

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Implementation and Administration of
California Renewables Portfolio Standard
Program

Rulemaking 11-05-005
(Filed May 5, 2011)

**OPENING COMMENTS OF IMPERIAL IRRIGATION DISTRICT
ON RPS PROCUREMENT PLANS AND NEW PROPOSALS**

William D. Kissinger
Sarah M. Barker-Ball
Bingham McCutchen, LLP
Three Embarcadero Center
San Francisco, CA 94111
Tel.: (415) 393-2850
Fax : (415) 393-2286
william.kissinger@bingham.com

June 27, 2012

Attorneys for
IMPERIAL IRRIGATION DISTRICT

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Implementation and Administration of
California Renewables Portfolio Standard
Program

Rulemaking 11-05-005
(Filed May 5, 2011)

**OPENING COMMENTS OF IMPERIAL IRRIGATION DISTRICT, LLC
ON RPS PROCUREMENT PLANS AND NEW PROPOSALS**

Pursuant to the Commission’s Rules of Practice and Procedure (“Rules”), the Imperial Irrigation District (“IID”) respectfully submits these timely comments on the proposals identified in the Assigned Commissioner’s Ruling Identifying Issues and Schedule of Review for 2012 Renewables Portfolio Standard Procurement Plans Pursuant to Public Utilities Code Section 399.11 Et Seq. and Requesting Comments on New Proposals issued on April 5, 2012 (“the Proposal”), and on the Investor-Owned Utilities’ (IOUs’) Draft Renewable Portfolio Standard (“RPS”) Program Plans (collectively, the “Draft Plans”).

I. SUMMARY

In order to effectuate the intent of the State’s RPS law, the Commission should ensure that the IOUs secure the best renewable resources – no matter where in California those resources first interconnect to the grid. IID’s service territory in the Imperial Valley has vast potential for renewable development, including of geothermal resources that would, once developed, have base load operating characteristics that would be extremely beneficial to the IOUs’ renewable portfolios. Yet Imperial Valley has remained under-developed, despite the abundant resources there and despite the Commission’s repeated efforts going back to the 2009 RPS Solicitation Process to encourage the IOUs to sign PPAs with projects connecting to the IID grid.

Given the largely unsuccessful efforts by the IOUs to advance meaningfully the development of new IID-interconnected generation, the Commission should adopt “remedial measures” to accomplish this goal and give priority to resources being developed in the IID balancing area. The IOUs’ procurement plans should be revised accordingly.

With or without such remedial measures, the Commission should delete the overt preferences stated in the Draft Plans for projects interconnected to the California Independent System Operator (“CAISO”). The Commission should also ensure that more subtle preferences for CAISO interconnection are also removed by requiring the IOUs’ to develop neutral metrics to compare transmission costs for CAISO and non-CAISO interconnected projects, ensuring that the IOUs accept estimates of interconnection costs provided by non-CAISO balancing area authorities (“BAAs”), and providing key clarifications for the eligibility of non-CAISO projects to participate in the solicitation process.

Finally, in recognition of the benefits that base load and flexible renewable resources provide to grid operation, the Commission should ensure that such resources are adequately prepared to compete in the IOUs’ solicitations. Specifically, the Commission should require the IOUs’ to provide additional quantification of “integration costs” and “ancillary services” values.

II. BACKGROUND

A. Changes to the State’s RPS Law Implemented by SB2 (1X)

The State’s passage of Special Session Senate Bill 2 (“SB2 (1X)”) in 2011 introduced a number of key changes to the State’s Renewables Portfolio Standard program. In addition to increasing the RPS goal from 20% of retail sales of IOUs and retail energy providers in the State to 33% by the end of 2020, SB2 (1X) broadened the eligibility requirements for qualifying renewable resources. In particular, the law extended RPS eligibility to renewable projects interconnecting to *any* BAA in California; it did not create a preference for those interconnecting

to the CAISO.¹ SB2 (1X) also extended eligibility to resources that dynamically transfer energy into any California BAA.² In making such changes, the legislature clearly intended that the best renewable resources be made available to the procuring utilities, no matter where the point of interconnection. As one of the key purposes of the instant proceeding is to implement these major changes, the Commission should ensure that the legislature's broad eligibility requirements are reflected in the IOUs' RPS Procurement Plans.³

B. Imperial Irrigation District and Renewable Energy Development in the Imperial Valley

IID is a municipal water and electrical utility that provides power to more than 145,000 customers. It also serves as a California BAA, managing roughly 1,000 MW of retail load. IID has two interties with the CAISO balancing area - at the Imperial Valley ("IV") Substation in the south and at the Mirage substation in the north.

The Imperial Valley, a region largely co-extensive with IID's BAA boundaries, has long been recognized as an enormously promising area for future renewable energy development in California. The potential for geothermal generation development in the vicinity of the Salton Sea alone is estimated at over 4,000 MW. The availability of water, disturbed agricultural land and ample sun all make the region perfect for the development of solar generation. Because IID does not have a large load, the bulk of these resources will be developed for export to the larger load base served by the CAISO.⁴

¹ See Pub. Res. Code § 25741(a)(2)(A), defining "renewable electrical generation facility" to include facilities "with the first point of connection to the transmission network of a balancing authority area primarily located within the state;" and Pub. Util. Code § 299.16(b)(1)(A) providing that "eligible renewable energy resource electricity products" include those that "[h]ave a first point of interconnection with a California balancing authority."

