



Brian K. Chery
Vice President
Regulation and Rates

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-6520

August 2, 2011

Mr. Honesto Gatchalian:
California Public Utilities Commission
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102

Re: PG&E's Comments on Draft Resolution E-4414

Dear Mr. Gatchalian:

Pursuant to Rule 14.5 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the instructions set forth in the transmittal letter from Maria Salinas dated July 13, 2011, Pacific Gas and Electric Company ("PG&E") hereby submits its comments on Draft Resolution E-4414 ("Draft Resolution") issued in response to the Renewable Auction Mechanism ("RAM") Program Implementation Advice Letters that PG&E and the other large California investor-owned utilities ("IOUs") submitted pursuant to Decision ("D.") 10-12-048 (the "RAM Decision"). A subject index of proposed changes is included as Appendix A to these comments and specific proposed changes are included as Appendix B.

Introduction

The Commission issued the RAM Decision on December 17, 2010, providing the broad design elements of the RAM Program and requiring the IOUs to file advice letters proposing specific implementation details. On February 25, 2011, PG&E submitted Advice Letter 3809-E ("RAM Advice Letter") requesting approval of implementation and administration details for PG&E's RAM Program. The other IOUs also submitted their RAM implementation advice letters at the same time. The Draft Resolution implements the RAM Program for the IOUs, with modifications to the proposals submitted by the IOUs in their respective Advice Letters. In general, PG&E supports the Draft Resolution, which adopts many of the RAM Program elements proposed by PG&E. However, PG&E proposes that the Draft Resolution be modified to:

- Clarify that the flexibility to procure up to 20 megawatts (“MW”) beyond each auction’s targeted capacity does not change the overall program capacity cap of 1,000 MW established by the RAM Decision;
- Clarify that the product bucket allocations are targets and that there is flexibility to fall below and above these targets;
- Require RAM projects to seek full capacity deliverability status;
- Approve the addition of seller diversity as included in PG&E’s RAM Advice Letter as an additional bid evaluation metric;
- Approve PG&E’s proposed 20-year delivery term;
- Eliminate the requirement to standardize forecasting requirements across the IOUs;
- Approve PG&E’s proposed definition of Delivered Energy; and,
- Clarify that the maps currently provided by PG&E for the RAM Program provide a sufficient amount of distribution and transmission information to satisfy the requirements in Ordering Paragraph 22 of the Draft Resolution.

Discussion

I. The Draft Resolution Should Be Clarified to Confirm That the IOUs Will Not Be Required to Procure Above the Program Capacity Cap.

The Draft Resolution recommends that the Commission adopt language that the IOUs may “procure up to 20 MW beyond each auction’s targeted capacity in the circumstance that the selected bids do not exactly match the auction’s capacity target.”¹ PG&E does not oppose this recommendation, but seeks clarification that this flexibility in the targeted auction capacity does not change the overall program capacity cap of 1,000 MW established in the RAM Decision.² Confirmation that the overall program cap remains unchanged would provide certainty for the IOUs in the implementation of the RAM Program. Additionally, PG&E seeks clarification that the product bucket allocations approved in the Draft Resolution are targets, and there is some flexibility (e.g., a 5 MW band) to not only go above, but below the targeted product bucket allocations. This clarification is consistent with the concern raised in the Draft Resolution that bids will come in a range of project sizes and will likely not exactly meet the targets.³ However, IOUs should also have the flexibility to go below the

¹ Draft Resolution at 11.

² RAM Decision at 27.

³ Draft Resolution at 11.

product bucket's targeted allocation, as otherwise, the IOUs will most certainly exceed each bucket's allocation, the overall auction's targeted capacity, and potentially the IOUs' share of the overall program cap.⁴ The Commission should therefore clarify in the Draft Resolution that that the overall program capacity cap of 1,000 MW remains in place, that the product bucket allocations are targets and there is flexibility to fall below and above these targets.

