

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



FILED
7-18-16
04:59 PM

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2017 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue and Reconciliation

Application 16-06-003

(U 39 E)

**PACIFIC GAS AND ELECTRIC COMPANY'S
REPLY TO PROTESTS AND RESPONSES TO ITS APPLICATION FOR
2017 ENERGY RESOURCE RECOVERY ACCOUNT AND
GENERATION NON-BYPASSABLE CHARGES FORECAST AND GREENHOUSE
GAS FORECAST REVENUE AND RECONCILIATION**

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Dated: July 18, 2016

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Pursuant to California Public Utilities Commission Rule of Practice and Procedure 2.6(e), Pacific Gas and Electric Company (“PG&E”) provides the following reply to the protests and responses received to its *Application for Adoption of Electric Revenue Requirements and Rates Associated with its 2017 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue and Reconciliation* (“Application”).

Eight parties filed joint or separate protests and/or responses to PG&E’s Application. In general, the protests and/or responses raised specific issues and concerns that will be addressed in the course of this proceeding. Many of the protests and/or responses simply indicated that parties were reviewing PG&E’s Application and that these parties may raise issues or concerns in testimony based on their review. However, some of the protests and/or responses raised issues that are outside of the scope of this proceeding. These issues are addressed below.

In addition, some parties expressed concerns about the Power Charge Indifference Adjustment (“PCIA”) charge, Cost Allocation Mechanism (“CAM”) charge, and PG&E’s proposal to retire the negative indifference amount associated with expired California Department of Water Resources (“DWR”) contracts. PG&E addresses these concerns below as well.

Finally, the Office of Ratepayer Advocates (“ORA”) proposed changing the timing for filing the November Update in this proceeding. As explained more below, the timing for the November Update to the ERRA Forecast Applications for all three utilities is established by Commission decisions and resolutions. The appropriate way to change the update timing is through petitions for modification of those decisions and resolutions, not through a protest in the ERRA Forecast proceeding for a single utility.

I. ISSUES THAT ARE OUTSIDE THE SCOPE OF THIS PROCEEDING

In recent years, parties have repeatedly tried to expand the scope of the Energy Resource Recovery Account (“ERRA”) Forecast proceedings to address generic policy issues, such as issues related to cost allocation methodologies and non-bypassable charges. The Commission has consistently determined that these policy issues are outside the scope of the ERRA Forecast proceedings, which are intended to address rate recovery for annual, forecasted procurement costs. As Commissioner Florio explained in the Scoping Memo issued in PG&E’s 2014 ERRA Forecast proceeding:

Through written protests, and discussions during and after the PHC, the parties have raised issues about the appropriate scope of this proceeding. Marin Energy Authority (MEA), the Alliance for Retail Energy Markets and Direct Access Customer Coalition (AREM-DACC) and the Merced Irrigation and Modesto Irrigation District (MID) voiced concern about PG&E methodology for calculating competition transition charges (CTC) and the power charge indifference adjustment (PCIA). These parties submit that the Commission’s recent Decision (D.) 13-08-023, in which we indicated that “cost allocation and fee issues are appropriately

addressed on a case by case basis,” compels us to examine the methodology for certain PCIA costs, including the vintaging of amended contracts, and the effects of vintaging on time frames within which PG&E may recover costs, as part of this proceeding. The parties further submit that steps to reduce the CTC, such as end date for cost recovery and treatment of terminable contracts are also within scope here. We do not agree.

As noted in D.13-08-023, the Commission will continue to consider the application and overall fairness, on an as-applied basis, of the Commission’s cost allocation methodologies in an ongoing fashion. However, challenges to the Commission’s existing policy and/or rules are beyond the scope of this proceeding and must be raised via a petition for modification of the decision that established the policy and/or rule in question. As we noted in D.13-08-023, some of these cost allocation methodologies have been recently reviewed and modified or are currently under review in other proceedings. Others, such as setting an end date for statutory CTC, are appropriately determined by the Legislature.

