

**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)

**RESPONSE OF THE MARIN ENERGY AUTHORITY
TO MOTIONS TO STRIKE OPENING BRIEF**

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In accordance with Rule 11.1 of the Commission’s Rules of Practice and Procedure, the Marin Energy Authority (“MEA”) hereby submits this timely response to the December 4, 2013 motion of Southern California Edison Company (“SCE”) and the December 5, 2013 motions of San Diego Gas & Electric Company (“SDG&E”) and Pacific Gas and Electric Company (“PG&E”), to strike portions of the opening brief of MEA filed in Track 4 of this proceeding on November 25, 2013.

I. INTRODUCTION

MEA is the first operational Community Choice Aggregator (“CCA”) in California and currently provides retail electric service to approximately 120,000 customers located in the service territory of PG&E. In MEA’s Track 4 opening brief, we addressed the issue of whether the Commission should approve the proposals of SCE and SDG&E to apply the Cost Allocation Mechanism (“CAM”) to any and all generation resources they may be authorized to procure to replace the San Onofre Nuclear Generating Station (“SONGS”). MEA’s basic position, as set forth in our opening brief, is that the Commission should allow SCE and SDG&E to apply the CAM to the new generation resources they procure to replace SONGS only if certain conditions

are met so as to ensure the future CCAs and their customers will in fact benefit from those resources and will not be negatively impacted by the imposition of CAM charges.

In support of our recommendations in that regard, MEA has identified a number of market developments, legal issues, policy concerns and other considerations that we believe the Commission is obligated to take into account, and has also provided background information about the policy goals and procurement strategies of both MEA and CCAs in general. In addition, MEA's opening brief describes, in detail, the harmful effects that granting full CAM treatment to SONGS replacement resources, as SCE and SDG&E propose, could have on not only future CCAs but also the various energy policies that the community aggregation movement as a whole is dedicated to advancing. These considerations go to the heart of not only the immediate issue of whether CCAs and their customers will benefit from SCE's and SDG&E's procurement of SONGS-replacement resources, but also the greater issue of whether and how the CAM should be applied to CCA customers.

It is thus not surprising that all three of the respondent utilities seek to have much or, in the case of SDG&E, virtually all of MEA's opening brief struck from the record. Indeed, it is apparent from their reactionary objections to MEA's advocacy on behalf of the CCA community that the utilities would like nothing more than for the Commission to take no account of CCA interests when applying the CAM. As discussed below, however, the grounds upon which the utilities seek to have MEA's opening brief struck are completely without merit. Accordingly, MEA urges the Commission to deny all three of the utilities' motions and allow CCAs have a voice in this critical phase of the proceeding.

II. RESPONSE TO SCE

SCE alleges that “[p]ortions of MEA’s opening brief are not supported by the evidentiary record and are therefore not appropriate for briefing.”¹ SCE does not, however, challenge the accuracy of any the statements of fact in MEA’s opening brief (with one minor exception²). Indeed, it cannot, given that, as shown in Appendix A attached hereto, each and every one of the statements of fact in MEA’s opening brief that SCE seeks to have struck is either firmly grounded in the record of this proceeding, common knowledge, in the public record, the product of reasonable deduction, or so self-evident as to be incontrovertible. And the other statements that SCE demands be struck simply represent MEA’s opinion or argument with respect to the issues at hand. It is thus apparent that SCE’s first complaint has more to do with preventing any inconvenient factual information about real -world consequences to CCAs and their customers from influencing the Commission's deliberations, rather than alleged concerns about procedural fairness.

SCE further complains that “MEA improperly introduces for the first time in its opening brief a new proposal concerning the application of the [CAM] to community choice aggregators.”³ However, the “proposal” in question merely summarizes and presents a practical way for the Commission to take into account the policy concerns and other considerations that should guide any decision about application of the CAM to CCAs, not only with respect to

¹ SCE Motion to Strike at 1. (SCE attached a “marked up” version of MEA’s opening brief showing the portions which it argues should be struck. PG&E did likewise. SDG&E merely listed entire sections of the brief to be deleted.)

² The exception is certain statements MEA makes about the utilities’ motives in seeking full CAM treatment for SONGS -replacement resources, motives which MEA believes are anti -competitive in nature. MEA acknowledges that the statements in question would have been better phrased as representing MEA’s belief and opinion.

³ SCE Motion to Strike at 1.

SCE's and SDG&E's proposals concerning SONGS-replacement resources but also as a general matter going forward. MEA was not under any procedural directive to present these recommendations in written testimony, and presenting them in our opening brief is well within the norms of Commission practice and procedure. If SCE or any other party so desires, they are of course free to respond to MEA's recommendations in their Track 4 reply briefs.

III. RESPONSE TO PG&E

In its motion filed one day later, PG&E “echoes SCE’s statement that the effort by MEA to rely in its brief on factual assertions not provided to parties in testimony, or through the hearing room process, where the opportunity to rebut or cross-examine would have been available, is completely inappropriate.”⁴ MEA has addressed SCE’s objections above. Thus, other than complaining that MEA did not provide sufficient citations to the record in our opening brief, PG&E makes no new arguments in support of its proposed strikes. It simply urges approval of the SCE motion and adds additional sections it characterizes as “completely inappropriate.” As is, the PG&E motion is deficient simply for the lack of any cogent argument in support of its motion. Rather, the utility simply says “me too” and piles on more excerpts from MEA’s brief to strike.