II. The Draft Resolution Should Be Modified to Require RAM Projects to Seek Full Capacity Deliverability Status.

PG&E included resource adequacy ("RA")-qualifying capacity as part of the RAM product so that bids could be fairly evaluated on the basis of price, as required by the RAM Decision. The Draft Resolution's recommendation that the Commission adopt language that rejects PG&E's proposal to require a seller to achieve full capacity deliverability status⁵ would result in projects that offer energy-only having an unfair advantage in the RAM auction process. Moreover, although the Draft Resolution recognizes PG&E's concern that removing the proposed RA requirement could result in new fossil-fuel resources being built to meet long-term system RA needs, it does not directly address this concern.

The Draft Resolution also notes that the full-deliverability (*i.e.*, RA) issue has been litigated in other forums, and cites the Draft Resolution's consistency with D.11-04-030, which conditionally approved the IOUs 2011 Renewables Portfolio Standard ("RPS") Plans. In D. 11-04-030, the requirement that projects be fully deliverable was rejected, but the Commission balanced this by permitting the IOUs to incorporate the value of RA into their least-cost best-fit methodology to "assess the RA value differential, if any, of a project interconnecting at energy-only versus full deliverability."⁶ However, under the Draft Resolution, the ability to consider an offer's RA value will not be part of the RAM Program. By requiring the IOUs to effectively ignore RA value in the evaluation process, the Draft Resolution implements a process that will result in the selection of less-valuable projects for PG&E and its customers. This is certainly not an outcome the Commission should adopt. Instead, the Commission should revise the Draft Resolution to require RAM projects to seek full deliverability status. To the extent it adopts the portion of the Draft Resolution regarding full deliverability, the Commission should at a minimum provide IOUs the needed flexibility to evaluate the bids based on net value. Additionally, as the Draft Resolution indicates that Commission staff will work with the California Independent System Operator ("CAISO") and the IOUs to further analyze this issue⁷, the Commission should revisit the issue of requiring full deliverability in future auctions.

⁴ This flexibility is also consistent with the Draft Resolution's recognition that PG&E proposed to solicit "approximately" 35 MW from each product category. Draft Resolution at 8.

⁵ Draft Resolution at 17.

⁶ D.11-04-030 at 22.

⁷ Draft Resolution at 17.

III. The Draft Resolution Should Approve PG&E's Proposal to Add Supplier Diversity As a Bid Evaluation Metric.

The RAM Decision states that if an IOU wants to include other RAM auction bid evaluation metrics, the IOU should propose the criteria in its implementation advice letter.⁸ Consistent with this direction, in its RAM Advice Letter, PG&E included Seller Concentration and Supplier Diversity as additional Evaluation Criteria.² The Draft Resolution approves PG&E's proposed Seller Concentration limit of 20 MW per seller per auction¹⁰, but does not expressly address PG&E's Supplier Diversity proposal.¹¹ PG&E seeks clarification that its proposal to include Supplier Diversity as an additional bid evaluation metric as proposed in its RAM Advice Letter is approved.

IV. The Commission Should Not Modify PG&E's Proposed 20-Year RAM Delivery Term.

In its RAM Advice Letter, PG&E included a standard delivery term of 20 years so that projects could be equally evaluated on the basis of price, as required by the RAM Decision. This delivery term is also consistent with PG&E's approved Solar Photovoltaic Program ("PV Program").¹² The Draft Resolution, however, provides for contract terms of 10, 15 and 20 years¹³ noting this determination is consistent with what was established in Commission D. 07-07-027, which implemented Assembly Bill ("AB") 1969. The Draft Resolution also notes consistency with the Commission's modifiable "Contract Term" standard term and condition¹⁴, which is, by definition, modifiable in nature. However, the Draft Resolution fails to acknowledge that unlike the current AB 1969 program, which is a must-take program selected purely on a first-come first-serve basis, the RAM Program requires the IOUs to select projects primarily based on price. As contracts of different delivery terms have different values at the same price, permitting contract terms of varying lengths may result in the selection of projects that do not provide the best value to PG&E and its customers. As a result, the Commission should approve PG&E's proposed 20-year RAM delivery term.

