**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2017 (U 39 M).	Application 15-09-001 (Filed September 1, 2015)

RESPONSE OF MARIN CLEAN ENERGY

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Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the Public Utilities Commission of the State of California ("Commission"), Marin Clean Energy ("MCE") hereby provides a response to Pacific Gas and Electric Company's ("PG&E") general rate case application for its test year 2017 revenue requirement ("GRC") ("GRC Application"). Notice of the GRC first appeared in the Daily Calendar on September 3, 2015, therefore in accordance with Rules 2.6(a) and 1.15 [Computation of Time] this response is timely filed.

I. INTRODUCTION

MCE operates the first operational community choice aggregation ("CCA") program in California. MCE is also one of two currently operational CCA programs within PG&E's service territory, the second being Sonoma Clean Power ("SCP"). MCE currently provides generation services to approximately 170,000 customer accounts within seventeen distinct communities.[1] MCE's customer base is approximately 87% residential on a per account basis. MCE's

[1] Communities currently participating in MCE's CCA include: the City of Belvedere, City of Benicia, Town of Corte Madera, City of El Cerrito, Town of Fairfax, City of Larkspur, City of Mill Valley, County of Marin, County of Napa, City of Novato, City of Richmond, Town of Ross, Town of San Anselmo, City of San Pablo, City of San Rafael, City of Sausalito, Town of Tiburon.

customers receive generation services from MCE, and receive transmission, distribution, billing, and other services from PG&E.

Customers that choose to participate in MCE's CCA service are subjected to several non-bypassable charges ("NBCs"), including the Power Charge Indifference Adjustment ("PCIA") and the Cost Allocation Mechanism ("CAM"), which are adjusted by various mechanisms established within PG&E's GRC proceedings. Moreover, PG&E's cost proposals in its GRC Application involve matters that might implicate cross-subsidization concerns – a concern that the Commission has expressed a willingness to address in order to ensure that Community Choice Aggregators may compete on a fair basis.[2] It is therefore within MCE's interests to participate on behalf of its customers in the instant GRC proceeding. In addition, MCE has been an active participant in PG&E's GRC proceedings, including PG&E's 2014 GRC, wherein the Commission approved a partial settlement and separate Joint Proposal between MCE, PG&E, and The Utility Reform Network ("TURN").[3]

Rule 2.6(c) states that a party "may file a response that does not object to the authority sought in an application, but nevertheless presents information that the person tendering the response believes would be useful to the Commission in acting on the application." MCE has identified several issues in the present proceeding that pertain to matters of concern to MCE and requests that these matters receive due consideration. MCE has propounded initial discovery requests related to the matters discussed in this response and is awaiting PG&E's responses.

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2 *See, e.g.,* D.13-08-023 at 17 (emphasis added) ("The Commission remains committed to ensuring that Community Choice Aggregators and other non-utility LSEs may compete on a fair and equal basis with regulated utilities. Toward this end, we will continue to consider both the mechanics and overall fairness of cost allocation and departing load charge methodologies proposed in the future, with the specific goal of avoiding cross-subsidization.").

3 *See* D.14-08-032 at 435-437.

Accordingly, MCE reserves the right to address and protest issues in the course of this proceeding as issues arise and are further developed. As such, the information presented below is merely intended to inform the Commission of certain preliminary matters related to PG&E's GRC that MCE has identified as potentially having an anti-competitive impact on MCE and its customers.

II. RESPONSE

A. PV Cost Savings Credit (*PG&E-05 – Chapter 8*)

In PG&E's 2014 GRC, the Commission approved crediting back to customers the savings associated with the first three years of the PV UOG Program ("PV Program").[4] These credits are included as an offset to generation revenues through the Utility Generation Balancing Account ("UGBA"). To date, PG&E reports that it has transferred the first two-thirds of the credit balance for December 31, 2013 to the UGBA in January 2014 and January 2015 and plans to transfer the remainder of the 2013 balance to the UGBA in January 2016.[5] PG&E also reports that it transferred the 2014 credit balance to the UGBA in 2015 and plans to transfer the 2015 credit balance to the UGBA in January 2016.[6] PG&E now proposes in the instant GRC to transfer the PV Program's credit balance for 2016 to the UGBA in January 2017.[7] The forecast estimate for the 2016 credit balance is approximately $40.7 million.[8]

Since the time period in which PV Program costs were collected from customers' rates, customers have migrated from PG&E's bundled service to MCE service. Thus, the credit

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4 D.14-08-032 at 9.

