

From: Cherry, Brian K
Sent: 11/1/2011 8:05:33 AM
To: Wan, Fong (/O=PG&E/OU=Corporate/cn=Recipients/cn=FXW1); Kuga, Roy M (/O=PG&E/OU=Corporate/cn=Recipients/cn=RMK4); Krausse, Mark (/O=PG&E/OU=Corporate/cn=Recipients/cn=MCKd)
Cc:
Bcc:
Subject: RE: Calpine Sutter

Mark - can you get Roy, Fong and I information on the proposed pipeline bypass that Calpine is proposing in its Sutter extension ? Roy/Fong - do you see this as a play to get CPM designation ?

From: Kuga, Roy M
Sent: Monday, October 31, 2011 10:23 PM
To: Wan, Fong; Cherry, Brian K
Subject: Fw: Calpine Sutter

See article at the end regarding pipeline bypass proposal. Did you know this?

From: Goldbeck, Glenn E (Merchant)
Sent: Monday, October 31, 2011 05:05 PM
To: Kuga, Roy M
Subject: Calpine Sutter

Roy,

Several responses with respect to Matt's assertions about potential PG&E costs if Sutter Energy Center is issued a CPM (Capacity Procurement Mechanism) commitment by the CAISO. Glenn

Facts

- 1) the CAISO has the current authority to issue CPM for resources that are needed "next year" but are threatening to retire "this year".
- 2) there are many limitations:
 - the commitment period could be no longer than one year, but not carry into the next RA compliance year

CAISO would have to confirm the resource is under a real threat to retire (including affidavit of such from an officer of company)

CAISO studies must confirm through studies the need for the next year, and that no new generation will otherwise arrive to meet the need

resource owner must give 180 day notice of planned retirement

- 3) If the CAISO decides that this is needed,
they must give LSEs at least 30 day notice to secure under RA rather than CAISO under CPM
CAISO must seek least cost solution with owner (e.g. could mothball until next year)
- 4) Capacity costs (currently \$55/kwyr) would be allocated by total load share by month within TAC

Counter Points

- 1) CPM is allocated in TAC is by total load share within TAC by month, *not* share based on peak load
90.86% is wrong
80% is much more accurate (a quick look indicates 79.8% for 2010)
- 2) CPM for Sutter likely can't or won't happen
 - a) the CAISO has not demonstrated the need for Sutter (based on "locational or operational needs")
 - i. Sutter is a system resource (not local)
 - ii. CAISO would need first to define required "operational characteristics", and define "how much" (ie. ramping?, load following?)
(there was broad criticism of CAISO's "multi-year" capacity proposals - "define the need first")
These studies likely be complex and controversial
 - b) the CPUC OIR for 2013 includes expanding RA to provide "operational flexibility"
CPUC is working with LTPP to address integration of renewables
CPUC and others would probably object (at least for the next year or so), to CAISO securing added capacity for operational reasons
 - c) Calpine advanced a NEW project in May 2011 to build an additional gas line to Sutter (see attached)
No mention of Sutter possibly shutting down in last 2 years of 10q, 10k or 8ks
(approx. Sutter cap factor 2010 = 35%, Metcalf=48%, not huge but seemingly operating).
So, Calpine's 'bluff' to shut down may not be credible enough to allow CPM by CAISO
- 3) TAC allocation, while set now within CPM for 'retirement', will likely change
renewables integration, with includes CAISO proposed multi-year capacity procurement (includes building upon CPM)
renewables integration is moving towards cost allocation by cost causation
As these initiatives move forward, PG&E will push for cost allocation changes in CPM and other places
So, more likely PG&E gets a ~ 40% share, not 90%, when or if Sutter ever gets CPM

- 4) Possibly, even the current CPM TAC allocations cannot be used as is by the CAISO.
Sutter in NOT in PG&E TAC (one can argue tariff is not clear on this)
- 5) Long shot, threaten that this looks more like an RMR requirement
CAISO doesn't like or want RMR, not as flexible as CPM
But, could use as speed bump to leverage the process and outcome

<<Calpine proposes pipeline from Sutter Energy Center>>