

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

DOCKET

07-OIIP-1

DATE FEB 28 2008

RECD. FEB 28 2008

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework and to
Examine the Integration of Greenhouse Gas Emissions
Standards into Procurement Policies.

R. 06-04-009

BEFORE THE CALIFORNIA ENERGY COMMISSION

AB 32 Implementation – Greenhouse Gas
Emissions.

Docket 07-OIIP-01

**COMMENTS OF THE WESTERN POWER TRADING FORUM
AND THE ALLIANCE FOR RETAIL ENERGY MARKETS
ON THE INTERIM OPINION ON GREENHOUSE
GAS REGULATORY STRATEGIES**

Clare Breidenich
224 ½ 24th Avenue East
Seattle, Washington 98112
Telephone: (206) 829-9193
Email: clare@wptf.org

GHG Consultant

Daniel W. Douglass
DOUGLASS & LIDDELL
21700 Oxnard Street, Suite 1030
Woodland Hills, California 91367
Telephone: (818) 961-3002
Facsimile: (818) 961-3004
Email: douglass@energyattorney.com

Attorneys for
**WESTERN POWER TRADING FORUM
ALLIANCE FOR RETAIL ENERGY MARKETS**

February 28, 2008

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Implement the
Commission's Procurement Incentive Framework and to
Examine the Integration of Greenhouse Gas Emissions
Standards into Procurement Policies.

R. 06-04-009

BEFORE THE CALIFORNIA ENERGY COMMISSION

AB 32 Implementation – Greenhouse Gas
Emissions.

Docket 07-OIIP-01

**COMMENTS OF THE WESTERN POWER TRADING FORUM
AND THE ALLIANCE FOR RETAIL ENERGY MARKETS
ON THE INTERIM OPINION ON GREENHOUSE
GAS REGULATORY STRATEGIES**

In accordance with Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC"), the Western Power Trading Forum¹ ("WPTF") and the Alliance for Retail Energy Markets² ("AReM") respectfully submit these joint comments on the Proposed Decision of Commissioner Michael R. Peevey, "Interim Opinion on Greenhouse Gas Regulatory Strategies," dated February 8, 2008 ("Proposed Decision" or "PD").

¹ WPTF is a California non-profit, mutual benefit corporation. The membership of WPTF includes energy service providers, scheduling coordinators, generators, energy consultants and public utilities, all of which are active participants in the restructured California electricity market and elsewhere in the West.

² AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in California's direct access market. The positions taken in this filing represent the views of AReM but not necessarily those of individual members of AReM or the affiliates of its members with respect to the issues addressed herein.

WPTF and AReM support the well-reasoned recommendations of the CPUC and the California Energy Commission (collectively, the “Commissions”) set forth in the PD regarding the type and point of greenhouse gas (“GHG”) regulation for the electricity sector, as well as extension of existing energy efficiency and renewable energy policies to publicly owned utilities (“POUs”). WPTF and AReM also do not necessarily oppose the Commissions’ recommendation for partial auctioning of allowances at the outset of the cap-and trade program; however, WPTF and AReM suggest that the Proposed Decision should explicitly state that there should be a transition to the auctioning of allowances over time, and that the work to determine how to allocate allowances administratively during such a transition will continue. WPTF and AReM do not comment herein on the Proposed Decision’s recommendations regarding GHG regulatory strategies for the natural gas sector.

I. Making the Deliverer of Power the Point of Regulation for the Electricity Sector is Appropriate.

WPTF and AReM fully support the Commissions’ recommendation that the California Air Resources Board (“CARB”) should develop and implement a multi-sector cap and trade program that includes the electricity sector, and that the point of regulation for the electricity sector should reside with entities responsible for delivering power to the California grid— i.e., the “deliverer” approach. WPTF and AReM agree with the Commissions’ assessment that the deliverer approach best meets the four criteria of: (i) environmental integrity; (ii) compatibility with other trading systems, including an anticipated national system; (iii) accuracy and ease of administration; and (iv) compatibility with wholesale markets, in particular the California Independent System Operator’s (“CAISO”) Market Redesign and

Technology Upgrade (“MRTU”). Specifically, WPTF and AReM believe that the deliverer approach:

- Addresses emissions from imports, and thus emission leakage, better than a purely source-based system;
- Would be more compatible with an expected source-based federal system, than a load-based approach;
- Is more administratively simple than a load-based approach that uses tradable emission attribute certificates (“TEACs”); and
- Is consistent with operations of evolving wholesale electricity markets, unlike a load-based approach that relies on contract and settlement data, or a source/load-based hybrid.

