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July 23, 2009

Mr. Kevin Kennedy  
Office of Climate Change  
Air Resources Board  
1001 I Street  
Sacramento, CA 95812

**RE: Point of Regulation for the Sources of Fuel Combustion Included in the Second Compliance Period in a California Cap-and-Trade Program**

Dear Mr. Kennedy:

Sempra Energy submits these comments in response to staff's request for suggestions for the cap setting process for fuels in the second and third compliance periods.

The AB 32 Scoping Plan points out that for more than three decades, California has led the nation with aggressive utility energy efficiency programs and building and appliance standards (Scoping Plan Appendix 1, C-91). The Scoping Plan cites the fact that natural gas consumption has decreased on a per capita basis as utility programs, in conjunction with building and appliance codes reduced the amount of natural gas needed to heat water, homes, and offices.

The Recommended Actions section in the Scoping Plan Appendix 1 (C-100) discusses the 12 strategies most needed to meet efficiency and greenhouse gas (GHG) targets under AB 32. Most importantly the report recognizes that many of these strategies are already being enhanced through policies, goals, statutes and initiatives. It is intuitive that these enhancements will increase energy efficiency and lower the per capita intensity of GHG emissions even further.

Sempra continues to recommend that GHG regulation of the natural gas sector be based on these programmatic measures that have already proven successful rather than through the imposition of cap-and-trade responsibilities on an entity that has no control over these emissions. It is not unlikely that including these extensive, diverse, and individually insignificant emissions sources into the cap-and-trade program will result in greater GHG emission reductions than programmatic measures.

Thank you for the opportunity to comment on this important matter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M. Murray", written in a cursive style.

c: Ms. Karin Donhowe  
Mr. Joshua Cunningham  
Mr. Sam Wade