Moreover, the absence of citations in MEA’s brief in the places PG&E thinks they should be does not mean the material PG&E seeks to strike is not in the record. If PG&E had simply paid more attention to the record as it was developed, it would have realized that each and every statement of fact that it demands be deleted are in fact in the record. Each of statements that

⁴ PG&E Motion to Strike at 1.

PG&E wants stuck is set forth in order below, and, we demonstrate, all of MEA’s statements are supported by the record:

| PG&E Proposed Strike | Record Citation |
|---|--|
| <p>“Consequently MEA does not procure any energy from nuclear power plants.”</p> | <p>Exhibit MEAxSDG&E-1, MEA Integrated Resource Plan at 15 states: “MEA policy prohibits unit-specific purchases from coal or nuclear generation facilities.”</p> <p>And further, “MEA is largely resourced for the next several years, having contracted for almost the entirety of its projected needs for bundled renewable energy through 2016, non-renewable energy through 2017 and <u>capacity through 2015</u>. (at 4)”</p> |
| <p>“...with the result that CCA customers not only subsidize IOU bundled customers, but also lose funds selling off the excess capacity they are obligated to buy under Commission Resource Adequacy (“RA”) procurement rules.”</p> | <ul style="list-style-type: none"> • See, Exhibit MEAxSDG&E-1, MEA Integrated Resource Plan at 15 with regards to MEA full RA procurement. • See, Hearing Transcript, at 2279 lines 16-26. <p>Q. [Kelly] Turning to page 14, you have a section entitled CAM Resources Do Not Significantly Impinge ESP's Ability to Manage their Portfolios?</p> <p>A. [Woodruff] Yes</p> <p>Q. Does this section specifically relate to ESPs or is this also intended to relate to CCAs?</p> <p>A. I wrote it more in response to the testimony of advocates for energy service providers. So I didn't address it to CCAs.</p> |
| <p>“To date, the IOUs have not reflected projected CCA load into their LTPPs”</p> | <p>See D.12-01-033 at 8 <i>et seq.</i></p> |
| <p>“Other than nuclear decommissioning and storage costs, the costs and benefits of SONGS specifically served the bundled customers of the SCE and SDG&E service territories.”</p> | <p>“Local reliability needs – including those driven by expected resource retirements – are not solely the responsibility of bundled customers, <u>even when they may be driven in part by the retirement of a resource that served bundled customer needs, such as the San Onofre Nuclear Generating Station (SONGS).</u>” (Woodruff Rebuttal Testimony at 2-3)</p> |
| <p>“Relying on CAM to force all ratepayers contribution to capacity costs reduces the</p> | <ul style="list-style-type: none"> • This is purely how CAM functions, as “on behalf of procurement” per se reduces the |

| | |
|---|--|
| <p>autonomy of non-IOU LSEs to conduct their own procurement, and also creates a disincentive for these non-IOU LSEs to meet their own RA requirements through long-term contracts that provide stability and certainty to the capacity market.”</p> | <p>autonomy of non-IOU LSEs to conduct their own procurement. This is reflected in Section 366.2(a)(5) and Section 380(b), specifically subsection (4).</p> <ul style="list-style-type: none"> • These long-term contracts are filling up the SCE and SDG&E portfolios quickly (see DACC/AReM Opening Testimony at 16) and all entities which procure on a long-term basis procure short- medium- and long-term resources – see discussion of “Ratable Rates” in Woodruff Rebuttal at 12, FN 28; also discussion about how utilities procure on a short-medium and long-term basis in Hearing Transcript at 2274-2275. • “MEA’s resource planning considers three planning horizons: 1) the long-term planning horizon represents plans to serve load – i.e., the electric energy requirements of MCE customers – during the next ten years or longer; 2) the medium term planning horizon represents planning during the next five years; and 3) the short term planning horizon represents the plan for meeting load during the next twelve months.” (MEA IRP at 5; more extensive discussion continues at 6.) |
| <p>“As a result of the unbalanced methodology applied to CAM, the result is a subsidized energy price for bundled customers and an inflated resource adequacy price (which includes energy value) paid by both unbundled and bundled customers. As a result, bundled customers benefit more from the shifting of costs to unbundled ratepayers, including CCA residential customers.”</p> | <p>See DACC/AReM Opening Testimony – at 14-15: “Yes. “Fairness” to ALL customers should be a goal of the Commission. Requiring DA and CCA customers to pay CAM charges for resources procured to meet the IOUs’ bundled customers’ needs is <u>unfair, creates cross subsidies and violates cost causation principles.</u>”</p> |
| <p>“In the instant proceeding, the costs of SONGS were originally assigned only to bundled customers. By proposing CAM treatment, the IOUs may lower their own generation rates in a clear example of cross-subsidization.”</p> | <p>See, DACC/AREM Opening Testimony – at 14-15: “Yes. “Fairness” to ALL customers should be a goal of the Commission. Requiring DA and CCA customers to pay CAM charges for resources procured to meet the IOUs’ bundled customers’ needs is <u>unfair, creates cross subsidies and violates cost causation principles.</u>”</p> |

In short, PG&E's claims that MEA's brief includes material not in the record is fallacious and should therefore be disregarded.

