

PUBLIC UTILITIES COMMISSION

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December 8, 2008

Advice Letter 2939-G\G-A\3299-E\E-A

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Subject: ClimateSmart Program Purchase of Verified Emission Reductions Under the
Landfill Project Reporting Protocol in Compliance with D. 06-12-032

Dear Mr. Cherry:

Advice Letter 2939-G\G-A\3299-E\E-A is effective December 8, 2008.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kenneth Lewis".

Kenneth Lewis, Acting Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

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December 8, 2008

Advice 2939-G-A/3299-E-A
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Supplement: ClimateSmart™ Program Purchase of Verified
Emission Reductions Under the Landfill Project Reporting Protocol
in Compliance With Decision 06-12-032**

Purpose

The purpose of this supplemental advice letter is to clarify the time period in which the ClimateSmart program may get the benefit of greenhouse gas (GHG) emission reductions from landfills, as originally filed in Advice 2939-G/3299-E. Also, in response to questions raised by the Commission's Energy Division, this supplemental advice letter also addresses the conditions under which landfill projects that have already commenced construction could be eligible for funding and the process to be followed by PG&E in reviewing projects verified under new California Climate Action Registry protocols.

Background

On July 22, 2008, PG&E submitted Advice 2939-G/3299-E seeking permission to contract for landfill gas verified emission reduction projects through its ClimateSmart program. This advice was submitted in accordance with Decision (D.) 06-12-032, Ordering Paragraph 30, which requires PG&E to file an advice letter "seeking blanket permission to enter into contracts" for any new protocol.

In Advice 2939-G/3299-E, PG&E referred to the California Air Resources Board (ARB)'s June 21, 2007, approval of the Landfill Methane Capture Strategy as an early action measure. At the time of that submittal, PG&E understood that landfill gas emissions in California would be regulated effective January 1, 2010 and that the date the regulations took effect would be the same date landfills would be required to capture their gas emissions. Thus, the ClimateSmart program would only get the benefit of landfill GHG emission reductions occurring prior to January 1, 2010. Since submitting the original advice letter, PG&E has learned that the date when a landfill will be required to begin capturing its gas emissions could be after the date the regulations take effect, according to the most current version of ARB's draft regulations. The

discussion below regarding the length of time for funding eligibility supersedes the same discussion in the original advice letter.

Supplemental Information

PG&E would like to clarify and expand on three items from its initial advice letter: (i) the length of time GHG emission reductions would be additional, (ii) the eligibility of landfill gas projects that have already commenced construction, and (iii) the process to be followed by PG&E in reviewing projects verified under non-forestry protocols. Each of these is discussed below.

Length of Time for Funding Eligibility: PG&E's initial assessment of how long landfill GHG emissions would be additional needs to be revised to conform with CCAR's landfill protocol. The CCAR protocol state that, "In the event that a landfill hosting a gas collection and combustion project becomes subject to a regulation, ordinance or permitting condition that would call for the installation of a landfill gas control system, emission reductions can be reported to the Registry up until the date that the landfill gas control system is required to be operational." (Page 8.) It also states, "Project developers are eligible to register GHG reductions with the Registry according to this protocol for a period of ten years or until regulatory compliance is required due to failure of the regulatory additionality test. In the event that a landfill hosting a gas collection and combustion project becomes subject to a regulation, ordinance or permitting condition that would call for the installation of a landfill gas control system, emission reductions can be reported to the Registry up until the date that the landfill gas control system is required to be operational." (Page 27.)¹ Therefore the ClimateSmart program may have the opportunity to get the benefit of landfill greenhouse gas emission reductions that occur past January 1, 2010, contrary to PG&E's earlier expectations as stated in Advice 2939-G/3299-E.²

Eligibility of Projects Already Under Construction: In response to a question from the Commission's Energy Division regarding whether landfill projects that are already under construction would be eligible for ClimateSmart funding, PG&E would like to clarify that it will impose further requirements to ensure that all such projects are "additional." For example, PG&E will require any landfill project already under construction at the time this Advice Letter is approved to show that "but for" the ClimateSmart program funding the project could not be completed prior to the date regulatory compliance is required. Furthermore, PG&E will use the more stringent test

¹ The protocol is available at:

[http://www.climateregistry.org/resources/docs/protocols/project/landfill/Landfill Project Reporting Protocol v1.0 No v.07.pdf](http://www.climateregistry.org/resources/docs/protocols/project/landfill/Landfill%20Project%20Reporting%20Protocol%20v1.0%20No%20v.07.pdf).