In addition, WPTF and AReM endorse the Commissions’ finding that when a generator operates under a tolling arrangement, responsibility for GHG emissions should reside with the entity that purchases the power pursuant to the tolling arrangement, rather than the owner or operator of the facility. This finding is appropriate because the power plant owner cedes dispatch control when the plant is operated under a tolling arrangement.

WPTF and AReM also support the Commissions’ commitment to continue to work with other states participating in the Western Climate Initiative (“WCI”) to develop a cap-and-trade system for the Western region. WPTF and AReM believe that the same criteria and advantages noted above argue for the deliverer approach to be applied on a regional basis, and therefore urge the Commissions to pursue agreement on the deliverer approach for the WCI to ensure the broadest possible multi-sector trading system throughout the Western region.

II. Consistent Requirements for Renewable Energy and Energy Efficiency for Publicly Owned Utilities Will Ensure a Level Playing Field and Support the AB 32 Goals.

WPTF and AReM also agree with the Commissions' recommendation that CARB should mandate for POUs equivalent levels of energy efficiency and renewable energy procurement as are required for investor owned utilities. As WPTF and AReM have previously commented in this proceeding, renewable energy and energy efficiency programs provide important incentives for reducing overall emissions from the electricity sector, including from imported power. While the deliverer approach will minimize the potential for emission leakage due to increased reliance on power imports from high emission generators, it will not completely eliminate the problem. WPTF and AReM therefore support the Commissions' recommendation for extension of energy efficiency and RPS to publicly owned utilities.

However, WPTF and AReM believe that the PD should be modified to clarify the recommendations regarding the need for POUs to be subject to the same energy efficiency and RPS requirements, as the current wording could be interpreted as including electric service providers ("ESPs"). First, there is no need for the Commissions to note in the PD that ESPs should be subject to the RPS, as such entities are already required by law to meet the same RPS goals as the CPUC jurisdictional investor owned utilities ("IOUs"). Second, since ESPs are already facilitating energy efficiency programs of their customers, there is no need to impose specific energy efficiency requirements on ESPs. Furthermore, since direct access customers are eligible for most IOU-administered energy efficiency programs and help finance these programs, extension of energy efficiency mandates to the ESPs would be inappropriate. To do so would place ESPs at a competitive disadvantage, given that, unlike

the IOUs, such entities are not compensated for the reductions in generation revenues they would experience as a result of customer energy efficiency, nor are they compensated for program administration costs.

III. The Interim Decision Should Recommend the Administrative Allocation of Emission Allowances to Deliverers in the Early Years of the Program to Mitigate GHG Compliance Costs.

The Proposed Decision recommends that at least some portion of GHG allowances be auctioned to capped entities but, beyond this general policy statement, states only that “(b)ased on the current record, we are not able to determine whether a portion of allowances should be allocated administratively in a deliverer-based system and, if so, what the initial mix should be and whether to transition over time to greater reliance on auctions.”³ The Proposed Decision recommends that this issue be further addressed in this proceeding.

WPTF and AReM agree there is a need to further address allocation issues, and do not necessarily oppose the idea that there would be some auctioning of allowances at the outset of the program. However, as WPTF and AReM have previously noted, the imposition of GHG regulation could impose significant costs on generators and other affected entities, particularly in the early years of the program. WPTF and AReM therefore support the use of administrative allocation mechanisms to alleviate costs under the deliverer approach in the early years of the program.

