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**AB 1110 45-day Regulatory Language**

Comments of the Sacramento Municipal Utility District on AB 1110 45-day Regulatory Language

*Additional submitted attachment is included below.*

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

<b>In the matter of:</b>	)	Docket No. 16-OIR-05
	)	
<b>AB 1110 Implementation Rulemaking</b>	)	SMUD Comments on AB 1110
	)	45-Day Regulatory Language
	)	
	)	October 28, 2019
	)	
	)	

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**COMMENTS OF SACRAMENTO MUNICIPAL UTILITY DISTRICT  
ON 45-DAY LANGUAGE TO IMPLEMENT ASSEMBLY BILL 1110**

The Sacramento Municipal Utility District (“SMUD”) respectfully submits the following comments to the California Energy Commission (“CEC”) regarding the 45-day Language to Implement Assembly Bill 1110 (“45-Day Language”).

SMUD continues to be concerned that the 45-Day Language, like the CEC staff’s earlier proposals, will result in a Power Content Label (PCL) that is confusing to consumers who value renewable energy investments. SMUD also reiterates our concern that the proposal does not represent the reality of electricity contracting, procurement, or delivery in California or throughout the West. The ability to use mechanisms such as Renewable Energy Credits (“RECs”) to track renewable energy procurement across systems and political boundaries in a regional grid is essential. Nothing in AB 1110 requires the treatment of unbundled RECs and firmed and shaped contracts as proposed in the 45-Day Language. The 45-Day Language is unnecessarily inconsistent with the RPS program that is jointly managed by the CEC and CPUC, as well as with the existing structures underlying renewable PPAs and most electricity transactions across the West. The 45-Day Language is also inconsistent with CARB’s Cap and Trade program, including treatment of firmed and shaped resources.

SMUD continues to oppose many aspects of the 45-Day Language, including:

- An apparent effective date for the adopted changes to the PSD and PCL that would require reporting for 2019 procurement based on the pending regulations. Rather, the regulations should be structured so that the revised reporting applies no earlier than the 2021 reporting year covering 2020 procurement.
- "The proposed treatment of unbundled RECs on the PCL; specifically, the presentation and calculation of an electric service product’s “power mix” and “GHG intensity.” The renewable generation underlying an unbundled REC should be included in the power mix and convey the zero-GHG nature of the procurement for the product, contrary to the proposed treatment.

- The proposed treatment of “firmed and shaped” contracts involving the importing of “substitute power” associated with procurement of renewable generation outside of California. The underlying renewable procurement should be reflected in the consumer-facing GHG intensity in the PCL, consistent with the proposed reflection of that power in the power mix portion of the paper. Grandfathering of existing contracts as proposed is insufficient to resolve this error.

SMUD expands on these points and discusses other issues in the sections below.

***A. The Effective Date of the Regulations Should Be Structured So That the Revised Reporting Applies No Earlier Than the 2021 Reporting Year, Covering 2020 Procurement.***

If the regulations are adopted in 2019, the effective date for the changed PSD/PCL reporting should be June 1, 2021, not June 1, 2020. Similarly, should adoption be delayed into 2020, an effective date for reporting of June 1, 2022 should be considered (reporting on 2021 procurement). This would be consistent with the general principle that the effective dates of regulations should not “reach backwards” to cover decisions that regulated parties have already made. To do otherwise could cause retroactive non-compliance, substantially increased costs to revise decisions, or both.

Procurement decisions for 2019 products were made long ago. Those products have been marketed to customers under the current PSD/PCL regulations, and marketing materials have shown them the content procured for the products they purchased. Requiring entities to report 2019 procurement under the new proposed regulations would likely cause non-compliance in some cases, as the existing 2019 marketing materials might not be consistent with the PSD/PCL treatment of some products, in violation of the regulations. It may or may not be possible to retroactively correct this kind of non-compliance issue, either by finding a way to revise 2019 procurement for these products or by sending out new marketing materials that “correct” the previous marketing claims. While these courses of action may (or may not) resolve potential non-compliance issues, they are certain to be costly and confusing.

