DOCKET 07-OIIP-1

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Implement the)	RECD. FEE
Commission's Procurement Incentive Framework)	Rulemaking 06-04-009
And to Examine the Integration of Greenhouse Gas)	(Filed April 13, 2006)
Emissions Standards into Procurement Policies)	

ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of: Order Instituting)	
Informational Proceeding on a)	Docket 07-OIIP-01
Greenhouse Gas Emissions Cap)	

COMMENTS OF THE M-S-R PUBLIC POWER AGENCY ON INTERIM OPINION ON GREENHOUSE GAS REGULATORY STRATEGIES

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In accordance with Rules of Practice and Procedure of the Public Utilities Commission ("CPUC") of the State of California, the M-S-R Public Power Agency ("M-S-R") hereby files these Comments ("Comments") on the proposed "Interim Opinion on Greenhouse Gas Regulatory Strategies" issued February 8, 2008 (the "Proposed Decision" or "PD"). M-S-R also files these Comments with the California Energy Commission ("CEC") in Docket 07-OIIP-01. In these Comments, the CPUC and CEC will collectively be called the "Joint Agencies."

M-S-R herein provides comments on the need to clarify the point of regulation whereby the deliverer is determined for power imported into California and on the need to accurately determine the carbon content of the actual source of power imported into California. M-S-R suggests that the point of regulation be defined as the actual point of delivery to the WECC-recognized California grid whether within or without the physical boundaries of the Sate of California and that an accurate emissions attribute tracking system similar to that devised by

WREGIS for RECs be developed to avoid inaccuracies created by the use of E-tags to track carbon origins.

I. BACKGROUND.

M-S-R is a public entity, without taxing power, created pursuant to Sections 6500, et seq., of the Government Code of the State of California and a Joint Exercise of Powers

Agreement, dated April 29, 1980 (as amended and restated on November 17, 1982) among the Modesto Irrigation District, City of Santa Clara (dba Silicon Valley Power) and the City of Redding (herein "Member" or "Members"). M-S-R is authorized, inter alia, to acquire, construct, maintain and operate facilities for the generation and transmission of electric power and to enter into contractual agreements for the benefit of any of its Members. M-S-R currently acquires electric power for its Member's benefit from two sources.

In 1983 M-S-R bought an undivided 28.8% interest in Unit No. 4 of the San Juan Generating Station ("SJGS") located near Farmington, New Mexico. The San Juan Generation Station is a four unit 1640 MW coal-fired powerplant. These four units entered service between 1973 (Unit No. 2) and 1982 (Unit No. 4). M-S-R delivers its approximately 150 MW share of SJGS to its Members in California through a combination of power exchanges, M-S-R-owned high voltage transmission facilities located in Arizona, Nevada, and California, and transmission service contracts.

In 2005, M-S-R entered into a series of power purchase agreements with PPM Energy, Inc. ("PPM") for the purchase of all energy produced from the 199.5 MW Big Horn wind project located near the town of Bickleton, in Klickitat County, Washington. PPM is the developer and marketer of the project. PPM has subsequently assigned its ownership interest in the Big Horn Project and the corresponding power sales agreement with M-S-R to PPM's subsidiary, Big Horn

Wind Project, LLC. PPM retains provision of firming, shaping and delivery services to deliver power produced by the Big Horn Project to M-S-R. Power deliveries commenced on October 1, 2006, and will continue through September 30, 2026. Power deliveries are made to M-S-R and in turn to the Members at the California Oregon Border ("COB") and the Members effect deliveries of the power to their respective distribution systems through their entitlements to the California-Oregon Transmission Project ("COTP").

The total average annual power production of these sources is about 1,750 GW-hours of which about 35% (605 GW-hours) is produced by the Big Horn Project and is classified as eligible renewable energy power.

II. CLARIFICATION IS REQUIRED BEFORE THE FIRST DELIVERER POINT OF REGULATION CAN BE IMPLEMENTED.

The PD proposes that the point of regulation for the electric sector is at the deliverer, which is the entity that will be required to surrender allowances associated with GHG emissions attributed to it. The deliverer is defined as the party responsible for the power at the point where it is first delivered to the California grid, and notes:

"the most useful formulation of the deliverer point of regulation approach is that the point of regulation would be the entity that is responsible for the electricity either (1) on the portion of the physical scheduling path where it is first delivered to a point of delivery on the transmission grid within California or (2) where the generator's facilities are interconnected to the distribution system in California." (PD, pp.65-66.)

The PD further elaborates that responsible deliverer would be identified through the use of E-tags:

"For imports that have E-tags, the owner at the point of delivery to the California grid would be the entity that is listed as the Purchasing/Selling Entity at the first point of delivery in California." (PD, p67.)

