STATE OF CALIFORNIA
BEFORE THE
AIR RESOURCES BOARD

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY COMMENTS ON PROPOSED SCOPING PLAN

Respectfully submitted,

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Dated: December 1, 2008

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SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMMENTS ON
PROPOSED SCOPING PLAN

The Southern California Public Power Authority ("SCPPA")[1] commends the Air Resources Board ("ARB" or "Board") for its development of the Proposed Scoping Plan ("PSP"). Although critical issues remain to be resolved during the 2009-2010 rulemaking process that is envisioned in the PSP, the PSP provides a workable road map for promulgating regulations to implement Assembly Bill ("AB") 32, the Global Warming Solutions Act of 2006 (Chapter 488, Statutes of 2006).

SCPPA particularly commends several key features of the PSP. First, SCPPA supports the PSP's reliance on source-specific greenhouse gas ("GHG") emission reduction measures rather than a cap-and-trade program to achieve most of the AB 32 emission reductions. Using the source-specific measures to achieve most of the capped sector emission reductions would constrain cap-and-trade allowance prices. SCPPA urges the ARB to expand the use of source-specific measures during the upcoming rulemaking proceeding to further reduce reliance on the cap-and-trade program.

Second, SCPPA commends the principles set forth in PSP Appendix C to guide the allocation of cap-and-trade allowances and auction revenues. Given the importance of the principles, SCPPA recommends that they be included in the body of the PSP as well as in Appendix C. Particularly, SCPPA supports the principle that states: "Avoid windfall profits and other unnecessary wealth transfer." This is especially important to SCPPA members. Due to

[1] SCPPA is a joint powers authority. The members are Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles Department of Water and Power, Imperial Irrigation District, Pasadena, Riverside, and Vernon. This comment is sponsored by Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Pasadena, and Riverside.

their relatively GHG-intensive electric generation resource mix, the SCPPA members are going to be challenged to meet GHG emission reduction goals within the limits of the resources of their communities. It would be inequitable to require retail providers such as the SCPPA members to transfer wealth to other communities when their communities' resources will be needed at home to fund initiatives that will result in concrete, verifiable GHG emission reductions. Given the importance of avoiding wealth transfers, SCPPA urges that the Executive Summary of the PSP be expanded to identify the following as one of the "key elements" of the PSP: "Avoid inequitable results such as windfall profits or wealth transfers and ensure results are monitored and enforced by the Board." *See* Attachment 1.

Third, SCPPA commends the PSP commitment to linking the California cap-and-trade program with the Western Climate Initiative ("WCI") regional cap-and-trade program. Having a regional rather than single-state cap-and-trade program would reduce the potential for leakage, level the competitive playing field among neighboring states and provinces, and enhance the liquidity of a cap-and-trade market for allowances. However, participation in the WCI raises some difficult issues that will need to be addressed during the next two years.

Fourth, SCPPA commends the PSP's recognition of the need for mechanisms that would contain the costs of a cap-and-trade program. In addition to relying heavily on source-specific measures to achieve GHG reductions, the PSP would permit both banking and offsets. SCPPA urges the ARB to expand the use of offsets and to consider additional cost containment measures including safety valves during the upcoming rulemaking proceeding.

Fifth, SCPPA commends the ARB's plan to conduct an open and transparent rulemaking process to develop regulations during the coming two years. SCPPA looks forward to participating fully and constructively in that process.

With the edits suggested above, SCPPA supports adoption of the PSP at the Board's December 11, 2008 meeting. However, the Board's work will be far from done on December 11. The PSP leaves difficult issues to be addressed during the coming two-year rulemaking process. This comment focuses on the direction that has been ably charted in the PSP and the issues that will need to be addressed in 2009-2010.

I. RELIANCE ON SOURCE-SPECIFIC GHG REDUCTION MEASURES WITH THE CAP-AND-TRADE PROGRAM AS A BACKSTOP.

Under the PSP, most of the GHG emission reductions that would be required to achieve the AB 32 goal for 2020 would be accomplished through what the PSP calls "complementary measures," not the cap-and-trade program. The source-specific complementary measures that would be required of the capped sectors—transportation fuels, electricity, residential and commercial fuels, and industry—would accomplish 112.3 $MMtCO_2e$ of emission reductions by 2020, more than three fourths of the total emission reductions, 146.7 $MMtCO_2e$, that would be required of the capped sectors. PSP at 17. The PSP would rely on the cap-and-trade program to generate only 34.4 $MMtCO_2e$ of the reductions that would be needed from the capped sectors by 2020.

