STATE OF CALIFORNIA
Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

August 7, 2015

Advice Letter 3575-G/4604-E

Ms. Meredith Allen
Senior Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Subject: Approval of Implementation Plan for the Sale of Low Carbon Fuel Standard (LCFS) Credits and Return of Revenue

Dear Ms. Allen:

Summary

The Energy Division has determined that PG&E's Advice Letter (AL) 3575-E/4604-G is in compliance with Decision (D.)14-12-083 and D.14-05-021 (LCFS Decisions) and is effective today.

Marin Clean Energy (MCE) protested AL 3575-G/4604-E. Energy Division finds that PG&E reasonably replied to MCE's concerns. Energy Division approves AL 3575-G/4604-E, as it complies with the LCFS Decisions.

Background

On March 18, 2015, PG&E filed AL 3575-G/4604-E pursuant to Ordering Paragraphs (OPs) 2 and 3 D.14-12-083 and to D.14-05-021, which directed the utilities to submit LCFS Implementation Plans to Energy Division for approval.

Protests

MCE filed a Protest to the AL on April 7, 2015. MCE protested seven elements of PG&E's LCFS Implementation Plan, listed below:

1. Uncertainty in the rebate amount
2. Duration of the Program Periods
3. Selection of a credit revenue return mechanism
4. Marketing, Education, and Outreach
5. Interactions with Plug-In Electric Vehicle (PEV) customers
6. Direct metering of PEV energy use
7. PG&E's election as a Regulated Party for Non-Residential Customers

MCE requested that Energy Division instruct PG&E to refile a more detailed proposal that ensures no anti-competitive impacts for Community Choice Aggregators (CCAs) and includes non-residential PEV load. PG&E filed a Reply to the Protest on April 14, 2015.

Discussion

Energy Division discusses the protests and replies below.

1. Uncertainty in the rebate amount

MCE is concerned that the rebate is dependent on the actual number of PEV driver participants, which could create a variable rebate amount. PG&E replied that the rebate amount is fixed because it is calculated as the net revenue divided by an expected number of participants.

Energy Division agrees with PG&E's approach and will review the forecasted rebate amount in the September 2015 AL.

2. Duration of the Program Periods

MCE expressed concern that an undefined duration for the Program Period risks customer confusion or market manipulation and requests a more rigid timeframe. In its response, PG&E states that the Program Period may be modified in subsequent year and suggests the possibility of having multiple Program Periods for a given year, as PG&E gains experience in operations.

The Commission's LCFS Decisions permits the utilities flexibility given limited experience in transacting within the Credit market and implementing the program thus far. Energy Division agrees with PG&E's approach to define the Program Period in the subsequent AL.

3. Selection of a Credit Revenue Return Mechanism

MCE recommends the prohibition of an on-bill credit due to the potential disruption of MCE's revenues. PG&E replies that the on-bill credit was permitted by D.14-12-083 and that they will work with MCE to minimize any disruptions. Energy Division agrees with PG&E's reply. As proposed, a PEV owner would only receive one rebate per PEV and the rebate would not necessarily appear as an on-bill credit.

Energy Division instructs PG&E to coordinate an on-bill credit (if chosen) with MCE using lessons from the implementation of the semi-annual residential California Climate Credit.

4. Marketing, Education, and Outreach

MCE warns that PG&E would exploit the lack of public awareness about the LCFS Program in broad and targeted marketing efforts that are detrimental to MCE. MCE recommends using Energy Upgrade California for broad efforts and ensuring that PG&E complies with Senate Bill 790 and the CCA Code of Conduct for targeted efforts.

There is no basis for MCE's assertions. PG&E describes that it will work with MCE to market the LCFS rebate in a competitively-neutral manner as a State of California program.[1] The LCFS Decisions require administrative costs, which include educational expenses, to be funded by credit revenue in a manner consistent with the guidelines in D.11-07-029. PG&E's plan is consistent with this requirement. Energy Division agrees with PG&E that annual reporting will enable the Commission to review its compliance with these restrictions.

5. Interactions with PEV customers

MCE claims that PG&E squanders the opportunity to begin an ongoing relationship with participants in the LCFS Program. In its response, PG&E states that the one-time rebate, which was authorized in D.14-12-083, does not preclude them from engaging with customers.

Energy Division agrees with PG&E because the LCFS credit return mechanisms were selected to encourage prompt utility notification to minimize grid impacts. Further, development of the return mechanism and working with customers to minimize PEV impacts will continue to be an ongoing collaborative effort among the utilities.[2]

6. Direct metering of PEV energy use

MCE criticizes the share of separate PEV metering utilized to derive the rebate amounts and recommends using LCFS revenue to fund submeters.

Energy Division agrees with PG&E's reply that cites to D.14-12-083. The Decision disallowed the use of LCFS revenue to subsidize charging equipment because it failed to meet the ARB requirement to directly benefit drivers and the CPUC policy objective to equitably return revenue. Energy Division notes that PG&E, Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E) are currently implementing PEV Submetering Pilots pursuant to D.13-11-002.

7. PG&E's election as a Regulated Party for Non-Residential Customers

MCE criticizes PG&E's decision to not opt-in as a Regulated Party on behalf of non-residential PEV customers. ARB's regulation allows the Electric Distribution Utility to transact in the LCFS market in place of fleet operators, business owners, or Electric Vehicle Service Providers (the entities that are the default credit generators from non-residential PEV charging) in the event that they do not choose to become a Regulated Party. MCE recommends that the Commission direct PG&E to act on their behalf since they are already a Regulated Party.

PG&E replies that they currently do not plan to opt-in on behalf of those customers since ARB regulations permit other entities to opt-in. PG&E recommends that MCE provide education and guidance on the LCFS to these parties.

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[1] AL at 17-18 and in compliance with D.14-12-083 at 36-37.

[2] See Assessment Report for PEV Notification pursuant to D.11-07-029 and R.13-11-007.

Section 4.6.7 of D.14-12-083 affords PG&E the option to opt-into the LCFS regulation on the non-residential entities' behalf when they do not. This section, consistent with the primary objective to encourage Alternative Fuel Vehicle adoption[3] and the recognition that LCFS credits are useful to minimize the social cost of alternative fuels and transportation[4], grants utilities an additional opportunity to maximize electricity credit generation. Electricity credits comprise less than 3% of the cumulative LCFS market volume of credits.[5]

It is possible that the potential credit revenue generated by an individual non-residential customer does not sufficiently cover the customer's administrative cost of transacting in the LCFS regulation —a key concern identified in the LCFS Decisions. To overcome this barrier, SCE will assist a fleet customer in market transactions and return credit revenue to improve the value of its vehicle electrification effort.[6] Energy Division strongly encourages PG&E to conduct similar engagements with non-residential customers within the existing authorities granted in D.14-12-083 to achieve the objectives of the LCFS Program.

Disposition

Energy Division reviewed the protests and replies as discussed above. PG&E's proposed Low Carbon Fuel Standard Implementation Plan (Advice Letter 3575-G/4604-E), and its response to the protest of MCE are reasonable. Energy Division approves Advice Letter 3575-G/4604-E and requests that PG&E begin implementing its proposed LCFS Program immediately.

Sincerely,

Edward Randolph
Director, Energy Division
California Public Utilities Commission

cc: Jeremy Waen, Marin Clean Energy
Noel Crisostomo, Energy Division
Melicia Charles, Energy Division

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[3] D.14-12-083 at 23.
[4] D.14-05-021 at 11-12.
[5] http://www.arb.ca.gov/fuels/lcfs/media_request_072015.xlsx
[6] SCE Advice Letter 3194-E at 14-15 and Resolution E-4595.

Pacific Gas and Electric Company

Meredith Allen
Senior Director
Regulatory Relations

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

Fax: 415.973.7226

March 18, 2015

Advice 3575-G/4604-E
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Implementation Plan for the Sale of Low Carbon Fuel Standard Credits and Return of Revenue

Purpose

Pursuant to Ordering Paragraphs (OP) 2 and 3 of Decision (D.) 14-12-083 and OPs 2 and 3 of D.14-05-021, Pacific Gas and Electric Company (PG&E) hereby submits its proposal for the sale of Low Carbon Fuel Standard (LCFS) credits and return of revenue to eligible electric and natural gas customers ("Implementation Plan"), set forth in enclosed Attachment A, and revisions to PG&E's electric and natural gas tariffs to track and record LCFS credit revenues, set forth in enclosed Attachments B and C.

Background

Under the California Air Resources Board's (ARB) current LCFS regulation,[1] providers of alternative fuels with carbon intensities that meet the LCFS program targets are eligible to voluntarily opt-in to the LCFS program to generate LCFS credits.[2] Electric distribution utilities[3] that choose to opt-in to the LCFS program act as proxy regulated entities on behalf of their customers and receive LCFS credits for electricity supplied through residential electric vehicle (EV) charging equipment.[4] Natural gas utilities that choose to opt-in to the LCFS program and own fueling stations at which fossil compressed natural gas (CNG) is dispensed to vehicles for transportation use will receive LCFS credits for fueling by public customers and their own vehicle fleets.[5]

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[1] 17 CCR § 95480 et seq.
[2] 17 CCR § 95482.
[3] 17 CCR § 95484(a)(6)(A), p.35, states that "For transportation fuel supplied through electric vehicle (EV) charging equipment in a single or multi-family residence, the Electrical Distribution utility is eligible to opt-in as the regulated party in their service territory." 17 CCR § 95481(a)(23), p.12, states that "Electrical Distribution Utility" means an entity that owns or operates an electrical distribution system.
[4] *See* D.14-12-083, p.6.
[5] *See* D.14-12-083, p.6.

