

Attachment
Administrative Law Judge Questions for PG&E
Re Application (A.) 06-01-012

1. Will PG&E's program supplement or complement programs the Commission and the Legislature are examining that would impose mandatory greenhouse gas (GHG) performance standards and caps?
(See, e.g., D.06-02-032 & Rulemaking (R.) 06-04-009.) If yes, explain.
2. Will PG&E have influence on the development of the protocols that will be used to evaluate and quantify the GHG reductions of projects sponsored under this program?
 - a. What impact on the protocols will PG&E's involvement cause?
 - b. Is there any risk that the protocols will be unduly influenced by PG&E because PG&E is choosing the external advisory body?
 - c. Is a standardized, state-wide or national approach to climate change project protocols better than an approach developed through individual utility applications?
3. Does the fact that PG&E is a member of the Climate Action Registry and proposes in its application that funding be directed to the Registry raise concerns?
 - a. Are there conflict of interest concerns?
 - b. Will the funding give PG&E undue influence over the Registry's work?
4. PG&E's proposal will involve the expenditure of marketing dollars to promote a voluntary program to ratepayers.
 - a. Should utility shareholders pay for marketing?
 - b. Do PG&E's shareholders benefit from the proposed marketing expenditures? If so, how?
 - c. Is a state-mandated program less expensive in terms of marketing dollars? Explain.
5. The Governor's Climate Action Team recently issued a report that identifies the State's priorities and activities with respect to climate change.
http://www.climatechange.ca.gov/climate_action_team/reports/index.html

Does PG&E's proposed program fit into the state's list of priorities for climate change amelioration programs? Explain.

6. Explain why PG&E's proposal focuses on the forestry sector.
 - a. Does the time required to develop and document forestry project success militate in favor of or against using such a project as a pilot? Explain.
 - b. What is the expected timeframe of GHG reduction benefits relative to when a customer pays for its climate neutral benefit?
 - c. Is there evidence that forestry sector projects will bid into PG&E's program?
 - d. How long does it take after a forestry project is certified before GHG emission reduction benefits start accruing? Do they occur at a constant or variable rate over time?
 - e. PG&E states that it intends to reduce 300,000 tons of CO₂ per year. Explain in practical terms how many forestry projects that represents. How many acres of trees will likely be affected? Include a reference source for converted tons of CO₂ per year into acres of trees.
 - f. On page 2-26, PG&E describes a sequence of events involved in soliciting, selecting, contracting and funding GHG projects. Please explain how this sequence of events relates to the timing of (1) program marketing; (2) program fund collection; and (3) GHG reduction benefits.
 - i. Will PG&E solicit forest projects for funding via an RFP before or after starting to collect funds from customers under the CPT?
 - ii. Will PG&E contract with one or more forestry projects before or after starting to collect funds from customers under the CPT?
 - iii. Will PG&E require a project meet the Registry's forestry project certification standards before or after starting to collect funds from customers under the CPT?

7. On page 2-28, PG&E states it will “only consider projects that can provide appropriate assurances of permanence.” Please explain what the quoted phrase means.
8. What will occur if PG&E’s program is undersubscribed?
9. The PG&E Application cites a report by Lawrence Berkeley Laboratory (page 1-7, footnote 17). That report includes both 1990 and 1999 emissions information. The report also includes annual, marginal, seasonal emissions factors. The report compares different emissions factors based on different calculation methodologies.
 - a. Explain and provide references for which emissions factors PG&E is choosing and why.
 - b. Please explain the 0.52 lbs/kWh figure cited on page 2-16, line 12.
 - c. Please explain the statement on page 2-16, footnote 27. “This [LBL] report documents stability in emissions rates associated with PG&E’s electric portfolio.”
 - d. What is the emissions factor that PG&E will use “in accordance with the Registry’s Power/Utility reporting protocols” (page 2-15, line 27). Is that the same as the LBL figure?
 - e. PG&E cites the Registry’s approved emissions factor (emissions per kWh), but does not cite its estimate of its total emissions. What is PG&E’s estimate of the total GHG emissions associated with generation of PG&E’s owned and procured electricity? (See page 2-15, line 12.)
10. On page 2-6, line 21, PG&E describes four new protocols that will be in place by 2009. The pilot program is proposed to last from 2007-2009.
 - a. Explain how GHG project protocols developed in 2009 will be used if the pilot program ends in 2009.
 - b. Is it possible (or preferable) for PG&E to spend 1-2 years developing forestry projects, and then start marketing the program?
11. On page 2-9, PG&E indicates that the External Advisory Group will “advise PG&E on the project selection.”

- a. Does PG&E expect CPUC staff to participate in the External Advisory Group? If so, in what capacity?
 - b. Will there be any test for conflict of interest in choosing participants in the External Advisory Group?
12. For purposes of planning, PG&E has referenced a \$9.71 per ton value based on the E3 report used in the Avoided Cost proceeding. The report is available here:
http://www.ethree.com/CPUC/E3_Avoided_Costs_Final.doc#_Toc86635832
 - a. On page 88, the report states, "Reported costs of CO₂ emission offset projects identified to date vary widely, with a median cost of about \$7.5/ton-CO₂." The report adopts an \$8/ton figure.
 - b. Please explain the adjustment between the \$8/ton figure and the \$9.71 per ton figure in the application.
 - c. What is PG&E's plan if GHG reductions are not available for \$9.71 per ton?
 - d. What is PG&E's plan if GHG reductions are less expensive than \$9.71 per ton?
 - e. Does PG&E have any evidence that \$9.71/ton is a realistic figure for achieving carbon reductions in California?
13. Provide the formulas for calculating the figures on the following pages of the application (these figures are not mere multiplication of the figures present): page 2-13; page 2-16, lines 13-15; and page 2-17, lines 3-5; pages 4-3, table 4-1.
14. On page 2-3, PG&E discusses "Establishing an Emission Reduction Buffer." It explains that extra emission reductions will "serve to mitigate the risk associated with leakage and loss" and "also serve as a hedge, to dampen the effect of potential year-to-year price increases in projects' costs." PG&E aims to have a surplus of emission reductions to ensure that "100 percent of premiums will be spent on reductions."
 - a. Explain the term "leakage and loss" used on page 2-30, line 27.
 - b. How will PG&E allocate extra emission reductions among leakage and loss avoidance, hedging against future year price increases, and ensuring 100% of premiums are spent on emission reductions?

15. On page 2-31, PG&E describes a contract structure for the program's GHG reduction projects. Does PG&E have evidence on the experience or effectiveness of these types of GHG "pay for performance" contracts from elsewhere in the world? Does PG&E have any direct experience with these types of contracts?
16. The Registry Forestry protocols included in the testimony skip from pages 15 to 31 to 62. Please provide a complete set of protocols.
17. On page 3 the application states that it will achieve "cost-effective" GHG reductions. How does PG&E define the term "cost-effective"?
18. Please provide copies of the market research conducted to date by Hiner & Company.
19. On page 3-8, line 11, PG&E states "The answers to these questions can then be used to prepare a full-scale marketing plan to be implemented upon final approval of the program by the CPUC." Does PG&E propose to submit such a plan for consideration to the Commission? Would it file via an advice letter?
20. Does PG&E intend to submit program or marketing materials to the CPUC for approval prior to program launch?

(END OF ATTACHMENT)

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Upon confirmation of this document's acceptance for filing, I will cause a copy of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the copy of the filed document current as of today's date, is attached.

Dated June 5, 2006, San Francisco, California.

/s/ Antonina V. Swansen

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