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Mr. James Duffy
Transportation Fuels Branch
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

RE: Pacific Gas and Electric Comments on the February 3, 2020 Low Carbon Fuel Standard Proposed Amendments

Pacific Gas and Electric Company (PG&E) appreciates this opportunity to comment in support of the California Air Resources Board's (CARB) February 3, 2020 release of amendments to the Low Carbon Fuel Standard (LCFS) Regulation for the 15-day public comment period. PG&E continues to support a well-designed LCFS program that advances low-carbon fuels while protecting consumers and reducing regulatory risk with appropriate cost containment mechanisms.

PG&E believes that these amendments adequately address the concerns raised through the public process and the Board Hearing on December 21, 2019. In particular, PG&E appreciates the changes to the Credit Clearance Market (CCM) provisions and the additional flexibility on how to address administrative costs for the Clean Fuel Reward and other LCFS-funded utility programs.

PG&E's remaining comments identify areas in need of additional clarification that can be addressed through the Final Statement of Reasons report (FSOR) or guidance documents.

Price Cap in Daily Market

Proposed Regulation Order Section 95487(a)(2)(D), states "A regulated entity may not sell or transfer credits at a price that exceeds the Maximum Price set pursuant to section 95485(c)(3)(D)." The referenced section explains that the Maximum Price is \$200/credit in 2016 and that the Maximum Price will be effective on June 1. Inflation is a metric that changes daily and CARB has not yet announced to the market the date that will be used for this metric, only the date that it will be effective. The market needs certainty on what CARB considers the Maximum Price allowed for transactions in order to ensure compliance with the identified

section of the regulation. PG&E requests that CARB publicly post the exact dollar value of the Maximum Price that will be effective June 1, before June 1 of each year.

Based on CARB's 15 Day Notice (section C.5), PG&E believes that CARB intends for the Maximum Price to be effective on June 1 of the current year and that Maximum Price will continue to be effective until June 1 of the following year when a new Maximum Price will be effective (and ideally publicly posted prior to the effective date). PG&E requests CARB clarify in the Final Statement of Reasons that a new Maximum Price will take effect June 1 of each year.

In CARB's FAQ on the Effective Date for 2019 LCFS Amendments (posted February 7, 2020), the answer to question 3 states, "the Maximum Credit Price will apply to all credit transfers posted in the LRT-CBTS on or after the Effective Date even if the agreement date for that credit transfer was prior to the Effective Date." However, counterparties may sign an agreement up to 10 calendar days (or more for Type 2 transfers) before the credit transfer is reported or initiated in the LRT-CBTS. Similarly, if market participants do not know the new Maximum Price until June 1 of each year, they may enter into agreements based on an outdated Maximum Price and there is no mention that CARB intends to allow LRT-CBTS Agreements to be modified for a change in price. Unless CARB accepts PG&E's request to post the Maximum price before June 1, any agreements that occurred prior to June 1 could now potentially be out of compliance with no means to change them. PG&E again requests CARB reconsider the timing for the application of the Maximum Price in its guidance. PG&E believes that the Agreement Date should govern which Maximum Price may be used for contract purposes at that time.

Credit Clearance Market

PG&E is appreciative of CARB's updates to the CCM regulation language regarding Advanced Credits. In order to pursue authority from the California Public Utilities Commission (CPUC) to participate in the CCM moving forward, PG&E reasserts the need for a guidance document on the functionality of the CCM. Market participants cannot fully evaluate the risk of participating in the CCM without knowing how buyers and sellers will be matched. For example: Do sellers choose who they are selling to? Do buyers choose who they buy from? Is there some kind of automated matching? Do credits get prorated from all sellers to all buyers? How will this differ in the case of Advance Credits versus the regular CCM? This information will be critical for all market participants as well as the CPUC to consider.

PG&E also appreciates CARB's acknowledgement of the confusion that may be caused with the effective date of these amendments being within the CCM window if one were to occur. PG&E requests that the regulation language applicable to Advanced Credits not be effective until 2021. This would allow time for CARB to publish the requested guidance document and for the IOUs to receive authority from the CPUC to participate in the CCM.

Conclusion

PG&E continues to support the Low Carbon Fuel Standard as a program that will help the state meet its aggressive climate goals while maintaining a healthy economy. PG&E appreciates CARB staff's responsiveness to stakeholder comments and looks forward to continuing to work with CARB on implementation of the new provisions.

Please feel free to contact me if you have any questions or concerns.

Sincerely,

/s/

Fariya Ali

Air & Climate Policy Manager
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Pacific Gas and Electric