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Anaheim Comments on the CEC's Proposed Revisions to AB 1110 for Oct 28th

Additional submitted attachment is included below.

STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION

In the Matter of:

Modification of Regulations
Governing the Power Source
Disclosure Program

Docket No. 16-OIR-05

Anaheim Public Utilities Department's
Comments on the Commission's Proposed
Modification of Regulations Governing the
Power Source Disclosure Program

October 28, 2019

**Anaheim Public Utilities Department's Comments on the Commission's
Proposed Modification of Regulations Governing the Power Source
Disclosure Program**

Thank you for the opportunity to provide Comments on the Commission's Proposed Modification of Regulations Governing the Power Source Disclosure Program. To help guide the Commission in this process, Anaheim Public Utilities (APU) recommends the following changes to the proposed regulations for the Commission's consideration that will provide a clearer representation of the electricity delivered to customers, and provide a label that is accurate, reliable, and simple to understand.

A. The CEC should consider an alternative methodology for calculating the Percent of Total Retail Sales for over-resourced retail suppliers

Long-term resource ownership, changing policy directives, adverse grid conditions, and required procurement of additional renewable and/or other specific energy resources are just some of the reasons why retail suppliers are (or can become) over-resourced. The CEC's proposed methodology for calculating the Power Content Label (PCL) is inconsistent in situations where gross megawatt-hours (MWhs) procured exceeds retail sales. In the example below, Anaheim Public Utilities used actual data from 2018 to compare the results between the current PCL methodology and the changes proposed by the CEC. In APU's case, its coal percentage rises by 20.8%, natural gas falls by 10.8%, and unspecified power drops 10% down to 0%.

	Current Methodology		Proposed Methodology	
	Net Purchases (MWh)	Percent of Total Retail Sales (MWh)	Net Purchases (MWh)	Percent of Total Retail Sales (MWh)
Specific Purchases				
Renewable	783,392	34%	754,392	33.2%
Biomass & Biowaste	403,428	17%	*374,428	16.5%
Geothermal	130,524	6%	130,524	5.8%
Eligible Hydroelectric	10,101	0%	10,101	0.4%
Solar	7,707	0%	7,707	0.3%
Wind	231,632	10%	231,632	10.2%
Coal	802,446	33%	1,221,301	53.8%
Large Hydroelectric	38,599	2%	38,599	1.7%
Natural Gas	534,448	22%	255,214	11.2%
Nuclear	-	0%	-	0.0%
Other	-	0%	-	0.0%
Unspecified Electricity	N/A	N/A	-	0.0%
Total Specific Purchases	2,158,885	90%	2,269,506	100%
Unspecified Power (MWh)	237,963	10%	Total Retail Sales (MWh)	2,269,506
Total	2,396,848	100%	GHG Emissions Intensity (converted to lbs CO2e/MWh)	1,198
Total Retail Sales (MWh)	2,306,070		% Retail Sales Covered by Unbundled RECs	1%

* Does not include unbundled REC purchases

Neither methodology correctly identifies APU's true resource percentages for 2018 based on a portfolio-wide basis (gross MWh procured). For instance, APU's actual percentages for its natural gas and coal resources for 2018 were 25.2% and 37.9%, respectively, and not the 11.2% and 53.8% calculated using the proposed methodology. While the current PCL methodology calculates percentages that are closer to the actual percentages, the proposed methodology reduces excess procurement (procurement over and above retail sales) from certain resources in a sequential manner (first natural gas, then coal ahead of other resources), resulting in outcomes and percentages that do not realistically represent the makeup of the retail seller's actual portfolio.

To be clear, the proposed methodology subtracts coal and other fuel sources after natural gas, but before nuclear and large hydro. For an over-resourced utility that delivers electricity from all of these resources, this could create an incentive to use less natural gas so coal can be reduced by the formula to show a cleaner overall portfolio.

In the example below, the retail seller has 33% of their net procurement from coal, 33% from renewables, and 33% from other non-renewable procurements. The retail seller is 750,000 MWhs over-resourced with 2,250,000 MWhs of net procurement, and 1,500,000 MWhs of retail sales. The result using the CEC's proposed methodology is below.

