BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Implementation and Administration of California Renewables Portfolio Standard Program.	Rulemaking 11-05-005 (Filed May 5, 2011)

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39-E) REPLY COMMENTS ON THE PROPOSED DECISION AND ALTERNATE PROPOSED DECISION ADOPTING JOINT STANDARD CONTRACT FOR SECTION 399.20 FEED-IN TARIFF PROGRAM AND GRANTING, IN PART, PETITIONS FOR MODIFICATION OF DECISION 12-05-035

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Pacific Gas and Electric Company("PG&E") respectfully submits reply comments regarding the *Proposed Decision Adopting Joint Standard Contract for Section 399.20 Feed-In Tariff Program and Granting, in Part, Petitions for Modification of Decision 12-05-035* ("PD") issued by Administrative Law Judge DeAngelis and the *Alternate* PD issued by Commissioner Ferron.

I. GENERAL COMMENTS ON THE JOINT IOU PPA

A. The Joint IOU PPA Appropriately Balances Interests of Sellers and IOU Customers.

Certain parties' comments on the PD and Alternate PD seek to replace the Joint Investor Owned Utilities ("IOU") Power Purchase Agreement ("PPA") with an alternative contract, or otherwise seek a shorter standard contract. For example, the Clean Coalition seeks approval of an alternative PPA that it asserts is more "streamlined."[1/] Other parties similarly argue that the Joint IOU PPA is too complex and suggest that the Joint IOU PPA be significantly pared down.[2/] Together, these proposals will serve to limit Seller risks and/or shift costs to IOU customers.

1/ Clean Coalition Comments at pp. 19-28.

2/ Sierra Club of California Comments at pp. 3-4; Placer County Air Pollution Control District Comments at 1-2; Waste Management Comments at p. 3; Henwood Associates, Inc. Comments at p. 1.

These arguments were appropriately rejected by the PD and Alternate PD, which correctly determined that the Feed in Tariff ("FIT") program requires a "relatively sophisticated contract to ensure proper administration of the transaction."[3/]

The Joint IOU PPA is appropriate because it is reflective of a year-long, extensive and collaborative process, including a workshop, multiple rounds of written comments, and proposed redlines by parties in this proceeding. The Joint IOU PPA was substantially revised three times following its introduction in February 2012, and each subsequent iteration contained revisions based on extensive Commission and stakeholder input.

In contrast, Clean Coalition's PPA was not the subject of workshops or extensive comments, and it does not incorporate stakeholder feedback. The PD appropriately determined that the Clean Coalition PPA was submitted in a manner inconsistent with the process established by the ALJ and Commissioner[4/] in this proceeding. The Commission should reject Clean Coalition's PPA and similar arguments presented by Clean Coalition and other parties to re-litigate positions that were thoroughly litigated under the guise of purported burdens. Adoption of these proposals will significantly weaken the FIT Program's goals and further delay the Senate Bill 32 FIT Program known as Renewable Market Adjusting Tariff ("ReMAT").

The Joint IOU PPA carefully balances the interests of Buyers and Sellers, and ensures that IOU customers' interests are adequately protected. Further downsizing or "streamlining" will only weaken ratepayer protections. The PD/ Alternate PD correctly approve the Joint IOU PPA with limited modifications. In its opening comments, PG&E and Southern California Edison ("SCE") recommended a few minor changes to the PPA to promote FIT Program goals of

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3/ PD at p. 30.
4/ See PD at p. 34.

cost containment, lower transaction costs, and administrative ease.[5/] PG&E supports SCE' s proposed revision to Section 6.14 of the Joint IOU PPA, which appropriately balances Buyer risks and Seller flexibility concerning facility modifications. With the minor revisions proposed by PG&E and SCE, the Commission should adopt the Joint IOU PPA.

B. Participation in the CAISO Market for Generators 500 kW and above is Appropriate to Ensure Maximum Value for FIT Contracts.

Henwood Associates, Inc. ("Henwood") argues that requiring generators in the 500-999 kilowatt (kW) size range to participate in the California Independent System Operator ("CAISO") market is inappropriate because PG&E's existing FIT contract contains no such requirement, and CAISO does not require generators under 1 MW to participate in the CAISO market.[6/] As PG&E clarified at the Joint IOU PPA workshop in February 2012, generators sized 500kW and above are eligible to execute a CAISO Participating Generator Agreement ("PGA") and obtain a CAISO resource ID. This ministerial action by the Seller enables the underlying facility to be scheduled into the CAISO market and provides IOUs the ability to receive resource adequacy ('RA") for projects that qualify for RA, thereby ensuring maximum value for the FIT transaction to PG&E and its customers.