² See Pub. Util. Code § 399.16(b)(1)(B).

³ See "Scoping Memo and Ruling of Assigned Commissioner," R.11-05-005 (July 8, 2011), *available at* <http://docs.cpuc.ca.gov/efile/RULC/138785.pdf>.

⁴ State policymakers continue to anticipate substantial renewable development in IID's territory as part of their planning efforts. Such anticipation is demonstrated by the CAISO's 2011-2012 Transmission Plan at pp. 211-12,

To date, however, most of the renewable energy projects in Imperial County have been located a short distance from the IV Substation – a facility majority owned by SDG&E and operated by the CAISO. This is causing several problems. First, there is an underutilization of other beneficial resource areas in the Imperial Valley, especially near the Salton Sea where geothermal resources are plentiful, but direct CAISO interconnection is not feasible and significant upgrades to the IID system are necessary. Geothermal generation is especially important to the growing renewable portfolios of the IOUs because these resources can provide base load and flexible renewable generation.

Second, the disparity increases the difficulty of making upgrades to IID’s transmission system. IID’s ability to upgrade its system depends in part on the interconnection customers who connect to that system and finance the upgrades necessary for their projects to export energy out of IID.⁵ The present dearth of power purchase agreements (“PPAs”) with the IOUs will continue absent changes to the current Draft Plans, which will, in turn perpetuate the disparity of project development within the IID balancing area relative to the CAISO.

Lastly, the concentrated development around the IV Substation is also problematic because the IV Substation can only handle a limited amount of new generation and requires multiple lines from the various projects to cross IID’s critical infrastructure, including the Westside Main Canal which supplies water to numerous towns and farmers in the valley. These

available at: <http://www.caiso.com/Documents/Board-approvedISO2011-2012-TransmissionPlan.pdf>; the Commission’s RPS scenarios for the 2012-2013 Transmission Plan, explained in March 23, 2012 letter to the CAISO, available at: <http://www.caiso.com/Documents/PortfolioSubmittalLetter.pdf>; and the joint state-federal Desert Renewable Energy Conservation Plan (DRECP) report “Transmission Impacts in the DRECP”, available at: http://www.drecp.org/meetings/2012-04-25-26_meeting/background/Transmission_Planning/Transmission_Technical_Group_report_final_4_16_12.pdf, each of which assumes significant new renewable resources being exported from IID’s balancing area into the CAISO’s balancing area.

⁵ IID cannot justify allocating the costs of such upgrades to its own ratepayers because the upgrades will primarily be used to export power to the CAISO and thus will provide very little, if any, benefit to IID’s ratepayers. Transmission system upgrades in the CAISO system, by contrast, are always subsidized by the IOUs’ ratepayers – the direct beneficiaries of those upgrades

crossings can potentially disrupt the essential water delivery service provided by these facilities.

For all these reasons, it is important that the Commission promote cost-effective development of renewable resources throughout the Imperial Valley. There are currently in excess of 2,500 MW of renewable projects in IID's queue, most of which wish to obtain contracts with the IOUs and deliver their power to the CAISO's ratepayers. For the benefit of the region and the State at large, at a minimum, the Commission should encourage development of these projects.

C. Resource Adequacy Uncertainty for Energy Crossing the IID-CAISO Interties

For the last several years, uncertainty as to whether projects interconnecting to IID and exporting across the intertie to the CAISO balancing area would receive Resource Adequacy ("RA") value has been a major hurdle to renewable development within the IID BAA. The issue has stemmed from both the CAISO (which calculates the Maximum Import Capability ("MIC") value across each intertie) and the Commission (which is responsible for determining the annual RA value of any given contract and ensuring that each IOU procures enough fully deliverable energy to meet 115% of its total forecasted load). Before last year, the CAISO assessed MIC values based on historic export rates into the CAISO at each intertie. Under this methodology, the IID-CAISO interties always had a zero MIC value. This meant the IOUs could not count energy imported from IID towards their RA requirements, which put projects interconnecting to IID at a severe competitive disadvantage to those interconnecting to the CAISO when long-term RA eligibility has been an effective pre-requisite for securing a PPA.

In 2011, both the CAISO and the Commission took steps to fix the problem. The CAISO adopted a new forward-looking methodology for determining MIC values across the interties. Instead of using historical figures, MIC values will now reflect the in-progress or potential

development of renewable generation across balancing authority interties. Unfortunately, these numbers will still be set on an annual basis as part of the CAISO Transmission Planning Process (“TPP”), which, as discussed below, remains part of the problem. Additionally, in June 2011, as part of the instant proceeding, Commissioner Ferron ruled for purposes of the IOUs’ then-pending 2011 RPS solicitation that assuming a zero or near zero RA value for renewable imports from IID was unreasonable.⁶ He also held that any MIC value assigned by the CAISO under 1,400 MW for imports from IID would be unreasonable.⁷ The 1,400 MW value was chosen based on the CAISO’s 2010-2011 TPP which concluded that completion of the transmission facilities and upgrades identified in the final plan would make 1,400 MW of capacity connected to the IID system deliverable to the CAISO for purposes of RA.⁸

