

August 2, 2013

Hon. Mary D. Nichols, Chairman
California Air Resources Board
1001 I Street
Sacramento, CA 94814



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Re: Amendment to Cap-and-Trade Program

Dear Madam Chairman:

The State Water Contractors (SWC) applauds the California Air Resources Board (ARB) for a successful launch of the Cap-and-Trade program and the three auctions that have been run. We appreciate the opportunity to comment on your intent to amend the regulations.

Our participation in the California Air Resources Board Cap-and-Trade program dates back to early 2010. We have contributed to Cap-and-Trade and Investment Plan workshops, given oral and written comments to the Board, met with the Board and staff with the intent to assist in the design and implementation of the Cap-and-Trade regulations. Our interest is principally associated with the cost and risk customers of the State Water Project bear under Cap-and-Trade because the SWP did not receive free allowances. That oversight will cost the SWP customers approximately \$20 million in 2013. Further, our customers are exposed to the risk that future allowance auctions clear at ever increasing prices.

The SWC do have reason to be encouraged. In Board Resolution 11-32 the Board directed the Executive Officer to continue to work with us to address the inequity in the original regulations. On August 27, 2012 Chairman Nichols further committed to ensure that the SWP is able to cost effectively comply with Cap-and-Trade. These are just two examples of the increasing awareness and willingness to address the SWP concerns with the current regulations. We, therefore, encourage the ARB to following through on direction included in Board Resolution 11-32 and Chairman Nichols commitment. The amendment process appears to be the ideal opportunity to address our concerns.

We look forward to working with ARB toward that end.

Sincerely

Timothy J. Haines
Deputy General Manager, Energy