



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

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Order Instituting Rulemaking to Continue
Implementation and Administration, and
Consider Further Development, of California
Renewables Portfolio Standard Program.

Rulemaking 15-02-020
(Filed February 26, 2015)

**JOINT RESPONSE OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E),
SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E), AND SAN DIEGO GAS &
ELECTRIC COMPANY (U 902-E) TO MOTION TO AMEND ASSIGNED
COMMISSIONER AND ASSIGNED ADMINISTRATIVE LAW JUDGE'S RULING**

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Dated: **June 16, 2016**

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I.

INTRODUCTION AND EXECUTIVE SUMMARY

Pursuant to Rule 11.1(e) of the California Public Utilities Commission’s (“Commission’s”) Rules of Practice and Procedure, Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“SCE”), and San Diego Gas & Electric Company (“SDG&E”) (hereinafter referred to jointly as the “Joint Investor Owned Utilities” or “Joint IOUs”) hereby respond to the Motion of the California Biomass Energy Alliance, California Wind Energy Association, Calpine Corporation, Geothermal Energy Association and Ormat Nevada, Inc., to Amend Assigned Commissioner and Assigned Administrative Law Judge’s Ruling Identifying Issues and Schedule of Review for 2016 Renewables Portfolio Standard (“RPS”) Procurement Plans, dated June 1, 2016 (“Joint Motion”).

The Joint Motion requests that the Commission amend the Assigned Commissioner and Assigned Administrative Law Judge’s Ruling Identifying Issues and Schedule of Review for 2016 RPS Procurement Plans, issued May 17, 2016 (“ACR”) directing the Joint IOUs to file

2016 RPS Procurement Plans “to specifically address: (1) how they propose to address the projected direct and indirect costs of energy curtailments in the least-cost, best-fit bid evaluation process, and (2) how they plan to make use of their contractual economic curtailment rights with respect to potential overgeneration conditions.”¹

The requests in the Joint Motion should be rejected because: (1) least-cost, best-fit (“LCBF”) issues should be addressed as a part of the LCBF reform effort, not through the RPS Plans; (2) issues of contract administration are more appropriately considered in other venues; (3) limiting the request to the Joint IOUs is not appropriate; (4) the Joint Parties are not proposing to address cost allocation of any above-market costs potentially imposed on the Joint IOUs’ bundled customers, if the Joint Motion is granted; and (5) granting the Joint Motion could further delay the 2016 RPS Plan filings.

II.

LEAST-COST, BEST-FIT ISSUES ARE BETTER ADDRESSED AS A PART OF THE LCBF REFORM EFFORT

The Joint Motion proposes that the 2016 RPS Plans “address the projected direct and indirect costs of energy curtailment in the [LCBF] evaluation process.”² However, LCBF issues are already being considered separately in this proceeding.³ Rather than taking a piece-meal approach, considering limited LCBF issues in the RPS Plans such as the direct and indirect costs of energy curtailment proposed in the Joint Motion, the parties should address LCBF reform in a single forum. Since the issue of LCBF reform is already being addressed separately in this proceeding, it is appropriate to consider the issues raised on the Joint Motion there, rather than in the Joint IOUs’ RPS Plans.

¹ Joint Motion, p. 1.

² Joint Motion, p. 1.

³ See, e.g., Scoping Memo and Ruling of Assigned Commissioner, issued May 22, 2015, at p. 4 (identifying LCBF reform as one of the key issues in this proceeding).

III.

CONTRACT ADMINISTRATION ISSUES ARE MORE APPROPRIATELY CONSIDERED IN OTHER VENUES

The second issue raised in the Joint Motion concerns the Joint IOUs' use of their contractual administration rights.⁴ This proposal would substantially expand the scope of the RPS Plans. California Public Utilities Code section 399.13(a)(1) requires the IOUs, Community Choice Aggregators ("CCAs"), and Direct Access ("DA") providers to file annual RPS Procurement Plans. The specific RPS Procurement Plan elements are included in Section 399.13(a)(5), focusing primarily on the need for additional resources, compliance positions, bid documents, and the status and risks associated with new or proposed facilities. The Joint Parties now ask to include broad issues concerning contract administration (*i.e.*, "how [the utilities] plan to make use of their contractual economic curtailment rights with respect to overgeneration conditions") in the Joint IOUs' RPS Procurement Plans. This request would likely result in other parties asking for operational and contractual information that is of interest to those parties and not necessary for effective review of the Joint IOUs' RPS Procurement Plans.

Moreover, contract administration issues are already addressed annually in each of the Joint IOUs' Energy Resource Recovery Account ("ERRA") Compliance proceedings. One of the key issues in the ERRA Compliance proceeding is the administration of RPS-eligible contracts during a specific record year. In D.02-12-074, the Commission adopted Standard of Conduct 4 (SOC 4) which addresses the issue of contract administration:

Prudent contract administration includes **administration of all contracts within the terms and conditions of those contracts**⁵

In D.05-01-054, the Commission confirmed that in conducting the daily economic dispatch of energy, utilities must comply with Standard of Conduct No. 4 (SOC 4), which states:

⁴ Joint Motion, p. 1.

⁵ D.02-12-074, p. 54 (emphasis added).

The utilities shall prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner⁶

The dispatch and contract administration issues included in SOC 4 are addressed in each of the Joint IOUs' ERRA Compliance proceedings. Therefore, no additional review is required through the RPS Procurement Plans. Given that contract administration issues are addressed in these annual proceedings, there is no need to duplicate this effort in the RPS Plan.

