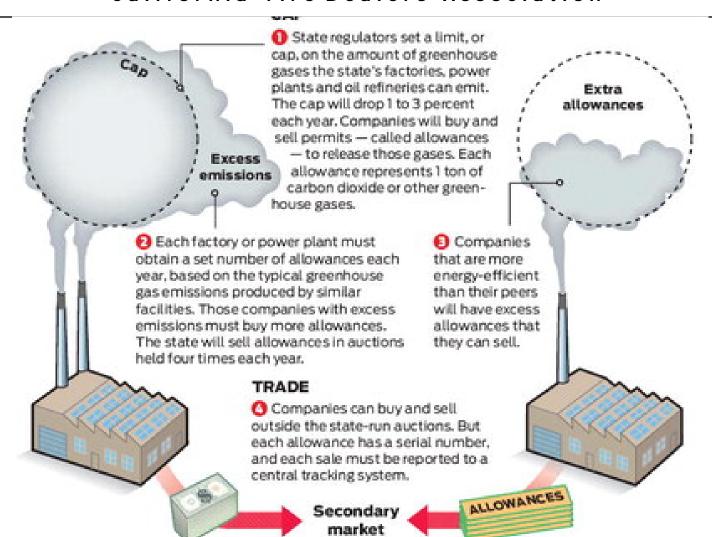
TIRES & TREADING



Todd Trumbull / The Chronide

California Tire Dealers Association



CAP AND TRADE IS NOW A REALITY IN CALIFORNIA

The above illustration shows how it works (S.F. Chronicle) - - The believers say it will reduce carbon dioxide and that the system will be a model for the whole country and the world. - The non believers say it is "BS." The purpose of global warming/climate change legislations and regulations are to maximize the central power of state –federal and international governments and sky-high prices will trash the economy.

(See the article by our lobbyist, Terry Leveille, on page He reports on the first Cap & Trade auction day and upcoming legislative issues)

BESSER Green Machine

 Compact size & portability provides a single nitrogen solution for almost any application

The Green Machine combines high output, up to 12 cfm, and complete automation. Attach the quick connect tire service hoses select the final inflation pressure, turn the fill valve to "Fill", press the start button and walk away. The Green Machine equalizes and balances the pressure to within .3 psi and emits an audible signal the service is complete.

Limited 5 year warranty.

59540: NCS 8 Unit *Specs.:* power req. 100 - 120 v, oper. temp. -4° F to 158° F; air input range 100 to 200 psi; N2 purity 95 99+% (adjustable); N2 output 12 cfm @ 160 psi / 80°; oper. range 5 - 160 psi; accuracy +/- 0.5 psi.

59539: NCS 6 Unit *Specs.:* power req. 100 - 120 v, oper. temp. -4° F to 158° F; air input range 125 to 150 psi; N2 purity 95 99+% (adjustable); N2 output 4 cfm @ 116 psi / 80°; oper. range 5 - 90 psi; accuracy +/- 0.5 psi.

| Order No. | Mfr. No. | Description |
|--------------|-------------|---------------|
| 59540 | NCS 8 | Green Machine |
| 59539 | NCS 6 | Green Machine |

Go Green Tire Inflation Maintenance & Customer Retention Program

- Keep in touch with your customers & increase sales
- Valve Cap program includes Auto club membership
- Sign up customers using your existing nitrogen equipment
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Auto club membership includes:

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- 24-Hour battery service
- Theft & Hit & Run Protection
- Trip Routing Service

- 24-Hour towing
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- Lost Key & Lockout Service
- Travel Benefits
- Trip Interruption Service







59545

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Los Angeles

107 Exchange Place • Pomona, CA 91768 626-968-0671 • 909-595-6797 • Fax: 909-595-7453

California Tire Dealers Association

(A non profit trade association)
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|--------------------------------------|----------------|
| Chris Barry Vice President | (310) 251 9528 |
| Don Zavattero Secretary/Treasurer | (510) 783 7085 |

