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California Air Resources Board
Attention: Ms. Linda Murchison
Chief, Planning and Technical Support Division
P.O. Box 2815
Sacramento, CA 95812

RE: 1990 Greenhouse Gas Emissions Inventory

Sempra Energy provides the following comments on the letter submitted by PG&E on October 19th related to an adjustment of the 1990 emission estimates from unspecified imports of electricity. SDG&E is supportive of the PG&E analysis for 1990 that looks to determine the marginal fuels used for Northwest and Southwest exports to California based on economical dispatch. This method is more compatible with the methodology the Air Resources Board (ARB) is proposing to adopt for reporting purposes.

The methodology used by ARB to determine the 1990 GHG inventory differs from the methodology ARB is proposing to adopt for reporting purposes. It is important that the methodology used to determine the 1990 GHG inventory be consistent with the reporting methodology to be used to determine future GHG emissions since compliance with the State goals for 2020 is measured in terms of returning to the 1990 level of GHG emissions.

ARB is proposing to use the reporting protocol that the CPUC recommended. This protocol included a default rate for unspecified electricity (where source of electricity cannot be tied to a contract with a specific plant) imported from outside California of 1,100 lbs./MWh. The use of this default value of 1,100 lbs. for all imports was based on an analysis of

the marginal emissions from the Southwest in 2005.¹ The reporting protocol default value of 1,100 lbs. per MWh is implicitly assuming gas-fired generation to be on the margin in providing power to California from outside the state almost all the time. Lower cost hydro and coal are assumed to be economically dispatched in the regions outside California.

The ARB 1990 GHG inventory for power from the Pacific Northwest and the Southwest, on the other hand, relies on the last resources dispatched rather than assuming low cost hydro, except spill, would have been dispatched for the Northwest and Southwest and other, higher cost resources backed off "and power from higher cost resources would have been reduced but for the exports to California.

The PG&E method appears to be consistent with the current CPUC reporting protocol being considered by CARB. Both the reporting protocol default value of 1,100 lbs. per MWh and the PG&E analysis are consistent with the hydro staying in the Pacific Northwest and the Southwest except during spill conditions.

The PG&E methodology also is consistent with the views of the States of Oregon and Washington that the hydro is primarily used for local and regional loads and thermal generation was used for export.² The State of Washington, in commenting on the CPUC reporting protocol, stated that inconsistent reporting methods would have two parties claiming the same hydro resources. The changes to the CPUC reporting protocol adopted addressed this problem going forward; however, the proposed ARB 1990 GHG inventory is still based on a "hybrid method."³ It appears that the

¹ D.07-09-017, page 38, "A marginal method then would be used to calculate a regional average emission factor based on the historical and future probable dispatch patterns of the region. The Joint Staff report concludes that power from unspecified sources in the Southwest is 90 percent natural gas and 10 percent coal, with a weighted average emission factor of 1,075 lbs CO₂e/MWh."

² D.07-09-017, page 39, "Oregon and Washington assert that hydropower in their states is used primarily to serve local or regional loads and that thermal power (coal and gas) is exported to serve load in California. In 2005, Oregon and Washington determined that the emission factor for the "net system mix" of electricity available for export from their region was 1,062 lbs CO₂e/MWh."

³ D.07-09-017, page 38.

PG&E method would address Washington's concern about the consistency between the 1990 baseline and future measurements under the reporting methodology.⁴

Sincerely yours,

/s/

Taylor O. Miller

⁴ July 10, 2007 letter from Tony Usibelli, Assistant director, Department of Community, Trade and Economic Development, State of Washington, "More specifically, Washington State is concerned that the Commission's staff are using a low default value of 419 pounds of CO₂ per megawatt-hour for unspecified imports from the Pacific Northwest....We do not believe this problem will persist into the future as much, because we expect that all hydropower-based transactions will be labeled as such in the future, due to the higher market value that such sales will carry. However, it is problematic for the 1990 base period. We believe it is desirable for California and the Northwest states to reach a mutual agreement on an appropriate methodology for determining both historical baselines and future measurement."