

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298**FILED**08-23-10  
03:34 PM

August 23, 2010

Agenda ID #9720  
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 08-04-012

This is the proposed decision of Administrative Law Judge (ALJ) Gamson. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Gamson at [dmg@cpuc.ca.gov](mailto:dmg@cpuc.ca.gov) and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

/s/ JACQUELINE A. REED for  
Karen V. Clopton, Chief  
Administrative Law Judge

KVC:oma

Attachment

Decision **PROPOSED DECISION OF ALJ GAMSON** (Mailed 8/23/2010)

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

Order Instituting Rulemaking to Consider Revisions to the Planning Reserve Margin for Reliable and Cost-Effective Electric Service.

Rulemaking 08-04-012  
(Filed April 10, 2008)

**DECISION CLOSING THE PROCEEDING**

**1. Summary**

The Commission issued Rulemaking 08-04-012 to review and modify the Planning Reserve Margin used to calculate the amount of reserves investor-owned utilities must procure on behalf of their customers' needs in order to provide a stable, reliable power system. Because more preliminary discussion is needed regarding certain studies and questions before the Planning Reserve Margin issues are ripe for review, this proceeding is closed.

**2. Background**

In January 2004, a Commission decision approved a long-term regulatory framework for procurement that included a statewide 15%-17% Planning Reserve Margin (PRM) requirement for all Commission-jurisdictional load-serving entities to meet by 2008.<sup>1</sup> Since this decision, parties have raised considerable concern about the determination of the PRM. On December 22, 2006, Rulemaking (R.) 05-12-013 provided that consideration of updating the

PRM was within the scope of that proceeding. A subsequent ruling in November 2007 determined that the PRM should be reviewed in a separate proceeding, leading to the current Rulemaking.

R.08-04-012 was guided by the Commission's assertion that there is a need for greater analytical rigor and transparency in the way the PRM is established and applied. The Rulemaking summarized the overall purpose of the proceeding as follows:

We open this rulemaking to review, and modify to the extent found to be appropriate, the planning reserve margin (PRM) used for purposes of our Long-Term Procurement Planning (LTTP) and Resource Adequacy (RA) programs. We do so to bring greater policy clarity and certainty to California's electricity market and to ensure that our LTTP and RA programs are designed to yield the level of reliability that ratepayers demand.

R.08-04-012 sought to establish a preliminary methodology to determine a short-term capacity and reserve requirement for Resource Adequacy program compliance years 2010 and 2011 that could be periodically reassessed in coordination with the Long-Term Procurement Planning or other Commission decisions.

### **3. Procedural History**

R.08-04-012 was issued on April 16, 2008, and included a preliminary scoping memo and schedule. The preliminary scoping memo indicated a 24 month timeframe for the proceeding. A Prehearing Conference was held on June 2, 2008. A Scoping Memo was issued on September 30, 2008, that determined the issues to be considered in this proceeding and adopted a new

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<sup>1</sup> Decision 04-01-050.

schedule for the proceeding. Additionally, the Scoping Memo approved a plan whereby a concurrent California Independent System Operator (CAISO) study would be integrated into the proceeding to utilize the resources of General Electric Energy's Multi-Area Reliability Simulation (GE MARS) software.

After several months, the Energy Division informed the assigned Administrative Law Judge (ALJ) that the funds for the GE MARS work were exhausted. The ALJ suspended the procedural schedule on February 27, 2009 by e-mail notice to parties so that issues pertaining to funding for modeling consultants could be addressed.

On February 8, 2010, a ruling was issued inviting comments on restarting this proceeding. Comments were filed on February 26, 2010 by the Alliance for Retail Energy Markets; CAISO; Californians for Renewable Energy, Inc.; the California Large Energy Consumers Association; the Division of Ratepayer Advocates; Dynegy Morro Bay, LLC, Dynegy Moss Landing, LLC, Dynegy Oakland, LLC, and Dynegy South Bay, LLC; the Independent Energy Producers Association; Pacific Gas and Electric Company; Southern California Edison Company; San Diego Gas & Electric Company; The Utility Reform Network; and Western Power Trading Forum.

A review of the comments shows a variety of different perspectives about whether additional efforts are needed in this proceeding. Several comments suggested waiting until the CAISO released a long-expected PRM study for 2010 to 2020. This study was released on May 21, 2010. The study stated that the CAISO "is hopeful that the current study will assist in bringing Phase 1 of R.08-04-012 to conclusion, and possibly help in determining whether to open a new proceeding focused on some of the remaining methodological questions and policy issues not addressed in (the CAISO) study."

#### **4. Closing the Proceeding**

The California Public Utilities Code governs the duration of time that a proceeding can be open before some action must be taken to either close the proceeding or extend the schedule. Section 1701.5(a) states:

Except as specified in subdivision (b), in a ratesetting or quasi-legislative case, the commission shall resolve the issues raised in the scoping memo within 18 months of the date the scoping memo is issued, unless the commission makes a written determination that the deadline cannot be met, including findings as to the reason, and issues an order extending the deadline. No single order may extend the deadline for more than 60 days.

Section 1701.5(b) states:

(b) Notwithstanding subdivision (a), the commission may specify in a scoping memo a resolution date later than 18 months from the date the scoping memo is issued, if that scoping memo includes specific reasons for the necessity of a later date and the commissioner assigned to the case approves the date.

The Scoping Memo here was issued on September 30, 2008. Pursuant to Section 1701.5(b), the Scoping Memo determined that the proceeding should be resolved within 24 months, or September 30, 2010.

We determine that there is more preliminary discussion needed regarding the recent CAISO study, as well as potentially other studies and methodological questions before the PRM issues are ripe for decision. When the issues are ripe, the Commission will consider opening a new proceeding. Therefore, this proceeding should be closed.

**5. Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

**6. Assignment of Proceeding**

This proceeding is assigned to ALJs David M. Gamson and Mark S. Wetzell. Michael R. Peevey is the assigned Commissioner.

**Findings of Fact**

1. There is no issue ripe for a decision in this proceeding.
2. The procedural deadline set in the Scoping Memo is September 30, 2010.

**Conclusion of Law**

1. This proceeding should be closed.

**IT IS ORDERED** that Rulemaking 08-04-012 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

