DOCKET 07-OIIP-01
CALIFORNIA ENERGY COMMISSION
OPENING COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON
JOINT STAFF PROPOSAL FOR A GREENHOUSE GAS
REPORTING PROTOCOL UNDER AB 32

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I. INTRODUCTION

Pursuant to the ruling of the Administrative Law Judges dated June 12, 2007 (ALJs' Ruling), Pacific Gas and Electric Company (PG&E) provides its opening comments on the joint CPUC-CEC staff proposal (Joint Staff Proposal) for a greenhouse gas (GHG) reporting protocol under AB 32. PG&E's comments are organized in the following sections below: (1) An "executive summary;" (2) Responses to the specific questions contained in the ALJs' Ruling; and (3) Detailed comments on the Joint Staff Proposal.

In addition to filing these comments at the CPUC and CEC, PG&E is also filing comments directly with the California Air Resources Board (ARB) pursuant to the request of CARB staff in connection with the June 21, 2007, CARB workshop on reporting protocols.

At the outset, PG&E commends CPUC and CEC staff for their extensive and detailed work and analysis on an exceedingly complex and difficult implementation topic under AB 32, the attribution of GHG emissions characteristics to unspecified energy imports from out-of-state powerplants. This analysis extends back in time to the early work by CEC staff under the power content labeling program, and extends forward through the extensive discussions on unspecified and system energy in connection with

the implementation of the SB 1368 GHG emissions performance standard at the CPUC and CEC beginning in 2006. In this proceeding, the task is even more important and complex, because it affects not only the methods for ongoing reporting of GHG emissions, but reporting methods here also may affect the determination of 1990 baseline emissions from the electric sector and the fundamental effectiveness of AB 32 in creating incentives for the replacement of high emitting power technologies and sources with lower emitting sources. Although PG&E may not agree with the Joint Staff Proposal in every respect, we very much appreciate the level of empirical and complex analysis that it contains.

As is discussed in more detail below, in one crucial respect, PG&E is unable to comment on the Joint Staff Proposal because of the lack of technical detail, documentation and validation. This is where the Joint Staff Proposal goes beyond recommendations on reporting protocols, and recommends actual default emissions rates or factors that would apply to emissions from unspecified sources, such as unspecified in-state energy purchases and imports from the Northwest and Southwest. PG&E believes it is premature and outside the scope of the reporting protocols for the Joint Staff Proposal to recommend actual default emissions rates. Such default emissions rates are of enormous importance in the design of AB 32's emissions limits, and are inextricably tied to the design of markets for the trading of emissions allowances. AB 32 does not require nor provide for the CPUC, CEC or CARB to establish actual default emissions rates as part of the scope of developing neutral, objective reporting protocols. For these reasons, PG&E recommends that the numerical default emissions rates and factors included in the Joint Staff Proposal be deleted, and instead the CPUC, CEC and

CARB should convene additional workshops at which alternative proposals for such default emissions rates can be discussed and subject to review and evaluation by all interested parties.

In addition to the mechanics of reporting under AB 32, key among the issues that must be addressed prior to establishing reporting protocols for sources and categories of sources in the electric sector is coordination of reporting protocols with other states in the West that transmit and deliver power to and from California. Interstate leakage and inequity among reporting standards and GHG regulatory programs can only be mitigated if California, including the CPUC, CEC and CARB, works proactively with other states in the West to ensure that protocols on emissions reporting and calculation associated with imported and exported power are consistent and accurate for the region as a whole.

II. EXECUTIVE SUMMARY

The key points in PG&E's comments are summarized as follows:

- PG&E supports the criteria outlined by the Joint Proposal for developing reporting protocols. However, PG&E recommends two additional criteria that should be used. First, the entity with the most direct responsibility for managing or operating a facility that is an emissions source be the preferred entity with reporting responsibility under AB 32, because the more direct the reporting responsibility, the more likely reported emissions are to be more accurate and less costly. Second, reporting should support and not adversely affect or deter the development of efficient and robust commercial power markets throughout the West. A wide variety of products and services is needed to serve California electricity consumers and businesses, including

unspecified, system energy and capacity products that help ensure the reliability and adequacy of resources needed "to keep the lights on" in California cost-effectively.

