



## PG&E's ClimateSmart™ Program – First Customer Annual Report (March 2008)

Dear ClimateSmart Customer,

As a valued participant in the ClimateSmart program, Pacific Gas and Electric Company (PG&E) is pleased to provide you with this annual report highlighting the key successes of the ClimateSmart program through January 31, 2008.

The first year of this innovative program has brought many accomplishments. Since its public launch on June 28, 2007, you are one of over 16,000 customers who joined the fight against climate change in a new way by signing up for the ClimateSmart program, already making tax deductible contributions of over \$860,000.

Your support has allowed the program to already embark on two inaugural contracts for independently bid greenhouse gas (GHG) reduction projects to preserve native California forests that would otherwise be cut down. These contracts will realize a total of approximately 236,000 tons (214,000 metric tons) of CO<sub>2</sub> equivalent reductions between 2007 and 2021, with the majority of these reductions to be achieved by the end of 2012. Due to the recent timing of these initial contracts and the strictures of the California Climate Action Registry (CCAR) project protocols, the program has not yet realized any certified greenhouse gas emission reductions. Such independently verified greenhouse gas reductions must periodically be reported to PG&E's ClimateSmart program before progress payments are made to the contractors.

These inaugural projects and your continued contributions put the ClimateSmart program well on its way to reaching its goal of entering into contracts to reduce at least 1.5 million tons of greenhouse gas emissions by the end of 2009. That is equal to taking over 270,000 cars off the road for an entire year.

We thank you for your early participation in the ClimateSmart program, and want you to know that we take our commitment to being good stewards of your contributions seriously as we partner to take action to fight climate change through this important new program. As part of the California Public Utility Commission's (CPUC) program oversight, we are also filing a more detailed, public Annual Report with the CPUC on March 17, 2008.

### First-of-its-Kind

Approved by the CPUC in December 2006, the innovative ClimateSmart program was hailed as another "first" for California. After making the necessary preparations, PG&E began offering pre-program signups to its employees in May 2007, then launched the program to all of our customers on June 28, 2007. As you know, this program offers you, and other PG&E customers, another way to reduce your personal impact on climate change. Once enrolled, your monthly PG&E bill includes an extra charge of \$0.06528 per therm of natural gas and \$0.00254 per kilowatt hour of electricity, the amount needed to make the greenhouse gas emissions associated with your home or business energy use "climate neutral." The use of standards-based protocols, CPUC oversight, and a diverse External Advisory Group made up of respected community, environmental, business, and government leaders further set the ClimateSmart program apart.

## Participation

Over 16,000 customers are currently participating in the ClimateSmart program in just the first seven months since launch:

Customer type	Number*
Residential	15,940
Commercial/Government/Nonprofits/Faith Communities	201
PG&E (Buildings System wide, using shareholder funds)	18
<b>Total</b>	<b>16,159</b>

\* Cumulative, as of 1/31/08.

As an early supporter of the ClimateSmart program, you have joined concerned residential and commercial customers from all across PG&E's service area, including 558 different cities stretching from Eureka to Bakersfield. The cities with the largest participation are shown in the pie chart.

Participation by commercial customers and nonprofit organizations has been significant. Participating organizations include:

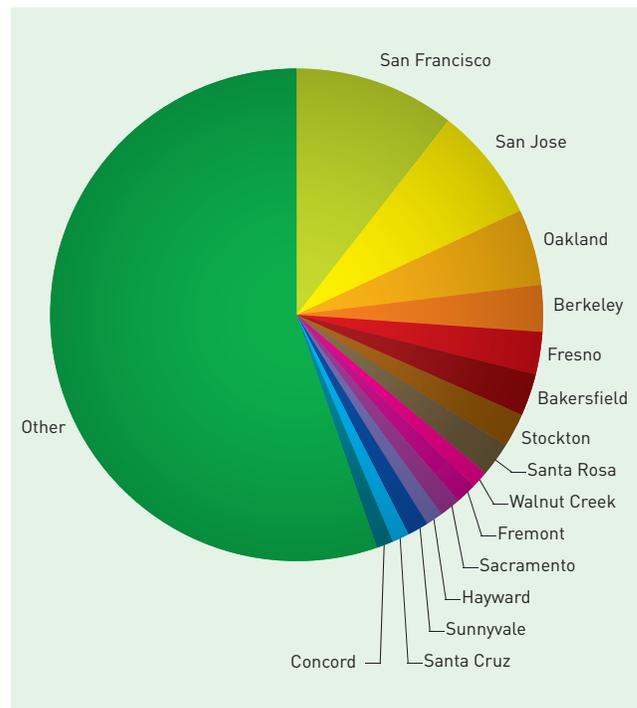
**Larger businesses:** IKEA of West Sacramento, Sierra Nevada Brewing Company, Longs Drugs, Bear Valley Ski Resort, South Bayside Waste Management Authority, NRG Energy Center San Francisco, and County Bank's 36 branches

