Comment Letter #94

Los Angeles County Business Federation
Strengthening the Voice of Business Since 2008

10.18.22

Mr. Ian MacMillan
Assistant Deputy Executive Officer
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

Via email

Re: BizFed Comments on the SCAQMD Revised Draft 2022 Air Quality Management Plan

Dear Mr. MacMillan:

We are contacting you on behalf of BizFed, the Los Angeles County Business Federation. We are an alliance of over 220 business organizations who represent over 410,000 employers in Los Angeles County, including large and small businesses from a wide range of industries throughout the South Coast Air Basin (SCAB). We are writing to comment on the appendices to the South Coast Air Quality Management District (SCAQMD or District) Draft 2022 Air Quality Management Plan (AQMP or Plan). Many of the businesses we represent have or will be writing their own individual comment letters that specifically address the impacts to their industries. Our comments address the impacts to the business community as a whole and include overarching concerns of our diverse membership.

We would like to thank the District for its tireless work improving air quality in the SCAB. Like you, we desire to see continued emissions reduction while maintaining the region's economic vitality. We appreciate the staff and Board's diligence in bringing diverse groups to the table to map out the most effective AQMP as possible.

The 2022 AQMP is a regional blueprint for achieving the 2015 national ambient air quality standards (NAAQS) for ground level ozone of 70 parts per billion (ppb).[1] The District faces unique challenges in achieving the 2015 NAAQS for ground level ozone, including unique topography and meteorology, as well as sources of significant ozone pollution for which the District has limited control authority, such as mobile source emissions. Additionally, climate change is playing a significant role in ozone production. Higher temperatures produce more biogenic and evaporative VOC emissions and result in greater risk of wildfire emissions that contribute to ozone formation. Additionally, climate change is resulting in higher temperatures in spring and fall, resulting in longer ozone formation seasons. The 2022 AQMP projected emissions must consider the increased ozone resulting from climate change.

On September 2, 2022, the District released the Revised Draft 2022 AQMP.[2] The Draft Socioeconomic Report for the Revised Draft AQMP (Socioeconomic Report) was subsequently released on October 1, 2022.[3] The 2022 AQMP relies on a significant transition to zero emission (ZE) technologies. BizFed notes that historically, SCAQMD has remained neutral on fuel and technology in rulemakings to allow compliance flexibility and achievement of emission reductions at a more reasonable cost. BizFed strongly recommends that the 2022 AQMP include a technology and fuel neutral policy.

[1] 2015 Revision to 2008 Ozone NAAQS. Available at: https://www.federalregister.gov/documents/2015/10/26/2015-26594/national-ambient-air-quality-standards-for-ozone.
[2] 2022 Revised Draft AQMP. Available at: http://www.aqmd.gov/docs/default-source/clean-air-plans/air-quality-management-plans/2022-air-quality-management-plan/revised-draft-2022-aqmp/revised-draft-2022-aqmp.pdf?sfvrsn=4.
[3] 2022 Draft AQMP Socioeconomic Report. Available at: http://www.aqmd.gov/docs/default-source/clean-air-plans/draft-socioeconomic-report.pdf?sfvrsn=4.

BizFed offers the following comments on the Revised Draft 2022 AQMP.

1. **SCAQMD is proposing a number of control measures which require electrification of equipment. SCAQMD must evaluate whether the electrical grid will have the infrastructure and grid capacity needed to support this widespread electrification proposal.**

The focus of the majority of the 2022 AQMP control measures is on deployment of ZE technologies, most of which would involve electrification.[4] Given this policy dependence on electrification, stakeholders expect that policy makers will have some basis for anticipating that widespread electrification will be a viable pathway. But neither SCAQMD or the California Air Resources Board (CARB) has actually considered whether our electric grid will have sufficient generation, transmission or distribution infrastructure to support the numerous proposed control measures which would depend on ready and abundant access to electricity.

