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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies.	Rulemaking 06-04-009 (Filed April 13, 2006)

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of AB 32 Implementation: Greenhouse Gases.	Docket 07-OIIP-01

REPLY COMMENTS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT ON THE *JOINT CALIFORNIA PUBLIC UTILITIES COMMISSION AND CALIFORNIA ENERGY COMMISSION STAFF PROPOSAL FOR AN ELECTRICITY RETAIL PROVIDER GHG REPORTING PROTOCOL*

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July 10, 2007

REPLY COMMENTS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT ON THE *JOINT CALIFORNIA PUBLIC UTILITIES COMMISSION AND CALIFORNIA ENERGY COMMISSION STAFF PROPOSAL FOR AN ELECTRICITY RETAIL PROVIDER GHG REPORTING PROTOCOL*

The Sacramento Municipal Utility District ("SMUD") submits the following reply comments on the *Joint California Public Utilities Commission and California Energy Commission Staff Proposal for an Electricity Retail Provider GHG Reporting Protocol* ("Reporting Protocol") dated June 12, 2007, pursuant to the Assigned Commissioner's Ruling Regarding Comments on the Staff Reporting Proposal ("Ruling"). These comments will be filed at both the California Public Utilities Commission (CPUC) in docket R.06-04-009 and the California Energy Commission (CEC) in docket No. 07-OIIP-01.

SMUD supports the comments and reply comments filed by the California Municipal Utilities Association (CMUA). In addition to the comments filed by CMUA, SMUD has provides the following comments regarding the points made by other parties to this proceeding in their initial comments.

I. Section 4.2.1, Asset Owning Entities: The Protocol Should Allow for Calculation of System Power Emissions

SMUD disagrees with the comments of Pacific Gas and Electric Company (PG&E) regarding setting emission rates for purchases from systems[1]. PG&E claims it is premature to set emission rates in this context[2]. System contracts are an extremely reliable source of power. The contract is served by the system like any other load in that system. If one power plant in the system is down, other units are ramped up and the purchaser does not see an interruption in power supply. If an emission level for a system cannot be set, the purchaser is unable to determine the carbon content of the power purchases. Because the system produces power from a known set of resources and purchases, which may include some market purchases used by most retail providers on occasion, the emissions from that system would be more accurately calculated by system rather than simply using the unspecified power mix for

[1] Opening Comments of Pacific Gas & Electric Company (U 39 E) on Joint Staff Proposal for a Greenhouse Gas Reporting Protocol Under AB 32, R. 06-04-009, July 2, 2007, at 17.

[2] PG&E at 17.

the area. Furthermore, with the expansion of greenhouse gas reporting and requirements, more systems will develop a "power content label" that can be used by purchasers from that system.

II. Section 5.3.3, Marginal Emission Factor for Residual Unspecified Power: The Method of Accounting for Residual Unspecified Power is Reasonable

SMUD has reviewed the comments of Calpine Corporation ("Calpine") and Southern California Public Power Authority (SCPPA) on emissions for unspecified power[3]. Both entities advocate for a different calculation method for unspecified imports from the northwest. SMUD has reviewed the method proposed by the staff of the CPUC and the CEC ("Joint Staff") for assigning emission values to imports from the northwest and supports the method proposed by the Joint Staff as a reasonable attempt to accurately characterize northwest imports. Calpine suggests the default emission factor should be based upon the highest emitting unit in the region[4]. Calpine's suggestion is inconsistent with the stated goal of creating an accurate emission reporting system. The northwest has a large variety of resources from hydroelectric sources, to gas fired generation and coal generation. Simply using the value of the highest emitting unit fails to account for the mix of power available a various times to California purchasers.

SCPPA advocates for using the marginal analysis for the northwest[5]. This method would attribute no hydroelectric power to unspecified resources regardless of the time of year or time of day the purchase is made. Instead, coal-fired and gas-fired generation would be assumed to be exported to California[6]. Retail providers procure power from the northwest as a year round product or through seasonal purchases. In some cases these purchases are seasonal to take advantage of the hydroelectric resources available for export. It is inaccurate to simply assume that no hydroelectric resources are available from the northwest to serve

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[3] Comments of Calpine Corporation on Joint CPUC and CEC Staff Proposal for an Electricity Retail Provider GHG Reporting Protocol, R.06-04-009, July 2, 2007, at pp. 2-4; Southern California Public Power Authority Comment on Joint California Public Utilities Commission and California Energy Commission Staff Proposal for an Electricity Retail Provider GHG Reporting Protocol, R. 06-04-009, Docket No. 07-OIIP-01, July 2, 2007, at 7 and 10.

[4] Calpine, at 4.

[5] SCPPA, at 7.

[6] SCPPA, at 7.

load in California.

