Date of Issuance: August 11, 2017

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4812**
August 10, 2017

R E S O L U T I O N

Resolution E-4812. San Diego Gas & Electric Company (SDG&E) Requests Interim Rate Approval and Memorandum of Understanding between SDG&E and San Diego Unified Port District.

PROPOSED OUTCOME:

- This Resolution approves SDG&E's request to allow the San Diego Unified Port District ("Port") to remain on its current rate schedule (TOU-A) on an interim basis.

SAFETY CONSIDERATIONS:

- There is no impact on safety.

ESTIMATED COST:

- There is no cost impact at this time.

By Advice Letter 2896-E, Filed on May 13, 2016.

SUMMARY

On May 13, 2016, San Diego Gas & Electric Company (SDG&E) filed Advice Letter 2896-E seeking approval to allow the San Diego Unified Port District's Cruise Ship Terminal ("Port") to remain on their current rate on an interim basis.

This Resolution approves the rate treatment and memorandum of understanding between SDG&E and the Port. It also orders SDG&E to file an application by October 1, 2017, proposing a long-term rate as well as other proposals designed to support the Port's Energy Management Plan (EMP).

BACKGROUND

In 2010, the San Diego Unified Port District completed the installation of a shore power system at the B Street Cruise Terminal and Broadway Pier at 1140 N. Harbor Drive in San Diego, California. ("Cruise Ship Terminal") This system provides shore-based power to docked cruise ships instead of power generated from the ships' diesel engines. This change was in accordance with California Air Board regulations intended to reduce greenhouse gas (GHG) and other harmful emissions from ships while docked. In 2013, the Port adopted a Climate Action Plan, and is in the process of achieving the GHG goals identified in that plan.

Shore power was provided by SDG&E under SDG&E's Schedule A, General Service until April of 2016 when Schedule A customers were transitioned to Schedule TOU-A, General Service, as ordered by D.12-12-004, transitioning small commercial customers to dynamic rates. The Cruise Ship Terminal qualified for Schedule TOU-A as its maximum monthly demand was less than 20kW for at least one month a year.

In January 2014, the CPUC adopted D.14-01-002, approving the settlement agreements in SDG&E's 2012 GRC Phase II (A.11-10-002). It was suggested by parties that admission into SDG&E's small customer class was too permissive, allowing customers with large demands to create an upward bias in the marginal customer costs and a small commercial rate that was not reflective of the small customer class.[1] SDG&E agreed to modify the applicability of its small commercial rate in its next GRC Phase II application.

On February 9, 2016, SDG&E filed its Second Amended 2016 GRC Phase II Application (A.15-04-012), which superseded its amended application submitted on December 1, 2015 and its original application submitted on April 13, 2015.

As part of this pending GRC Phase II application, SDG&E has proposed amending the applicability of TOU-A such that any commercial customer whose

[1] See for example, testimony of the Division of Ratepayer Advocates (now Office of Ratepayer Advocates), A.11-10-002.

demand exceeds 200 kW in two out of twelve consecutive months will not be eligible for the small commercial rate.

If this proposal is implemented, the Port will no longer be eligible to take service under TOU-A and will be moved to Schedule AL-TOU, General Service for medium and large commercial customers. According to SDG&E this shift would increase the Port's annual bill amounts by 400% and could cause a significant business disruption to cruise ship operations. The Port also informed SDG&E that this may affect the number of ships that would dock in San Diego as opposed to other cities, which could potentially harm the local economy.

AB 628 (Gorell, 2013) authorizes port and harbor districts to jointly prepare and implement energy management plans (EMPs) with electric and gas providers in recognition of the need for ports to reduce energy costs and pollution in their business operations. SDG&E intends to submit an application proposing a long term rate plan and other proposals designed to support the Port's EMP, including tools to lower the Port's load factor. SDG&E seeks approval to allow the Port to remain on TOU-A until such a long-term rate plan for the Port has been developed, submitted to the CPUC and ruled upon. SDG&E has also provided a memorandum of understanding (MOU) between the Port and SDG&E declaring the intent to work together on a mutually-acceptable long term rate solution.