Over the past few years, California has experienced multiple electricity outages. In the Preliminary Root Cause Analysis on the electricity outages caused by the 2020 heatwave, the California Independent System Operator (CAISO), California Public Utilities Commission (CPUC), and the California Energy Commission (CEC) concluded…[5]

In transitioning to a reliable, clean, and affordable resource mix resource planning targets have not kept pace to lead to sufficient resources that can meet demand.

The 2021 Proclamation of a State of Emergency ordered that all energy agencies act immediately to achieve energy stability, including accelerated plans for construction, procurement, and deployment of new clean energy and storage projects to mitigate the risk of capacity shortages.[6] The proclamation stated:

…there is insufficient time or supply to install new energy storage or zero-carbon energy projects to address the immediate shortfall of up to 3,500 megawatts during extreme weather events that is now projected for this summer… it is already too late, under normal procedures, to bring additional sources of energy online in time to address the previously unforeseen shortfall of up to 5,000 megawatts that is now projected for the summer of 2022.

As discussed in our letter dated July 22, 2022, California energy officials now estimate a continuing gap between energy demand and supply as follows:

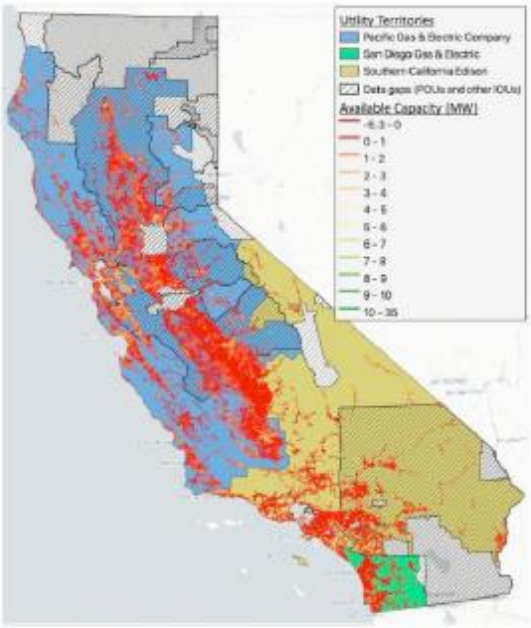
[4] SCAQMD 2022 Revised Draft AQMP, Appendix IV, Stationary and Mobile Source Control Measures. Available at: http://www.aqmd.gov/docs/default-source/clean-air-plans/air-quality-management-plans/2022-air-quality-management-plan/revised-draft-2022-aqmp/revised-draft-2022-aqmp-appendix-iv-a.pdf?sfvrsn=6.
[5] CAISO, CPUC, CEC Preliminary Root Cause Analysis, Mid-August 2020 Heat Storm. Available at: http://www.caiso.com/Documents/Preliminary-Root-Cause-Analysis-Rotating-Outages-August-2020.pdf.
[6] State of California Proclamation of A State of Emergency, July 30, 2021. Available at: https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf.

Table 1. Potential Energy Shortfall [7]

Year	California Potential Energy Shortfall (MW)
2022	3,500
2023	600
2024	2,700
2025	3,300

Along with generation capacity, the transmission and distribution infrastructure must also be considered. The CEC recently produced an analysis of locations in need of infrastructure upgrade based on capacity deficit as shown in Figure 1.[8,9]

Figure 1. Capacity Analysis from CEC's EDGE Tool (note: dark red indicates no available additional capacity)

