

November 21, 2016

Mr. Samuel Wade
Branch Chief, Transportation Fuels Branch
Industrial Strategies Division
California Air Resources Board
1001 I Street
Sacramento, California 95812

RE: Comments on Public Workshop to Discuss Potential LCFS Rulemaking Items

Dear Mr. Wade:

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments on the Air Resources Board's (ARB) Public Workshop to discuss potential Low Carbon Fuel Standard (LCFS) rulemaking items held on October 24, 2016. We agree that low-carbon fuels will play a key role in the state's 2030 greenhouse gas (GHG) emissions reduction targets and believe that developing an effective verification program will improve the quality of credits that are generated from this program.

We support ARB's proposal to conduct fuel-specific webinars as part of the expanded rulemaking timeline as this will better inform the development of proposed regulatory amendments that will include verification. Below we offer for your consideration comments on the Staff White Paper, "Framework for Development of a Low Carbon Fuel Standard Verification Program."

I. General Comments

PG&E supports the general framework proposed and believes that adhering to the five guiding principles will build integrity of the LCFS credit market. PG&E also supports the approach of making the LCFS verification standards consistent with the AB32 mandatory reporting program (MRR) and Compliance Offset verification programs. It is important to recognize the unique aspects of the LCFS program when developing appropriate verification standards in regulation.

II. Section 2 - Terminology

Conflict of Interest and Consistency with Financial Auditing Principles – ARB should ensure that the conflict-of-interest standard applied to the LCFS regulation align with the MRR and Compliance Offset programs, including the duration that the same verifier can perform

verification services. PG&E is concerned that establishing too short a duration for an individual verifier that consistently demonstrates a low potential conflict of interest could, over time, limit the number of qualified verifiers available to perform complex verifications under several regulations.

Level of Assurance - ARB should consider that 'reasonable assurance of no material misstatement' determined by an independent verifier include recognition of inherent uncertainty in fuel pathways and reported fuel quantities. This assurance should preclude the need to cure '*all correctable errors*' during the verification process that do not affect the materiality of the report. Additionally, ARB should limit the lookback period to a maximum of three years to provide compliance certainty for reporting bodies and market certainty for credits that are traded.

III. Section 4 – Harmonization Opportunities for Verification of LCFS Credit-Generating Fuels

PG&E supports harmonization opportunities for verification as we believe it will encourage a more diverse pool of qualified verifiers, encourage consistency with verifications over time and limit costs borne by regulated parties. Reporters should have the ability to retain the same verifier to conduct multiple verifications synchronously (e.g. MRR, LCFS) so as to minimize operational disruptions during site visits.

IV. Section 6 – Preliminary Thinking on the Need for a Fuel-Specific Approach to Risk Analysis for Credit Generating Fuels

PG&E supports fuel-specific approaches to fuel pathway certification and ongoing product verification given the unique elements in individual alternative fuel supply chains. A one-size-fits-all certification and verification framework could potentially deliver unintended consequences and create barriers for some alternative fuels producers to participate in the LCFS program. PG&E looks forward to participating in discussing this issue further in the upcoming fuel-specific workshops.

Conclusion

PG&E supports ARB's efforts to solicit input from stakeholders during fuel-specific webinars, and establish a robust verification requirement that harmonizes with other programs and minimizes risks of non-compliance for reporters. Please contact me with any further questions.

Sincerely,

/s/

Linus Farias
Climate & Transportation Policy Principal
Pacific Gas and Electric Company

Cc: Jim Aguila, ARB
Renee Lawver, ARB
Jana Corey, PG&E
Mark Krausse, PG&E