5 Exhibit PG&E-05 at 8-11.

6 Exhibit PG&E-05 at 8-11.

7 Exhibit PG&E-05 at 8-11.

8 Exhibit PG&E-05 at 8-11, Table 8-7.

balances for the PV Program were incurred at the time that MCE customers were still bundled customers with PG&E. Although the current mechanism of crediting the PV Program's cost savings to offset generation revenues is sensible, it is reasonable that MCE customers, who were once generation customers during the PV Program, should also receive the benefit from the credit.

The Commission may want to consider a crediting approach similar to that which was approved in PG&E's 2014 GRC. In PG&E's 2014 GRC, the Commission approved and found reasonable a Joint Proposal between PG&E, MCE and TURN to allocate a portion of litigation settlement proceeds to the UGBA, including a reduction of the PCIA paid by departing load customers.[9] The underlying litigation arose from a breach of a nuclear spent fuel disposal agreement between PG&E and the Department of Energy. All parties to the Joint Proposal agreed that it would be fair to allocate the proceeds to both bundled and unbundled PG&E customers. This included MCE customers who were bundled PG&E customers at the time PG&E incurred costs to litigate the lawsuit.

Under similar principles, MCE customers who bore the costs of the PV Program should also receive some benefit from the savings accrued from it. The current mechanism of allocating the savings to offset generation revenues does not sufficiently address the lack of benefit received by recently departed customers. As such, MCE requests that the Commission investigate this issue further and explore whether a different crediting mechanism should be employed.

[9] D.14-08-032 at 435-437.

B. Law Department Costs (*PG&E-09 – Chapter 5*)

PG&E forecasts $50.8 million in department costs for its Law Department and includes the cost of labor, materials and outside contracts.[10] The Law Department's work is divided into three categories: (1) litigation; (2) regulatory; and (3) corporate.[11] Under the "corporate" category, the Law Department provides commercial contracting services to support PG&E's procurement function, including power purchase agreements and procurement contracts.[12] In 2014, PG&E's corporate services division within the Law Department reviewed, prepared, negotiated or advised on more than 2,900 contracts.[13]

The Law Department is part of Corporate Services, which is included in the administrative and general ("A&G") costs allocated to all customers, including MCE's customers. However, power purchase agreements and other procurement contracts are attributed to PG&E's generation function. Accordingly, these particular Law Department costs that relate specifically to procurement should only be attributed to the generation function. Since MCE customers are distribution-only customers with PG&E, they should not bear the A&G costs related to PG&E's procurement and generation from which MCE customers do not receive a benefit. Therefore, MCE requests that the Commission further investigate a proper mechanism to separate the Law Department costs associated with PG&E's generation function.

C. PG&E's Web Modernization Program Costs (*PG&E-09 – Chapter 7*)

PG&E forecasts an increase of $1.2 million for costs associated with the addition of ten full-time equivalent employees in its Digital Strategy activities, including the development and

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10 Exhibit PG&E-09 at 5-1.

11 Exhibit PG&E-09 at 5-3.

12 Exhibit PG&E-09 at 5-4.

13 Exhibit PG&E-09 at 5-4.

maintenance of new functionality in PG&E's Web Modernization Program ("WMP") relating to web security and emergency communications and enhanced digital customer service options.[14] In addition, PG&E forecasts $3.2 million for expenses and $14.5 million for capital in 2017 for the WMP and cyber security work.[15] While MCE is concerned about whether these program costs will be borne by all customers, MCE's primary concern relates to the benefits of the WBP to all customers, including both bundled and distribution-only customers. For example CCA customers currently do not receive the full benefit and functionality of PG&E's MyEnergy web-tool. If CCA customers, just like PG&E's bundled customers, are to bear the costs associated with upgrading the software that supports this web-tool,[16] as PG&E proposes within this proceeding, then CCA customers should also be able to utilize the tool fully, just as PG&E's bundled customers are able to do. Therefore, MCE requests further investigation as to how costs associated with the WMP will be allocated among customers and what benefits those customers would receive from the WMP.

