Southern California Public Power Authority
1160 Nicole Court
Glendora, CA 91740
(626) 793-9364

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Ms. Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: Comments on Potential Amendments to the Cap-and-Trade Regulation, April 23, 2024, Workshop

The Southern California Public Power Authority[1] ("SCPPA") appreciates the opportunity to provide feedback on the Cap-and-Trade Regulation Workshop hosted by the California Air Resources Board ("CARB") staff on April 23, 2024.

Overview

SCPPA Members are not-for-profit, publicly owned utilities ("POUs") that prioritize affordable electricity rates to minimize financial impacts to ratepayers, support the local economy, and facilitate state and local climate goals. For SCPPA Members, any changes to the Cap-and-Trade program ("Program") must support state and local goals related to reducing greenhouse gas ("GHG") emissions while maintaining and supporting affordable electricity for the residents and businesses they serve. Ensuring clean, affordable electricity supply in turn supports Scoping Plan goals related to electrifying transportation, building, and other end uses to meet the state's climate change goals.

To date, electric utilities have anchored climate progress under the Program by transitioning to clean energy beyond the state's goals for the electric sector. Early and voluntary actions taken by SCPPA Members in support of the Program to transition to and invest in clean energy have resulted in significant reductions in GHG emissions. These GHG reductions have come at a direct cost to SCPPA Members, but are partially moderated by the expected value returned under the Program through the direct allocation of allowances to electric utilities through 2030, as laid out in Table 9-4 of the Program regulation.

Embedded in the Program's design is the direct allocation of allowances to utilities, which protects ratepayers and keeps rates affordable. The Program regulation provides SCPPA Members various options for spending the value received from directly allocated allowances, with each requiring the direct and quantifiable GHG emissions

[1] SCPPA is a joint powers authority whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. Each Member owns and operates a publicly owned electric utility (POU) governed by a board of local officials. Our Members collectively serve nearly five million people throughout Southern California. Together they deliver electricity to over two million customers throughout Southern California, spanning an area of 7,000 square miles.

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reductions. Thus far, SCPPA Members have used this direct allocation of allowances to support ongoing investments in clean energy, customer-oriented energy programs, and for compliance purposes. These actions help avoid imposing potential costs associated with the Program on ratepayers, all of which have resulted in GHG reductions and protected customers from increased rates. SCPPA Members have used allowance proceeds on transportation electrification infrastructure, renewable energy investments, and energy efficiency programs. For example, this use of allowance value has helped to direct rebates to customers for electric vehicle chargers, support electrification for buildings and vehicles, provide projects like community shared solar, and home energy improvement programs. Investments in renewable energy help SCPPA Members meet escalating renewable energy goals while minimizing the need to raise rates to support compliance with the Program. These types of investments and programs lead to long-term benefits that directly benefit SCPPA Member communities while maintaining affordable electricity in support of the state’s climate goals. Without these directly allocated allowances, some SCPPA Members would be required to increase rates by 10% or more, to comply with the Program.

In order to best protect ratepayers and advance the state's climate change goals, it is critical that the Program maintain consistent and historic treatment for all electric utilities, specifically allowing POUs and their governing boards to determine how to best utilize directly allocated allowances. The decisions made by individual POUs have anchored many of the leading clean energy investments and programs that have led to significant GHG reductions. Market-based programs are successful when the participants have confidence in the market without restrictive requirements that prevent effective participation.

Workshop Feedback

CARB presented potential changes to the Cap-and-Trade compliance periods, including Option 1 (longer compliance periods of 4 years ending in 2030 followed by 5 years for subsequent compliance periods) or Option 2 (alternating between 2- and 3-year periods with an initial transition 2-year period). Shorter compliance periods lead to higher financial risk for SCPPA Members and other regulated parties, both in terms of market dynamics and uncertainties around timelines for clean energy project development. This is especially true in the electricity sector, where annual emissions and energy costs are highly dependent on variable weather and precipitation totals, as well as the inherent challenges SCPPA Members are facing with spearheading emerging technologies and new clean energy projects, such as supply chain disruptions that can cause delays.

To participate in the quarterly joint auctions, SCPPA Members must acquire upfront funds from banks, requiring lines of credit or bonds. Having shorter compliance periods would also require SCPPA Members to obtain these funds more frequently, creating more financial risk and administrative burden. Many SCPPA Members have limited staff resources and would face additional administrative burden under the Program if compliance periods are shortened. Finally, SCPPA recognizes that generally, longer compliance periods allow for more flexibility market-wide, which should support lower prices, all else equal, and help mitigate a wide array of unforeseen variables. As such, SCPPA recommends that CARB limit any changes to compliance periods to either “Option 1’s” longer compliance periods or maintaining the status quo.

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Additionally, to promote meaningful stakeholder participation, SCPPA requests that CARB host in-person workshops regarding the Program, and specifically for Program amendments, when possible.

Conclusion

While SCPPA anticipates having substantially more input after the next workshop on allowance allocation, SCPPA appreciates this opportunity to provide feedback to CARB regarding the April 23, 2024, workshop on Potential Amendments to the Cap-and-Trade Regulation. We look forward to further collaborating with CARB as the Program is developed.

Elisabeth de Jong

Elisabeth de Jong
Government Affairs Manager
Southern California Public Power Authority
915 L St., Suite 1410
Sacramento, CA 95814