

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local Procurement Obligations

R.11-10-023
(Filed October 20, 2011)

**POST-WORKSHOP REPLY COMMENTS OF PACIFIC GAS AND
ELECTRIC COMPANY (U 39 E)**

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Dated: April 20, 2012

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Pursuant to the schedule set forth in the March 23, 2012, Administrative Law Judge's Ruling Seeking Comment, Pacific Gas and Electric Company (PG&E) files its reply comments on the issues identified in the December 27, 2011, Phase 1 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, as well as the issues discussed during the workshops held on January 26-27, 2012, and March 30, 2012.

Consistent with its proposal in its opening comments, and with the comments of many other parties, PG&E urges the California Public Utilities Commission (Commission) to open up a separate, stand-alone track of this proceeding to address development of a multi-year, flexible capacity procurement framework to replace the current one-year, planning reserve margin-based resource adequacy program. Based on the urgency PG&E sees, and the urgency expressed by many of the parties, PG&E recommends that this phase be initiated immediately.

However, PG&E disagrees with those parties who recommend that the Commission "do something" now. Simply taking a step, without having any real sense of whether it is in the right direction, is likely to do little good. If the step is in the wrong direction, then time and effort are lost to correct that misstep.

For example, the CAISO urges the Commission, in this phase of this proceeding, to adopt the CAISO's three flexible capacity categories, and how they are calculated, as advisory targets for 2013. (CAISO Opening Comments, p. 4.) This CAISO proposal should be rejected. At this point it has not been established: (1) that the three flexible capacity categories are the correct

ones upon which to base the flexible capacity requirements; (2) how the requirements should change over time as more intermittent resources are added to the system; and (3) how different resources contribute to meeting those requirements. A multi-year, flexible capacity procurement framework, when adopted, must be robust and durable enough to allow load serving entities to procure different types of capacity resources to satisfy their multi-year requirements. It does not make sense to adopt the flexible capacity categories, as advisory targets or otherwise, before it has been determined that they are the right categories around which to build the new procurement framework.

As another example, the Division of Ratepayer Advocates (DRA) proposes that the Commission adopt, in this phase of this proceeding, the Energy Division's (ED) redesign of Maximum Cumulative Capacity (MCC) bucket requirements "as a trial run for the 2013 RA compliance year without mandatory LSE requirements." (DRA Opening Comments, p. 2.) This proposal, too, should be rejected. There is little basis for concluding that the ED MCC proposal would help to ensure that the CAISO's needs for flexible capacity to operate the CAISO grid would be met. Parties have raised a number of reasoned questions and concerns regarding the proposal. Therefore, there is no value to be gained at this point from adopting it on a "trial run" basis.

Further, from a commercial perspective any such trial runs are likely to disrupt procurement activities. The revised MCC framework would impose procurement requirements on the load serving entity that may or may not be in place for very long. These types of uncertainties are not easy for any parties to potential procurement transactions to deal with.

At this point, two competing frameworks have been presented. The multi-year flexible capacity framework ultimately adopted by the Commission may not be based on either of these, or even if based on one or the other, may reflect significant adjustments to it. The logical first step is to determine the correct approach, and only then to incorporate parts or all of that approach into the load serving entities' procurement obligations. Therefore, PG&E urges the Commission not to adopt any intermediate requirements based on all or part of either proposal at

this time, but to instead initiate a separate, stand-alone phase of this proceeding to develop a multi-year, flexible capacity procurement framework that will help to ensure that the CAISO's flexible capacity needs to reliably operate the system are reasonably met.

Respectfully Submitted,

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By: _____ /s/
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