D. Public Purpose Program Costs (*PG&E-10 – Chapter 7*)

PG&E collects Public Purpose Program ("PPP") funds from all ratepayers through NBCs in order for specific programs, primarily energy efficiency ("EE"), to be administered and implemented. Because funds associated with the PPP administer and implement EE programs, MCE considers PPPs as generation programs based on the loading order.[17] However, PG&E also collects A&G expenses attributable to PPPs through PG&E's distribution rate. Conversely,

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[14] Exhibit PG&E-09 at 7-9 through 7-10.

[15] Exhibit PG&E-09 at 7-12.

[16] Informational Technology (IT) project costs are part of administrative and general (A&G) costs. (Exhibit PG&E-09 at 1-2.) A&G costs are allocated among PG&E's three functional areas: gas distribution, electric distribution, and generation. (Exhibit PG&E-01, 1-1.)

[17] Energy efficiency is first in the loading order. California Energy Commission, "Implementing California's Loading Order for Electricity Resources" (July 2005).

MCE, which provides EE programs for non-MCE and MCE customers within its service territory, can only capture the funds for its EE programs costs, including A&G costs, through its generation or EE rates. MCE is concerned that, if PG&E's PPP funds are collected through PG&E's distribution rate, the allocation of those costs could result in MCE customers subsidizing PPP A&G overhead costs even though PPPs are generation-based programs.

In PG&E's 2014 GRC, the Commission approved a partial settlement between MCE, TURN and PG&E wherein the parties agreed to allocate a portion of the A&G expenses from distribution to customer program revenues.[18] Specifically, certain employee benefits that were currently allocated to distribution and recovered in the GRC revenue requirement were reallocated to customer programs. PG&E has proposed to do the same for the 2017 GRC.[19] However, to ensure a continuing comparability of PPP cost collection between PG&E and MCE, MCE seeks to re-explore what PPP costs, direct or indirect, PG&E proposes to include in the distribution function.

Additionally, MCE is concerned that the inclusion of PPP-related labor to the electricity distribution Unbundled Cost Category ("UCCs"), even though much of the costs of this labor have since been reallocated to customer programs per the 2014 GRC settlement, continue to significantly skew how Operations and Maintenance costs are allocated across UCCs via Labor Factors ("Labor Factors"). MCE requests that the Commission examine the Labor Factor calculations used to determine the allocation of PG&E's company-wide cost to the UCCs. MCE also suggests that the Commission consider excluding PPP-related labor from the calculations of the Labor Factors.

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18 D.14-08-032 at 580.

19 Exhibit PG&E-10 at 7-11.

MCE respectfully requests that these and other elements of the GRC Application related to the allocation of credits and program costs be thoroughly evaluated as part of this proceeding.

III. PROCEDURAL MATTERS

As requested in Rule 2.6(d), MCE provides the following comments:

A. Proposed Category

The instant proceeding is appropriately categorized at "ratesetting."

B. Need for Hearing

Due to the possibility for significant anti-competitive impacts resulting from specific funding requests in the GRC Application, MCE believes that evidentiary hearings may be necessary. The factual record will need to be explored in detail to determine whether these proposed cost recoveries are accurate and reasonable.

C. Issues to Be Considered

MCE is still evaluating the GRC Application and issues associated with PG&E's request, and therefore MCE reserves the right to identify issues that should be addressed in this proceeding. The issues described herein are intended to preliminarily inform PG&E and the Commission of certain issues with which MCE has concerns.

D. Proposed Schedule

No revisions to the proposed schedule are presented at this time.

IV. PARTY STATUS

Pursuant to Rule 1.4(a)(2), MCE hereby requests party status in this proceeding. As described herein, MCE has a material interest in the matters being addressed in this proceeding. MCE designates the following person as the "interested party" in this proceeding:

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Additionally, MCE requests "information only" status for the following:

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V. CONCLUSION

MCE thanks Commissioner Michael Picker and Assigned Administrative Law Judge Stephen C. Roscow for their thoughtful consideration of this response and the issues detailed herein.

Dated: October 5, 2015 Respectfully submitted,

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