



July 11, 2017

The Honorable Jerry Brown
Governor of California
State Capitol, Suite 1173 Sacramento, CA, 95814

The Honorable Kevin De León
Senate President Pro Tempore
California State Senate, Room 205, Sacramento, CA 95814

The Honorable Anthony Rendon
Assembly Speaker
California State Assembly, Room 219, Sacramento, CA 95814

RE: California Utilities SUPPORT AB 398 (E. Garcia) and the extension of Cap-and-Trade

Dear Governor Brown, President Pro Tempore de León and Speaker Rendon:

The California Utilities¹ respectfully submit this letter, on behalf of our customers, in support of AB 398 and legislative efforts to extend California's landmark Cap-and-Trade program beyond 2020.

Without AB 398 and extension of the Cap-and-Trade program, utility customers would face dramatic bill increases. Continuing direct allocation of allowances to utilities on behalf of our customers will save our residential and small business customers billions in bill impacts and protects low income Californians, all while achieving environmental policy goals. The benefits of this direct allocation have been returned to customers via the California Climate Credit or conveyed through similar direct benefits to consumers.

A well-designed Cap-and-Trade system is necessary to meet the state's climate goals in the most cost-effective manner. Without this program, the state will be forced to pursue more expensive policy

¹ Southern California Edison, Pacific Gas & Electric Company, San Diego Gas & Electric Company, SoCalGas, Los Angeles Department of Water and Power, Sacramento Municipal Utility District, Southern California Public Power Authority, Northern California Power Agency, California Municipal Utilities Association, Turlock Irrigation District, M-S-R Public Power Agency, Long Beach Oil & Gas, Golden State Power Cooperative, PacifiCorp, Modesto Irrigation District, Southwest Gas, City of Vernon, City of Palo Alto, Liberty Utilities

options. Cap-and-Trade establishes a firm GHG target and provides flexibility to foster innovative GHG emissions reductions that minimize costs to California consumers and businesses. The California Utilities support AB 398 and the program's legislative reauthorization through a two-thirds majority vote.

This bill strengthens Cap-and-Trade with consumer protection 'guard rails' to ensure a politically sustainable program. The utilities support establishing a firm price ceiling, two price containment points, a continued role for offsets, and opportunities for linkage with other programs.

For these reasons the California Utilities support AB 398, and respectfully ask for your "AYE" vote.

CC:

Assembly Member Eduardo Garcia

Nancy McFadden, Office of the Governor

Dan Reeves, Office of President Pro Tempore de León

Carrie Cornwell, Office of Speaker Rendon

Mary Nichols, California Air Resources Board