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Pacific Gas and Electric Comments on Feb. 21 Staff Pre-Rulemaking Workshop on Updates to the PSD Regulations

Additional submitted attachment is included below.

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Re: Docket 17-OIR-05: Pacific Gas and Electric Company Comments on the February 21, 2017 Staff Pre-Rulemaking Workshop on Updates to the Power Source Disclosure Regulations

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments to the California Energy Commission (CEC) on its "Preliminary Scoping Questions" (Scoping Questions or Questions) which were presented to stakeholders as supplemental material to the February 21 Staff Workshop. PG&E provides comments including the following key points in response to the Workshop and Scoping Questions:

- PG&E supports the outcomes of AB 1110 and the revision of the Power Source Disclosure (PSD) Program;
- Greenhouse gas (GHG) emissions intensity calculations should be consistent with the Air Resources Board's (CARB or ARB) methodology under its existing programs; and
- Any unbundled Renewable Energy Credits (RECs) reported in the Power Content Label (PCL) must have already been retired for RPS compliance towards the calendar year corresponding to the PCL.

PG&E looks forward to continuing to work with staff on this important effort until the anticipated adoption of revised guidelines in December 2017.

I. Responses to Annual Sales Scoping Questions

1. What should be the programmatic definition of "annual sales"?

Annual sales should continue to be defined as retail sales, net of losses, for the calendar year. This definition preserves the PSD Program's intended purpose as an annual disclosure of sources as a percentage of sales.

Sales associated with a distinct product offering (e.g., the Green Tariff Shared Renewables program, or a Community Choice Aggregation (CCA) "green" product) should be reported separately. See the response to Section I Question 3 for more detail.

Given these parameters, "annual sales" should be defined as: "A Load Serving Entity's retail sales, net of losses, in a calendar year. Each Load Serving Entity shall report their annual sales separately for each of their product offerings."

2. What should be the programmatic definition of "electricity portfolio"?

In keeping with the intentions of the existing regulation, the electricity portfolio should be defined as: "the supply-side fuel mix of retail sales delivered by a Load-Serving Entity in a calendar year." Consistent with this definition, unbundled Renewable Energy Credits – which do not represent actual delivered energy – should not be considered a fuel source.

Additionally, PG&E notes that the definition of "electricity portfolio" represents the fuel mix produced plus market purchases on a net annual basis. This does not equate to a direct measurement of the actual electricity delivered to customers.

3. What should be the programmatic definition of "electricity offering"?

PG&E recommends maintaining the existing PSD Program definition for "electricity product" or "offering": "'Electricity product' means the electrical energy produced by a generating facility that a retail seller offers to sell to consumers in California under terms and conditions specific to an offer or to a tariff. It does not include the provision of electric services on site, sold through an over-the-fence transaction, as defined in Section 218 of the Public Utilities Code, or sold or transferred to an affiliate, as defined in Section 372(a) of the Public Utilities Code."[1]

The Power Content Label should display each load serving entity's (LSE) distinct electricity product offerings. For example, if an LSE offers a differentiated electricity product in addition to its standard product offering, then each offering should be represented by a separate Power Content Label. Electricity offerings from an LSE include all product choices available to retail customers regardless of eligibility requirements.

Each product offering should indicate electricity fuel sources and separately identify any applied unbundled RECs or offsets. For example, if a "100% Renewable" electricity product offering is sourced from 50% bundled renewable energy resources and 50% unbundled RECs, the PCL for this offering should clearly identify both the bundled renewable resources and the non-renewable or unspecified resources underlying the

[1] 20 CCR § 1391(b).

unbundled RECs that make up 100% of retail sales. Unbundled RECs can then be identified separately in a footnote, as described in more detail in Section II, Question 4.

II. Responses to Renewable Energy Credits (RECs) Scoping Questions

1. Should retail suppliers be required to report the purchase of eligible renewable energy resources based on the year that the renewable electricity was generated or based on the year that the REC is retired, if the two years differ?

Bundled deliveries of eligible renewable electricity should be reported in the year that the electricity was generated.

Unbundled RECs from eligible renewable resources should be reported based on the year that the REC is retired (and as described in response to Section II, Question 4 should only be reported in a footnote). Reporting unbundled RECs based on the year in which they were generated could lead to double counting of the REC if the REC is subsequently sold to another retail supplier prior to being retired. These retired unbundled RECs should only be reported if they are eligible for RPS compliance. Any retired unbundled REC exceeding the portfolio balance limitation should not be reported in the PCL. Likewise, any unbundled REC that represents a renewable resource that does not match the California definition for an eligible renewable resource (e.g., hydro larger than 30 MW), should not be reflected anywhere on the PCL.

2. How should firmed and shaped electricity products be categorized for the power-mix percentage calculations? Specifically, should these products be categorized based on the fuel-type of their REC or the fuel-type of their substitute electricity?

