

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



May 17, 2010

**Advice Letter 3106-G/3642-E**

Jane K. Yura  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, CA 94177

**Subject: ClimateSmart™ Program Purchase of Verified Emission  
Reductions Under the U.S. Ozone Depleting Substances  
Project Reporting Protocol in Compliance with D.06-12-032**

Dear Ms. Yura:

Advice Letter 3106-G/3642-E is effective May 5, 2010.

Sincerely,

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

Julie A. Fitch, Director  
Energy Division

March 26, 2010

**Advice 3106-G/3642-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 U.S. Ozone Depleting Substances 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 greenhouse gas (GHG) emission reductions for its ClimateSmart program verified under the new Climate Action Reserve (“Reserve”) protocol for U.S. Ozone Depleting Substances Projects.<sup>1</sup> 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.

**Discussion of Protocol**

The Reserve’s U.S. Ozone Depleting Substances Project Protocol<sup>2</sup> provides guidance to account for, report, and verify GHG emission reductions associated with the destruction of high global warming potential ozone depleting substances (“ODS”) that would have otherwise been released to the atmosphere. These projects have the following benefits to ClimateSmart and PG&E customers:

- ODS have global warming potentials “several hundred to several thousand times that of carbon dioxide”<sup>3</sup> and destruction of ODS is not common practice in the United States.<sup>4</sup>

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<sup>1</sup> On February 3, 2010, the Climate Action Reserve Board of Directors (formerly the “California Climate Action Registry Board of Directors”) approved a protocol for U.S. Ozone Depleting Substances Projects.

<sup>2</sup> U.S. Ozone Depleting Substances Project Protocol, Climate Action Reserve, <http://www.climateactionreserve.org/wp-content/uploads/2010/02/U.S.-Ozone-Depleting-Substances-Project-Protocol-Version-1.0.pdf>.

<sup>3</sup> Ibid, page 4.

<sup>4</sup> Ibid, Appendix B, page 59.

- The Intergovernmental Panel on Climate Change (“IPCC”) research estimates that ODS used in a given application “may be inadvertently released to the atmosphere at rates of up to 35% per year.”<sup>5</sup>
- Under the Reserve protocol, ODS will be “removed from residential appliances (e.g., refrigerators or A/C units) and commercial or industrial equipment”<sup>6</sup> in California and “destroyed at a qualifying facility.”<sup>7</sup>

### Historic ODS Use and Current Emissions

ODS were historically used in a wide variety of applications including refrigerants, foam blowing agents, solvents, and fire suppressants. In addition to their potency as ozone depleting substances, the ODS addressed by the Reserve’s protocol also exhibit high global warming potentials. The Montreal Protocol and the U.S. Clean Air Act<sup>8</sup> (“CAA”) control the production of ODS in the United States. However, neither framework requires the destruction of existing stocks of ODS. As such, continued use of these ODS is still widespread and can be found everywhere from vehicle air conditioners to industrial chillers. These stocks are continually recovered, reclaimed and recycled to service old equipment, often with very high leak rates. Because the Montreal Protocol and Title VI of the CAA do not forbid the use of existing or recycled ODS beyond the phase-out dates, even properly managed ODS banks will eventually be released as fugitive emissions to the atmosphere. Despite regulations prohibiting their intentional release through servicing, use, and end of life, IPCC research estimates that more than a third of refrigerant ODS contained in a given appliance may be inadvertently released to the atmosphere.<sup>9</sup> Furthermore, many of the applications for which ODS foam was used, such as refrigeration or A/C units and building insulation, have extended lifetimes; therefore foams containing ODS will be present in the waste stream for many years to come. When foam containing ODS is disposed of, the ODS blowing agent is released from the foam during shredding and/or degradation in the landfill.

### Destruction of ODS

In the Application, PG&E stated that it would only fund California-based projects verified under the Reserve’s protocols. ODS destruction projects are unique in that they consist of two steps that may be geographically distinct: 1) originating, sourcing, and aggregating the ODS, and 2) combusting the ODS. Destruction of ODS requires combustion in a specific facility that has the capacity to eliminate the ODS with an efficiency of 99.9% or higher. There are only 20 known commercial ODS destruction

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<sup>5</sup> Ibid, page 5.

<sup>6</sup> Ibid, page 71.

<sup>7</sup> Ibid, page 3.

<sup>8</sup> CAA, Title VI, Section 604(a).

