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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
# INDEX

<table>
<thead>
<tr>
<th>Item</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledge of Allegiance</td>
<td>1</td>
</tr>
<tr>
<td>Roll Call</td>
<td>1</td>
</tr>
<tr>
<td>Item 17-7-1</td>
<td></td>
</tr>
<tr>
<td>Chair Nichols</td>
<td>3</td>
</tr>
<tr>
<td>Executive Officer Corey</td>
<td>4</td>
</tr>
<tr>
<td>Staff Presentation</td>
<td>5</td>
</tr>
<tr>
<td>Mr. Ulmer</td>
<td>20</td>
</tr>
<tr>
<td>Ms. Parsons</td>
<td>22</td>
</tr>
<tr>
<td>Ms. Berlin</td>
<td>24</td>
</tr>
<tr>
<td>Board Discussion and Q&amp;A</td>
<td>27</td>
</tr>
<tr>
<td>Motion</td>
<td>31</td>
</tr>
<tr>
<td>Vote</td>
<td>31</td>
</tr>
<tr>
<td>Adjournment</td>
<td>32</td>
</tr>
<tr>
<td>Reporter's Certificate</td>
<td>33</td>
</tr>
</tbody>
</table>
CHAIR NICHOLS: Good morning, everyone. The June 29th, 2017, public meeting of the Air Resources Board will come to order.

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

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

Thereupon the Pledge of Allegiance was Recited in unison.

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

BOARD CLERK McREYNOLDS: Dr. Balmes?
BOARD MEMBER BALMES: Here.

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

BOARD MEMBER EISENHUT: Here.

BOARD CLERK McREYNOLDS: Senator Florez?
Assembly Member Garcia?
Supervisor Gioia?
Senator Lara?
Ms. Mitchell?

BOARD MEMBER MITCHELL: Here.

BOARD CLERK McREYNOLDS: Mrs. Riordan?

BOARD MEMBER RIORDAN: Here.
BOARD CLERK McREYNOLDS: Supervisor Serna?
BOARD MEMBER SERNA: Here.
BOARD CLERK McREYNOLDS: Professor Sperling?
Dr. Sherriffs?
BOARD MEMBER SHERRIFFS: Here.
BOARD CLERK McREYNOLDS: Ms. Takvorian?
Vice Chair Berg?
VICE CHAIR BERG: Here.
BOARD CLERK McREYNOLDS: Chair Nichols?
CHAIR NICHOLS: Here.
(Clerk pauses.)
(Supervisor Gioia arrives.)
BOARD CLERK McREYNOLDS: Madam Chair, we have a quorum.
CHAIR NICHOLS: Thank you.
We have one item on the agenda this morning.
Before we get to that though, I need to make the announcement that we do have interpretation services available for Spanish; and the headsets are available outside the hearing room. And you can pick them up at any time.

Madam Translator.
(Chair Nichols' announcement translated.)
CHAIR NICHOLS: Thank you.
Anyone who wishes to testify should fill out a
request-to-speak card. They are also available in the
lobby outside the room, and need to be turned in to the
assistant at the beginning of the item, please.

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

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

BOARD MEMBER SERNA: You're safe here.
CHAIR NICHOLS: Good. Okay.
And I think that is -- that is it.
So our item for today is the proposed amendments
to the regulation for mandatory reporting of greenhouse
gas emissions.

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

These amendments are targeted revisions to
clarify our existing regulation related to how entities
report and to make sure that it aligns with the Cap-and-Trade Program and implements the U.S. EPA Clean Power Plan requirements.

Mr. Corey, will you please introduce this item.

EXECUTIVE OFFICER COREY: Yes, thanks, Chair Nichols.

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

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

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

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

Today is staff is proposing regulatory amendments for approval by the Board. The proposed modifications and clarifications will better ensure accurate and consistent
data are collected and quality assured. This information is needed to ensure consistency with benchmarking, allocation of allowances, and the calculation of compliance obligations under the Cap-and-Trade Program.

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

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

Syd.

(Thereupon an overhead presentation was Presented as follows.)

