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

Re: PG&E's Reply to Responses to Advice Letter 4161-E, PG&E's Request that the Renewable Auction Mechanism Program Accommodate the Remaining 252 megawatts of Pacific Gas and Electric Company's Photovoltaic Program

I. Introduction

Pacific Gas and Electric Company ("PG&E") filed Tier 3 Advice Letter 4161-E (the "Advice Letter") on December 10, 2012 to request California Public Utilities Commission ("CPUC" or "Commission") approval to utilize the Renewable Auction Mechanism ("RAM") Program to accommodate the procurement of 252 megawatts ("MW") of solar photovoltaic ("PV") generation originally authorized for PG&E's Solar Photovoltaic Program.[1]

On December 31, 2012, the Solar Energy Industries Association and Large-Scale Solar Association (collectively the "Joint Solar Parties") and Clean Coalition filed and served responses to the Advice Letter. For the reasons described in this reply and in the Advice Letter, the Advice Letter should be approved by the Commission with some modifications noted below to address specific issues raised by the Joint Solar Parties and Clean Coalition.

II. Eligibility of Projects Sized Between 1 MW and 3 MW

The Joint Solar Parties and Clean Coalition both expressed concern regarding PG&E's proposal to procure the PV Program's remaining 252 MW consistent with RAM Program

[1] By Advice Letter 4160-E, filed concurrently with Advice Letter 4161-E, PG&E proposed to terminate years four and five of the utility owned generation ("UOG") phases and years three, four, and five of the Power Purchase Agreement ("PPA") phases of PG&E's Solar Photovoltaic Program authorized by Commission Decision ("D.") 10-04-052 (the "PV Program")

eligibility rules, which require projects to have a nameplate capacity greater than 3 MW but less than or equal to 20 MW. The Joint Solar Parties assert that projects sized between 1 and 20 MW should be allowed to participate in the solicitation, consistent with eligibility requirements of the terminated PV Program.[2] Clean Coalition supports the Joint Solar Parties proposal that projects between 1 and 3 MW should be allowed to participate in the additional solicitations.[3]

The Commission prohibited generators with a nameplate capacity of 3 MW and under from participating in the RAM Program to address stakeholder concerns regarding developer gaming between the expanded Feed in Tariff Program and the RAM Program and to eliminate duplicative procurement mechanisms.[4] PG&E notes that the Commission did not restrict generators 3 MW and under from participating in PG&E's PV Program. Because PG&E proposes to utilize the RAM Program for the limited purpose of soliciting the 252 MW of remaining PV Program volumes to promote market stability and administrative efficiency, PG&E agrees that projects sized between 1 MW and 20 MW should be allowed to participate in the additional limited solicitations.

PG&E asserts that the RAM PPA in effect at the time of issuance of the solicitation should apply to the remaining PV Program volumes. PG&E does not support specific PPA modifications or revisions to RAM Protocol for projects sized between 1 and 3 MW.

III. Acceleration of Solicitations

Both the Joint Solar Parties and Clean Coalition request that the Commission accelerate PG&E's solicitation of the remaining PV Program volumes to 2013.[5] The Joint Solar Parties recommend that the solicitations terminate in 2014, and Clean Coalition recommends that the solicitations terminate in 2015. The Commission should reject proposals to accelerate the pace of the solicitations because acceleration is inconsistent with PG&E's Renewables Portfolio Program ("RPS") need and may increase customer costs of the RPS Program.

As stated in the Advice Letter, PG&E proposes to utilize the RAM procurement processes through three annual competitive solicitations in 2014, 2015 and 2016. PG&E's proposal will result in a slight shift in the expected deliveries of these projects as compared to the solicitation schedule of the terminated PV Program. The proposed solicitation schedule is intended to result in procurement that better matches PG&E's demonstrated RPS need, which is later in the decade. Likewise, PG&E's proposal to target 52 MW in the first solicitation and 100 MW in each subsequent solicitation is commensurate with PG&E's limited near-term RPS need.

[2] Joint Solar Response at p. 2.
[3] Clean Coalition Response at p. 4.
[4] D. 12-05-035 at p. 67-68.
[5] Joint Solar Parties Response at p. 3; Clean Coalition Response at p. 2-3

Based on PG&E's current expected need scenario, PG&E's existing portfolio is expected to provide sufficient RPS-eligible deliveries to meet RPS compliance requirements in the first compliance period (2011 – 2013). Additionally, PG&E expects to significantly exceed the RPS procurement targets set for the second compliance period (2014 – 2016). Notwithstanding its forecast of limited near-term need, PG&E has fairly significant incremental need over the third compliance period (2017 – 2020) (prior to applying any excess procurement from earlier compliance periods) and beyond in order to maintain a 33% RPS level.[6]

If the remaining PV Program volumes are solicited in 2014 through 2016, anticipated Commercial Operation Dates ("COD") will likely occur two to three years after contract execution, resulting in CODs between 2016 and 2019, respectively. As proposed in the Advice Letter, the majority of deliveries will commence in the third compliance period and beyond, when PG&E has significant RPS need. In contrast, the Joint Solar Parties and Clean Coalition proposed solicitation schedules will result in a significant number of projects with CODs in second compliance period, when PG&E is expected to significantly exceed its RPS compliance obligation.

Thus, the Advice Letter's proposal to solicit remaining volumes with CODs that better match PG&E's demonstrated RPS need is reasonable and fairly balances the timing of incremental need with the continuity of a previously approved CPUC procurement program. The Commission should reject proposals to accelerate the solicitation schedule, which may increase cost to customers of achieving the RPS in years when the volumes are not needed to meet compliance period mandates.

IV. Bi-Annual Auctions

The Joint Solar Parties and Clean Coalition each suggest that the Commission require bi-annual auctions to solicit the remaining PV Program capacity because such a structure is consistent with the existing RAM Program, which terminates in 2013.[7] The Commission should reject such proposals because bi-annual auctions for the remaining PV Program capacity will impose unnecessary administrative burdens.

By the Advice Letter, PG&E does not seek an expansion or extension of the RAM Program.[8] Rather, PG&E proposes to utilize the RAM procurement process and PPA for the limited purpose of soliciting the remaining volumes associated with the PV Program. PG&E should not be required to utilize a solicitation schedule parallel to the RAM Program's solicitation

[6] For further detail concerning PG&E's RPS need, see PG&E's Preliminary Annual Compliance Report, filed December 28, 2012 in R.11-05-005, at Appendix C-1.
[7] Joint Solar Parties at 3; Clean Coalition at 3-4. PG&E notes that while the Joint Solar Parties and Clean Coalition support biannual auctions for consistency reasons, the parties do not likewise support maintaining consistency with the existing RAM Program's eligibility requirements. *See* Section II herein.
[8] An expansion of the existing RAM Program is being considered in R.11-05-005.

schedule for this limited purpose. PG&E supports utilization of annual auctions to promote simplicity and maximize renewable program efficiency.

V. Conclusion

For all the foregoing reasons, the Commission should approve PG&E Advice Letter 4161-E with the limited modifications included in PG&E's reply above.

Sincerely,

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Attachments

cc: Edward Randolph, Director - Energy Division
Paul Douglas - Energy Division
Adam Schultz - Energy Division
Jeanne B. Armstrong – Goodin, MacBride, Squeri, Day & Lamprey, LLP
Sandra Di Luzio – Goodin, MacBride, Squeri, Day & Lamprey, LLP
Tam Hunt – Clean Coalition
Rob Longnecker – Clean Coalition
Kenneth Sahm White – Clean Coalition
Service List R.11-05-005
Service List A.09-02-019