

MEETING
STATE OF CALIFORNIA
AIR RESOURCES BOARD

SACRAMENTO COUNTY ADMINISTRATION CENTER
ROOM 1450
700 H STREET
SACRAMENTO, CALIFORNIA

THURSDAY, JUNE 29, 2017

10:00 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

A P P E A R A N C E S

BOARD MEMBERS:

Ms. Mary Nichols, Chair

Ms. Sandra Berg, Vice Chair

Dr. John Balmes

Mr. Hector De La Torre

Mr. John Eisenhut

Supervisor John Gioia

Ms. Judy Mitchell

Mrs. Barbara Riordan

Supervisor Phil Serna

Dr. Alex Sherriffs

STAFF:

Mr. Richard Corey, Executive Officer

Dr. Alberto Ayala, Deputy Executive Officer

Ms. Edie Chang, Deputy Executive Officer

Mr. Kurt Karperos, Deputy Executive Officer

Ms. Ellen Peter, Chief Counsel

Ms. La Ronda Bowen, Ombudsman

Ms. Emily Wimberger, Chief Economist

Ms. Veronica Eady, Assistant Executive Officer

Ms. Brieanne Aguila, Manager, Climate Change Reporting
Section, Industrial Strategies Division(ISD)

Mr. Jim Aguila, Branch Chief, Climate Change Program
Planning and Management Branch, ISD

A P P E A R A N C E S C O N T I N U E D

STAFF:

Ms. Mary Jane Coombs, Manager, Program Development
Section, ISD

Mr. Rhead Enion, Senior Attorney Legal Officer

Mr Derek Nixon, Staff, Marketing Monitoring Section, ISD

Mr. Syd Partridge, Air Pollution Specialist, Climate
Change Reporting Section, ISD

Ms. Rajinder Sahota, Assistant Division Chief, ISD

Mr. Ryan Schauland, Manager, Emissions Data Quality
Assurance Section, ISD

ALSO PRESENT:

Ms. Susie Berlin, MSR Public Power

Ms. Cindy Parsons, Los Angeles Department of Water and
Power

Mr. Andrew Ulmer, California Independent System Operator

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1 P R O C E E D I N G S

2 CHAIR NICHOLS: Good morning, everyone. The June
3 29th, 2017, public meeting of the Air Resources Board will
4 come to order.

5 And we will begin with the Pledge of Allegiance.
6 The flag is right behind us.

7 And Since we're on Phil Serna's home turf, would
8 you please lead us, Supervisor.

9 (Thereupon the Pledge of Allegiance was
10 Recited in unison.)

11 CHAIR NICHOLS: Madam Clerk, will you please call
12 the roll.

13 BOARD CLERK McREYNOLDS: Dr. Balmes?

14 BOARD MEMBER BALMES: Here.

15 BOARD CLERK McREYNOLDS: Mr. De La Torre?
16 Mr. Eisenhut?

17 BOARD MEMBER EISENHUT: Here.

18 BOARD CLERK McREYNOLDS: Senator Florez?
19 Assembly Member Garcia?

20 Supervisor Gioia?

21 Senator Lara?

22 Ms. Mitchell?

23 BOARD MEMBER MITCHELL: Here.

24 BOARD CLERK McREYNOLDS: Mrs. Riordan?

25 BOARD MEMBER RIORDAN: Here.

1 BOARD CLERK McREYNOLDS: Supervisor Serna?

2 BOARD MEMBER SERNA: Here.

3 BOARD CLERK McREYNOLDS: Professor Sperling?
4 Dr. Sherriffs?

5 BOARD MEMBER SHERRIFFS: Here.

6 BOARD CLERK McREYNOLDS: Ms. Takvorian?
7 Vice Chair Berg?

8 VICE CHAIR BERG: Here.

9 BOARD CLERK McREYNOLDS: Chair Nichols?

10 CHAIR NICHOLS: Here.

11 (Clerk pauses.)

12 (Supervisor Gioia arrives.)

13 BOARD CLERK McREYNOLDS: Madam Chair, we have a
14 quorum.

15 CHAIR NICHOLS: Thank you.

16 We have one item on the agenda this morning.
17 Before we get to that though, I need to make the
18 announcement that we do have interpretation services
19 available for Spanish; and the headsets are available
20 outside the hearing room. And you can pick them up at any
21 time.

22 Madam Translator.

23 (Chair Nichols' announcement translated.)

24 CHAIR NICHOLS: Thank you.

25 Anyone who wishes to testify should fill out a

1 request-to-speak card. They are also available in the
2 lobby outside the room, and need to be turned in to the
3 assistant at the beginning of the item, please.

