



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

FILED
3-03-14
04:59 PM

In the Matter of the Application of Southern)
California Edison Company (U 338-E) for)
Approval of Optional Green Rate)
_____)

Application No. 14-01-007
(Filed January 10, 2014)

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY TO PROTESTS

JENNIFER T. SHIGEKAWA
CATHY A. KARLSTAD

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1096
Facsimile: (626) 302-6962
E-mail: Cathy.Karlstad@sce.com

Dated: March 3, 2014

SOUTHERN CALIFORNIA EDISON COMPANY’S (U 338-E) REPLY TO PROTESTS

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
I.	INTRODUCTION	1
II.	SCE WILL PROPOSE AN ENHANCED COMMUNITY RENEWABLES PROGRAM.....	3
III.	THE GREEN RATE DESIGN AND COMPONENTS ARE REASONABLE	5
A.	SCE’s Proposed Green Rate Premium Appropriately Reflects the Program Required by Statute.....	5
B.	SCE’s Calculation of Renewable Value Takes Into Account the Benefits Provided by Green Rate Participants’ Subscriptions	6
C.	The Green Rate Resource Adequacy Charge and Adjustment Compensate Participating Customers for the Value of Green Rate Resources	7
D.	SCE’s Green Rate Varies Based on the Actual Costs of Green Rate Subscription	9
IV.	THE GREEN RATE MAINTAINS NON-PARTICIPATING CUSTOMER INDIFFERENCE	10
A.	SCE’s Indifference Adjustment is Based on a Commission-Approved Mechanism, and Properly Holds Non-Participating Customers Indifferent.....	10
B.	The Green Rate Appropriately Accounts for Embedded Staff Costs	11
V.	THE GREEN RATE IS COMPETITIVELY NEUTRAL AND COMPLIANT WITH DIRECT ACCESS AND AFFILIATE TRANSACTION RULES.....	12
VI.	THE GREEN RATE PORTFOLIO PROCUREMENT APPROACH COMPLIES WITH SB 43 AND MAXIMIZES PROGRAM EFFICIENCY	13
A.	The Green Rate Portfolio Approach Helps to Maintain Non-Participating Customer Indifference	13
B.	The Green Rate Will Result in Incremental Renewable Procurement	15
C.	SCE’s Interpretation of Public Utilities Code Section 2833(e) is Reasonable	17
D.	All Green Rate Resources Will Comply With the State Air Resources Board’s Voluntary Renewable Electricity Program	18
VII.	CONCLUSION.....	19

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

In the Matter of the Application of Southern)	
California Edison Company (U 338-E) for)	Application No. 14-01-007
Approval of Optional Green Rate)	(Filed January 10, 2014)
_____)	

SOUTHERN CALIFORNIA EDISON COMPANY’S (U 338-E) REPLY TO PROTESTS

Pursuant to Rule 2.6(e) of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Southern California Edison Company (“SCE”) respectfully submits this reply to the protests of the Interstate Renewable Energy Council, Inc. (“IREC”), the Office of Ratepayer Advocates (“ORA”), Shell Energy North America (US), L.P. (“Shell Energy”), Sierra Club and the California Clean Energy Committee (“Clean Energy”), and The Utility Reform Network (“TURN”) and the Coalition of California Utility Employees (“CUE”) to SCE’s application (“Application”) for approval of an optional green tariff shared renewables program (the “Green Rate”).

I.

INTRODUCTION

As demonstrated in SCE’s Application and accompanying testimony, SCE’s proposed Green Rate is reasonable and consistent with the requirements and intent of Senate Bill (“SB”) 43. The Green Rate will expand customers’ access to renewable resources. For example, customers who are currently unable to access onsite renewable generation will now be able to meet more of their energy requirements with renewable energy. In addition to providing customers with increased options, SCE’s Green Rate will also support the development of new renewable generating facilities. SCE will not count any power utilized by Green Rate participating customers toward its own Renewables Portfolio Standard (“RPS”) goals.

Accordingly, such Green Rate procurement will be separate, and in addition to, the State's existing RPS targets. Further, SCE designed its Green Rate to ensure that participating customers receive the full value, and pay the full costs, of their subscription. Customers voluntarily electing to subscribe to the Green Rate will bear the full costs of the Green Rate program and no costs will be shifted from participating customers to non-participating customers.

