TO: California Air Resources Board
FROM: The McKinstry Company
RE: Public comment on proposed cap on greenhouse gas emissions and market-based compliance mechanisms regulation (capandtrade10)

Introduction

McKinstry applauds the California Air Resources Board's commitment to the goals of AB 32, and thanks CARB for issuing a detailed and thoughtful cap-and-trade proposal.

Comment

McKinstry respectfully comments on 95892(D)(3)(B) regarding limitations on the use of auctioned proceeds:

95892(D)(3)(B) reads: "To the extent that an electrical distribution utility uses auction proceeds to provide ratepayer rebates, it shall provide such rebates with regard to the fixed portion of ratepayers' bills or as a separate fixed credit or rebate."

Using auction proceeds to provide customer rebates—even on the fixed portion of ratepayers' bills—will discourage customers from adopting energy saving behaviors. A 2009 report published by The Center on Budget and Policy Priorities" articulates this:

> "Providing relief in the form of reductions in the fixed portion of utility bill charges preserves the price signal of higher rates in the variable portion of the bill to the maximum extent possible, but that effect is largely blunted if consumers look only at the bottom line of their bill, where they would not experience the 'sticker shock' that could prompt changes in behavior."

McKinstry recognizes the desire to protect ratepayers from increases in electric bills, but recommends an alternative solution to providing rebates. McKinstry recommends that *95892(D)(3)(B)* be amended to read, "To the extent that an electrical distribution utility uses auction proceeds to mitigate increases in ratepayers' bills, it shall provide customers exceeding a specified threshold of energy consumption low or no cost energy audits in addition to a list of qualified contractors to select from." This recommendation is based on the following:

1. Energy audits lead directly to reduced GHG emissions which is in line with the goals of AB 32
2. Energy audits identify energy-saving solutions in line with California's preferred loading order
3. Unlike rebates on energy bills, energy audits identify energy-saving solutions while also contributing to decreases in electric bills
4. Energy audits typically identify previously unidentified low or no-cost energy-saving solutions
5. The establishment of an energy consumption threshold customers must exceed to participate will allow electrical distribution utilities to target energy consumers typically excluded from the numerous single-family residential energy efficiency programs

About McKinstry

Established in 1960, McKinstry is a full-service design, build, operate and maintain (DBOM) firm with over 1,600 employees and $400 million in annual revenue. McKinstry's professional staff and trades

people deliver consulting, construction, energy, and facility services. As an early adopter of the DBOM process, the company advocates collaborative and sustainable solutions designed to ensure occupant comfort, improve systems efficiency, reduce facility operational costs, and ultimately optimize client profitability for the life of their building. Over the years, McKinstry has helped clients eliminate over 150,000 metric tons of carbon dioxide from the atmosphere. McKinstry entered the California market in 2009.

McKinstry's Stance on Market-Based Mechanisms

McKinstry supports market-based mechanisms to reduce greenhouse gas emissions for three main reasons:

1. *Job Creation*

   Clean energy projects create durable jobs that cannot be sent offshore. These jobs are in engineering, manufacturing, installation, and support services. Every million dollars spent on making the built environment more energy efficient creates twenty (20) jobs.

2. *What is Good for the Environment is Good for Business*

   When companies invest in energy efficiency upgrades, they not only reduce energy use and carbon emissions, they also reduce their energy bills. As a result, companies can recover the money used to finance energy efficiency upgrades through significant returns on investment.

   According to the 2007 McKinsey Report, almost 40 percent of greenhouse gas abatement strategies can achieve positive economic returns. Additionally, the Report finds that the cumulative savings created from positive economic returns could substantially offset the additional spending required for the options with positive marginal costs.

3. *Flexibility*

   Market mechanisms require companies to reduce carbon emissions, but allow them flexibility in deciding the most economically efficient manner. As a result, companies can leverage their internal knowledge in order to create unique energy reduction strategies that solve the specific emission problems created by their facilities' operations.

Conclusion

Once again, McKinstry would like to thank CARB for its dedication to achieving the goals of AB 32. McKinstry greatly appreciates the opportunity to comment on the greenhouse gas emissions and market-based mechanisms and regulation proposal, and sincerely looks forward to working with CARB in the future.

If you have any questions regarding this comment, or would like to learn more about McKinstry, please contact Sara Fastenberg at saraf@mckinstry.com.