4 We will be imposing a 3-minute time limit. And we
5 appreciate it if people summarize their remarks and just
6 give us their name and affiliation and put the testimony
7 into their own words.

8 We're not in our usual hearing room. But as I
9 understand it, we have the same rules in terms of
10 evacuation in the event of a fire alarm.

11 BOARD MEMBER SERNA: You're safe here.

12 CHAIR NICHOLS: Good. Okay.

13 And I think that is -- that is it.

14 So our item for today is the proposed amendments
15 to the regulation for mandatory reporting of greenhouse
16 gas emissions.

17 The mandatory reporting regulation contains the
18 requirements and methods for reporting greenhouse gas
19 data, and this data represent the foundation for our
20 Cap-and-Trade Program. But it also provides this data to
21 support other ARB climate change programs including our
22 cost of implementation fee regulation and of course the
23 statewide greenhouse gas inventory.

24 These amendments are targeted revisions to
25 clarify our existing regulation related to how entities

1 report and to make sure that it aligns with the
2 Cap-and-Trade Program and implements the U.S. EPA Clean
3 Power Plan requirements.

4 Mr. Corey, will you please introduce this item.

5 EXECUTIVE OFFICER COREY: Yes, thanks, Chair
6 Nichols.

7 The California Global Warming Solutions Act of
8 2006, or AB 32, create a comprehensive, multi-year program
9 to reduce GHG emissions in California.

10 One of the requirements of AB 32 was for ARB to
11 adopt a regulation for the mandatory reporting of GHG
12 emissions data. And in 2007 the Board approved the
13 regulation for the mandatory reporting regulation of
14 greenhouse gas emissions, establishing the nation's first
15 mandatory reporting rule for GHG emissions reporting.

16 Since the Board adopted the regulation, it has
17 been amended several times, primarily to further support
18 the Cap-and-Trade Program and to strengthen the reporting
19 requirements.

20 ARB staff has identified additional modifications
21 and clarifications to the regulation needed to support the
22 Cap-and-Trade Program and the U.S. EPA Clean Power Plan.

23 Today is staff is proposing regulatory amendments
24 for approval by the Board. The proposed modifications and
25 clarifications will better ensure accurate and consistent

1 data are collected and quality assured. This information
2 is needed to ensure consistency with benchmarking,
3 allocation of allowances, and the calculation of
4 compliance obligations under the Cap-and-Trade Program.

5 In addition, we've added provisions needed to support
6 the implementation of the U.S. EPA Clean Power Plan
7 requirements and support other ARB climate change
8 programs.

9 And with that, I'll ask Syd Partridge from the
10 Climate Change Reporting section to give the staff
11 presentation.

12 Syd.

13 (Thereupon an overhead presentation was
14 Presented as follows.)

15 AIR POLLUTION SPECIALIST PARTRIDGE: Thank you,
16 Mr. Corey. Good morning, Chair Nichols and members of the
17 Board.

18 This Board item is to discuss staff's proposed
19 amendments to the Regulation for the Mandatory Reporting
20 of Greenhouse Gas Emissions.

21 --o0o--

22 AIR POLLUTION SPECIALIST PARTRIDGE: The
23 amendments we are proposing today provide updates
24 necessary to ensure that reported data are accurate,
25 complete, and fully support ARB's climate change programs.

1 The proposed revisions were developed in
2 coordination with affected stakeholders who provided
3 helpful comments to staff during the 45-day comment period
4 and two subsequent 15-day comment periods.

5 For today's presentation, we'll provide some
6 background on the mandatory reporting regulation,
7 summarize the proposed amendments, outline the next steps
8 in the regulatory process, and provide staff
9 recommendations.

10 --o0o--

11 AIR POLLUTION SPECIALIST PARTRIDGE: Today we are
12 presenting the proposed amendments to the mandatory
13 reporting regulation, also known as MRR. MRR collects
14 greenhouse gas data and includes verification requirements
15 to support the California Cap-and-Trade Program, the
16 statewide greenhouse gas emissions inventory, and other
17 ARB climate change programs. All proposed changes or
18 regulatory updates have been closely coordinated with the
19 Cap-and-Trade Proposed Amendments and the State's
20 compliance plan for the Clean Power Plan, which will be
21 considered by the Board at the next Board hearing in July.

22 Before we move on, I'd like to remind the Board
23 that this is the second of two Board hearings for this
24 rulemaking on the proposed MRR amendments, and the Board
25 will be considering a resolution to approve the proposed

1 amendments today.

