

CALIFORNIA ENERGY COMMISSION

1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov



July 28, 2009

To all retail providers:

Subject: Updates to Net System Power Data for the Power Content Label

Thank you for your compliance with the reporting requirements of Senate Bill 1305 (Sher, Statutes of 1997, Chapter 796). SB 1305 mandates that retail electricity suppliers provide quarterly Power Content Labels to their customers. The legislation also mandates that retail providers who claim specific purchases on their Power Content Labels annually report electricity purchases from specific fuel types to the California Energy Commission (Energy Commission).

Based on the information submitted by retail electricity suppliers and generating facilities, the Energy Commission adopted the 2008 Net System Power mix at its July 15, 2009 Business Meeting, in a report mandated by Public Utilities Code Section 398.4 (g)(1). In addition, the Energy Commission approved revisions to the 2007 Net System Power mix.

Public Utilities Code Section 398.4 (g)(1) requires that retail electricity suppliers report the most recently available Net System Power Values on their Power Content Labels. However, stakeholders, citizens, and Commissioners have all expressed concerns over the use of Net System Power on Power Content Labels. Specifically, listing Net System Power on Power Content Labels as the “CA Power Mix” is misleading to consumers, because Net System Power does not represent all of the generation sold in California.

The original intent of the Power Content Label was to provide customers information on the generation sources used by their energy service provider compared to an average of other providers’ supply sources. However, the statute and associated regulations defining the format and content of the power content label were implemented when Net System Power was expected to remain a high proportion of total electricity sales. The Net System Power mix once represented a large portion of the total electricity supply, but is now only the small residual amount that providers do not disclose. Since investor-owned utilities had an obligation to acquire all of their electricity from the Power Exchange, Net System Power was a reasonable characterization of the overall resource mix. Deregulation originally allowed customers the option to choose among different energy service providers that offered alternative electricity sources. The Power Exchange no longer exists and the option to choose energy service providers was suspended after the 2000-2001 energy crisis.

The use of Net System Power to estimate Green House Gas (GHG) emissions has also become an issue. However, because net system power estimates are not representative of the actual power mix used in California, they cannot be used to monitor the progress of the California Renewable Portfolio Standard or establish a representative greenhouse gas profile of electricity imports.

Despite these issues, and the fact that changes in California’s electricity generating and tracking infrastructure have significantly reduced the need for the Net System Power Report and the Power

Content Label in their current form, the Energy Commission is statutorily required to publish this report.

The Energy Commission recognizes that the Power Content Label can be misleading and cause consumer confusion about retail electricity products with respect to California's fuel mix, and so in this letter we offer suggestions on providing clarifying information. A summary of the 2008 Net System Power Values and recommended changes on how to report Net System Power follow.

2008 Net System Power Values:

Net system power is the mix of electricity for which there is no identifiable tie between the California load-serving entities and any particular electric generator. Net system power is determined by subtracting self-generation and retail providers' specific claims of generation from "Total System Power," (i.e. all of the generation consumed by customers in California). The percentages in the Net System Power table below are given to the nearest tenth of a percent to increase the accuracy when calculating a product-specific fuel mix, but please note that the percentages should be rounded to the nearest whole percent when appearing in the Power Content Label. The *2008 Net System Power Report* describes the concerns mentioned in the above discussion and other concerns about the Net System Power values. The complete report, *2008 Net System Power Report* is available on the Energy Commission's web site at <http://www.energy.ca.gov/sb1305/documents/index.html#current>.

Below are the 2008 Net System Power values.

Fuel Type	2008 Net System Power
Eligible Renewable	1.6%
-Biomass & waste	0.0%
-Geothermal	0.6%
-Small hydroelectric	0.3%
-Solar	0.0%
-Wind	0.7%
Coal	33.7%
Large hydroelectric	18.2%
Natural gas	41.9%
Nuclear	4.6%
Other	0.0%
Total	100.0%

Recommended Reporting Changes for Retail Electricity Suppliers

To reduce potential public confusion over the meaning of the data disclosed in the power content label, the Energy Commission encourages retail providers, at their discretion, to:

1. Publish the 2008 Total System Power values (shown below) in addition to and in close proximity to their Power Content Label.

2. Add notes outside the Label that clarify the distinction between the “CA Power Mix” and “Total System Power” and convey the relative shares of California’s generation mix each represents.
3. **Do not** utilize the 2008 Total System Power values for representing the content of a particular product. Additionally, **do not** insert the 2008 Total System Power values in the column entitled, “2008 CA Power Mix.” Please utilize the 2008 Net System Power values shown on the previous page, for these purposes.

