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PWP Comments on the RPS Amendments and RPS Workshop

Comments from The City of Pasadena, Water and Power (â€œPWPâ€œ) Department on Pre-Rulemaking Amendments to the Enforcement Procedures for the Renewable Portfolio Standard (â€œRPSâ€œ) Enforcement Procedures for Local Publicly Owned Electric Utilities (â€œPOUsâ€œ) and the January 10, 2020 Lead Commissioner Pre-Rulemaking Workshop

Additional submitted attachment is included below.



PASADENA WATER AND POWER

January 16, 2020

California Energy Commission (CEC)
Dockets Office, MS-4
RE: Docket No. 16-RPS-03
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET# 16-RPS-03

Submission Type: efile

RE: Comments from The City of Pasadena, Water and Power (“PWP”) Department on Pre-Rulemaking Amendments to the Enforcement Procedures for the Renewable Portfolio Standard (“RPS”) Enforcement Procedures for Local Publicly Owned Electric Utilities (“POUs”) and the January 10, 2020 Lead Commissioner Pre-Rulemaking Workshop

In response to the Pre-Rulemaking Amendments to the Enforcement Procedures for the RPS for Local POUs (“RPS Amendments”) dated December 17, 2019 and the Lead Commissions Pre-Rulemaking Workshop (“RPS Workshop”) on January 10, 2020, PWP respectfully submits the following comments for review and consideration.

PWP supports the joint comments filed by the Southern California Public Power Authority (“SCPPA”). This comment letter focuses on the additional concerns of PWP.

PWP, through its revised 2018 RPS Procurement Plan and the 2018 Power Integrated Resource Plan (“IRP”) has long been an advocate of reliable renewable energy. In fact, PWP’s voluntary RPS target of 40% RPS by 2020 is higher than the state mandate of 33% RPS by 2020. PWP intends to comply with the SB 100 RPS mandate of 60% RPS by 2030 and PWP looks forward to working with the California Energy Commission (“CEC”) to develop enforcement procedures that provide the most flexibility for POUs, while limiting the potential for stranded investment and disproportionate rate impacts to ratepayers.

PWP recommends that any update to the RPS, as result of these regulations, shall not be retroactive; meaning they apply to future procurement, not past procurement.

RPS AMENDMENTS COMMENTS

PWP appreciates the CEC's efforts on the Pre-Rulemaking Amendments to the Enforcement Procedures for the RPS for Local POU's dated December 17, 2019. PWP looks forward to working with the CEC to discuss these issues and work on a pragmatic and flexible solution to POU concerns.

Section 3204- RPS Procurement Targets

(a) RPS Procurement Targets for Each Compliance Period

PWP is supportive of the methodology for the compliance period targets and the interim years between the compliance period targets. This consistent with PWP planning target and analysis.

(b) Exemptions and Adjustments:

- **Section 3204(b)(9)(B)(4)**
 - The term "proximity" should be broadly defined. Although Pasadena understands the importance of "proximity" when it comes to a POU voluntary green pricing program, it also needs to be highlighted that not all POU's are the same. Many Southern California POU's, such as PWP, are in built-out cities with little to no vacant space to build renewable resources. As a result, relatively small-scale rooftop or parking lot solar is the only potential local renewable resource, and the relatively high cost of such resources represent a substantial barrier to achieving a cost-neutral voluntary green power program with a reasonable rate premium.
 - PWP recommends modifying the following language:
 - *To the extent possible and feasible, the POU sought to procure the electricity products from RPS certified facilities that are located in reasonable proximity, which is defined as a resource in California Balancing Authority, to program participants.*
- **Section 3204(b)(10)**
 - PWP is supportive of this language. However, PWP recommends adding the following
 - In the absence of regulations and guidance, those POU's that over-procured resources to comply with the RPS requirements, and secured long-term RPS contracts while also taking energy from "unavoidable long-term contracts and ownerships agreements," shall be allowed to lower their RPS compliance obligation, to the same amount in Section 3204(b)(9)(B)(4), and/or carryover excess renewable energy credits caused by the purchase of such renewable resources. Under such cases, the POU shall seek Executive Director Approval.
 - Many POU's, such as PWP, over-procured resources to comply with RPS, before these regulations were in place. As part of this over-procurement, the majority of PWP's signed contracts are long-term. Although PWP intends to comply with the RPS regulations, there may be cases in which severe over procurement may lead to

disproportionate rate impacts, for POU's in similar situations. In order to limit stranded investment and the potential for over-procurement, an option to delay compliance or bank resource beyond the 36 month limit, is preferred.