By and large, the protesting parties request modifications to SCE's Green Rate proposal or argue that further information on certain elements of the Green Rate is required. The protests generally focus on a few aspects of the Green Rate program. First, certain parties argue that SCE's proposal should include an enhanced community renewables program. In accordance with Administrative Law Judge ("ALJ") Clark's direction, SCE intends to propose an enhanced community renewables program. SCE's suggested procedural schedule for submission of that proposal, as well as other aspects of this proceeding, is included in Section II.

Second, some protesting parties address the reasonableness of SCE's Green Rate design and components. As explained in Section III, SCE's proposed Green Rate charge and credit are reasonable. In particular, the premium associated with the Green Rate appropriately reflects the premium product being purchased by Green Rate participants and the statutory requirements of SB 43. SCE is appropriately valuing the costs and benefits of Green Rate subscriptions, and the variable nature of the Green Rate is necessary to properly reflect the actual costs of the Green Rate program.

Third, as required by SB 43, the Green Rate maintains non-participating ratepayer indifference. Specifically, as discussed in Section IV, the indifference adjustment included in the Green Rate is based on a Commission-approved mechanism and is consistent with the methodology used by the other investor-owned utilities ("IOUs"). The Green Rate also correctly accounts for embedded staff costs.

Fourth, as addressed in Section V, the Green Rate is competitively neutral and compliant with Direct Access and Affiliates Transactions Rules. Shell Energy's unsupported claims that

the Green Rate is subject to Direct Access limitations and a violation of the Affiliate Transaction Rules are wholly without merit.

Lastly, as detailed in Section VI, SCE's Green Rate Portfolio procurement approach is consistent with SB 43, maximizes program efficiency, helps to maintain non-participating customer indifference, and will result in incremental renewable procurement. Moreover, SCE's interpretation of Public Utilities Code Section 2833(e)'s requirement that "a participating utility shall seek to procure eligible renewable energy resources that are located in reasonable proximity to enrolled participants" is reasonable. SCE will also ensure that all of its Green Rate resources will comply with the State Air Resources Board's Voluntary Renewable Electricity Program.

II.

SCE WILL PROPOSE AN ENHANCED COMMUNITY RENEWABLES PROGRAM

Some parties protested SCE's Application because it did not include an enhanced community renewables program.¹ Consistent with ALJ Clark's February 10, 2014 email indicating that SCE should act expeditiously to resolve the lack of an enhanced community renewables program in its Application, SCE intends to put forth an enhanced community renewables program proposal this month. As discussed below, SCE proposes to serve its proposal on all parties to this proceeding by March 21, 2014. Similar to Pacific Gas and Electric Company's proposed program proposal in Application 12-04-020, SCE plans to serve parties with an exhibit discussing the key elements of its proposed program.

The Commission should reject any suggestion that an enhanced community renewables program must take a form preferred by renewable developers, Direct Access providers, or other interested parties. While the requirements and criteria for a green tariff shared renewables program in SB 43 are very specific, the portion of the statute addressing enhanced community renewables programs is a single sentence stating that "[a] participating utility shall provide support for enhanced community renewables programs to facilitate development of eligible

¹ See IREC Protest at 4-5; Shell Energy Protest at 3, 10-12; Sierra Club/Clean Energy Protest at 1-2, 6.

renewable energy resource projects close to the source of demand.”² With little direction provided in the statute, more than one program model could meet the goals of SB 43. Moreover, there is no requirement that each utility’s program look exactly the same. As IREC agreed, “some diversity in program approaches can be useful to accommodate utilities’ particular systems and customers, and to demonstrate the various ways that the goal of expanding access to renewable energy may be achieved.”³ SCE looks forward to working with the parties to develop a model that best serves SCE’s customers.

SCE proposes the following schedule for this proceeding, which updates the proposed schedule included in SCE’s Application consistent with ALJ Clark’s tentative schedule⁴ and the July 1, 2014 deadline in Public Utilities Code Section 2832(b):⁵

Prehearing Conference	March 10, 2014
SCE Enhanced Community Renewables Program Proposal	March 21, 2014
Intervenor Testimony	April 11, 2014
Rebuttal Testimony	April 23, 2014
Hearings, if necessary	April 30-May 2, 2014
Opening Briefs	May 9, 2014
Reply Briefs	May 16, 2014
Proposed Decision Mailed	May 27, 2014
Comments on Proposed Decision	June 16, 2014
Reply Comments on Proposed Decision	June 23, 2014

² Cal. Pub. Util. Code § 2833(o).

