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Sent: 12/14/2011 10:03:14 AM
To: Clanon, Paul (paul.clanon@cpuc.ca.gov) (paul.clanon@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: CPUC Position on Sutter

FYI

If the CPUC institutes a proceeding, you may want to suggest to Elizabeth that they do so in the context of Public Utilities Code Section 365.1(c)(2) which expressly allows the Commission to allocate costs associated with resources "needed to meet a system or local reliability need in a manner that benefits all customers of the electrical corporation" to bundled, DA and CCA customers. The statute expressly allows the costs of third-party contracts to be allocated to bundled, DA and CCA customers. However, the language in the statute was tightened up in September 2011 by SB 790 (Leno) so it is really important the CPUC make certain findings and conclusions and that ESPs and CCAs be informed from the initiation of the proceeding that they may be responsible for a portion of the costs. It also requires certain RA allocations, etc. Let me know if you want to talk more.

Subject: CPUC Position on Sutter

All:

I spoke with Elizabeth Dorman at the CPUC to get some insights regarding their position on the Sutter CPM designation issue. She indicated that the CPUC will likely institute a process to determine if Sutter is needed and can be shut down. Calpine has submitted an informal letter to the CPUC requesting authority to shut down the facility pursuant to GO 167 (parts 24-26). **IF** the Commission were to determine that the project was needed, one of the outcomes from this process could be a decision to compensate Calpine to keep the unit operating ---- but that compensation could be something other than what the CAISO is proposing. Regardless of the need issue, the staff feels CAISO is paying way too much to keep the unit running. If the CPUC takes control, it might be able to keep the unit running at lower cost and avoid the "risks of having the CAISO go to FERC". Energy Division, however, does not support the need for Sutter. ED doesn't think any resources are need for renewable integration given the LTPP outcome.

It is unclear at this point whether or not the CPUC will file comments on Friday. They may just ask a lot of questions --- and Elizabeth encouraged us to ask a lot of hard questions in our comments. The CPUC may not say too much publicly in advance of their decision to move forward on the GO 167 front; they are also resource constrained. I understand DRA will file comments (also opposed to CPM designation, I understand). Staff is preparing a briefing for Commissioners right now and the sentiment at the staff level appears to be leaning the direction of opposition. It sounds like there are also strong differences of opinion at the Commissioner level and so it is hard to tell at this point how the CPUC's position on this matter will shake out.