

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

Rulemaking regarding whether, or
subject to what Conditions, the
suspension of Direct Access may be
lifted consistent with Assembly Bill IX
and Decision 01-09-060.

Rulemaking 07-05-025
(Filed May 24, 2007)

**COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON THE
PETITION OF THE FEDERAL EXECUTIVE AGENCIES (FEA) ON BEHALF
OF THE UNITED STATES AIR FORCE AND EDWARDS AIR FORCE BASE,
CALIFORNIA, FOR MODIFICATION OF DECISION 10-03-022**

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April 11, 2011

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In accordance with Rule 16.4(f) of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Alliance for Retail Energy Markets (“AREM”)¹ submits these comments on the *Petition of the Federal Executive Agencies (FEA) on Behalf of the United States Air Force and Edwards Air Force Base, California for Modification of Decision 10-03-022* (“Petition”), submitted to the Commission on March 10, 2011. As explained in more detail below, AREM does not at this time necessarily object to the Petition. However, there are several issues that must be addressed with respect to how the Petition, if approved, would impact Southern California Edison’s (“SCE’s”) management of the direct access (“DA”) cap, and other issues relevant to DA service. These issues are explained in more detail below.

¹ AREM is a California mutual benefit corporation whose members are electric service providers that are active in California's direct access market. The positions taken in this filing represent the views of AREM but not necessarily those of any individual member of AREM or the affiliates of its members with respect to the issues addressed herein.

I. BACKGROUND

As AReM understands the Petition, the electric load at the Edwards Air Force Base (“Edwards AFB”) has been served for many years by a third party, the Western Area Power Administration (“Western”), under contracts that will expire in August of 2011. FEA requests that the Edwards AFB electric load that has been served by Western be re-categorized as DA load, and that the DA cap and baseline assigned to SCE in Decision 10-03-022 (“D.10-03-022”) each be increased by 218 Gwh. This additional 218 Gwh represents the amount of electric load at the Edwards AFB during July 2003 through June 2004. This time period was identified as the 12 month consecutive time period during which DA was at its highest, as required by Senate Bill (“SB”) 695, and therefore this is the amount by which FEA requests that the SCE load cap and baseline should be adjusted.

FEA explains that the supply arrangement it has with Western has been accepted over the years by SCE who credits Edwards AFB for generation charges under the TOU-8 tariff, leaving Edward AFB to pay transmission and distribution charges to the utility. Moreover, FEA states that Edwards AFB has paid the same share of the DA Cost Responsibility Surcharge as have 2001 vintage DA customers. For these reasons, FEA argues that its request for DA status and the adjustments to SCE DA load cap and baseline should be approved. FEA states that its proposal will not harm any other DA customers, nor will it create any harm to existing SCE customers.

II. COMMENTS

A. Managing the Impact of Edwards AFB Load Growth On the DA CAP

As noted at the outset, AReM does not necessarily object to the Petition as long as the claim that its approval will not harm any other DA customers is true. In general, AReM would

agree with FEA that no DA customers would be harmed by the Petition if the SCE load cap and baseline are both adjusted by the 218 Gwh. However, the Petition fails to acknowledge that D.10-03-022 requires SCE to periodically adjust the baseline to reflect 12 months of load associated with the customers on DA, as follows:

Changes in the 12-month usage of DA accounts will be reflected in order to determine the room available under the cap. No customer taking DA service while room was available under the cap will be removed from DA service as a result of growth in DA load.²

In other words, periodic baseline adjustments will determine whether there is additional room under the cap for new DA load. If load at Edwards AFB increases over time, then re-categorizing Edwards AFB as a DA load will reduce the ability for other customers to move to DA service.

This issue can be addressed in one of two ways to ensure that the applicability of the DA cap to existing and future DA customers is not affected by the request contained in the Petition when and if SCE adjusts the baseline. First, for purposes of analyzing room under the cap when it does a baseline adjustment, SCE could simply “set” the Edwards AFB load to 218 Gwh. That way, adding Edwards AFB as DA load would not impact the calculation of room under the cap. Alternatively, if SCE’s analysis at the time it adjusts the baseline shows that the Edwards AFB load is higher or lower than 218 Gwh, the cap and baseline could each be adjusted by the new 12 month load estimate, so that the Edwards AFB load has no overall impact on the availability of room under the cap.

B. Licensing of the Edwards AFB Supplier as an ESP and Financial Security Requirements

Another issue that must be considered is whether the inclusion of Edwards AFB as DA load will necessitate other changes that it must make to how it manages its load obligations. For

² See page 7 of Appendix 2 of Decision 10-03-022.

instance, will Edwards AFB be required to meet the same requirements as an Electric Service Provider (“ESP”), including financial security requirements, and all other elements of Commission jurisdiction of ESPs, such as resource adequacy, renewable portfolio standard, and greenhouse gas emission reductions? AReM does not have a position at this time as to whether the alternative supplier to Edwards AFB must be registered as an ESP or subject to similar financial security arrangements or other elements of Commission jurisdiction. However, AReM believes it is necessary for the Commission to be clear about the extent to which these requirements will apply when and if the Edwards AFB load is treated as DA load, so that AReM can remain assured that its members and their customers are not disadvantaged by the DA treatment afforded Edwards AFB as a result of the Petition.

Respectfully submitted,



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Attorney for the
ALLIANCE FOR RETAIL ENERGY MARKETS

April 11, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the *Comments of the Alliance for Retail Energy Markets on the Petition of the Federal Executive Agencies (FEA) on Behalf of the United States Air Force and Edwards Air Force Base, California for Modification of Decision 10-03-022* on all parties of record in proceeding *R.07-05-025* by serving an electronic copy on their email addresses of record and by mailing a properly addressed copy by first-class mail with postage prepaid to each party for whom an email address is not available.

Executed on April 11, 2011, at Woodland Hills, California.



Michelle Dangott

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