

Letter  
021

**From:** Crews, Michael [<mailto:mcrews@SempraGlobal.com>]

**Sent:** Friday, September 22, 2017 12:02 PM

**To:** Jacob, Dianne

**Cc:** Cox, Greg; Gaspar, Kristin; Ron-Roberts; Horn, Bill; Aghassi, Sarah; Robbins-Meyer, Helen

**Subject:** Sempra Services Letter on SD County Draft CAP

Hello,

Please see the attached letter from Mr. Frank Urtasun in regards to the County's draft CAP.

I 021-1

Best regards,

Michael Crews

*Sempra Services Corporation*

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## Response to Comment Letter O21

**Sempra Services Corporation**

**Frank Urtasun**

**September 25, 2017**

**O21-1** The comment provides introductory remarks. No further response is required.

Sempra Services Corporation

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September 22, 2017

Honorable Dianne Jacob, Chair  
San Diego Board of Supervisors  
1600 Pacific Highway  
San Diego, CA 92101

Re: Comments on Draft Climate Action Plan

Dear Chair Jacob:

The comments of Sempra Services Corporation (Sempra Services) on the County's draft Climate Action Plan (CAP) are set forth below. We appreciate your consideration of these comments.

Sempra Services applauds the County for seeking ways to reduce GHG emissions through its draft Climate Action Plan. To ensure that measures taken to implement the CAP maximize all cost-effective emission reduction opportunities and achieve real and additional emission reductions, Sempra Services offers the following comments on the County's draft CAP:

1. Measures taken to implement the CAP must actually reduce greenhouse gas (GHG) emissions: In the electricity generation sector, new renewable energy projects must be built to incrementally reduce GHG emissions and meet the County's goal of 90-percent renewable energy for all energy demand in unincorporated areas of San Diego County by 2030. Claiming credit for emissions reductions that are already occurring from existing renewable energy resources would fail to achieve this objective and fail to create new jobs.
2. The County has a unique opportunity to take significant actions to reduce emissions in the transportation sector and should leverage this opportunity to the maximum extent possible.

The forgoing points are discussed in greater detail below.

**I. The Renewable Energy Measure Should Be Modified to Ensure that it Achieves Actual and Additional Emission Reductions**

The CAP correctly notes that:

*"Transitioning from fossil fuels to renewable energy for electricity generation will reduce emissions and provide a more sustainable source of electricity. This strategy focuses on increasing the amount of onsite renewable electricity at existing and new residential and non-residential development, including at County facilities. In addition, the strategy also establishes a Renewable Energy Program to achieve 90% renewable electricity county-wide by 2030."*

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**O21-2**

The comment asserts that the CAP must result in real GHG emissions reductions and that the CAP should focus on the transportation sector. The County agrees with the commenter that the ability to achieve 90% renewable energy supplies would require new renewable energy sources and is likely predicated upon the development of new large-scale renewable energy systems, as is analyzed throughout the Draft SEIR. The CAP contains 11 strategies, 30 GHG reduction measures, and numerous supporting efforts that are organized under five GHG emissions categories including built environment and transportation, energy, solid waste, water and wastewater, and agriculture and conservation to achieve the targets and goal as detailed within the CAP. Please see Master Response 9 related to selection of CAP measures and Master Response 6 related to transportation GHG reduction measures. This comment is acknowledged. This comment does not address the adequacy of the Draft SEIR. The comment will be included in the Final EIR and made available to the decision makers prior to a final decision on the project.

**O21-3**

The comment states the opinion that only long-term investments in renewable energy systems can result in the GHG reductions proposed in the CAP, and the CAP should be revised to reflect this condition. The County acknowledges this comment. The County agrees with the commenter that the ability to achieve 90% renewable energy supplies would require new renewable energy sources, and is likely predicated upon the development of new large-scale renewable energy systems, as is analyzed throughout the Draft SEIR. The comment offers no evidence to support its opinion. This comment does not address the adequacy of the Draft SEIR. The comment will be included in the Final EIR and made available to the decision makers prior to a final decision on the project.

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*Renewable energy sources do not generate air emissions and have the co-benefit of improving public and community health. Onsite renewable electricity can also help consumers become self-sufficient and reduce their utility bills, resulting in cost savings. Increased renewable electricity production, both through distributed generation and large-scale facilities, can help generate green jobs locally.<sup>1</sup>*

In order to help achieve the goals outlined above, the CAP proposes to “achieve 90% renewable electricity for the unincorporated county by 2030 to lower GHG emissions by relying on cleaner electricity.” The CAP notes that:

*“This target will be achieved through the establishment of a Renewable Energy Program, which could include a partnership with SDG&E, Community Choice Aggregation or another similar program. The County could also investigate opportunities to develop a regional or joint effort with other jurisdictions seeking to achieve similar renewable energy goals through a partnership (e.g., Joint Powers Authority). A Renewable Energy Program will allow the County to purchase power on behalf of its residents and businesses to provide cleaner power options, as enabled by State policy. Under this program, SDG&E would still transmit and distribute electricity to County residents and businesses.”<sup>2</sup>*

Sempra Services submits that the benefits outlined in the CAP can only be created through long-term investments that lead to new renewable generation construction. To the extent that CAP goals are met through short-term contracts with existing resources that have not been constructed to meet electricity demand in San Diego County,<sup>3</sup> additional emission reductions will not result, public and community health will not be improved, and new job opportunities will not be created.