- Consistent with these additional criteria, PG&E recommends that emissions be reported directly by powerplant facility managers or operators or by the sellers of power from those facilities into California, rather than indirectly by retail providers who purchase the output from those facilities. This direct reporting approach should apply regardless of whether the ultimate point of regulation under AB 32 is chosen to be the retail provider under a "load-based cap" or the "first seller" under the approach recommended by the Market Advisory Committee. Under either point of regulation, the reporting of emissions will be by the entity with the closest link to the generation facility and thus the most direct operational and management responsibility for the emissions attributable to power generated or delivered into California.
- PG&E recommends that the Joint Staff Proposal delete its recommendations for specific numerical emissions rates where estimates of emissions are required, such as for unspecified imports from the Northwest and Southwest and unspecified generation inside California. In PG&E's view, insufficient information and data are available in the Joint Staff Proposal to determine whether the recommended numerical rates and factors are the most accurate, fair and verifiable that can be developed at the current time, and whether they are developed in the

context of an overall market design and in the context of the soon-to-be-implemented Market Design and Technology Upgrade (MRTU) which will affect power markets supervised by the California Independent System Operator (CAISO). In addition, the development of objective reporting protocols does not require that the CPUC, CEC or CARB recommend the actual emissions quantities that will be generated by the reporting itself. PG&E instead recommends that further workshops be scheduled to discuss and allow for comment by interested parties on the various sources of data and calculations that would support the emissions rates and factors.

- PG&E recommends that the Joint Staff Proposal include a more detailed analysis of how the California proposals are to be structured to ensure consistency and equity with reporting proposals in other Western states, particularly in those states that have signed a GHG Memorandum of Understanding with California. California and states that deliver power to and from California should implement uniform and consistent methodologies for quantification of emissions associated with power imports and exports. The Joint Staff Proposal should take into account and evaluate such multi-state efforts and seek to promote interstate uniformity and consistency to the maximum extent possible.[1]

[1] Other states are looking to California to set the pace for how quantification and reporting in conjunction with a multi-state climate registry should proceed. However, it is not clear how the Joint Staff Proposal and CARB's development of reporting protocols under AB 32 is being coordinated with the multi-state registry effort, which California and the California Climate Registry have endorsed. California's actions on reporting protocols should promote consistency in how each state quantifies and reports its GHGs. A patchwork of non-uniform quantification and reporting methodologies could cause a delay in federal or regional action on climate change. Moreover,

III. RESPONSE TO ADMINISTRATIVE LAW JUDGES' SPECIFIC QUESTIONS

1. Are the criteria for assessing reporting protocols identified in Section 2.3 of the report appropriate, and does the Staff proposal adequately comply with what you view as appropriate criteria?

PG&E RESPONSE:

PG&E agrees that the criteria listed in Section 2.3 of the Joint Staff Proposal are appropriate. However, PG&E recommends that two additional criteria should be included as well: First, reporting responsibility should be assigned to parties with the most operational or management control that corresponds to responsibility for implementing health, environmental and safety rules for the facility that is the source of the greenhouse gas emissions that are being reported.[2] This would apply without regard to whether the point of regulation under AB 32 is the retail provider or the first seller, because in either case, direct reporting by operators or managers of emitting facilities would be more accurate than indirect reporting by retail providers. Second, reporting should support and not adversely affect or deter the development of efficient and robust commercial power markets throughout the West. A wide variety of products and services is needed to serve California electricity consumers and businesses, including access to unspecified, system energy and capacity products that support efficient use of available resources, with attendant cost, reliability and potential environmental benefits.[3]

California has an opportunity to shape the protocols that may be used widely in states across the country. Thus, PG&E recommends that the Joint Staff Proposal make clear how the AB 32 reporting protocols will be developed in coordination with the multi-state and national GHG registry initiatives.

[2] "DRAFT REGULATORY CONCEPTS – Mandatory Reporting of GHGs for the Power/Utilities Sector," ARB Staff, June 13, 2007, sections 1, 3.A, 6.A, B and C.

