



Pacific Gas and
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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**

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**PUBLIC UTILITIES COMMISSION
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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

¹ 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.

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

³ 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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