



AB32 Cap-and-Trade Update

Engineering and Operations Committee

Item 6b

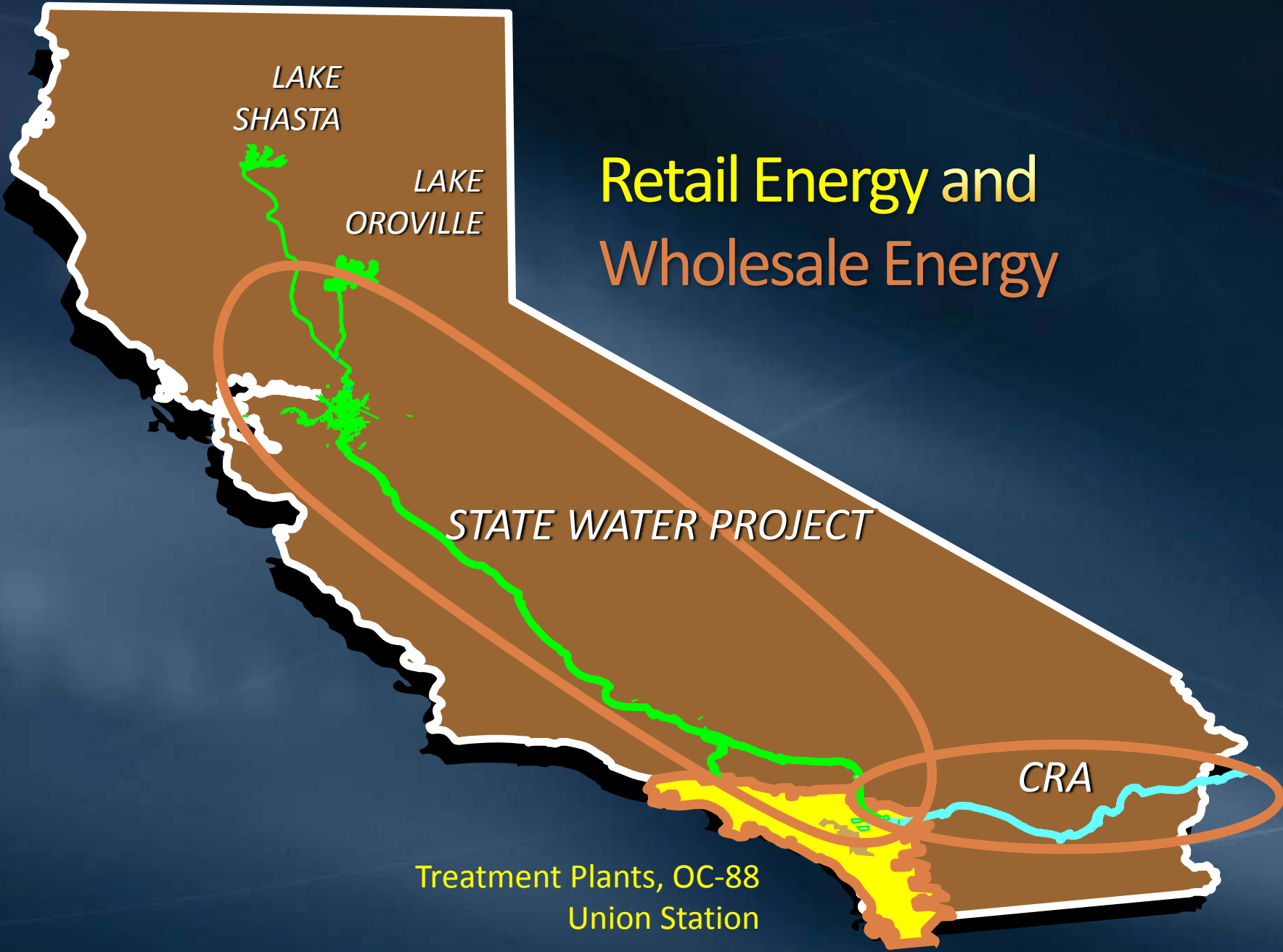
October 10, 2011

AB 32 – California Global Warming Solutions Act of 2006

- Reduce greenhouse gas (GHG) emissions to 1990 levels by 2020
- Under jurisdiction of California Air Resources Board (CARB)
- CARB Scoping Plan
- Cap-and-Trade Program

Cap-and-Trade Program Details

- Green House Gasses (GHG) can be emitted during electric power generation
- GHG are to be reported and regulated, including emissions associated with imported electricity
- Emission of GHG to be covered with allowances
- Number of available allowances capped
- Allowances obtained through auction or trades
- Price of allowances set by market



