

DOCKETED

Docket Number:	17-IEPR-07
Project Title:	Integrated Resource Planning
TN #:	216695
Document Title:	Imperial Irrigation District Comments in Response to February 23, 2017 Workshop on Integrated Resource Plan Guidelines
Description:	N/A
Filer:	System
Organization:	Imperial Irrigation District
Submitter Role:	Public
Submission Date:	3/23/2017 4:43:37 PM
Docketed Date:	3/23/2017

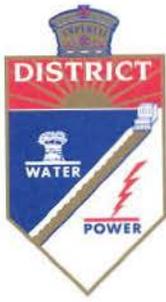
Comment Received From: Sean Neal

Submitted On: 3/23/2017

Docket Number: 17-IEPR-07

**Imperial Irrigation District Comments in Response to February 23, 2017 Workshop
on Integrated Resource Plan Guidelines**

Additional submitted attachment is included below.



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March 23, 2017

Via e-Comment Portal

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

Re: *In the Matter of: 2017 Integrated Energy Policy Report (2017) IEPR and Integrated Resource Plans (Publicly Owned Utilities), Docket No. 17-IEPR-07*
Imperial Irrigation District Comments in Response to February 23, 2017 Workshop and Draft Staff Paper on Development of Integrated Resource Plan Guidelines

The Imperial Irrigation District (“IID”) offers comments pursuant to the California Energy Commission’s (“Commission”) February 13, 2017 “Notice of IEPR Commissioner Workshop on Publicly Owned Utilities Integrated Resource Plans.” The Commission’s February 13 Notice scheduled a Workshop held on February 23, 2017 to discuss issues related to the development of guidelines for preparing, adopting, and submitting publicly owned utility (“POU”) integrated resource plans (“IRPs”). IID’s commitment to State energy policy goals is reflected in its investments in directly owned and contractually procured renewable and storage resources for its customers, as well as creating a welcoming business environment for the development of geothermal, solar and other renewable resources. IID updates its own IRP every two years, and IID has found its IRP to be a helpful tool for tracking progress in resource development and policy goals, as well as providing IID decisionmakers with a refreshed baseline from which to adjust and chart future goals.

IID is an irrigation district, located in Southern California, organized and operated pursuant to the California Water Code, which undertakes both electric and water operations. With regards to its electric operations, IID owns and operates facilities for the generation, transmission, distribution, purchase, and sale of electric power and energy at wholesale and retail.

In submitting these Comments today, IID expresses its support for the Comments submitted on this day by the Joint POU group. While IID fundamentally agrees with the Joint POU Comments, IID has additional comments which provide additional perspective on the issues raised concerning IRPs and the Draft Staff Paper, issued February 17, 2017, “Proposed Guideline Topics for Publicly Owned Utilities’ Integrated Resource Plans.”

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I. GENERAL COMMENTS

Jurisdictional Authority

The Joint POU Comments appropriately discusses the concerns raised in reviewing the Draft Staff Paper's overview of the statutory background and authority regarding IRPs (*see* Draft Staff Paper at 3-5). Specifically, the Joint POU Comments properly describe that Cal. Pub. Util. Code § 9622 of SB 350 authorizes the Commission to review IRPs and to “provide recommendations to correct the deficiencies” in IRPs, not to develop a process for developing and submitting IRPs. In other words, the IRPs are a planning tool, not a compliance filing. IID agrees that approaches to the Guidelines should emphasize the driving, planning characteristic of the IRPs rather than suggest the ability for the Commission to impose punitive fines or measures on POUs, which have fallen short of a particular state requirement, over which the Commission has been granted no express enforcement authority.

A defining characteristic of POUs is that they are governed locally and exercise authority locally. While the state may set requirements through statute, the concept of local authority means that POUs may exercise judgment on how to meet state statutory mandates. The check on POUs is direct input by its population by citizens that elect its board members, councilmembers or directors. As a POU, IID is organized pursuant to the California Water Code, Sections 20500, *et seq.* A basic duty of irrigation districts is set forth in Section 22118 of the Cal. Water Code which states: “The board and the officers, agents, and employees of districts shall do all necessary and proper acts for the construction and operation of its electric power works.” IID’s adopted Mission Statement augments its purpose: “The Imperial Irrigation District is a fiscally responsible public agency whose mission it is to provide reliable, efficient and affordably priced water and energy service to the communities it serves.” Similarly, IID’s adopted Vision Statement states: “The Imperial Irrigation District will protect the Imperial Valley's water rights and energy balancing authority, deliver the highest level of customer service and maintain system reliability for the sustained benefit of the regional economy, the environment and the communities it serves in a fiscally responsible manner.” IID is bound by and committed to those goals to provide affordable, reliability service to its customers.¹

