



**M E M O R A N D U M**

**TO:** California Energy Commission

**FROM:** Modesto Irrigation District  
Redding Electric Utility  
Turlock Irrigation District

**SUBJECT: DOCKET NO. 11-RPS-01**

33 Percent Renewables Portfolio Standard Publicly Owned Electric Utility Regulations

**DATE:** August 13, 2012

California Energy Commission

**DOCKETED  
11-RPS-01**

TN # 66597

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**The Utilities**

Modesto Irrigation District (“MID”), Redding Electric Utility (“REU”), and Turlock Irrigation District (“TID”), collectively the “Utilities,” provide the following comments on the 33 Percent Renewables Portfolio Standard Pre-Rulemaking Draft Regulations for Publicly Owned Electric Utility (“Draft Regulations”) developed by the California Energy Commission (CEC).

MID, REU, and TID are local publicly owned electric utilities. MID and TID are irrigation districts located in the Central Valley, while REU is a municipal utility within the City of Redding. MID serves over 113,000 electric customers with a peak load of over 640 Megawatts (MW). REU serves 42,000 customers with a peak load of over 230 MW. TID serves about 100,000 electric customers with a peak load of approximately 600 MW. The Utilities maintain similar resource mixes, including hydroelectric, eligible renewable resources and fossil fuel sources.

Each of the Utilities adopted renewable resource goals and engaged in renewable procurement activities prior to the enactment of Senate Bill 2 (2011-2012 First Extraordinary Session, Simitian) (SBx1 2). As a result of this early action, MID will be positioned to meet 29% of its retail energy sales with its eligible renewable resources starting in 2012. Likewise, REU currently has long-term contracts to provide 26% of its energy from eligible renewable resources and TID is currently meeting 28% of its retail load with eligible renewable resources registered with WREGIS.

## **Introduction**

The Utilities sincerely appreciate the CEC and its staff's dedication to understanding the operational constraints faced by the State's publicly owned utilities and developing a balanced package of regulations to meet the objectives of SBx1 2. The Utilities support the direction the Draft Regulations move forward, and believe that in most aspects the Draft Regulations appropriately implement the requirements of SBx1 2 as outlined in the legislation. However, we continue to believe that there are areas of the Draft Regulation which require further consideration.

The Utilities are all members of the California Municipal Utilities Association (CMUA) and join in the comments submitted by CMUA. MID and REU are also members of the M-S-R Public Power Authority and join in the comments submitted by M-S-R. Furthermore, REU is a member of the Northern California Power Agency (NCPA) and supports the comments submitted by NCPA. The Utilities do not repeat the discussions in those comments, but take this opportunity to provide some supplemental information on the following particular points:

- Electricity products procured prior to June 1, 2010, that would otherwise meet the requirements of portfolio content category 1 (PCC1), should be eligible to for PCC1 designation;
- RECs retired in WREGIS within the required 36 month timeframe should be available for compliance use in any current or future compliance period; and
- The CEC should convene a technical working group to ensure consistency among the various POU resource reporting requirements.

## **Power Content Category 1**

The provisions in SBx1 2 clearly and appropriately provide that pre-June 1, 2010, resources shall "count in full" towards the new renewable procurement obligations. The Draft Regulations address this requirement by excluding such resources from the portfolio content category requirements. The Utilities don't disagree with this "off the top" approach. However, the Utilities believe that the "count in full" mandate of SBx1 2 can also be achieved by adding the option for utilities to apply pre-June 1, 2010 resources that otherwise meet the requirements of PCC1, toward their PCC1 balancing obligation. The Utilities all took early action to comply with the intent of the pre-2010 RPS legislation and made significant investments in renewable energy resources. This early action included investments in renewable energy resources that are located both in-state and out-of-state. Prohibiting the Utilities from treating their in-state renewable generation as PCC1 would minimize the value of such early investments, contrary to the goals of SBx1 2, and lead to absurd and costly results.

Figure 1 and Figure 2 below are comparative graphs using MID as an example. These figures depict MID's progress towards achieving the RPS compliance obligations under SBx1 2 both

with and without the option to apply otherwise qualified pre-June 1, 2010 resources to the PCC1 obligations. MID successfully meets its compliance obligations in either case; however, in Figure 1 MID does not have the flexibility to meet its obligations in the most cost-effective manner, and MID’s ratepayers would bear an estimated additional cost of \$17 million post 2020.

Including the proposed option to apply pre-June 1, 2010 resources that otherwise qualify for PCC1 toward current PCC1 balancing obligations would not impair the objectives of the portfolio balancing requirements. PCC1 obligations are still being met by resources constructed and operated within California that meet all the renewable eligibility requirements. If such option is not provided, utilities will not truly be able to count those early procurements “in full” and ratepayers would unnecessarily bear significant additional cost. Thus utilities would be penalized for early investments in in-state renewable resources contrary to all intents of the legislation.