IV. RESPONSE TO SDG&E

In its motion, SDG&E first notes its support for SCE's motion, and the points MEA has made in responding to SCE and PG&E above apply equally to SDG&E's motion. SDG&E goes on to raise the additional complaint that "the portions of MEA's brief addressing policy issues related to application of the CAM to CCAs are outside the scope of Track 4 and constitute untimely, supplemental comments on Track 3 issues."

It is notable that the scope as described in the May 21, 2013 Revised Scoping Memo said absolutely nothing about the CAM and whether or not the utilities could request CAM treatment. SDG&E and SCE opened this can of worms by requesting it in their testimony as a *sine qua non* prerequisite to their requested procurement authorizations. Having raised the topic, the utilities are hardly in a position now to limit debate and say that parties can only discuss the narrow topic of CAM as defined exclusively by the utilities. The argument that MEA's discussions in its opening brief are outside of scope fail for the simple reason that the revised scoping memo did not discuss, and thus did not limit, consideration of the CAM.

Furthermore, SDG&E is clearly overreaching and overly broad in its proposed strikes. Their remarkable demands include striking:

- All of MEA's summary of recommendations;
- All of the brief's introduction;
- All of the legal background to CAM and its applicability (which directly impacts the cost treatment of SONGS); and

- All of the legal description of CAM and how CAM by law applies both generally and in the case of CCAs.

SDG&E would thus have the Commission strike essentially the entirety of MEA's brief, with the exception of a few small sections which would not give the full CCA perspective on the CAM. That is unreasonable, and SDG&E's disturbing effort to squelch any reasoned discussion and debate should not be condoned by the Commission.

As for the suggestion that MEA's brief constitutes untimely, supplemental comments on Track 3 issues, MEA is of course aware that the Commission is expected to address a number of CAM-related issues in Track 3, and we eagerly await the Commission's proposed decision in that phase of the proceeding. That being said, it is not the case, as SDG&E would have it, that the issue of whether the CAM should be applied to SONGS -replacement resources can be decided in a vacuum. As we pointed out in our opening brief:

The [Commission] is in the process of determining the applicability of CAM rules to CCAs. [Footnote omitted.] Until such a determination is made by the Commission, this Track of the instant proceeding should not predetermine this issue for any CCAs or potential CCA that may be affected by the closure of SONGS. Therefore, MEA requests the Commission include in its Conclusions of Law that the applicability of CAM to CCAs and their customers will be determined in Track 3 of R.12-03-014.

Should the Commission decide to address the applicability of CAM to CCAs in the instant matter, MEA submits this brief to guarantee that the customers of other CCAs are not negatively impacted by the proposed methodologies to address the shortage of resources due to the shutdown of SONGS.

Moreover, in MEA's view, the Commission cannot reasonably make a determination as to whether any portion of the SONGS -replacement resources it may authorize SCE and SDG&E to procure are eligible for CAM treatment unless and until the utilities have filed bundled procurement plans and the Commission has approved the same, with or without modifications as may be appropriate. Since the utilities have not yet filed such plans, and Track 3 issues remain

APPENDIX A
MEA Statements Requested to Be Stricken by SCE
and the Basis for Such Statements

Appendix A
Marin Energy Authority Response to Motions to Strike

| Page No. | Excerpted Statement | Basis |
|----------|--|--|
| 1 | ... other jurisdictions are also moving forward expeditiously with CCA plans of their own. | Common knowledge and non-controversial. See, e.g., “Sonoma Clean Power makes deal with Geysers operator,” November 15, 2013, The Press Democrat. http://www.pressdemocrat.com/article/20131115/articles/131119694 |
| 2 | Although CCAs are not required to have an environmental mission, all the communities in California that are currently pursuing the formation of a CCA have included environmental benefits in their motivations. | Id. “Sonoma Clean Power officials say the proposed 10-year deal with a subsidiary of Calpine Corp. fulfills their promise to spur local green energy generation and support local jobs.” |
| 2 | Fn2: This is in large part due to the fact that many communities, including those evaluating CCA, have developed Climate Action Plans, which address sources of greenhouse gases, including energy and transportation. | Common knowledge and non-controversial. See, e.g.: Sonoma: http://www.coolplan.org/ Marin: http://www.co.marin.ca.us/depts/CD/main/comdev/advance/sustainability/susinitatives/climate/Climate.cfm San Francisco: http://www.sfenvironment.org/sites/default/files/fliers/files/climateactionplan.pdf |
| 2 | Therefore, one of the central missions of a CCA is to determine what resources serve its customers. | Common knowledge. See, e.g. MEAxSDG&E-1 at 1: “MEA strives to provide electric services to its customers at stable and competitive prices utilizing the <u>cleanest possible sources of energy.</u> ” This is enshrined in law as well, see: Section 366.2(a)(5): “A community choice aggregator shall be solely responsible for all generation procurement activities on behalf of the community choice aggregator’s customers, except where other generation procurement arrangements are expressly authorized by statute.” |
| 2 | For example, MEA offers two products in its service territory: a 50% renewable | MEAxSDG&E-1 at 12: “MEA has committed to providing all of its customers with energy that meets a |

