The Canyon City — Gateway to the American Dream
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November 24, 2008

Ms. Mary Nichols, Chair
California Air Resources Board
1001 I Street
P.O. Box 2815
Sacramento, CA 95814

RE: City of Azusa's Comments on Air Resources Board Proposed Scoping Plan

Dear Chair Nichols:

On behalf of the City of Azusa, thank you for the opportunity to comment on the California Air Resources Board's (ARB) Proposed Scoping Plan (Scoping Plan).

We fully support the goal of reducing greenhouse gas emissions and are proud of the work we have done already on reducing our City's greenhouse gas emissions (GHG emissions). In the past several years, Azusa has aggressively pursued responsible urban in-fill developments that are fully consistent with the goal of economic development while minimizing/ameliorating air emissions including greenhouse gas emissions. Further, Azusa's electric utility has set aggressive goals in energy conservation and efficiency; and renewable energy procurement, and is expected to achieve such goals ahead of schedule. For example, Azusa is expected to achieve 20% renewable energy by the end of 2009, one year ahead of the state mandated Renewable Portfolio Standard of 20% renewable energy by 2010.

While we fully support the GHG reduction goals enunciated in the Scoping Plan, we have concerns regarding some aspects of the Plan.

1. **The Cap-and-Trade and the GHG Allowance Allocation**

   It is critical that the ARB's emission reduction program avoid dual penalties in which entities are required to pay twice: first for investments in emission reduction strategies and second for emission allowances under a cap-and-trade program. Costs for retooling Azusa's electricity resource portfolio will be borne directly by Azusa's customers and not by any other AB 32 stakeholder or sector. Thus, cap-and-trade must avoid windfall profits or **wealth transfers**. We appreciate that the Proposed Scoping Plan includes this very design principle in the allocation criteria (Appendix C, Page C-21). One glaring example would be allocating GHG allowance value to electric sales supported by legacy non-GHG emitting resources, e.g. nuclear and hydro, as proposed by the CPUC and CEC. Not only does this provide zero environmental benefit, it unfairly penalizes entities such as Azusa that will have higher burden already in retooling our legacy electricity resource portfolio. The final Scoping Plan must preserve this principle of maximum avoidance of windfall profits or wealth transfers unrelated to GHG reduction goals.

2. **Recognition of Technical Feasibility and Resource Limitations of Local Government**

While Azusa is supportive of a number of programs and policies outlined in the Scoping Plan, it is crucial for state policymakers take account for the means that will be needed to achieve the goals. AB 32 requires that reductions in GHG emissions must achieve the maximum technologically feasible and cost effective reductions and for the ARB to "consider the cost-effectiveness of these regulations." (HSC §38560) In addition, we believe that the Scoping Plan appropriately allow the SB 375 process to develop regional transportation-related GHG targets. Implementation of the regional planning processes in SB 375 are new and largely untested. The 5 MMT figure, while a place holder nevertheless sets an appropriate benchmark that helps assure that the state can achieve its overall 2020 goal." As both the state and local governments are faced with severe budget shortages, additional costs to heavily invest in GHG emission technologies in the next 2 to 3 years will most likely be counterproductive and not achievable. While local governments can influence development design to a certain extent, the reality is that developers will only build projects that will be purchased by willing customers and that are profitable. Imposing unrestrained GHG reduction mandates on local governments without recognizing the economic realities and providing the needed funding and resources will only cause the deterioration of other critical services local governments provide and erode the public confidence in GHG reduction goals. In order to effect the desired change, incentives must be provided to the development community and local agencies in order to encourage more development in areas where the reductions in GHG emissions will be the greatest. Azusa strongly encourages the ARB to consider these limitations as it moves forward with the Scoping Plan.

Thank you again for the opportunity to comment. The City of Azusa looks forward to working with the ARB in the future on these important issues.

Sincerely,

Francis M. Delach
City Manager

Cc: League of California Cities