

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider  
Electric Procurement Policy Refinements  
Pursuant to the Joint Reliability Plan

R.14-02-001  
(Dated February 5, 2014)

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)  
ON THE PRELIMINARY SCOPING MEMO**

CHARLES R. MIDDLEKAUFF  
MARK R. HUFFMAN

Pacific Gas and Electric Company  
77 Beale Street  
PO Box 7442  
San Francisco, CA 94120  
Telephone: (415) 973-3842  
Facsimile: (415) 973-0516  
E-Mail: MRH2@pge.com

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: February 20, 2014

Pursuant to the schedule set forth in the Order Instituting Rulemaking (OIR) initiating this proceeding, Pacific Gas and Electric Company (PG&E) provides these comments on the preliminary scoping memo provided in the Joint Reliability Plan (JRP) OIR.<sup>1/</sup> Generally speaking, PG&E supports the proposed scope of the proceeding and the division of the proceeding into three tracks. These comments focus primarily on the scope and schedule of the proceeding. PG&E plans to address the substantive issues during the course of the proceeding.

PG&E supports the schedule that the California Public Utilities Commission (Commission) proposes in the OIR for track 3, which sequences that track ahead of tracks 1 and 2. Track 3 is to address the Commission's policy decisions with respect to the California Independent System Operator's (CAISO) proposals for a replacement for the "capacity procurement mechanism" (CPM), the backstop procurement mechanism set forth in the CAISO tariff.<sup>2/</sup> As the OIR notes, the CAISO is expected to issue its first draft straw proposal on this in March, in its Reliability Services Initiative (RSI) stakeholder process. PG&E anticipates that the CAISO process will move quickly after that.

From PG&E's perspective, it is important that the CAISO be clearly informed with respect to the Commission's position as the CAISO evaluates various CPM proposals in the CAISO RSI stakeholder process. Thus, PG&E views track 3, which is intended for exactly this purpose, as an important component of the JRP OIR.

The schedule for the three tracks of the JRP OIR is aggressive, contemplating the completion of all three tracks by the first quarter of 2015. It is possible that additional time may be necessary to allow for the issues within scope to be fully vetted. In that event, PG&E recommends that the Commission continue to prioritize track 3 so that the Commission's

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<sup>1/</sup> The OIR for this proceeding was approved at the Commission's February 5, 2014 regular business meeting.

<sup>2/</sup> Under the CAISO tariff the current CPM will expire in February of 2016. Proposals for a replacement for the CPM will be addressed in the CAISO's reliability services initiative. Information on this initiative is located here:  
<http://www.caiso.com/informed/Pages/StakeholderProcesses/ReliabilityServices.aspx>

evaluation of the CAISO's CPM proposals remains in sync with the CAISO's RSI stakeholder process.

PG&E anticipates the various proposals that the CAISO considers in the first phase of its RSI stakeholder process, and the CAISO has identified a number of inter-related issues for consideration, will benefit from strong coordination between the Commission and the CAISO. From PG&E's perspective, strong coordination on these issues will mitigate the risk of conflicting policies or directives coming from the Commission and the CAISO. PG&E anticipates that track 3 will play a significant role in this close coordination.

Turning to track 1, the track to consider multi-year resource adequacy (RA) requirements for all Commission-jurisdictional load serving entities (LSEs), PG&E continues to support that effort. PG&E has historically urged the Commission to move in this direction. This task is made more complex because the Commission is currently in the process of modifying the current one-year RA process to incorporate flexibility requirements. PG&E urges the Commission to build the multi-year RA process on top of the one-year RA process it is currently putting in place. PG&E urges the Commission to ensure that the current one-year RA process is designed and implemented appropriately before finalizing multi-year RA. Thus, there should be coordination between the RA proceeding (R.11-10-023) where the flexibility aspect of the RA program is being refined, and this proceeding.

The fact that Energy Division's current flexible RA procurement framework proposal in the RA proceeding is being described as "interim," has the potential to complicate track 1.<sup>3/</sup> It is possible that the flexible RA framework adopted in the RA proceeding, and the refinements to the framework that are being considered this year, may be modified in the near future. The interim nature of the flexible RA framework must be taken into consideration as the Commission

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<sup>3/</sup> Energy Division's "Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework" (dated February 10, 2014) includes a sunset date of December 31, 2017. See pp. 12-13.

considers how to set flexible RA requirements for two and three years forward. This proceeding will need to address how to reconcile the requirements of a multi-year flexibility showing for RA with the current interim nature of the one-year flexible RA requirements.

Turning to track 2, PG&E supports it, as well. PG&E supports the development of a process that will allow periodic reliability planning assessments looking out 4 to 10 years in the future. PG&E urges the Commission to build a process that complements existing reliability planning processes, such as the long-term procurement plan (LTPP) proceeding, and takes full advantage of existing information available from other proceedings, stakeholder processes, or other regulatory venues. From PG&E's perspective the assessment should take a "snapshot" of what the likely availability of resources is 4 to 10 years out. The process should not be to litigate whether additional resources are necessary in that timeframe.

The LTPP proceeding should remain the proceeding that determines long-term reliability needs; the periodic reliability planning assessments resulting from track 2 should complement the LTPP, not complicate, duplicate, or replace it. More specifically, the Commission should not allow the reliability planning assessment to interfere with the 2014 LTPP. The reliability planning assessment should not be used as an opportunity for parties to argue for modifications to assumptions or scenarios being used in the 2014 LTPP studies.

Respectfully Submitted,

CHARLES R. MIDDLEKAUFF  
MARK R. HUFFMAN

By:                     /s/ Mark R. Huffman                      
MARK R. HUFFMAN

Pacific Gas and Electric Company  
77 Beale Street  
PO Box 7442  
San Francisco, CA 94120  
Telephone: (415) 973-3842  
Facsimile: (415) 973-0516  
E-Mail: mrh2@pge.com  
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