⁸ RAM Decision at 91, Conclusion of Law 41.

² PG&E RAM Advice Letter, Attachment A: Proposed PG&E RAM Protocol at 8.

¹⁰ Draft Resolution at 23

¹¹ *Id.*

¹² D.10-45-052 at 2.

¹³ Draft Resolution at 30.

¹⁴ D.08-04-009, Appendix A at 11.

V. It Is Not Necessary or Practical to Require Standardization of Forecast Requirements Contract Language Across the IOUs.

The Draft Resolution requires the IOUs to work with parties to formulate standardized forecasting requirements and to submit this language in the compliance filings due within 30 days of the effective date of the Draft Resolution.¹⁵ The IOUs have different operational and informational needs that necessitate different forecasting requirements and related IOU-specific terms and conditions. PG&E believes that there will be minimal benefit of having standardized forecasting requirements, and preparing this standardization will require substantial time and resources. The standardization process will likely take substantially longer than the 30 days currently provided in the Draft Resolution. Since there is little benefit to this requirement, and developing standardized forecast requirements would be a substantial burden, the Commission should delete this portion of the Draft Resolution.

VI. PG&E's Definition of "Delivered Energy" Should Be Approved.

In its RAM Advice Letter, PG&E explained that the definition of Delivered Energy should not include any volumes delivered in excess of 20 MWh in any hour to assure that projects participating in the RAM program do not operate above the Commission-approved RAM capacity cap of 20 MW. The Draft Resolution recommends that the Commission require PG&E to allow for annual production up to 120% of forecast annual production to be credited toward or added to Seller's Guaranteed Energy Production ("GEP") requirements.¹⁶

The Draft Resolution confuses the concept of annual delivered energy, with the concept of maximum energy deliveries. PG&E's form PPA already specifies that PG&E will pay for annual production up to 120% of forecast annual production. This provision allows for variations in output due to uncertainty in how many hours the project may generate. With respect to peak deliveries, PG&E has proposed that Sellers not be allowed to deliver more than 20 MW in any hour. Absent this provision, a Seller could build a 25 MW facility and PG&E would be required to accept that energy. Requiring PG&E to accept and pay for volumes in excess of 20 MWh/hour and/or requiring that energy to be counted toward GEP requirements is contrary to the clear direction in the RAM Decision that eligible projects be no greater than 20 MW. The Draft Resolution should be modified to accept PG&E's proposed definition of Delivered Energy.

VIII. The Current Distribution and Transmission Information Provided by PG&E Satisfies Ordering Paragraph 22.

Ordering Paragraph 22 of the Draft Resolution requires the IOUs to post "updated maps that cover their whole service territory, including both distribution and transmission system."

¹⁵ Draft Resolution at 31.

¹⁶ Draft Resolution at 34.

PG&E has already provided maps to parties interested in the RAM Program that provide both distribution and transmission system information. These are the same maps that are used for PG&E's PV Program. PG&E believes that these maps, which are currently available, satisfy the requirements of ordering Paragraph 22. However, in order to provide clarity, PG&E requests that the Commission indicate in the final version of E-4144 that the information currently provided by PG&E satisfies the requirements of Ordering Paragraph 22. If the Commission believes additional transmission information is required, this may raise substantial concerns about keeping Critical Infrastructure Information ("CII") confidential.

Conclusion

For all the foregoing reasons, the Draft Resolution should be modified as discussed above.

