November 30, 2007

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 94814

STATE WATER CONTRACTORS
SWC
Served by the State Water Project
FOUNDED IN 1982

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Santa Clara Valley Water District

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Solano County Water Agency

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Central Coast Water Authority

General Manager
Terry Erlewine

Re: Mandatory Reporting of Greenhouse Gas Emissions

Dear Clerk:

The State Water Contractors ("SWC") appreciates the opportunity to submit comments in the Air Resources Board's ("ARB") "Rulemaking to Consider Adoption of a Regulation for the Mandatory Reporting of Greenhouse Gas Emissions," to be considered at its December 6-7, 2007 hearing. The SWC[1] is a non-profit, mutual benefit corporation organized under the laws of the State of California, comprised of 27 public agencies holding contracts to purchase water delivered by the State Water Resources Development System, otherwise known as the State Water Project ("SWP"), which is owned and operated by the California Department of Water Resources ("DWR"). SWC's public agency members are the beneficial users of the SWP, which provides water for drinking, commercial, industrial, and agricultural purposes to a population of more than 20 million people and to over 750,000 acres of farmland throughout the San Francisco Bay-Area, the Central Valley of California, and Southern California.

The primary purpose of the SWP is to store and deliver water to its customers. The SWP has excess pumping capacity which, when combined with its reservoirs and aqueducts, is capable of pumping and storing sufficient water during off-peak periods for subsequent delivery (and generation of electricity) during on-peak periods. These capabilities enable the SWP to maximize pumping during periods of the day when California electrical system demand is the lowest, and maximize generation during periods in which electrical demand is the highest. This mode of operation represents a classic "win-win" for SWP and California ratepayers but results in sales of the excess peak hydropower when it is generated. DWR has no long-term contracts for its sales of clean hydroelectric energy that typically exceed 2000 gigawatt-hours annually. DWR continues to improve the SWP energy infrastructure, having

[1] The SWC members are: Alameda County Flood Control & Water Conservation District, Zone 7; Alameda County Water District; Antelope Valley-East Kern Water Agency; Casitas Municipal Water District on behalf of the Ventura County Flood Control District; Castaic Lake Water Agency; Central Coast Water Authority on behalf of the Santa Barbara County Flood Control & Water Conservation District; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; The Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control & Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Gorgonio Pass Water Agency; San Luis Obispo Co. Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; and Tulare Lake Basin Water Storage District.

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recently completed $70 million in improvements to enhance its ability to operate as described above, and plans to explore similar opportunities where they make sense.

Although the "Staff Report: Initial Statements of Reasons for Rulemaking" (ISOR) proposes reporting of actual emissions at the electric generation facility level, it recommends a deviation from that general rule for electricity retail provider purchases of energy from "large" hydropower generating plants (greater than 30-megawatt capacity) and nuclear power plants. Instead, Staff adopts the joint recommendation of the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) to assign a default CO_2 emission rate developed for "unspecified" generation sources. Staff explains this recommendation is intended to minimize "contract shuffling" which could occur if a retail provider purchased less generation from a high GHG plant, diverted the dirty power to areas where no GHG restrictions exist, and replaced that energy with clean energy from large hydroelectric generation or nuclear power. Staff's recommendation is contrary to the intent and requirements of AB 32 and it is inappropriate to require reporting to implement this proposal.

Section 38530(b)(4) of AB 32 mandates that reporting protocols "Ensure rigorous and consistent accounting of emissions." Current reporting under the Climate Action Registry protocols sets large hydropower generation emissions at zero pounds of CO_2 per megawatt-hour without regard to hydropower plant capacity. Indeed, the ISOR acknowledges that "generating facilities that are... hydroelectric... powered... are thought to emit virtually no GHGs." Nevertheless, the proposed reporting requirement for retail providers in Section 95111(b)(3)(F) - taken together with staff's proposed interim default emissions - would require purchasers of the SWP's 2000 gigawatt-hours of hydropower to incorrectly attribute 1100 pounds per megawatt-hour - or nearly one million metric tons of CO_2 annually - for that clean energy. Such a result achieves neither rigorous nor consistent accounting of emissions, for it causes conflicting reporting of emissions from *the same source* if some of the hydroelectric generation is used to meet the owner's load as opposed to being sold. Furthermore, it arbitrarily attributes a high default emissions rate to large hydroelectric generation while imposing no such attribution to small hydroelectric generation. Staff's recommendation lacks any evidentiary support to justify such discriminatory and disparate treatment of hydroelectric generating plants, to which the ISOR attributes virtually zero GHGs.

The SWC urges the ARB to adopt a policy and a monitoring and auditing process that rigorously, consistently and accurately measures the greenhouse gas emissions attributable to electricity consumed in the state. Imputing an arbitrary1100 pounds per megawatt-hour carbon emission for hydroelectric generation erroneously represents actual emissions impacting air quality. It is important to assure consumers and encourage industry cooperation that the State is developing an accurate and fair process to measure and account for emission impacts and credits. Furthermore, requiring purchasers of hydroelectric generation to account for fictional emissions has the potential to diminish available credits needed to offset actual emissions.

We appreciate the opportunity to comment on the proposed regulation and stand ready to discuss our concerns with your staff.

Sincerely,

Terry Erlewine
General Manager

cc:
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