Under the existing CAISO market structure, renewable resources will generate electricity whenever the renewable resource is available (i.e., solar generation generates electricity whenever it is sunny and wind generation generates electricity whenever it is windy). This is because the CAISO runs on the basis of security constrained least cost economic dispatch, which basically means that the resource with the lowest cost that can be physically dispatched to load will run. The sun and wind are free, while the input fuel for a natural gas plant has a cost. Put another way, renewable generation has a variable cost near zero.

As the United States Department of Energy has explained to Congress, renewable resources have a very low marginal cost and are run whenever they can be physically dispatched to load:

<sup>1</sup> See, CAP, at p. 3-51.

<sup>2</sup> See, CAP, at p. 3-52.

<sup>3</sup> SDG&E has entered into long-term contracts that have led to new renewable generation construction. To the extent to which SDG&E extends or otherwise renews those contracts, additional emission reductions will have been created in response to electricity demand in unincorporated areas of San Diego County.

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*"Generally, system operators accept as much electricity as possible from renewable resources, regardless of whether it is utility or non utility generation, because of its low cost and only curtail reliance on these sources when forced to by limits on transmission availability or reliability considerations. Most wind and solar generation units are not dispatchable in the traditional sense (i.e., cannot be precisely controlled by the grid operator), but their output is accepted as must-run or must-take production."*<sup>4</sup>

The forgoing testimony explains why existing renewable resources will run and reduce emissions, with or without a contract with a load serving entity. Moreover, renewable generation can earn money when prices go negative. "For wind, the PTC's after-tax value of up to \$37/MWh means operators can afford to sell as low as negative \$35/MWh and still potentially benefit . . ." <sup>5</sup> What that means is that wind generators earn money without any contract, at spot prices as low as negative \$35/MWh. Similarly, solar generators can earn money when negative prices approach the absolute value of a Renewable Energy Certificate. For these reasons, contracts with existing renewable resources cannot result in any material level of additional renewable production or additional emission reductions.<sup>6</sup> It can only determine who gets credit for the renewable generation and emission reductions that will already occur with or without that contract. If a short-term contract is executed with an existing resource at above-market rates, it will merely export wealth from San Diego to other areas, without creating any incremental environmental benefit.

Under these circumstances, it is clear additional emission reductions, improved public and community health, and new job opportunities can only be created by increasing the amount of renewable generation that exists. New renewable generation will only be constructed with adequate assurance of investment recovery/return, which generally requires a long-term contract.

For the forgoing reasons, Sempra Services submits that the renewable energy measure should be revised to specifically include a condition that the renewable energy goal should be met through long-term contracts and/or investments that lead to additional renewable generation that is constructed to meet energy demand in unincorporated San Diego County. Any approach to shortcut this requirement would fail to achieve San Diego County's Climate Action Plan GHG goals.

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## II. The CAP focuses too Little Attention on the Largest Source of Emissions in San Diego County I O21-4

<sup>4</sup> See, U.S. Department of Energy, 2011/2012 Economic Dispatch and Technological Change, Report to Congress, September 2012, at p. 4, <https://energy.gov/sites/prod/files/2014/12/f19/2011-2012-EconomicDispatch-TechChange-RptCongress.pdf>.

<sup>5</sup> See, <http://www.utilitydive.com/news/prognosis-negative-how-california-is-dealing-with-below-zero-power-market/442130/>.

<sup>6</sup> See, <http://www.utilitydive.com/news/prognosis-negative-how-california-is-dealing-with-below-zero-power-market/442130/>.

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**O21-4** The comment suggests that the CAP should include additional measures related to the transportation sector, specifically by eliminating barriers to alternative fuel use. In response to similar comments, the County has included Measure T-3.5 to increase the uptake of EVs throughout the unincorporated County. Please see Master Response 9 related to selection of CAP measures and Master Response 6 related to transportation GHG reduction measures. The County acknowledges this comment. This comment does not address the adequacy of the Draft SEIR. The comment will be included in the Final EIR and made available to the decision makers prior to a final decision on the project.