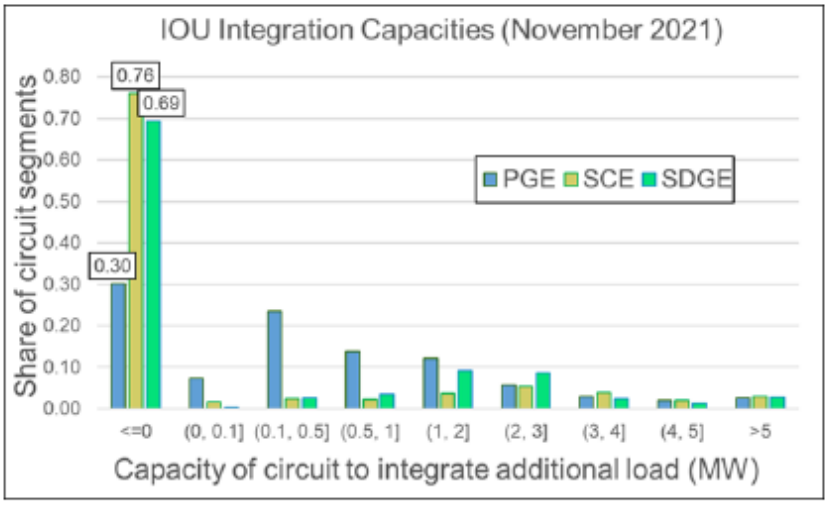


As shown in Figure 1, the California grid seemingly has little to no capacity to add electrical load on most circuits at this time.[10] CARB recently presented similar data suggesting that

[7] California Faces Summer Blackouts from Climate Extremes, Scientific American, May 23, 2022. Available at: https://www.scientificamerican.com/article/california-faces-summer-blackouts-from-climate-extremes/.
[8] CARB Advanced Clean Cars II Draft Environmental Analysis. Available at: https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2022/accii/appe1.pdf.
[9] Ibid.
[10] Ibid.

30% to 76% of circuit segments for the investor owned utilities (IOUs) have no capacity to integrate additional load (Figure 2).[11]

Figure 2: Additional Load Integration Capacity



SCAQMD has noted that the estimates of statewide ZE infrastructure needs developed by the CEC and CARB are…[12]

… largely based on a transition to ZE vehicles for on-road transportation sources, and ***do not fully address the adoption of ZE technologies by other sources, such as stationary, locomotives, and off-road equipment****. These preliminary estimates will need to be further developed to include the ZE infrastructure needs of all sources and address the unique needs of the South Coast and Coachella Valley Air Basins.* [Emphasis Added]

While SCAQMD has noted this important data gap, the 2022 Revised Draft AQMP makes no attempt to fill it even though senior executives have acknowledged the scale of these grid challenges. SCAQMD Executive Officer Wayne Nastri has recently noted that California will need to build 7 giga-watts (GW) of power per year for the next 40 years to meet projected demand.[13] To date, California has struggled to add much more than 1.2 GW in a year. Meanwhile, installed in-state electric generation capacity stopped growing over the past few years.

Figure 3 shows the installed in-state electric generation capacity by fuel type.[14] In-state electric generation capacity actually decreased between 2016 and 2020.

