

May 23, 2012

Energy Division Tariff Unit
California Public Utilities Commission
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102

**Re: PG&E's Reply to Protest of Advice Letter 4032-E, Modifications to PG&E's
Renewable Auction Mechanism Program Protocol and Appendices as
Required by Resolution E-4489**

Pacific Gas and Electric Company ("PG&E") filed Tier 1 Advice Letter 4032-E (the "Advice Letter") on April 26, 2012 in compliance with Commission Resolution E-4489 (the "Resolution") which required modifications to components of the Investor Owned Utilities' ("IOU") Renewable Auction Mechanism ("RAM") Program Protocol and appendices, including the standard form contract.

On May 16, 2012, Sustainable through Innovation, LLC ("STI") filed and served a protest to the Advice Letter, specifically requesting changes to the overall RAM Program as follows¹:

- New vs. existing projects: Requests the evaluation methodology of the transmission interconnection costs be revisited and modified to add a transmission adder to existing projects and to reduce the Phase I study results maximum cost adder by a minimum of 50% and a maximum of 75%.
- Bid bucket sizes: Suggests the award range for baseload and off-peak as-available buckets should be changed from the plus or minus 20 megawatt ("MW") range to plus or minus 3 MW.
- Cost competitive: Requests that RAM auction bid prices should not be compared to other buckets or other procurement processes and that there should be a pre-defined maximum acceptable bid price that is based on the 2011 CPUC Market Price Referent.
- Bid Prices: Requests that PG&E use the CPUC "viability calculator" to further determine quality of the bids. Additionally, STI requests that PG&E review pricing proposals in detail so as not to offer PPA's to project that have bid incompletely and are not competitive because their prices are too low to be viable.

¹ STI protest pp. 2-5

A protest to PG&E's Advice Letter is not an appropriate forum for STI to request changes to the overall RAM Program. Additionally, consistent with Decision ("D.") 10-12-048 and Resolution E-4414, PG&E already uses the Commission required viability screens² and Commission approved selection criteria³ to review bids. As such, PG&E requests that STI's protest be rejected and that the Advice Letter be approved by the Commission without modification.

Sincerely,

A handwritten signature in black ink that reads "Brian Cheney". The signature is written in a cursive, flowing style. There is a small mark or scribble at the end of the signature.

Vice President - Regulation and Rates

Attachments

cc: Edward Randolph, Director - Energy Division
Paul Douglas - Energy Division
Jaclyn Marks - Energy Division
Adam Schultz - Energy Division
Charlie Kuffner – Sustainable through Innovation, LLC
Service List R.11-05-005

² D.10-12-048 p. 65

³ Resolution E-4414 pp.23-24