

OFFICE OF THE MAYOR

December 9, 2008

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

Dear Chairwoman Nichols:

Thank you for the opportunity to comment on the California Air Resources Board's (CARB's) Proposed Scoping Plan (PSP).

The City of Pasadena has embraced its civic responsibility to create a green and sustainable community by adopting the Green City Action Plan, a progressive list of 21 environmental actions which follows the framework of the United Nations Green Cities Declaration and Urban Environmental Accords. Since AB 32 was signed in 2006, Pasadena has made significant voluntary commitments to reduce our Greenhouse Gas (GHG) emissions, including the City Council adopting a four-fold increase in energy efficiency program goals, a seventeen-fold increase in its photovoltaic program goals, authorizing associated increases in program budgets, as well as increasing investments in green fleet vehicles and alternative fuels. The City's Water and Power Department's use of eligible renewable energy resources has increased from less than 1% in 2003 to almost 10% in 2008 and continues to grow as contracted resources come into operation and new resources are added. Pasadena has also made substantial investments to reduce the carbon footprint of its natural gas fired generation fleet. The City's General Plan has guided development into transit-oriented and mixed use areas, in advance of but, consistent with the goals of SB 375. Consistent with the Regional Targets of the PSP, Pasadena has in place a Trip Reduction Ordinance that reduces VMT from employee commute travel.

The City of Pasadena is fully committed to attaining the GHG reduction goals of AB 32 and is generally supportive of the PSP. Pasadena commends the PSP commitment to integrate the California cap-and-trade program with the Western Climate Initiative ("WCI") regional cap-and-trade program. A regional program will maximize cost-effective opportunities and deliver reductions of greenhouse gas emissions throughout the region and level the competitive playing field among neighboring states and provinces, and enhance the liquidity of a cap-and-trade market for allowances.

While we believe the PSP provides a workable framework for establishing AB 32 regulations, Pasadena offers the following comments to address some serious concerns, particularly with respect to allocations of GHG emission credits under the proposed cap-and-trade scheme:

**1. Avoid Wealth Transfers:**

Avoiding unnecessary wealth transfer and minimizing the economic burden of the program on consumers are two principles that are especially important to Pasadena and our ratepayers. Due to Pasadena's GHG-intensive electric generation resource mix, the City will already be challenged to meet its GHG emission reduction goals. Therefore, it would be inequitable to require publicly owned utilities such as Pasadena to transfer wealth to other agencies and/or utilities through a cap-and-trade program. Pasadena's limited resources will be needed to fund local initiatives that will result in concrete, verifiable GHG emission reductions.

**2. Allocations to Carbon-Free Legacy Resources:**

Currently, publicly owned utilities in Southern California such as Pasadena rely on coal-based electricity generation. Several factors including a lack of an extensive river system for hydroelectric power as well as federal and state government policies in the 1980s and 1990s that promoted the use of coal over natural gas and nuclear energy influenced Pasadena's current energy supply today.

Under the proposed cap and trade program, an allocation of emission credits or distribution of auction proceeds that is based solely on gross energy sales (kWh) would enable some of the state's largest utilities to *do nothing* to reduce GHG by giving them more emissions allocations than they need to serve load, resulting in wealth transfer to these utilities. Carbon-free energy from legacy resources such as large hydroelectric and nuclear generators should not constitute "early action", and those utilities owning them should not be rewarded with an allocation of allowances. Instead, allocations of emissions credits or auction revenues should be based on energy sales from fuel-differentiated emitting resources excluding legacy non-emitting resources such as large hydroelectric and nuclear resources.

**3. Allowances and Revenues must support reducing GHG emissions locally:**

The City of Pasadena is concerned that the PSP's cap-and-trade program would result in additional costs and increase utility rates without reducing GHG emissions for Pasadena. For example, in Pasadena, a 20% auction of allowances at \$30 per ton of CO<sub>2</sub> output would cost the City \$4.5 million in 2012. A 100% auction at \$50 per ton would result in a cost of \$38 million annually to Pasadena's ratepayers. The auction revenues paid for by Pasadena ratepayers must be returned to support Pasadena's investments in

renewable energy, energy efficiency technology and infrastructure to reduce GHG emissions locally.

**4. Funding, Resources, Incentives and Tools for Local Agencies:**

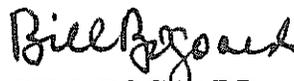
The City of Pasadena recommends that the State assist in providing the leadership and support, both technical and financial, which is needed to assist local government agencies in implementing changes to reduce GHG resulting from electric and water operations, transportation and land use policies, as well as other sectors such as green building design and recycling. Local government agencies, including those with utilities, transportation and planning departments are already burdened with having to implement ambitious state mandates in the absence of additional resources provided by the State.

**5. Redevelopment as a Tool for Achieving GHG Reduction Targets:**

Redevelopment agencies can be key partners in the reduction of greenhouse gases. The PSP as currently drafted makes no reference to the role redevelopment can play in conjunction with other local government agencies to promote and achieve the GHG reduction targets. There are a number of relevant redevelopment areas such as the promotion of in-fill development and urban revitalization, the relationship of alternative transportation use to redevelopment projects and the promotion of Green practices and standards for redevelopment projects.

The City of Pasadena has and will continue to embrace its civic responsibility to be a green and sustainable community. We believe that a fair and equitable emission allocation policy is the key to minimizing wealth transfers and reducing the costs to meet AB 32 goals for all Californians. The City of Pasadena commends the CARB's plan to conduct an open and transparent rulemaking process to develop regulations during the coming two years and looks forward to participating fully and constructively in that process.

Sincerely,



**BILL BOGARD**

Mayor

cc: Assembly Member Anthony Portantino  
State Senator Carol Liu  
Michael J. Beck, City Manager – City of Pasadena  
David Jones, Emanuels Jones and Associates  
Kyra Ross, League of California Cities