

**TURLOCK IRRIGATION DISTRICT COMMENTS ON THE
PROPOSED FIRST UPDATE TO THE CLIMATE CHANGE SCOPING PLAN**

April 28, 2014

Turlock Irrigation District (“TID” or “the District”) is pleased to provide the following comments on the February 10, 2014 Draft of the *Proposed First Update to the Climate Change Scoping Plan* (“Update”). TID has been a long-time supporter of the State’s climate goals by investing in efficient natural gas plants and renewable energy before there was any requirement to do so. TID also supports the state’s efforts to build a world-class economy while implementing planet leading environmental and public health policies. As discussed below, TID is generally supportive of the measures described in the Update, but requests that the Air Resources Board (“ARB”) place additional emphasis on: (1) the role of publicly owned utilities; (2) the need to maintain grid reliability and minimize ratepayer impacts; and (3) the need for administrative simplicity and certainty with regard to future regulation. The District looks forward to continuing to work with the ARB and other stakeholders in the achievement of the State’s ambitious GHG emission reduction measures.

TID’s long history of environmental stewardship began when the District was formed and we acquired some of the oldest water rights on the Tuolumne River. TID was organized as the first Irrigation District in California on June 6, 1887 and serves a retail electric customer base of nearly 100,000 customers while providing irrigation water to over 5,800 growers covering 149,500 acres of Central Valley farmland. TID is also one of only six Balancing Authorities in California, tasked with balancing load and generation while providing adequate reserve capacity to maintain reliability. We are the majority owner and sole operator of the 203 MW Don Pedro Dam and powerhouse, sole owner of the 136 MW Tuolumne Wind Project, and numerous small hydro generation units. This fleet provides clean energy and irrigation water to our customers, all while providing flood control and environmental benefits for the region.

The District is generally supportive of the Update. The Update primarily focuses on the status of climate change efforts and expanding the GHG emission reduction measures to achieve emissions reductions of 80% below 1990 levels by 2050. The Update notes that “Continuing progress to the 2050 objective requires California to maintain and build upon its existing programs, scale up deployment of clean technologies, and provide more low-carbon options to accelerate GHG emission reductions, especially after 2020”.¹ As the ARB refines and develops additional emissions reduction programs to meet the

¹ Scoping Plan Update, page 2.

2015 objective, the ARB should keep two general goals in mind. First, the ARB should ensure that emissions reductions are equitably shared on an economy-wide basis. The Electricity Sector, with a relatively small number of contributors that can be directly regulated, has been the target of the State's earliest and most significant direct-emission reduction measures. There is no question that the State's GHG and RPS laws have spurred significant reductions, however continuing to rely on the electricity sector for the majority of additional emissions reductions could result in electricity ratepayers bearing a disproportionate share of the cost of statewide emissions reductions. As a general matter, the ARB's efforts to achieve a 2050 GHG goal should seek contributions from all economic sectors. Second, as the State develops new GHG emission reduction programs, the state should strive for administrative simplicity in these new programs. Many of the existing programs, like the RPS, have become unnecessarily complex, increasing transactional and compliance costs for regulated entities. The State should seek to minimize these costs as it develops new programs and regulations.

Meeting the 2050 goal will require a careful balancing of the state's environmental requirements with electric system reliability and ratepayer costs. In particular, TID requests that the discussion of "Key Recommended Actions for the Energy Sector"² in the Scoping Plan update more clearly address the need to maintain grid reliability and minimize costs for rate payers. Reliability and ratepayer costs are "principles" that are specifically recognized in AB 32 and should continue to be reflected in the ARB and other agencies' efforts to expand the GHG emission reduction goals.³

Specifically, the Update places an emphasis on Demand Response and energy efficiency. We agree that these are important tools – ones the District is working to effectively implement - as part of its resource plan. But during multi-day heat events, loads become less responsive to these tools, threatening reliability. Moreover, the drought and climate change are already having a serious impact on existing hydro production, which will presumably be a key contributor to the net-zero GHG emissions goal for the energy sector. Given the limitations of energy efficiency, demand response, and our existing fleet of hydro resources, the state will require reliable back up capacity.

