TURLOCK IRRIGATION DISTRICT COMMENTS ON THE 2030 TARGET SCOPING PLAN UPDATE CONCEPT PAPER

July 8, 2016

Turlock Irrigation District ("TID" or "the District") is pleased to provide the following comments on the June 17, 2016 *2030 Target Scoping Plan Update Concept Paper* ("Concept Paper"). TID has been a long-time supporter of the State's climate goals by investing in efficient natural gas plants and renewable energy before there was any requirement to do so. TID offers two main comments on the Concept Paper. First, the 2030 Scoping Plan should explicitly recognize the role of the POUs in meeting the state's GHG targets and evaluate the interactions of various regulatory requirements the POUs must comply with. For example, the ARB should ensure that POUs' early, voluntary investments in renewables are not penalized under the Cap-and-Trade. Second, TID is supportive of the discussion in the Concept Paper of extending the Cap-and-Trade post 2020. We believe that market based mechanisms such as the Cap-and-Trade are a more cost effective means of reducing GHG emissions than command-and-control measures. To provide greater confidence in the Cap-and-Trade program, the ARB should use the Scoping Plan as an opportunity to signal that pre 2020-vintage allowances can be used in a post 2020 program. TID looks forward to continuing to work with the ARB and other stakeholders in the achievement of the State's ambitious GHG emission reduction measures.

Overview of TID:

TID's long history of environmental stewardship began when the District was formed and we acquired some of the oldest water rights on the Tuolumne River. TID was organized as the first Irrigation District in California on June 6, 1887 and serves a retail electric customer base of nearly 100,000 customers while providing irrigation water to over 5,800 growers covering 149,500 acres of Central Valley farmland. TID is also one of only six Balancing Authorities in California, tasked with balancing load and generation while providing adequate reserve capacity to maintain reliability. We are the majority owner and sole operator of the 203 MW Don Pedro Dam and powerhouse, sole owner of the 136 MW Tuolumne Wind Project, which was developed by TID when there was no RPS requirements for POUs. This fleet provides clean energy and irrigation water to our customers, all while providing flood control and environmental benefits for the region. As the state refines its climate policies to meet a 2030 target, it will be critical to ensure that the interactions of various measures such as the RPS and Cap-and-Trade are fully evaluated and companies like TID that made early voluntary investments in renewable resources are not penalized for those early investments through the application of unforeseen GHG costs.

1. ***The Scoping Plan Should Explicitly Recognize the Role of POUs.***

POUs are public agencies with local governing boards that have been elected by the POUs' ratepayer-owners and voters. The POU governing boards provide policy direction for the POUs' resource decisions. There is a direct connection between the POUs' ratepayers, the locally elected governing boards, and the success of any new programs to achieve further GHG reductions. Further, a number of POUs, like TID, act as their own Balancing Authorities and are directly responsible for maintaining safe and reliable grid operations. As the state moves beyond the AB 32 goals, it will be critical to closely engage with the POUs and the Scoping Plan should recognize the important and diverse roles the POUs play in meeting the state's policy objectives and goals.

Moreover, as California's electric grid continues to transform, the principles of affordability and reliability must not be forgotten. TID is experiencing wholesale changes in the way we generate and deliver energy to our customer owners. TID has made major investments in low and zero emissions resources and is planning for increased penetration of distributed generation resources. With that in mind, to the extent that major emission reduction decisions can be put in local hands, the state will see better coordination of the various energy policies and more cost effective emissions reductions achieved at the local level. Utilities, especially POUs, are best suited to manage our power supply within the construct of State goals, and in line with local economic and environmental considerations. In that vein, directing R&D funding (e.g., GGRF) to POU's to partner with local, private enterprise on projects for demand response, energy storage, and energy efficiency will aid in lowering emissions and spurring economic development consistent with the goals of AB 32. Similarly, exploring ways to use smart grid data to make utility operations more efficient is also an area that is in lock step with local POU responsibilities and the state's GHG goals. The 2030 Target Scoping Plan should promote this coordination and more explicitly recognize the role of POUs in achieving emissions reductions and minimizing costs for their ratepayer owners.

2. ***The ARB Should Continue the Cap-and-Trade Program Post 2020 and Explicitly Signal That Allowances Currently Held By Registered Entities Can Be Used In the Post 2020 Program.***

TID supports the ARB's goal to continue the Cap-and-Trade Program post 2020. The Cap-and-Trade is a cost effective means of achieving a guaranteed level of emissions reductions through the application of a cap. Other measures such as command and control do not offer the same efficiencies, and could lead to significant additional costs for ratepayers or customers of industrial products. The ARB should not adopt command and control measures, and instead continue to rely on the Cap-and-Trade to meet the 2030 target. The ARB should also take certain measures that will strengthen the Cap-and-Trade market in the near term. The ARB should provide greater certainty and investor confidence in California's program by using the

2030 Target Scoping Plan as an opportunity to signal that pre-2020 vintage allowances currently held by registered entities in their holding accounts can be banked and used for compliance post-2020. The ARB should also signal that it will maintain consistency with the current design of the Cap-and-Trade, including the allocation of allowances to the electricity sector. Utilities are uniquely qualified to return allowance value to ratepayers, and existing allowance allocations through 2020 properly reflect ratepayer cost burden, credit for early action, and energy efficiency accomplishments. Future considerations for allowance allocations should account for the increasing electric vehicle load, demand response programs, and a way to value the flexible gas resources needed to integrate the unprecedented growth of wind and solar on the California grid.

In conclusion, meeting the 2030 goal will require a careful balancing of the State's environmental requirements with electric system reliability and ratepayer costs. The 2030 Target Scoping Plan should clearly recognize the role of POUs in maintaining grid reliability and the POUs responsibility to minimize costs for their ratepayer owners. The State should continue the Cap-and-Trade program and explicitly signal that it will allow entities holding allowances to bank those allowances and use them for compliance in a post 2020 Cap-and-Trade program.

Thank you for the opportunity to provide these comments. We look forward to working with you in the successful achievement of the State's GHG Emission Goals. If you have any questions about these comments, please contact Ken Nold at krnold@tid.org.