



PUBLIC UTILITIES DEPARTMENT
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July 5, 2018 | Submitted Electronically

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Vernon Public Utilities Comments on the California Air Resources Board's June 2018 Workshop for Possible Revisions to the Cap and Trade Regulation

Thank you for the opportunity to provide informal comments to the California Air Resources Board (CARB or Board) on potential changes to the existing Cap-and-Trade Program (“the Program”) in response to the passage of AB 398.

As a publicly-owned utility delivering electricity, natural gas, water and fiber optic services to the industrial city of Vernon, we have over 1800 commercial and industrial customers that depend on us for reliable and low-cost utility services. Safe, affordable and reliable utility services are fundamental to our commercial and industrial customers’ productivity and profitability, which their 55,000 employees and their families rely on.

Vernon Public Utilities has actively engaged with CARB staff to discuss the complex and interrelated issues associated with Cap and Trade regulations. We appreciate staff’s willingness and efforts in that regard. Vernon Public Utilities (VPU) supports the goals of Assembly Bill 32 (AB 32) and Senate Bill 32 (SB 32) to achieve substantial greenhouse gas (GHG) emission reductions in a cost-effective manner that protects ratepayers and minimizes impacts to low-income communities.

Supplemental to our verbal comments at the June 21, 2018 workshop and those submitted jointly with the Gas Utility Group and Southern California Public Power Authority, Vernon Public Utilities (VPU) has the following specific comments:

Load Growth: VPU supports providing additional allowances to electric and natural gas utilities to address the ratepayer costs of associated additional emissions from load growth, and supports verification methods for load growth that are feasible and cost effective.

Exclusively Industrial

As California's economy continues to prosper, so does the demand for products and services. In response, new businesses start-up, existing businesses expand, manufacturing and production increases. In addition to these types of load growth, VPU has been experiencing increased transfer load since 2012. Most of our gas customers are transfers from the SoCalGas system and this is a trend we expect to continue. As a result, VPU's Cap and Trade compliance costs will continue to increase pursuant to the Program's design. Presently, Vernon's customer surcharge is \$0.50 per MMBtu, and the portion accounting for transfer load is 38% of Vernon's total Cap and Trade surcharge. VPU suggests the following mechanism to continue to keep the program equitable and mitigate unintended impacts to California's economic growth.

Compensation Mechanisms: One approach could consist of an allocation of non-tradable allowances. Under this approach, CARB would allocate to the covered natural gas supplier additional non-tradeable allowances that they would hold in their allowance accounts. This additional allocation should cover their increased emissions attributable to load growth and would only remain available for that limited purpose. In addition, any unused allowances would be surrendered and permanently retired in accordance with procedures established by the CARB.

Alternatively, CARB could provide each natural gas supplier with an adjustment to its compliance obligation. Similar to getting additional allocation of non-tradeable allowances, and load growth adjustment will help lower the Cap and Trade cost burden due to increase in load demand for new and transfer natural gas load. However, unlike the additional allowance allocation, natural gas suppliers will not get actual allowances, just a downward adjustment to their annual compliance obligations. This will eliminate issues associated with a possible allocation of non-tradeable allowances, the auction or uses of auction proceeds.

Quantification: Load increase could be quantified through the existing Mandatory Reporting Requirement (MRR) reporting and verification process.

Vernon Public Utilities appreciates the opportunity to provide these comments. If you have any questions, please contact me at 323.583.8811 extension 834 or Angela Kimmey at extension 876. We look forward to continued dialogue towards mutually agreeable solutions that best advance the State's climate change goals in an affordable manner for California ratepayers.

Sincerely,



Kelly Nguyen
General Manager, Vernon Public Utilities