---

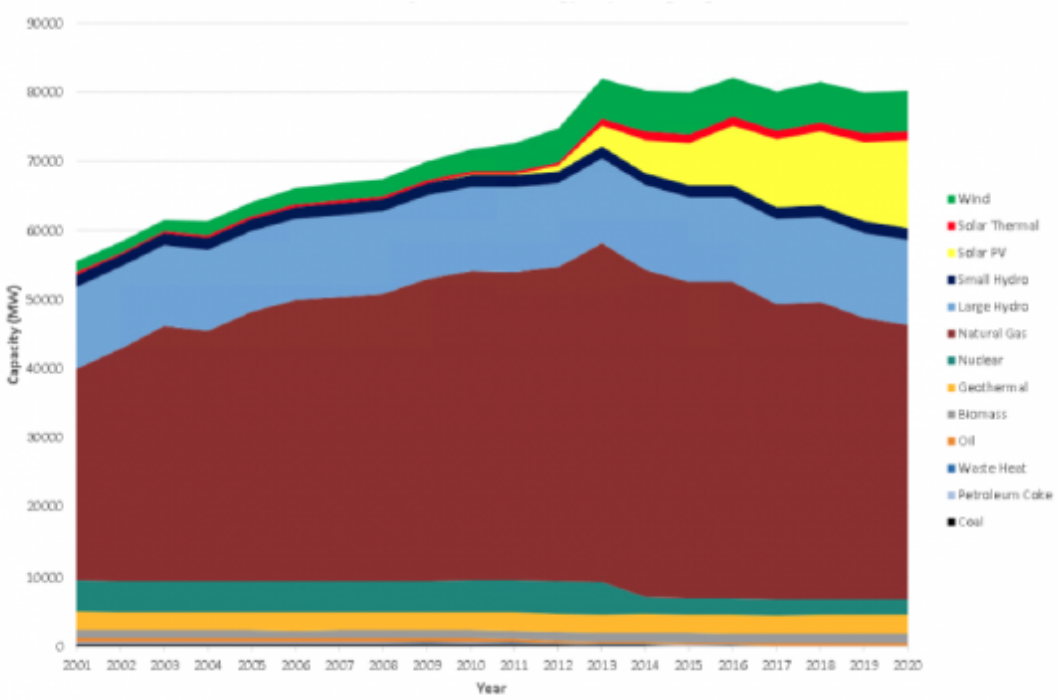
[11] CARB Virtual Medium and Heavy-Duty Infrastructure Workgroup Meeting - 01/12/22. Available at: https://www.youtube.com/watch?v=_mr0TmwxGZQ.

[12] SCAQMD 2022 AQMP Policy Brief, Infrastructure – Energy Outlook. Available at: http://www.aqmd.gov/docs/default-source/clean-air-plans/air-quality-management-plans/2022-air-quality-management-plan/combined-infrastructure---energy-outlook.pdf?sfvrsn=8.

[13] SCAQMD Legislative Committee Meeting, September 9, 2022. Meeting recording available at: http://www.aqmd.gov/home/news-events/webcast/live-webcast?ms=1jo6esFRYug.

[14] California Energy Commission Electric Generation Capacity and Energy. Available at: https://www.energy.ca.gov/data-reports/energy-almanac/california-electricity-data/electric-generation-capacity-and-energy.

Figure 3. Installed In-state Electric Generation Capacity by Fuel Type



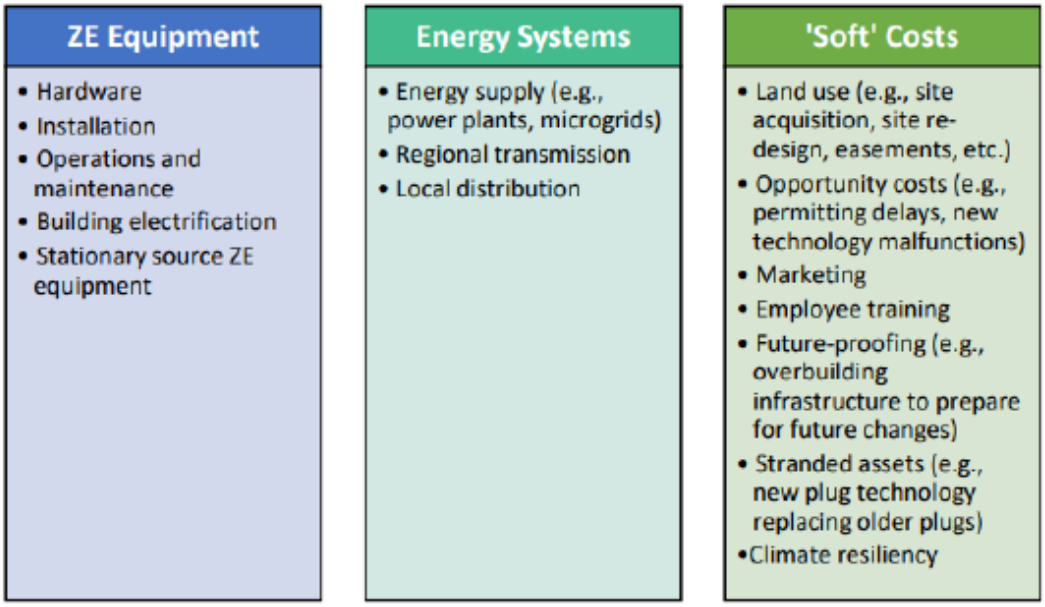
Given these recent trends, how is it possible that the grid will accommodate significantly greater transmission and distribution needs? Where and how soon will the additional generation capacity be developed? SCAQMD simply must consider electrical grid impacts prior to advancing an AQMP that depends on a wide-scale electrification of residences, industry, and businesses. To help address the gap between the availability of widescale ZE infrastructure and expected needs, SCAQMD must work with state agencies to enable more expeditious planning and build-out of grid infrastructure.

