SMUD
SACRAMENTO MUNICIPAL UTILITY DISTRICT
The Power To Do More.®
P.O. Box 15830, Sacramento, CA 95852-1830; 1-888-742-SMUD (7683)

LEG 2010-0556
December 15, 2010

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Sacramento Municipal Utility District's Comments re Proposed Regulation Order For California Cap And Trade Regulations

Dear Clerk of the Board:

SMUD appreciates the opportunity to comment on your proposed cap and trade regulation. SMUD continues to support the overall approach the ARB has taken in the implementation of AB 32, and commend ARB staff for a thorough job in putting together the proposed regulation. We offer the following comments as proposed improvements to the regulation.

The cap and trade program should serve as an effective environmental backstop to ensure that the state achieves the overall goals of AB 32. As the Scoping Plan laid out, the vast majority of the reductions in the state will take place through complementary programs. As a result, it is imperative that the cap and trade program ensure compatibility with and support for those programs as the primary mechanisms for reducing emissions in California. It is in this context that many of our comments are made. However we've also included some comments to clarify or correct certain portions of the regulation that may be unrelated to this over-arching context.

A. Utility Sector Allowance Allocation Should Include Cogenerated Electricity that is Sold to the Grid

Subarticle 8 of the Proposed Regulations states that allowances will be administratively provided to electric distribution utilities in the electricity sector, in an amount equal to 89 million metric tons multiplied by the cap adjustment factor in Table 9.2 in each budget year. This is equivalent to 89 million metric tons of allowances in 2012, declining each year thereafter to contribute to meeting the AB 32 target of achieving 1990 emission levels in 2020. SMUD strongly supports the proposed administrative allocation of allowances to electric distribution utilities on behalf of their customers, but the amount of allowances so provided is key. It is our understanding that the allowances for the electricity sector so allocated are intended to be set at 90% of the sector's 2008 emissions, including emissions from cogeneration electricity sold to the grid. However, the 89 million metric ton number does not yet include the emissions associated with

cogeneration electricity sold to the grid. SMUD believes that this addition is essential in order to reduce impacts on electricity customers.

B. Allocation of Allowances among Electric Distribution Companies Should Strongly and Visibly Reflect Early Action, and There Should Be Consideration of Transitioning Toward a Replicable, Sales-Based Allocation Structure.

The Proposed Regulations are at present, silent about how the allowances administratively provided to the electric sector are to be distributed among the various electric distribution utilities in the state. In May of this year, ARB staff indicated that the thought at that time was to distribute such allowances primarily based on sales, similar to the output-based approaches proposed for many individual industrial sectors. SMUD has consistently stated a preference for an allowance structure that reflects early action to reduce GHG emissions, as many utilities that have taken these actions have already incurred and passed on to their ratepayers the costs of these early emission reductions. In addition, SMUD has supported allowance structures that transition toward greater reliance on sales over time, to provide a more powerful incentive to reduce use of higher GHG resources. Specifically, SMUD has supported a structure that was based initially 75% on historic emissions and 25% on sales, transitioning by 2020 to a structure that is based 25% on historic emissions and 75% on sales. This is similar in structure to that recommended to the ARB by the California Energy Commission and the California Public Utilities Commission, the two energy agencies with the greatest experience with the electricity sector.

However, SMUD understands that staff is currently considering basing the allocation of allowances among utilities on projected emissions resulting from utility resource plans and state-required investments in renewables and efficiency. While we can support this approach, SMUD believes that this structure is not easily replicable beyond 2020 or nationally because the development of resource plans from now on will be altered if those doing the planning understand that their allocation of cap and trade allowances will be affected by how they do these plans. This implies potential risks to California if a similar structure is adopted nationally, as it would likely leave California entities with lower than expected allowances in a national market, and it is unclear whether California's general early action to reduce GHG emissions would be recognized. Strong advocacy of national complementary policies may help to reduce these risks, but will not mitigate them entirely. To address these issues, SMUD believes that the final structure must include a strong, visible, 'early action' component, not just to recognize such actions within the currently proposed cap and trade in California, but also so that if the approach is adopted nationally, there will be precedent to recognize California's early action. In addition, SMUD believes that there should be further consideration of a transition to an approach based more on sales, similar to that proposed for the industrial sectors.

