



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

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Application of Pacific Gas and Electric Company
to Revise Its Electric Marginal Costs, Revenue
Allocation, and Rate Design, including Real Time
Pricing, to Revise its Customer Energy
Statements, and to Seek Recovery of Incremental
Expenditures. (U 39 M)

Application 10-03-014
(Filed March 22, 2010)

PROTEST OF SOUTH SAN JOAQUIN IRRIGATION DISTRICT

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April 26, 2010

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Application of Pacific Gas and Electric Company to Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design, including Real Time Pricing, to Revise its Customer Energy Statements, and to Seek Recovery of Incremental Expenditures. (U 39 M)

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PROTEST OF SOUTH SAN JOAQUIN IRRIGATION DISTRICT

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the South San Joaquin Irrigation District ("SSJID") respectfully submits its protest to Pacific Gas and Electric Company's ("PG&E") 2011 General Rate Case Phase 2 application ("GRC Phase 2 Application"). SSJID also filed a protest to PG&E's 2011 General Rate Case Phase 1 application ("GRC Phase 1 Application").¹

SSJID has not yet had an opportunity to thoroughly review PG&E's application, supporting exhibits and work papers; however, based upon its review to date, SSJID has identified a number of areas in which PG&E may be seeking to change its rate design inappropriately and without sufficient justification. SSJID is also concerned that PG&E's marginal cost proposals may be anticompetitive.

I. Introduction

SSJID is a special district formed in May 1909 pursuant to the Wright-Bridgford Act, the predecessor of the California Water Code, for the purpose of providing a reliable, economic source of irrigation water for the cities of Escalon, Ripon and Manteca, and portions of unincorporated San Joaquin County. Special districts in California are local units of government established by the residents of an area to provide a service not provided by the county or city. SSJID operates under the direction and control of its Board of Directors, the members of which

¹ Protest of South San Joaquin Irrigation District in A.09-12-020 was filed on January 25, 2010.

are elected by, and ultimately answerable to, the voters in the district. SSJID currently provides irrigation water service to 3,600 customers in portions of San Joaquin County; wholesale treated domestic water to the cities of Tracy, Escalon, Manteca, and Lathrop; and, through its ownership interest in hydroelectric generating facilities, wholesale electric service.

SSJID is itself an electric customer of both PG&E and the Modesto Irrigation District. SSJID's service territory includes approximately 40,000 PG&E accounts representing estimated annual energy sales of approximately 550,000 MWh. SSJID plans to expand the scope of the services it provides to include retail electric service within its existing service territory. SSJID has evaluated the costs and potential benefits of providing retail electric service and concluded that expanding the scope of the services it provides in this manner would provide significant net benefits to customers within its service territory, including improving the local economy, increasing jobs opportunities in local communities, improving customer service, increasing the reliability of service, increasing the availability of and funding for public purpose programs, and reducing electric rates by 15%. In addition, SSJID concluded that these benefits can be achieved without any significant adverse effect on PG&E or its remaining customers. SSJID has taken a number of steps to implement its plan to provide retail electric service, including recently filing an application with the San Joaquin County ("County") Local Agency Formation Commission ("LAFCo") for approval of its current plan, and obtaining a report from the Commission confirming that its plan will not have any significant effect on PG&E or PG&E's remaining ratepayers.

SSJID thus has a significant interest in this proceeding as both a ratepayer and a potential future competitor of PG&E.

II. PG&E's GRC Phase 2 Application Proposes Significant Changes that May be Adverse to Ratepayer Interests and Anticompetitive

In its GRC Phase 1 Application, PG&E has already requested significant increases in rates for numerous activities and accounts that appear insufficiently justified. SSJID is concerned that the cumulative effect of the increase in rates from PG&E's GRC Phase 1 Application, and the changes to the rate design PG&E is proposing in its GRC Phase 2 Application will result in significantly larger rates relative to current 2010 rates.

