

**August 25, 2009 Workshop
Proposed AB 32 Fee Regulation**

Proposed AB 32 Cost of Implementation Fee Regulation

**Public Workshop
California Air Resources Board
August 25, 2009
Sacramento**

Proposed AB 32 Cost of Implementation Fee Regulation

Welcome and Introduction

ccworkshops@arb.ca.gov

<http://www.arb.ca.gov/adminfee/adminfee.htm>

Workshop Objectives

- Review Fee background
- Discuss process and revised timeline
- Discuss proposed changes to the proposed Fee Regulation
 - Electricity
- Discuss other possible changes
 - Point of regulation of transportation fuels
 - Annual billing cycle
- Discuss effects of delay of implementation
 - Revised costs and Fee estimates

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Review Fee Background

Fee Background

- Authorized by AB 32, HSC section 38597
- Included in Scoping Plan/approved by Board
- Collected revenues shall be used to administer and implement AB 32
 - ARB and other State agencies
 - Support Scoping Plan
 - Repay start-up loans for ARB and Cal/EPA

Fee Background

History

- Board considered Fee regulation in June
 - Comments about imported electricity
 - Staff continue to work with stakeholders

Updated Timeline

September 25, 2009	Board Hearing to consider revised regulation (Diamond Bar)
June 1, 2009*	2008 data under existing Mandatory Reporting Regulation due
Fall, 2009	Notice 15-Day changes to regulation
Winter, 2009	Final regulatory package submitted to Office of Administrative Law
Spring, 2010	Regulation becomes effective

***Note:**

Data required by Fee Regulation not due until after regulation is effective.

Today's Discussion

- **Proposed Changes**
 - Electricity
- **Possible Changes**
 - Point of Regulation for Transportation Fuels
 - Annual Billing Cycle
 - Delay in Implementation

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Proposed Modification Electricity

Electricity - Proposed Change

Switch to a “First Deliverer” approach

- Equal treatment of all electricity deliverers
 - Covers electricity when it is delivered to the California grid
 - In State: when electricity is delivered to the busbar
 - Imported: when electricity is delivered to the “first California point of delivery” for consumption in California

Electricity

“Ripple Effects”

- No fees on fuels for electricity generation
- Additional entities subject to the fee
 - California electricity generating facilities
 - Publicly owned natural gas utilities
 - Users of coke and refinery gas
- Cogeneration facilities would be treated as industrial facilities

Electricity

“Ripple Effect” on Fuels

- No fee on fuels for electricity generation
 - Natural gas utilities & intra-state pipelines, pay fee on gas delivered *except for electrical generators (EG)*
 - Producer-consumers of onsite and associated gas, and interstate pipeline customers pay per therm *except for EG*
 - Facilities burning coal, coke, or refinery gas pay fees on fuels/emissions *except for EG*

Electricity

Fee Calculation

- Fee is based on amount of electricity delivered to California's transmission/distribution system
- Fee rate per MWh for each source is the product of an emission factor and the Common Carbon Cost
- Default emission factor (0.5 MTCO₂/MWh) for unspecified sources unchanged

Electricity

Reporting

- First deliverers report MWh delivered during the reporting year
- Report directly to ARB using the mandatory reporting tool
- For 2008, data has already been reported
- Specified source emission factors calculated as proposed in June

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Possible Modification Transportation Fuels

Transportation Fuels

Possible Changes

- Current point of regulation: Fee based on fuel produced by refineries and imports—they are liable for the fee
- Point of regulation could be moved to location where fuel is removed from bulk storage by licensed suppliers (i.e. position holders at the rack)
 - Same entities currently subject to BOE reporting

Transportation Fuels

Effects of Possible Changes

Fee Calculation and Liability

- Fee would be based on quantity of finished California gasoline and California diesel (including red-dye diesel) sold in the reporting year and the applicable fuel emission factor
- Fee would still be collected annually consistent with other sectors in the regulation (no change)

Transportation Fuels

Possible Changes

- **Reporting**
 - Report all gallons of gas and diesel supplied in the State
 - Report annually
 - Report directly to ARB using the mandatory reporting tool
 - Data reported would include administrative information and total gallons
 - Based on the data reported to BOE

