

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

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**REPLY COMMENTS OF SHELL ENERGY  
NORTH AMERICA (US), L.P.  
ON PRESIDING JUDGE GAMSON'S  
DECEMBER 21, 2012 PROPOSED DECISION**

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Date: January 22, 2013

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In accordance with Commission Rule 14.3(d), Shell Energy North America (US), L.P. (“Shell Energy”) files its reply comments in connection with the proposed decision (“PD”) that was circulated by Presiding Judge David Gamson on December 21, 2012. Shell Energy, which is a Respondent in this proceeding, did not file opening comments on the PD. Shell Energy supports the opening comments filed on January 14, 2013 by the City and County of San Francisco (“CCSF”), as well as the joint opening comments filed by the Alliance for Retail Energy Markets, Direct Access Customer Coalition and Marin Energy Authority (“AReM/DACC/MEA”).

Shell Energy agrees with CCSF and AReM/DACC/MEA that the PD improperly fails to place limits on the cost allocation mechanism (“CAM”) as it applies to the procurement of new local capacity by the investor-owned utilities (“IOU”). If adopted, the PD would cede responsibility for most, if not all new local capacity procurement to the IOUs. If adopted, the PD would require direct access (“DA”) customers and community choice aggregation (“CCA”)

customers to bear the costs of all capacity purchased by the IOUs for their own local reliability needs.

## I.

### **THE COMMISSION SHOULD ADDRESS LIMITS TO THE CAM IN THIS PROCEEDING OR IN P.12-12-010**

Shell Energy's reply comments respond to DRA's assertion, in its opening comments, that the current CAM structure is a "fair and workable resolution to the issue of paying for new resources that benefit all customers within an IOU's service territory." DRA Comments at p. 13. To the contrary, the CAM is a blunt instrument that presumes that the local capacity needs of DA and CCA load cannot otherwise be served by departing load customers' suppliers. The PD fails to acknowledge that electric service providers ("ESPs") and community choice aggregators ("CCAs") are responsible for purchasing system capacity and local capacity for their customers in accordance with the Commission's decisions implementing the resource adequacy ("RA") program. See D. 06-06-064 (June 29, 2006). The PD's failure to address modifications to the CAM, or to confront the AReM/DACC/MEA proposal for a CAM "opt-out" mechanism, reflects an unwillingness to allocate the costs of the IOUs' new local capacity based on principles of cost causation.

If there are no limits placed on application of the CAM - - if an IOU can trigger CAM treatment simply by asserting that its proposed capacity procurement will "benefit all customers," ESPs and CCAs will have a diminished role in purchasing local capacity under the RA program. This is not the intent of P.U. Code Section 365.1(c)(2)(A), and it is not the intent of P.U. Code Section 380(b), which requires the Commission to "maximize the ability of [CCAs] to determine the generation resources to serve their customers." ESPs and CCAs compete with the IOUs based in part on the cost of the capacity purchased to meet their customers' RA needs.

If DA and CCA customers are forced to pay for the IOUs' capacity, the margin for competition is unnecessarily narrowed.

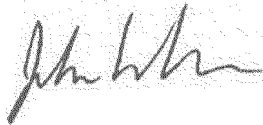
The Commission must establish parameters for applicability of the CAM. Contrary to the comments of DRA, the evidentiary record in this proceeding provides a solid basis for placing limits on the conditions under which CAM treatment can be afforded to IOU capacity procurement. If the Commission is not prepared to address the matter of CAM applicability in this proceeding, Shell Energy agrees with AReM/DACC/MEA (Comments at pp. 13-14) that CAM limitations should be addressed in P.12-12-010. The petition for rulemaking in P.12-12-010 was filed to review and reform existing cost allocation practices and the mechanisms that are used to determine the non-bypassable charges imposed on departing load customers.

## II.

### CONCLUSION

The PD should be modified to provide a forum for the Commission to meaningfully address changes to the CAM. If the CAM is not to be considered in this proceeding, the Commission should take a comprehensive look at the CAM in D.12-12-010.

Respectfully submitted,



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