

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 1, 2010

Advice Letter 3691-E

Jane K. Yura, Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
PO Box 770000
San Francisco, California 94177

Subject: Pacific Gas and Electric Company's Advice Letter 3691-E, as supplemented by AL 3691-E-A, requesting approval of implementation and administration details for Pacific Gas and Electric's Utility-Owned Generation Solar Photovoltaic Program.

Dear Ms. Yura:

The Energy Division has determined that Pacific Gas and Electric's (PG&E's) Advice Letter (AL) 3691-E, as supplemented by AL 3691-E-A, is in compliance with Decision (D.)10-04-052 and is effective October, 2010.

D.10-04-052 adopted a five-year, solar photovoltaic program (PVP), which in part authorized PG&E to build, own and operate up to 250 megawatts of solar photovoltaic systems. The Decision also authorized PG&E to enter into contracts with independent power producers for an additional 250 megawatts. Pursuant to D.10-04-052, PG&E filed AL 3691-E to request approval of implementation and administration details for the utility-owned generation (UOG) portion of the PVP. On July 12, 2010, the Division of Ratepayer Advocates (DRA) submitted a protest to AL 3691-E. On July 19, 2010, PG&E filed a reply to DRA's protest. On September 14, 2010, PG&E submitted supplemental AL 3691-E-A, which addressed certain issues raised in DRA's protest. These issues are discussed below.

The first issue raised in DRA's protest was that "With all other factors being equal, the Commission should order PG&E to identify, assess and favor projects located in the California Independent System Operator (CAISO) Local Capacity Requirements (LCR) need areas over projects elsewhere given that UOG solar PV projects in the need areas would provide additional value for PG&E customers." D.10-04-052 ordered PG&E to identify a process for identifying preferred locations for project development to optimize the locational value of project sites, including impacts on neighboring lands. In AL 3691-E, PG&E identifies a multi-step process for maximizing the locational value of project sites. In AL 3691-E-A, PG&E addressed DRA's concerns and clarifies its intent to use the LCR designation as a tie-breaker if all other selection criteria are equal.

The second issue raised by DRA was that the "Commission should order PG&E to offer ratepayers the same Resource Adequacy (RA) protections and benefits that it receives from Independent Power Producers (IPP) as a result of contract provisions in the power purchase agreements (PPAs) for PG&E's solar PV Program." In AL 3691-E-A, PG&E addresses DRA's concern and states that RA credit is not currently available to these types of projects, but will

seek RA credit for these projects if changes to RA rules allow these projects to receive credit in the future.

The third issue raised by DRA was that the Commission rejected the front-loading of project deployment in earlier years and “should require that PG&E submit a Tier Three Advice Letter and receive Commission approval before contracting with independent suppliers for multiple year module solar PV purchases as PG&E proposes to do in AL 3691-E.” In D.10-04-052, the Commission rejected front-loading the megawatts deployed in the PVP, so that PG&E could take advantage of future price reductions. In its reply comments, PG&E states that it will compare the prices of its multiple year module purchase options to current year module prices. It will then choose the lower priced modules. Entering into multi-year module purchase options does not constitute front-loading the program as described in D.10-04-052, and DRA’s argument is rejected.

D.10-04-052 is the Commission’s decision on PG&E’s Application (A.)09-02-019 that adopted the PVP. The requested relief sought in AL 3691-E, as supplemented by AL 3691-E-A, complies with D.10-04-052 and sufficiently addresses concerns raised by DRA in its protest to AL 3691-E. Accordingly, DRA’s protest is denied without prejudice. PG&E’s AL 3691-E as, supplemented by AL 3691-E-A, is effective September 27, 2010.

Please contact Amy Baker of the Energy Division staff at 415-703-1691 (abl@cpuc.ca.gov) if you have any questions.

Sincerely,



Julie Fitch, Director
Energy Division

cc: Cynthia Walker, Program Manager
Division of Ratepayer Advocates

September 14, 2010

Advice 3691-E-A
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: Supplement to Advice Letter 3691-E Requesting Approval of Implementation and Administration Details for Pacific Gas and Electric's Utility-Owned Generation Solar Photovoltaic Program

Purpose:

Pacific Gas and Electric Company ("PG&E") hereby submits this supplement to Advice Letter 3691-E regarding the implementation and administration details of its Utility-Owned Generation ("UOG") Solar Photovoltaic ("PV") Program. In this supplement, PG&E clarifies its intent to seek Resource Adequacy ("RA") credit for its UOG PV Projects and the role the California Independent System Operator ("CAISO") Local Capacity Requirement ("LCR") need area requirements play in the site selection process.

Background:

On June 21, 2010, PG&E filed Advice Letter 3691-E detailing the implementation and administration details of the UOG portion of its PV Program. This was in compliance of California Public Utilities Commission ("CPUC") Decision ("D.") 10-04-052, which approved PG&E's PV Program. On July 12, 2010, the Division of Ratepayer Advocates ("DRA") protested PG&E's advice letter, recommending PG&E be required to agree to the same RA-related requirements that it demands of its counterparties in Power Purchase Agreements¹ and to select project sites located in CAISO LCR need areas assuming all other factors equal.² On July 19, 2010, PG&E addressed DRA's concerns in its response to protests. PG&E is supplementing its advice letter to add further clarity to its position on the aforementioned issues raised by DRA.

¹ See DRA Protest at 1-2.

² See *id.* at 1.

