



PUBLIC UTILITIES COMMISSION

STATE OF CALIFORNIA
505 VAN NESS AVENUE
SAN FRANCISCO, CALIFORNIA 94102

MICHAEL R. PEEVEY
PRESIDENT

TEL: (415) 703-3703
FAX: (415) 703-5091

June 5, 2013

Mary Nichols, Chair
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Dear Mary,

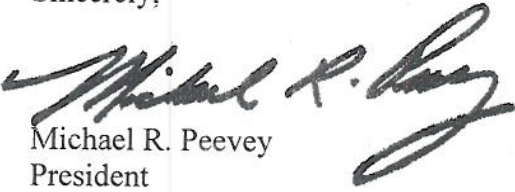
As you are aware, several electric generation and combined heat and power facilities operate under contracts that were executed prior to the passage of AB 32. Many of these legacy contracts do not include provisions that allow the plant operators to pass through the increased costs of complying with the state's cap and trade program.

Until recently, both ARB and the CPUC have encouraged parties to legacy contracts to renegotiate their contracts to allow for GHG cost pass-through. Additionally, both agencies have distinguished between facilities having contracts with investor-owned utilities (IOUs) under CPUC jurisdiction and all other facilities, with the CPUC taking responsibility for resolving matters related to contracts with IOU counterparties.

Now that ARB has begun to consider an administrative solution for operators of legacy facilities, I would like to express my support for equitable treatment of all legacy facility operators through ARB's process. If ARB decides that legacy facility operators should receive some administrative relief from cap and trade compliance costs, then I see no reason for ARB to treat facilities differently on the basis of whether the counterparty is an IOU or another type of entity. The eligibility criteria and formulas for calculating relief that ARB develops should apply equally to all similarly-situated facilities.

If you would like to discuss this matter further, please do not hesitate to contact me.

Sincerely,


Michael R. Peevey
President