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**Comments on Initial Study and Proposed Negative Declaration for
Modification of Regulations Governing the Power Source Disclosur**

SMUD comments on Initial Study and Proposed Negative Declaration for Modification of
Regulations Governing the Power Source Disclosure Program

Additional submitted attachment is included below.

**STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION**

In the matter of:)	Docket No. 16-OIR-05
)	
AB 1110 Implementation Rulemaking)	SMUD Comments on the Initial
)	Study and Proposed Negative
)	Declaration for Modification of
)	Regulations Governing the Power
)	Source Disclosure Program
)	
)	November 7, 2019

**Comments of Sacramento Municipal Utility District
on Initial Study and Proposed Negative Declaration for Modification
of Regulations Governing the Power Source Disclosure Program**

The Sacramento Municipal Utility District (“SMUD”) respectfully submits the following comments to the California Energy Commission (“CEC”) regarding the *Initial Study and Proposed Negative Declaration for Modification of Regulations Governing the Power Source Disclosure Program* (“Initial Study”).

The Initial Study fails to adequately assess the potential impacts the Power Source Disclosure (PSD) program could have on renewable energy procurement and, in turn, the environment.

1. The Initial Study’s Conclusion that Procurement Changes will be Minimal is Not Supported by the Record.

The Initial Study states that the CEC intends to find that the proposed modifications to the Power Source Disclosure (PSD) program regulations will not have any significant adverse effect on the environment. The Initial Study indicates that “... the proposed regulations may result in procurement changes by California retail suppliers.” As procurement changes can mean environmental impacts, the Initial Study goes on to state that “...the CEC expects any procurement changes to be limited to increased imports of hydroelectricity from the Pacific Northwest and reductions of in-state or imported electricity derived from unspecified power.” Consequently, the Initial Study states that the proposed regulations will not result in new in-state electricity generators or increased operation of existing in-state generators. The Initial Study thus implies that there will be no increase in emissions from in-state generation from the proposed regulations.

The Initial Study bases these proposed findings on the document “*Appendix A: Economic Impact Assessment for Implementing Assembly Bill 1110 Power Source Disclosure Regulations*” (Appendix A). Appendix A repeats the staff assertion that procurement changes will be limited to increased hydro imports and reductions of unspecified power imports or in-state generation. However, there ***is no analysis in the document to substantiate this assertion and insufficient analysis overall of the procurement changes*** that are likely to occur with the proposed regulations.

In addition to the fatal process error of the absence of analysis to support the assertion about limited procurement changes due to the proposed regulations, the Initial Study is also deficient because it fails to provide: 1) an analysis of the impacts of the proposed regulations on the overall amount of renewable and low-emission generation in the state, 2) sufficient analysis of the changes in procurement that remains for green pricing programs, and 3) analysis of changes in voluntary procurement outside the retail seller environment.

2. The Initial Study Failed to Analyze Potential Economic and Environmental Impacts of Reduced Participation in Voluntary Green Pricing Programs.

Appendix A appears to assume that the amount of procurement for green pricing programs will not be affected by the proposed regulations. This assumption neglects to consider the adverse impact of higher priced PCC1 RECs (in order to maintain a 100% renewable voluntary product) on decreasing consumer participation in voluntary green pricing programs. The potential for a reduction in green pricing participation as a result of higher prices, and consequent rise in fossil generation and emissions, may be significant and should be included in any environmental analysis of the proposed regulations.

Appendix A and the Initial Study ignore comments throughout the informal record of this proceeding, by SMUD and other parties, about the negative impact of the proposed regulations on the amount of participation in green power programs. For example, in 2018, SMUD commented that:

“Under the Third Proposal’s treatment of unbundled RECs, a PCL could misinform customers who are paying a premium for acquiring a 100% GHG-free energy product that their power has significant GHG emissions. This can only lead customers of green pricing programs to question their procurement choices and thereby undermine the voluntary green pricing marketplace.”

The proposed regulations have essentially the same treatment of unbundled RECs as did the Third Proposal in 2018.

The Initial Study must recognize that there is a high likelihood for reduction in participation in voluntary green pricing programs under the proposed regulations. Voluntary procurement of renewables is above and beyond the mandatory Renewable Portfolio Standard (RPS) required procurement.

The Initial Study should analyze the potential economic and environmental impact of a reduction in voluntary green pricing program renewable participation in California as a result of the proposed regulations.

3. The Initial Study Failed to Analyze the Potential Economic and Environmental Impacts on Renewable Procurement Within Green Pricing Programs.

Appendix A states: “After reviewing publicly owned utility green pricing programs, there were few that would need to modify their offerings to meet the marketed 100 percent renewable claim and ensure there were no reported emissions.” This conclusion erroneously conflates the number of green pricing programs with the amount of green pricing procurement. The implication is that it is a minor impact if one green pricing program out of many is affected; this ignores the possibility that one program may have a substantial percentage, even a majority, of the actual voluntary green procurement. This error minimizes the potential for environmentally harmful changes in one or more larger green pricing programs when these programs change their procurement. If the proposed regulations are adopted, providers of green pricing programs could consider program changes that lower the percentage of renewable power procured for these customers, implying an increase in fossil generation and emissions, some of which would likely occur within California. ***The Initial Study should analyze the potential economic and environmental impact of a reduction in the amount of renewable power included in green pricing programs in California as a result of the proposed regulations.***

4. The Initial Study Failed to Analyze the Potential Economic and Environmental Impacts of Reduced Corporate Voluntary Procurement of Renewable Power Due to the PSD Program.

The Initial Study also ignores statements by parties in workshops and hearings that the proposed regulations are likely to undermine the corporate voluntary procurement market, independent of impacts within the retail supplier market. The proposed regulations not only represent an “about-face” in the longstanding federal and state treatment of attributes for unbundled RECs, but also conflict with longstanding Federal Trade Commission guidelines, Center for Resource Solutions requirements, and the general treatment of RECs in California and nationally. At best, this causes confusion in the corporate green procurement market as to how their voluntary procurement is treated by various government agencies. This confusion could cause voluntary corporate procurement of renewable power in California to diminish significantly, which could have a marked impact on the environment.

This aspect of potential impact is totally overlooked in the Initial Study. ***The Initial Study should analyze the potential economic and environmental impact of a reduction in corporate voluntary procurement of renewable power in California as a result of the proposed regulations.***

In summary, we find the environmental analysis in the Initial Study insufficient to justify negative declaration treatment. There is ample evidence in the informal record and ample concern from market stakeholders about the impacts of the proposed regulations to justify a fuller environmental analysis. The central assertion relied on in the Initial Study to justify negative declaration treatment is not supported by any analysis, and the minimal analysis provided is insufficient.

/s/

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cc: Corporate Files (LEG 2019-0222)