

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



FILED

07-05-11
04:29 PM

Application of Pacific Gas and Electric Company for
Adoption of Electric Revenue Requirements and Rates
Associated with its 2012 Energy Resource Recovery
Account (ERRA) and 2012 Generation Non-Bypassable
Charges Forecasts

(U 39 E)

A.11-06-004
(Filed June 1, 2011)

PROTEST OF THE MARIN ENERGY AUTHORITY

Elizabeth Rasmussen
Regulatory and Legal Counsel
MARIN ENERGY AUTHORITY
781 Lincoln Avenue, Suite 320
San Rafael, CA 94901
Telephone: (415) 464-6022
Facsimile: (415) 459-8095
E-Mail: erasmussen@marinenergyauthority.org

Daniel W. Douglass
DOUGLASS & LIDDELL
21700 Oxnard Street, Suite 1030
Woodland Hills, CA 91367
Telephone: (818) 961-3001
Facsimile: (818) 961-3004
Email: douglass@energyattorney.com

Attorneys for
MARIN ENERGY AUTHORITY

July 5, 2011

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

Application of Pacific Gas and Electric Company for
Adoption of Electric Revenue Requirements and Rates
Associated with its 2012 Energy Resource Recovery
Account (ERRA) and 2012 Generation Non-Bypassable
Charges Forecasts

(U 39 E)

A.11-06-004
(Filed June 1, 2011)

PROTEST OF THE MARIN ENERGY AUTHORITY

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Marin Energy Authority ("MEA") submits this protest to the Application of Pacific Gas & Electric Company ("PG&E") filed on June 1, 2011, in the above-captioned docket ("Application") and noticed in the Commission's Daily Calendar on June 3, 2011. Therefore, this protest is timely filed.

MEA has four primary interests in this proceeding: (1) the calculation of the rate associated with the Cost Allocation Methodology ("CAM") revenue requirement; (2) the implementation of the new Power Charge Indifference Amount ("PCIA") and the Competition Transition Charge ("CTC") that will stem from the current ongoing proceedings in R.07-05-025; (3) PG&E's seeming inability to properly calculate the community choice aggregation ("CCA") load of MEA; and (4) the proposed bill credits associated with PG&E's auctioning of greenhouse Gas ("GHG") credits per the California Air Resources Board's cap and trade program. Furthermore, there is a fundamental timing issue that must be considered. It is evident that the calculation of the PCIA, CTC and GHG Credit are each dependent upon whatever results are reached in the ongoing proceedings in which these matters are under consideration. The Application indicates that PG&E proposes that these matters will be dealt with either in later

supplemental testimony or in the utility's November update. These matters may be simple, or they may be controversial and it would be prudent to plan for the latter. In the event that controversy does exist, MEA and other non-utility load serving entities ("LSEs") will require adequate time to review and analyze PG&E's proposals. Should these matters be deferred until the November update, implementation of the new ERRRA rates by January 1, 2012, may well not be achievable.

I. Implementation of New CAM Charges

D.10-12-035 (Ordering Paragraph 5) requires PG&E to calculate the CAM charge as the "net capacity costs" associated with the Combined Heat and Power ("CHP") Program which are defined as:

...the total costs paid by the IOU under the CHP Program less the value of the energy and any ancillary services supplied to the IOU under the CHP Program. No energy auction shall be required to value such energy and ancillary services.¹

PG&E's proposed "methodology provides for developing a forecast of the relevant contract costs and then determining the value the resource's generation would have in the market in the CAISO day-ahead market."² MEA is concerned that this may be an extremely problematical methodology. In particular, the utility's "reverse engineering" of the net capacity costs may well exaggerate the actual net capacity costs, thereby increasing costs to MEA and other non-utility LSEs. For example, for a CHP facility that is also a qualifying renewable resource under the Renewables Portfolio Standard ("RPS"), the consequence of using PG&E's methodology – which would subtract only a "brown power" cost from the total contract cost – would pass through RPS costs to departed load customers while PG&E would retain the RPS benefit. MEA

¹ CHP Settlement Agreement Section 13.1.2.2., at 56.

² Application, at p. 7-15, further detail in Attachment A to Chapter 7 of the testimony.

therefore recommends that the methodology for calculating the net capacity costs for use in the CAM should be specifically identified in the Scoping Memo that will be issued after the scheduled July 11 prehearing conference as being a topic within the scope of this proceeding.

Furthermore, PG&E proposes to use the resource adequacy (“RA”) allocation methodology adopted in D.07-09-044. MEA is concerned that this methodology was adopted prior to the commencement of MEA’s operations in May of 2010 and that therefore the interests of a CCA serving residential load was not represented. The methodology therefore needs to be examined carefully both with regard to the allocation of each non-utility LSE as well as the allocation among customer classes. This latter subject is important to MEA because, upon first examination, the allocation of costs appear to be quite high for residential loads. MEA will need adequate time to conduct discovery and review PG&E’s proposed CAM calculations in order to determine whether the utility has implemented this new customer charge in a manner consistent with the enabling decisions.

