



California Public Utilities Commission

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News Release

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PUC SETS SIGHTS ON GHG EMISSIONS FROM FOSSIL-FUEL RESOURCES

SAN FRANCISCO, Oct. 6, 2005 - The California Public Utilities Commission (PUC) today adopted a policy statement on Greenhouse Gas Performance Standards in order to take a hard look at emissions from conventional fossil-fuel resources, stating that if energy procurement is allowed to shift to conventional resources that do not employ effective technologies for controlling emissions, reductions achieved through the state's current programs would be lost.

In June 2005, Governor Schwarzenegger announced his groundbreaking initiative to reduce California's greenhouse gas (GHG) emissions to 1990 levels by 2020 and the PUC is actively participating in the Governor's Climate Action Team. Over the past 12 months, significant strides have been made towards implementing an environmentally and economically sound energy policy. These policies, outlined in the Governor's initiative and the adoption of the Energy Action Plan II (EAP II) by the PUC and the California Energy Commission (CEC), recognize that principal reliance on energy efficiency, conservation measures, and renewable resources is the path to a sustainable energy future that ensures adequate and reliable supply at stable prices.

Today's adopted policy statement directs the PUC to investigate a GHG emissions performance standard for energy procurement by the state's Investor-Owned Utilities (IOUs) that is no higher than the GHG emissions levels of a combined-cycle natural gas turbine for all energy procurement contracts that exceed three years in length and for all new IOU owned generation.

"We must act expeditiously to send the right investment signals to electricity markets throughout the West," said PUC President Michael R. Peevey. "Many of the resources that may generate electricity for consumption in the state are currently in the planning stage. For example, there are approximately 30 proposed coal-fired plants across the West, some of which are planned in anticipation of meeting demand in California. The carbon dioxide emissions from just three 500 MW conventional coal-fired power plants would offset all of the emissions reductions from the

IOUs' energy efficiency programs and would seriously compromise the state's ability to meet the Governor's GHG goals."

"The PUC is strongly committed to meeting the Governor's emission reduction goals. The Policy Statement adopted today is starting point for a thorough review of the actions we need to take to ensure that California moves forward, not backwards, in reducing greenhouse gas emissions," said PUC Commissioner Dian M. Grueneich. "Consistent with our commitment in EAP II, we must take a serious look at a greenhouse gas emissions standard that sends a clear signal on the kinds of resources that should be developed to meet California's demand. We have directed PUC staff to investigate a standard that is no higher than a combined cycle natural gas plant for longer term investments."

The PUC will also promote and advocate for policies at the state and federal levels that encourage the development of environmentally sound resources with an emphasis on reductions in GHG emissions. Further, the PUC will investigate the integration of a GHG performance standard into the PUC's existing policies regarding GHG emissions including the environmental adder, the procurement incentives framework, as well as the work of the Governor's Climate Action Team and the CEC. A critical step in this process will be to collect specific fuel type information for IOU procurement at a level of detail that will allow the state to ensure that the performance standard is met.

The PUC will also consider whether an offset policy would eliminate the important benefit of mitigating financial risk to California consumers of future GHG regulation and also significantly dampen the market signal for investment in new and improved technologies for clean generation. Any offset policy must include a reliable and enforceable system of tracking emissions reductions.

Through its actions today, the PUC called on the publicly-owned utilities to reduce emissions that contribute to global warming by adopting energy efficiency and renewables goals that are comparable to the standards that the IOUs are required to meet under state law and regulation, as well as adopting an equivalent GHG performance standard.

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