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Ms. Rajinder Sahota
Assistant Division Chief
Industrial Strategies Division
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Filed Electronically

RE: TID Comments on Possible Revisions to the Cap-and-Trade Regulation as discussed at the June 21st workshop

Turlock Irrigation District ("TID") submits the following comments and responses on the California Air Resources Board ("CARB") staff Preliminary Discussion Draft (PDD) of potential changes to the Cap-and-Trade Regulations and price containment points presented at the March 2nd workshop.

TID Background

TID was organized as the first Irrigation District in California on June 6, 1887 and is beginning its 130th year of operation. TID operates its own balancing authority area and currently serves a retail electric customer base of just over 100,000 customers and provides irrigation water to over 5,800 growers and nearly 150,000 acres of farmland. Of the 11 communities that TID serves, seven are classified as Disadvantaged Communities, and a majority of our service territory is in the top 20% of Cal Enviroscreen 3.0 impacted communities. TID remains committed to working towards the State's climate and clean energy goals while providing reliable, low-cost electricity to our ratepayers

DISCUSSION

1. **The proposed amendment to the use of EDU allowance value should be clarified to state that they are not an exhaustive list of allowed uses. There should be a "catch all" provision that enables EDU's to make timely investments in projects or programs that reduce GHG emissions.**

In the PDD, Staff details the types of allowance value usage allowed under the Regulation. The added uses are helpful in that they give some regulatory certainty to those uses. However, TID is concerned that the added uses are an exhaustive list of approved uses because of the addition of the word "must" and "using one or more of the following approaches" in section 95892 (d) (3). Such restrictions could hinder investment in cost effective emissions reductions measures. The ARB should add a catch all that would enable a POU's governing board to make determinations regarding appropriate uses of allowance revenue that benefit ratepayers and further the purposes of AB 32. Alternatively, the POU should be able to propose an allowance value use to the ARB staff and the Executive Officer would be delegated the authority to approve the allowance value use consistent with certain parameters (e.g., the project will reduce GHG emissions). A "catch all" provision would give POU's confidence in investing in projects or programs that aren't listed in the PDD, as long as the projects or programs are consistent with the goals of AB 32 and clearly benefit retail ratepayers.

For example, the PDD contains only a limited amount of renewable integration strategies – e.g, the deployment of battery storage. However, there may be other renewable integration strategies beside batteries that will enable the EDU to integrate renewables (e.g., transmission and distribution upgrades).

In addition, the purchase of allowances using allowance proceeds should remain an allowed use of auction proceeds, because it allows EDU's to hedge against volatile emissions profiles from year to year. EDU's must plan for electricity demand, renewables, hydro conditions, and weather, which can all be highly variable. As the last 5 years have shown, and as the effects of climate change continue to make weather, renewables, and electricity demand harder to predict, TID believes it is important to maintain the flexibility that the purchase of allowances from allowance value provides. Provided, of course, that the EDU can clearly show that the allowances purchased are applied against retail emissions obligations, or if sold, that the funds were spent consistent with the provisions in section 95892. Further, TID is appreciative of the ARB Staff determining that the forced consignment of POU allowances is not necessary. POU's outside of the CAISO balancing authority area have incorporated GHG costs into their dispatch protocols, and thus the forced consignment option is not necessary.

Finally, TID shares other POUs concerns that the quantification provisions in the proposed revisions to Section 95892(d) are problematic and could preclude the use of expenditures that simply cannot be quantified (e.g., educational expenditures). The ARB should remove the quantification language and instead ask that POUs attempt to quantify GHG emissions associated with expenditures, to the extent practical. If a quantification methodology is not readily available, the POU should be permitted to provide a qualitative discussion of the GHG emissions reductions. Attachment 1 of these comments details TID's proposals for revising the language in the second preliminary discussion draft ("PDD 2"), which would implement TID's recommendations.