On March 24, 2011, the Commission opened Rulemaking (R.) 11-03-012 to address various issues related to greenhouse gas (GHG) emissions. Track 2 of R.11-03-012 addresses the use of revenues that electric and natural gas utilities (collectively, "IOUs") may receive from the sale of LCFS credits pursuant to ARB's LCFS regulation.

On May 19, 2014, the Commission issued D.14-05-021, which authorizes the IOUs to sell LCFS credits and establishes the criteria and reporting requirements for the sale of these credits, pursuant to Public Utilities Code Section 853(b).[6] Additionally, the Commission directed the utilities that have opted-in to the LCFS program and wish to sell LCFS credits to file, after issuance of a subsequent decision, a Tier 2 Advice Letter (AL) to propose their upfront standards and plans to sell LCFS credits, as well as the policies to return the revenue to customers. Upon approval of the Tier 2 AL, the IOUs may begin selling LCFS credits and recover associated costs from the sales revenue.[7]

On December 18, 2014, the Commission issued D.14-12-083, which approves the IOUs' use of several different revenue return methods to return revenue from the sale of LCFS credits. For electric utilities, the Commission authorized use of either a one-time or annual rebate, or a combination of both.[8] For natural gas utilities, the Commission authorized use of a reduction in the fuel price at utility-owned natural gas fueling stations or a credit applied to the customer's utility bill.[9] The Commission modified the requirements set forth in D.14-05-021[10] and required the IOUs to submit a Tier 2 AL containing an Implementation Plan describing the IOUs' plans for the sale of LCFS credits and return of revenue in accordance with the Tier 2 AL filing requirements set forth in Appendix A of D.14-12-083.[11] The Tier 2 AL must be approved prior to commencement of the sale of LCFS Credits and the recovery of associated costs from the sales revenue.[12]

Implementation Plan

PG&E's Implementation Plan covers both the sale of LCFS credits and return of revenue to eligible electric and natural gas customers, in accordance with the Tier 2 AL filing requirements set forth in Appendix A of D.14-12-083, and is enclosed in Attachment A of this filing.

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[6] D.14-05-021, Ordering Paragraph 1.
[7] D.14-05-021, Ordering Paragraphs 1, 6.
[8] D.14-12-083, Ordering Paragraph 1.
[9] D.14-12-083, Ordering Paragraph 2.
[10] D.14-12-083, p.32.
[11] D.14-12-083, Ordering Paragraphs 2, 3.
[12] D.14-05-021, Ordering Paragraphs 1, 6.

Tariff Revisions

PG&E submits for filing revisions to its electric and natural gas tariffs, as follows. These revisions are included in Attachments B and C, respectively.

1. Revision to Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account (GHGRBA)

PG&E requests the Commission's authority to create a subaccount within the Greenhouse Gas Revenue Balancing Account (GHGRBA) to track the electric portion of the proceeds from the sale of consigned LCFS credits. The GHGRBA was established in AL 4181-E to track the electric portion of the sale of proceeds of consigned GHG allowances, in accordance with D.12-12-033.[13]

Since the nature and accounting of the transactions for LCFS credits and GHG allowances are similar, PG&E proposes two subaccounts in the GHGRBA. One subaccount will be used to record amounts associated with the electric revenue return from the Cap-and-Trade Program, as established in D.12-12-033. The second subaccount will be used to track and record the electric portion of the proceeds from the sale of consigned LCFS credits, any approved program costs, and the LCFS revenues returned to electric customers, as authorized in D.14-05-021. The two subaccounts will be distinct, and accounting procedures and controls will ensure that the revenues and costs are kept distinct as well.

The proposed preliminary statement for the GHGRBA is enclosed in Attachment B of this filing.

2. Revision to Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)

PG&E requests Commission's authority to create a subaccount within the Gas Programs Balancing Account (GPBA) to track the natural gas portion of the proceeds from the sale of consigned LCFS credits. The GPBA was established in AL 3551-G to record costs, adopted amounts, and revenues associated with natural gas programs in which both core and noncore customers participate, in accordance with D.14-12-040.

PG&E proposes to create an additional subaccount in the GPBA to track and record the natural gas portion of the proceeds from the sale of consigned LCFS credits, any approved program costs, and the LCFS revenues returned to natural gas customers, as authorized in D.14-05-021.

The proposed preliminary statement for the GPBA is enclosed in Attachment C of this filing.

[13] AL 4181-E was approved by the Commission on March 1, 2013.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than April 7, 2015, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Meredith Allen
Senior Director, 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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this advice filing become effective on regular notice, April 17, 2015 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 on the service list for R.11-03-012. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs

/S/

Meredith Allen
Senior Director, Regulatory Relations

Attachment A: Implementation Plan of Pacific Gas and Electric Company for the Sale of Low Carbon Fuel Standard Credits and Return of Revenue

Attachment B: Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account (GHGRBA)

Attachment C: Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)

cc: Service List R.11-03-012

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:	Contact Person: Jennifer Wirowek
☑ ELC ☑ GAS	Phone #: (415) 973-1419
☐ PLC ☐ HEAT ☐ WATER	E-mail: J6ws@pge.com and PGETariffs@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) #: **Advice 3575-G/4604-E** **Tier: 2**

Subject of AL: **Implementation Plan for the Sale of Low Carbon Fuel Standard Credits and Return of Revenue**

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 #: N/A

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: **April 17, 2015** No. of tariff sheets: **9**

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: Electric Preliminary Statement Part GB, *Greenhouse Gas Revenue Balancing Account (GHGRBA)* and Gas Preliminary Statement Part DH, *Gas Programs Balancing Account (GPBA)*

Service affected and changes proposed: **See Attachments B and C**

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:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Meredith Allen
Senior Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

ATTACHMENT A

Implementation Plan of Pacific Gas and Electric Company for the Sale of Low Carbon Fuel Standard Credits and Return of Revenue

IMPLEMENTATION PLAN OF PACIFIC GAS AND ELECTRIC COMPANY FOR THE SALE OF LOW CARBON FUEL STANDARD CREDITS AND RETURN OF REVENUE

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IMPLEMENTATION PLAN OF PACIFIC GAS AND ELECTRIC COMPANY FOR THE SALE OF LOW CARBON FUEL STANDARD CREDITS AND RETURN OF REVENUE

I. EXECUTIVE SUMMARY

Pacific Gas and Electric Company (PG&E) presents the following Implementation Plan for the sale of Low Carbon Fuel Standard (LCFS) credits and return of associated revenue to eligible electric and natural gas customers.

- <u>LCFS Credit Sales Procedures and Requirements</u>. The Commission authorized PG&E to sell LCFS credits according to the parameters and restrictions contained in D.14-05-021, beginning upon the Commission's approval of this Advice Letter filing. PG&E will comply with the restrictions adopted by the Commission in D.14-05-021, including the requirement to only sell LCFS credits in amounts already in its account with the California Air Resources Board (ARB). PG&E will select brokers registered with the Commodity Futures Trading Commission and will employ its standard credit and collateral requirements. Given the nascent state of the LCFS credit market, PG&E does not propose limits on the transactional length of LCFS credit sales. PG&E expects to sell LCFS credits over time at market prices to avoid trying to time the market.

- <u>Balancing Account</u>. PG&E proposes to create electric and natural gas LCFS revenues subaccounts in its existing Greenhouse Gas Revenue Balancing Account (GHGRBA) and Gas Programs Balancing Account (GPBA), respectively, to track and record the proceeds from the sale of consigned LCFS credits, any approved program costs, and the LCFS revenues returned to customers, as described in further detail in *Attachment B: Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account (GHGRBA)* and *Attachment C: Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)*.

- <u>Electric Revenue Return</u>. PG&E proposes returning revenue through a one-time rebate to its customers that own a qualifying electric vehicle (EV). PG&E will conduct marketing efforts to inform eligible customers of rebate availability. To receive a rebate, EV owners must apply for the rebate and provide proof of vehicle ownership. Each rebate recipient will be paid a uniform rebate amount and payments will be made as applications are received and verified. PG&E anticipates beginning distributing rebates to its EV customers in the third quarter of 2016.

- <u>Gas Revenue Return</u>. PG&E proposes returning revenue through an annual on-bill rebate to its customers that fuel their vehicles at PG&E-owned compressed natural gas (CNG) fueling stations. All CNG fuel customers will be eligible for the rebate and will not have to apply to receive it. Each rebate recipient will be paid a rebate amount based on the amount of CNG fuel they consumed. PG&E

anticipates beginning distributing rebates to its CNG fuel customers in the third quarter of 2016.

II. LCFS CREDIT SALES PROCEDURES AND REQUIREMENTS (1; 2; 3)[1]

The Commission authorized electric and natural gas utilities that voluntarily participate in the LCFS regulation to sell LCFS credits according to the parameters and restrictions set forth in D.14-05-021, beginning upon the Commission's approval of this Advice Letter filing.[2]

PG&E provides the following information regarding its plans for the sale of LCFS credits pursuant to Items 1 through 3 of *Appendix A: Tier 2 Advice Letter Filing Requirements in D.14-12-083*, as well as information requested in the discussion sections of D.14-12-083.

A. Proposed Limits and Timing of LCFS Credit Sales (1)

PG&E agrees that the limitations set by the Commission in D.14-05-021 appropriately balance sufficient safeguards for customers with flexibility appropriate for the relatively-new LCFS credit market. PG&E plans to sell LCFS credits in amounts up to the maximum amount it has in its account at the California Air Resources Board (ARB).[3] While PG&E may enter into forward contracts for the sale of credits, those sales will be contingent on the credits being in PG&E's account at the time of sale, as PG&E does not plan to sell short credits it does not own.

