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Mr. James Duffy
Transportation Fuels Branch
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

RE: Pacific Gas and Electric Comments on the April 5, 2019 Low Carbon Fuel Standard Regulation Cost Containment Workshop

Pacific Gas and Electric Company (PG&E) appreciates this opportunity to comment in response to the California Air Resources Board's (CARB) April 5, 2019 Workshop on potential cost containment measures for the Low Carbon Fuel Standard (LCFS) Regulation. PG&E continues to support a well-designed LCFS program that advances low-carbon fuels while protecting consumers and reducing regulatory risk with appropriate cost containment mechanisms.

PG&E's comments on the proposed workshop concepts are provided below.

Current Cost Containment Mechanisms:

PG&E supports the current cost containment mechanisms of the program which include banking and the credit clearance market (CCM) with deficit banking. While the CCM has only been held once and there has been no use of deficit banking to date, PG&E agrees with CARB that these provisions will be sufficient to contain costs in the near term. These provisions may be tested as the program becomes more stringent in the mid-to-late 2020s and additional strengthening of the cost containment measures may be prudent.

At the workshop, CARB referenced anecdotal evidence and one analysis that supported stakeholder concerns that there is or will soon be credit shortages that will lead to higher compliance costs. PG&E would appreciate the opportunity to review that analysis to better understand concerns about the market and how best to address them.

CARB's Staff Proposal:

CARB Staff proposed two concepts to strengthen cost containment measures—a price cap in the daily market and advance credits—at the workshop on April 5th with the stated intention that the two concepts would work together. PG&E supports measures that strengthen the long-term sustainability of the LCFS program, which is critical to achieving the State's zero-emission vehicle and greenhouse gas (GHG) targets. PG&E supports the concept of a price cap; however we seek additional clarification on the concept of providing advance credits. Additional comments and questions regarding these proposals are provided below:

- Price Cap in Daily Market
 - A price cap in the daily market can provide price stability in the market and limit potential adverse impacts on consumers.
 - If an official rulemaking is opened and a price cap is pursued, PG&E strongly supports CARB's recommendation that the daily market price cap be set at the same level as the CCM maximum price (\$200 in 2016 dollars indexed for inflation).
- Advance Credits
 - PG&E appreciates Staff's creative proposal to reduce deficit banking while maintaining the stringency of program reductions. The general framework of the concept was clear from the workshop; however, PG&E has several questions about the details of this proposal:
 - How will the amount of advance credits be allocated across the utilities? Will this change depending on the amount of credits needed?
 - How and who will be responsible for tracking/accounting for these advance credits? How will these advance credits impact the accounting for future credits?
 - What additional tracking and reporting will be required by utilities?
 - Will the administrative cost associated with selling Advance Credits need to be tracked separately?
 - Will the requirement for spending the advance credit revenue be consistent with the current requirements for base non-metered residential electricity?
 - When would the credits be advanced for a specific year's CCM?

Long-Term Cost Containment:

In working to strengthen cost containment measures for the LCFS program, PG&E recommends that CARB carefully consider the long-term sustainability of the program. Some measures may contain program costs in the near-term, but do not address long-term cost concerns, particularly as the program becomes more stringent.

Conclusion

PG&E continues to support the Low Carbon Fuel Standard as a program that will help the state meet its aggressive climate goals while maintaining a healthy economy. PG&E appreciates Staff's responsiveness to stakeholder concerns and the Board directive in Resolution 18-34 and looks forward to working closely with CARB on a solution, should a formal rulemaking be opened.

Please feel free to contact me if you have any questions or concerns.

Sincerely,

/s/

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Pacific Gas and Electric