² The draft regulations (which were made available for discussion purposes only and are not to be formally cited or quoted) describe that the date when a landfill will be required to begin capturing its gas emissions could be after the date the regulations take effect. Under such a scenario, landfills could have up to 12 months after the regulations take effect to submit a gas collection and control system design plan for agency approval, and up to 18 months after agency approval of their design plan to install and operate the landfill gas collection and control system. ARB currently anticipates that it will finalize its regulations in the fall of 2009 and the timing and content of these regulations may change, of course, before they are finalized.

for additionality approved by the Commission for manure management projects.³ PG&E will not fund any projects that have been completed.

Evaluation of Projects Under Different Protocols: The Energy Division has asked PG&E to clarify how it intends to evaluate the competitiveness of different types of projects proposed under different protocols. One of the issues to be faced in such an evaluation is the fact that some types of projects may be, on average, more costly than other types of projects. By way of background, PG&E agrees with the Commission that there is inherent value in a diversified portfolio of projects. For this reason, and as the Commission has directed, PG&E has brought forward this Advice Letter seeking to contract with landfill projects “to mitigate the risks involved with limiting its purchase of offsets to a single source.”⁴ The Commission directed, “As [new, non-forestry] protocols are developed, we expect PG&E to expand its portfolio of projects.”⁵ Of course, having a diversified portfolio is not the only factor driving the adoption of new projects. As a part of PG&E’s competitive solicitation process, PG&E will evaluate projects on a variety of attributes including price, financial additionality, co-benefits to societies and the environment, the ability to be replicated and permanence.⁶ In evaluating landfill projects, PG&E will take into consideration the fact that the purchase and installation of GHG emissions control equipment will eventually become a requirement under CARB regulations. In terms of cost, PG&E will view projects with a lower price per ton more favorably, all other factors being equal.

Request for Waiver of Protest Period

Due to the supplemental nature of this information and the time-sensitive nature of this project PG&E requests to waive the protest period for this supplemental advice letter.⁷

Effective Date

PG&E requests that this advice filing become effective upon Energy Division approval.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties for Service List Application (A.) 06-01-012. Address changes to the General Order 96-B service list should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

³ CPUC Resolution G-3410

⁴ D.06-12-032, page 40

⁵ Id.

⁶ These terms are further defined in the confidential Technical Contract Evaluation criteria, sent to Energy Division on November 25, 2008.

⁷ General Order 96B, Section 7.5.1 states, “The filing of a supplement, or of additional information at the request of the reviewing Industry Division, does not automatically continue or reopen the protest period or delay the effective date of the advice letter. The reviewing Industry Division, on its own motion or at the request of any person, may issue a notice continuing or reopening the protest period.”

<http://www.pge.com/tariffs>

A handwritten signature in black ink that reads "Brian K. Cheery/mt". The signature is written in a cursive style.

Vice President, Regulatory Relations

Attachments

cc: Service List A.06-01-012

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Megan Lawson

Phone #: 415-973-1877

E-mail: mehr@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2939-G-A/3299-E-A

Tier: [2]

Subject of AL: Supplement: ClimateSmart™ Program Purchase of Verified Emission Reductions Under the Landfill Project Reporting Protocol in Compliance With Decision 06-12-032

Keywords (choose from CPUC listing): compliance

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: CPUC Approval

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed:

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave., San Francisco, CA 94102

jn@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

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**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	