



December 14, 2015

Chair Mary D. Nichols
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Revised Draft Second Investment Plan

Dear Chair Nichols:

Thank you for the opportunity to review and comment on the Revised Draft Second Investment Plan issued by the Air Resources Board on December 2, 2015. We believe the revised draft contains essential strategies for reducing greenhouse gas emissions in the water sector and would like to express support for retaining these items in the investment plan. Specifically:

1. Low carbon water system. The plan clearly recognizes the opportunity to reduce the carbon footprint of one of the largest electricity users in the State -- the water system. Our own experience indicates that it is feasible to operate energy intensive water supply systems with zero-carbon, renewable energy at competitive or nearly competitive costs. Funding and incentives from Air Board programs could make more of these programs viable and drive down statewide emissions from water supply and conveyance. This would be particularly important and additive if existing federal investment tax credits expire as scheduled in 2017 or if the Public Utilities Commission takes action to reduce the viability of energy net metering in California.

2. Efficient financing mechanisms. We agree that developing alternative financing mechanisms could leverage the available funds, deliver greater benefit per dollar and bring private capital into the emissions reduction programs. As the plan indicates this could include using a portion of the auction proceeds to support GHG emission reduction financing through a revolving loan fund, loan guarantee program, reverse auction, or other financing mechanism established by the California Infrastructure and Economic Development Bank. Comparable programs operated by the State Water Board including the Clean Water and Drinking Water Revolving Loan Funds could be good models for this approach. Incidentally these programs also offer loan forgiveness terms to low income applicants.

3. Natural and working lands. Programs that enhance the long term capture of carbon in forest and range land have strategic importance for us in protecting source water quality, increasing water yield

and reducing the already significant impacts of climate change on watersheds and fisheries. Our ability to supply water depends on our ability to sustain healthy, natural watersheds that also maximize capture and retention of carbon.

Thank you for the opportunity to comment on the investment plan concepts. We commend the Air Resources Board for its successful implementation of the Cap-and-Trade program and for the strategic scope of the draft concepts prepared for this discussion.

Sincerely,

A handwritten signature in black ink, appearing to read "Grant Davis". The signature is fluid and cursive, with the first name "Grant" being more prominent than the last name "Davis".

GRANT DAVIS, GENERAL MANAGER

cc: Richard Corey, Executive Officer