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

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

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AIR POLLUTION SPECIALIST PARTRIDGE: The amendments we are proposing today provide updates necessary to ensure that reported data are accurate, complete, and fully support ARB's climate change programs.
The proposed revisions were developed in coordination with affected stakeholders who provided helpful comments to staff during the 45-day comment period and two subsequent 15-day comment periods.

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

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

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

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

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

First, we have stationary-source facilities with GHG emissions of more than 10,000 metric tons of carbon dioxide equivalent, or CO$_2$e, per year.

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

In addition, fuel suppliers, including transportation fuel and natural gas suppliers with emissions over 10,000 metric tons CO$_2$e are subject to reporting.

To ensure the high quality and accuracy of submitted data, all reporting entities that emit over 25,000 metric tons of CO$_2$e or are otherwise subject to the Cap-and-Trade Regulation are required to have their data
fully verified by an ARB-accredited independent third-party verification body.

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

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

We have also included clarifications and updates for the petroleum and natural gas production sector and for fuel suppliers. We've also provided updates for electric power entities or importers of electricity to California, and have proposed moving the annual verification deadline up by approximately three weeks,
from September 1st to August 10th.

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

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

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

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

For the oil and gas sector, staff is proposing to modify the applicability requirements for small oil and gas producers to include flaring emissions. We have also proposed an update to the point of regulation for imported for imported liquefied petroleum gas and liquefied natural gas. The proposal moves the point of regulation for these fuels upstream to the importer of the fuel rather than the
consignee of the fuel under the current regulation. This change is needed to fully account for the emissions from the combustion of fuels imported into California. Other updates are intended to clarify reporting applicability for reporters that are both fuel suppliers and direct emitters, and the emissions sources that must be reported for natural gas processing plants.

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

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AIR POLLUTION SPECIALIST PARTRIDGE: The Mandatory Reporting Regulation provides critical emissions, product, and other data needed for Cap-and-Trade Program implementation. Therefore, we need to make several updates to the reporting regulation for consistency and conformance with the proposed 2016 Cap-and-Trade Regulation amendments.
Specifically, the updates to align with Cap-and-Trade Regulation are necessary to support the calculation of compliance obligations and allowance allocations. We have proposed several minor changes necessary to collect complete and accurate data that is used to calculate this information.

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

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

The proposed updates also replace the existing
flash emissions test method with a revised method, which
is needed to improve data quality and provide consistency
with other ARB programs.

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

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

To facilitate the verification process and better
assure accurate reporting, staff is proposing to add a new requirement to report the volume of transportation fuel that is excluded by the supplier from emissions reporting and cap-and-trade obligations due to export out of California or use in either aviation or marine applications.

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

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

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

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AIR POLLUTION SPECIALIST PARTRIDGE: Staff added a new subarticle to the mandatory reporting rule to
implement the collection of data to support federal Clean Power Plan requirements. The proposed amendments to support the Clean Power Plan would take effect for 2021 data reported in 2022, assuming the Clean Power Plan is upheld and there are no changes to existing EPA compliance schedule.

The proposed reporting requirements in the new subarticle add additional minor reporting criteria for power plants subject to the Clean Power Plan. As an example, affected power plants will be required to report additional watt meter data and other data to ARB that is currently reported to EPA, and all electricity-generating units must be separately reported in an emissions data report. Generally, most affected California power plants already meet the Clean Power Plan reporting requirements through compliance with the MRR, and the proposed amendments will require minimal changes to current reporting.

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AIR POLLUTION SPECIALIST PARTRIDGE: For electric power entities, or importers of electricity to California, staff is proposing several modifications to make the reporting of electricity imports more complete, robust, and transparent. We are clarifying the reporting requirements for specified source imports to ensure
accurate emissions accounting. Staff proposed to remove
exemptions to the lessor of analysis that is required for
certain renewable electricity sources. Based on
stakeholder comments, staff reevaluated the removal of
these exemptions and reinstated exemptions related to
grandfathered contracts and dynamically tagged power
deliveries. In addition, staff is proposing removal of
the provisions associated with the qualified export
adjustment which is necessary to be consistent with the
Cap-and-Trade Program's treatment of these emissions. We
have also proposed amendments to clarify the requirements
for reporting sales into the California Independent System
Operator for Cap-and-Trade Program implementation
purposes.

