BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003 (Filed May 7, 2020)

REPLY COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON PROPOSED DECISION DENYING PETITION FOR MODIFICATION ON MODIFIED COST ALLOCATION MECHANISM

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission"), San Diego Gas and Electric Company ("SDG&E") submits these reply comments concerning the proposed *Decision Denying Petition for Modification on Modified Cost Allocation Mechanism* ("Proposed Decision" or "PD") issued in the above-referenced proceeding on August 24, 2023.

The Proposed Decision denies the petition for modification ("PFM") of Decision (D.) 22-05-015 submitted jointly by San Diego Community Power and the Clean Energy Alliance (together, "the Joint CCAs"). The PFM sought "clarification" that D.22-05-015 intended to use the year-ahead load forecast rather than the actual load being served at the time D.22-05-015 was issued as the basis for the one-time provision in D.22-05-015 allowing for allocation of resource adequacy ("RA") capacity at the System RA market price benchmark ("MPB").[1/] In their comments on the PD, the Joint CCAs argue that the PD errs by "overlooking inequitable impacts to now departed customers and contravening the intent of D.22-05-015."[2/] The Joint CCAs' claims lack merit and should be rejected. The PD should be approved without modification.

[1/] PD, p. 4.

[2/] *Comments of San Diego Community Power and Clean Energy Alliance on Proposed Decision* ("Joint CCA Comments on PD") at 3.

II. DISCUSSION

The Joint CCAs argue that the PD errs by failing to address "inequitable impacts" to now departed customers caused by the requirement in D.22-05-015 that load migration occurring after issuance of the decision be addressed through the regular Power Charge Indifference Adjustment ("PCIA") process rather than through the one-time exception granted to the Joint CCAs providing for allocation of RA attributes of resources procured to meet the requirements of D.19-11-016.[3/] The Joint CCAs rely on evidence outside the record of the instant proceeding to claim that the PD "requires ratepayers in San Diego to pay for capacity twice, costing them at least $54 million over the next 12 years."[4/] Specifically, the Joint CCAs assert that they will be required to procure 49 MW of "replacement capacity" from the market (*i.e*., the 49 MW of capacity they otherwise would be allocated if the one time exception were applied as they request in the PFM) while also paying the cost of SDG&E's "excess capacity" through the PCIA rate.[5/]

As a threshold matter, the claim by the Joint CCAs that they will "pay for capacity twice" makes little sense and suggests a misunderstanding of the PCIA mechanism. Under the PCIA, capacity that is sold in the market receives revenue; that revenue acts as an offset against the contracted cost of the capacity resource. PCIA allocates only the "above-market" cost of the capacity, which is equal to the contracted cost of the capacity resource minus the market revenues received. Thus, there is no scenario where a CCA pays twice for the same capacity. If a CCA purchases capacity in the market, it pays (i) the market cost of the capacity; and (ii) only the "*above-market*" cost of the capacity resource, through the PCIA.

[3/] *See* D.22-05-015 at Ordering Paragraph ("OP") 4.
[4/] Joint CCA Comments on PD at 1.
[5/] *Id*. at 2, 5-6.

The Joint CCAs' argue that requiring them to procure RA in the market rather than allocating the RA to them, as requested in the PFM, will require them to pay for 49 MW of replacement capacity for a period of 12.4 years at a cost of approximately $54 million based on the system RA benchmark of $7.39/kW-month. They assert that "Commission action is needed to mitigate this unreasonable, inequitable, and expensive impact to Joint CCA customers."[6/] It is not clear what the Joint CCAs deem the harm to be here. Had the PD granted the request set forth in the PFM and extended the one-time exception to the additional 49 MW of capacity, the Joint CCAs would have been required to pay for the capacity received. Thus, the Joint CCA's concern that denial of the PFM will "cost[] them at least $54 million over the next 12 years,"[7/] is inapposite since grant of the PFM would *also* cost them at least $54 million (assuming the allocated RA price was set at the system RA benchmark of $7.39/kW-month).

