

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

Order Instituting Rulemaking to Consider  
Revisions to the Planning Reserve Margin for  
Reliable and Cost-Effective Electric Service

R.08-04-012

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)  
REPLY COMMENTS ON PROPOSED DECISION**

CHARLES R. MIDDLEKAUFF  
MARK R. HUFFMAN

Pacific Gas and Electric Company  
P.O. Box 7442  
San Francisco, CA 94120  
Telephone: (415) 973-6971  
Facsimile: (415) 973-5520  
Email: CRMd@pge.com

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

September 20, 2010

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Four parties, including PG&E, filed comments on the Proposed Decision (“PD”) issued by Administrative Law Judge (“ALJ”) Gamson on August 23, 2010 recommending closure of this proceeding. All of the parties filing comments supported closing the proceeding. In their comments, Southern California Edison Company (“SCE”), the Division of Ratepayer Advocates (“DRA”) and The Utility Reform Network (“TURN”) all noted that operational flexibility to integrate intermittent renewables is currently a more critical issue in resource planning than the Planning Reserve Margin (“PRM”). PG&E fully agrees with these statements and looks forward to addressing intermittent integration issues in the 2010 Long-Term Procurement Plan (“LTPP”) proceeding (R.10-05-006).

In their comments, DRA and TURN request that the California Independent System Operator (“CAISO”) study issued in May 2010 be entered into the record in this proceeding. This request is unwarranted. First, since the PD closes the proceeding, there is no point in adding the CAISO study to the record. If the Commission opens a subsequent proceeding to look at PRM issues, the CAISO’s study can be entered into the record at that time, if appropriate. However, there is no point adding the CAISO study to a proceeding that is being closed. Second, it would be inappropriate to admit the CAISO study to the record without an opportunity for parties to respond. In particular, if the CAISO study is admitted into the record, then PG&E will want to formally comment on the CAISO study, including identifying errors and

inconsistencies with resource adequacy rules, to make sure the record is complete. PG&E may also submit its own modeling results into the record to ensure a complete record.

Finally, DRA and TURN assert that the current PRM is in the range of 30-40% and thus propose not investigating the PRM until “actual reserve drop closer to the 15-17% range . . .”<sup>1</sup> Waiting until the actual PRM is close to 15-17% to examine the appropriate PRM is imprudent. If the Commission determines that a higher PRM is necessary, having waited until the PRM is near the current level will not leave sufficient time for contracting with and development of new resources, which can take a minimum of five to seven years for conventional resources. When determining when to re-evaluate the PRM, the Commission should allow sufficient time to procure new generation resources after the re-evaluation is completed. However, for purposes of the PD, the Commission does not need to address the timing issue raised by TURN and DRA. The PD can simply close this proceeding; there is no need to address at what point a new PRM proceeding will need to be initiated.

Respectfully submitted,

CHARLES R. MIDDLEKAUFF  
MARK R. HUFFMAN

By: \_\_\_\_\_ /s/  
CHARLES R. MIDDLEKAUFF

Pacific Gas and Electric Company  
P.O. Box 7442  
San Francisco, CA 94120  
Telephone: (415) 973-6971  
Facsimile: (415) 973-5520  
Email: CRMd@pge.com  
Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: September 20, 2010

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<sup>1</sup> TURN and DRA Comments at p. 2.

**CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL**

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 20th day of September, 2010, I caused to be served a true copy of:

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)  
REPLY COMMENTS ON PROPOSED DECISION**

- [XX]** By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.08-04-012 with an e-mail address.
  
- [XX]** By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official service list for R.08-04-012 without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 20<sup>th</sup> day of September, 2010 at San Francisco, California.

/s/  
\_\_\_\_\_  
STEPHANIE LOUIE