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SMUD Comments on April 17th Joint Agency Workshop Re: Integrated Resource Planning

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Additional submitted attachment is included below.

**STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION**

<p>In the matter of:</p> <p><i>2017 Integrated Policy Report (2017 IEPR)</i></p> <hr style="border: 0.5px solid black; margin-top: 10px;"/>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>Docket No. 17-IEPR-07</p> <p>SMUD Comments on April 17th Joint Agency Workshop Re Integrated Resource Planning</p> <p>May 1, 2017</p>
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**Comments of the Sacramento Municipal Utility District
on the Joint Agency Workshop Regarding Potential Methodologies
to Establish Greenhouse Gas Emission Reduction Targets for
Publicly Owned Utility Integrated Resource Plans**

The Sacramento Municipal Utility District (SMUD) respectfully submits the following comments to the California Energy Commission (CEC) and the California Air Resources Board (CARB) pursuant to the Joint Agency Workshop on April 17th that examined potential methodologies for establishing greenhouse (GHG) reduction targets for Publicly Owned Utility (POU) Integrated Resource Plans (IRPs).

In developing LSE-specific GHG targets, SMUD believes it is essential to:

- 1) Consider the variety of methods by which zero-GHG resources are procured and delivered in the electricity system, to properly reflect the investments made by ratepayers in these resources.
- 2) Include the interactions between the electric sector and other economic sectors, particularly the transportation sector. Electrification in a variety of forms (not just transportation), including stationary end-uses that come with on-site GHG emissions, will have immense GHG reduction benefits overall, even after taking into account the increase in electric sector GHG emissions from increased electric load.
- 3) Reflect an appropriate degree of consistency with the potential GHG intensity calculations performed pursuant to SB 1110 and avoid customer confusion. An “appropriate” degree of consistency requires consistent facts, assumptions and coherent logic between the various programs and reports, but not require identical outputs.

Establishing electric sector targets or target ranges and individual LSE planning targets (or target ranges) is complicated and requires additional stakeholder dialogue and input. SMUD believes that it is not necessary to settle on a specific methodology for IRP GHG

targets at this time. The CEC can proceed with IRP Guideline development without having a specific GHG target or target range methodology in place.

As stakeholders continue to examine the GHG target issue, and the CARB process to establish targets (in collaboration with CEC and CPUC) follows the adoption of the 2030 Scoping Plan expected in the fall of this year, the results can be included in the IRP structure at any time; as long as target setting is prior to actually running models and scenarios in order to project the results of different procurement strategies with respect to meeting these targets, as well as the 50% RPS target and other goals already expected to be reflected in IRPs. SMUD notes that the current Scoping Plan is a draft plan, making it potentially inappropriate to establish part of the GHG targets structure based on what may be preliminary modeling results for the electric sector.

SMUD's detailed recommendations are provided below.

A. POU GHG Targets Should Be Set as 2030 Ranges Rather Than One Number

SMUD recommends that POU-specific 2030 GHG targets in IRPs be established as GHG intensity ranges, in the form of tons of GHG per amount of electricity generated, rather than a single total of GHG emissions as a target. A GHG-intensity range target provides the flexibility to deal with uncertainties in what is a planning target exercise and minimizes adverse interaction with the statewide Cap and Trade program. The Cap and Trade program and complementary measures such as the California Renewables Portfolio Standard (RPS) program and energy efficiency measures ensure emission reductions. Based on these measures, IRPs can be structured to plan procurement so that a POU's GHG intensity falls within the range.

A target "range" incorporates and reflects uncertainty in load growth, including the impacts of energy efficiency programs and electrification; and uncertainty in resource availability – particularly hydroelectric resources that can vary significantly from year to year. For example, SMUD's hydroelectric generation has varied recently from 31% of our generation sources in 2010 to just 9% in 2014. Additional uncertainty comes from contracted renewable resources. New contracts may not generate as expected, as is the case with at least two of SMUD's expected resources, and older contracts are subject to uncertainty about the procurement of that power past the end of the contract life. If the middle of the GHG target range reflects procurement under "expected" conditions, with normal hydro, baseline load growth, etc., then the upper and lower ends of the ranges provide for some degree of safety that outlier conditions can be accommodated within the adopted IRP.

