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

Filed Electronically

RE: TID Comments on 2017 Climate Change Scoping Plan Update

Turlock Irrigation District ("TID") submits the following comments on the *2017 Climate Change Scoping Plan Update: The Proposed Strategy for Achieving California's 2030 Greenhouse Gas Target* ("Draft Scoping Plan") and *Draft Environmental Analysis* ("EA").

Upon review of the *Draft Scoping Plan* and subsequent refinements conducted by the ARB Staff of the greenhouse gas ("GHG") and air quality, health impacts, and economic impacts analyses of the examined scenarios, TID supports adoption of the Proposed Scoping Plan Scenario ("Proposed Plan").[1] TID believes that the Proposed Plan's strategy to extend the current Cap-and-Trade Program post- 2020 and continue efforts to achieve the policy mandates for emissions reductions set forth in existing policies and programs is a cost effective means of achieving the goals of Senate Bill ("SB") 32. We also believe this strategy will minimize cost impacts on the disadvantage communities that TID serves. Further, TID encourages the ARB to continue to recognize that transportation electrification will be a critical component of attaining the 2030 emissions goal, and the role that Electrical Utilities play in that effort be considered. Also, TID encourages harmonization between the ARB, CPUC and CEC when setting the Electric Sector goals in regards to the SB 350 IRP process. There must be clarity, consistency and coordination in the development of GHG planning targets and the signals the cap-and-trade sends.

I. TID Background and Service Area

TID was organized as the first Irrigation District in California on June 6, 1887 and is beginning its 130th year of operation. 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

[1] See, Draft Scoping Plan, Section II.

acres of farmland. Of the 11 communities that TID serves, seven are classified as Disadvantaged Communities pursuant to Senate Bill 535. TID is also one of only six Balancing Authorities in California, tasked with balancing retail demand, generation, and wholesale purchases and sales while providing adequate reserve capacity to maintain reliability.

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 has a long history of environmental stewardship, beginning when the District was formed. TID is the majority owner and project manager of the Don Pedro Dam and powerhouse, providing irrigation water and 203 megawatts, or approximately 400,000 megawatt-hours of emissions free energy to our customers, while providing flood control and environmental benefits for the region. TID has also made considerable investments in Renewable Portfolio Standard ("RPS") eligible resources, and has balanced these investments with its North American Electric Reliability Corporation ("NERC") regulatory obligations by procuring a geographically diverse renewable generation portfolio. TID's status as a balancing authority creates operational and regulatory limitations on its ability to change the use of its fast-starting natural gas facilities and integrate intermittent renewable generation inside of its Balancing Authority.

II. Concerns with Identified Alternative Scenarios

TID appreciates ARB Staff's responsiveness to stakeholder concerns, particularly Staff's analysis of the GHG and air quality, health impacts, and economic impacts of the Proposed Plan and alternative scenarios. Since ARB's health impact analyses indicate that the estimated health impacts from the Proposed Plan and alternative scenarios are fairly similar,[2] these comments primarily focus on the potential economic impacts of the alternative scenarios. As noted above, we are particularly sensitive to the potential rate impacts the various alternatives may have on TID's ratepayers in disadvantaged communities.

Since the majority of TID's ratepayers are in disadvantaged communities, TID cannot easily isolate rate impacts from being borne by these communities in the same manner that other utilities can through low income programs (e.g., CARE). TID is concerned that a fundamental shift in policy—such as that contemplated by three of the four alternative scenarios – resulting

[2] See ARB Staff's March 28th Workshop Presentation on the 2017 Climate Change Scoping Plan Update ("March 28th Workshop Presentation"), Slide 18, available at https://www.arb.ca.gov/cc/scopingplan/meetings/032817/sp-march-workshop-slides.pdf.

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in detrimental economic impacts would severely impact these ratepayer owners. Ratepayers in disadvantaged communities tend to pay relatively more for electricity compared to higher income areas because electricity bills are a higher percentage of their total income. In other words, the ARB's analysis under Assembly Bill ("AB") 197 should not only include a consideration of emissions impacts, but also the programmatic cost impacts of climate change policies.

