



CONFIDENTIAL BUSINESS INFORMATION

P&G Manufacturing is an Important Employer in Sacramento:

The P&G Sacramento plant has been operating for more than 60 years and has approximately 120 employees. The plant manufactures, distributes, and provides customer services for natural ingredients including fatty alcohols. The plant also converts coconut oil into a variety of products for use by P&G as well as for sale to other industrial customers. P&G is the only natural alcohol manufacturer in the United States. Competing products come from Malaysia and Indonesia. P&G's contributions to the local economy include:

[REDACTED]

[REDACTED]

P&G total economic impact to greater Sacramento area:

\$30M - \$35M / year

Cap-and-Trade Legacy Contract Provisions:

In 2014, the Board approved amendments to the Cap-and-trade to address "legacy contracts". The purpose was to create an incentive for renegotiation of contracts executed prior to 2006 that do not include provisions for GHG cost pass through. Cogeneration plants [REDACTED] qualified for legacy contract assistance. The effect of the legacy contract amendments is to reduce the steam / electricity purchaser's cap-and-trade allocation and redistribute the allowances to the cogeneration operator. The purpose of the legacy contract provisions was to encourage renegotiation of contracts. According to the Final Statement of Reasons for these amendments, the "Board direction was to provide transition assistance, not full coverage of an annual compliance obligation. . . [P]roviding full coverage of legacy contract generator's compliance obligations would provide a disincentive to renegotiate contracts." (May 2014 FSOR, p. 42).

[REDACTED]

Request for Board Member Assistance:

The Cap-and-Trade 45-day amendments (Sept. 4, 2018) include a new provision that would reallocate an additional amount of "true-up" allowances (95894(e)). We believe SMUD is the only entity that will qualify for these true-up allowances. The stated purpose of this is to account for legacy contract allowances that were withheld due to the assumption that natural gas prices would include GHG costs. Due to a recent CPUC decision, the ARB staff asserts that natural gas prices did not incorporate GHG costs. [REDACTED]

[REDACTED]

The Board should direct the ARB staff to either remove 95894(e) entirely or at least condition the reward of these true-up allowances on the successful renegotiation of the contract.

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