Sincerely,



Vice President - Regulation and Rates

cc: Commission President Michael R. Peevey
Commissioner Timothy A. Simon
Commissioner Mike Florio
Commissioner Catherine J.K. Sandoval
Commissioner Mark Ferron
Karen Clopton – Chief Administrative Law Judge
Frank Lindh – General Counsel
Julie Fitch, Director - Energy Division
Paul Douglas - Energy Division
Cheryl Lee - Energy Division
Sean Simon - Energy Division
Jaclyn Marks – Energy Division
Maria Salinas – Energy Division

Attachments

Appendix A to PG&E Comments on Draft Resolution E-4414

Subject Index Listing Proposed Changes to the Draft Resolution

Page 11. [SCE's Request to Procure Plus or Minus 20 MW of the Targeted Auction Capacity]. Clarify that flexibility to procure 20 MW beyond each auction's targeted capacity does not change overall program capacity cap of 1,000 MW.

Page 14. [Deliverability and Resource Adequacy Requirements]. Revise to approve requirement that sellers obtain full capacity deliverability status.

Page 23. [Additional Evaluation and Selection Criteria]. Revise to note that PG&E proposed the addition supplier diversity in addition to seller concentration as additional evaluation and selection criteria in advice letter 3809-E, and that the addition of supplier diversity is also approved.

Page 30. [Contract Term]. Remove reference to contract lengths of 10 and 15 years.

Page 31. [Forecasting Requirements]. Revise to remove reference that the IOUs are required to standardized forecasting requirements.

Page 34. [PG&E's Contract terms and Conditions]. Revise to state that energy delivered in excess of 20 MW/hour will not be credited toward or added to Seller's Guaranteed Energy Production Requirement.

Appendix B to PG&E Comments on Draft Resolution E-4414

Proposed Changes to Findings and Orders

Consistent with its comments on the Draft Resolution, PG&E recommends that the Commission make the following changes to the Findings, Conclusions, and Ordering Paragraphs in the Draft Resolution prior to issuance:

Findings and Conclusions

8. The investor-owned utilities may procure up to 20 megawatts beyond each auction's targeted capacity. In addition, the investor-owned utilities have flexibility to procure up to 5 MW of capacity above or below the amount solicited for each product category.

19. It is reasonable for ~~The investor-owned utilities² to requirement for~~ sellers to achieve full deliverability status ~~is not reasonable and could incur unnecessary ratepayer costs.~~

~~20. The investor-owned utilities have not made any showing of the size or timing of their resource adequacy need relative to the projects they would procure through the renewable auction mechanism. In addition, the investor-owned utilities have not articulated the cost tradeoffs between requiring full deliverability for renewable auction mechanism projects versus buying resource adequacy elsewhere.~~

37. It is not reasonable for the investor-owned utilities to work together to craft more similar and standardized language regarding forecasting requirements.

Ordering Paragraphs

12. The investor-owned utilities shall ~~not~~ require sellers to achieve full deliverability status. ~~The investor-owned utilities shall require the seller to apply for a deliverability study in order to count generation for resource adequacy in the instance where no deliverability upgrades are needed to deliver the energy and count it towards resource adequacy.~~

23. The investor-owned utilities shall allow contract term lengths ~~of 10, 15, and~~ 20 years.

23. The investor-owned utilities shall not be required to craftwork with parties to craft ~~more similar and~~ standardized forecasting requirements.

PG&E's definition of Delivered Energy is approved.

CERTIFICATE OF SERVICE

I certify that I have by mail, e-mail, or hand delivery this day served a true copy of Pacific Gas and Electric Company's comments on Draft Resolution E-4414, regarding PG&E's Advice Letter 3809-E on:

- 1) Commissioners Michael Peevey, Mark Ferron, Mike Florio, Catherine Sandoval, and Timothy Simon
- 2) Karen Clopton – Chief Administrative Law Judge
- 3) Julie Fitch – Director, Energy Division
- 4) Frank Lindh – General Counsel
- 5) Jaclyn Marks – Energy Division
- 6) Honesto Gatchalian – Energy Division
- 7) Maria Salinas – Energy Division
- 8) Cheryl Lee – Energy Division
- 9) Service Lists R.11-05-005 and R.08-08-009

/S/ LINDA TOM-MARTINEZ

Linda Tom-Martinez
PACIFIC GAS AND ELECTRIC COMPANY

Date: August 2, 2011