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OPERATOR AND GOVERNANCE WORKSHOP**

Additional submitted attachment is included below.

CALIFORNIA ENERGY COMMISSION

In the matter of:

Docket No. 16-RGO-01

**REGIONAL GRID OPERATOR
AND GOVERNANCE**

**IMPERIAL IRRIGATION DISTRICT'S
COMMENTS
FOLLOWING 20 JUNE 2016 DENVER, COLORADO
REGIONAL GRID OPERATOR AND GOVERNANCE WORKSHOP**

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I. DENVER WORKSHOP: PRIVATIZATION OF THE CALIFORNIA GRID

California State officials convened a meeting in the Maple Room at the Denver Airport’s Westin Hotel on 20 June 2016. The meeting was held to support utility executives’ plan for the State of California to cede its control of the California Independent System Operator (ISO) to private utility interests (privatization) called “stakeholders.” The plan violates fundamental principles of our democratic form of government. The plan ignores the fact that the ISO transmission system was, and is, paid for by utility customers. Public employees, working in public offices and paid with public funds, are crafting the plan at the behest of utility executives who want to control California’s grid.

The transcript of the 20 June 2016 workshop shows ISO privatization proponents are delivering conflicting messages: a public consumption message to the California Legislature, and a private message to investor-owned utility interests. The message at the 16 June 2016 Sacramento workshop was ‘privatization is needed to expand renewable resource sharing amongst Washington, Idaho, Wyoming, Utah, Oregon and California.’ The rationale offered in Denver was ‘privatization will allow utility players to avoid California’s heightened renewable goals—no California.’

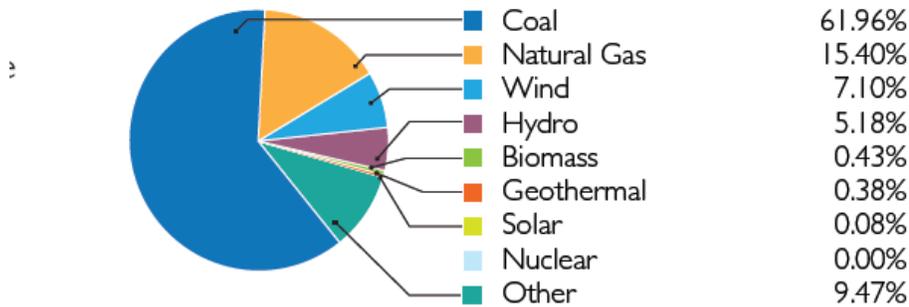
Proponents say the ISO’s use of the Security-Constrained Economic Dispatch, or SCED, in a new regional market in the West will more efficiently use both **renewable** and traditional baseload resources in daily, hourly and sub-hourly markets. Proponents say that the new ISO market in the west will allow greater renewable resource sharing.

However, PacifiCorp’s resource portfolio is laden with coal and natural gas; only a small percentage (7.01 percent, or about 1,030 megawatts) is wind capacity:

:

Energy resource mix*

(energy production 2015)



Even a report issued by the ISO shows carbon pollution from power plants will **increase** across the region if a proposal to merge California's energy market with PacifiCorp occurs.¹

The evidence also shows Berkshire Hathaway Energy's (BHE) plan is more about profiting from its large coal portfolio. BHE is attempting to profit from a deregulated coal market, according to United States Senator Maria Cantwell of Washington:

"These guys are trying to deregulate a coal market where they make a lot of money coming and going," Cantwell said during an interview last month. "We've obviously had trouble with these very creative markets before, and when you have cheap, affordable, cost-based public power, you don't want people to manipulate the markets."²

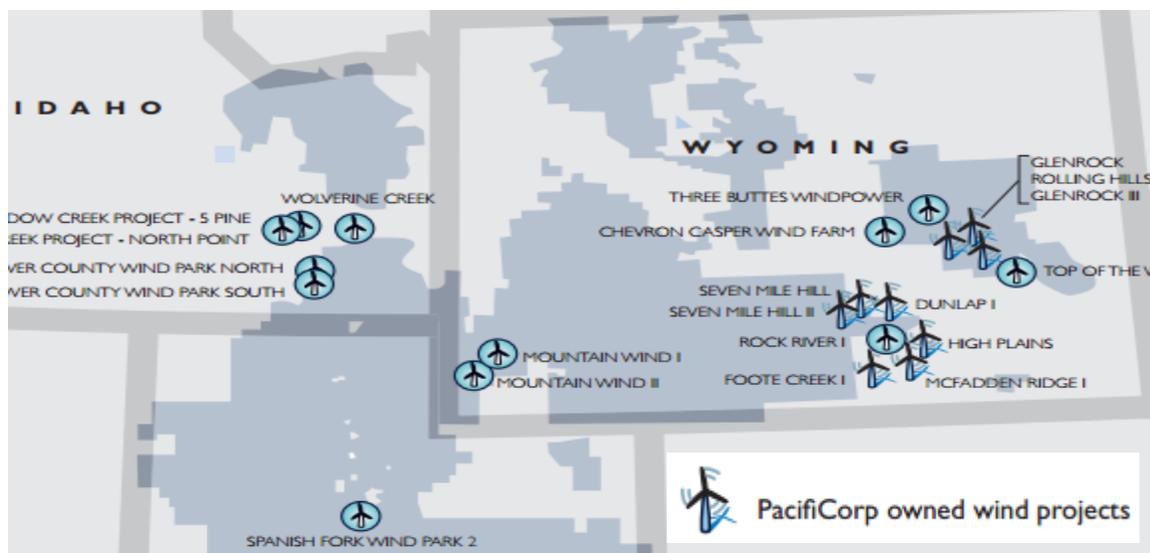
In 2015, BHE pushed legislative language through both chambers of Congress that would scrap federal requirements for utilities to buy power from small renewable units.³