Furthermore, while WPTF and AReM support a transition to auctioning over time, we believe a gradual transition is necessary to avoid undue economic harm to generators and other affected entities. WPTF and AReM are concerned that the PD’s support for at least

³ Proposed Decision, at p. 86.

partial auctioning of allowances may distract from consideration of the important issue of how to allocate allowances during the transition to increased auctioning. If the Commissions recommend that a portion of the allowances should initially be auctioned, WPTF and AReM urge the Commissions to include in their final decision a clear statement that there will be a transition period, and to direct that a procedural schedule be established for determining the optimal mechanism for allowance distribution during the transition period.

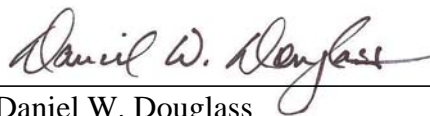
IV. Conclusion

For the reasons above, WPTF and AReM support adoption of the Proposed Decision with the minor modifications described herein. WPTF and AReM appreciate this opportunity to comment on the Proposed Decisions and the Commissions' consideration of our comments.

Respectfully submitted,



Clare Breidenich
GHG Consultant to
WESTERN POWER TRADING FORUM



Daniel W. Douglass
DOUGLASS & LIDDELL


Attorneys for
WESTERN POWER TRADING FORUM
ALLIANCE FOR RETAIL ENERGY MARKETS

February 28, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing *Comments of the Western Power Trading Forum and the Alliance for Retail Energy Markets on the Interim Opinion on Greenhouse Gas Regulatory Strategies* on all parties of record in **R.06-04-009** by serving an electronic copy on their email addresses of record and, for those parties without an email address of record, by mailing a properly addressed copy by first-class mail with postage prepaid to each party on the Commission's official service list for this proceeding.

Executed on February 28, 2008, at Woodland Hills, California.

A handwritten signature in dark ink, appearing to read "Michelle Dangott", is written over a horizontal line.

Michelle Dangott

SERVICE LIST

R.06-04-009

cadams@covantaenergy.com
steven.schleimer@barclayscapital.com
steven.huhman@morganstanley.com
rick_noger@praxair.com
keith.mccrea@sablax.com
ajkatz@mwe.com
ckrupka@mwe.com
kyle_boudreaux@fpl.com
cswollums@midamerican.com
Cynthia.A.Fonner@constellation.com
kevin.boudreaux@calpine.com
trdill@westernhubs.com
ej_wright@oxy.com
todil@mckennalong.com
steve.koerner@el Paso.com
jenine.schenk@apses.com
jbw@slwplc.com
kelly.barr@srpnet.com
rrtaylor@srpnet.com
smichel@westernresources.org
roger.montgomery@swgas.com
Lorraine.Paskett@ladwp.com
ron.deaton@ladwp.com
snewsom@semprautilities.com
dhuard@manatt.com
curtis.kebler@gs.com
dehling@klng.com
gregory.koiser@constellation.com
npedersen@hanmor.com
mmazur@3phasesRenewables.com
vitaly.lee@aes.com
tiffany.rau@bp.com
klatt@energyattorney.com
rhelgeson@scppa.org
douglass@energyattorney.com
pssed@adelphia.net
bwallerstein@aqmd.gov
akbar.jazayeri@sce.com
cathy.karlstad@sce.com
Laura.Genao@sce.com
rkmoore@gswater.com
dwood8@cox.net
atrial@sempra.com
apak@sempraglobal.com
dhecht@sempratrading.com
daking@sempra.com
svongdeuane@semprasolutions.com
troberts@sempra.com
liddell@energyattorney.com