A. Alternative 1: No Cap-and- Trade

TID has three primary concerns with Alternative 1: No Cap-and-Trade ("Alternative 1"): an increased
Renewables Portfolio Standard ("RPS") requirement beyond 50 percent;[3] high economic costs;[4] and the lack of funds generated for the Greenhouse Gas Reduction Fund ("GGRF"),[5] all of which may have a disproportionate financial impact on low income households and disadvantaged communities.

Due to operating its own balancing authority and needing to supply a balanced energy supply and demand within the balancing authority, TID faces unique challenges. A small balancing authority is unsuitable for high concentrations of intermittent renewable generation, such as that which might result from an increased RPS requirement beyond 50 percent. TID has therefore focused RPS investments outside of its balancing authority, which leads to transmission related costs for out-of-state resources or wheeling charges for resources located in the California Independent System Operator ("CAISO") balancing authority area. While TID is planning for a smooth transition to a 50% RPS, a new aggressive RPS target could lead to considerable rate impacts on TID's ratepayer owners. For this reason, Alternative 1 is not a cost-effective means of reducing GHG emissions when compared to the Proposed Plan.

The other potential negative impacts of Alternative 1 are demonstrated by the significant economic impacts of Alternative 1, particularly the high direct costs.[6] Moreover, Alternative 1 will not produce any GGRF funds that can be used for programs to offset these direct costs and benefit Disadvantaged Communities. Currently, the communities served by TID are direct recipients of GGRF funds through the Low Carbon Transit Operations Program ("LCTOP"), which is administered by the California Department of Transportation in coordination with ARB and the State Controller's Office.[7] The LCTOP provides funding assistance for projects that reduce

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[3] See, Draft Scoping Plan p. 49; also see March 28th Workshop Presentation, Slide 7.
[4] March 28th Workshop Presentation, Slides 23, 26, and 30.
[5] See, Draft Scoping Plan p. 50.
[6] March 28th Workshop Presentation, Slides 13, and 30.
[7] The designated recipient of LCTOP funds for the Stanislaus region is the Stanislaus Council of Government ("StanCOG"). For example, see *Staff Report* FY 2016/17 Low Carbon Transit Operations Program (LCTPO) Project Funding, p. 1, available at http://www.stancog.org/pdf/committees/tac-cpc/2017/mf-20170302-agenda.pdf.

GHG emissions, with a requirement that a minimum of 50% of total funding received must be used for projects that benefit disadvantaged communities.[8] Such funds will no longer be available to benefit Disadvantaged Communities if Alternative 1 is selected. For these reasons, TID does not support Alternative 1.

B. Alternative 2: Carbon Tax

TID is concerned by the significant cost impacts that ARB Staff projects for Alternative 2. TID understands that for the purposes of Staff's economic impacts analyses, the modeling set the carbon tax at the US Environmental Protection Agency's social cost of carbon-- $50 per metric ton in 2030.[9] However, both the Draft Scoping Plan and Staff's March 28th Workshop Presentation acknowledge that setting the "right price" of the carbon tax is difficult.[10] The Draft Scoping Plan further acknowledges that it is unclear how the tax would be applied—for example, whether the tax would be adjusted annually, be applicable to all sectors, or whether certain sectors would be exempted from the tax to address emissions leakage, trade exposure concerns, or minimizing costs of operating critical infrastructure (e.g., power plants needed to maintain system reliability).[11] TID is concerned with the potential impacts of such regulatory ambiguity on utility planning and the costs such high carbon costs would have on ratepayers. For example, TID must meet specific federal and state requirements for grid reliability within its Balancing Authority Area. To help meet these requirements, TID not only procures resources, both renewable and conventional fuel-fired resources, as needed, but also owns and operates its own generating facilities. Ambiguities in the yearly carbon tax will make long-term planning for the operational costs of those generating facilities very difficult. Further, carbon tax increases needed to realize emissions reduction goals would lead to further uncertainty for ratepayers. In short, TID is considered that Alternative 2 is not a cost-effective means of accomplishing the state's environmental goals when compared to the Proposed Plan. There is also no certainty that emissions reductions will actually occur with Alternative 2. Therefore, TID does not support Alternative 2.

