



June 14, 2013

Ms. Elizabeth Scheehle  
Manager, Allowance Allocation  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812-2828

Re: California League of Food Processors Comments on the Joint Utility Natural Gas Suppliers Allocation Proposal

Dear Ms. Scheehle:

The California League of Food Processors (CLFP) appreciates the opportunity to submit these comments to the Air Resources Board (ARB) regarding the June 3rd public meeting to discuss how the natural gas suppliers will be treated under the cap-and-trade program.

Food processors are the second largest industrial users of natural gas in the state. Given this difficult economy, managing operating costs has been a priority and fuel costs represent a significant portion of those costs. Should the ARB seek to pass the full cost of carbon through to natural gas customers, food processors will face a significant challenges to business operations and competitiveness with businesses outside of California.

As detailed in the utilities presentation at the workshop, natural gas customers in California have already spent over \$2 billion on energy efficiency programs aimed at reducing natural gas use and associated greenhouse gas (GHG) emissions. More importantly, California's gas utilities' efforts have resulted in significant improvements and major reductions in emissions, the direct result being that California's natural gas sector is already below its 1990 GHG emissions levels years before the 2020 deadline. Food processors have also contributed to those reductions of CO2 emissions through the investment of many millions of dollars in boiler replacements and upgrades.

While the utilities' joint proposal acknowledges the past and ongoing contributions already made by the natural gas sector there are other cost considerations unrelated to Cap-and-Trade that should be addressed as well. The California Public Utilities Commission (CPUC) is engaged in proceedings, both ongoing and forthcoming, concerning the implementation of the Pipeline Safety Enhancement Plan (PSEP).

In a December 20, 2012 decision (D.11-02-019), the CPUC approved Pacific Gas and Electric's (PG&E) 2012-2014 PSEP. The commission decision only covers PG&E's plan, though Sempra is also subject to similar inspection and replacement obligations in a separate proceeding.



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The CPUC decision will impact food processors on two levels. First, the physical testing and possible repair or replacement of transmission or distribution pipelines has the potential to affect or disrupt seasonal operations. Secondly, the costs of the implementing the plan will affect all industrial gas users, as well as food processors, and those costs will be significant. Increases in transportation rates are estimated to be 14% to 40% which will remain throughout the implementation of the PSEP. ARB should recognize such dynamic costs will impose an extreme hardship on industrial gas users and that the joint utility proposal will not add to that potential burden.

CLFP supports the joint utility proposal for ARB to provide the utilities with 100% of their allowances in 2015 with a small decline in free allowance through 2020. This proposal will keep costs manageable and allow for a phasing in of the carbon price to natural gas customers, while rewarding the industrial sector facilities, such as food processors, for taking early actions to reduce emissions.

Thank you again for the opportunity to submit these comments. We look forward to continuing our work with ARB and other stakeholders to ensure the successful implementation of Assembly Bill (AB) 32.

Sincerely,

A handwritten signature in black ink, appearing to read "John Larrea", with a long, sweeping horizontal line extending to the right.

JOHN LARREA  
Director, Governmental Affairs  
California League of Food Processors

Cc: Steven Cliff, Ph.D., Chief - Climate Change Market Branch