

DOCKETED

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TID comments on AB 1110 Implementation Rulemaking

Additional submitted attachment is included below.



October 28, 2018

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 the September 6, 2019 Proposed Modification of Regulations Governing the Power Source Disclosure Program.

Turlock Irrigation District (“TID”) submits the following comments and responses on the California Energy Commission’s (“CEC”) September 6, 2019 notice, Initial Statement of Reasons and *Proposed Modifications to the Regulations Governing the Power Source Disclosure Program* (“PSD Amendments”). As discussed below, the ARB should not set a cut-off date, after which firm and shaped contracts and amended ownership agreements would no longer receive a carbon adjustment. The proposed grandfather date will have the effect of devaluing investments POUs have made in out-of-state resources. The grandfather date is also a concern because it occurs before the rulemaking was noticed and there was no formal direction from the Commission that contract and ownership agreements would be subject to this retroactive treatment. TID is also concerned that the inclusion of a grandfather date may lead to the disclosure of confidential information held by Load Serving Entities (LSEs) due to the availability of other emissions data from the California Air Resources Board and near alignment of the PSD Amendments with the Mandatory Reporting Regulation in nearly all aspects, except the application of the RPS Adjustment to firm and shaped imports. For these reasons, the CEC should remove the proposed grandfathering date from the PSD Amendments. At a minimum, the CEC should clarify that extensions and/or amendments to existing ownership agreements are not subject to the grandfather cut-off date.

TID Background

TID was organized as the first Irrigation District in California on June 6, 1887 and is beginning its 132th 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, and a majority of our service territory is in the top 20% of Cal EnviroScreen 3.0 impacted 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 a Balancing Authority in California, tasked with balancing retail demand, generation, and wholesale purchases and sales while providing adequate reserve capacity to maintain reliability.

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 receives 139 MW from the Don Pedro Dam and powerhouse while 64 MW goes to Modesto Irrigation District (MID).

TID has a long history of environmental stewardship. TID has acquired the resources to meet the 33% by 2020 Renewable Portfolio Standard (RPS), having built the 136 MW Tuolumne Wind Project 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. TID's RPS obligation, due to these early and significant investments, is currently projected to be satisfied through 2024. TID is also making investments to ensure that it does its part to meet the State's longer-term Green House Gas (GHG) targets. TID has a technological and geographically 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. Ownership agreements made prior to the RPS mandate for POUs should be recognized explicitly under grandfathering language.

TID holds complete ownership of the Tuolumne Wind Project located in Klickitat County, Washington. TID ratepayers have the obligation of paying off in excess of \$400 million of bonds issued to pay for the Project. The financing for this project extends well into the 2030's, and the project itself is anticipated to be in the TID portfolio until, at a minimum, 2029. For context, TWP delivers roughly 400,000 megawatt-hours (MWhs) of renewable, carbon free generation to TID annually, and the Project represents approximately 25% of TID's retail load. TID acted in advance of state mandates to do so, and was very much an "Early Actor." The RPS laws clearly recognize past investments, and has grandfathered language directing procurement to count-in-full against the requirements and obligations of the new law.¹ TWP is a fully grandfathered, Procurement Content Category (PCC-0) resource. Importantly, the

¹ See Pub. Util. Code Sec. 399.16(d).

existing RPS grandfather language recognizes that extensions and amendments do not change the “grandfather status” under the RPS laws so long as the capacity of the facility remains unchanged.²

TID would likewise highlight the distinguishing characteristics between unbundled RECs and firm and shaped imports as they represent two separate forms of RPS procurement. Under RPS guidelines unbundled RECs fall under Procurement Content Category 3 (PCC 3). The purchase of unbundled PCC 3 RECs provides an entity with the RECs that were originally linked to generation from an RPS eligible facility. Energy is not encompassed in this purchase. RECs purchased under Procurement Content Category 2 (PCC 2) and PCC 0 represent a bundled transaction where both the RECs and energy generated from an RPS-eligible facility is delivered through the process of firm and shaped imports. TID would note to Commission Staff that the concept behind PCC 2 renewables was to account for the intermittent nature of generation and thus a need to procure both RECs and energy in order to meet RPS compliance. When net power from PCC-2 (or PCC-0) facility is sold from the facility, it cannot be claimed as RPS-eligible energy by a subsequent purchaser. In this way, the environmental attributes can only be counted once.

