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July 17, 2013

Ms. Shannon Eddy  
Executive Director  
Large-scale Solar Association

Re: Interconnection and Network Upgrade Costs and Schedules

Dear Ms. Eddy:

This is in response to your letter of June 26, 2013, in which you raised concerns and suggested potential solutions to a number of generator interconnection and network transmission upgrade issues faced by members of your organization.

Making the general process as smooth as it can be is a priority for PG&E. In fact, prior to receiving your letter, PG&E approached our contacts in the Governor's Office and at CAISO and the CPUC, to help to create a forum in which all key stakeholders could collaborate to identify the issues and associated root causes. The shared understanding would then be used to develop solutions for improving the interconnection and network upgrade processes. We welcome your offer to work with PG&E to proactively address the situation to enhance timely and efficient generator interconnection completion through such a stakeholder process or through other effective means.

PG&E's perspective is that opportunities exist to improve the tariffs governing the Interconnection Agreements, as well as the process governing the Power Purchase Agreements, the combination of which could help alleviate problems created by mismatches between completion dates and cost estimates contained in the Interconnection Agreements, and the construction milestone dates in the Power Purchase Agreements.

Your suggestion to prioritize network upgrades for the most viable projects is intriguing, particularly as a solution in capacity-constrained areas. Viability prioritization, including the decision criteria and rules for viability assessment, along with market economics, are the types of issues PG&E envisioned should be included as part of a stakeholder forum. Determining reasonable time lines and cost estimates when negotiating an Interconnection Agreement must be done in the context of the physical and permitting constraints of the particular project in question.

It is our understanding that in a follow-up phone conversation with PG&E's Mark Krausse, you mentioned that of the nearly two-dozen projects that are of particular concern to your organization, approximately half are interconnecting with PG&E. PG&E believes it would be best to jointly examine such individual projects, particularly prior to reaching a conclusion regarding your suggestions that PG&E allocate additional resources toward our generator

interconnection process. We are available at your earliest convenience to discuss these specific projects and understand the root causes and potential solutions for any schedule and cost issues.

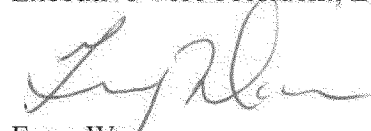
Lastly, we would also like to gain your perspective on the impact that extensions to the guaranteed commercial operation dates under some of PG&E's standard Power Purchase Agreements might have toward solving the issues you presented on behalf of your members. PG&E is interested in hearing your thoughts on this proposal, including the length of extension you believe would be needed for specific projects and programs, and the role you see the CPUC playing in implementing such extensions.

We look forward to working with you and members of your organization to address your concerns.

Sincerely,



Geisha Williams  
Executive Vice President, Electric Operations



Fong Wan  
Senior Vice President, Energy Procurement

cc: Michael Picker, Office of the Governor, State of California  
J.R. DeLaRosa, Office of the Governor, State of California  
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