¹ <http://content.sierraclub.org/press-releases/2016/05/new-study-shows-proposed-california-pacificorp-energy-market-integration>

² <http://www.eenews.net/stories/1060019382>

³ <http://www.eenews.net/stories/1060019382>

Most of PacifiCorp's wind capacity is located in plants scattered throughout Wyoming and Utah, with one wind farm located in Idaho:



Moreover, Utah, Wyoming, and Idaho have not adopted policies requiring any use of renewables. Thus, California is not likely to benefit much from importing renewables from PacifiCorp, given the limited amount in its portfolio. Conversely, investing in the vast geothermal reserves in Imperial County would provide a constant source of additional electricity and is a better option than importing wind from hundreds of miles away in Wyoming and Utah. Further, Idaho, Utah, and Wyoming are not likely to import California renewables in favor of using less expensive coal, especially since they have no mandate for renewables with which they must comply.

BHE's vice president for legislative and regulatory affairs, Jonathan Weisgall, told the 16 June 2016 workshop audience that governance of any ISO proposal would have to be acceptable to the other five states. He warned, 'California should be careful not to let the greenhouse accounting⁴ trample the

⁴ Greenhouse accounting describes the way to inventory and audit greenhouse gas emissions.

deference to state authority.’ Weisgall stated greenhouse gas accounting was important to California, but less important to the other five states.⁵

Omitted from both workshops (June 16th in Sacramento and June 20th in Denver) were the costs of transporting electricity over the ISO power lines. The ISO charges a Transmission Access Charge (TAC) and a Grid Manager Charge (GMC). The ISO collects the GMC to pay for ISO operations, and the TAC to pay the transmission owners. In 2015, the TAC for SDG&E, PG&E, SCE and PacifiCorp were as follows:

Utility	TAC 2015
SCE	\$ 1,004,417,227
PacifiCorp	\$547,785,713
SDG&E	\$494,024,578
PG&E	461,933,843
Total Transmission Revenue Requirement (TRR) (Approx)	\$2,508,161,361

Proponents have not explained how the additional TRR due to PacifiCorp would be paid in the ISO Western configuration.

II. REPEAL OF THE PUBLIC UTILITY COMPANY ACT SETS THE STAGE FOR BHE POWER

On 8 August 2005, Congress passed -- and President Bush signed -- the Energy Policy Act of 2005, which set aside utility industry reforms enacted in 1935 in the Public Utility Holding Company Act of 1935 (PUHCA). Prior to its repeal, the PUHCA required “holding companies,” *i.e.*, companies with subsidiaries engaged in the electric utility business, to register with the U.S.

⁵ http://www.energy.ca.gov/sb350/regional_grid/documents/webex/2016-06-16_RGOworkshop.mp3