LAKE SHASTA

LAKE OROVILLE

Retail Energy and Wholesale Energy

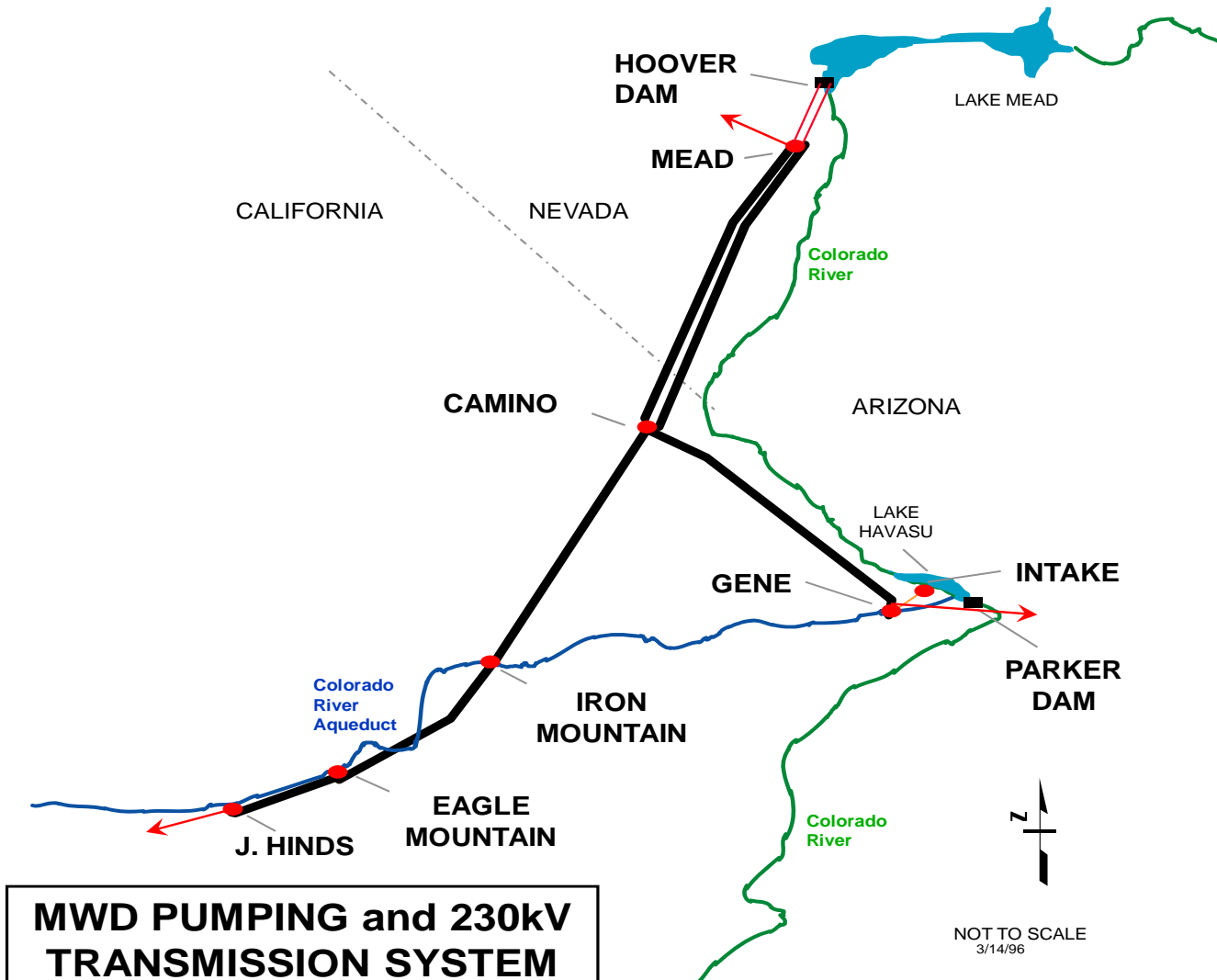
STATE WATER PROJECT

CRA

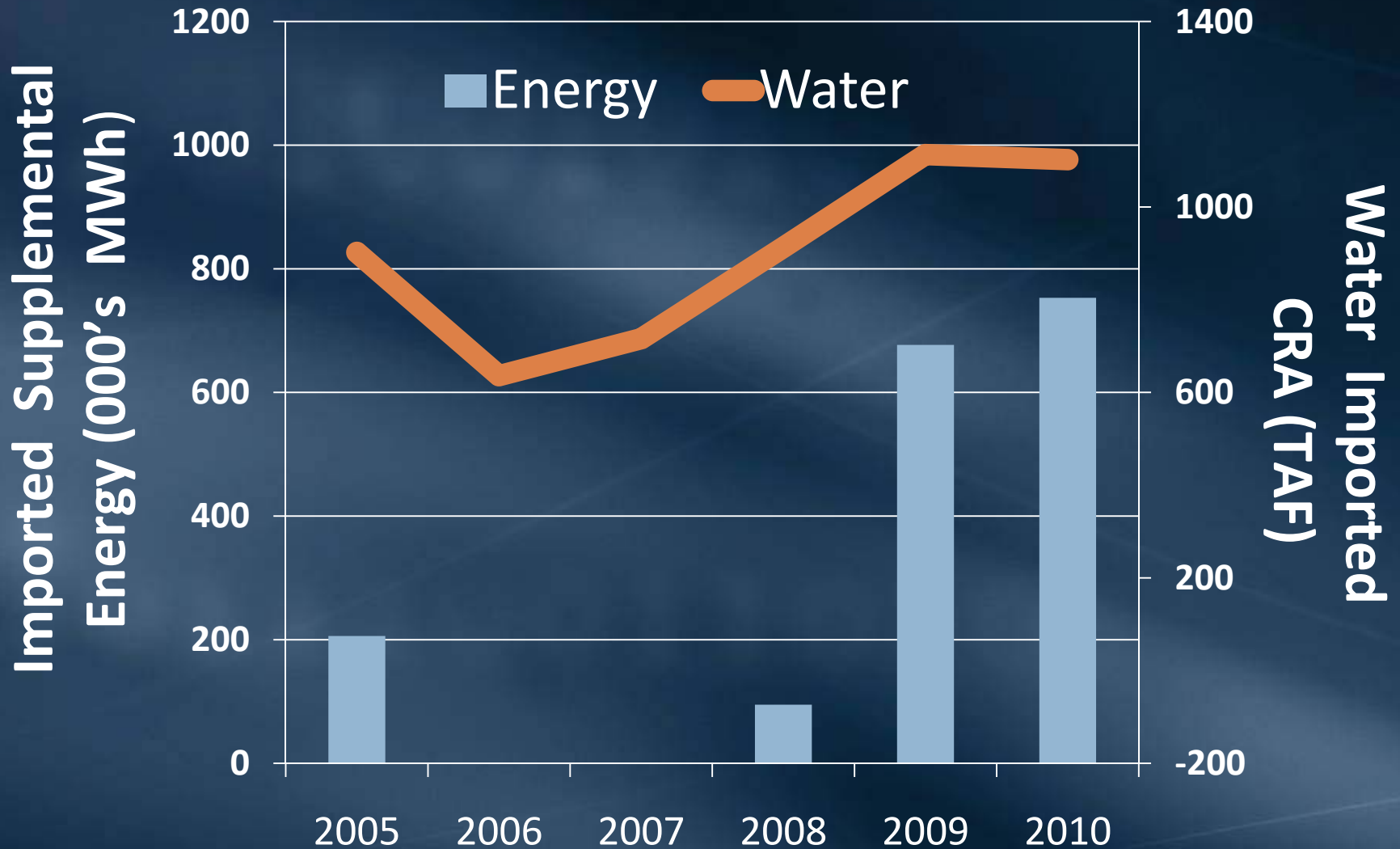
Treatment Plants, OC-88
Union Station

CRA Electrical System

COLORADO RIVER AQUEDUCT



Imported Supplemental Energy



Impacts to Metropolitan

- Starting 2013, Metropolitan must acquire allowances for imported supplemental energy on the CRA
- Estimate 1 allowance for each 2 MWh
- 2013 allowances trading for ~ \$20
- 2010 imported 750,000 MWh supplemental energy => 2013: \$7.5 M for allowances
- Other direct costs:
 - Cost of Implementation fee: \$65,000 total for both 2008 & 09

Metropolitan's Position

- Should not be regulated within the electric sector
 - Regulated through the water sector
 - Will lead to redundant/additive regulations
- Should not be treated as a marketer
 - Import energy to solely serve own load
 - Public agency, providing critical service
 - Competing with for-profit commodity traders
- Should consider unique operations
 - Quantity of imported energy highly volatile
 - Emissions below 1990 level
- Proposed regulations inequitable

Metropolitan's Activities

- Provided testimony and filed comments to CARB during regulatory development
 - Mandatory reporting requirements
 - Scoping plan
 - Functional equivalent document
 - Cap-and-Trade
- Meetings with CARB
- Discussions with other parties
- Coordination with SWC and DWR

Status

- CARB released latest Cap-and-Trade proposal on September 12, 2011
- CARB did not incorporate any of the changes requested by Metropolitan
- Metropolitan had offered several options
 - Exemption
 - Deferral
 - Free allowances
 - Special MOU
- Comments filed September 27
 - SWC and DWR also filed comments

Cap-and-Trade Program Schedule

- CARB will meet on October 21 to vote on final proposal from staff
- Must submit to Office of Administrative Law October 28
- Cap-and-Trade start-up January 1, 2012
- Cap-and-Trade enforcement and allowance compliance obligation January 1, 2013

Next Steps

- Continue discussions with CARB
- Testify before CARB on October 21
- Review all available options
- Participate in ongoing regulatory activities
- Work with other parties

