



Senate Select Committee on Climate Change and AB 32 Implementation
Air Resources Board Cap-and-Trade Proposal Informational Hearing
January 7, 2010

Who We Are

- DRA is the independent consumer advocacy division of the California Public Utilities Commission with a statutory mandate to obtain the lowest possible rate for utility service consistent with reliable and safe service levels.
- DRA also advocates for customer and environmental protections in connection with utility service

Recommendations

1. Don't Allow Repeat of Energy Crisis

- 100% Auction of GHG Allowances in 2012 may result in unintended consequences such as gaming which would harm consumers and economy

2. Consider Carbon Tax

- Carbon tax would provide more cost certainty in these challenging economic times and is critically important to ratepayers and the economy

3. Cap and Trade Requires Strict Market Protections

- Establish maximum price cap and floor along with a strategic reserve to protect against high GHG allowance prices
- Plan for transition period with significant proportion of free allowances based on historical emissions ramping up to 100% auction to ensure proper market function
- Ensure adequate market oversight to prevent unanticipated gaming
- Return auction revenue to ratepayers to offset cost impacts of reducing GHG emissions