

DOCKETED

Docket Number:	16-RPS-03
Project Title:	Amendments to Regulations Specifying Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities
TN #:	233601
Document Title:	Redding Electric Utility Comments - on Proposed Modifications to RPS Enforcement Regulations for POU's
Description:	N/A
Filer:	System
Organization:	Redding Electric Utility
Submitter Role:	Public Agency
Submission Date:	6/22/2020 7:34:12 PM
Docketed Date:	6/23/2020

*Comment Received From: Redding Electric Utility
Submitted On: 6/22/2020
Docket Number: 16-RPS-03*

REU Comments on Proposed Modifications to RPS Enforcement Regulations for POU's

Additional submitted attachment is included below.



June 22, 2020 | Submitted Electronically

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

RE: Redding Electric Utility Comments on Modification of Regulations Specifying Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities (POUs) [CEC Docket #16-RPS-03]

Dear Ms. Larson,

Redding Electric Utility (Redding) respectfully submits these comments to the California Energy Commission (Commission) on *the Modification of Regulations Specifying Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities* (Proposed Amendments), dated May 7, 2020. Redding previously provided input with Roseville Electric Utility (Roseville) through a Joint Comment Letter dated February 20, 2020. Redding also provided oral comments during the June 8, 2020 Workshop.

Redding wishes to expand on our previous comments regarding the importance of the implementation of SB 1110 to our community, and support comments submitted by both the Northern California Power Agency and Roseville regarding this topic.

I. Introduction

Redding is a POU located in Northern California governed by the Redding City Council serving over 44,000 customers with an annual electricity load of over 700 GWh. As reported in 2018 U.S. Census data, the Redding service territory is a low-income community with a population of approximately 92,000 with 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. The current Covid-19 crisis is creating significant further economic challenges to our citizens.

In response to the California energy crisis of the early 2000's, the Redding City Council authorized investments in the natural gas-fueled Redding Power Plant (RPP) for the purpose of providing reliable and affordable power to our service territory. Currently, Redding has an outstanding debt for the power plant of approximately \$88 million. Annual debt service payments are approximately \$10.5 million and with scheduled pay-off by June 2030.

Subsequent to this investment, additional renewable portfolio standard (RPS) mandates for POUs were passed via Senate Bills (SB) X1-2 (2011), and revised by SB 350 (2015) and SB 100 (2018). Redding's integrated resource planning (IRP) activities have focused on compliance with these RPS regulations and will continue to do so with future IRP updates.



SB 1110 (2018) was passed to “protect taxpayers from the construction debt of certain power plants built in response to the energy crisis.” The law does not impede Redding from achieving all renewable energy procurement targets as legislated. This law was intended to recognize the substantial assets currently in debt service by Redding customers, and to provide Redding customers financial relief from further investment until such time the original debt is paid off. With substantial debt terms and investments in power grid assets, previous actions and attempts to bring stability and reliability to the California power grid cannot be forgotten as new legislation is introduced that shifts the focus in a different direction. The value of SB 1110 when applied to Redding as intended by law is significant with current estimates ranging from \$450,000 to \$750,000 each year depending on future renewable energy prices. Regulatory implementation that is consistent with the intent of SB 1110 will ensure that Redding can at least partially alleviate the financial burden of operating the RPP facilities below a 20 percent capacity factor, protecting power plant jobs and reducing ratepayer impact.

II. In order to protect ratepayers and power plant jobs, POUs such as Redding must be allowed to modestly adjust where they generate power in order to continue using certain publicly-owned natural gas plants until construction debt has been repaid

The current proposed amendments create an extra-statutory obligation that is not consistent with the provisions of PUC section 399.33 and significantly impedes Redding’s ability to utilize the full benefit of this provision. To address this error, Redding proposes the following 15-day changes 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 basis during any year of a compliance period in order to reduce the RPS procurement target for the compliance period.

Under the proposed regulation, if the Redding Power Plant (RPP) runs at 20.1% in any year of a compliance period, then the value of SB 1110 is zero for the entire compliance period. A more reasonable interpretation that recognizes the intent of SB 1110 would be to allow the reduction in years that the plant runs below 20%, regardless of what happens in other years of the compliance period. The RPP debt service and operating costs are not averaged over an RPS compliance period. Rather, RPP operating costs are budgeted on an annual basis to support resource adequacy, energy and grid reliability needs.

Redding purchases a substantial quantity of Central Valley Project (CVP) hydropower from the Western Area Power Administration under a long-term power purchase agreement. RPP generation is highly dependent upon the hydrologic conditions of the CVP in any given month or year as plant operations will adjust to ensure optimal delivery of carbon free CVP hydropower. Three scenarios are shown below for Compliance Period 6 (2028-2030) where Redding projects that RPP will typically run at 12% capacity factor. Scenarios 2 and 3 reflect CVP hydropower being low in 2028 due to dry hydro conditions and causing RPP to run at 20.1%. This is a realistic situation as these dry conditions have occurred 2 out of the last 15 years. The procurement targets are greater than 50%, so SB 1110 may offer relief during this compliance period.



Scenario #1

CVP hydropower contract deliveries are average for all three years of the compliance period. RPP runs at 12% capacity factor for all three years.

Year	Load Forecast	Large Hydro Deliveries, MWh	Redding Power Generation, MWh	Other Resources, MWh	Redding Power Capacity Factor	Qualifies for RPS Adjustment?	RPS Adjustment
2028	699,581	232,743	113,741	353,096	12%	Yes	72,281
2029	694,812	232,743	110,735	351,333	12%	Yes	74,977
2030	690,443	232,743	108,598	349,101	12%	Yes	77,114
Total RPS Adjustment for Compliance Period							224,372

Scenario #2 - Low Hydro Year

In the proposed regulation, there is no reduction in the RPS procurement target allowed.

Year	Load Forecast	Large Hydro Deliveries, MWh	Redding Power Generation, MWh	Other Resources, MWh	Redding Power Capacity Factor	Qualifies for RPS Adjustment?	RPS Adjustment
2028	699,581	160,243	186,241	353,096	20%	No	0
2029	694,812	232,743	110,735	351,333	12%		0
2030	690,443	232,743	108,598	349,101	12%		0
Total RPS Adjustment for Compliance Period							0

Scenario #3 Low Hydro Year

Due to updated CEC language, RPS targets are adjusted for two of the three years in the compliance period.

Year	Load Forecast	Large Hydro Deliveries, MWh	Redding Power Generation, MWh	Other Resources, MWh	Redding Power Capacity Factor	Qualifies for RPS Adjustment?	RPS Adjustment
2028	699,581	160,243	186,241	353,096	20%	No	0
2029	694,812	232,743	110,735	351,333	12%	Yes	74,977
2030	690,443	232,743	108,598	349,101	12%	Yes	77,114
Total RPS Adjustment for Compliance Period							152,091

III. Conclusion

Redding appreciates the opportunity to provide input and urges the Commission to ensure the regulations implement SB 1110 in such a way as to provide financial relief during the RPS procurement transition as the law intends.

Respectfully,

Nick Zettel
Assistant Director - Resources
Redding Electric Utility