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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)

PROTEST OF MARIN ENERGY AUTHORITY TO APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY

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July 6, 2010

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Pursuant to Rule 2.6 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the Marin Energy Authority (MEA) respectfully submits this protest to the Application of Pacific Gas & Electric Company (PG&E) filed May 28, 2010 in the above-captioned docket and noticed in the Commission's Daily Calendar on June 3, 2010 (Application). This protest identifies three key deficiencies of the Application insofar as it pertains to the ongoing operation within PG&E's service territory of the state's first community choice aggregation (CCA) entity: (i) the Application fails to properly account for MEA's first phase of customers enrolled in CCA electricity service; (ii) the Application fails to provide sufficient information for parties to verify PG&E's calculation of the Power Charge Indifference Adjustment (PCIA) for each vintage; and (iii) the market benchmark for calculation of the PCIA is unreasonably low relative to the actual cost of supplying CCA customers.

A. The Application Fails to Properly Account for MEA's Phase 1 Customers

Chapter 5 of the Implementation Plan of MEA submitted to the Commission and certified by the Commission on February 2, 2010, sets forth a phase-in approach for customer loads. The first phase of customers representing approximately 20% of MEA's load (Phase 1 Customers) has been enrolled in MEA electricity service in two parts – Phase 1A which was fully enrolled on June 7, 2010 and Phase 1B which will be fully enrolled by August 10, 2010. Notwithstanding the departure of the Phase 1 Customer loads prior to PG&E's filing of the Application, such departure was not accounted for in PG&E's ERRA forecast.

In addition, PG&E incorrectly states that it retains an obligation to plan for and serve MEA's Phase 1 Customers even though the majority of these customers had already transferred to MEA service by the time of the PG&E filing. PG&E's mischaracterization implies potential liability by MEA customers for PG&E's generation costs. PG&E states that MEA did not provide a Binding Notice of Intent, and, therefore, PG&E must continue to plan to serve MEA customers. This conclusion is incorrect as it fails to recognize that the Binding Notice of Intent is part of an optional process available to CCAs under Rule 23.2 that allows a CCA to mitigate the Cost Responsibility Surcharge (CRS) that would otherwise apply to the CCA's customers. In the absence of a Binding Notice of Intent, the procurement responsibility transitions to the CCA at the initiation of CCA service to the customer. PG&E's Schedule CCA-CRS states the following:

> The vintage of CRS applicable to a CCA customer is determined based on when the CCA commits to begin providing generation services to the customer. CCAs may formally commit to become the generation service provider for a group of customers by: (1) entering into a Binding Notice of Intent (BNI) with PG&E during the Open Season as described in Rule 23.2, (2) <u>initiating (or "cutting-over") service to the customer</u>, or (3) through a mutually agreed to binding commitment. If any of these occur in the first six months of the calendar year (*e.g.* 2010), the CCA customers are assigned the CRS for the prior year (*i.e.* 2009 vintage). If the commitment by the CCA occurs July 1 or later, the CCA customers are assigned the CRS for the current year (2009 vintage in this example).[1]

[1] Schedule CCA-CRS, at Sheet 1 (emphasis added). MEA notes that there is an error in Schedule CCA-CRS, in the last line above. In the example set forth in the tariff, for cutovers that occur July 1 or later, such vintage would be 2010.

MEA customers are not liable for the costs of any PG&E generation resource commitments beyond those that are authorized and associated with the vintage of the customers' transfer to MEA service. For MEA's Phase 1 Customers, the applicable vintage is 2009, since the cutover was initiated prior to July 1, 2010.

B. The Application Fails to Provide Sufficient Information for Parties to Verify the Calculation of PCIA for Each Vintage

The Application provides insufficient information for MEA or other parties to verify the calculation of the PCIA for each vintage. In order for the parties to validate whether resource commitments are assigned to the appropriate vintage, PG&E must supplement the Application with: (i) data indicating the specific generation resource commitments that are included in each PCIA vintage and (ii) the specific Commission authorization for each generation resource commitment, including both the date and cite of the authorization. While the Application describes numerous generation resource commitments included for cost recovery, it is impossible to discern which of these costs are included in the PCIA.

The PCIA calculation needs to be more transparent to avoid potential shifting of PG&E bundled generation costs onto CCA customers. Provision of the requested information would enable MEA and other interested parties to ascertain precisely which costs should be allocated to each customer group.

