

Agenda Report

DATE: October 4, 2010

TO: Honorable Mayor and City Council

THROUGH: Legislative Policy Committee (September 28, 2010)

FROM: Pasadena Water and Power

SUBJECT: OPPOSE PROPOSITION 23: SUSPENDS IMPLEMENTATION OF AIR POLLUTION CONTROL LAW (AB 32) REQUIRING MAJOR SOURCES OF EMISSIONS TO REPORT AND REDUCE GREENHOUSE GAS EMISSIONS THAT CAUSE GLOBAL WARMING, UNTIL UNEMPLOYMENT DROPS TO 5.5 PERCENT OR LESS FOR A FULL YEAR.

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action taken herein is exempt from the California Environmental Quality Act pursuant to state CEQA Guidelines Sections 15061(b)(3) (general rule); and
2. Authorize the Mayor to send correspondence to the appropriate officials opposing Proposition 23 set for the November 2, 2010 General Election Ballot.

BACKGROUND:

Proposition 23 (Prop 23) is an initiative statute that has qualified for the November 2, 2010 General Election Ballot through a successful signature circulation process. If approved by voters, Prop 23 would temporarily suspend a 2006 state law - Assembly Bill 32 (AB 32) that requires greenhouse gas emissions be reduced to 1990 levels by 2020, until California's unemployment drops to 5.5 percent or less for four consecutive quarters.

Since the passage of AB 32 in 2006, Pasadena Water and Power (PWP) staff and consultants have been actively participating and commenting on the AB 32 rulemaking process and scoping plan developed by the California Air Resources Board (CARB). PWP's goal in the process is to ensure that cap-and-trade structuring issues and the

appropriate use of auction revenues are addressed so that the overall impact on PWP consumers would be addressed economically and equitably.

PROPOSITION SUMMARY:

Prop 23 suspends the implementation of AB 32 until the unemployment rate in California is 5.5 percent or less for four consecutive quarters. It would suspend comprehensive greenhouse gas reduction programs that include increased renewable energy and cleaner fuel requirements, and mandatory emissions reporting and fee requirements for major emissions sources such as power plants and oil refineries.

If Prop 23 passes, state agencies would be prohibited from proposing or adopting new regulations, or enforcing previously adopted regulations, that would implement AB 32 during the suspension period. According to the Legislative Analyst Office, if approved, Prop 23 would likely suspend the following initiatives:

- The proposed cap-and-trade regulation;
- The “low carbon fuel standard” regulation that requires providers of transportation fuel in California;
- The proposed CARB regulation, Renewable Electricity Standard - 33 percent of electric utilities supply from “renewable” sources by 2020; and,
- The fee to recover state agency costs of administering AB 32.

The unemployment rate in California for the first two quarters of 2010 was above 12 percent. Economic forecasts for the next five years have the state’s unemployment rate remaining above 8 percent. Given these factors, it appears likely that AB 32 would remain suspended for many years.

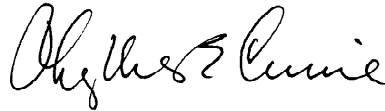
COUNCIL POLICY CONSIDERATION:

Prop 23 is inconsistent with the City Council’s Strategic Plan of increasing conservation and sustainability, the Green City Action Goals (Actions 1 and 3), the General Plan Energy Element and the 2009 Power Integrated Resource Plan. Additionally, Prop 23 would oppose two legislative priorities established under the City’s Legislative Platform including: (1) Environment, and (2) Greenhouse Gas Reduction and Renewable Energy.

FISCAL IMPACT:

While the suspension of AB 32 implementation would eliminate the administrative fees and near-term risk of additional greenhouse gas compliance costs, the passage of Prop 23 is not likely to result in substantial savings for PWP electric rate payers due to the aggressive greenhouse gas reduction, energy efficiency, and renewable resource goals adopted by the City Council for PWP. Furthermore, delays in implementing AB 32 could lead to substantially higher greenhouse gas reduction costs in the future.

Respectfully submitted,



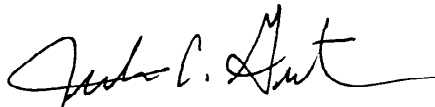
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