

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA



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Application of Pacific Gas and Electric
Company for Approval of the Retirement of
Diablo Canyon Power Plant, Implementation
of the Joint Proposal, And Recovery of
Associated Costs Through Proposed
Ratemaking Mechanisms (U 39 E)

A.16-08-006

**PROTEST OF SHELL ENERGY
NORTH AMERICA (US), L.P.**

John W. Leslie
Dentons US LLP
4655 Executive Drive, Suite 700
San Diego, California 92121
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: john.leslie@dentons.com

Date: September 15, 2016

Attorneys for Shell Energy North
America (US), L.P.

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In accordance with Rule 2.6 of the Commission's Rules, Shell Energy North America (US), L.P. ("Shell Energy") files this protest to the application of Pacific Gas & Electric Company ("PG&E") in the above-referenced proceeding. Shell Energy objects to PG&E's proposal to allocate a portion of the cost of its Diablo Canyon replacement resources to direct access ("DA") and Community Choice Aggregation ("CCA") customers.

Diablo Canyon is a resource devoted to serving PG&E's bundled sales customers. The costs of Diablo Canyon energy and capacity are paid for by PG&E's bundled sales customers. In whatever manner PG&E replaces all or a portion of its Diablo Canyon capacity, the cost of the replacement resources must be borne exclusively by PG&E's bundled sales customers.

As an energy service provider (“ESP”) providing retail energy service to customers in PG&E’s service territory through the DA program, Shell Energy has an interest in the outcome of this application proceeding that cannot be represented by any other party. Shell Energy requests permission to participate actively in this proceeding as a party.

In support of its protest, Shell Energy states the following:

I.

**SHELL ENERGY’S INTEREST
IN THIS PROCEEDING**

Shell Energy is a marketer of natural gas and electricity to wholesale and retail customers throughout California and the western United States. As a gas and electricity marketer, Shell Energy offers energy and environmental products to retail customers to enable these customers to achieve energy cost savings, service reliability, and GHG emission reduction goals. As an ESP, Shell Energy has its own resource procurement obligations, including requisite minimum quantities of resource adequacy (“RA”) capacity, renewable portfolio standard (“RPS”) resources, and energy storage. All of Shell Energy’s resource procurement costs must be recovered, if at all, from its DA customers.

Shell Energy is also a wholesale provider of energy and capacity to CCAs. Shell Energy supports expansion of the CCA program as a robust competitive alternative to an investor-owned utility’s (“IOU”) bundled sales service. Many CCAs and ESPs are pursuing procurement strategies that include GHG emission reduction measures that are more aggressive than the GHG emission reduction measures in place for the IOUs. The CCA and DA options provide customers with flexibility while achieving (and in some cases surpassing) the State’s RPS procurement and GHG emission reduction goals.

In its application and accompanying testimony, PG&E seeks approval of a procurement strategy to replace a portion of its 2200 MW of Diablo Canyon capacity beginning in 2025. PG&E proposes to replace a portion of its Diablo Canyon capacity over a 12-year period with three “tranches” of procurement, including 2,000 gross GWh of energy efficiency to be installed by the end of 2024 (Tranche 1), 2,000 GWh of GHG-free energy for delivery in 2025-2030 (Tranche 2), and a “voluntary” 55 percent RPS commitment beginning in 2031 (Tranche 3). See PG&E Prepared Testimony at pp. 1-2.

PG&E’s procurement from Diablo Canyon currently serves PG&E’s bundled sales customers. Nevertheless, PG&E states that its proposed replacement procurement through these three tranches is “for the benefit of the entire Northern and Central California service territory.” Testimony at p. 1-8. PG&E states that its “commitment to procure GHG-free resources is for the benefit of all customers in PG&E’s service territory.” PG&E continues: “[I]mplementation of an equitable non-bypassable charge that allocates costs and benefits to all benefitting customers is an indicator of this commitment.” Id.

Based on the assertion that its commitment to purchase GHG-free resources will “benefit all customers,” PG&E proposes to establish a new “Clean Energy Charge” to allocate a portion of the above-market costs (and a portion of the benefits) of PG&E’s Tranche 2 and Tranche 3 procurement to DA and CCA customers on a non-bypassable basis. Id. at pp. 1-8, 9. PG&E also proposes, as an alternative to the Clean Energy Charge, that an ESP or a CCA may commit to “self-provide” equivalent GHG-free resources. Testimony at pp. 5-13 – 5 -16.¹

¹ PG&E proposes, however, that an ESP or a CCA must elect to self-provide within 30 days after the Commission approves this application, in order for its customers to avoid the Clean Energy Charge. Id.

Shell Energy expresses no opinion regarding PG&E's proposal to replace a portion of its Diablo Canyon capacity with GHG-free resources. However, these resources will be procured by PG&E to replace capacity that is dedicated to and paid for by PG&E's bundled sales customers. There is no justification for PG&E to shift any of the costs of this procurement to DA or CCA customers. PG&E should not be allowed to impose costs on DA or CCA customers that were not incurred on their behalf. Moreover, PG&E should not be permitted to dictate the resources that ESPs and CCAs procure for their own customers.