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

The current EIM now in use does not completely
identify the resources that may alter their dispatch to
support imports to California. While MRR accurately
tracks the volume of electricity imports identified by
CAISO's current EIM, the current system does not allow us to ensure accurate and complete identification and reporting of greenhouse gas emissions that result from electricity generation that serves California load or to address emissions leakage as required under AB 32.

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

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

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AIR POLLUTION SPECIALIST PARTRIDGE: One additional change staff is proposing is moving the annual verification deadline up from September 1st of each year to August 10th. This change is necessary to support the
implementation of the Cap-and-Trade Program. Currently, reporting and Cap-and-Trade Program staff only have a few weeks to perform data quality assurance checks, calculate and notify entities of compliance obligations, and allocate allowances prior to the November 1st cap-and-trade compliance deadline.

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

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

Moving the verification deadline will ensure that entities have time to review their assigned compliance obligations and engage with staff if they have questions on those compliance obligations prior to purchasing compliance instruments for the Cap-and-Trade Program by
the compliance deadline of November 1st. We believe that
the August 10th deadline can successfully be met by
reporters and verifiers if they start early to choose in
contract with a verification body, begin the verification
immediately after the completed reports are submitted, and
maintain consistent engagement throughout the verification
process.

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

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

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AIR POLLUTION SPECIALIST PARTRIDGE: Prior to
concluding this Board item today, the Board will consider
a resolution to approve the proposed amendments to MRR.
If approved by the Board, staff will submit the full
regulation package to the Office of Administrative Law in July 2017, with the expectation that the amended regulation will become effective on January 2nd, 2018.

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

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

Thank you for your time today. This concludes my presentation, and staff will be happy to answer any questions you may have.
CHAIR NICHOLS: Thank you. This is, as you say, the second time we've seen this item, and I think Board members are pretty familiar with the details and probably are even having flashbacks to the last hearing. In my case, the one that seems the most significant of course is the issue of the relationship between our existing Cap-and-Trade Program and the Energy and Balance Market and how that has all been worked out. So I'm glad to see that the first witness who signed up was Andrew Ulmer from the California ISO.

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

Great.

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

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

We're also the market operator for the western Energy and Balance Market. And that market effectively allows participating balancing authorities in the western interconnection to transfer electricity among one another. And it's one of the issues in the proposed amendment with respect to how to account for electricity imports into the ISO that arise as a result of these transfers.
I was going to make a quick attempt to explain our least cost dispatch optimization. My wife said it would not be a good use of time at the --

(Laughter.)

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

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

MR. ULMER: We can certainly accommodate that.

But I do want to make two points.

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

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

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

  CHAIR NICHOLS: Any questions?
  No.

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

  (Laughter.)

  CHAIR NICHOLS: -- we are making good progress.
  MR. ULMER: Yeah, all for the good.
  Thank you.

  CHAIR NICHOLS: Thank you.
  Okay. Cindy Parsons.

  MS. PARSONS: Good morning, Chairwoman Nichols, members of the Board. Cindy Parsons with the Los Angeles Department of Water and Power. We did submit written comments on the amendments to the mandatory reporting reg.

  I'd like to highlight a couple of those comments.

  One of the concerns we did have was with the verification deadline change. We had proposed a couple of suggestions, which I understand that staff is moving forward with a single verification deadline for all
We had proposed having two different reporting deadlines, depending on -- or two different verification deadlines, depending on the reporting deadline. So the reports that were due April 10th would have the August 10th verification deadline, and the ones that are due on June 1st would have a September 1st deadline.

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

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

So just want keep the door open to that.

And then, in addition, we were thinking that there should be some sort of mechanism for reporters to request an extension if necessary, just in case they run into trouble and have unresolved problems that could result in an adverse verification statement; where if they had a little extra time, they might be able to resolve that. And we haven't heard any discussion about having such a possibility of an extension. I know it hasn't been in practice up until now.
But just again a suggestion.
And we do appreciate the reinstatement of the exemptions from the lessor of analysis, because that will certainly minimize the amount of extra work that we have to do. So thank you very much for reinstating those.
And with regards to the new reporting requirements for electricity generating units, it wasn't clear to us in the rule when those requirements would take effect. I understand from the staff presentation that they would take effect in 2022 for the 2021 data, but we didn't see that in the rule. So we would appreciate it if that could be clarified.
So that's it, short and sweet. Thank you very much.