C. Option For Publicly-Owned Utilities To Direct Allowances to Either Auction by Consignment or Simple Compliance Provides Flexibility But Carries Risk.

Section 95982 (b)(2) states that publicly-owned electric distribution utilities must inform the Executive Officer at least 90 days prior to receiving annual allowances what portion of the allowances should be placed in the utility's compliance account to be used only for compliance, and the utility's limited use holding account to be consigned for auction. While SMUD appreciates the flexibility provided to publicly-owned utilities to choose to apply their allowance allocation to compliance without the price risk inherent in allowance auctions, we see other risks in this approach that we believe ARB should carefully weigh prior to adoption. These risks include the possibility that reduced auction participation by some public entities will increase allowance prices and price volatility because of reduced participation. In addition, since the provisions of 95982(d) would no longer apply to allowance value that is reflected in the allowances placed in an entity's compliance account, there is the potential for reduced revenues dedicated to AB 32 purposes. This may serve to increase allowance prices in the long run if such reduction in specifically dedicated revenues leads to fewer investments in energy efficiency and renewables.

D. The Cap and Trade Program Must Harmonize with the Renewable Energy Standard.

SMUD understands that the WCI has recommended abandoning the renewable energy tracking system WREGIS for the purposes of tracking purchases of renewable energy under a First Jurisdictional Deliverer framework. SMUD, and other stakeholders in the electricity sector, have pushed back against this arbitrary decision given the harm that it does to the existing RECs market, to the harmony of the cap and trade program with the ARB's own Renewable Electricity Standard, to existing voluntary renewable energy programs, and to those responsible for tracking and reporting emissions at jurisdictions subject to the regulation. While SMUD is providing similar comments to the Mandatory Reporting regulation, we feel strongly enough about this issue that we raise it here again as an example of where the ARB could improve the harmonization of its cap and trade rule with the complementary policies. The decision made at the WCI was made with very little public process, and further adopted by ARB without a public workshop on the topic. Although the decision has been shared with a subset of utility stakeholders, there is little in the administrative record of this rulemaking, either in the ARB's record of workshops or in the background staff papers. As the ARB and CPUC seek to harmonize decisions around the use of REC's as a tracking mechanism for the RES, this issue will inevitably be brought into full public light. However, SMUD is concerned that the resolution of this issue may come only after the ARB reporting and cap and trade regulations have closed the door on this topic.

SMUD strongly encourages the ARB to fully vet this topic before making a final decision. The decision reverses legal definitions of RECs set forth in the Public Utilities Code, and relied on in energy contracts by dozens of covered entities. It throws into question the underlying value of the RECs tracked by WREGIS, effectively voiding the WREGIS definition, thereby creating further confusion about legal claims that can be made regarding contracts involving this commodity. The reasoning offered by the WCI decision is primarily that the administrative burden of tracking REC ownership and claims made by purchasers of null power ignore the new administrative burden that is created for the reporters of these transactions, who now have the very tool that was created to track renewable energy claims taken away, leaving them in a predicament of relying on vague language in a reporting regulation to base long term contracts on. Finally, the decision calls into question the claims that are made in the voluntary renewable energy markets around the benefits that are embedded in REC's, thereby undermining the value of this market perhaps in a bigger way than the decision of whether or not to create a set-aside.

In addition to fully capturing stakeholder input on this important topic, the ARB should consider the cost implications of adopting this policy on REC's. The use of REC's for RPS and RES compliance was intended to help reduce the high cost of building renewable energy. By requiring entities to purchase both the energy and the REC, the ARB is effectively eliminating, or greatly limiting the viability of REC's for use in the RES and RPS compliance. This policy will either increase costs under the RES or it will increase costs under the cap and trade as entities opt to purchase REC's and are required to come up with additional allowances. Considering the RES is one of the most expensive policies under the full set of AB 32 policies, and was expected to result in substantial reductions in the scoping plan, the ARB should give strong consideration to policy decisions which either inflate its cost or reduce its effectiveness in contributing to statewide emissions reductions.

Specific changes to the cap and trade regulation would be to recognize that all state-recognized renewable energy resources procured for either the Renewable Portfolio Standard (RPS) or Renewable Electricity Standard (RES) should not be required to have any compliance burden associated with their purchase. SMUD recommends adding a subsection (g) to Section 95852.2 (emissions without a compliance obligation), as follows:

> 95852(g) Reserved for future consideration of treatment of combustion emissions associated with power delivered along with RECs.

