



P A S A D E N A

Water & Power

# Pasadena and AB 32 Implementation

## AB 32 Background

---

- Late 2006 Governor signed Assembly Bill (AB) 32, the “Global Warming Solutions Act.”
- Requires the California Air Resources Board (CARB) to implement regulations by 2012 to achieve a reduction of state greenhouse gas (“GHG”) emissions to 1990 levels by 2020.
- This will entail a 25% statewide reduction in GHG emissions.
- CARB regulations will apply to all sectors of California’s economy, including:
  - Electricity generation and natural gas sectors; and
  - Transportation and the construction industry.

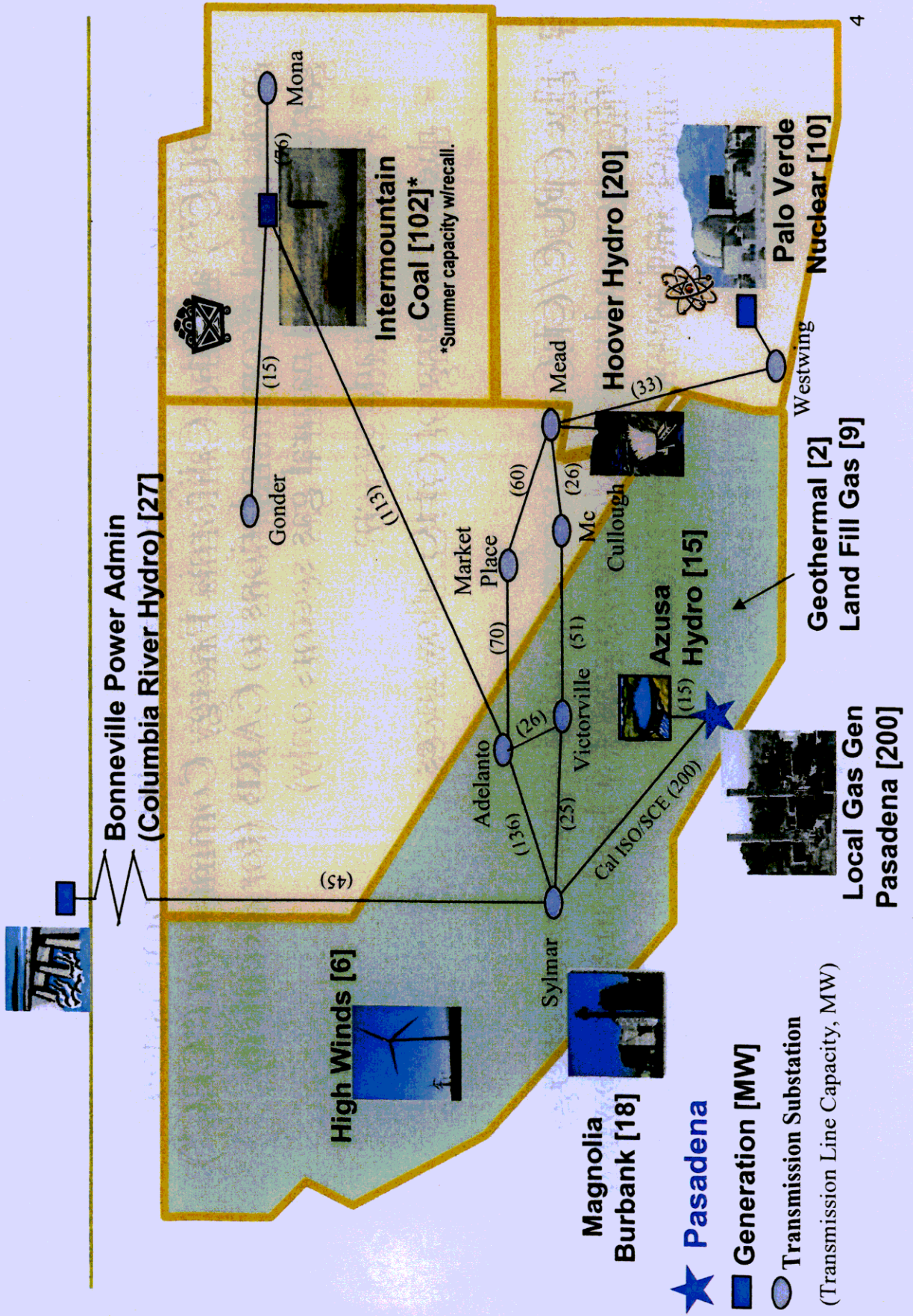
## AB 32 Rulemaking

---

- March, 2007, the California Public Utilities Commission (“CPUC”) and the California Energy Commission (“CEC”) made initial recommendations to CARB (for electricity generation and natural gas sectors only)
  - a cap-and-trade system
  - the auctioning of GHG allowances
  
- The CPUC/CEC also recommended expansion of energy efficiency and renewables programs for both investor-owned utilities and municipal utilities.



# PWP Generation & Transmission Resources



## Pasadena's Energy Resources (2007)

	CO <sub>2</sub>		
	% Of Portfolio	Output Lbs/MWh	Est. Cost \$/MWh
Coal	65%	1,985	\$50
Natural Gas	11%	1,000	\$80
Hydro/Nuclear	10%	-	\$70
Elig. Renewables	8%	-	\$90
Other / Purchases	6%	1,000	\$80
Overall	100%	1,460 (avg.)	\$60 (avg.)



## Regional Differences

---

- PWP, like most So. Cal municipal utilities currently receives the majority of its energy needs from the coal-fired Intermountain Power Plant (IPP) in Utah.
- Northern California utilities, which depend largely on low-GHG emission hydroelectric generation, will have lower compliance costs.
- Decisions regarding “allowance” allocations and/or auctions will have **significant financial implications and challenges** to comply with AB 32.

# Concerns about CPUC/CEC recommendations

---

## Auction Allowance Method

Could pose a “double burden” for Pasadena’s ratepayer

- Cost of procuring renewable energy and implementing energy efficiency programs
