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July 12, 2017

The Honorable Bob Wieckowski, Chair
Senate Committee on Environmental Quality
State Capitol, Room 2205
Sacramento, CA 94249-0001

RE: Cap-and-Trade Extension Proposal – STRONG SUPPORT

Dear Chairman Wieckowski:

Southern California Gas Company and San Diego Gas & Electric Company, collectively known as the Sempra Energy Utilities, strongly support AB 398 (E. Garcia). This bill proposes to extend the Cap-and-Trade program through 2030 and directs the California Air Resources Board to establish a price ceiling on carbon allowance prices. Sempra Energy Utilities also supports AB 617 (C. Garcia), which seeks to improve air quality monitoring and reduce air pollution at the community level.

California is a global leader in developing successful climate change and air quality policy. Sempra Energy Utilities agree that these policies are needed to protect community health and our environment for future generations and believe that these policies must also consider the strength of California's economy. This legislation strikes the right balance to meet California's long-term environmental goals while also sustaining the economic vitality of the State.

A well-designed Cap-and-Trade program is an essential and flexible component of the State's greenhouse gas (GHG) reduction efforts. Alternative approaches would be much more costly and/or significantly more difficult to implement. The Cap-and-Trade program extension in AB 398 should be one of the primary strategies in the State's ongoing efforts to achieve cost-minimizing GHG reductions for the following reasons:

1. California's Cap-and-Trade program is working to keep cost impacts for utility customers reasonable. After four years of successful compliance, Cap-and-Trade has proven to be a flexible, low-cost and reliable mechanism for reducing GHG emissions. Since the beginning of this program, recorded GHG emissions have been below the required levels every year and the State is projected to beat its 2020 GHG reduction targets. At the same time, the State's economic output has steadily expanded through additional clean energy jobs and increased investment in clean technologies.
2. For several years, the electric investor-owned utilities (IOUs) have distributed a household climate credit to residential and small business customers on their utility bills. This climate credit is funded by the allocation of allowances provided by the State and is already helping customers adapt to the Cap-and-Trade costs they bear. Natural gas IOUs will also distribute a credit in the near future when the Public Utilities Commission finalizes their direction on how to distribute this climate credit.
3. California's Cap-and-Trade program provides an effective mechanism for meeting GHG targets through a declining emissions cap and includes provisions to ensure the environmental integrity of this program. Extension of California's Cap-and-Trade program would continue to drive reductions via its annually decreasing cap and incentivize the pursuit of low cost GHG reductions, thereby minimizing the overall economic impact to California.
4. California's Cap-and-Trade program is exemplifying leadership at the subnational level and inspiring global action. Countries, states, and cities are watching carefully how California's Cap-and-Trade program is performing. The Canadian province of Quebec is already linked with California's Cap-and-Trade Program, and

the larger province of Ontario has committed to follow suit. Many other jurisdictions continue to consult with California Cap-and-Trade experts and officials as they develop their own climate programs.

The Sempra Energy Utilities support the State's efforts to fight climate change and further reduce air pollution. We appreciate the opportunity to be an active participant in extending the Cap-and-Trade Program, as California continues to lead in developing a low-carbon clean energy future.

For all the aforementioned reasons, we strongly urge your **AYE** vote on this important legislation.

Yours sincerely,

A handwritten signature in black ink that reads "Heidi Barsuglia". The signature is written in a cursive, flowing style.

c: The Honorable Eduardo Garcia
The Honorable Cristina Garcia
Honorable Members, Senate Committee on Environmental Quality
Mr. David Garcia
Ms. Nancy McFadden
Ms. Camille Wagner
Ms. Catalina Hayes-Bautista
Mr. Kip Lipper
Mr. Morgan Branch
Ms. Marie Liu