

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Expedited Approval Of The
Amended Power Purchase Agreement For The
Russell City Energy Company Project.

A.08-09-007
(Filed September 10, 2008)

(U 39 E)

**CARE REPLY COMMENTS ON THE PROPOSED SETTLEMENT BETWEEN
AND AMONG PACIFIC GAS AND ELECTRIC COMPANY, THE DIVISION OF
RATEPAYER ADVOCATES, THE UTILITY REFORM NETWORK, THE
COALITION OF CALIFORNIA UTILITY EMPLOYEES, AND CALIFORNIA UNIONS
FOR RELIABLE ENERGY**

Pursuant to Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Californians for Renewable Energy, Inc. (“CARE”) hereby provide reply comments on the proposed *Decision Denying Group Petitioners’ Petition For Modification Of Decision 09-04- 010 And Granting Joint Petition Of Pacific Gas And Electric Company, Russell City Energy Company, LLC, Division Of Ratepayer Advocates, California Unions For Reliable Energy, And The Utility Reform Network For Modification Of Decision 09-04-010, As Modified By Decision 10-02-033* (“PD”) mailed on July 20, 2010 in the above-captioned proceeding.

I. Introduction

Over the last three years the State of California and the rest of the nation have experienced the worst economic downturn since the great depression. Demand for electricity has fallen sharply but in fact supplies have steadily increased. This is reflected in the CAL-ISO summer assessments for the last three years. The 2008 CAL-ISO summer assessment predicted a 19.9% planning reserve margin in PG&E’s territory.¹ The CAL-ISO 2009 summer assessment predicted a planning reserve margin of 30.6% in PG&E’s service territory.² The CAL-ISO 2010 assessment predicted a 38% planning reserve margin for the 2010 summer.³

¹ <http://www.caiso.com/1fb7/1fb7855eed50.pdf> Page 3

² <http://www.caiso.com/23ab/23abd69829524.pdf> Page 4

³ <http://www.caiso.com/2793/2793ae4d395f2.pdf> Page 4

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Despite this obvious glut in generation resources the PD refuses to examine the need for the Russell City Energy Center despite the fact that the need assessment performed in the 2004 LTRFO is obviously inaccurate as it did not contemplate the downturn in energy usage from the current recession. The PD continues the Commissions trend of approving unneeded natural gas generation at the expense of energy efficiency and renewable energy projects which are needed to meet the State's Renewable Portfolio and Greenhouse Gas Standards. The Commission cannot in good faith continue this trend when it is clear ratepayers lack sufficient resources to support both unneeded natural gas generation and needed renewable and energy efficiency projects. Since 2005, this Commission has allowed PG&E rates to rise 28%. The Commission should only allow this first amendment to the second amended restated power purchase and sale agreement for the Russell City on a clear demonstration of necessity. That standard is not met here.

II. Are the terms and conditions of the Amended PPA for the RCEC Project just and reasonable, particularly when compared with bids in PG&E's 2008 LTRFO?

The projected market value of the Russell City Energy Center according to PG&E's calculations is minus [REDACTED].⁴ It is appropriate to pay above market prices when there is a demonstrated need for the project. In this case the need for Russell City has not been demonstrated. The current planning reserve margins in PG&E's service territory and the assessment of need in A. 09-09-021 illustrate the RCEC is not needed.⁵

PG&E's provides the only valuation of the amended PPA's value. There are no other valuations from independent parties presented and PG&E's calculations have not been presented in the testimony. Several parties have attested that they have evaluated the amended PPA but they are parties to the joint agreement and their valuation and calculations have also not been provided. Examining what is in the record before us demonstrates it lacks evidentiary value.

⁴ Declaration of Charles Reidhauser in support of joint motion
Page

⁵ Testimony of Robert Sarvey Page 3,
[https://www.pge.com/regulation/LongTermRFO-Solicitation2008-II/Hearing-Exhibits/CARE/2010/LongTermRFO-Solicitation2008-II Exh CARE 20100407-Exh402.pdf](https://www.pge.com/regulation/LongTermRFO-Solicitation2008-II/Hearing-Exhibits/CARE/2010/LongTermRFO-Solicitation2008-II%20Exh%20CARE%20100407-Exh402.pdf) Exhibit 403, 404, 405

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PG&E’s testimony is clearly inconsistent with the only other valuation in this record.⁶ The commission merely has to examine PG&E’s valuation results of the RCEC Amended PPA provided in Table 1-1 in its Amended Power Purchase Agreement for the Russell City Energy Company Project Prepared Supplemental Testimony dated December 8, 2008 with the valuation presented in the joint motion’s declaration of Charles Reidenhauser Table 1.

The majority of the RCEC’s project value lies in an inflated capacity benefit which is presented without supporting calculations. In Table 1-1 of PG&E’s December 8, 2008 supplemental testimony the capacity benefit of the RCEC is listed as [REDACTED] dollars per KW-year.

**TABLE 1-1
PACIFIC GAS AND ELECTRIC COMPANY
VALUATION RESULTS FOR RCEC AMENDED AND ORIGINAL PPAS
(DOLLARS PER KW-YEAR, LEVELIZED)**

Line No.	Item	Amended PPA	Original PPA
1	<u>Benefits</u>		
2	Energy Gross Margins	[REDACTED]	[REDACTED]
3	Capacity Benefit	[REDACTED]	[REDACTED]
4	Total Benefits	[REDACTED]	[REDACTED]
5	<u>Costs</u>		
6	Annual Contract Capacity Payments	[REDACTED]	[REDACTED]
7	Fixed O&M	[REDACTED]	[REDACTED]
8	Total Costs	[REDACTED]	[REDACTED]
9	Market Value		

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In Table 1 in the declaration of Charles Ridenhauser included in the joint motion (below) the capacity benefit of the RCEC is double at [REDACTED] dollars per KW-year. In fact in the December 8 valuation the first amended PPA’s capacity benefit doubled from [REDACTED] dollars per KW-year to [REDACTED] dollars per KW-year for the exact same contract.