Additionally, AB 1110 contemplated a delay between the adoption of regulations and the utilities’ obligation to report; the law required the CEC to adopt implementing regulations by January 1, 2018, with reporting based on those regulations due by June 1, 2020, for calendar year 2019. This allowed utilities time to adjust procurement strategies in response to the implementing regulations. Adopting regulations part way into, or after, the reporting year (late 2019 or 2020) and enforcing the provisions on 2019 procurement is inconsistent with the author’s statutorily included lag between regulation adoption and reporting. To argue that reporting must begin on June 1, 2020, because that date is in statute, is inconsistent with previous interpretation since the statute also required adoption of regulations by “January 1, 2018.” The interval between adoption and reporting was clearly set forth in AB1110, and SMUD urges the CEC to preserve that important element of the law.

Furthermore, by failing to address this lag in the statute, the proposed regulations are providing no meaning or value to specific regulatory language – or otherwise implying that this language was superfluous “fluff” added to the statute. The authors could have simply included a specific date by which the regulations should be in place (which would have implied an immediate effective date), but instead included a specific effective date that provided for a one-year lag. Therefore, ignoring the statutory date by which regulation was to be in place and the lag between this date and when first reporting occurs does not appear to fully address statutory provisions and renders the statutory lag meaningless.

***B. Unbundled RECs Should Be Categorized in the PCL as Eligible Renewable Power and Reflect the GHG Intensity of the Renewable Procurement.***

AB 1110 provides the CEC with substantial discretion about how to incorporate unbundled RECs in the PCL. The law merely states that the CEC shall determine a format to include “... the portion of annual sales derived from unbundled renewable energy credits...”<sup>1</sup> in disclosures (such as the PCL). Unbundled RECs are a viable, accepted, eligible renewable energy product in California, in voluntary markets, and in every other renewable program or structure in the country and around the world -- representing real support for zero-emission renewable generation. Importantly, AB110 does not require that utilities report unbundled RECs in the manner set forth in the 45-Day Language. For the reasons set forth below, SMUD recommends the CEC revise that language to ensure that utilities are able to provide a more detailed and accurate PCL to their customers.

That a REC can be separated from the underlying generation is nothing new and should not devalue the zero-emission nature the underlying renewable generation. It is critical that utilities are able to convey to consumers the renewable—and particularly, the zero-emission—attributes of these RECs. Without that ability, unbundled RECs would have decreased market purpose or value. AB 1110 implies, but does not require, that the CEC treat the identification of unbundled RECs in the PCL in some way that is different than the treatment of those RECs under the current PSD/PCL regulations. SMUD could support a limited but legally consistent change where procurement of unbundled RECs is shown in the power mix under the fuel type of the underlying renewable energy (with commensurate GHG treatment), but with a clear and prominent explanatory footnote indicating how much of the fuel types are comprised of unbundled REC procurement. This gives consumers clear information in the power mix that some of the solar RECs, wind RECs, etc. are associated with unbundled RECs and they can respond as they wish to that information.

However, should the CEC again reject SMUD’s preferred position, the following changes should be incorporated in the PCL template:

- 1) Consumers should know that unbundled RECs are procured from CEC- certified eligible renewable resources. SMUD recommends using the language we

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<sup>1</sup> See PUC 398.4(h)(7).

propose in the next subsection for the bottom line in the PCL, associated with the included percentage of unbundled RECs (under the Power Mix total line):

*“Unbundled RECs retired as a percentage of this electric service product’s retail sales. The procurement of unbundled RECs on behalf of the purchasers of this electric service product support zero-GHG electricity production from renewable sources in the following percentages: Solar 50%; Wind 50%, etc.”*

- 2) Footnote 1 should read: Renewable Energy Credits (RECs) are tracking instruments issued for renewable generation. Unbundled renewable energy credits (RECs), represent eligible renewable investments where the that do not deliver electricity generated is not delivered to the retail supplier's customers. Unbundled RECs are not reflected as renewable generation in the power mix or full GHG emissions intensities above.
- 3) SMUD recommends that entities be able to reflect the zero-GHG nature of unbundled REC procurement by including a “stacked bar” or a lower line in the GHG intensity graph, with the second, lower bar, reflecting the GHG intensity with that zero-GHG procurement taken into account. This would simply indicate to consumers that some of their procurement supported zero-GHG generation that was not delivered.