IID is subject to open meeting laws.² IID publicly posts its IRP,³ which includes discussion of IID’s efforts to meet the state’s climate, energy efficiency and renewable portfolio standard (“RPS”) goals, among other issues including accounting for distributed generation. Further, IID presents its IRP to the public for review and comment.⁴ IID invites the Commission to view IID’s efforts in publishing its biannual IRP updates by reading its 2014 IRP.⁵ IID is committed

¹ *See also* Cal. Pub. Util. Code §§ 9621(b)(3), 454.52(a)(1)(C) and (D), which discuss meeting the goals of the IRPs consistent with just and reasonable rates and minimized impacts on ratepayers’ bills.

² *See* Cal. Gov’t Code §§ 54950, *et seq.*

³ *See* <http://www.iid.com/energy/renewable-energy/integrated-resource-plan>.

⁴ *See* <http://www.elcentrochamber.org/news/details/iid-preparing-five-year-integrated-resource-plan>.

⁵ IID’s 2014 IRP can be found here: <http://www.iid.com/home/showdocument?id=9280>.

to continuing the level of analysis and planning in its IRPs as is presented in its 2014 IRP. The Commission should act with care to not establish a prescriptive IRP development process that channels the topics for which public comment is allowed, and inadvertently restricts public discourse on certain matters that are significant locally.

Moreover, IID has additional responsibilities imposed upon it to ensure that its IRP planning is timely and robust. As its own Balancing Authority Area, IID has obligations to maintain frequency and generation/load balance within its area. Entities such as the North American Electric Reliability Corporation (“NERC”) and Western Electricity Coordinating Council (“WECC”) promulgate and enforce mandatory Reliability Standards applicable to IID. IID operates a Balancing Authority Area, because it is in the best interests of its customers, but given that Balancing Authorities operate under mandatory standards, the IRPs cannot set expectations that would work counter to Balancing Authority operations. Further, the IRPs should not act as a means to force participation in a regional independent system operator market. IID has consistently opposed regionalization, and would oppose IRP Guidelines that would diminish the ability for IID to operate its own Balancing Authority Area and push IID toward participation and membership in a regional independent system operator market.

Flexibility in Meeting IRP Objectives

Individual and local governance requires flexibility in developing and meeting the objectives reflected in the IRPs. IRPs should not prescribe paths to meet State energy policy goals. Local and regional differences in POU should allow for local decision making to provide the most effective solutions in meeting state goals. Prescriptive processes and mandates can impose undue and unnecessary burdens on local populations. On the converse, allowing maximum flexibility will provide the most wide ranging and adaptive solutions that meet local and state 2030 goals.

IID updates its IRP every two years and presents its IRP to its local governing board for review and recommendation. IID incorporates the Board’s review and recommendations into the IRP. As the Board represents and interacts frequently with the public, the Board is in a unique position to provide effective feedback into the IRPs. The frequency with which IID updates its IRP allows it to be flexible in meeting the targets and objectives set forth in the IRP.

IID seconds the calls by the Joint POU Comments for framing the IRPs as planning tools, rather than as regulatory compliance tools. As a planning tool, IRPs allow the POU to chart options and solutions that allow for adaptation and incorporation of technological evolution and new paradigms for the industry. Looking back five and ten years illustrates the rapid pace of innovation and illustrates caution in being too prescriptive when trying to predict the future. For example, overgeneration was not a significant issue or opportunity ten years ago, and the state of lithium-ion battery storage or vehicle electrification was much different as early as five years ago. IRPs as a compliance mechanism may have the unintended effect of removing the ability of POU to adapt rapidly to meet technological and industry changes, as POU would be concerned with demonstrating compliance goals.

