

From: Schwartz, Andrew
Sent: 4/8/2011 9:14:41 AM
To: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe)
Cc:
Bcc:
Subject: standard of review for renewable QF contracts

Hi, Meredith,

Hope things are going well. The supervisor role is definitely a very different one from the advisor role. Its going to take some getting used to.

Anyway, I wanted to talk to you a little bit about the impending advice letters that PG&E is going to be filing over the next several months for the various renewable QF contracts. In particular, I'm concerned about the staff's ability to process them in a timely way and am looking for ways to make the review easier. In particular, some degree of standardization in terms of what PG&E provides in the advice letters to aid in our review would be helpful. Currently I'm thinking that the RPS advice letter template provides a useful starting place for the type and format of information that should be provided in the PG&E advice letters, given that these projects are renewable, though I also recognize there may be some important distinctions that may make some aspects of the RPS advice letter template inappropriate. I'm still struggling a bit with what the standard of review will be for these projects. In terms of pricing, I think the Commission will at least need to understand how these projects compare to prices we're seeing in the RPS, as we do for any renewable project, as well as the relative net market values. The Terms and Conditions pose a little bit more of a challenge since I assume the contracts do not look very much like the RPS pro-forma (though it seems to me they should include the non-modifiables) so I'm struggling with how we will approach the question of reasonableness. However, even there, for certain key contractual elements, like performance requirements and penalties, and presumably others, it would again be helpful in the advice letter to clearly identify how it varies from what is in the renewable pro-forma and how it shifts risk relative to that pro-forma. At least that's what I'm currently thinking. One other thing that I think is worth discussing is the role, if any, of an independent evaluator, particularly as it relates to the "open book" review that I understand is being pursued for a certain tranche of the renewable QF contracts to justify the pricing.

Do you have some time to talk today or early next week about this? My thoughts are really only beginning to gel on this and your views would be helpful. I'm going to be at the Point Carbon conference in LA from Wed. thru Friday of next week and then in Colorado for Passover thru the following week, so it would be good to talk before then if at all possible.

Thanks,

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