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January 12, 2006

Docket Clerk California Public Utilities Commission 505 Van Ness Avenue, Room 2001 San Francisco, CA 94102

Re: Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Utility Resource Planning (R. 04-04-003)

Dear Docket Clerk:

Enclosed for filing is the original and five (5) copies of the "POST-WORKSHOP REPLY COMMENTS OF PG&E ON ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING IN 04-04-003" in the above-referenced matter.

Please file the original document, date-stamp a copy, and return the enclosed copy in the postage-paid, self-addressed envelope provided for this purpose.

Sincerely,

/s/

Charles R. Middlekauff

cc: President Michael R. Peevey Commissioner Geoffrey F. Brown Commissioner Dian M. Grueneich Commissioner Susan P. Kennedy Commissioner John Bohn ALJ Carol A. Brown Mr. Sean Gallagher, Director, Energy Division Official Service List for R.04-04-003

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning

R. 04-04-003

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POST-WORKSHOP REPLY COMMENTS OF PG&E ON ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING IN 04-04-003

WILLIAM V. MANHEIM JOHN W. BOGY CHARLES R. MIDDLEKAUFF

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Attorneys for PACIFIC GAS AND ELECTRIC COMPANY

January 12, 2006

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning

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In accordance with the Assigned Commissioner's Ruling Regarding Next Steps In Procurement Proceeding ("ACR") issued on December 2, 2005, Pacific Gas and Electric Company ("PG&E") submits the following post-workshop reply comments. For the most part, parties filing post-workshop comments simply reiterated the points they made in their pre-workshop comments or at the December 14, 2005 workshop. PG&E will not respond to each of these points. There were, however, several post-workshop comments that require a brief response.

The Division of Ratepayer Advocates ("DRA") asserts that a need determination for new generation should not be a priority in the 2006 Long Term Procurement Plan ("LTPP") proceeding.¹ This is incorrect. Besides DRA, virtually every other party filing

 $[\]frac{1}{2}$ DRA Post-Workshop Comments at 3.

comments or participating in the December 14th workshop acknowledged that a need determination is a critical first step in this proceeding. Making a need determination in Phase I of the 2006 LTPP proceeding will assist the Load Serving Entities ("LSEs") in developing comprehensive LTPPs and also in preparing and issuing Requests for Offers ("RFOs") that are specifically designed to fill the specific needs identified. With regard to RFOs, before LSEs can prepare long-term procurement RFO solicitations, it is imperative to obtain clarity as to the amount of new generation needed by the LSE. Failing to establish a clear determination of need creates uncertainty in the commercial process, and may result in RFO bids that do not fit LSE needs or result in higher costs. Moreover, because the procurement and transmission siting processes involve lengthy lead times, it is essential to obtain a need determination as soon as possible.

Southern California Edison ("SCE") notes that cost allocation issues could be determined at workshops or, if necessary, in hearings.² As PG&E explained in its post-workshop comments, because the cost allocation questions raised in this proceeding concern policy and legal issues, these questions can be addressed in briefing without the need for workshops and hearings. As is evident from PG&E's Proposed Roadmap, there is already a considerable amount to accomplish in this proceeding within a very short time. Including additional workshops and potentially hearings on what are essentially legal and policy issues will only further lengthen this proceeding. Moreover, PG&E views resolution of this issue as integral to seeking approval of contracts arising from its Long-Term RFO process.

 $[\]frac{2}{2}$ SCE Post-Workshop Comments at 4-5.

The City and County of San Francisco ("CCSF") states in its post-workshop comments that the Commission does not need to include Community Choice Aggregators ("CCAs") in the 2006 LTPP proceeding. As PG&E noted in its post-workshop comments, it is clear that the Commission has statutory authority over CCAs and Energy Service Providers ("ESPs") regarding issues that will be addressed in this proceeding.³ CCA and ESP long-term procurement plans necessarily impact issues such as the need for new generation and cost/benefit allocation, which are central to this proceeding. PG&E and the other Investor Owned Utilities ("IOUs") have a responsibility to procure sufficient generation for their customers and anticipated load growth in their service territories, including adding new generation. If CCAs and ESPs make resource commitments to serve customers in an IOU's service territory, this could impact the need for new generation. Finally, issues about cost/benefit allocation for new generation will impact CCAs and ESPs. Requiring all LSEs to actively participate in this proceeding will insure that the Commission has before it all of the necessary information and parties to review and approve the 2006 LTPPs.

National Grid's post-workshop comments regarding the Transmission Planning Collaboration are premature and incomplete. As discussed in PG&E's post-workshop comments, the California Independent System Operator Corporation ("ISO") is currently preparing a detailed integrated planning process proposal that will clarify the planning process concept that was discussed at the December 14th workshop. As a result, it is

 $[\]frac{3}{2}$ See also D. 05-12-041 (2005) at 11 (Finding that the Commission has authority to require CCA "involvement in any relevant Commission inquiry . . .")

premature to propose additional requirements for this process, which has not yet been thoroughly articulated. Moreover, before any party can reasonably address the substance of National Grid's proposals, considerable discussion is required regarding the merits and implementation of these proposals in order to evaluate specifics of how such concepts would be implemented and the real-world effects of any such measures. As a result, there is insufficient basis to address these proposals more specifically at this time. Should these concepts be proposed with sufficient detail at a later date, PG&E reserves the right to comment on such proposals at that time.

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Finally, the Western Power Trading Forum requests that as a part of the 2006

LTPP proceeding, all market participants be given access "to aggregated utility net short

positions \dots ⁴ This is an issue that should be addressed in the Confidentiality

Proceeding, not in the 2006 LTPP proceeding.

Respectfully Submitted,

WILLIAM V. MANHEIM JOHN W. BOGY CHARLES R. MIDDLEKAUFF

/s/

By: _____ CHARLES R. MIDDLEKAUFF

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Attorneys for PACIFIC GAS AND ELECTRIC COMPANY

Dated: January 12, 2006

 $[\]frac{4}{2}$ WPTF Post-Workshop Comments at 1.

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 12th day of January 2006, I served a true copy of:

POST-WORKSHOP REPLY COMMENTS OF PG&E ON ASSIGNED COMMISSIONER'S RULING REGARDING NEXT STEPS IN PROCUREMENT PROCEEDING IN 04-04-003

[XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.04-04-003 with an e-mail address.

[XX] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official service list for R.04-04-003 without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 12th day of January, 2006 at San Francisco, California.

/s/

Patricia M. Jordan