In the reporting regulation, language would explicitly be needed recognizing the use of WREGIS for tracking these renewable energy purchases.

E. Combustion Emissions From Biogas Resources Should Be Properly Accounted For

Section 95852.2 describes emissions for which there is no compliance obligation. These are generally emissions from combustion of biogenic fuels, which are reasonably excluded from a compliance obligation because their combustion offsets fossil fuel combustion while also eventually, or even simultaneously reducing the release of methane gas to the atmosphere. However, this section inexplicably appears to exclude biogas from digesters from this reasonable treatment. The regulation should clearly exempt all eligible biomass and biogas combustion from a compliance obligation.

F. Cross-sector Shifts of Emissions Should be Accounted for in the Allowance Allocation Policies

Perhaps the largest potential for emissions reductions in the state in the long-term lies in electrification of the transportation sector. However, these reductions are by no means assured given the high costs of infrastructure investment that the electricity sector and customers will need to make, as well as the costs of the vehicles themselves. Given these up-front cost-barriers, significant incentives will likely be needed for consumers to be willing to adopt electric vehicles en-masse. While the ARB has stated it intends to leave the allowance value associated with the transportation sector to the legislature to determine how best to appropriate that value, SMUD strongly encourages the ARB to consider how the allowance value associated with those transportation emissions that are shifted to the electric sector could be used to defray infrastructure cost upgrades and incent electric vehicle uptake. Just as distribution utilities are looked to for delivering effective incentive mechanisms for energy efficiency and rooftop solar in this state, so too will the distribution utilities play a central role in encouraging electric vehicles. As regulated entities, distribution utilities can be required to spend any allowance value associated with transportation electrification on programs, rate incentives, and infrastructure upgrades which support this electrification, thereby encouraging more rapid adoption of the technology.

In addition to providing some incentive, a shift of allowance value will assure that increased emissions obligations that result from increasing electric transportation loads do not create an undue cost burden on the utility's other consumers. If electric transportation loads drive increased compliance obligation, electric utilities will be forced to pass these costs on to our customers on top of the infrastructure costs we must come up with to enable these vehicles in the first place. The amount of allowances that should be transferred from the transportation sector should, at a minimum, cover this increased compliance obligation, but ideally should cover both this as well as an amount up to the allowance value that is avoided in the transportation sector as a result of the electrification activity.

G. Additional Issues In The Proposed Regulation

The Definition of Electricity Generating Unit Should Be Corrected.

The definition of electricity generating unit listed at 95802 (58) incorrectly excludes some major **facilities** that are primarily electrical generation assets wholly owned by SMUD (and controlled to provide a critical component in SMUD's bulk transmission grid) but are also cogenerators supplying steam to nearby facilities not owned by SMUD. The definition should be changed as follows:

(58) "Electricity generating facility" means a facility whose primary~~sole~~ purpose is to generate electricity for the grid rather than on-site use and which includes one or more electricity generating units at the same location. ~~"Electricity generating facility" does not include a cogeneration facility or self-generation~~.

Addition Of Opt-In Entities Should Affect Allowance Budgets

Section 95813 addresses opt-in covered entities, and states in part (e) that "Opt-in participation shall not affect the allowance budgets set forth in subarticle 6." To SMUD, this seems technically incorrect. An opt-in entity is bringing emissions under the cap and trade structure, and removing them from the category of remaining emissions that fall under the required AB 32 cap. If opt-in entities do not affect the budgets set forth in subarticle 6, the result will be that total emissions will be below the AB 32 cap, and that prices in the cap and trade market will be higher than necessary. SMUD recommends striking part (e).

Compliance Instrument Quantitative Usage Limits

In Sections 95820 and 95821, there are references to the "… quantitative usage limit set forth in section 95995." SMUD believes that there is a technical error in this reference and that the text should refer to "… the quantitative usage limit set forth in section ~~95995~~95854."

Executive Officer Authority To Limit Or Prohibit Transfers From Holding Accounts Should Be Modified

Section 95831 sets up account types for the cap and trade structure, and includes language in (b) (2)(B) that indicates that the holding account of any entity may be restricted by the Executive Officer to limit or prohibit transfers in and out of the holding account. SMUD would appreciate some clarification here of how or when the Executive Officer may act to limit an entity's holding account. Presumably, such action should only be taken for cause, but there are no causes or problems cited in the regulation that

would act to trigger the Executive Officer's authority in this regard. Failure to indicate when the Executive Office may so act adds to risk for market participants.