2. **The Socioeconomic Report omits costs related to installation of ZE infrastructure, especially those costs related to the electric grid. Planning level costs should be included so that the Socioeconomic Report analysis presents a more complete view of the implementation costs for the 2022 AQMP.**

The Socioeconomic Report outlines following three categories of expenditures related to installation of future ZE infrastructure[15]:

[15] 2022 Draft AQMP Socioeconomic Report. Available at: http://www.aqmd.gov/docs/default-source/clean-air-plans/draft-socioeconomic-report.pdf?sfvrsn=4.

Figure 4: Three Categories of Costs for Zero Emission Infrastructure



The Socioeconomic Report notes the challenges in quantifying the costs for ZE infrastructure, noting uncertainty in scale and distribution, with the lowest level of uncertainty for ZE Equipment and the highest level for 'soft' costs. Due to the uncertainty in costs, SCAQMD does not include 'soft' costs in the Socioeconomic Report analysis of costs related to implementation of the 2022 AQMP, stating[16]:

...further research is needed to determine how these costs for each project can be considered broadly when zero emission technologies are deployed at the scale needed to meet air quality standards.

But the AQMP is a planning document, and it is reasonable for stakeholders to expect at least planning-level estimates to have been conducted. Economy-wide electrification costs for infrastructure will be enormous. One estimate for a statewide on-road ZE fleet in California estimated cost to be $2.1 to $3.3 trillion between 2020-2050.[17] This estimate was related solely to on-road fleet transition and did not include electrical infrastructure costs related to stationary and off-road equipment. Just the same, it gives a sense of the scale for these types of infrastructure costs.

By completely omitting electrical infrastructure costs, the 2022 vastly understates the cost of the 2022 AQMP. Governing Board Member Carlos Rodriguez recently said as much when he expressed concern that the Socioeconomic Report excludes these grid infrastructure

[16] Ibid.
[17] Transportation Electrification Infrastructure Costs in California: A Meta-Study of Published Literature. Available at: https://www.arb.ca.gov/lists/com-attach/80-sp22-concepts-ws-AmNWJVA2VFgEM1Bn.pdf.

costs.[18] SCAQMD should use all available data to incorporate planning level estimates of infrastructure development costs in the 2022 AQMP.

3. **The cost to implement the 2022 AQMP is considerable, even in comparison to the 2016 AQMP. SCAQMD should consider the burden these costs place on business owners and residents who will be forced to shoulder the costs.**

The Socioeconomic Report presents the total incremental costs and quantified public health benefits of the control measures presented in the 2022 AQMP.[19] The Socioeconomic Report also presents estimates of impacts to jobs. The 2022 AQMP is significantly more costly than the 2016 AQMP and is projected to cause a staggering number of Jobs Foregone, where Jobs Foregone is defined as follows:

Jobs Foregone = Loss of Existing Jobs + Forecasted Jobs Not Created

Table 2 presents a cost and jobs foregone comparison between the 2016 and 2022 AQMPs[20, 21].

