**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes. | Rulemaking 20-05-003<br>(Filed May 7, 2020) |

# REPLY COMMENTS OF THE CALIFORNIA HYDROGEN BUSINESS COUNCIL ON PROPOSED DECISION AND ALTERNATE PROPOSED DECISION ON MID-TERM RELIABILITY (2023-2026).

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**June 15, 2021**

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## I. INTRODUCTION

The California Hydrogen Business Council (CHBC)[1] provides these reply comments in response to parties' June 10, 2021 opening comments[2] on the May 7, 2021 Proposed Decision (PD) and Alternate Proposed Decision (APD) on mid-term reliability, according to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure.

[1] The CHBC is comprised of over 120 companies and agencies involved in the business of hydrogen. Our mission is to advance the commercialization of hydrogen in the energy sector, including transportation, goods movement, and stationary power systems to reduce emissions and help the state meet its decarbonization goals**. The views expressed in these comments are those of the CHBC, and do not necessarily reflect the views of all of the individual CHBC member companies.** CHBC Members are listed here: https://www.californiahydrogen.org/aboutus/chbc-members/

[2] Unless otherwise noted, all citations herein are in reference to the parties' opening comments to the PD and APD in R. 20-05-003.

## II. SUMMARY OF REPLY COMMENTS

The CHBC replies are in agreement with statements made by the Green Hydrogen Coalition (GHC) regarding 1) a direction for investor owned-utilities (IOUs) to procure more than 300 megawatts (MW) of green hydrogen/fossil net qualifying capacity (NQC) by 2025[3]; 2) the institution of a loading order prioritizing green hydrogen/fossil resources; 3) an increase in contract length for green hydrogen/fossil resources; 4) the definition of green hydrogen; and 5) a clarification about the portion of electricity supplied by green hydrogen either through combustion or via fuel cell generation be treated as RPS-eligible so long as the feedstocks and energy used in the production of hydrogen is also RPS-eligible. The CHBC respectfully submits the following reply comments.

## III. Reply Comments

### a. The Commission should "direct" IOUs, as opposed to "authorize" the IOUs, to procure more than 300 MW of green hydrogen/fossil resources because the transition to zero-emission resources will be accelerated by utilizing a substantial green hydrogen/fossil fuel blend.

The CHBC agrees with both the PD and APD that a fossil-fuel blend is necessary to minimize reliability issues during the transition to zero-emission resources; thus, IOUs transitioning to zero-emission resources should be directed to incorporate green hydrogen/fossil fuel resource blends to reduce greenhouse gas (GHG) emissions throughout the transition.[4] As stated by the GHC in its comments to the PD and APD, the Commission must send a clearer market signal by revising the language to direct IOUs, rather than authorize, so developers and debt and equity project investors of green hydrogen will not be discouraged by the risk of IOUs discontinuing or decreasing the use of green hydrogen/fossil fuel resource blends.[5]

[3] CHBC would like to make note to the Commission that the 2025 timeline is potentially too restricting for IOUs to meet without projects currently in development.
[4] AD at 44.
[5] GHC comments at 2.

The CHBC would like to respond to the Public Advocates' (PA) and the Environmental Defense Fund's (EDF) statement[6] that the Commission should not authorize IOUs to procure a percentage of green hydrogen/fossil fuel blend because the PA and EDF are unaware of green hydrogen's GHG reduction capabilities. In response, the CHBC would like to highlight the Commission's APD Finding of Fact that a "fossil fuel using at least a 30 percent green hydrogen blend reduces GHG emissions."[7] To ensure IOUs can transition to zero-emission resources in a timely manner, the CHBC respectfully requests the Commission modify the APD's authorization of green hydrogen/fossil fuel blend procurement to a direction.

Additionally, the CHBC supports GHC's suggestion to increase the procurement requirement of green hydrogen/fossil fuel blends above 300 MW.[8] A requirement to procure only 300 MW of green hydrogen/fossil fuel blend out of the 11,500 MW in this order will neither assist the IOUs' transition to zero-emission resources nor give the necessary market signals to developers of green hydrogen. The market signal is necessary to expedite progress on California's GHG abatement goals and looming natural disasters may result.