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| Page No. | Excerpted Statement | Basis |
|----------|--|---|
| | product and a 100% renewable product. | minimum 50% overall renewable energy content; incremental renewable energy supply will also be procured to ensure that the energy requirements of all customers participating in the Deep Green program will be served with 100% renewable energy. |
| 2 | CAM circumvents this control by forcing resources upon CCAs that are not only fully resourced, but that also have sought a precise resource mix for its portfolio. | MEAxSDG&E-1 at 12, Table 3. MEAxSDG&E-1 at 9: “The MEA supply portfolio consists of a variety of generation resource types that are designed to be responsive to MEA’s expressed policies as well as relevant regulatory requirements governing MEA’s operations.” |
| 4 | CCAs represent significant market transformation | Woodruff, Hearing Transcript at 2279. Procurement by other entities “would be a major change in the environment” regarding CAM. |
| 4 | ...unique CCA issues must be addressed immediately by the Commission. | As a result of the significant market transformation that CCA represents, <i>See, Id.</i> , such major transformations must be addressed by the Commission. |
| 4 | MEA’s annual peak load is approximately 210 MW, and is a relatively small amount compared to the load of the California IOUs. | MEAxSDG&E-1 at 12, Table 3. |
| 4 | However, this will not be the case forever, or even the period of time new generation resources are required that the instant proceeding seeks to address. | MEA notes the Scheduled on-lining of Sonoma Clean Power in May 2014. Furthermore, MEA notes the progress made in San Diego. “On September 25 [2013] the San Diego County Board of Supervisors unanimously approved funding for a CCA study within the context of their County Renewable Energy Plan, earmarking \$545,000 for the planning process. Powers said they hope to have a plan drawn up by next Spring and the next step is to obtain SDG&E’s data. San Diego intends to offer both “Light Green,” which will be at least 25% renewable energy at inception and increased to 50% by 2020, and “Deep Green” (100% renewable) content.” http://cleantechnica.com/2013/11/13/boulder-spread-community-choice-utilities/#TX7wtgiXoCwv3GMg.99 |

Appendix A – 2
Marin Energy Authority Response to Motions to Strike

| Page No. | Excerpted Statement | Basis |
|-----------------|--|---|
| 4 | Sonoma Clean Power, another CCA, expects to launch service to its customers in spring 2014. | Common knowledge and non-controversial. See, e.g., “Sonoma Clean Power makes deal with Geysers operator,” November 15, 2013, The Press Democrat. http://www.pressdemocrat.com/article/20131115/articles/131119694 |
| 4 | Clean Power SF, San Francisco’s CCA effort, is in development. | Common knowledge and non-controversial. See: “Clean Power Coming Soon to San Francisco,” July 22, 2013, Huffington Post. http://www.huffingtonpost.com/francesca-vietor/clean-power-coming-soon_b_3625398.html |
| 4-5 | Other communities in various exploratory phases of launching CCA’s include Albany, Arcata, Davis, El Cerrito, Lancaster, San Pablo, San Ramon, Santa Barbara, Santa Cruz, and the County of Napa. Monterey County, San Luis Obispo County, and Yolo County are also exploring launching CCA service for all cities and towns within their territories. Most relevant to this proceeding is San Diego, whose County Board of Supervisors have approved a plan to pursue CCA. These cities and counties represent just the first major wave of CCA implementation in California— | Common knowledge and non-controversial. With regards to San Diego, which was specifically referenced as particularly important: “Your Power, Your Choice,” September 9, 2013, U-T San Diego. (Editorial.) “With looming SDG&E rate hikes, which the utility says are necessary to cover the additional cost of power now that San Onofre is offline for good, it is good to hear that the county of San Diego is taking steps to give local businesses and residents the opportunity to buy cheaper, and greener, power elsewhere.” http://www.utsandiego.com/news/2013/sep/09/your-power-your-choice/ |
| 5 | ...the Commission must ensure that the paradigm is modified to include these communities and their choices within its regulatory framework. | Advocacy statement. The CAM structure was designed specifically with ESPs – not CCAs – in mind, as has been apparent in this proceeding. Woodruff, Hearing Transcript at 2279. Procurement by other entities “would be a major change in the environment. I would have to take a look at it.” regarding |