³ IREC Protest at 4.

⁴ SCE proposes that intervenor testimony be due on April 11, 2014, consistent with ALJ Clark’s tentative schedule of mid-April for rebuttal to SCE testimony. SCE has added an April 23, 2014 due date for rebuttal testimony to provide an opportunity for SCE and other parties to respond to intervenor testimony.

⁵ Although SCE has not recommended a specific date for a workshop, SCE remains open to holding a workshop if the Commission and the parties believe that a workshop will help to resolve any outstanding issues.

III.

THE GREEN RATE DESIGN AND COMPONENTS ARE REASONABLE

A. SCE's Proposed Green Rate Premium Appropriately Reflects the Program Required by Statute

SCE's Green Rate allows customers to purchase a premium product – energy that comes from renewable resources 20 MW and smaller, located in California. As such, the price for this product currently represents a premium over SCE's typical Bundled Service. IREC suggests that SCE's Green Rate may not be attractive to potential participants (and thus may not meet the goals of SB 43) because the Green Rate premium is higher than the premiums of the top ten green pricing programs in the United States, which IREC claims average to about 1.1 cents per kWh.⁶ However, this comparison ignores the substantial differences between the green pricing programs cited by IREC and SCE's Green Rate. In particular, the Green Rate reflects specific requirements outlined in SB 43 that are not shared by all other green pricing programs, including the large and diverse set of programs listed with the Department of Energy ("DOE").⁷

As required by SB 43, Green Rate procurement must come from eligible renewable energy resources sized 20 MW and smaller that are located in California.⁸ Additionally, Green Rate procurement must comply with the State Air Resources Board's Voluntary Renewable Electricity Program.⁹ The procurement used to serve Green Rate subscriptions is also bundled procurement of energy and renewable energy credits ("RECs"), not unbundled RECs. All of these requirements add costs to the Green Rate premium.

⁶ See IREC Protest at 5-6.

⁷ See DOE, Green Pricing: Utility Programs by State <http://apps3.eere.energy.gov/greenpower/markets/pricing.shtml?page=1>. SCE was not able to replicate IREC's 1.1 cent per kWh premium calculation using these data.

⁸ See Cal. Pub. Util. Code §§ 2833(b), 2833(e)

⁹ See *id.* § 2833(u).

The green pricing programs referenced by IREC do not have the same requirements. For instance, both Marin County Energy Authority and Sacramento Municipal Utility District (“SMUD”) (one of the “Top Ten Utility Green Programs” cited by IREC¹⁰) offer green rate premiums of approximately 1 cent per kWh, but they also use out-of-state RECs that contribute to lower cost and simpler procurement efficiencies.¹¹ A review of the IREC-cited DOE premiums also shows a discrepancy in pricing based on resource. Those programs with 100 percent wind energy, for example, are 16 percent lower than average cost, while those programs that include solar in their mix (which is more representative of SCE’s proposal for a blend of California renewable procurement) see premiums 39 percent higher than average.

Furthermore, SB 43 requires non-participating ratepayer indifference.¹² Thus, any implementation and administrative costs related to the Green Rate must be borne by Green Rate participants, rather than shared with all customers. SCE’s Green Rate premium also includes the implementation and administrative costs at the start of a program, which would likely be lower for programs that are already in place. Many national programs do not include this requirement, and may be able to offer lower prices as a result.

B. SCE’s Calculation of Renewable Value Takes Into Account the Benefits Provided by Green Rate Participants’ Subscriptions

IREC argues that SCE’s Green Rate design undervalues the benefits that participating customers are providing in supporting Green Rate generation.¹³ IREC is incorrect. As explained in SCE’s testimony,¹⁴ SCE will credit Green Rate customers with both the generation charge that

¹⁰ See DOE, Green Pricing: Top Ten Utility Green Power Programs (as of December 2012), <http://apps3.eere.energy.gov/greenpower/markets/pricing.shtml?page=3>.