The Commission has established minimum procurement obligations for all LSEs for RPS, RA and energy storage. In addition, in accordance with SB 350, all LSEs, including ESPs and CCAs, must develop an integrated resource plan ("IRP") to ensure that the LSE is meeting the State's GHG emission reduction targets. See P.U. Code Section 454.52(a)(1). Because the legislature and the Commission have established specific resource procurement requirements for all LSEs, PG&E should not be allowed to foist its own procurement preferences on other LSEs.

Shell Energy requests that the Commission reject PG&E's proposal to impose a "Clean Energy Charge" on DA and CCA customers. In fact, Shell Energy urges the Commission to sever and dismiss all of the "replacement procurement" elements of PG&E's application. These elements of PG&E's application should be dismissed, without prejudice, in order to enable the Commission to address the "need" for Diablo Canyon replacement capacity, and PG&E's procurement choices to meet this need, in a long-term procurement planning ("LTTP") proceeding or in the Commission's IRP proceeding (R.16-02-007).

Regardless of whether the Commission dismisses all or a portion of PG&E's application, however, the Commission should reject PG&E's proposal to allocate any of the costs of its Diablo Canyon replacement resources to DA or CCA customers. PG&E's replacement procurement is the responsibility of PG&E's bundled sales customers.

II.

SERVICE OF CORRESPONDENCE, PLEADINGS AND ORDERS

For the purpose of receipt of all correspondence, pleadings, orders and notices in this proceeding, the following Shell Energy representative should be placed on the service list as a “party”:

John W. Leslie
Dentons US LLP
4655 Executive Drive, Suite 700
San Diego, CA 92121
Telephone: (619) 699-2536
Facsimile: (619) 232-8311
E-Mail: john.leslie@dentons.com

In addition, the following Shell Energy representative should be placed on the “information-only” service list:

Marcie Milner
Vice President, Regulatory Affairs
Shell Energy North America (US), L.P.
4445 Eastgate Mall, Suite 100
San Diego, CA 92121
Telephone: (858) 526-2106
Facsimile: (858) 320-2606
E-Mail: marcie.milner@shell.com

III.

PG&E’S NEED FOR DIABLO CANYON REPLACEMENT CAPACITY, AND PG&E’S PROCUREMENT PLAN TO REPLACE DIABLO CANYON CAPACITY, SHOULD BE ADDRESSED IN AN LTPP OR IRP PROCEEDING

An IOU’s long-term procurement requirements, and its procurement strategy, are matters addressed in the Commission’s biennial LTPP proceeding, and in an IOU’s LTPP plan. Upon implementation of an IOU’s LTPP plan, the costs of an IOU’s procurement for its bundled sales

customers are recovered exclusively from its bundled sales customers, except as otherwise provided by statute (e.g., system or local reliability resources found by the Commission to be necessary for the benefit of all customers (P.U. Code Section 365.1(c)(2)(A)).

PG&E's long-term procurement proposal in this application -- to replace a portion of its Diablo Canyon capacity with GHG-free resources -- is also a matter for the IRP proceeding. In accordance with P.U. Code Section 454.52, the IRP process is intended to ensure that an IOU's procurement plan meets GHG emission reduction goals as well as RPS procurement goals at just and reasonable rates. As stated by ORA in its August 31, 2016 informal comments in the IRP proceeding (R.16-02-007), the determination of "need" for Diablo Canyon replacement resources, and authorization of any procurement to meet that need, should be addressed in the IRP proceeding. See ORA Comments at p. 13. CLECA also stated, in its informal comments in the IRP proceeding, that PG&E's application seeking approval of a Diablo Canyon replacement proposal "pre-empts" the IRP process. CLECA Comments at p. 10.

In its application and accompanying testimony, PG&E notes that its future bundled sales portfolio needs are "uncertain" as a result of aggressive energy efficiency policies, increased penetration of distributed generation, and a decrease in bundled sales customer load due to DA and CCA. See Testimony at pp. 1-3. Issues related to projected bundled sales customer demand are central to the LTPP process -- and now, under SB 350, the IRP process. As ORA noted in its comments in R.16-02-007, the Commission should address the need for replacement of all or a portion of PG&E's Diablo Canyon capacity in these policy proceedings. PG&E's Diablo Canyon replacement proposal should be severed from this application and addressed in the LTPP and/or IRP proceeding.

IV.