⁶ AMENDED POWER PURCHASE AGREEMENT FOR THE RUSSELL CITY ENERGY COMPANY PROJECT PREPARED SUPPLEMENTAL TESTIMONY Page 1-4

⁷ AMENDED POWER PURCHASE AGREEMENT FOR THE RUSSELL CITY ENERGY COMPANY PROJECT PREPARED SUPPLEMENTAL TESTIMONY Page 1-4

TABLE 1
PACIFIC GAS AND ELECTRIC COMPANY
VALUATION RESULTS FOR RCEC FIRST AMENDMENT AND 2D APPA
(DOLLARS PER KW-YEAR, LEVELIZED)

Line No.	Item	2D APPA	First Amendment
1	<u>Benefits</u>		
2	Energy Gross Margins	■	■
3	Capacity Benefit (System RA)	■	■
4	Total Benefits	■	■
5	<u>Costs</u>		
6	Contract Capacity Payments	■	■
7	Fixed O&M	■	■
8	Total Costs	■	■
9	Market Value	■	■

The evidence in the record does not support the valuation of the RCEC presented in the joint motion to amend the second PPA.

Even assuming that there is a need for additional generation and the market value of the RCEC is accurate the ratepayer would be better off if the Oakley Generating Station PSA was approved which has a better market value than the RCEC.

III. The RECEC is not suited to backup renewable generation.

The RCEC as a product of the 2004 LTPP does not have the fast starting attributes that are currently needed to back up intermittent renewables. The RCEC PSD permit lists start times as 180 minutes for a warm start and 360 minutes for a cold start.

Gas Turbine Warm and Hot Start-up Mode: The lesser of the first 180 minutes of continuous fuel flow to the Gas Turbine after fuel flow is initiated or the period of time from Gas Turbine fuel flow initiation until the Gas Turbine achieves two consecutive CEM data points in compliance with the emission concentration limits of conditions 19(b) and 19(d).⁸

Gas Turbine Cold Start-up Mode: The lesser of the first 360 minutes of continuous fuel flow to the Gas Turbine after fuel flow is initiated or the period of time from Gas Turbine fuel flow initiation until the Gas Turbine achieves two

⁸ Russell City PSD Permit Page 4
http://www.baaqmd.gov/~media/Files/Engineering/Public%20Notices/2010/15487/PSD%20Permit/B3161_nsr_15487_psd-permit_020410.ashx

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consecutive CEM data points in compliance with the emission concentration limits of conditions 19(b) and 19(d).⁹

Accordingly the RCEC does not meet the most important term of the projects in the 2008 LTRFO fast start times needed to support intermittent renewables therefore the RCEC does not compare favorably with the 2008 LTRFO winners. The record in this proceeding does not contradict this conclusion.

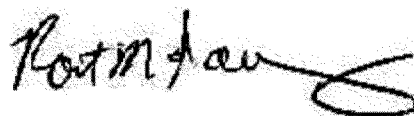
IV. Are there any outstanding permitting delays that would result in the RCEC Project not being viable as of its projected construction start date of September 10, 2010?

The RCEC is currently undergoing PSD review. The transcript for the oral argument has recently been posted.¹⁰ Any prediction of the date the PSD permit will be approved is speculative.

V. Should any adjustments be made to the amendment to the 2nd Amended PPA prior to Commission approval?

CARE recommends denial of the amendment for the reasons stated above.

Respectfully submitted,



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August 13, 2010

⁹ Russell City PSD Permit Page 4
http://www.baaqmd.gov/~media/Files/Engineering/Public%20Notices/2010/15487/PSD%20Permit/B3161_nsr_15487_psd-permit_020410.ashx

¹⁰
[http://yosemite.epa.gov/OA/EAB_WEB_Docket.nsf/Filings%20By%20Appeal%20Number/11BD7BC865502DD585257770006B0CF2/\\$File/Oral%20Argument...121.pdf](http://yosemite.epa.gov/OA/EAB_WEB_Docket.nsf/Filings%20By%20Appeal%20Number/11BD7BC865502DD585257770006B0CF2/$File/Oral%20Argument...121.pdf)

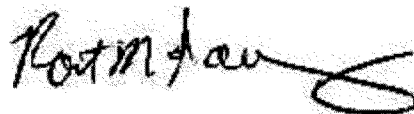
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Verification

I am an officer of the Intervening Corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except matters, which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 13th day of August 2010, at Tracy, California.



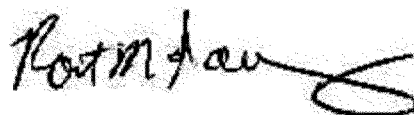
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Certificate of Service

I hereby certify that I have this day served the foregoing document "*Reply comments on the proposed Decision Denying Group Petitioners' Petition For Modification Of Decision 09-04-010 And Granting Joint Petition Of Pacific Gas And Electric Company, Russell City Energy Company, LLC, Division Of Ratepayer Advocates, California Unions For Reliable Energy, And The Utility Reform Network For Modification Of Decision 09-04-010, As Modified By Decision 10-02-033*" under CPUC Docket Application 08-09-007. Each person designated on the official service list, has been provided a copy via e-mail, to all persons on the attached service list on August 13, 2010, for the proceeding Application 08-09-007, transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 13th day of August 2010, at Tracy, California.



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