¹¹ See SMUD, Greenergy Power Content Label, October 2013, <https://www.smud.org/en/about-smud/company-information/documents/Power-Content-Label.pdf>; Marin Energy Authority, Integrated Resource Plan Annual Update, November 2013, https://mcecleanenergy.com/sites/default/files/PDF/2013_Integrated_Resource_Plan.pdf.

¹² See Cal. Pub. Util. Code §§ 2831(h), 2833(p).

¹³ See IREC Protest at 5-6.

¹⁴ See Prepared Testimony of Southern California Edison Company in Support of Application for Approval of Optional Green Rate, January 10, 2014 (“Prepared Testimony”) at 19-21.

that customer would otherwise incur by taking regular service from SCE and the value specific to the Green Rate resources. These additional credits include a time-of-delivery adjustment that captures the incremental energy value associated with the generation profile of the resources eligible to fulfill Green Rate subscriptions as compared to SCE's entire bundled portfolio, as well as a Resource Adequacy adjustment, which compensates participating customers for the Resource Adequacy value of the Green Rate Portfolio. These are real and measurable benefits provided by customers' Green Rate subscriptions that should be passed on to participating customers, as SCE proposes.

IREC's complaint that the Green Rate is "expensive" and thus "likely to be unattractive to many potential participants" is not a reason to artificially increase the credit provided to participating customers.¹⁵ In its Green Rate proposal, SCE has undertaken every reasonable effort to minimize the cost of the program to participants to allow for a successful adoption rate, while maintaining non-participating customer indifference as mandated by statute. Nonetheless, Green Rate Portfolio resources are generally more expensive, and often provide less energy and capacity value, than resources in SCE's bundled portfolio, and thus the Green Rate currently represents a premium over regular SCE Bundled Service. Artificially lowering the Green Rate could only be achieved through subsidies from non-participating customers, which is contrary to the statutory requirements of SB 43.¹⁶

C. The Green Rate Resource Adequacy Charge and Adjustment Compensate Participating Customers for the Value of Green Rate Resources

TURN and CUE state that "SCE appears to assume that resources used to serve [Green Rate] subscribers have virtually no capacity value. . . ." ¹⁷ To the contrary, SCE properly values the capacity value of Green Rate resources. As explained in SCE's testimony,¹⁸ SCE proposes to

¹⁵ IREC Protest at 6.

¹⁶ See Cal. Pub. Util. Code §§ 2831(h), 2833(p).

¹⁷ TURN/CUE Protest at 6.

¹⁸ See Prepared Testimony at 18-20.

apply one charge and one credit to Green Rate participating customers that reflect the capacity cost, and capacity value, of the customer's subscription. This charge and value is calculated using the Resource Adequacy pricing and methodology approved by the Commission in Resolution E-4475.¹⁹

Renewable resources such as those in the Green Rate Portfolio typically provide low capacity value and countable Resource Adequacy toward SCE's procurement planning margin requirements. This is partially due to their intermittent nature. As determined by the California Independent System Operator ("CAISO"), only a small portion of these resources can be counted on to reliably provide energy for system needs. Additionally, many of the projects that qualify for the Green Rate Portfolio are small, energy-only contracts that have elected to not pursue CAISO Full Capacity Deliverability Status ("FCDS"), and thus do not provide *any* Resource Adequacy value. SCE calculates the Resource Adequacy value of the Green Rate Portfolio by using the total net qualifying capacity ("NQC") per the CAISO NQC list of each project eligible to fulfill Green Rate subscriptions. Based on projects in SCE's existing portfolio of RPS-eligible resources located in California that are 20 MW and smaller, this NQC is, on average, 8 MW for every 100 MW of installed capacity.²⁰ Using only those resources that are also eligible for the State Air Resources Board's Voluntary Renewable Electricity Program, the NQC is about 1 MW per 100 MW of installed capacity.

The Resource Adequacy value of the Green Rate Portfolio will be estimated annually to reflect the most up-to-date CAISO NQC values of individual projects in the portfolio.

¹⁹ This Resource Adequacy price is currently \$50.17 per kW-year, or roughly 0.5727 cents per kWh. *See* Resolution E-4475 at Ordering Paragraph 2.

²⁰ If every project in SCE's Green Rate Portfolio were to achieve CAISO FCDS, either through an application by the generator or SCE's annual application to the CAISO's Distributed Generation Deliverability Assessment, the Resource Adequacy provided by this portfolio of resources would reach over 40 percent. However, SCE acknowledges that this is highly unlikely to occur due to the high cost of achieving deliverability status (especially prohibitive for small projects) and the limited availability of excess deliverability allocated through the CAISO's distributed generation process.