Directors

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|--|----------------------|
| Doug Andersen George Oren Tire Speciali | (510) 534 0575 st |
| Paul Arellano Lakin Tire | (562) 802 2752 |
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| Carol Dellabalma T.P. Tire Service | (707) 822 5191 |
| Joe Findeis Wheel Consultants, Inc. | (310) 357 7393 |
| Bill Fuqua Turbo Wholesale | (626) 856 1400 |
| Jay Goldberg Jewel Tire | (310) 614 1976 |
| Hub Gurnari South Valley Wholesale | (408) 971 3900 |
| Joe Hanlon Mission Tire Service | (510) 247 0971 |
| Richard Howard Bruce's Tire | (510) 580 1441 |
| Robert Hubert Lee's Service | (559) 638 3535 |
| Ed King Honorary Member | (520) 219 3643 |
| George Pehanick East Bay Tire Co. | (707) 437 4700 |
| John Sanford Sanford Firestone | (650) 355 1154 |
| Scott Shubin Goodguys | (559) 498 7705 |
| John A Solon Myers Tire Supply | (510) 632 3404 |

EXECUTIVE DIRECTOR'S CORNER EJNAR FINK-JENSEN

The SEMA Show 2012 was a big success. The Executive Directors from all the various state associations had a chance to meet and to exchange ideas and opinions. It was interesting to learn more about the importance of the social media and how the retailers can communicate with their customers through Facebook, Twitter etc. A way to get positive testimonials is to interview your customer at the end of the visit—ask three questions about their experience in the store. If the customer is fully satisfied (five star response) ask for a testimonial and put it on Facebook —yelp-web site. There are professional services that offer their help to develop these programs, but a tire dealer can certainly develop his own.

YOUR BOARD IN ACTION A report of the October 4, 2012 Board Meeting.

A quorum was established and the meeting was called to order by Ejnar Fink-Jensen.

Steve Almanza, Federated Insurance, gave a most interesting presentation covering a variety of programs. It was especially interesting to learn about the influence of distracted driving as one of the major reasons for increases in casualty insurance.

After the presentation—it was moved, seconded and passed (MSP) to accept the minutes of the October 4, 2012, Board Meeting.

Ed King, Chair of the Nominating Committee welcomed the two newly elected Directors: Doug Andersen, George Oren Tire Specialist in Oakland and Joe Findeis, ?Wheel Consultants, Inc. in Torrance. Ed King also gave an overview of the Board Members elected for the 2012-2013 and for the 2013-2014 terms.



Legislative Report

By Terry Leveille President of T.L. & Associates



.So much has happened in the past couple of months that this report will be a summary of a variety of issues that may affect members of the Association.

2012 State Legislation:

- 1) CTDA supported **SB 1076 (Emmerson, R-Riverside)**, which would, among other things, eliminate the "check and inflate" regulations requiring automotive service providers to withhold inflating a tire solely on the basis of age. We argued that there are no national standards relating tire age with safety. If you include "tire age" as a reason to withhold service on a tire and that tire fails for any reason, a lawyer could argue it failed simply because it was too old to be safe. With that language, the tire shop that inflated the tire to the recommended PSI could be sued because the service personnel should have known that an "older" tire was unsafe. This was an important bill to protect automotive service providers from lawsuits. Governor Brown signed SB 1076 into law on September 14.
- 2) CTDA closely watched, **SB 863 (De Leon, D-Los Angeles)**—a bill to revamp the California workers' compensation system— which, after many amendments, garnered bipartisan support. SB 863 was introduced as a compromise bill between labor and big business in California, although it also had the support of many small businesses as well. After much deliberation, the final staff analysis concluded that this reform would cut costs for employers and increase benefits to injured workers. We hope so. It goes into effect on January 1, 2013. It passed the State Senate on a 34-4 vote, and the Assembly on a 72-5 vote. Governor Brown signed SB 863 on September 19.

The November Elections (National):

President Barack Obama won reelection and the Democrats strengthened their hold on the Senate with a 53-45 majority (2 additional "Independents" side with the Democrats). It also looks as if the Democrats will pick up 8 seats in the House of Representatives, but the Republicans will still be in the majority by a 237-201 margin.

