From: Prosper, Terrie D.
Sent: 3/29/2012 2:56:36 PM
To: Prosper, Terrie D. (terrie.prosper@cpuc.ca.gov)
Cc:
Bcc:
Subject: CPUC Press Release Revision: CPUC Directs Utilities to Enter Negotiations for Power From Sutter Plant (re-issue)

NOTE: The press release below has been revised from the version that was issued on March 22, 2012, in order to correct errors.

FOR IMMEDIATE RELEASE **PRESS RELEASE**

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov Docket #: Res. E-4471

CPUC DIRECTS UTILITIES TO ENTER NEGOTIATIONS FOR POWER FROM SUTTER PLANT

SAN FRANCISCO, March 22, 2012; UPDATED March 29, 2012 - The California Public Utilities Commission (CPUC) today directed Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) to enter into contract negotiations with Sutter Energy Center in Yuba City. If a contract is entered into, it would ensure that the Sutter plant is operating through 2012, enabling the 10-year-old natural gas plant to remain in operation while the CPUC finalizes changes to its resource adequacy program. Any contract would require open book financial information and review by the CPUC and an independent evaluator.

Calpine, owner of the plant, told the CPUC in November 2011 that it was planning on retiring the plant in 2012 due to a lack of a resource adequacy contract. If retired, the plant would not be available for commercial operations in 2013 and later years. The California Independent System Operator (ISO) has predicted that the Sutter plant will be needed to help integrate renewable resources and phase out older, dirtier plants by 2017.

Said CPUC President Michael R. Peevey, “The plant is a relatively new, clean, efficient power plant that offers the type of flexible operational attributes California will need in the future. The ISO has said California will likely need this plant in 2017 to integrate renewable resources into the grid and to replace older, dirtier units that will be retiring. Our decision today includes maximum ratepayer protection. First, the maximum contract price was lowered from $29 million to $17 million. Second, in cooperation with the CPUC’s Energy Division, an independent evaluator will oversee the negotiations and review Sutter’s confidential detailed financial information and cash flow models. These measures together will ensure that we do not pay Sutter more than is necessary to keep the plant running this year while we work on fixing our capacity markets.”

Today’s decision ensures that the utilities cannot contract with Sutter for a price exceeding that available under the Capacity Procurement Mechanism. If a contract is entered into, the utilities must file an Advice Letter with the CPUC seeking approval for any agreement they may reach and must explain how the contract meets the CPUC’s just and reasonable rates requirements.

The decision is available at http://docs.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/162985.pdf.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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California Public Utilities Commission
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