The opportunity to schedule FIT generators in the CAISO market will maximize the value of the RPS program because scheduling reduces the amount of Unaccounted For Energy ("UFE") in the CAISO system and, likewise, reduces PG&E's costs associated with UFE.[7/] If PG&E is able to schedule generation into the CAISO market, PG&E's customers receive all CAISO market revenues for the energy produced by the generator, and the Seller receives a fixed

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5/ PG&E's Comments at pp. 8-13; SCE Comments at 13-17.

6/ Henwood Associates at pp. 6-7.

7/ Unaccounted for energy is the difference between the net Energy delivered into an IOU Service Area and the total net-metered Demand (with respect to Generation) within the IOU Service Area, after accounting for the effects of Transmission Losses within the Service Area. *See* CAISO, Settlements and Billing BPM Configuration Guide: Real Time Unaccounted for Energy Settlement (Version 5.0) *available at* https://bpm.caiso.com/bpm/bpm/doc/000000000000588.

price set forth in the contract. Conversely, if the generator does not have a CAISO PGA, PG&E cannot schedule the generator's energy and the project's energy becomes "unaccounted for," or is null, system power. Quantities of UFE adversely impact PG&E's customers because PG&E receives less than 100% of the CAISO market revenues for energy produced by the unaccounted for project. Despite PG&E's inability to receive credit for the project in the CAISO market, Seller continues to receive a fixed price for the project as specified under the PPA. Furthermore, Net Qualifying Capacity is allocated by CAISO Resource ID to generators with CAISO PGAs. By excluding eligible units from the CAISO market as Henwood proposes, PG&E ratepayers permanently lose the ability to count the excluded capacity volumes toward PG&E's RA obligation, even if deliverable capacity was available for a given project. For existing units that may already be deemed deliverable by the CAISO, Henwood's proposal would result in a loss of capacity already included in PG&E's RA Supply plans.

Requiring facilities 500 kW and above to execute PGAs is reasonable and will promote ReMAT Program goals. Specifically, the ability to schedule resources in the CAISO market will enable PG&E customers to receive the project's market revenues and to potentially receive RA benefits, reducing PG&E's CAISO market losses and maximizing the ReMAT program's value. Accordingly, Henwood Associates' proposal should be rejected and the Commission should adopt Section 6.1 of the Joint IOU PPA without modification.

C. Seller Commitment to Levels of Energy Production is Necessary.

Several parties argue that Joint IOU PPA provisions pertaining to the level of energy production to be supplied or guaranteed by Sellers should be modified to increase flexibility to Sellers. For example, Green Power Institute identifies restrictions on adjustments to expected energy production as "burdensome" and the City of San Diego seeks modifications to the Joint

IOU PPA to relieve excess sale Sellers from any obligations pertaining to Contract Quantity.[8/] Similarly, Placer County advocates for significant flexibility to update contractual quantities.[9/] Proposals to reduce Seller accountability should be rejected as they are inconsistent with ReMAT Program goals and will frustrate the ability of an IOU to rely on ReMAT deliveries for RPS compliance obligation planning.

It is inappropriate to diminish or remove provisions pertaining to the amount of energy sold to the utility because the removal of such provisions belies the fundamental purpose of entering a wholesale procurement contract. The IOU has a vested interest in knowing the quantity of energy it should expect produced from its above-market procurement transactions, including for the purpose of resource planning. Proposals to frequently modify the amount of energy committed to Buyer will effectively eviscerate any procurement certainty and will enable the market to inappropriately utilize the PPAs as a free "put option." Moreover, the Joint IOU PPA already provides significant flexibility to Sellers concerning Contract Quantity and Guaranteed Energy Production. In response to comments from stakeholders in this proceeding, Section 3.2 of the Joint IOU PPA was revised to allow Seller the option to update the "Delivery Term Contract Quantity Schedule" one time, to the extent such a change is necessary based on an adjustment to the Contract Capacity. This allows the Seller to modify its Contract Quantity after the Contract Capacity has been confirmed, and once deliveries have begun, the Contract Quantity should remain the same throughout the term of the contract. Furthermore, Section 3.6.3 provides the Seller with compensation for Delivered Energy which exceeds the annual Contract Quantity amount. Finally, Section 12 provisions concerning Guaranteed Energy Production provide a range that allows for a reasonable amount of over and under-generation.

