

Comments of the M-S-R Public Power Agency on
Proposed Concept Outline for the California Renewable Electricity Standard
November 20, 2009

The M-S-R Public Power Agency is pleased to provide comments on the *Proposed Concept Outline for the California Renewable Electricity Standard* circulated by the California Air Resources Board Staff on October 30, 2009. ***The M-S-R Public Power Agency also supports and joins the Initial Comments of the California Municipal Utilities Association regarding the Proposed Concept Outline for the California Renewable Electricity Standard.***

The M-S-R Public Power Agency supports the goal of a 33% Renewable Energy Standard by 2020. This 33% goal is not only required by Governor Schwarzenegger's Executive Order S-21-09, but is also a key element of the California Air Resources Board's AB32 Scoping Plan.

The M-S-R Public Power Agency

The M-S-R Public Power Agency, a public agency formed by the Modesto Irrigation District, the City of Santa Clara, and the City of Redding in 1982, is authorized by its organic documents 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. As such M-S-R Public Power Agency does not serve retail load within California but supplies wholesale power under long-term contracts to its retail load-serving members.

The M-S-R Public Power Agency supplies its members with electricity comprised of 35% eligible renewable resources as defined under current law, and will achieve about 40% eligible renewable resources by the end of 2010. The M-S-R Public Power Agency is extremely proud of effecting deliveries of eligible renewable resources at a rate almost double the existing 20% goal for 2010 and will continue to procure additional reliable and cost-effective eligible renewable energy for our retail load-serving members. However, the M-S-R Public Power Agency needs to be assured that the benefits of early action will not be impaired by subsequent regulatory or legislative actions.

The following comments are ordered in the priority of the concerns of the M-S-R Public Power Agency.

1. Use of WECC-Wide Renewable Energy Resources

Existing law allows the use of eligible renewable resources located through-out the Western Electricity Coordinating Council (WECC) region to meet Renewable Portfolio Standards (RPS) requirements. There is also a rigorous process to certify, track, and verify eligible renewable resources and Renewable Energy Credits (RECs), both in-state and out-of-state, which was developed by the California Energy Commission (CEC), as part of legislative mandates, and is in

use for the RPS¹. The M-S-R Public Power Agency recommends the Air Resources Board continue using this program for RES implementation.

The continued allowance of proven and eligible renewable resources located in currently developed out-of-state production regions is of critical importance to the M-S-R Public Power Agency. In October 2006 the M-S-R Public Power Agency began receiving deliveries of eligible renewable energy from the 200 MW Big Horn Wind Energy Project located in the Columbia River Gorge near Bickleton, Washington. The M-S-R Public Power Agency has contracted to purchase the entire electric output of this project for a 25-year term with various extension options. If the Big Horn Wind Energy Project was deemed ineligible to satisfy either RPS or RES requirements, the M-S-R Public Power Agency could be faced with about \$400 million of electricity stranded out-of-state. The M-S-R Public Power Agency is also in the process of contracting to purchase the entire output of a 50 MW completion phase of the Big Horn Wind Energy Project and needs assurance that this new purchase will remain RPS/RES qualified.²

The delivery of out-of-state renewable resources through the means of exchanges or “firming and shaping” or “balancing contracts” must also continue to be eligible and the ultimate delivery of such energy to California customers should continue to be audited through the existing CEC-implemented REC system. The use of shaping or balancing contracts will assure the delivery of cost-effective renewable energy to California customers at times and in quantities beneficial to the grid. The M-S-R Public Power Agency also notes that the use of structured delivery models provides for the efficient use of congested transmission paths and will thus allow delivery of the greatest possible quantities of renewable energy over existing infrastructure.

2. Agency Roles

The M-S-R Public Power Agency continues to support the existing regulatory construct whereby local governing boards, directly accountable to their communities, set requirements for RPS implementation. The M-S-R Public Power Agency believes that local control can also be successfully applied to RES implementation. The M-S-R Public Power Agency does not support the extension or application of overlapping jurisdiction to the California Public Utilities Commission. For further detail on the issue of regulatory control and the importance of local control, please reference the comments of the California Municipal Utilities Association.

3. Compliance Measurement

Although the M-S-R Public Power Agency recognizes that the goal of the RES is to reduce emissions of Greenhouse Gases, the M-S-R Public Power Agency does not support the use of Greenhouse Gas tonnage as a compliance metric. The use of greenhouse gas tons to develop

¹ Renewables Portfolio Standard Eligibility, Commission Guidebook, Third Edition, California Energy Commission, January, 2008, CEC-300-2007-006-ED3-CMF.

² It is important to note that the resources that the M-S-R Public Power Agency at the Big Horn Wind Energy Project are currently eligible renewable resources under the RPS; in keeping with the stated intent of Staff to closely model the RES after the RPS, these resources should continue to be eligible under the RES.

percentage compliance targets is reasonable, but to be consistent with the wording of Executive Order S-21-09, existing practice for the RPS, and proposed provisions of Federal Law, percentage measurement of the quantities of renewable energy as a proportion of load served should be maintained. Tracking compliance with renewable energy requirements through the accounting and retirement of RECs specified in MWh and issued by the Western Renewable Energy Generation Information System (WREGIS) is already subject to rigorous standards developed and implemented by the California Energy Commission. The M-S-R Public Power Agency sees no need to change a system that works, is transparent to the market, and consistent with the practices in neighboring states.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M. R. Hopper', with a long horizontal flourish extending to the right.

Martin R. Hopper
General Manager