The most immediate issue for all Americans is that both parties compromise to avoid the so-called "fiscal cliff" looming at midnight on December 31, 2012. This was a compromise

to avoid the so-called "fiscal cliff" looming at midnight on December 31, 2012. This was a compromise Democrats and Republicans agreed to in 2011 when they couldn't decide how to reduce the budget deficit. They figured that an increase in everyone's taxes and deep cuts in over 1,000 government programs, including defense and Medicare, would be so repugnant to both sides that they would be forced to reach a compromise between the November 6, 2012 election and the end of the year.

While economists warn that the country could slip back into a recession should a stalemate result in the "fiscal cliff" deliberations, most everyone agrees that the two parties have to work together to find a solution.

2) Obamacare.

The Affordable Care Act, commonly known as "Obamacare," is probably the most significant piece of health care legislation since Medicare and Medicaid in the 1960's. It will affect everyone and every business. The key concept of Obamacare is that everyone should have health insurance by 2014,

that there should be no denial or higher premiums for insurance because of a pre-existing condition, no higher premiums for women, and that there be no lifetime limits on health care benefits.

Obamacare is huge, affecting all Americans. It is complicated. And, while it is supposed to ultimately reduce the federal deficit, such claims are questioned. The country is split on whether it supports the program at this time (most of the provisions will come into play in 2014 or later). However, it is the law of the land and the key is making sure that any weaknesses that crop up are quickly resolved.

For those not covered by an employer's plan, California is setting up an "exchange" that will offer individuals a choice of plans - bronze, silver, gold and platinum.

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Continues on page 17 Page 5



Your News - My Views

By Billy Eordekian 1-800EveryRim – OEM Wheels 1-800 383 7974 / Billy@1-800EveryRim.com

Ahhhh Thanksgiving, food, family, football, and no gifts! Loved it! It's not that I'm a penny pincher; it's just that I believe that gifts, and more importantly kind words, should be given year round and not at a certain time, and especially not under duress. For Christmas I only give small gifts and only to my three nephews, and of course my wonderful staff. I do though; wish all of my tire and wheel friends, vendor friends, and CTDA supporters a happy Christmas, and a healthy and prosperous 2013!

Although busy, I always have time for the SEMA Show and the Tire Industry Honors event. CTDA supporter **Perfect Equipment** exhibited, and I had a nice visit with **Gary Parker**. After the show, I saw **Ricky Oropeza and Hank Feldman of Performance Plus** at their annual Thanksgiving food drive.

During the SEMA Wheel and Tire Council reception we learned that our new **CTDA board member, Joe Findeis**, had been inducted into the SEMA WTC Hall of Fame. What an honor this was for my friend and so well deserved. You couldn't help but love "Humble Joe" as he spoke of his early days at Parnelli Jones Wholesale as a driver, and about **Wayne Williams** who was his mentor there and who is now president of **Exsell Marketing**. Joe of course is the creator of **The Ultimate Wheel & Tire Plus Sizing Guide** (The Red Book) and is a true pioneer of our industry!



TIA Hall of Fame Inductee picture courtesy of Modern Tire Dealer Randy Groh - TIA President, Inductees: Bruce Halle – Discount Tire Co, Susan Kruder accepting for Paul Kruder founder of CIMS, Randy Clark - President Dunn Tire, and Pete Veldman – Tire Rack

Not shown are recipients of the Ed Wagner Industry Leadership Award: Steve Akridge, executive director of the Virginia Tire Association; and Reece Hester, director of the North Carolina Tire Dealers Association and current TIA board member. (Ejnar, Jay Goldberg and I have had the pleasure of working with these gentlemen at the annual TIA State Executive meetings)



Me and my pal Joe Findeis: Joe was inducted into the SEMA Wheel & Tire Council Hall of Fame. Joe didn't know much about the tire and wheel he was standing next to in 1974, but he began his love for Mustangs!