**Cities:** Millbrae (near San Francisco), Rocklin (near Sacramento), and Riverbank (in the Central Valley)

**Schools:** The Julia Morgan School for Girls

**Faith Communities:** Methodist Church of Newcastle, and United Methodist Church of Santa Cruz

**Nonprofits:** The Climate Protection Campaign, Communications Workers of America, Mendocino Coast Chamber of Commerce, and Sempervirens Fund



Please note that this list includes only those larger businesses and nonprofit organizations that, as of February 22, 2008, had agreed to have their names listed in this report. Nearly two hundred other businesses and organizations are also active participants in the program.

## A Mother Making a Difference

Santa Rosa's Sarah Abramson is a working mother with two small children who wanted to lead by example when it came to protecting the environment and addressing climate change. In addition to living an environmentally conscious lifestyle, Sarah signed up her home, as well as her small business, Halls Executive Gifts & Awards, in ClimateSmart. Her motivation was simple: "I love my kids," she says. "It's important to think about their future and to do what we can now to leave the world in a better place for them."

## A City That Cares

When it comes to addressing climate change, the City of Rocklin took the lead, becoming California's first municipality to sign up for ClimateSmart. All of its 218 electric and natural gas metered accounts are signed up, including all city buildings, the fire and police departments, the city's community center and all city parks and sports fields. When you add it all up, Rocklin is balancing out more than 4,600 pounds of CO<sub>2</sub> every day or more than 1.6 million pounds every year.

## PG&E — The First ClimateSmart Customer

PG&E is proud to have been the first participant in the ClimateSmart program, making its buildings' energy use climate neutral through a commitment of approximately \$1.5 million in shareholder funds to the program through the end of 2009. The ClimateSmart program rounds out PG&E's other leading efforts on energy efficiency, renewables, and supporting state and federal regulatory action in the multifaceted, urgent fight against climate change.

## Contributions

Participants' contributions to the ClimateSmart program through January 31, 2008 totaled over \$860,000:

Customer type	Contribution*
Residential (including PG&E employees)	\$215,760.72
Commercial/Agricultural	\$92,817.29
PG&E Buildings (through shareholder funds)	\$554,289.02
<b>Total</b>	<b>\$862,867.03</b>

\* Cumulative, as of 1/31/08.

One hundred percent (100%) of all contributions go to funding the new greenhouse gas emission reduction projects discussed below and PG&E does not make any money from this program.

Administrative costs to support and promote the program are funded by all PG&E customers through a small separate rate component adopted by the CPUC. About \$4 million of this \$16.24 million four-year fund has been expended through January 31, 2008. The bulk of the funding was used towards preparing for launch in June 2007 as well as subsequent promotions. Some examples of these ClimateSmart program promotions are: PGE.com web pages, a September 2007 ClimateSmart bill insert to 5.6 million PG&E customers, and an initial ClimateSmart direct mail brochure to over 516,000 targeted customers provided education on climate change as well as seeking ClimateSmart program enrollments.

