



## TURLOCK IRRIGATION DISTRICT

April 28, 2017

Ms. Rajinder Sahota  
California Air Resources Board  
1001 I Street  
Sacramento CA 95814

### ***Filed Electronically***

*RE: TID Comments on the Cap-and-Trade Regulatory Amendments Noticed on April 13, 2017.*

Turlock Irrigation District (“TID”) submits the following comments on the California Air Resources Board (“CARB”) April 13, 2017 proposed regulatory amendments to the Cap-and-Trade. As discussed below, TID supports the proposed updates to the electric distribution utilities’ post 2020 allowance allocation methodologies. By removing the cap-adjustment factor, the ARB recognizes that California’s electric utilities are subject to numerous GHG reduction policies in addition to the cap-and-trade. While TID supports the post 2020 allowance allocations, we encourage the ARB to reconsider its policy decision to redistribute EDU allowances to Emissions Intensive Trade Exposed industries. The ARB should also continue to evaluate the RPS adjustment to ensure that wholesale market participants do not profit from specified source import claims at the expense of California ratepayers. These comments also signal TID’s support for the continued use of offsets. Finally, TID is concerned with the new provisions that would create a direct corporate association when one registered entity fails to disclose a shared consultant or advisor.

### **TID Background**

TID was organized as the first Irrigation District in California on June 6, 1887 and is beginning its 130<sup>th</sup> 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 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 approximately 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), having procured 136 MW of wind in 2009 in advance of the RPS mandate on POU's, as well as recently completing a 20-year power purchase agreement for 54 MW of newly constructed in-state utility scale solar, which should satisfy TID RPS eligible procurement through 2024. TID has a diverse portfolio of RPS eligible resources, including wind, small hydro, geothermal, and solar.

TID remains committed to working towards the State's climate and clean energy goals, and supports the extension of Cap & Trade, notwithstanding numerous implementation concerns outlined below, and offers the following comments on the recently released Draft Cap & Trade Regulations. TID also supports the comments from other utility organizations, namely the Joint Utility Group.

## **DISCUSSION**

### **1. TID Supports the Removal of the Cap-Adjustment Factor From the Electric Distribution Utilities Post-2020 Cap-and-Trade Allowance Allocations.**

The April 13, 2017 Amendments implicitly recognize the fact that the electricity sector is already subject to emission reductions by virtue of other state policies, such as the RPS. TID supports the removal of the Cap Adjustment Factor ("CAF") for the electricity sector. With the economy wide "Cap" already set at a significant decline (from 334 mmtCO<sub>2</sub>e in 2020 to 193 mmtCO<sub>2</sub>e in 2030), the application of the CAF would have increased compliance costs on retail ratepayers. By removing the CAF, the proposed Amendments further the fundamental ratepayer protection rationale for free allocation to EDUs. Moreover, for EDUs like TID that primarily serve disadvantaged communities, the removal of the CAF will help minimize compliance costs for these customers in furtherance of the goals in AB 197.

### **2. TID Does Not Support the Redistribution of Allowances to Emissions Intensive Trade Exposed Industries.**

TID does not support the redistribution of allowances to the covered Industrial customers in our service territory. TID EITE customers benefit from the allowance

allocation as constructed from 2013-2020 in that TID has applied allowance value to benefit all of our ratepayers. The increased costs associated with the lower allocation of allowances will be borne by all ratepayers while the fractional benefit due to the application of the assistance factor only marginally benefits the industrial customer. The reduction in allocations will result in costs that will likely be borne by all of our customers and may not be directly attributed to our EITE customers. Many of these customers that may incur the costs attributable to the redistribution of allowances are located in disadvantaged communities. To avoid placing this additional cost burden on all of TID's customers (particularly our disadvantaged communities), the ARB should not redistribute EITE allowances, or at a minimum, apply the assistance factors in the EITE redistribution such that the reduction in EDU allowances is multiplied by applicable EITE assistance factors. Otherwise, the ARB will effectively be taking allowances away from EDU customers, giving a fraction of those allowances to EITE customers, and then allocating the remaining portion of the allowances to the quarterly auctions.

**3. The ARB Should Continue to Evaluate the Implementation of the RPS Adjustment Rules to Ensure that Market Participants Are Not Unjustly Benefiting from Specified Source Power Claims at the Expense of California Ratepayers.**

TID supports the retention of the RPS Adjustment provisions. This is extremely important for TID because a major part of our RPS compliance is tied to the 2009 purchase of the Tuolumne Wind Project located in Washington. TID relies on the RPS adjustment to ensure that our ratepayers receive the zero GHG emissions benefit and RPS compliance value of that investment (i.e., the Green Attributes). The retention of the RPS Adjustment is an example of Staff harmonizing RPS with Cap & Trade as directed by AB 32. As stated in the 2010 Final Statement of Reasons (FSOR) (p. 57), "The RPS adjustment provision accomplishes the purpose of reducing a deliverer's compliance obligation by accounting for renewable imports".

While we are not requesting any adjustments to allowance allocations based on the RPS adjustment rules, we believe that the ARB must do more to minimize specified source claims of null power. By removing the requirement to report REC serial numbers from Section 95852(b)(3), the current rules will create an incentive to purchase null power and claim the Green Attributes for that power even though the purchaser did not receive the Green Attributes. This incentive has and will continue to harm California ratepayers. The ARB should continue to evaluate changes to the RPS adjustment either in regulation or in guidance language that would remove the incentives to import null power into California.

**4. TID Supports the Retention of Offset Credits in the Cap-and-Trade.**

TID supports the retention of the Quantitative Usage Limits as currently constructed, as GHG Offset projects incentivize *real* emissions reductions, even though they may be outside of the California State boundaries. The Cap & Trade Program is now regional, and any change, cut, or redefining of GHG Offset eligibility would only

serve to drive up compliance costs. In addition, offsets represent a valuable cost control feature that should be retained to minimize the risk of catastrophic carbon prices as the cap continues to decline.

**5. TID Is Opposed to the Proposed Amendments to Consultant and Advisor Registration.**

As amended, Section 95833(a)(6) would create a “Direct Corporate Association” between two entities if either one of the entities fails to disclose a consultant or advisor that it shares with the other entity. TID is concerned that this new provision was not vetted among stakeholders prior to the release of the 15-day amendment language, and it is not clear from the notice or the regulations why this amendment is needed. We do not believe this provision will further the ARB’s role in serving as a market monitor or protect the Program from manipulation. The provision would unfairly penalize a company that is in compliance when another un-associated entity fails to fulfill its compliance obligations under Section 95923. The entity that is penalized has no control over another entity’s compliance with the program. There is no rational basis for this provision and we are concerned that the proposed amendment would penalize regulated entities that contract with consultants and advisors. We believe this proposed amendment would interfere with a regulated entity’s ability to contract with consultants and advisors. For these reasons, the ARB should not amend the regulation as contemplated in Section 95833(a)(6).

TID appreciates the opportunity to submit these comments.

Respectfully submitted,

/s/

---

Dan B. Severson  
Turlock Irrigation District

/s/

---

Ken R. Nold  
Turlock Irrigation District