

March 11, 2016

Ms. Rajinder Sahota  
Chief, Climate Change Program Planning & Management Branch  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

***Filed Electronically***

**Re: Modesto Irrigation District's Comments from the February 24, 2016 Workshop on Potential Amendments to the Mandatory Reporting and Cap-and-Trade Regulations**

Dear Ms. Sahota:

The Modesto Irrigation District (MID) welcomes the opportunity to present our comments on several topics presented by the Air Resources Board (ARB) during the February 24, 2016 workshop. Specifically we will address the potential amendments to the Mandatory Reporting Regulation (MRR) and Cap-and-Trade Regulation. Our key areas of concern focus on the proposal to move the verification deadline up by one month, the potential structure of the federally enforceable backstop measure required by the Clean Power Plan (CPP), and the uncertainty surrounding the practical application of the post-2020 "bridge" compliance period.

**Verification Deadline**

MID is concerned that moving the verification deadline for completion of greenhouse gas verification to one month earlier than the current deadline will present a burden to us and our fellow electric power entities. While we strive to complete our reporting obligations prior to the deadline, the fact is that much of the data necessary to submit the electric power entity report is provided by counterparties and is often not finalized in time to allow for early reporting. This delay in receiving data is the reason behind the original separation of the electric power entity reporting deadline from the deadline for other reporting entities. For this reason, we believe that the proposed change may not result in early reporting as expected, but will lead to a scramble to perform verification services and schedule site visits within the time allotted. Because verification bodies would need to accommodate the expedited schedule, we recommend that they be consulted prior to implementing such a schedule change.

**CPP State Measures Plan Backstop**

MID recognizes the need for the CPP-required backstop measure for affected electric generating units (EGUs); however, we urge ARB to work with the EGU owners to develop an equitable process for initial injection and potential reinjections of allowances into the backstop pool. It is unclear from ARB staff's presentation and issue paper how exactly the initial ten million allowances would be drawn from the post-2020 emissions caps. We look forward to partnering with ARB and our peers in the industry to develop a means of establishing the backstop pool such that it has a minimal impact to our ratepayers.

We have concerns about the reinjection of allowances into a depleted backstop pool. Under the current proposal, all affected California EGUs would be responsible for purchasing and retiring allowances from the CPP backstop pool commensurate with their share of the utilized backstop allowances as allocated based on each EGU's proportion of total sector emissions. It is not clear from the staff presentation or the issue paper whether any Allowance Price Containment Reserve (APCR) allowances used to recharge the backstop pool would be replenished, and what the source and timing for that replenishment will be. We are also concerned that committing APCR allowances to replenish the backstop pool may reduce the effectiveness of the APCR to provide its primary function of allowance price mitigation if ten million allowances must always be held from the market for backstop contingencies.

The ARB has convincingly demonstrated that the potential for depleting the backstop pool is improbable; however, with our current state of frequent and unpredictable severe weather, the potential closing of the Diablo Canyon Power Plant, and continued low fossil fuel prices, it behooves us to ensure that our backstop measure is economically sound.

#### **Compliance "Bridge" Period**

Finally, ARB's proposal for a new CPP-compliant compliance period schedule includes a "bridge" period from January 1, 2021 through December 31, 2022. The first year of this bridge period is also the first year for which many Cap-and-Trade and MRR amendments would be in effect. Additionally, the second year of this bridge period is the first year for which the CPP takes effect. The impact that the combination of new regulations will have on reporting entities (and for that matter, on ARB itself) is unclear. We request that ARB investigate the practical effect of the "bridge" period on the Cap-and-Trade and MRR programs, particularly the seam between the period's two years.

MID appreciates the opportunity to submit these comments. We are committed to continued cooperation with ARB and our peers in the industry to lead the nation's efforts to economically reduce the impact of energy production on our health and environment for the benefit of our ratepayers.

Sincerely,



Greg Salyer  
Interim General Manager  
Modesto Irrigation District