

DOCKETED

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**Joint Comments of Roseville and Redding Electric Utilities on the
Pre-Rulemaking Amendments to the RPS Regulations for POU's**

Additional submitted attachment is included below.



February 20, 2020

Ms. Katharine Larson
Renewable Energy Office
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

RE: Comments of Roseville Electric Utility and Redding Electric Utility on the Pre-Rulemaking Amendments to the Renewables Portfolio Standard (RPS) Regulations for Publicly Owned Utilities (POUs)

Dear Ms. Larson,

Roseville Electric Utility (Roseville) and Redding Electric Utility (Redding) respectfully submit these comments to the California Energy Commission (Commission) on the *Key Topics for Lead Commissioner Workshop on Proposed Pre-Rulemaking Amendments to Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities*, issued on December 13, 2019, the *Pre-Rulemaking Amendments to Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities (Proposed Regulations)*, issued in full on December 17, 2019, and the Lead Commissioner Workshop, held on January 10, 2020.

I. Introduction

Roseville and Redding appreciate the outreach and efforts of Commission staff, Deputy Director Natalie Lee, and Lead Commissioner Karen Douglas in developing and subsequently discussing the Proposed Regulations during the January 10 Workshop and other meetings. The opportunity to engage with Commission staff and provide feedback on the Proposed Regulations strengthens the final regulatory product.

Roseville is a Northern California publicly owned utility (POU) established in 1912, and is governed by its City Council. Roseville serves over 58,000 customers, with an annual electricity load of over 1,200 GWh. As a local, POU, Roseville seeks to provide safe, reliable, and affordable electric service to its ratepayers. Redding is also a POU located in Northern California governed by its City Council and serves over 44,000 customers, with an annual electricity load of over 700 GWh. As reported in 2018 U.S. Census data, Redding is a low-income community of a population of about 92,000 with about 19% of its citizens over the age of 65. Redding's median household income in 2017 dollars was just over \$46,000 with 18.9% of the population in poverty.

In particular, after the energy crisis in 2000, Roseville and Redding invested in owning and operating a natural gas-powered electricity generation plant to reliably and affordably serve our

ratepayers. In order to finance the Roseville Energy Park (REP), Roseville's ratepayers are obligated to service bonds. Over \$176M in debt was placed in 2005 (City of Roseville Electric System Revenue Certificates of Participation Series 2005A, 2005B, and 2005C) for the REP, which obligated Roseville through 2035 with annual debt servicing costs of around \$10.2M, regardless of how often REP operates. Redding similarly placed debt for the Redding Power Plant (RPP) which will be repaid through 2031, with approximately \$88M in outstanding debt, and annual payments of approximately \$8M.

Subsequent to this investment, a renewable portfolio standard mandate for POU's was passed via Senate Bills (SB) X1-2 (2011), and revised by SB 350 (2015) and SB 100 (2018). POU's such as Roseville and Redding will comply with these regulations, which will reach 60 percent RPS by 2030. The mandatory procurement of qualifying renewable and "zero-carbon" energy has impacted the operation of, and ratepayer investment in, the REP and RPP. Accordingly, SB 1110 (2018) was passed to reduce the risk of lost jobs of power plant employees, and to reduce the financial impact of these mandates on municipal ratepayers that made investments in response to the energy crisis of 2000-01. The following comments address the portions of the Proposed Regulation and previously filed comments in Docket 16-RPS-03 addressing the implementation of SB 1110.

II. In order to protect ratepayers and power plant jobs, the SB 1110 target adjustment methodology should be applied on an annual basis.

Roseville and Redding propose to measure SB 1110 relief each calendar year and apply the actual numerical difference against that year's soft RPS target. This will ensure that, consistent with the intent of SB 1110, Roseville and Redding can at least partially alleviate the financial burden of running the facilities below a 20 percent capacity factor, protecting power plant jobs and reducing ratepayer impact.

a. The language of SB 1110 intends for it to apply "on a yearly basis"

The intent language of SB 1110 supports applying an RPS adjustment on a year-by-year basis. The law addresses measurement and compliance separately. The measurement is addressed in Section 399.33(a)(2):

*399.33(a)(2) Operating the powerplant below a **20-percent capacity factor on an annual average on a yearly basis** may result in the loss of employment of a powerplant employee who receives a prevailing wage.*

The industry measurement and reporting of generating unit capacity factors is "energy output divided by its nameplate capacity over a measurement interval." The accepted intervals in the industry are a month to express unit seasonality, and annually to express a generating unit's performance.

In the compliance portion of SB 1110, the application to the renewable energy procurement is directed in 399.33 (b):

*399.33. (b) If the procurement requirements of this article require more than 50 percent of retail sales of electricity to come from eligible renewable energy resources, then a local publicly owned electric utility that is the sole owner of a powerplant that both meets the requirements of subdivision (a) and is **operating below 20 percent of its total***

capacity on an average annual basis during a given compliance period may, based on the utility's operations, adjust its renewable energy procurement targets by an amount equal to the difference between the actual generation from the powerplant and the amount of generation that the powerplant **would have produced if it had operated at 20 percent of its total capacity**, if all of the following conditions are met..."

Again, the bill author cited the application as being measured "**operating below 20 percent of its total capacity on an average annual basis** during a given compliance period..." The RPS is administered via annual utility soft-target objectives, with the compliance verification occurring following a multi-year compliance period. Utilities can only know their actual load after-the-fact.