8/ Green Power Institute Comments at p.1; City of San Diego Comments at pp.2-5
9/ Placer County Comments at pp. 7-8.

Proposals to remove certainty regarding the amount of energy produced by FIT PPAs imperil PG&E's ability to rely on FIT projects for RPS Program compliance. PG&E needs to be able to plan the amount of RPS- eligible energy in advance in order to ensure it procures sufficient quantities to meet California's 33% RPS requirements. Without establishing a reasonable range of how much energy a generator must produce, it is impossible to accurately forecast expected renewable procurement and PG&E will need to plan additional resources to compensate for the potential variability, contravening Legislative intent that the FIT projects count toward the utilities' RPS Program obligations.[10/] Allowing Sellers to frequently change quantities will frustrate Commission and utility-specific RPS long term planning purposes, increase RPS program costs and impose administrative difficulties. Accordingly, the Commission should adopt Section 3.2 and Section 12 of the Joint IOU PPA.

II. GENERAL COMMENTS ON THE REVISED FIT PROGRAM

A. Implementation Timing Should be Calculated to Ensure Program Success.

The Solar Energy Industries Association ("SEIA") speciously proposes that the PD be modified to require IOUs to file a compliance advice letter fifteen days after a Commission decision, and accept Program Participation Requests ("PPRs") the first day of the month thereafter.[11/] PG&E recognizes SEIA's concern that the industry has been waiting for this program for a "long time," however SEIA's proposal is simply infeasible. Under SEIA's proposal, the ReMAT program may begin as soon as sixteen days after a Commission decision, even before the Commission has reviewed compliance advice letters. SEIA underestimates the amount of system and process planning and the time required to adequately communicate to and

10/ See California Public Utilities Code Section 399.20 (h).
11/ SEIA Comments at pp. 5-6.

educate the market on complex ReMAT program terms and processes. These implementation activities are required by IOUs to ensure the ReMAT Program is a success.

As PG&E has previously conveyed, PG&E requires adequate program implementation time to ensure ReMAT's success.[12/] PG&E intends to utilize a web-based system to implement the PPR process. While PG&E has made efforts to prepare its system, the final terms and conditions of the FIT Program have not been defined by this Commission, so its program cannot yet be coded to be launch-ready. Accordingly, 60 days after the Effective Date is critical for PG&E to implement system set-up, testing, and communication activities. Given the complexities of the ReMAT program and the potential for a deluge of applicants in the first days of the program, it is essential that PG&E has sufficient time to communicate-ReMAT program terms and application processes to the potential applicants. An additional 60 days (120 days after the Effective Date) is necessary for PG&E to receive, review, and accept PPRs. A 60-day period to review PPRs is crucial to allow applicants sufficient time to submit PPRs, IOUs sufficient time to review PPRs (20 business days are permitted under the proposed tariff), and sufficient time for applicants to cure any deficiencies in their PPR (20 days are permitted under the proposed tariff) in advance of Program Period 1. SCE and San Diego Gas and Electric Company ("SDG&E") have addressed similar timing needs with respect to the required activities to ensure the success of their respective ReMAT programs.[13/] In contrast, the deployment schedule proposed by SEIA would place an unreasonable burden on PG&E by threatening its technology investment and straining its staff, which would undoubtedly need to field eligibility, documentation and process questions while processing a likely high volume of initial

12/ PG&E Comments at p. 14. *See also* PG&E Comments on Harmonized IOU Tariff, filed January 18, 2012.
13/ SCE Comments at p. 19; SDG&E Comments at p. 10.

applications. Furthermore, the timeline proposed by SEIA will likely increase the potential for applicant errors, placing an additional administrative hardship on PG&E.

PG&E recognizes that implementation of the ReMAT has been a long process. However, the Commission should not compress implementation activities requiring applicants and IOUs sacrifice accuracy for expediency. Fifteen days after a Commission decision simply is an inadequate and administratively burdensome amount of time for the ReMAT program to launch. Accordingly, SEIA's proposal to reduce the period of time between a Commission decision and the launch of the ReMAT program should be rejected. Instead, the Commission should adopt the implementation timeline proposed in the IOU tariffs. The implementation time proposed by the IOUs is necessary, reasonable, and is carefully measured to ensure program success.

