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)

TRACK 4 REPLY BRIEF OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

CHARLES R. MIDDLEKAUFF
MARK R. HUFFMAN

Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-3842
Facsimile: (415) 973-0516
E-Mail: MRH2@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 16, 2013

TABLE OF CONTENTS

Page

I. TIME IS OF THE ESSENCE; THE COMMISSION SHOULD ACT NOW TO AUTHORIZE SCE AND SDG&E TO PROCURE NEEDED RESOURCES TO MAINTAIN GRID RELIABILITY IN SOUTHERN CALIFORNIA 2

A. The Record In This Proceeding Does Not Support Reliance On Load Shedding 3

1. The Record Here Does Not Support Long-Term Reliance On Load Shedding To Maintain System Reliability 3

2. The Commission Should Not Use Shorter-Term Reliance On Planned Load Shedding To Support A "Do Nothing" Approach In This Proceeding 4

B. The Commission Should Not Delay Track 4 Of This Proceeding To Conduct Further Analysis With Updated Load And Energy Efficiency Forecasts 5

C. While Storage Resources May Help To Meet The Incremental LCR Need Identified Here, The Establishment Of Storage Targets Does Not Justify A "Do Nothing" Approach In This Track 6

D. While Additional Preferred Resources May Help To Meet The Incremental LCR Need Identified Here, That Does Not Justify A "Do Nothing" Approach In this Track 7

E. The Possibility That One Or More Conceptual Transmission Projects Might Be Put Into Place At Some Point In The Future Does Not Justify A "Do Nothing" Approach In This Track 8

II. THE COMMISSION SHOULD NOT DELAY ITS TRACK 4 DECISION PENDING THE OUTCOME OF THE CURRENT CAISO TRANSMISSION PLANNING PROCESS 8

III. THE COMMISSION SHOULD REQUIRE AUTHORIZED PROCUREMENT TO BE CONSISTENT WITH THE LOADING ORDER, BUT SHOULD NOT LIMIT PROCUREMENT TO ONLY PREFERRED RESOURCES 9

IV. THE COMMISSION SHOULD ADOPT AN INCREMENTAL LCR NEED OF 5,070 MW IN THIS PROCEEDING. 10

A. The SCE and SDG&E Studies, Which Are Supported By The CAISO Studies, Show An Incremental LCR Need Of 5,070 MW Above The Resources Assumed To Be Available In The Commission-Adopted Planning Assumptions 10

SB_GT&S_0126141

TABLE OF CONTENTS
(continued)

Page

B. As SDG&E's Opening Brief Illustrates, Stating the Incremental LCR Need Relative To The Resources Assumed To Be Available In The Planning Studies Used In This Track Understates The Amount Of Procurement That SCE And SDG&E Will Have To Do To Maintain Grid Reliability 10

C. An Incremental Need of 2,970 MW Remains Even If The Commission Assumes That All Of The Procurement Authorization Set Forth For SCE In D.13-02-015 (1800 MW) And For SDG&E In D.13-03-029 (approximately 300 MW) Is Exercised And Results In Resources That Are 100 Percent Effective In Meeting The LCR Need Identified Here 11

V. THE COMMISSION SHOULD PROVIDE SCE AND SDG&E WITH AUTHORITY TO MEET ALL OF THE INCREMENTAL LCR NEED IDENTIFIED IN TRACK 4 13

A. In Light Of The Identified LCR Need Of 5,070 MW, 2,970 MW Even If One Assumes That The D.13-02-015 And D.13-03-029 Authorizations Are Fully Exercised And 100 Percent Effective In Meeting The Identified Track 4 Need, SCE And SDG&E Should Be Given Authority To Try To Meet Their Full Identified Need 13

B. Regardless Of The Exact Level Of Procurement Authorization Provided To SCE And SDG&E, A Timeline With Milestones Should Be Established To Maintain Grid Reliability In Southern California Over The Next Several Years 13

VI. CONSISTENT WITH THE TRACK 1 DECISION, CAM SHOULD BE APPLIED TO RESOURCES AUTHORIZED TO BE PROCURED IN TRACK 4 14

A. As The Commission Determined In The Track 1 Decision, When The Commission Determines That New Generation Is Needed To Meet Local Or System Reliability Needs For The Benefit Of All Customers In An Investor-Owned Utility's Service Area, CAM Applies 14

1. Contrary To MEA's Repeated Assertions, Application Of CAM In Track 4 Does Not Violate Senate Bill 790 14

2. SCE And SDG&E Have Demonstrated That CAM Is Applicable To Track 4 Procurement 16

3. Under The Statute Application Of CAM Is Obligatory, Not Optional, If The CAM Criteria Are Met 18

SB_GT&S_0126142

TABLE OF CONTENTS
(continued)

Page

B. SCE's And SDG&E's Bundled Procurement Obligations Do Not Obligate Their Bundled Customers To Bear All Of The Costs Of New Generation Needed To Meet Local Or System Reliability Needs For The Benefit Of All Customers 18

C. MEA's Discussion Of "Competitively Neutral Solutions" Does Not Support Limiting The Applicability Of CAM In Track 4, And Should Not Be Used As The Basis For Modifying CAM More Generally 19

D. The Commission Should Reject MEA's Position That A CCA's Procurement Practices Might Justify Exempting The CCA From CAM Responsibility 20

E. The Commission Should Reject MEA's Position That CAM Should Not Apply To A CCA For Its First Five Years 22

F. None of The Other Issues Raised By MEA Warrant Further Commission Action In Track 4 22

1. MEA Mischaracterized PG&E's Interest In This Proceeding 22

2. CCAs Are Not "Double Charged" For CAM Resources 23

3. MEA's Allegation That PG&E Is Tripling CAM Costs In One Year Is Unsupported By The Record 23

4. CAM Does Not Violate Public Utilities Code Section 451 24

5. Contrary To MEA's Assertion, CCAs Can Participate In The CAM Review Process 24

VII. CONCLUSION 24

SB_GT&S_0126143

TABLE OF AUTHORITIES

PAGE(S)

STATUTES

California Public Utilities Code

SB 695--*passim*
SB 790--*passim*
Section 365.1(c)(2) --15
Section 365.1(c)(2)(A) --- 14, 16
Section 365.1(c)(2)(B) --- 14, 16
Section 365.2(a)(5)---15
Section 451 ---24

AGENCY DECISIONS

California Public Utilities Commission

Decision 13-03-029 -- *passim*
Decision 13-02-015 ---*passim*
Decision 11-07-028 --24

AGENCY RULINGS

California Public Utilities Commission

R.12-03-014, May 21, 2013, Revised Scoping Ruling and Memo of the Assigned Commissioner And Assigned Administrative Law Judge --16

R.12-03-014, May 17, 2012, Scoping Memo And Ruling of Assigned Commissioner And Administrative Law Judge..22

SB_GT&S_0126144

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)

TRACK 4 REPLY BRIEF OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

Pursuant to the schedule set forth at page 2304 of the transcript in this proceeding, Pacific Gas and Electric Company (PG&E) provides its reply brief in Track 4 of this proceeding.