2 --o0o--

3 AIR POLLUTION SPECIALIST PARTRIDGE: The
4 regulation before you today is the fifth revision to the
5 Mandatory Reporting Regulation, which was initially
6 adopted by the Board in 2007. This year, over 800
7 entities reported under the MRR providing the data that
8 supports the Cap-and-Trade Program and other climate
9 change programs at ARB.

10 The reporting entities subject to the regulation
11 fall into three primary categories:

12 First, we have stationary-source facilities with
13 GHG emissions of more than 10,000 metric tons of carbon
14 dioxide equivalent, or CO₂e, per year.

15 Next, electricity importers and retail providers
16 of electricity must report under the regulation. There is
17 no minimum reporting threshold for these entities.

18 In addition, fuel suppliers, including
19 transportation fuel and natural gas suppliers with
20 emissions over 10,000 metric tons CO₂e are subject to
21 reporting.

22 To ensure the high quality and accuracy of
23 submitted data, all reporting entities that emit over
24 25,000 metric tons of CO₂e or are otherwise subject to the
25 Cap-and-Trade Regulation are required to have their data

1 fully verified by an ARB-accredited independent
2 third-party verification body.

3 --o0o--

4 AIR POLLUTION SPECIALIST PARTRIDGE: The
5 amendments before you today are proposed to ensure that
6 complete and accurate data are used to support ARB's
7 climate change programs. This slide provides a summary of
8 the major changes, which I will then explain in more
9 detail in subsequent slides.

10 Staff is proposing a series of technical
11 adjustments to the regulation. Based on experience with
12 the program and stakeholder input, these changes are
13 intended to clarify and streamline the reporting
14 requirements and to facilitate their implementation. This
15 includes amendments to align the reporting requirements
16 with the proposed changes to cap and trade, as needed for
17 ongoing program consistency, and amendments needed to
18 prepare for U.S. EPA Clean Power Plan reporting
19 requirements.

20 We have also included clarifications and updates
21 for the petroleum and natural gas production sector and
22 for fuel suppliers. We've also provided updates for
23 electric power entities or importers of electricity to
24 California, and have proposed moving the annual
25 verification deadline up by approximately three weeks,

1 from September 1st to August 10th.

2 I will now walk through the proposed updates in
3 more detail.

4 --o0o--

5 AIR POLLUTION SPECIALIST PARTRIDGE: Staff is
6 proposing several updates for improved data accuracy,
7 clarity, and completeness.

8 To improve carbon accounting, staff is proposing
9 an update to the global warming potential values that are
10 used for calculations, starting with calendar year 2021
11 data, which will be reported in 2022. The regulation
12 would be moving from the second assessment report of the
13 intergovernmental panel on climate change to the fourth
14 assessment report.

15 Other changes include revisions to clarify and
16 modify the cessation criteria that reporters must adhere
17 to in order to withdraw from reporting and verification
18 requirements.

19 For the oil and gas sector, staff is proposing to
20 modify the applicability requirements for small oil and
21 gas producers to include flaring emissions. We have also
22 proposed an update to the point of regulation for imported
23 for imported liquefied petroleum gas and liquefied natural
24 gas. The proposal moves the point of regulation for these
25 fuels upstream to the importer of the fuel rather than the

1 consignee of the fuel under the current regulation. This
2 change is needed to fully account for the emissions from
3 the combustion of fuels imported into California. Other
4 updates are intended to clarify reporting applicability
5 for reporters that are both fuel suppliers and direct
6 emitters, and the emissions sources that must be reported
7 for natural gas processing plants.

8 The majority of the amendments would take effect
9 for 2018 data, reported in 2019. However, revisions made
10 to the product data reporting requirements, the
11 verification timing requirements, and energy imbalance
12 market requirements would take effect one year earlier,
13 for 2017 data reported in 2018, to fully support the
14 Cap-and-Trade Program. The proposed Clean Power Plan
15 changes would take effect for 2021 data, reported in 2022,
16 consistent with the federally mandated compliance
17 schedule.

18 --o0o--

19 AIR POLLUTION SPECIALIST PARTRIDGE: The
20 Mandatory Reporting Regulation provides critical
21 emissions, product, and other data needed for
22 Cap-and-Trade Program implementation. Therefore, we need
23 to make several updates to the reporting regulation for
24 consistency and conformance with the proposed 2016
25 Cap-and-Trade Regulation amendments.

