avoiding the need to buy and sell allowances through the auction. Consistent with contractual arrangements between BPA and SVEC, the allowances are then used to cover cap-and-trade obligations incurred by BPA for serving SVEC’s California load. The ability to do so eases the administrative burden for a small utility and helps prevent mistakes in allowance transfers between SVEC and BPA.

Electric Cooperatives are neither IOUs nor POU; the cooperative business model is based on equity and all member-consumers are considered owners of the utility, and should have the flexibility to decide whether or not consignment returns the best value to their member-consumers. By allowing the cooperatives to put allowances in their compliance accounts rather than mandating consignment, the cooperatives are able to avoid administrative costs and risks that would be inherent in auction participation. Requiring the cooperatives to consign all allowances would only increase compliance costs and decrease the amount of allowance value available to directly benefit the cooperatives’ customers, with no added value or benefits for those customers; indeed, any increase in administrative costs would actually result in *added costs* for customers.

One of the currently approved uses of allowance value is directly tied to wildfire mitigation efforts and a means by which to offset the ever-increasing costs associated with such mitigation.<sup>7</sup> However, to date, EDUs are not able to use allowance value for that purpose because CARB has not yet developed the standardized system for quantifying GHG emissions reductions from fuel reduction activities, so that the value of allowances can be used for wildfire mitigation measures. Rather than placing additional limitations on the type of GHG reduction projects that can be funded with EDU allocated allowance value, GSPC urges CARB to expedite adoption of the methodology that would allow the cooperatives to use their allowance value on wildfire mitigation activities that will provide an impactful and direct benefit to rural ratepayers, both in terms of health and welfare, and actual GHG reductions.

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<sup>6</sup> October 2011, Cap-and-Trade Program, Final Statement of Reasons (FSOR), p. 687, emphasis added.

<sup>7</sup> Cap-and-Trade Regulation, Section 95892(d)(3)(C)2.

#### **IV. Conclusion**

GSPC appreciates the opportunity to engage with CARB and stakeholders on these important issues. Any amendments to the Cap-and-Trade Program regulation should reflect the following:

- EDU allowance allocation through 2030 should reflect the SB 100 effective RPS and current IEPR Demand Forecast.
- Cooperatives and POUs should retain the ability to place allocated allowances directly into their compliance accounts.
- Provisions regarding the use of allowance value should not be changed.

Further, GSPC urges CARB to finalize the California Climate Investments Quantification Methodology for wildfires, so that EDUs may use allowance value for this critically important objective.

Respectfully submitted,

A handwritten signature in blue ink that reads "C. Susie Berlin".

C. Susie Berlin  
**LAW OFFICES OF SUSIE BERLIN**  
Attorneys for the Golden State Power Cooperative