

By this Application and in compliance with the California Air Resources Board's (ARB's) AB 32 greenhouse gas (GHG) cap-and-trade rulemaking, PG&E asks the California Public Utilities Commission (Commission or CPUC) to authorize PG&E to increase natural gas rates and charges to collect the reasonable level of revenue requirements necessary for PG&E to recover the costs of compliance with AB 32 relating to PG&E's natural gas compressor stations as described in this Application and PG&E's prepared testimony. PG&E forecasts that the level of revenue requirements for AB 32 compliance by its gas compressor stations will be \$3.335 million in 2013 and \$4.268 million in 2014. PG&E will include the forecast of these GHG Costs in its Gas Transmission and Storage Rate Cases for recovery for periods after 2014.

In addition, because PG&E is likely to begin incurring these gas compressor station compliance costs effective January 1, 2013, the starting date for compliance with ARB's AB 32 cap-and-trade rule, PG&E requests that the Commission issue an interim order immediately in this proceeding, authorizing PG&E to establish a memorandum account to record its gas compressor station AB 32 compliance costs pending disposition of this Application for cost recovery on its merits.

PG&E requests that the Commission approve the establishment of an interim Greenhouse Gas Compressor Station Memorandum Account (GHGCSMA) to record actual GHG compliance costs incurred by PG&E. This proposal is similar to the establishment of a memorandum account approved by the Commission for AB 32 implementation fee costs in Decision (D.)10-12-026. In this decision, the Commission recognized the fact that PG&E would incur AB 32 implementation costs prior to a final decision in Application (A.) 10-08-002 addressing cost recovery. D.10-12-026 allowed PG&E to establish a memorandum account "to record its expenditures for complying with AB 32 Fees before receipt of the first AB 32 Fee invoice."¹¹

As the owner of six natural gas compressor stations that meet the emissions thresholds for compliance obligations under AB 32, PG&E expects to incur GHG costs beginning January 1, 2013. PG&E requires compliance instruments for emissions from its compressor stations that emit over the 25,000 mtCO₂e compliance threshold. This estimate is an average of the 2008-2011 emissions from these stations reported to ARB or to The Climate Registry (TCR), a voluntary GHG reporting program. Reports to both ARB and TCR are third-party verified. TCR data was used when a facility's emissions were below the CARB compliance threshold. Since the total emissions from these stations do not vary significantly year over year, the forecast for 2013 and for 2014 are the same. Per the Cap-and-Trade regulation, should a compressor station that is below the compliance threshold emit above the threshold in any compliance year, it would then have a compliance obligation for its emissions. Should a compressor station that is above the threshold emit below the threshold for an entire compliance period, then that facility would no longer have a compliance obligation. In either case, PG&E's GHG compliance instrument obligation need would be adjusted accordingly.

PG&E, therefore, requests that the Commission: (1) authorize the establishment of PG&E's proposed GHGCSMA upon the filing of this application; and (2) allow PG&E to record the actual GHG cost incurred in GHGCSMA, effective January 1, 2013 until a final decision in this application is issued.

Upon issuance of the final decision in this application, the GHGCSMA will be closed and the entire balance will be transferred to the Electric Cost Balancing Account (ECBA)^[2] for recovery in rates. PG&E further requests that the Commission authorize the creation of a

^[1] D.10-12-026, Conclusions of Law No. 2.

^[2] To be renamed to Gas Operational Cost Balancing Account (GOCBA) in this application.

subaccount within the Electric Cost Balancing Account (ECBA) to recover PG&E's GHG cost. The ECBA was established in D.11-04-031^[3] to record the difference between the Gas Accord V Settlement adopted cost of electricity used by electric compressors needed to provide gas transmission and storage services and PG&E's recorded cost of electricity used by electric compressors needed to provide gas transmission and storage service.^[4] Similar to the cost currently recorded in ECBA, the GHG costs described in this application are a mandatory operational cost that will be incurred by PG&E to operate gas compressor stations. PG&E proposes to create two subaccounts in the ECBA. One subaccount will be used to record the existing cost of electricity for electric compressors as established in D. 11-04-031. The second subaccount will be used to record PG&E's GHG cost associated with PG&E's gas compressors. In order to more accurately reflect the purpose of the ECBA, PG&E also proposes to revise the name of the ECBA to the Gas Operational Cost Balancing Account (GOBA).

PG&E requests that the Commission find its forecast revenue requirement associated with the GHG costs reasonable and authorize revenue recovery in gas rates beginning January 1, 2013. PG&E will record the difference between the Commission adopted forecast and actual GHG costs in a subaccount in ECBA (revised to GOBA) and consolidate it with the true-up of other authorized account balances in PG&E's Annual Gas True-Up (AGT) advice filings.

^[3] See D. 11-04-031, Appendix A, "Gas Accord V Settlement Agreement", Section 7.3.2.

^[4] See PG&E's Gas Preliminary Statement CM.