1 Specifically, the updates to align with
2 Cap-and-Trade Regulation are necessary to support the
3 calculation of compliance obligations and allowance
4 allocations. We have proposed several minor changes
5 necessary to collect complete and accurate data that is
6 used to calculate this information.

7 Staff is proposing updates to definitions in the
8 reporting regulation to harmonize with cap and trade, and
9 to clarify and add product data reporting, which is
10 necessary for allowance allocation. For example, we are
11 proposing clarifications for refinery complexity weighted
12 barrel, or CWB, throughput, which includes consolidation
13 of product data reporting for refineries, as well as
14 clarifications to hydrogen production reporting and
15 clarifications to requirements for sectors such as milk
16 production, tomato products, poultry, and others.

17 --o0o--

18 AIR POLLUTION SPECIALIST PARTRIDGE: For the
19 petroleum and natural gas systems sector, staff is
20 proposing several minor modifications to clarify the
21 calculation of greenhouse gas emissions including the
22 conversion of volumetric data to reflect standard
23 conditions, and to allow use of a default combustion
24 efficiency when computing combustion emissions.

25 The proposed updates also replace the existing

1 flash emissions test method with a revised method, which
2 is needed to improve data quality and provide consistency
3 with other ARB programs.

4 Finally, we clarified that all sorbent-related
5 greenhouse gas emissions must be reported by this sector.

6 --o0o--

7 AIR POLLUTION SPECIALIST PARTRIDGE: Beginning
8 with 2015 data, fuel suppliers now have a compliance
9 obligation under the Cap-and-Trade Program. Staff is
10 proposing several changes to support the Cap-and-Trade
11 Program and to clarify the requirements for fuel
12 suppliers. As discussed earlier, staff is proposing to
13 change the point of regulation for imported liquefied
14 petroleum gas and liquefied natural gas fuels in order to
15 ensure emissions from these fuels are completely captured
16 under the reporting program. Additionally, to address the
17 potential double reporting of fuel volumes, staff is
18 proposing to clarify the reporting requirements for
19 transportation fuel that passes through multiple
20 dispensing racks prior to final delivery. Staff is also
21 proposing to remove the reporting requirements for
22 importers and in-state producers of ethanol and biodiesel
23 because these fuels are already reported by other fuel
24 suppliers.

25 To facilitate the verification process and better

1 assure accurate reporting, staff is proposing to add a new
2 requirement to report the volume of transportation fuel
3 that is excluded by the supplier from emissions reporting
4 and cap-and-trade obligations due to export out of
5 California or use in either aviation or marine
6 applications.

7 Staff is also clarifying the reporting
8 requirements for intrastate pipeline suppliers and
9 facilities that deliver or pass through natural gas to
10 other facilities to avoid ambiguity and who is required to
11 report emissions from the natural gas.

12 For in-state producers of liquefied natural gas
13 and compressed natural gas, staff is proposing minor
14 revisions to support the calculation of compliance
15 obligations for these entities.

16 Lastly, staff is proposing to include the option
17 for natural gas local distribution companies to report
18 biomethane deliveries they deliver on behalf of their
19 smaller customers that are not covered under cap and trade
20 to allow these fuels to be exempted under the supplier's
21 cap-and-trade compliance obligation when specified
22 criteria are met.

23 --o0o--

24 AIR POLLUTION SPECIALIST PARTRIDGE: Staff added
25 a new subarticle to the mandatory reporting rule to

1 accurate emissions accounting. Staff proposed to remove
2 exemptions to the lesser of analysis that is required for
3 certain renewable electricity sources. Based on
4 stakeholder comments, staff reevaluated the removal of
5 these exemptions and reinstated exemptions related to
6 grandfathered contracts and dynamically tagged power
7 deliveries. In addition, staff is proposing removal of
8 the provisions associated with the qualified export
9 adjustment which is necessary to be consistent with the
10 Cap-and-Trade Program's treatment of these emissions. We
11 have also proposed amendments to clarify the requirements
12 for reporting sales into the California Independent System
13 Operator for Cap-and-Trade Program implementation
14 purposes.

15 --o0o--

16 AIR POLLUTION SPECIALIST PARTRIDGE: Staff is
17 proposing amendments to the reporting requirements to
18 address the incomplete accounting of emissions associated
19 with imported electricity transfers within the Energy and
20 Balance Market, or EIM, operated by the California
21 independent system operator, or CAISO.

22 The current EIM now in use does not completely
23 identify the resources that may alter their dispatch to
24 support imports to California. While MRR accurately
25 tracks the volume of electricity imports identified by

1 CAISO's current EIM, the current system does not allow us
2 to ensure accurate and complete identification and
3 reporting of greenhouse gas emissions that result from
4 electricity generation that serves California load or to
5 address emissions leakage as required under AB 32.