PG&E does not currently have any basis to assign a limit on the number of credits it would sell at any given time. PG&E understands that LCFS credit trades are currently typically for relatively small volumes (a few hundred to a few thousand credits), and that large volume trades may influence the market. PG&E's plans to begin LCFS credit sales shortly after final Commission approval of this Tier 2 Advice Letter (AL) authorizing such sales.[4] PG&E expects to sell LCFS credits over time at market prices to avoid trying to time the market.

PG&E has no basis at this time to propose any limitations on the transactional length of LCFS credit sales. Entering into fewer, longer term transactions with creditworthy buyers for forward sales at market prices may be a preferred outcome in order to reduce administrative burden and transaction costs.

Therefore, PG&E requests Commission approval to sell LCFS credits as described in this Tier 2 AL, at market prices, and for these transactions to be deemed per se reasonable.

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[1] Parenthetical numbers correspond to items requested by the Commission in *Appendix A: Tier 2 Advice Letter Filing Requirements* of D.14-12-083.

[2] D.14-05-021, Ordering Paragraph 1.

[3] D.14-05-021, *Appendix A: Parameters and Restrictions on the Sale of Low Carbon Fuel Standard Credits* ("A utility may sell no more than the LCFS credits that have been provided at any point in time by ARB per LCFS regulations.").

[4] In the event the Commission approves PG&E's Advice Letter with modifications, it is possible that commencement of credit sales could be delayed.

B. Broker Selection Process (2)

PG&E will only consider brokers registered with the Commodity Futures Trading Commission as directed by the Commission.[5] In selecting brokers, PG&E will have a preference for brokers that have a track record of participating in environmental markets, particularly in California, can help PG&E better understand market supply and demand dynamics, and provide PG&E a competitive rate for their services.

Several of the approved brokers in PG&E's Bundled Procurement Plan also participate in the LCFS credit market. PG&E anticipates primarily utilizing these brokers for its LCFS credit sales. PG&E may also identify additional brokers for LCFS credit sales and will follow its standard process for broker selection.

C. Credit and Collateral Requirements (3)

PG&E expects to follow its standard credit and collateral processes when transacting LCFS credits.

[5] D.14-05-021, *Appendix A: Parameters and Restrictions on the Sale of Low Carbon Fuel Standard Credits*.

III. BALANCING ACCOUNTS (4)

The Commission authorized electric and natural gas utilities selling LCFS credits to establish balancing accounts to track LCFS credit revenue.[6] PG&E is proposing to create electric and natural gas LCFS revenues subaccounts in its existing Greenhouse Gas Revenue Balancing Account (GHGRBA) and Gas Programs Balancing Account (GPBA), respectively.[7] The purpose of these subaccounts is to track and record the proceeds from the sale of consigned LCFS credits, any approved program costs, and the LCFS revenues returned to customers.

PG&E's proposed changes to these balancing accounts are included in Attachments B and C. The filing would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

[6] D.14-05-021, Ordering Paragraph 7.

[7] *See Attachment B: Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account - Electric*; *Attachment C: Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)*.

IV. LCFS REVENUE RETURN FORECAST (5)

PG&E provides the following forecast of PG&E's 2015 LCFS revenue return program activities, including forecasts of the revenues from the sale of LCFS credits, the number of rebate recipients, the amount of revenue to be distributed, and the amount of any balancing account true-ups.[8] Pursuant to Ordering Paragraph 5 of D.14-12-083, PG&E will submit by September 30, 2015 a Tier 2 AL providing a forecast of LCFS revenue return program activities for 2016 for approval by the Commission.

A. Revenue

PG&E's gross revenue for the sale of LCFS credits will be equal to the quantity of LCFS credits sold multiplied by the price paid for the credits.

B. LCFS Credit Prices

Prices in the LCFS credit market are currently established through over-the-counter (OTC) markets, as there are no existing exchanges for these products. From the inception of the LCFS program in January 2011 through the present, ARB has reported LCFS credit prices ranging from $10[9] to $85[10] per credit. Currently, LCFS credit prices are approximately $22 per credit.[11] Many industry participants do not expect a "major change in market pricing" during 2015.[12] Moreover, regulatory uncertainty as a result of forthcoming changes in the LCFS regulation (as ARB moves forward with the re-adoption of an updated LCFS regulation) introduces additional price uncertainty. Market uncertainty, combined with uncertainty related to the number of LCFS credits PG&E will earn and sell in 2015 (described below), make it difficult for PG&E to accurately predict revenues from sales of LCFS credits in 2015.

C. Electric Credits

The number of LCFS credits that PG&E expects to generate from the use of electricity as a transportation fuel ("Electric Credits") is largely dependent on assumptions about the number of EVs in PG&E's service territory. Because the adoption rate of EVs cannot be predicted with certainty and is influenced by factors

[8] Pursuant to D.14-12-083 and direction from Energy Division, PG&E is only providing a forecast of revenue return activities for 2015 in this Implementation Plan. However, in the sections below, PG&E provides a forecast of 2015 *and* 2016 administrative costs in this filing, pursuant to the Commission's direction. (D.14-12-083, pp.44-45). PG&E intends to provide updated 2015 figures as well as a forecast for 2016 in the annual forecast filing to be submitted to the Commission by September 30, 2016, pursuant to Ordering Paragraph 5 of D.14-12-083.

[9] *See* ARB, 2012 LCFS Reporting Tool (LRT), Quarterly Data Summary – Report No. 4, available at http://www.arb.ca.gov/fuels/lcfs/lrtqsummaries.htm.

[10] *See* ARB, Monthly LCFS Credit Trading Activity Reports for March 2014, June 2014, and August 2014, available at http://www.arb.ca.gov/fuels/lcfs/lrtmonthlycreditreports.htm.

[11] Argus Media, Argus Air Daily (Feb 27, 2015).

[12] Argus Media, "California LCFS: Lower trades after bids pull back" (Feb. 27, 2015).

outside of PG&E's control, the actual number of Electric Credits PG&E generates in any given period is likely to differ from its forecasted figures.

D. Gas Credits

The number of LCFS credits that PG&E generates from the use of natural gas as a transportation fuel ("Gas Credits") in any period is determined by the amount of CNG dispensed for vehicle fueling at PG&E's CNG stations, which has grown relatively steadily over time. PG&E's vehicle CNG fuel demand, and thus future Gas Credits generated, can be reasonably estimated for 2015, assuming no significant change in market factors regarding the number of CNG vehicles fueling at PG&E's stations and their fuel consumption.

E. 2015 LCFS Revenue Forecast

An annual forecast of the revenues from the sale of LCFS credits, a forecast of the number of customers receiving revenues and the amounts to be disbursed, and balancing account true-ups for 2015 are discussed below.

PG&E's annual forecast includes the following assumptions:

- PG&E will sell a portion of the LCFS credits it holds during 2015. PG&E does not plan to immediately sell all of the credits it holds for the following reasons:
  - PG&E has no experience in the LCFS credit market and expects to gain that experience over time.
  - Offering large quantities of credits into the LCFS credit market in a short period of time[13] can depress market prices.
  - PG&E is generally considering selling any credits it holds or newly earns over a period of a few months to minimize the effects of price volatility and to reduce the risk of market gaming.
- PG&E will begin to implement any aspects of its electricity and gas revenue return programs that require funding (i.e., IT infrastructure, marketing, rebate processing operations, etc.) in early 2016 once it has received revenue from the sale of credits.
- No customers will receive rebates in 2015.

[13] PG&E anticipates that Commission approval of this Advice Letter and authorization of PG&E and the other IOUs to sell LCFS credits would occur no earlier than the September to October 2015 timeframe, leaving approximately three months in 2015 for the IOUs to simultaneously sell credits.

Table 1 – 2015 Forecast of LCFS Credit Sales and Revenue Return Program

Electric Revenue Return	2015	Comments
Account balance at beginning of year	$ 0	
Revenue from LCFS credit sales	$ 1,555,000	Incorporates PG&E's confidential assumptions on the number of credits sold and credit prices.[14]
Administrative costs	$ 0	No incremental administrative costs expected to be incurred in 2015
Amount of revenue disbursed via rebates	$ 0	No rebates to be distributed to customers in 2015
Net revenue at end of year carried over to next year (2016)	$ 1,555,000	Amount carried over to 2016
Gas Revenue Return	**2015**	**Comments**
Account balance at beginning of year	$ 0	
Revenue from LCFS credit sales	$ 588,000	Incorporates PG&E's confidential assumptions on the number of credits sold and credit prices.[15]
Administrative costs	$ 0	No incremental administrative costs expected to be incurred in 2015
Amount of revenue disbursed via rebates	$ 0	No rebates to be distributed to customers in 2015
Net revenue at end of year carried over to next year (2016)	$ 588,000	Amount carried over to 2016

PG&E will provide to the Commission, upon request, its assumptions regarding these revenue forecasts, including its estimates of the number of credits sold and assumed credit prices, subject to an appropriate protective order.

[14] For the purpose of the forecasts provided in this filing, broker commission amounts are considered to be *de minimis* relative to the price of Electric Credits. As such, PG&E's expectation of revenues from the sale of Electric Credits as presented here is net of broker commissions

[15] For the purpose of the forecasts provided in this filing, broker commission amounts are considered to be *de minimis* relative to the price of Gas Credits. As such, PG&E's expectation of revenues from the sale of Gas Credits as presented here is net of broker commissions.

V. REVENUE RETURN TO ELECTRIC CUSTOMERS (6)

PG&E provides the following information regarding its plans for the return of revenue to eligible electric customers pursuant Item 6.a through 6.i of *Appendix A: Tier 2 Advice Letter Filing Requirements* in D.14-12-083, as well as information requested in the discussion sections of D.14-12-083.

A. Overview of Revenue Return to Electric Customers (6)

As described in more detail in the sections below, PG&E proposes to return revenue from the sale of Electric Credits generated from fueling qualifying electric vehicles (EVs), through a one-time rebate[16] to qualifying residential electric customers, based on ownership of a qualifying EV.