NOTICE

Notice of AL 2896-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order (GO) 96-B.

PROTESTS

Advice Letter AL 2896-E was not protested.

DISCUSSION

Our review of AL 2896-E addresses (a) applicability of AB 628, (b) the reasonableness of the interim rate relief request, and (c) compliance with relevant provisions of GO 96-B.

Applicability of AB 628

AB 628 was signed into law October 11, 2013. Among other provisions, the law authorizes specified harbor and port districts to prepare energy management plans to reduce air emissions and promote economic development through the retention of existing businesses in the district. In addition to declaring the state's interest to promote the efficient use of low-emission energy sources in the operation of ports and harbors, the law finds and declares:

> (c) the state encourages the development of new businesses and the retention of existing business within port and harbor district boundaries […and…]
>
> (e) businesses located within the state's port and harbor districts may benefit from greater stability and certainty in the cost of energy services […and…]
>
> (f) Investor-owned utilities…are in an optimal position, and are encouraged to engage in joint projects with port and harbor districts to provide and administer energy-related service alternatives and programs that may promote economic development and retention in those districts.

Information provided to Energy Division shows that the Port's maximum demand is over 20 times higher than that of the next highest customer among those who would be transitioned to AL-TOU by the rate applicability change. Furthermore, the Port's current rate, TOU-A, has no demand charge, while AL-TOU, the rate to which the Port would switch absent any rate relief, has both coincident and non-coincident demand charges. By changing rates, the Port could conceivably go from having no demand charges to having more than $100,000 in demand charges in a month when it experiences maximum demand. The Commission finds that this would be contrary to AB 628's goal of greater stability and certainty in the cost of energy services for ports. Further, the Commission finds that the Port's move to displace diesel generation from ships with shore-based power helps to achieve the state's SB 32 GHG goals, and would significantly reduce emissions of criteria pollutants.

Reasonableness of the Interim Rate Relief Request

SDG&E acknowledges that granting the requested interim rate relief could extend the Port's tenure on "a rate that is not representative of its cost of service and is thereby being supported by other ratepayers."[2]

While the potential cost impact of switching to AL-TOU is undesirable for the Port, the Commission must also consider the effects of allowing a customer with such high demand to remain on a rate that is inappropriate for its cost of service and is therefore cross-subsidized by other customers. We agree that the Port and its cruise ships are an important aspect of the San Diego economy and should not face such significant negative bill impacts that may affect the continued operation of the Port and docking of cruise ships. However, we ask that SDG&E pay particular attention to the cost basis of the long-term rate solution it proposes in a forthcoming application. We also request that the energy management plan developed between SDG&E and the Port minimize the Port's demand on SDG&E's system in order to align the Port's rate treatment with its cost of service.

The Commission approves the interim relief sought by SDG&E. However, we specify a timeline for the anticipated long-term rate solution, because the Port must not be allowed to stay on the interim rate indefinitely. The MOU states that SDG&E would file its long-term rate application by April 6, 2017. That has not yet happened. In order to minimize the amount of time that the Port is taking service under an inappropriate rate, SDG&E shall file that application by no later than October 1, 2017. Timely filing of the application is required in order for SDG&E to provide the Port with interim rate relief during the pendency of the application. Furthermore, we expect that this long-term rate application will be processed expeditiously so that non-Port ratepayers do not have to bear the burden associated with the interim rates longer than necessary. We therefore set the end of the interim rate period as the date set for implementation by the Commission in the application proceeding, or December 31, 2018, whichever comes first.

SDG&E's application should present a balanced proposal that appropriately weighs the objectives of reasonable rate relief for the Port, minimization of cost

[2] AL 2896-E at p. 4.

shift to other customers, and the environmental benefits of the Port's electrification. We expect the application to make some demonstration of the expected environmental benefits achieved through the Port's electrification and planned energy management activities.