6 To address this reporting issue, ARB will
7 quantify the EIM emissions that are not accounted for by
8 the current EIM model and retire unsold allowances equal
9 to the underreported amount. Staff's solution is intended
10 to act as a bridge to support accurate carbon accounting,
11 while a longer-term approach is being developed by CAISO
12 staff.

13 The proposed changes are based on extensive
14 coordination with CAISO and stakeholders, including
15 through public workshops. To support the development of
16 the longer-term solution, staff will continue to engage
17 with CAISO, and other stakeholders -- engage with CAISO
18 and other stakeholders in developing appropriate updates
19 to EIM that are needed to fully support California's
20 climate policies and regulations.

21 --o0o--

22 AIR POLLUTION SPECIALIST PARTRIDGE: One
23 additional change staff is proposing is moving the annual
24 verification deadline up from September 1st of each year
25 to August 10th. This change is necessary to support the

1 implementation of the Cap-and-Trade Program. Currently,
2 reporting and Cap-and-Trade Program staff only have a few
3 weeks to perform data quality assurance checks, calculate
4 and notify entities of compliance obligations, and
5 allocate allowances prior to the November 1st
6 cap-and-trade compliance deadline.

7 The current schedule truncates the time that
8 staff needs to address any issues that may arise in the
9 data or may be self-identified by reporters, and, most
10 importantly, does not provide entities sufficient time to
11 review their allocations and compliance obligations to
12 determine whether they need to purchase additional
13 compliance instruments prior to November 1st.

14 In response to direction from the Board at the
15 first public hearing on this item, ARB staff considered
16 stakeholder comments and concerns regarding the shortened
17 time frame for completing verification services, and
18 adjusted the original proposed date of August 1st to
19 August 10th to provide entities with additional time to
20 complete the annual verification process.

21 Moving the verification deadline will ensure that
22 entities have time to review their assigned compliance
23 obligations and engage with staff if they have questions
24 on those compliance obligations prior to purchasing
25 compliance instruments for the Cap-and-Trade Program by

1 the compliance deadline of November 1st. We believe that
2 the August 10th deadline can successfully be met by
3 reporters and verifiers if they start early to choose in
4 contract with a verification body, begin the verification
5 immediately after the completed reports are submitted, and
6 maintain consistent engagement throughout the verification
7 process.

8 --o0o--

9 AIR POLLUTION SPECIALIST PARTRIDGE: To help
10 address some stakeholder concerns related to the change in
11 verification deadline, staff is proposing to help
12 streamline the verification process by making minor
13 adjustments to the timing requirements for verifier
14 submittal of documentation and ARB review of materials.

15 In response to stakeholder comments during the
16 45-day comment period, staff adjusted the original
17 proposal to provide verifiers additional time and
18 flexibility to respond to ARB documentation requests.
19 Staff is also proposing minor changes to streamline the
20 accreditation process for verifiers.

21 --o0o--

22 AIR POLLUTION SPECIALIST PARTRIDGE: Prior to
23 concluding this Board item today, the Board will consider
24 a resolution to approve the proposed amendments to MRR.
25 If approved by the Board, staff will submit the full

1 regulation package to the Office of Administrative Law in
2 July 2017, with the expectation that the amended
3 regulation will become effective on January 2nd, 2018.

4 Staff anticipates that MRR will be updated again to
5 incorporate a permanent solution to address the CAISO EIM
6 emissions accounting discrepancy discussed earlier in the
7 presentation, and to further support the Cap-and-Trade
8 Program and other programs as necessary.

9 --o0o--

10 AIR POLLUTION SPECIALIST PARTRIDGE: To conclude
11 this presentation, staff recommends the Board approve the
12 proposed resolution to adopt the Final Regulation Order
13 and direct the Executive Officer to finalize the Statement
14 of Reasons -- the Final Statement of Reasons and submit
15 the regulatory package to the Office of Administrative
16 Law. Approval of the resolution is necessary to support
17 the ARB's climate change programs, ensure a full
18 accounting of emissions from electricity imports, and
19 provide adequate time for entities covered under the
20 Cap-and-Trade Program to address issues related to their
21 compliance obligation and allowance allocation prior to
22 the cap-and-trade compliance deadlines.

23 Thank you for your time today. This concludes my
24 presentation, and staff will be happy to answer any
25 questions you may have.

