

DOCKETED

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Comments of TID on Potential Methodologies to Establish GHG Reduction Targets for POU IRPs

Additional submitted attachment is included below.

May 1, 2017

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 17-IEPR-07
1516 Ninth Street
Sacramento CA, 95814-5512

Filed Electronically

RE: TID Comments on Potential Methodologies to Establish GHG Emission Reduction Targets for Publicly Owned Utility Integrated Resource Plans.

Turlock Irrigation District (“TID”) submits the following comments on the joint agency workshop held by the California Air Resources Board (“ARB”) and the California Energy Commission (“CEC”) to discuss potential methodologies to establish GHG targets for the IRP process. The workshop builds on the prior February 23, 2017 joint agency workshop and further refines proposals for GHG emission reduction targets for POU IRPs. At the April 17, 2017 workshop, the ARB favored a methodology based on its post-2020 allowance allocation for POU. The CEC proposes to assign POU specific targets based loosely on the ARB methodology. The CEC also outlined a “bottom-up” approach utilizing 2009 data reported in its Power Source Disclosure (“PSD”) program as an “informative, not regulatory” baseline to “provide a comparative point of reference.”¹ TID is wholly opposed to the establishment of a baseline. TID provides these comments to highlight additional considerations under each approach that should be incorporated into any GHG targets that are applied to the IRP.

I. General Comments on GHG Emission Reduction Target Methodologies for POU IRPs

A. IRPs are Planning Documents and Should Not be Subject to Enforcement if Planned Targets are not Achieved

TID recognizes that Senate Bill (“SB”) 350 requires certain POU to adopt an IRP on or before January 1, 2019, and update that IRP at least once every five years.² However, the IRP, and the procurement planning outlined within the IRP, is precisely that: a *plan* for procurement to satisfy applicable requirements and the needs of its customers. Furthermore, an IRP is a plan that reflects certain

¹ See CEC presentation from the April 17, 2017 workshop, available at http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-07/TN217045_20170414T112213_Presentation-Proposed_Methodology_for_Determining_GHG_Baselines_for_Publicly_Owned_Uilities.pdf.

² Pub. Util. Code § 9621(b).



assumptions and available information at that time which may or may not be the same after the IRP is adopted (hence the need for periodic updates). Any IRP guidelines must appropriately acknowledge the need for flexibility in POU IRPs, as POUs are individually and independently governed by elected or appointed representatives. Accordingly, the IRP should only be used as a planning document, outlining soft procurement goals, not a rigid target subject to enforcement by the CEC or any other agency. Specific GHG compliance obligations are already subject to enforcement by the ARB, and the IRP process should not duplicate the ARB's role in enforcing GHG compliance requirements. Accordingly, the IRP should serve as a planning document, as intended. The GHG goals developed in the IRP process should not be subject to enforcement. The provision of POU IRPs to the CEC is intended to share information and assist in state-wide modeling. The CEC should not assert oversight or enforcement over POU planning, as doing so would undermine local accountability and public input already built into the POU operational model and governance structure.

B. In Developing GHG Emission Reduction Targets, Additional Factors Must be Considered

TID believes that additional issues must be addressed and considered before GHG emission reduction targets are adopted. For example, increased electrification will occur in other sectors (e.g., the transportation, industrial, and building sectors), but the extent of increased electrification is unknown. Perhaps more importantly, however, it is unclear how increased electrification in other sectors will be addressed in allocating GHG reduction targets to the electric sector and the various sectors impacted by increased electrification.

At the February 23, 2017, joint agency workshop held at the CEC, a number of parties recommended that some sort of credit must be provided to the electric sector based on increases in electrification in other sectors. For example, a crediting mechanism could be employed to true-up emissions reduction targets to account for LSE-specific load growth due to transportation electrification. TID supports such an approach, and recommends that any GHG target methodology implemented for IRP purposes must include some sort of process to account for increased electrification in other sectors. For example, load growth assumptions could be updated in conjunction with the IEPR demand forecast filings.

II. IRPs Must Address Existing Requirements, and IRP Requirements Must Be Developed Collaboratively between the CEC, the ARB, and CPUC

The IRP planning targets should be realistic and at the same time reflect the reality that load, generation and other factors can vary greatly depending on modeling assumptions. In developing planning targets for use in IRPs, TID and its ratepayers have an interest in ensuring that any GHG emission reduction targets, whether overall electric sector targets or targets for CEC- and California Public Utilities

Commission- (“CPUC”) jurisdictional entities, are consistent with existing procurement requirements, as implemented by the ARB, the CEC, and the CPUC. For this reason, it is essential that the CEC, CPUC, and ARB coordinate closely in implementing any GHG targets and update the targets as the realities of the state’s various goals and programs set in (e.g., as the electric vehicle and building electrification load grows). This coordination and updating will ensure that such targets are consistent with existing regulations and requirements.