(c) Portfolio Balance Requirements ("PBR")

PWP is supportive with the methodology for the PBR and this is consistent with PWP planning target and analysis. The allowance for Portfolio Content Category ("PCC") 2 and 3 to meet the RPS procurement targets, post 2030 offers the most flexibility to meet the objectives of SB 100.

(d) Long-term Procurement ("LTR")

PWP is supportive of the clarification provided for the LTR, specifically, that the utilization of electricity products that were executed before June 1, 2010 will count in full toward LTR compliance.

However, in the absence of regulations and guidance, some POU's, such as PWP, secured contracts with the intent for LTR compliance. Any such contracts that are 10 years in duration and that were signed with the intent for LTR compliance, should be grandfathered as LTR compliant.

- Additional recommended language: *Contracts signed before January 1, 2020, that were entered into and signed with the intent of meeting the LTR and are 10 years or more in duration, shall be grandfathered and in compliance with the LTR. This includes contracts that have multiple portfolio content categories ("PCC"), as long as the overall contract term is 10 years or more in duration.*
- Section 3204(c)(2)(A)(iii)
 - Short-term contracts, which are extended to a contract term of 10 or more years, should be classified as long-term. This allows for more flexibility when negotiating contracts— especially if contracts are performing well and there is an opportunity to extend them. Some POU's, which are either fully resourced or subject to additional requirements (either by their Governing Board, or Regulations), should have the option of allowing short-term contracts, defined as long-term if they are extended for a total term of 10 or more years in duration.
 - Recommended language: *If electricity products are procured under a short-term contract that has been amended to extend the end date of the contract, the duration of the amended contract will be measured from the original execution ~~amendment execution~~ date until the amendment end date. If the amended contract provides a commitment to procure electricity products for a duration of at least 10 ~~continuous~~ years, procurement from the contract~~from the amended contract~~ shall be classified as long-term ~~as of the month and year of the amendment execution date.~~*

- PWP is supportive of the independent compliance option, as long as it includes the same optional compliance measures as the dependent compliance option, which was referenced in the RPS Workshop on January 10, 2020. Below is the language PWP included as part of its comments for the RPS LTR for Local POU's, on October 1, 2019
 - LTR Options (Option 1 and Option 2)
 - *Options for LTR compliance should be left up to each POU and their Governing Board. For PWP's preference, Option 1: Independent Compliance is recommended, however, additional clarification is needed on this option. Specifically, Option 1: Independent Compliance should also include the same opt out and compliance measures as Option 2: Dependent Compliance. Though PWP intends to comply with all of the RPS requirements, Option 1 provides flexibility and potentially limits penalties, (assuming the penalties for non-compliance are the same for each shortfall), as entities can be short on part of the RPS requirements, such as the Portfolio Balance Requirement ("PBR") and not the LTR.*
 - *PWP requests that the additional opt out and compliance measures be included for Option 1: Independent Compliance, since there are many reasons why a resource may not perform as anticipated. For example, many small hydroelectric projects often produce zero to little generation in drought years, or experience maintenance issues that require immediate repair. These types of occurrences cannot be predicted and may limit the timing to procure additional renewable resources to make up for any potential RPS shortfall. PWP recommends that these same opt in and compliance measures be included for Option 1: Independent Compliance, to protect ratepayers from disproportionate rate impacts that would arise if additional contracts need to be procured to make up for any shortfall.*

Section 3206- Optional Compliance Measures

Section 3206(a)(1): Excess Procurement

PWP recommends additional flexibility for PCC 2 resources, to be counted towards excess procurement post January 1, 2021 and until December 31, 2030. Due to the difficulty in predicting retail sales and declining sales for some POU's, contractual agreements for PCC 2 resources may exceed the needed supply for Compliance Period 4, 5 and beyond. This flexibility protects ratepayers from investments made when retail sales were higher and in order to lock in multi-year contracts.

- *Recommended language Section 3206(a)(1)(D):*
 - *Excess procurement accrual will be subject to the following limitations for the compliance periods beginning on or after January 1, 2021, except as specified in section 3206 (a)(1)(G):*

- *Electricity products that meet the criteria of section 3202 (a)(1) or section 3202 (a)(3), and are classified in Portfolio Content Category 2 ~~or Portfolio Content Category 3~~, may not be accrued as excess procurement.*

Section 3206(a)(2)(A)(3): Delay of Timely Compliance

PWP appreciates the additional clarification for this optional compliance measure. PWP has an import limitation, which restricts that amount of resources that can be imported to PWP. As a member of the California Independent System Operator (“CAISO”), PWP must maintain a certain level of reliability both locally and at the system level. In addition, PWP is home to many educational institutions, businesses and medical offices (including hospitals) that rely on PWP to maintain power. Unfortunately, if there an issue to the import limitation, greenhouse gas emissions may increase, due to a reliance on PWP's internal and highly efficient, natural gas power plant. As a result, PWP requests the following modification:

