



September 27, 2011

California Air Resources Board
1001 I Street
Sacramento, California 95812

Subject: Comments on the offset provisions of the Second Release of Proposed 15-Day Modifications to the Regulation to Implement the California Cap-and-Trade Program (released September 12, 2011)

These comments are submitted by the Offsets Working Group (OWG), a collaborative team of publicly-owned electric utilities serving customers in California.¹ Each of the OWG members is a Covered entity that will have a Compliance obligation under the Air Resources Board's (ARB) proposed regulations.

I. OWG Recommendation

A. Overall Recommendation on the regulations pertaining to offsets – The Air Resources Board should adopt the regulations as presented in the Second Notice.

For approximately two years, the OWG has worked collaboratively with a diverse group of stakeholders² to assist ARB staff in developing regulatory language that achieves the goals of AB 32 through the use of offsets. The OWG commends ARB offset staff for the manner in which they conducted the rulemaking. ARB offset staff was approachable, demonstrated an openness to receive information and ideas from stakeholders, and incorporated significant productive changes into the language that was originally presented in concept papers almost two years ago.

¹ The OWG includes representatives from the Modesto Irrigation District, Redding Electric Utility, City of Roseville, Sacramento Municipal Utility District, and Turlock Irrigation District. These utilities comprise approximately 1/3 of the electricity load in California served by publicly-owned electric utilities.

² Among others, the OWG worked together with other publicly-owned electric utilities, investor-owned utilities, environmental organizations, carbon trading organizations, and forest owners.

II. Certain OWG Recommendations were submitted in this rulemaking but have not been incorporated in the existing language.

Notwithstanding the OWG's recommendation for adoption, the following important point remains outstanding. The OWG submitted written comments into the administrative record on August 11, 2011. The OWG requests ARB to reconsider the arguments presented in its August filing and incorporate the necessary changes to the regulatory language. The OWG believes that unless this recommendation is adopted, there will be a shortage of available offset credits in the 2013-2014 compliance period.

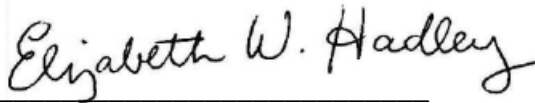
Recommendation on Section 95854 – The offset quantitative usage limit of 8% should be applied to the full duration of the proposed cap-and-trade program (i.e., 2013-2020) and not to each multi-year compliance period (i.e., 2013-2014, 2015-2017, and 2018-2020).

III. Conclusion

The OWG thanks ARB for evaluating and considering the foregoing comments.



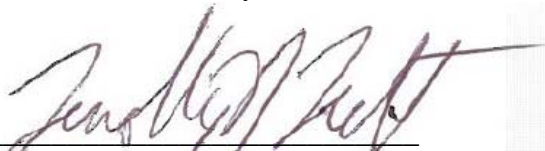
Joy Warren, Modesto Irrigation District



Elizabeth Hadley, City of Redding



Michael Bloom, City of Roseville



Timothy Tutt, Sacramento Municipal Utility District



Dan Severson, Turlock Irrigation District