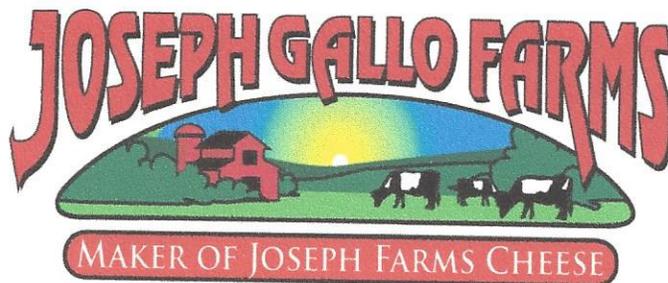


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January 11, 2016

Chairwoman Mary Nichols and Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Draft 2016 Cap-and-Trade Program Regulation Amendments

Dear Chairwoman Nichols, ARB Board and Staff:

We appreciate the opportunity to submit comments on the Air Resources Board Draft 2016 Cap and Trade Regulation. As one of the California's leaders in sustainable dairy farming and onsite renewable energy for cheese production, we support the goals of the 2016 Cap and Trade Regulation and applaud its objectives to significantly reduce methane and greenhouse gas emissions and increase the adoption of methane reducing technologies in California.

Joseph Gallo Farms is a pioneer in sustainable farming practices in California. Our farm currently operates one of the first, successful large-scale biogas digesters in California—capable of generating up to 1.6 megawatts of electricity every year. Additionally, waste heat is captured and used to produce steam that fuels the boilers for our cheese production facility. Through this process we generate up to 75% of the electricity needed for cheese production and packaging. In addition, Joseph Gallo Farms recently deployed 2MW of solar to further its renewable energy generation for dairy operation – making it the largest agricultural net metering project in California. The farm has also received many prestigious environmental awards for its efforts, including the CalEPA's Waste Reduction Awards Program Award in 2009, 2010, and 2011 for improving the environment by reducing waste, as well as the 2012 Governor's Environmental and Economic Leadership Award (GEELA) from Governor Brown, which is California's highest environmental honor.

Building upon the experience of operating one of the longest producing successful digesters in California, we support ARB staff recommendations focused on utilizing incentives, capital cost investment, and streamlining strategies to help accelerate the deployment and expansion of dairy digesters throughout California.

Below are our suggestions and comments on the 2016 Cap and Trade Regulation, specifically related to the offset program for the dairy industry:

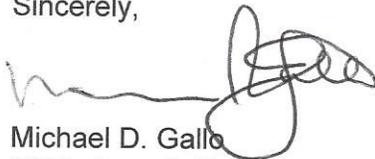
- Maintaining certainty of incentives, including offset credits, is important to help accelerate the deployment and expansion of dairy digesters. To help maintain certainty for offset credit generation, regulatory violations that impact issuance of ARB offset credits should only happen if they were caused by project related activities. We suggest defining "project related activities" for anaerobic digestion projects to include activities related to the collection and disposal of manure, and the collection and destruction of methane. Thus, administrative violations or acts that do not result in material adverse environmental impacts would not be cause for a loss or suspension of credits.

- Increasing guidance and communication on the offset program will also help accelerate the deployment and expansion of dairy digesters throughout California. We suggest more frequent publication of FAQs (i.e. monthly or quarterly) to provide uniform guidance to all of those participating in the program. Currently, most guidance is provided on a case-by-case basis, which leads to varying levels of information and disconnect between Offset Project Operators and Air Pollution Districts. Increasing the FAQ publication frequency to monthly or quarterly would increase both transparency and efficiency in accounting and reporting. Furthermore, once FAQs are published, we recommend that there be a window, such as 90 days, for them to become effective. This window would allow for the project operators and air districts to adapt to new interpretations of regulations.
- Streamlining the verification process and submittal of the OPDR will also help increase participation. Currently, offset verifications cannot begin before the end of the reporting period, which cannot occur until the OPDR is submitted to the verifier. This can lead to substantial delays from the end of the reporting period to the issuance of the offset credit. Many aspects of verification deal with basic data, such as the project location, start date, combustion devices, project monitoring equipment, etc. We suggest allowing the verifier to begin their process earlier; focusing on this static information initially to help streamline the verification process upfront.

Furthermore the offset volume stated on the initial OPDR is rarely identical to that of the final OPDR. In almost all instances the verification process results in a modification to the offset volume. Therefore, we suggest to only include this volume to be stated and verified on the final OPDR.

We appreciate the opportunity to submit comments related to the 2016 Draft Cap and Trade Regulation Amendments and look forward to continuing to work with the Air Resources Board to further the deployment of methane digesters throughout California to help reduce greenhouse gas emissions and other harmful air pollutants.

Sincerely,



Michael D. Gallo
CEO, Joseph Gallo Farms