- *Recommended language Section 3206(a)(2)(D):*
 - *Unanticipated curtailment of eligible renewable energy resources, if the delay of timely compliance would not result in an increase in greenhouse gas emissions was necessary to address the needs of a balancing authority. However, on a case by case basis, the Executive Director may exempt a POU from this section if it can be shown that this unanticipated curtailment was as a result of an import limitation or tie constraint, which resulted in an increase in greenhouse gas emissions. In addition, the Executive Director may provide exemptions based on the reliability needs of a balancing authority, such as the CAISO, if such reliability result in an increase in greenhouse gas emissions.*

Section 3206(a)(2)(A)(4): Delay of Timely Compliance

PWP appreciates the inclusion of this section. However, PWP requests that the data source to show “unanticipated increase in retail sales due to transportation electrification,” be broad enough to include many data sources, such as the integrated resources plan (“IRP”), which is listed, the integrated energy policy report, POU budgets and annual forecasts, etc. Many POU's develop annual retail sales forecasts—such data should also be included as a data source to show how transportation electrification is forecasted. Due to limitation in accessing data related to vehicle penetration, on a timely basis, the retail sales forecast can vary year to year. The IRP data is already several years old and might not be the best data source to use. There often is not sufficient time to secure resources if large charging stations are installed throughout the POU service territory. Without sufficient data sets and history to analyze the impact of transportation electrification, it may be difficult to procure renewable resources on a timely basis, to meet additional energy needs. We request that the CEC work closely with POU's that experience this and that the data needed to show this is broad to reflect the limited history in forecasting energy growth due to transportation electrification.

RPS WORKSHOP COMMENTS

PWP appreciates the CEC for holding the Lead Commission Pre-Rulemaking Workshop on January 10, 2020. The comments below focus on items brought up specifically at the RPS Workshop.

Long-term Procurement Requirement

Limitations on Definition of Long-term Procurement Requirement

The Utility Reform Network requested additional constraints on LTR, specifically limiting the opportunity for Amendments and grandfathering of such contracts. PWP recommends flexibility in meeting the LTR and adding additional constraints may create more obstacles and cost exposure.

The guidelines for Amendments to contracts should be more flexible. Currently, PWP is looking at the possibility of amending some of its long-term and short-term renewable contracts (some PCC 0 and some PCC 1), to allow for the inclusion of energy storage. This may result in capacity modifications to the contract as well as cost impacts. In addition, it is possible that entities may assign such contracts, because of the inclusion of energy storage (the price for the resource will increase). Flexibility on the amendments, especially in light of technical advances, would help in meeting the RPS requirements in a cost effective manner.

As a POU that wants to limit the cost exposure to its ratepayers, PWP strongly believes long-term contracts, developed in the absence of these regulations, should be grandfathered as meeting the LTR, if they are 10 years long in duration. In some circumstances, POU's partner with larger POU's on renewable resources and there should be the ability to assign a portion of or the entire amount of the contract, if it is in the best interest of the POU. Placing limitations on how and which contracts can count toward the LTR, does not protect ratepayer interests and may result in disproportionate rate impacts. The intent of the LTR structure should not only be to implement the statute, but also to ensure that POU's are able to meet state requirements while safeguarding ratepayers from disproportionate rate impacts. Placing additional restrictions on POU's may lead to over-procurement, stranded costs, and disproportionate rate impacts, which are especially important to low income and disadvantaged POU communities.

Independent Compliance

PWP supports the CEC's recommendation for the Independent Compliance measure and is supportive of using the optional compliance measures, for Independent Compliance. This provides additional flexibility to meet the RPS requirements, while protecting ratepayers. Additionally, PWP supports the CEC concept of identical penalties for each non-compliance activity.

Green Pricing

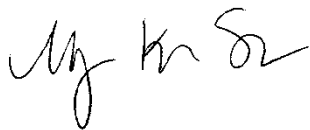
PWP supports the comments of Roseville and SCPPA, as it relates to the “proximity” of Green Pricing renewable resources. Specifically, PWP is supportive of a broad definition of proximity, as PWP is built-out and cannot secure additional resources at reasonable costs within its service territory.

CONCLUSION

PWP appreciates the opportunity to submit comments on the Pre-Rulemaking Amendments to Regulations to the Enforcement Procedures for the RPS for Local POU's, dated December 17, 2019 and the January 10, 2020 Lead Commissions Pre-Rulemaking Workshop.

Should you have any questions, please contact me.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Mandip Kaur Samra', written in a cursive style.

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