| Page No. | Excerpted Statement | Basis |
|-----------------|---|--|
| | | CAM. |
| 5 | ...this brief presents an analysis of the advantages to the IOUs to seek CAM treatment for resources within this proceeding. | Descriptive statement. |
| 5 | This includes the benefits of minimizing risk in their own portfolios and shifting costs to other LSEs, such as CCAs. | Deductive reason. The costs of CAM resources and those of other RA resources are much higher, the result of CAM is to have LSEs, such as CCAs bear those costs: Woodruff Rebuttal Testimony for TURN at 9: “In its 2011 Resource Adequacy Report, the Commission’s Energy Division reported a median price for “RA / Capacity only” contracts of \$2.20/kW-mo or \$26.40/kW-yr. But according to a California Energy Commission analysis, the annual fixed costs of new gas-fired generating units are about \$175/kW-yr to \$190/kW-yr, of which the CAISO projects only one-sixth to one-third would be recovered from sales of energy and ancillary services.” |
| 5 | The IOUs necessarily represent their own business interests, the interests of their shareholders, and their interests as a near-monopoly provider of utility service in California. | Statement of fact and non-controversial. All parties represent their own interests. This has been recognized by the legislature as well: Senate Bill 790, Section 2(c) notes the IOU’s “inherent market power”: “(c) Electrical corporations have inherent market power derived from, among other things, name recognition among customers, longstanding relationships with customers, joint control over regulated operations and competitive generation services, access to competitive customer information, and the potential to cross-subsidize competitive generation services.” |
| 5 | ...the IOUs’ testimony focuses on the MW needs that must be addressed resulting from the closure of SONGS. | Statement of Fact. Track 4 deals with IOU procurement specifically related to the closure of SONGS. |
| 5-6 | The issue of cost allocation with regards to investor-owned utilities is one of ensuring that the IOUs’ competitors and | Advocacy statement. The costs of CAM resources and those of other RA resources are much higher, the result of CAM is to have LSEs, such as CCAs bear those costs: |

Appendix A – 4
Marin Energy Authority Response to Motions to Strike

| Page No. | Excerpted Statement | Basis |
|----------|--|--|
| | the competitors' customers bear as high of costs as possible. | Woodruff Rebuttal Testimony for TURN at 9: "In its 2011 Resource Adequacy Report, the Commission's Energy Division reported a median price for "RA / Capacity only" contracts of \$2.20/kW-mo or \$26.40/kW-yr. But according to a California Energy Commission analysis, the annual fixed costs of new gas-fired generating units are about \$175/kW-yr to \$190/kW-yr, of which the CAISO projects only one-sixth to one-third would be recovered from sales of energy and ancillary services." |
| 6 | This results in two benefits for the IOUs. First, forcing undue costs on non-customers reduces the costs their own customers pay. Second, by forcing these costs onto competitors and their customers, this makes the competitors artificially less economic vis-à-vis bundled service, or, uneconomic and unable to provide competitive services. | Deductive reason. <i>Id.</i> |
| 8 | ...unlike DA customers, CCA customers are primarily residential. Indeed, 88% of MEA's customer base is residential customers. | Statement of fact, non-controversial. |
| 8 | CCAs in California have only been developed around a mission to reduce greenhouse gas emissions. | Statement of Fact. Marin Clean Energy Mission Statement: The purpose of the Marin Energy Authority is to address climate change by reducing energy related greenhouse gas emissions and securing energy supply, price stability, energy efficiencies and local economic and workforce benefits. It is the intent of MEA to promote the development and use of a wide range of renewable energy sources and energy efficiency programs, including but not limited to solar and wind energy production at competitive rates for customers. https://mcecleanenergy.com/mission |

Appendix A – 5
Marin Energy Authority Response to Motions to Strike

| Page No. | Excerpted Statement | Basis |
|----------|---|--|
| | | <p>Sonoma Clean Power: SCP is a non-profit agency, independently run by the Sonoma County cities that have joined the program, including Sonoma, Santa Rosa, Cotati, Windsor and Sebastopol, and the County, which represents unincorporated communities. SCP will reinvest its money in Sonoma County to develop local renewable power sources and support local jobs. http://www.sonomacleanpower.org/app_pages/view/67</p> <p>Clean Power SF: CleanPowerSF is the City’s clean power program that will provide San Francisco with a 100%, California-certified renewable energy alternative. CleanPowerSF will give residential electricity consumers a choice by allowing residents to choose between two energy providers (CleanPowerSF or PG&E). When residents choose CleanPowerSF, not only will they reduce their personal carbon footprint, but they’ll also decrease San Francisco’s greenhouse gas emission and help combat global climate change. http://sfwater.org/index.aspx?page=577</p> |
| 8 | CCAs also serve an important environmental choice, as well as a customer choice. | <p>Regarding environmental choice, <i>id.</i> Regarding customer choice: Senate Bill 790, Section 2: “(a) It is the policy of the state to provide for the consideration, formation, and implementation of community choice aggregation programs authorized in Section 366.2 of the Public Utilities Code.” “(g) California has a substantial governmental interest in ensuring that conduct by electrical corporations does not threaten the consideration, development, and implementation of community choice aggregation programs.”</p> |
| 8 | CCAs procure energy in long-term contracts. MEA regularly contracts for twenty or twenty-five years of electric supply. | MEAxSDG&E-1 at 9-11. |