**Additional Information in the PCL Regarding Unbundled RECs:** SMUD appreciates the inclusion in the 45-Day Language of a provision that allows a retail supplier to include additional information related to the sources of unbundled renewable energy credits as part of the PCL, as allowed by AB 1110. The 45-Day Language proposes that this additional information be included in a footnote in the PCL and that retail sellers send the proposed footnote to the CEC for approval by June 1 annually. AB 1110 does not define where the additional information must be in the PCL and does not give the CEC clear authority to approve that additional information.

SMUD suggests that the CEC allow the flexibility to include the additional information in a footnote or within the section of the PCL that is proposed for describing unbundled REC procurement. For example, the unbundled RECs language could read:

*“Unbundled RECs retired as a percentage of this electric service product’s retail sales. The procurement of unbundled RECs on behalf of the purchasers of this electric service product support zero-GHG electricity production from renewable sources in the following percentages: Solar 50%; Wind 50%, [etc.]”*

If the CEC asserts authority to approve the additional information allowed by AB 1110 and imposes a schedule for approving that information, SMUD recommends that the CEC provide guidance to utilities and others regarding the submittal of the information for approval. Such guidance could make for a significantly more efficient process for both the CEC and retail sellers. SMUD suggests that the phrase “... information related to the sources of the unbundled renewable energy credits”<sup>2</sup> includes not just the type of renewable energy that underlies the RECs, but also the zero-GHG attributes of those

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<sup>2</sup> Assembly Bill 1110 (Ting, Statutes of 2016), Section 398.4(h)(7).

sources. The language of AB 1110 allows entities to include information about the type of energy, location, vintage, emissions, and any other aspects relevant to descriptions of those sources and SMUD recommends that the CEC clarify that including such information on a PCL is permissible.

**Misalignment with the Renewable Portfolio Standard in California:** California’s Renewable Portfolio Standard regulation allows compliance with up to 10% unbundled RECs – counted as “eligible renewables”. The 45-Day Language is inconsistent with the RPS as it would not allow a utility to include the RPS-eligible renewable procurement of unbundled RECs under the “eligible renewable” categories on the PCL. SMUD understands that the PCL cannot represent RPS compliance in any year because the banking and multi-year compliance period aspects of the RPS are inconsistent with the annual generation reporting aspect of the PSD/PCL requirements. However, there is no such inherent inconsistency with basic eligibility definitions between the two programs.

In fact, the PSD/PCL requirements were modified by Assembly Bill 162 (“AB 162”) in 2009 so that the “eligible renewable” definition for the RPS applies explicitly to the PSD/PCL requirements. The current PSD/PCL regulations interpret the requirements of AB 162 to apply even for voluntary electricity products that are not subject to the RPS. Hence, for all unbundled REC procurement covered by the PSD/PCL structure – both mandated RPS and voluntary program procurement – the CEC will have certified the underlying resource as “eligible renewable”. It would be inconsistent for the CEC to certify, in one case, that resources are considered “eligible” from an RPS procurement and compliance standpoint, but are not from a PCL reporting standpoint under the “eligible renewable portion of the PCL SMUD echoes its previous recommendation that the eligibility definitions between the two CEC programs should be consistent, as intended by AB 162, and once again urges the CEC to give weight to this internal CEC consistency. The CEC’s own “background” page text on AB 162 states: “The legislation also coordinates the Power Source Disclosure Program with the Renewable Portfolio Standard Program...” The 45-Day Language proposes removing this coordination. The CEC should strive to make the power mix and GHG intensity information in the consumer-facing PCL as consistent as possible with the renewable eligibility requirements of the consumer-facing, procurement-oriented RPS to avoid consumer confusion.

**Disincentive for Utility Participation in the Green Power Market:** SMUD is concerned that the proposed revisions to the PCL could discourage utilities from voluntary participation in green power markets. This is because the proposed PCL suggests to customers that elements of their power mix, when purchased through the utility as part of voluntary green power programs, cannot be classified as “eligible renewable.” This would be the *case even if the customer’s custom power mix accounted for a 100% renewable product, as in the example below.*

Confused by this PCL, the customer might look to the voluntary market, where the same RECs could be procured and used to claim use of renewable energy because they would be purchased under the CRS and FTC guidelines, rather than the CEC’s.