The program also received promotion through PG&E's WeCanDoThis.com campaign, including radio and print ads that reached millions about ClimateSmart. We encourage you to check it out online at [www.wecandothis.com](http://www.wecandothis.com). PG&E's shareholders funded this program to raise awareness throughout our service territory about what PG&E is doing, and what you can do, to take action and fight climate change. In addition to the ClimateSmart program, the WeCanDoThis website also showcased other programs that are making a positive impact on climate change, such as energy efficiency and solar.

## Greenhouse Gas (GHG) Reduction Projects

Your contributions have allowed PG&E to partner with two non-profit organizations to reduce greenhouse gases by preserving mature coastal redwood forests under the California Climate Action Registry's forestry protocols. Collectively, the program's first two independently verified forest projects will reduce greenhouse gas by approximately 236,000 tons (214,000 metric tons) of carbon dioxide (CO<sub>2</sub>).<sup>1</sup>

### Lompico Forest

Located on 425 acres in the Santa Cruz Mountains, the Lompico Headwaters Forest Project is an effort led by Sempervirens Fund, California's first land conservancy. Founded as a nonprofit in 1900, Sempervirens Fund is dedicated to the permanent protection of redwoods. Sempervirens will create Verified Emissions Reductions through a permanent conservation easement that will prevent future logging on the property. In the absence of this protection, 202 acres of redwoods would have been logged. In addition to climate benefits, the protected trees provide habitat for rare and endangered species, supply clean and safe drinking water, and deliver valuable aesthetic and recreational benefits.



Lompico Forest in the Santa Cruz Mountains

### Garcia River Forest

Located on 23,780 acres of property in Mendocino County, the Garcia River Forest project is owned by The Conservation Fund (TCF), a nonprofit corporation dedicated to protecting America's most important landscapes and waterways for future generations. TCF will create verified emissions reductions by preserving trees that would otherwise have been harvested. These large, mature trees will capture significant amounts of CO<sub>2</sub> from the atmosphere. The project will also preserve habitat for many important and sensitive species that inhabit the forest, including northern spotted owls, mountain lions, Coho salmon and steelhead trout.



Garcia River Forest in Mendocino County

In future greenhouse gas reduction project solicitations, the ClimateSmart program hopes to encompass a variety of project types. One such project proposal is livestock methane capture at some of the approximately 1800 dairies in California. The manure that each cow produces each day generates more than 36 cubic feet of methane which is at least 21 times more powerful a greenhouse gas than CO<sub>2</sub> on a per ton basis. Currently, fewer than 20 dairies have any form of methane capture technology. The capture of methane from the remaining dairies would not be possible without support from programs like the ClimateSmart program. Additional types of greenhouse gas reduction projects under consideration for future independent bid solicitations may include urban forestry and landfill methane capture.

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<sup>1</sup>These projects are new activities and the greenhouse gas emissions reductions were generated starting in 2007; the first verified greenhouse gas emissions reductions under these contracts were approved by the California Climate Action Registry in February 2008.

## Administration and Program Developments

### Tax Deductibility

PG&E is pleased to report that its 2007 efforts succeeded in gaining tax deductible status for all ClimateSmart program contributions in 2007. In March 2007, PG&E formed the ClimateSmart Charity, an independent California Nonprofit Public Benefit Corporation. This charity did not change the direction or goals of the ClimateSmart program, which continues to be regulated by the CPUC. In December 2007, the Internal Revenue Service determined that the ClimateSmart Charity qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and that contributions dating back to March 2007 may be tax deductible. In late January 2008, the Charity sent letters to all 2007 program participants notifying them of this favorable IRS ruling, and totaling their 2007 ClimateSmart dollars for use in preparing their 2007 tax returns after consultation with a tax advisor.

### Customer Communications, Conferences and Gatherings

During 2007, PG&E pursued an array of platforms for educating customers about climate change and the ClimateSmart program as a part of its holistic portfolio of climate solutions including energy efficiency and solar. PG&E developed the premiere edition of the ClimateSmart e-Newsletter, which was emailed to program participants on December 17, 2007 and sent postcards seeking to obtain missing email addresses. The e-Newsletter provides ClimateSmart customers with program updates and allows them to share additional tips for how they are fighting climate change. In addition, PG&E representatives attended over 74 events, conferences and tradeshows, where they provided education on climate change, promoted the ClimateSmart program to over 500,000 people, and distributed over 13,000 pieces of ClimateSmart program literature.

