



June 26, 2009

VIA E-MAIL

Kevin M. Kennedy, Ph.D.  
Chief, Program Evaluation Branch  
Office of Climate Change  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814-2828

**Re: Pacific Gas and Electric Company's Comments on the California Air Resources Board Workshop on Reporting and Verification in a Cap-and-Trade Program**

Dear Dr. Kennedy:

Pacific Gas and Electric Company ("PG&E") welcomes the opportunity to provide these preliminary comments in response to the California Air Resources Board ("ARB") Staff's June 5, 2009 workshop on Reporting and Verification in a Cap-and-Trade Program.

**A. Cogeneration Reporting Rules Must Support Efficiency Measurement**

PG&E supports efficient combined heat and power ("CHP") that ensures statewide greenhouse gas ("GHG") emissions reductions. PG&E recommends a reporting process that recognizes the end products from CHP, in order to accurately measure efficiency. Ideally, CHP units should report: 1) total fuel input; 2) total emissions output; 3) used heat; and 4) electricity output. This categorization method will provide an incentive for CHP units to operate in the most efficient manner and meet the end goal of reduced statewide emissions.

PG&E recognizes that accurate data collection to support ideal reporting requirements may be cost-prohibitive for some entities. Consequently, PG&E also supports reporting requirements that differ depending on the size of the CHP generator, with smaller units reporting based on engineering estimates supplemented with easily measured quantities, such as natural gas used. Larger units would base their reporting on more sophisticated metering and monitoring equipment.

Finally, as efficiency standards and reporting mechanisms are developed, PG&E favors the use of the high heating value ("HHV") when referring to CHP efficiency.<sup>1/</sup>

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<sup>1/</sup> Heating values express how much energy is released on combustion of a given quantity of fuel, for example, joules per kilogram, or Btu per gallon. A "high heating value" includes the heat that can be obtained by condensing the water vapor produced by combustion. A low heating value does not include this heat. In the United States, HHV is commonly used when referring to CHP efficiency.

**B. Accurate Protocols Must Precede Additional Source Reporting**

With respect to ARB Staff's proposal to increase the scope of the reporting requirements, PG&E encourages the ARB to first confirm the availability of adequate quantification methodologies for emissions associated with proposed source categories. PG&E believes that the ARB should only require reporting if the resulting measurements will result in high quality data. Particularly if ARB intends to use the data for cap-and-trade regulation or programmatic measures, in addition to a statewide inventory, the data must be accurate and meaningful.

**C. ARB Should Maintain Existing Reporting Deadlines**

PG&E encourages ARB to maintain the reporting and verification deadlines already in the regulation. The WCI has suggested allowing five months for verification through 2015, and two months afterward. PG&E questions whether two months is a sufficient amount of time for all entities to acquire verification services. Additionally, WCI has proposed an April 1 deadline for reporting emissions and retail transactions. This deadline does not allow for sufficient time to verify California Energy Commission (CEC) retail transaction filings. ARB's June 1 deadline better accommodates the CEC schedule. Therefore, PG&E recommends that ARB use its existing reporting and verification timeline.

**D. PG&E Supports Uniform Regional Reporting Standards**

PG&E advocates uniformity in emissions accounting standards used across WCI partners. In California, power plants over 1MW and over 2,500 metric tons CO<sub>2</sub> per year, as well as entities with emissions over 25,000 metric tons, must report. The WCI recommends a 10,000 metric ton CO<sub>2</sub>e threshold. PG&E would prefer uniform reporting thresholds throughout the region.

Thank you for the opportunity to provide these preliminary comments in response to the California Air Resources Board (ARB) Staff's June 26, 2009 workshop on Reporting and Verification in a Cap-and Trade Program. Please do not hesitate to contact me at (415) 973-6617 if you have any questions regarding these comments.

Very truly yours,

/s/

John W. Busterud

JWB:kp

cc: Lucille Van Ommering (via e-mail)