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 SOUTH SAN JOAQUIN IRRIGATION DISTRICT CONCERNING TRACK III RULES ISSUES

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Pursuant to the March 21, 2013 *Administrative Law Judge's Ruling Seeking Comments on Track III Rules Issues*,[1] the South San Joaquin Irrigation District ("SSJID") respectfully submits these reply comments on Track III procurement rules and questions for parties. These reply comments respond to opening comments filed by Pacific Gas & Electric ("PG&E"), Southern California Edison ("SCE"), and San Diego Gas & Electric ("SDG&E").

I. Maximum and Minimum Limits on IOU Forward Purchasing of Energy, Capacity, Fuel, and Hedges (Question 1)

In response to question 1(b) regarding how the Commission should best address issues related to departing load in future procurement requirements for the investor owned utilities ("IOUs"), PG&E stated that each IOU utilizes "departing load forecasts that reflect departures of both Community Choice Aggregation ('CCA') and Direct Access ('DA') customers"[2] for the long-term procurement planning ("LTPP") process and concluded that "there is no need for

[1] On March 28, 2013, ALJ Gamson granted the request of the Division of Ratepayer Advocates to extend the reply comment dates for Track III Rules issues from April 26 to May 10, 2013.
[2] Pacific Gas & Electric Company's Comments on Track III Rules Issues ("PG&E Opening Comments"), filed with the California Public Utilities Commission on April 26, 2013, R.12-03-014, at 4.

additional Commission action on this issue as it has already been addressed in previous LTPP proceedings.[3] This is incorrect. State law requires the IOUs to forecast municipal departing load ("MDL") in their departing load forecasts;[4] accounting for only CCA and DA customer load is therefore insufficient. Commission action is required to ensure that PG&E is appropriately accounting for anticipated municipalizations, including SSJID's planned municipalization, when forecasting its future procurement requirements.

While PG&E has previously argued that it should not account for SSJID's municipalization plans in its load forecasts since there is a possibility that these plans may not come to fruition, the Commission requires IOUs to use <u>reasonable</u> assessments of future conditions, rather than the most conservative assessments, when faced with load and supply uncertainty in their procurement forecasts.[5] Given the many concrete steps that SSJID has already taken toward municipalization, there is a more than reasonable likelihood that the municipalization will be implemented, and PG&E should therefore be obligated to incorporate SSJID's planned municipalization in its load forecasts.[6]

SCE's standard for incorporating municipal departing load into its procurement forecasts appears to be more consistent with the Commission's requirement to use reasonable assessments of future conditions. SCE stated in its opening comments that it "does not forecast [CCA or municipal] departing load, unless a CCA has filed an implementation plan with the Commission or a publicly-owned utility has announced its intent to acquire part of SCE's load."[7] This implies that SCE incorporates municipal departing load into its forecasts once an agency announces its

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[3] PG&E Opening Comments, at 5.
[4] California Public Resources Code Section 25302.5(a), signed into law October 7, 2005.
[5] See, for example, D.13-03-029 in A.11-05-023, *Application of SDG&E re Escondido Energy Center, Pio Pico Energy Center, and Quail Brush Power* (March 21, 2013), mimeo at 9.
[6] See related discussion in Opening Comments of the South San Joaquin Irrigation District Concerning Track III Rules Issues ("SSJID Opening Comments"), filed with the CPUC on April 26, 2013, R.12-03-014 at 3-4.
[7] Southern California Edison Company's Comments on Track III Rules Issues ("SCE Opening Comments"), filed with the CPUC on April 26, 2013, R.12-03-014 at 3.

intention to acquire part of SCE's load, without waiting for the municipalization to be completed. This standard protects SCE ratepayers from having to absorb the cost of power procured for customers that are unlikely to remain on SCE's system.

SSJID has not only clearly announced its intent to acquire part of PG&E's load, but has also taken a number of key steps to implement its municipalization plan. Consistent with the standard set forth in SCE's opening comments and with the Commission's "reasonableness" standard, PG&E should therefore no longer be procuring power on behalf of customers in SSJID's service area. As SSJID illustrated in its opening comments, the reliability risk to ratepayers if SSJID's municipalization plans are delayed is quite small and not nearly as significant as other types of supply and load uncertainties that PG&E must consider when developing its procurement plans.[8] PG&E is fully capable of planning for the relatively small risk associated with SSJID's planned municipalization in its load forecasts, and it would be unreasonable for PG&E not to do so. PG&E should therefore be required to include the SSJID departing load in its procurement forecasts. To do otherwise would empower PG&E to misuse the CAM process to battle SSJID's municipalization plan by attempting to saddle SSJID's future customers with unnecessary and imprudent PG&E procurement costs.

SDG&E stated in its opening comments that "[d]eparting load issues associated with multi-year forward procurement requirements should be addressed in the ongoing [resource adequacy (RA)] proceeding."[9] SSJID notes that departing load forecasts must be considered in assessing the need not just for RA capacity but also for long-term energy procurements. It is therefore essential to include municipal departing load forecasts in LTPP proceedings, as well as RA proceedings.

[8] SSJID Opening Comments at 5.
[9] Comments of San Diego Gas & Electric Company in Response to Ruling Seeking Comment on Track III Rules Issues, filed with the CPUC on April 26, 2013, R.12-03-014 at 2.

II. Changes to the Commission's adopted Cost Allocation Mechanism (CAM) (Question 5) To Exempt Municipal Departing Load

In response to question 5(d) regarding the criteria to govern CAM allocation decisions, SCE and other parties stated in opening comments that the current CAM mechanism is implemented in a manner that is least-cost-best fit.[10] SSJID would like to emphasize that, far from being a least-cost best-fit mechanism, the CAM is fundamentally flawed because it charges MDL customers for capacity developed by IOUs with system benefits without any mechanism to charge IOU customers for capacity developed by the MDL's publicly-owned utility ("POU") service providers that has comparable system benefits. This inequitably requires POUs and their customers to bear a disproportionate amount of the system cost for local reliability. It is also contrary to the Commission's indifference principle as it results in bundled IOU customers' benefiting from MDL and ensuing POU capacity development. And it also has potentially significant anticompetitive effects by shifting IOU costs to MDL and POU service providers. In order to address these inequities and anticompetitive impacts, POU customers, including MDL, should therefore be exempt from all CAM allocations.

Respectfully submitted,

/s/

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[10] SCE Opening Comments at 16.