Some of the complementary measures would generate emission reductions that would be unlikely to be attained by the cap-and-trade mechanism itself. For example, the cost of the renewable portfolio standard ("RPS") measure is estimated to reach $133 per ton. PSP at 84. The cap-and-trade program alone would be unlikely to incent all of the projects and consequent emission reductions that would be obtained through imposition of the RPS.

The heavy reliance upon the complementary measures to obtain emission reductions in the capped sectors has multiple benefits. For example, the complementary measures may spur innovation and overcome market barriers to employing new technologies, particularly renewable energy technologies. PSP at 19. A cardinal benefit of the complementary measures is that if they were implemented as contemplated in the PSP, they would contain cap-and-trade allowance prices.

Allowance prices will not reflect the average cost of emission reductions in the capped sectors. Rather, allowance prices will reflect only the cost of achieving the residual reductions that must be generated by the market program itself to meet the AB 32 cap. The average cost of capped sector emission reductions could be significantly higher than allowance prices. For example, the average cost of emission reductions in the capped sector would include the $133 per ton cost of meeting the 33 percent RPS, but ARB's economic modeling forecasts an allowance price of only $10 per ton. PSP at 75. By imposing the complementary measures to generate over three-fourths of the emission reductions that would be required from the capped sectors, the cap-and-trade program would be required to produce a much smaller portion of the capped sectors' emission reductions, resulting in lower allowance prices.

There is room to expand the scope of the complementary measures. For example, the PSP proposes very few measures that address emissions from the industrial sector. PSP at 56, Table 16. Although the industrial sector accounts for 20 percent of California's GHG emissions, the source-specific measures that are proposed for the industrial sector would produce only 1.4 $MMtCO_2e$ of emission reductions. PSP at 11, 56. Cement manufacturing is not reached at all. Similarly, more than the PSP's projected 5 $MMtCO_2e$ should be achievable from land use and transit strategies that would reduce transportation sector emissions. PSP at 47-51.

Given the potential benefits of having a robust suite of source-specific complementary measures, SCPPA encourages the ARB to expand the number and scope of the complementary measures to the fullest extent possible during the upcoming two-year rulemaking process to minimize reliance upon the cap-and-trade program.

II. AVOIDING WEALTH TRANSFERS.

The PSP says that ARB will follow a number of principles to be followed in allocating allowances among entities covered by a cap-and-trade program. The principles are as follows:

- **Minimize the economic burden of the program on consumers (especially low-income consumers), workers, local governments, and businesses**
- **Ensure fair treatment amongst and within included sectors—including new market entrants**
- **Maximize market liquidity and minimize opportunities for market manipulation**
- **Avoid GHG leakage and overall employment loss**
- **Recognize and reward early action from covered sectors**
- **Avoid windfall profits and other unnecessary wealth transfer**
- **Encourage energy efficiency and the development of low GHG-emitting technologies**
- **Avoid criteria and toxic air pollutant emissions increases, especially in communities already disproportionately impacted by those pollutants**

PSP at C-20 to C-21. SCPPA supports these principles and urges the ARB to follow them in the course of the upcoming two year rulemaking process. The principles are set forth in Appendix C to the PSP. The principles are so important that SCPPA recommends that the ARB include them in the body of the PSP itself.

SCPPA is particularly supportive of the seventh principle, "Avoid windfall profits and other unnecessary wealth transfers." Given the importance of the principle, SCPPA recommends that the Executive Summary of the PSP be expanded to include the following as one of the "key elements" of the PSP: "Avoid inequitable results such as windfall profits or wealth transfers and ensure results are monitored and enforced by the Board." *See* Attachment 1. In following the seventh principle, the ARB should avoid adopting rules that would transfer wealth out of the electric sector or transfer wealth among retail providers within the electric sector.

A. Avoid Transferring Wealth Out of the Electric Sector.

The cap-and-trade program should not result in a transfer of wealth out of the electric sector. Under the PSP, the recommended 33 percent RPS, the energy efficiency measures including increased combined heating and power ("CHP") generation, and the solar program would result in the electric sector bearing more than its proportionate share of the burden of meeting emission reductions expected from capped sectors. The electric sector accounts for 23 percent of California's GHG emissions, but the PSP would impose source-specific measures on the electric sector that would generate 27 percent of the 169 $MMtCO_2e$ emission reductions that are needed to meet the AB 32 goal for 2020. PSP at 11, 17, 44.