2. **<u>The ARB Should Develop A Price Ceiling That Recognizes the Need to Protect Disadvantaged Communities from Price Increases.</u>**

TID understands that the ARB staff is still working through a proposal for a price ceiling that meets the requirements of AB 398. TID expressed strong concerns with the previous proposal of $150/ton. For context, the $150/ton price ceiling translates to over $64 per megawatthour, which is almost ***double*** the current wholesale pricing for future electric purchases. The price ceiling is critical to ensuring that TID can continue to reliable serve its customers with electricity and charge a reasonable rate to its customers. As mentioned above, the vast majority of TID's customers are located in disadvantaged communities. In addition, as the operator of a small Balancing Authority Area ("BAA"), TID must balance generation and load within its BAA, meaning that TID must be able to continue to reliably operate its gas fleet located within the District. Consequently, as prices in the Cap-and-Trade go up and TID's allocations decline, TID will be exposed to the growing costs of the Cap-and-Trade program. TID remains concerned that higher prices could pose a significant issue for its customers. As the ARB continues to refine its price ceiling proposal, TID requests that the ARB consider the potential rate impacts the cap-and-trade could have on customers in disadvantaged communities.

Conclusion

TID appreciates the ARB Staff's efforts to address the AB 398 statutory direction, and the thoughts provided in the both draft discussion documents and the June 21st workshop. TID looks forward to working with the Board and Staff going forward in crafting regulations that keep compliance costs low, increase liquidity, and provide flexibility while ensuring the State is on track to meet its environmental objectives.

Sincerely,

/S/

Dan B. Severson
Turlock Irrigation District

ATTACHMENT 1

DRAFT – FOR DISCUSSION PURPOSES ONLY

Proposed Text in the PDD2:

95892(d)(4) Electrical distribution utilities must demonstrate quantifiable GHG emissions reductions for each use of allocated allowance auction proceeds undertaken under sections 95892(d)(3)(A)-(C), as described in section 95892(e)(4)(B).
95892(e)(4)

(A) Describing the nature and purpose of each use of allocated allowance auction proceeds and specifying the amount of allocated allowance auction proceeds spent on that use;

(B) Estimating the GHG emission reductions from each use of allocated allowance auction proceeds allowed pursuant to sections 95892(d)(3)(A)-(C); and . . .

Suggested revision:

95892(d)(4) Electrical distribution utilities must demonstrate ~~quantifiable~~ GHG emissions reductions for each use of allocated allowance auction proceeds undertaken under sections 95892(d)(3)(A)-(C), as described in section 95892(e)(4)(B).
95892(e)(4)

(A) Describing the nature and purpose of each use of allocated allowance auction proceeds, **including the targeted recipients of such proceeds,** and specifying the amount of allocated allowance auction proceeds spent on that use;

(B) Estimating the GHG emission reductions from each use of allocated allowance auction proceeds allowed pursuant to sections 95892(d)(3)(A)-(C)**, including a qualitative assessment of the estimated GHG emission reductions, and where applicable, a quantitative assessment of GHG emission reductions**; and . . .

Proposed Text in the PDD2:

Section 95892(d)(3)(C) Other GHG Emission Reduction Activities:. Programs or activities other than renewable energy, integration of renewable energy, energy efficiency, or fuel-switching, for which the electrical distribution utility can demonstrate quantifiable GHG emission reductions per section 95892(d)(4). This includes funding:

1. Projects or activities that reduce emissions of sulfur hexafluoride.

Suggested revision:

Section 95892(d)(3)(C) Other GHG Emission Reduction Activities: Programs or activities other than renewable energy, integration of renewable energy, energy efficiency, or fuel-switching, for which the electrical distribution utility can demonstrate ~~quantifiable~~ GHG emission reductions per section 95892(d)(4). **Other GHG emission reduction activities** ~~This~~ include~~s~~, **but are not limited to** funding:

1. Projects or activities that reduce emissions of sulfur **hexafluoride or other greenhouse gases used in insulated switchgear;**
2. **Programs and measures that educate the public on the benefits of reduced electricity consumption, reduced use of fossil fuels, renewable energy, energy efficiency, and greenhouse gas emissions reductions (including environmental benefits and costs of such reductions as compared to fossil fuel usage);**
3. **Programs and measures that harden utility infrastructure within the EDU's service territory in areas of heightened risk of wildfires;**
4. **Projects or activities that reduce GHGs or other emissions from utility operations.**
5. **Projects or activities approved by POU's governing board that reduce GHG emissions and benefit ratepayers.**