Agricultural Energy Consumers Association
Management Report

A Month In Review- June

[1] PG&E Phase 2

The Pacific Gas & Electric (PG&E) Phase 2 2014 General Rate Case (GRC) continues, to move forward, AECA has submitted extensive data requests as part of our discovery in the case to better understand PG&E's proposal. AECA will be part of that conversation once the process begins. Due to the importance of this matter, a summary of the Phase 2 proposal from PG&E is repeated in this month's Management Report. Once we have reviewed detailed information from PG&E about their proposal, we will begin developing AECA's strategy and testimony in the proceeding.

Phase 2 consists of the marginal cost and revenue allocation portion of the GRC for each customer class. The table below shows the proposed revenue allocation, by customer class.

INSIDE

Illustrative Revenue Allocation by Customer Class:

Electric Customer Class Bundled	Total Revenue at 3/1/12 Rates ($000)	Proposed Illustrative Class Revenue ($000)	Revenue Change ($000)	Percentage Change
Residential	$5,152,860	$ 5,475,133	$ 322,272	6.3%
Small L&P	1,470,249	1,580,369	110,120	7.5%
Medium L&P	1,284,389	1,364,875	80,486	6.3%
E-19 Total	1,551,902	1,646,741	94,838	6.1%
Streetlights	69,889	73,133	3,244	4.6%
Standby	57,808	60,831	3,023	5.2%
Agriculture	870,309	930,310	60,000	6.9%
E-20 Total	1,122,193	1,182,491	60,298	5.4%
Total Bundled	$ 11,579,599	$ 12,313,882	$ 734,283	6.3%

In addition to the revenue allocation, PG&E is proposing significant changes to the Agricultural Rate Schedules. Currently, customers have 13 rate schedule options. PG&E is proposing to consolidate the schedules into three rates with five time-of-use periods embedded in each rate.

- **AG-S (small)** is proposed for all customers under 35 horsepower (hp).
- **AG-M (medium)** is proposed for customers over 35 hp and is generally designed for lower load factor customers (less than 1,300 hours per year).
- **AG-L (large)** is proposed for customers over 35 hp and is generally designed for higher load factor customers (more than 1,300 hours per year).

The five TOU periods include: Summer Season: June 1-Sept 30. Winter Sea

- Summer (June 1-Oct 1) Peak: 12:00PM-6:00PM
- Summer (June 1-Oct 1) Partial-Peak: 8:30AM-12:00PM and 6:00PM-9:30PM
- Summer (June 1-Oct 1) Off-Peak: 9:30PM-8:30AM
- Winter (Oct 1-June 1) Partial-Peak: 8:30AM-9:30PM
- Winter (Oct 1-June 1) Off-Peak: 9:30PM-8:30AM

Under PG&E's proposal, these new rates will be available on an opt-in basis beginning March 2015 and mandatory for all agricultural customers who have interval meters beginning March 2016.

[2] AB 32 Scoping Plan and Cap and Trade

The California Air Resources Board (CARB) recently held a public workshop to begin discussions on the 2013 Scoping Plan Update for AB 32, the 2006 Global Warming Solutions Act. The Scoping Plan is intended to be updated every five years. CARB staff indicated that the cap and trade program will need to continue beyond 2020 to maintain GHG emission reductions that are put in place as part of initial compliance and the need to identify additional reductions going forward.

Stakeholders continue to question key aspects of the program including the cap and trade program and the Low Carbon Fuel Standard program, both of which are also being legally challenged.

The scoping plan update process is still in the very early stages and it is expected that CARB will release more detailed plans in the future. Additionally, the Legislature always has the opportunity to step into the discussion and at some point will need to reauthorize the program. AECA will closely monitoring any new policies for potential impacts to the agricultural community.

Additionally, the Governor signed the 2013/2014 Budget which included a provision, introduced by the Governor, borrowing $500 million from the Greenhouse Gas Reduction Fund (a fund created from Cap and Trade program auction proceeds) for the General Fund. Governor Brown intends to repay the fund, but did not include any timeframe for when repayments would begin. AECA is very disappointed in this provision because funding to extend and expanded diesel to electric pump conversion program was included in the Draft

Investment Plan for the cap and trade auction revenue. Finding for agricultural bioenergy projects was also included in the Draft Investment Plan.

Finally, a report was recently released, through non-profit Next 10, by UC Berkeley economist Lee S. Friedman, titled “Electricity Pricing and Electrification for Efficient Greenhouse Gas Reductions.” The report recommends the state raise electricity rates on Investor Owned Utility (IOU) customers by implementing “time-varying” rates for residential customers in order to meet longer-term greenhouse gas (GHG) reduction goals for energy. The report also recommends that state lawmakers pass legislation to require GHG reduction targets past 2020, potentially increasing targets to as much as 80 percent reduction by 2050. According to the report, more aggressive targets are needed to bolster investments in technologies aimed at reducing emissions in the long term.