All entities covered by the cap-and-trade program would be benefit from having the electric sector achieve more than its proportionate share of the emission reductions through source-specific measures. The electric sector's disproportionately large effort would reduce the need for others that are covered by the cap-and-trade program to purchase and surrender allowances. The electric sector's effort would "benefit [all] affected entities under the cap." PSP at C-13. The other sectors should not also benefit from a wealth transfer from the electric sector. Revenues derived from auctioning allowances to the electric sector should stay in the sector.

B. Avoid Transferring Wealth Among Retail Providers.

In addition to avoiding an allowance allocation scheme that would result in a transfer of wealth away from the electric sector, the ARB should avoid an allocation scheme that would result in transfers of wealth among retail providers within the electric sector. SCPPA members, particularly, are going to be bearing a disproportionately heavy burden of reducing greenhouse gas emissions. Due to their geographic and historical circumstances including a lack of available hydroelectric resources, federal restrictions on the use of natural gas for electricity generation, and a ban on new nuclear generation facilities, the SCPPA members were required to resort to coal-fired generation as their sole resource option for meeting rapidly expanding electrical demand in their service territories in the 1970s and 1980s. As a result, the SCPPA members currently have a more GHG-intensive resource mix than other retail providers in California.

The SCPPA members are fully committed to attaining the GHG reduction goals of AB 32. They are fully committed to making the direct investments that will be required to reduce their disproportionately large GHG footprint. However, they are going to need to make disproportionately large investments in GHG emission reduction measures.

The cost for retooling the SCPPA members' electricity supply portfolios will be borne directly by the customers of the SCPPA members. To the extent to which the cap-and-trade program results in the consumers of the SCPPA retail providers bearing the cost of allowance purchases, the revenues derived from those purchases should be returned to the retail providers for the benefit of the consumers . The consumers should not be subjected to the double burden of paying both for direct investments in source-specific GHG emission reduction measures and for allowances with the resulting revenues going elsewhere.

In implementing the general principle of avoiding wealth transfers among retail providers of electricity, the ARB should follow several guidelines. First, allowances should not be administratively allocated to the output from existing large hydroelectric or nuclear resources or to retail sales supported by those resources. Second, to the extent to which allowances are administratively allocated on the basis of output from emitting resources or sales supported by emitting resources, the allocation of allowances should be fuel-differentiated to reflect the different GHG intensity of output from different types of emitting resources.

1. Avoid an Allocation of Allowances on the Basis of the Output From Existing Large Hydroelectric or Nuclear Resources or Sales Supported by those Resources.

In developing its allowance allocation methodology for the electricity sector during the coming two years, the ARB should avoid any administrative allocation to output from existing large hydroelectric or nuclear generation facilities or to sales supported by those facilities. **First**, there is no need to allocate allowances to such facilities or the sales supported by those facilities to offset a compliance obligation. Hydroelectric and nuclear generation facilities do not emit GHG. Thus, they will have no compliance obligation.

Second, legacy large hydroelectric facilities do not constitute "early action" that warrant an allocation of allowances to their output or to retail sales that are supported by their output. Most of California's large hydroelectric resources have been in existence for decades. California's nuclear facilities are younger than many of the hydroelectric facilities, but they also have been in service for decades. Thus, they do not constitute "early action" or "early voluntary reductions" as those terms are used in AB 32, H&S Code §38562(b)(1) and (3).

The PSP recognizes that "early action" or "early voluntary reductions" under AB 32 are reductions made "after AB 32 went into effect at the start of 2007 and before 2012." PSP at 68. The PSP also observes that "ARB will evaluate whether some reductions that occurred prior to AB 32 going into effect on January 1, 2007, should also receive credit" under the rules that will be promulgated during the next two years. However, the pre-January 1, 2007 emission reductions that could receive credit would be limited to "facilities in California registered with the California Climate Action Registry after its creation in 2002 to document early actions to reduce emissions by having a record of entities profiles and baselines." PSP at 68, ftnt. 47.

California's legacy large hydroelectric and nuclear resources predate 2002 as well as 2007, and they were not undertaken for GHG reduction purposes.