Compliance with General Order 96-B

AL 2896-E was appropriately filed as a Tier 3 advice letter under Energy Industry Rule 5.3(5), because the relief requested is a contract or other deviation from standard tariff provisions. AL 2896-E was also filed under General Rule 8.5.6 (Lists of Contracts and Deviations), which states:

> each utility shall compile and publish in its tariffs a list of all contracts and other deviations under which the utility provides service at rates or under conditions other than those contained in its tariffs then in effect. For each such contract or other deviation, the list shall state: the name and location of the customer; the type or class of service; dates of execution and expiration; the date and number of the Commission order authorizing the contract or other deviation; and the utility's most comparable rate schedule, together with a summary of how the contract or other deviation differs from that schedule.

AL 2896-E contains all the required information to comply with General Rule 8.5.6.

Although not cited in AL 2896-E, the advice filing is also subject to Energy Industry Rule 7 (Contracts or Other Deviations), which requires language stating that "the Contract shall be subject to such modifications as the Commission may direct from time to time in the exercise of its jurisdiction" and that the Contract "does not become effective unless and until approved by the [CPUC]." The latter provision can be found on page 4 of the MOU, and the former provision can be found on page 6. Therefore, AL 2896-E complies with Energy Industry Rule 7 of GO 96-B.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on May 31, 2017.

SDG&E timely filed comments on July 3, 2017. Their comments supported the Resolution and sought technical corrections, which are incorporated herein.

FINDINGS

1. AB 628 (Gorell, 2013) authorizes port and harbor districts to jointly prepare and implement energy management plans (EMPs) with electric and gas providers in recognition of the need for ports to reduce energy costs and pollution in their business operations.
2. Providing shore-based power to docked cruise ships rather than power generated from the ships' diesel engines lowers GHG and other harmful emissions and is in accordance with California Air Resources Board regulations.
3. The settlement adopted in D.14-01-002 required SDG&E to modify the applicability for its small commercial rates in its next GRC Phase II (A.15-04-012).
4. If SDG&E moves the San Diego Unified Port District ("Port") to electric rate schedule AL-TOU in accordance with its applicability proposal in A.15-04-012, the Port could suffer abrupt rate shock and negative bill impacts. This would be contrary to AB 628's goal of greater stability and certainty in the cost of energy services for ports.
5. It is inappropriate for the Port to remain on a small commercial rate indefinitely because it is not representative of its cost of service.
6. SDG&E filed Advice Letter (AL) 2896-E on May 16, 2016 requesting approval to allow the Port to remain on TOU-A until a long-term rate solution is put in place.
7. It is in the best interest of the state, SDG&E and the Port to come to an agreement on an appropriate long term rate solution for the Port.

8. SDG&E intends to submit an application proposing a long term rate plan and other proposals designed to support the Port's EMP, including tools to lower the Port's load factor. The EMP developed between SDG&E and the Port should minimize the Port's demand on SDG&E's system in order to align the Port's rate treatment with its cost of service.
9. The Commission should specify a timeline for the anticipated long-term rate application, because the Port must not be allowed to stay on the interim rate indefinitely.
10. AL 2896-E complies with GO 96-B.

THEREFORE IT IS ORDERED THAT:

1. The request of SDG&E to allow the San Diego Unified Port District ("Port") to remain on its current rate schedule (TOU-A) on an interim basis as requested in Advice Letter AL 2896-E is approved.
2. SDG&E shall file an application containing a long-term rate solution and other proposals designed to support the Port's EMP by no later than October 1, 2017, and the interim rate period shall be applicable until the date set by the Commission for implementation of the new rate, or December 31, 2018, whichever comes first. SDG&E shall include the Port's EMP as an attachment to its application.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 10, 2017; the following Commissioners voting favorably thereon:

/s/*TIMOTHY J. SULLIVAN*
TIMOTHY J. SULLIVAN
Executive Director

MICHAEL PICKER
President
CARLA J. PETERMAN
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
Commissioners