PG&E provides the following description of its proposal to return revenue from the sale of Electric Credits to eligible customers:

- <u>Generation of Credits</u>. As an electric distribution utility, PG&E has voluntarily opted-in to the LCFS program on behalf of residential customers in its service territory and, under the current LCFS regulation, receives LCFS credits from ARB based on those customers' use of electricity as a transportation fuel from charging qualifying EVs using PG&E's electricity service.[17] PG&E currently has Electric Credits based on its participation in the LCFS program since 2011 and receives Electric Credits from ARB regularly[18] based on actual and estimated EV energy consumption data submitted by PG&E to ARB.

- <u>Electric Eligible Customers</u>. "Electric Eligible Customers" are individuals who own a qualifying EV during the program. Ownership is established by the individual who has paid the vehicle registration that is current at the time of the rebate application. This includes individuals who purchased the qualifying EV prior to the launch of the LCFS revenue return program, as well as individuals who purchase a new or used qualifying EV during the program. Each EV, as identified by its vehicle identification number (VIN), will only receive one rebate during this program. While a customer may be eligible for the rebate, they may not qualify for a rebate if a prior owner has already claimed it for their vehicle.

- <u>Qualification</u>. In order to qualify to receive Electric Revenue, Electric Eligible Customers must provide PG&E with a current vehicle registration for a qualifying EV with an address that corresponds to an address on the customer of record's account. Qualifying EVs are those vehicle models that ARB includes in its numerical estimation of EVs used for the purpose of generating Electric Credits.

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[16] D.14-12-083, OP 1

[17] Section 95482; D.14-12-083, p.6.

[18] PG&E typically earns Electric Credits from ARB quarterly for separately-metered residential EV fueling and semi-annually for estimated residential EV fueling.

- Total Electric Revenue. Pending the Commission's approval of this Advice Letter, PG&E intends to sell Electric Credits it currently owns as well as Electric Credits it receives in the future from ARB. PG&E's gross revenue from the sale of Electric Credits will be equal to the quantity of LCFS credits sold multiplied by the price paid for the credits. PG&E plans to calculate the total amount of revenue available to be distributed to recipients based on gross revenue from the sale of Electric Credits, less any approved program costs and contingencies[19] ("Electric Revenue").

- Balancing Accounts. Pursuant to the Commission's authorization in D.14-05-021, PG&E proposes to create a subaccount in its existing Greenhouse Gas Revenue Balancing Account (GHGRBA) to track and record the proceeds from the sale of consigned LCFS credits, any approved program costs, and the LCFS revenues returned to customers.[20] PG&E's proposed change to this balancing account is included in *Attachment B: Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account (GHGRBA)*.

- Electric Rebate Amount. In a given Program Period[21], PG&E plans to provide a uniform rebate amount of Electric Revenue to each individual who qualifies to receive the rebate ("Electric Recipients"). PG&E plans to determine and publicize upfront the rebate amount for a given Program Period. Rebates from Electric Revenue will be distributed to Electric Recipients as Electric Eligible Customers submit applications and PG&E processes and verifies application information. PG&E may choose to modify the rebate amount during the program's duration based on then-existing LCFS market conditions and PG&E's estimates of administrative costs of the program at the time.[22] PG&E will provide a summary of the rebate calculation and its components to the Commission in its September 2015 annual forecast filing required by Ordering Paragraph 5 of D.14-12-083.

- Method of Distribution. At this time, PG&E is still considering the administrative costs and customer experience associated with different methods of delivering rebates and has not finalized the method that it intends to use to deliver rebates to Electric Recipients. PG&E requests that the Commission preserve the flexibility it

[19] A contingency amount could be deducted from total available Electric Revenue to mitigate the risk of actual revenues being lower than expected, and/or the administrative costs and/or the number of applicants being significantly higher than expected.
[20] D.14-05-021, Ordering Paragraph 7
[21] A "Program Period" is the time period that corresponds to a given customer rebate amount determined by PG&E. PG&E currently plans to use a one-year Program Period to forecast the total amount of Electric Revenue available to be distributed and the rebate amount to be distributed to each Electric Eligible Customer, as described in more detail in Section V.D below.
[22] Note that the administrative costs inversely affect the net electric rebate amount. Since administrative costs are to be recovered from the revenue associated with the sales of LCFS credits (D.14-05-021, Ordering Paragraph 6), higher program administrative costs (e.g. from increased marketing activities) reduce the revenues available to be returned to eligible recipients.

granted in D.14-12-083 for utilities to choose from a range of distribution methods, including check, other cash equivalent (e.g. pre-paid debit cards), or on-bill credit.[23] PG&E intends to inform the Commission of its chosen rebate delivery method in its September 2015 annual forecast filing.

- Timing. At this time, PG&E anticipates its first distribution of rebates from Electric Revenue to Electric Recipients in the third quarter of 2016. This target date is based on allowing sufficient time for approval of the Implementation Plan by the Commission, subsequent sales of LCFS credits, implementation of rebate processing procedures, and marketing and outreach to Electric Eligible Customers as shown in Table 2 below.

B. Generation of Electric Credits (6.a)

As an electric distribution utility, PG&E has voluntarily opted-in to the LCFS program on behalf of its customers that charge their EVs through residential EV charging equipment in its service territory. Under the current LCFS regulation, PG&E receives LCFS credits from ARB based on those customers' use of transportation fuels with carbon intensities below ARB's targets.[24]

The ARB calculates the number of LCFS credits generated for a given quantity of electricity consumed as a transportation fuel and deposits those credits into PG&E's LCFS account. PG&E does not independently determine the number of LCFS credits generated by its customers, either individually or in the aggregate, and only reports electricity fuel volumes to ARB.

On a quarterly basis, PG&E submits EV energy consumption information to ARB for the purpose of calculating and generating LCFS credits. The information PG&E submits includes both:

- Actual EV energy consumption for separately-metered EV charging in PG&E's service territory, based on actual metered data from PG&E's separately-metered EV rates that are active in any given LCFS quarterly reporting period[25] for residential EV charging (collectively, "Separately-Metered EV Rates")[26]; and

[23] D.14-12-083, Ordering Paragraph 1, Conclusion of Law 6, p.35; Southern California Edison Company's (U 338-E) Opening Comments on Proposed Decision Adopting Low Carbon Fuel Standard Revenue Allocation Methodology for the Investor-Owned Electric and Natural Gas Utilities (Dec. 8, 2014), p.2; Reply Comments of Pacific Gas and Electric Company (U 39 M) on the Proposed Decision Adopting Low Carbon Fuel Standard Revenue Allocation Methodology for the Investor-Owned Electric and Natural Gas Utilities (Dec. 15, 2014), p.1.
[24] 17 CCR §§ 95483; 95485; D.14-12-083, p.6.
[25] Currently, the active separately-metered EV rates are E9-B and EV-B.
[26] Note that some.

- Estimates of EV energy consumption for the remaining portion of residential EV charging in PG&E's service territory that is not included in PG&E's Separately-Metered EV Rates, based on an ARB-approved estimation methodology.[27]

Use of both actual and estimated data is necessary to more accurately reflect the EV energy consumption in PG&E's service territory because PG&E's Separately-Metered EV Rates account for only a small portion of the total EV energy consumption, as recognized by the Commission.[28]

PG&E reports EV energy consumption to ARB based on the marginal electricity carbon intensity (CI) included in the ARB regulation.[29]

As described in greater detail in Section V.D below, PG&E will be providing rebates from Electric Revenue in uniform amounts to EV owners. These amounts will be independent of any individual customer's electricity usage, including customers for which PG&E has actual metered data.

C. Electric Recipients (6.b; 6.c; 6.f; 6.i)

1. Eligibility

Under PG&E's proposal, Electric Eligible Customers are residential customers in PG&E's service territory who, during PG&E's revenue return Program Period, own or lease an EV model that ARB includes in its estimate of the number of EVs.[30] This includes individuals who purchased the qualifying EV prior to the launch of PG&E's revenue return program, as well as individuals who purchase a qualifying EV during the Program Period.

Each qualifying EV will only be eligible to receive one rebate over the life of the vehicle. Once a rebate has been assigned to a vehicle, that vehicle will no longer be eligible for a rebate, regardless of a change in ownership. Similarly, PG&E will not distinguish whether the vehicle was purchased new or used; current ownership of a qualifying EV with a vehicle registration address shown on the customer of record's

[27] The portion of residential EV charging that is not included in PG&E's Separately-Metered EV Rates includes both (1) EV customers on EV rates that are not separately metered, (i.e. E9-A and EV-A) and (2) EV customers that are not on EV rates. Pursuant to 17 CCR § 95484(c), in situations in which direct metering for electricity dispensed to vehicles has not been installed, the regulated party may report the total electricity dispensed using another method that is substantially similar to the use of direct metering. The California Electric Transportation Coalition has proposed and received ARB approval of an estimation methodology for reporting electricity transportation fuel for the period of 2011 to 2014.

[28] D.14-12-083, Finding of Fact 7.

[29] 17 CCR § 95486(b), Table 6: Carbon Intensity Lookup Table for Gasoline and Fuels that Substitute for Gasoline at p.64.

[30] PG&E will not differentiate between purchased and leased vehicles. All references to vehicle ownership in the Implementation Plan also include leased vehicles.

account in PG&E's service territory at the time of application is the criteria for qualification.

The EV owner, for the purposes of this program, is established as the individual who paid the registration that is current at the time of the rebate application. Individuals who previously owned a qualifying EV prior to the revenue return program but no longer own the vehicle are not eligible to receive a rebate from Electric Revenue. Instead, a current owner who applies for the rebate during the Program Period would receive the rebate for the vehicle.