Fuel Type	2008 Total System Power
Eligible Renewable	10.6%
-Biomass & waste	2.1%
-Geothermal	4.5%
-Small hydroelectric	1.4%
-Solar	0.2%
-Wind	2.4%
Coal	18.2%
Large hydroelectric	11.0%
Natural gas	45.7%
Nuclear	14.5%
Other	0.0%
Total	100.0%

Attached are two sample labels featuring the 2008 Net System Power mix. The top graphic is an example of a label for a company *not making specific purchase claims*. The bottom graphic is an example of a label for a company claiming 50 percent specific purchases (as evidenced in the first footnote) and 50 percent generic purchases (i.e. anything but specific purchases). In this case, the specific purchases are all renewable. For ease in calculating a product-specific fuel mix, the Power Content Label Calculator has been updated to reflect the 2008 Net System Power values. This Excel template can be downloaded from the web site listed on page 2 of this letter.

Revisions to the 2007 Total System Power and to the 2007 Net System Power Values

At the July 15, 2009 Business Meeting, the Energy Commission adopted revisions to the 2007 Net System Power and to the 2007 Total System Power values. Two accounting errors were significant enough to warrant recalculations of the fuel-type allocations within both Total System Power and Net System Power estimates. The first error occurred in incorrectly estimating the large and small hydroelectric generation imported from the Pacific Northwest. This resulted in overstating the small hydroelectric generation and understating the large hydroelectric generation in the 2007 Total System Power mix. The second error overestimated the portion of natural gas generation. Correcting this error resulted in an increase of the natural gas portion of Net System Power. The revised 2007 Net System Power values indicate a lower value for small hydroelectric generation while showing higher percentages for natural gas and large hydroelectric generation. Please visit the web link above to view the revised data in the *2008 Net System Power Report*.

2008 Reporting Reminder

Retailers that do not have access to data for specified purchases from generators can use the “Net System Power” data published by the Energy Commission to meet their reporting requirements. All future retailer quarterly and promotional disclosures should reflect the above updated percentages for Net System Power until April 15, 2010, at which time a revised Net System Power mix is scheduled to be available. The Energy Commission’s regulations require the term “CA Power Mix” be used to describe Net System Power shown on page 2 of this letter in the right-hand column of the Power Content Label.

If you have not submitted copies of your quarterly and/or annual Power Content Labels for 2008 or your 2008 Annual Retail Providers Report (if you are claiming specific purchases), please mail them to:

Lorraine Gonzalez
California Energy Commission
1516 9th Street, MS-4
Sacramento, CA 95814

In addition to the hard copies, please email your Power Content Labels and Annual Reports to lgonzale@energy.state.ca.us. The recommended format for the Annual Report (including the form for the attestation) is available as an Excel file that can be downloaded from the Energy Commission’s web site listed above. Also, the audits that verify the 2008 Power Content Labels and 2008 Annual Reports were due to the Energy Commission on June 1, 2009 and must be mailed and emailed to these addresses as well.

As always, Energy Commission staff is available to answer any of your questions. Questions should be directed to Lorraine Gonzalez, staff to the Renewable Energy Program, at (916) 654-3842, or at lgonzale@energy.state.ca.us.

Sincerely,

Tony Goncalves
Manager, Renewable Energy Program
California Energy Commission

cc:

Sylvia Bender
Valerie Hall
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ATTACHMENT

POWER CONTENT LABEL		
ENERGY RESOURCES	PRODUCT NAME* (projected)	2008 CA POWER MIX** (for comparison)
Eligible Renewable	2%	2%
-- Biomass & waste	<1%	<1%
-- Geothermal	1%	1%
-- Small hydroelectric	0%	0%
-- Solar	<1%	<1%
-- Wind	1%	1%
Coal	33%	33%
Large Hydroelectric	18%	18%
Natural Gas	42%	42%
Nuclear	5%	5%
Other	0%	0%
TOTAL	100%	100%
<p>* 0% of Product Name is specifically purchased from individual suppliers.</p> <p>** Percentages are estimated annually by the California Energy Commission based on electricity sold to California consumers during the previous year.</p> <p>For specific information about this electricity product, contact Company Name. For general information about the Power Content Label, contact the California Energy Commission at 1-800-555-7794 or www.energy.ca.gov/consumer.</p>		

POWER CONTENT LABEL		
ENERGY RESOURCES	PRODUCT NAME* (projected)	2008 CA POWER MIX** (for comparison)
Eligible Renewable	52%	2%
-- Biomass & waste	10%	<1%
-- Geothermal	11%	1%
-- Small hydroelectric	11%	0%
-- Solar	10%	<1%
-- Wind	10%	1%
Coal	16%	33%
Large Hydroelectric	9%	18%
Natural Gas	21%	42%
Nuclear	2%	5%
Other	<1%	0%
TOTAL	100%	100%
<p>* 50% of Product Name is specifically purchased from individual suppliers.</p> <p>** Percentages are estimated annually by the California Energy Commission based on electricity sold to California consumers during the previous year.</p> <p>For specific information about this electricity product, contact Company Name. For general information about the Power Content Label, contact the California Energy Commission at 1-800-555-7794 or www.energy.ca.gov/consumer.</p>		