### External Advisory Group

To provide further expert guidance to the program, PG&E established an External Advisory Group made up of respected community, environmental, business, and government leaders. The group meets with PG&E on a quarterly basis and provides input to help guide the program. The External Advisory Group includes the following members:

Melissa Capria Climate Coordinator Department of the Environment City and County of San Francisco	Peter Miller Consultant Natural Resources Defense Council
Linda Carlson Residential Customer	Y. Armando Nieto Development Director Redefining Progress
Jamie Fordyce Division of Strategic Planning California Public Utilities Commission	Elena Powers Senior Manager Energy Program Management, Genentech
Dan Geis Assistant Executive Director Agricultural Energy Consumers Association	Honorable Art Rosenfeld Commissioner California Energy Commission
Ann Hancock Executive Director Climate Protection Campaign	Hank Ryan Executive Director Small Business California
Ortensia Lopez Executive Director Low Income Oversight Board	Nina Suetake Staff Attorney The Utility Reform Network

## Thank You!

On behalf of PG&E and our ClimateSmart program team, we want to thank you once again for joining us in the fight against climate change. Like most of our customers, you recognize the serious threat posed by greenhouse gas emissions warming the Earth's climate and decided to join the ClimateSmart program as another way to do something about it. Together we are making a difference for future generations and leading the nation in providing new ways to take effective early action.

## How Else Can I Help Fight Climate Change?

This is the number one question we hear, and it's great to see so many people doing more to address the climate crisis. Here are a few things you can do:

1. **Help others balance out their carbon footprint by asking them to join you in participating in the ClimateSmart program** – reach out to friends, family, and colleagues as well as requesting that your place of work, place of worship, and City consider joining the ClimateSmart program now to help us meet our goal of supporting 1.5 million tons of greenhouse gas reductions by 2009. (Encourage others to visit our website at [www.pge.com/climatesmart](http://www.pge.com/climatesmart) to learn more or contact us at [climatesmart@pge.com](mailto:climatesmart@pge.com) for brochures and bookmarks to hand out to others you know.)
2. **Reduce as much of your energy use as possible to further shrink your carbon footprint, and encourage others to do the same.**
  - Step up your energy efficiency and conservation efforts at home and work. Go to: [www.pge.com/rebates](http://www.pge.com/rebates), [www.pge.com/cfl](http://www.pge.com/cfl), [www.pge.com/myhome/saveenergymoney/savingstips](http://www.pge.com/myhome/saveenergymoney/savingstips) (residential) and [www.pge.com/mybusiness/energysavingsrebates/tips](http://www.pge.com/mybusiness/energysavingsrebates/tips) (business) for more ideas.
  - Consider on-site renewables, like solar photovoltaic panels or solar thermal technologies on the rooftop of your home and business, if possible. Go to [www.pge.com/solar](http://www.pge.com/solar) to find out more.
  - Green your ride – just making sure your tires are fully inflated can cut your car's emissions by 3%, and you can make an even bigger difference by walking or taking transit just once more each week than you already may do.
  - Look for other tips in upcoming ClimateSmart e-Newsletters, and send us your ideas!

Again, thank you for your continued leadership in the fight against global climate change, through the ClimateSmart program and everything else you are doing. Together we are making a difference.



Janice Berman  
Senior Director, ClimateSmart and Emerging Products

P. S. To make sure you are signed up for our FREE ClimateSmart e-Newsletter, please visit [www.pge.com/csnews](http://www.pge.com/csnews).



To make participating customers climate neutral, PG&E may enter into greenhouse gas emission reduction contracts where the reductions occur over time into the future. The ClimateSmart program is being funded by PG&E customers in accordance with a decision of the California Public Utilities Commission. "PG&E" refers to Pacific Gas and Electric Company, a subsidiary of PG&E Corporation. © 2008 Pacific Gas and Electric Company. All rights reserved. ♻️ Printed on 100% Recycled Paper 🖨️ Printed with Soy Based Ink