Many parties now support California Public Utilities Commission (Commission) action in the upcoming Track 4 decision, recommending that the Commission authorize Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) to procure additional resources in light of the incremental local capacity requirement (LCR) needs that have been identified by the studies presented by the California Independent System Operator (CAISO), SCE, and SDG&E in this track of the Long-Term Procurement Plan (LTPP) proceeding.

However, other parties still urge the Commission to take no action at this time. The Commission should reject the "no action" path. PG&E recommends that the Commission adopt an incremental LCR need for southern California of 5,070 megawatts (MW), 3,300 MW for SCE and 1,770 MW for SDG&E, and grant SCE and SDG&E full procurement authority to satisfy this incremental LCR need. PG&E recommends that a timeline with intermediate checkpoints be developed to track the activities, such as the addition or retirement of resources, affecting grid reliability in southern California over the next several years.

Consistent with statute and Track 1, PG&E recommends that the Commission's adopted cost allocation mechanism (CAM) be applied to resources procured as a result of Track 4. Although several parties object to application of CAM, they are not able to justify their

SB_GT&S_0126145

assertions that CAM treatment is unlawful and/or inappropriate for new resources procured as a result of this track of the proceeding. CAM treatment in Track 4 is consistent with statute and Commission policy, and fairly allocates the costs of new resources necessary to meet system and local area reliability needs in southern California to all customers, bundled, direct access (DA) and community choice aggregation (CCA), in SCE's and SGD&E's service territories.

I. TIME IS OF THE ESSENCE; THE COMMISSION SHOULD ACT NOW TO AUTHORIZE SCE AND SDG&E TO PROCURE NEEDED RESOURCES TO MAINTAIN GRID RELIABILITY IN SOUTHERN CALIFORNIA

In their opening briefs many parties, including the CAISO, SCE, SDG&E, and PG&E, encourage the Commission to authorize SCE and SDG&E to take action to address identified incremental LCR needs in southern California.[1/] Parties as diverse as the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) support Commission procurement authorization at this time.[2/] This confluence of opinion, further supported by parties such as the Independent Energy Producers Association (IEP),[3/] provides strong support for the Commission to act now, without delay.

Some parties argue against Commission action.[4/] They argue that the Commission need not worry further about system reliability in southern California. These arguments are not persuasive. The opening brief of the California Environmental Justice Alliance (CEJA) articulates the range of arguments parties make to support their "take no action" recommendations. The following sections of this reply brief cite to CEJA's opening brief because of its exhaustive character, but other parties make similar arguments and PG&E's discussion here is intended to address the other parties' opening briefs, as well.

CEJA argues that the Commission should do nothing now because

- load shedding should be used to maintain a reliable system,

---

1/ CAISO Opening Brief (OB), pp. 29-34; SCE OB, pp. 5-8; SDG&E OB, pp. 9-33; PG&E OB, pp. 12-17.

2/ ORA OB, pp. 11-23; TURN OB, pp. 4-5.

3/ IEP OB, pp. 26-33.

4/ *See, e.g.*, California Environmental Justice Alliance OB, p. 1.

SB_GT&S_0126146

- loads will be lower than forecast in the CAISO, SCE, and SDG&E studies,
- storage resources will be developed independent of any action taken by the Commission in this proceeding;
- additional preferred resources will be developed, above and beyond those already assumed in the CAISO, SCE, and SDG&E studies, regardless of any action taken by the Commission in this proceeding; and
- transmission options might lower the identified LCR needs.

PG&E addresses each of these points below. The likely consequence of following the "take no action" path recommended by CEJA and others is that by the 2020 timeframe grid reliability in southern California will have been significantly compromised. Given the long lead-times associated with the development of new supply side resources and new transmission facilities, the Commission, the CAISO, SCE, and SDG&E already have very little "breathing room" to address the identified incremental LCR need. If the Commission delays in taking any action until the next LTPP, which would be the next time the Commission is likely to examine the issue in any depth if the "do nothing" approach is adopted now, then the Commission's, the CAISO's, SCE's, and SDG&E's options to address LCR needs in southern California in a timely fashion will be very limited.

A. The Record In This Proceeding Does Not Support Reliance On Load Shedding

1. The Record Here Does Not Support Long-Term Reliance On Load Shedding To Maintain System Reliability

CEJA asserts that "load shedding is a much more appropriate tool" for planning to deal with the N-1-1 contingencies being considered in this proceeding than construction of new power plants.[5/] Other parties make similar assertions. However, none of the entities most directly responsible for the reliability of the grid in southern California, the CAISO, SCE, and SDG&E, support using planned load shedding for this purpose.[6/]

5/ CEJA OB, pp. 27-29.
6/ CAISO OB, pp. 15-25; SCE OB, pp. 16-20; SDG&E OB, pp. 27-32.

SB_GT&S_0126147

IEP provides a very reasoned description of the potential consequences of relying on the use of sudden, involuntary load shedding in San Diego, one of the major urban areas of the country.[7/] For large urban areas with no other means of supply, the CAISO's practice has been not to rely on load shedding as a long-term transmission planning tool.[8/] The CAISO relies on load shedding in these areas only as a last resort, and only as an interim measure until a permanent solution can be put into place.[9/] Finally, the CAISO notes that its approach is consistent with most of the Independent System Operators (ISOs) throughout the United States and Canada.[10/]

In short, a Commission decision to rely on load shedding to address, on a permanent basis, the contingencies being studied here would represent a significant reduction in the planned level of reliability on the CAISO grid, a shift not supported by the CAISO, SCE, or SDG&E. It would represent a move toward a less reliable grid in California than is planned for in most other ISOs in the United States and Canada.

The record here does not support such a reduction. Neither CEJA nor any other party has presented a compelling reason why the Commission should order an exception to accept lower reliability in this particular case, or decide that more generally the Commission expects the CAISO to modify the level of grid reliability the CAISO plans for. Therefore, the Commission should reject the proposals to rely on planned load shedding to address, on a permanent basis, the contingencies being analyzed in this proceeding.[11/]

2. The Commission Should Not Use Shorter-Term Reliance On Planned Load Shedding To Support A "Do Nothing" Approach In This Proceeding

CEJA argues alternatively that if the Commission rejects use of planned load shedding on

7/ IEP OB, pp. 13-16.