D. SCE’s Green Rate Varies Based on the Actual Costs of Green Rate Subscription

In its protest, IREC suggests that because SCE’s Green Rate components change over time, SCE’s proposal does not satisfy the intent of SB 43 to expand access to renewable energy and support the development of a broader, sustainable renewable energy market.²¹ SCE disagrees. In order to maintain non-participating customer indifference, it is important that the charges Green Rate participating customers incur are tied directly to the actual costs of their subscription. These costs will change over time in line with changes to the resources eligible for the Green Rate Portfolio (and the relative value of their energy and capacity), the implementation costs of the program, and other factors. To minimize uncertainty for customers, SCE proposes to impose changes to the Green Rate components only once per year, and using existing rate change schedules. As such, customers will pay the full costs (and receive the full value) of their subscriptions, but will only experience changes to their rates in a way that is familiar to them from their past experience on SCE rates.

Additionally, it is important to note that even with variable Green Rate components, SCE’s Green Rate proposal still provides customers the option to “hedge” against conventional resource prices. If a customer signs up for the 100 percent Green Rate subscription model, that customer will have no exposure to increases in SCE’s conventional portfolio costs driven by rising natural gas or greenhouse gas prices. However, because the costs of the renewable resources serving Green Rate subscriptions may continue to change over time as well – though driven by different factors – it would be inappropriate to allow customers to “lock in” a single renewables price for their entire program participation.

²¹ See IREC Protest at 5-6.

IV.

THE GREEN RATE MAINTAINS NON-PARTICIPATING CUSTOMER INDIFFERENCE

A. SCE's Indifference Adjustment is Based on a Commission-Approved Mechanism, and Properly Holds Non-Participating Customers Indifferent

In order to implement the proposed Green Rate in a manner that ensures non-participating ratepayer indifference, SCE has proposed to include an indifference adjustment in the generation credit component. TURN and CUE suggest that the indifference adjustment may be too high because it is higher than the charges proposed by the other IOUs.²² However, SCE's proposed indifference adjustment is based on the Direct Access and Departing Load Cost Responsibility Surcharge established in Decision ("D.") 02-11-022, and revised and modified in D.06-07-030 and D.11-12-018, as a part of Rulemaking ("R.") 02-01-011.

The indifference adjustment, as established in R.02-01-011, was designed to ensure that Direct Access customers that have departed from bundled IOU procurement service remain responsible for paying any IOU costs incurred on their behalf, and is defined as the above market cost of the total portfolio of resources procured for customers prior to their departure. This is calculated by comparing the total power portfolio costs with the current market value of the portfolio. A separate indifference adjustment is calculated for each year, or vintage, based on the distinct portfolio of generation resources procured for that year to serve bundled load. Customers are assigned to vintages based on the year they stop receiving service exclusively from SCE's typical bundled portfolio. The indifference adjustment is calculated and approved by the Commission annually in the Energy Resource Recovery Account proceeding.

The process for calculating the indifference adjustment was established in R.02-01-011, and is consistent with the methodology used by the other IOUs. For the proposed Green Rate, SCE believes that it is appropriate to include this adjustment as a part of the generation credit

²² See TURN/CUE Protest at 6-7.

component, because it represents the above market value of generation resources that were procured on the Green Rate participant's behalf. Any deviations between SCE and the other IOUs' indifference adjustment calculations are based on differences in each IOU's bundled portfolio, which may naturally differ over time.

B. The Green Rate Appropriately Accounts for Embedded Staff Costs

In compliance with SB 43, SCE proposes that Green Rate program implementation and administration costs follow cost causation principles. That is, the program administration costs should be allocated solely to program participants. The primary program administration cost drivers for the Green Rate program include the system development to enable bill presentment capabilities, implementation activities, marketing, education and outreach, as well as ongoing operational costs.

