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Via Electronic Mail

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

Re: Commissioner Ferron's Alternate Draft Resolutions E-4529 (PG&E) and E-4569 (SCE):
Reply Comments of Shell Energy and AReM

To the Energy Division:

Shell Energy North America (US), L.P. ("Shell Energy") and the Alliance for Retail Energy Markets ("AREM")¹ submit these reply comments respecting the two above-referenced Alternate Draft Resolutions ("ADR") sponsored by Commissioner Mark Ferron. The ADRs were circulated on June 25, 2013. Shell Energy and AReM support Commissioner Ferron's ADRs and as a consequence, did not submit opening comments. These reply comments respond briefly to the opening comments submitted on July 15, 2013 by PG&E, SCE, Calpine and IEP.

First, PG&E, *et al.* assert that by excluding resource adequacy ("RA") capacity-only bids from CHP solicitations under the QF/CHP settlement agreement, the ADRs seek to modify the QF/CHP settlement agreement, and modify the Commission's December 2010 decision approving the settlement agreement (D.10-12-035, December 16, 2010). See PG&E Comments at p. 3; IEP Comments at p. 3; SCE Comments at p. 1; Calpine Comments at pp. 2, 5. This is not correct. These parties point to no provision of the QF/CHP settlement agreement that authorizes RA capacity-only bids in the IOUs' CHP solicitations. The ADR properly interprets the QF/CHP settlement, and

¹ AReM is a California mutual benefit corporation whose members are electric service providers that are active in California's direct access market. The positions taken in this filing represent the views of AReM but not necessarily those of any individual member of AReM or the affiliates of its members with respect to the issues addressed herein.

D.10-12-035, to prohibit RA capacity-only bids in an IOU's CHP solicitation. No modification of the settlement agreement is required to approve the ADR's recommendation.

Second, PG&E, et al. assert that the ADR's recommendation, if approved by the Commission, could trigger "renegotiation" or "termination" of the QF/CHP settlement agreement. See PG&E Comments at p. 5; IEP Comments at p. 3; SCE Comments at p. 2; Calpine Comments at p. 5. At least one of these parties suggests that a "modification" to the QF/CHP settlement agreement would necessitate a "consultation period" or a "mediation-like" process among the original settling parties to address the "protocols" under the settlement agreement. See IEP Comments at p. 3.

The Commission should respond to these comments by making it clear that any reform or "renegotiation" of the QF/CHP settlement agreement must be undertaken in an open, transparent forum. The settlement agreement was approved by the Commission. The settlement agreement has the force and effect of a Commission decision. No limited group of parties may alter the settlement agreement (or alter the "protocols" under the settlement agreement) without convening a robust, open process.

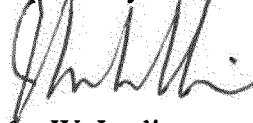
The original settling parties no longer control the terms of the settlement agreement. If adjustments or clarifications are to be made to the settlement agreement, all interested parties, including parties that were excluded from the original settlement process, must be allowed to participate. Contrary to IEP's comments, a change to the QF/CHP settlement agreement cannot be accomplished through the assent of the original settling parties. All interested parties must be included. A proper vehicle for proposed changes to the settlement agreement (including any proposed changes to the settlement protocols) would be a new Order Instituting Rulemaking ("OIR"). In such an OIR proceeding, all settlement implementation issues should be on the table.

CONCLUSION

The Commission should approve the ADR's recommendation to prohibit RA capacity-only bids under the QF/CHP settlement. The ADR's recommendation is consistent with the terms of the QF/CHP settlement agreement, and consistent with D.10-12-035. Modification of the QF/CHP settlement is not required to implement the ADR's recommendation.

Moreover, any future reforms to the QF/CHP settlement agreement must be addressed in an open forum (such as an OIR) that allows participation by all interested parties. Unlike the original settlement process, no interested party should be excluded from consideration of clarifications or changes to the settlement provisions.

Respectfully submitted,



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and on behalf of the Alliance for Retail Energy
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