8/ As the CAISO acknowledges, long-term reliance on load shedding schemes may be appropriate in some circumstances (CAISO OB, p. 18) that are not applicable based on the facts here.

9/ CAISO OB, p. 18.

10/ CAISO OB, p. 19.

11/ PG&E would defer to the CAISO, SCE, and SDG&E if they took the position that long-term reliance on load shedding is appropriate to address the contingencies being analyzed here.

a long-term basis to reduce the incremental LCR needs that have been identified in this proceeding, then "[a]t a minimum, the San Diego [load shedding] SPS should be assumed to be in place as an interim measure throughout this LTPP study period while additional resources are developed."[12/] This alternative suggestion to rely on load shedding for the duration of the current LTPP period is also made to support CEJA's recommendation that the Commission take no action here.

There may be circumstances under which it may be appropriate to rely on an interim load shedding scheme while a more permanent remediation is being implemented. But that is not what CEJA is proposing here. CEJA is proposing that the Commission rely on load shedding for an "interim" but indefinite period. The Commission should reject CEJA's recommendation to take no action now in reliance on load shedding for an indefinite "interim" period spanning at least the current LTPP planning period. In the absence of Commission action here there is no level of certainty that the needed additional resources will be developed in a timely manner to meet the identified incremental LCR needs, located in the right places and with the necessary operational attributes. A concrete course of action to address the identified incremental LCR needs should be adopted now, and implementation of that course of action should begin immediately thereafter.

B. The Commission Should Not Delay Track 4 Of This Proceeding To Conduct Further Analysis With Updated Load And Energy Efficiency Forecasts

CEJA argues that the Commission should take no action in this proceeding because the California Energy Commission load forecast currently being developed is likely to forecast somewhat lower loads in southern California than were incorporated into the CAISO, SCE, and SDG&E studies presented here,[13/] and because the study assumptions regarding energy efficiency adopted by the Commission were too low.[14/] Other parties make similar arguments.

The Commission should reject CEJA's invitation to take this proceeding into a never-

12/ CEJA OB, p. 29.
13/ CEJA OB, pp. 17-22.
14/ CEJA OB, pp, 22-26.

SB_GT&S_0126149

ending cycle of analysis. Absent extraordinary circumstances, not shown here, the Commission should complete its LTPP analysis and act on it. It should not abandon its current effort and start over.

The Commission conducts an LTPP every two years. Therefore, it is constantly re-evaluating its conclusions and directions, and adjusting them as necessary in light of new information. Acting on the current analysis and adjusting, as necessary, in the 2014 LTPP is the path that makes sense here. The 2014 LTPP should be carried out in a timely fashion, and any appropriate fine-tuning of the plan adopted here should be made in light of the information developed in the 2014 LTPP. Given the identified LCR need of several thousand MW by the 2020 timeframe,[15/] the Commission, SCE and SDG&E do not have the luxury of waiting, without action toward meeting the need, for several months while updated analysis is carried out and relitigated. The evidence presented here indicates that any delay in moving forward could have a significant negative effect on grid reliability in southern California.

C. While Storage Resources May Help To Meet The Incremental LCR Need Identified Here, The Establishment Of Storage Targets Does Not Justify A "Do Nothing" Approach In This Track

CEJA observes that in D.13-10-040 the Commission recently adopted energy storage procurement targets for SCE and SDG&E, and uses that fact to support its argument that the Commission should do nothing here.[16/] Other parties make similar observations. But the existence of the targets, in and of itself, does nothing to reduce the LCR need. Therefore, the Commission's adoption of the storage targets does not support a "do nothing" approach in this proceeding.

The CEJA recommendation appears to be based on an unfounded assumption that any and all storage projects will meet the LCR need identified in this proceeding, and that as a consequence no further Commission action is needed here. CEJA's recommendation should be rejected. The Commission should adopt the identified incremental LCR need, authorize SCE

15/ PG&E OB, pp. 4-12.
16/ CEJA OB, pp. 34-39.

SB_GT&S_0126150

and SDG&E to move forward to meet that need, and count any particular storage project toward the identified need only after it has been shown to be located in the right place and possess the necessary operational attributes to be effective in helping to meet the identified need.

D. While Additional Preferred Resources May Help To Meet The Incremental LCR Need Identified Here, That Does Not Justify A "Do Nothing" Approach In this Track

CEJA also argues that the studies presented by the CAISO, SCE, and SDG&E underestimate the amount of preferred resources that will help to meet the identified LCR need.[17/] Other parties make similar arguments. CEJA focuses in particular on the CAISO's treatment of "second contingency" demand response and customer-side photovoltaic (PV) generation assumptions. CEJA argues that the CAISO's studies should have assumed that substantial additional amounts of demand response and customer-side PV would be located in the right places, and have the necessary operating characteristics, to help address the identified incremental LCR need.[18/]

PG&E has the same concerns here that it expressed in the preceding section relating to assumed storage resources. The record does not support an assumption that this level of demand response and customer-side PV resources, located in the right place and with the necessary operating characteristics to meet the identified LCR need, will simply materialize. Therefore, the record does not support a "do nothing" approach with respect to the identified need. Instead of the "do nothing" approach recommended by CEJA, the Commission should establish the incremental LCR need that SCE and SDG&E should be working toward meeting, and provide SCE and SDG&E with the necessary procurement authorization so that they can aggressively pursue obtaining the necessary resources. As resources are developed with the proper attributes to contribute toward meeting the identified need, whether demand response, customer-side PV, or something else, then they should be counted toward meeting the need.

17/ CEJA OB, pp. 39-45.
18/ CEJA OB, pp. 39-42.

SB_GT&S_0126151

E. The Possibility That One Or More Conceptual Transmission Projects Might Be Put Into Place At Some Point In The Future Does Not Justify A "Do Nothing" Approach In This Track

CEJA argues that "the transmission projects proposed by SCE and SDG&E . . . be assumed completed by 2022."[19/] These include SCE's proposed Mesa Loop-In project, SDG&E's proposed Imperial Valley-SONGS project, and SDG&E's proposed project from Devers Substation to a new 230 kilovolt (kV) substation in north San Diego County.[20/] Other parties make similar arguments.

