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**JULY 7, 2016 REGIONAL GRID OPERATOR AND GOVERNANCE WORKSHOP
[ERRATA]**

This document supercedes TN Number: 212193

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
JULY 7, 2016
REGIONAL GRID OPERATOR AND GOVERNANCE WORKSHOP
[ERRATA]**

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INTRODUCTION

The IID offers these additional comments regarding the proposal to merge the CAISO with private corporation PacifiCorp, to privatize the governance of ISO with a board selected by the owners of energy resources rather than by democratic principles, and to rush the proposal through before it has been vetted sufficiently, without even its assumptions and modeling publicly disclosed. The proposal to merge PacifiCorp with the CAISO rests on faulty reasoning. For example, sharing faraway renewable resources over thousands of miles of transmission lines is not more desirable than using those in California's own backyard.

Merging Nonprofit with For-profit

The CAISO is a California nonprofit public benefit corporation formed under California law, as the California Legislature directed. The governor appoints CAISO's five-member board. The proposal to allow for-profit entities that own energy resources traded in CAISO markets and transported over CAISO electricity lines risks CAISO's tax exempt status. CAISO acknowledges these tax implications but, as with so many parts of the proposal, responds by describing what it might do—seek an Internal Revenue Service tax ruling. (See 5 May 2016 Dan Shonkwiler CEC Workshop Presentation pp. 21-22) IID urges the parties to obtain an IRS ruling before proceeding ahead with the plan to merge and privatize the CAISO.

DEMOCRACY OVER OWNERSHIP

CAISO proposes to transition its governance from the governor, who is accountable to the people, to an oligarchy board appointed by a few elite owners of electricity resources traded on CAISO's markets and transported via its transmission lines. America is formed on the version of democracy where the indigent, and not a few men of property, are the rulers—the one that Aristotle

described. Great wealth concentrated in the hands of the few should not determine CAISO's governance; it should be set by the governor, who is answerable to the 38 million people who call California home.

One of the key players at the California workshop held in the Maple Room at the Westin Hotel in the Denver Airport was Steve Buening, director, market operations, at Xcel Energy. Xcel Energy has a history of manipulating California's energy markets. A Wall Street Journal article on 10 June 2002 under the headline, "Energy Traders at Xcel, Mirant Discussed 'Gaming' California" reported "[Tr]aders at Xcel Energy and Mirant Corp. discussed 'games' to profit from California's chaotic electricity market in 2000 as they negotiated energy transactions, according to transcripts Xcel has given to federal regulators."

Given Xcel Energy's prior history with regulators and manipulation of California's energy market, Mr. Buening expressed fear over the role of regulators in the expanded western market. His remarks show why Xcel and companies like it should not be selecting the governing body of the CAISO:

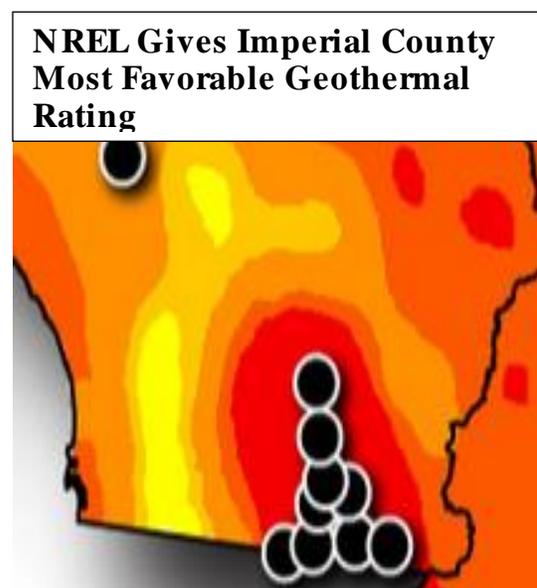
MR. BUENING: Thank you. Steve Buening from Xcel Energy. I just want to throw out a personal opinion here. Honestly, coming at the idea of market expansions from the standpoint of the utility doing business in the market, I'm concerned about the **regulators being too strong in the process**, a constitutional convention. I think the regulators' role should be to balance the public interest **after the ink is dry**, not be the one that sends us down a certain highway. I think that should be **the role of the principals; in other words, the transmission owners and the generators and the market participants, the load-serving entities**. I don't object to regulators giving guidance to that process. But I think **California made that mistake once back in its inception. It embraced the hubris that the market should be designed by regulators and legislators, and that had a disastrous outcome.**

(20 June 2016 Denver Transcript pp. 94-95)

CALIFORNIA RENEWABLES FIRST

A primary purpose of the proposed western electricity market grid system is the benefit of shared renewables amongst and between the six western states (California, Idaho, Wyoming, Oregon, Utah, and Washington). However, California has vast amounts of renewable energy sources that have yet to be developed. One of the best examples of untapped renewables in California is Imperial County geothermal served by the Imperial Irrigation District (IID).