Subsequently, the 2011-2012 CAISO Transmission Plan increased the total MIC value across the IID-CAISO intertie to 517 MW starting in 2013, 1,000 MW starting in 2014, and finally to 1,500 MW starting in 2018.⁹ The CAISO has also recently proposed new tariff language which is currently pending before the Federal Energy Regulatory Commission (“FERC”) to help promote deliverability of imports from IID, by indicating that it will reserve deliverability on CAISO lines needed to ensure deliverability up to the MIC values at specified interties.¹⁰

⁶ “Assigned Commissioner’s Ruling Regarding Resource Adequacy Value of RPS Projects in the Imperial Irrigation District Balancing Authority Area”, R. 11-05-005 (June 7, 2011) at p. 6, *available at* <http://docs.cpuc.ca.gov/efile/RULINGS/136670.pdf> (hereinafter “June 2011 Ruling”).

⁷ *Id.* at pp. 6-7.

⁸ *Id.* at p. 4.

⁹ See CAISO 2011-2012 Transmission Plan (March 23, 2012) at p. 211, *available at* <http://www.caiso.com/Documents/Board-approvedISO2011-2012-TransmissionPlan.pdf>. The increased MIC in 2014 is dependent on completion of Path 42 upgrades to SCE’s and IID’s system, and completion of the West of Devers interim upgrades.

¹⁰ See CAISO “Integration of Transmission Planning and Generator Interconnection Procedures: Final Proposal” (March 9, 2012) at pp. 19-20, *available at* <http://www.caiso.com/Documents/Board-approvedISO2011-2012-TransmissionPlan.pdf> (hereinafter “TPP-GIP Final Proposal”). Without this reservation, the forward-looking MIC

These steps, however, have so far failed to promote substantial renewable development in IID's territory. In recognition of this, on May 16, 2012, Commissioners Peevey and Florio of the Commission and Commissioner Weisenmiller of the California Energy Commission (CEC) wrote a letter to Steve Berberich, executive director of the CAISO, regarding "Revised Base Case and Alternative Scenarios for ISO 2012-2013 Transmission Planning Process." The letter was meant to update two prior letters – sent on March 12 and March 23, 2012 – that formally provided the CAISO with the two Commissions' joint recommendations for various future renewable energy scenarios that the CAISO could use during its ongoing TPP. The May 16 letter noted that the costs associated with upgrading the IID grid have been an impediment to further renewable development in IID's territory north of the IV Substation, and thus recommended that the CAISO consider and advance new IID transmission infrastructure to make it easier to export renewable energy from IID to the CAISO. Consistent with the June 2011 Ruling issued by Commissioner Ferron, the Commissions specifically recommended that the CAISO "consider (or investigate) and advance as necessary additional transmission reinforcements into the region to enable delivery of at least 1,400 MW of renewable generation from IID."¹¹

On May 22, 2012, Administrative Law Judge ("ALJ") Gamson issued a Proposed Decision in the Commission's rulemaking proceeding relating to RA and dynamically

process may be undermined because it is possible that the CAISO would assign so much of the deliverability available on CAISO lines to generators interconnecting directly to the CAISO system that generators interconnecting later on the IID system would not be able to show their projects are deliverable.

¹¹ Letter to Steve Berberich Re: Revised Base Case and Alternative Scenarios for ISO 2012-2013 Transmission Planning Process (May 16, 2012), at pp. 3-4 *available at* http://www.caiso.com/Documents/2012-2013-FinalRenewableGenerationPortfoliosRecommended_CPUC-CEC.pdf (hereinafter "May 16 Letter").

transferred resources.¹² The Proposed Decision adopted an Energy Division proposal that “for purposes of qualifying capacity calculations used in the RA program, dynamically scheduled resources and pseudo tie resources should be treated as if they were internal ISO resources. These specific types of resources would receive qualifying capacity values based on the methodology used for similar internal ISO resources (pertaining to technology and resources dispatchability).”¹³ While Commission approval of this Proposed Decision will be an important step in allowing projects that export energy into the CAISO to effectively compete for IOU contracts, it alone is insufficient to solve the historical RA problem for non-CAISO interconnected resources. This is because the CAISO plans to continue recognizing historic RA limitations at the interties.¹⁴ Accordingly, there is a further role for the Commission in this 2012 RPS solicitation cycle to ensure that projects that export their energy into the CAISO can compete, by once again directing that the IOUs assume a positive MIC value for the IID-CAISO interties.

D. Commission-Oversight of Renewable Resource Procurement in the Imperial Valley

As part of the 2009 RPS Procurement Proceeding, the Commission specifically addressed issues relating to renewable development in the Imperial Valley in Decision (“D.”) 09-06-018.¹⁵

¹² “Proposed Decision of ALJ Gamson Adopting Local Procurement Obligations for 2013 and Further Refining the Resource Adequacy Program”, R.11-10-023 (May 22, 2012), *available at* <http://docs.cpuc.ca.gov/EFILE/PD/167076.PDF>.

¹³ *Id.* at p. 29.

