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December 5, 2011

Mr. Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: PG&E's Comments on Draft Resolution E-4447

Dear Mr. Gatchalian:

Pacific Gas and Electric Company ("PG&E") submits the following comments on Draft Resolution E-4447 ("Draft Resolution"), which was issued on November 14, 2011, with a December 5, 2011 comment date, in advance of the Commission's consideration and potential vote on December 15, 2011.

The Draft Resolution approves PG&E's Advice Letter 3884-E, which requests Commission approval of a long-term renewable purchase power agreement ("PPA") with a new solar photovoltaic ("PV") facility ("Project") being developed by Copper Mountain 2, L.L.C. ("Copper Mountain 2"). The Draft Resolution approves the PPA without modifications.

PG&E appreciates the Commission Staff's work to review the PPA and supports the Commission's approval of the PPA. However, PG&E is concerned that the Draft Resolution does not confirm that deliveries in accordance with the PPA's requirements would qualify as bundled procurement or first portfolio content category deliveries, pursuant to Senate Bill ("SB") 2 (1X) for Renewable Portfolio Standard ("RPS") Compliance purposes.

In the Draft Resolution, the Commission notes that the PPA requires either that the Project's first point of interconnection be directly to the California Independent System Operator ("CAISO") grid or that the Project be dynamically scheduled into the CAISO. In accordance with the PPA, Copper Mountain 2 is pursuing several options to achieve either of these situations. Nonetheless, since Copper Mountain 2 has not finalized its interconnection arrangements, the Draft Resolution does not confirm that compliance with the PPA's requirements would satisfy RPS compliance requirements such that energy deliveries under the PPA will be treated as bundled procurement pursuant to Decision

(“D.”) 10-03-021, as modified by D.11-01-025, or within the first portfolio content category, pursuant to SB2 (1X):

Since the Copper Mountain 2 facility is not directly interconnected to a California Balancing Authority and has not yet obtained a Participating Generator Agreement with the CAISO, the Commission cannot make a determination that this is a bundled contract or that it qualifies for the first portfolio content category established by SB2 (1X).¹

While PG&E understands the Commission’s reluctance to validate future energy deliveries in light of not-yet-final interconnection arrangements, PG&E notes that generators within the CAISO do not have finalized interconnection and Participating Generator agreements until very close to commercial operation. PG&E seeks confirmation that satisfying the PPA’s interconnection requirements--that the Project’s first point of interconnection be directly to the CAISO grid or that the Project be dynamically scheduled into the CAISO--would satisfy the bundled transaction and first portfolio content category requirements for RPS Compliance. This confirmation does not require Copper Mountain 2 to finalize its interconnection arrangements prior to approval of the PPA but would provide Copper Mountain 2 and PG&E with increased certainty regarding the content category of deliveries under the PPA if Copper Mountain 2 satisfies the interconnection requirements and would, more generally, provide the industry with increased certainty that would facilitate on-going and future RPS contract negotiations.

The Draft Resolution creates unnecessary uncertainty and ambiguity regarding what is sufficient to satisfy the bundled transaction requirements of D.10-03-021, as modified by D.11-01-025, and first portfolio requirements of SB2 (1X). This ambiguity could complicate RPS contract negotiations, possibly delaying successful contracting or resulting in additional, unnecessary contract provisions and increased costs.

To avoid creating unnecessary uncertainty both for this transaction and for the industry generally, PG&E recommends modifying the discussion of the Procurement Classification in the Draft Resolution at page 11 and at Finding and Conclusion No. 6 to clarify that renewable generating facilities that are directly interconnected to a California Balancing Authority or that dynamically schedule into a California Balancing Authority meet the bundled contract and first portfolio content requirements. PG&E’s proposed revised language is as follows:

¹ Draft Resolution at p. 11 and Finding and Conclusion No. 6.

If the Copper Mountain 2 facility meets its contractual obligation and becomes directly interconnected to a California Balancing Authority or enters into an agreement with the CAISO to dynamically transfer energy to the CAISO, energy delivered under this contract qualifies as a bundled transaction and/or energy under the first portfolio content category established by SB2 (1X).

Appendix A to this letter provides the specific modifications PG&E recommends in order to clarify the issues described above. With these changes, PG&E fully supports adoption of the Draft Resolution.

Conclusion

For the foregoing reasons, PG&E respectfully requests that the Commission modify the Draft Resolution as set forth in Appendix A to these comments.

Sincerely,

Handwritten signature of Brian Cherry in cursive script.

Vice President - Regulation and Rates

cc: Commission President Michael R. Peevey
Commissioner Mark Ferron
Commissioner Mike Florio
Commissioner Catherine J.K. Sandoval
Commissioner Timothy A. Simon
Karen Clopton, Chief Administrative Law Judge
Frank Lindh – General Counsel, CPUC
Edward Randolph - Director, Energy Division
Junaid Rahman, Energy Division
Paul Douglas, Energy Division
Cheryl Lee, Energy Division
Sean Simon, Energy Division
Maria Salinas, Energy Division
Service Lists for R.11-05-005 and R.10-05-006

Attachments

**APPENDIX A:
Recommended Modifications to Draft Resolution E-4447**

Page 11	<p><u>If Since the Copper Mountain 2 facility <u>meets its contractual obligation and becomes is not</u> directly interconnected to a California Balancing Authority <u>or enters into and has not yet obtained an Participating Generator Agreement with the CAISO to dynamically transfer energy to the CAISO, the Commission cannot make a determination that energy delivered under this is a bundled contract or that it qualifies as a bundled transaction and/or for energy under the first portfolio content category established by SB2 (1X).</u></u></p>
Finding and Conclusion No. 6	<p><u>If Since the Copper Mountain 2 facility <u>meets its contractual obligation and becomes is not</u> directly interconnected to a California Balancing Authority <u>or enters into and has not yet obtained an Participating Generator Agreement with the CAISO to dynamically transfer energy to the CAISO, the Commission cannot make a determination that energy delivered under this is a bundled contract or that it qualifies as a bundled transaction and/or for energy under the first portfolio content category established by SB2 (1X).</u></u></p>

CERTIFICATE OF SERVICE

I certify that I have by mail, e-mail, or hand delivery this day served a true copy of Pacific Gas and Electric Company's comments on Draft Resolution E-4447, regarding PG&E's Advice Letter 3884-E on:

- 1) Commissioners Michael Peevey, Mark Ferron, Mike Florio, Catherine Sandoval, and Timothy Simon
- 2) Karen Clopton – Chief Administrative Law Judge
- 3) Edward Randolph – Director, Energy Division
- 4) Frank Lindh – General Counsel
- 5) Junaid Rahman – Energy Division
- 6) Honesto Gatchalian – Energy Division
- 7) Maria Salinas – Energy Division
- 8) Service Lists for R.10-05-006 and R.11-05-005

/S/ LINDA TOM-MARTINEZ

Linda Tom-Martinez

PACIFIC GAS AND ELECTRIC COMPANY

Date: December 5, 2011