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

Application of Pacific Gas and Electric Company for
Adoption of Electric Revenue Requirements and Rates
Associated with its 2011 Energy Resource Recovery
Account (ERRA) and 2011 Ongoing Competition
Transition Charge (CTC) Forecasts.

(U 39 E)

Application 10-05-022
(Filed May 28, 2010)

**OPENING BRIEF OF MARIN ENERGY AUTHORITY REGARDING THE ELECTRIC
REVENUE REQUIREMENTS AND RATES ASSOCIATED WITH THE 2011
ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) FORECASTS
OF PACIFIC GAS AND ELECTRIC COMPANY**

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September 20, 2010

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Pursuant to Rule 13.11 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the Marin Energy Authority (MEA) respectfully submits this brief regarding Application 10-05-022 (Application) filed by Pacific Gas and Electric Company (PG&E) on May 28, 2010, regarding its electric revenue requirements and rates associated with the 2011 Energy Resource Recovery Account (ERRA) forecasts of PG&E.

I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

MEA's recommendations focus on the manner in which PG&E assigns resource commitments to "vintages" for purposes of establishing the Power Charge Indifference Adjustment (PCIA). MEA has identified a certain power purchase contract that PG&E has incorrectly assigned to the 2009 vintage. MEA also recommends that the Commission apply the standard adopted in D.08-09-012 in regards to the vintaging of PG&E's utility owned PV program, whereby costs of utility owned generation projects are assigned to a vintage based on when construction begins on the generation project.

A. MEA Requests that PG&E Recalculate the ERRA and PCIA to Reflect Certain Vintaging Issues

MEA's primary issue relates to vintaging of PG&E electricity supply projects. This vintaging issue consists of two components: (i) PG&E's failure to properly vintage pursuant to the CPUC-approved methodology, and (ii) PG&E's failure to properly apply the vintaging methodology for PG&E's utility-owned generation photovoltaic program.

II. PROCEDURAL HISTORY

PG&E filed the Application on May 28, 2010, and concurrently filed its Prepared Testimony (PG&E Prepared Testimony). In response to the Application and Prepared Testimony, MEA made three data requests of PG&E – MEA Data Request 1 dated July 27, 2010; MEA Data Request 2 dated August 11, 2010; and MEA Data Request 3 dated September 1, 2010 – and prepared testimony entitled Testimony of the Marin Energy Authority Regarding Inputs and Methods for the Power Charge Indifference Adjustment Calculation dated August 20, 2010 (MEA Testimony). PG&E subsequently filed the PG&E Supplemental Testimony which updated PG&E's projections regarding CCA and DA departing load and concurrently filed Rebuttal Testimony dated August 30, 2010 (PG&E Rebuttal Testimony), which responded to the MEA Testimony. On September 1, 2010, MEA participated in the Evidentiary Hearing (Hearing) for PG&E's Application.

III. ARGUMENT

A. Total Overall ERRA Revenue Requirement

Should the Commission Approve Adoption of PG&E's Electric Revenue Requirements and Rates Associated with Its 2011 ERRA and 2011 Ongoing Competition Transition Charge Forecasts?

1. Should the Commission Adopt PG&E's 2011 ERRA Forecast Revenue Requirement of \$3,564.0 Million?

MEA has no comment.

2. Should the Commission Adopt PG&E's 2011 Ongoing CTC Forecast Revenue Requirement of \$459.2 Million?

MEA has no comment.

3. Should the Commission adopt PG&E's Proposed Total Electric Revenue Requirements of \$3.999.1 Million, Subject to an Update in Early November 2010?

MEA believes that the Commission should not adopt in full PG&E's 2011 ERRRA Forecast Revenue Requirement of \$3,564.0 million. Specifically, this figure should be offset by the PCIA revenues collected from departing load customers which, due to the factors discussed below, is incorrect. Such amount should be directly offset by the PCIA revisions set forth below.

B. PG&E's Sales and Load Forecast

1. Departing Load Sales Methodology

MEA has no comment.

2. Treatment of Potential Departing Load Due to Direct Access Re-Opening (per PG&E's Supplemental Testimony)

MEA has no comment.

3. Treatment of Potential Departing Load Due to Community Choice Aggregation (per PG&E's Supplemental Testimony)

MEA has no comment.