[3] As one example, when power is bid into a pool with a load-based cap, a retail provider may not know whether the source of the power was in-state, with one designated emissions rate, or out-of-state,

With respect to the first additional criterion, this means that operators or managers of powerplants that emit GHGs should be the reporting entities under AB 32, not the equity owners or third parties who have no day-to-day responsibility for facility operations or management. What this also should mean is that where deliveries or imports of power from out-of-state powerplants are involved, the California party who has the most direct responsibility for deliveries of power from the emitting facility should be the reporting entity. In PG&E's view, this would be the first party selling or delivering the power into California, because that party has the most direct commercial relationship with the ultimate operator or manager of the facility itself.[4]

In order to ensure that the reporting protocols support continued development of an efficient and reliable commercial power market in the West, it is critical that the greenhouse gas price externalities be internalized into commercial electricity transactions without negatively impacting commercial tools that enhance reliability. Reporting should not be designed to discourage system contracts. Unspecified energy, whether from in-state or out-of-state sources, is an extremely important part of providing reliable, cost-effective electricity to PG&E's customers. This is because suppliers are becoming more product-oriented to match buyer needs. This means many sellers are not asset owners (their offered products often will be system based or not otherwise based only on a single unit or facility. For example, resource adequacy as a stand alone

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with a different designated emissions rate.

[4] The indirect reporting protocol recommended by the Joint Staff Proposal has significant practical and commercial impediments as well, because retail providers generally have no direct oversight over the operation or management of emitting facilities or the commercial arrangements for the sale of the output of such facilities where the retail provider is not the "first seller" of the output into California. These impediments make the reliability and auditability of emissions reported by retail providers less than emissions directly reported by the facilities themselves or the first sellers of the output of those facilities into California.

product facilitates energy can be bought and sold separately from the units or emitting facilities themselves. Financially settled energy products generally have added to the efficiency of energy procurement.

In order to support the continued development of these diverse and reliable power markets, the AB 32 reporting protocols should focus on direct reporting to the maximum extent available, and where direct reporting is not available, the entity with the most direct responsibility for the emitting facility or unit should be responsible for reporting, because this is consistent with the allocation of responsibilities and price signals for the commercial transactions in the relevant power markets.

2. Should the intent be to design a reporting protocol that could be adopted directly by other states in the region and, if so, are modifications to the Staff proposal needed for this purpose?

PG&E RESPONSE:

PG&E agrees that one of the most important criteria for the reporting protocols should be expandability for use with any regional or national reporting protocol that may be developed subsequently. In this regard, PG&E believes it is much more likely that a regional or national GHG regulatory program will be "source based," rather than "load based," because the most legally and economically efficient means of regulating GHG emissions from stationary sources, such as powerplants, is to regulate those sources directly, not indirectly through load serving entities and pools. This is also consistent with the continuous emissions monitoring systems established by the federal government and the states for consistent and uniform reporting of emissions of other criteria air pollutants. For these reasons and because "source-based" reporting is more likely to be the preferred method for national or regional GHG reporting programs, AB

32's reporting protocol should be designed to replicate as closely as possible a "source-based" reporting of GHGs and other air pollutants that can be used without regard to whether the point of regulation is load-based or source-based.

3. How do the proposed reporting requirements including, in particular, the use of estimates, affect the integrity of greenhouse gas (GHG) emission allowances and do the requirements have implications on the ability to trade GHG emission allowances with other regimes?

PG&E RESPONSE:

Given how large a percentage of electric sector GHG emissions under AB 32 are attributable to imports of unspecified energy for which facility-specific measurements are likely to be unavailable, the use of inaccurate estimates for such emissions can have a distortive impact on the integrity of GHG emissions allowances and the entire GHG regulatory program, at least for the electric sector. In addition, including imported power in the AB 32 regulatory program, whether the imports are specified or unspecified, creates a potentially irreconcilable conflict between California's regulatory program and any national or regional "cap and trade" program if the sources of imported power are regulated directly. This is because California's regulation of power imports from out-of-state GHG emissions sources would effectively "double count" the emissions from such facilities. In turn, this "double counting" problem would distort the value and pricing of emissions allowances in GHG trading markets, because the two or more different regulatory standards (California and non-Californian) may result in an artificially high demand for allowances, increasing costs to customers with questionable environmental benefit.

Even if California retail provider purchases were tracked as being in-state or out-of-state under the reporting protocol, bids in power markets for out-of-state resources

would internalize a CO2 price under a source-based cap, while in-state resources may not, leading to inconsistent and inefficient pricing in Western power markets as between California and non-California resources.

PG&E believes that the most effective way for California's AB 32 program to anticipate and resolve this potential problem is to implement a "first seller" point of regulation and reporting as recommended by the Market Advisory Committee. Under a "first seller" approach, if and when a national or regional GHG program is enacted with source-specific reporting, power imports would no longer need to be reported by first sellers and tracked by regulators in multiple states, while in-state sellers would continue to be regulated as they are under traditional source-based air pollution regulations.

