

DOCKETED

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Turlock Irrigation District's Comments on AB 1110 Staff Proposal and July 14 Workshop

Additional submitted attachment is included below.

August 11, 2017

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 16-OIR-05
1516 Ninth Street
Sacramento CA, 95814-5512

Filed Electronically

RE: TID Comments on AB 1110 Staff Proposal and July 14 Workshop.

Turlock Irrigation District (“TID”) submits the following comments and responses on the California Energy Commission’s (“CEC”) staff Proposal for implementing AB 1110 (the “Proposal”). As discussed below, the CEC should integrate the RPS adjustment into the PSD program such that customers more clearly understand that firmed and shaped imports are bundled and that they have invested in a carbon free resource under this type of procurement. This is particularly important for TID in light of our early investment in the Tuolumne Wind Project. TID also believes that any proposal that strips Renewable Energy Credits (“RECs”) of the associated environmental attributes is inconsistent with associated statutes and would lead to greater customer confusion. TID also supports the comments made by CMUA.

TID Background

TID was organized as the first Irrigation District in California on June 6, 1887 and is beginning its 130th year of operation. TID currently serves a retail electric customer base of just over 100,000 customers and provides irrigation water to over 5,800 growers and nearly 150,000 acres of farmland. Of the 11 communities that TID serves, 7 are classified as Disadvantaged Communities.

TID’s mission is to provide stable, reliable, and affordable water and power to its customer owners, be good stewards of our resources, and provide a high level of customer satisfaction.

TID is one of eight Balancing Authorities in California, tasked with balancing retail demand, generation, and wholesale purchases and sales while providing adequate reserve capacity to maintain reliability.

TID has a long history of environmental stewardship, beginning when the District was formed, as we acquired some of the oldest water rights on the Tuolumne River. TID has a great track record of caring for natural resources. TID is the majority owner and project manager of the Don Pedro Dam and powerhouse, providing irrigation water and 203 MW or on average

approximately 400,000 megawatt-hours of emissions free energy to our customers, while providing flood control and environmental benefits for the region.

TID has already acquired the resources to meet the 33% by 2020 Renewable Portfolio Standard (RPS), having procured 136 MW of wind in 2009 in advance of the RPS mandate on POU's, as well as recently completing a 20-year power purchase agreement for 54 MW of newly constructed in-state utility scale solar, which should satisfy TID RPS eligible procurement through 2024. TID has a diverse portfolio of RPS eligible resources, including wind, small hydro, geothermal, and solar.

TID remains committed to working towards the State's climate and clean energy goals while providing reliable, low cost electricity to our ratepayers.

DISCUSSION

1. The PSD Rules Should Recognize The Emissions Attributes of the Underlying Resource that Is Delivered Through a Firming and Shaping Import Structure.

It was widely recognized in the various iterations of RPS law that, due to the intermittent nature of wind and solar, it would be extremely inefficient, and impossible, to deliver all RPS eligible generation to California the moment it is generated. As such, the firming and shaping construct was developed to ensure that, regardless of when the RPS generation occurred, all of the energy would be delivered to California and the State would recognize the benefits of the substantial incremental renewable investments. The Proposal would not recognize carbon attributes of underlying renewable energy resources when those resources are transacted through firming and shaping, and suggests that RECs have no value in carbon accounting. TID does not agree with this assertion. RECs associated with renewable procurement have defined values under the RPS program and are recognized in the Cap-and-Trade program through the RPS Adjustment. The Western Renewable Energy Generation Information System ("WREGIS") Operating Rules define a REC, or a WREGIS Certificate, as representing "all Renewable and Environmental Attributes from [a] MWh of electricity generation from a renewable energy Generating Unit", including "[a]ny and all credits, benefits, **emissions reductions**, offsets, and allowances—howsoever titled—attributable to the generation from the Generating Unit, and its avoided emission of pollutants."¹ The holder of the REC has a contractual right to claim the emissions attributes over other counterparties that may have purchased the null power from the renewable facility. Accordingly, the Cap-and-Trade program's RPS Adjustment allows LSEs that have procured renewable energy to claim the RPS Adjustment for energy associated with procured Portfolio Content Category ("PCC") 0 and PCC-2 RECs, and correctly claim the emissions attributes associated with the production, and subsequent delivery of, that energy to the State. Similarly, the RPS program uses RECs to demonstrate that an LSE's procurement

¹ WREGIS Operating Rules, Section 2, "Certificate" and "Renewable and Environmental Attributes" definitions.

satisfies RPS procurement and delivery obligations through the WREGIS E-tag tracking mechanism, in which REC's are matched with E-tags to prove the energy was delivered to the State.