Neither the output from large hydroelectric or nuclear resources nor sales that are supported by such resources should be granted an administrative allocation of allowances on the premise that the legacy large hydroelectric or nuclear resources constituted "early actions" or "early voluntary reductions" within the meaning of AB 32.

Third, there is no need to allocate allowances to either the output from large hydroelectric and nuclear resources or sales supported by such resources on the supposition that such an allocation would "provide strong incentives for increased reliance on low-and non-emitting resources, including legacy generation," as opined by the California Public Utilities Commission ("CPUC") and California Energy Commission ("CEC") in their Final Opinion on Gas Regulatory Strategies. D.08-10-037, p. 211 (October 16, 2008). It is unnecessary to allocate allowances to provide an incentive for retail providers such as the SCPPA members to increase their reliance on low- and non-emitting resources. The 33 percent RPS that is recommended in the PSP and which was mandated by Governor Arnold Schwarzenegger in Executive Order S-14-08 on November 17, 2008, would provide more than an "incentive." The RPS provides a *mandate* for increased reliance on low- and non-emitting resources. Moreover, there is no point to providing an incentive to add *existing* resources. They already exist, so providing an incentive to add them would be meaningless.

In considering allowance allocation issues during the upcoming two-year rulemaking process, the ARB should avoid the unjust wealth transfers that would result if there were an allocation of allowances to the output from legacy large hydroelectric and nuclear resources or sales supported by those resources.

2. Fuel-Differentiate the Allocation of Allowances in the Electric Sector.

In addition to avoiding any administrative allocation of allowances to the output from large hydroelectric or nuclear facilities or the sales supported by those facilities, the ARB should avoid any allocation of allowances to emitting resources or sales supported by emitting resources that is not fuel-differentiated. The emissions associated with generating a kilowatt hour at a coal-fired facility are, roughly, twice the emissions associated with generating a kilowatt hour at a gas-fired generation facility. In order to avoid wealth transfers from the consumers of retail providers that are more reliant on generation at coal-fired facilities to the consumers of retail providers that are less reliant on such facilities, an administrative allocation of allowances that is based on output from emitting resources or sales supported by emitting resources should be fuel-differentiated. With a fuel-differentiated allocation, more allowances would be allocated to the coal-related output on sales.

The consumers of retail providers that sell electricity generated at coal-fired generation facilities are going to be required to bear a greater burden of reducing GHG emissions than the consumers served by retail providers that are less reliant on such resources. A failure to fuel-differentiate the administrative allocation of allowances would result in the consumers of retail providers that are more reliant on coal-fired resources being required to bear the greater emission reduction burden while being simultaneously required to bear the cost of buying allowances from others that receive excessive allowances through the undifferentiated allocation process. This double burden could be ameliorated by fuel-differentiating the allocation of allowances. Thus, SCPPA urges the ARB to consider fuel-differentiating any administrative allocation of allowances during the upcoming rulemaking process.

III. LINKAGE WITH THE WESTERN CLIMATE INITIATIVE.

Under the PSP, "ARB is looking to participate in a regionally coordinated cap-and-trade program as developed through the WCI…." PSP at C-14. The rulemaking schedule for the next two years "would be coordinated with that of the WCI timeline for a regional cap-and-trade program." *Ibid.*

SCPPA fully supports linking a California cap-and-trade program with a broader regional program. Having a regional program would reduce the potential for "leakage" of economic activity and associated emissions from California. Leakage could damage California's economy without achieving any reduction in global GHG emissions. Additionally, having a broader regional program could provide more opportunities for lower cost emission reductions. That might lead to lower and more stable carbon prices. However, linkage to a broader WCI program raises some issues that should be addressed during the 2009-2010 rulemaking process that the PSP says would be "coordinated" with WCI.

A. The Need for WCI-Wide Adoption of Source-Specific Measures.

Although PSP relies upon the source-specific "complementary measures" for attaining most of the AB 32 emission reductions within the capped sectors, the WCI Design Recommendations that were released on September 23, 2008, do not have any specific provisions about the extent to which WCI Partners would be expected to develop source-specific measures. Under the Design Recommendations, a WCI Partner could implement a cap-and-trade program with *no* source-specific measures.