As stated in prior comments, TID would reiterate to Commission Staff the need for Section 1393(d) to be amended to account for ownership investments. TID’s ratepayer owners have an expectation that all of the output they have purchased from TWP will count towards the RPS in full and will count in full as zero-GHG. The proposed amendments to 1393(d) would frustrate these expectations and the replacement cost of procuring zero-GHG energy would come at considerable expense to the District’s ratepayers. The Final rulemaking should be amended to stress the need for explicit recognition by the CEC that owned resources will continue to hold grandfathered status so long as they are retained by the same LSE.

2. Aligning PUC and CEC Policies Concerning Firm and Shaped Imports is Arbitrary Because the CPUC Treatment of Firm and Shaped Imports is Specific to the Clean Net Short (CNS) Calculator, a Methodology the Commission has Explicitly Rejected in this Rulemaking.

Some commenters at the October 7th, 2019 AB 1110 workshop argued for the CEC to align their policies on procurement claims for firm and shaped imports with the CPUC’s treatment of *future* procurement in the IRP Planning tool, the CNS Calculator. This point of view emphasized that streamlining the CEC and PUC’s treatment of firm and shaped imports would ease regulatory oversight as a result of future transactions under the RPS and disclosed through the PSD not counting as being zero-GHG. TID disagrees with the proposed alignment for several reasons:

² *Id.*

1. Alignment with the CPUC's IRP process ignores the use of the CNS calculator in that process, which is to assess the future GHG emissions of a CPUC jurisdictional LSEs' portfolios. The CNS calculator is a planning tool and has no bearing on how LSE's report historic emissions under the PSD / PCL program.
2. Alignment of the Cap-and-trade Program is far more critical. The ARB recently amended those regulations to allow importers to claim the RPS adjustment indefinitely. The purpose of the RPS Adjustment is to provide an optional "adjustment to the compliance obligation to recognize the cost to comply RPS program."³ Discounting the ability to apply firmed and shaped resources as zero-GHG on the PSD would challenge a POU's ability to meet the policy mandates found in SB 100, calling for 60 percent of the state's retail load to be provided from renewable sources by 2030.
3. Strict alignment with PUC principles on PSD as it specifically relates to PCC 2 and PCC 0 renewables would increase the difficulty and cost of maintaining compliance with RPS procurement guidelines, particularly as the state pursues accelerated RPS targets.
4. It will be difficult to convey the nature of intermittent generation in relation to an entity's generation of firmed and shaped imports to customers through the PSD.

Conclusion

TID appreciates the opportunity to provide feedback on how the PSD program can meet the goals of AB 1110. TID recognizes the value in harmonizing reporting methodologies when appropriate. However, TID would emphasize the importance of distinguishing between contract and ownership agreements made prior to June 1, 2010. Procurement contracts and ownership agreements are essential in POU's integrated resource plans. POU's long- and short-term renewable procurement strategies are structured with the intent to meet the overarching policy objectives of SB 100. The CEC should remove the grandfathering date in its entirety or at least allow for extensions and amendments to existing ownership agreements. TID is committed to working with CEC staff to meet the intentions of AB 1110, while also having a transparent dialogue with our customers concerning our renewable resources, and the associated emissions intensity of the power that TID provides on their behalf.

³ 2010 MRR Final Statement of Reasons, pp 108-109. <https://ww3.arb.ca.gov/regact/2010/ghg2010/mrrfsor.pdf>

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Sincerely,

/s/

Austin S. Avery

Turlock Irrigation District