Over **8,480** megawatts (MW) of renewable energy has been identified as available for development in Imperial County, according to California's lead energy agencies. Further, the United States government's primary laboratory for renewable energy, energy efficiency research, and development -- the National Renewable Energy Laboratory (NREL) -- has identified Imperial County as some of the most favorable regions for solar and geothermal energy in the nation, as shown here on two NREL energy potential maps:



The California Public Utilities Commission (CPUC), California Energy Commission (CEC), and CAISO, as part of their collaborative, created a “Renewable Energy Transmission Initiative” (RETI) to identify the transmission projects needed to meet California’s renewable energy goals. Competitive Renewable Energy Zones (CREZs) were identified for areas with the greatest potential for cost-effective and environmentally responsible renewable development. In 2010, the following renewable energy zones were identified in the IID areas with 8,489 MW of renewable resources:

| | Biomass | Geothermal | Solar Thermal | Wind | Total |
|------------------|----------------|-------------------|----------------------|-------------|--------------|
| Imperial East | - | - | 1,500 | 74 | 1,574 |
| Imperial North-A | - | 1,370 | - | 0 | 1,370 |
| Imperial North-B | 30 | 0 | 1,800 | 0 | 1,830 |
| Imperial South | 36 | 64 | 3,570 | 45 | 3,715 |
| TOTAL | 66 | 1,434 | 6,870 | 119 | 8,489 |

The RETI report identified four Competitive Renewable Energy Zones (CREZ) in Imperial Valley (1. Imperial East 29; 2. Imperial South 30; 3. Imperial North 31A; and 4. Imperial North 31 B), all of which are mostly located in the heart of IID’s service area. Geothermal resources in Imperial Valley are located principally in the north part of Imperial County, or CREZ 31A and CREZ 31B:

Cluster of 7 Geothermal Plants in North IID Territory



While solar power resources are not limited to any one part of IID's territory, they are principally located in Imperial South near Mount Signal, or CREZ 30:



CAISO has refused to support the development of Imperial Valley's geothermal and other renewable energy while it has embarked on its scheme to bring wind power 1,300 miles away from Wyoming instead. Not only is CAISO's proposal absurd, it's actually inconsistent with California's public utility code.

Under California Public Utilities Code § 345.5, CAISO is failing to make the most efficient use of available energy resources, reduce overall economic cost to the state's consumers, conform CAISO decisions to state law intended to protect the public's health and the environment, maximize availability of existing electric generation resources necessary to meet the needs of the state's electricity consumers, conduct internal operations in a manner that minimizes cost impact on ratepayers, communicate with all balancing area authorities in California in a

manner that supports electrical reliability, or to consult and coordinate with appropriate local agencies to ensure CAISO operates in furtherance of state law regarding consumer and environmental protection as required by statute.

CAISO is favoring PacifiCorp, a private Oregon corporation, over IID, a California public entity organized in 1911 under the California Irrigation District Law.¹ CAISO is favoring a foreign state corporation over the 180,000 people residing within IID's territory who elect IID's five-member board. The 180,000 customers IID serves are amongst the millions of Californians CAISO seeks to subordinate to the selfish interests of PacifiCorp and its hedge fund owners. IID² is one of the balancing authorities CAISO, PacifiCorp and their allies wants to destroy.

CALIFORNIA-CENTRIC ARGUMENT IS ABSURD

The Denver workshop was dominated by concerns expressed over the proposed western electricity market being dominated by California, referred to as being California-centric. The term was introduced into the Denver meeting first by CEC Chairman Robert Weisenmiller: "Last week there was a similar workshop located in California, California-centric." (20 June 2016 Denver Transcript p. 4) Weisenmiller tried to tie the concept of California-centric to the to the western grid enabling legislation: "State law, established through SB 350 last year, facilitates the evolution of the California Independent System Operator from a **California-centric** to regional organization. (20 June 2016 Denver Transcript p. 4) Again Weisenmiller hit the California-centric button: "We encourage participation of broad and diverse stakeholders because we know that, as we are

¹ Codified at Division 11 of the California Water Code

² http://www.nerc.com/files/glossary_of_terms.pdf

transforming the ISO from a **California-centric** to a regional model that it's equally important that this stakeholder process, which is started from a very **California-centric** perspective, really has to evolve into a much more regional discussion and dialogue.” (20 June 2016 Denver Transcript p. 9)

Bryce Freeman from the Wyoming Office of Consumer Advocacy picked up on the California-centric message point: “We have criticisms and questions regarding, as Abby said, the transitional and initial board, and how those would be selected, and the fact that they'll be California-centric for the duration of, what is so far, an unspecified transitional period.” (20 June 2016 Denver Transcript p. 54) Freeman repeated his message points attacking the transitional stakeholder committee really is pretty California-centric” and “the proposal for the initial board is the **mother of California-centric** propositions here.” (20 June 2016 Denver Transcript p. 95)

Marshall Empey, chief operations officer for Utah Associated Municipal Power Systems, joined the California-centric choir: “I think one of the concerns we have, as has been said before, CAISO is California-centric; California has done this over the years. They do have their own way of doing things. But we have to have the state authority just so that the PacifiCorp states right now and the rest of the states aren't overwhelmed, because California does have the infrastructure, the CAISO staff, and that I think they could overwhelm all of the current state regulators and energy offices.” (20 June 2016 Denver Transcript p. 75)

For some inexplicable reason, Montana Public Service Commissioner Travis Kavulla was a Denver workshop participant and he too was part of the army programmed to reject any option on the grounds it was California-centric: “And really those three options are the ISO staff itself, which currently has a pen on this document, a body of stakeholders, like the transitional committee, or something else, some kind of self-appointed vigilante group that goes out and

writes a document not under the authority of the ISO. You know, the third just isn't going to happen. The first isn't desirable because it's inherently **California-centric**" *. (20 June 2016 Denver Transcript p. 88)

CONCLUSION

The proposal to merge the CAISO into PacifiCorp's transmission system, as proposed by the ISO, CPUC, CEC and PacifiCorp, should be shelved. The people of California should decide who appoints the CAISO board, not a few wealthy owners of coal and natural gas resources. CAISO should develop California's untapped renewable energy resources before venturing off into other states far away from the load CAISO transmission serves. If there are times that excess renewables are available in California, then nonrenewable energy and imports should be curtailed to make room for California-based available renewables. The people of California should determine who appoints the CAISO board.