Regulatory Requirements

Caution should be exercised in developing the IRP Guidelines so that they do not impose indirect regulatory requirements that are not authorized in the relevant statutes or are not properly vetted and adopted in their own regulatory proceedings. As one example, in requiring that IRPs discuss local reliability, the Commission appears to be placing emphasis on the California Public Utility Commission's ("CPUC") time horizon for reviewing local reliability, which is longer than that required for the POU's. Local reliability is typically reviewed as a near-future issue, for example, on a one- or two-year time horizon. Were the IRP Guidelines to expect POU's to analyze local reliability on a ten-year time horizon, the POU's may find: 1) that they are not currently equipped to analyze local reliability for that long of time horizon and may have to retain or build the resources to do so; and 2) that they have to start making business decisions for procurements to meet the local reliability requirements set forth in their IRPs. Essentially, the IRPs would be imposing new regulatory requirements that have not been analyzed on their own terms, and the costs of which have not been analyzed or appreciated. In addition there are many state, regional and federal agencies, plus national and state standards that require reliability performance and documentation. For example, the standards issued by NERC and WECC, and overseen by the Federal Energy Regulatory Commission ("FERC") require that reliability measures be taken that start with decisionmaking at the local and distribution system in order to protect the Bulk Electric System. Already imbedded in IRPs are the system requirements to meet and comply with the reliability mandates that all electric utilities must meet.

Further, the Commission should be careful to synchronize the targets for which the POU's are planning with those that are in fact adopted by the responsible agencies. For example, CARB is expected to set greenhouse gas emissions requirements. While the CARB has not completed its process to set such requirements, the Commission may need to proceed with the present process to develop IRP Guidelines, but should readjust its Guidelines at the appropriate times to account for CARB requirements when they are adopted. The Commission should also be careful not to inadvertently impose responsibilities on the POU's that are duplicative with other responsibilities within the Commission, such as those through the Integrated Energy Policy Reports ("IEPR") process. Further, in reviewing submitted IRPs, the Commission should be sensitive to areas where POU's are dependent upon information from agencies in order to fulfill reporting requirements.

Long-Term Expectations

Extensive efforts have been made for long-term planning purposes in relation to GHG emission reductions and the incentives built in the current laws expected to continue. The IRP Guidelines should not disrupt these expectations. For example, many utilities, including IID, in the Southern California Public Power Authority ("SCPPA"), participated in an exit from the San Juan Coal facility. IID's decision to exit San Juan was based on IID's understanding and intention of the regulatory requirements at that time. Any change may have significant financial impact on IID's net present value analysis that the decision was based upon. The IRP Guidelines should be sensitive to potential disruptions of long-term plans and the cost that may accrue due to those disruptions. For example, IID analyzed with production modelling the current posted greenhouse gas allowance allocations, and this proposed change could potentially increase IID's compliance cost by a minimum, 2030 net present value of \$40+ million. This amount is a not insignificant sum to be absorbed by IID customers.

Disadvantaged Communities

The IRPs should address the panoply of issues faced by disadvantaged communities. These are areas where IID would be able to offer the Commission valuable information in its IRP. With disadvantaged communities located within its service territory, IID is particularly attuned to initiatives to assist those communities and programs and circumstances that impact those communities. A recent survey by the California Employment Development Department shows that unemployment in Imperial County, where a significant part of IID's service territory is located, is at 19.6 percent, compared to the statewide average of 5.5 percent (preliminary January 2017 figures, not seasonally adjusted),⁶ and the national average of 5.1 percent (March 3, 2017 figures, not seasonally adjusted).⁷ These figures do not include the underemployed. The median income for Imperial County, as reported by American Factfinder through the U.S. Census Bureau, is only \$41,079 per household, with 24.0 percent of individuals below the poverty level. These figures indicate a median household income lower than the \$61,818 median for California statewide, and a poverty level higher than the statewide poverty level of 16.3 percent and the national poverty level of 15.5 percent.⁸ The CEC also has heard discussion regarding the challenges faced by many within IID's customer base. For example, one of the Presentations at the January 24, 2017 Integrated Energy Policy Report Workshop on California's Demographic and Economic Outlook, at slide 4, noted a 20.3% unemployment rate in Imperial County in November 2016.⁹

IID cautions that the Cal EnviroScreen may too restrictively define disadvantaged communities for purposes of the IRP. With California having one of the higher costs-of-living in the country, for example, the possible scope of communities that are struggling economically, both employed and underemployed, may be more significant than indicated on more prevalent screens. POU's should be able to account in the IRPs for a scope of communities that are disadvantaged that reflects the POU's' population, demographics and other economic characteristics of their service territories.