Resource Adequacy

RA credit is not currently available for projects, like the PV UOG facilities, that interconnect to the grid using the Small Generator Interconnection Program (“SGIP”). However, PG&E fully intends to take reasonable actions necessary to secure RA credit for its PV UOG facilities to the extent the RA program rules change in the future. Thus, PG&E has no opposition to DRA’s general request that PG&E pursue such RA credit if and when it becomes available. PG&E will take all reasonable steps to ensure that PV UOG facilities’ capacity is able to be recognized and counted as RA capacity under any future changes in the RA Program rules.

Role of LCR Need Areas in Site Selection

PG&E listed in Advice Letter 3691-E ten location-specific criteria that it has used, and is continuing to use, to select candidate sites for PV UOG facilities. Among these are the cost of interconnection, substation capacity, and local transmission capacity.³ Each of these factors favors project sites that would reduce or eliminate the need for costly upgrades to the transmission and distribution system. Indeed, the PV Program as a whole was proposed in part because distributed generation may reduce the transmission-related delay and cost related to bringing new sources of renewable power to load centers. Accordingly, PG&E has proposed appropriate siting criteria to optimize the locational value of sites and to reduce potential costs related to transmission upgrades.

DRA’s recommendation stems from its desire to ensure that PV UOG projects optimize the locational value of sites, including the ability to postpone or eliminate transmission system upgrades. Since PG&E and DRA share the general concern of capturing any locational value of PG&E UOG PV projects, PG&E will use the LCR designation as a tie breaker when selecting sites, when and if all other variables of site selection criteria are equal.

Effective Date

PG&E requests that Advice Letters 3691-E and 3691-E-A be approved on September 14, 2010, the date of this filing.

³ See Advice Letter 3691-E at 8.

Protests

Because this supplement is being filed to clarify PG&E's advice letter, PG&E requests that the comment period be waived. Parties had the opportunity to protest the original advice filing and this supplement only addresses the protest received.

Notice

In accordance with General Order 96-B, Section IV, a copy of this Advice Letter is being sent electronically and via U.S. mail to parties shown on the attached service list and the service lists for R.08-08-009 and A.09-02-019. Address changes to the General Order 96-B service list should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 973-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Jane Yura /ent". The signature is written in a cursive style.

Jane K. Yura
Vice President – Regulation and Rates

cc: Service List for R.08-08-009
Service List for A.09-02-019
Sean Simon – Energy Division
Amy Baker – Energy Division

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3691-E-A**

Tier: **2**

Subject of AL: **Supplemental Filing -Request for Approval of Implementation and Administration Details for Pacific Gas and Electric's Utility-Owned Generation Solar Photovoltaic Program**

Keywords (choose from CPUC listing): Compliance, UEG/Utility Electric Generation

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.10-04-052

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: No

Resolution Required? Yes No

Requested effective date: **September 14, 2010**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Jane Yura

Vice President, Regulation and Rates

77 Beale Street, Mail Code B10B

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Alcantar & Kahl	Department of Water Resources	Northern California Power Association
Ameresco	Department of the Army	Occidental Energy Marketing, Inc.
Anderson & Poole	Dept of General Services	OnGrid Solar
Arizona Public Service Company	Division of Business Advisory Services	Praxair
BART	Douglass & Liddell	R. W. Beck & Associates
BP Energy Company	Downey & Brand	RCS, Inc.
Barkovich & Yap, Inc.	Duke Energy	Recon Research
Bartle Wells Associates	Dutcher, John	Recurrent Energy
Bloomberg New Energy Finance	Economic Sciences Corporation	SCD Energy Solutions
Boston Properties	Ellison Schneider & Harris LLP	SCE
Brookfield Renewable Power	Foster Farms	SMUD
C & H Sugar Co.	G. A. Krause & Assoc.	SPURR
CA Bldg Industry Association	GLJ Publications	San Francisco Public Utilities Commission
CAISO	Goodin, MacBride, Squeri, Schlotz & Ritchie	Santa Fe Jets
CLECA Law Office	Green Power Institute	Seattle City Light
CSC Energy Services	Hanna & Morton	Sempra Utilities
California Cotton Ginners & Growers Assn	Hitachi	Sierra Pacific Power Company
California Energy Commission	International Power Technology	Silicon Valley Power
California League of Food Processors	Intestate Gas Services, Inc.	Silo Energy LLC
California Public Utilities Commission	Lawrence Berkeley National Lab	Southern California Edison Company
Calpine	Los Angeles Dept of Water & Power	Sunshine Design
Cameron McKenna	Luce, Forward, Hamilton & Scripps LLP	Sutherland, Asbill & Brennan
Cardinal Cogen	MAC Lighting Consulting	Tabors Caramanis & Associates
Casner, Steve	MBMC, Inc.	Tecogen, Inc.
Chris, King	MRW & Associates	Tiger Natural Gas, Inc.
City of Glendale	Manatt Phelps Phillips	Tioga Energy
City of Palo Alto	McKenzie & Associates	TransCanada
Clean Energy Fuels	Merced Irrigation District	Turlock Irrigation District
Coast Economic Consulting	Mirant	U S Borax, Inc.
Commerce Energy	Modesto Irrigation District	United Cogen
Commercial Energy	Morgan Stanley	Utility Cost Management
Consumer Federation of California	Morrison & Foerster	Utility Specialists
Crossborder Energy	NRG West	Verizon
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	Wellhead Electric Company
Day Carter Murphy	Norris & Wong Associates	Western Manufactured Housing Communities Association (WMA)
Defense Energy Support Center	North America Power Partners	eMeter Corporation
	North Coast SolarResources	