THE COST OF DIABLO CANYON REPLACEMENT PROCUREMENT SHOULD BE BORNE BY PG&E'S BUNDLED SALES CUSTOMERS

Like PG&E, Shell Energy is required to meet a 50 percent RPS procurement obligation by 2030, and for the years thereafter. See P.U. Code Section 399.15(b)(2)(B). If Shell Energy decides, voluntarily, to meet a 55 percent RPS procurement target in 2031, Shell Energy will not be able to shift the above-market costs of its incremental RPS procurement to PG&E's bundled sales customers. If Shell Energy is not allowed to shift the cost of its voluntary incremental RPS procurement to PG&E's bundled customers, PG&E also should not be allowed to shift the cost of its voluntary incremental RPS procurement to Shell Energy's customers.

PG&E has decided, for its own reasons, to replace Diablo Canyon capacity with energy efficiency and other GHG-free resources beginning in 2025, and to meet a 55 percent RPS procurement target for its bundled sales customers beginning in 2031. PG&E proposes to shift a portion of the cost of these GHG-free resources, including incremental RPS procurement, to DA and CCA customers. In other words, PG&E seeks to impose its own procurement choices on all LSEs -- and all customers -- in its service territory. There is no statutory basis for PG&E's cost shifting proposal.

Under P.U. Code Section 366.2(a)(5), CCAs are "solely responsible for all generation procurement activities on behalf of the [CCA's] customers, except where other generation procurement arrangements are expressly authorized by statute." ESPs also are solely responsible for energy and capacity procurement on behalf of their own DA customers. See P.U. Code Section 365.1(c)(1); P.U. Code Section 380(c); P.U. Code Section 399.15(b)(2)(B). PG&E should not be allowed to decide the resources (or the resource mix) for ESPs and CCAs. And,

PG&E should not be allowed to shift, to DA and CCA customers, costs of procurement undertaken by PG&E on behalf of its bundled sales load. The legislature made this clear in SB 350: “The Commission shall . . . ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.” P.U. Code Section 365.2. PG&E’s procurement to replace Diablo Canyon capacity will be exclusively for the purpose of meeting bundled sales customer demand. PG&E’s procurement costs may not be shifted to DA or CCA customers.

PG&E claims that its proposal to procure GHG-free resources to replace a portion of the Diablo Canyon capacity “will provide regional and statewide benefits to all electric distribution customers in PG&E’s service territory” Testimony at pp. 5-11. The “regional and statewide benefits” associated with PG&E’s proposed procurement of GHG-free resources are no greater than the regional and statewide benefits of an ESP or CCA’s procurement of RPS supplies or other “GHG-free resources” for DA or CCA customers. Unless the Commission is prepared to shift an ESP or CCA’s procurement costs for GHG-free resources to PG&E’s bundled customers, PG&E should not be allowed to impose a charge on DA or CCA customers for PG&E’s procurement of resources dedicated to serving PG&E’s bundled sales customers.

V.

SCOPE OF ISSUES, NEED FOR A HEARING, AND SCHEDULE

Shell Energy does not object to the list of issues set forth by PG&E in its application.

One issue should be added to PG&E’s list, as follows:

- Whether PG&E’s proposal to procure resources to replace Diablo Canyon (including a need determination and authorization for procurement) should be addressed in the next LTPP proceeding and/or the IRP proceeding, rather than in an application devoted to the costs and protocols associated with the closure of Diablo Canyon.

Shell Energy believes that a hearing is necessary to address factual matters arising from the issues listed in PG&E’s application. For example, material issues of fact relate to the “need” for replacement resources, including the projected level of bundled sales customer demand over the procurement period beginning in 2025. Issues of fact also arise regarding the nature and quantity of energy efficiency and other GHG-free resources that PG&E proposes to procure in Tranche 1 and Tranche 2.

A procedural schedule should be developed that provides an opportunity (at least 30 days after the prehearing conference) for discovery, intervenor testimony (no less than 60 days after the conclusion of discovery), rebuttal testimony (no less than 20 days after the date of opening testimony) and an evidentiary hearing (no less than 20 days after the deadline for rebuttal testimony).

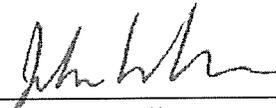
VI.

CONCLUSION

PG&E’s proposal to replace a portion of its Diablo Canyon capacity with GHG-free resources is more properly addressed in an LTPP proceeding or in an IRP proceeding. The portion of PG&E’s application devoted to PG&E’s proposal for “replacement” procurement should be severed from PG&E’s application and dismissed.

If the Commission does not dismiss PG&E's replacement procurement proposal, however, PG&E's proposal to allocate costs of Diablo Canyon replacement capacity to DA and CCA customers through a "Clean Energy Charge" should be rejected. The Commission should confirm that the costs of an IOU's procurement to replace capacity that is dedicated to the IOU's bundled sales customers are to be recovered exclusively from the IOU's bundled customers.

Respectfully submitted,



John W. Leslie
Dentons US LLP
4655 Executive Drive, Suite 700
San Diego, California 92121
Tel: (619) 699-2536
Fax: (619) 232-8311
E-Mail: john.leslie@dentons.com

Attorneys for Shell Energy North
America (US), L.P.

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