4. Should the Commission Adopt PG&E's Electric Sales Forecast based on PG&E's Supplemental Testimony?

MEA has no comment.

C. Procurement Cost Inputs into ERRRA Forecast Calculations

1. Post-2002 Contracted Resources and Procurement Costs

MEA has no comment.

2. Fuel Costs

MEA has no comment.

3. Qualifying Facility and Purchased Power Costs

MEA has no comment.

4. Costs of Other Electric Procurement Activities

MEA has no comment.

D. Total Portfolio Indifference and the Power Charge Indifference Amount

1. Should the Commission Adopt PG&E's Proposed Power Charge Indifference Amount (PCIA) Revenue Requirement Credit of \$24.1 Million?

MEA believes that the PCIA has been incorrectly calculated for the vintaging reasons set forth below. Therefore the Commission should not adopt the full credit of \$24.1 million. Rather, the calculation should be re-run reflecting the inputs and assumptions set forth below.

2. Did PG&E's PCIA Rate calculation follow current CPUC-adopted methodologies?

As discussed below, PG&E has not followed the CPUC-adopted methodologies with regards to certain vintaging issues.

3. How should the CPUC reflect Concerns about PCIA "Vintaging"?

a. *PG&E will need to revise the vintaging of the Harvest Wind #1 Contract*

On September 1, 2010, MEA submitted its Data Request 3 to PG&E. On September 9, 2010, PG&E responded; MEA filed late-filed Exhibit MEA-3 entitled Further PG&E Responses which contains these responses. MEA Data Request 3 had requested signature pages of certain agreements signed near the end of 2009 and the beginning of 2010 to ensure the agreements were properly vintaged. Pursuant to the methodology adopted in Decision 08-09-012 issued September 4, 2008, a project is vintaged when the investor-owned utility executes a contract or begins construction.

For the Harvest Wind # 1 facility, PG&E and Shell Energy North America (US), L.P. entered into a Confirmation Agreement for that facility on January 29, 2010. However, in the information provided by PG&E in Exhibit MEA-2 in the response to Question 1 on the page

entitled Renewable + PV UOG, the Harvest Wind # 1 facility is given a 2009 vintage. This vintaging does not comport with the CPUC-approved methodology.

MEA requests that PG&E recalculate the 2009 and 2010 vintaging with this updated information.

b. *PG&E will need to correctly vintage the utility-owned generation photovoltaic program*

MEA notes an error in the inclusion of PG&E's utility-owned generation photovoltaic program (UOG PV Program). First, PG&E allocated the costs of the UOG PV Program solely across the 2010 and 2011 vintages, notwithstanding the fact that the approved UOG Program is to be a five-year program. (MEA Testimony at 4 line 17 to 5 line 12; PG&E Rebuttal Testimony at 13, line 18 to 26.) PG&E originally stated that all costs associated with the PV program would be assigned a 2010 vintage. During hearings, PG&E witness Barry clarified that only costs associated with portions of the project that commence construction during 2010 would be assigned a 2010 vintage, and the remainder of the projects would be assigned to vintages based on the date construction commences for that part of the project.

MEA generally agrees with PG&E's clarified position and notes that the Commission must take care in assessing "when construction begins" for purposes of vintaging the PCIA, as the utility owned PV program is made up of many small projects that will be constructed over a five-year period. The majority of these costs should be assigned a vintage of 2012 or later. As MEA stated in its testimony, the maximum that could possibly be included in the 2010 vintage is 50 MW (out of 250 MW total program) because that is the maximum that PG&E is authorized to construct during 2010. MEA notes that actual amounts could be less than the maximum authorized, based on when construction begins.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing *Brief of Marin Energy Authority Regarding the Electric Revenue Requirements and Rates Associated with the 2011 Energy Resource Recovery Account (ERRA) Forecasts of Pacific Gas and Electric Company* on all parties of record in *A.10-05-022* by serving an electronic copy on their email addresses of record and, for those parties without an email address of record, by mailing a properly addressed copy by first-class mail with postage prepaid to each party on the Commission's official service list for this proceeding.

This Certificate of Service is executed on September 20, 2010, at San Rafael, California.

/s/ Jordis Weaver
JORDIS WEAVER

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