C. Alternative 3: All Cap-and-Trade

In terms of potential economic impacts to ratepayers, Alternative 3 appears commensurate with the Proposed Plan, if not slightly better. At the March 28th Workshop, ARB Staff stated that Alternative 3 is not as responsive to AB 197. TID encourages the ARB to continue to rely on the Cap-and-Trade as the primary mechanism for meeting the SB 32 targets, and supports the Proposed Plan TID continues its commitment to working with ARB Staff to ensure that the Cap & Trade and Mandatory Reporting Regulations continue to provide meaningful emissions

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[8] See, for example, http://www.stancog.org/pdf/committees/tac-cpc/2017/cac-01-04-2017.pdf.
[9] Note: in $2007. See, March 28th Workshop Presentation, Slides 7, 27.
[10] See, Draft Scoping Plan p. 50; also see March 28th Workshop Presentation, Slide 7.
[11] See, Draft Scoping Plan p. 51.

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reductions in the most ***cost effective*** manner. In addition, the ARB should consider program cost impacts as a key consideration of Alternative 3.

D. Alternative 4: Cap-and-Tax

TID has extensive concerns with the high direct costs of Alternative 4: Cap-and-Tax ("Alternative 4"). (See, March 28th Workshop Presentation on the 2017 Climate Change Scoping Plan Update, Slides 8, 29, & 30.[12]) As stated throughout these comments, the majority of TID's ratepayers are located in disadvantaged communities, and may be disproportionately affected by a fundamental shift in policy, such as a change to a Cap-and Tax program as contemplated by Alternative 4. The potential negative changes to employment figures and personal income estimated by ARB Staff from Alternative 4 are significant, and TID is concerned that such changes will disproportionately impact disadvantaged communities. Therefore, TID does not support Alternative 4.

III. Transportation Electrification

TID is encouraged that ARB recognizes transportation and industrial electrification as key components in meeting the ambitious 2030 emissions reductions goals in the Scoping Plan. Utilities will play an important role in realizing this transition. TID is concerned, however, that the ARB has not yet developed a methodology that will ensure that utility ratepayers aren't unduly burdened by the increased demand and commensurate emissions costs placed on electric utilities. A supplemental cap-and-trade allocation process based on individual, verified meter data is infeasible. TID recommends that the ARB work with the LCFS program staff to build on the load estimation modeling that the LCFS program uses. TID looks forward to working with the ARB staff and other utilities on a EV methodology in a future cap-and-trade rulemaking.

IV. GHG Goal setting, SB 350 harmonization

SB 350 directed the ARB to establish load serving entity specific GHG targets for the purposes of developing IRPs. [13] TID encourages the ARB to actively engage with the Energy Commission and

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[12] March 28th Workshop Presentation, Slides 8, 29, and 30.

[13] California Public Utilities Code §454.52(a)(1)(A) provides that load-serving entities must "meet greenhouse gas emissions reduction targets established by the State Air Resources Board, in coordination with the commission and the Energy Commission, for the electricity sector and each load-serving entity that reflect the electricity sector's percentage in achieving the economy-wide greenhouse gas emissions reductions of 40 percent from 1990 levels by 2030."

the Public Utilities Commission, as they have both opened proceedings in regards to establishing LSE specific targets for the IRP process. These "soft" targets must be consistent with the Electric Sector targets within the 2030 Scoping Plan, and TID recommends that there be a range built in to the targets that take into account the myriad efforts of utilities to reduce emissions (RPS, etc.), and the inherent variability that utilities plan for, but have no control over (e.g., load, hydro, wind, solar, etc.).

V. Conclusion

TID supports the state's greenhouse gas reduction goals. The policies set forth in the Scoping Plan must strike an appropriate balance between the state's environmental goals and economic impacts. TID appreciates the ARB's sensitivity to the utilities' responsibility to provide reliable power in a cost-effective and environmentally friendly manner. The Proposed Plan strikes an appropriate balance of costs and meeting policy objectives, which are not met by any of the alternative scenarios. TID supports adoption of the Proposed Plan, but believes that more work is needed to better understand and address the unique role the electricity sector will play in achieving the SB 32 emission reduction targets. In particular, the ARB should address the ARB's role in electrifying the transportation and industrial sectors in the context of a subsequent cap-and-trade rulemaking. In addition, the IRP planning targets must be carefully crafted to achieve a clear set of soft targets that are consistent with both the Scoping Plan process as well as the cap-and-trade. TID looks forward to continuing to work the ARB to help achieve the State's GHG targets in a way that minimizes costs for ratepayers.

Sincerely,

Dan B. Severson
Turlock Irrigation District