This has the unintended effect of pushing customers into the voluntary market, where procurement would not be covered by the reporting and auditing provisions of the PSD/PCL process and may not be subject to “eligible renewable” certification by the CEC. With fewer customers participating in green power programs, utilities could be discouraged from continuing their programs.

Take as an example some of SMUD’s current institutional Greenergy customers. Some of these large customers participate in Greenergy through a custom product mechanism, which in 2019 includes approximately 27% product content category 1 (PCC1) resources and 73% unbundled RECs – making up a 100% renewable product.<sup>3</sup> As SMUD has previously noted, a customer’s procurement of unbundled RECs should reflect the intent of that customer to procure renewable power. Under the 45-Day Language, the PCL associated with such a custom product would presumably look like the following (note that the examples below use a CA Total Mix provided in the CEC Staff’s January 2018 “Revised Assembly Bill 1110 Implementation Proposal for Power Source Disclosure”):

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<sup>3</sup> The CEC itself is served under such a contract. Hence, the 45-Day Language would require changes to the 100% renewable sign in the CEC lobby.



(ENTITY NAME & ELECTRICITY PORTFOLIO NAME)				
2019 POWER CONTENT LABEL				
Greenhouse Gas Emissions Intensity (in kg CO <sub>2</sub> e/MWh) <sup>1</sup>		Energy Resources	Fuel Mix	CA Total Mix
Custom State	CA Average	<b>Eligible Renewables<sup>1</sup></b>	<b>27.0%</b>	<b>22.0%</b>
<b>313</b>	<b>305</b>	Biomass & bio waste	0.0%	3.0%
		Geothermal	0.0%	4.0%
		Eligible small hydroelectric	0.0%	1.0%
		Solar	13.5%	6.0%
		Wind	13.5%	8.0%
		Coal	0.0%	6.0%
		Large Hydroelectric	0.0%	5.0%
		Natural Gas	0.0%	44.0%
		Nuclear	0.0%	9.0%
		Other	0.0%	0.0%
		Unspecified Power <sup>2</sup>	73.0%	14.0%
		<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>
Unbundled RECs retired as a percentage of this electric service product's retail sales:			73%	
<sup>1</sup> Unbundled renewable energy credits (RECs) represent renewable investments that do not deliver electricity to the retail supplier's customers. Unbundled RECs are not reflected in the power mix or GHG emissions. <sup>2</sup> Unspecified power is electricity that was purchased through open market transactions and is not traceable to a specific generation source or sources.				
For specific information about this electricity portfolio, contact:		(Entity Name)	(Entity Phone Number)	(Entity Website)
For more information about the power content label, consult:		<b>California Energy Commission</b>	1-844-217-4925	<a href="http://www.energy.ca.gov/pcl/">www.energy.ca.gov/pcl/</a>

If such a customer wanted to preserve the ability to claim 100% renewable power, they could simply bypass the green power option from a utility such as SMUD and procure the exact same unbundled RECs to meet their 100% renewable goals from the voluntary RECs market. They would then be getting as power the utility's standard mix and may understand (or may be confused) that the PCL they receive does not match their procurement activities that occur outside the PSD/PCL universe. While governed by Federal Trade Commission rules for green power procurement and marketing and perhaps audited by an entity such as Green-e, the CEC and the PSD/PCL process has lost the ability to examine and regulate such procurement.

Also, consider an individual that procures or receives a gift of unbundled RECs (as well as carbon offsets), with the express intent of making the individual's energy use for a year claimable as renewable and GHG-free. If the individual desired to procure those RECs through a utility green pricing program, rather than directly from market vendors, the 45-Day Language would require the individual be sent a PCL that indicated 100% unspecified power, which comes with GHG emissions that are significantly higher than

those from the California Power Mix, which currently includes over 30% renewable power as well as 15-20% sourced from GHG-free and large hydro and nuclear power. This PCL suggests that the individual cannot claim 100% renewable, GHG-free power, and is better off not using their money or receiving a gift to support renewable generation. If the individual procured or was gifted with the RECs from market vendors outside of a utility program, however, the individual presumably would have no such dilemma and would feel free to claim 100% renewable, GHG-free power.