CHAIR NICHOLS: Thank you.
Good morning.

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

MSR is comprised of three municipal and publicly owned utilities that are subject to the reporting requirements that are due on June 21st. And we just wanted to make a few points on that. We really appreciate staff's proposed change from their original proposal to move that deadline up 30 days. And I appreciate that
there -- that the changes need to be made to support the Cap-and-Trade Program. We think the Cap-and-Trade Program is an essential tool and hope to be speaking in favor of that very soon.

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

And the reason for this is not because of a delay in the reporting entities getting their information together. We appreciate staff believes that we'd pursue this sooner, turn your papers in sooner, start the process sooner, that you can get done sooner. But that's not always the case. For example, for reporting for the MSR members, they have to report all the REC serial numbers for generation during the calendar year. Generation of RECs that occur in December of 2016, they're not assigned direct serial numbers until March. So those numbers are assigned in March. And then the RECs, if they weren't
owned by the generator -- or by the reporting entity need
to be transferred to the reporting entity. Then they have
those numbers, then they can finish their reports. But
we're already talking about into April, potentially May,
depending on the time frame when the RECs are transferred
to the reporting entity and so on down the line.

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

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

Thank you.

Excuse me. Of September 1st, not August.

Yeah, that's a minor detail.

(Laughter.)

Thank you very much.

CHAIR NICHOLS: Thank you.

And that concludes the list of witnesses that we
have. So I am going to close the record officially at
this time. But before calling for a resolution, I would
like to give staff an opportunity to respond to the
comments about concerns which obviously relate to whether
people might find themselves, despite best efforts, in
violation of the deadline. And I'm just wondering if you
want to comment on that.

Rajinder, would that be you?

INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF
SAHOTA: Yes, that would be me. Thank you.
CHAIR NICHOLS: Thank you.

INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF
SAHOTA: Good morning.

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

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

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

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

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

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

From the signals that we're seeing today, we think we can manage this. But of course if we see
problems, we're going to come back and make adjustments as necessary.

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

INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF SAHOTA: There's actually two reasons. We need it for the other purposes. And one of the suggestions that had been made was to move the compliance deadline for our cap and trade and keep the existing September 1 deadline for MRR. When we looked into that, we realized that it's slightly in conflict with AB 197, which is really about making data available on a more timely basis to the public. And if we shifted the compliance deadline for cap and trade, it would almost be 12 months from the end of reporting until that data was made publicly available. And so with that and the need to make sure that compliance happened in a timely manner, our recourse was to go back and look the verification part in the reporting regulation.

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

INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF SAHOTA: We have. The staff has been reaching out to
verifiers, making sure that they understand what
opportunities there are for streamlining.

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

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

Yes, go ahead.

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

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

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

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

INDUSTRIAL STRATEGIES ASSISTANT DIVISION CHIEF
SAHOTA: So the way it works from now is that you have --
so this year, for 2017, you reported your data for the full 12 months of -- or 12 months in 2016. So that data's reported. It's currently past the reporting deadline, so we have that. We're in the process of verifying that data. This year, the deadline for verification is September 1.

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

VICE CHAIR BERG: Great. Thank you very much.
CHAIR NICHOLS: Okay. Seeing no further questions at this moment, may I have a motion and a second on the resolution.

BOARD MEMBER SERNA: So moved.
BOARD MEMBER BALMES: Second.
CHAIR NICHOLS: Okay. We have a motion and a second.

All in favor please say aye?
(Unanimous aye vote.)
CHAIR NICHOLS: Opposed?
Abstentions?
CHAIR NICHOLS: Okay. That concludes the business that we have before us at this meeting. This is obviously an unusual situation that we find ourselves in,
having moved meetings around this last month. And I really appreciate the flexibility of the Board members in making themselves available for this. It's been I know a strain for a number of you to make the time to be here. So a just want to let you know that we appreciate it very much.

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

So thanks to all.

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

(Laughter.)

BOARD MEMBER SERNA: A very short commute.

(Laughter.)

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

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

(Thereupon the Air Resources Board meeting adjourned at 10:39 a.m)
CERTIFICATE OF REPORTER

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