II. Implementation of the New PCIA Methodology

Revisions to the calculation methodology for the PCIA and Competition Transition Charge (“CTC”) are currently being contemplated in the Direct Access (“DA”) Rulemaking (R.07-05-025). A proposed decision may issue shortly, but a final Commission decision is not likely until at least August or September of this year, if not later. As parties are well aware, the issuance of a proposed decision is not always followed by immediate Commission action, particularly in heavily litigated matters that have attracted widespread participation. As this is the case in the DA rulemaking, a final decision may still be several months away. The utility notes in its testimony that it intends to issue supplemental testimony regarding the PCIA upon the issuance of the aforementioned final decision. It further states that if there is no final

decision by mid-September, the changes to the PCIA calculation methodology would need to be implemented “upon the completion of the second track of the 2012 ERRR forecast proceeding.”³ This could possibly be as late as the PG&E November update.

This raises the concern that MEA and other affected parties will have inadequate time to examine PG&E’s proposed implementation of the new charges. The November Update has in the past been largely a ministerial filing that updates existing numbers without examination of the calculations methodologies or underlying policies.⁴ This cannot be the case with a significant issue such as the PCIA. Hopefully, MEA’s concern will be addressed by the issuance of a proposed decision in the near future and prompt Commission action on it. However, should that not occur, the Commission must plan for the eventuality that a later decision will delay the schedule proposed by PG&E for implementation of its ERRR beyond January 1, 2012.

III. Failure to Correctly Incorporate CCA Load

An issue of extreme importance to MEA is that PG&E continues to argue that CCA load should not be excluded from its ERRR projections until a Notice of Intent to serve new customers is filed or the load is served.⁵ Specifically, “[f]or this June 1 filing, PG&E has accounted for the [MEA] customers who departed in 2010, but is forecasting no additional CCA load departures for 2012 at this time.”⁶ The problem with this approach, of course, is that it causes the ERRR projections of actual bundled load to be served by the utility to be inaccurate

³ Testimony, at p. 1-8.

⁴ In fact, a Proposed Decision was issued in PG&E’s 2011 ERRR (A.10-05-022) *before* the November update, precisely in order that the target implementation date of January 1, 2011 could be achieved. This cannot be allowed to happen in this proceeding where an issue as important as the PCIA is at play.

⁵ Testimony, at pp. 1-13 and 2-11 to 2-12.

⁶ Testimony, at p. 2-8.

and overstated. This in turn will lead to over-procurement and ERRRA rates that are premised on incorrect assumptions.

This same issue is currently under consideration in the Long-Term Procurement Plan (“LTPP”) docket R. 10-05-006. Both direct access and CCA parties have noted PG&E’s obstinacy in this regard, and contrasted its behavior unfavorably with that of Southern California Edison Company (“SCE”), which has made more realistic projections of non-utility load that will be served in its service territory. This topic has many elements to it and needs to be clearly spelled out in the Scoping Memo as an issue to be examined in the proceeding. Specifically, issues within scope should include: (i) whether PG&E is using the best-available information as to CCA load; (ii) whether PG&E should incorporate both MEA’s Phase 2A load that is currently being enrolled as well as its planned Phase 2B load; and (iii) whether PG&E has accurately subtracted CCA from its peak load calculation.

IV. All GHG Auction Revenues Must Be Accounted for Consistently with Future Commission Actions that are Taken in R.11-03-012

On May 11, 2011, PG&E, along with SCE and San Diego Gas & Electric Company, filed a Joint Motion in R.11-03-012 that seeks Commission authority for the utilities to use the forecast AB32 allowance revenues in the utilities’ respective 2012 ERRRA forecast proceedings.⁷ The allowance revenues would be utilized to reduce distribution rates that all utility distribution customers pay, including those of PG&E. The current Application is consistent with the Joint Motion, and proposes the use of a non-bypassable rate credit, which is referred to as the “AB32 Credit.”⁸

⁷ R.11-03-006, Joint Motion of Pacific Gas and Electric Company (U 93 E), Southern California Edison Company (U 338 E), and San Diego Gas & Electric Company (U 902 E) For Interim Decision To Authorize Use of Greenhouse Gas Allowance Revenues for 2012 Electricity Rates. May 11, 2011.

⁸ Testimony, page 9-9.

Consistency with the Joint Motion may be appropriate, depending upon the consequences of certain California Air Resources Board determinations regarding the current status of cap and trade. However, MEA recommends that further review of the details of the proposal, should it be adopted in R.11-03-006, will be necessary. PG&E intends to update its AB32 Credit in supplemental testimony that may be filed prior to mid-September or in its November Update. As with the PCIA, interested parties will need sufficient time to analyze and review the proposed calculation methodologies and assumptions that are contained in the update. This also indicates that a January 1, 2012 ERRA implementation date may well not be reasonable.

V. Request for Party Status

Pursuant to Rule 1.4 of the Commission's Rules of Practice and Procedure, MEA requests active party status in this proceeding. The interests of MEA are not represented by any party to this proceeding, and its comments herein are directly relevant to the issues raised by the Application. MEA thanks the Commission for its attention to this protest.

Respectfully submitted,



Elizabeth Rasmussen
Regulatory and Legal Counsel
MARIN ENERGY AUTHORITY
781 Lincoln Avenue, Suite 320
San Rafael, CA 94901
Telephone: (415) 464-6022
Facsimile: (415) 459-8095
E-Mail: erasmussen@marinenergyauthority.org

Daniel W. Douglass
DOUGLASS & LIDDELL
21700 Oxnard Street, Suite 1030
Woodland Hills, CA 91367
Telephone: (818) 961-3001
Facsimile: (818) 961-3004
Email: douglass@energyattorney.com

Attorneys for
MARIN ENERGY AUTHORITY

July 5, 2011