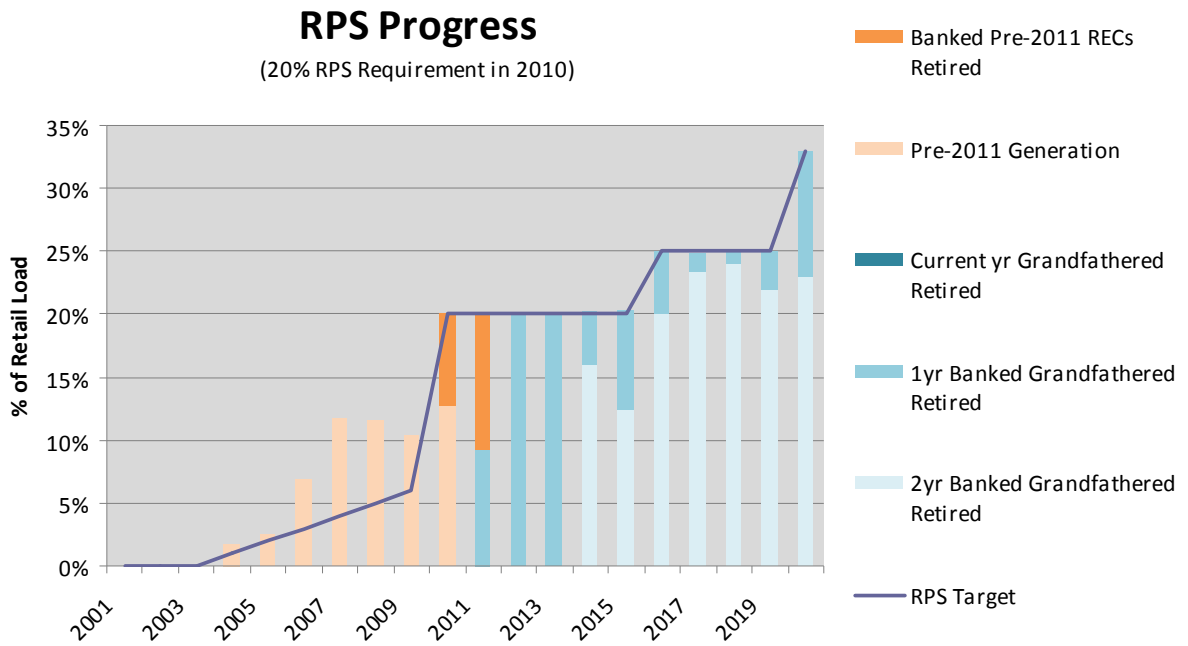


Figure 1. Example of MID’s Early Action RPS Without the Use of PCC1 for In-State Renewable Energy Resources

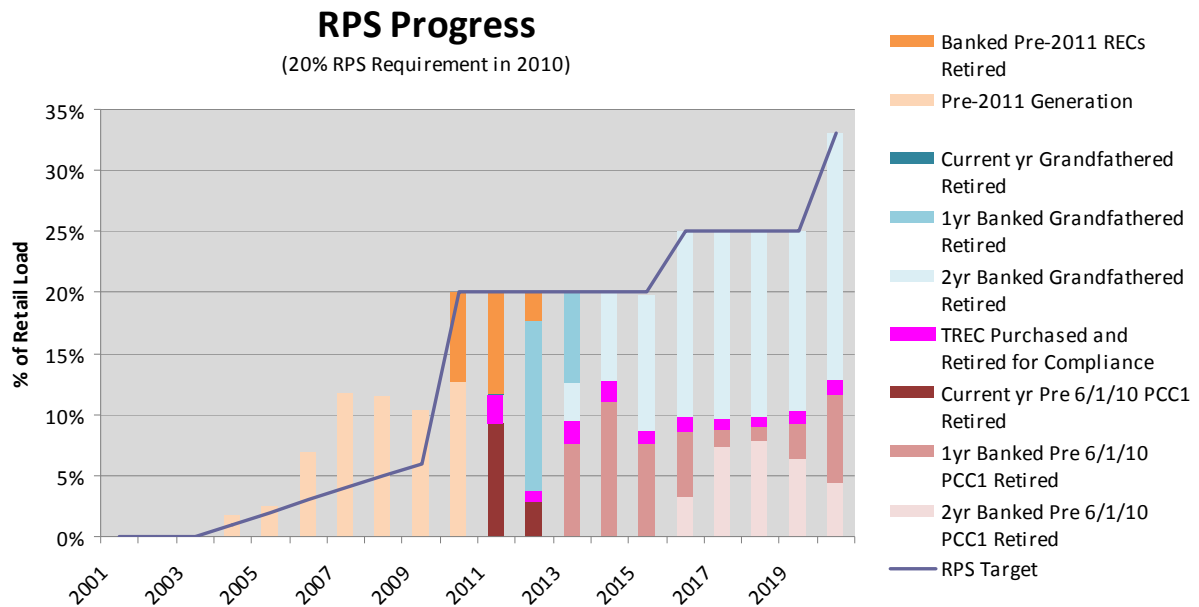


Figure 2. Example of MID’s Early Action RPS With the Ability to Use PCC1 for In-State Renewable Energy Resources and Corresponding TRECs for Compliance

