

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



**FILED**

06/10/21  
10:33 AM

Order Instituting Rulemaking to Continue  
Electric Integrated Resource Planning and  
Related Procurement Processes.

Rulemaking 20-05-003  
(Filed May 7, 2020)

**OPENING COMMENTS OF  
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON  
THE PROPOSED DECISION AND THE ALTERNATE PROPOSED DECISION  
REQUIRING PROCUREMENT TO ADDRESS MID-TERM RELIABILITY (2023-2026)**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

June 10, 2021

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REQUIRING PROCUREMENT TO ADDRESS MID-TERM RELIABILITY (2023-2026)**

Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on the Proposed Decision (Proposed Decision or PD) and the Alternate Proposed Decision (Alternate Proposed Decision or APD) Requiring Procurement to Address Mid-Term Reliability (2023-2026). Both the Proposed Decision and Alternate Proposed Decision were mailed in this proceeding on May 21, 2021. These Opening Comments are timely filed and served pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Commission's Covid-19 Temporary Filing and Service Protocol, and the instructions accompanying the Proposed Decision and the Alternate Proposed Decision.

**I.  
THE PROPOSED DECISION AND ALTERNATE PROPOSED DECISION  
DO NOT EFFECTIVELY ACHIEVE THE GOAL OR ORIGINAL OBJECTIVES  
SET BY THE COMMISSION FOR THE PROCUREMENT TO BE  
REQUIRED TO ADDRESS MID-TERM RELIABILITY FOR 2023-2026.**

CEERT is a nonprofit public-benefit organization founded in 1990 and based in Sacramento, California. CEERT is a partnership of major private-sector clean energy companies, environmental organizations, public health groups and environmental justice organizations. CEERT designs and fights for policies that promote global warming solutions and increased reliance on clean, renewable energy sources for California and the West. CEERT is working

toward building a new energy economy, including cutting contributions to global warming, and reducing dependence on fossil fuels. CEERT has long advocated before the Commission for increased use of preferred resources and for California to move towards a clean energy future and has been an active party in R.20-05-003 (Integrated Resource Planning (IRP)).

Both the Proposed Decision and Alternate Proposed Decision state that each is “designed to achieve [the Commission’s] ambitious greenhouse gas (GHG) emissions reduction targets for 2030 and to keep us on a clear path to meeting our ultimate goal of 100 percent zero-carbon electricity resources by 2045.”<sup>1</sup> However, CEERT believes neither the Proposed Decision nor the Alternate Proposed Decision is fully effective in meeting this purpose or succeeding in the procurement required by both in achieving the Commission’s original objectives of replacing Diablo Canyon Power Plant (Diablo Canyon) by zero-emission resources and resulting in no additional GHG emissions.

Namely, both the PD and APD fail to set sufficient GHG accounting metrics to truly guarantee that the retirement of Diablo Canyon will not result in negative air quality impacts. Furthermore, both orders baselessly require the procurement of additional fossil fuel generation.

Thus, while CEERT appreciates the process adopted by the PD and APD as a step forward in California’s clean energy transition, CEERT believes that neither decision, as now drafted, are effective in meeting the mandated goals established for the procurement to be required for mid-term reliability in 2023-2026. To remedy this failing, CEERT, as supported below, requests that the Commission reject the Proposed Decision and adopt the Alternate Proposed Decision, but with modifications described herein. Because CEERT believes that the APD is a preferable approach generally, CEERT’s Comments addresses the modifications that are required in that decision to achieve the Commission’s goals and objectives.

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<sup>1</sup> Alternate Proposed Decision, at p. 2.

**II.**  
**THE ALTERNATE PROPOSED DECISION, NOT THE PROPOSED DECISION,  
SHOULD BE ADOPTED BY THE COMMISSION, BUT WITH  
MODIFICATIONS TO ENSURE THAT THE MID-TERM PROCUREMENT  
REQUIRED ACHIEVES THE COMMISSION’S GOALS AND OBJECTIVES  
AND ALIGNS WITH TRANSMISSION PLANNING PROCESSES.**

**A. Amount and Timing of Procurement**

CEERT is strongly supportive of the high amount of procurement ordered in the Alternate Proposed Decision. In CEERT’s Opening Comments on the Administrative Law Judge’s (ALJ’s) Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements issued on February 22, 2021 (February 22 ALJ’s Ruling), CEERT advocated for a procurement order that leans towards the high need scenario of 10.4 GW.<sup>2</sup> As such, CEERT greatly appreciates the APD’s decision to take a least-regrets approach and order procurement of 11,500 MW. CEERT also strongly agrees with the Commission’s rationale for this procurement amount:

