

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.

Rulemaking 12-03-014
(Filed March 22, 2012)

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN
FRANCISCO ON TRACK III RULES ISSUES**

Pursuant to Judge Gamson's March 21, 2013, Ruling seeking comments on Track III Rules issues, and Judge Gamson's March 28, 2013, email ruling extending the deadline for reply comments to May 10, 2013, the City and County of San Francisco (San Francisco) respectfully files these reply comments. The San Francisco agrees with the South San Joaquin Irrigation District (SSJID) and the Marin Energy Authority (MEA) that the investor owned utilities (IOUs) must make reasonable assumptions about the level of departing load when undertaking their long-term procurement planning in order to maintain reliability without risking creation of unnecessary stranded costs.

In addition, the San Francisco agrees with SSJID that allocating costs to municipal departing load using the Cost Allocation Mechanism (CAM) has no sound technical, policy or legal justification, and is unfair. Publicly Owned Utilities (POUs) develop and procure resources to meet the requirements of their own customers, and such resources have system-wide benefits equivalent to IOU-developed and procured resources. Allocating CAM to municipal departing load forces POU customers to pay for system benefits of IOU procurement, without a reciprocal mechanism to charge IOU customers for the system benefits of POU procurement.

I. The IOUs Should Make Reasonable Assumptions About Departing Load.

The San Francisco agrees with the comments of SSJID and MEA, that the IOUs should be required to make reasonable assumptions about the level of departing load when they undertake their long-term procurement planning. As SSJID notes, departing load is one of several key drivers of an IOUs projected demand/resource balance. SSJID Comments at 2-3. In order to maintain reliability at a reasonable cost, it is necessary to make reasonable forecasts of all of these drivers. Id.

The San Francisco supports SSJID's lucid explanation of the importance of this exercise:

This approach, of relying on reasonable forecasts of uncertain future conditions, balances the risk of reliability shortfalls that might arise from under-procurement with the cost to ratepayers from over-procurement.

...

This same standard should apply when the IOUs develop departing load forecasts. The IOUs should be required to include in their forecasts any departing load that is reasonably likely to occur, even if neither the departure nor its timing can be predicted with certainty. Requiring an extremely high level of certainty in departing load forecasts would result in the procurement of power for customers that are unlikely to be on the IOUs' systems, thereby unnecessarily increasing costs to ratepayers. The IOUs are well equipped to handle the risks of procurement shortfalls associated with delayed or cancelled departing load, just as the IOUs regularly manage risks associated with other uncertainties that have far more significant effects on customer demand, system supply, and IOU procurement requirements, including variable hydro output and uncertain load growth.

Id.

II. Municipal Departing Load Should be Exempt from all CAM Allocations.

The San Francisco agrees with SSJID that municipal departing load should be exempt from all CAM allocations. See SSJID Comments at 7-8. As SSJID explains in its comments, POUs must and do procure resources for their customers that provide benefits to bundled IOU customers. Yet there is no mechanism to charge IOU customers for the benefits they obtain from POU procurement. It is unfair and contrary to the Commission's oft reiterated indifference

principle, for POU customers to pay IOUs for any benefit they might obtain from IOU procurement; while IOU customers do not pay POUs for any benefit they might obtain from POU procurement. The San Francisco strongly agrees with SSJID's statement that applying CAM to municipal departing load shifts "procurement costs with system-wide benefits disproportionately from IOUs to POUs without any sound technical, policy or legal justification." SSJID Comments at 8. Public Utilities Code Section 365.1(c)(2)(A) which codified the CAM in 2009 does not include POU customers among the categories of customers that are subject to the charge.

Dated: May 10, 2013

Respectfully submitted,

DENNIS J. HERRERA
City Attorney
THERESA L. MUELLER
Chief Energy and Telecommunications Deputy
JEANNE M. SOLÉ
Deputy City Attorneys

By: _____ /S/
JEANNE M. SOLE
Attorneys for
CITY AND COUNTY OF SAN FRANCISCO
City Hall Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4682
Telephone: (415) 554-4700
Facsimile: (415) 554-4763
E-Mail: jeanne.sole@sfgov.org

CERTIFICATE OF SERVICE

I, KIANA V. DAVIS, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4700.

On May 10, 2013, I served:

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO ON
TRACK III RULES ISSUES**

by electronic mail on all parties in CPUC Proceeding No. R.12-03-014 on the attached service list. on the attached list.

The following addresses without an email address were served:

- BY UNITED STATES MAIL: Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

VICTOR GONZALES
CONSTELLATION NEW ENERGY, INC.
111 MARKET PLACE, SUITE 500
BALTIMORE, MD 21202

BRIAN FICKETT
VALLEY ELECTRIC ASSOCIATION
800 E. HWY 372
PAHRUMP, NV 89048

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on May 10, 2013, at San Francisco, California.

