



February 2, 2026

Dear MCE Board of Directors,

We are sharing a letter from Marin Conservation League and would also like to provide clarifications about MCE's power purchasing. This response is intended to clarify the factual and contractual issues raised in MCL's letter. Broader questions related to additionality, grid evolution, and long-term market impacts continue to be evaluated as part of MCE's ongoing procurement and planning processes.

MCE did not spend \$202 million on unbundled ("PCC3") attribute-only contracts, as stated in the letter. The spending cited by MCL reflects bundled PCC1 renewable and GHG-free index-plus contracts, in which MCE acquires legal title to both the underlying electricity and the associated environmental attributes.

Under these index-plus contracts, the seller serves as the scheduling coordinator and retains CAISO market revenues. While MCE takes title to the energy, these contracts do not convey rights to CAISO revenues. As a result, the net payment under these contracts effectively reflects the value of the environmental attributes (i.e., energy price + attribute price – CAISO credit) while still taking title to the energy. For this reason, MCL is correct that MCE's *net* cost largely reflects the attribute value, and that MCE must procure separate financial hedges to manage CAISO energy price risk. This settlement structure, however, does not make these contracts "attribute-only", as they remain bundled PCC1 contracts.

Clarification on Power Content Categories

- PCC1 contracts are from renewable energy resources that are connected to the CAISO grid where the Renewable Energy Certificate (REC) and the underlying power are purchased together, also known as bundled.
- PCC2 renewables are also bundled contracts from resources out of state or not interconnected directly to the CAISO grid.
- PCC3 renewables are the only type of resource that can be classified as "attribute-only", as this is where the underlying power and the REC are purchased separately. MCE doesn't enter into direct purchases of PCC3 renewables but may receive allocations of PCC3 through some contracts.

As shown in MCE's Power Content Label, the percentage of retail sales covered by "attribute-only" PCC3 unbundled RECs by year is:

- 2019: 0%
- 2020: 0%
- 2021: 0%
- 2022: 1% for Light Green; 0% for Deep Green
- 2023: 2% for Light Green; 0% for Deep Green
- 2024: 2% for Light Green; 0% for Deep Green

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New steel-in-the-ground projects are a priority for MCE. To date, MCE has invested over \$4.5 billion into 1,085 megawatts of new California renewables.

However, new-build project availability, long and uncertain build-out timelines, and long-term price commitments introduce challenges and risks that need to be balanced.

- MCE's Board has set policy to reduce greenhouse gas emissions through a variety of strategies. One is to remove renewable volumes from the market and add them to our portfolio, increasing market demand for renewable energy to be built. While "direct additionality" varies by contract type, all contracts create market demand for the 'additionality' of new resources to be built.
- MCE uses multiple contract terms and structures to diversify its portfolio, lower risk, and ladder purchases to smooth pricing bubbles. Long-term new-build projects face permitting and transmission risks, are hard to find in the current market, and commit MCE to a fixed price over many years. Blending them with more flexible renewable purchases provides a counterbalancing effect.
- Purchasing renewable energy from existing, available resources is often more cost-effective and less risky than new-build resources. MCE uses laddered, ratable long-term procurement together with short-term renewable and GHG-free purchases to balance its portfolio to meet various compliance and policy objectives.
- As discussed at Board meetings, outdated grid infrastructure presents challenges to new-build projects. More than 300 GW of new energy sources are in the CAISO interconnection queue, largely renewable and battery storage, creating risk and price impacts.

From a greenhouse gas accounting and Power Content Label perspective, there is no distinction between PCC1 contracts for existing renewables and new-build renewables. These contracts are all for bundled renewable energy that provides the same greenhouse gas benefits. New-build projects include green jobs and potential economic benefits to the community, which is important to MCE. The California Energy Commission doesn't distinguish GHG accounting between short-term and long-term purchases.

MCE does not purchase PCC1 resources just to decrease the greenhouse gas content of our PCL. PCC1 resources are the most expensive type of renewable energy contract, and it would be cheaper for MCE to purchase PCC2 or PCC3 resources if our sole purpose was to superficially improve our greenhouse gas content. We prioritize PCC1 renewables because they are bundled and delivered resources that support renewable generation and contribute to additionality, while also balancing reliability, affordability, and risk for customers. The jobs associated with California projects (even existing jobs) and the infrastructure are in California, so the state benefits long-term from the continued operation of existing resources as well as the development of new resources.

A study to determine if MCE's index-plus contracts lead to more "additionality" could be done by reviewing economic principles of supply or demand. Another approach could be to evaluate decision-making metrics used by commercial developers to determine whether to invest in bringing a new project to market. Commercial decision-making metrics used by renewable energy developers are not in the public sphere and are likely to vary. However, here are some potential factors that a developer might consider:

- *What are the current and forward renewable energy prices?*
- *What is the availability of renewable energy in the market?*
- *What are current state mandates for renewable energy?*
- *Are there LSE who are exceeding the state mandates? If so, why, and is this behavior we can rely on?*
- *What is the regulatory certainty and the likelihood of change-in-law that could impact the value and economics of the new project?*

We recognize that MCL's concern is focused on real-world emissions outcomes and additionality, rather than regulatory classifications. While California's current accounting and disclosure framework does not distinguish between bundled PCC1 contracts for existing and new resources, MCE continuously evaluates its procurement strategy to balance climate impact, reliability, affordability, and risk.

Please let us know if you have any additional questions. We recognize that these industry terms can be confusing, and we'd like to ensure the information provided to you is accurate.

Best,
Jenna Tenney
Director of Communications and Community Engagement