Utilities procure renewable energy on a forward basis based on forecasted customer load. The compliance period is the yard-stick for resolving these forecast and measurement uncertainties. Again, it is clear the author foresaw the annual measurement being adjusted against the annual soft-target values, with a utility like Roseville and Redding demonstrating, if applicable, the need for adjustment(s) to its renewable compliance within the "given compliance period." Accordingly, Roseville and Redding propose the following change to the proposed language for Section 3204(b)(11)(B):

The qualifying gas-fired power plant must be operating at or below a 20 percent capacity factor on an annual average in any year of each year the compliance period in order to reduce the corresponding soft RPS procurement target ~~for the compliance period~~.

Roseville and Redding assert this change would make the proposed regulatory language consistent with the intent of SB 1110, based on a plain reading of PU Code 399.33(a)(2).

b. An example of the application of SB 1110

The following example demonstrates how SB 1110 should be applied to ensure that the intent of providing relief to municipal utility ratepayers and power plant employees is realized. Table 1 is a hypothetical example for Roseville during Compliance Period 6 (2028-2030) demonstrating annual load, the corresponding RPS requirement under SB 100, and the compliance period obligation before application of SB 1110.

Table 1: Roseville RPS Retirement Requirements for Compliance Period 6 under SB 100

Year	2028	2029	2030
Annual Load (Retail Sales)	1,174,514	1,170,692	1,167,677
Annual RPS Requirement	54.67%	57.33%	60.00%
RECs Required to be Retired During Compliance Period	642,107	671,158	700,606
Compliance Period REC Requirement Before SB 1110 Adjustment	2,013,871		

Roseville’s power plant capacity and output capability are shown in Table 2, along with the corresponding SB 1110 annual threshold. Operating the power plant below a 20-percent capacity factor on an annual average on a yearly basis would trigger a corresponding adjustment to that operating year’s RPS obligation.

Table 2: Average Annual 20% CF Limit

REP Power Plant Capacity	160	MW
Max Annual Production (100% CF)	1,401,600	MWh
20% Capacity Factor Limit	280,320	MWh

Table 3 illustrates a typical operational scenario and how SB 1110 should benefit municipal ratepayers and power plant jobs. In the first year of the Compliance Period (2028), the utility does not qualify for any SB 1110 target adjustment because the power plant exceeded the 20% CF limit. In the second year, it just met the limit, and does not receive any SB 1110 target adjustment. However, in the third year the power plant operates under the SB 1110 20% CF limit and receives relief from a portion of that year’s soft target and final compliance period total requirement. In this example, Roseville’s ratepayers and its power plant jobs are more secure under this application of SB 1110.

Table 3: Example Utility Operational Scenarios with SB1110/RPS Consequences

Year	2028	2029	2030
Power Plant Generation (MWh)	322,368	280,320	238,272
Annual Power Plant Capacity Factor	23%	20%	17%
SB 1110 Adjustment Qualifies	NO	NO	YES
RECs Required to be Retired During Compliance Period	642,107	671,158	700,606
SB 1110 Adjustment	0	0	-42,048
SB 1110 Adjusted REC Requirements	642,107	671,158	658,558
Total Compliance Period RPS Requirement	1,971,823		

III. Information submitted pursuant to Sections 3207(m)(4) and 3207(m)(5)

Sections 3207(m) of the Proposed Regulations specifies certain information that must be submitted to the Commission if a qualifying POU adjusts its RPS procurement target pursuant to Section 3204(b)(11). It is Roseville and Redding’s position that the following type of information described would be consistent with the documentation required.

Sections 3207(m)(4) requires documentation pertaining to efforts to “sell the qualifying gas-fired power plant or gas-fired power plant generation to mitigate against the reduction of generation below a 20 percent capacity factor.” Roseville and Redding make daily and hourly assessments of the economic and reliability need to operate and operate to benefit its ratepayers. Given SB 100’s goal for California to have 100 percent renewable and zero-carbon electricity by 2045, it is unlikely that either utility’s plant will operate very much, and accordingly will not have any value to potential buyers- except

possibly at a significantly discounted price, resulting in economic harm to its ratepayers- contrary to the intent of SB 1110.

Section 3207(m)(5) requires documentation “demonstrating that additional procurement of eligible renewable resources or zero carbon generation resources resulted in the power plant operating at, or below, a 20 percent capacity factor on an average annual basis during the compliance period.” Roseville and Redding will each be able to provide data showing that increasing renewable and zero-carbon requirements will crowd out the generation of their gas plants and reduce their capacity factor.

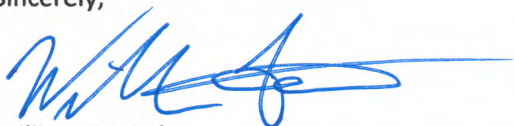
IV. Zero carbon resources

In comments submitted January 21, 2020, the Los Angeles Department of Water & Power utility noted that Section 3207(m)(5) references the term “zero carbon generation resources,” and recommended that if said section is referring to the term “zero carbon resources” from SB 100, that term “should not be defined without considering input from all affected stakeholders.” Roseville and Redding agree, though it believes the term is generally understood to include, among other resources, large (non-RPS qualifying) hydroelectric generation resources.

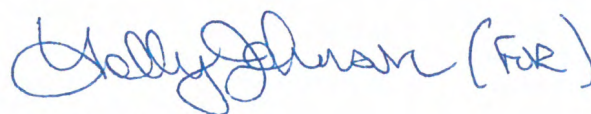
V. Conclusion

Roseville and Redding sincerely appreciates the opportunity to provide input in the pre-rulemaking process, and would like to thank Commission staff for actively engaging with it throughout the process. Our utilities look forward to continuing to work with the Commission on climate change policy that will benefit all Californians both environmentally and economically.

Sincerely,



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