Transfers Of Allowances Into The Allowance Price Containment Reserve Holding Account Should Be Modified

Section 95831(4) establishes an Allowance Price Containment Reserve Account, and states that allowances allocated by ARB that remain unsold at auction and allowances used to fulfill an entity's excess emissions obligation pursuant to section 95857(c) will be transferred to this account. SMUD suggests two modifications to these provisions. First, allowances that remain unsold in a quarterly auction should be returned to the Auction Holding Account unless the unsold allowances are from a vintage at least one year prior to the auction in which they remain unsold. Unsold allowances in one auction do not necessarily imply that subsequent auctions will also have unsold allowances, particularly with lumpiness in allowance allocations and in investments that reduce need for allowances. Here, and in Section 95991, the regulations should be modified to keep unsold allowances in the Auction Holding Account until it is reasonably clear that they are not required in current auctions. Transferring to the Allowance Price Containment Reserve Holding Account prematurely simply is a recipe for ratcheting up allowance prices unnecessarily.

Second, similarly excess emissions penalty allowances that are surrendered pursuant to 95857(c) should not be automatically transferred to the Allowance Price Containment Reserve Holding Account. That portion of the allowances required to be surrendered pursuant to 95857 (c), that are in excess of the actual emissions obligation of the covered entity, specifically the 3 penalty allowances required to be turned over as a penalty should be deposited into the Auction Holding Account rather than the Allowance Price Containment Reserve Account as specified in 95831 (c)(4)(C) and 95857 (d)(2)(A). The placement of these allowances in the reserve account unfairly penalizes the rest of the market, by requiring the three allowances to be removed from circulation and placed at a minimum price level of $50 per tonne. There is no other purpose to place these allowances at the highest allowance price containment reserve account other than to penalize other market participants. To do otherwise acts to arbitrarily and unreasonably force the overall market price to a higher level.

SMUD Supports Consideration Of A Voluntary Renewable Energy Allowance Set-Aside Account.

Section 95321(c)(6) reserves an account under the control of the Executive Director for the future creation of a portion of allowances set aside to support voluntary renewable activities. SMUD has consistently advocated for support for a voluntary renewable accommodation under the cap and trade program, and looks forward to working with ARB staff to establish the account in 2011. Failure to do so, in SMUD's opinion, will act to undermine our successful Greenergy Program and similar voluntary renewable purchasing efforts.

There Should Not Be An Annual Compliance Obligation In The Same Year As The Triennial Compliance Obligation.

Although the cap and trade regulation is structured around three-year compliance periods, sections 95853, 95855, and 95856 establish annual and triennial compliance obligations and lay out when these obligations must be met through surrender of sufficient allowances. In the case of annual compliance obligations, the partial surrender required is 30% of verified emissions from the previous year, and this amount is due by July 15 of the following year for electric utilities. In the case of the triennial compliance obligation, occurring at the end of the compliance periods established in the regulations, the surrender required is generally 100% of the verified emissions from the three-year compliance period, due on November 1 of the following year. Section 95856(f)(3) is intended to suggest, in SMUD's opinion, that the amount of compliance instruments that should be surrendered is the amount needed for triennial compliance minus the amount already surrendered via annual compliance surrender, but missing words obscure the meaning of this section.

SMUD has two recommendations here. First, SMUD believes that there should not be an annual surrender in the same year as the triennial surrender, as the two surrender obligations in the same year increase transaction costs unnecessarily. This can be cured by a simple addition to Section 95855, adding a subsection (c) that states:

> (c) there is no annual compliance obligation in the same year in which there is a triennial compliance obligation.

Second, SMUD requests clarification of the aforementioned missing words in Section 95856(f)(3). If we are correct in our interpretation, the section should read as shown below, but if incorrect, ARB should clarify what the actual intent is of this section.

> 95856(f)(3) The Triennial Surrender obligation shall equal the Triennial Compliance Obligation calculated pursuant to section 95853 minus less compliance instruments ~~allowances and offset credits~~ previously surrendered for the compliance period via Annual Surrender obligations.

Covered Entities Should Be Allowed To Use Offsets To Cover The Standard Obligation Portion Of Their Excess Emissions Obligation.

