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April 22, 2019

Jim Duffy
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: California Municipal Utilities Association's Comments on California Air Resources Board's Public Workshop to Discuss Potential Amendments to the Cost Containment Features of the Low Carbon Fuel Standard.

Dear Mr. Duffy,

The California Municipal Utilities Association ("CMUA") appreciates the opportunity to submit these comments on the California Air Resources Board's ("CARB") Public Workshop to Discuss Potential Amendments to the Cost Containment Features of the Low Carbon Fuel Standard ("LCFS") held on April 5, 2019 ("Workshop").

CMUA is a statewide organization of local public agencies in California that provide electricity and water service to California consumers. CMUA membership includes publicly-owned electric utilities ("POUs") that operate electric distribution and transmission systems. In total, CMUA members provide approximately 25 percent of the electric load in California. California's POUs are committed to, and have a strong track record of, providing safe, reliable, affordable and sustainable electric service.

CMUA supports the LCFS program as an essential and effective strategy for diversifying California's transportation fuels and advancing the state's climate change goals by significantly reducing greenhouse gas ("GHG") emissions from the transportation sector. CMUA supports CARB's efforts to firm up the structure of the

LCFS and provide the market the regulatory certainty needed to promote investment in low carbon transportation technologies. As such, the proposals presented at the workshop not only strengthen LCFS cost containment features, but also facilitate the investment needed for California to achieve its clean transportation and GHG reduction goals.

CMUA Supports Staff's Price Cap Proposal

CMUA supports the current Credit Clearance Market ("CCM") component of the LCFS.¹ At the Workshop, as a means to supplement the current CCM, CARB staff presented a potential price cap as a cost containment concept.² A price cap can provide the regulatory structure to promote stakeholder confidence in the ongoing successful operation of the LCFS program. By implementing a price cap, CARB can demonstrate its commitment to facilitate the continued success of the LCFS. Additionally, this can provide technology developers, low carbon-intensity transportation fuel suppliers, regulated parties and other stakeholders confidence that the LCFS will continue to promote low carbon transportation alternatives. A price cap supports the long-term sustainability of the LCFS by providing consumer protection while maintaining the economic incentive to invest in low carbon transportation technology. Additionally, by supporting the long-term sustainability of the regulation, CARB is able to send a signal to policy-makers in other regions that programs developed in California can be a successful means of moving toward a low carbon transportation future.

Staff's Advanced Credit Concept Can Provide Greater Cost Containment and Help to Accelerate Investment in Low Carbon Transportation Technology.

¹ See 17 Cal. Code Regulation ("CCR") § 95485(c).

² Workshop Presentation, p. 14.

CMUA encourages CARB to pursue staff's concept of Advanced Credits. By authorizing the use of Advanced Credits, CARB recognizes that reaching the state's low carbon transportation goals requires longer term actions. By making Advanced Credits available for compliance, parties regulated under the LCFS can, with greater confidence, make investments in low carbon transportation technologies and not be as limited by immediate compliance constraints.

As proposed at the workshop, CARB would issue Advanced Credits when the cumulative outstanding deficit exceeds the Pledged Credits in the credit clearance market.³ CARB would draw Advanced Credits based on electricity distribution utilities' ("EDU") future non-metered residential electricity deliveries. The EDUs would then receive the revenue from the sales of the Advanced Credits and be authorized to invest the revenue to (1) benefit current and future EV drivers in California; (2) educate the public on the benefits of EV transportation; and (3) provide rate options that encourage off-peak charging and minimize adverse impacts to the electrical grid.⁴ By making this revenue available earlier, the Advanced Credit proposal provides an opportunity for EDUs to make investments in low carbon transportation earlier than would otherwise be possible. This could further accelerate the state's move toward a low carbon transportation future. As such, the Advanced Credit proposal not only strengthens the cost containment features of the LCFS but also increases the impact of the LCFS as a means of promoting low carbon transportation technologies.

³ *Ibid.*, p. 15.

⁴ See 17 CCR § 95491(d)(3).

Opt-In Utilities Should Be Able to Volunteer to Issue Advanced Credits

As referenced above, CARB would determine when Advanced Credits would be issued. EDUs would have neither the choice to opt out of the Advanced Credit draw nor the choice to offer Advanced Credits in a scenario in which CARB did not advance any credits. However, as discussed above, Advanced Credits can provide a means to accelerate investments in low carbon transportation technologies and as a result, expedite the state's clean transportation and GHG reduction goals. CMUA encourages CARB to investigate the potential for EDUs to voluntarily provide Advanced Credits. This could be facilitated in various ways and CMUA encourages CARB to investigate this in a future workshop.

Conclusion

CMUA appreciates the opportunity to comment on the proposed cost containment concepts and looks forward to continuing to work with CARB on the LCFS.

Respectfully submitted,

/s/

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