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April 5, 2010

President Michael R. Peevey  
Commissioner John A. Bohn  
Commissioner Dian M. Grueneich  
Commissioner Timothy A. Simon  
Commissioner Nancy E. Ryan

California Public Utilities Commission  
505 Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, CA 94102

Dear President Peevey and Commissioners:

In recent years, the Commission has shown exemplary leadership on initiatives to combat climate change and promote renewable energy. The Alternate Decision of President Peevey in PG&E's Photovoltaic (PV) Program would successfully carry that leadership another step forward. Because PG&E shares in this commitment and believes that more than one approach is needed to achieve the State's ambitious environmental goals, PG&E requests your support of the Alternate Decision.

The RPS program offers the promise of a cleaner energy future. PG&E has signed 100 RPS contracts for over 8500 MW. However, many, even smaller, projects under contract to PG&E face challenges, such as inability to obtain financing, developer experience, siting and transmission. These challenges are not merely incidental or anecdotal; the telling result is that despite the number of new facilities we have contracted for since 2002, only 2 new in-state RPS facilities under contract to PG&E are actually delivering renewable energy to customers today.

If approved by the Alternate Decision, PG&E's proposed PV Program would result in real solar projects being built in the near-term in PG&E's service territory. PG&E has already demonstrated that it can quickly deliver on this commitment. PG&E successfully deployed its Vaca Dixon PV project in 8 months and under budget with significant diverse supplier contributions. PG&E is also well-positioned to access the debt and equity markets, which is important in today's financial environment.



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Contrary to some parties' suggestions, PG&E has every incentive to successfully deploy the PV Program under budget and on time for its customers. PG&E intends to conduct competitive solicitations and will pass on any savings to its customers, as intended under cost-of-service ratemaking. The RPS mandates provide significant incentive for PG&E to build facilities that deliver as much energy as possible to meet the state's RPS goals. Further, PG&E hopes in the future to bring other proposals for utility ownership of renewables before this Commission and we are well aware that our performance in getting the best deal for customers will be used in future proceedings to assess utility-owned projects.

In addition, the Alternate Decision of President Peevey provides multiple layers of protection for customers. The alternate requires competitive solicitations and the use of an independent evaluator. It adopts cost-of-service ratemaking, which means that any cost savings are flowed through to customers and each solar facility is dedicated to customers for the life of the facility. It adopts a cost target that is consistent with the publicly available capital cost information for similar operating PV facilities in the United States. It requires detailed reporting on the costs of each facility to be made public each year. It also takes an unprecedented approach of setting a specific performance standard that will be taken into account in the review of the operations and maintenance expenses associated with the solar projects.

The Proposed Decision, on the other hand, rejects traditional utility ratemaking and instead imposes an unworkable PPA approach based on untested bid prices for projects that have not been built. This proposal is a dramatic departure from the Commission's longstanding approach to utility-owned generation and should not be adopted by the Commission.

PG&E's commitment to successfully deploy the PV program and the protections in the Alternate Decision provide the appropriate framework to ensure that solar projects in PG&E's service territory become a reality in the near-term. PG&E therefore respectfully requests your support of the Alternate Decision of President Peevey, as a necessary component to achieving the RPS goals at this critical juncture in measuring the success of California's RPS program.

Sincerely,

Thomas E. Bottorff  
Sr. Vice President, Regulatory Relations

cc: Service List A.09-12-019