

Resolution on State Regulatory Policies Toward Climate Change

WHEREAS, The National Association of Regulatory Utility Commissioners (NARUC) *Resolution on Implications of Climate Policy for Ratepayers and Public Utilities* (approved July 18, 2007) acknowledged the ongoing national debate over the desirability of limiting the emission of carbon dioxide and other greenhouse gases (GHG) and adopted certain policy principles that NARUC believes should be included in any federal legislation that attempts to regulate and reduce the level of such emissions; *and*

WHEREAS, Electric power generation is responsible for approximately 40 percent of U.S. emissions of carbon dioxide, the most common GHG; *and*

WHEREAS, The United Nations Intergovernmental Panel on Climate Change has concluded in its *Fourth Assessment Report* that “most of the observed increase in globally averaged temperatures since the mid-20th century is very likely due to the observed increase in anthropogenic greenhouse gas concentrations;” *and*

WHEREAS, There is growing support for State, regional, and federal actions to limit emissions of carbon dioxide and other GHGs; *and*

WHEREAS, The advocates of reducing the emission of carbon dioxide and other GHGs believe that the enactment of such legislation would provide substantial long-term environmental benefits and that a failure to address the impact of GHG emissions could, among other things, adversely affect the availability of water resources for hydroelectric generating facilities and cooling water for use in thermal generating facilities; *and*

WHEREAS, The advocates of reducing the emission of carbon dioxide and other GHGs believe that postponing action to reduce such emissions will increase the urgency of reducing emissions at a later time and increase the ultimate economic cost of actions taken to reduce such emissions; *and*

WHEREAS, Many U.S. financial and corporate interests, including many regulated utilities, have acknowledged that the enactment of federal legislation limiting the emission of carbon dioxide and other GHGs appears inevitable; *and*

WHEREAS, A broad coalition of multinational corporate and environmental leaders has formed the U.S. Climate Action Partnership in order to work collaboratively to address climate change issues; *and*

WHEREAS, Consistent with the States’ traditional role as “laboratories of democracy,” in which new and innovative approaches for meeting societal needs are developed at the State level, at least 18 States have taken action intended to limit carbon dioxide and other GHG emissions; *and*

WHEREAS, There is a substantial likelihood that federal legislation intended to reduce emissions of carbon dioxide and other GHGs (carbon regulation) will be enacted in the near future; *and*

WHEREAS, Assuming that such federal legislation will be enacted, State commissions should consider taking action to reduce the economic impact of compliance with such legislation; *and*

WHEREAS, The cost of compliance with carbon regulation may affect consumers differently depending upon a State's regulatory structure and the nature of the decisions made by State regulators; *and*

WHEREAS, The ultimate cost per ton of reducing carbon dioxide and other GHG emissions may vary dramatically depending on the State regulatory policy path chosen; *and*

WHEREAS, State utility regulators are well-positioned to evaluate carbon-related risks related to alternative resource options and to deliver economic benefits to their States through adoption of policies that appropriately account for and mitigate the risks arising from the likelihood that federal carbon regulation legislation will be enacted in the near future; *now, therefore, be it*

RESOLVED, The National Association of Regulatory Utility Commissioners, convened in its November 2007 Annual Convention in Anaheim, California, advocates that during the nation's likely transition to greater reliance upon lower-carbon resources for the generation of electric power, State regulators should consider adopting policy approaches and regulatory tools that ensure continued electric system reliability and minimize economic dislocation and costs to consumers; *and be it further*

RESOLVED, That State regulators should consider seeking to appropriately mitigate any risk of stranded utility investment, future cost increases, and reliability challenges resulting from the nation's likely transition to carbon regulation by requiring utilities to assess and incorporate carbon-related risks in their planning and decision making processes; *and be it further*

RESOLVED, That State regulators should consider addressing the nation's likely transition to carbon regulation through consideration of policy and regulatory options, such as:

- Facilitating greater reliance upon low- or no-carbon resources and technologies such as energy efficiency, high-efficiency combined heat and power, demand response, renewable generation, advanced nuclear, and emerging technologies (such as carbon capture and storage);
- Ensuring timely recovery of reasonable and prudently incurred costs associated with this transition;
- Requiring utilities to preserve system reliability while procuring resources in a manner that seeks to appropriately minimize the future cost of avoided carbon dioxide and other GHG emissions;
- Recognizing the costs and revenue streams associated with possible future emissions cap-and-trade mechanisms;
- Supporting broad-based funding for research to enable the use of thermal and other electric generating resources that result in environmentally acceptable electric generation;
- Supporting broad-based funding for research to enable the use of demand-side resources; *and be it further*

RESOLVED, That NARUC urges State regulators to work collaboratively with State and local government entities, researchers and industries in considering the adoption of policies that appropriately promote cost-effective energy efficiency efforts and that give proper consideration to the benefits resulting from the use of cost-effective, low-or no-carbon technologies.

Sponsored by the Committee on Energy Resources and the Environment

Recommended by the NARUC Board of Directors, November 13, 2007

Adopted by the Committee of the Whole, November 14, 2007