¹⁴ *See, e.g.*, 2013 Flexible Capacity Procurement Requirement: Supplemental Information to Proposal (March 2, 2012) at p. 22, *available at* <http://docs.cpuc.ca.gov/efile/RESP/162107.pdf> (“The ISO will compute the flexible capacity amount that each resource adequacy resource can provide in the three separate flexible capacity categories. For 2013, the ISO proposes that all resource adequacy resources be eligible to provide flexible capacity, including dynamically scheduled resources and pseudo-ties within their resource adequacy import limitations”) (emphasis added).

¹⁵ D.09-06-018 “Decision Conditionally Accepting Procurement Plans For 2009 Renewables Portfolio Standard Solicitations and Integrated Resource Plan Supplements”, R.08-08-009 (June 8, 2009), *available at* http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/102099.pdf.

As part of the prior decision approving a Certificate of Public Convenience and Necessity (CPCN) for the Sunrise Powerlink transmission line (D. 08-12-058), the Commission announced its expectation that approval of Sunrise would prompt proposals from RPS-eligible project developers for viable projects located in Imperial Valley, as early as in response to the 2009 RPS solicitation.¹⁶ In D.09-06-018, the Commission explained that in order to “increase the likelihood of this outcome,” it was requiring each IOU to hold a separate bidders conference in Imperial County to explain, among other things, the purpose of and approval process for Sunrise, and “[t]he estimate of 1,900 megawatts (MW) of Imperial Valley renewables expected to be delivered over Sunrise by 2015, with more than half of that development from high capacity geothermal resources.”¹⁷ Further, the Commission’s Energy Division was to conduct special monitoring to “determine[e] whether attractive Imperial Valley projects make it through the 2009 solicitation.”¹⁸

In D. 09-06-018, the Commission also considered whether to adopt “remedial measures” for subsequent solicitation cycles if the 2009 solicitation resulted in an inadequate number of Imperial Valley projects selected for PPAs. The three measures then under consideration were to: (1) “[r]equire utilities to automatically shortlist all Imperial Valley proposals that are received in the solicitation so that the projects receive special consideration;” (2) “[i]nclude an Imperial Valley bid evaluation metric in the LCBF methodology to give preference to Imperial Valley resources;” and (3) “[r]equire each utility to conduct a special Imperial Valley RPS

¹⁶ See *id.* at p. 6, citing D. 08-12-058 “Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project,” A.06-08-010 (Dec. 18, 2008), available at: http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/95750.PDF.

¹⁷ *Id.* at p. 13.

¹⁸ *Id.* at p. 14.

solicitation.”¹⁹ The Commission determined that it was premature at that time to adopt the remedial measures, but noted it would consider such measures in the future if evidence showed that the least-cost best-fit (“LCBF”) methodology used to evaluate potential projects failed to properly value Imperial Valley resources.²⁰

The Commission considered the issue again as part of the 2011 RPS solicitation process. In D.11-04-030, it again declined to adopt remedial measures to specifically promote Imperial Valley resources, due in large part to reports from all three IOUs of “robust Imperial Valley results from the 2009 solicitation.”²¹ The Commission, however, directed the Energy Division to continue targeted monitoring of the procurement of resources in Imperial Valley, and reasserted its intention to consider remedial measures if evidence later suggested that the IOUs did not properly value such resources.²² It further directed the IOUs to “take all reasonable and necessary action to secure *optimal* RPS development” in the Imperial Valley.²³ Later the same year, Commissioner Ferron’s Ruling regarding RA for energy exported from IID into CAISO (described above) again noted the ongoing commitment of the Commission to “consider any and all remedial measures going forward as necessary” in order to promote renewable energy development in the Imperial Valley.²⁴

III. COMMENTS

The Commission should adopt concrete “remedial measures” to promote and advance beneficial renewable development interconnected to IID by requiring the IOUs’ Procurement

¹⁹ *Id.* at pp. 16-17.

²⁰ *Id.* at p. 18.

²¹ D.11-04-030 “Decision Conditionally Accepting 2011 Renewables Portfolio Standard Procurement Plans and Integrated Resource Plan Supplements”, (April 20, 2011) at p. 25, *available at* http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/133893.pdf.

²² *Id.* at pp. 25-26.

²³ *Id.* at p. 26 (emphasis added).

²⁴ June 2011 Ruling at p. 6.

Plans to include such measures. Additionally, whether or not the Commission adopts remedial measures, the Commission should require the IOUs to remove both overt and inherent preferences included in the Draft Procurement Plans for projects interconnected to the CAISO. Finally, the Commission should ensure that base load and flexible resources can properly prepare to compete in the IOUs' solicitations by requiring the IOUs' to provide additional quantification of "integration costs" and "ancillary services" values.

A. The Draft Plans Do Not Fulfill the Commission's and the IOUs' Obligations Towards Projects in the Imperial Valley, as outlined in Decision 09-06-018 and 11-04-030

Since the 2009 RPS Solicitation process, the Commission has been consistent in its commitment to ensure renewable development in the Imperial Valley. Although bids for projects making use of Sunrise's capacity have been plentiful in the interim, the projects taken together do not represent "*optimal* RPS development" in the Imperial Valley.²⁵ In part to ensure that the IOUs can tap into such important resources, the Commission should resume its role in directly overseeing renewable development in the Imperial Valley. Specifically, the Commission should require that the IOUs again address "Imperial Valley Issues" in their 2012 RPS Procurement Plans. Additionally, the Commission should adopt certain remedial measures to promote renewable development *throughout* the Imperial Valley (and not just in the vicinity of the IV Substation).