If WCI Partners pursue a cap-and-trade program in conjunction with California but fail to implement source-specific measures, the beneficial effects of California's substantial reliance upon source-specific measures could be severely diluted. The result would be higher allowance prices. SCPPA urges the ARB to turn the WCI Partners' attention to the need for all of the

Partners to develop a suite of source-specific complementary measures that is as robust as what has been proposed in the PSP for California.

B. Double-Counting Emissions from Out-of-State Generation Facilities.

The treatment of emissions from power plants that are located in one WCI Partner jurisdiction but which provide electricity to consumers in another WCI Partner jurisdiction needs to be addressed if California is to participate in the WCI. The PSP's 2020 emissions cap for the sectors covered by the cap-and-trade program is 365 $MMtCO_2e$. PSP at 21, Fig. 3. That cap assumes that the emissions associated with California's electricity imports would be covered by the cap. However, a significant portion of California's imported electricity comes from power plants located in other WCI Partner jurisdictions. Some of those power plants are coal-fired.

If emissions from the out-of-state power plants were covered by the cap of the states within which the power plants are located, there would be a possibility of double-counting emissions by California and the other WCI Partners. Also, the consumers of California retail providers that rely on electricity generated at out-of-state facilities would be exposed to the cost of purchasing allowances from another state, resulting in a wealth transfer from California to the other state. The WCI Design Recommendations recognize this issue but do not resolve it. WCI Design Recommendations at 5. The issue needs to be addressed during the coming two years.

C. The Deferred Inclusion of Transportation Fuels and Residential and Commercial Fuels in a Cap-and-Trade Market.

Under the WCI Design Recommendations, transportation fuels and residential/commercial fuels would not be added to the regional cap-and-trade program until 2015. As a result, for the first three years of the program, 2012 to 2015, only electricity generation and industrial sources would be covered by the WCI cap-and-trade program. Mirroring the WCI Design Recommendations, the PSP proposes that California's cap-and-trade program be implemented in phases so that only electricity generation and large industrial facilities would be covered by the program during the first triennial compliance period, 2012 to 2015. Transportation fuels and residential/commercial fuels would be included in the program at the beginning of the second triennial compliance period in 2015.

SCPPA urges the ARB and, more broadly, the WCI to revisit the recommendation to defer the inclusion of transportation fuels and residential/commercial fuels in the cap-and-trade program. Limiting the program to electricity generation and industrial facilities diminishes the initial size of the program by more than half (PSP at 17), sharply reducing the availability of emission reduction options that otherwise might be available and constricting the liquidity of the allowance market.

Furthermore, insofar as transportation fuels and residential/commercial fuels would not be included in the program until 2015, emissions from transportation fuels and residential/commercial fuels would be higher from 2012 to 2015 than they would be if they had been covered by the program at the outset in 2012. As a consequence, the slope of the emission reduction trajectory from 2015 to 2020 would be steeper than it would be if transportation fuels and residential/commercial fuels were covered by the program at the outset. PSP at C-18, Fig. 1.

Aside from citing the WCI decision to defer coverage of transportation fuels and residential/commercial fuels to 2015, the PSP does not explain the basis for the deferral. SCPPA urges that both the ARB and the WCI reconsider the deferral.

D. Monitoring and Correcting Market Manipulation and Abuse.

A WCI-wide allowance market would be exposed to the potential for market manipulation and abuse. However, no single WCI Partner would have jurisdiction to monitor a WCI-wide market or to impose corrective measures on a WCI-wide basis. The resulting regulatory gap would leave a WCI-wide market exposed to potential market manipulation and abuse. There may be solutions such as interstate compacts or, given that Canadian provinces are partners in the WCI, treaties, but no solutions were suggested in the WCI Design Recommendations. The problem was not even recognized. California should work with the WCI to assure that WCI-wide market surveillance and correction mechanisms are in place prior to implementation of a WCI-wide cap-and-trade market.

IV. COST CONTAINMENT WITHIN A CAP-AND-TRADE PROGRAM.

SCPPA commends the ARB for including in the PSP important features that would contain the costs of the proposed cap-and-trade program. First, by adopting the source-specific measures that would generate over three fourths of the emission reductions that would be required from the capped sectors, the PSP reduces the amount of emission reductions that would need to be generated by the cap-and-trade market mechanism.

Second, the PSP would permit allowances to be banked for future use. The availability of banked allowances could reduce market volatility by encouraging the adoption of emission reduction measures earlier rather than later. PSP at 30.