1 CHAIR NICHOLS: Thank you. This is, as you say,
2 the second time we've seen this item, and I think Board
3 members are pretty familiar with the details and probably
4 are even having flashbacks to the last hearing. In my
5 case, the one that seems the most significant of course is
6 the issue of the relationship between our existing
7 Cap-and-Trade Program and the Energy and Balance Market
8 and how that has all been worked out. So I'm glad to see
9 that the first witness who signed up was Andrew Ulmer from
10 the California ISO.

11 And we can go directly to him if you're ready.

12 Great.

13 MR. ULMER: Good morning, Chair Nichols and
14 members of the Board. My name's Andrew Ulmer. I'm with
15 the California ISO.

16 And as you know, we operate the bulk of
17 California's high voltage transmission system as well as a
18 portion of Nevada's high voltage transmission system.

19 We're also the market operator for the western
20 Energy and Balance Market. And that market effectively
21 allows participating balancing authorities in the western
22 interconnection to transfer electricity among one another.
23 And it's one of the issues in the proposed amendment with
24 respect to how to account for electricity imports into the
25 ISO that arise as a result of these transfers.

1 I was going to make a quick attempt to explain
2 our least cost dispatch optimization. My wife said it
3 would not be a good use of time at the --

4 (Laughter.)

5 MR. ULMER: -- at the podium, so --

6 CHAIR NICHOLS: But I expect you to schedule a
7 special session later though, if you wanted.

8 MR. ULMER: We can certainly accommodate that.
9 But I do want to make two points.

10 And then the first point is with respect to the
11 proposed amendments related to the Energy and Balance
12 Market. We have worked quite closely with ARB staff and
13 stakeholders in ARB's process, and we support the interim
14 approach for accounting for emissions associated with
15 these electricity imports.

16 The second point I want to make is that we are
17 working on operational enhancements that we believe will
18 allow for more accurate accounting of emissions associated
19 with these transfers. And when we receive authority from
20 our own governing board to pursue these changes, these
21 operational enhancements, we're going to come back and ask
22 that ARB revise its regulation again to eliminate the
23 bridge solution that was referred to. And we expect to
24 have a close working relationship with ARB staff and also
25 stakeholders in the ARB process as well as our own

1 processes as that effort goes forward.

2 So thank you very much for your attention to
3 this. And if you have any questions, I'm happy to answer
4 them.

5 CHAIR NICHOLS: Any questions?

6 No.

7 Thank you very much. I really do appreciate all
8 the work that you have put in on this, and our staff too.
9 I know you've probably spent way more time together than
10 you ever thought possible. But --

11 (Laughter.)

12 CHAIR NICHOLS: -- we are making good progress.

13 MR. ULMER: Yeah, all for the good.

14 Thank you.

15 CHAIR NICHOLS: Thank you.

16 Okay. Cindy Parsons.

17 MS. PARSONS: Good morning, Chairwoman Nichols,
18 members of the Board. Cindy Parsons with the Los Angeles
19 Department of Water and Power. We did submit written
20 comments on the amendments to the mandatory reporting reg.
21 I'd like to highlight a couple of those comments.

22 One of the concerns we did have was with the
23 verification deadline change. We had proposed a couple of
24 suggestions, which I understand that staff is moving
25 forward with a single verification deadline for all

1 reports.

2 We had proposed having two different reporting
3 deadlines, depending on -- or two different verification
4 deadlines, depending on the reporting deadline. So the
5 reports that were due April 10th would have the August
6 10th verification deadline, and the ones that are due on
7 June 1st would have a September 1st deadline.

8 So we understand that this is a experiment as far
9 as seeing if everyone can get it done early. So -- but
10 we'd like you to remain open to the idea of the
11 possibility of having two different verification deadlines
12 based on the reporting deadline.

13 And the reports that would be subject to that
14 June 1st reporting deadline are only 15 percent of the
15 overall reports.

16 So just want keep the door open to that.

17 And then, in addition, we were thinking that
18 there should be some sort of mechanism for reporters to
19 request an extension if necessary, just in case they run
20 into trouble and have unresolved problems that could
21 result in an adverse verification statement; where if they
22 had a little extra time, they might be able to resolve
23 that. And we haven't heard any discussion about having
24 such a possibility of an extension. I know it hasn't been
25 in practice up until now.

1 But just again a suggestion.

2 And we do appreciate the reinstatement of the
3 exemptions from the lessor of analysis, because that will
4 certainly minimize the amount of extra work that we have
5 to do. So thank you very much for reinstating those.