1. The Commission Should Require The IOUs to Address Imperial Valley Issues in Their RPS Procurement Plans

All three of the IOUs' Draft Plans fail to include a discussion of procurement in the Imperial Valley, as directed by the Commission in prior decisions and included in prior years'

²⁵ See D.11-04-030 at p. 25 (emphasis added)

RPS Procurement Plans.²⁶ Of the three, only SDG&E provides an explanation for the removal of this discussion: “SDG&E is currently in compliance with its pledge (referenced in D.08-12-058) to maintain a certain level of deliveries from projects in the Imperial Valley region.”²⁷ However, this explanation seems at odds with SDG&E’s statement elsewhere in its Draft Plan that “significant permitting challenges” and a lack of “interconnection and network facilities necessary to interconnect and deliver this renewable energy to the transmission system” has substantially hindered development of Imperial Valley projects.²⁸ Indeed, the reality of the latter statement has been recognized by the Commission during the past year. Both the Commission’s June 2011 Ruling directing the IOUs to assume a MIC value of 1,400 MW for the IID-CAISO intertie and the more recent May 16, 2012 letter to the CAISO from the Commission and the CEC recognize that renewable development in the Imperial Valley continues to face significant barriers and remains at a decidedly suboptimal level.²⁹

The Commission should require the IOUs to re-incorporate a discussion of Imperial Valley Issues in their 2012 Plans. This must include protocols for soliciting and evaluating Imperial Valley projects, as well as an explanation of the RA value the IOUs will use in the LCBF evaluation of such projects. Such measures were clearly intended by the Commission in D.11-04-030, which concluded that “specific monitoring of Imperial Valley proposals and projects should continue; and IOUs should be encouraged to do outreach and take all reasonable

²⁶ See SCE Draft Plan, Appendix A (Redline of RPS Written Plan), at pp. 25-27; PG&E Draft Plan, Appendix A (Redline of Draft 2012 RPS Plan), at p. 133; SDG&E Draft Plan, Appendix D (Important Plan Changes Between 2012 RPS Procurement Plan and 2011 RPS Procurement Plan), at p. 1.

²⁷ SDG&E Draft Plan, Appendix D (Important Plan Changes Between 2012 RPS Procurement Plan and 2011 RPS Procurement Plan), at p. 1.

²⁸ *Id.* at p. 12.

²⁹ See June 2011 Ruling at p. 6; May 16 Letter at pp. 3-4.

action to secure *optimal* resource development.”³⁰ The Commission should continue these efforts.

2. The Commission Should Adopt Remedial Measures to Ensure Renewable Resources in the Imperial Valley Can Secure IOU Contracts

To date, the Commission has thus far declined to adopt any “remedial measures” regarding renewable procurement in the Imperial Valley, as contemplated by Decisions 09-06-018 and 11-04-030. Such measures are now appropriate in order to foster renewable development in the Imperial Valley. In crafting such measures, the Commission should especially focus on projects that seek interconnection to IID, thereby helping to ensure that the best resources *throughout* the Valley -- and not just those within the immediate vicinity of the IV Substation that can interconnect directly to the CAISO -- are appropriately considered by the IOUs.

In particular, IID recommends that the Commission adopt one or more of the following three remedial measures:

- (1) Require the IOUs to automatically shortlist all proposals for IID-interconnected projects received in future solicitations so that the projects receive special consideration;
- (2) Include a bid evaluation metric in the LCBF methodology to give special preference to IID-interconnected projects; and
- (3) Require each of the IOUs to conduct a special RPS solicitation for IID-interconnected projects, potentially with a guaranteed minimum quantity of capacity earmarked for projects interconnecting to IID.

³⁰D.11-04-030, Conclusion of Law 12, at p. 62 (emphasis added).

Taking such steps will fulfill the IOUs' obligations pursuant to prior Commission decisions regarding Imperial Valley resources. It will also promote development of highly valuable and beneficial renewable resources, and may provide the means by which critical transmission system upgrades can be financed.

B. The Draft Plans Unduly Discriminate Against Projects That Do Not Interconnect to the California Independent System Operator

Should the Commission decide the time to impose remedial obligations on the IOUs has still not arrived, at a minimum, the Commission should eliminate the ways in which the IOUs Plans discriminate against projects within the IID BA. In setting the 33% renewable target for the IOUs, the State legislature wanted to ensure that the IOUs secure the best and most cost-effective renewable resources -- whether or not those resources were located in the CAISO's balancing area. So long as a project's first point of interconnection is to a balancing area in California (not just the CAISO), or is dynamically transferred into *any* balancing area in California, it is eligible to support a utility's RPS requirements.

The legislature's intent in this regard will be undermined if the Commission allows the IOUs to penalize projects that are sited in non-CAISO balancing areas such as IID's. Accordingly, the Commission should require the IOUs to remove overt preferences for CAISO-interconnected projects, as well as make other changes to draft provisions that currently serve as *de facto* preferences for CAISO interconnection. If projects interconnecting to non-CAISO BAAs are unable to secure PPAs, they will not proceed to development, thereby delaying important transmission system upgrades.