C. The Market Price Benchmark for Calculation of the PCIA Is Unreasonably Low

The market benchmark used to calculate the PCIA – $54 per MWh – is unreasonably low relative to the actual value of generation resources in PG&E's supply portfolio that PG&E can sell into the market when customers leave to take service from a CCA. The benchmark used by PG&E does not accurately reflect the full market value of the resources freed up by departing CCA customers because it does not include premiums for renewable energy or the higher cost of on-peak power that is no longer needed by PG&E to serve the shaped energy requirements of these customers. Additionally, the market price benchmark should include variable costs imposed on load serving entities by the California Independent System Operator (CAISO) because PG&E will no longer pay these costs for load that departs to a CCA. As a result, CCA customers are charged twice for these costs: once through the CCA's rates and a second time for PG&E's costs through the PCIA. To avoid double counting, the market benchmark should be modified as described below.

1. Renewable Energy Value

Under the California Renewable Portfolio Standard (RPS) PG&E is obligated to supply 20% of its customer loads with energy from qualified renewable resources. As load departs to a CCA, PG&E can reduce its procurement of renewable energy or sell any renewable energy that might be in excess of the 20% renewable portfolio standard requirement. For every 10 MWh that departs to a CCA, PG&E's renewable requirements are reduced by 2 MWh. The market value of renewable energy exceeds the value of conventional, non-renewable energy. For a renewable premium of X per MWh, the market price benchmark should be increased by 0.2X to reflect the additional revenue PG&E can obtain by remarketing renewable energy that is no longer used to serve the CCA's customers or, alternatively, the reduced costs incurred by PG&E for its reduced renewable procurement need.

2. Shaped Energy Value

The market price benchmark should also be consistent with the time-of-use period (i.e., peak and off-peak) in which the excess resources would be sold into the market. As currently calculated the market price benchmark assumes that the excess energy is sold evenly on a 24 X 7 basis because it is based on the cost of baseload energy. This assumption makes sense if the departing customers use energy evenly during both peak and off-peak hours, but it is inconsistent with the actual load shape of customers departing to a CCA. The majority of MEA's current and future customers are from the residential customer class, who, as can be demonstrated by PG&E's statistical class load profiles, use proportionately more energy during on-peak hours. When these customers exit the PG&E supply portfolio to take service from a CCA, PG&E can sell the excess power at higher peak prices. The market price benchmark should be reflective of the shaped value of energy rather than a flat baseload price. Since CCAs are subject to universal service obligations, CCAs can be expected to serve a mix of customer classes as does PG&E, and the PG&E system load shape should serve as a reasonable proxy for calculating a shaped market price benchmark for use in the PCIA calculation.

3. CAISO Costs

PG&E's generation costs include charges assessed by the CAISO based on the amount of bundled service load served by PG&E, and these costs must be excluded from the PCIA to avoid charging CCA customers for costs that are not incurred on their behalf. PG&E's invoices from the CAISO are reduced as load departs to CCA service. CAISO costs should be either excluded from the total portfolio when calculating the PCIA or an adder should be included in the market price benchmark to reflect the avoidable portion of CAISO charges. These avoidable costs include the grid management charge, imbalance charges, congestion charges, ancillary services charges, and other charges that are assessed by the CAISO on the basis of MWh of load.

An accurate PCIA requires incorporation of a more robust market price benchmark that reflects the value of generation resources that become available to PG&E when customers take service from CCAs and that appropriately reflects only the unavoidable costs of generation commitments made on behalf of CCA customers. Based on its recent experience in procuring electric supply for its program, MEA offers the following data that can be used to improve the accuracy of the market price benchmark:

Energy Component	Market Price Benchmark Adjustment	Notes
Renewable Energy Value	$8 Per MWh	$39 per MWh premium relative to non-renewable energy multiplied by 20% renewable standard.
Shaped Energy Value	$4 Per MWh	Shaped energy premium relative to baseload energy.
CAISO Costs	$3 Per MWh	Costs assessed to scheduling entities based on MWh of load represented in portfolio.
Total	$15 Per MWh	

Taken together the adjustments described above should increase the market price benchmark (and reduce the PCIA) by approximately $15 per MWh.

MEA expresses its appreciation to the Commission and ALJ Wilson for their consideration of the matters discussed herein.

Respectfully submitted,

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By: /s/ Elizabeth Rasmussen
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Dated: July 6, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing ***Protest of Marin Energy Authority to Application 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 July 6, 2010, at San Rafael, California.

/s/ Jordis Weaver
JORDIS WEAVER

SERVICE LIST FOR A.10-05-022

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