PG&E has only opted-in to the LCFS program on behalf of residential customers and does not currently plan to opt-in to become the LCFS regulated party on behalf of customers using non-residential charging, including those using publicly accessible EV charging, workplace charging and commercial fleet charging. At this time, PG&E does not intend to distribute any portion of Electric Revenue to other parties, such as auto dealers.

2. Identification of Electric Eligible Customers

In order to receive a rebate from Electric Revenue, Electric Eligible Customers must apply for the rebate. As described in Section IV.F below regarding PG&E's marketing and outreach efforts, PG&E will employ multiple means to publicize the program to current and potential EV owners, including direct targeted outreach to customers on any of PG&E's EV-specific rates. However, in order to receive a rebate from Electric Revenue, all Electric Eligible Customers must self-identify and affirmatively apply for the rebate, including those customers on EV-specific rates.

3. Verification of Electric Eligible Customers

In order to qualify to receive a rebate from Electric Revenue, PG&E will require the applicant to provide evidence that they paid the current vehicle registration of a qualifying EV with a vehicle registration address that corresponds to an address on the customer of record's account. PG&E does not plan to require the customer of record to necessarily be the registered owner of the EV, but will require the vehicle registration address to match an address on the customer of record's account. This flexibility would address situations in which the utility customer of record is one member of the household and the registered EV owner is a different member of the household, such as a spouse or partner. Once PG&E has received rebate application materials, PG&E will verify that the applicant's vehicle is a qualifying EV and that the applicant meets PG&E's qualification criteria.

The verification process will work the same way for Community Choice Aggregation (CCA) customers. While CCA customers receive their generation services from third-parties, PG&E provides CCA customers their distribution services and supplies a consolidated bill. To qualify for the rebate, PG&E will require the CCA customer's vehicle registration address to match an address on the customer of record's file.

4. Ownership Changes

PG&E proposes to provide a one-time rebate for each qualifying EV that has a valid vehicle registration at the time of rebate application, with the rebate payable to the individual that paid the current registration. Therefore, PG&E does not anticipate a need to identify, address, or track vehicle ownership changes, including instances in which EV owners subsequently cease to own the EV because the vehicle was scrapped rather than sold. PG&E plans to maintain records by vehicle identification number (VIN) of the EVs for which an Electric Revenue rebate was issued to help ensure that rebates are not distributed for the same qualifying EV more than once, regardless of ownership changes.

D. Amount of Electric Revenue (6.d)

PG&E will calculate in advance the rebate amount to be distributed in a given period of the program. The total Electric Revenue amount for a given period would be forecasted as approximately (a) the expected revenue available from the sale of Electric Credits[31] in that period less (b) the expected administrative costs in that period, less (c) any contingency amount[32] for the period. The resulting value would then be divided by the expected number of qualified applicants in that period to determine the rebate amount offered to Electric Eligible Customers. If there are revenues remaining after all rebates are paid during a period, including any unused contingency amounts, the remaining revenue amount would be carried over into the revenue pool for the subsequent period.

A "Program Period" is the time period that corresponds to a given customer rebate amount determined by PG&E. PG&E currently plans to use a one-year Program Period to forecast the total Electric Revenue amount available to be distributed and the rebate amount to be distributed to each Electric Eligible Customer. This one-year period would correspond to the calendar year forecasted in PG&E's annual forecast filing required by D.14-12-083.[33] PG&E reserves the right to change the duration of the Program Period for the purpose of modifying its rebate amount or increasing forecasting confidence, based on its experience with and expectations for the various factors underlying its annual forecast (e.g., Electric Revenue, administrative costs, number of applicants, etc.). For example, PG&E may choose to have two six-month Program Periods in a given calendar year, each with distinct rebate amounts, to increase

[31] Available revenues include any Electric Credit sales revenues in the Program Period plus any remaining (i.e. not distributed) revenue from the preceding Program Period.
[32] A contingency amount could be deducted from total available Electric Revenue to mitigate the risk of actual revenues being lower than expected, and/or the administrative costs and/or the number of applicants being significantly higher than expected.
[33] D.14-12-083, Ordering Paragraph 5.

forecasting confidence and improve program outcomes. Regardless of the Program Period duration, PG&E will submit an annual forecast filing to the Commission in September of each year, as required by Ordering Paragraph 5 of D.14-12-083.

For a given Program Period, PG&E's goal is to pay all Electric Recipients the full rebate amount. Therefore, PG&E will calculate the rebate amount for any Program Period prior to the start of the Program Period using then-current information regarding expected Electric Revenue, expected administrative costs, and the expected number of rebate applicants. PG&E may modify the rebate amount for subsequent Program Periods as its estimates of these factors change over time. As stated previously, PG&E plans to provide a summary of its rebate calculation and its components to the Commission each year in its annual forecast filing required by D.14-12-083.[34] PG&E reserves the right to modify the rebate amount paid in a given Program Period if program economics require.

PG&E currently plans to distribute a uniform rebate amount to each Electric Recipient in a given Program Period, including new EV owners, used EV owners and existing EV owners who qualify for the rebate, and regardless of whether the owner is on a Separately-Metered EV Rate.

Distribution of a uniform rebate amount to each Electric Recipient avoids the complexity of needing to determine each individual customer's electricity usage attributable to charging electric vehicles. More importantly, since only a small portion of EV energy consumption and Electric Eligible Customers are represented by a Separately-Metered EV Rate, an estimate of electricity usage would need to be applied to the majority of Electric Eligible Customers. For these reasons, PG&E does not currently plan to use actual metered data for the purpose of establishing rebate amounts to any individual customers.

Because the majority of Electric Credits are generated based on aggregated, estimated EV energy consumption data and any rebates from Electric Revenue for new vehicles would be paid prior to those vehicles actually generating credits, it is not feasible for PG&E to apportion Electric Revenue in a way that accurately reflects the usage of the clean transportation fuel that created them.[35]

E. Distribution of Electric Revenue (6.e)

At this time, PG&E is considering delivering the one-time rebate to Electric Recipients either via a check, other cash equivalent (e.g. pre-paid debit cards), or on-bill credit. PG&E expects to make a determination on its preferred delivery method after additional consideration of the administrative costs and customer experience for each option. PG&E requests that the Commission preserve the flexibility it granted in D.14-12-083 for utilities to choose from a range of revenue distribution methods. PG&E will

[34] D.14-12-083, Ordering Paragraph 5.
[35] D.14-12-083, p.35.

advise the Commission of its preferred revenue distribution method in its September 2015 annual forecast filing.

Assuming that PG&E receives approval for this advice letter by the third or fourth quarter of 2015, PG&E currently anticipates beginning the distribution of rebates to Electric Recipients in the third quarter of 2016, assuming the Commission approves PG&E's Tier 2 AL in the second half of 2015, as shown in the schedule below.

Table 2 – PG&E's Preliminary Schedule for Electric Revenue Return

March 18, 2015	PG&E files Tier 2 AL
Q3/Q4 2015	Estimated timing of possible Commission approval of Tier 2 AL
Q4 2015	PG&E commences selling LCFS credits
Q1 2016	PG&E begins marketing and outreach efforts and implementation of rebate application processing operations
Q2 2016	PG&E launches marketing and outreach campaign
Q2 2016	PG&E begins receiving rebate applications
Q3 2016	PG&E begins distribution of rebates

PG&E anticipates distributing rebates as applications are received and processed. PG&E reserves the option to return revenue at any frequency and by any means approved by the Commission.

To ensure that EV customers are aware they are receiving a rebate from Electric Revenue, PG&E envisions notifying customers, such as through direct mailing and/or a bill insert.

F. Accounting for Electric Revenue (6.g)

As described in Section III above, PG&E proposes to track revenues from the sale of LCFS credits, administrative and outreach costs, and disbursements to eligible electric and gas customers, as described in Accounting Procedure 5 (B) of *Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account (GHGRBA)*, included with this filing as Attachment B, and Accounting Procedure 5 (c) of *Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)*, included with this filing as Attachment C.

For the electric program, PG&E proposes a new subaccount in the Greenhouse Gas Revenue Balancing Account (GHGRBA) to track the electric portion of the proceeds from the sale of consigned LCFS credits, any approved program costs, and the LCFS revenues returned to electric customers. This subaccount will be in addition to the existing GHG Revenue Subaccount.

Disposition of the balances in this subaccount shall be determined in a proceeding by the Commission, and through the Annual Electric True-Up (AET) advice letter filing.

G. Marketing and Outreach for Electric Revenue Return (6.h)

1. Scope and Activities

PG&E plans to conduct outreach regarding the LCFS revenue return program to all Electric Eligible Customers.

PG&E will employ a variety of outreach activities to market the program to PG&E's current estimated population of approximately 58,000 EV owners[36] as well as new EV owners, including direct mail, e-mail, messaging via third-parties that have relationships with EV owners, and PG&E's electric vehicle webpage. PG&E believes that these relatively low-cost outreach activities using existing outreach channels are most appropriate for the LCFS revenue return program since funds spent on marketing and outreach directly reduce the amount of revenue available to distribute to Electric Recipients.

For customers on PG&E's electric vehicle rates, PG&E will conduct targeted outreach using direct mail and/or e-mail. PG&E will coordinate with CCAs in its service territory regarding outreach to ensure that all customers on EV rate plans are informed of the program and are able to apply. To provide outreach to EV owners that are not identified in PG&E's records, PG&E will consider opportunities to work with third parties that maintain lists of EV owners in PG&E's service territory and conduct targeted outreach to these individuals regarding the program.

PG&E will develop marketing materials for the rebate program that can be used for a variety of outreach channels, including events organized by PG&E that promote the benefits of EV adoption.