### **Banking**

SBx1 2 provides for eligible renewable generation in excess of that required to meet a compliance obligation may be applied toward compliance obligations in future periods. However, it also requires that the renewable energy credit be “retired” within 36 months of the associated generation. It is unclear in the Draft Regulations how these two provisions will work together. Clarification should be incorporated to ensure that retirement of a REC does not immediately assign such REC to a compliance obligation. If the assignment of a REC for compliance were limited to the time it is retired, the banking and carryover provisions in SBx1 2 would be effectively nullified.

Robust banking provisions are necessary to provide utilities with the flexibility to deal with unexpected load fluctuations as well as to prevent problems arising after the fact from the assignment of a current year REC. Where a utility has taken early action to procure eligible renewable resources, the benefit derived from such flexibility would most apparently be experienced in the later years. Again, using MID as an example:

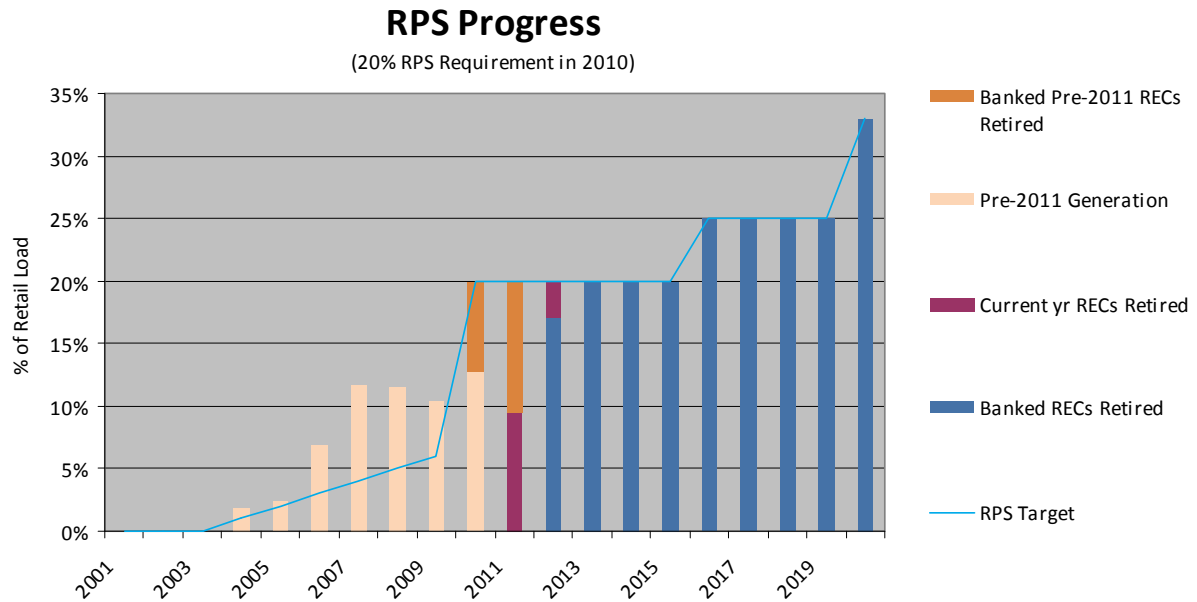


Figure 3. Example of MID’s Early Action RPS With the Ability to Use Flexible Banking for Compliance

For MID, it is estimated that appropriate banking provisions would allow the Utility to avoid an additional potential cost of approximately \$19 million into the future. This is a significant amount of savings that MID can use instead to balance out the early expenses of its investment in renewable energy resources since the implementation of its RPS in 2003, and invest in other energy savings programs.

**Compliance Reporting**

The Utilities are concerned that there is the potential for inconsistencies among the various POU resource reporting requirements. The Utilities urge the CEC to convene a technical working group consisting of CEC Staff, WREGIS Staff, CARB Staff, and POU technical and regulatory stakeholders to develop a guidance document. The goals of such a document would include:

1. Harmonization with Cap & Trade, GHG Mandatory Reporting Regulations;
2. Developing a “POU RPS Compliance Report” Template; and
3. Delineating Commission, Governing Board Roles & Responsibilities.

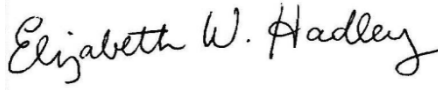
**Conclusion**

The Utilities appreciate the efforts by the CEC and its staff to develop regulations that will implement the new RPS in a manner that recognizes the authorities vested in the local governing bodies of the individual POU and protects California’s economy and ratepayers. We look forward to continuing work with the CEC toward this end.

Respectfully submitted,



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