B. The Commission Should Reject Proposals that Increase Ratepayer Costs.

Clean Coalition and Placer County each propose that the Commission modify the PD's and Alternate PD's determination that Program Period subscriptions may not exceed the amount of megawatts offered during a Program Period, and advocate that awarding incremental contracts exceeding the Program Period capacity limit is appropriate.[14/] The Commission should reject these proposals, which will only serve to increase the costs of the ReMAT Program.

Under these proposals, generation at the margin exceeding the Program Period offering will be paid an extra premium for their generation under long-term PPAs in exchange for no perceived ratepayer or IOU benefit. If generators at the margin are required to wait until the next program period to execute a PPA, the ReMAT price may decrease by $4/MWh, resulting in an approximate savings to ratepayers of $1.7 million for a 2.9 MW baseload contract (assuming an 85% capacity factor) over a 20-year PPA. The PD/Alternate PD appropriately concluded that the first-come first served requirement does not mean that an IOU must accept a contract if

14/ Clean Coalition Comments at p.14; Placer County Comments at pp. 2-3.

insufficient MW remain in a program period, reasonably balancing the Commission's goal of administrative efficiency and opportunities for market development.[15/] The PD's approach also promotes the additional program goal of cost containment. Accordingly, the Commission should reject attempts by market participants to extract premiums unnecessary to stimulate the market.

C. The Commission Should Consider Proposals to Contain Ratepayer Costs.

The IOUs raised concern with the PD/Alternate PD MW allocation methodology and pricing mechanism, which as proposed, has the potential to greatly benefit sellers by rapidly increased ReMAT pricing.[16/] The Division of Ratepayer Advocates ("DRA") proposes additional mechanisms to contain FIT Program costs: 1) a price adjustment cap of $12 per period; and 2) refresh the initial ReMAT price using the most recent available data.[17/] These proposals balance the ReMAT program goals of containing costs while ensuring a FIT price that will stimulate market demand. PG&E supports the adoption of additional programmatic measures intended to contain the costs of ReMAT.

As PG&E demonstrated in its opening comments, the ReMAT program pricing structure may result in an unjust and unreasonable process, including the potential for excessive price increases.[18/] As SCE demonstrates, the PD/Alternate PD's structure worsens existing ReMAT asymmetries benefitting sellers by requiring IOU customers to purchase more generation when the price is too high and making it very hard for the ReMAT price to decrease.[19/] The potential for excessive escalation is clearly contrary to the Commission's established policy guideline of containing costs and ensuring maximum value to customers. This framework is also inconsistent

15/ PD/Alternate PD at pp. 18-20.
16/ PG&E Comments at pp. 3-4; SCE Comments at pp. 8-11; SDG&E Comments at pp. 4-5.
17/ DRA Comments at pp. 5-6.
18/ PG&E Comments at 3.
19/ SCE Comments at p. 10 -11.

with Public Utilities Code Section 399.20 (d)(4)'s ratepayer indifference requirement- customers paying extremely high prices for ReMAT PPAs for up to 20 years is not in customers' interests.

PG&E urges the Commission to consider proposals by DRA and the IOUs intended to contain costs within the ReMAT program. The Commission should, at a minimum, direct the IOUs to offer no more than 5 MW for each of the three product types for each program period, rather than 10 MW. This allocation would address the PD/Alternate PD's concerns that 3 MW is too low, while mitigating the potential for ratepayer exposure to a large number of non-competitively priced contracts. Alternatively, if the Commission maintains a 10 MW allocation per product type (for a total of 30 MW), the threshold for price increases should be set at 20% of period capacity subscription rather than 50% as proposed in PG&E's opening comments.[20/] The Commission should adopt proposals that balance program goals of market demand and cost containment for the ReMAT program, rather than adopting a structure which will quickly result in above-market pricing and the IOU's customers paying excessive prices for Re-MAT contracts.

Respectfully submitted,

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20/ PG&E Comments at pp. 3-4.

VERIFICATION

I am an employee of Pacific Gas and Electric Company, a corporation, and am authorized to make this verification on its behalf. I declare under penalty of perjury under the laws of the State of California that I am a party to the above-entitled matter, that I have read the foregoing *Pacific Gas and Electric Company's (U-39-E) Reply Comments on the Proposed Decision and Alternate Proposed Decision Adopting Joint Standard Contract for Section 399.20 Feed-In Tariff Program and Granting, in Part, Petitions for Modification of Decision 12-05-035* and know the contents thereof, and that it is true and correct of my own knowledge, except as to those matters stated upon information and belief, and as to those matters I believe them to be true.

Executed at San Francisco, California on April 15, 2013.

/s/ CARLOS ABREU
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