



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

October 25, 2017

Ms. Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95819

RE: Comment Letter – Post-2020 Cap-and-Trade Regulations

Dear Ms. Nichols:

Thank you for the opportunity to submit comments, particularly as the California Air Resources Board (ARB) is in the process of developing the first draft of the Post-2020 Cap-and-Trade Regulations. Over the past two decades, the Metropolitan Water District of Southern California (Metropolitan) has been committed to addressing the impacts of climate change related to water supply and supports the overarching objective of the ARB to reduce greenhouse gas (GHG) emissions in California.

Background

Metropolitan is the primary wholesale water purveyor for southern California, and provides water to nearly 19 million residents. Metropolitan's regional water supply is comprised of several resources designed to ensure sustainability in response to climate change and variable hydrology, including the distribution of Colorado River water. Metropolitan's Colorado River Aqueduct (CRA) is heavily dependent upon hydroelectric generated power, which supplies a significant portion of the CRA's energy demand. The sum of energy required to move water through the CRA is directly related to the amount of water delivered, which can vary considerably from year to year.

If necessary, to supplement the hydro-power, Metropolitan will import energy into California to exclusively serve the wholesale electrical pumping requirements of the CRA. The wholesale energy is not marketed or sold to any other entity in California. Because of the need to import energy, Metropolitan is a covered entity under California's Cap-and-Trade Program and will continue as a covered entity post-2020.

Request for Continued Allowances for Public Wholesale Water Agencies

Following extensive discussions with you and your staff, ARB amended its regulations to allow public wholesale water agencies to receive an allowance allocation. To date, Metropolitan is the only public wholesale water agency that is a covered entity under the Cap-and-Trade Regulation.

Ms. Mary Nichols, Chair
October 25, 2017
Page 2

Metropolitan has received an annual allowance allocation since 2015, and has reported its GHG emissions from imported electricity under the Mandatory Reporting Regulation. In the most recent Cap-and-Trade regulatory package that went into effect on October 1, 2017, the definition of, and category of, “public wholesale water agency” is currently included, and Metropolitan is specifically identified to be in receipt of quantified allocations through 2020. Additionally, the definition refers to a “covered entity...that uses electricity to convey wholesale water supplies and has a compliance obligation during the period of 2013 to 2030.” Furthermore, Section 95895(b) of the current regulations includes a calculation methodology for allowances for budget year “2021 and subsequent years.”

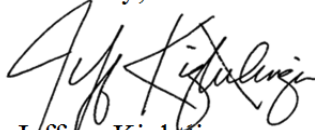
Metropolitan is aware that ARB has been engaged in a broad range of activities, one of which is Cap-and-Trade. Various stakeholders and impacted entities have already been meeting with ARB in relation to Cap-and-Trade and the pending Post-2020 Regulatory package. Your staff has encouraged direct involvement within the established regulatory process to identify and remedy any issues or concerns. In observing ARB’s preferred pathway to publicly vet issues, and in anticipation of the release of the initial draft of the Post-2020 Regulations, Metropolitan formally requests that ARB continue to provide allowance allocations for public wholesale water agencies in the Post-2020 Cap-and-Trade Regulations in a manner that is equal to or greater than the calculation methodology identified in Section 95895(b) of the current regulations.

Again, thank you for providing the opportunity for stakeholders to comment at this early stage in the development of the Post-2020 Cap-and-Trade Regulations. Metropolitan supports the ARB’s objective in providing a transparent and thorough pending regulatory process, and efforts to engage stakeholders to ensure the most equitable approach in allocating allowances to help mitigate cost impacts to customers of the covered entities.

If you should have any questions, please do not hesitate to contact Jon Lambeck at (213) 217-7381 or jlambeck@mwdh2o.com, or Christopher Gabelich at (213) 217-6544 or cgabelich@mwdh2o.com.

Thank you for your consideration of these comments.

Sincerely,



Jeffrey Kightlinger
General Manager
Metropolitan Water District of Southern California

Cc: Mr. Richard Corey, Executive Officer, California Air Resources Board
Ms. Rajinder Sahota, California Air Resources Board