This said, to the extent that any protesting party alleges that PG&E has not followed existing Commission policy and/or rules, either as applied to specific contracts, or as a matter of policy interpretation, the issues may be addressed in testimony and/or briefs during the evidentiary hearing phase of this proceeding.¹

The Commission affirmed Commissioner Florio’s Scoping Memo and the limited scope of the ERRA Forecast proceedings when it approved PG&E’s 2014 ERRA Forecast request.²

In addition to the reasons identified above for not expanding the scope of the ERRA Forecast proceedings to include general policy issues, many of the policy issues raised by parties would impact California’s other investor-owned utilities, which are not parties in this proceeding. This proceeding is limited to a year ahead forecast for a single utility and thus is not the appropriate venue for addressing broad policy issues that impact all of California’s investor-owned utilities.

¹ *Scoping Memo and Ruling of Assigned Commissioner*, issued September 12, 2013 in Application 13-05-015 at pp. 3-4.

² Decision (“D.”) 13-12-043 at pp. 8-9 (challenges to existing Commission policy beyond the scope of the proceeding).

Again this year, some parties have tried to raise issues that are clearly outside the scope of the proceeding. For example, in their response, the Modesto and Merced Irrigation Districts (“Districts”) raise the generic issue of the end date for competition transition charge (“CTC”).³ The Districts raised the exact same issue in PG&E’s 2016 ERRA Forecast proceeding.⁴ As the Districts acknowledge, in the 2016 ERRA Forecast proceeding, Commissioner Florio determined that the issue of an end date for CTCs was outside of the scope of the proceeding, quoting D.13-08-023.⁵ The result in this proceeding should be no different. The Districts also assert that the Commission can end the date for CTCs early⁶, quoting California Public Utilities Code Section 367.⁷ However, the Districts ignore Section 367(a)(2) which provides that CTCs for “[p]ower purchase obligations shall continue for the duration of the contract.” The Districts have not provided any additional argument as to why this year the issue of ending CTCs should be within the scope of the proceeding and thus their request should be denied.

In its protest, Marin Clean Energy (“MCE”) asserts that the increase in the PCIA is anti-competitive, given the alleged impacts that it will have on the competitiveness of CCA rates⁸, despite the fact that the PCIA is designed to ensure that departing customers pay their fair share

³ Districts Response at pp. 2-4. In their response, the Districts also state that they intend to investigate in this proceeding whether the 2017 CTC forecast is properly calculated and whether the application of certain non-bypassable charges to transferred municipal departing load is appropriate. *See* Districts Response at pp. 4-6. These issues, which involve the application of Commission approved cost allocation methodologies to the 2017 ERRA forecast, are within the scope of this proceeding. The Districts indicated that they intend to pursue discovery on these issues. *Id.* at pp. 5-6.

⁴ *Scoping Memo and Ruling of Assigned Commissioner*, issued August 5, 2015 in Application 15-06-001, at pp. 5-6.

⁵ *Id.* at p. 5 (quoting D.13-08-023, Conclusion of Law 5). *See also* Districts Response at p. 3 (acknowledging that issuing regarding the termination of the CTC has been determined to be outside the scope of the ERRA Forecast proceedings).

⁶ Districts Response at p. 4.

⁷ All additional statutory references are to the California Public Utilities Code unless otherwise indicated.

⁸ MCE Protest at pp. 3-4.

of costs incurred on their behalf. Policy issues related to whether departing customers should pay the PCIA are beyond the scope of this proceeding. While PG&E agrees that the actual calculation of the PCIA for the 2017 ERRRA Forecast is properly within the scope of this proceeding, the broader policy issues MCE raised are not.

II. CONCERNS ABOUT THE PCIA, CAM, AND NEGATIVE INDIFFERENCE AMOUNT

Sonoma Clean Power (“SCP”) expresses concern about the amount of the PCIA and CAM charges, but did not identify any specific shortcomings in PG&E’s calculation of the PCIA and CAM using Commission-approved formulas.⁹ The City and County of San Francisco (“CCSF”) and MCE raise similar concerns.¹⁰ The Alliance for Retail Energy Markets and Direct Access Customer Coalition (“AReM/DACC”) state that they were reviewing PG&E’s PCIA and CAM calculations to ensure the calculations are consistent with Commission decisions.¹¹ At issue in this proceeding is whether PG&E properly calculated the PCIA and CAM amounts for 2017 based on Commission-approved methodologies. The best way for parties to address these concerns is through review of PG&E’s application and workpapers, and discovery if needed, to ensure that PG&E has properly calculated these amounts.