As PG&E discussed in its opening brief, these projects are far too uncertain to be relied on to be available in 2022, let alone in the 2020 timeframe that SCE identifies as significant.[21/] Therefore, the Commission should not assume these projects will be available to meet the identified incremental LCR need. If the construction itself as well as its timing become substantially more certain for one or more of these projects, then at that time the Commission should count the transmission project(s) toward meeting the identified need.

II. THE COMMISSION SHOULD NOT DELAY ITS TRACK 4 DECISION PENDING THE OUTCOME OF THE CURRENT CAISO TRANSMISSION PLANNING PROCESS

CEJA suggests in the alternative that the Commission should delay its decision regarding LCR need "until CAISO has fully assessed possible transmission mitigations."[22/] Other parties make similar suggestions. CEJA notes that the CAISO originally supported this position, but does not explicitly acknowledge that the CAISO subsequently modified its position, urging the Commission to act now to authorize procurement in Track 4.[23/]

The Commission should not wait on the outcome of the CAISO's current transmission planning process (TPP). Little additional certainty will be gained about whether, and when, the projects discussed by SCE and SDG&E in their testimony will be built. The current uncertainty

---

19/ CEJA OB, p. 30.
20/ CEJA OB, p. 31.
21/ PG&E OB, pp. 5-7, 9-10.
22/ CEJA OB, p. 29 (footnote omitted).
23/ CEJA OB, p. 29. *See*, CAISO OB, p. 3, for the statement of the CAISO's revised position.

surrounding these projects will remain after the conclusion of the current TPP. Even assuming that these projects are not rejected outright, their status will be far too uncertain to be relied on to be available in the 2020 timeframe, or in 2022 for that matter.

Therefore, the Commission should not wait for the conclusion of the current CAISO TPP to act here. If the construction itself, as well as the timing of its completion, become substantially more certain for one or more of these projects, then at that time the Commission should count the transmission project(s) toward meeting the identified need.

III. THE COMMISSION SHOULD REQUIRE AUTHORIZED PROCUREMENT TO BE CONSISTENT WITH THE LOADING ORDER, BUT SHOULD NOT LIMIT PROCUREMENT TO ONLY PREFERRED RESOURCES

Some parties urge the Commission to limit any authorized SCE and SDG&E procurement to only preferred resources at this time.[24/] No such limitation should be adopted. There is substantial uncertainty over the level of preferred resources that can be located in the right places, and with the necessary operating characteristics, to meet the identified incremental LCR need. No party has presented any persuasive testimony that such resources will develop. Therefore, the Commission should not adopt a mandate that only preferred resources be procured.

The adopted loading order does not require such a mandate, and for good reason. There is no suggestion in the loading order that it should come at the expense of degraded grid reliability. But that would be the consequence of an adopted mandate if the hoped for preferred resources turn out not to be available in sufficient amounts, located in the right place and with the right operating resources, to meet the identified LCR needs. Because the preferred resource mandate is not required, and because the record does not provide any reassurance that grid reliability could be maintained in the face of such a mandate, a preferred-resources-only mandate should not be adopted.

24/ *See, e,g.* Natural Resources Defense Council OB, pp. 18-19.

SB_GT&S_0126153

IV. THE COMMISSION SHOULD ADOPT AN INCREMENTAL LCR NEED OF 5,070 MW IN THIS PROCEEDING.

A. The SCE and SDG&E Studies, Which Are Supported By The CAISO Studies, Show An Incremental LCR Need Of 5,070 MW Above The Resources Assumed To Be Available In The Commission-Adopted Planning Assumptions

For the reasons discussed above, the Commission should not reduce the identified incremental LCR need in this proceeding by relying on planned load shedding to resolve the identified contingencies that gave rise to the need, should they occur. Nor should the Commission rely on the conceptual transmission projects discussed by SCE and SDG&E in their testimony to reduce the identified incremental LCR need. These projects are far too uncertain at this point to be counted on to maintain grid reliability in southern California.

Based on the SCE and SDG&E studies, the resulting need in Southern California is 5,070 MW, 3,300 MW for SCE and 1,770 MW for SDG&E.[25/,26/] As resources are developed to help meet this need, in the right locations and with the necessary operating characteristics, then they should be counted toward meeting the need. The identified incremental LCR need should not be reduced now, based on the hope that such resources will materialize in the future.

B. As SDG&E's Opening Brief Illustrates, Stating the Incremental LCR Need Relative To The Resources Assumed To Be Available In The Planning Studies Used In This Track Understates The Amount Of Procurement That SCE And SDG&E Will Have To Do To Maintain Grid Reliability

As SDG&E notes, its base case analysis assumes the existence of an incremental 408 MW of not-yet-procured preferred resources.[27/] Similarly, the planning assumptions adopted for this track of the proceeding that SCE uses for its studies assume substantial incremental MW of

---

25/ PG&E OB, pp. 4-12.

26/ In its opening brief SDG&E describes the incremental need it has identified in various ways, most typically as "between 620 MW and 1,470 MW." (SDG&E OB, p. 4.) As SDG&E explains on pages 12-13 of its opening brief, the 620 MW figure assumes the Pio Pico project as well as the Imperial Valley-NCGen transmission project, while the 1,470 MW figure assumes the Pio Pico project, but no major transmission upgrades. As PG&E described in its opening brief, PG&E's 1,770 MW figure does not assume the Pio Pico project. (PG&E OB, p. 8.)

27/ SDG&E OB, p. 12.

SB_GT&S_0126154

not yet procured preferred resources for SCE.[28/]

Many of these assumed resources will not, in fact, be available to meet the LCR requirements identified here unless SCE and SDG&E go out and procure them, *in addition* to procuring the MW identified as the incremental LCR need. Regardless of whether the not-yet-procured resource is simply assumed to be available in the analysis, thus reducing the incremental LCR need identified by the analysis, or not assumed to be available and thus reflected instead in the incremental need identified by the analysis, it still must be procured in the future, or else grid reliability will not be maintained.[29/]

Thus, because the studies conducted in this proceeding assume the existence of not-yet-procured preferred resources, the incremental LCR need figures identified by SCE and SDG&E in this track understate the amount of procurement that SCE and SDG&E will have to perform in order to maintain grid reliability.

Any newly developed resource that helps to meet the need should be counted against either the amount assumed to be available in the analysis, or against the incremental LCR need identified as a result of the analysis, but not against both. Counting the same resource against both amounts would "double count" the resource, and result in an understatement of the amount of resources remaining to be procured to maintain grid reliability. The decision in this track of the proceeding should identify this fact, to make sure that newly-developed resources are not "double counted."