[3] SONGS Updates

Southern California Edison (SCE) recently announced that the San Onofre Nuclear Generating Station (SONGS) will be permanently closed. The shut-down will cost about $4 billion, and raises significant questions as to where replacement power will come from.

The closure has prompted state air, water and energy regulatory agencies to reassess how California should address the state’s future power needs. Options include new natural gas fired power plants or whether the state should revise “once-through cooling” (OTC) policies which are resulting in the closure of several existing natural gas fired power plants. Officials have indicated they would revisit the issue if the California Independent System Operator (CAISO) requests suspension of the OTC policy to avoid any energy shortage scenarios.

In the coming months, SCE will likely release replacement energy plans for the short-term and long-term. AECA will follow and report back on the details. The Senate Energy, Utilities, and Communications Committee has scheduled two oversight hearings on the SONGS situation for July 10 and August 13.

The big question remaining for the CPUC is where SCE’s costs will be recovered from. Consumer groups are calling for the CPUC to not let SCE recover the estimated $700 million in 2012 costs related to SONGS from ratepayers. Since the plant has not benefited ratepayers since January 2012, ratepayer groups are urging immediate refunds of 2012 collections.

The investigation continues at the CPUC with the first phase looking into whether SCE acted reasonably and whether SCE should recover all of the costs connected to SONGS from ratepayers.

The price tag will continue to rise as SCE creates a plan for replacing the lost power. The combination of revenue requirements, the repairs and upgrades made after the plant shutdown, short-term replacement power since 2012 and long-term replacement procurement, could all add up to a significant expense passed on to SCE ratepayers.

[4] Feed-in Tariff and SB 1122 Implementation
The California Public Utilities Commission (CPUC) has taken action to implement the SB 32 Feed-in-Tariff (FiT) program. As reported on earlier, the CPUC has created the Renewable Market Adjusting Tariff (RE-MAT). The RE-MAT program establishes a starting price based on the weighted average contract of highest contract executed by each investor owned utility (IOU) under the Renewable Auction Mechanism (RAM) auction held in November 2011. The RAM is another renewable energy procurement program established by the CPUC for larger distributed generation energy projects up to 20 megawatts. The FiT starting price, $0.08923 per kWh, applies to three product types: peaking as-available (solar), non-peaking as available (wind) and baseload (biogas, geothermal, small hydro). The price can adjust every two months up or down based on program participation in each category.

In May, the CPUC adopted several changes to the RE-MAT program, including changing the number of megawatts offered by each utility in each RE-MAT solicitation, 5MW each for Pacific Gas & Electric and Southern California Edison, and 3MW for San Diego Gas & Electric.

Other changes make it slightly harder for the price to adjust upward and cap the overall price adjustment for each adjusting period. The CPUC also adopted a standard PPA contract for the IOUs to use in the RE-MAT program. AECA has worked with the Bioenergy Association of California (BAC) to offer comments on the proposed contract, but the Commission did not take any of BAC's recommendations and the contract remains lengthy and onerous.

This contract and the other changes made are very significant because the CPUC is proposing to use the RE-MAT program to implement SB 1122 (Rubio), the 250 MW bioenergy procurement program passed by the Legislature in 2012 and co-sponsored by AECA. AECA is working closely with CPUC staff and BAC to ensure that implementation of SB 1122 does not result in an unworkable program. CPUC staff has been receptive to AECA and BAC suggestions and discussions are ongoing. A more detailed Staff Proposal on SB 1122 implementation is expected from staff soon. SB 1122 includes a cave-out of 90 megawatts for agriculture and dairy bioenergy projects.

[5] Aggregate Net Energy Metering Update
Last year, the Legislature passed SB 594 (Wolk), which allows for aggregate net energy metering (NEM). This bill is significant because it allows an entity to install an energy generating system at one location to feed energy back into the grid, but count the energy generation across all energy usage on all of that customer's accounts.

AECA members have been very interested to hear the details of this bill getting implemented. Unfortunately, the CPUC has yet to start the implementation process. At the same time SB 594 passed, another piece of legislation was passed that required the CPUC to study how NEM is calculated. Since there is a cap (5 percent of system capacity) on the NEM program, how the cap is calculated is very important, but the utilities and NEM proponents do not agree on how this cap should occur. Speculation is that the CPUC is waiting for the study to be complete before implementing NEM aggregation. AECA is continuing to monitor the developments of NEM aggregation and will report back on any changes.