marcie.milner@shell.com
rwinthrop@pilotpowergroup.com
tdarton@pilotpowergroup.com
lschavrien@semprautilities.com
GloriaB@anzaelectric.org
llund@commerceenergy.com
thunt@cecmail.org
jeanne.sole@sfgov.org
john.hughes@sce.com
llorenz@semprautilities.com
marcel@turn.org
nsuetake@turn.org
dil@cpuc.ca.gov
fjs@cpuc.ca.gov
achang@nrdc.org
rsa@a-klaw.com
ek@a-klaw.com
kgrenfell@nrdc.org
mpa@a-klaw.com
sls@a-klaw.com
bill.chen@constellation.com
epoole@adplaw.com
agrimaldi@mckennalong.com
bcragg@goodinmacbride.com
jsqueri@gmssr.com
jarmstrong@goodinmacbride.com
kbowen@winston.com
lcottle@winston.com
mday@goodinmacbride.com
sbeatty@cwclaw.com
vprabhakaran@goodinmacbride.com
jkarp@winston.com
edwardoneill@dwt.com
jeffgray@dwt.com
cjlw5@pge.com
ssmyers@att.net
lars@resource-solutions.org
alho@pge.com
bkc7@pge.com
aweller@sel.com
jchamberlin@strategicenergy.com
beth@beth411.com
kerry.hattevik@mirant.com
kowalewska@calpine.com
hoerner@redefiningprogress.org
janill.richards@doj.ca.gov
cchen@ucsusa.org
gmorris@emf.net
tomb@crossborderenergy.com

kjinnovation@earthlink.net
bmcc@mccarthyllaw.com
sberlin@mccarthyllaw.com
Mike@alpinenaturalgas.com
joyw@mid.org
bdicapo@caiso.com
UHelman@caiso.com
jjensen@kirkwood.com
mary.lynn@constellation.com
lrdevanna-rf@cleanenergysystems.com
abb@eslawfirm.com
mclaughlin@braunlegal.com
glw@eslawfirm.com
jluckhardt@downeybrand.com
jdh@eslawfirm.com
vwelch@environmentaldefense.org
www@eslawfirm.com
westgas@aol.com
scohn@smud.org
atrowbridge@daycartermurphy.com
dansvec@hdo.net
notice@psrec.coop
cynthia.schultz@pacificorp.com
kyle.l.davis@pacificorp.com
ryan.flynn@pacificorp.com
carter@ieta.org
jason.dubchak@niskags.com
bjones@mjbardley.com
kcolburn@symbioticstrategies.com
rapcowart@aol.com
Kathryn.Wig@nrgenergy.com
sasteriadis@apx.com
george.hopley@barcap.com
ez@pointcarbon.com
burtraw@rff.org
vb@pointcarbon.com
andrew.bradford@constellation.com
gbarch@knowledgeinenergy.com
ralph.dennis@constellation.com
smindel@knowledgeinenergy.com
brabe@umich.edu
bpotts@foley.com
james.keating@bp.com
jimross@r-c-s-inc.com
ahendrickson@commerceenergy.com
cweddington@commerceenergy.com
tcarlson@reliant.com
ghinners@reliant.com
zaiontj@bp.com

julie.martin@bp.com
fiji.george@elpaso.com
echiang@elementmarkets.com
fstern@summitblue.com
nenbar@energy-insights.com
nlenssen@energy-insights.com
bbaker@summitblue.com
william.tomlinson@elpaso.com
kjsimonsen@ems-ca.com
jholtkamp@hollandhart.com
sandra.ely@state.nm.us
bmcquown@reliant.com
dbrooks@nevyp.com
anita.hart@swgas.com
randy.sable@swgas.com
bill.schrand@swgas.com
jj.prucnal@swgas.com
sandra.carolina@swgas.com
ckmitchell1@sbcglobal.net
chilen@sppc.com
emello@sppc.com
dsoyars@sppc.com
tdillard@sppc.com
jgreco@terra-genpower.com
leilani.johnson@ladwp.com
randy.howard@ladwp.com
robert.rozanski@ladwp.com
robert.pettinato@ladwp.com
hyao@semprautilities.com
rprince@semprautilities.com
rkeen@manatt.com
nwhang@manatt.com
pjazayeri@stroock.com
derek@climaterestry.org
david@nemtzow.com
harveyederpspc.org@hotmail.com
sendo@ci.pasadena.ca.us
slins@ci.glendale.ca.us
thamilton5@charter.net
bjeider@ci.burbank.ca.us
rmorillo@ci.burbank.ca.us
aimee.barnes@ecosecurities.com
case.admin@sce.com
jairam.gopal@sce.com
tim.hemig@nrgenergy.com
bjl@bry.com
aldyn.hoekstra@paceglobal.com
ygross@sempraglobal.com
jlaun@apogee.net
kmkiener@fox.net
scottanders@sandiego.edu
jkloberdanz@semprautilities.com
andrew.mcallister@energycenter.org