IRPs should allow for demonstration of how programs and means to achieve State energy policy can assist disadvantaged communities. For example, installation of low-cost solar could assist the electric rate burden for families in multi-household units. IID may be able to provide information in its IRPs that may be helpful to the Commission. IRPs should also allow for demonstration of how rate burdens for disadvantaged communities may accrue due to particular means of meeting state policy mandates. For example, evaluation of the types of renewable generation that may be installed to meet the State's carbon goals should take into account the costs of that generation and the commensurate rate impact that installation of more expensive resources would have on disadvantaged communities. Accounting for the costs and burdens of complying with state-wide mandates is significant in several aspects. For example, such

⁶ See <http://www.calmis.ca.gov/file/1fmonth/countyur-400c.pdf>

⁷ See <http://www.calmis.ca.gov/file/1fmonth/calpr.pdf>

⁸ See <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml> with inputs of Imperial County, California and United States to bring up statistics.

⁹ http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-03/TN215526_20170123T160348_EconomicsDemographics_and_Energy_Consumption.pptx

information will provide the Commission with information as to why certain resources and solutions are selected over others in meeting statewide mandates. The information provided can help the Commission and state policymakers to help determine the net benefit or effectiveness of particular resource mandates. Also, accounting for such costs may help analyze the possibility of developing a funding mechanism to assist in the elimination of hardship imposed by disadvantaged communities, by identifying the degree of burden to be mitigated. Such funding mechanism would compare the long-term net present value of meeting state policy targets, such as greenhouse gas reduction targets, to the long-term net present value of meeting the resource needs of their customers. If the former figure is greater than the latter, a supplemental funding mechanism could bridge the difference. While certain state programs, such as Supplemental Environmental Projects implemented by CARB and other agencies, do steer funds to disadvantaged communities, those funds do not even come close to bridging the gap in resource needs versus policy targets. Further such programs may steer funds to areas in proximity where air or other regulatory violations occurred, and may not benefit significant areas where disadvantaged communities reside, such as in Imperial County. If these funds can be used at the discretion of the local POU in mitigating hardships in communities they identified as "disadvantaged," without being restricted to the more narrow areas determined by CalEnviroScreen, this flexibility will provide the best approach to ensure that populations needing this supplemental help actually do receive such help.

Lastly, IID believes that the IRP Guidelines should not restrict discussion of disadvantaged communities to a confined, narrative section of the IRPs. As indicated above, the challenges of meeting the needs of disadvantaged communities is a critical priority for IID and permeates many aspects of IID's operations. Accordingly, IRPs should be flexible enough so that POU may describe efforts and programs that address the needs of disadvantaged communities in any appropriate section of the IRPs.

Narrative versus Quantitative Requirements

IID urges the Commission to refrain from imposing prescriptive standards in its IRP Guidelines as to which data are required to be conveyed in a quantitative format versus conveyed a narrative format. Required quantitative results carry the emphasis that they may be used more directly to enforce the performance of the POU in meeting policy. A path toward achieving a state goal described in narrative format can be no less effective in attaining that goal.

II. COMMENTS TO SPECIFIC QUESTIONS

The Joint POU have responded to the Draft Staff Paper's questions. IID supplements the Joint POU's comments on select questions, as noted below. The fact that IID has not responded to a particular question should not be interpreted as assent to any particular answer or resolution to any question, and IID reserves the right to respond to the below questions or supplement existing responses to the below questions at a later date:

1. Is it appropriate to require that supporting analysis for IRPs be undertaken in the 24 months prior to adopting an IRP? Is there an alternative time frame that is more appropriate?

IID's goal is to produce an IRP every two years, including any data or plans related to IRPs. However, IID's approval process can take much longer given a number of uncertain conditions in the decision making process. More information is required about the Commission's Guidelines before IID will be able to fully consider the likelihood that IID would be able to evaluate the timelines set forth in the Commission Guidelines, as well as accounting for any outlying dates.

3. What constitutes an IRP update?

IID points to its 2014 IRP update, publicly available at the link noted above, as one example of an IRP update.

