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Rajinder Sahota, Deputy Executive Officer
California Air Resources Board
1001 "I" Street
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RE: PG&E Comments on the Low Carbon Fuel Standard Public Workshop on Proposed Amendments

Pacific Gas and Electric Company (PG&E) appreciates this opportunity to comment in response to the California Air Resources Board's (CARB) public workshop held on April 10, 2024, to discuss the proposed amendments to the Low Carbon Fuel Standard (LCFS) program, public comments received, and Staff's related additional analysis.

PG&E Encourages an Expedient Conclusion to this Regulatory Amendment Process

PG&E supported the delay of the March Board hearing and understands CARB's cautious and deliberate approach to decision making around this incredibly important and nuanced program. Indeed, the large volume of public comments provided to CARB and the importance of the concerns raised by stakeholders about CARB's proposed amendments warrants additional consideration, and the April public workshop provided an important venue for this discourse to continue. However, PG&E reiterates the importance of moving this regulatory package across the finish line as soon as practicable. The investments at stake in support of attaining the State's various energy, environmental and clean transportation goals are too important to let linger indefinitely, and the current market imbalances are too significant to let the perfect be the enemy of the good in finalizing the current regulatory process.

While PG&E encourages serious consideration of stakeholder comments, sufficient analysis of the pros and cons of large-scale modifications such as removal or limitations on different fuel sources must also be weighed against several other factors. This includes taking a technology agnostic approach, and the urgency of adopting amendments related to increasing the stringency of the program, stabilizing the market, and further enabling LCFS revenue to accelerate transportation electrification in the near-term. PG&E notes that this is not the final opportunity CARB and stakeholders will have to reevaluate and amend the LCSF program. As new data and information comes forward, PG&E encourages continuous evaluation of

potentially needed programmatic modifications, including those raised in this rulemaking process.

PG&E Supports Program Stringency Increases Beyond What Was Originally Proposed

PG&E appreciates Staff's updated analysis as presented at the April workshop on overall program stringency, initial step-down, and Auto Acceleration Mechanism (AAM) scenarios which looked beyond the options included in the original 45-day regulatory draft. Significant evidence presented in stakeholder comments filed in February, and in subsequent studies and analysis, point to the need to move forward with a larger initial step down in stringency, and potentially greater near-term targets in order to meaningfully balance the market, address the significant credit bank, and correct for the near-term over-performance of the program.[1] As Staff's analysis and independent analyses indicate, an initial step down in 2025 in the range of 9-11% may be needed to accomplish these objectives, and the program may need to contemplate and allow for activation of the AAM as soon as 2026. Additionally, PG&E is supportive of the AAM trigger being set at an average quarterly deficit ratio of 2.0, rather than CARB's currently proposed 3.0, as noted in AJW's February comments to CARB.[2]

As recent past history demonstrates, California has an enduring ability to overperform and exceed what may seem like distant decarbonization projections. PG&E encourages decision making related to these important provisions to "…anticipate rapid and sustained decarbonization progress through the next 10+ years" as posited by Staff.[3] Success cannot result in undermining the investments in electric cars, trucks, buses, ZEV charging and other low-carbon fuel infrastructure that underpins that very success. Accordingly, it is essential that the stringency be increased appropriately and expeditiously and be implemented as soon as possible to ensure the LCFS program continues to contribute meaningfully to the state's clean air, climate change, and zero-emission transportation requirements and goals.

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[1] See ICF's Response to Staff Report, "Analyzing Future Low Carbon Fuel Targets in California", available at: https://static1.squarespace.com/static/5b57ab49f407b4a7ffa44ffa/t/65cd3c74d1a72f445cdc7a7e/1707949173143/ICFReport2024.pdf

[2] At p. 2. "AJW encourages CARB to reassess the proposed threshold when considering the credit bank to average quarterly deficit ratio formula, which is currently proposed at 3.0 (i.e., three quarters of credits in the credit bank). This, when combined with the threshold of 1.0 for the credit generation to deficit generation formula (i.e., credits are continuing to contribute to a growing cumulative bank), is an overly conservative proposal as it would not allow for the AAM to trigger in situations where there is general consensus on the overperformance of the program. For example, looking at recent LCFS history, this 3:1 ratio the AAM would not have been triggered even in 2022 despite most stakeholders observing that the LCFS was overperforming and needed adjustments to program stringency to course correct. After backcasting recent LCFS activity, we are instead recommending the average quarterly deficit ratio should be 2.0. The impact of this threshold would mean that the credit bank is able to cover one-half a year of deficits. Today, that would mean that credit production would need to fall by 50% to create that level of demand. Given this, a threshold of 2.0 appears ample, when taken in combination with the consideration of whether credits are continuing to outperform deficit generation." Available at https://www.arb.ca.gov/lists/com-attach/6795-lcfs2024-BTdVZwAxBGUDNwk5.pdf

[3] See Staff April Workshop Slide 49.

