



**Pacific Gas and
Electric Company**[®]

Steven E. Malnight
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January 7, 2014

Ms. Deborah Hysen
Deputy Director
Facility Planning, Construction and Management
California Department of Corrections and Rehabilitation
PO Box 942883
Sacramento, CA 94283-0001

Mr. Mark Beckley
Deputy Director, Administrative Services Division
Division of Legal and Forensic Services
California Department of State Hospitals
1600 Ninth Street, Suite 433
Sacramento, CA 95814

Dear Ms. Hysen and Mr. Beckley:

Thank you for your letters dated November 19, 2013 and December 2, 2013, respectively, regarding "Schedule E-Departing Customer Generation Exemption Request".

I'd like to first congratulate you for going solar at the numerous Correction and Rehabilitation, and State Hospital facilities mentioned in your letters. As you may be aware, PG&E is a national leader in terms of solar installations on the part of its customers -- over 100,000 and growing -- and we applaud your decision to supply your onsite load from solar projects supported through the California Solar Initiative (CSI).

With regard to your request, we are concerned about ensuring that solar customers contribute to important social funds, such as those supporting energy efficiency and low income programs, and to other fixed revenue requirements -- such as the Department of Water Resources (DWR) Bond Charge -- that the California Public Utilities Commission (CPUC) and Legislature have deemed to be the obligation of all customers. If these costs are not paid by customers reducing their onsite use from solar, they become the responsibility of all other customers.

In that regard, we respectfully disagree with your view that AB 2724 impacted these obligations for projects larger than 1 megawatt (MW). PG&E's tariffs, as well as those of Southern California Edison, currently reflect the various CPUC decisions on these obligations. They make clear that onsite systems sized greater than 1 MW (but no greater than 5 MWs) receiving CSI support are able to claim an exemption for some of the non-bypassable charges for the first MW -- specifically, the DWR Bond Charge and Competition Transition Charge. However, these charges are owed for the onsite production in

excess of 1 MW, and all onsite production would be liable for the Public Purpose Program and Nuclear Decommissioning Charges. I am aware that this obligation has been communicated to your representatives and the project developer – SunEdison – as early as November 2012, as has the responsibility for projects greater than 1 MW to pay Standby Charges under Schedule S.

We don't have the flexibility to grant an exemption from these charges, as they are required by CPUC Decisions and reflected in PG&E tariffs specifically approved by the CPUC. It should be noted that the CPUC issued a decision responding to a somewhat similar request, which was filed by the California Clean DG Coalition (CCDC) in 2006. The CCDC petitioned the CPUC to expand the non-bypassable charge exemptions available for projects smaller than 1 MW to systems sized up to 5 MWs. In 2007, the CPUC allowed the size threshold for eligible projects to be expanded to 5 MWs, but retained the non-bypassable charge exemption at 1 MW – which as described above is how our tariffs read today¹.

Please feel free to contact David Rubin at 415.973.1857 if you would like to discuss this matter further.

Sincerely,



Steven E. Malnight
Vice President
Customer Energy Solutions

cc: Ken Alex, Senior Energy Advisor to Governor Brown
Cliff Rechtschaffen, Senior Energy Advisor to Governor Brown
Michael R. Peevey, CPUC President
Attila Toth, General Manager of Distributed Generation, SunEdison
Fred Cordano, Associate Director, Facilities Asset Management Branch, CDCR
Jeff Henninger, Chief, Energy & Sustainability, CDCR
Faizi Pourhosseini, Chief, Project Management and Development Branch, DGS
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David Rubin, Director, Customer Programs-Service Analysis, PG&E
Mark Krausse, Senior Director, State Agency Relations, PG&E

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¹ http://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/67457.PDF