The PD retains the assumption in D.22-05-015 that after the date of the decision, Joint CCAs will procure capacity in the market at the then-existing market price rather than receiving an allocation at the System RA benchmark price. Even assuming *arguendo* that this results in a higher cost for now departed customers, a higher market cost for capacity will result in a *lower* PCIA cost since, as noted above, PCIA captures only the above-market cost of capacity resources. More to the point, D.22-05-015 clearly intended that procurement on behalf of now departed load subsequent to the decision occur through the market and be addressed through the regular PCIA process.[8/] Thus, the Joint CCAs fail to demonstrate that the PD errs by adhering to this unambiguous intent.

[6/] *Id*. at 8.
[7/] *See id*. at 1.
[8/] *See* D.22-05-015, pp. 41-42.

SDG&E notes further that the Joint CCAs' claim that "SDG&E projects in its on-going [Energy Resource Recovery Account ("ERRA")] Forecast case that it will have 888 MW of combined System, Local and Flexible RA capacity that it does not need to serve its bundled customers and will not be able to sell to other LSEs in 2024"[9/] is incorrect. They also assert that "capacity that could have been 'sold' to the Joint CCAs to keep Now Departed Customers whole will remain unsold."[10/] This assertion, again, is untrue. Put simply, the Joint CCAs' suggestion that SDG&E is unreasonably withholding RA from the market to the detriment of now departed customers is entirely false. As the Commission has recognized, SDG&E's methodology for reserving PCIA-eligible RA capacity is reasonable.[11/] The Joint CCAs' reliance on "evidence" consisting of blatant mischaracterizations (and that is not included in the record of the instant proceeding) to support its allegation of error is improper.[12/]

The Joint CCAs' claim that grant of the PFM is necessary to fulfill the intent of D.22-05-015 and to satisfy cost causation principles is equally misguided, and simply restates arguments presented in the PFM that are rejected in the PD.[13/] No ambiguity exists regarding the Commission's intent in D.22-05-015 to limit application of the one-time exception to already-departed load. Indeed, in response to the Joint CCAs' position in advocacy related to the proposed decision that the Commission "should allow for annual adjustments to account for *additional* load migration" after issuance of the final decision,[14/] the Commission added language

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[9/] Joint CCA Comments on PD at 7.
[10/] *Id*. at 2.
[11/] Letter dated May 10, 2022, from Pete Skala, Interim Deputy Executive Director for Energy and Climate Policy/Interim Director, Energy Division, CPUC, to Greg Anderson, SDG&E Regulatory Tariff Manager, in response to Advice Letter ("AL") 3836-E and AL 3836-E-A.
[12/] Rule 1, 14.3(c).
[13/] *See* Joint CCA Comments on PD at 5, 9-10.
[14/] *San Diego Community Power and Clean Energy Alliance Notice of Ex Parte Communication*, filed April 14, 2022, Attachment, Slide 11 (emphasis added).

to the final decision to clarify that the exception is intended to apply only in a single instance for load that has departed as of the date of issuance of the final decision and does not apply to load departure that occurs after the date of the decision:

> As stated above, this is a one-time provision (recognizing that the benefits will be allocated and paid for over the life of the contracts) based on the relative load shares of the IOU and non-IOU LSE **as of the effective date of this decision** . . . Any load migration **subsequent to this decision** will be addressed through the regular PCIA process.[15/]

Thus, the adopted decision makes crystal clear that the exception applies based on the load share as of the effective date of D.22-05-015 and that any subsequent load migration will be addressed through PCIA rather than through this exception.

The claim by the Joint CCAs regarding cost causation principles is equally misguided. The PCIA process is designed to ensure that cost causation and cost indifference requirements are satisfied. The Joint CCAs do not explain how reliance on the PCIA process to allocate the costs of D.19-11-016 procurement to load that departed after issuance of the D.22-05-015 would violate cost causation principles.

III. CONCLUSION

For the reasons set forth above, the Commission should adopt the PD without modification.

Respectfully submitted this 18th day of September, 2023.

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[15/] D.22-05-015, pp. 41-42 (emphasis added).