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CALIFORNIA ENERGY COMMISSION
COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR

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I. INTRODUCTION

Pursuant to Rule 14.6 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) provides its reply comments on the Proposed Decision (PD) on reporting and tracking of greenhouse gas (GHG) emissions in the electricity sector under AB 32. PG&E's reply comments are organized in the following sections below: (1) Response to comments on the overall process and schedule for adoption of reporting protocols, particularly those dealing with default emissions rates, power imports and regional emissions reporting protocols; (2) Response to comments on the PD's proposal that emissions under certain new contracts with existing resources be reported based on default emissions rates rather than actual emissions; and (3) Response to comments on the need for consistency between the methodology for calculating the 1990 emissions baseline and the methodology for calculating and reporting current emissions.[1/]

1/ PG&E notes that other issues were raised by parties that PG&E does not believe merit detailed response. For example, Independent Energy Producers proposes to require the reporting of firming energy for renewable resources and substitute power under the reporting protocols in a different manner than such sources are considered under the CPUC's SB 1368 Emissions Performance Standard. (IEP Opening Comments, at pp. 5- 6.) PG&E believes the AB 32 reporting protocols should apply the same standards for firming energy and substitute power that the CPUC applied in its D. 07-01-039 implementing SB 1368. The additional requirements proposed by IEP are unnecessary and inconsistent with the rationale used by the CPUC under SB 1368.

Overall, PG&E believes the comments of parties to this proceeding demonstrate that the CPUC and CEC are making progress on key technical issues associated with reporting GHG emissions, but that there are still major gaps and defects in the reporting protocols that need to be addressed and resolved before the reporting protocols can be adopted by CARB for actual use under AB 32. Because of these significant deficiencies, PG&E reiterates its recommendation that the CPUC, CEC and CARB convene technical "hands on" workshops at which all interested parties and outside experts, including representatives of other states in the West, can "roll up their sleeves" and resolve the deficiencies head-on.

II. THE PROPOSED DEFAULT EMISSIONS RATES NEED FURTHER REVIEW AND DEVELOPMENT

Many parties echoed PG&E's continued concern about the lack of accuracy and consistency in the PD's proposed default emissions rates for emissions from certain unspecified power contracts, especially system energy imports from the Northwest and Southwest.[2/] These comments have raised rather than reduced PG&E's concerns, and PG&E strongly recommends that the CPUC, Energy Commission and CARB defer action on setting default emissions rates for unspecified contracts and imports until further technical discussion and workshops can be held, especially in coordination with development of other reporting protocols by other states in the West. The magnitude of potential error in emissions reporting, including errors in the design of emissions limits derived from the reported emissions, make it essential that policymakers and

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2/ See, e.g., San Diego Gas & Electric Company (SDG&E), at pp. 2- 3, 8- 9; Sacramento Municipal Utility District (SMUD), at pp. 1- 3, 10; Independent Energy Producers (IEP), pp. 2- 4; Southern California Public Power Authority (SCPPA), at pp. 8- 10; Divison of Ratepayer Advocates, at pp. 3- 5; Natural Resources Defense Council/Union of Concerned Scientists (NRDC/UCS), at pp. 3- 4, 7.)

stakeholders "get it right the first time."[3/] In the interim, it is important that any use of these reporting protocols in 2008 be advisory only until the protocols are refined and achieve a credible level of accuracy and regional acceptance, and not be relied upon for any compliance or data reporting purposes under AB 32.

III. MOST PARTIES AGREE THAT THE PD SHOULD BE REVISED TO DELETE THE PROHIBITION ON REPORTING ACTUAL EMISSIONS FROM NEW CONTRACTS WITH EXISTING RESOURCES

Most parties agree with PG&E that the PD's proposal to use default emissions rates rather than actual emissions for new contracts with existing sources is ill-advised and inconsistent with AB 32.[4/] The PD's discrimination against new contracts for existing sources, including renewables, is contrary to the Commission's preferred loading order for resource planning, and other state energy policies that encourage procurement of renewable and other low-GHG emitting resources, both existing and new. PG&E agrees with the comments by other parties and believes that the comments demonstrate a broad consensus that these discriminatory provisions should be dropped from the PD.

IV. 1990 BASELINE EMISSIONS AND CURRENT EMISSIONS ASSOCIATED WITH POWER IMPORTS MUST BE CALCULATED USING THE SAME MARGINAL RESOURCE METHODOLOGY THAT REFLECTS ACTUAL ECONOMIC DISPATCH OF RESOURCES

Some parties agreed with PG&E's comment that the default emissions factors

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3/ PG&E understands that AB 32 establishes specific deadlines for emissions reporting protocols. However, PG&E also believes that the AB 32 deadlines are flexible enough for the CARB to implement interim reporting for in-state sources while continuing to develop more accurate methods for reporting emissions attributable to power imports in coordination with other states in the West. In this regard, Health and Safety Code section 38530(c)(2) expressly requires that the CARB "promote consistency" in regional , national and international reporting protocols as part of its development of reporting protocols under AB 32.

4/ See, e.g., SCE, at pp. 7- 10; SCPPA, at pp. 2- 8; SMUD, at p. 3; IEP, at pp. 6- 7; SDG&E, pp. 3- 5, 8- 9; Northern California Power Agency (NCPA), pp. 4- 6; Alliance for Retail Energy Markets (AReM), at pp. 4- 7; Calpine Corporation (Calpine), pp. 5- 7.

chosen for unspecified power, particularly power imported from the Northwest, are not accurate and need to be consistent with the methodology chosen for calculating the 1990 electric sector baseline emissions that will be used to establish the overall 2020 emissions cap under AB 32.[5/]

As PG&E has reiterated several times in this proceeding and before the CARB, the methodology for calculating both current emissions from Northwest imports as well as 1990 baseline emissions from the same sources, is flawed and must be revised consistently, using a more accurate marginal resource methodology that reflects actual economic dispatch of resources. It would be arbitrary and illogical to set a default emissions rate for Northwest imports using a methodology that is inconsistent with the methodology used to set a similar default rate for 1990 baseline emissions from the same region. Likewise, it would be arbitrary and illogical to set a default emissions rate for Northwest imports for any time period if the methodology is flawed and inconsistent with the facts and calculations used by the other states in the West from which the imports originate, as the States of Washington and Oregon have asserted in this proceeding.

For the reasons stated above, the default emissions rate for Northwest and Southwest power imports should be revised in the PD and in CARB's calculation of 1990 baseline emissions.

V. CONCLUSION

As discussed above, the PD on interim reporting rules for the electricity sector under AB 32 should be revised as recommended by PG&E in its opening and reply

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5/ See, e.g., IEP, at pp. 2- 3; SDG&E, at p. 9; SMUD, at pp. 1- 2.

comments.

Respectfully Submitted,

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By: /s/
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