sephra.ninow@energycenter.org
dniehaus@semprautilities.com
jleslie@luce.com
ofoote@hkcf-law.com
ekgrubaug@iid.com
mona@landsiteinc.net
pepper@cleanpowermarkets.com
gsmith@adamsbroadwell.com
mdjoseph@adamsbroadwell.com
diane_fellman@fpl.com
hayley@turn.org
mflorio@turn.org
dan.adler@calcef.org
mhyams@sfwater.org
tburke@sfwater.org
norman.furuta@navy.mil
amber@ethree.com
annabelle.malins@fco.gov.uk
dwang@nrdc.org
filings@a-klaw.com
nes@a-klaw.com
obystrom@cera.com
sdhilton@stoel.com
scarter@nrdc.org
abonds@thelen.com
brbc@pge.com
cbaskette@enernoc.com
colin.petheram@att.com
jwmctarnaghan@duanemorris.com
kfox@wsgr.com
kkhoja@thelenreid.com
pvallen@thelen.com
ray.welch@navigantconsulting.com
spauker@wsgr.com
jwmctarnaghan@duanemorris.com
rreinhard@mofo.com
cem@newsdata.com
arno@recurrentenergy.com
hgolub@nixonpeabody.com
jscancarelli@flk.com
jwiedman@goodinmacbride.com
mmattes@nossaman.com
bwetstone@hotmail.com
jen@cnt.org
lisa_weinzimer@platts.com
steven@moss.net
sellis@fypower.org
ell5@pge.com
gxl2@pge.com
jxa2@pge.com
jdf1@pge.com
rhhj@pge.com
sscb@pge.com

svs6@pge.com
S1L7@pge.com
vjw3@pge.com
karla.dailey@cityofpaloalto.org
farrokh.albuyeh@oati.net
dtibbs@aes4u.com
jhahn@covantaenergy.com
andy.vanhorn@vhcenergy.com
Joe.paul@dynegy.com
info@calseia.org
gblue@enxco.com
sbeserra@sbcglobal.net
monica.schwebs@bingham.com
phanschen@mofo.com
wbooth@booth-law.com
josephhenri@hotmail.com
pthompson@summitblue.com
dietrichlaw2@earthlink.net
alex.kang@itron.com
Betty.Seto@kema.com
JerryL@abag.ca.gov
jody_london_consulting@earthlink.net
steve@schiller.com
mrw@mrwassoc.com
rschmidt@bartlells.com
adamb@greenlining.org
stevek@kromer.com
clyde.murley@comcast.net
brenda.lemay@horizonwind.com
carla.peterman@gmail.com
elvine@lbl.gov
rhwisser@lbl.gov
C_Marnay@lbl.gov
philm@scdenergy.com
rita@ritanortonconsulting.com
cpechman@powereconomics.com
emahlon@ecoact.org
richards@mid.org
rogerv@mid.org
tomk@mid.org
fwmonier@tid.org
brbarkovich@earthlink.net
johnrredding@earthlink.net
clark.bernier@rlw.com
rmccann@umich.edu
cmkehrrein@ems-ca.com
grosenblum@caiso.com
mgillette@enernoc.com
rsmutny-jones@caiso.com
saeed.farrokhpay@ferc.gov
e-recipient@caiso.com
david@branchcomb.com
kenneth.swain@navigantconsulting.com

