

**ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of:	)	
	)	Docket No. 06-IEP-1J
Preparation of the 2007 Integrated Energy Policy	)	
Report (IEPR)	)	

**POST-WORKSHOP COMMENTS  
OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION**

May 31, 2007

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Association*

The California Municipal Utilities Association ("CMUA") hereby files these written Comments pursuant to the schedule established in the California Energy Commission's ("Commission") *Notice of Staff Workshop on Resource Adequacy Policies and Protocols for Publicly Owned Load Serving Entities*.<sup>1</sup>

CMUA and its members have benefited from long collaboration with Commission Staff on resource adequacy issues. CMUA hopes and expects this collaboration to continue as the Commission fulfills its obligation to report to the Legislature on the progress of local publicly owned electric utilities ("POU") in meeting procurement policy goals that are established by statute and specifically applicable to POUs. CMUA and its members have also participated, along with Commission Staff, in extensive efforts at the Public Utilities Commission of the State of California ("CPUC") and the California Independent System Operator Corporation ("CAISO") to examine the implementation details inherent in broader resource adequacy programs. Thankfully, those implementation details are not before the Commission. Indeed, the statutory language directing the Commission to undertake this inquiry is reasonably narrow.

With all of the emphasis at the CPUC and the CAISO on details such as import deliverability, liquidated damages contracts, local capacity requirements, etc., it is easy to lose sight of the big picture. As the Commission Staff's presentations show clearly, CMUA members have a history of supply adequacy and continue to procure prudently to meet their obligations to serve their customers and meet regional planning criteria. Those are the requirements applicable to POUs under California law.

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<sup>1</sup> CMUA notes that the term Load Serving Entities under Section 380(j) of the Public Utilities Code explicitly does not include POUs. Since there are different statutory requirements for Load Serving Entities established under California law as compared to POUs, it may be helpful to clarify the use of this term.

**1. The Statutory Language Directing the Commission to Report to the Legislature on POU Procurement Practices is Limited.**

Section 9620 of the Public Utilities Code establishes requirements for POUs, and also defines the Commission's role and authority with respect to procurement policies of POUs. It bears extensive citation:

9620. (a) Each local publicly owned electric utility serving end-use customers, shall prudently plan for and procure resources that are adequate to meet its planning reserve margin and peak demand and operating reserves, sufficient to provide reliable electric service to its customers ...

(b) Each local publicly owned electric utility serving end-use customers shall, at a minimum, meet the most recent minimum planning reserve and reliability criteria approved by the Board of Trustees of the Western Systems Coordinating Council or the Western Electricity Coordinating Council.

(c) A local publicly owned electric utility serving end-use customers shall, upon request, provide the State Energy Resources Conservation and Development Commission with any information the State Energy Resources Conservation and Development Commission determines is necessary to evaluate the progress made by the local publicly owned electric utility in meeting the requirements of this section.

(d) The State Energy Resources Conservation and Development Commission shall report to the Legislature, to be included in each integrated energy policy report prepared pursuant to Section 25302 of the Public Resources Code, regarding the progress made by each local publicly owned electric utility serving end-use customers in meeting the requirements of this section.

Thus, Section 9620 establishes two requirements for POUs. First, POUs must "prudently plan for and procure resources that are adequate to meet its planning reserve margin and peak demand and operating reserves, sufficient to provide reliable electric service to its customers." Second, in doing so, each POU must meet, at a minimum, the most recent minimum planning reserve and reliability criteria approved by the WECC. In turn, Section 9620 establishes one requirement for the Commission; to include in the IEPR a report to the Legislature "regarding the progress made by each POU" in meeting these two requirements. This requirement and

authority is fairly narrow. It does not include an examination of CAISO Tariff rules versus those adopted by POU-operated Control Areas. It does not include a line by line comparison of procurement choices of POU's versus those adopted by the CPUC for its jurisdictional Load Serving Entities. Further, based on the presentations of Commission Staff, it appears that the answers to the questions posed by statute are clear and simple: (1) POU's continue to prudently procure to meet their obligation to provide reliable service to their customers; and (2) CMUA members meet any planning reserve criteria established by the WECC. The presentation of Mr. Adam Pou at the Workshop demonstrates clearly that POU's are resource sufficient. In the aggregate, POU's have resources in excess of established planning reserve margins. Presentation of Mr. Pou at Slide 4. Many individual POU's do as well. Further, the great majority of POU resources are owned power plants that will be available to serve POU load over the entire examined planning horizon.

**2. The "Unity of the Grid" Argument Leads to a West-wide Resource Adequacy Policy, Not Application of CPUC or CAISO Rules on POU's.**

In oral remarks at the Workshop, the CAISO and Pacific Gas & Electric Company made arguments that since the electricity grid is integrated, it would be appropriate that all entities to have identical resource adequacy requirements.<sup>2</sup> Yet, as noted above, California law recognizes distinctions among POU's and CPUC-jurisdictional Load Serving Entities regarding the appropriate planning requirements. Moreover, the CAISO MRTU Tariff itself respects the jurisdiction of the CPUC and applicable Local Regulatory Authorities (for POU's, our Boards and City Councils) to establish the overall planning reserve margins applicable to their jurisdictional entities. *See* CAISO MRTU Tariff at Section 40.2.2.1.

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<sup>2</sup> CMUA notes that, based on Commission Staff analysis presented at the Workshop, it appears that many POU's carry planning reserves in excess of those established by the CPUC.

The “unity of the grid” argument, logically extended, would compare the planning practices of California with other regions of the West, since the entire Western Interconnection is an integrated grid. Electrons do not respect state political boundaries, and California is dependent on imports to meet load. The CAISO and PG&E cannot argue that CPUC or CAISO rules should apply to POUs either inside or outside the CAISO Control Area, and then turn around and ignore the fact that they depend on others for supply. The logical conclusion of the “unity of the grid” is to establish Westwide planning reserve practices, and for the CAISO and the CPUC to conform to those practices. If the Commission were to include that recommendation in its Report to the Legislature, CMUA would support it.

**3. Conclusion**

CMUA appreciates the opportunity to submit these Post-Workshop Comments, and looks forward to continued participation in this proceeding.

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Respectfully submitted,

/s/ C. Anthony Braun

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