The incremental program administration costs associated with the Green Rate program are the labor and non-labor costs that would not otherwise have been incurred but for the Green Rate program. As discussed in SCE's Application, SCE is proposing to establish a Green Rate Balancing Account to record these actual costs. All recorded costs will include provisions for overhead loadings on direct labor dollars, to account for items such as benefits and payroll taxes. ORA expresses concern that SCE has not accounted for embedded staff costs.²³ To the extent that the Green Rate program leverages already committed and budgeted SCE resources, however, Green Rate participants will continue to pay for their share of these costs through their remaining bill charges. Should SCE need to hire additional staff to implement the Green Rate program, those incremental costs will be allocated to Green Rate participants through the Green Rate Balancing Account.

²³ See ORA Protest at 4.

V.

**THE GREEN RATE IS COMPETITIVELY NEUTRAL AND COMPLIANT WITH
DIRECT ACCESS AND AFFILIATE TRANSACTION RULES**

Shell Energy argues that non-participating ratepayer indifference requires that the “terms and conditions associated with customer participation in SCE’s Green Rate program must not be any more favorable than the terms and conditions associated with participation in direct access.”²⁴ Shell Energy offers no support for this statement. SCE’s Green Rate is not Direct Access. Green Rate participants will remain SCE Bundled Service customers and will continue to receive electric service from SCE. The fact that Green Rate customers’ energy requirements will be served from a portfolio of renewable resources that is different from SCE’s bundled portfolio does not make the Green Rate Direct Access or require that its terms and conditions be no more favorable than Direct Access. Indeed, the Green Rate is similar to any number of optional rate schedules and services offered by SCE and other utilities to Bundled Service customers.

As discussed above and in SCE’s Application and testimony, non-participating customer indifference is maintained by ensuring that Green Rate participating customers receive the full value, and pay the full costs, of their subscription. In addition, to maintain competitive neutrality, SCE will adhere to the Community Choice Aggregation Code of Conduct.²⁵ These protections will ensure that SCE’s Green Rate is offered to its customers in a competitively neutral manner.

Shell Energy’s contention that SCE’s Green Rate constitutes a Direct Access transaction subject to the limitations of Public Utilities Code Section 365.1 is equally meritless.²⁶ SCE’s Green Rate program was required by the Legislature in SB 43. Furthermore, the Green Rate is an optional utility-tariffed rate schedule, and as noted above, Green Rate participants remain

²⁴ Shell Energy Protest at 6.

²⁵ See Prepared Testimony at 48.

²⁶ See Shell Energy Protest at 7-8.

SCE Bundled Service customers. Green Rate participants are not departing SCE Bundled Service for another provider, therefore, there is no direct transaction by an electric service provider under Section 365.1.

Lastly, the Commission should reject Shell Energy's unsupported claim that SCE's proposed Green Rate violates the Commission's Affiliate Transaction Rules.²⁷ Without citing any specific rule, Shell Energy alleges that, under the Affiliate Transaction Rules, "an electric utility may not leverage its monopoly status to offer a new competitive procurement service option."²⁸ However, SCE's Green Rate was mandated by the Legislature under SB 43. Moreover, there is nothing in the Affiliate Transaction Rules that preclude an optional Green Rate schedule. Indeed, the Affiliate Transaction Rules specifically permit utilities to offer "[n]ew products and service that are offered on a tariffed basis."²⁹ Since the Green Rate will be an optional tariffed rate schedule, it is clearly permitted under the Affiliate Transaction Rules.

VI.

THE GREEN RATE PORTFOLIO PROCUREMENT APPROACH COMPLIES WITH SB 43 AND MAXIMIZES PROGRAM EFFICIENCY

A. The Green Rate Portfolio Approach Helps to Maintain Non-Participating Customer Indifference

As explained in its Application and testimony, SCE proposes to draw from a portfolio of renewable resources that meet the eligibility criteria under SB 43 to serve Green Rate customers.³⁰ The portion of this pool of eligible resources that is used to fulfill Green Rate subscriptions is the Green Rate Portfolio. Green Rate participants are charged based on the weighted-average contract costs of all projects that are eligible to serve Green Rate subscriptions.

²⁷ See *id.* at 9-10.

²⁸ *Id.* at 9.

²⁹ Affiliate Transaction Rule Section VII.C.3, as modified by D.06-12-029.

³⁰ See Prepared Testimony at 32-39.

SCE designed this Green Rate Portfolio approach in order to ensure that non-participating customers are indifferent to the Green Rate – i.e., that non-participating customers neither receive a benefit from, nor are harmed by, the Green Rate program. One key benefit of the Green Rate Portfolio method is to account for the difficulty in precisely forecasting Green Rate subscription levels.