“In general terms, we have, for many years, tended to choose mid-level requirements in all procurement-related orders. It is likely partly due to a natural tendency to assume that the middle scenario is likely “just right,” and represents the least-regrets choice. However, as the rotating outages required in August 2020 have demonstrated, we are not in a business-as-usual situation on the electric grid in California. The electricity market is changing rapidly in many respects, including the large number of new [load-serving entities (LSEs)], the recent major shifts in the resource mix, a great deal of weather- and climate-change-driven uncertainty, as well as the increasing acceleration of electrification of building and transportation end uses.”<sup>3</sup>

California’s goal to reduce and eventually eliminate climate change-inducing emissions from its electric grid is now intersecting with the consequences of climate change such as extreme weather events and more frequent and intense wildfires. As such, the State’s clean energy targets are no longer just representative of environmental goals, but also grid reliability,

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<sup>2</sup> CEERT Opening Comments on February 22 ALJ’s Ruling (March 26, 2021), at p. 8.

<sup>3</sup> Alternate Proposed Decision, at p. 19.

ratepayer affordability, public health, and equity issues. The merging of these issues warrants solutions that will work towards meeting various overlapping and complementary goals. The Commission's decision to acknowledge and move away from "just in time" and "just right" procurement by ordering procurement of a large amount of energy resources can be a robust solution if executed properly.

In addition to the amount of procurement, CEERT supports the accelerated timeframe under which resources must come online. CEERT strongly agrees with the Commission's analysis that it is "...generally preferable to bring resources onto the system a little ahead of when they are needed rather than have an emergency situation in real time."<sup>4</sup>

For these reasons, CEERT recommends the Commission's adoption of the Alternate Proposed Decision, instead of the Proposed Decision, but with modifications. In this regard, CEERT maintains that the acceleration of this procurement is not a result of the State being "ahead of time." Rather, due to the small amount of procurement that has happened over the last 5 years, the APD's proposed procurement over an accelerated time frame is necessary to both make up lost time and ensure the state is well-positioned going forward on maintaining reliability and making progress on our clean energy goals.

CEERT's major concern lies in the implementation of this accelerated procurement. Transmission buildout has been and will continue to be a massive barrier to California's clean energy future unless transmission planning is overhauled to reflect the buildout requirements of the changing grid. As such, CEERT believes that the California Energy Commission's (CEC's) recent Joint Agency Workshop on Next Steps to Plan for Senate Bill 100 Resource Build (June 2<sup>nd</sup> Joint Agency Workshop) represents an important inflection point in California's grid transformation. Additionally, the California Independent System Operator's (CAISO's) 20-year

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<sup>4</sup> Alternate Proposed Decision, at p. 23.

Transmission Outlook Initiative, beginning this year and running in parallel with its annual Transmission Planning Process (TPP), provides a concrete step towards changing the transmission planning paradigm.

The energy from the large amount of resources coming online over the next few years must be able to be delivered to the customer. As such, CEERT believes that the State's transmission planning processes must be aligned with the needs of the changing grid.

In this regard, the Alternate Proposed Decision states that:

“...staff are currently aggregating the individual IRPs submitted to us in September 2020 by all LSEs, and we strongly anticipate the adoption of those plans that achieve the 38 MMT GHG limit by 2030, assuming that the aggregated portfolio of all LSEs achieves the necessary reliability levels. If that is the case, as pointed out by many parties, procurement of larger amounts of resources will be necessary compared to the current 46 MMT target, between now and 2030.”<sup>5</sup>

Reflecting its previous comments in this proceeding, CEERT strongly supports planning to *at least* a 38 MMT GHG target. The Commission's delayed recognition of the need to plan to a lower GHG target in the Alternate Proposed Decision further reveals the severe disconnect between the State's planning mechanisms and the realities of the energy sector. While the Commission now admits that the 38 MMT GHG target will likely be adopted later this year,<sup>6</sup> the Commission, in this same proceeding, has already directed the CAISO to study the 46 MMT GHG target in its 2021-2022 TPP.<sup>7</sup>

Thus, the State is already falling behind in the buildout of these resources. With the accelerated timeframe of this procurement, it is vital that the State's transmission planning aligns with and anticipates the considerable amount of resources that will be coming online over the next few years.

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<sup>5</sup> Alternate Proposed Decision, at pp. 19-20.

<sup>6</sup> Alternate Proposed Decision, at p. 76.

<sup>7</sup> Decision (D.) 21-02-008 (February 17, 2021), at pp. 2-3.



