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Proposed Draft Resolution for Air Resources Board Cap-and-Trade Program

To Address Metropolitan Water District and Department of Water Resources/State Water Project

October 23, 2013

- Whereas, in Resolution 11-32, the Board directed the Executive Officer to continue discussions with stakeholders to identify and propose, as necessary, during the initial implementation of the cap-and-trade program, potential amendments to the Regulation, including but not limited to the following areas:
 - Distribution of allowance value associated with cap-and-trade compliance costs from using electricity to supply water, and the expected ability of allowance allocation and other measures to adequately address the incidence of these costs equitably across regions of the State.

Furthermore, if allowance value is used for the benefit of water ratepayers, it is used consistent with State efforts to promote efficient use and supply of water and water conservation.

- Whereas, on September 4, 2013, after substantial discussions with public wholesale water agencies, ARB released proposed amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, that included a definition of public wholesale water agency and a proposed allowance allocation to one of the two public wholesale water agencies.
- Whereas, the Board finds that the proposed amendments only partially address the direct and indirect cost burdens, including compliance costs, incurred by the two wholesale public water agencies as a result of the cap-and-trade regulations.
- Now, Therefore, Be It Resolved, that the Board directs the Executive Officer, to further amend the allowance allocation in the cap-and-trade regulation to include both public wholesale water agencies. Staff shall propose amendments that accurately and completely address the total cost burden of the two public wholesale water agencies that are covered entities under the cap-and-trade regulation. Staff shall meet and confer on the additional proposed amendments with the water agency stakeholders, and return to the Board with the proposed amendments during the next 15-day notice and comment period for the cap-and-trade regulation.
- Be It Further Resolved, that the Board directs staff to provide allowances to the public wholesale water agencies that can be used to meet a direct and/or indirect compliance obligation. The Board directs staff to include a proviso that the public wholesale water agencies shall use monetized funds that they obtain from the sales of allowances for projects that reduce

greenhouse gas emissions, including but not limited to water conservation, energy efficiency, renewable energy, and related water-energy nexus projects.