

From: Schultz, Adam
Sent: 2/10/2012 5:34:31 PM
To: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe)
Cc: Simon, Sean A. (sean.simon@cpuc.ca.gov); Simon, Jason (jason.simon@cpuc.ca.gov); Douglas, Paul (paul.douglas@cpuc.ca.gov)
Bcc:
Subject: RE: Shiloh IV follow-up

Meredith,

Thanks for the reply.

Can PG&E provide additional backing for their assertion that these QF Amendments bundled with the Shiloh IV PPA provide a 'net benefit' to ratepayers?

Page A3 of AL 3893-E-A states the following:

With the Extended QF Agreement removed from this filing, only the volumes lost as a result of the Amended QF Agreement and the Terminated QF Agreement should be valued in conjunction with the generation from the Shiloh IV PPA. As shown at the bottom of Table 1, the replacement of energy delivered under the Amended QF and Terminated QF Agreements with energy delivered under the Shiloh IV PPA results in a net benefit to customers. After accounting for the amount and value of the lost volumes,

the incremental volume attributable to the Shiloh IV PPA is 258 gigawatt-hours ("GWh")

per year, with a market value of (\$13.34) per megawatt-hour ("MWh"). This represents a

slight improvement over the Shiloh IV PPA if viewed in isolation, which has 269 GWh per year at a market value of (\$13.91) per MWh. For comparison purposes, had PG&E valued the Shiloh IV PPA in combination with all three QF Modifications (including the Extended QF Agreement) in the Original Advice Letter, the package would include 267 GWh per year at a market value of (\$12.80) per MWh.

The assertion in the highlighted sentence that the replacement of energy from the Amended QF and Terminated QF with Shiloh IV results in a “net benefit” needs further clarification. Can PG&E provide calculations that show this replacement results in a net benefit to ratepayers given that a quantity of generation from existing QFs (with levelized TOD-adjusted costs ~\$15/MWh lower than Shiloh IV’s cost) is being replaced by generation from Shiloh IV?

Let me know if that makes sense.

Thanks,

Adam

Adam C. Schultz, J.D. | Renewable Energy Policy & Procurement
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: 415.703.2692

Adam.Schultz@cpuc.ca.gov | www.cpuc.ca.gov

From: Allen, Meredith [mailto:MEAe@pge.com]
Sent: Friday, February 10, 2012 5:10 PM
To: Schultz, Adam
Cc: Simon, Sean A.; Simon, Jason
Subject: Re: Shiloh IV follow-up

Adam,

Here are the paragraphs. Please let me know if you need additional information.

Thanks,
Meredith

The filing of AL 3893-E as amended by AL 3893-E-A is consistent with Commission procedures for the amendment of QF contracts. D.04-12-048 stipulated that contracts with greater than a five-year term require an application and D.06-12-009 clarifies that modifications and amendments of QF contracts with terms less than five years may be addressed through the filing of an advice letter. (See D.06-12-009 at p.7.) It is in accordance with these decisions, therefore, that PG&E filed AL 3893-E and AL 3893-E-A seeking approval of proposed amendments to the existing 30 MW QF Agreement with enXco Windfarm V to reduce the capacity of the contract and to the existing 11.9 MW QF agreement with enXco Windfarm V to terminate the contract.

In approving these amendments, we have evaluated the proposed modifications to the contracts on the merits and found that the amendments are just and reasonable and will likely result in benefits to ratepayers. (See Public Utilities Code Section 451).

From: Schultz, Adam [<mailto:adam.schultz@cpuc.ca.gov>]
Sent: Friday, February 10, 2012 02:10 PM
To: Allen, Meredith
Cc: Simon, Sean A. <sean.simon@cpuc.ca.gov>; Simon, Jason <jason.simon@cpuc.ca.gov>
Subject: RE: Shiloh IV follow-up

Thanks for getting back to me, Meredith.

I do not believe that D.06-12-009 is the relevant decision on this issue though. After talking with Sean Simon about this issue at some length, I have come to the conclusion that PG&E needs to provide more detail of the 'net ratepayer benefit' resulting from these two QF amendments being bundled with the Shiloh IV PPA.

The standard of review here seems to be the Restructuring Advice Letter Filing (RALF) requirements pursuant to the RALF procedure adopted in D.98-12-066. I am checking with our Legal Division on this issue. It seems that, at a minimum, Energy Division staff needs to evaluate a comprehensive overview of the QF's history and PG&E's analysis for calculating the net ratepayer benefits resulting from the amendments. I know that PG&E included some language to this effect in its Supplemental Advice Letter, but it does not seem sufficient for us to make the determination of net ratepayer benefit.

For an example of this, I had to go back to 2007. Resolution E-4084 deals with these type of QF Amendments. So you might reference that as an example.

If PG&E cannot provide this information today (realizing that it's already 2pm on a Friday), it could jeopardize the timing of Shiloh IV making the March 8th Meeting. The next meeting would be March 22nd.

I'll give you a call on this to follow-up.

Thanks,

Adam

Adam C. Schultz, J.D. | Renewable Energy Policy & Procurement
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: 415.703.2692

Adam.Schultz@cpuc.ca.gov | www.cpuc.ca.gov

From: Allen, Meredith [<mailto:MEAe@pge.com>]
Sent: Friday, February 10, 2012 10:49 AM
To: Schultz, Adam
Subject: Re: Shiloh IV follow-up

Adam,

The ERRA decision, D.06-12-009, at pp. 7-9 explains (including with a reference to a prior decision, D.98-12-006) that QF contract changes (for less than 5 years) may be submitted through the AL process.

Please let me know if you need more information.

Thanks,
Meredith

From: Schultz, Adam [<mailto:adam.schultz@cpuc.ca.gov>]
Sent: Friday, February 10, 2012 10:47 AM
To: Allen, Meredith
Subject: RE: Shiloh IV follow-up

Meredith,

Have you come up with anything on this?

Thanks,

Adam

Adam C. Schultz, J.D. | Renewable Energy Policy & Procurement
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: 415.703.2692

Adam.Schultz@cpuc.ca.gov | www.cpuc.ca.gov

From: Allen, Meredith [<mailto:MEAe@pge.com>]
Sent: Thursday, February 09, 2012 9:17 PM
To: Schultz, Adam
Subject: Re: Shiloh IV follow-up

Hi Adam,

I will send to you tomorrow.

Thanks,
Meredith

From: Schultz, Adam [<mailto:adam.schultz@cpuc.ca.gov>]
Sent: Thursday, February 09, 2012 04:46 PM
To: Allen, Meredith
Subject: Shiloh IV follow-up

Meredith,

I'm working on the Shiloh IV resolution and was hoping you could provide some information for me.

I am attempting to track down the appropriate Commission Decision that allows for Commission consideration of the Amended QF and the Terminated QF through the Advice Letter process.

I was hoping you might be able to have someone at PG&E quickly locate the supporting Decision on these two QFs.

Thanks,

Adam

Adam C. Schultz, J.D. | Renewable Energy Policy & Procurement
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: 415.703.2692

Adam.Schultz@cpuc.ca.gov | www.cpuc.ca.gov

