

CITY OF BURBANK

OFFICE OF THE CITY COUNCIL

December 10, 2008

Ms. Mary Nichols
Chair, California Air Resources Board
P.O. Box 2815
Sacramento, California 95812

Re: City of Burbank's Comments on ARB's Proposed Scoping Plan

Dear Ms. Nichols:

On behalf of the Burbank City Council, we appreciate the opportunity to provide comments on the Air Resources Board (ARB) AB 32 Proposed Scoping Plan (PSP). The City of Burbank recognizes the tremendous effort required to develop this comprehensive statewide plan to reduce greenhouse gas emissions, and we would like to commend the ARB for its leadership on this issue.

The City of Burbank strongly supported the passage of AB 32 and is proud of our community's environmental commitment and record. Burbank Water and Power (BWP) is the City's municipal utility, which the City Council governs. The City Council has already adopted a 33% Renewable Portfolio Standard (RPS) and currently the City is already below our 1990 greenhouse gas emission (GHG) levels.

In addition, the City is preparing its own General Plan Air Quality Element/Climate Action Plan and our recently adopted Sustainability Action Plan includes goals to reduce our greenhouse gas emissions by 25% before 2030 and seeks to effectuate this goal through its aggressive energy efficiency program and renewable portfolio goals.

The City of Burbank remains committed to partnering with the State to achieve the goals of AB 32 to reach 1990 GHG emission levels by 2020. While we believe the PSP provides a workable framework for promulgating regulations to AB 32, we have some serious concerns and offer the following comments:

Avoid auction of allowances that creates windfall profits

The CPUC and CEC recommend a phased auction of GHG allowances for the electricity sector starting at 20% of allowances in 2012 reaching 100% in 2016. For Burbank, the cost of an auction could be prohibitively expensive.



In adopting its Sustainability Action Plan and 33% RPS policy, the Council has accepted the rate increases and direct investments that will be necessary to achieve electric and water end use efficiency as well as to expand the use of recycled water and renewable energy. This commitment will likely raise electric rates 30% and water rates substantially more.

Under current rates of CO2 output from BWP's power plants, if the state taxes 20% of the GHG emissions allowances at the rate of \$30 per ton, Burbank would pay about \$4,203,792 annually. If the auction price is \$50 per ton, the cost to Burbank would be approximately \$7,006,300 annually. By 2016 these amounts would grow to \$21,018,960 and \$35,031,500 respectively. The auction in its current form would dramatically impact utility rates an additional 30% without effectuating any corresponding reduction in GHG emissions. It would seem that this is in conflict with the cost/benefit policy set forth in AB 32.

Keep Burbank's local dollars in our community

Burbank is going to be challenged to meet the policies set by the Council and the State because we have a more GHG-intensive resource mix than retail providers in other parts of California. The Burbank community should not be subject to the double burden of paying for allowances while also paying for direct investments in GHG emission reduction measures.

We strongly advocate that ARB avoid wealth transfers among retail providers of electricity. The use of a cap-and-trade program as contemplated by the CPUC and CEC would have significant distributed adverse economic impacts on the State of California. If deployed, a cap-and-trade program should not grant allowances based upon electric load and certainly not load served by legacy large hydro and nuclear power plants. Cap-and-trade should be held in reserves as a secondary tool to be used if direct regulation does not meet the energy sector's goals.

We do not believe transferring local dollars to Sacramento to fund undefined programs is sound public policy.

Further economic modeling is needed

The Legislative Analyst's Office conducted an evaluation of the PSP which identified weaknesses in the economic analysis. The effect of the cap-and-trade program on the electric utility sector's economic bottom line is unclear. The use and design of market mechanisms are very complex and involve many key policy choices. While successful examples of the use of market mechanisms to control air emissions exist, such as the federal acid rain program, there is little experience with the assigning or allocating emission credits to load rather than to emitters. As ARB continues to develop its proposed cap-and-trade program, it will be important for the Legislature to oversee and provide policy direction on these issues.

Help local governments with funding local actions to achieve reductions

The PSP encourages local jurisdictions to adopt a goal of reducing greenhouse gas emissions. The City is concerned with the potential of a voluntary goal becoming mandatory in light of these difficult economic times. Many jurisdictions, including the City of Burbank, are expected to experience, or already have incurred, a decline in local property tax, sales tax, and overall revenue. This funding loss may limit the ability of local jurisdictions to finance the upfront costs of achieving greenhouse gas reductions so as to meet the now-voluntary local goal.

The City recommends that the State assist in providing the leadership and support, both technical and financial, which is needed to assist local governments in implementing changes to reduce greenhouse gases resulting from transportation and land use policies, as well as other sectors such as green building design, energy and water conservation, and recycling.

Public Outreach and SB 375

In addition, the City encourages the State to work closely with, and allow for, increased public outreach opportunities with local jurisdictions, elected officials, and the public, when developing realistic regional targets for greenhouse gas reductions and a plan for achieving those greenhouse gas emissions through the SB 375 process.

Burbank has, and will continue to be, a leader in our region on sustainability. Furthermore, we are committed to participating in the AB 32 rulemaking and toward that effort our City Council passed the attached Resolution on December 10, 2008.

Thank you for the opportunity to play an active role in this process. Should you have any questions or require additional information regarding our comments, please contact Tracy Steinkruger, Associate Planner, at (818) 238-5250 or tsteinkruger@ci.burbank.ca.us.

