



PUBLIC UTILITIES COMMISSION

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February 28, 2008

Honorable Shintaro Ishihara
Tokyo Metropolitan Governor
2-8-1 Nishishinjuku Shinjuku-ku
Tokyo, 163-8001, Japan

Re: Support of Tokyo Metropolitan Government's leadership on combating climate change

Dear Governor Ishihara:

I am writing to applaud your efforts to develop and implement a broad suite of policies to reduce greenhouse gas (GHG) emissions in the Tokyo Prefecture, as well as offer my agency's assistance as you move forward. Like California, you have recognized that the threat posed by climate change requires urgent action and that governments at all levels have a responsibility to begin implementing mitigation policies as quickly as possible.

The target you have established, a 25% reduction from 2000 levels by 2020, is ambitious but achievable. As part of the plan for reaching that goal, I strongly encourage you to implement the Emission Trading System proposed in the *Tokyo Climate Change Strategy*. I believe that cap-and-trade programs offer significant opportunities to achieve deep reductions at least cost. The State of California has adopted a statewide cap that will reduce GHG emissions to the 1990 level by 2020 and is currently in the process of adopting programs to reach that level. Although specific details regarding program design will not be released until later this year, the statewide plan will likely include a cap-and-trade component for the electricity sector and other large stationary sources. A Tokyo ETS may be able to engage in allowance trading with California and other member governments of the International Carbon Action Partnership, which would help deepen the market in carbon allowances and contribute to lower costs for all members.

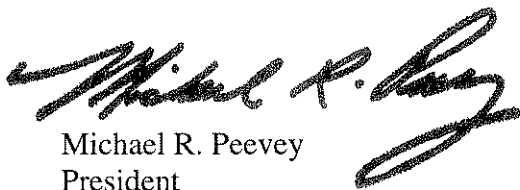
In addition to the proposed cap-and-trade system, your climate plan has other important features that will help smaller energy users to reduce emissions as well. The California Public Utilities Commission (CPUC) has a long history of pioneering energy efficiency programs to reduce Californians' use of electricity and natural gas. These programs have demonstrated that well-designed programs that use rebates, appliance replacement incentives, and public outreach can significantly reduce energy consumption and save customers literally billions of dollars that would otherwise be spent on new generation, fuel and other operating costs. In addition to many

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years of experience with energy efficiency programs, the CPUC is currently overseeing the implementation of a Renewable Portfolio Standard, which requires our investor owned utilities to procure a minimum of 20% of their energy from renewable sources by 2010, as well as a rebate program to support the installation of solar photovoltaics and other distributed generation technologies in the residential and commercial sectors. We are also actively pursuing demand response programs to reduce electricity consumption during "system peaks", as energy consumed during these periods contributes disproportionately to both costs and to emissions. The CPUC would be happy to exchange ideas and lessons learned about the most effective means for achieving GHG reductions through energy efficiency, renewable energy, and demand response programs.

I wish you the best of luck in implementing a successful GHG mitigation plan. Please let me know if the CPUC can assist the Tokyo Metropolitan Government in any way. To that end I have included a packet that provides an overview of the various energy programs in California that relate to our efforts to reduce the environmental impacts and carbon footprint of our energy system. I feel confident that continued collaboration would benefit both the State of California and the TMG.

Sincerely,



Michael R. Peevey
President