

**STIPULATION OF PACIFIC GAS AND ELECTRIC COMPANY AND  
THE DIVISION OF RATEPAYER ADVOCATES,  
GAS COMPRESSOR STATION COMPLIANCE WITH AB 32  
A.12-06-010**

Pacific Gas and Electric Company (PG&E) and the Division of Ratepayer Advocates (DRA) stipulate as follows:

1. Pursuant to Assembly Bill (AB) 32, the California Global Warming Solutions Act (Nunez, Chapter 488, Statutes of 2006), the California Air Resources Board has promulgated a greenhouse gas emissions “cap-and-trade” rulemaking that requires PG&E and other California electric and gas utilities to comply with the rulemaking and procure certain AB 32 greenhouse gas compliance instruments (“allowances”) beginning January 1, 2013 to meet the greenhouse gas reduction goals of the rulemaking.

2. On April 24, 2012, the CPUC issued D.12-04-046 in the Long-Term Electricity Procurement Plan Proceeding (LTPP) in R.10-05-006, authorizing PG&E, SCE and SDG&E to recover the costs of their electric utility-related AB 32 cap-and-trade greenhouse gas compliance instrument transactions in each electric utility’s respective Energy Resource Recovery Account filing.

3. In addition to electric utility related greenhouse gas emissions, the AB 32 cap-and-trade rule also requires natural gas utilities beginning January 1, 2013 to procure greenhouse gas compliance instruments to cover the emissions of any natural gas compressor station emitting more than 25,000 metric tons carbon dioxide equivalent (mtCO<sub>2</sub>e) per year. PG&E’s natural gas utility owns and operates six such gas compressor stations as part of its CPUC-jurisdictional natural gas service to retail customers: Burney, Delevan, Gerber, Hinkley, Kettleman, and Topock.

4. On June 18, 2012, PG&E filed Application (A.) 12-06-010 at the CPUC to increase its gas rates to recover the costs associated with compliance with the AB 32 cap-and-trade regulation. PG&E's Application requests that the Commission authorize recovery of estimated revenue requirements for the first two years of AB 32 compliance of \$3,335,000 for 2013 and \$4,268,000 for 2014, subject to recording in a subaccount in PG&E's renamed Gas Operations Balancing Account and trued up compared to actual incurred AB 32 compliance costs in PG&E's Annual Gas True-up rate change filing.

5. Because the CPUC may be unable to issue a decision authorizing recovery of its GHG costs in this proceeding prior to the beginning of 2013, PG&E requested that the CPUC authorize PG&E to establish a memorandum account, the Greenhouse Gas Compressor Station Memorandum Account, and record any compressor station GHG costs it incurs in the memorandum account prior to a final decision by the CPUC on PG&E's Application for cost recovery. Absent the creation and recording of the costs in a memorandum account, any such GHG compliance costs incurred prior to a decision on PG&E's Application otherwise would be barred from recovery as retroactive ratemaking.

6. On July 23, 2012, DRA filed its protest to A.12-06-010 and listed the following issues that it anticipated the need to address in the proceeding:

a. Whether the forecast greenhouse gas revenue requirements proposed by PG&E are reasonable, and the impact of these incremental revenue requirements on PG&E's rates, including the reasonableness of PG&E's assumption on greenhouse gas compliance instrument prices and PG&E's estimate of its total greenhouse gas compliance instrument obligation for the gas compressor stations; and

b. Whether PG&E’s request for memorandum account treatment for its greenhouse gas compliance instrument costs is consistent with prior CPUC directives and decisions pertaining to greenhouse gas compliance.

7. On July 27, 2012, the Administrative Law Judge in A.12-06-010 issued an ALJ Ruling scheduling a prehearing conference for the proceeding on October 29, 2012 and ordering PG&E and DRA to meet and confer and file a joint prehearing conference statement by October 22, 2012.

8. Pursuant to the ALJ Ruling, PG&E and DRA have met and conferred and agree as follows:

a. DRA has had a reasonable time to review and conduct discovery on the reasonableness of PG&E’s AB 32 compliance cost estimates and cost recovery proposal.

b. DRA agrees that PG&E’s forecast costs and ratemaking proposals pertaining to greenhouse gas compliance costs for natural gas compressor stations are reasonable. DRA does not oppose the CPUC issuing a decision before the end of 2012 authorizing PG&E to recover the costs it incurs to comply with the AB 32 greenhouse gas cap-and-trade regulation for natural gas compressor stations.

c. After approval of PG&E’s application, PG&E agrees to consult with DRA on the form of PG&E’s advice filing to establish the ratemaking accounts and rates necessary to implement recovery of its costs as proposed in PG&E’s Application.