1. The Commission Should Not Encourage the CAISO Interconnection Preferences Currently Specified in Each IOU's Draft Plan

Each of the Draft Plans contains an express preference for projects with CAISO interconnection. SCE states that it "has a strong preference for . . . projects that are or will be

interconnected to the CAISO’s Balancing Authority Area.”³¹ PG&E’s Draft Plan provides, “[c]onsistent with earlier Solicitations, PG&E’s preference is for resources in PG&E’s service territory, and then for projects within the CAISO.”³²

SDG&E’s Draft Plan indicates a preference for a subset of CAISO-interconnected projects. This is evidenced through its use of numeric adders for “system deliverability” or “full deliverability” depending on where a project is located.³³ While projects in SDG&E’s service territory receive no adder (and thus are considered to have greater value), both non-SDG&E area CAISO projects and non-CAISO projects receive a “system deliverability adder” for full capacity deliverability projects.

It is unclear whether CAISO-interconnected resources outside of SDG&E’s service territory are preferred over resources connected to a non-CAISO balancing area – SDG&E may regard both as equally less desirable compared to projects in SDG&E’s service territory. That said, SDG&E indicates elsewhere in the Draft Plan that it intends to exercise discretion with respect to whether to consider projects not interconnecting directly to the CAISO grid. “The generating facility and transmission interconnection must be designed and constructed in conformance with the CAISO’s various reliability agreements, procedures, protocols, tariffs and standards. . . . SDG&E may consider offers without CAISO system impact studies . . . at its sole discretion on a case-by-case basis.”³⁴ This implies that non-CAISO projects are at a comparative disadvantage to projects compared to CAISO-interconnected projects because SDG&E may simply choose not to consider them.

The Commission should require that such discrimination against projects not

³¹ SCE Draft Plan Appendix E.1 (2012 Procurement Protocol) at p. 3.

³² PG&E Draft Plan at p. 57.

³³ SDG&E Draft Plan Appendix C (Evaluation Methodology (LCBF Process)) at p. 3.

³⁴ SDG&E Draft Plan Appendix A (2012 RPS Solicitation) at p. 5.

interconnected to the CAISO, or for a subset of the CAISO’s BAA, be eliminated. Consistent with the substance and intent of SB2 (1X), *all* projects that interconnect to or are dynamically transferred into *any* California BAA should be fairly considered for procurement.

2. The Commission Should Not Allow the IOUs to Include Subtle Preferences for CAISO Interconnection in their Procurement Plans

In addition to the expressed preferences based on point of interconnection, the IOUs’ Draft Procurement Plans include subtle, but nonetheless impactful, preferences for CAISO interconnection. Specifically, the Commission should require the IOUs to develop a method to evaluate transmission service costs that places all projects on equal footing, whether or not they interconnect to the CAISO. Additionally, the Commission should either require that the IOUs accept LCBF input values of “transmission network upgrade costs” supplied by non-CAISO BAAs or, if the Commission retains its reliance on Transmission Ranking Cost Reports (“TRCRs”), require the IOUs to create intertie-specific TRCRs. Lastly, the Commission should provide clarification regarding two points of bid eligibility for non-CAISO projects, the lack of which real uncertainty and risk for such projects. The Commission should clarify: (1) how to determine whether non-CAISO projects trigger unnecessary network upgrades, and (2) what should be considered the “equivalent” of each of the CAISO Phase I and Phase II Interconnection Studies for projects interconnecting to IID.

a. The Commission Should Require the IOUs to Create a Rubric to Calculate Transmission Costs that Allows for “Apples-to-Apples” Comparison of CAISO and Non-CAISO Projects

Under the terms of the IOUs’ Draft Plans, projects that do not interconnect to the CAISO are automatically at a major disadvantage compared with those that do. This is seen most acutely in the IOUs’ pro forma PPAs, in which the delivery point for energy from a non-CAISO

project is the intertie between the CAISO and the native BAA.³⁵ This has the effect of requiring projects that do not interconnect to the CAISO to absorb the cost of transmission service between the point of interconnection and the intertie. This in turn substantially increases the cost at which such a project is bid into the IOUs' solicitations as compared to CAISO-interconnected projects, for which the cost of transmission service beyond the interconnection point is allocated to the CAISO's load.

By contrast, CAISO-interconnected projects do not include such costs in their contract price and may instead impose on ratepayers transmission costs in the form of upgrades or other investments that the IOU pays for itself. Said differently, a relatively higher cost contract for energy delivered from IID may not ultimately be a more costly purchase for ratepayers once all factors are considered. The IOUs Draft Plans do not set up an analytical framework that allows for that possibility.

b. The Commission Should Accept Values for the “Transmission Network Upgrade Costs” LCBF Variable Provided by Non-CAISO BAAs Or Require Specific TRCRs for Intertie Projects

The Assigned Commissioner's Proposal for the new LCBF methodology relies on an assumption that projects under evaluation have direct interconnection to the CAISO, thereby creating uncertainty and risk for non-CAISO projects. One of the LCBF formula inputs is “transmission network upgrade costs.”³⁶ The Proposal suggests moving away from the historical reliance on TRCRs submitted by the IOUs to calculate these costs.³⁷ It instead proposes a new method to calculate upgrade costs, at least for CAISO-interconnected projects: by reliance on CAISO interconnection study numbers. It does not explain how comparable values will be

³⁵ See PG&E Draft Plan Appendix 6 (2012 Solicitation Protocol) at p. 11; SCE Draft Plan Appendix G.1 (2012 Pro Forma Renewable Power Purchase and Sale Agreement) at p. 2; SDG&E Draft Plan Form of PPA at p. 25.