The current electric vehicle webpages on PG&E's website will be updated to include information on the rebate program. PG&E will also develop a web page specifically for the rebate program that includes information on the program, eligibility, and instructions for applying for the rebate. PG&E will also investigate opportunities to provide information about the program and links to registration materials on third-party websites that serve as resources for current and potential EV owners. At this time, PG&E does not intend to conduct direct outreach to auto dealers or offer incentives to auto dealers to market the program.

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[36] Estimated number of EV owners in PG&E's service territory as of the end of 2014.

2. Messaging and Competitive Neutrality

PG&E's outreach communications will be designed to inform potential Electric Recipients about the purpose of the program and the eligibility requirements. Under PG&E's proposal, PG&E plans to publicize upfront the rebate amount offered in a given Program Period. Outreach regarding the rebate will identify this program as a state of California program in which PG&E accrues credits on behalf of all EV customers in its service territory and clearly states that all EV owners in the territory are encouraged to apply for the rebate. The outreach will be conducted in a competitively neutral manner with messages that inform all individuals living in PG&E's service territory about the availability of the rebate and provide guidance on how to apply for the rebate. PG&E will work with CCAs to identify the methods and develop appropriate messages for CCA customers to notify them of the program and their eligibility to apply for the rebate.

3. Timing and Budget

PG&E intends to conduct marketing outreach beginning close to the time it starts accepting applications, in order to maximize awareness about the program. As discussed above, at this time PG&E intends to launch marketing and outreach efforts in the second quarter of 2016, at the same time it begins receiving rebate applications, and before it begins distributing rebates in the third quarter of 2016. Pursuant to D.14-12-083 and direction from Energy Division, PG&E is only providing budget figures for 2015 in this Implementation Plan. PG&E does not anticipate any marketing activities or associated costs in 2015. PG&E will provide a forecast of its 2016 marketing budget in its September 2015 annual forecast filing required D.14-12-083.[37]

H. Administrative Cost Forecast for Electric Revenue Return

Pursuant to the Commission's direction in D.14-12-083, PG&E provides its forecast of estimated administrative costs for 2015 and 2016 for the return of Electric Revenue to Electric Recipients in Table 3 below.[38] The estimate includes costs associated with marketing and outreach and rebate processing, which includes developing an online application, IT infrastructure, processing individual rebate applications, verifying application information, distributing rebates, and maintaining records, among other activities.

Based on PG&E's preliminary schedule shown above in Table 2, PG&E intends to begin incurring administrative costs associated with the implementation of the rebate program to Electric Eligible Customers in early 2016.[39] As such, no administrative costs

[37] D.14-12-083, Ordering Paragraph 5.
[38] D.14-12-083, pp.44-45.
[39] PG&E's sales of LCFS credits, which could begin in 2015 depending on the Commission's approval of this Tier 2 AL, may incur broker commissions. For the purpose of the forecasts provided in this filing, broker commission amounts are considered to be *de minimis* relative to the price of Electric Credits. As such, PG&E's expectation of revenues from the sale of Electric

are anticipated during 2015. PG&E intends to provide an updated forecast of its estimated administrative costs for 2016 in its September 2015 annual forecast filing required by D.14-12-083.[40]

Table 3 – Estimated Administrative Costs for Electric Revenue Return, 2015 and 2016

Administrative Cost Activity	2015	2016
Marketing	$ 0	$ 250,000
Rebate Processing	$ 0	$ 1,325,000
Total	**$ 0**	**$ 1,575,000**

Credits as shown in Table 1 is net of broker commissions and PG&E is not identifying broker commissions as an administrative cost in this forecast.

[40] D.14-12-083, Ordering Paragraph 5.

VI. REVENUE RETURN TO GAS CUSTOMERS (7)

PG&E provides the following information regarding its plans for the return of revenue to eligible natural gas customers pursuant to Items 7.a through 7.j of *Appendix A: Tier 2 Advice Letter Filing Requirements* in D.14-12-083, as well as information requested in the discussion sections of D.14-12-083.

A. Overview of Revenue Return to Gas Customers (7)

As described in more detail in the sections below, PG&E proposes to return revenue from the sale of Gas Credits generated from fueling at PG&E's compressed natural gas (CNG) fueling stations via an annual on-bill rebate. The amount of the rebate distributed to each eligible customer would be based on the individual customer's CNG consumption, as determined by PG&E's billing data.

PG&E provides the following description of its proposal to return revenue from the sale of Gas Credits to eligible customers:

- <u>Generation of Credits</u>. Under the current LCFS regulation, PG&E has opted-in to the LCFS program and receives LCFS credits for dispensing CNG as a transportation fuel at PG&E-owned fueling stations to customers and PG&E's own vehicle fleet.[41] While PG&E has individual CNG consumption data by account, it submits CNG data to ARB in aggregated form for the purpose of generating Gas Credits.[42] ARB calculates the number of LCFS credits generated for a given quantity of CNG dispensed at PG&E-owned CNG fueling stations based on CNG fuel consumption data submitted to ARB by PG&E on a quarterly basis.

- <u>Gas Eligible Customers</u>. Gas Revenue will be available to customers who obtain CNG fuel at PG&E's publicly-accessible CNG fueling stations. "Gas Eligible Customers" are those entities that have a PG&E account that allows them to fuel at PGE's publicly-accessible CNG fueling stations.

- <u>Balancing Account</u>. Pursuant to the Commission's authorization in D.14-05-021, PG&E proposes to create a subaccount in its existing Gas Programs Balancing Account (GPBA) to track and record the proceeds from the sale of consigned LCFS credits, any approved program costs, and the LCFS revenues returned to customers.[43] PG&E's proposed change to this balancing account is included in *Attachment C: Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)*.

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[41] D.14-12-083, p.6.
[42] PG&E reports to ARB the total consumption of CNG of all public customers during a reporting period using a single value (i.e. PG&E does not submit individual customer volumes to ARB).
[43] D.14-05-021, Ordering Paragraph 7.

- Total Gas Revenue. PG&E plans to sell Gas Credits via bilateral transactions through an approved broker or via an RFP, as allowed by the Commission.[44] PG&E will deduct reasonable administrative costs from the gross revenue from these sales to arrive at a net revenue amount that can be distributed to customers ("Gas Revenue").

- Gas Rebate Amount. A pro rata share of Gas Revenue will be distributed to each Eligible Customer based on their total CNG fuel consumption during the applicable "Rebate Period," which is the time period that corresponds with the calculation of an annual on-bill rebate.

- Method of Distribution. PG&E plans to distribute Gas Revenue to Gas Eligible Customers annually via an on-bill rebate.

- Marketing and Outreach. PG&E intends to market the revenue return program directly to Gas Eligible Customers, advising them that they will receive an on-bill rebate of Gas Revenue. Gas Eligible Customers will automatically be enrolled in the rebate program and will not need to apply.

- Timing. At this time, PG&E anticipates a first distribution of Gas Revenue in the third quarter of 2016. Sufficient time is needed for approval of the Implementation Plan by the Commission, sales of LCFS credits, implementation of administrative and IT changes, and marketing and outreach to Gas Eligible Customers. PG&E currently anticipates beginning the distribution of rebates in the third quarter of 2016, as shown in the schedule in Table 4 below.

B. Generation of Gas Credits (7.a)

The number of LCFS credits generated for a given quantity of CNG fuel consumed is calculated by ARB and deposited into PG&E's LCFS account. PG&E submits CNG fuel consumption information to ARB quarterly for the purposes of generating Gas Credits. This consumption data includes both CNG fuel sold to the public and CNG fuel used by PG&E's own fleet.

As described in greater detail in Section II above, and in accordance with the Commission's approval, PG&E plans to sell Gas Credits via any means approved by the Commission. PG&E plans to then deduct reasonable administrative costs from the gross revenue from these sales to arrive at a net revenue amount that can be distributed to customers. The resulting Gas Revenue would be used for rebates to qualifying customers that fueled their natural gas vehicles at PG&E CNG fueling stations and to the PG&E fleet for its fueling (collectively, "Gas Recipients") during the applicable Rebate Period.

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[44] D.14-05-021, Ordering Paragraph 1.

Each Gas Recipient will receive a pro rata rebate amount equal to their percentage share of consumption of PG&E's total consumption of CNG in a given year multiplied by the Gas Revenue amount in that year. In the first year of gas rebate disbursement only, each Gas Recipient will receive a rebate based on their percentage share of consumption of CNG between 2011 and the time of the disbursement.

C. Gas Recipients (7.b; 7.g; 7.i; 7.j)

1. Eligibility

Under PG&E's proposal, Gas Revenue is available to customers who consume CNG fuel at PG&E's publicly-accessible CNG fueling stations.

Regarding non-residential customers, PG&E receives Gas Credits from ARB by submitting to ARB, on a quarterly basis, CNG fuel volumes it dispenses at its CNG fueling stations. ARB determines the number of credits generated based on the amount of CNG fuel consumed and its end-use characteristics, regardless of whether it is consumed by residential or non-residential customers. As such, PG&E will distribute the rebate to all its CNG customers, including residential and non-residential customers.

Based on the ARB's LCFS regulations, PG&E only receives Gas Credits for any CNG dispensed as a transportation fuel at PG&E's CNG fueling stations.[45] Therefore, PG&E will not be returning any revenue to customers for fueling at non-PG&E stations.

2. Identification of Gas Eligible Customers

In order to purchase fuel at PG&E's stations, customers must have an existing account with PG&E specific to use of the CNG fueling station. To receive Gas Revenue, Gas Eligible Customers must have a current account at the time the rebate is paid.

3. Verification of Gas Eligible Customers

Because Gas Eligible Customers must have an existing account with PG&E to fuel at PG&E's CNG fueling stations, PG&E does not intend to conduct any additional verification for the purpose of providing rebates from Gas Revenue to these customers.