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Possible Modification Annual Billing Cycle

Annual Billing Cycle

Possible Change

- **Change annual collection period from spring to fall**
 - Fees would be determined after the Budget sets Revenue Requirement
 - Provides better alignment with State fiscal year

Annual Billing Cycle

Possible Annual Schedule

- June: All data reported to ARB for prior year
- December: Data verification completed
- State Budget approved (July – Sept.)
- ARB sends Fee Determination Notice to Affected Entities
 - 30 days after Budget approval
- Affected entities remit payment to ARB
 - 60 days after receipt of Fee Determination Notice

Process for 2009 Data

June 2010:
Report
2009
data to
ARB

Dec. 2010:
Verified
data to
ARB

“July-ish”
State
Budget
Passed

Fall 2011:
ARB
sends
invoices

Fall 2011:
Remit
fees to
ARB



AB 32 Cost of Implementation Fee

Possible Delay of Implementation

Possible Delay in Implementation of Fee Regulation

- ARB may be unable to collect Fee in fiscal year 2009/2010
- ARB and Cal/EPA fiscal years 2009/2010 funding would come from \$35 million BCRF loan
- Loans from fiscal years 2007/2008 and 2008/2009 will continue to accrue interest
- Additional principal and interest will increase the Required Revenue amount the first years of the program

Breakdown of Start-up Costs (if fees not collected in 2009/10)

2007/2008 Fiscal Year

- \$ 8.5M Air Pollution Control Fund (no repayment required)
- \$15.2M Loan from Motor Vehicle Account (ARB)
- \$ 0.3M Loan from Motor Vehicle Account (Cal/EPA)

2008/2009 Fiscal Year

- \$ 32.0M Loan from Beverage Container Recycling Fund
(ARB and Cal/EPA)

2009/2010 Fiscal Year

- \$ 35.0M Budgeted Loan from Beverage Container Recycling Fund
(ARB and Cal/EPA)

Revised Loan Repayment (if fees note collected in 2009/10)

Payment Due Date	Original Amount Due (\$Millions)	New Amount Due (\$Millions)	Change (\$Millions)
6/30/10	\$13.7		(\$13.7)
6/30/11	\$14.0	\$26.9	\$12.9
6/30/12	\$13.8	\$27.0	\$13.2
6/30/13	\$13.2	\$26.3	\$13.1
6/30/14		\$14.0	\$14.0
Total	\$54.7	\$94.2	\$39.5

Total Revenue Required FY 10-11 (Preliminary-without 2009/10 collection)

- **Total Revenue Required - \$63.1 million**
 - Annual Program Costs - \$36.2 million
(based on 2009/2010 budget)
 - Debt Repayment - \$26.9 million

Sector-Specific Fee Estimates

Preliminary based on TRR=\$63.1M

Emissions Source	Emissions (Million MTCO ₂ E)	Estimated Fee (Million)	Share of Costs by Emissions Source (%)
Refinery Process Emissions	33.9	\$5.1	8.2
Gasoline	143.4	\$22.2	34.8
Diesel	42.8	\$6.5	10.4
Natural Gas	124.5	\$19.2	30.2
Associated Gas	3.2	\$0.5	0.8
Cement	8.4	\$1.2	2.0
Non-Cement Coal Use	5.7	\$0.9	1.4
Electricity (in-state and imported)	49.6	\$7.5	12.1
Total	411.7	\$63.1	100.0

Note: Emissions data from 2006 ARB Emissions Inventory, using , all other entries based on ARB calculations.

Costs per Unit Product Preliminary (FY 10-11)

Product	Program Cost
Natural Gas (\$/therm)	0.00088
Gasoline & Diesel (\$/gallon)	0.0018
Cement Manufacturers (\$/ton)	0.088
Electricity (\$/MWh)	0.088
Coal (\$/short ton)	0.35
Approximate Cost per MTCO ₂ E	\$0.155

Questions or Comments?

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Thank you for your Feedback!

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