³⁶ Proposal at p. 17.

³⁷ *Id.* at p. 19.

derived for projects interconnecting to non-CAISO BAAs.³⁸

In its Draft Plan, SDG&E notes that this may lead to inequitable results for projects that export energy into the CAISO. “For [] non-CAISO projects, there are no estimates of interconnection costs other than those studies performed by the non-CAISO transmission operator. While SDG&E believes that this approach has produced fair results in the past, this method could unfairly bias the evaluation process in favor of projects with CAISO study data.”³⁹ IID agrees. Accordingly, if the Commission moves away from using TRCRs to estimate transmission costs, it should allow each non-CAISO BAA to submit a value of interconnection costs for each project under consideration, and should require the IOUs to accept that value when making LCBF calculations. That way, even if a BAA uses a different approach for allocating interconnection costs to a generator than does the CAISO, the BAA can extrapolate a value for interconnection costs using a method comparable to the CAISO’s. The IOUs could then evaluate all projects fairly.

Alternatively, if the Commission maintains reliance on the TRCRs as part of the RPS project evaluation process, it should require the IOUs to submit separate TRCRs for projects that deliver energy across the CAISO interties. The Commission should further direct the IOUs to create a new metric for the intertie-specific TRCRs that ensures only comparable types of transmission costs as are included for CAISO-interconnected projects are considered for non-CAISO projects.

c. The Commission Should Clarify How to Determine Which Non-CAISO Projects Do Not Trigger Unnecessary Network Upgrades

The Proposal proposes “to limit the total volume of power purchase agreements executed

³⁸ See *id.*

³⁹ SDG& Draft Plan at p. 30.

by the IOUs to projects of high value and viability without triggering unnecessary reliability or deliverability upgrades.”⁴⁰ The Proposal further specifies the steps by which this would occur, at least with regard to projects interconnecting to the CAISO. In the first step, the CAISO will determine in each study area the amount of deliverability for new projects that the grid can support without requiring additional high-cost delivery network upgrades, and then will subtract out “the amount of power purchase agreements that are already executed.”⁴¹ The remaining amount of full capacity deliverability MW “will be considered available in the annual procurement process.”⁴² The Proposal does not, however, specify how projects that are interconnecting to a non-CAISO BAA would fit into this paradigm. For example, would other BAAs be required to allocate deliverability in a similar fashion in order for projects interconnected to their systems to participate in the IOUs’ solicitations? Would a project that requires or contributes to new upgrades in a non-CAISO BAA system but not in CAISO’s system be excluded from consideration? The Commission should provide clarification so that non-CAISO projects are not later excluded from consideration based on differing assumptions by the IOUs.

IID suggests that the Commission develop an approach suggested by the CAISO as part of its stakeholder process to develop tariff amendments for the Transmission Planning Process and Generator Interconnection Procedures Integration (“TPP-GIP Integration”). In order to allocate Transmission Plan (“TP”) Deliverability to projects subject to the TPP-GIP Integration rules, CAISO has proposed to reserve deliverability for projects earlier in the queue that meet certain criteria. In this process, “if some of the TP deliverability provided under the current

⁴⁰ Proposal at p. 27.

⁴¹ *Id.*

⁴² *Id.*

transmission plan is needed to support expansion of the resource adequacy maximum import capability [] that was included as a planning objective in the TPP, the ISO will reserve such deliverability for that purpose.”⁴³ The Commission could rely on a similar reservation of import capacity based on planned MIC expansions for long-term RA eligibility for energy coming across the interties. Such a commitment by the Commission would better position projects interconnecting to IID or other non-CAISO BAAs to fairly compete in the IOUs’ bid solicitation processes.

d. The Commission Should Clarify What Is Considered the “Equivalent” of CAISO Phase I or Phase II Interconnection Study

The Proposal provides that in order for a project to be considered for PPA approval, it must be able to demonstrate that it is making progress in the interconnection process of the relevant balancing area. Specifically, the Proposal requires completion of a CAISO Phase II interconnection study “or its equivalent” or a Generator Interconnection Agreement (“GIA”) before a project can be on an IOU’s primary shortlist.⁴⁴ Two of the IOUs’ Draft Plans go even further; SCE and PG&E have each proposed requiring projects to have received a Phase I Interconnection Study or its equivalent before participating in the bid solicitation process at all.⁴⁵

IID does not use the same “phases” of interconnection studies for projects in its queue as does the CAISO. To avoid any threat of confusion, IID requests that the Commission affirmatively recognize that the approximate “equivalent” of a CAISO Phase I Interconnection Study in IID is the System Impact Study, and the approximate “equivalent” of a CAISO Phase II Interconnection Study in IID is the Facilities Study.

⁴³ TPP-GIP Final Proposal at p. 22.