4. Would adoption of any part of the Staff proposal require changes to any existing Public Utilities Commission and/or Energy Commission policies or the adoption of new policies by either agency?

PG&E RESPONSE:

The Joint Staff Proposal is a proposal for implementing CARB's regulatory responsibilities under AB 32, and thus neither the CPUC nor the Energy Commission would have any responsibility for implementing the proposed GHG reporting protocols. Thus, no changes to either agency's policies or authorizing statutes would be needed.

5. In addition to any technical, policy, or other concerns, does the Staff proposal raise any legal issues?

PG&E RESPONSE:

The Joint Staff Proposal raises one implementation issue that has potential legal implications: To the extent the Joint Staff Proposal would make retail providers legally responsible for reporting GHG emissions from sources, such as powerplants and other facilities, over which the retail providers have no managerial or operating responsibility,

the proposal may be inconsistent with the statutory requirements of AB 32, which apply to "sources" of emissions, not to third parties who are not the sources of emissions.[5] PG&E believes this potential legal issue can be avoided by limiting the AB 32 reporting requirements of retail providers to the facilities that those retail providers operate or manage, such as their own powerplants, or to facilities that they have the most direct contractual relationship with as "first sellers" of the power imported from such facilities if they are located out of state.[6]

6. Are modifications to the Staff proposal needed to support implementation of the recommendations in the Market Advisory Committee's draft report, in particular, the "first seller" structure?

PG&E RESPONSE:

As discussed in more detail in Section IV, below, the Joint Staff Proposal can be significantly simplified and improved by applying the GHG reporting requirements directly to "first sellers" of unspecified power generated inside and outside the State, rather than to retail providers who only have an indirect relationship with the sources of such unspecified emissions. However, as PG&E has noted, the direct source specific reporting approach could be applied without regard to whether the point of regulation is the first seller or the load-serving entity.

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[5] Health and Safety Code sections 38530(b)(1) and (2), distinguishing between "reporting" from "sources and "account[ing]" from "retail sellers."

[6] PG&E notes that even reporting by "first sellers" involves estimation and verification difficulties, because first sellers also may not have direct operating or management responsibility for the facilities whose emissions they are reporting. However, first sellers have a more direct relationship with such facilities than retail providers.

IV. SPECIFIC COMMENTS ON JOINT STAFF PROPOSAL

For convenience of review, PG&E's specific comments are organized based on Table ES-1 in the Joint Staff Proposal, which summarizes the staff's recommendations on how various sources of emissions should be reported.

Following our line-by-line discussion of Table ES-1, PG&E also provides specific comments on other reporting issues addressed in the Joint Staff Proposal, including mechanics of reporting, frequency of reporting, requirements for verification, certification of third-party auditors, and methods to address potential contract shuffling and leakage.

Finally, PG&E's comments address the need to reconcile the reporting protocols with other important AB 32 implementation details, including the methodology for establishing 1990 baseline emissions from the electric sector.

A. Summary of PG&E Comments on Table ES-1 Recommendations

Table ES-1 highlights the complications, assumptions, and various steps necessary to make a load based cap function. In order for California electricity consumers to be more certain of the accuracy of the emissions which they will be paying for, PG&E has suggested modifications in each section in the report for alignment with the "first seller" approach recommended by the Market Advisory Committee. At the same time, however, these modifications to the proposed reporting protocols can and should be applied without regard to whether the point of regulation is the first seller or the load serving entity.

To summarize PG&E's recommended approach for reporting under either a first seller or load-based cap point of regulation, in-state generators will have no further reporting obligations beyond what CARB is proposing in its Draft Reporting

Methodology, under which such generators report their emissions directly to CARB.[7] Importers of electricity (e.g. wholesale sellers, marketers, LSEs, out-of-state utilities selling power into California) will be responsible for reporting power imports directly to CARB as well. Those imports that are not assigned emissions from an out-of-state specified source would be assigned the Northwest or Southwest unspecified marginal generation emissions values. E-tags and settlement documents can be used to substantiate the imports, but other methods will be available to differentiate imports from specified energy imports, such as applicable California control area remote generation (e.g. Intermountain) or unit-specific imports from cross-state control areas (e.g. Pacificorp).

An adjusted all in method for wholesale sales will not be necessary under the direct reporting approach because generators and first sellers in the state are the reporting entities, including wholesale sellers.