4. Ownership Changes

Under PG&E's on-bill credit proposal, vehicle ownership and changes will not need to be identified and addressed since customers will receive a rebate from Gas Revenue based on the volume of CNG they purchased from PG&E for fueling CNG vehicles, regardless of the vehicles they fueled or who owns them.

[45] 17 CCR § 95484(a)(5)(A).

D. Amount of Gas Revenue (7.c)

To calculate the amount of revenue to be distributed to each Gas Recipient, PG&E plans to take the total amount of Gas Revenue determined to be distributed for a given Rebate Period and divide it pro rata among each Gas Recipient based on each customer's total CNG fuel consumption during the Rebate Period.

E. Distribution of Gas Revenue (7.d)

PG&E currently plans to distribute rebates from Gas Revenue by means of an annual rebate on the customer's bill. PG&E reserves the option to return revenue by any means approved by the Commission.

At this time, PG&E anticipates a first distribution of rebates from Gas Revenue to Gas Recipients in the third quarter of 2016. Sufficient time is needed for approval of the Implementation Plan by the Commission, sales of LCFS credits, implementation of administrative and IT changes, and marketing and outreach to Gas Eligible Customers. PG&E currently anticipates beginning the distribution of rebates in the third quarter of 2016, assuming the Commission approves PG&E's Tier 2 AL in the second half of 2015, as shown in the schedule below.

Table 4 – PG&E's Preliminary Schedule for Gas Revenue Return

March 18, 2015	PG&E files Tier 2 AL
Q3/Q4 2015	Estimated timing of possible Commission approval of Tier 2 AL
Q4 2015	PG&E commences selling LCFS credits
Q1 2016	PG&E begins marketing and outreach efforts and implementation of rebate application processing operations
Q2 2016	PG&E launches marketing and outreach campaign
Q3 2016	PG&E begins distribution of rebates

F. Accounting for Gas Revenue (7.e; 7.h)

As described in Section III above, PG&E proposes to track revenues from the sale of Gas Credits, administrative and outreach costs, and disbursements to eligible electric and gas customers, as described in Accounting Procedure 5 (B) of *Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account (GHGRBA)*, included with this filing as Attachment B, and Accounting Procedure 5 (c) of *Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)*, included with this filing as Attachment C.

For the natural gas program, PG&E proposes a new subaccount in the existing Gas Programs Balancing Account (GPBA) to record the natural gas portion of the proceeds from the sale of LCFS credits, any approved program costs, and the LCFS revenues returned to eligible natural gas customers.

Disposition of the balances in this subaccount shall be determined in a proceeding by the Commission, and through the Annual Gas True-Up (AGT) advice letter filing.

G. Marketing and Outreach for Gas Revenue Return (7.f)

PG&E intends to conduct targeted, direct marketing to Gas Recipients, designed to explain the purpose of the program and to provide information about the on-bill credit and the rebate amount calculation. Because Gas Eligible Customers have an existing relationship with PG&E through their CNG fueling station account, PG&E does not need to conduct outreach activities to identify Gas Eligible Customers. PG&E believes that relatively low-cost marketing approaches are appropriate for this program given the established relationships with Gas Eligible Customers and the fact that funds spent on marketing directly reduce the amount of revenue available to distribute to Gas Recipients.

H. Administrative Cost Forecast for Gas Revenue Return

Pursuant to the Commission's direction in D.14-12-083, PG&E provides its forecast of estimated administrative costs for 2015 and 2016 for the return of Gas Revenue to Gas Recipients in Table 5 below.[46] The estimate includes costs associated with IT infrastructure, verifying customer information, distributing rebates, and maintaining records, among other activities.

Based on PG&E's preliminary schedule shown above in Table 4, PG&E intends to begin incurring administrative costs associated with the implementation of the rebate program to Gas Eligible Customers in early 2016.[47] As such, no administrative costs are anticipated during 2015. PG&E intends to provide an updated forecast of its estimated administrative costs for 2016 in its September 2015 annual forecast filing required by D.14-12-083.[48]

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[46] D.14-12-083, pp.44-45.

[47] PG&E's sales of LCFS credits, which could begin in 2015 depending on the Commission's approval of this Tier 2 AL, may incur broker commissions. For the purpose of the forecasts provided in this filing, broker commission amounts are considered to be *de minimis* relative to the price of Gas Credits. As such, PG&E's expectation of revenues from the sale of Gas Credits is net of broker commissions and PG&E is not identifying broker commissions as an administrative cost in this forecast.

[48] D.14-12-083, Ordering Paragraph 5.

Table 5 – Estimated Administrative Costs for Gas Revenue Return, 2015 and 2016

Administrative Cost Activity	2015	2016
Marketing	$ 0	$ 50,000
Rebate Processing	$ 0	$ 150,000
Total	**$ 0**	**$ 200,000**

ATTACHMENT B

Electric Preliminary Statement Part GB, Greenhouse Gas Revenue Balancing Account (GHGRBA)

ATTACHMENT B
Advice 4604-E

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
35256-E	ELECTRIC PRELIMINARY STATEMENT PART GB GREENHOUSE GAS REVENUE BALANCING ACCOUNT (GHGRBA) Sheet 1	32421-E
35257-E	ELECTRIC PRELIMINARY STATEMENT PART GB GREENHOUSE GAS REVENUE BALANCING ACCOUNT (GHGRBA) Sheet 2	
35258-E	ELECTRIC TABLE OF CONTENTS Sheet 1	35087-E
35259-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 18	35112-E

ELECTRIC PRELIMINARY STATEMENT PART GB

GREENHOUSE GAS REVENUE BALANCING ACCOUNT (GHGRBA)

GB. GREENHOUSE GAS REVENUE BALANCING ACCOUNT (GHGRBA)

1. PURPOSE: The purpose of the Greenhouse Gas Revenue Balancing Account (GHGRBA) is to record the difference between the electric portion of the GHG revenues (T) generated through the auction of consigned GHG allowances, less any revenues approved to be set aside and the GHG revenues returned to electric customers. This (N) account also tracks the difference between the electric portion of the proceeds from the sale of consigned Low-Carbon Fuel Standard (LCFS) credits, less any approved program costs and the LCFS revenues returned to electric customers. (N)

2. APPLICABILITY: The GHGRBA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATE: Disposition of the balance in this account shall be determined in a proceeding as determined by the Commission, and through the Annual Electric True-Up (AET) advice letter filing.

4. RATES: The rates applicable to GHGRBA are set forth in Preliminary Statement Part I. (T)

5. ACCOUNTING PROCEDURE: The GHGRBA includes two subaccounts: (N)

   The GHG Revenue Subaccount records the difference between the electric portion of the GHG revenues generated through the auction of consigned GHG allowances, less any revenues approved to be set aside and the GHG revenues returned to electric customers.

   The LCFS Revenue Subaccount records the difference between the electric portion of the proceeds from the sale of consigned LCFS credits, less any approved program costs and the LCFS revenues returned to electric customers. (N)

   a. <u>GHG Revenue Subaccount</u>

   PG&E shall maintain the GHGRBA by making entries to this account at the end of each month as follows, as appropriate:

   1) A credit entry equal to the GHG revenues generated from the auction of consigned GHG allowances;

   2) A debit entry equal to GHG revenue approved to be set aside for marketing and public relations, which is transferred to the Marketing and Public Relations Subaccount in the Greenhouse Gas Expense Memorandum Account (GHGEMA);

   3) A debit entry equal to the GHG revenue approved to be set aside for customer outreach and education, which is transferred to the Customer Outreach and Education Subaccount in the GHGEMA;

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART GB
Sheet 2

GREENHOUSE GAS REVENUE BALANCING ACCOUNT (GHGRBA)

GB. GREENHOUSE GAS REVENUE BALANCING ACCOUNT (GHGRBA) (Cont'd.)

5. ACCOUNTING PROCEDURE: The GHGRBA includes two subaccounts: (Cont'd.) (L)

a. GHG Revenue Subaccount (Cont'd.)

4) A debit entry equal to the GHG revenue approved to be set aside for administrative activities, which is transferred to the Administrative Subaccount in the GHGEMA;

5) A debit entry equal to the portion of GHG allowance revenues returned to customers, net of an allowance for franchise fees & uncollectible accounts expense (FF&U); (T)

6) A debit entry equal to the amount paid to the California Air Resources Board (CARB) or any other authority as ordered by the Commission;

7) A debit or credit entry to transfer amounts to and from other accounts upon approval by the Commission and,

8) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three-month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (L)

b. LCFS Revenue Subaccount (N)

PG&E shall maintain the LCFS Revenue Subaccount by making entries to this account as follows, as appropriate:

1) A credit entry equal to the proceeds from the sale of LCFS credits;

2) A debit entry equal to any incurred expenses related to the program;

3) A debit entry equal to the portion of LCFS revenues returned to customers, less FF&U;

4) A debit entry equal to the amount paid to the California Air Resources Board (CARB) or any other authority as ordered by the Commission;

5) A debit or credit entry to transfer amounts to and from other accounts upon approval by the Commission and;

6) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three-month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (N)

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PRELIMINARY STATEMENT

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(Continued)

ATTACHMENT C

Gas Preliminary Statement Part DH, Gas Programs Balancing Account (GPBA)

ATTACHMENT C
Advice 3575-G

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
31950-G	GAS PRELIMINARY STATEMENT PART DH Gas Programs Balancing Account (GPBA) Sheet 1	31904-G
31951-G	GAS PRELIMINARY STATEMENT PART DH Gas Programs Balancing Account (GPBA) Sheet 2	31905-G
31952-G	GAS PRELIMINARY STATEMENT PART DH Gas Programs Balancing Account (GPBA) Sheet 3	
31953-G	GAS TABLE OF CONTENTS Sheet 1	31948-G
31954-G	GAS TABLE OF CONTENTS Sheet 5	31918-G

GAS PRELIMINARY STATEMENT PART DH Sheet 1
GAS PROGRAMS BALANCING ACCOUNT (GPBA)

DH. GAS PROGRAMS BALANCING ACCOUNT (GPBA)

1. PURPOSE: The purpose of the Gas Programs Balancing Account (GPBA) is to record costs, adopted amounts, and revenues associated with gas programs in which both core and noncore customers participate.