Under a dedicated procurement approach that assigns specific projects and contracts to Green Rate customers, non-participating customers bear the risk of carrying the cost of long-term contracts that SCE may have not otherwise signed in a competitive solicitation if Green Rate customers fail to join the program, or join briefly and drop their subscriptions. In contrast, the Green Rate Portfolio approach allows SCE to easily respond to changes in Green Rate subscriptions. SCE will be able to immediately serve new Green Rate customers, as well as Green Rate subscriptions in excess of forecasted levels, without waiting for new projects to come on-line. In addition, SCE will have the flexibility to reincorporate any unsubscribed procurement back into its general renewables portfolio without jeopardizing non-participating customer indifference. Similarly, the Green Rate Portfolio approach will enable SCE to plan and procure for Green Rate subscriptions effectively without the risk of project failure resulting in an inability to serve customer demand for new Green Rate subscriptions. At the same time, if more projects than expected achieve commercial operations, SCE can be ensured that this excess generation incorporated into SCE's bundled renewables portfolio is competitive as compared to other current renewable procurement, and thus will not affect costs for non-participating customers.

Indeed, contrary to ORA's concern that SCE's Green Rate Portfolio approach may violate the non-participating customer indifference mandate, SCE's proposed procurement method significantly decreases, if not eliminates, the risk that "nonparticipants pay more for the specific renewable resources SCE procures to satisfy Green Rate procurement that is transferred

back [to] the RPS program than for the renewable resources SCE procures for RPS compliance purposes.”³¹ The Green Rate Portfolio method ensures that the contracts used to serve Green Rate customers are competitive in relation to the rest of SCE’s portfolio of comparable small renewable resources. By assigning the averaged-price kWh to Green Rate customers, the overall average price of the comparable portion of the bundled renewables portfolio kWh remains unchanged, ensuring non-participants are held indifferent if the kWh that are not used to serve Green Rate subscriptions are reincorporated back into the bundled renewables portfolio.

Finally, SCE acknowledges that there may be a need to adjust the Green Rate due to changes to SCE’s bundled renewables portfolio caused by removing generation to serve Green Rate customers. TURN and CUE assert that the Green Rate “does not have any mechanism for crediting [Green Rate] subscribers in the event that ‘incremental’ procurement yields replacement RPS resources that are lower cost, and higher value, than the resources being sold to [Green Rate] subscribers.”³² SCE agrees that this may be a result of its current proposal and is assessing a way to properly compensate, or charge, Green Rate customers accordingly to ensure non-participating customer indifference.

B. The Green Rate Will Result in Incremental Renewable Procurement

TURN and CUE argue that SCE’s Green Rate proposal fails to ensure any new procurement of renewable energy to serve Green Rate participants.³³ SCE disagrees. SCE’s proposed Green Rate Portfolio procurement approach will provide Green Rate subscribers with renewable energy that is in addition to what SCE would otherwise procure for RPS requirements. Because SCE will not count the RECs associated with Green Rate procurement toward its RPS goals, SCE will, by definition, be required to procure additional renewables to meet RPS targets that would have otherwise be met by this Green Rate procurement.

³¹ ORA Protest at 4.

³² TURN/CUE Protest at 6.

³³ *See id.* at 1-3.

TURN and CUE are correct that this procurement may not happen immediately and will be dependent on the quantity of procurement allocated to the Green Rate Portfolio and SCE's overall need for renewable energy.³⁴ However, this is consistent with how SCE conducts renewable procurement planning in all other cases. SCE continuously assesses its renewable procurement need, and attempts to procure resources that will provide the lowest cost, highest value renewable energy to meet that need. Even if, for instance, SCE relied on banked renewable procurement to meet any short-term renewable procurement need resulting from Green Rate subscriptions, SCE's bank would be depleted and SCE would eventually have to replace that renewable energy. To the extent customers subscribe to the Green Rate and create the need for additional renewable procurement to serve Green Rate subscriptions, SCE will procure incremental renewable energy to meet Green Rate customer need.

