

# Agenda Report

July 9, 2012

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (June 12, 2012)

**FROM:** Water and Power Department

**SUBJECT: ADOPT A RESOLUTION TO DESIGNATE AUTHORIZED REPRESENTATIVES TO CONDUCT TRANSACTIONS AND SUBMIT REPORTS RELATED TO THE GREENHOUSE GAS CAP-AND-TRADE PROGRAM PURSUANT TO ASSEMBLY BILL 32.**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed resolution is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3) (General Rule);
2. Adopt a resolution to:
  - A. Designate the General Manager of the Water and Power Department ("PWP") as the "Designated Representative" to submit required reports and the "Authorized Account Representative" to conduct transactions related to the greenhouse gas ("GHG") cap-and-trade program established by the California Air Resources Board ("CARB") pursuant to Assembly Bill 32, the Global Warming Solutions Act of 2006 ("AB 32"); and
  - B. Designate the PWP Assistant General Manager as the "Alternate Designated Representative" and the "Alternate Authorized Account Representative."

## **MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:**

On June 12, 2012, the Municipal Services Committee recommended that the City Council adopt the proposed resolution.

**BACKGROUND:**

On December 22, 2011, the CARB issued the final Regulation Order for the GHG cap-and-trade program as required under AB 32. The program is a central element of AB 32 and covers major sources ("Covered Entities") of GHG emissions in the State such as refineries, power plants, industrial facilities, and transportation fuels. Among other things, the program establishes new, more stringent reporting requirements and a new mandatory auction mechanism to buy and sell GHG emissions credits.

The cap-and-trade program requires that all Covered Entities, including PWP, designate one Authorized Account Representative and one Alternate Authorized Account Representative to conduct GHG offset and allowance transactions as necessary to fulfill program requirements, and to commit the local utility and City under the cap-and-trade rules and regulations. All Covered Entities must also designate a Designated Representative and an Alternate Designated Representative to fulfill reporting requirements and similarly commit the local utility and City under the mandatory reporting regulations.

Resolution Number 9063, dated October 4, 2010, authorizes the PWP General Manager to enter into contracts for "the purchase, sale, exchange, storage, and other transfers...of carbon-related permits, credits, allowances, certificates, offsets and similar instruments."

While Resolution 9063 is sufficient authorization to participate in the forthcoming GHG credit auctions, it does not clearly designate the Authorized Account Representatives and Designated Representatives required under the cap-and-trade program. Adoption of the proposed resolution would unequivocally authorize the PWP General Manager and Assistant General Manager(s) to fulfill the duties and responsibilities under the cap-and-trade program on behalf of the City. This would meet the requirements of the California Code of Regulations, Title 17, Div. 3, Ch. 1, Subchapter 10. Any representations, actions, inactions, or submissions by the designated representatives shall be binding upon the City.

Thus far, PWP has not exercised its authority to purchase or sell any GHG credits in advance of the first auction to be conducted by CARB in November. Under the current cap-and-trade program rules, PWP will be required to sell all of its allocated emission credits in the CARB auction, and purchase all credits necessary for compliance from the CARB auction. PWP will periodically update the Municipal Services Committee and City Council as trades are executed and the emission credit market evolves.

**COUNCIL POLICY CONSIDERATION:**

The proposed resolution is in accordance with new State CARB regulations and consistent with the City's Urban Accords Goals with respect to GHG emission reduction goals, the General Plan Energy Element, the City Council's Strategic Planning Goals, and the 2011 Power Integrated Resource Plan. This is a required mechanism to help PWP achieve regulatory compliance as well as City Council goals in a cost-effective manner.

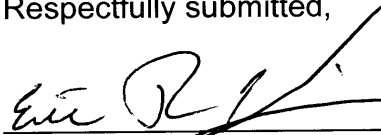
**ENVIRONMENTAL ANALYSIS:**

The resolution has been reviewed for compliance with the CEQA and has been determined to be exempt per Section 15061(b)(3), the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The proposed resolution is an administrative function and will not cause a change in the environment.