SEMA President Chris Kersting and this CTDA member who cosponsored the Wheel & Tire Council reception

Performance Plus Tire - Thanksgiving Food Drive & Car Show





Partners Ricky Oropeza and Hank Feldman busier than when they sell tires if that's possible!











Five pictures show:
A. Joyce Feldman, Elbia
Oropeza, Glenn Feldman
B. Evelyn Steele of CAPS
Community Advocates
with Hank Feldman
C. Long Beach PD escorts
cars, and supports yearly
D. Show cars arrive
E. My favorite in show!



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A few impressions from SEMA



Entering the Lower South Hall you immediately saw the big **Lakin sign** hanging down from the ceiling. Paul Arellano, our Board Member, had made significant contributions to the new design of the booth, and I was very impressed both by the layout and by the "functionality" of the booth. Paul had done a magnificent job.

I visited the booth right after opening hours but they were already busy. I had time to learn, however, that he had arrived the prior day in his super equipped car. Immediately - on arrival- he had it detailed- parked and ready for departure. He is a real true enthusiastic "car nut."





From left to right: Gary Jerjerian, Diablo Tires - Bill Fuqua, Turbo Wholesale

Jack Kassab, Diablo Tires, Sarkis Sepetjian, Owner and CEO of Turbo Wholesale.

It was not difficuly to find Bill Fuqua, an important CTDA Board Member and Sales Manager of **Turbo Tire** in Irwindale (L.A,). You just looked around for a tall guy - and there he was.

We had not met before, and when I introduced myself, he told me that I was so completely different from what he imagined. He looked at me and exclaimed:"But you are a big, tall guy —I had never imagined that." We laughed and had a good talk.

Turbo Wholesale has three

exclusive tire lines - one called "Lionhart," the second one "Diablo Tires" and the third one "Lexani." These are mainly SUV and ultra high performance tires. They are sold internationally, but mainly to Europe and to the Middle East. Of course Turbo also carries all major brands – Michelin, Pirelli etc. Having sales of more than \$ 200 million per year it is, undoubtedly, the largest wholesaler in California. And what is more impressive: It was started by one man—an Armenian, Lebanese Christian immigrant — who has truly lived the American dream. - Wonderful and most impressive.





Perfect Equipment is the largest wheel weight manufacturer in North America and a member of our association. They are also an important advertiser and technical contributor to our magazine, 'Tires and Treading.' Here is a picture of their very elegant booth and to the right you will see their Marketing Manager, Gregory Parker. It was a pleasure to talk to Greg. He asked me if I had ever put wheel weights on a wheel. Of course I had to tell him that I hardly knew how to use a hammer, but he did not give up and then asked me to try hammering a wheel weight on a wheel. To my surprise I just needed one stroke to fasten the weight – and I was impressed. He then gave me another wheel weight and it took at least 5 strokes to fasten it. I was unhappy, but he told me that the reason was that I had first fastened an OEM-quality, zinc wheel weight from Perfect Equipment and the second one was an imported steel wheel weight. We also examined quite a few other import wheel weights, and even I could see the difference between wheel weights that had gone through rigorous OEM quality control and wheel weights that had not. I was really starting to wonder whether or not cheap import wheel weights in the end are actually more expensive than higher-quality weights. I takes longer to fasten them, there are more failures and I am convinced that there has to be quite a lot of waste, because the quality is so poor. It was good to learn more about this issue that is prominent in our state as more and more import products continue to come in.



The latest addition to the Board of CTDA is Joe Findeis. He is the owner- author - producer of:

The Ultimate Wheel & Tire Plus Sizing Guide

He actually publishes a book every year that gives you all the various models of cars – both imported and domestically produced . And for each model he indicates all the various wheel and tire possibilities.

The books/videos are sold to dealers - organizations - libraries and to the public



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San Gabriel Valley

Paul Arellano – Lakin Tire

1-800-96-LAKIN - paularellano@lakintire.com

"The sour taste of poor quality lingers long after the sweetness of a low price has gone away." Unknown

WHAT HAPPENS IN LAS VEGAS......