Sincerely,



David Golonski
Mayor

RESOLUTION NO. 27,831

A RESOLUTION OF THE COUNCIL OF THE
CITY OF BURBANK CALLING FOR FAIRNESS
IN THE IMPLEMENTATION OF THE GLOBAL
WARMING SOLUTIONS ACT OF 2006 (AB 32)

THE COUNCIL OF THE CITY OF BURBANK FINDS:

A. The Global Warming Solutions Act of 2006 (hereinafter "AB 32") is an aggressive legislative response to the threat of global warming that seeks to reduce the State's greenhouse gas ("GHG") emissions to 1990 levels by the year 2020.

B. The Air Resources Board ("ARB"), which is charged with promulgating administrative regulations to implement AB 32, is presently in the process of finalizing a Proposed Scoping Plan ("PSP") that will serve as a roadmap for development of a final regulatory scheme "for achieving maximum technologically feasible and cost-effective reductions in greenhouse gas emissions."

C. While the Council does not question the urgent need to reduce GHG emissions and will continue its unqualified support for the goals of AB 32, it is very concerned about the PSP's proposal for a "cap-and-trade" emission credits program for the electric utility sector, which if implemented by an allocation of credits to utilities based on retail electric load would result in an unfair "wealth transfer" in the billions of dollars from those publicly-owned electric utilities primarily located in the southern part of the State that historically have had to rely on coal and other carbon-based resources to those publicly-owned and investor-owned utilities primarily located in the northern part of the State that have more "legacy" large hydroelectric and nuclear generation in their power resource portfolios.

D. In particular, the Council is concerned that this wealth transfer would unfairly burden retail customers of Burbank Water and Power ("BWP"), the city's electric and water utility, with substantial costs just to enable BWP to purchase "excess" credits from those northerly-situated utilities that in reality have no need for them, with no benefit to the environment in terms of reduction of GHG emissions.

E. The Council has adopted a Renewables Portfolio Standard for BWP that requires 33% of BWP's electrical energy to come from renewable resources by the year 2020, and it has longstanding programs for promoting efficient use of electricity and water, demonstrating the Council's commitment to direct investment in GHG reduction measures for achieving AB 32's goals. The Council reaffirms its commitment to such measures, but notes that the aforementioned wealth transfer would be in addition to the cost of such direct investments, placing an unfair double burden on BWP's ratepayers.

F. The Council is additionally concerned about the PSP's apparent commitment to a phased-in auction of emission credits, starting at 20% in 2012 and

quickly escalating to 100% by 2016, to the extent the State, whether through ARB or another agency, would have the opportunity to use the auction proceeds for purposes other than GHG emission reduction measures in the communities from which the proceeds originate. Moreover, in the absence of new legislation, there is substantial uncertainty that ARB has the legal authority to program the use of such proceeds, given that no such authority appears in AB 32.

G. The State Legislative Analyst's Office ("LAO"), in a letter dated November 17, 2008, to Assembly Member Roger Niello of the Fifth Assembly District, criticized the PSP in several respects, including the lack of an evaluation of the cost impacts of a cap-and-trade program. It would be highly instructive if the LAO would undertake an evaluation of the costs and impacts of the PSP on the electric sector, including the impacts of a cap-and-trade system as proposed, with particular consideration given to distributed economic impacts.

H. The Council supports the call for local government to bear its share of the burden of achieving the goals of AB 32. The City already is below 1990 GHG emission levels, and the Council is committed to further cutting emissions 25% by the year 2030, but in light of current economic conditions the Council is concerned about the ability of local government to meet the continuing challenges of reducing GHG emissions without technical and financial assistance from the State.

THE COUNCIL OF THE CITY OF BURBANK RESOLVES THAT:

1. The Council reaffirms its commitment to working with the State and continuing to do its fair share (and more) toward achieving the goals of AB 32, but it strongly objects to and calls upon ARB to categorically reject a cap-and-trade program that features allocation of credits to utilities based on retail electric load.

2. The Council calls upon ARB to reconsider its apparent commitment to a phased-in auction of emission credits given the uncertainties as to what would be done with auction proceeds and ARB's authority to collect and program the use of such proceeds.

3. The Council calls upon the Legislature to direct the LAO to undertake an analysis of the cost impacts of the Proposed Scoping Plan on the electric sector, including distributed economic impacts of the proposed cap-and-trade program.

4. The Council calls upon ARB to provide leadership at the state level to insure that adequate technical and financial assistance is made available so that local government is able to meet the challenges set forth in the Proposed Scoping Plan.

PASSED and ADOPTED this 9th day of December, 2008.



Dave Golonski
Mayor of the City of Burbank

Attest:

s/Margarita Campos
Margarita Campos, CMC, City Clerk

Approved as to Form and Legal Content
Dennis A. Barlow, City Attorney

By: 
Richard J. Morillo
Senior Assistant City Attorney

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.
CITY OF BURBANK)

I, Margarita Campos, CMC, City Clerk of the City of Burbank, do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the Council of the City of Burbank at its regular meeting held on the 9th day of December, 2008 by the following vote:

- AYES: Council Members Bric, Gordon, Ramos, Reinke and Golonski.
- NOES: Council Members None.
- ABSENT: Council Members None.

s/Margarita Campos
Margarita Campos, CMC, City Clerk