



November 30, 2018

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

Filed Electronically

RE: TID Comments on the 15 day Cap-and-Trade Regulatory Amendments Noticed on November 15, 2018.

Turlock Irrigation District (“TID”) submits the following comments on the California Air Resources Board (“CARB”) November 15th proposed regulatory amendments to the Cap-and-Trade. TID supports most of the regulatory amendments. TID remains supportive of the Cap-and-Trade and the state’s efforts to address climate change. These comments discuss three issues: (1) the amendments addressing secondary dispatch in the Energy Imbalance Market (EIM) do not fairly allocate the emissions obligation; (2) the POU allowance usage rules should not have a strict 1% limitation on education and marketing expenditures; and (3) the ARB should not revisit allowance allocations to Electric Distribution Utilities in light of the adoption of SB 100.

TID Background

TID was organized as the first Irrigation District in California on June 6, 1887. TID currently serves a retail electric customer base of just over 100,000 customers and provides irrigation water to over 5,800 growers and nearly 150,000 acres of farmland. Of the 11 communities that TID serves, 7 are classified as Disadvantaged.

TID’s mission is to provide stable, reliable, and affordable water and power to its customer owners, be good stewards of our resources, and provide a high level of customer satisfaction.

TID is one of eight Balancing Authorities in California, tasked with balancing retail demand, generation, and wholesale purchases and sales while providing adequate reserve capacity to maintain reliability.

TID has a long history of environmental stewardship, beginning when the District was formed, as we acquired some of the oldest water rights on the Tuolumne River. TID has a great track record of caring for natural resources. TID is the majority owner and project manager of the Don Pedro Dam and powerhouse, providing irrigation water and 203 MW or, on average, 400,000 megawatt-hours of emissions free energy to our customers, while providing flood control and environmental benefits for the region.



TID has already acquired the resources to meet the 33% by 2020 Renewable Portfolio Standard (RPS). The acquisition of a 136 MW wind farm in 2009 in advance of the RPS mandate on POU's, as well as the recent finalizing of a 20-year power purchase agreement for 54 MW of newly constructed in-state utility scale solar, should satisfy TID RPS procurement requirements through 2024. TID has a diverse portfolio of RPS eligible resources, including wind, small hydro, geothermal, and solar.

In addition to providing these individual comments, TID also supports the comments of the Joint Utilities Group and the California Municipal Utilities Association.

DISCUSSION

1. The ARB Should Not Allocate the Secondary Dispatch “Outstanding Emissions Obligation” to Electric Distribution Utilities on a Load Share Basis.

TID, as a California Balancing Authority, is currently evaluating the benefits of joining the EIM. TID is concerned that, in the middle of a potential decision to join, that unanticipated, unrecoverable costs could be put on TID ratepayers, diminishing the potential benefits of TID's participation in the EIM. TID is particularly concerned that if it joins the EIM, it would face a situation where it sees a considerable decline in its EDU allowance allocations due to the provisions in the 15 day language for the Cap-and-Trade and the Mandatory Reporting Regulation. These provisions would reduce the amount of allowances that a POU would otherwise be able to use to satisfy its compliance obligation based on the POU's share of the “outstanding emissions obligation”. Under the proposed revisions to Section 95111 of the MRR, the ARB would calculate the total outstanding emissions obligation and then simply allocate that obligation to individual EDUs based on the retail load share of each EDU. While TID understands the administrative simplicity of this approach, it proposed regulations lack a nexus to each entity's actual participation in the EIM and their role in causing the outstanding emissions obligation. That obligation should be governed by the nature of the EIM participant's resources and load profile, not the total annual retail load figure. Without a nexus between the retail load share and the outstanding emissions obligation, this aspect of the proposed regulation is arbitrary, unfair, and will create a hurdle to EIM participation. For these reasons, the proposed EIM Purchaser language should not be adopted by the ARB. Instead, the ARB should continue to work with the CAISO to develop a market-based solution and until further market refinements can be completed, the ARB should extend the existing “bridge solution” indefinitely.

2. The ARB Should Not Adopt the 1% Limit on Allowance Revenue Usage For Educational Purposes.



The proposed amendments to Section 95892(d)(4) would place a limit of \$100,000 or 1% on the use of allowance value for administrative, outreach and educational programs that are designed to reduce GHG emissions. TID shares the concerns of many other utilities about this proposed restriction. This proposal is counterproductive because educational efforts have the potential for some of the greatest emissions reductions. By educating the public, particularly young people, about the importance of reducing GHG emissions, these expenditures have the potential to change a lifetime of behavior. While the potential quantity of emissions reductions is speculative, there is no question that educating the public can result in emission reductions that far exceed the utility's scope of influence over generation resources and energy efficiency. Such educational efforts could inform choices about transportation, housing, food consumption and many other areas where an individual consumer can directly affect emission reductions. TID strongly encourages the ARB to provide more flexibility to utilities to use their allowance revenue to further such educational efforts. Use of funds for educational efforts will remain subject to the general allowance revenue reporting requirements and if it becomes clear to the ARB that the educational efforts are not effective, the ARB can always change the regulation down the road. However, the ARB should not limit expenditures on educational and outreach at such a critical point. The ARB should instead provide some deference to the utilities in determining how best to educate their ratepayers on the importance of reducing GHG emissions.

3. The ARB Should not Revisit Allowance Allocations to Electric Distribution Utilities in Light of the Adoption of SB 100.

One of the fundamental tenants of past allowance allocations to utilities was to provide the utilities with certainty concerning their future allowance allocations. This was a critical component of the 2013 – 2020 allocations.¹ In the context of this Rulemaking, the ARB has publicly signaled that it plans to amend the utilities 2020 – 2030 allocations to address the accelerated RPS requirements of SB 100. Doing so would undermine the fundamental principle of providing certainty in allocations, making the utilities' efforts to manage their allowance holdings more difficult. The potential changes could also expose utilities and ratepayers to additional risk of carbon price fluctuations at a time when many industry observers expect carbon prices to increase well above the price floor (i.e., 2024 – 2026). During this timeframe, many utilities may see load growth due to more and more customers switching to electric vehicles. The ARB has yet to create a mechanism in the cap-and-trade for addressing the increased carbon costs of this load growth, consistent with the direction in SB 350. Finally, while the accelerated RPS obligation may have some effect on the cap-and-trade costs for some utilities, it will also likely lead to higher procurement costs for many utilities. For some utilities, the potential loss of allowances could compound the incremental costs of RPS compliance,

¹ See Cap-and-Trade 2010 Rulemaking, Appendix A (July 27, 2011), p. 2., available at: <https://www.arb.ca.gov/regact/2010/capandtrade10/candtappa2.pdf>



making the switch to GHG free resources relatively more expensive. For these reasons, the ARB should not revise the 2020 – 2030 allowance allocations.

Respectfully Submitted,

/s/

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/s/

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