Table 2: 2022 AQMP Comparison to 2016 AQMP

	2016 AQMP Socioeconomic Report	**2022 AQMP Socioeconomic Report**
Total Incremental Cost	$15.7 billion	$34.3 billion
Average Annual Incremental Cost	$0.85 billion	$2.85 billion
Contribution to Total Annualized Cost - Stationary and Area Sources	36%	43.5%
Contribution to Total Annualized Cost - Mobile Sources	64%	56.5%
Incentives	93% of total incremental cost	10% of annual incremental cost
Jobs Impact - Best-Case Scenario	**29,000 jobs gained**	17,000 jobs foregone
Jobs Impact - Worst-Case Scenario	9,000 jobs foregone	**29,000 jobs foregone**

[18] SCAQMD Governing Board Meeting, October 7, 2022. Available at: http://www.aqmd.gov/home/news-events/webcast/live-webcast?ms=mQOlxYZ-Cm4.
[19] 2022 Draft AQMP Socioeconomic Report. Available at: http://www.aqmd.gov/docs/default-source/clean-air-plans/draft-socioeconomic-report.pdf?sfvrsn=4.
[20] Ibid.
[21] 2016 Final Socieconomic Report, 2016 AQMP. Available at: https://www.aqmd.gov/docs/default-source/clean-air-plans/socioeconomic-analysis/final/sociofinal_030817.pdf?sfvrsn=2.

And as stated above, this is not even a complete assessment. The costs presented in Table 2 do not include costs related to expansion of grid infrastructure, which could easily dwarf the costs that were included. The job impacts in the Socioeconomic Report are likely overly optimistic. SCAQMD should include costs of electric grid development in the Socioeconomic Report, as these costs will be borne both by the stationary sources and the population of the South Coast Air Basin.

4. SCAQMD must derive reasonable cost-effectiveness thresholds.

SCAQMD has proposed two options for cost-effectiveness thresholds in the 2022 revised Draft AQMP. The first option reflects the approach used in previous AQMPs and adjusting for inflation. This option results in a cost effectiveness threshold of $59,000 per ton of NOx reduced. The second option is a health benefit cost-effectiveness threshold of 325,000/ton derived from a two-part analysis. SCAQMD staff first used EPA's "Estimating the Benefit per Ton of Reducing Directly-Emitted PM2.5, PM2.5 Precursors, and Ozone Precursors from 21 Sectors", which uses the Benefits Mapping and Analysis Program Community Edition (BenMAP-CE v.1.5) to derive a cost effectiveness of $307,636/ton NOx reduced. Staff further used the 2016 socioeconomic report, which relies on the same BenMAP model and resulted in a cost-effectiveness of 342,000 per ton of NOx reduced. SCAQMD averaged these two results to arrive at the proposed cost-effectiveness threshold of $325,000/ton.

If SCAQMD wants to include all the societal benefit in estimating cost-effectiveness, then it should also include all the societal costs. Other economic costs, such as stranded assets, job losses, and consumer prices should also be factored in. SCAQMD Governing Board Member Carlos Rodriguez recently agreed, stating that in evaluating cost-effectiveness thresholds, SCAQMD should not only rely on health benefits, but also include other economic costs. [22] SCAQMD must consider what is reasonable to ensure that facilities are able to continue conducting business in the south coast air basin.

Conclusion

The District has made significant strides in air reductions during the past 30 years, despite a significant population increase, and it should be proud of its accomplishments. Those reductions were accomplished in collaboration with many stakeholders, in particular the business community. We respect that SCAQMD is placed in a uniquely challenging situation to demonstrate attainment of the 2015 ozone NAAQS, and the business community stands ready to help the District achieve all practicable reductions as soon as possible.

We look forward to continuing our work with the District to see progress made in a way that is equitable and lasting.

Thank you for your consideration of our letter. If you have any questions, please contact BizFed's Director of Policy and Advocacy Sarah Wiltfong at sarah.wiltfong@bizfed.org.