Finally, PG&E notes that it provided substantial scheduling, bidding, and operational information regarding economic curtailment and overgeneration in its 2014 Bundled Procurement Plan ("BPP"), which was approved by the Commission in October 2015 in D.15-10-031. PG&E's BPP addresses how PG&E schedules and bids resources, including the use of economic curtailment rights, and addresses overgeneration. Again, there is no reason to address in the RPS Plans issues that have been addressed in other venues.

IV.

THE JOINT MOTION SHOULD APPLY TO ALL LSES

To the extent the Commission believes the Joint Parties' request is appropriate, the requirement should apply to all LSEs filing RPS Procurement Plans, not just the Joint IOUs. An increasing number of the electric generation customers in PG&E's service territory (currently more than 13% of the load, and rapidly growing) are served by DA providers and CCAs. If the Commission believes that the information requested by the Joint Parties is a necessary part of the RPS Procurement Plans, then the requirement should apply equally to the CCAs and DA providers.

⁶ D.05-01-054, p. 4 (quoting D.02-12-074).

V.

THE JOINT MOTION RAISES COST ALLOCATION ISSUES

The Joint Motion seeks to have the Joint IOUs reduce the value of solar PV bids in future RPS solicitations by assuming that marginal solar PV bids will create very large curtailment costs.⁷ This would theoretically improve system reliability by avoiding future overgeneration and associated curtailment costs. The Joint IOUs have not vetted the assumption that marginal solar PV bids create the potential for curtailment of existing RPS resources and associated high curtailment costs. However, if the assumption that marginal solar PV bids create high curtailment costs is correct, this approach, without appropriate cost allocation, would have the unfair result of the Joint IOUs' bundled customers being solely responsible for paying the higher costs of alternative renewable resources to improve system reliability.

The Joint Motion correctly notes in footnote 10, on p. 6, that if other LSEs “do not employ this type of [Least-Cost, Best Fit] process and continue to purchase solar without paying to avoid curtailments, the [Joint IOUs] should be able to charge them for the higher direct costs that they incur to avoid overgeneration curtailments pursuant to PU Code Sec. 454.51.” If the Commission grants the Joint Motion, the Commission should adopt cost allocation mechanisms to protect the Joint IOUs' bundled customers. Public Utilities Code Section 454.51(c) states that the Commission should:

Ensure that the net costs of any incremental renewable energy integration resources procured by an electrical corporation to satisfy the need identified in subdivision (a) are allocated on a fully nonbypassable basis consistent with the treatment of costs identified in paragraph (2) of subdivision (c) of Section 365.1.

Public Utilities Code Section 365.1(c)(2) requires that if the Commission authorizes an IOU to enter into a contract needed to meet system or local reliability needs, the net capacity

⁷ Joint Motion, pp. 3-4.

costs of that contract must be allocated on a fully nonbypassable basis to all benefitting customers in that IOUs service area. In particular, Section 365.1(c)(2) requires that the Commission must:

(A) Ensure that, in the event that the commission authorizes, in the situation of a contract with a third party, or orders, in the situation of utility-owned generation, an electrical corporation to obtain generation resources that the commission determines are needed to meet system or local area reliability needs for the benefit of all customers in the electrical corporation's distribution service territory, the net capacity costs of those generation resources are allocated on a fully nonbypassable basis consistent with departing load provisions as determined by the commission, to all of the following:

- (i) Bundled service customers of the electrical corporation.
- (ii) Customers that purchase electricity through a direct transaction with other providers.
- (iii) Customers of community choice aggregators.

The Joint Motion errs by seeking to have the Joint IOUs modify their RPS Procurement Plans in a way that would impose costs on the Joint IOUs' bundled customers without likewise requesting that the Joint IOUs receive appropriate cost allocation as required by law. If the Commission decides to grant the Joint Motion, it must also adopt appropriate cost allocation mechanisms to protect the Joint IOUs' customers consistent with law.

VI.

THE JOINT MOTION MAY CAUSE FURTHER DELAY

The ACR ordered the Joint IOUs to produce their 2016 RPS Procurement Plans by July 1, 2016.⁸ The Joint IOUs requested an extension of this deadline to August 15, 2016, which was unopposed.⁹ On June 8, 2016, ALJ Mason granted an extension of the July 1, 2016 deadline to August 8, 2016. There will likely be little more than a month between a ruling on the Joint

⁸ ACR, Attachment A.

⁹ See Email Request for an Extensions of Time to produce the 2016 RPS Procurement Plans, dated May 26, 2016, at 10:35 am.

Motion and the due date for 2016 RPS Procurement Plans. There appears to be insufficient time to develop the requested changes to the Least-Cost, Best-Fit methodology in the Joint IOUs' 2016 RPS Procurement Plans and appropriate cost allocation recommendations. If the Joint Motion is granted, the Joint IOUs will likely seek another extension of the due date for the 2016 RPS Plans.

VII.

CONCLUSION

For the reasons discussed above, the Joint IOUs respectfully request that the Commission deny the Joint Motion.

Respectfully submitted,

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/s/ Carol Schmid-Frazee

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June 16, 2016

VERIFICATION

I am a Manager in the Regulatory Affairs Organization of Southern California Edison Company and am authorized to make this verification on its behalf. I have read the foregoing **JOINT RESPONSE OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E), AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) TO MOTION TO AMEND ASSIGNED COMMISSIONER AND ASSIGNED ADMINISTRATIVE LAW JUDGE'S RULING**. I am informed and believe that the matters stated in the foregoing pleading are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this **16th day of June, 2016**, at Rosemead, California.

/s/ Janos Kakuk

By: Janos Kakuk

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