Section 95857 lays out the requirements for surrendering additional allowances upon a shortfall in meeting an Annual or Triennial Compliance obligation**.** SMUD understands that the untimely surrender obligation is essentially four times the timely surrender obligation, and that the regulation states as written that the untimely surrender obligation must be met with allowances, not offset credits. SMUD believes that this is unfair, and suggests that the portion of that untimely surrender obligation that would be required for

timely surrender be allowed to be met with offsets. Under this formulation, Section 95857 (b)(3) would read:

> 95857 (b)(3) Three quarters of a~~A~~ covered entity's compliance obligation for untimely surrender may only be filled with CA GHG allowances or allowances issued pursuant to subarticle 12. One quarter of a covered entity's compliance obligation for untimely surrender may be filled with any compliance instruments eligible under subarticle 4, subject to the quantitative usage limit established in section 95854.

Clarification Is Required Regarding Eligibility For Direct Allocation Of Allowances.

Section 95890(b) states that an electric distribution utility is only eligible for direct allocation of allowances if it has complied with the mandatory reporting regulations and obtained a positive or qualified positive verification statement on its sales number for the prior year. SMUD requests clarification of this provision, as it appears to be missing the word 'allowances' in the second sentence, and refers to verification of a utility's "sales number", which has an unclear relationship to the allowance allocation structure. This language may be a holdover from a draft of the regulations when the ARB was considering allocation utility sector allowances based on sales, but regardless of genesis, it should be clarified. SMUD does not believe, as implied by the text, that an electric utility's allowances should be wholly taken away in one year based on a previous year's verification issue – this is an onerous penalty for a verification misstep. However, if that is ARB's intent, some thought and language should eventually address what happens to the allowances that may be withheld, for whatever reason, from an electric utility or other obligated entity.

Clarification Is Required On The Timing Of Auctions Given Annual Distribution Of Allowances.

Subarticle 10 lays out the format and timing of quarterly auctions and allowance distributions. While one quarter of the annual allowances remaining pursuant to section 95870(f) will be auctioned in each quarterly auction, these amounts may be significantly fewer than the allowances distributed under section 95870 (c) to electric distribution utilities and consigned to auction under 95892(c). While it is not clear when utilities that receive such allowances must designate them for auction, section 95910 (d) (4) makes clear that these latter allowances will not be included an auction unless designated for such at least 60 days prior to the auction. Since these allowances are provided to utility distribution companies on or before January 15 of each year (section95870(c)), it seems clear that the allowances provided in each year cannot be included in the first quarterly auction. This may or may not be what ARB intends, but it would imply that the first quarterly auction may have significantly fewer allowances that other quarterly auctions, and some degree of clarification on this timing is desirable.

Insufficient Bids For Allowances Consigned To Auction Should Be Sold Proportionately, Rather Than In Equal Amounts For Each Entity.

Section 95911(b)(3)(B) states that when there are insufficient bids to fully sell all of the allowances that have been consigned to auction, the auction operator will sell an equal number of allowances from each consigning entity. It is appropriate to proportion the allowance sales in this event, but SMUD contends that a proportionate sale of allowances rather than an equal number for each entity is more fair. If entity A consigns 900 allowances for sale and entity B consigns 100, then it is more fair that the auction administrator sell 90% of the allowances for entity A and 10% for entity B, rather than an equal number for each.

Floor Price Escalation Beyond Inflation is not Necessary.

SMUD understands the desire, with a new market, to provide market certainty to those making determinations about whether to invest in a given reduction measure. We also understand that a floor price for allowances offered at auction is one way to ensure certainty, and that discounting of future payoffs implies a potential need for an escalation of that floor price beyond normal inflation. However, as markets mature, such investment signals will no longer be necessary in the market. The 5% escalator will in the proposed regulations will eventually result in excessive prices for allowances, in particular if carried beyond the 2020 timeframe. For a program with such strong complementary policies, the notion of forcing the floor price up to arbitrarily high levels seems punitive towards market participants who are trying to balance the high costs of complementary programs with the cap and trade costs. SMUD would recommend that the ARB signal its intent to reflect maturing markets by tapering the 'above inflation' escalation off over time so that the escalation ends at no greater than the rate of inflation in the last year of the program.