<sup>9</sup> IPCC/TEAP Special report: Safeguarding the Ozone Layer and the Global Climate System: Issues Related To Hydrofluorocarbons And Perfluorocarbons (2005).

facilities in the U.S.,<sup>10</sup> 19 of which are RCRA-permitted hazardous waste combustors, and none of which are in California. In order to ensure that ODS is properly destroyed, the Reserve's protocol requires destruction of ODS to occur at one of these "qualifying destruction facilities."<sup>11</sup> However, as California does not have a qualifying destruction facility, all California-based projects will need to transport the ODS out of state for destruction in order to create high-quality GHG emission reductions that satisfy the requirements of the Reserve protocol. However, the ODS point of origin, sourcing, aggregation, purification, and all other project activity, except for the destruction, will occur exclusively in California for any ODS projects from which the ClimateSmart program will purchase GHG emission reductions. Per the Reserve's protocol, projects must document the custody and ownership of ODS beginning from the point of origin;<sup>12</sup> PG&E will thus be able to follow and document the location of every stage of project activity. All the ODS from projects that the ClimateSmart program would invest in will originate in and be aggregated in California. Although destruction will occur out-of-state due to the lack of qualifying destruction facilities in-state, the CPUC should consider such projects to be California-based for the purposes of meeting the requirements of the Decision.

### Additionality

In finalizing criteria for ODS projects to qualify under its protocol, the Reserve ensured that these projects are additional and do not pose any double-counting problems through its Performance Standard<sup>13</sup> and Legal Requirement<sup>14</sup> Tests. Because destruction of California-based ODS is not common practice, all ODS destruction activities that are eligible under the Reserve's protocol also meet the ClimateSmart program's definition of additionality.

In addition to the stringent requirements of the Reserve protocol, before entering into contracts for GHG emission reductions, the ClimateSmart program will also require, as it has done with forestry, manure management, and landfill projects, all ODS projects to provide evidence that "but for" ClimateSmart program funds, the project that generates the Reserve-verified GHG emission reduction would not have occurred.

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<sup>10</sup> [http://ozone.unep.org/Meeting\\_Documents/workshop\\_on\\_ODS\\_banks/WORKSHOP-3-INF1E.pdf](http://ozone.unep.org/Meeting_Documents/workshop_on_ODS_banks/WORKSHOP-3-INF1E.pdf), p. 16, Table 1. Source: EPA (2002, 2006c), Arkansas DEQ (2002, 2006), Utah DEQ (2003), Illinois EPA (2003), Ohio EPA (2003, 2004), Virginia DEQ (2001), and ICF International calls to industry conducted in 2002, 2005, and 2006.

<sup>11</sup> The Reserve defines a qualifying destruction facility as any destruction facility that is regulated by U.S. EPA as a Resource Conservation and Recovery Act (RCRA)-permitted hazardous waste combustor (HWC). Non-RCRA permitted facilities may also be deemed qualifying destruction facilities if they meet the pertinent guidelines provided by the Montreal Protocol's Technology & Economic Assessment Panel (TEAP) *Report of the Task Force on Destruction Technologies*. [TEAP, Volume 3B: Report of the Task Force on Destruction Technologies (2002).]

<sup>12</sup> Reserve U.S. Ozone Depleting Substances Project Protocol, Section 6, page 32.

<sup>13</sup> *Ibid*, Section 3, page 10; the Performance Standard Test ensures that all projects exceed common practice.

<sup>14</sup> *Ibid*; the Legal Requirement Test ensures that the emission reductions achieved were not already required due to any international, federal, state or local regulations, or other legally binding mandates.

**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 **April 15, 2010**, which is 20 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  
E-mail: [jjj@cpuc.ca.gov](mailto:jjj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto: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:

Jane Yura  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-6520  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**Effective Date**

PG&E requests that this advice filing become effective on regular notice, **April 26, 2010**, which is 31 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 A.06-01-012. Address changes to the General Order 96-B service list

and electronic approvals should be sent to e-mail [PGETariffs@pge.com](mailto:PGETariffs@pge.com). Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Jane Yura /ent". The signature is written in a cursive style.

Vice President - Regulation and Rates

cc: Service List A.06-01-012

Attachments

## APPENDIX

### 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 greenhouse gas (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 (“Decision”).