/s/

KIANA V. DAVIS

Email Service List R.12-03-014

Adam.Gusman@GlacialEnergy.com
Andrew.Wang@SolarReserve.com
ktreleven@gmail.com
sahm@clean-coalition.org
marcusdacunha@hotmail.com
blaising@braunlegal.com
smartinez@nrdc.org
tam.hunt@gmail.com
AKaplan@BrownRudnick.com
abraham.silverman@nrgenergy.com
rick_noger@praxair.com
kwd@vnf.com
awilliams@LibertyPowerCorp.com
awilliams@LibertyPowerCorp.com
tphillips@tigernaturalgas.com
cpacc@calpine.com
kb@enercalusa.com
kara.morgan@tac-denver.com
p.shepard@dgc-us.com
mmazur@3PhasesRenewables.com
igoodman@commerceenergy.com
douglass@energyattorney.com
akbar.jazayeri@sce.com
amsmith@semprautilities.com
daking@semprausgp.com
gbass@noblesolutions.com
liddell@EnergyAttorney.com
martin.kadillak@shell.com
STomec@CapitalPower.com
tdarton@pilotpowergroup.com
GloriaB@anzaelectric.org
kristine@SoCalTelephone.com
andrea.morrison@directenergy.com
mtierney-lloyd@enernoc.com
dorth@krcd.org
ek@a-klaw.com
proceedings@megawattsf.com
sue.mara@RTOadvisors.com
mdjoseph@adamsbroadwell.com
dil@cpuc.ca.gov
theresa.mueller@sfgov.org
mcampbell@sfwater.org
ravage@ieta.org
matthew@turn.org
BKC7@pge.com
nes@a-klaw.com
dbehles@ggu.edu
bcragg@goodinmacbride.com
JStoddard@manatt.com
mday@goodinmacbride.com
sdhilton@stoel.com
william.kissinger@bingham.com

Email Service List R.12-03-014

wrostov@earthjustice.org
mmattes@nossaman.com
lcottle@winston.com
edwardoneill@dwt.com
jeffgray@dwt.com
mrh2@pge.com
ssmyers@att.net
JChamberlin@LSPower.com
John@DicksonGeesman.com
lchaset@keyesandfox.com
patrick.vanbeek@commercialenergy.net
gmorris@emf.net
lwisland@ucsusa.org
tomb@crossborderenergy.com
Ekelly@MarinEnergy.com
b.bordine@d-e-c-a.org
wem@igc.org
janreid@coastecon.com
jsanders@caiso.com
margaret.miller@brookfieldrenewable.com
stephen.t.greenleaf@jpmorgan.com
ddavie@wellhead.com
rl@eslawfirm.com
cte@eslawfirm.com
abb@eslawfirm.com
kmills@cfbf.com
dansvec@hdo.net
bmarshall@psrec.coop
bvitale@climatetrust.org
deb@a-klaw.com
mary.wiencke@pacificorp.com
gifford.jung@powerex.com
andra.pligavko@gmail.com
anfanzon@semprautilities.com
barbara@barkovichandyap.com
rfo@sovereignenergy.net
regrelcuccases@pge.com
CaliforniaDockets@pacificorp.com
dan.patry@recurrentenergy.com
dfelix@northlightpower.com
d.hicks@dgc-us.com
diane.fellman@nrgenergy.com
dyana@clean-coalition.org
Erin.Grizard@BloomEnergy.com
gxz5@pge.com
jmauldin@adamsbroadwell.com
jody.london_consulting@earthlink.net
jleslie@McKennaLong.com
julien.dumoulin-smith@ubs.com
ksoutherland@tas.com
lmh@eslawfirm.com
matthew.barmack@calpine.com

Email Service List R.12-03-014

oliviapara@dwt.com
randy.keller@calenergy.com
bobgex@dwt.com
sswaroop@marinenergy.com
Steph@Clean-Coalition.org
tam@clean-coalition.org
vidhyaprabhakaran@dwt.com
WJKeese@aol.com
dwtcpudockets@dwt.com
mrw@mrwassoc.com
aes_ltp@aes.com
ax13@pge.com
ehsieh@a123systems.com
Berlinski@BeaconPower.com
rwilson@synapse-energy.com
ndivekar@synapse-energy.com
PLuckow@Synapse-Energy.com
rfagan@synapse-energy.com
tvitolo@synapse-energy.com
adaberko@starwood.com
FairbanksA@ConEdSolutions.com
hudsonr@conedsolutions.com
KUlrich@foe.org
GreenCowboySDF@gmail.com
ygomez@libertypowercorp.com
kim.johnson@riverbankpower.com
snichols@summitpower.com
jimross@r-c-s-inc.com
Chris.Hendrix@wal-mart.com
eszalkowski@cleanlineenergy.com
charles.purshouse@camcoglobal.com
ccollins@energystrat.com
gestrada@krismayeslaw.com
jcandelaria@aspenerg.com
pthomsen@ormat.com
ronknecht@aol.com
SHruby@SempraUtilities.com
Sarah.Friedman@SierraClub.org
dariush@shirconsultants.com
adam.green@solarreserve.com
marilyn@sbesc.com
klatt@energyattorney.com
Mobasheri@ElectricPowerGroup.com
carol.schmidfrazee@sce.com
amanda.klopf@sce.com
case.admin@sce.com
Melissa.Hovsepian@sce.com
nguyen.quan@gswater.com
sbailey@semprausgp.com
CentralFiles@SempraUtilities.com
jpierce@semprautilities.com
rpsantos@semprautilities.com