Brissa Sotelo-Vargas
BizFed Chair

David Fleming
BizFed Founding Chair

Tracy Hernandez
BizFed Founding CEO

David Englin
BizFed President

[22] SCAQMD Mobile Source Committee Meeting, September 16, 2022. Available at: http://www.aqmd.gov/home/news-events/webcast/live-webcast?ms=zSMKn4miXuk

BizFed Association Members

7-11 Franchise Owners Association for SoCal
Action Apartment Association
Alhambra Chamber
American Beverage Association
Antelope Valley Chamber formerly Lancaster Chamber of Commerce
Apartment Association of Greater Los Angeles
Apartment Association, CA Southern Cities, Inc .
Arcadia Association of Realtors
AREAA North Los Angeles SFV SCV
Armenian Trade & Labor Association
Arts District Los Angeles
Associated Builders & Contractors SoCal (ABC SoCal)
Association of Club Executives
Association of Independent Commercial Producers
AV Edge California
Azusa Chamber
Beverly Hills Bar Association
Beverly Hills Chamber
BioCom
Black Business Association
BNI4SUCCESS
Bowling Centers of SoCal
Boyle Heights Chamber of Commerce
Building Industry Association - LA/Ventura Counties
Building Industry Association of Southern California
Building Industry Association- Baldyview
Building Owners & Managers Association of Greater Los Angeles
Burbank Association of Realtors
Burbank Chamber of Commerce
Business and Industry Council for Emergency Planning and Preparedness
Business Resource Group
CABIA California Business and Industrial Alliance
Calabasas Chamber of Commerce
CalAsian Chamber
CalChamber
California Apartment Association- Los Angeles
California Asphalt Pavement Association
California Bankers Association
California Business Properties
California Business Roundtable
California Cannabis Industry Association
California Cleaners Association
California Contract Cities Association
California Fashion Association
California Gaming Association
California Grocers Association
California Hispanic Chamber
California Hotel & Lodging Association
California Independent Oil Marketers Association (CIOMA)
California Independent Petroleum Association
California Life Sciences Association
California Manufacturers & Technology Association
California Metals Coalition
California Natural Gas Producers Association
California Restaurant Association
California Retailers Association
California Self Storage Association
California Small Business Alliance
California Society of CPAs - Los Angeles Chapter
California Trucking Association
Carson Chamber of Commerce
Carson Dominguez Employers Alliance
Central City Association
Century City Chamber of Commerce
Cerritos Regional Chamber of Commerce
Chatsworth Porter Ranch Chamber of Commerce
Citrus Valley Association of Realtors
Claremont Chamber of Commerce
Commercial Industrial Council/Chamber of Commerce
Compton Chamber of Commerce
Construction Industry Air Quality Coalition
Construction Industry Coalition on Water Quality
Council on Infill Builders
Covina Chamber
Crenshaw Chamber of Commerce
Culver City Chamber of Commerce
Downey Association of REALTORS
Downey Chamber of Commerce
Downtown Alhambra Business Association
Downtown Center Business Improvement District
Downtown Long Beach Alliance
El Monte/South El Monte Chamber
El Segundo Chamber of Commerce
Employers Group
Encino Chamber of Commerce
Energy Independence Now EIN
Engineering Contractor's Association
EXP Future
FastLink DTLA
Filipino American Chamber of Commerce
Friends of Hollywood Central Park
FuturePorts
Gardena Valley Chamber
Gateway to LA
Glendale Association of Realtors
Glendale Chamber
Glendora Chamber
Greater Antelope Valley AOR
Greater Bakersfield Chamber of Commerce
Greater Lakewood Chamber of Commerce
Greater Leimert Park Crenshaw Corridor BID
Greater Los Angeles African American Chamber
Greater Los Angeles Association of Realtors
Greater Los Angeles New Car Dealers Association
Greater San Fernando Valley Chamber
Harbor Association of Industry and Commerce
Harbor Trucking Association