Moreover, TURN and CUE recognize that "the quantities used to serve [Green Rate] customers may be difficult to forecast on a long-term basis. . . ."³⁵ If SCE entered into dedicated long-term contracts to satisfy Green Rate subscriptions in advance of determining demand for the Green Rate, non-participating customers may end up bearing the costs of 20-year contracts that are not needed for the Green Rate program, and possibly not needed to meet RPS goals. This violates SB 43's requirement that no costs be shifted from participating customers to non-participating customers.³⁶ SCE's proposed approach will result in incremental renewable procurement when such procurement is necessary to serve Green Rate subscriptions without imposing unnecessary Green Rate-related costs on non-participating customers.

TURN and CUE also claim that SCE could replace the Green Rate energy with unbundled RECs, out-of-state renewable resources, or existing renewable resources.³⁷ SCE does not dispute that the renewable energy allocated to the Green Rate Portfolio could be replaced by

³⁴ See *id.* at 2.

³⁵ *Id.* at 2.

³⁶ See Cal. Pub. Util. Code §§ 2831(h), 2833(p).

³⁷ See TURN/CUE Protest at 2-3.

such resources. However, the vast majority of SCE’s renewable procurement is bundled procurement with renewable resources located in California.³⁸ Additionally, the RPS program rules require that the majority of RPS procurement be from resources interconnected with, scheduled into, or dynamically transferred to, a California balancing authority.³⁹

C. SCE’s Interpretation of Public Utilities Code Section 2833(e) is Reasonable

SCE disagrees with TURN and CUE’s assertion that SCE’s interpretation of Public Utilities Section 2833(e) is unreasonable.⁴⁰ Section 2833(e) provides that “[t]o the extent possible, a participating utility shall seek to procure eligible renewable energy resources that are located in reasonable proximity to enrolled participants.” This does not necessarily limit Green Rate procurement to resources located in SCE’s service territory. All eligible renewable resources 20 MW and smaller located in California may provide the benefits desired by the Legislature as indicated in Public Utilities Code Sections 2831(a) and 2831(e), regardless of in which utility’s service area these resources are located.

Furthermore, allowing Green Rate subscribers to utilize procurement from resources located anywhere in California will benefit such subscribers by allowing SCE to serve Green Rate customers from a wide range of eligible resources, including, for example, resources procured through the Renewable Auction Mechanism program where each IOU may contract with projects located in any of the IOUs’ service territories. This will likely lower costs for Green Rate participants by allowing Green Rate subscriptions to be fulfilled by more competitively-priced contracts.

As addressed above, SCE intends to propose an enhanced community renewables program that will provide additional options for customers that may want a more direct relationship with a specific local generator or for the facility to be closer to their load.

³⁸ Of SCE’s currently active RPS-eligible contracts signed since 2002, 254 out of 260, or 97.7 percent, are with projects located in California. On a capacity basis, 5,235 of the 6,584 total potential MW, or 79.5 percent, are from projects located in California.

³⁹ See Cal. Pub. Util. Code § 399.16.

⁴⁰ See TURN/CUE Protest at 3-4.

D. All Green Rate Resources Will Comply With the State Air Resources Board's Voluntary Renewable Electricity Program

SCE agrees with TURN and CUE that all resources in SCE's Green Rate Portfolio must comply with the State Air Resources Board's Voluntary Renewable Electricity Program.⁴¹ Under that program, eligible resources must be new and not have served load prior to July 1, 2005.⁴² SCE's testimony stated that it had identified 271 projects in its existing portfolio that meet the eligibility criteria under SB 43 and will likely be used to establish SCE's initial Green Rate Portfolio.⁴³ Of those 271 projects, 214 meet the requirement of not having served load prior to July 1, 2005. SCE intends to serve an amendment to its testimony to correct this number and adjust the related charges and credits to reflect this smaller subset of projects.

⁴¹ See *id.* at 4-5.

⁴² See Title 17, Cal. Code of Regulations, § 95841.1(a).

⁴³ See Prepared Testimony at 35.

VII.

CONCLUSION

For all the foregoing reasons, the Commission should adopt the procedural schedule set forth in this reply and grant SCE's Application.

Respectfully submitted,

JENNIFER T. SHIGEKAWA
CATHY A. KARLSTAD

/s/ Cathy A. Karlstad

By: Cathy A. Karlstad

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1096
Facsimile: (626) 302-6962
E-mail: Cathy.Karlstad@sce.com

March 3, 2014