As stated in California Public Utilities Commission Decision 11-12-052, firmed and shaped transactions should be seen as fundamentally providing substitute energy in the same quantity as the contracted-for RPS-eligible generation, in order to fulfill the scheduling into a California balancing authority of the RPS-eligible generation. Therefore, firmed and shaped electricity products should be categorized as having the fuel-type of their REC, and not the fuel-type of the substitute electricity. Under a firming and shaping arrangement, the REC is matched with the North American Electric Reliability Corporation (NERC) E-Tag of the substitute electricity in order to document the scheduling of the RPS-eligible generation into a California balancing authority.

3. How should greenhouse gas emissions intensities be calculated for firmed and shaped electricity products? Specifically, should the greenhouse gas emissions intensity for these products be calculated based on the emissions profile associated with the generation source of their REC or based on the emissions profile of their substitute electricity?

Firmed and shaped imports can qualify for the RPS adjustment under CARB's Mandatory Reporting Requirements (MRR) and Cap-and-Trade regulations. The RPS adjustment represents an optional "adjustment to the compliance obligation to recognize the cost to comply with the RPS program" in cases where renewable electricity was

procured by California utilities for compliance with the California RPS program and the associated electricity was not directly delivered to the State. The RPS adjustment allows the imported electricity to adjust its emissions profile to correspond to the emissions profile associated with the generation source of the REC. Therefore, the emissions profile for firmed and shaped electricity products in the PSD Program should be calculated based on the emissions profile associated with the generation source of their REC.

4. Should unbundled RECs (PCC 3) be reflected in the power mix or disclosed separately on the Power Content Label? What factors should be considered in making this determination?

The PCL should specifically and clearly identify any eligible unbundled RECs only as a footnote below the PCL table. Furthermore, any eligible unbundled RECs disclosed in the footnote must be retired for RPS compliance towards the calendar year corresponding with the PCL. These retired unbundled RECs should only be reported if they are eligible for RPS compliance (i.e., if they fall within an LSE's portfolio balance limitation for unbundled RECs). Any retired unbundled REC exceeding the portfolio balance limitation should not be reported in the PCL. Likewise, any unbundled REC that represents a renewable resources that does not match the California definition for an eligible renewable resource (e.g., hydro larger than 30 MWs), should not be reflected anywhere on the PCL.

The PSD program and PCL should focus on the actual power delivered during the calendar year. Unbundled RECs are categorically different from bundled deliveries of electricity, as the underlying energy for unbundled RECs is system power. Furthermore, unbundled RECs should not be allowed to displace the greenhouse gases associated with unspecified power. However, since eligible unbundled RECs are a component of RPS compliance, including RPS eligible unbundled RECs provides a way for the reader to compare the "Eligible Renewable" percentage in the PCL to those reported in the RPS Compliance Report. Since there are other RPS compliance flexibility mechanisms that would lead to differences between RPS amounts in the PCL with those reported in the RPS Compliance Report, PG&E suggests including the RPS Compliance Report percentage for the reporting period corresponding to the PCL in the footnote, and has included a sample sentence in the footnote below.

An example below of a PCL table demonstrates PG&E's preferred methodology for eligible unbundled RECs. Note that the placeholder numbers included here are purely an example and do not represent the portfolio of PG&E or any other load serving entity.

Example of Recommended PCL

ENERGY RESOURCES	Percent of Total Retail Sales	Greenhouse Gas Emissions Intensity (MT CO_2 per MWh)
Eligible Renewable	**35%**	**0**
Biomass & Biowaste	0%	0
Geothermal	6%	0
Small Hydroelectric	4%	0
Solar	20%	0
Wind	5%	0
Coal	**0%**	**0.964**
Large Hydroelectric	**15%**	**0**
Natural Gas	**15%**	**0.406**
Nuclear	**10%**	**0**
Other	**0%**	**0**
Unspecified Sources of Power[1]	**25%**	**0.428**
TOTAL	**100%**	**0.168**

1. "Unspecified Sources of Power" means electricity from transactions that are not traceable to specific generation sources. The California Air Resources Board has assigned this category an emissions factor of 0.428 metric tons of CO_2 per MWh.
* Note: During this reporting period, [Example LSE] retired eligible unbundled renewable energy credits (RECs) totaling 5% of its annual sales. These eligible unbundled RECs count towards compliance requirements in California's Renewable Portfolio Standard; however they do not represent electricity purchases nor do they relate in any way to the Greenhouse Gas Emissions Intensity shown in the above table.
** Note: The overall RPS Compliance Report percentage reported by [Example LSE] for the PCL Reporting Period was 40%.