Finally, an individual or entity that voluntarily pays additional money, above their normal power cost, to participate in a voluntary green pricing program that uses 100% eligible renewable unbundled RECs is expecting that the added cost to them not only supports renewable energy (which it does) but also buys them the right to claim the attributes from that power, including the GHG-free attribute. Their financial support does transfer to the underlying renewable generator, and they expect the intent of their support to be reflected in the information they receive. It makes no sense to require that utility green pricing program send and post a PCL that shows no clear renewable power procurement in their product power-mix and a higher GHG signature in their product GHG-intensity than can be seen in the comparative California Power Mix. Such a PCL, as in the example below), can only be seen as confusing to these customers.

(ENTITY NAME & ELECTRICITY PORTFOLIO NAME)					
2019 POWER CONTENT LABEL					
Greenhouse Gas Emissions Intensity (in kg CO <sub>2</sub> e/MWh) <sup>1</sup>		Energy Resources		Fuel Mix	CA Total Mix
(Product Name)	CA Average	<b>Eligible Renewables<sup>1</sup></b> Biomass & biowaste Geothermal Eligible small hydroelectric Solar Wind <b>Coal</b> <b>Large Hydroelectric</b> <b>Natural Gas</b> <b>Nuclear</b> <b>Other</b> <b>Unspecified Power<sup>2</sup></b> <b>TOTAL</b>		0.0%	22.0%
<b>428</b>	<b>305</b>			0.0%	3.0%
				0.0%	4.0%
				0.0%	1.0%
				0.0%	6.0%
				0.0%	8.0%
		0.0%	6.0%		
		0.0%	5.0%		
		0.0%	44.0%		
		0.0%	9.0%		
		0.0%	0.0%		
		100.0%	14.0%		
		100.0%	100.0%		
<i>Unbundled RECs retired as a percentage of this electric service product's retail sales:</i>				100%	
<sup>1</sup> Unbundled renewable energy credits (RECs) represent renewable investments that do not deliver electricity to the retail supplier's customers. Unbundled RECs are not reflected in the power mix or GHG emissions					
<sup>2</sup> Unspecified power is electricity that was purchased through open market transactions and is not traceable to a specific generation source or sources.					
For specific information about this electricity portfolio, contact:		(Entity Name)	(Entity Phone Number) (Entity Website)		
For more information about the power content label, consult:		<b>California Energy Commission</b>	1-844-217-4925 <a href="http://www.energy.ca.gov/pcl/">www.energy.ca.gov/pcl/</a>		

**Unbundled RECs Should Be Categorized in the PCL as Conveying Zero-GHG Emissions:** The 45-Day Language should be modified to provide information acknowledging that unbundled RECs represent zero-GHG procurement in the GHG consumer-facing intensity factor portion of the PCL, contrary to the 45-Day Language treatment. SMUD reiterates from previous comments that the 45-Day Language appears to reflect an unfortunate simplification and/or misunderstanding of how RECs and the electricity system work. SMUD requests that the CEC again consider the following points:

- An unbundled REC still represents renewable generation supplied to the grid – you cannot have a REC without generation. Renewable generation supplied to the grid reduces GHG emissions – it displaces fossil power on the grid.
- In the case of unbundled RECs from behind the meter sources in California, the

renewable generation is supplied to a California balancing authority, but the fossil generation that is displaced may be from in-state or out-of-state (e.g. an import contract may be displaced). In the case of unbundled RECs from an out of state source, the generation *does actually happen* and is delivered to the grid where the generator is located, but the displaced fossil power may be in-state or out-of-state power (e.g. an export from a California generator may be displaced).