Utility LCFS Programs are Critical in Supporting Equitable Zero Emission Vehicle Adoption and Ratepayer Benefits

PG&E emphasizes the critical importance of utility LCFS funding in delivering significant EV adoption, EV equity and ratepayer benefits to PG&E's customers and utility customers more broadly. LCFS represents a unique opportunity to support transportation electrification without using ratepayer funding, and over a quarter of a million vehicles for customers in nearly every corner of PG&E's service territory have already benefitted (54% of all EVs registered in PG&E's territory). Over $250 million in incentives have been paid to PG&E customers through LCFS-funded programs to fuel this progress, doing so with no upward impact to customer electricity bills. Funding a portion of PG&E's EV programs through LCFS rather than through ratepayer funding saved the average residential customer an estimated $40on their bills from 2016-2023 – about $5 per year.

These programs have made a significant investment and impact in addressing EV equity, providing incentives to over 21,000 California Alternative Rates for Energy (CARE) reduced rate customers and 14,000 customers living in Disadvantaged Communities within PG&E's service territory. Moreover, income-qualified EV buyers make up 33% of all rebates paid through PG&E's Pre-Owned EV Rebate program, which provides rebates for used EV purchases/leases, and renters make up 23% of the Pre-Owned EV Rebate recipient pool. Income-qualified customers can take advantage of a $4,000 rebate for a pre-owned EV and a $700 rebate for a charging station – both funded by LCFS – and a $2.10 eGallon price when combining the CARE reduced rate with PG&E's EV-2A rate. PG&E's proposed LCFS programs, if approved by the California Public Utilities Commission, will add a prepaid debit card for public charging worth up to $50 a week, and $4,000 for panel upgrades. These facts dispel the myth that low-income drivers don't drive EVs, while underscoring the critical importance of LCFS funding in enabling and accelerating an equitable EV transition.

Important Modifications to the 45-Day Regulatory Text are Needed to Enable and Maximize Utility Support for and Customer Benefits from LCFS

PG&E's February 20 comments detailed a list of largely technical changes and fixes to the 45-day regulatory draft, that while potentially appearing minor, are in fact critically important to our ability to effectively propose, administer and run LCFS-funded programs and projects for our customers that best serve their needs and the needs of the grid. At a high level, these necessary modifications include:

- Merging the proposed two separate holdback project lists into a single project list, and clarifying that certain project types are considered equity regardless of their geographic location;

- Aligning CARB's increased equity requirement of 75% for large Investor-Owned Utilities (IOUs) with the CPUC requirements for all aspects of the requirement, not just the reporting percentage;

- Ensuring that grid-side investments that support both light-duty and medium/heavy-duty (MHD) EV charging be eligible for equity spending requirements, if serving projects in an equity community;

- Reverting to a 10% cap on equity administration spend for holdback programs, expanding the definition of administrative costs to include program-specific costs aligned with how utilities report for other regulators, and clarifying that this excludes start-up costs and marketing, education, and outreach (ME&O) costs; and

- Making key edits to the proposed third-party verification requirements for electricity pathways to accommodate the unique, distributed nature of EV charging.

Further detailed explanations of these important, necessary changes are provided in our February 20 comments.[4] We encourage review and incorporation of these critical modifications.

Restrictions on MHD Fast Charging Infrastructure (FCI) Capacity Credit Projects to a One-Mile Radius from Major Highways should be Removed

In addition to the changes detailed in our 45-day comments, PG&E reiterates an important consideration several other commenters highlighted in their February comments, and which PG&E, alongside SCE and SDG&E, jointly raised in an October 2nd, 2023 email to Staff supporting the proposed new MHD vehicle FCI program. PG&E continues to believe that CARB should not include the proposed one mile from a major highway limitation for several reasons, but in particular because these deployments will require significant available utility grid infrastructure with capacity to interconnect new loads, which may not always align with highway corridor infrastructure. Overly restricting the eligible locations for funding from the FCI program could create adverse impacts on the grid, delay deployment and increase overall cost.

PG&E reiterates these concerns and notes that further internal analysis has validated the potential adverse impacts of this requirement as it relates to our distribution system. The requirement has the potential to put undue costs on ratepayers and delay the deployment of critical MHD charging infrastructure. Accordingly, PG&E recommends that CARB allow for greater flexibility in allowable locations for sites seeking to claim MHD FCI credits.

[4] PG&E Comments: https://www.arb.ca.gov/lists/com-attach/7082-lcfs2024-BmpRNFUyUnIEXQM3.pdf

Conclusion

PG&E looks forward to continuing collaboration with CARB staff and public stakeholders on potential amendments to the Program that will best support the State's climate goals in a timely, and effective manner.

Sincerely,

/s/
Fariya Ali
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