jennifer.porter@energycenter.org
gpickering@navigantconsulting.com
lpark@navigantconsulting.com
davidreynolds@ncpa.com
scott.tomashefsky@ncpa.com
ewolfe@resero.com
Audra.Hartmann@Dynergy.com
Bob.lucas@calobby.com
curt.barry@iwpnews.com
danskopec@gmail.com
dseperas@calpine.com
dave@ppallc.com
dkk@eslawfirm.com
wynne@braunlegal.com
kgough@calpine.com
kellie.smith@sen.ca.gov
kdw@woodruff-expert-services.com
mwaugh@arb.ca.gov
pbarthol@energy.state.ca.us
pstoner@lgc.org
rachel@ceert.org
bernardo@braunlegal.com
steven@lipmanconsulting.com
steven@iepa.com
wtasat@arb.ca.gov
lmh@eslawfirm.com
etiedemann@kmtg.com
ltenhope@energy.state.ca.us
bushinskyj@pewclimate.org
obartho@smud.org
bbeebe@smud.org
bpurewal@water.ca.gov
dmacmull@water.ca.gov
kmills@cbbf.com
karen@klindh.com
ehadley@reupower.com
sas@a-klaw.com
egw@a-klaw.com
kgiffin@energy.state.ca.us

sehc@pge.com
blm@cpuc.ca.gov
bbc@cpuc.ca.gov
cfl@cpuc.ca.gov
cft@cpuc.ca.gov
tam@cpuc.ca.gov
dsh@cpuc.ca.gov
edm@cpuc.ca.gov
eks@cpuc.ca.gov
cpe@cpuc.ca.gov
hym@cpuc.ca.gov
jm3@cpuc.ca.gov
jnm@cpuc.ca.gov
jbf@cpuc.ca.gov
jk1@cpuc.ca.gov
jst@cpuc.ca.gov
jtp@cpuc.ca.gov
jol@cpuc.ca.gov
jci@cpuc.ca.gov
jf2@cpuc.ca.gov
krd@cpuc.ca.gov
lrm@cpuc.ca.gov
ltt@cpuc.ca.gov
mjd@cpuc.ca.gov
ner@cpuc.ca.gov
pw1@cpuc.ca.gov
psp@cpuc.ca.gov
pzs@cpuc.ca.gov
rmm@cpuc.ca.gov
ram@cpuc.ca.gov
smk@cpuc.ca.gov
sgm@cpuc.ca.gov
svn@cpuc.ca.gov
scr@cpuc.ca.gov
tcx@cpuc.ca.gov
ken.alex@doj.ca.gov
ken.alex@doj.ca.gov
jsanders@caiso.com
docket@energy.state.ca.us

kdusel@navigantconsulting.com
hurlock@water.ca.gov
hchronin@water.ca.gov
rmiller@energy.state.ca.us
akelly@climatetrust.org
alan.comnes@nrgenergy.com
kyle.silon@ecosecurities.com
californiadockets@pacificcorp.com
Philip.H.Carver@state.or.us
samuel.r.sadler@state.or.us
lisa.c.schwartz@state.or.us
cbreidenich@yahoo.com
dws@r-c-s-inc.com
jesus.arredondo@nrgenergy.com
charlie.blair@delta-ee.com
Tom.Elgie@powerex.com
clarence.binninger@doj.ca.gov
david.zonana@doj.ca.gov
ayk@cpuc.ca.gov
agc@cpuc.ca.gov
aeg@cpuc.ca.gov
jgill@caiso.com
ppettingill@caiso.com
mscheibl@arb.ca.gov
gcollord@arb.ca.gov
jdoll@arb.ca.gov
pburmich@arb.ca.gov
bblevins@energy.state.ca.us
dmetz@energy.state.ca.us
deborah.slone@doj.ca.gov
dks@cpuc.ca.gov
kgiffin@energy.state.ca.us
ldecarlo@energy.state.ca.us
mprior@energy.state.ca.us
mgarcia@arb.ca.gov
pduvair@energy.state.ca.us
wsm@cpuc.ca.gov
ntronaas@energy.state.ca.us