This marks my 9th year attending the SEMA Show in Las Vegas, and a memorable experience it was!

I was reminded that there is truth to "Murphy's Law". I was anxious to see our new hanging banner over our booth, until I walked into the exhibit hall and saw it hanging at a 30 degree angle, resembling something right out of a Halloween Fun House! Several calls later, and I coaxed the scissor lift crew to come back and fix it. All went well, until my phone rang while in church the Sunday after SEMA. Our trucker had spent the night in the parking lot, as our shipping documents were misplaced, and he was told that "no crate shall move without proper documentation". Several calls later, and he was on his way (minus 1 crate, which was misplaced...I hope it had documentation!)

Depending on who you talk to, business is either improving or at least the same as it was last year. The general consensus was, however, that everyone seems to be thankful to still be around! My guess is that several turkeys will be carved this year, on Thanksgiving.

The tobacco industry seems to be doing well, as second hand smoke wafted through almost every open space around the convention center. I got so used to holding my breath, that I can probably free-dive now, for up to 10 minutes at a time!

I saved the best for last: GREAT SERVICE STILL EXISTS IN AMERICA! Our waitress at the Bellagio's Breakfast Buffet (yes, a buffet with real service!) was the absolute best! Brenda, who hailed from Texas, gave us that good old, warm Texas welcome, attending to our every need. She went out of her way to make sure that our day started off with a smile. We asked for her every morning, and we will do the same, when we return this spring.

HAPPY NEW YEAR



S.F. East Bay

John A Solon, Myers Tire Supply

(510) 632 3404 - jsolon@myerstiresupply.com

The election is finally over. With both campaigns spending hundreds of millions on advertising, conventions, rallies, banquets, and picnics voters decided to stay the course with President Obama and the democrats. And in California a major tax increase was approved by voters. Given the performance of the U.S. and California economies over the past several years the election results are a surprise. So where do we go from here? Will

the federal government slide over the fiscal cliff (with significant tax increases and spending cuts) or will Congress and the President negotiate a compromise? Will the state government reign in spending, get its budget under control, and implement pension reform, or will California be the first U.S. state in history to declare bankruptcy? Republican and democrat leaders (federal and state) appear to agree that the current level of spending, deficit, and government debt cannot continue at there current levels; but what are they going to do

about these issues, and how will it effect our business? With our government leaders in place time will soon tell if they have ability to craft and implement real change.

As we go into the holidays tire dealers continue to report volume increases over previous years. These increases are across the board and include tires, accessory replacement, general maintenance, and repair. This increase in business is in spite of the significant swings in gas prices over the past several months. In addition, dealers are showing and interest in (and making) year end equipment purchases. However, with the uncertainty surrounding taxes, the economy, and health care dealers are reluctant to hire additional employees, and are content to handle there business with there current head count and staff.

With reports that the worst of the housing decline is behind us; we continue to see commercial and residential construction activity. Along Hwy 580 in Livermore the opening of the Paragon outlet mall (phase one only) has led to a significant increase in traffic. The completion of the senior housing complex across the street will no doubt add to this increase. We continue to see commercial and residential projects being built on the Hwy 680 corridor, the San Jose area, the Peninsula, and Hwy 101 in the Santa Rosa area. These projects are encouraging and are an opportunity for dealers in the OTR and truck tire business.

Happy Holidays...



San Fernando Valley

Bill Fuqua, Turbo Wholesale Tire (626) 856 1400 - bill@turbotire.com

We had two booths which displayed our proprietary lines at Sema this year. At the Lexani wheel booth we displayed the Lexani tire line and at the Diablo wheel booth, we displayed our Lionhart brand along with Lionhart and Jinyu brands.

Each salesman schedules 30 minute meetings with our international and domestic customers. The majority of these meetings include Sarkis, as he is the ultimate decision maker at our company. Every year we question the value and effectiveness of participating at the Sema show in the South Hall at the Las Vegas Convention Center and every year we come to the same conclusion, "yes, we will do it, and yes it will prove of value." Ultimately the question is "was it worth the investment?"