C. An Incremental Need of 2,970 MW Remains Even If The Commission Assumes That All Of The Procurement Authorization Set Forth For SCE In D.13-02-015 (1800 MW) And For SDG&E In D.13-03-029 (approximately 300 MW) Is Exercised And Results In Resources That Are 100 Percent Effective In Meeting The LCR Need Identified Here

Different parties have presented their incremental need calculations in different ways, with differences in the definition of "incremental need." With respect to SCE, PG&E has not

28/ *See*, SCE OB, pp. 21-22.
29/ *See*, SDG&E OB, pp. 7, 14-16.

SB_GT&S_0126155

assumed that the procurement resulting from the up to 1,800 MW authorization in Track 1 (D.13-02-015) will necessarily meet the incremental LCR needs identified in Track 4. Similarly, PG&E has not assumed that the procurement resulting from the approximately 300 MW of authorization in SDG&E's local reliability proceeding (D.13-03-029) will necessarily meet the incremental LCR needs identified in Track 4.[30/]

Even if one were to assume that SCE and SDG&E fully exercise these prior authorizations, and that the resulting procurement is 100 percent effective in meeting the identified LCR need in Track 4, a very significant incremental Track 4 LCR need still remains. This is illustrated in Chart 1 of PG&E's opening brief.[31/] Subtracting 1,800 MW from the 3,300 MW of LCR need identified by SCE's studies still leaves an incremental need of 1,500 MW for SCE. Subtracting 300 MW from 1,770 MW of LCR need identified by SDG&E's studies still leaves an incremental need of 1,470 MW for SCE.

If the Commission chooses to establish the incremental need resulting from this case by assuming that the D.13-02-015 and D.13-03-029 authorizations are fully met by SCE and SDG&E, respectively, and met with resources that are 100 percent effective in satisfying the incremental Track 4 LCR need, then the Commission should adopt an incremental Track 4 LCR need of 2,970 MW, 1,500 MW for SCE and 1,470 MW for SDG&E.

Regardless of how the Commission determines to articulate the incremental need it adopts in the Track 4 decision, it should state the assumed relationship between the need determination in this proceeding and the procurement authorizations already provided in D.13-02-015 and D.13-03-029. The Commission should review the procurement being done in connection with all three decisions, the two earlier ones and the Track 4 decision that is forthcoming here, to ensure that in the aggregate the procured resources are sufficient to maintain grid reliability and meet the LCR requirements in southern California.

30/ PG&E OB, pp. 5, 13.

31/ PG&E OB, p. 15.

SB_GT&S_0126156

V. THE COMMISSION SHOULD PROVIDE SCE AND SDG&E WITH AUTHORITY TO MEET ALL OF THE INCREMENTAL LCR NEED IDENTIFIED IN TRACK 4

A. In Light Of The Identified LCR Need Of 5,070 MW, 2,970 MW Even If One Assumes That The D.13-02-015 And D.13-03-029 Authorizations Are Fully Exercised And 100 Percent Effective In Meeting The Identified Track 4 Need, SCE And SDG&E Should Be Given Authority To Try To Meet Their Full Identified Need

At this time, SCE seeks authorization to procure an additional 500 MW, while SDG&E seeks authorization to procure an additional 500 – 550 MW.[32/] PG&E respectfully suggests that these requests are too timid, and that SCE and SDG&E should be authorized to procure up to the full incremental LCR need identified for each. In the context of the construction of new generation and transmission facilities, especially in the populated areas that would be affected by the various projects under discussion here, 2020 is just around the corner. The little time available should not be spent on half-measures and tentative steps.

B. Regardless Of The Exact Level Of Procurement Authorization Provided To SCE And SDG&E, A Timeline With Milestones Should Be Established To Maintain Grid Reliability In Southern California Over The Next Several Years

Fort the most part, parties that argue against an adoption of any procurement authorization, or only for a very limited procurement authorization relative to the identified incremental LCR need, are relying on the (1) the development of substantial amounts of new preferred resources and/or storage located in the right places, and having the right operational attributes, and/or (2) the development of significant new regional transmission projects to address the incremental LCR need that has been identified. As PG&E discussed in its opening brief, to the extent that this outside-of-LTPP development is being relied upon, realistic timelines with intermediate check point dates should be established to track that development.[33/] The existence of such a timeline will allow the Commission, the CAISO, SCE, SDG&E, and other interested parties to track the progress being made in maintaining grid reliability in southern

---

32/ SCE OB, p. 1; SDG&E OB, p. 4.
33/ PG&E OB, pp. 17-18.

SB_GT&S_0126157

California, and provide clearer warning signals if the efforts to maintain grid reliability begin to go off-track.

VI. CONSISTENT WITH THE TRACK 1 DECISION, CAM SHOULD BE APPLIED TO RESOURCES AUTHORIZED TO BE PROCURED IN TRACK 4

Two briefs address CAM in some detail, the brief of the Direct Access Customer Coalition and the Alliance for Retail Energy Markets (DACC/AReM), and the brief of the Marin Energy Authority (MEA). While the Western Power Trading Forum (WPTF) takes a position in its opening brief, it only discusses the matter briefly and makes the conclusory assertion that the utilities have failed to meet their burden that CAM treatment is justified.[34/]

Nothing in these parties' opening briefs demonstrates any significant distinctions or changed circumstances that would justify differing treatment between Track 1 and Track 4 with respect to the applicability of the adopted CAM. Therefore, as required by Public Utilities Code section 365.1(c)(2)(A)-(B) and consistent with D.13-02-015, CAM should be applied to resources authorized to be procured in Track 4.

A. As The Commission Determined In The Track 1 Decision, When The Commission Determines That New Generation Is Needed To Meet Local Or System Reliability Needs For The Benefit Of All Customers In An Investor-Owned Utility's Service Area, CAM Applies

1. Contrary To MEA's Repeated Assertions, Application Of CAM In Track 4 Does Not Violate Senate Bill 790

MEA acknowledges that CAM was codified into law by Senate Bill (SB) 695 in 2009.[35/] MEA also asserts that subsequent to the passage of SB 695, "SB 790 Limited the Use of CAM for CCAs."[36/] Elsewhere, MEA asserts that application of CAM to CCAs "violates a number of statutes,"[37/] citing to sections of the Public Utilities Code enacted by SB 790. MEA is incorrect. SB 790 does not prohibit the application of CAM to CCAs, either in general or in connection with Track 4.

34/ WPTF OB, p. 13.
35/ MEA OB, p. 15.
36/ MEA OB, p. 16.
37/ MEA OB, p. 4.

