BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans	R.10-05-006

REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON PROPOSED DECISION APPROVING MODIFIED BUNDLED PROCUREMENT PLANS

CHARLES R. MIDDLEKAUFF
MARK R. HUFFMAN

Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120-7442
Telephone: (415) 973-6971
Facsimile: (415) 973-5520
E-Mail: CRMd@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

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Thirteen parties filed opening comments on the Proposed Decision ("PD") issued by Administrative Law Judge Allen in Track II of this proceeding concerning the three utilities' proposed bundled procurement plans. Most of the comments were brief and many supported the positions taken by Pacific Gas and Electric Company ("PG&E") in its opening comments. What is notable about the opening comments is that, in a proceeding where there is seldom unanimity, almost all of the parties filing comments opposed the cost cap for PG&E and San Diego Gas & Electric ("SDG&E") that is proposed in the PD. Parties argued that the PD's cost cap proposal is unsupported by the record, confusing, and contrary to California statutory law and Commission decisions. PG&E agrees. Many of the other issues raised in opening comments were either consistent with positions advocated by PG&E, or addressed issues concerning another utilities' procurement authority proposals, such as Southern California Edison's proposal for short-term renewable resource procurement authority. In these reply comments, PG&E will address several issues and proposals that relate to PG&E and require some response.

I. SIERRA CLUB'S AND COGENERATION ASSOCIATION OF CALIFORNIA'S PROPOSALS SHOULD BE REJECTED.

The Sierra Club mistakenly asserts that the PD determined that PG&E's Bundled Procurement Plan ("BPP") was deficient and did not meet the requirements of Public Utilities

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Code Section 454.5.[1] Based on this mistaken assertion, Sierra Club proposes that PG&E's BPP be rejected. The Cogeneration Association of California ("CAC") makes a similar argument, arguing that the Commission should reject the BPP because it is allegedly "inadequate" and instead revert to after-the-fact reasonableness reviews.[2] There are several problems with the Sierra Club and CAC arguments.

First, PG&E's BPP includes hundreds of pages describing in detail PG&E's procurement processes, procurement and hedging strategies, and approved products. The PD largely approves PG&E's BPP with some modifications, including adopting proposed procurement limits through a cost cap. In its opening comments, PG&E strongly opposed the cost cap as being inconsistent with past Commission decisions and California statutory law. Other than the issue of procurement limits, Sierra Club and CAC fail to identify any other "deficiency" that would justify rejecting PG&E's BPP. Moreover, Sierra Club and CAC completely ignore the undisputed testimony and evidence offered by PG&E in this proceeding that the BPP is fully compliant with Section 454.5 and the Commission's Procurement Standards of Conduct.[3]

Second, CAC's proposal for the Commission to revert to after-the-fact reasonableness reviews is inconsistent with Section 454.5. The Legislature enacted Section 454.5 (also referred to as "Assembly Bill 57" or "AB 57") after the California energy crisis to allow the utilities to return to their procurement roles and to eliminate the regulatory and financial risks associated with after-the-fact reasonableness reviews. CAC is effectively proposing that the Commission ignore Section 454.5 and impose a pre-energy crisis paradigm on PG&E and SDG&E as a result of an alleged deficiency in PG&E's and SDG&E's respective bundled plans. This proposal is

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[1] Sierra Club Comments at p. 4.

[2] CAC Comments at p. 3.

[3] Exhibit ("Ex.") 100, Sheet Nos. 82-85 (demonstrating compliance with Section 454.5 and Commission Procurement Standards of Conduct).

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inconsistent with the intent of the Legislature and the language in Section 454.5 and should be rejected.

Sierra Club alternatively suggests that the Commission require PG&E and SDG&E to incorporate the standardized planning assumptions into their plans to establish procurement limits.[4] This is generally consistent with the alternative procurement limit approach proposed by both PG&E and SDG&E in their opening comments.[5]

II. DRA'S PROPOSAL ON CRR REPORTING SHOULD BE REJECTED.

The Division of Ratepayer Advocates ("DRA") proposes that PG&E be required to continue to report monthly Congestion Revenue Right ("CRR") nominations to the Procurement Review Group ("PRG") even if the nominated CRRs are never awarded to PG&E. As PG&E explained in its rebuttal testimony, providing CRR nomination information to the PRG is burdensome and has little value given the timing of the nominations and awards.[6] In addition, if DRA or any PRG member requests specific nomination information, PG&E will provide it. In the past two years, there have only been two PRG inquiries regarding CRR nominations. Rather than producing a monthly report that may not be useful to PRG members, PG&E should only be required to provide the information when requested. Finally, DRA ignores the fact that PG&E provides an annual CRR report to the PRG concerning PG&E's annual strategy to purchase CRRs, including long-term CRRs. DRA's proposed modification to the PD should be denied.

III. IEP'S CONFIDENTIALITY CONCERNS ARE MISPLACED.

In its discussion of PG&E's biomethane proposal, the Independent Energy Producers ("IEP") makes sweeping statements regarding the confidentiality designations in PG&E's BPP

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[4] Sierra Club Comments at p. 5.

[5] *See e.g.*, PG&E Comments at pp. 6-8.

[6] Ex. 103, Appendix F at pp. F-1 to F-2.

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that require a brief response. First, IEP claims that PG&E blacked out the "bulk" of its testimony regarding biomethane procurement as well as significant portions of the Gas Supply Plan.[7] PG&E redacted a single paragraph in its testimony concerning specific biomethane pricing, which is exactly the kind of commercially sensitive information that should be treated as confidential. Moreover, the biomethane portion of PG&E's Gas Supply Plan was less than half a page. Thus, IEP's assertion that the "bulk" of the biomethane testimony was redacted is incorrect. Second, and more fundamentally, IEP's arguments are untimely. When PG&E filed its BPP in March 2011, it concurrently filed declarations and matrices demonstrating that all of the redactions in the BPP were appropriate under California statutory law and/or Commission orders and decisions. IEP did not object to PG&E's redactions or make any motion challenging PG&E's confidentiality designations. IEP's effort to raise confidentiality issues now, eight months after PG&E filed the BPP, is untimely and IEP's concerns should be summarily dismissed.

Respectfully submitted,

CHARLES R. MIDDLEKAUFF
MARK R. HUFFMAN

By: */s/ Charles R. Middlekauff*
CHARLES R. MIDDLEKAUFF

Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120
Telephone: (415) 973-6971
Facsimile: (415) 973-5520
E-mail: CRMd@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: December 5, 2011

[7] IEP Comments at p. 4.

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CERTIFICATE OF SERVICE
BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 5th day of December, 2011, I caused to be served a true copy of:

REPLY COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ON PROPOSED DECISION APPROVING
MODIFIED BUNDLED PROCUREMENT PLANS

[XX] By Electronic Mail – by serving the above document, via e-mail transmission, to each of the parties listed on the official Service List for CPUC Docket No. R.10-05-006 with an e-mail address.

[XX] By U. S. Mail – by placing the above document for collection and mailing enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official Service List for CPUC Docket No. R.10-05-006 without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 5th day of December, 2011 at San Francisco, California.

/s/ Stephanie Louie
STEPHANIE LOUIE