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February 11, 2013

California Energy Commission

**DOCKETED
12-IEP-1A**

TN # 69500

FEB. 11 2013

Robert B. Weisenmiller, PhD.
Chairman
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

RE: 2012 Integrated Energy Policy Report Update

Dear Chairman Weisenmiller:

The Imperial Irrigation District (“IID”) requests limited but important changes to the 2012 Integrated Energy Policy Report Update (“IEPR Update”), scheduled for adoption at the California Energy Commission’s (“Commission”) Business Meeting of Wednesday, February 13, 2013. These changes are limited to one paragraph spanning pages 63-64 of the IEPR Update. This paragraph addresses the development of renewable resources in the Imperial Valley, and also the causes of the Southwest Outage on September 8, 2011. IID believes this paragraph is incomplete and inaccurate.

Renewable Development

First, IID shares the Commission’s frustration that resources in the Imperial Valley, particularly baseload geothermal resources, are not being awarded long-term power purchase agreements through utility procurement processes. IID has taken several steps in an attempt to “level the playing field,” while recognizing that many issues are outside of IID’s control. First, IID worked closely with the California Independent System Operator (“CAISO”) to reform the Maximum Import Capability (“MIC”) calculation at the Imperial Valley Substation (“IV Substation”) that is used to determine eligibility for Resource Adequacy (“RA”) counting purposes in the CPUC procurement process. As a result of the combined efforts of IID and the CAISO, the MIC for IV Substation was increased to 1400 MW from 0 MW for prospective procurement, and this MIC valuation was confirmed in rulings governing electrical corporation procurement processes. Nevertheless, IID remains uncertain whether this MIC increase had the intended impact of increasing viability of Imperial Valley resources because of complex RA allocation rules among electrical corporations, and also because of the overall lack of transparency of the procurement process.

Second, IID has proceeded with Path 42 upgrades funded by IID ratepayers. Path 42 is the interconnection between IID and the Southern California Edison Company transmission system. IID's Path 42 upgrades, coordinated with upgrades on the SCE system, will result in an additional approximately 900 MW of transfer capability between the IID and CAISO, furthering additional deliveries, but only if renewable resources in the Imperial Valley are awarded contracts in the procurement process.

Third, IID has worked with the CAISO to develop a "Partial Participating Transmission Owner" or PPTO model to enable upgrades to interconnect generation in the electrical vicinity of the IV Substation. The CAISO Board has approved a specific upgrade as a policy driven transmission line, and opened a competitive solicitation for the construction of that upgrade. IID is preparing a submittal in that competitive solicitation, and if IID prevails it will construct and transfer operational control of the facility to the CAISO, while maintaining ownership of this facility.

Lastly, IID has developed an Economic Development Rate for intermittent renewable generators that reduces the effective wheeling rates they pay from approximately \$10.00 per MWh to \$3.94 per MWh, which allows them to be more competitive in the market.

In short, IID is aggressively moving forward with steps to eliminate potential barriers to development of resources in the Imperial Valley. It must be noted, however, that the most important element of this effort is the award of power purchase agreements to Imperial Valley generation through the procurement process, a matter over which IID has no control and very little visibility.

Reliability

IID requests that that language referencing reliability issues specific to the Arizona-Southern California Outage of September 8, 2011 be removed completely from the draft report. To the extent the IEPR Update addresses the Arizona-Southern California Outage at all, it should contain a reference to all entities involved and not single out IID. There were many contributing factors to the outages that occurred on September 8, 2011. The outages were a regional problem with actions and facilities on the systems of CAISO, San Diego Gas & Electric Company ("SDG&E"), Arizona Public Service Company ("APS"), Western Area Power Administration, Lower Colorado Region, the Western Electricity Coordinating Council Reliability Coordinator, and Comision Federal de Electricidad all contributing.

IID was impacted adversely when power being imported to the San Diego area to serve SDG&E/CAISO customers, over the Hassayampa-N.Gila 500 kV line, flowed through IID's lower voltage system after the 500 kV line was tripped out of service by APS. That power was never scheduled or expected to flow on IID's system. IID's Coachella Valley and Ramon transformers, which were a subject of the FERC/NERC outage inquiry report, were not governed by mandatory reliability standards at the time of the event. Nonetheless, IID has voluntarily changed settings on its transformers consistent with those standards. IID also installed a third transformer at IID's Coachella Valley substation to provide increased capacity to mitigate the risk of unscheduled power flows through IID's system causing overloading. In addition, IID has installed alarms on its real-time contingency analysis system so that its operators can take actions

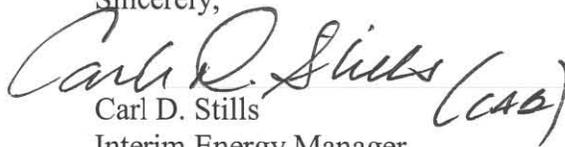
quickly to defend against potential unscheduled power flows by others through IID's system. It is simply unfair and inaccurate to state or imply that there was a single causal factor or a single affected entity responsible for the reliability problems that occurred on September 8, 2011. Therefore, IID has grave concerns with the language in the IEPR update at pages 63-64 which singles out IID transmission as the cause of the Arizona-Southern California Outage. The IEPR Update is simply not an appropriate forum to examine complex regional grid disturbances that are still subject to ongoing inquiry at FERC.

IID suggests the following revisions to the IEPR Update, in redline form below:

The Imperial Valley is rich in renewable energy resources and has been both historically, and because of significantly impacted by the recent recession, an area with high unemployment and economic challenges. ~~with unemployment levels near 20 percent,~~ But renewable development remains is-slow. Renewable resources in the Imperial Irrigation District (IID) service territory may be at a competitive disadvantage with resources connecting directly to the California ISO due to several factors, including differences in the allocation of costs for transmission upgrades and wheeling costs, resource adequacy counting conventions, and procurement rules that may not provide adequate valuation to baseload geothermal resources. ~~and because of other impediments in the current structure. The Federal Energy Regulatory Commission (FERC) report on the Arizona-Southern California outages on September 8, 2011, identified significant reliability problems with the current structure in IID.~~

IID appreciates the Commission's consideration of these proposed revisions to the 2012 IEPR Update, and looks forward to discussion of this matter at the Commission's Business Meeting on February 13th.

Sincerely,


Carl D. Stills
Interim Energy Manager

cc: Commissioner Douglas
Commissioner McAllister
Suzanne Korosec
Lynette Green
Docket Office