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)

COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON PROPOSED DECISION ON TRACK 4

Barbara Barkovich
Barkovich & Yap, Inc.
PO Box 11031
Oakland, CA 94611
707.937.6203
barbara@barkovichandyap.com

Consultant to the California Large Energy Consumers Association

Nora Sheriff
Alcantar & Kahl LLP
33 New Montgomery Street
Suite 1850
San Francisco, CA 94105
415.421.4143 office
415.989.1263 fax
nes@a-klaw.com

Counsel to the California Large Energy Consumers Association

March 3, 2014

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)

COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON PROPOSED DECISION ON TRACK 4

The California Large Energy Consumers Association (CLECA)[1] submits these comments on the Proposed Decision (PD) in Track 4 pursuant to Rule 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure.

I. INTRODUCTION

The PD addresses the primary concerns of avoiding both the cost of additional, unnecessary procurement and the potential crowding out of preferred resources such as demand response. It considers use of a special protection scheme as an interim bridge solution to reduce the authorized procurement.[2] The reasoned PD is supported by record evidence and should be expeditiously adopted with one modification that also has record support.

---

[1] The California Large Energy Consumers Association is an *ad hoc* organization of large, high load factor industrial electric customers of Southern California Edison Company and Pacific Gas and Electric Company. CLECA has been an active participant in Commission regulatory proceedings since 1987.

[2] See Proposed Decision, at 67 ("we find it reasonable at this time to authorize procurement of at least 588 MW fewer resources than would be necessary to achieve the ISO's current reliability objective, with the understanding that load shedding would be a very remote possibility…"); *see also* Proposed Decision, at 121, Findings of Fact 27, 28.

CLECA's recommended modification is in the discussion of the load forecast. CLECA raised a concern regarding the assumption of no change to the historical load shape as being counter to the Commission's rate design policies and possibly leading to needless over-procurement.[3] A needs assessment starts with the load forecast.[4] As CLECA noted in the record, all non-residential customer classes will be on time-of-use (TOU) rates by 2016; default residential rates could be TOU by 2018.[5] Furthermore, all customer classes will have dynamic pricing options.[6] TOU and dynamic rates are different from the prior rate designs; TOU and dynamic rates provide incentives for customers to avoid periods where they would contribute to a system peak or to an otherwise-determined event period. Such rates should have a flattening impact on the system load shape. Yet the load forecast assumes no change to the historical load shape going forward.

While the Commission may not want to now "consider changes or updates related to the CEC's demand forecast" for purposes of this Track 4[7], it should enable future CEC consideration of the impacts of the changing rate designs. This should, in turn, impact subsequent long term procurement proceedings. Accordingly, the PD should be modified to direct the utilities to perform statistically valid studies of the impact on loads of changing rate designs adopted per Commission orders and to make the data available to the CEC. The

---

[3] See Comments of CLECA, at 6-8, Sept. 10, 2013.
[4] *See* Comments of CLECA, at 3-6, Sept. 30, 2013.
[5] *See* Id.
[6] The CEC load forecast used has some adjustments for future dynamic pricing for some groups of customers but none for the widespread introduction of TOU rates.
[7] PD, at 35.

Commission should also request that the CEC reflect this data in its forecasts for use in future procurement dockets.

II. THE PD RIGHTLY BALANCES COSTS AND BENEFITS AND APPLIES THE LOADING ORDER AND SHOULD BE ADOPTED

The PD weighs the remote possibility that the special protection scheme would be used, the under $250 million in estimated costs to affected customers should it be used, and the cost to ratepayers of at least $595 million for additional resources without a special protection scheme. The PD rightly concludes that

> it is not reasonable at this time to authorize utilities to procure – and ratepayers to pay the cost of – the additional resources required to fully mitigate the identified N-1-1 contingency without an SPS.[8]

The Commission should adopt this reasoned balancing of costs and benefits; it is evenhanded and judicious from the customer perspective.

The PD also promotes procurement of preferred resources and limits the potential amount of additional procurement from gas-fired generation.[9] This strikes the appropriate balance between reliability and protecting the environment, in compliance with the Loading Order. These are positive outcomes and should not be changed.

One aspect of the PD does warrant modification: the discussion of the load forecast. There, the PD should be modified to include a directive to the utilities to study impacts of rate design changes for use in future proceedings.

---

8 *See* Proposed Decision, at 45.

9 *See* Proposed Decision, at 137-138, Ordering Paragraph 1.

III. THE PD SHOULD DIRECT THE UTILITIES TO STUDY THE IMPACTS OF RATE DESIGN CHANGES ON LOAD AND SHARE THE DATA WITH THE CEC TO INFORM ITS FORECASTS

The PD discusses load forecasting and declines to "at this time consider changes or updates related to the CEC's demand forecasts."[10] This may be the right result for this Track 4, however, the PD should recognize established Commission rate design policy and direct the study of the potential impact of Commission policy on load shapes. For non-residential rate design, this policy is specifically intended to lead to better price signals encouraging the shifting of load away from peak periods and away from dynamic pricing "event" periods.[11] As CLECA noted:

> [T]he Commission has directed that PG&E, SDG&E and SCE transition all small and medium sized commercial customers (small commercial customers, or small businesses) to a new mandatory TOU rate. The Commission has also directed that after a period of adjustment on TOU that the utilities transition the same customers to a CPP rate, which the customer can choose to opt off of to return to the TOU rate. These rate transitions began in 2012 and will continue through 2016, and they will impact roughly 860,000 small and medium commercial accounts.[12]

The PD does not address the potential impact of transitioning these customers to new, mandatory, TOU rates and then to default CPP rates; this impact, however, should be considered in the future for the setting of the load forecast. CLECA commented that small commercial customers appear to respond to such rates.[13] CLECA also noted that the Commission is reviewing changes in residential rate

---

[10] PD, at 35.

[11] *See, e.g.,* D. 10-02-032 and D. 11-11-008 for PG&E and D.13-03-031 for SCE.

[12] R. 13-09-011, Attachment A, p. 12.

[13] *See* CLECA Comments, at 4-5 (dated Sept. 30, 2013)(citing Small Business Demand Response with Communicating Thermostats, Herter et al. LBNL-2743E, September 2009).

design to provide similar pricing signals; record evidence in R.12-06-013 shows that residential customers respond to TOU and dynamic rates.[14]

These rate design changes should help smooth load peaks. The PD should be revised to state that these potential changes in usage patterns by IOU customers should be studied and that those studies should inform the CEC's Integrated Energy Policy Report demand forecast. While no forecast will be 100% accurate, the recognized risk of over-procurement would be mitigated by load forecasts that take into consideration the likely impacts of known rate design changes. The PD should acknowledge that TOU and dynamic rates could change load shapes, and that this potential effect should be studied.

IV. CONCLUSION

The PD should be revised to direct the utilities to perform statistically valid studies of the impact on loads of changing rate designs adopted pursuant to Commission orders and to make the data available to the CEC. The PD should also be modified to suggest that the CEC reflect this information in its load forecasts and that these results be made available for future procurement proceedings. With these modifications, the PD should be adopted.

[14] *See* CLECA Comments, at 3-6 (dated Sept. 30, 2013)(referring to evidence on residential customer response in comments in the residential rate design proceeding (R.12-06-013).

Respectfully submitted,

Nora Sheriff

Nora Sheriff
Counsel to the California Large Energy
Consumers Association

March 3, 2014