**b. The Commission should institute a loading order for the directed procurement of green hydrogen/fossil fuel blends because the costs associated with green hydrogen/fossil fuel blends in relation to harmful fossil fuels could lead to an increase in fossil fuel usage and, as a result, an increase in GHG emissions.**

As noted by the GHC and the APD, green hydrogen/fossil fuel blends are critical to accelerating the transition of conventional fossil-fueled generating assets to a GHG emission free fuel.[9] The GHC states, and the CHBC agrees, there is risk that without proper guidelines such as a loading order that prioritizes green hydrogen/fossil fuel blends over fossil fuel use without green hydrogen blends, IOUs may choose to use the less costly option that emits more GHG.[10] The CHBC respectfully requests the Commission consider instituting an appropriate loading order that prioritizes green hydrogen/fossil fuel blends.

**c. The Commission should allow the IOUs to negotiate their own renewable integration resource contract terms, or, at minimum, extend long-term contracts beyond ten years.**

San Diego Gas and Electric (SDG&E) requests in its comments to the PD and APD an elimination of contract term limitations;[11] the CHBC agrees. As noted by SDG&E, contract limitations may hamper solicitation and negotiation processes of developing renewable integration resources like green/hydrogen fossil fuel blends.[12] Allowing IOUs to determine contract terms with investors and developers will keep costs down for ratepayers and encourage long-term investments in the transition to zero-emission fuels.

If the Commission chooses to instill contract requirements within this order, the CHBC agrees with GHC and Middle River Power, LLC (MRP) that the existing long-term contracts of ten years as referred to in the PD and APD should be extended for the purpose of keeping costs down for ratepayers, reducing risk for developers, and ensure a sustainable transition to zero-emission fuels.[13]

**d. Although the PD and APD do not define "green hydrogen," the CHBC recommends an inclusive definition of "green hydrogen" that will allow green hydrogen/fossil fuel blends to employ a range of cost-effective renewable resources**.

The CHBC agrees with the GHC that the PD and APD's reference to the term "green hydrogen" as defined under Public Utilities Code Section 400.2, "green electrolytic hydrogen" is in error.[14] California has not yet adopted a statutory definition for green hydrogen, but if the Commission is to define green hydrogen, the CHBC supports a definition that aligns with the GHC's definition of green hydrogen as stated in its comments to the PD and APD: *green hydrogen is hydrogen that is not made from fossil fuel sources and does not produce net incremental carbon emissions during its primary production process.*[15] This definition includes hydrogen produced from organic waste streams as offered by the Bioenergy Association of California (BAC) in its comments to the PD and APD's definition of green hydrogen.[16] An inclusive definition of green hydrogen will allow greater innovation to take place in hydrogen production, resulting in new technologies coming to market that will assist in a more cost effective transition to zero-emission fuels. The CHBC respectfully requests the Commission establish this inclusive definition of green hydrogen in this order.

[11] SDG&E comments at 2.

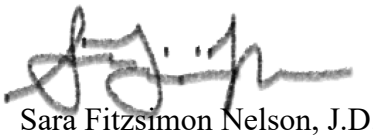
**e. The CHBC supports GHC's request for clarification about RPS-eligibility as it relates to green hydrogen**.

The CHBC supports the GHC's recommendation that the Commission clarify the portion of electricity supplied by green hydrogen either through combustion or via fuel cell generation is treated as an RPS-eligible resource, provided the feedstocks and energy used in the production of green hydrogen is also RPS-eligible.[17]

## IV. CONCLUSION

The CHBC appreciates the Commission considering these reply comments on mid-term reliability.

Respectfully Submitted, June 15, 2021



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[12] SDG&E comments at 3.
[13] GHC comments at 10; MRP comments at 5.
[14] GHC comments at 11.
[15] GHC comments at 12.
[16] BAC comments at 6.
[17] GHC comments at 12.