**FISCAL IMPACT:**

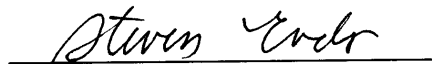
While it is not possible to estimate the quantity, value, or price differential of GHG allowances that may be purchased, sold, or transferred, PWP anticipates that the primary use of such trades will be limited to covering short-term compliance shortfalls when other alternatives are not available or are more costly. The requirement to sell PWP's free allocation of emissions credits in the auction and repurchase emissions credits necessary to meet obligations could lead to several million dollars in additional costs or revenues. Costs and revenues from trading GHG allowances for the Power utility will be debited or credited into the Energy Charge component of Pasadena's electric energy rates. Any net increase or decrease in Power costs will be covered by an increase or decrease in the Energy Service Charge on the electric bill.

Respectfully submitted,



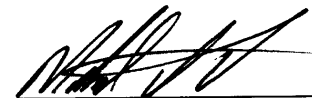
Phyllis E. Currie  
General Manager  
Water and Power Department

Prepared by:



Steven K. Endo  
Principal Engineer

Approved by:



MICHAEL J. BECK  
City Manager

Attachments:

Attachment A – Resolution

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA  
DESIGNATING THE GENERAL MANAGER AND ASSISTANT GENERAL  
MANAGER OF THE WATER AND POWER DEPARTMENT AS AUTHORIZED  
REPRESENTATIVES UNDER THE GREENHOUSE GAS EMISSION  
REDUCTION PROGRAM OF THE CALIFORNIA AIR RESOURCES BOARD**

**WHEREAS**, the City of Pasadena, through its Water and Power Department, operates an electric utility to meet the electric demands of its customers and other wholesale obligations; and

**WHEREAS**, the Water and Power Department procures, generates, and imports electrical energy from fossil fuel burning generation resources that generate greenhouse gas emissions; and

**WHEREAS**, on September 27, 2006, California Assembly Bill 32, the Global Warming Solutions Act of 2006 (“AB 32”), was signed into law; and

**WHEREAS**, on December 22, 2011, the California Air Resources Board (“CARB”) issued the final regulations, California Code of Regulations, Title 17, Div. 3, Ch. 1, Subchapter 10, to implement AB 32 (hereinafter the “Cap-and-trade Program”); and

**WHEREAS**, the CARB regulations require, amongst other things, the City to appoint primary and alternate: “Authorized Account Representatives” to conduct transactions; and “Designated Representatives” to submit required reports related to the Cap-and-trade Program; and

**WHEREAS**, on October 4, 2010, the City Council adopted Resolution Number 9063 to authorize the General Manager of the Water and Power Department to enter into agreements for the purchase, sale, exchange, storage, and other transfers of carbon-related permits, credits, allowances, certificates, offsets and similar; and

**WHEREAS**, the City by this Resolution demonstrates its intent to fully comply with all requirements of the Cap-and-trade Program.

**NOW, THEREFORE, BE IT RESOLVED** as follows:

1. The General Manager of the Water and Power Department is hereby appointed as the City's "Authorized Account Representative" to conduct transactions and the "Designated Representative" to submit required reports related to the Cap-and-trade Program, as these titles, but not duties, may be modified from time to time.

2. The Assistant General Manager of the Water and Power Department is hereby appointed as the City's "Alternate Authorized Account Representative" to conduct transactions and the "Alternate Designated Representative" to submit required reports related to the Cap-and-trade Program, as these titles, but not duties, may be modified from time to time.

3. Said Designated Representative and Authorized Account Representative, and Alternate Designated Representative and Authorized Account Representative (collectively "Representatives") are hereby delegated such power and authority as is necessary to comply with the Cap-and-trade Program.

4. The Representatives appointed herein and all other City officials are hereby directed to do all acts necessary and proper to effectuate the City's compliance with the Cap-and-trade Program.

Adopted at the regular meeting of the City Council of the City of Pasadena on the \_\_\_\_ day of \_\_\_\_\_, 2012 by the following vote:

AYES:


NOES:

ABSENT:

ABSTAINED:

\_\_\_\_\_  
Mark Jomsky  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Lisa Hosey  
Deputy City Attorney