



October 26, 2023

Ms. Rajinder Sahota
Deputy Executive Officer for Climate and Research
California Air Resources Board
1001 I Street – P.O. Box 2815
Sacramento, CA 95814

Re: Vernon Public Utilities Comments on the Potential Amendments to the Cap-and-Trade Program

Dear Deputy Executive Officer Sahota:

Thank you for the opportunity to provide comments to the California Air Resources Board (CARB) on the October 5, 2023 Workshop on Potential Amendments to the Cap-and-Trade Program. Vernon Public Utilities (VPU) thanks CARB staff for their diligence in working with stakeholders during this process, and we appreciate the staff's efforts to understand Vernon's concerns better.

As a publicly owned utility delivering electricity, natural gas, water, and fiber optic services to the industrial city of Vernon, we have over 1,800 commercial and industrial customers who are significant contributors to the state economy and 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.

Supplemental to our comments submitted jointly with the Gas Utility Group and Southern California Public Power Authority, VPU has the following specific comment:

Load Growth: VPU recommends 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. Load increase could be quantified through the existing Mandatory Reporting Requirement reporting and verification process.

As California's economy continues to recover, so does the demand for products and services. In response, new businesses start up, existing businesses expand, and manufacturing and production increase. 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 \$1.19 per MMBtu, which is an increase of 138% from the \$0.50 per MMBtu surcharge in 2018. 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 an additional allocation of non-tradeable allowances, load growth adjustment will help lower the Cap-and-Trade cost burden due to the 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.

Vernon Public Utilities appreciates the opportunity to provide these comments. If you have any questions, please contact me at 323.583.8811 extension 579 or Efrain Sandoval at extension 311. 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.

Respectfully,



Todd Dusenberry
General Manager