A. PG&E Attempt to Move Rates Closer to Cost of Service Must be Closely Evaluated

Among other substantial changes in its rate design, PG&E proposes, relative to current 2010 rates, a 2.9% reduction in overall residential customer rates, a 6.0% increase in overall agricultural customer rates, and a 7.5% increase in overall streetlight customer rates.² PG&E attempts to justify these substantial changes as the result of PG&E continuing "the movement of electric rates closer to cost of service[,] while also taking into consideration equity among customers and customer acceptance."³

However, questions exist as to whether PG&E provides sufficient justification for these rate design changes, and whether PG&E is truly basing its proposal on a consideration of equity among customers and customer acceptance. Some of these changes appear to be excessive, unnecessary or imprudent, and will increase the overall cost incurred by ratepayers including SSJID and/or its future customers. Furthermore, SSJID intends to evaluate whether PG&E's proposed rate design changes may have inappropriately or incorrectly layered the effects of dynamic pricing options, Community Choice Aggregation, and the imminent reopening of Direct Access into this already complex rate design.

² GRC Phase 2 Application, at 5.

³ *Id.*, at 3.

As one example of the many proposed changes to its rate design, PG&E has recommended that distribution revenue that is not collected in customer charges should be collected in demand charges. As PG&E itself recognizes, this is a major and important change as “most residential and small commercial customers historically have not been demand-metered.”⁴ While PG&E has stated that it will attempt “[t]o mitigate bill impacts and provide for reasonable transitions in rate designs used across rate classes,” SSJID questions whether the current rate design provides the necessary mitigation and transition with regard to not only this specific charge, but more generally with all of PG&E’s rate design changes.⁵ Overall, PG&E’s proposed approach to price mitigation by only “moving all customer groups 50 percent to full cost-of-service” does not appear sufficient to protect customers such as SSJID and its future customers from harm caused by these rate design changes.⁶

B. The Potential Anti-Competitive Effects of PG&E’s Proposal Merit Analysis

PG&E states that “[l]ocation-specific distribution costs, along with customer-specific loads, set the benchmark to gauge the benefit of a utility’s customer retention and load attraction efforts.”⁷ Thus, SSJID intends to scrutinize these proposals to ensure that they do not result in PG&E establishing anticompetitive pricing.

SSJID’s economic analysis demonstrates that its plan to provide retail electric service will provide significant net benefits to customers within its service territory and will have no significant effect upon PG&E or its remaining ratepayers. Under these circumstances, the Commission should be vigilant to ensure that PG&E is not permitted to engage in anticompetitive conduct through either its marginal cost proposals or its rate design changes.

⁴ PG&E Exhibit 1, at 1-6.

⁵ *Id.*

⁶ GRC Phase 2 Application, at 4 (footnote omitted).

⁷ PG&E Exhibit 2, at 1-10.

III. Conclusion

For the reasons stated herein, SSJID protests PG&E's request to revise its electric marginal costs, revenue allocation, and rate design. However, SSJID has not had an opportunity to fully review PG&E's GRC Phase 2 Application, supporting testimony or work papers or to conduct necessary discovery. As a result, the list of issues SSJID has identified to date in regard to PG&E's 2011 GRC Phase 2 Application is preliminary and may not be complete. SSJID reserves the right to raise additional issues after it has had an opportunity to more thoroughly review PG&E's GRC Phase 2 Application and conduct discovery in this proceeding.

Respectfully submitted,

/s/ Edward W. O'Neill

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April 26, 2010

CERTIFICATE OF SERVICE

I, Judy Pau, certify:

I am employed in the City and County of San Francisco, California, am over eighteen years of age and am not a party to the within entitled cause. My business address is 505 Montgomery Street, Suite 800, San Francisco, California 94111.

On April 26, 2010 I caused the following to be served:

PROTEST OF SOUTH SAN JOAQUIN IRRIGATION DISTRICT

who have provided the Commission with an electronic mail address and by First class mail on the parties listed as "Parties" and "State Service" on the attached service list A.10-03-014 who have not provided an electronic mail address.

/s/ Judy Pau _____
Judy Pau

VIA EMAIL AND US MAIL

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