Specifically, there is an urgent need to expand transmission in the Central Valley to enable both East/West and North/South exports of solar + storage projects. In addition, the anticipated loss of hundreds of acres of agricultural land going out of production, and consequent economic and job losses because of severe groundwater over pumping, and the potential permitting challenges of building thousands more megawatts of solar in areas with habitat and land use constraints, argues for more intensive efforts to site more solar in the Central Valley.

Unfortunately, under the limiting generation assumptions imposed by the Commission on the CAISO's TPP, the current TPP will not include studying the need and value of expanding transmission in the Central Valley, or the need to reduce North/South congestion on Path 26. CEERT believes that it is imperative to study between 10 and 30 GW of solar + storage and include the Western Area Power Administration (WAPA), Sacramento Municipal Utility District (SMUD), and the Transmission Agency of Northern California (TANC). CEERT's initial review suggests this scenario would mean 1) extend the 500 KV backbone to the east, probably using the WAPA line, and 2) Path 26 upgrade, and possibly the TANC Path 15 upgrade.

These upgrades could be publicly financed, to reduce costs to ratepayers, but it is urgent that this study be included in the current TPP and completed during the current cycle. In addition to reducing congestion within California and allowing the State to interconnect more effectively with our neighbors, these upgrades will also take project citing pressure off sensitive ecosystems.

## **B. Firm And/Or Dispatchable Resources**

In reference to the requirement for firm and/or dispatchable resources to replace Diablo Canyon, the Alternate Proposed Decision states that “[w]hile [the Commission] generally [prefers] to be technology-neutral, there are instances where too much of a least-cost option leads

to its own set of challenges.”<sup>8</sup> This observation mirrors the CEC’s analysis during the June 2<sup>nd</sup> Joint Agency Workshop that the amount of buildout required under SB 100 combined with factors such as electrification of other sectors, changes in the natural gas fleet, portfolio diversity, and land use constraints may lead to resource selection that is more expensive upfront. However, this best-fit approach will allow for greater resource diversity and therefore reduce the overall need for resource build, lowering costs to ratepayers in the long run.<sup>9</sup>

In support of sorely needed resource diversity, CEERT agreed with the allocation of 1,000 MW of long-duration storage and 1,000 MW of geothermal in its Opening Comments on the February 22 ALJ Ruling.<sup>10</sup> In addition to alleviating siting constraints from other renewable resource types, the Alternate Proposed Decision correctly states that encouraging the development of geothermal taps into both resource diversity and economic development benefits.<sup>11</sup> As such, CEERT is opposed to the firm and/or dispatchable resource category to displace geothermal resources in the Alternate Proposed Decision.

The potential of geothermal resource development to provide a suite of benefits is exemplified by recent advocacy and activities in the Salton Sea area. In addition to geothermal energy production, the potential for this area to be a leader in domestic lithium extraction will create jobs and workforce development in an area with high unemployment. With demand for lithium-ion batteries increasing rapidly from the decarbonization of other sectors such as transportation, geothermal development will provide positive economic development in the

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<sup>8</sup> Alternate Proposed Decision, at p. 34.

<sup>9</sup> Joint Agency Workshop on Next Steps to Plan for Senate Bill 100 Resource Build, presentation by Dr. Liz Gill at slide 20.

<sup>10</sup> CEERT Opening Comments on February 22 ALJ’s Ruling, at p. 12.

<sup>11</sup> Alternate Proposed Decision, at p. 35.

Imperial Valley in addition to 2,000 MW of zero-emission, firm energy supply.<sup>12</sup> Furthermore, the formation of the Lithium Valley Commission under AB 1657 (Garcia) provides additional cause for the Commission to support and send explicit market signals for geothermal development. Thus, CEERT strongly supports a mandate for geothermal resources in this procurement.

Additionally, CEERT supports the 1,000 MW requirement of long-duration storage in this Alternate Proposed Decision. However, viable long-duration storage technologies may not be able to meet the accelerated timeframe of this procurement. Thus, CEERT recommends the Commission hold a series of workshops within this proceeding to address and mitigate barriers to long-duration storage integration.

### **C. Fossil Fuel Generation and Greenhouse Gas Accounting**

As stated above, CEERT supports the Alternate Proposed Decision's reduction in fossil fuel resources from the suggested 1,000-1,500 MW in the Proposed Decision. However, given the Commission's own analysis using the RESOLVE model "...did not suggest the need for any new fossil-fueled resources through 2030,"<sup>13</sup> CEERT does not believe that procurement of additional natural gas capacity is warranted.