4. SB 350 requires updates "at least once every five years."

a. Is it appropriate to require IRPs be adopted and submitted to the Energy Commission every four years to consolidate and leverage other similar requirements?

b. Are there existing reporting requirements that could potentially be combined with the IRP?

IID takes no position other than that articulated by the Joint POUs on this issue, other than to note that IID operates in a cycle of updating its IRP every two years.

6. Staff requests public input on the following options to address this as well as other potentially duplicative reporting requirements. Below are some options that staff is considering:

a. Two submission dates:

i. Adopted IRPs would be due to the Energy Commission by January 31.

ii. Data forms would be due April 30.

b. Delay IRP due date until April 30.

c. Require that the POUs submit their IRPs by January 31 and Electricity Resource Plans by May.

The IRP due date and data forms should be due on differing dates. IID operates on a calendar year basis, so the beginning of the year requires a large number of other reporting requirements, both internally and with other agencies. Staggered due dates after Q1 would likely allow the IRP to consider the full previous year as all data is audited and closed by that time. Additionally, the approval process during the holidays can be a challenge, including for the reason that IID's Board meets every two weeks, and the holidays can interrupt that schedule. IID suspects other POUs face the same scheduling challenges.

10. Is the ARB's emissions intensity of 0.428 mtCO₂e/MWh appropriate for spot market purchases and/or energy from unspecified sources under long-term contract? If not, how should a new value be determined?

IID's weighted average emissions intensity ranges from 0.47-0.52 mtCO₂e/MWh. This presents a significant difference in outcome of emissions allowances allocated to IID. IID prefers that the

Commission use the IID specific emission intensity rate in order to accurately and appropriately account for IID's resource portfolio environment.

12. Staff would like input from the parties on exactly what data and/or information is most meaningful in understanding the impact of overgeneration.

In forecasting overgeneration, a range-based approach can help to account for weather and pricing uncertainties that are referenced in the comments in today's Joint POU submittal.

13.¹⁰ How should potential risks to reliability and resource adequacy caused by climate change be considered in the IRPs?

IID, as a balancing authority, has different reliability and resource adequacy standards from those implemented by the California Independent System Operator Corporation ("CAISO"). IID's reliability and resource adequacy standards are robust, but tailored to the operational and planning characteristics of IID. One aspect of reliability standards specific to IID is that, as a separate registered entity under NERC and WECC, IID may be subject to slightly different application of NERC and WECC reliability standards, based in part on IID's functional registrations. On the other hand, as a balancing authority, IID is subject to reliability standards specific to the Balancing Authority registration, as is the CAISO, which would not be applicable to utilities located within the CAISO balancing authority area. Accordingly, it is important to consider the differences in reliability and resource adequacy requirements when determining the various types of risks to be represented in the IRPs.

14. What input assumptions are appropriate for standardization? Examples might be resource costs and performance characteristics, fuel prices, and demand growth rates.

The Commission should be cautious in adopting standard input assumptions proposed for use in the IRP process. Some standard input assumptions may be based on flawed information or are otherwise controversial and, accordingly, cannot be relied upon to help generate reliable outcomes in the IRPs. For example, Commission Staff contemplates use of transmission and export constraints as a standardized input assumption, and IID understands that Staff would use CAISO methods to measure those constraints. However, the CAISO methods to calculate transmission and export constraints are not remotely a consensus number. IID, for example, strongly disagrees with the CAISO's calculations as to certain import capability figures.

IID has accurate, detailed and measured information on its resource mix. To replace accurate information with standard assumptions for simplicity sake would introduce more inaccuracy in proposed solutions. This applies to many categories from power plant emissions, renewable power production, energy efficiency adoption, electrification adoption and others, which are all influenced by local demographic, geographic, and other regional differences. Accordingly, the use of standardized input assumptions should be limited to those assumptions that have near-

¹⁰ The Draft Staff Paper included two questions numbered 13, and two numbered 14. IID has followed the format in the Draft Staff Paper.

universal support, and at the very least, POUs should be permitted to apply their own, adopted assumptions, and in particular, for transmission and export constraints.

III. CONCLUSION

IID thanks the Commission for the opportunity to submit written comments. IID looks forward to further dialogue on these issues.

Respectfully yours,



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