ARB Should Consider Altering Allowance Allocation For Cogeneration Facilities Owned by Electric Utilities With Long-Term Steam Sales.

SMUD invested in three cogeneration facilities in the 1990's to encourage cleaner electricity generation and low-emissions industrial facilities. The plants jointly produce roughly 1,000,000 tonnes of CO2 per year, nearly 10% of which is associated with steam sales made to 4 industrial heat hosts. Because these heat hosts are counterparties in long-term steam sales agreements with no clauses for pass-through of carbon costs associated with cap and trade regulations, SMUD feels it is important that the ARB allocate the allowances that otherwise would have been allocated to these heat hosts had they been responsible for an emissions obligation instead to the cogeneration facilities who will have the financial obligation for compliance with the cap and trade regulation for these emissions. SMUD is not able to re-open the contracts without substantial risks, and it is unlikely that the heat hosts would agree to re-opening the contracts due to lack of benefit to them as well as past difficulty in negotiating these contracts at the outset of the agreements.

Allowances not Sold at Auction Should be Returned to the Auction Holding Account Rather than the Highest Allowance Price Containment Reserve Account.

Section 95911 (b)(4) states that allowances unsold at auction will be placed in the highest allowance price containment reserve account. This represents an unnecessary price escalation that appears based on the faulty assumption that if allowances remain unsold in one quarterly auction, it implies that they may not be needed for sale in the next or subsequent auctions. In fact, due to lumpiness of emission reducing investments and perhaps unequal amounts of allowances available for sale in each auction, as mentioned above, it is not clear that unsold allowances at the floor price in one auction will not be necessary in the next auction in order to keep cost-containment a priority. Forcing small amounts of allowances to be transferred from a $10 value to a $50 value during times of low demand will undoubtedly result in greater utilization of the allowance price containment reserve. The ARB should aspire to make the usage of the allowance price containment reserve the exception, rather than driving the market toward its use through arbitrary rules which remove low priced allowances in favor of reselling at much higher prices when supply of allowances becomes tight.

SMUD suggests that allowances that remain unsold in a quarterly auction should be returned to the Auction Holding Account unless the unsold allowances are from a vintage at least one year prior to the auction in which they remain unsold. In short, the regulations should be modified to keep unsold allowances in the Auction Holding Account until it is reasonably clear that they are not required in current auctions.

The Calculation of the Bid Guarantee Results in Excessive Credit Requirements for Bidding.

Section 95912 (i)(2) places the amount of the bid guarantee at an amount that is ‘greater than or equal to the sum of the value of the bids submitted by the auction participant’. This can result in a bidder who places multiple bids at different price levels being required to pay a bid guarantee that exceeds the amount they would end up paying if the market cleared at the lowest price bid by the bidder (this would be the only instance where the bidder would be required to pay for all of its bids). Because the higher priced bids would actually be paid at the lower market clearing price, the bidder would never have a situation of needing to match all of the bid prices if they had bid in at different prices. We suggest a wording change to require the bid guarantee to cover the "maximum total cost for any possible settlement price of all bids submitted by the auction participant."

H. Closing

In summary, SMUD strongly encourages the ARB to examine those places where decisions in favor of escalating market carbon prices have been made and reflect on the role of the cap and trade system in relation to the overall set of AB 32 policies.

Decisions made solely in favor of price escalation, with no clear underlying policy driver, should be re-examined and modified to ensure that carbon reductions are achieved at the lowest cost possible. Further, decisions made in the interest of administrative simplicity of a single policy, i.e. the cap and trade program, should be re-examined in light of the interconnectedness of the set of policies put in place under AB 32, the implications for the broader renewable energy market, and the undue administrative burden that such decisions will place on those subject to the cap and trade and mandatory reporting rule that supports it.

Respectfully submitted,

/s/

_____

WILLIAM W. WESTERFIELD, III
Senior Attorney
Sacramento Municipal Utility District
P.O. Box 15830, M.S., B406, Sacramento, CA 95852-1830

/s/

_____

OBADIAH BARTHOLOMY
Project Manager
Sacramento Municipal Utility District
P.O. Box 15830, M.S., B406, Sacramento, CA 95852-1830

/s/

_____

TIMOTHY TUTT
Government Affairs Representative
Sacramento Municipal Utility District
P.O. Box 15830, M.S. A404, Sacramento, CA 95852-1830

cc: Corporate Files