6 And with regards to the new reporting
7 requirements for electricity generating units, it wasn't
8 clear to us in the rule when those requirements would take
9 effect. I understand from the staff presentation that
10 they would take effect in 2022 for the 2021 data, but we
11 didn't see that in the rule. So we would appreciate it if
12 that could be clarified.

13 So that's it, short and sweet. Thank you very
14 much.

15 CHAIR NICHOLS: Thank you.

16 Good morning.

17 MS. BERLIN: Good morning, Chair Nichols,
18 members of the Board. Susie Berlin for the MSR Public
19 Power Agency.

20 MSR is comprised of three municipal and publicly
21 owned utilities that are subject to the reporting
22 requirements that are due on June 21st. And we just
23 wanted to make a few points on that. We really appreciate
24 staff's proposed change from their original proposal to
25 move that deadline up 30 days. And I appreciate that

1 there -- that the changes need to be made to support the
2 Cap-and-Trade Program. We think the Cap-and-Trade Program
3 is an essential tool and hope to be speaking in favor of
4 that very soon.

5 But as it stands right now, the members of MSR
6 are very concerned with the accelerated deadline. We have
7 then been working this past year with the assumption that
8 there would be an earlier deadline, and the soonest that
9 we are able to confirm that -- or the soonest that a
10 verification is projected to take place is August 14th and
11 that's with the members seeking diligently to try to meet
12 the earlier deadline. That's what they've verified -- the
13 earliest they can get it done. And that's assuming that
14 there are no glitches or additional data needs.

15 And the reason for this is not because of a delay
16 in the reporting entities getting their information
17 together. We appreciate staff believes that we'd pursue
18 this sooner, turn your papers in sooner, start the process
19 sooner, that you can get done sooner. But that's not
20 always the case. For example, for reporting for the MSR
21 members, they have to report all the REC serial numbers
22 for generation during the calendar year. Generation of
23 RECs that occur in December of 2016, they're not assigned
24 direct serial numbers until March. So those numbers are
25 assigned in March. And then the RECs, if they weren't

1 owned by the generator -- or by the reporting entity need
2 to be transferred to the reporting entity. Then they have
3 those numbers, then they can finish their reports. But
4 we're already talking about into April, potentially May,
5 depending on the time frame when the RECs are transferred
6 to the reporting entity and so on down the line.

7 So it's an iterative process. It is not
8 something that's in the sole control of the reporting
9 entity. And we're very concerned that there's just not
10 going to be sufficient time to ensure accurate reporting
11 and accurate and sufficient verification of those reports;
12 and we think that the integrity of the numbers is very
13 important. And we don't want to have to come back seeking
14 corrections because the process was accelerated or rushed
15 along the way.

16 So we strongly encourage retention of the
17 original verification deadline of August.

18 Thank you.

19 Excuse me. Of September 1st, not August.

20 Yeah, that's a minor detail.

21 (Laughter.)

22 Thank you very much.

23 CHAIR NICHOLS: Thank you.

24 And that concludes the list of witnesses that we
25 have. So I am going to close the record officially at

1 this time. But before calling for a resolution, I would
2 like to give staff an opportunity to respond to the
3 comments about concerns which obviously relate to whether
4 people might find themselves, despite best efforts, in
5 violation of the deadline. And I'm just wondering if you
6 want to comment on that.

7 Rajinder, would that be you?

8 INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF

9 SAHOTA: Yes, that would be me. Thank you.

10 CHAIR NICHOLS: Thank you.

11 INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF

12 SAHOTA: Good morning.

13 So when we last met with the Board in fall we
14 made a commitment to go back and look at our internal
15 processes as to what we could do to streamline the
16 reporting part of this process and the verification part
17 of this process. And we have some results to share on
18 that.

19 We released the guidance and the reporting
20 tooling two weeks prior than we did the previous year. We
21 had the electricity reporting requirements available a
22 month earlier than we've done in previous years. And when
23 we look at the statistics for the first step of
24 verification, we hit 97 percent for that first step in
25 July in previous years. We're at 97 percent today for

1 this year.

2 And so through our internal processes we found
3 ways to accommodate and support a more expedited reporting
4 and more expedited verification process.

5 Having said all that, we understand that there
6 might be other issues that come up and difficulties that
7 come up. And our first goal is ensure compliance with the
8 program and support compliance. We don't want to deal
9 with noncompliance and all the work that goes on after a
10 noncompliance occurs.

11 And so staff is committed to continuing the
12 discussion to understand on a sector-by-sector basis what
13 more we can do to support the reporters and the
14 verification process.

