Pacific Gas and Electric Company®

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Rajinder Sahota, Deputy Executive Officer
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

RE: PG&E Comments on the May 31, 2024, Cap-and-Trade Amendments Workshop

Pacific Gas and Electric Company (PG&E) appreciates this opportunity to comment in response to the California Air Resources Board's (CARB) May 31, 2024, workshop to discuss the distribution of allowance allocation and emissions coverage in the Cap-and-Trade Program (Program). PG&E recognizes the need to increase stringency in the Program to help meet the 2022 Scoping Plan Update greenhouse gas (GHG) emissions trajectory towards carbon neutrality. We reiterate here our support for Program design changes that preserve energy affordability and minimize the costs to California residents and businesses from decarbonization. PG&E's comments below reflect this position with respect to electric distribution utility (EDU) and natural gas supplier (NGS) allocation.

<u>EDU Allocation</u>

PG&E believes that the current EDU allocation approach based on cost burden is appropriate and is aligned with state electrification goals. EDU allocation is critical to supporting affordable electric bills, which are necessary for widescale electrification to proceed at the pace and scale required to achieve California's climate goals. Furthermore, CARB established 10-year fixed EDU allocations through 2030 to provide regulatory certainty and to maintain incentives to continue to reduce emissions[1]. For these reasons, we encourage CARB to limit changes to the current EDU allocation through 2030 as extensive changes would undermine regulatory certainty and punish EDU customers for reducing emissions. More specifically, we support the Joint Utility Group (JUG) proposal that would limit EDU allocation changes to align with the Renewable Portfolio Standard (RPS) program, as reflected in the JUG comment letter in response to this workshop.

Regarding future allocations, it is critical that EDU allocation continues post-2030 to support residential electricity affordability by mitigating the cost impacts from the Program. PG&E supports continuing the cost burden methodology post-2030, leveraging clean energy policy goals established by SB 1020 and SB 100 and utilizing a future electric demand forecast that reflects the substantial electrification that will be required to meet California's net zero goal. While it would be appropriate to commit to continuing EDU allocation post-2030 and to the

[1] *See* CARB, Cap-and-Trade Amendments Final Statement of Reasons, April 2017, Responses B-1.1., 1-2, 1.5: https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2016/capandtrade16/ctfinsor.pdf

overall approach in this rulemaking to support regulatory certainty, we believe CARB should wait for a future electric load forecast and Program amendment process to quantify those allocations.

Emission-Intensive Trade-Exposed (EITE) Electricity Allocation

PG&E supports CARB's proposal to complete the transfer of the responsibility for providing leakage protection to industrial entities for electricity carbon costs from the California Public Utilities Commission (CPUC) to CARB. As noted in the July 27, 2023 Workshop, past regulatory amendments already initiated this transition by deducting allowances for this purpose from EDUs' post-2020 allocation. Until CARB completes this process, the CPUC has ordered IOUs to continue to provide a rebate to EITE industrial customers to address leakage risk from electricity purchases.[2]

NGS Allocation

While we recognize that all Program entities will likely see reductions in allowances, it is critical to consider that a reduction of allowances to NGS utilities specifically will result in reducing the California Climate Credit for IOUs. This will compound increases to their overall energy expenditures, as natural gas ratepayers encounter higher future costs. Lower-income customers who are less likely to be able to electrify in the near term will bear the costs of maintaining the natural gas system disproportionately. Thus, we support the recommendation that CARB keep allowance reductions for utilities to the minimum amount feasible while also structuring the Program to incentivize investment in renewable clean fuels.[3] Aligning the NGS allocation with the expected cost burden of the Program would help accomplish this goal. This approach will reduce cost impacts to our customers from the increased stringency of the Program in the medium term while still supporting build out of the resources California needs to complement electrification and decarbonize hard-to-abate sectors by 2045.

Regarding the use of the NGS allowances revenue, PG&E encourages CARB to allow the utilities to employ allowance revenue for a broad range of emission-reduction activities and to avoid over-restricting their use.

GHG Mandatory Reporting Regulation (MRR) for Natural Gas Infrastructure

In the May Workshop, CARB staff proposed incorporating transmission pipeline blowdown emissions into MRR. As noted in the presentation, these emissions are already reported to the U.S EPA. PG&E does not object to providing transmission blowdown emissions to CARB but would like greater clarity on how the emissions would be incorporated into MRR. Is CARB looking for a separate report specifically on blowdown emissions? Would this report also be subject to the 3rd-party verification requirements for MRR, which would incur additional costs and training? Currently, the vented and fugitive emissions in Section 95152(e) and (i) are included in Section 95122 as CO2 emissions (rather than as methane emissions). If CARB

[2] CPUC, D.21-08-026, 4.4.1. Large EITE Facilities

[3] Gas Utility Group (GUG) Comments on the October 5, 2023, California Workshop on Potential Amendments to the Cap-and-Trade Regulation.

requires separate reporting for transmission blowdowns, CARB should ensure there is no double counting in MRR by adjusting the calculations as needed.

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.

Sincerely,

/s/
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