SB_GT&S_0126158

MEA discusses provisions of SB 790 in several places in its opening brief,[38/] but nowhere does MEA demonstrate that the Commission's application of CAM in Track 1, or SCE and SDG&E's requested application of CAM in Track 4, is in conflict with SB 790. MEA asserts, for example, citing section 366.2(a)(5) as authority, that CAM "violates a number of statutes, including statutes that: . . . ensure that CCAs are solely responsible for all generation procurement activities on behalf of its customers."[39/] But MEA omits the remainder of that code section, which states, "except where other generation procurement arrangements are expressly authorized by statute."[40/] The omitted language makes it is clear that CAM, which is expressly authorized by section 365.1(c)(2), is consistent with section 366.2(a)(5), not in violation of it.[41/]

MEA points to other code sections adopted by SB 790, either stating explicitly or implying by its arguments that these code sections prohibit the application of CAM to CCAs in Track 4. They do not. SB 790 was adopted after CAM was codified, and if the legislature had intended to prohibit application of CAM to CCAs it would have done so clearly.

In its Track 1 decision the Commission acknowledged SB 790, noting that SB 790 "codified the Commission requirement that the costs to ratepayers for CAM procurement are allocated to ratepayers in a 'fair and equitable' manner."[42/] Far from concluding that application of CAM to CCAs would violate SB 790, the Commission applied CAM in the Track 1 decision to allocate costs to bundled, DA, and CCA customers in SCE's service territory.[43/]

In short, SCE and SDG&E's requested use of CAM to allocate the net capacity costs of resources procured as a result of Track 4 to all customers in SCE and SDG&E's service territories, bundled, DA, and CCA alike, is not in conflict with SB 790.

38/ See, e.g., MEA OB, pp. 3-4, 35-40.

39/ MEA OB, p. 4 (citing Public Utilities Code section 366.2(2)(a)(5).

40/ Public Utilities Code section 366.2(a)(5).

41/ MEA provides a more complete citation to section 366.2(a)(5) on page 39 of its opening brief.

42/ D.13-02-015, p. 100.

43/ D.13-02-015, Ordering Paragraph 15, p. 136.

SB_GT&S_0126159

2. SCE And SDG&E Have Demonstrated That CAM Is Applicable To Track 4 Procurement

DACC/AReM argue in their opening brief that SCE and SDG&E did not justify their position that CAM is applicable here.[44/] MEA makes similar arguments, stating, for example, that "SCE does not demonstrate in [Mr. Cushnie's] testimony that the purported needs set forth in the testimony of SCE . . . meet the relevant criteria for applicability of CAM."[45/] DACC/AReM and MEA are incorrect. SCE and SDG&E have clearly demonstrated that the relevant criteria for the application of CAM have been met.

The Track 1 decision sets forth the CAM criteria clearly and concisely.

> Section 365.1(c)(2)(A)-(B) holds that in instances when the Commission determines that new generation is needed to meet local or system area reliability needs for the benefit of all customers in the IOU's service areas, the net capacity costs for the new capacity shall be allocated in a fair and equitable manner to all benefiting customers, including DA, CCA, and bundled load.[46/]

The criteria are that the new generation is needed to meet local or system area reliability needs for the benefit of all customers. Here, the scope of this track of the proceeding is to "consider the local reliability impacts of a potential long-term outage at the San Onofre Nuclear Power Station (SONGS) generators, which are currently not operable."[47/] The CAISO, SCE, and SDG&E have all presented studies showing that there are incremental local area reliability needs in southern California in light of the SONGS shutdown.[48/] Therefore, assuming the Commission determines that procurement of new generation is needed based on these studies, as many parties urge the Commission to do, then the new generation will meet the "needed to meet local area reliability needs" criteria.

This procurement will be for the benefit of all of the customers in SCE's and SDG&E's service areas. All customers, not only bundled but also DA and CCA as well, benefit from

---

44/ DACC/AReM OB, p. 3.
45/ MEA OB, p. 28.
46/ D.13-02-015, p. 106.
47/ May 21, 2013, Revised Scoping Ruling and Memo of the Assigned Commissioner and Administrative Law Judge, p. 4.
48/ Ex. ISO-1; Ex. SCE-1, pp. 12-40; Ex, SDG&E-3, pp. 3-14.

SB_GT&S_0126160

increased grid reliability.[49/] This is consistent with Track 1, where the Commission applied CAM to the new resources to be constructed to meet the local area reliability needs in southern California identified in that track of the proceeding.

DACC/AReM are simply in error when they state that "the entirety of SCE's opening testimony on the matter spanned less than one full page."[50/] All of SCE's testimony demonstrating the need for incremental resources to meet local reliability needs in the 2020 timeframe[51/] supports the conclusion that, just as in Track 1, CAM is appropriately applied in Track 4. For its part, SDG&E made an extensive showing as well.[52/] Further, the CAISO studies presented here provide an independent demonstration that the criteria for applicability of CAM are met here.[53/]

Just as DACC/AReM insist should be the case,[54/] SCE and SDG&E have made case-specific showings. Each relies on detailed studies it presented here, just cited above, in this track of this proceeding.

Further, Just as DACC/AReM insist should be the case,[55/] both SCE and SDG&E provide clear explanations of and support for their CAM proposals. Through the studies each presents, each establishes that the additional resource authorization it is seeking here is to meet local reliability needs that will benefit all customers, and that, for those reasons, CAM treatment is appropriate.

In short, consistent with the statute and the Track 1 decision, the record in this proceeding clearly demonstrates that any procurement of generation resulting from Track 4 authorization will meet the criteria for CAM. Pursuant to the statute, CAM is to be applied to this procurement, and the net capacity costs are to be allocated to the bundled, DA, and CCA

49/ *See*, Tr, pp, 2217 l. 10 – 2218, l. 10, Rochman/DACC/AReM.
50/ DACC/AReM OB, p. 4.
51/ *See, e.g.*, Ex. SCE-1, pp. 12-40.
52/ *See, e.g.*, Ex. SDG&E-3, pp. 3-14.
53/ *See, e.g.*, Ex. ISO-1.
54/ DACC/AReM OB, p. 6.
55/ DACC/AReM OB, p. 8.

SB_GT&S_0126161

customers in SCE and SDG&E's service territories.