The Public Utilities Code states that "[a]ny marketing or retail product claims relating to the greenhouse gas emissions intensity of the electric supply portfolio of a retail supplier shall be consistent with the methodology adopted by the Energy Commission pursuant to this section." [2] Therefore, once the CEC's methodology is adopted, if a load serving entity chooses to make public claims about the GHG emissions intensity of its portfolio in prior years, PG&E recommends that the CEC require the use of its then-adopted methodology for PCL and GHG emissions for those prior years and not allow load serving entities to rely on past PCLs and/or GHG emissions prepared pursuant to a different methodology.

5. How should null power be categorized for the power-mix percentage calculations? How should the greenhouse gas intensity of null power be calculated?

PG&E agrees with Assembly Member Ting's letter to the Assembly Daily Journal[3] that the CEC's approach for the GHG emissions intensity calculation should be consistent

[2] [2]Cal. Pub. Util. Code § 398.4(k)(3).
[3] http://docketpublic.energy.ca.gov/PublicDocuments/16-OIR-05/TN215755_20170203T095647_Jordan_Scavo_Comments_Assemblymember_Ting's_Letter_to_the_Daily.pdf

with the ARB's methodology under the Assembly Bill (AB) 32 Cap-and-Trade program. ARB currently categorizes unspecified power, or null power, separately and defines the emissions factor for it to be 0.428 MT CO_2e/MWh. PG&E believes unspecified power should be treated consistently under both ARB's programs and the PSD program.

III. Responses to Greenhouse Gas (GHG) Intensity Factor Data and Calculations Scoping Questions

1. AB 1110 defines "greenhouse gas emissions intensity" as the "sum of all annual emissions of greenhouse gases associated with a generation source divided by the annual production of electricity from the generation source." Are there any reasons to consider calculating GHG emissions intensities using greenhouse gases other than those accounted for in both MRR and the EPA's Greenhouse Gas Reporting Program?

PG&E does not believe that there are any reasons to consider calculating GHG emissions intensities using greenhouse gases other than those accounted for in both MRR and the EPA's Greenhouse Gas Reporting Program. It is important to maintain consistency among GHG reporting forums, particularly between the ARB's programs and the PSD program. It is essential that the state agencies work together to use a consistent methodology for GHG emissions calculations in order to ensure a level playing field for all load serving entities in their planning processes and to provide consistent direction to LSEs regarding actions that California considers GHG-reducing for purposes of achieving important statewide GHG-reduction goals.

2. What are the concerns, limitations, and benefits of relying on GHG emissions reported to the MRR program for the development of GHG emissions intensities for in-state and out-of-state facilities?

It is important to maintain consistency between the MRR and the PSD program. By maintaining the GHG emissions intensity calculations from the ARB's MRR, the PSD program will be consistent with how the ARB regulates emissions to achieve California's GHG-reduction goals. A consistent methodology will also provide an "apples to apples" comparison of the GHG emissions attributes of the energy choices provided by a retail supplier, allowing customers to easily make informed choices.

3. Should GHG emissions classified as non-covered or exempt under the cap-and-trade Program be included in PSD greenhouse gas intensity calculations?

No, the PSD program should be consistent with Cap-and-Trade. This will ensure alignment between the PSD program and the program that backstops California's statewide GHG goals. However, any future changes to the Cap-and-Trade program as it relates to non-covered and exempt emissions should be considered and reflected in the PSD program over time.

4. Should the Power Disclosure Program adopt ARB's default factor as the greenhouse gas intensity for unspecified power?

Yes, the PSD program should adopt ARB's default GHG factor for unspecified power in order to maintain consistency among the programs. If the ARB updates this GHG factor in the future, the PSD program should also adopt the updated number for unspecified power.

The system power underlying any unbundled RECs retired by a load serving entity in a given calendar year should be assigned the ARB's GHG factor for unspecified power.

5. Energy procured through the Energy Imbalance Market (EIM) is reported under the MRR program as specified electricity. What greenhouse gas intensity factor should be assigned to electricity procured through the Energy Imbalance Market (EIM)?

The treatment of electricity procured through the EIM under the PSD program should be consistent with how it is treated under the Cap-and-Trade program. In ARB's proposed amendments to the Cap-and-Trade regulation, ARB would use the unspecified power GHG intensity factor of 0.428 MT CO_2e/MWh for all imports by EIM as an interim measure. PG&E submitted extensive comments on ARB's proposal in January and remains supportive of Cap-and-Trade. [4] For additional questions related to GHG emissions factors used in the EIM, we encourage the CEC to coordinate with CARB and the California Independent System Operator (CAISO), especially as it pertains to how GHG emissions accounting in the EIM is being modified to more accurately account for out-of-state emissions.

IV. Conclusion

PG&E appreciates this opportunity to comment on the February 21, 2017 Staff Workshop on updates to the PSD Regulations and looks forward to continued participation in this process.

Sincerely,

/s/

Wm. Spencer Olinek

[4] https://www.arb.ca.gov/lists/com-attach/165-capandtrade16-AHACY1M3VloAZQRr.pdf