

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Consider
Revisions to the Planning Reserve Margin
for Reliable and Cost-Effective Electric
Service

R.08-04-012
(April 10, 2008)

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES
ON RESTARTING THE PROCEEDING**

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February 26, 2010

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I. INTRODUCTION

Pursuant to the California Public Utilities Commission's Rules of Practice and Procedure, the invitation of the Administrative Law Judges Mark Wetzell and David Gamson in their Ruling of February 8, 2010 (ALJ Ruling), and the extension of time granted by them, the Division of Ratepayer Advocates (DRA) provides these comments on the restarting of the Planning Reserve Margin (PRM) Proceeding.

DRA does not advocate restarting the PRM proceeding at this time. The PRM proceeding was initiated in September of 2008, in order to bring greater analytical rigor and transparency to California Independent System Operator's (CAISO's) Planning Reserve Requirements Study, and the establishment of the PRM at the Commission as part of the Resource Adequacy program refinement proceeding. After much work and progress, the Commission was forced to suspend the PRM procedural schedule due to lack of funding for additional PRM model runs in February of 2009.

While DRA recognizes the many benefits of the PRM study, there does not appear to be a pressing need to change the PRM from the current level of 15 to 17%. DRA recognizes that there has been a tremendous amount of time and effort invested already into the PRM proceedings, and that this proceeding has allowed valuable input and greater transparency into the study process. Nevertheless, because the PRM study is extremely technical and complex in nature and data intensive, the completion of the PRM study process will take much time and will be at great expense. In short, DRA is not

convinced that the benefits of the study outweigh the costs, or that re-visiting the PRM is a top priority for the Commission right now.

DRA offers the following comments, subject to the Commission's final decision to restart the PRM proceeding:

II. COMMENTS

The ALJ's ruling issued on February 8, 2010, requests comments on restarting the following issues:

- a. Funding mechanisms and contract management;
- b. The Energy Division's (ED) Staff Modeling Manual;
- c. Scheduling and related procedural matters;
- d. Whether it is preferable to terminate the procedure and when funding is available to reinitiate consideration of the PRM.

A. Funding mechanisms and contract management.

DRA supports the option discussed in the ALJ Ruling of having the three large regulated investor-owned utilities (IOUs) provide funding for the necessary modeling work, as long as the recovery of these funds will be from both bundled load and unbundled load customers. DRA also supports the approach of having the IOUs file advice letters to establish memorandum accounts that track the costs of providing funding for the modeling process. Furthermore, DRA supports the option of having one of the IOUs function as the contracting party, with the Energy Division conducting the contract management and oversight. DRA agrees that Energy Division should make it possible for all parties to have reasonable opportunity to access modeling capabilities.

B. The Energy Division's Staff Modeling Manual

The Energy Division has issued an excellent report on "Proceeding Status Update and PRM Modeling Manual" (February 3, 2010). The Modeling Manual provides detailed guidance for the work to be done, and recommendations on various topics. DRA intends to submit detailed answers to the above questions on or before March 2, 2010, and will request leave to file supplemental comments at that time.

C. Scheduling and Related Procedural Matters.

DRA has no specific procedural schedule to offer at this time. If this proceeding is restarted, a Prehearing Conference can be held, and procedural schedules can be worked out at that time.

D. Whether it is preferable to terminate the proceeding and when funding is available, to reinitiate consideration of the PRM.

As DRA indicates above, revisiting the PRM is not a priority right now. If the Commission determines that it should consider the PRM, preference should be given in this proceeding to solving the funding problems as suggested in section A, i.e. whether the IOUs will fund the study, with recovery from both bundled and unbundled customers. An IOU could be selected to administer the Project with Energy Division's oversight. The present consultant, GE Energy could be retained to continue its work if the two GE Energy consultants that did the work previously are available and committed to the Project. If not, a Request for Qualifications should be issued and 3 to 4 firms interviewed for a final selection of the Consultant. This should be done in 2010, so that by the end of 2011, the actual modeling and input and analysis can be carried out. This way, the Final Decision on the PRM can be made by the end of 2012, followed by comments by stakeholders, reply comments.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON RESTARTING THE PROCEEDING** in **R.08-04-012** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

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Executed on **February 26, 2010** at San Francisco, California.

/s/ HALINA MARCINKOWSKI

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