2. APPLICABILITY: The GPBA applies to all customer classes, except for those schedules or contracts specifically excluded by the Commission.

3. REVISION DATE: Disposition of the balances in the subaccounts of this account shall be through the Annual Gas True-up (AGT) advice letter process, or as otherwise authorized by the Commission.

4. RATES: The rates applicable to the following subaccounts will be set forth in Preliminary Statement Part B:

   - Greenhouse Gas Compliance Subaccount
   - Greenhouse Gas Revenue Subaccount
   - Low-Carbon Fuel Standard (LCFS) Revenues Subaccount (N)

5. ACCOUNTING PROCEDURE: The GPBA consists of the following subaccounts:

   The “Greenhouse Gas Compliance Subaccount” records greenhouse gas (GHG) compliance costs incurred on behalf of natural gas end-use customers under the Air Resource Board’s (ARB) Cap-and-Trade Program and the associated revenues.

   The “Greenhouse Gas Revenues Subaccount” records GHG revenues generated under the Cap-and-Trade Program through the auction of GHG allowances allocated to PG&E on behalf of natural gas end-use customers, less any revenues to cover GHG administrative costs, and revenues returned to customers. (T)

   The “Low-Carbon Fuel Standard Revenues Subaccount” records the difference between the gas portion of the proceeds from the sale of consigned Low-Carbon Fuel Standard (LCFS) credits, less any approved program costs and the LCFS revenues returned to gas customers. (N) I (N)

   a. <u>Greenhouse Gas Compliance Subaccount</u>

      PG&E shall make the following entries at the end of each month, as applicable, as follows:

      1) A debit entry equal to GHG compliance costs incurred under the ARB’s Cap-and-Trade Program;

      2) A credit entry equal to the revenues from the applicable rate component, excluding Franchise Fees and Uncollectibles (FF&U);

(Continued)

GAS PRELIMINARY STATEMENT PART DH Sheet 2
GAS PROGRAMS BALANCING ACCOUNT (GPBA)

5. ACCOUNTING PROCEDURE: (Cont'd)

a. Greenhouse Gas Compliance Subaccount (Cont'd)

3) A debit/(credit) entry, as appropriate, to record the transfer of amounts to or from other accounts as approved by the Commission, and

4) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

b. Greenhouse Gas Revenues Subaccount

PG&E shall make the following entries at the end of each month, as applicable, as follows:

1) A credit entry equal to GHG revenues generated from auctions of consigned natural gas GHG allowances;

2) A debit entry equal to the GHG revenue to recover natural gas GHG administrative costs approved through a reasonableness review, which is transferred to the Greenhouse Gas Expense Memorandum Account – Gas (GHGEMA-G);

3) A debit entry equal to the GHG allowance revenues returned to customers, net of an allowance for FF&U;

4) A debit/(credit) entry, as appropriate, to record the transfer of amounts to or from other accounts as approved by the Commission, and

5) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

(Continued)

GAS PRELIMINARY STATEMENT PART DH
GAS PROGRAMS BALANCING ACCOUNT (GPBA)

Sheet 3

5. ACCOUNTING PROCEDURE: (Cont'd) (N)

   c. Low-Carbon Fuel Standard Revenues Subaccount

   PG&E shall make the following entries, as applicable, as follows:

   1) A credit entry equal to the proceeds from the sale of LCFS credits;

   2) A debit entry equal to any incurred expenses related to the program;

   3) A debit entry equal to the portion of LCFS revenues returned to customers, excluding FF&U;

   4) A debit entry equal to the amount paid to the California Air Resources Board (CARB) or any other authority as ordered by the Commission;

   5) A debit or credit entry to transfer amounts to and from other accounts upon approval by the Commission and;

   6) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three-month commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor (N)

Note: All accounting entries described above, shall exclude an allowance for franchise fees and (L)
uncollectible (FF&U) accounts expenses. (L)

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Part AE	Core Pipeline Demand Charge Account	29525,30644-G	
Part AG	Core Firm Storage Account	2888-G	
Part AN	Hazardous Substance Mechanism	23281-23283,16693-16694-G	
Part AW	Self-Generation Program Memorandum Account	24767-G	
Part BA	Public Purpose Program-Energy Efficiency	23360-23361-G	
Part BB	Public Purpose Program Memorandum Account	23362-23363-G	
Part BH	Public Purpose Program Surcharge-Low Income Energy Efficiency Balancing Account	23364-G	
Part BI	Public Purpose Program Surcharge-Research, Development and Demonstration Balancing Account	23365,23366-G	
Part BL	Noncore Distribution Fixed Cost Account	28415-G	
Part BQ	Pension Contribution Balancing Account	24853,24224-G	
Part BS	Climate Balancing Account	29772-G	
Part BT	Non-Tariffed Products and Services Balancing Account	26710-G	
Part BW	Energy Efficiency 2009 – 2011 Memorandum Account	28304,27419-G	
Part BY	On-Bill Financing Balancing Account (OBFBA)	28305-G	
Part CA	California Solar Initiative Thermal Program Memorandum Account	28670,28060-G	
Part CB	CARE/TANF Balancing Account	28103-G	
Part CE	San Bruno Independent Review Panel Memorandum Account (SBIRPMA)	28559-G	
Part CE	San Bruno Independent Review Panel Memorandum Account (SBIRPMA)	28559-G	
Part CF	Meter Reading Costs Memorandum Account	28599-G	
Part CG	Distribution Integrity Management Expense Memorandum Account	28641-G	
Part CI	AB32 Cost of Implementation Fee Memorandum Account – Gas	28673-G	
Part CK	TID Almond Power Plant Balancing Account	28889-G	
Part CL	Integrity Management Expense Balancing Account	28891-G	
Part CM	Gas Operational Cost Balancing Account	30645-30646-G	
Part CN	Topock Adder Projects Balancing Account	28893-G	
Part CO	Adjustment Mechanism For Costs Determined In Other Proceedings	28894-28897-G	
Part CP	Gas Transmission & Storage Revenue Sharing Mechanism	28898,30647-30649-G	
Part CS	Tax Act Memorandum Account – Gas	30271,30272-G	
Part CT	Low Income 2012 Memorandum Account (LIMA)	29350, 29351-G	
Part CV	Revised Customer Energy Statement Balancing Account - Gas (RCESBA-G)	29617-G	
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Part CX	Core Gas Pipeline Safety Balancing Account	31681,31682-G	
Part CY	NonCore Gas Pipeline Safety Balancing Account	31683,31684-G	
Part CZ	California Energy Systems for the 21st Century Balancing Account	30264*-G	
Part DA	Statewide Marketing, Education and Outreach Expenditure Balancing Account	30434-G	
Part DC	Energy Data Center Memorandum Account – Gas	31288-G	
Part DD	Gas Transmission & Storage Memorandum Account (GTSMA)	31340-31344-G	
Part DE	Gas Leak Survey and Repair Balancing Account (GLSRBA)	31824,31825,31826-G	
Part DF	SmartMeter™ Opt-Out Program Balancing Account – Gas (SOPBA-G)	31909,31910,31911-G	
Part DG	Disconnection Memorandum Account - Gas (DMA-G)	31695-G	
Part DH	Gas Programs Balancing Account (GPBA)	**31950,31951,31952**-G	(T)
Part DI	Greenhouse Gas Expense Memorandum Account - Gas (GHGEMA-G)	31831-G	

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

AT&T
Albion Power Company
Alcantar & Kahl LLP
Anderson & Poole
BART
Barkovich & Yap, Inc.
Bartle Wells Associates
Braun Blaising McLaughlin, P.C.
California Cotton Ginners & Growers Assn
California Energy Commission
California Public Utilities Commission
California State Association of Counties
Calpine
Casner, Steve
Cenergy Power
Center for Biological Diversity
City of Palo Alto
City of San Jose
Clean Power
Coast Economic Consulting
Commercial Energy
Cool Earth Solar, Inc.
County of Tehama - Department of Public Works
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Dept of General Services
Division of Ratepayer Advocates
Douglass & Liddell
Downey & Brand
Ellison Schneider & Harris LLP
G. A. Krause & Assoc.
GenOn Energy Inc.
GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
In House Energy
International Power Technology
Intestate Gas Services, Inc.
K&L Gates LLP
Kelly Group
Linde
Los Angeles County Integrated Waste Management Task Force
Los Angeles Dept of Water & Power
MRW & Associates
Manatt Phelps Phillips
Marin Energy Authority
McKenna Long & Aldridge LLP
McKenzie & Associates
Modesto Irrigation District
Morgan Stanley
NLine Energy, Inc.
NRG Solar
Nexant, Inc.
Occidental Energy Marketing, Inc.
Office of Ratepayer Advocates
OnGrid Solar
Pacific Gas and Electric Company
Praxair
Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions
SCE
SDG&E and SoCalGas
SPURR
Seattle City Light
Sempra Energy (Socal Gas)
Sempra Utilities
SoCalGas
Southern California Edison Company
Spark Energy
Sun Light & Power
Sunshine Design
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Utility Cost Management
Utility Power Solutions
Utility Specialists
Verizon
Water and Energy Consulting
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
YEP Energy