

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 11, 2009

**Advice Letters 2977-G/3374-E
2977-G-A/3374-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 Urban Forestry Project Reporting
Protocol in Compliance with D.06-12-032 and Supplement**

Dear Mr. Cherry:

Advice Letters 2977-G/3374-E and 2977-G-A/3374-E-A are effective February 11, 2009.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Fax: 415.973.7226

December 8, 2008

Advice 2977-G/3374-E
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

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

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits for filing an advice letter seeking permission to contract for urban forestry verified emission reduction projects through its ClimateSmart program. This advice letter is submitted in accordance with Decision (D.) 06-12-032 (Decision), Ordering Paragraph 30, which requires PG&E to file an advice letter "seeking blanket permission to enter into contracts" for any new protocol.

On August 12, 2008, the California Climate Action Registry (the Registry) Board of Directors approved a protocol for Urban Forestry Projects. PG&E seeks to solicit projects that will verify their urban tree planting programs under the new Registry protocol. Accordingly, PG&E files this advice letter in compliance with the CPUC's order to request permission to enter into contracts for these types of projects.

Background

In January 2006, PG&E filed Application (A.) 06-01-012 (Application) proposing a Climate Protection Tariff Program (now titled the ClimateSmart program) that would allow customers to offset the GHG emissions associated with their energy use by paying an additional amount on their PG&E bill. The CPUC approved, with modifications, PG&E's proposed program on December 14, 2006 through D.06-12-032.

In the Application, PG&E stated that it would only fund California-based projects verified under the Registry reporting protocols. In addition, PG&E expressed interest in expanding the program as additional project protocols are developed that might be

shown to generate verifiable and cost-effective GHG reductions as future projects of interest.¹

In the Decision, the CPUC agreed with PG&E that additional approved protocols were of interest. The CPUC ordered PG&E to file an advice letter if it wished to contract for projects under any new types of protocols, and to demonstrate that such projects will be “additional” and pose no double counting problem.²

As mentioned in its Resolution G-3410, “the Commission expects PG&E to consider the suitability of alternative offset types as new protocols are developed and approved for use. Diversifying the list of eligible offset types is seen as a way to lessen the risk that projects may be unavailable to meet program needs as well as to provide opportunities for funding less costly projects.”³ Accordingly, in order for the ClimateSmart program to contract for urban forestry projects, PG&E files this advice letter in compliance with the CPUC’s order to request “blanket permission to enter into contracts” for other types of projects.

Discussion of Protocol

The Registry’s Urban Forestry Project Reporting Protocol⁴ provides guidance to account for and report GHG emissions reductions associated with a planned set of tree planting and maintenance activities which permanently increase carbon storage in trees in urban and other developed areas. The additionality of Registry-verified urban forestry projects is measured by a Performance Standards Test⁵ which ensures that all projects meet a program-wide performance threshold measured in terms of net tree gain, and a Regulatory Test⁶ which ensures that the emission reductions achieved were not already required in the absence of the project due to any federal, state or local regulations or statutes.

In order to qualify as Registry GHG emission reductions, projects must be independently verified under the Registry’s Urban Forestry Project Reporting Protocol. In order to satisfy the Performance Standards Test, every project has to demonstrate a net tree gain in the project area for municipalities and educational campuses (meaning the project entity plants more trees than it removes). While the protocol also allows for projects from utilities, consistent with PG&E’s testimony in the Application, PG&E will not accept proposals from any unit of PG&E Corporation or from other utilities, nor can any third party propose to implement a ClimateSmart project on PG&E facilities or lands. PG&E will further screen proposals to ensure that none of the selected projects have the potential to interfere with electric distribution and transmission line clearance requirements. In addition, to satisfy the Regulatory Test, the project has to

¹ A.06-01-012, page 2-6.

² Ibid, OP-30.

³ CPUC Resolution G-3410, June 12, 2008, p. 3.

⁴ <http://www.climateregistry.org/resources/docs/protocols/progress/urban-forest/urban-forest-protocol-final-082008.pdf>

⁵ Registry Urban Forestry Project Reporting Protocol, Section 3, page 5.

⁶ Ibid, page 7.

demonstrate that any credited tree gain is above what would already be required by regulation or statute.⁷ Tree sites must be planted and then monitored and maintained to ensure permanent carbon sequestration.

As the Commission stated in the Decision, “we agree with PG&E and other parties that conserving forests has positive environmental benefits beyond GHG emissions reductions, in the areas of water quality, habitat conservation, and prevention of stream erosion.”⁸ Urban forestry also creates positive, though somewhat different environmental and societal benefits. These include mitigating the urban heat island effect, conservation education, neighborhood revitalization, job training, providing stormwater management, improving air and water quality, reducing energy use, conserving water, and recycling green waste.⁹ These co-benefits have the potential to influence quality of life in the local neighborhood and community.

The Registry worked to develop the urban forestry protocol through a multi-stakeholder process that encouraged expert and public participation in developing the protocol. Before being approved by the Registry, revised drafts were sent to policy, academic, and industry experts including PG&E for input. In finalizing criteria for urban forestry projects to qualify under its protocol, the Registry ensured that these projects are additional and do not pose any double counting problems through their Performance Standards and Regulatory Tests. In addition to the stringent requirements of the Registry protocol, before entering into contracts for verified emissions reductions, the ClimateSmart program will use the same test for additionality for urban forestry projects as was approved by the Commission for its other projects.¹⁰ PG&E will require, as it has done with its selection of forestry and manure management projects, all urban forestry projects to provide evidence that but for ClimateSmart program funds, the project that generates the Registry-verified GHG emission reduction would not have occurred.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **December 29, 2008**, which is 21 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200

⁷ Ibid.

⁸ D. 06-12-032, p. 40.

⁹ Registry Urban Forestry Project Reporting Protocol, Section 8, page 16.

¹⁰ CPUC Resolution G-3410.

E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

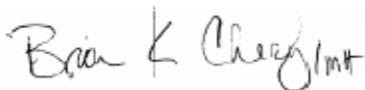
Effective Date

PG&E requests that this advice filing become effective on regular notice, January 7, 2009, which is 30 calendar days after the date of filing.

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:

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



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) #: 2977-G/3374-E

Tier: [2]

Subject of AL: ClimateSmart™ Program Purchase of Verified Emission Reductions Under the Urban Forestry 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 #: D.06-12-032

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: January 7, 2009

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

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**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	