Email Service List R.12-03-014

WKeilani@SempraUtilities.com
dniehaus@semprautilities.com
TCSaile@SempraUtilities.com
cpospasil@edisonmission.com
eluesebrink@edisonmission.com
venskus@lawsv.com
James.J.Hirsch@gmail.com
jbbrown@gate.net
rsb@worldbusiness.org
CalConsumersAlliance@gmail.com
rshilling@krcd.org
nick@ethree.com
tara.collins@sfgov.org
sfoley@ggu.edu
jeanne.sole@sfgov.org
jbaak@votesolar.org
ahmad.faruqui@brattle.com
bspeckman@nexant.com
bruce.perlstein@navigant.com
fred.wellington@navigantconsulting.com
filings@a-klaw.com
Kcj5@pge.com
matt.vespa@sierraclub.org
mrgg@pge.com
mpa@a-klaw.com
taj8@pge.com
steven@moss.net
aadeyeye@earthjustice.org
jbaird@earthjustice.org
monica.schwebs@bingham.com
pcort@earthjustice.org
sarah.barker-ball@bingham.com
shong@goodinmacbride.com
will.mitchell@cpv.com
irene@igc.org
cem@newsdata.com
crmd@pge.com
DLBF@pge.com
meganmmyers@yahoo.com
C5SE@pge.com
ELL5@pge.com
mxi8@pge.com
sxp@pge.com
aschwartz@solarcity.com
beth@beth411.com
sean.beatty@nrgenergy.com
kowalewskia@calpine.com
scott.dayer@ge.com
sbeserra@sbcglobal.net
greg.blue@sbcglobal.net
slazerow@cbecal.org
tculley@kfwlaw.com

Email Service List R.12-03-014

tlindl@kfwlaw.com
dmarcus2@sbcglobal.net
agerterlinda@gmail.com
ericg@votesolar.org
nrader@calwea.org
JWaen@MarinEnergy.com
clamasbabbini@comverge.com
philm@scdenergy.com
David.Weidberg@jci.com
Rich.Quattrini@jci.com
pushkarwagle@flynnrci.com
dwang@nrdc.org
jshields@ssjid.com
dgrandy@caonsitegen.com
martinhomec@gmail.com
dhou@caiso.com
jderosa@ces-ltd.com
e-recipient@caiso.com
brian.theaker@nrgenergy.com
pmaxwell@navigantconsulting.com
daniel.h.kim@me.com
david@ceert.org
erica@gqhlobby.com
kdw@woodruff-expert-services.com
nicole@braunlegal.com
keene@braunlegal.com
steven@iepa.com
abb@eslawfirm.com
cbk@eslawfirm.com
dkk@eslawfirm.com
glw@eslawfirm.com
Rachel@consciousventuresgroup.com
eddyconsulting@gmail.com
ATrowbridge@DayCarterMurphy.com
jack@casaraquel.com
wmc@a-klaw.com
lschwartz@raponline.org
dws@r-c-s-inc.com
fraser@ieta.org
djurijew@capitalpower.com
peter.cavan@pulseenergy.com
DBP@cpuc.ca.gov
jordan.parrillo@cpuc.ca.gov
lily.chow@cpuc.ca.gov
vuk@cpuc.ca.gov
dietrichlaw2@earthlink.net
aw3@cpuc.ca.gov
ac3@cpuc.ca.gov
ag2@cpuc.ca.gov
ao1@cpuc.ca.gov
brc@cpuc.ca.gov
los@cpuc.ca.gov

Email Service List R.12-03-014

clu@cpuc.ca.gov
cu2@cpuc.ca.gov
df1@cpuc.ca.gov
dmg@cpuc.ca.gov
dsl@cpuc.ca.gov
eac@cpuc.ca.gov
efr@cpuc.ca.gov
iak@cpuc.ca.gov
kar@cpuc.ca.gov
kho@cpuc.ca.gov
kwh@cpuc.ca.gov
lb5@cpuc.ca.gov
mpo@cpuc.ca.gov
mla@cpuc.ca.gov
mk1@cpuc.ca.gov
nws@cpuc.ca.gov
nlr@cpuc.ca.gov
nk1@cpuc.ca.gov
py2@cpuc.ca.gov
phs@cpuc.ca.gov
rc5@cpuc.ca.gov
svn@cpuc.ca.gov
skh@cpuc.ca.gov
ynl@cpuc.ca.gov
connie.leni@energy.ca.gov
MPryor@energy.state.ca.us
mike.jaske@energy.state.ca.us
wtr@cpuc.ca.gov
kev@cpuc.ca.gov