3. Under The Statute Application Of CAM Is Obligatory, Not Optional, If The CAM Criteria Are Met

MEA states that "once the previous tests have been met [so that MEA would agree that the criteria for application of CAM are satisfied], the Commission has the discretion – but not the obligation – to assign CAM to the facility."[56/] MEA is wrong. The Commission addressed this in Track 1, saying "Senate Bill 695, signed into law in 2009, requires that the net capacity costs of new generation resources deemed 'needed to meet system of local area reliability needs for the benefit of all customers in the electrical corporation's distribution service territory' must be passed on to bundled service customers, DA and CCA customers."[57/]

B. SCE's And SDG&E's Bundled Procurement Obligations Do Not Obligate Their Bundled Customers To Bear All Of The Costs Of New Generation Needed To Meet Local Or System Reliability Needs For The Benefit Of All Customers

DACC/AReM's final claim is that because SCE and SDG&E are obligated to meet their bundled customers' energy needs, they must meet all of the costs of maintaining system and local grid reliability in southern California.[58/] In a similar vein, in section V of its opening brief, MEA suggests that by proposing CAM treatment for procurement resulting from Track 4, SCE and SDG&E have "abdicated" their responsibility to procure for their bundled customers.[59/] Neither is correct.

DACC/AReM and MEA are attempting to conflate two things, bundled procurement obligation, and the need for new resources to meet system or local area reliability needs. They are not the same. With respect to their bundled procurement obligations, both SCE and SDG&E continue to meet their obligations to provide power to serve their bundled customers regardless of the fact that SONGS has been permanently shut down. Nothing in the record suggests that

56/ MEA OB, p. 32.
57/ D.13-02-015, p. 100 (footnote omitted).
58/ DACC/AReM OB, pp. 11-13, 15-17.
59/ MEA OB, pp. 19-23.

either SCE or SDG&E is somehow proposing to condition the meeting of the obligation to serve its bundled customers on the outcome of Track 4, or to "abandon" that obligation unless there is some specified outcome in Track 4.

With respect to the need for new resources to meet system or local area reliability needs, a need that is increased in southern California due to the retirement of SONGS but by no means caused exclusively by that retirement, SB 695 makes clear that an investor-owned utility's bundled customer are not obligated to bear the full cost of procurement of these needed new resources. Under SB 695 the net capacity costs of these resources "must be passed on to bundled service customers, DA and CCA customers."[60/]

Contrary to DACC/AReM and MEA's protestations, Track 4 is not about meeting the energy needs of SCE and/or SDG&E's bundled customers. It is about whether new generation is needed to meet system or local reliability needs for the benefit of all customers in SCE and SDG&E's service areas. It is for that reason that CAM treatment is appropriate.

C. MEA's Discussion Of "Competitively Neutral Solutions" Does Not Support Limiting The Applicability Of CAM In Track 4, And Should Not Be Used As The Basis For Modifying CAM More Generally

In its testimony, MEA states that "to the extent there is residual need that is unmet, the Commission should first turn to competitively neutral solutions, not CAM."[61/] MEA's three page discussion of this concept,[62/] introduced for the first time in Track 4 in MEA's opening brief, does little to illuminate exactly what MEA is proposing.

If MEA had additional solutions that it wanted the Commission to consider to meet the incremental LCR need that Track 4 has identified in southern California, MEA should have presented them to the Commission and the other parties in testimony. Having proposed nothing, MEA has no basis for saying now that the Commission should not apply CAM here because the Commission did not consider unspecified other, "competitively neutral" solutions to meet the

---

60/ D.13-02-015, p. 100.
61/ MEA OB, p. 24.
62/ MEA OB, pp. 24-26.

SB_GT&S_0126163

identified need.

To the extent that MEA is asking for a broader modification to CAM to apply now and in the future, MEA's request should be rejected. MEA is making its "competitively neutral solutions" proposal for the first time in brief. MEA did not put it forth in testimony. MEA's "competitively neutral solutions" proposal should be rejected for that reason alone. Further, the proposal is very unclear. The farthest MEA goes with respect to explaining the new criterion it is proposing is that "transmission capacity and [demand side management] programs can be examples of competitively neutral means for addressing local energy and capacity shortages."[63/] Presumably, MEA used the word "can" to suggest that sometimes these resources might not meet the criterion. No useful guidance is provided on what the distinction might be, or how it might apply to other possible resources that could meet an identified system or local area reliability need.

D. The Commission Should Reject MEA's Position That A CCA's Procurement Practices Might Justify Exempting The CCA From CAM Responsibility

MEA states that "MEA's power purchase agreements often long-term agreements for 20 and 25 years. 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."[64/] Based on this, MEA recommends that "[w]hen CAM is applied to CCAs, each CCA should be able to submit comments into the record as to its own generation resources on the grid."[65/] "A CCA like MEA should be able to incorporate the information as to its own generation resources into the record in order to offset potential CAM obligations."[66/]

First, MEA's discussion is not directly applicable to the proceeding at hand, in that no CCA was prohibited from making any showing in Track 4.

Second, as the just-cited language from MEA's brief illustrates, MEA's argument here

63/ MEA OB, p. 26.
64/ MEA OB, pp. 41-42.
65/ MEA OB, p. 45.
66/ MEA OB, p. 45.

SB_GT&S_0126164

again confuses two things: (1) bundled procurement obligations; and (2) the need for new resources to meet system or local area reliability needs. Neither Track 1, Track 2, nor Track 4 has been about bundled procurement. These tracks have examined whether new resources are needed to meet system or local area reliability needs.

More generally, MEA is hinting that perhaps in the future a CCA might be able to demonstrate that it should be exempted from CAM responsibility because of its procurement practices. That is, that the CCA's procurement practices should allow the CCA to opt-out of CAM. Parties presented testimony on this topic in Track 1, and the issue was extensively addressed in the Track 1 decision.

In the Track 1 decision the Commission stated that

> "[t]he issue of a CAM opt-out is complex. . . . We will not rule out consideration of a CAM opt-out at a future date. However, we have considered parties' positions on more than one occasion, and declined to adopt a CAM opt-out. Therefore, we are disinclined to relitigate this issue in the future unless all or nearly all impacted parties can agree on a specific, detailed and implementable proposal, or there are significant changed circumstances.[67/]

Here, even with the Commission's recent statement that it was disinclined to relitigate this issue absent significant changed circumstances, MEA did not provide any testimony to explain its position that a CCA's procurement practices might exempt the CCA from CAM responsibility. MEA has offered nothing that justifies relitigation of the opt-out issue in Track 4.

Should the Commission nonetheless choose to revisit this issue, MEA's position must be rejected. Nothing in the record supports it. MEA's November 12, 2013, Integrated Resource Plan Annual Update, introduced into the record not as testimony but as a cross-examination exhibit, Ex. MEAxSDG&E-1, does not support MEA's position that a CCA's procurement practices might justify excusing the CCA from CAM responsibility.