Yes, we pick up new business and we have an opportunity to meet with existing customers who represent a vital and important partnership in our mutual sales success, but these meetings are such "wham bam thank you mam," it almost seems like a dream at day's end.

I think the best meetings are when you get away from the hustle and bustle and really have a quiet environment where both parties can review their relationship along with their concerns, suggestions and goals. Sometimes that happens at Sema and sometimes not.

We now sell our proprietary brands including Lexani, Lionhart, Diablo, Lizetti and Gianna nationwide and worldwide so there is a justification for always reaching a new customer base but as an ex business owner, I always question the reward vs. expense. It's still difficult to gauge, but more than likely we'll be on the floor next year with attractive models strutting their stuff, drawing potential customers in while we conduct our micro mini meetings all day long. The models, that's another story all together......

It was great seeing Ejnar at the show. I think he could have been the elder statesmen in "The Girl With The Dragon Tattoo," which featured "Max Von Sydow." Ejnar has more "presence" and "believability."

It was also great seeing "Billy E" who took a video with his phone of Diablo's wheel designer playing the drums that were attached to wheels, and told me to "like" him on Facebook. He told me "don't question, just do it" and "you probably don't even know how to do it, so get your kid to do it for you." He told me he would give me a "1-800-UsedRim" flashlight key chain if I did, so how could I refuse?"

Will Davi

CSTDA INSURANCE SERVICE

LONG TERM CARE - WHAT IS IT?

If you are age 65, or older, there is a 70 per cent chance you will experience it!

And, the chances could be increased if you are older, female or possibly due to family history!

It could include required care from a paid provider and/or family and friends! If you are younger, you could experience it due to accident, stroke or degenerative diseases!

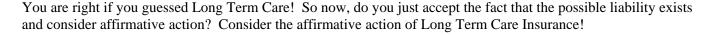
For those age 65, or older, it could exceed \$150,000 in real cost! Your living area could require higher costs!

And, this does not include the emotional cost of family and friends trying to support and assist you!

And, the \$150,000 does not include everyday assistance from family members!

Last.....It is not covered by any regular insurance plan. This includes health insurance, long-term disability insurance, Medicare or Medicare supplemental coverage!

But, Medicaid pays! That is if you are a senior with very low income.



Long Term Care Insurance can:

Give you the ability to choose the type of care you prefer This may even include family or non-professional care.

Normally covers coverage of home care, hospice care, respite care, adult day care and care in an assisted living facility and nursing home.

Some plans simply pay you a cash benefit for every day you are disabled.

OK you say. But what does it cost? Then I say, what does your next business liability policy cost? And, in both cases the correct answer is you have to get the necessary information! Just as you can vary the coverage included in your business liability policy, you can vary the coverage in your long term care insurance policy. You invest time in reviewing the liability coverage for your business assets. Why not invest time to review the insurance covering a liability for your greatest asset-YOU.

Long term care insurance could be more affordable than you think. The variety of plans, benefit levels and features available to suit your needs and budget makes it possible to design a plan that will protect your greatest asset and be affordable. But, just like a delay in buying your business liability insurance can prove to be expensive, a delay in buying Long Term Care Insurance can be expensive.

I am willing to invest my time to help you learn more about Long Term Care Insurance and provide you with a firm price according to the plan and features you choose. But, I need your time and information to provide that price.

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Fresno

Our Hayward location has moved to our location: 3701 Parkway Place West Sacramento

Hayward

Our National City Location has moved to our location: 1339 E. Locust St. Ontario

National City

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Aurora

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Wilsonville

Continued from page 5—Legislative Report - by Terry Leveille

based on cost and benefits. It will also offer subsidies for those fall under certain income levels.

The California exchange will be ready for implementation next year.

Small businesses—those with fewer than 25 employees that earn less than \$50,000 on average—are eligible for a tax credit to defray 35% of the cost of employees' medical insurance. In 2014, the credits rise to 50% per employee.