The PSD program should continue this approach to valuing RECs by ensuring that procurement that qualifies as RPS-eligible or eligible for the RPS Adjustment should similarly receive the renewable and GHG benefits associated with the underlying renewable facility in the context of PSD reporting. The emissions attributes of firmed and shaped resources should not be assigned to wholesale market participants that purchased null power on an unspecified basis, as suggested in the Proposal.

2. The Proposed Treatment of Firming and Shaping Resources Would Be Confusing to TID's Customers.

TID made a considerable investment in the Tuolumne Wind Project before there was any requirement for POUs to comply with the RPS. This investment comported with all of the RPS laws then in effect (i.e., at the time there were no procurement content category limits on the Investor Owned Utilities and utilities could build their portfolios through firmed and shaped resources). This investment was significant for a utility of TID's size. TID communicated and justified the investment to our customers and Board by explaining that the investment was needed to fulfill TID's broader goals of furthering the state's environmental goals (principally, AB 32) by decarbonizing our portfolio. The PSD Proposal would now have us tell our customers and Board that their considerable investment was not actually for a "carbon-free" resource. This is very problematic for TID.

In addition to being unfair, the Proposal would misrepresent information concerning the nature of firmed and shaped resources. The RPS rules for firming and shaping resources require that a firmed and shaped contract or ownership interest must be for bundled procurement (i.e., the purchasing utility has procured both the RECs and the renewable power from the resource). WREGIS ensures that RECs from firmed and shaped resources cannot be counted twice, which is precisely why the environmental attributes flow to the holder of the REC. Consider that, even though PCC-1 and PCC-2 procurement are both bundled, under the Proposal PCC-1 gets a zero GHG attribute while PCC-2 does not. It just doesn't make sense, and TID customers won't understand.

3. AB 1110 Intent is to Capture the Emissions Intensity of What is Purchased by Load Serving Entities (LSEs).

The burden of the RPS has always been on the purchase. The purchase, be it through ownership or a purchase power agreement, is what gets the renewable facilities built and financed and keeps the State on track to meet its environmental goals. The AB 1110 ultimate

objective is to discern the emissions intensities of the electricity being *purchased* and *paid for* by the utility.

The final, adopted version of AB 1110 deletes all mention of the Commission prohibition on “making adjustments based on unbundled RECs”, and instead directs the Commission to “adopt a methodology, in consultation with the State Air Resources Board (ARB), for the calculation of greenhouse gas emissions intensity for each *purchase* of electricity by a retail supplier....” The ARB Mandatory Reporting Regulation (MRR) has been useful for the State to calculate gross emissions. However, there is an important distinction in the term for “specified import” in AB 1110 and the MRR. Section 398.2(d) of AB 1110 defines a “*purchase* of electricity from specified sources” to mean “transactions that are traceable to specific generation.” The term specified import in Section 95102(a) and 95111 of the MRR refers to electricity imports where there is both a contract and delivery into California (as proved through an e-tag). The Legislature could have incorporated the terms of the MRR into AB 1110, but they did not. Instead, the legislature used a term that does not incorporate the concept of delivery, requiring that the purchase be “traceable.” Bundled procurement is traceable to the source through the RECs and the written contract or ownership interest. Thus, there is a clear statutory basis for recognizing the emissions attributes of contracted, out of state firmed and shaped resources as well as in state renewable purchases.

Conclusion

TID appreciates this opportunity to provide feedback on how the PSD program should be updated to meet the goals of AB 1110 and ensure that customers receive accurate and easy to understand information concerning their investments in renewable resources. We look forward to working with CEC staff.

Sincerely,

/S/

Dan B. Severson
Turlock Irrigation District