An "intensity" metric, rather than a "mass-based" metric, minimizes potential adverse impacts in the Cap and Trade marketplace. The Cap and Trade program provides market-based flexibility for sources to trade with each other and with other sectors to achieve the overall statewide target at least cost. This is the fundamental goal of AB 32, and continues to be the prime directive of SB 350. CARB, the CEC, and the CPUC should avoid establishing specific targets for subsectors (and individual obligated

entities) that would constrain this abiding cost-effectiveness principle in California law. Complementary measures such as the RPS ensure that there are GHG reductions for utilities, within the Cap and Trade backstop.

An intensity-based target range also incorporates the metrics developed under AB 1110 and presents an opportunity to integrate that statute with SB 350. Moreover, additional load, from electrification or just economic growth, can be accommodated significantly more easily with an intensity-based target than with a mass-based target. Similarly, lower than expected load, from energy efficiency programs or simply economic effects, will also be handled more easily.

B. POU GHG Targets Should Be Developed Based On “Bottoms Up” Procurement Conditions

SMUD supports a basic “bottoms up” approach to establishing entity-specific GHG target ranges. The midpoint of a range can be determined by looking at an entity’s expected baseline load forecast and known zero-emission generation. Any unmet load would be assumed to come from generic natural gas resources with commensurate GHG emissions. The load and emissions calculation in this structure would be based in part on the CEC’s own forecasts. This rate could then be used to create a starting basis for a GHG-intensity midpoint, which could be modified as appropriate by procurement and delivery circumstances and by consideration of associated changes in emissions in other sectors, such as for transportation electrification. Allowing for a GHG-intensity range around a midpoint is a common scientific approach when expressing projections based on natural variability.

The methodology CARB is using to determine allowance allocations for utilities relies on similar information as the preferred “bottoms-up” approach, with some differences. However, SMUD does not believe that allowance allocations should be thought of as planning targets for GHG emissions or reductions in the IRP process. Because the rationale behind the administrative allocation in the Cap and Trade program was to cover the expected emissions and associated cost-burden of utility programs to reduce GHG emissions, SMUD suggests that the planning target ranges established be no lower than the utility Cap and Trade allocations.

C. There Is No Need For a “Baseline” Methodology In Order To Track Progress.

SMUD does not agree with the practicalities of setting a “baseline” of GHG emissions for each POU that could be used to track progress and/or to set percentage reduction GHG targets. While there is obvious appeal in establishing a comparative point of reference, there is too much climate variability from year to year to establish meaningful accuracy for long-term goals such as the 2030 GHG reduction target. In contrast, the bottoms up methodology for targets provides an endpoint at which to shoot without referring to a baseline, and the progress can be tracked on an annual basis as movement towards that endpoint.

Establishing a baseline year that works for all obligated POU is complicated due to the variety of early actions, changing conditions, resource baselines, and growth characteristics of the varied POU. Early actions on GHG reduction measures, prior to any chosen “baseline” year, would potentially disadvantage a POU if all were expected to reduce equally from that baseline year. A POU that has greater room for and expectations of economic development and load growth in future years should not be expected to achieve identical percentage GHG reductions from a baseline year. A POU that has a greater than average zero-GHG resource base (large hydro, etc.), should not necessarily be treated similarly to a POU without significant zero-GHG resources.

Looking at the 2030 GHG reduction target issue from a POU-specific, “bottoms up” approach resolves issues of unequal starting points by simply identifying the end points that make sense for each POU. Progress can then be tracked for each POU toward their specific end point (GHG planning target range).

SMUD appreciates the opportunity to comment on the IRP GHG Workshop, and looks forward to further dialogue with stakeholders and staff on GHG targets.

/s/

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