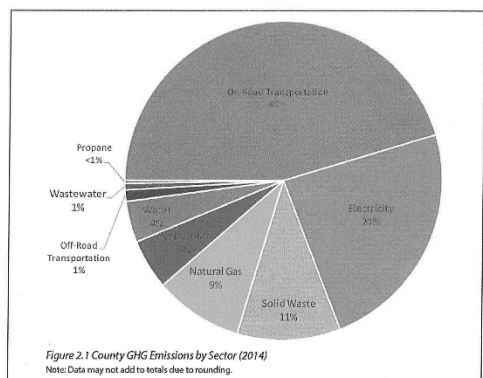
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The CAP acknowledges that the most significant source of emissions in San Diego County is the transportation sector:

*"Given that the largest source of emissions in the unincorporated county is the On-Road Transportation sector, the CAP proposes several measures under the "Built Environment and Transportation" category to reduce the number and length of vehicle trips. These measures include a proposal to update 10 community plans by 2030 to facilitate village development, and another to acquire open space lands, together supporting implementation of General Plan recommendations for targeted growth and conservation. Despite the magnitude of these and other measures, the County has limited options under its control for implementing transportation-based strategies. Consequently, the measures rely heavily on energy-based solutions to meet the County's commitments."*<sup>7</sup>

In fact, as the following chart demonstrates, transportation constitutes 45% of emissions sources in the county. By contrast, the electricity sector accounted for 24% of emissions in the County in 2014 (due to significant recent increases in renewable energy procurement by SDG&E, emissions in the transportation sector were likely significantly lower in 2016 and 2017 than in 2014).

O21-4  
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<sup>7</sup> See, CAP at p. ES-4

<sup>8</sup> See CAP, at p. 2-5.

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As the following chart illustrates, although it accounts for 45% of emissions in the County, the CAP would only look to the transportation sector to achieve 13% of the emission reductions the County seeks to achieve. By contrast, the CAP would look to the electricity industry for 24% of the emission reductions that are targeted under the CAP, in addition to the reductions that will occur under the state's Renewable Portfolio Standard, and do so without any consideration as to whether this is the most cost-effective way to reduce this level of emissions.

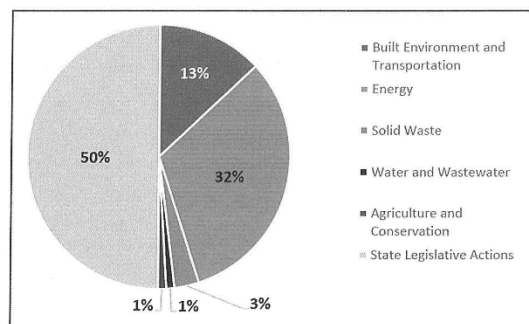


Figure 3.1 Total GHG Reductions from Strategies and State Actions in 2030

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The CAP attempts to justify this disproportionate treatment of industry sectors on grounds that "the County has limited options under its control for implementing transportation-based strategies":

*"Given that the largest source of emissions in the unincorporated county is the On-Road Transportation sector, the CAP proposes several measures under the "Built Environment and Transportation" category to reduce the number and length of vehicle trips. These measures include a proposal to update 10 community plans by 2030 to facilitate village development, and another to acquire open space lands, together supporting implementation of General Plan recommendations for targeted growth and conservation. Despite the magnitude of these and other measures, the County has limited options under its control for implementing transportation-based strategies. Consequently, the measures rely heavily on energy-based solutions to meet the County's commitments."*<sup>10</sup>

<sup>9</sup> See, CAP, at p. 3-3.

<sup>10</sup> See, CAP at p. ES-4.

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Sempra Services submits that the County's opportunities to reduce emissions in the transportation sector are far more expansive than envisioned under the CAP. The County is uniquely positioned to facilitate movement towards far greater emission reductions in the transportation sector because a significant number of the vehicle miles traveled in San Diego County begin in one area of the County and end in another area within San Diego County. This creates a tremendous opportunity for San Diego County to analyze, in partnership with individual cities and SANDAG where most of these vehicle miles begin and end, as well as impediments to the use of alternate fuel transportation by the drivers who are making these trips. On the basis of this analysis, the County could implement measures in partnership with cities and SANDAG that are designed to eliminate identified impediments to alternate fuel transportation use, such as ensuring the existence of adequate recharging facilities where most trips within San Diego County begin and end, and adoption of other incentives that lead to additional alternate fuel vehicle purchases and use throughout the County. By working in partnership with all of the cities in San Diego County on such a project, the County could advance its CAP goals, as well as those of each individual city in San Diego County in a more effective manner. This would significantly reduce emissions in the highest emitting industry sector while supporting other emission reduction efforts throughout the entire San Diego region.

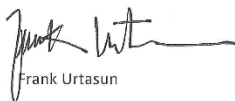
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### III. Conclusion

Sempra Services shares the goal of San Diego County to reduce emissions. As is explained above, Sempra Services believes the CAP should be revised to ensure that implementation measures achieve real and additional emission reductions and in ways that would effectively leverage the County's unique opportunity to reduce emissions in the transportation sector throughout San Diego County.

O21-5

Sincerely,



Frank Urtasun

cc: Honorable Greg Cox  
Honorable Kristin Gaspar  
Honorable Ron Roberts  
Honorable Bill Horn  
Ms. Sarah Aghassi  
Ms. Helen Robbins-Meyer

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**O21-5** The comment summarizes the individual comments in the letter and provides concluding remarks. No further response is required.