However, SMUD shares SCPPA's concern about using one method to calculate 1990 emissions associated with unspecified purchases from the Northwest and potentially using another method to calculate recent purchases or future purchases. SMUD supports the comments of the Los Angeles Department of Water and Power on using a consistent methodology for calculating emissions for the 1990 inventory, current emissions and future mandatory compliance reporting[7]. Furthermore, SMUD agrees with San Diego Gas and Electric Company that changes in the method of calculating emissions of imports should not in and of itself create increases in retail providers' obligations[8]. Therefore, SMUD believes a consistent approach of suitable accuracy is more important than the method used to calculate those emissions.

SMUD understands that a carbon "seams" issue may be created until agreements among western states are in place for how to account for carbon from regional or state specific exports. Although SMUD supports a coordinated approach with surrounding states as advocated by the Natural Resources Defense Council and Union of Concerned Scientists (NRDC/UCS), SMUD believes that accuracy is very important[9]. In the guise of cooperation, California should not simply accept the values produced by surrounding states for exported emissions. SMUD has concerns about the methods used by the states of Washington and Oregon because they may fail to reflect time of year and time of day purchases that greatly influence the type of power procured for California customers. Therefore, the Joint Staff should make every effort to find an common and accurate method of estimating emissions from unspecified purchases.

III. 5.3.4, Unspecified Purchase within California: The Protocol Should Use 1,000 lbs CO2/MWh

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[7] Opening comments of the Los Angeles Department of Water and Power on the Joint CPUC/CEC Staff Proposal for a GHG Reporting Protocol, R. 06-04-009, Docket No. 07-OIIP-01, July 2, 2007, at 3.

[8] Comments of San Diego Gas & Electric Company (U 902 E) and Southern California Gas Company (U 904 G) on GHG Reporting Protocol Proposal, R.06-04-009, July 2, 2007, at 7.

[9] Joint Comments of the Natural Resources Defense Council (NRDC) and Union of Concerned Scientists (UCS) on Joint Staff GHG Reporting Proposal, R. 06-04-009, July 2, 2007, at 9 and 15.

NRDC/UCS suggest using an emission rate of 1640 lbs CO2/MWh for in state natural gas powerplants[10]. If the first priority is accuracy, 1640 lbs CO2/MWh is not justifiable. Most of California's natural gas projects will have lower emissions than that proposed by NRDC/UCS. To use the least efficient and therefore, least run unit in the entire system does not approach an accurate number for purposes of calculated retail providers' actual carbon emissions. It is extremely important to promote accuracy ahead of default numbers used to protect against gaming the system. Concerns about inappropriate conduct should not take precedence over accuracy.

IV. 7, Recommendation for Electricity Sector Reporting Protocol: Annual Reporting is sufficient

The Division of Ratepayer Advocates recommends reporting emissions quarterly[11]. SMUD has no objection to providing emissions data by quarter or by season in its verified annual report but objects to reporting data quarterly. SMUD notes that although retail provider owned asset information may be reported quarterly, purchases of power from others may not be available within sufficient time to be useful for quarterly reporting. Often contracts use monthly close-out billing, which require billing verification and may require adjustments. By the time the information is verified from a billing perspective, the point of quarterly reporting could be lost. Furthermore, requiring quarterly greenhouse gas verification of data is excessive and reporting data that is not yet verified could lead to other unintended consequences.

Reporting criteria pollutants quarterly makes sense because the permits may limit emissions by quarter. The emission reduction credits are often given in amounts per quarter. For criteria pollutants quarterly reporting matters because the concentration of pollutants by quarter in the air is different. Therefore, the public health impacts are different by quarter. With greenhouse gas emissions whether the emissions occur in the first or second quarter of the year has no corresponding public health risk. Therefore, the regulatory burden of

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[10] NRDC/UCS at 16.

[11] Comments of the Division of Ratepayer Advocates on the Joint California Public Utilities commission and California Energy Commission Staff Proposal for an Electricity Retail Provider GHG Reporting Protocol, R.06-04-0-09, July 2, 2007, at 10.

quarterly reporting would not provide benefits that would overcome the additional regulatory burden. Quarterly reporting of greenhouse gas emissions should not be required.

V. *Conclusion*

SMUD respectfully requests that the CPUC and CEC take these reply comments into consideration when drafting reports to the California Air Resources Board and proposed reporting protocols for electric retail providers.

Dated: July 10, 2007 Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the attached:

REPLY COMMENTS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT ON THE *JOINT CALIFORNIA PUBLIC UTILITIES COMMISSION AND CALIFORNIA ENERGY COMMISSION STAFF PROPOSAL FOR AN ELECTRICITY RETAIL PROVIDER GHG REPORTING PROTOCOL*

on all known parties to R. 06-04-009 and CEC Docket No. 06-OIR-1 by transmitting an e-mail message with the document attached to each party named in the official service list. I served a copy of the document on those without e-mail addresses by mailing the document by first-class mail addressed as follows:

See attached service list

Executed this 10th day of July 2007, at Sacramento, California.

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