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 emission reductions as future projects of interest.<sup>15</sup>

In the Decision, the CPUC agreed with PG&E that additional approved protocols would benefit the program “by mitigating the risks associated with an all-forestry offset program”<sup>16</sup>. Similar to methane projects (the reduction of which provides “significant environmental benefits” as the CPUC stated in the Decision<sup>17</sup>), the capture and destruction of ozone depleting substances are of particular interest, as the ozone-depleting substances range from several hundred to several thousand times more potent GHGs than carbon dioxide. The CPUC ordered PG&E to file an advice letter 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.<sup>18</sup>

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.”<sup>19</sup> Accordingly, in order for the ClimateSmart™ program to contract for ozone depleting substances 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.

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<sup>15</sup> A.06-01-012, page 2-6.

<sup>16</sup> D.06-12-032, Finding of Fact 12.

<sup>17</sup> Id., p. 41.

<sup>18</sup> Id., OP-30.

<sup>19</sup> CPUC Resolution G-3410, June 12, 2008, p. 3.

# 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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@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) #: **3106-G/3642-E**

**Tier: 2**

Subject of AL: **ClimateSmart™ Program Purchase of Verified Emission Reductions Under the U.S. Ozone Depleting Substances Project Reporting Protocol in Compliance With Decision 06-12-032**

Keywords (choose from CPUC listing): Contracts, 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<sup>1</sup>: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  
 No

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: **April 26, 2010**

No. of tariff sheets:

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<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

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**

**jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Jane K. Yura**

**Vice President, Regulation and Rates**

**77 Beale Street, Mail Code B10B**

**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                                    | Day Carter Murphy                           | Occidental Energy Marketing, Inc.                          |
| Alcantar & Kahl                          | Defense Energy Support Center               | OnGrid Solar   |
| Ameresco                                 | Department of Water Resources               | Praxair  |
| Anderson & Poole                         | Department of the Army                      | R. W. Beck & Associates                                    |
| Arizona Public Service Company           | Dept of General Services                    | RCS, Inc.  |
| BART                                     | Division of Business Advisory Services      | Recon Research   |
| BP Energy Company                        | Douglass & Liddell                          | SCD Energy Solutions                                       |
| Barkovich & Yap, Inc.                    | Downey & Brand                              | SCE  |
| Bartle Wells Associates                  | Duke Energy                                 | SMUD   |
| Bloomberg New Energy Finance             | Dutcher, John                               | SPURR  |
| Boston Properties                        | Economic Sciences Corporation               | Santa Fe Jets  |
| C & H Sugar Co.                          | Ellison Schneider & Harris LLP              | Seattle City Light   |
| CA Bldg Industry Association             | Foster Farms                                | Sempra Utilities   |
| CAISO                                    | G. A. Krause & Assoc.                       | Sierra Pacific Power Company                               |
| CLECA Law Office                         | GLJ Publications                            | Silicon Valley Power                                       |
| CSC Energy Services                      | Goodin, MacBride, Squeri, Schlotz & Ritchie | Silo Energy LLC  |
| California Cotton Ginners & Growers Assn | Green Power Institute                       | Southern California Edison Company                         |
| California Energy Commission             | Hanna & Morton                              | Sunshine Design  |
| California League of Food Processors     | International Power Technology              | Sutherland, Asbill & Brennan                               |
| California Public Utilities Commission   | Intestate Gas Services, Inc.                | Tabors Caramanis & Associates                              |
| Calpine                                  | Los Angeles Dept of Water & Power           | Tecogen, Inc.  |
| Cameron McKenna                          | Luce, Forward, Hamilton & Scripps LLP       | Tiger Natural Gas, Inc.                                    |
| Casner, Steve                            | MBMC, Inc.                                  | Tioga Energy   |
| Chamberlain, Eric                        | MRW & Associates                            | TransCanada  |
| Chris, King                              | Manatt Phelps Phillips                      | Turlock Irrigation District                                |
| City of Glendale                         | McKenzie & Associates                       | U S Borax, Inc.  |
| City of Palo Alto                        | Merced Irrigation District                  | United Cogen   |
| Clean Energy Fuels                       | Mirant                                      | Utility Cost Management                                    |
| Coast Economic Consulting                | Modesto Irrigation District                 | Utility Specialists  |
| Commerce Energy                          | Morgan Stanley                              | Verizon  |
| Commercial Energy                        | Morrison & Foerster                         | Wellhead Electric Company                                  |
| Consumer Federation of California        | NRG West                                    | Western Manufactured Housing Communities Association (WMA) |
| Crossborder Energy                       | New United Motor Mfg., Inc.                 | eMeter Corporation   |
| Davis Wright Tremaine LLP                | Norris & Wong Associates                    |  |
|  | North Coast SolarResources                  |  |