



California Public Utilities Commission 505 Van Ness Ave., San Francisco

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Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PRESS RELEASE

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CPUC MAKES RECOMMENDATIONS TO AIR RESOURCES BOARD TO REDUCE GHG EMISSIONS

SAN FRANCISCO, March 13, 2008 - The California Public Utilities Commission (CPUC) today recommended to the California Air Resources Board (ARB) a number of policies and requirements for greenhouse gas (GHG) emissions reductions from the electricity and natural gas sectors. The recommendations, which resulted from collaboration and joint decisions by the CPUC and the California Energy Commission, will be considered by the ARB in its work in implementing Assembly Bill (AB) 32, which requires that statewide GHG emissions be reduced to 1990 levels by 2020.

“We approach energy policy and program design in this state under the premise that energy policy must be based on climate change,” said CPUC President Michael R. Peevey. “I am pleased to collaborate with the Energy Commission and the Air Resources Board to advance effective policies at the state level that can become a model for the nation. Designing such policies in a state our size is exceedingly complicated and must take into account the sharply different CO₂ emission rates of our investor-owned and municipally owned utilities.”

“This decision adopts a mix of market-oriented proposals and direct regulatory requirements. I think both are necessary, but I remain convinced that the key to success lies in market-oriented mechanisms,” said CPUC Commissioner John Bohn.



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“California’s energy efficiency and renewable policies are the foundation of our efforts to combat global warming. However, these existing policies will not be enough to meet the state’s goals,” said Commissioner Rachelle Chong. “We need bold new approaches like cap and trade. The success of the federal Acid Rain program has proven that cap and trade works. Cap and trade is good for the California environment, the economy, and for consumers, including the least well-off.”

The CPUC and California Energy Commission recommend that the ARB adopt a mix of direct mandatory/regulatory requirements and a cap-and-trade system for the energy sectors, including:

- All retail electricity providers regardless of type or ownership should be required to provide cost-effective energy efficiency programs and renewable energy delivery beyond the level of 20 percent of their retail sales to their customers.
- All entities that provide transportation, distribution, and/or retail sales of natural gas to end-users in California should be required to provide cost-effective energy efficiency programs to their customers.
- A multi-sector cap and trade program should be developed for California that includes the electricity sector (the natural gas sector should not be included in a cap and trade system at this time but should be considered for inclusion in the future).
- The ARB should designate “deliverers” of electricity to the California grid as the entities responsible for compliance with AB 32 requirements under a cap and trade program. This is a variation on the “first-seller” proposal first advanced by the Market Advisory Committee to the ARB.
- Some of the emission allowances available to the electricity sector for the cap and trade program should be auctioned. The majority of the proceeds from the auctioning of allowances for the electricity sector should be used in ways that benefit electricity consumers in California, such as to augment investments in energy efficiency and renewable energy or to provide customer bill relief. Beyond these two principles, the CPUC and California Energy Commission are set to consider more detailed provisions for allowance allocation policy in the next portion of the

proceeding, keeping in mind the diversity of entities in the electricity sector and the impacts on costs to consumers.

The California Energy Commission voted yesterday to approve the recommendations to the ARB. The CPUC and California Energy Commission will consider final recommendations to ARB for their scoping plan in August 2008, including further:

- provisions for allowance allocation policy,
- analysis of the mix of emissions reductions that will be delivered from the electricity and natural gas sectors, and
- options for flexible compliance with the recommended policies.

The link to the proposal approved by the CPUC is at

http://docs.cpuc.ca.gov/PUBLISHED/AGENDA_DECISION/80074.htm.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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