However, if the Commission ultimately decides to encourage additional fossil fuel resource procurement, the Commission should change the Alternate Proposed Decision to *authorize* natural gas procurement up to 500MW, rather than require this amount. Many LSEs may not need to procure natural gas capacity, in which case the Commission will unnecessarily increase the state's dependence on gas. Additionally, stringent contract and operating restrictions

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<sup>12</sup> Joint Agency Workshop on Next Steps to Plan for Senate Bill 100 Resource Build, Henry Martinez of the Imperial Irrigation District during the Publicly Owned Utilities Panel Discussion.

<sup>13</sup> Alternate Proposed Decision, at p. 43.

on these resources must be in place to minimize GHG emissions and provide an open pathway to completely transition away from natural gas in the near future.

Additionally, while the Alternate Proposed Decision requires “...that at least 2,500 MW of the resources procured by the LSEs collectively, between 2023 and 2025, be from zero-emission resources that are firm, to replace Diablo Canyon,”<sup>14</sup> there is no assurance that this will effectively result in zero GHG emission increase. Thus, CEERT strongly recommends that the Commission require the development of real-time GHG emission accounting within this decision.

#### **D. Hydrogen**

Along a similar line, CEERT seeks clarification on the definition of “green hydrogen” used in the Alternate Proposed Decision. As demonstrated in other Commission activities such as the Self-Generation Incentive Program proceeding (R.20-05-012) and recent legislative initiatives such as Senate Bill 18 (Skinner), hydrogen is currently a major point of discussion in California. CEERT recognizes the immense potential and flexibility of this resource to fill a variety of niches in the state’s diverse clean energy portfolio. However, CEERT believes it is important to clearly define “green hydrogen” to close potential loopholes that would allow high emission technologies to fall under the definition.

As such, CEERT believes only “green *electrolytic* hydrogen” made from renewable generation should be used in the application suggested in the Alternate Proposed Decision. The benefits of this approach in this procurement order are two-fold. First, using “green electrolytic hydrogen” produced with renewable energy will ensure greater accuracy in determining the GHG benefits of hydrogen pipeline injection. Second, encouraging procurement of “green electrolytic hydrogen” as opposed to “green hydrogen” will spur the economic development of electrolyzers. Electrolyzers can produce zero-emission hydrogen and move the state away from

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<sup>14</sup> *Id.*, at p. 46.

reliance on steam methane reforming. Additionally, this technology can ramp up and down, depending on the amount of renewable energy input. As such, the Commission should use this opportunity to send strong market signals and enable electrolyzers to reach economic viability.

However, while CEERT believes electrolytic hydrogen produced with renewable energy will be an important resource in the diverse portfolio California needs to achieve economy-wide decarbonization, CEERT is hesitant to support an initiative that could result in increased investment in the gas system. While the energy and gas systems are currently interdependent, CEERT strongly believes the state must decrease its dependence on the natural gas system to facilitate an orderly, equitable, and timely transition away from fossil fuel generation. Thus, this initiative in the Alternate Proposed Decision may be premature. Instead, CEERT recommends that the Commission first conduct more analysis on the life cycle emissions and impact of the pipeline injection use case for hydrogen before requiring its procurement, in addition to providing better emission data on hydrogen combustion.

### **III. CONCLUSION**

CEERT appreciates the opportunity to comment on the Proposed Decision and the Alternate Proposed Decision. In general, CEERT supports adoption of the Alternate Proposed Decision by the Commission instead of the Proposed Decision. However, as the above Comments detail, modifications are required in the Alternate Proposed Decision before it can be issued by the Commission.

Thus, while CEERT supports the amount of required resource procurement and its accelerated timeline, CEERT remains concerned with the implementation of this order as it relates to sufficient transmission availability. As such, CEERT recommends that the Alternate Proposed Decision be modified to direct the CAISO to study the 38 MMT target, in addition to

upgrades in the Central Valley, in this TPP cycle. Furthermore, CEERT remains opposed to any additional natural gas procurement in this order. Fossil fuel generation is not supported by the Commission's IRP modeling, and therefore, should not be required in this procurement. CEERT further requests that the Commission to include real-time GHG accounting and emission standards in this procurement initiative to ensure this order truly meets its objective in preventing any GHG emission increase from the retirement of Diablo Canyon. Finally, CEERT believes that the APD should be modified to require more analysis on the life cycle emissions and impact of the pipeline injection use case for hydrogen before requiring its procurement, in addition to providing better emission data on hydrogen combustion.

