

From: Joseph Ronan  
Sent: 10/14/2011 11:08:53 AM  
To: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7);  
Bottorff, Thomas E (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TEB3)  
Cc: 'Jerry Hallisey' ([Redacted]); 'Clanon, Paul' (paul.clanon@cpuc.ca.gov)  
Bcc:  
Subject: LTPP Settlement Proposal to PG&E/ Sutter

Tom and Brian—I wanted to put into writing the proposal I came up with to keep Sutter operating, to deal with the intransigence of the ISO and to avoid a public “waiver” filing by the ISO at the FERC which would be very awkward for all of us.

I have attached the proposal that Alex sent to Fong last week regarding a settlement of the LTPP proceeding.

Jack Fusco and [Redacted] met with Commissioners Ferron and Florio yesterday to discuss Sutter. We went over the history of the power plant and the current issues on compensation. We emphasized that in contrast to the ISO, SMUD and WAPA, the CPUC and PG&E has been very cooperative.

We also discussed the policy issue of retiring a 10 year old air cooled power plant while continuing to operate 50 year old OTC plants and what reaction that may cause. They agreed and both asked how they could help.

The ISO has told the PUC and Calpine that they will not designate Sutter for CPM treatment in 2012 because they cannot determine need for 2013, although they believe it is needed in 2107.

We propose that PG&E and Calpine enter into a bilateral contract for Sutter for a 3 year term extending from 2013 through 2015.

In return, Calpine will agree to immediately file the CPM application with the ISO for designation for calendar year 2012. The bilateral contract with PG&E eliminates the

ISO's main argument against CPM designation, i.e., that it is not needed for 2013.

In addition, Calpine will commit to upgrading the existing CCGT turbines, as we previously discussed with Fong, to make the turbines more flexible for renewable integration and to lower the heat rate. Further, we will complete the interconnection with Redacted

Thanks again for your consideration and please contact me if you have any questions.

**From:** Alex Makler  
**Sent:** Thursday, October 13, 2011 5:13 PM  
**To:** 'Jerry Hallisey'  
**Cc:** Joseph Ronan  
**Subject:** LTPP Settlement Proposal to PG&E

Jerry, Joe asked me to send the attached settlement proposal for the Long Term Procurement Proceeding that we sent to Fong last week. The idea is to develop a new product that provides greater reliability benefit to both the IOUs and the CAISO from existing gas plants like ours to integrate renewables. Call if you have time to discuss. Am around tomorrow.

Alex.

Alex Makler

Vice President

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