Tracks 1 and 4 of this LTPP have examined whether new resources are necessary to meet LCR needs. Track 2 was investigating whether new resources are needed to maintain system

---

67/ D.13-02-015, p. 112.

SB_GT&S_0126165

reliability. Describing Track 2, the May 17, 2012, Scoping Memo states:

> We will consider issues related to system variability, such as renewable integration, into the state's energy future.[68/]

Nothing in Ex. MEAxSDG&E-1 indicates that in its procurement practices MEA has given any consideration to either local reliability needs, or system reliability related to system variability due to increased renewables. Ex. MEAxSDG&E-1 indicates that MEA is focused solely on meeting the power needs of its customers, not on local or system reliability issues.

Thus, at this time MEA has offered nothing that justifies relitigation of the opt-out issue, or any change in the Commission's determination on CAM opt-out in Track 1.

E. The Commission Should Reject MEA's Position That CAM Should Not Apply To A CCA For Its First Five Years

MEA also proposes in its brief that CCAs should be exempted from CAM for the first five years of their existence.[69/] MEA did not present this proposal in testimony. It should be rejected for that reason, as this presentation tactic does not allow for a full development of a record on the recommendation.

Should the Commission nonetheless choose to address the merits of MEA's proposal, it should be rejected. MEA's argument is that the Commission should exempt CCAs from CAM for their first five years simply to favor CCAs in their early years. This is an argument that bundled customers should pay more just so CCA customers can pay less, even if application of CAM would have allocated costs more fairly. This proposal is not fair to bundled customers and is inconsistent with the law, and so should be rejected.

F. None of The Other Issues Raised By MEA Warrant Further Commission Action In Track 4

1. MEA Mischaracterized PG&E's Interest In This Proceeding

MEA mischaracterizes PG&E's interests in this proceeding. PG&E's interest with

---

68/ May 17, 2012, Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, p. 10.

69/ MEA OB, pp. 45-46.

respect to CAM is that that all customers in the relevant service area(s), bundled, DA, and CCA, receive a fair share of the costs of new resources built to meet system or local reliability needs for the benefit of all customers. It is not, as MEA suggests, to ensure that DA and CCA customers "bear as high of costs as possible."[70/]

MEA also mischaracterizes PG&E reasons for supporting the application of CAM to resources procured as a result of Track 4.[71/] PG&E proposes application of CAM because it is the law, and because it fairly allocates the costs of maintaining grid reliability among all benefitting customers. As the Commission stated in Track 1, "Senate Bill 695, signed into law in 2009, requires that the net capacity costs of new generation resources deemed 'needed to meet system or local area reliability needs for the benefit of all customers in the electrical corporation's distribution service territory' must be passed on to bundled service customers, DA and CCA customers."[72/]

2. CCAs Are Not "Double Charged" For CAM Resources

Throughout its brief, MEA states that CAM double charges CCA customers for CAM resources.[73/] That is not correct. CCA customers are not "double charged" via CAM. They pay the same cost, and receive the same benefit both in terms of maintained system reliability as well as RA value, as do bundled customers.

3. MEA's Allegation That PG&E Is Tripling CAM Costs In One Year Is Unsupported By The Record

MEA alleges that PG&E has proposed "tripling CAM costs in one year."[74/] At this point it is difficult to know exactly what MEA is referring to, since MEA did not present this assertion in testimony and so PG&E had no opportunity to investigate it. PG&E has had no opportunity to address this factual assertion on the record, to demonstrate that it is false or acknowledge that it is true, as the case might be. PG&E has not had the opportunity to provide, for the

---

70/ MEA OB, pp. 5-6.
71/ MEA OB, pp. 8-12.
72/ D.13-02-015, p. 100.
73/ *See, e.g.*, MEA OB, p. 9.
74/ MEA OB, p. 12.

SB_GT&S_0126167

Commission's consideration, any additional information regarding this allegation.

One immediate point from looking at MEA's allegation on its face is that MEA cites two proceedings that were filed two years apart, not one.[75/]

Because MEA's allegation is not supported by testimony or record evidence there is no basis for using it in the Track 4 decision.

4. CAM Does Not Violate Public Utilities Code Section 451

MEA points to Public Utilities Code section 451.[76/] But MEA points to nothing specific that suggests that the Commission's actions here would result in unlawful rates. MEA provides no citations to case law or prior Commission decisions that suggest that application of CAM in Track 4 would violate section 451.

5. Contrary To MEA's Assertion, CCAs Can Participate In The CAM Review Process

MEA asserts that "CCAs Are Unable to Participate in the CAM Review Process."[77/] This is simply incorrect. D.11-07-028 clarifies that all market participant parties can participate in Commission proceedings through the use of reviewing representatives. The Commission has considered the question of what the appropriate level of participation is for market participants extensively. As the Commission stated in D.11-07-028, "the Commission's process, as clarified herein, ensures the protection of market sensitive information, provides for open decision-making, and affords meaningful participation."[78/] In its April 26, 2013, Track 3 comments PG&E provided a more detailed description of the means by with CCAs can participate in the CAM review process.[79/]

No change to CAM is justified by MEA's erroneous assertion, raised only in briefs, not in testimony, that MEA cannot participate in the CAM review process.

75/ MEA OB, p. 12 footnote 17.
76/ MEA OB, p. 33.
77/ MEA OB, p. 43.
78/ D.11-07-028, p. 2.
79/ Pacific Gas and Electric Company's Comments on Track III Rules Issues, April 26, 2013, pp. 17-18.

VII. CONCLUSION

For all of the foregoing reasons, as well as those it presented in its testimony and opening brief, PG&E respectfully requests that the Commission reject the calls from some parties to "do nothing" at this time. PG&E requests that the Commission adopt an identified incremental LCR need in southern California of 5,070 MW, 3,300 MW for SCE and 1,770 MW for SDG&E, and that SCE and SDG&E be given full procurement authority to meet their adopted incremental LCR needs. PG&E requests the establishment of a timeline with intermediate milestones to maintain grid reliability in southern California over the next several years.

For resources procured pursuant to the authorization in Track 4, PG&E requests that the net capacity costs be allocated pursuant to the adopted cost allocation mechanism to all electric customers, bundled, DA, and CCA, in SCE's and SDG&E's service territories.

Respectfully Submitted,
MARK R. HUFFMAN

By: *_/s/ Mark R. Huffman_*
MARK R. HUFFMAN

Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-3842
Facsimile: (415) 973-0516
E-Mail: MRH2@pge.com
Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 16, 2013