- Purchase of emission allowances could cost up to \$38 million dollars per year

## Distribution of Auction Proceeds

Potential “wealth transfer” from Pasadena

- Auction proceeds collected from PWP may or may not be returned to PWP for direct GHG reduction measures
- Utilities with a lower burden re: GHG reduction may receive more allowances than needed
- Financial institutions which ‘create a market’ for allowances may profit

# Consideration of Alternative Concepts

---

The concept of “free allowance for utilities based on historic emissions” as proposed by SCPPA was not considered by the CPUC/CEC.

## □ Elements:

- Each retail provider gets initial 2010 allocation of 100% of 2004-06 emissions; declines at 2.5% per year to zero in 2050
- If you are below this level in 2010 or 2011, you can “bank” the excess allowances as an “early action”
- Beginning in 2012, allowances equal to 5% of base period are auctioned, increasing to 20% by 2020

## □ Advantages:

- Achieves the Governor’s Executive Order level of emissions reduction
- Most equitable concept for all utilities to share in GHG reductions
- Recognizes the regional difference in energy resource availability
- Allows a gradual decline of emissions-based allowances
- Preserves a right to most of current emissions through the end of existing coal contracts



## Support GHG Reductions - Oppose Wealth Transfers

---

- Pasadena **supports** AB 32's goal of reducing GHG emissions to 1990 levels by 2020, and PWP is committed to reducing its GHG emissions through:
  - the purchase of renewable energy
  - investment in local energy efficiency programs and projects that directly reduce GHG emissions in Pasadena
- Pasadena should **support** a fair and equitable mechanism that recognizes the regional differences in resource availability
  - at the least cost to our ratepayers
- Pasadena should **oppose** mechanisms which transfer millions of dollars away from Pasadena ratepayers and into other utilities, financial institutions and/or the State with no associated environmental benefits of reducing GHG emissions in Pasadena