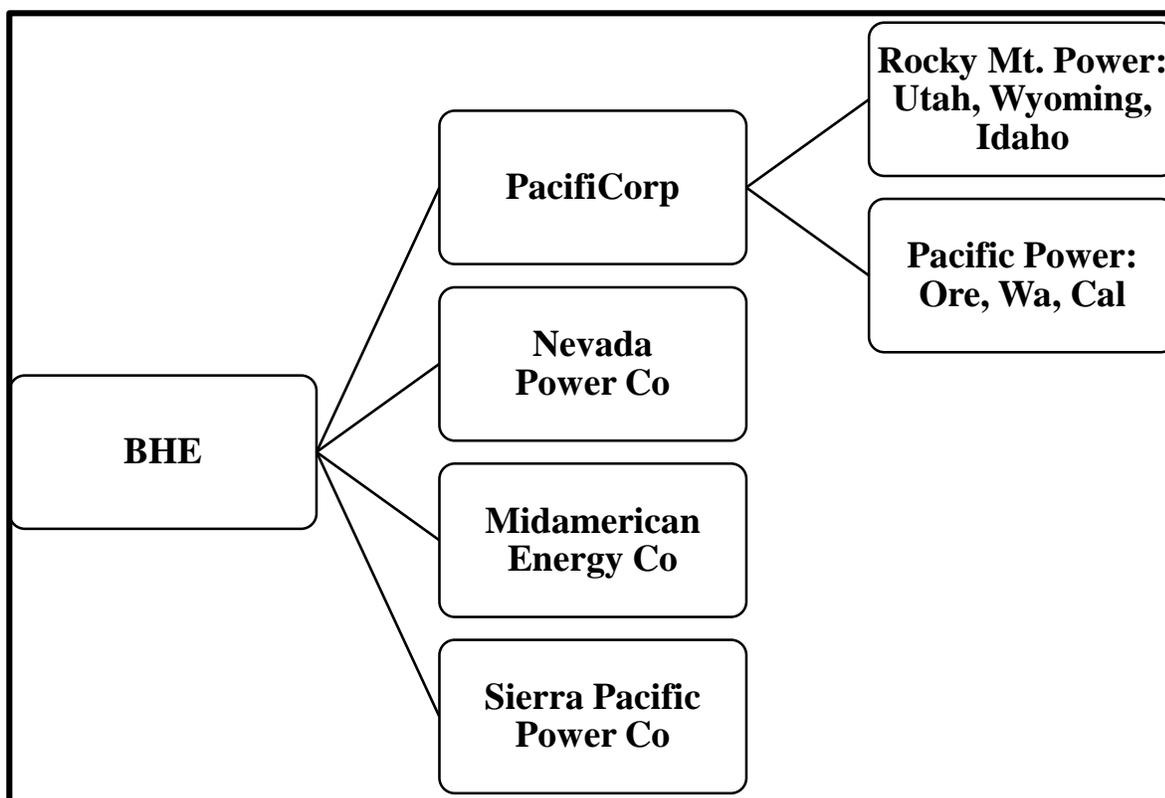
Securities and Exchange Commission, satisfy certain disclosure requirements, and comply with strict operational limitations. Those operational limitations imposed significant geographic and corporate holdings restrictions upon holding companies, and effectively limited ownership of public utilities to a small subset of companies focused specifically on the industry.⁶

PUHCA included the following restrictions: (1) it limited the geographic spread (therefore, size) of utility holding companies, the kinds of business they may enter, the number of holding companies over a utility in a corporate hierarchy, and their capital structure; (2) it controlled the amount of debt (thus, cost of capital), dividends, loans and guarantees based on utility subsidiaries (so the parent companies cannot loot or bankrupt the utility subsidiary), and the securities that parent companies could issue; (3) it regulated self-dealing among affiliate companies and cross-subsidies of unregulated businesses by regulated businesses; (4) it controlled acquisitions of other utilities and other businesses; and (5) it limited common ownership of electric utilities.

The repeal cleared the way for Berkshire Hathaway Energy (BHE) to consummate the proposed purchase of PacifiCorp. BHE, which owns all of PacifiCorp's common stock, purchased the shares on 21 March 2006 from Scottish Power.

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https://wiki.umn.edu/pub/ESPM3241W/S11PolicyBriefTeamTwentyfour/CRS_Report_for_Congress.pdf



The GWh⁷ and percentages of electricity sold to PacifiCorp's 1.8 million retail customers by jurisdiction for the years prior to and ending 31 December 2015 were as follows:

State	2015		2014		2013	
Utah	24,158	44%	24,105	44%	24,510	44%
Oregon	12,863	24	12,959	24	13,090	24
Wyoming	9,330	17	9,568	17	9,554	17
Washington	4,108	8	4,118	8	4,093	7
Idaho	3,443	6	3,495	6	3,621	7
California	739	1	754	1	795	1
	54,641	100%	54,999	100%	55,663	100%

⁷ **Gigawatt hours**, abbreviated as **GWh**, is a unit of energy representing one billion (1,000,000,000) watt hours, and is equivalent to one million kilowatt hours.

III. PACIFICORP CAN WORK THROUGH ISO WITHOUT CALIFORNIA HAVING TO GIVE UP JURISDICTION OVER THE CALIFORNIA ISO

If BHE or PacifiCorp desires to purchase electricity through the ISO, all they need do is sign up with the ISO. The ISO welcomes new market participants, and is committed to making it easy for new entities to make informed decisions. If BHE or PacifiCorp would like more information, they only need complete a short ISO form.⁸

If BHE or PacifiCorp wishes, the ISO can operate BHE and PacifiCorp's 16,500 miles of electric transmission lines.⁹ BHE and PacifiCorp can elect to turn operational control of their facilities over to the ISO and collect access charges from users. The ISO operates transmission lines owned by the following companies, nonprofit and government entities: Citizens Sunrise Transmission LLC, City of Anaheim, City of Azusa, City of Banning, City of Colton, City of Pasadena, City of Riverside, City of Vernon, Startrans IO LLC, The Nevada Hydro Company, Inc. (TNHC), Trans-Bay Cable LLC, Trans-Elect NTD, Valley Electric Association, Inc., and the Western Area Power Administration.

⁸ <http://www.caiso.com/participate/Pages/NewParticipantContactUs.aspx>

⁹ <https://www.caiso.com/participate/Pages/Transmission/Default.aspx>