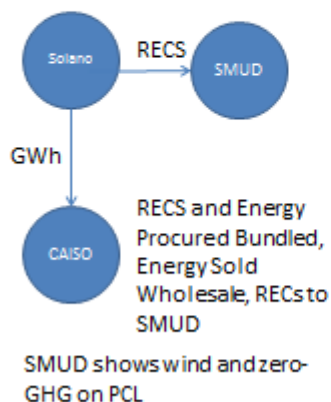
- Neither the location of the underlying generator associated with the unbundled REC, nor the bundling or unbundling of the REC itself, can be clearly associated with GHG reductions in one place versus another.
- The question is who gets to claim those GHG emission reductions *for product claims* as opposed to compliance – those that have procured the renewable attributes through the REC, or some unknown entity that simply “sees” the reductions from their powerplants or geographic location.
- The right way to answer this question for retail product claims is by asking *who caused* the reductions with their procurement – and the answer to that question is the procurer of the renewable generation, either bundled or unbundled.

It does not make sense to treat a PCC1 procurement where the RECs are stripped and kept but power sold as unspecified any differently than where unbundled RECs are simply procured. The retail supplier must in both cases serve its load with delivered power that does not come from the renewable generator, but the 45-Day Language requires exactly the opposite treatment in the PCL, allowing modifying and adjusting the GHG emissions in one case but disallowing that in the other. The concept that there is some difference between the unbundled REC case and the “bundled but not delivered” case in terms of actual GHG emissions to customers is simply wrong.

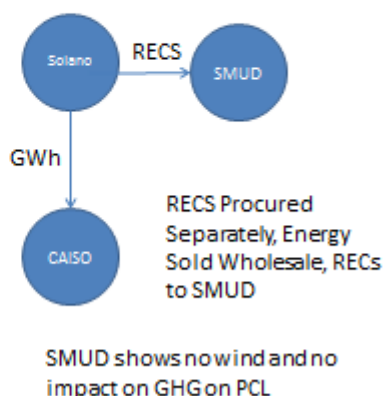
The diagram on the next page illustrates that there is no physical difference in power movement, delivery, overall GHG emissions, amount of renewable power, etc. between procurement of a PCC1 product that is not delivered to a utility’s service area and a PCC3 product. Yet they are treated differently for the PCL in the 45-Day Language. There is only a contractual difference, and the entity that contracted for the RECs in each case should get the benefit. If there is no physical difference in the amount of GHG emissions and the amount of renewable power in the system between the two situations, why mandate differential reporting on the PCL?

## PCC Comparison: Impact On PCL

- PCC1 product



- PCC3 product



The correct way to think of this question is by associating the retail product claim to GHG reductions with the REC purchase in *all* cases. The GHG intensity calculated for the PCL should reflect the claim of responsibility for GHG emissions from one's procurement. If a retail supplier procures renewable generation and tracks that procurement by their holding (and at some point, retiring) of RECs – bundled or unbundled, it has the right to claim the zero-GHG signature of the underlying renewables.

***C. Firmed and Shaped Contracts Should be Reflected Consistently -- as Renewable in the Power Mix Portion of the PCL and with Commensurate (mostly zero) GHG emissions in the Emission Intensity Portion.***

SMUD still strongly disagrees with the 45-Day Language regarding the treatment of new firmed and shaped contracts for the GHG emissions calculation. The CEC should strive for consistency between the two parts of the PCL to avoid consumer confusion and market disruption. Firmed and shaped contracts are eligible for RPS compliance, and when this procurement is included as eligible renewables on the power mix portion of the PCL, the CEC should also show the zero-GHG nature of the procurement in the GHG intensity portion. Requiring such a discrepancy in the PCL may disrupt the market for firmed and shaped contracts and increase costs of compliance in the RPS program at a time when renewable procurement is set to accelerate again.

The proposed treatment here is inconsistent with CARB's Cap & Trade program, which allows an "RPS Adjustment" to reduce a procuring entity's Cap & Trade compliance obligation for firmed and shaped contracts (under certain conditions). The CARB is essentially saying with the RPS Adjustment that the procuring entity's GHG

responsibility for compliance can be linked to the originating renewable power and not the firming fossil power. This is an instance where it is “practicable” to be consistent with the Cap & Trade program rather than the Mandatory Reporting Regulation (MRR) program at CARB. Assembly Member Ting’s letter to the journal indicates the author’s intent for practicable consistency with CARB’s Cap & Trade program as well as MRR, and explicitly acknowledges that the Cap & Trade program allows “... specific adjustment to compliance obligations”, which includes the RPS Adjustment. The author’s stated intent, and recognition of adjustments allowed within these programs, lends itself to application of a similar adjustment to the GHG intensity calculation for firmed and shaped contracts, as provided under the Cap & Trade program with the RPS adjustment.