	Adjusted Net Procured (MWh)	Percent of Total Retail Sales
Renewable Procurements	750,000	50.0%
Biomass & biowaste	355,000	23.7%
Geothermal	130,000	8.7%
Eligible hydroelectric	15,000	1.0%
Solar	100,000	6.7%
Wind	150,000	10.0%
Coal	400,000	26.7%
Large hydroelectric	100,000	6.7%
Natural gas	-	0.0%
Nuclear	250,000	16.7%
Other	-	0.0%
Unspecified Electricity	-	0.0%
Total	1,500,000	100.0%
Total Retail Sales (kWh)	1,500,000	
GHG Emissions Intensity (converted to lbs CO2e/MWh)	578	
Percentage of Retail Sales Covered by Retired Unbundled RECs	0%	

The proposed methodology subtracts 400,000 MWhs of natural gas and 350,000 MWhs of coal to adjust net procurement to meet retail sales. It raises renewables from 33% to 50% while decreasing the natural gas and coal percentages and further adding to the inaccuracy of the label.

Should a natural gas resource become unavailable during the year, the results worsen because you must allocate the remaining procurement amongst the remaining non-renewable resources. The result is below:

	Adjusted Net Procured (MWh)	Percent of Total Retail Sales
Renewable Procurements	750,000	50.0%
Biomass & biowaste	355,000	23.7%
Geothermal	130,000	8.7%
Eligible hydroelectric	15,000	1.0%
Solar	100,000	6.7%
Wind	150,000	10.0%
Coal	133,333	8.9%
Large hydroelectric	233,333	15.6%
Natural gas	-	0.0%
Nuclear	383,334	25.6%
Other	-	0.0%
Unspecified Electricity	-	0.0%
Total	1,500,000	100.0%
Total Retail Sales (kWh)	1,500,000	
GHG Emissions Intensity (converted to lbs CO2e/MWh)	226	
Percentage of Retail Sales Covered by Retired Unbundled RECs	0%	

The coal percentage decreases even further under this scenario despite there being more coal production (883,333 MWhs). In addition, the GHG Emissions Intensity decreases drastically (578 → 226). Based on the sample emissions intensities of natural gas and coal units, the loss of 400,000 MWhs of natural gas with an increase of 133,333 MWhs of coal should result in only a slight emissions decrease. However, in this scenario the GHG Emissions Intensity drops by almost two-thirds. The proposed new methodology certainly could incentivize over-resourced utilities to use more coal instead of natural gas to decrease the perceived GHG Emissions Intensity.

Reducing excess procurement through an order of merit equation is inherently flawed. All resources, including unspecified electricity must be equally reduced to give the clearest picture of where customer power is being procured in order to accurately represent the sources of electricity customers receive.

APU recommends that the CEC change the PCL methodology to either 1) reduce excess procurement to meet retail sales by applying the California Power Mix percentages for the corresponding year, or 2) reduce excess procurement to meet retail sales by applying the retail seller's power mix percentages for the corresponding year.

Adjusting all net MWh procured in a proportionally equal way to meet retail sales gives customers a clearer picture of what the retail seller is procuring to meet demand, and the proper GHG Emissions Intensity for that electricity.

B. Unspecified Power should be reported based on vendor or balancing authority settlement data

The proposed methodology calculates the retail supplier's Unspecified Power based on an equation as outlined in §1393.(a)(4). However, in practice, Unspecified Power, like Specified Purchases, is recorded based on settlement data from 3rd party vendors or balancing authorities. Disregarding settlement MWhs for Unspecified Power misrepresents the retail supplier's true power portfolio mix.

C. Infeasible Deadline for PCL Mailing

In §1394.1(b)(2) the CEC is proposing that the PCL be provided to customers on or before August 30th of each year. For bi-monthly mailing/billing utilities this is sometimes not feasible. For example, a bi-monthly billing utility would need a lead time of at least 3 weeks to get the template and mailing prepared. Billing is generally spread out over the two month period to provide for an even workload distribution for staff. This means that to meet the August 30th deadline the mailing must be ready for distribution by July 1st. To accomplish this the CEC would need to provide the PCL template with the updated California Power Mix by June 9th. In 2019, the 2018 PCL template wasn't released until August 5th. Even though the statute says to provide the disclosure to customers 'on or before the end of the first complete billing cycle for the third quarter', APU recommends that the date be changed to October 31st to allow appropriate time between receiving the PCL template from the CEC and sending it out to customers.

Conclusion

The PCL is designed to provide customers with a 'nutrition label' of the power mix being used to meet their demand. The current and proposed methodologies do not provide an accurate label for customers. Using one of the two proposed methodologies outlined in this letter would provide a more transparent label for both power mix and GHG Emissions Intensity. APU looks forward to working with the CEC to make the AB 1110 revisions mutually agreeable for all parties.

Respectfully Submitted,

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