From: Schultz, Adam
Sent: 12/16/2011 8:58:30 AM
To: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe)
Cc: jason.simon@cpuc.ca.gov (jason.simon@cpuc.ca.gov)
Bcc:
Subject: Re: CONFIDENTIAL: North Sky River Follow ups

Meredith,

Thanks for this information. I will let you know if anything else comes up.

Thanks,
Adam

On Dec 16, 2011, at 8:45 AM, "Allen, Meredith" <MEAe@pge.com> wrote:

> CONFIDENTIAL
>
> Adam,
>
> Below are the confidential responses to the follow up questions from the meeting.
>
> Please let me know if you need additional information.
>
> Thanks,
> Meredith
>
> (1) Does PG&E have access to any studies (similar to the one NextEra has requested from CAISO) assessing the potential impact of uncertainties over the Chino Hills transmission line impacting transmission for North Sky River?

>
> As stated in the meeting, NextEra believes that the Chino Hills issue, which pertains to Segment 8 of the TRTP, does not impact North Sky River. They requested a study from CAISO to confirm. We do not have a separate study and are awaiting the CAISO study.

>
> (2) Can PG&E provide background on the rationale and calculation for arriving at the annual floor and cap values for penalties associated with RA delivery associated with North Sky River?

>
> PG&E forecasted the price of system RA during the term of the contract and established two price periods and associated price floors and caps: The first period (12/31/2012 – 12/31/2021) reflected a market situation in which RA requirements would be fulfilled by existing resources, whereas the second period (1/1/2022 – 12/31/2037) reflected a market situation in which RA requirements would be influenced by the cost of a new resource. The floor and ceiling for each of the two price periods were established based on maximum and minimum values as provided by the system RA price forecast, which reflects new resource needs after 2021. The overall replacement

RA cost cap ($32 million) was calculated based on a present value of the contract's potential MWs RA shortfall and the RA price forecast during the contract's term.

>

>

> (3) Can PG&E provide its rationale for negotiating this PPA at a fixed flat rate rather than one subject to TOD adjustments?

>

> To clarify the information provided in the meeting, PG&E indicated to NextEra that we have a preference for flat pricing vs. a price with an escalator.

>

> NextEra sought to eliminate price uncertainty and approached PG&E with a flat pricing structure in their initial offer, similar to their Montezuma II and Vasco contracts.

>

>

> PG&E examined the project's generation profile and determined that it was reasonable and likely to have an effective TOD that would not significantly deviate from their forecasted profile (which appeared to have a TOD factor slightly greater than 1.0). Therefore, a flat pricing structure not subject to TOD will likely result in a lower cost than if the project were subject to TOD at the same contract price.

>

> (4) While the public AL represents that the project will have annual deliveries of "up to 597 GWh," the Excel calculations found in the confidential appendices submitted by PG&E use an annual delivery value of only 497 GWh. Was this intentional? Please clarify.

>

> While 497 is the contract quantity the contract does allow NextEra, in accordance with our standard practice, to be fully paid up to 120% of contract quantity, which is 597.