The discussion of "Key Recommended Actions for the Energy Sectors" should also more explicitly recognize the role of Publicly Owned Utilities. POUs are public agencies with local governing boards that have been elected by the POUs' ratepayer-owners and voters. The POU governing boards provide policy direction for the POUs' resource decisions. There is a direct connection between the POUs' ratepayers, the locally elected governing boards, and the success of any new programs to achieve further GHG reductions. Further, a number of POUs, like TID, act as their own Balancing Authorities and are directly responsible for maintaining safe and reliable grid operations. As the state moves beyond the AB 32

² Scoping Plan Update, page 51-52

³ In adopting AB 32, the legislature made the following legislative declaration: It is the intent of the Legislature that the State Air Resources Board design emissions reduction measures to meet the statewide emissions limits for greenhouse gases established pursuant to this division in a manner that minimizes costs and maximizes benefits for California's economy, improves and modernizes California's energy infrastructure and maintains electric system reliability, maximizes additional environmental and economic co-benefits for California, and complements the state's efforts to improve air quality. (Cal. Health and Safety Code Sec. 38501(h)).

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goals, it will be critical to closely engage with the POU's and the Scoping Plan should recognize the important and diverse roles the POU's play in meeting the state's policy objectives and goals.

According to the Scoping Plan update, "The actions outlined in this Plan support California's efforts to build a state-of-the-art energy generation, supply and distribution system that is clean, **affordable and reliable**" (emphasis added).⁴ As California's electric grid continues to transform, the principles of affordability and reliability must not be forgotten. TID is experiencing wholesale changes in the way we generate and deliver energy to our customer owners. TID has made major investments in low and zero emissions resources and is planning for increased penetration of distributed generation resources. With that in mind, to the extent that major emission reduction decisions can be put in local hands, the state will see better coordination of the various energy policies and more cost effective emissions reductions achieved at the local level. Utilities, especially Publicly Owned Utilities, are best suited to manage our power supply within the construct of State goals, and in line with local economic and environmental considerations. In that vein, directing R&D funding to POU's to partner with local, private enterprise on projects for demand response, energy storage, and energy efficiency will aid in lowering emissions and spurring economic development consistent with the goals of AB 32. Similarly, exploring ways to use smart grid data to make utility operations more efficient is also an area that is in lock step with local POU responsibilities and the state's GHG goals. The Update's goals should promote this coordination and more explicitly recognize the role of POU's in achieving emissions reductions.

The Update discusses the development of "mid-term goals". For example, in table 6 "Summary of Recommended Actions by Sector . . . Cap and Trade Actions" the Scoping Plan sets a 2017 goal to develop a plan for a post-2020 Cap-and-Trade Program. TID is concerned that there will not be enough time to plan for 2030 emission reduction targets. A 2017 completion date leaves only two or three years before the 2030 targets would begin to take effect. Allowance allocations through 2030 should be known well before 2020. Utilities require a longer planning horizon to make the long-term investments that may be needed to meet the 2020 – 2030 emission reduction targets. TID therefore requests that the ARB establish an earlier mid-term goal for expanding the Cap-and-Trade (e.g., the end of 2015).

In conjunction with the mid-term goals, the ARB should signal that it will maintain consistency with the current design of the Cap-and-Trade, including the allocation of allowances to the electricity sector. Utilities are uniquely qualified to return allowance value to ratepayers, and existing allowance allocations through 2020 properly reflect ratepayer cost burden, credit for early action, and energy efficiency accomplishments. Future considerations for allowance allocations should account for the increasing electric vehicle load, demand response programs, and a way to value transitional resources needed to integrate the unprecedented growth of wind and solar on the California grid. The need for new, efficient, quick start natural gas units as well as fast ramping large hydroelectric resources critical for integrating the variability of wind and solar generation should be specifically addressed in any revisions or updates to the Cap-and-Trade.

⁴ Scoping Plan Update, page ES-5

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Finally, The Scoping Plan update cites that, due to relying on the IPCC 's 4th Assessment updated global warming potential of GHG's, the new state wide limit is now 431 MMT instead of the 2007 Board adopted target of 427 MMT.⁵ TID recommends that the new GWP's be applied to the Cap & Trade program, and be recalculated from 2013-2020. This should produce an adjustment to the cap and corresponding regulatory changes for the allocation of allowances under the Cap-and-Trade Regulation.

Thank you for the opportunity to provide these comments. We look forward to working with you in the successful achievement of the State's GHG Emission Goals. If you have any questions about these comments, please contact Ken Nold at krnold@tid.org.

⁵ Scoping Plan Update, p 101