Historic Core BID of Downtown Los Angeles
Hollywood Chamber
Hong Kong Trade Development Council
Hospital Association of Southern California
Hotel Association of Los Angeles
Huntington Park Area Chamber of Commerce
ICBWA- International Cannabis Women Business Association
Independent Cities Association
Industrial Environmental Association
Industry Business Council
Inglewood Board of Real Estate
Inland Empire Economic Partnership
International Franchise Association
Irwindale Chamber of Commerce
La Cañada Flintridge Chamber
LA Coalition
LA Fashion District BID
LA South Chamber of Commerce
Larchmont Boulevard Association
Latin Business Association
Latino Food Industry Association
Latino Restaurant Association
LAX Coastal Area Chamber
League of California Cities
Long Beach Area Chamber
Long Beach Economic Partnership
Los Angeles Area Chamber
Los Angeles County Board of Real Estate
Los Angeles County Waste Management Association
Los Angeles Economic Development Center
Los Angeles Gateway Chamber of Commerce
Los Angeles LGBTQ Chamber of Commerce
Los Angeles Latino Chamber
Los Angeles Parking Association
Los Angeles World Affairs Council/Town Hall Los Angeles
MADIA
Malibu Chamber of Commerce
Manhattan Beach Chamber of Commerce
Marketplace Industry Association
Monrovia Chamber
Motion Picture Association of America, Inc.
MoveLA
MultiCultural Business Alliance
NAIOP Southern California Chapter
NAREIT
National Association of Minority Contractors
National Association of Tobacco Outlets
National Association of Women Business Owners
National Association of Women Business Owners - LA
National Association of Women Business Owners- California
National Federation of Independent Business Owners California
National Hookah
National Latina Business Women's Association
Orange County Business Council
Orange County Hispanic Chamber of Commerce
Pacific Merchant Shipping Association
Panorama City Chamber of Commerce
Paramount Chamber of Commerce
Pasadena Chamber
Pasadena Foothills Association of Realtors
PGA
PhRMA
Pico Rivera Chamber of Commerce
Planned Parenthood Affiliates of California
Pomona Chamber
Rancho Southeast REALTORS
ReadyNation California
Recording Industry Association of America
Regional CAL Black Chamber, SVF
Regional Hispanic Chambers
San Dimas Chamber of Commerce
San Gabriel Chamber of Commerce
San Gabriel Valley Economic Partnership
San Pedro Peninsula Chamber
Santa Clarita Valley Chamber
Santa Clarita Valley Economic Development Corp.
Santa Monica Chamber of Commerce
Sherman Oaks Chamber
South Bay Association of Chambers
South Bay Association of Realtors
South Gate Chamber of Commerce
South Pasadena Chamber of Commerce
Southern California Contractors Association
Southern California Golf Association
Southern California Grantmakers
Southern California Leadership Council
Southern California Minority Suppliers Development Council Inc.
Southern California Water Coalition
Southland Regional Association of Realtors
Sportfishing Association of California
Sunland/Tujunga Chamber
Sunset Strip Business Improvement District
Torrance Area Chamber
Tri-Counties Association of Realtors
United Cannabis Business Association
United Chambers – San Fernando Valley & Region
United States-Mexico Chamber
Unmanned Autonomous Vehicle Systems Association
US Green Building Council
US Resiliency Council
Valley Economic Alliance, The
Valley Industry & Commerce Association
Venice Chamber of Commerce
Vermont Slauson Economic Development Corporation
Vietnamese American Chamber
Warner Center Association
West Hollywood Chamber
West Hollywood Design District
West Los Angeles Chamber
West San Gabriel Valley Association of Realtors
West Valley/Warner Center Chamber
Western Electrical Contractors Association
Western Manufactured Housing Association
Western States Petroleum Association
Westside Council of Chambers
Whittier Chamber of Commerce
Wilmington Chamber
Women's Business Enterprise Council
World Trade Center