⁴⁴ Proposal at p. 20.

⁴⁵ SCE Draft Plan at p. 3; PG&E Draft Plan at p. 57.

C. The Commission Should Require the IOUs to Take Into Account Targeted MIC Values When Considering RA Values for Projects Exporting Energy Across an Intertie

Consistent with past years, the IOUs generally prefer projects that can contribute to the RA requirements. For example, PG&E specified a preference for resources that can contribute to PG&E's RA requirements, which requires that projects are deemed fully deliverable by the CAISO as of the proposed commercial operation date.⁴⁶

As explained above, projects interconnecting to IID have historically been at a significant disadvantage compared to CAISO-interconnected projects with regard to being deemed eligible to provide RA value. Although the Commission and the CAISO have made considerable progress to reduce the effects of this problem, IID projects bidding into the IOUs' 2012 RPS solicitation process still face substantial risk that the IOUs will not consider them eligible to provide long-term RA benefits because of the CAISO's current annual process for setting the MIC value. The Commission should address the issue of RA at the interties by extending its earlier decision to the 2012 procurement process. In other words, the Commission should give the same guidance to the IOUs that it would be unreasonable to assume that the MIC at the IID-CAISO intertie will be less than 1,400 MW.⁴⁷

Ultimately, the Commission should go further and allow qualifying projects to secure *long-term* RA capacity rights at the interties, thereby removing the real or perceived risks of entering into PPAs for energy crossing from IID into the CAISO that will not provide RA throughout its term. Such assurances could be provided to generators that are considered by the CAISO in setting its MIC value; i.e. those that meet specified criteria to demonstrate that development is in progress and commercial operation is probable. Criteria could include

⁴⁶ PG&E Draft Plan Appendix 6 (2012 Solicitation Protocol) at p. 11.

⁴⁷ See June 2011 Ruling at p. 6.

execution of a firm point-to-point transmission agreement for delivery of the output to the CAISO-IID intertie, and that there is available capacity within the CAISO-set MIC value for the project's anticipated online date. Under such circumstances, the Commission would assure that energy contracted under a PPA would count towards RA for the life of the PPA. This approach makes sense given that the purpose of the Commission's RA deliverability requirement is to ensure that capacity will be available when needed, and projects meeting the criteria specified above would, in conjunction with network upgrades conducted on the CAISO transmission system, ensure a delivery path from the IID generator all the way to load.

D. The Draft Plans Do Not Adequately Support Flexible and Base Load Renewable Resources

The integration of intermittent resources has become an increasingly important issue for the CAISO, the Commission and the IOUs. This is reflected in part in the Commission's proposal to include "integration costs" and "ancillary services" variables in the standardized LCBF equation.⁴⁸ However, the IOUs do not provide sufficient clarity on the valuation of these LCBF inputs, such that renewable resources with flexible and base load characteristics have no means to gauge how these attributes will position the resources in the competitive solicitation process. Indeed, of the three IOUs, only PG&E proposed any value for integration costs -- roughly \$8.50 per MWh in 2013 dollars.⁴⁹ None of the IOUs provide even estimated metrics for ancillary services value.

Important resources such as geothermal that provide steady output and/or can be dispatched as needed to counterbalance other intermittent outputs should be able to properly prepare for bidding into the IOUs' RPS solicitation process. The Commission should therefore

⁴⁸ See Proposal at p. 17.

⁴⁹ See PG&E Draft Plan Appendix 6 (2012 Solicitation Protocol) at p. 25.

require SCE and SDG&E to specifically quantify the value of integration costs, and should further require all three IOUs to provide at least some guidance regarding the value of ancillary services they intend to use in the 2012 RPS evaluation process.

IV. CONCLUSION

Imperial County has one of the lowest incomes per capita in the State and some of the highest unemployment. It is also an extremely desirable location to develop renewable resources, yet, with the exception of projects clustered around the IV Substation that are connected directly to the CAISO, very little new development has happened in Imperial Valley. In the course of reviewing the IOUs Draft Plans, this Commission has a clear chance to “get it right” over the next few years and push the IOUs to enter into PPAs with IID-interconnected projects that will benefit the people of Imperial Valley, the IOUs and their ratepayers. IID appreciates the opportunity to provide its views on this subject.

Respectfully submitted,

By: _____ /s/
William Kissinger
Bingham McCutchen, LLP
Three Embarcadero Center
San Francisco, CA 94111
(415) 393-2850
william.kissinger@bingham.com

Attorney for
IMPERIAL IRRIGATION DISTRICT

Dated: June 27, 2012

VERIFICATION

(Rule 1.11)

I am the attorney for the Imperial Irrigation District (“IID”). Because IID is absent from the City and County of San Francisco, California, where I have my office, I make this verification for said party for that reason. The statements in the OPENING COMMENTS OF IMPERIAL IRRIGATION DISTRICT ON RPS PROCUREMENT PLANS AND NEW PROPOSALS have been prepared and read by me and are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 27, 2012, at San Francisco, California.

/s/

William Kissinger
Bingham McCutchen, LLP
Three Embarcadero Center
San Francisco, CA 94111
(415) 393-2850
william.kissinger@bingham.com

Attorney for
IMPERIAL IRRIGATION DISTRICT