Respectfully submitted,

June 10, 2021

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## APPENDIX A

### CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE ALTERNATE PROPOSED DECISION REQUIRING PROCUREMENT TO ADDRESS MID-TERM RELIABILITY (2023-2026)

As indicated in the above Opening Comments, the Center for Energy Efficiency and Renewable Technologies (CEERT) requests the adoption by the Commission of the Alternate Proposed Decision, with modifications, and not the Proposed Decision, both of which require procurement to address mid-term reliability (2023-2026) and were mailed in this proceeding on May 21, 2021. To that end, CEERT proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs in the Alternate Proposed Decision.

Please note the following:

- A page citation to the Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, or Ordering Paragraphs for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact, Conclusion of Law, or Ordering Paragraph is labeled as “NEW” in **bold underscored** capital letters.

#### PROPOSED FINDINGS OF FACT:

13. [80-81] Specification of long-duration storage and firm (at least 85 percent capacity factor) and/or dispatchable (available between hours 17 and 22 daily) zero-emissions resources as LLT, **including geothermal resources**, by 2026 will help diversify the grid resources and improve reliability and renewables integration.

~~16. [81] Allowing incremental fossil fueled or natural gas capacity to count toward the NQC requirements of this decision will likely result in replacing existing capacity with more efficient and lower emitting resources.~~

19. [81] A fossil-fueled resource using at least a 30 percent green **electrolytic** hydrogen blend reduces GHG emissions from the facility and will help accelerate conversion of fossil-fueled electricity generation to a GHG free fuel.

**PROPOSED CONCLUSIONS OF LAW:**

~~14. [84] Allowing incremental natural gas capacity to count toward the procurement in this order will not necessarily result in increased GHG emissions, but will assist in retiring older, less-efficient units and help insure reliability during the transition to a cleaner grid by 2030.~~

~~16. [84] The Commission should require the incremental natural gas resources required in this order to be procured by the IOUs only, with the costs allocated via the CAM. This applies as well to any authorized green hydrogen/fossil resources procured.~~

**NEW.** The Commission should require the procurement, in aggregate, of at least 1,000 MW of geothermal resources by 2026, with the option of an extension to 2028 for compliance, if good cause and a good faith effort to procure are shown.

**NEW.** The Commission should not order any procurement of incremental natural gas resources.

**PROPOSED ORDERING PARAGRAPHS:**

2. [86] Long lead-time resources required by this order shall be defined as at least 1,000 megawatts (MW) of long-duration storage (able to deliver for a least eight hours), **at least 1,000 MW of geothermal resources**, and at least 1,000 MW of firm (at least 85 percent capacity factor) and/or dispatchable (between at least hours 17 and 22 daily) zero-emissions resources by June 1, 2026.

~~5. [87] Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company shall procure the amounts of natural gas net qualifying capacity given in Table 5 of this decision, collectively 500 megawatts (MW), by no later than 2025, as a portion of their overall procurement required by this decision in Table 7. The natural gas capacity costs shall be allocated to all benefitting customers in each service territory using the cost allocation mechanism established by the Commission~~



~~for purposes of allocating the costs of resources needed for reliability and renewables integration purposes.~~

~~(a) The authorized natural gas capacity shall not be located in a disadvantaged community, as defined by being in the top 25 percent of communities with the highest environmental burden, as given in the most recent version of the CalEnviroScreen tool maintained by the Office of Environmental Health Hazard Assessment.~~

~~(b) Contracts for the required natural gas capacity may not exceed five years in length.~~

6. [88] Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company are authorized to procure the amounts of green **electrolytic** hydrogen ~~and fossil-fueled~~ net qualifying capacity given in Table 5 of this decision, collectively 300 megawatts, by no later than 2025, as a portion of their overall procurement required by this decision in Table 7. If procured, the costs shall be allocated to all benefitting customers in each service territory using the cost allocation mechanism established by the Commission for purposes of allocating the costs of resources needed for reliability and renewables integration purposes.

(a) The authorized green **electrolytic** hydrogen ~~and fossil-fueled~~ capacity shall not be located in a disadvantaged community, as defined by being in the top 25 percent of communities with the highest environmental burden, as given in the most recent version of the CalEnviroScreen tool maintained by the California Office of Environmental Health Hazard Assessment.

~~(b) Green electrolytic hydrogen and fossil-fueled projects must commit to using at least a 30 percent green hydrogen blend as its fuel by 2026, and 50 percent by 2031.~~

(c) IOUs may request a one-year extension to the 2025 procurement deadline to 2026.

11. [89] Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company shall each file Tier 3 advice letters to request cost recovery for any procurement conducted as a result of this order, ~~except if the procurement is associated~~

**with a fossil-fueled resource or a long-duration storage resource, a full application is required.**