Third, the PSP would allow the use of "high quality" offsets from other systems outside the WCI Partner jurisdiction without geographic restrictions, although offsets from other systems would be limited to no more than 49 percent of the required reduction in emissions from the capped sectors during a compliance period, for example, 146.7 $MMtCO_2e$ in 2020. PSP at 37-38; PSP at C-22.

SCPPA supports these cost containment features of the proposed cap-and-trade program and encourages expanded use of the features. As discussed above, the use of source-specific measures should be expanded. Likewise, the proposed 49 percent limitation on the use of offsets should be liberalized. The 49 percent limitation would allow a larger use of offsets in later years that are nearest to 2020, but the use of offsets would be severely constrained during the early cap-and-trade years that are near to 2012. *See* PSP C-22, Fig. 2.

SCPPA also urges the ARB to consider cost containment features that are not specifically addressed in the PSP during the upcoming rulemaking process. SCPPA urges the ARB to consider a tailored glide path for achieving emission reductions in the electric sector rather than a straight-line trajectory and to consider borrowing for the electric sector. Additionally, SCPPA urges the ARB to consider adopting a safety valve to provide relief if the allowance prices soar to unacceptable levels due to market manipulation or otherwise.

A. Cost Containment Features that Would Accommodate the Electric Sector's "Lumpy" Pattern of Investment.

The PSP proposes that the trajectory for reducing the amount of allowances that are made available through the cap-and-trade program should be a "straight-line reduction in the cap between 2012 and 2020…." PSP at C-17. An inflexible straight-line trajectory would be likely to impose an undue burden on the electric sector, particularly, retail providers such as the SCPPA members that are going to need to make the substantial capital investments required to move from a relatively high GHG-intensive resource mix to a low GHG-intensive resource mix. The SCPPA members are going to be required to undertake long-term capital investments in low GHG-intensive resources and associated facilities such as transmission lines. Such investments could take several years to come to fruition.

During the upcoming rulemaking proceeding, SCPPA recommends that the ARB make available a reasonable glide path for any decline in the administrative allocation of allowances to, especially, the more carbon-intensive retail electricity providers. A reasonable glide path could allow an adequate planning horizon for new investments in renewable generation and related transmission with a steeper curve in later years until reaching required GHG emission reduction levels in 2020. Without a contoured trajectory so that there would be a lesser decline in allowances during early years and a greater decline in later years, the consumers of the more carbon-intensive retail providers could be required to bear the burden of buying allowances on the open market during planning and construction periods.

An alternative approach that might be considered by the ARB would be to permit borrowing within the electric sector so that allowances could be borrowed from a later period during which low-or zero-emission resources would become operational. Permitting borrowing would have the salutary effect of encouraging covered entities to undertake long-term capital investments that might not contribute to a reduction of emissions immediately but could result in a substantial step decrease in emissions during a later period.

B. Safety Valves.

The ARB should consider adopting a safety valve that could be used to combat unexpectedly high allowance prices that would result from illiquidity or other distortions in the allowance market. A safety valve would provide insurance against high prices that could threaten the viability of a cap-and-trade program but would allow the market for allowances to operate unhindered during normal market conditions. California's experience during 2001 with extremely high electricity prices and high prices for South Coast Air Quality Management District allowances under the Regional Clean Air Incentives Market program dramatically demonstrates the need to consider some sort of safety valve to prevent allowance price blowouts.

V. THE 2009-2010 RULEMAKING PROCESS.

SCPPA applauds ARB's commitment to a transparent and inclusive 2009-2010 rulemaking process. The process would be open to all interested parties. PSP at 35. The ARB anticipates creating a series of focused working groups that would include a broad array of participants. PSP at 35. Additionally, the PSP says that ARB will seek input about cap-and-trade structuring issues from "a broad range of experts in an open public process." PSP at 36.

The ARB also commits itself to having an open mind in considering the input. The PSP states that "a broad set of factors must be considered in evaluating the potential timing of a transition for a full auction including competitiveness, potential for emissions leakage, the effect on regulated vs. unregulated industrial sectors, the overall impact on consumers, and the strategic use of auction revenues." PSP at C-19.

SCPPA commends the ARB's vision for the 2009-1010 rulemaking process. SCPPA is committed to participating fully in the process to attain the shared objective of a regulatory structure that achieves AB 32 emission reduction goals both economically and equitably.