| Page No. | Excerpted Statement | Basis |
|-----------------|--|--|
| 8 | CCAs have set long-term integrated resource plans for bringing new resources onto the grid. | MEAxSDG&E-1. |
| 8 | To date, MEA has contracted for and/or brought online over 60 MW of new resources. | MEAxSDG&E-1 at 9-11. |
| 8 | The peak load of MEA is only 210 MW. | MEAxSDG&E-1 at 12, Table 3. |
| 9 | ...in this subsection MEA discusses the benefits of CAM to the IOU, including increasing risk borne by competitors and shifting costs to CCA customers. | Descriptive statement. |
| 9 | IOUs seek CAM treatment since it increases the risks borne by its competitors. | Deductive reasoning. See discussion continuing in MEA Opening Brief at 9 <i>et seq.</i> |
| 9 | Under the CAM methodology, competitors, such as CCAs, have RA forced into their portfolios. | Descriptive statement. CAM is a non-bypassable charge and RA is forced into LSE portfolios in connection therewith. Section 365.1(c)(2)(C) states: "The resource adequacy benefits of generation resources acquired by an electrical corporation pursuant to subparagraph (A) shall be allocated to all customers who pay their net capacity costs." |
| 9 | When RA is allocated through CAM, CCAs have no control over what quantity of RA they receive or at what cost, and cannot rely upon CAM resources until they are allocated. | See MEA discussion of Peer Review Groups in MEA Opening Brief at 12. |

Appendix A – 7
Marin Energy Authority Response to Motions to Strike

| Page No. | Excerpted Statement | Basis |
|-----------------|--|---|
| 9 | As CAM has been allocated to MEA, MEA has been forced to sell off RA that it had already procured for its portfolio. | Factual statement, non-controversial. See also full RA procurement of MEA, MEAxSDG&E-1 at 12, Table 3. |
| 9 | MEA is required to meet its RA requirements pursuant to Section 380... | Pub. Util. Code §380. |
| 9 | [MEA] is not in control of the timing of the on-lining of the [CAM] facilities. | Self-evident, incontrovertible fact. |
| 9 | Nor is MEA in control of any off-lining of CAM facilities. | Self-evident, incontrovertible fact. |
| 10 | This means that at the same time as MEA is bringing new bundled resources online, it is also paying for expensive new resources being brought online by PG&E. The same will hold true for CCAs that form in the SCE and SDG&E service territories. | Deduction from immediately prior quoted testimony of Mr. Woodruff. |
| 10 | ...the double charging of CCA customers...limits the ability of the CCA to cost effectively – comparative to the IOU – bring on the greener and more renewable resources used to serve its load. | Statement of fact. “MEA strives to provide electric services to its customers at stable and competitive prices utilizing the cleanest possible sources of energy.” MEAxSDG&E-1 at 1.” As previously discussed, CAM costs are extraordinarily high. |
| 10 | Furthermore, it is imposing these double costs on an entity that does not receive the same guaranteed cost recovery as the | Statement of fact. AB 57 provides IOUs with guaranteed cost recovery not subject to after-the-fact reasonableness review. |

Appendix A – 8
Marin Energy Authority Response to Motions to Strike

| Page No. | Excerpted Statement | Basis |
|----------|--|---|
| | IOUs. | Section 454.5(d)(2): “(d) A procurement plan approved by the commission shall ... Eliminate the need for after-the-fact reasonableness reviews of an electrical corporation's actions in compliance with an approved procurement plan” |
| 11 | Competitors of IOUs – those who bear the cost of CAM – <u>do not</u> receive such cost assurances and are subject to market risks (and the risks imposed by the market’s dominant participants, the IOUs). CCAs do not receive assurances of full cost recovery of contracts. Rather, CCAs project what their needs will be and procure responsibly to meet those needs, while bearing the risks themselves. | Statement of fact. There is no legislative or other mechanism that provides guaranteed cost recovery as is provided to IOUs. <i>See, id.</i> |
| 11 | CAM costs, which are currently confidential, should be made public. To the extent the IOUs seek to socialize costs, the costs proposed to be socialized should be fully disclosed. | Advocacy statement. |
| 11 | IOUs should not be allowed to protect contract information where that information is being used to impact CCAs and other LSEs. | Advocacy statement. |
| 11-12 | Market participants – that is, those who pay the costs of CAM – are not privy to the costs of the resources or the expected costs that their customers will bear. | D.06-06-066 (Confidentiality Decision) and D.06-12-030 (Definition of Market Participant). |

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| 12 | In the most recent PG&E ERRRA, PG&E has proposed <u>tripling CAM costs in one year</u> . | Fn 17: Compare A.13-05-015 and A.11-06-004. |
| 12 | [CAM] costs cannot be anticipated by the CCA... | Immediately prior discussion of confidentiality of IOU procurement contracts. |
| 12 | [CAM costs] impact the ability of the CCA to optimize its portfolio to meet its short-, medium-, and long-term objectives. | Statement of fact. For this reason, the rules applicable to RA and CAM for CCAs were revised under Senate Bill 790 (2011), including Section 380(b)(4): (b) In establishing resource adequacy requirements, the commission shall achieve all of the following objectives: ... (4) Maximize the ability of community choice aggregators to determine the generation resources used to serve their customers. |
| 12 | While CCAs are allowed to have a “representative” in the CAM Peer Review Group (“PRG”) which reviews the CAM costs, such a representative cannot be a market participant. CCAs, by their very nature, are market participants. The current rules eliminate any possibility of a CCA representative. | D.11-07-028 and deductive reason. |
| 12 | Through CAM, the IOUs can shift both risk and costs onto CCAs through several mechanisms. First, the IOUs benefit from the new resources brought onto the grid by CCAs and are also able to foist a portion of their own RA costs onto the CCAs; an IOU is able to more effectively | Deductive reason (argument). |

