

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

Order Instituting Rulemaking to Integrate and Refine
Procurement Policies and Consider Long-Term
Procurement Plans.

R. 12-03-014
(Filed March 22, 2012)

**REPLY BRIEF OF SOUTH SAN JOAQUIN IRRIGATION DISTRICT CONCERNING
LONG TERM PROCUREMENT PLAN TRACK 1: LOCAL RELIABILITY ISSUES**

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Dated: October 12, 2012

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Pursuant to Rule 13.11 of The California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the South San Joaquin Irrigation District (“SSJID”) respectfully submits this reply brief addressing Track 1 local reliability issues in response to the opening briefs submitted by Southern California Edison (“SCE”) and Pacific Gas and Electric Company (“PG&E”) on September 24, 2012.

**I. SSJID’S PROPOSAL IS CONSISTENT WITH STATE LAW AND COMISSION
POLICY**

In its opening brief, SCE alleged that SSJID’s proposal that CAM costs should not be allocated to any existing or future publicly owned utility (“POU”) customers is inconsistent with Commission policy and prior Commission decisions.¹ In support of this allegation SCE claimed that in D.08-09-012 the Commission, “explicitly stated that CAM would still apply to large municipalizations.”²

However, nowhere in D.08-09-012, nor in any other Commission decision, did the Commission make a determination as to whether the CAM would apply to a large

¹ SCE Opening Brief, at 26.

² SCE Opening Brief, at 26.

municipalization. In fact, Conclusion of Law 4 in D.08-09-012, which is the source that SCE relies on to support its position,³ clearly states that a separate application would be necessary to determine large municipalization customers' fair share of CAM costs.⁴ In addition, in the same decision, the Commission explicitly states, "if no costs are incurred on its behalf, then the customer's fair share can be determined to be zero."⁵ SCE's allegation that the Commission has determined that CAM charges be charged to large municipalizations is therefore incorrect. SSJID's proposal is consistent with both prior Commission decisions and existing state law as explained in detail in SSJID's Opening Brief.⁶

Furthermore, it would be contrary to the Commission's well-established indifference principle to charge customers of SSJID or any other POU for potential system benefits that they may receive from IOU procurement. The reason for this is that system reliability benefits are provided by POU as well as IOU procurement, but the current CAM fails to fully account for such benefits since POU's have no mechanism for charging IOUs for the system benefits of the generation that they add. Indeed, PG&E customers have not paid a cent for the system benefits that they receive from the more than 500 MW of new capacity recently added by POU's in the SSJID resource area.⁷ Charging customers of POU's for benefits they may receive from the IOU's power development without allowing POU's to charge IOU customers for benefits they

³ SCE Opening Brief, at 26.

⁴ "For departing loads of large municipalizations that are not reflected in the historical trends used in developing the adopted LTPP load forecasts, the IOUs should file an application requesting a Commission determination of the fair share of these customers for paying the D.04-12-048 and D.06-07-029 NBCs." D.08-09-012, mimeo at 104, (Conclusion of Law No. 4).

⁵ D.08-09-012, mimeo 95 (Finding of Fact No. 3).

⁶ SSJID Opening Brief, at 2-4.

⁷ SSJID/Shields, Hearing Transcript, volume 9 at 1369.

may receive from the POUs' power development is inequitable and contrary to the Commission indifference principle.⁸

II. SSJID'S MUNICIPALIZATION HISTORY ILLUSTRATES PRECISELY WHY PG&E SHOULD ACCOUNT FOR SSJID IN ITS PROCUREMENT FORECASTS

In its opening brief PG&E cites the history of SSJID's municipalization in an attempt to demonstrate why PG&E allegedly should continue to procure reliability resources on behalf of SSJID customers. PG&E attempts to justify such procurement on grounds that uncertainty exists as to whether or when SSJID's specific municipalization will be completed and SSJID will commence reliability procurement on behalf of its customers.⁹ PG&E's opening brief confirms, however, that PG&E has been aware of SSJID's intent to municipalize for a number of years¹⁰ and, while uncertainty may exist regarding whether and when SSJID will complete its municipalization, PG&E has had ample time to adjust its procurement forecasts to account for any such uncertainty. Moreover, PG&E should have no difficulty doing so since the level of load uncertainty associated with SSJID's municipalization is far less significant than other uncertainties that PG&E routinely addresses in its procurement planning, such as uncertain hydro conditions, load growth and the relicensing of PG&E's nuclear plant.

⁸ See SSJID Opening Brief, at 4-6, for further discussion of this matter.

⁹ PG&E Opening Brief, at 17-19.

¹⁰ PG&E Opening Brief, at 17-19.

III. THERE IS NO JUSTIFICATION FOR PG&E TO PROCURE RESOURCES ON BEHALF OF SSJID CUSTOMERS OR TO ALLOCATE CAM COSTS TO SSJID CUSTOMERS

Finally, since more than 500 MW of new capacity has been developed by POUs in the SSJID resource area over the past year,¹¹ there should be no capacity shortage in the SSJID service area and no need or justification for PG&E to procure new capacity on behalf of SSJID customers. PG&E could potentially do so, however, in an attempt to increase exit fees for SSJID customers and increase the cost of SSJID's municipalization. The Commission should prevent any such mischief by concluding that there is no justification for allocating any CAM reliability costs to SSJID or to any other POU under these circumstances.

By: _____ /s/
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¹¹ SSJID/Shields, Hearing Transcript, volume 9 at 1369.