#### ***D. Other Issues***

**SolarShares Products:** SMUD currently offers two SolarShares products focused on different customer groups and expects to introduce additional programs and products in the near future, including programs focused on existing residential customers, existing commercial, industrial and institutional customers, and both low-rise and high-rise new home developments. Since all of these products share the same fuel type and percentage (100% of the product power is from solar), SMUD believes that it is less cumbersome and confusing to include these products together in one column on the PCL, under the general title “SolarShares”. The CEC should explicitly allow for identically sourced products to be included in one column on the PCL.

**PCL Delivery Date:** Currently, the 45-Day Language requires that the annual PCL be delivered to customers and the CEC by August 30<sup>th</sup>. Due to the rolling nature of utility billing cycles, this implies that delivery to customers would have to start by August 1<sup>st</sup> each year. That leaves very little time between when the CEC provides the annual template with the updated California Power Mix (historically this comes in early to mid-July) and when the PCL with full product information would need to be on bill inserts/ electronic newsletters (information needs to be sent to our printers almost a month in advance). There is insufficient time for finalizing these materials, including any substantive review to ensure the labels conform to the PSD data and provide accurate factual information. Another month of time prior to PCL delivery resolves this problem.

**Incorrect References:** Section 1393(c)(4)(A) contains an incorrect reference, describing the adjusted net purchases from a generator (or unspecified power) as coming from Section 1393(a)(7). There is no Section 1393(a)(7). Section 1393(a)(6) describes calculation of adjusted net purchases from a generator. Section 1393(c)(4)(A) also suggests that “unspecified power” is included in Section 1393(a)(7). Unspecified power is not referenced even in the correct reference to Section 1393(a)(6); rather, unspecified power is referenced in Section 1393(a)(4).

**RPS-Certified Requirement:** The PSD/PCL process covers both RPS and non-RPS procurement of renewables. For example, a voluntary green power program may procure RECs, bundled or unbundled, from “eligible” solar, wind, etc. renewables where the underlying generator has not and does not need to be certified for the RPS –

because the procurement is not for the purpose of RPS compliance. SMUD requests consideration of modifications to allow voluntary programs to use eligible renewable resources without the full requirement of CEC RPS certification.

**Economic Impacts:** The CEC's *Appendix A: Economic Impact Assessment for Implementing Assembly Bill 1110 Power Source Disclosure Regulations* includes the follow statement, "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 was no reported emissions. The estimated cost for publicly owned utility obligated parties was \$3,564,891 for fiscal year 2020/21." It is unclear how the CEC's calculations resulted in potential cost of \$3.5 million for all POU's, and it appears to a gross underestimation of potential cost impacts. Using the mid-price REC prices identified in Appendix A from S&P Global Platts for PCC 1 (\$18.50) and PCC 3 (\$1.25) and using 2017 procurement as the basis for calculating costs, we estimated that procuring additional PCC 1 RECs to supply all our voluntary green pricing programs so that the proposed PCL shows 100% renewables would cost an additional \$8 million (i.e. replacing PCC 3 with PCC 1 resources). This cost goes up by another \$3 million if 2018 procurement is used as the basis since our voluntary green pricing programs continue to grow year over year. In 2018, our voluntary green pricing programs exceeded one million MWh of retail sales, representing a significant amount of our overall retail sales (~10%) for 2018. Ensuring that our PCL corresponds with our 100% renewable marketing for our voluntary green pricing programs will have significant economic impacts, and likely result in changes to the voluntary products we offer and increased cost to our customers.

### ***E. Conclusion***

SMUD again appreciates the opportunity to provide comments regarding the 45-Day Language.

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cc: Corporate Files (LEG 2019-0218)