B. In-state Specified Sources

The Joint Staff Proposal recommends that retail providers report emissions from in-state specified sources by using the pre-existing reporting protocols for direct source-specific reporting of GHG emissions under the ARB's existing source-based reporting protocols. (Joint Staff Proposal, p. 29.) PG&E agrees with this approach, except that the operators or managers of the facilities should report directly to ARB, not the retail providers. PG&E also recommends that CEC and CPUC staff review the specific generating unit reporting protocols recommended by the ARB staff in their June 13, 2007, "white paper." (See "DRAFT REGULATORY CONCEPTS – Mandatory

[7] "DRAFT REGULATORY CONCEPTS – Mandatory Reporting of GHGs for the Power/Utilities Sector," ARB Staff, June 13, 2007.

Reporting of GHGs for the Power/Utilities Sector," ARB Staff, June 13, 2007, sections 1, 3.A, 6.A, B and C.) While PG&E does not agree with ARB staff's recommendation that retail providers report emissions based on power purchases, PG&E believes that overall the ARB white paper provides useful detail on source-specific reporting protocols consistent with pre-existing criteria air pollutant reporting methods and requirements.

PG&E also notes that direct reporting of emissions by in-state facilities and by "first sellers" from out-of-state facilities, instead of from retail providers, eliminates the need for the complex reporting protocols to take into account wholesale sales by retail providers. (See Joint Staff Proposal, pp, 25- 28.)

C. Out-of-state Specific Sources

The Joint Staff Proposal recommends that retail providers report emissions from out-of-state specific sources, including unit-specific contracts as well as out-of-state powerplants that are owned or operated by in-state retail providers. (Joint Staff Proposal, p. 29.) Specified claims would apply to importer owned generation, preconstruction PPAs, long-term contracts, and RPS eligible imports. Consistent with the "first seller" proposal by the Market Advisory Committee as well as the existing facility-specific reporting protocols used by the ARB for other air emissions, PG&E recommends that the California owners or operators of out-of-state powerplants or "first sellers" under such unit-specific contracts be designated as the reporting entities, not retail providers. In many cases, the "first seller" or powerplant owner or operator will be the same as the retail provider, but in other cases it could be a marketer or an in-state load serving entity.

D. CAISO Real-time Energy Pool and Integrated Forward Market

The Joint Staff Proposal recommends that a default factor be used to estimate the emissions attributable to purchases by retail providers from the CAISO real-time energy pool or Integrated Forward Market, because data is not available on the emissions attributes of purchases from these two pools. However, if the "first seller" approach is used for reporting, the "line of sight" problem with calculating emissions from the CAISO pools is significantly mitigated, and therefore emissions can be reported by first sellers *before* the power is bid into the pools. This is one of the largest advantages of the first seller approach in that it minimizes uncertainty by eliminating the problem of unspecified purchases within California. Thus, neither the 900 lbs/MWh for the real time market nor the 1000 lbs/MWh for the other instate unspecified purchases are necessary.

If the first seller approach is not used as the point of regulation, then PG&E agrees that an emissions estimate or factor would be needed. As discussed above, PG&E does not have sufficient information to comment on whether the numerical factors recommended by the Joint Staff Proposal are accurate, valid or supportable. PG&E does note that under a load-based cap, retail providers will not know whether power bid into the pool is sourced inside or outside of the state, casting doubt on which emissions rate is appropriate to use. PG&E recommends that further public proceedings be held and detailed technical information be discussed among interested parties before any actual factors or rates are established. In any event, the actual numerical rates and factors are not a "critical path" requirement for establishing the reporting protocols themselves.

Finally, under a load-based cap, both in-state and out-of-state resources will have an incentive to structure unit-specific contracts for low emitting resources and bid into the pool for resources whose emissions rates are higher than the default rate. Under a first seller approach, the scope of this problem is mitigated because limited to out-of-state resources.

For these reasons, PG&E recommends that the Joint Staff Proposal eliminate the CAISO default factor indirect approach, and instead use the more direct, accurate first seller approach for attributing the emissions to sales into the CAISO pools.

E. Other In-state Unspecified Sources

The Joint Staff Proposal also recommends using a default factor for estimating emissions from power purchased from other in-state unspecified sources. This is needed under a load-based cap but not a first seller approach. PG&E, as stated, believes it is premature to develop such a default emissions rate outside of the context of an overall market design. In any event, a default emission factor for California, even if needed under a load-based cap, should not be the CEC's net system power number as it currently exists. The net system power process was established for the power content label and would need to be reexamined if it were to be considered for use in the GHG context, including impacts on commercial practices and least-cost dispatch. As discussed above, further proceedings should be held before a numerical emissions factor or rate is chosen for in-state unspecified sources, because the current information available to review alternatives for setting such a rate or factor is incomplete.