III. The ARB Allowance Allocation Methodology

TID has been supportive of the ARB’s pre-2020 allowance allocation methodology. Accordingly, utilizing the allowance allocation methodology to assign GHG emission reduction targets in the POU IRPs could be a feasible approach provided that the methodology is updated to reflect the final ARB regulations and utility-specific factors that the allowance allocations don’t address. TID has three primary concerns with the ARB’s preferred allowance allocation methodology, outlined below.

A. The ARB’s Allowance Allocation Methodology Does Not Address Renewable Procurement From Resources with GHG Emissions.

Under the ARB’s allowance allocation methodology, renewable procurement is generally treated as a zero-emissions procurement. The allocations do not account for the ARB’s RPS Adjustment (i.e., the carbon credit for firming and shaping imports needed to support a grandfathered portfolio content category (“PCC”) 0 resource or PCC 2 “firmed and shaped” contract). While the ARB plans to update its post-2020 allowance allocation to address a maximum of 5% PCC 2 procurement, the ARB proposal does not account for grandfathered resource procurement (PCC 0) that may ultimately be assigned an emissions factor other than zero. This distinction could lead to an improper assignment of GHG emission reduction targets to POUs that made early, voluntary investments in RPS resources. In particular, TID made a substantial, voluntary investment in the Tuolumne Wind Project, which qualifies as a grandfathered resource. TID firms and shapes this resource and relies on the RPS adjustment to ensure that its ratepayers do not pay cap-and-trade costs for this investment. This should be considered when assigning GHG emission reduction targets, particularly for those POUs with significant PCC 0 procurement volumes.

B. The ARB’s Allowance Allocation Methodology Does Not Include Industrial Load.

The ARB allowance allocation methodology includes certain unique allocation-specific policy goals, which are not appropriate for a POU-specific IRP GHG target setting. The post-2020 allocations significantly reduce allocations when an LSE serves certain industrial customers. When assigning GHG emission reduction targets for POU IRPs, industrial load should be included as part of the POU’s total

emissions GHG target, even though a portion of the POU's cap-and-trade allowances will be redistributed to its industrial customers.

C. The ARB's Allowance Allocation Methodology Includes an Assigned Emissions Rate for Natural Gas that does not reflect the diversity of California's natural gas fleet.

Under the ARB's allowance allocation, the ARB used a single natural gas rate that was based on a combined cycle facility's heat rate. While most simple cycle natural gas facilities have a higher actual heat and emissions rate than that of a combined cycle facility, these simple cycle facilities are needed for their fast starting and load following attributes to assist in grid reliability and balancing California's high penetration of intermittent renewable generation such as solar and wind. These simple cycle facilities are critical in balancing California's electric grid. The actual makeup of a utility's gas fleet should be considered when implementing any GHG emission reduction targets for POU IRPs.

IV. TID is Wholly Opposed to the Establishment of POU-Specific GHG Emissions Baselines

The CEC seeks to establish a GHG emissions baseline for every POU to "[p]rovide a comparative point of reference" that is "[i]nformative, not regulatory."³ TID is wholly opposed to the establishment of such a baseline. Not only would establishing a baseline exceed the statutory requirements of SB 350, but the baseline methodology is overly burdensome for POUs, particularly given that such a baseline and its comparative function is redundant. As noted by the CEC, "[h]ydro variation year-over-year measurably changes portfolio emissions."⁴ Similarly, economic variables will largely impact baseline considerations, resulting in considerable differences in baseline values year to year. These variations largely impact the goal setting process and outcomes, making the value of setting individual baselines questionable.

Electric utilities are already being asked to do more than any other sector towards meeting the State's myriad climate related goals, while already contributing to the State's emission reduction goals. The 42 POUs in California are very diverse, with different load growth rates, resource types, weather, and size. The 16 largest POUs must already plan for GHG emissions reductions in the IRP process, and already report emissions data to the ARB through the Mandatory Reporting Regulation, which is public information. As a sector, utility GHG emissions are already reported annually and in a public place. Given that such information is already public and available for comparison, rather than establish an arbitrary "informative baseline", TID recommends that the CEC collaborate with the ARB on what data already exists to avoid duplicative and unnecessary additional requirements. Further, the CEC has just started a rulemaking on the implementation of AB 1110, which mandates an emissions intensity metric

³ See CEC presentation from the April 17, 2017 workshop, available at http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-07/TN217045_20170414T112213_Presentation-Proposed_Methodology_for_Determining_GHG_Baselines_for_Publicly_Owned_Uilities.pdf.

⁴ *Id.*



on utilities, which will give full disclosure on the carbon content of the energy TID, and other utilities, procure to serve retail sales.

V. Conclusion

TID appreciates the collaborative efforts thus far by the CPUC, CEC, and ARB to develop proposed methodologies for GHG targets for POU IRPs. As described above, TID recommends that additional collaboration and refinement are needed to most effectively arrive at an appropriate GHG target. We look forward to working with the CEC, CPUC, ARB, and interested stakeholders going forward to best assign GHG emissions reduction goals to both the electric sector, and individual LSEs, while at the same time, respecting the procurement authority of the POU governing boards.

Sincerely,

/s/

Dan B. Severson
Turlock Irrigation District