SCP and MCE also express concerns about PG&E’s request to retire the negative indifference amount associated with expired DWR contracts.¹² PG&E’s request is entirely consistent with Commission precedent, specifically D.07-05-005, and is well-supported by PG&E’s Prepared Testimony.

⁹ SCP Protest at pp. 1-3.

¹⁰ CCSF Protest at pp. 1-2; MCE Protest at p. 3.

¹¹ AReM/DACC Response at p. 2.

¹² MCE Protest at pp. 5-9; SCP Protest at pp. 3-4.

In its protest, MCE asserts that the negative indifference amount associated with the DWR contracts did not expire when the contracts terminated, quoting D.08-09-012.¹³ MCE takes that decision out of context and its argument is baseless. In that decision, the Commission was addressing principles related to the calculation of the PCIA and discussed the general reasoning behind calculating negative indifference amounts.¹⁴ The Commission did not reverse its earlier determination from D.07-05-005, which clearly holds that “[i]n the event that there is any net cumulative negative indifference balance at the time the DWR contracts expire, that balance will not be credited to DA/DL customers. It will simply expire.”¹⁵ MCE’s reliance on D.08-09-012 is misplaced. While the retirement of the negative indifference amount is certainly an issue in the proceeding, PG&E believes that its request is reasonable and consistent with Commission precedent and should therefore be adopted.

In any event, the retirement or continued existence of the negative indifference amount should not and does not impact MCE, since – as the Commission has determined -- these negative amounts were “recorded” prior to the launch of any CCA.¹⁶ As a result, their historic use has been to offset positive amounts associated with customers who were on Direct Access at that time (2006-2008).¹⁷ Notably, the organizations that represent these customers (AREM and DACC) – and that have historically countered MCE’s attempts to utilize these recorded amounts – have not challenged PG&E’s proposal to retire the negative indifference amounts in this proceeding.

¹³ MCE Protest at pp. 8-9.

¹⁴ D.08-09-012 at pp. 51-52.

¹⁵ D.07-05-005 at pp. 20-21.

¹⁶ D.14-12-053 at pp. 11-12.

¹⁷ *Id.*

III. TIMING OF THE NOVEMBER UPDATE

ORA asserts that it will not have sufficient time to review PG&E's November Update and proposes that the schedule be changed so that PG&E's update is filed in early October.¹⁸ The timing of the November Update is based on Commission decisions and resolutions. In D.06-07-030, the Commission determined that the updated market price benchmark, used for calculating the CTC and PCIA charges, would be based on cost quotes from the period October 1 to October 31.¹⁹ Because PG&E is required to use October cost quotes for its updated market price benchmark, the November Update cannot be filed in early October as ORA proposes.

In addition, the Commission has approved the use of market price estimates for PG&E's ERRR forecast revenue requirement based on an assumed early November update filing.²⁰ Finally, in Resolution E-4475, the Commission adopted a process for calculating the updated Green Adder that is included in the PCIA based on October pricing information.²¹ The Green Adder is finalized by the Energy Division in early November for all three utilities.²²

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¹⁸ ORA Protest at pp. 6-7.

¹⁹ D.06-07-030 at p. 9 (describing the October cost quote period) and p. 11 (adopting the October cost quote proposal); *see also* D.06-12-018 at p. 11, n. 18 (same).

²⁰ D.06-12-018 at p. 12.

²¹ Resolution E-4475 at p. 8.

²² *Id.*

Because the timing of the November Update impacts all three utilities and is based on Commission decisions and resolutions, the appropriate mechanism for changing the timing is through petitions for modification of the relevant decisions and resolutions, not in a protest to PG&E's Application. ORA's request to change the November Update schedule in this proceeding should be denied.

Respectfully submitted,

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Dated: July 18, 2016