

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

Agenda ID 15538
RESOLUTION E-4827
April 6, 2017

REDACTED
RESOLUTION

Resolution E-4827. Pacific Gas and Electric (PG&E) Proposes Updates to its Greenhouse Gas Procurement Plan.

PROPOSED OUTCOME:

- The Resolution approves amendments to PG&E's Greenhouse Gas (GHG) strategy to better reflect market conditions by modifying its Bundled Procurement Plan (BPP).

SAFETY CONSIDERATIONS:

- This resolution makes small changes to PG&E's strategy for procuring Greenhouse Gas compliance instruments that create no foreseeable safety impact.

ESTIMATED COST:

- The proposed changes to PG&E's GHG Procurement Plan are intended to comply with Air Resources Board Regulations. Their impact on rates will be minimal.

By Advice Letter 4814-E, Filed on April 1, 2016.

SUMMARY

This Resolution approves PG&E's request to modify its Greenhouse Gas (GHG) Procurement Plan. Specified market developments, which are explored in the Confidential Appendix, may lead to PG&E being out of compliance with the Air Resources Board (ARB) Cap-and-Trade Program.¹ The proposed modifications, addressed in this resolution, update Appendix G of PG&E's 2014

¹ California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms, Title 17, California Code of Regulations, Sections 95801-96022.

Bundled Procurement Plan (BPP) and those modifications will allow PG&E to comply with ARB Cap-and-Trade regulations in cases when specified market conditions are present. These updates to Appendix G of the BPP are confidential and therefore, are addressed in the Confidential Appendix.

BACKGROUND

Greenhouse Gas Cap-and-Trade Program

The Global Warming Solutions Act of 2006, Assembly Bill (AB) 32, granted the California Air Resources Board (ARB) authority to regulate California's greenhouse gas (GHG) emissions. In response to AB 32, ARB established an economy-wide Cap-and-Trade Program to cap major sources of GHG emissions. The goal of the program is to reduce emissions to 1990 levels by 2020.

Beginning January 1, 2013, the Cap-and-Trade Program covered operators of facilities that annually emit at least 25,000 metric tons of carbon dioxide equivalent gas (MTCO_{2e}) and first deliverers of electricity. California's investor-owned electric utilities are covered under the Cap-and-Trade Program.

Each quarter, ARB holds a Current Auction in which participants bid on allowances for current and previous years' compliance. Each participant may submit multiple bids, each consisting of a quantity of allowances and a bid price. ARB also holds an Advance Auction in each quarter, where one quarter of the allowances allocated from the budget year three years subsequent to the current calendar year are designated for sale.²

For each auction, bids are ranked from high to low. "Entities submitting bids at each price will be sold allowances until: (A) The next lower bid price is less than the auction reserve price, in which case the current price becomes the auction settlement price; or (B) The total quantity of allowances contained in the bids at the next lower bid price is greater than or equal to the number of allowances yet to be sold, in which instance, the next lower bid price becomes the auction settlement price" and ARB resolves the tie bids.³

² Ibid. Section 95910.

³ No allowances will be sold at bids lower than the auction reserve price, which was \$10.00 per allowance for 2012 and increases each year. As defined by ARB in

Footnote continued on next page

Electric Utility Procurement of Greenhouse Gas Compliance Instruments

D.12-04-046 authorizes electric utilities to procure greenhouse gas compliance instruments. The decision further defines (1) which types of compliance instruments the utilities are authorized to procure; (2) how and where the utilities procure them; and (3) the quantities they may procure.

The decision authorizes the following compliance instruments:

- Allowances;
- Allowance futures and forwards; and
- ARB-certified offsets and offset forwards to meet no more than 8% of their compliance obligation.

The utilities may procure compliance instruments on ARB-approved exchanges or other exchanges that the Commission has previously approved for power procurement. Prior to purchasing compliance instruments on an exchange not previously approved by the Commission, the utilities must submit a Tier 2 Advice Letter.

Background on AL 4814-E

In D.15-10-031, the Commission approved PG&E's 2014 BPP with modifications and required PG&E to file a conformed copy of the BPP as a Tier 2 Advice Letter. On December 10, 2015, PG&E filed Advice Letter 4750-E requesting approval of a conformed BPP. This Advice Letter was approved by the Commission on June 15, 2016.

On April 1, 2016, PG&E submitted Advice Letter 4814-E, which sought to revise its Greenhouse Gas Procurement Plan in order to adequately respond to current Cap-and-Trade market conditions. Changes to the BPP require a Tier 3 Advice Letter, and therefore, a Commission Resolution. These changes to Appendix G are confidential. More information about the market conditions that prompted the proposed changes is in the Confidential Appendix. The modifications PG&E

Section 95910, the reserve price, or auction floor price, increases each year by 5 percent plus the rate of inflation as measured by the most recently available twelve months of the Consumer Price Index for All Urban Consumers.

is asking for in this resolution will be made to Appendix G of its conformed BPP filing, which was approved on June 15th.

AL 4814-E's GHG procurement modifications were not originally included in the conformed BPP because the market conditions that prompted the GHG procurement modifications occurred in February 2016. AL 4750-E, which originally addressed the conformed BPP, was filed in December 2015.

NOTICE

Notice of AL 4814-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 4814-E was not protested.

DISCUSSION

PG&E requests approval of proposed modifications to its Greenhouse Gas (GHG) Procurement Plan

On April 1, 2016, PG&E filed Advice Letter 4814-E to seek Commission approval of its updated GHG Procurement Plan. The Advice Letter includes modifications to its GHG Procurement Plan (Appendix G) with Confidential Attachments 1 and 2, both a clean and redlined version, and an explanation of those changes in Confidential Attachment 3.

In AL 4814-E, PG&E is proposing to make changes to its GHG Procurement Plan, which is contained in Appendix G of its 2014 BPP. PG&E's argument for making these modifications is that the updates will help it comply with ARB Cap-and-Trade regulations. Because its GHG Procurement Plan is confidential, this explanation is explored further in the Confidential Appendix.

Energy Division evaluated the proposed updates to PG&E's GHG Procurement Plan based on the following criteria:

- Will PG&E's updates to its GHG Procurement Plan help it comply with the ARB Cap-and-Trade regulations?

In a presentation to Energy Division, PG&E showed how updates to its GHG Procurement Plan will help it meet ARB Cap-and-Trade requirements to participate in quarterly auctions. That presentation is summarized in the Confidential Appendix. The updates PG&E proposes have been prompted by market conditions discussed in the Confidential Appendix.

Energy Division has reviewed the proposed updates to Appendix G of PG&E's BPP and finds the updates will help it comply with ARB Cap-and-Trade regulations.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. Decision 15-10-031 directed PG&E to file a conformed copy of their BPP as a Tier 2 Advice Letter.
2. On December 10, 2015, PG&E filed their conformed BPP as Advice Letter 4750-E. That advice letter was approved on June 15, 2016.
3. On April 1, 2016, PG&E filed AL 4814-E, which modifies Appendix G of the conformed BPP.

4. Energy Division finds that the proposed modifications to Appendix G of PG&E's BPP will help it comply with ARB Cap-and-Trade regulations.

THEREFORE IT IS ORDERED THAT:

1. The request of the Pacific Gas and Electric Company to update its GHG Procurement Plan as requested in Advice Letter AL 4814-E is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 6, 2017; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

Confidential Appendix

An explanation of market developments that require PG&E's requested
BPP modifications

[Redacted]