ENERGY RESOURCES CONSERVATION AND DEVELOPMENT

COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of:	)	Docket 09-IEP-1G
2009 Integrated Energy Policy Report	)	Docket 03-RPS-1078
(2009) IEPR	)	

COMMENTS OF MODESTO IRRIGATION DISTRICT ON JOINT IEPR AND RENEWABLES COMMITTEE WORKSHOP "EXPLORING FEED-IN TARIFFS FOR RENEWABLE ENERGY PROJECTS OVER 20 MW"

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Introduction

The California Energy Commission (CEC) has held four workshops discussing the possibility of implementing a feed-in tariff in California. The latest, held on May 28, 2009, discussed a statewide feed-in tariff for projects over 20 Megawatts in size.

Although there have been no concrete proposals on the possible structure of a feed-in tariff in California other the California Public Utilities (CPUC) staff proposal dated March 27, 2009, most discussions thus far at the workshops assume that any mandated tariff would apply to all California Load Serving Entities. The Modesto Irrigation District (Modesto ID) believes that applying the same requirements to all utilities regardless of size may adversely affect smaller utilities.

Modesto Irrigation District

Modesto ID is an irrigation district, organized and operated under the laws of the State of California, which undertakes both electric and water operations. It is a vertically integrated publicly owned utility providing electric services to over 110,000 customers in California's Central Valley. With regard to its electric operations, Modesto ID owns and operates facilities for the generation, transmission, distribution, purchase and sale of electric power and energy at wholesale and retail. In 2008 Modesto ID served a peak summer load of almost 650 Megawatts (MW) and had retail sales of over 2,692,757 MW-hours.

Modesto ID serves this load through a mixture of owned and purchased resources, including wind, large and small hydro, natural gas and coal generation. In addition to ownership interests in significant hydroelectric generation at Don Pedro Reservoir, Modesto ID owns and operates several natural gas generation facilities. Modesto ID purchases power from a variety of resources and suppliers, including renewable resources firmed by the supplier. These purchases are delivered within Modesto ID's service territory, and outside of its service territory at various points both within and out of state.

Modesto ID is also a member of M-S-R Public Power Agency, a joint powers authority which purchases power from wind energy projects in the Pacific Northwest and owns a share of the thermal San Juan Project in New Mexico. Modesto ID's published Power Content Label, incorporating the state's average resource mix for all unspecified purchased power, identifies the following resource mix: 15% eligible renewables and 18% large hydroelectric, 33% coal, 33% natural gas and 1% nuclear.

One Size Fits All Approach Cannot Work

Utilities across California vary greatly in size. A feed-in tariff structure that works well for one utility may not work for others. While some utilities may be able to absorb several 20 MW projects of intermittent energy without any problems, it would be a great challenge for many others.

Most renewable energy projects deliver energy of an intermittent nature. These types of resources need to be backed up with dispatchable generation. Smaller utilities may not have the available capacity needed to satisfy the needs of integrating even small projects. Just a few small non-firm projects could exceed a smaller utilities capacity of available quick start resources.

Feed-in Tariffs Could Preclude Best Fit, Least Cost Solutions

The primary function of a utility is to serve the load. The acquired resources need to fit the load and not vice versa. It is important for a utility to find the resources that fit its needs best. By forcing must-take contracts on utilities, a feed-in tariff would eliminate this principle. The tariff would force utilities to take any renewable energy that is offered regardless of whether it fits that utility's resource need. This could mean that a utility is forced to sell energy from previously contracted resources – likely at a loss – to accommodate the must-take resource.

Forcing utilities to enter must-take agreements with any developer in its service area would reduce their ability to achieve a mix of diverse renewable sources. Utilities whose service area has a limited variety of renewable resources available would be forced to fill their renewable portfolio with the same type of resource. This could adversely affect a utility if only intermittent renewable resources exist within its service area.

Lack of Competition Would Create Disincentives for Technical Advancements

One of the points that legislators and renewable developers have been driving is that prices will fall as renewable technologies mature. The use of a feed-in tariff could hurt this premise by creating disincentives to competition and innovation. There would be no mechanism to improve technology through competition if all developers are guaranteed the same high price. A feed-in tariff could also remove the incentive to add value to a project in other ways, such as coupling an intermittent resource with storage technology.

California electric ratepayers would be hurt by the lack of competition as the price of renewable energy would remain high for years to come. Competition would allow the state to pick the lowest hanging fruit first. The technologies that are ready for mass

deployment now will be chosen first while the more experimental technologies would be acquired as the more mature options run out. Without competition, the price of renewable energy would not decrease at the rate that some believe.

RFO & Bilateral Agreements Have Worked Well for MID

Through the use of an RFO process and bilateral agreements, Modesto ID has been able to greatly increase its renewable energy portfolio. Modesto ID is well on its way to meeting its Renewable Portfolio Standard (RPS) target of 20% renewable energy by 2017. The District has increased its renewable energy mix from 2.5% in 2005 to over 11% in 2009 and is currently in the process of acquiring more renewable energy through a competitive solicitation.

While some argue that a feed-in tariff would not interfere with the competitive solicitation process, this may not always be the case. Utilities seeking to fill their renewable energy needs through competitive solicitations would be competing directly with the price offered by a feed-in tariff. With the guaranteed tariff price, there would be no incentive for a developer to bid into the solicitation. Additionally, a small utility's renewable resource need could quickly fill up with many high cost, must-take projects that would preclude it from starting a solicitation process. Modesto ID believes the RFO process should be allowed to work before attempting to force utilities into must-take contracts.

Under a feed-in tariff, a utility would not be able to find least cost solutions to its renewable resource needs. It would be easier for utilities to find lower cost renewable resources that fit their energy needs using a competitive solicitation than with a first come first served must-take contract offering.

Conclusion

Modesto ID does not support the use of a feed-in tariff in California. If the state does move forward with a mandatory feed-in tariff however, Modesto ID proposes that any tariff that is applied state-wide be divided into three tiers. A project size limit of 10 MW would be used for utilities with a load greater than 1,000 MW. A size limit of no more than 1.5 MW would apply to utilities with a load greater than 200 MW and smaller than 1,000 MW and utilities smaller than 200 MW would be exempt from the feed-in tariff.

MID believes that each utility should have the ability to decide how much intermittent capacity it can accommodate rather than be forced to deal with projects that it may not be able to support, compromising reliability. Utilities should not be forced to offer a feed-in tariff, but should have the option of implementing one if other options have not yielded desirable results. The key is that the other options should be allowed to work before rushing into a must-take market structure.

Oversubscription to the feed-in tariff would compromise a utility's ability to provide energy to its customers at a reasonable cost. As a publicly owned utility, Modesto ID is especially sensitive to the needs of its customer-owners for affordable, reliable energy.

Oversubscription would increase rates while at the same time reducing reliability by forcing utilities to buy large amounts of expensive and likely intermittent power.

Respectfully submitted, this 11th day of June, 2009.

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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 June 11, 2009, I served the attached:

COMMENTS OF MODESTO IRRIGATION DISTRICT
ON
JOINT IEPR AND RENEWABLES COMMITTEE WORKSHOP "EXPLORING FEED-IN TARIFFS FOR RENEWABLE ENERGY PROJECTS OVER 20 MW"

By sending a copy by first-class mail with postage prepaid to:

California Energy Commission
Docket Office, MS-4
Re: Docket No. 09-IEP-1G/03-RPS-1078
1516 Ninth Street, Sacramento, CA 95814-5512.

A copy was also served by email to the CEC docket office at docket@energy.state.ca.us.

Executed on December June 11, 2009, at Modesto, California.

Linda Fischer