



December 4, 2015

**Ms. Rajinder Sahota
Mr. David Mallory
Mr. Johnnie Raymond
California Air Resources Board
1001 I Street
Sacramento, CA 95814**

Re: Cap-and-Trade Adaptive Management Process

Thank you for the opportunity to submit comments on the proposed adaptive management process. It will help monitor emissions from individual sources and flag significant changes over time in those sources and in specific geographic areas. It will also determine whether an adaptation of the Cap-and-Trade structure affecting those sources or areas is appropriate.

The Sacramento Municipal Utility District (SMUD) generally supports the proposed adaptive management process, and believes that it is essential for ARB to adopt such a process to ensure that the Cap-and-Trade program does not have unintended effects on disadvantaged communities.

SMUD has two comments for ARB consideration as the proposed adaptive management process is further developed.

A. Proposed 5% Trigger:

The proposed “trigger” for further examination under the adaptive management process on the “facility path” is an increase or decrease of GHG emissions at a particular covered source of more than 5% that is caused by the Cap-and-Trade program. This level of change may be appropriate for most covered facilities, but SMUD suggests that ARB consider applying a different covered metric for electric generating facilities, for two reasons.

First, electric generating units, unlike covered industrial sources, are part of an interconnected electricity grid, meaning that individual units can be dispatched to meet load quite differently from year to year. In particular, the amount of hydroelectric generation available in wet and dry years can greatly affect the dispatch of and hence emissions from these facilities. Factors such as the price of spot power and the price of natural gas can also significantly affect annual dispatch of a particular facility. SMUD has four covered electric generating units in the Cap-and-Trade program, and emissions from these

units have typically changed at least 5% up or down in at least half of the years from 2008 through 2014.

These changes are clearly not due to the Cap-and-Trade program but rather to changes in system conditions outside the control of the owners and operators of the generation units. ARB staff may not want to trigger the "further examination" process for electric generating units so frequently.

Second, California has done a good job of controlling criteria emissions in the electric generating sector. While there may be significant increases and decreases annually in GHG emissions from a particular unit, the accompanying changes in the amount of criteria emissions are likely to be relatively insignificant to surrounding areas.

B. Use of Biomethane:

The GHG emissions visualization and analysis tool reflects the total GHG emissions from a particular facility, not just the fossil portion for which there is a Cap-and-Trade obligation. SMUD uses a substantial amount of biomethane in one of our covered facilities. SMUD suggests that the ARB consider whether and how the visualization and analysis tool and the adaptive management process should account for biogenic emissions. In most cases, these emissions do not have a Cap-and-Trade compliance obligation, so they will be affected differently than fossil emissions as the Cap-and-Trade program proceeds. This should be considered as ARB determines whether a particular emission increase or decrease is occurring due to the Cap-and-Trade program or not.

Respectfully submitted,

_____/s/_____
 STEVE LINS
 Chief Assistant General Counsel
 Sacramento Municipal Utility District

_____/s/_____
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 Sacramento Municipal Utility District

cc: Corporate Files (LEG 2015-1001)