F. Out-of-state Specified Sellers

The Joint Staff Proposal recommends that where an out-of-state seller is selling power into California that can be attributed to a specific pool or portfolio of resources,

that the specific emissions from the pool or portfolio be permitted to be used for reporting purposes. (Joint Staff Proposal, pp. 12- 13, 16.). PG&E believes it is premature to set an emissions rate on this basis, and that such claims should be evaluated in the context of the electric market in which they are operating.

G. Northwest and Southwest Unspecified Marginal Generation

PG&E supports the use of the CEC definitions for the definition of the Northwest and Southwest regions. Ex ante default emissions factors for the Northwest and Southwest should be used for imports of unspecified power from these regions. Under PG&E's recommended more direct reporting approach, retail providers and purchasers of out of state unspecified electricity would not track generation to the host control area, because the emissions would be reported by the first seller using the default marginal generation factors. This would be the case whether the point of regulation is a load-based cap or the first seller. Out of state unspecified electricity transactions generally occur at a hub or delivery point for delivery at that hub, and the use of the first in-state hub or delivery point for determining the first seller who must report is auditable. The transaction occurs without regard to where the power originates, but the seller and delivery point are documented in the seller's financial settlements.

While NERC e-tags can be used for California as a whole to derive a sense of where electricity imports originate, they do not need to be used to verify individual transactions. Under the more direct reporting approach, the reporting of emissions and attribution of emissions characteristics related to imports is based on contractual and operational relationships which are documented in the financial settlements used by the seller. NERC e-tags can be used to help substantiate which entities are importing power into California, but the primary source of emissions reporting would be the direct

documentation of the contractual parties first importing the power into California, the "first sellers."

As discussed above, although the more direct approach for reporting unspecified imports should be adopted, the calculation of actual numerical default emissions rates or factors should be postponed until further proceedings can be held in which the validity of various alternative factors or rates can be discussed and evaluated.

H. Miscellaneous Comments

The definitions and covered entities under the reporting protocols should include the "first seller," consistent with the recommendations of the Market Advisory Committee. The definition used by the Market Advisory Committee can be used, with slight revision for consistency with existing facility-specific reporting protocols used by the ARB, as follows: "The "first seller' is either the manager or operator of the California powerplant facility, or the importing contractual party who first sells the power for delivery at a point in California, depending whether the electricity is from in-state or out-of-state generation." Conforming changes to the definitions and covered entities should be made to substitute the first seller or facility operator or manager as the reporting entity, instead of the retail provider.

I. Comments on Reporting Mechanics

The Joint Staff Proposal recommends that the frequency of emissions reporting initially be on an annual basis, rather than more frequently, such as quarterly. (Joint Staff Proposal, p. 34.) PG&E believes that the frequency of reporting may have a significant impact on the design and viability of emissions trading markets under a "cap and trade" program, because the availability of emissions data will provide market participants with material information on demand for emissions allowances. For this reason, PG&E

recommends that the frequency of reporting be determined in conjunction with the design of market based mechanisms under AB 32, including a "cap and trade" program, and therefore the reporting protocols should keep this issue open.

The Joint Staff Proposal also recommends the use of third party verification for emissions reporting, using verification methods developed by the ARB. (Joint Staff Proposal, p. 34; see also "Greenhouse Gas Mandatory Emissions Reporting – Power/Utilities Sector Third Technical Discussion," Presentation by ARB Staff, June 21, 2007, slides 36- 44.) PG&E agrees that a verification program, including third party audits, will be useful and essential to the reporting program. In this regard, PG&E is familiar with the types of readily available documentation in the power sector, including financial settlements documentation, that can be used to verify and audit the reporting of GHG emissions by first sellers and facilities operators. PG&E is also familiar with secondary sources of information, such as E-tags and CAISO and balancing authority records, that can provide useful backup data for verification and audit purposes. PG&E is available to assist CPUC, CEC and ARB staff in identifying such documentation and information for use in the emissions reporting verification program.

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V. CONCLUSION

For the reasons stated above, the Joint Staff Proposal on reporting protocols under AB 32 should be revised as recommended by PG&E in these opening comments.

Respectfully Submitted,

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