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| | compete against a CCA that does not have a guaranteed rate of return, and are able to keep CAM costs confidential even after they are forced upon CCAs. | |
| 12 | The Commission must remedy these consequences through modifying the CAM process for CCAs (discussed below), and ensuring more transparency in the CAM process. | Advocacy statement (argument). |
| 22 | MEA has consistently brought online new generation resources, contracted for on a long-term basis, to meet the needs of its customers. IOUs are expected to do the same. | Hearing transcript (as cited in brief). <i>See also</i> , MEAxSDG&E-1. |
| 32 | This substantial change in the market [non-utility load-serving entities bringing new generation resources online] has occurred with CCAs and should now be considered. | <i>See, e.g.</i> , statements of Woodruff, Hearing Transcript at 2279. Procurement by other entities “would be a major change in the environment” regarding CAM. |
| 38 | San Diego County and other municipalities within SDG&E and SCE service territories are in exploratory stages of forming CCAs. | “Your Power, Your Choice,” September 9, 2013, U-T San Diego. http://www.utsandiego.com/news/2013/sep/09/your-power-your-choice/ |
| 38 | Adding these CAM costs to these potential CCAs will stifle their development and implementation because | See prior discussions of high costs of CAM and need of CCAs to maintain competitive rates. |

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| | the added costs of CAM to their own generation rates may make any CCA plan financially problematic. | |
| 40 | Although CAM is authorized by statute, as discussed above, the rules regarding how CAM applies to CCAs has not been determined in a manner that maximizes a CCA's ability to determine generation resources in accordance with statute. | Advocacy statement (based on previously stated facts and argument). |
| 40 | Generation services are central to a CCA's mission, otherwise a community pursuing CCA would either remain with the incumbent IOU or municipalize if they wished to control transmission and distribution. | Self-evident, incontrovertible facts. |
| 40 | <u>Subverting a CCA's sole responsibility to determine its own generation resources cuts at the heart of a CCA's mission.</u> | Advocacy statement (argument). |
| 40 | MEA often contracts for a bundle of energy products from a facility at one time: energy, RA capacity and renewable attributes under MEA's renewable energy power purchase agreements. | MEAxSDG&E-1 at 9-11. |
| 40 | The current implementation of CAM affects those capacity purchases, forcing MEA to sell unbundled capacity on the | MEAxSDG&E-1 at 12, Table 3. |

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| | open market. | |
| 40 | For an entity whose mission includes adding more renewable resources to the grid, the sale of carefully selected renewable capacity due to the receipt of brown or unknown capacity from an IOU is untenable. | Advocacy statement (argument). |
| 40-41 | When CAM is applied to CCAs, they not only fail to control their generation procurement, but they are also saddled with capacity above and beyond their requirements. Thus, a CCA is forced to sell off capacity on the open market, and at a loss. Costs are increased both due to the extra CAM procurement costs which are foisted upon customers, but also because of the loss that occurs because of the below market value of RA sold. | Deductive reasoning and MEAxSDG&E-1 at 12, Table 3. |
| 41 | CCA customers must bear these costs through inefficient procurement and use of cash reserves. | See subsequent discussion of lack of information provided to CCAs regarding CAM allocations. Furthermore, unlike Section 454.5(d)(2) which provides utilities with guaranteed cost recovery, and IOUs' other sources of funds (shareholders), CCAs have neither. CCAs are not-for-profit government agencies. |
| 41 | Especially because a CCA is a not-for-profit organization, there are few places for these charges to be assigned to that do not directly impact CCA customers. | Self-evident, incontrovertible facts. |

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| 41 | These issues have not been addressed by the IOUs or, to date, by the Commission, although the Commission will examine CAM methodology in Track 3 of this proceeding. | Statement of fact. MEA furthermore expects that CAM would be addressed in Track 3, regarding the Bundled Procurement Plans of the IOUs, to determine what is a bundled customer requirement and what could be appropriately addressed as CAM. |
| 41 | Therefore, the Commission must closely examine the application of CAM to CCAs. | Advocacy statement (argument). |
| 41 | The application of CAM to CCA customers is unsound from a policy perspective because the CAM process should not apply to CCAs that bring new resources onto the grid, curtails the ability of CCAs to procure for its own loads, undermines a CCA's carefully selected resource mix, and because there is no notice, structure, or applicable rules in which CCAs can effectively utilize CAM. | Advocacy statement (argument). |
| 41 | CCAs procure on a long-term basis. For example, MEA is largely resourced for the next several years, having contracted for most of its projected needs for bundled renewable electricity through 2017, non-renewable energy through 2017, and capacity through 2015. MEA's power purchase agreements often long-term agreements for 20 and 25 years. | MEAxSDG&E-1, at 5, Figure 1. Also see at 14-15. Resource descriptions are also provided at MEAxSDG&E-1 at 9-11. |