Although these determinations appear straight forward, neither of the two simple power supply arrangements made by M-S-R for its Members clearly fit. SJGS power delivered to

M-S-R is not always reflected as such by E-tag. M-S-R takes delivery of its SJGS power in Arizona by means of an exchange with Tucson Electric Power Company. Depending on hourly or daily circumstances, the E-tags may reflect a SJGS origin or an Arizona origin, although which for reliability tracking purposes (the quality that E-tags were designed to track) may be accurate, may not accurately reflect the carbon origin of the power. For example, on February 20, 2008, a week before these comments were prepared, SJGS power deliveries bore E-tags showing its origins (Point of Receipt in E-tag parlance) as being Palo Verde during certain hours and SJGS during other hours. E-tags may be an accurate method of tracking the ownership of power as it enters California. They are not an accurate means to track the carbon content of power entering California.

Big Horn energy is delivered to M-S-R and its members at COB, a WECC-recognized scheduling node. However, COB is a contractual contrivance and not a physical location. The northern termination of the COTP, which is also defined to be COB, is physically located at the Captain Jack Substation, a half dozen miles inside the State of Oregon. To be consistent with accepted WECC power scheduling practices, the first point of delivery in California should be defined as the first point of delivery to the California grid (which may be outside the physical boundaries of the State of California.) Otherwise, the Members could be placed in the position of taking delivery of power inside California for ownership purposes yet simultaneously being defined as taking delivery of power outside California and being the importer for deliverer determination. Under the former determination M-S-R would be the deliverer and under the later the Members would be the deliverer. Although in this case the alternate deliverers are one entity and its constituent entities where the ultimate responsibility to obtain and retire emission

allowances rests with the same parties, other users of this scheduling point may not have benign intentions.

The Big Horn project also provides another caution on the use of E-tags to both establish ownership of power and carbon origins. PPM provides monthly firming and shaping of Big Horn energy. The raw wind energy is injected into the Pacific Northwest grid and a like amount of power is withdrawn and delivered to M-S-R over the course of the month. The E-tags provided by PPM for each hourly delivery rarely, if ever, source back to the Big Horn project bus. For example, on February 20, 2008, a week before these comments were prepared, Big Horn power deliveries bore E-tags showing its origins (Point of Receipt in E-tag parlance) as being Klamath Falls Combined Cycle Generation. However, there is no question new renewable zero carbon emission power was generated by Big Horn and time-sequence exchanged and delivered to M-S-R.

For RPS and other purposes WECC-wide REC tracking will be effected through WREGIS and although the PD dismisses the need for a similar tracking mechanism for emission attributes under deliverer point of regulation:

"Similarly for imports, the party that is responsible for the power as it is delivered to the California grid is held accountable. This removes the need for complete tracking from generation source to delivery to customers. . ." (PD p. 60.),

M-S-R believes that the tracking issues raised by our two simple contracts confirm the need for complete tracking from generation source to delivery to the California grid. M-S-R further believes that such tracking, in the form an emission attribute tracking system similar in structure to that developed by WREGIS for REC tracking, will be needed to accurately attribute carbon emissions to power delivered by locational, seasonal, or time-of-use exchanges and eliminate the possibilities of green-washing winter coal power into summer unspecified power for example.

III. CONCLUSION.

M-S-R believes the deliverer point of regulation method requires modification to be fair, accurate and consistent in its application. First, the point of delivery should be clarified to mean delivery to the WECC-recognized California grid whether within or without the physical boundaries of the Sate of California. Second, although the use of E-tags to document ownership of power delivered to the California grid may be accurate, it is not an accurate means to track power to its ultimate generation source and an emission attribute tracking system similar in structure to that developed by WREGIS for REC tracking will be required to accurately document the source and carbon content of all imported power. We respectfully suggest that further workshops or hearings be scheduled to consider the form of an accurate and verifiable emission attribute tracking system.

Respectfully Submitted,

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M-S-R Director

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February 28, 2008

CERTIFICATE OF SERVICE

I, Linda Fischer, certify under penalty of perjury under the laws of the State of California that the following is true and correct:

On February 28, 2008, I served the attached:

COMMENTS OF THE M-S-R PUBLIC POWER AGENCY ON INTERIM OPINION ON GREENHOUSE GAS REGULATORY STRATEGIES

on the service list for R.06-04-009 by serving a copy of each party by electronic mail, or by mailing a properly addressed copy by first-class mail with postage prepaid to each party unable to accept service by electronic mail.

Copies were also sent by first-class mail with postage prepaid to Commissioner Peevey and Administrative Law Judges Charlotte F. TerKeurst and Jonathan Lakritz.

A copy was also sent by first-class mail with postage prepaid to the California Energy Commission, Docket Office, MS-4, Re: Docket No. 07-OIIP-01, 1516 Ninth Street, Sacramento, CA 95814-5512.

Copies were also served by email to the CEC docket office and to Nancy Ryan, Commissioner Peevey's advisor.

A copy of the service list is attached hereto.

Executed on February 28, 2008, at Modesto, California,

SERVICE LIST R.06-04-009

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