



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

June 21, 2012

Via Electronic Submittal

Ms. Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, California 95814

**Regarding Public Consultation on Investment of Cap-and-Trade Auction Proceeds
Suggestions for Water Sector Programs and Projects**

Dear Ms. Nichols:

The Metropolitan Water District of Southern California (Metropolitan) respectfully submits this comment letter, as a follow-up to oral comments made by Ms. Kathleen Cole from our Sacramento office during the California Air Resources Board's (CARB's) Public Consultation on Investment of Cap-and-Trade Auction Proceeds meeting held on May 24, 2012. Metropolitan appreciates the opportunity to provide comments on the investment plan for the carbon trading auction proceeds, and requests that some of the auction proceeds be used for water-related programs and activities.

The notice for the May 24th consultation meeting requested that comments focus on two primary questions:

- How California can effectively invest the auction funds to meet the goals of AB 32, including support of long-term, transformative efforts to improve public health and develop a clean energy economy; and
- What criteria should be prioritized in the development of an investment plan for auction funds and why.

The California Energy Commission has estimated energy used in water-related activities to be significant, potentially 19% of the electricity and 30% of the natural gas consumed in California. This energy is used to convey, treat, distribute, use and dispose of water. When water is conserved, the associated energy requirements are also conserved, and the greenhouse gas emissions that would have been generated are avoided. The water sector was identified in the

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2008 CARB AB 32 Scoping Plan as a category where greenhouse gas emission reductions could be achieved. Additionally, in reviewing the May 2012 Next 10 Report on "Using the Allowance Value from California's Carbon Trading System," Metropolitan noted that water related line items are identified in several potential auction-revenue allocation scenarios (e.g. "improve water supply through more efficient storage, conveyance, and management infrastructure").

The water sector, including Metropolitan and its 26 member public agencies, has already instituted various measures that result in energy savings and reduced greenhouse gas emissions. These measures include, but are not limited to water conservation, recycling, water storage projects, local renewable energy installations (e.g. solar), water and energy efficient appliance incentives, and many others. With additional funds provided by a distribution of allowance auction revenues to the water sector, water agencies could continue existing programs and also implement new initiatives. These new efforts could include permanent displacement of fossil-fuel electricity with utility-scale renewable energy facilities, replacement of older large pumps and other water-related equipment with items that are more efficient, and development of additional local water resources and storage that would avoid the conveyance of water from remote areas.

An allocation of allowance auction revenues for water-related projects would be consistent with the goals of AB 32. Such an allocation would satisfy the goals and objectives to utilize funds collected from an emission reduction program to achieve additional greenhouse gas emission reductions, thus avoiding potential legal issues associated with Proposition 26 and the Sinclair Paint litigation.

Metropolitan stands ready to work with CARB and the Legislature to assure that the distribution of allowance auction revenues to water-related projects obtains the highest possible level of greenhouse gas emission reductions, continues to provide a safe and reliable water supply, and helps to achieve the goals of AB 32.

Please contact Janet Bell at jbell@mwdh2o.com or Jon Lambeck at jlambeck@mwdh2o.com if you have any questions.

Sincerely,



Jeffrey Kightlinger
General Manager