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| 41-42 | Therefore, should there be an urgent need for resources for bundled customers, CCAs should be largely unaffected because they procure power through separate contracts and means than the IOUs. | Self-evident, incontrovertible fact |
| 42 | ..there are a number of statutes that serve to maximize a CCA's sole responsibility for its own procurement, outside of statutory requirements. | Hearing transcript (citation in brief) |
| 42 | ...communities who complete the arduous process of forming their own CCA naturally must have strong opinions on the inadequacy of their current generation procurement. To limit the generation procurement ability of a CCA is to nullify the efforts of not only the CCA, but the community advocates, staff, and elected officials who all created the political will for the CCA. Procurement is at the heart and soul of a CCA. Mandating a certain type of procurement undermines a CCA's core purpose. | Argument. |
| 42-43 | On September 18th, 2013, MEA was provided with its RA requirements and CAM allocation to be used in its year-ahead compliance filing for 2014, which | Public record (2013 Resource Adequacy Program Guidebook and MEA RA compliance reports). |

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| | <p>was due on October 31st. MEA adjusted its RA portfolio consistent with these requirements. On October 7th, MEA received its adjusted CAM allocation to be used in the month-ahead compliance filing for January, 2014. The CAM allocation was increased from 19.10 MW to 28.22 MW. As a result, MEA had procured excess RA and remarketed the extra RA at a loss. 28.22 MW represents over 13% of MEA’s total RA requirements.</p> | |
| 43 | <p>The external procurement issue is especially troublesome for CCAs, like MEA, who formed in order to combat climate change, reduce greenhouse gas emissions, and increase access to renewable energy on the California grid. Gas contracts forced upon CCAs through CAM do not achieve these goals. Furthermore, future CAM treatment will thwart MEA’s long-term objective of offering one 100% renewable energy product throughout its entire service territory.</p> | <p><i>See MEA Mission Statement</i>, set forth above. Regarding MEA’s long-term objective of 100% renewable energy, <i>see</i>, MEAxSDG&E-1 at 4: “MEA will manage a portfolio of electric resources to maintain a renewable energy content of greater than 50% during the ten- year planning period and progress toward a long term goal of increasing the renewable resource content to 100%.”</p> |
| 43 | <p>CAM procurement is undertaken through the PRG, which consists of “non -market participants.” This means that CCAs will not be privy to the pricing of CAM</p> | <p>PRG records and logic (advocacy statement).</p> |

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| | resources, or other RA resources. As such, a CCA cannot determine whether the RA being passed through to its customers is priced above market rates. While it is the Commission's determination whether a resource receives CAM, it is generally encouraged by the IOUs when they claim that a "system or local area reliability need" would be met. As such, there is a certain measure of "picking and choosing" that can be open to abuse by selecting more expensive procurement for CAM treatment. | |
| 43 | Given that CCAs are unable to participate in the CAM review group, CCAs are never given meaningful prior notice as to when CAM may apply to their loads and increase costs for their entities and customers. CAM is expected to triple in 2014, pursuant to PG&E's most recent Energy Resource Recovery Account application, well after MEA had fully procured its RA for 2014. | Statement of fact. <i>See</i> , MEAxSDG&E-1 at 12, Table 3. <i>See also</i> , A.13-05-015, PG&E 2014 ERRRA. |
| 44 | CAM is expected to triple in 2014, pursuant to PG&E's most recent Energy Resource Recovery Account application, well after MEA had fully procured its RA for 2014. | Statement of fact. <i>See</i> , MEAxSDG&E-1 at 12, Table 3. <i>See also</i> , A.13-05-015, PG&E 2014 ERRRA. |

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| 44 | At this point, CAM is only one tool in a large tool belt that the Commission uses to address RA. For example, the Commission recently approved an agreement to develop a Joint Reliability Plan with the California Energy Commission and the California Independent System Operator. This Reliability Plan does not address its impact on CAM. As of now, CAM exists as a separate procurement mechanism that must be integrated into the larger whole of the Commission's RA procurement processes in order to ensure fair implementation of all procurement tools. | Public record; deductive reason (argument). |
| 44 | Even if CCAs were not required to meet their RA requirements, CCAs could not fully utilize CAM if they wanted to. As noted above, CCAs are not provided with meaningful advance notice of CAM coming online. Nor are CCAs provided with notice if a CAM facility is to go offline. If a CAM facility goes offline, the CCA would continue to be responsible for RA notwithstanding the IOU's failure to provide RA under CAM. | Deductive reason (argument) and previously stated facts. |
| 44 | Simply put, the standard usage of CAM | Advocacy statement (argument). |

| Page No. | Excerpted Statement | Basis |
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| | <p>for CCAs is unsound from a policy perspective because the CAM process does not apply to CCAs that bring new resources onto the grid, significantly impacts the ability of CCAs to procure for its own loads, affects a CCA's carefully selected resource mix, and because there is no notice, structure, or applicable rules in which CCAs can effectively utilize CAM.</p> | |