15 We have reached out to the verification bodies
16 directly to make sure that they themselves are -- are
17 reminding the reporters that they have to comply a little
18 bit earlier with these requirements. We understand that
19 the first step of verification for some entities actually
20 began in January of this year, which is an improvement
21 over previous years. And so we are seeing that shift to
22 start accommodating that, that shorter verification
23 deadline in the process.

24 From the signals that we're seeing today, we
25 think we can manage this. But of course if we see

1 problems, we're going to come back and make adjustments as
2 necessary.

3 CHAIR NICHOLS: And again, from the staff's
4 perspective, the reason why you want this all streamlined
5 and expedited is because this date is needed for other
6 purposes?

7 INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF
8 SAHOTA: There's actually two reasons. We need it for the
9 other purposes. And one of the suggestions that had been
10 made was to move the compliance deadline for our cap and
11 trade and keep the existing September 1 deadline for MRR.

12 When we looked into that, we realized that it's
13 slightly in conflict with AB 197, which is really about
14 making data available on a more timely basis to the
15 public. And if we shifted the compliance deadline for cap
16 and trade, it would almost be 12 months from the end of
17 reporting until that data was made publicly available.

18 And so with that and the need to make sure that
19 compliance happened in a timely manner, our recourse was
20 to go back and look the verification part in the reporting
21 regulation.

22 CHAIR NICHOLS: And have you been working with
23 the verifiers?

24 INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF
25 SAHOTA: We have. The staff has been reaching out to

1 verifiers, making sure that they understand what
2 opportunities there are for streamlining.

3 Some of the amendments proposed in this package
4 are to support streamlining for the verification process.

5 CHAIR NICHOLS: Other questions from other Board
6 members, or comments?

7 Yes, go ahead.

8 VICE CHAIR BERG: And am I understanding that
9 this is just a gap year because we're moving it this year;
10 following years they will have the needed time?

11 INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF
12 SAHOTA: So, when we're talking about a change in the
13 verification deadline, that would be from this point
14 moving forward.

15 And the gap year is really about the EIM process,
16 which is the bridging solution for the accounting issue.
17 But for the verification deadline, that would be a
18 permanent change until we came back and proposed something
19 different.

20 VICE CHAIR BERG: And in the future years, then
21 it would become -- because it's earlier, they would have
22 the full 12 months. Don't we have just a little shortened
23 period because of this year?

24 INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF
25 SAHOTA: So the way it works from now is that you have --

1 so this year, for 2017, you reported your data for the
2 full 12 months of -- or 12 months in 2016. So that data's
3 reported. It's currently past the reporting deadline, so
4 we have that. We're in the process of verifying that
5 data. This year, the deadline for verification is
6 September 1.

7 Beginning next year, the verification deadline
8 would be August 10th. And so we still have more time to
9 get ready for the next year when we have to actually do
10 the complete August 10 shift.

11 VICE CHAIR BERG: Great. Thank you very much.

12 CHAIR NICHOLS: Okay. Seeing no further
13 questions at this moment, may I have a motion and a second
14 on the resolution.

15 BOARD MEMBER SERNA: So moved.

16 BOARD MEMBER BALMES: Second.

17 CHAIR NICHOLS: Okay. We have a motion and a
18 second.

19 All in favor please say aye?

20 (Unanimous aye vote.)

21 CHAIR NICHOLS: Opposed?

22 Abstentions?

23 CHAIR NICHOLS: Okay. That concludes the
24 business that we have before us at this meeting. This is
25 obviously an unusual situation that we find ourselves in,

1 having moved meetings around this last month. And I
2 really appreciate the flexibility of the Board members in
3 making themselves available for this. It's been I know a
4 strain for a number of you to make the time to be here.
5 So a just want to let you know that we appreciate it very
6 much.

7 And staff appreciates it, I know, because with
8 the deadlines that we have for the Office of
9 Administrative Law processes and all that's going on in
10 our programs at the moment, it's just important that we
11 get this thing done on time.

12 So thanks to all.

13 And thanks especially to Sacramento County for
14 making this space available. So we like this kind of
15 nomadic existence. Maybe we should --

16 (Laughter.)

17 BOARD MEMBER SERNA: A very short commute.

18 (Laughter.)

19 CHAIR NICHOLS: All right. Is there any general
20 public comment at today's meeting?

21 There was none. All right. Then I think we are
22 adjourned. Thank you.

23 (Thereupon the Air Resources Board meeting
24 adjourned at 10:39 a.m)

25

C E R T I F I C A T E O F R E P O R T E R

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Air Resources Board meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of July, 2017.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063