



DRA

*Division of Ratepayer Advocates
California Public Utilities Commission*

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October 31, 2011

CPUC, Energy Division
Attention: Tariff Files, Room 4005
505 Van Ness, Avenue
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Subject: **DIVISION OF RATEPAYER ADVOCATES COMMENTS
ON ALTERNATE DRAFT RESOLUTION E-4433**

BACKGROUND

On July 19, 2011 PG&E filed Advice Letter (AL) 3876-E, requesting approval of a Power Purchase Agreement (PPA) between PG&E and Mojave Solar, an affiliate of Abengoa, LLC. The proposed PPA is a 25-year contract for a 250-megawatt concentrating solar power parabolic trough project. Its annual output will be approximately 617 gigawatt-hours starting in July of 2014. On September 19, 2011, the CPUC issued two Draft Resolutions on this AL. Draft Resolution Option A rejects the proposed PPA while Draft Resolution Option B approves it with modifications. On October 11, 2011 the CPUC issued Alternate Draft Resolution E-4433 which approves the Project without modifications.

DISCUSSION

DRA has previously stated its opposition to this project on the basis of its extremely high price, in its protest to the Advice Letter and in its comments on Draft Resolutions E-4433 Options A and B. Therefore, in these comments DRA will focus solely on the Alternate Draft Resolution. DRA believes that, should the Commission decide to approve this Project in opposition to DRA's arguments, it should approve it via Draft Resolution E-4433 Option B rather than the Alternate Draft Resolution.

Option B at least shields ratepayers from the worst-case scenario in which substantial transmission upgrades would be performed to make Abengoa fully Resource Adequacy (RA)-deliverable and the transmission upgrades were not used by any other project. The cost of the transmission project necessary for Abengoa to be deemed fully deliverable is estimated to be \$352 million dollars.¹

¹ Alternate Draft Resolution, p.12, footnote 17.

If those costs are assigned to the Abengoa project alone, its market value plunges even lower. If the transmission upgrades are not required by the terms of the PPA, ratepayers can at least save that money and PG&E will be compensated by Abengoa for the RA it is not receiving from the project.

Although some parties have claimed that the modification to the PPA may adversely impact the project's Department of Energy (DOE) loan guarantee, no evidence has been presented regarding this alleged risk. DRA understands that some contract modifications may be executed without jeopardizing a DOE loan guarantee. Unless evidence is presented that the proposed contract modification will cause DOE to reconsider this particular loan guarantee, the Commission should not rely on the alleged risk to the loan guarantee as justification for not modifying the PPA.

RECOMMENDATION

DRA first and foremost opposes the Abengoa project, with alleged yet unsupported benefits that do not outweigh its extremely high costs. Secondly, should the Commission choose to approve the project regardless, DRA recommends it does so via Draft Resolution E-4433 Option B which protects ratepayers from costly transmission upgrades.

Please contact Yuliya Shmidt at (415) 703-2719 if you have any questions about these comments.

/s/ Cynthia Walker

Cynthia Walker, Program Manager
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **DIVISION OF RATEPAYER ADVOCATES COMMENTS ON ALTERNATE DRAFT RESOLUTION E-4433** to the official service list in **R.11-05-005** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

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Executed on **October 31, 2011** at San Francisco, California.

/s/ ALBERT HILL

Albert Hill

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