Companies with fewer than 50 employees are exempt from the financial penalties assessed to businesses who do not offer healthcare insurance for their employees.

Early provisions of Obamacare are already in place, such as allowing children to stay on their parent's medical insurance policy until they are 26, requiring insurers to accept families with children who have pre-existing conditions, and phasing out lifetime limits on the benefits an insured person can receive.

As the set-up for this massive program develops, it will be the subject of discussion nationwide, as well as in California. On behalf of CTDA, I will be working with others in the industry to keep a close watch on legislation and regulations related to the Act that may affect you.

The November Elections (California):

At the state level, the Democratic Party won both the State Senate and Assembly with so-called "super majorities." This means that the Democrats won at least 2/3rds of the seats, thereby giving them the ability to call the shots without needing Republican votes. Whether they will use that power with discretion, as Governor Brown has urged, will have to be seen. Interestingly, one-half of the state legislatures in the country now have super-majorities. These essentially one-party governments are dominated by Republicans in the Great Plains and the South; and Democrats in such states as Illinois, Rhode Island, and Massachusetts as well as California.

California voters also passed Proposition 30, Governor Brown's constitutional amendment to increase the sales and use tax by 1/4-cent for four years (beginning on January 1, 2013) and the state income tax to individuals making over \$250,000



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returns). Although the Governor and the State Legislature make the final decision on allocating the \$6 billion or so collected due to Proposition 30, the campaign promised that most of the new revenue will go to K-12 schools, the Community Colleges, UC, and the State Universities.

Cap and Trade:

In 2006, when California Governor Schwarzenegger signed AB 32 into law—the Global Warming Solutions Act—it required the state to set up a series of programs to reduce the state's greenhouse gas emissions to 1990 levels by 2020. It also mandated that utilities obtain 33% of their electricity from renewable resources by that year.

Aside from preliminary schemes such as the "check and inflate" regulations adopted a couple of years ago, the key program that came out of AB 32 was the so-called "cap-and-trade" system. Simply put, cap-and-trade is a program to provide economic incentives for companies that emit more than 25,000 metric tons of carbon dioxide or other greenhouse gases annually to reduce air pollution.

The state sets a ceiling on total carbon emissions, with the cap declining each year. Affected polluters have been given 90% of their carbon allowances for free and have two main options for dealing with the remaining 10%---they can reduce emissions or buy the necessary credits, either from the state—at auction—or from private, secondary markets.

Basically, a buyer of allowances pays a charge for polluting while the seller—who may not need the credits because it has reduced emissions—is rewarded financially. But as the years go by, those credits become increasingly costly.

This year, the first year of cap-and-trade, the state gave electric utilities all of the carbon allowances they would need for free. On November 14, the utilities then could sell credits at auction to other companies that are responsible for air pollution. Although the state didn't reveal how many companies participated, all 23.1 million permits offered at the auction to cover 2013 emissions were bought, raising \$233 million. Auctions will be held every quarter.

The Public Utilities Commission decided that most of the money raised should be returned to California consumers to cushion the impact that cap-and-trade might have on future electric bills. That amounts to about \$30 per household, twice a year.

Business customers will also receive some of the money from the sale of credits. About 10% of the auction proceeds are supposed to go to small businesses to offset rate increases and 5% is to go to larger, more energy-intensive businesses facing competition from out-of-state companies that aren't subject to cap-and-trade.

Petroleum refiners, manufacturing companies and other industries have strongly opposed the program, calling it an illegal tax that will hurt California's economic recovery. Some businesses contend that cap-and-trade could result in additional emissions by businesses in nearby states that increase production to out compete California companies.

The California Chamber of Commerce recently filed a lawsuit challenging CARB's authority to sell allowances to generate revenue for the state. They argued that the auction is a tax, and that all taxes require a two-thirds majority of both houses of the State Legislature. If the lawsuit is unsuccessful, we will closely watch the effects of the cap and trade auctions and how expected increases in energy costs will affect CTDA members and their businesses. In future updates, I will report on any discussions and/or legislation dealing with this issue.



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