

**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

Application 16-08-006

**PROTEST OF THE ENERGY PRODUCERS AND USERS COALITION
TO PACIFIC GAS AND ELECTRIC COMPANY'S APPLICATION**

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September 15, 2016

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OF THE STATE OF CALIFORNIA**

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Pursuant to Rule 2.6 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Energy Producers and Users Coalition (EPUC)¹ protests the application filed by Pacific Gas & Electric Company (PG&E) on August 11, 2016 (the Application).² The Application seeks Commission approval for the retirement of the Diablo Canyon Nuclear Generating Station (Diablo Canyon), for several procurement programs to replace the energy from Diablo Canyon, and for employee retention and retraining programs and community transition economic aid.

EPUC takes no position on the proposed closure of Diablo Canyon; however, the Application's likely effect on EPUC members' rates, potential impact on the reliability of service, and improper bypassing of Commission procurement policy and processes cause EPUC to protest the Application.

¹ EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Chevron U.S.A. Inc., Phillips 66 Company, Shell Oil Products US, Tesoro Refining & Marketing Company LLC, and California Resources Corp.

² The Application was noticed in the Commission's Daily Calendar on August 16, 2016.

I. INTRODUCTION

The relief sought by the Application is unjustified, would wrongly circumvent the Commission's new Integrated Resource Planning (IRP) process³ and may impose on ratepayers unjust and unreasonable rate increases. The proposed procurement regime to replace the energy supplied by Diablo Canyon is a significant departure from the procurement authorized in various programs by this Commission. Moreover, the proposed timeline for procurement approval, years in advance of the replacement energy need or delivery, differs significantly from the current three-year General Rate Case cycle for approval of the Diablo Canyon revenue requirement. This sea change is unjustified and untimely given the commencement of the IRP process and the proposed Diablo Canyon closure dates in 2024 and 2025. The proposed procurement regime itself violates numerous procurement directives established by this Commission.

II. PROTEST

A. GROUNDS FOR PROTEST

1. The Replacement Procurement Regime is Unwarranted and Unjustified

The Application seeks authority to replace a portion of the energy supplied by Diablo Canyon with specified quantities of energy efficiency and GHG-free resources, and additional quantities of renewable resources due to an increase in the Renewables Portfolio Standard (RPS). There is no analysis of this strategy or what the implications are compared to other procurement options. There will be consequences of this choice,

³ Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-term Procurement Planning Requirements (IRP OIR), dated February 11, 2016, at 3 (“we believe it may be premature to assess need and authorize additional procurement in light of the most recent LTPP need analysis and the changing procurement landscape envisioned by SB 350”).

both in cost and reliability, and the Application lacks any analysis of those consequences. The utilities are required to conduct long-term procurement planning and integrated resource planning, but PG&E's approach to replacing Diablo Canyon ignores those processes and obligations.⁴ In particular, the proposal to procure 2000 GWh of energy efficiency starting in 2018 – well before the proposed closure of Diablo Canyon - will preempt much of the procurement and predetermine how any shortfall in those early years is met.

Further, the dedication of procurement to specified technologies is unfair to all other technologies that may offer energy savings and GHG savings. For instance, there are stand-alone boilers producing thermal energy at industrial sites. The replacement of those boilers with combined heat and power facilities may reduce the total GHG emissions of the boiler and from the purchased electricity at a cost savings compared to PG&E's proposal, but the Application forecloses any consideration of those alternatives. The Application should be rejected and PG&E directed to propose a procurement strategy in the IRP that fulfills the requirements of integrated resource planning and provides a full, objective review of all available resources.

2. The Employee Program Expenses and Community Economic Support May Not Be Warranted and Will Have Significant Rate Impacts

The employee re-training and retention expenses will be recovered through the decommissioning trust mechanism. There is no estimate of whether the current funding in the trust is sufficient to cover these additional expenses, or what the shortfall may be. It is unclear what the impact on rates will be.

⁴ California Public Utilities Code, §454.52.

3. Non-bypassable Charges Should Not Be Imposed on CGDL

The costs of replacement energy procurement are to be recovered through non-bypassable charges. The testimony repeatedly states that these NBCs are to be recovered from current bundled customers and those customers who depart to service from Community Choice Aggregators and Energy Service Providers. No mention is made of whether the charges would also be imposed on Customer Generation Departing Load (CGDL). The Commission has historically treated CGDL differently than other departing load in the imposition of various NBCs. No part of these charges related to Diablo Canyon replacement energy should be allocated to CGDL.

4. Recovery of Tranche 3 Capacity Costs Receives Improper Preferential Treatment

The proposal provides that the costs of procuring the resources to meet the increased 55% RPS commitment will be recovered through a non-bypassable charge. This includes both the energy and capacity costs of those resources. No comparable treatment is provided for the capacity costs to procure other renewables to comply with the current RPS obligation. PG&E's voluntary commitment to procure additional renewables should receive the same treatment as its compliance with existing renewables targets, and should bear the risk of whether its rates fully recover capacity costs.

B. PROPOSED CATEGORIZATION, PROPOSED ISSUES, NEED FOR HEARING AND PROPOSED SCHEDULE

While the Application should be rejected as unjustified, if it is not rejected the proposed categorization, ratesetting, is appropriate. If the Application is not rejected, in addition to the issues raised above, PG&E's proposed list of issues is adequate and hearings will be needed on the contested issues. If the Application is not rejected,

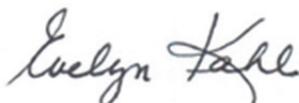
PG&E's proposed schedule is too compressed for issues of this magnitude. Additional time for discovery, development of testimony and hearings is warranted. EPUC coordinated with CLECA, TURN, ORA and EUF and supports the following alternative schedule:

	PG&E	Proposed Alternative
ORA/Intervenor testimony	October 28	January 27, 2017
Rebuttal Testimony	November 30	February 2017
Evidentiary hearings	December 13-16	March 2017
Opening briefs	January 16, 2017	April 2017
Reply briefs	February 3, 2017	May 2017
Proposed Decision	May 2017	July 2017
Final Decision	June 2017	August 2017

III. CONCLUSION

The application should be denied for all of the reasons stated above, and such additional bases as may be brought forth in this proceeding. The Application fails to justify its proposal to replace the Diablo Canyon energy with GHG-free energy, and fails to adequately measure the impact on rates. It ignores the Commission's procedures for procurement planning and substitutes the preferences of a limited group of supporters for the judgment of the Commission following a full adjudicatory process.

Respectfully submitted,



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September 15, 2016