VI. CONCLUSION.

SCPPA strongly supports ARB's vision for achieving AB 32 emission reduction goals as reflected in the PSP. Although critical issues remain to be addressed during the upcoming two-year AB 32 rulemaking process, SCPPA is committed to participating fully in that process to aid in creating a regulatory structure which will be economic, equitable, and exemplary.

Respectfully submitted,

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Dated: December 1, 2008

Attachment 1

Proposed Addition to Proposed Scoping Plan Executive Summary

David Wright, President
Southern California Public Power Authority
November 20, 2008

David Wright

ARB catalogued and publicly posted all the comments we received. In many instances, we engaged experts and staff at our partner agencies for additional evaluation of comments and suggestions.

This plan reflects the input of Californians at every level. Our partners at other State agencies, in the legislature, and at the local government level have provided key input. We've met with members of community groups to address environmental justice issues, with representatives of California's labor force to ensure that good jobs accompany our transition to a clean energy future, and with representatives of California's small businesses to ensure that this vital part of our state's economic engine flourishes under this plan. We've heeded the advice of public health and environmental experts throughout the state to design the plan so that it provides valuable co-benefits in addition to cutting greenhouse gases. We've also worked with representatives from many of California's leading businesses and industries to craft a plan that works in tandem with the State's efforts to continue strong economic growth.

In short, we've heard from virtually every sector of California's society and economy, reflecting the fact that the plan will touch the life of almost every Californian in some way.

Proposed Scoping Plan Recommendations

The recommendations in this plan were shaped by input and advice from ARB's partners on the Climate Action Team, as well as the Environmental Justice Advisory Committee (EJAC), the Economic and Technology Advancement Advisory Committee (ETAAC), and the Market Advisory Committee (MAC). Like the Draft Scoping Plan, the strength of this plan lies in the comprehensive array of emission reduction approaches and tools that it recommends.

Key elements of California's recommendations for reducing its greenhouse gas emissions to 1990 levels by 2020 include:

- Expanding and strengthening existing energy efficiency programs as well as building and appliance standards;
- Achieving a statewide renewables energy mix of 33 percent;
- Developing a California cap-and-trade program that links with other Western Climate Initiative partner programs to create a regional market system;
- Establishing targets for transportation-related greenhouse gas emissions for regions throughout California, and pursuing policies and incentives to achieve those targets;
- Adopting and implementing measures pursuant to existing State laws and policies, including California's clean car standards, goods movement measures, and the Low Carbon Fuel Standard; and
- **Avoid inequitable results such as windfall profits or wealth transfers**

and ensure results are monitored and enforced by the Board.

- Creating targeted fees, including a public goods charge on water use, fees on high global warming potential gases, and a fee to fund the administrative costs of the State's long term commitment to AB 32 implementation.

After Board approval of this plan, the measures in it will be developed and adopted through the normal rulemaking process, with public input.

Key Changes

This plan is built upon the same comprehensive approach to achieving reductions as the draft plan. However, as a result of the extensive public comment we received, this plan includes a number of general and measure-specific changes. The key changes and additions follow.

Additional Reports and Supplements

I. Economic and Public Health Evaluations: This plan incorporates an evaluation of the economic and public health benefits of the recommended measures. These analyses follow the same methodology used to evaluate the Draft Scoping Plan.'

2. CEQA Evaluation: This plan includes an evaluation of the potential environmental impacts of the Proposed Scoping Plan under the California Environmental Quality Act (CEQA).[2]

Programmatic Changes

1 Margin of Safety for Uncapped Sectors: The plan provides a 'margin of safety,' that is, additional reductions beyond those in the draft plan to account for measures in uncapped sectors that do not, or may not, achieve the estimated reduction of greenhouse gas emissions in this plan. Along with the certainty provided by the cap, this will ensure that the 2020 target is met.

2. Focus on Labor: The plan includes a discussion of issues directly related to California's labor interests and working families, including workforce development and career technical education. This additional element reflects ARB's existing activities and expanded efforts by State agencies, such as the Employment Development Department, to ensure that California will have a green technology workforce to address the challenges and opportunities presented by the transition to a clean energy future.

Staff will provide an update to the Board to respond to comments received on these analyses. [2]
This evaluation is contained in Appendix J.