

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local Procurement Obligations

R.11-10-023
(Filed October 20, 2011)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 E) ON THE RULEMAKING**

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Dated: November 21, 2011

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Pursuant to the schedule set forth in the October 20, 2011, Order Instituting Rulemaking (OIR) establishing this proceeding, Pacific Gas and Electric Company (PG&E) provides these reply comments addressing the issues to be considered in this proceeding and PG&E's perspective on their relative priorities.

A number of parties propose a number of issues to be added to the scope of the OIR. Except as discussed below, PG&E has no objection to the addition of these topics.

There is a limit to what can constructively be considered over the next several months in phase 1. Therefore, PG&E continues to urge the Commission to give the highest priority to the issues that PG&E recommended for phase 1 in its initial comments.

PG&E also continues to urge the Commission to establish a separate OIR, to be instituted in the immediate future, to consider the California Independent System Operator (CAISO) proposal to include "operational attribute" requirements as a component of the resource adequacy (RA) program.

I. TWO POTENTIAL TOPICS IDENTIFIED BY THE CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES SHOULD NOT BE INCLUDED IN THE SCOPE OF THIS RULEMAKING

A. This Rulemaking Should Not Address How Deliverability Is Determined

In its initial comments the Center for Energy Efficiency and Renewable Technologies

(CEERT) identifies what it describes as a dictum, “once RA, always RA” (CEERT Initial Comments, p. 7) and states that “[this assumption] makes absolutely no sense given the actual generation and procurement policies applicable today.” (*Id.*) CEERT recommends that this issue be targeted for resolution in phase 1. (*Id.*, p. 8.)

PG&E understands CEERT to be objecting to the deliverability determination made by the CAISO under its tariff. Once the CAISO determines that power from a generation facility is “deliverable,” something that is normally a pre-condition for the facility to receive RA credit, then the facility retains that status as the transmission system evolves.

The CAISO has taken the lead with respect to this particular aspect of the Commission’s RA program. It is intimately tied with the CAISO’s interconnection process. Therefore, proposed changes to the CAISO’s deliverability determinations should not be addressed in this rulemaking.

B. The Investor-Owned Utilities’ Renewable Procurement Practices Are Beyond The Scope Of This Rulemaking

CEERT also comments that “regardless of how the RA rules are written, resources that do not immediately fully qualify for RA capacity should not be categorically excluded from [load serving entity] procurement portfolios.” (CEERT Initial Comments, p. 4.)

To the extent that CEERT is proposing that the Commission address utilities’ renewable procurement practices in this proceeding, that topic is far beyond an RA issue and should not be considered in this rulemaking.

II. PG&E’S PROPOSED PRIORITIZATION FOR PHASE 1 SHOULD BE REFLECTED IN THE SCOPING MEMO

A significant number of topics have been proposed for this rulemaking. It does not appear realistic to incorporate all of them into phase 1. As discussed below and in PG&E’s initial comments, PG&E recommends that the non-generic capacity procurement RA

requirements be addressed in a separate rulemaking to be initiated soon.

With respect to phase 1 of this rulemaking, it is clear that local procurement obligation for 2013 should be addressed in phase 1. As for the remaining issues, PG&E continues to recommend, as it did in its initial comments, that the following issues be addressed in phase 1, in this priority:

- PG&E's centralized database proposal;
- PG&E's resource adequacy non-availability charge proposal for excess resource adequacy resources;
- PG&E's proposed conditional exemption from the operational hours requirement for dynamic pricing programs;
- Distributed generation resource adequacy issues; and
- Renewable generation resource adequacy issues.

Covering these topics, and addressing the non-generic capacity requirement issues on a somewhat parallel path, will be more than enough to place a full workload on participants in the proceedings.

III. THE CAISO'S "NON-GENERIC CAPACITY PROCUREMENT" TOPIC SHOULD BE ADDRESSED IN A SEPARATE, STAND-ALONE RULEMAKING

Several parties, including the CAISO, indicated the importance of the CAISO's recommended topic of whether non-generic, operational attribute requirements should be included in the RA obligations to be met by load serving entities. (*See, e.g.*, CAISO Initial Comments, pp. 5-8.)

Parties also recognized that the topic is unlikely to fit within the confines of phase 1. PG&E's proposal, to address the non-generic capacity procurement issue in a stand-alone rulemaking, is made for that reason. Southern California Edison Company (SCE) made a similar proposal (SCE Comments, pp. 4-5), while other parties recommended the issue be put on its own track within this proceeding. (*See, e.g.*, BrightSource Energy, Inc. Opening Comments, p. 6.)

Taking the opening comments into consideration, PG&E continues to urge the Commission to address this issue in a separate rulemaking. Parties should be allowed the freedom to propose other alternative approaches to RA, as well. For example, Calpine Corporation's (Calpine) proposal for a multi-year RA procurement requirement (Calpine Comments, pp. 2-4) should be incorporated into the non-generic capacity rulemaking. As another example, in its initial comments the CAISO raises the idea of a backstop procurement mechanism for "flexible" resources that risk retirement. (CAISO Initial Comments, pp. 6-8.) Other parties in addition to the CAISO and Calpine, including PG&E, should be provided the opportunity to present proposals to revise or reform the present RA structure in that rulemaking.

PG&E supports the CAISO's statement that the issue "remains a high priority issue," (CAISO Initial Comments, p. 5) and is willing to work with the CAISO and the other parties to address this topic in advance of the date for 2013 year-ahead RA showings.

Respectfully Submitted,

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By: _____ /s/
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