



California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

News Release

FOR IMMEDIATE RELEASE

Docket #: R.04-04-003

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PUC TO SET CAP ON GREENHOUSE GAS EMISSIONS PRODUCED WHILE GENERATING ELECTRICITY

SAN FRANCISCO, February 16, 2006 -- The California Public Utilities Commission (PUC) today said it will develop a cap on greenhouse gas (GHG) emissions for the state's Investor Owned Utilities and the non-utility companies that provide electric power to customers within their service territories. The Commission also set the foundation for a process that will explore a range of flexible compliance options in order to minimize the cost of meeting the cap.

The Commission will create a load-based cap that encompasses all of the GHG emissions produced in the course of generating electricity to serve utility customers. Imported energy and power produced within California will be treated equally under this system.

As the details are worked out over the coming months, a key objective will be ensuring that this system is compatible with any other GHG cap-and-trade regime that may be developed in the future, either in California, the Western Region, nationally, or internationally. Therefore, the GHG emissions allowances associated with the Commission's load-based cap will be in the form of "tons of carbon-dioxide equivalent." The Commission plans to ultimately include all six of the major GHGs under the load-based cap, as doing so becomes feasible.

In setting the cap and developing compliance mechanisms, the Commission will seek to minimize costs to ratepayers, while providing appropriate incentives to utility managers and shareholders. The Commission intends to explore various approaches to flexible compliance, including banking, offsets and trading. While the Commission will consider establishing penalties for under-compliance, it will also investigate the concept of allowance sale incentives during the implementation phase. Under this mechanism, the Commission would certify GHG emission allowances based on superior performance, as defined by the Commission, that the utilities could sell outside of California to the benefit of their shareholders.

The Commission will continue to work with the Governor's Climate Action Team to ensure that municipal utilities are also subject to a GHG emissions reduction regime that will assist California in meeting the state's aggressive GHG reduction goals.

"If we're going to deal with the greenhouse gas issue in California, we're going to have to go down this road. With our decision today we are joining in the pioneering efforts started in the Northeast and Mid-Atlantic states with the Regional Greenhouse Gas Initiative," said PUC President Michael R. Peevey. "We hope that the parallel efforts on both coasts to reduce greenhouse gas emissions will help move the ball forward on initiatives to reduce emissions and mitigate global climate change in the United States and around the world."

This action is one of several the Commission is taking to do its part in meeting the ambitious GHG reduction goals articulated in the Governor's June 1, 2005 executive order. As the Commission moves forward in concert with the Governor's Climate Action Team to develop and implement a cap and trade system, the Commission will also continue its ongoing initiatives in other areas, such as energy efficiency, renewable energy and solar power.

The proposal the Commission voted on is at http://www.cpuc.ca.gov/word_pdf/COMMENT_DECISION/52819.doc.

For more information, please visit the PUC's website at www.cpuc.ca.gov.

###