

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Investigating Report on the
Commission's Own Motion Into
Combined Heat and Power Pursuant to
Assembly Bill 1613

R.08-06-024
(Filed June 26, 2008)

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES
AND THE UTILITY REFORM NETWORK TO PETITION TO MODIFY
DECISION 09-12-042 BY PACIFIC GAS & ELECTRIC, SOUTHERN
CALIFORNIA EDISON, AND SAN DIEGO GAS & ELECTRIC**

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March 4, 2010

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I. INTRODUCTION

Pursuant to Rule 16.1(d) of the California Public Utilities Commission's (Commission or CPUC) Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) hereby respond to the Petition To Modify (PTM) Decision (D.) 09-12-042 (the CHP Decision), by Pacific Gas & Electric(PG&E), Southern California Edison(SCE), and San Diego Gas & Electric (SDG&E), (collectively, the IOUs). The Petition to Modify was filed on February 2, 2010.

II. DISCUSSION

A. The Lower Cost MPR Should Be Used

The PTM asks to modify the option 1 pricing for AB 1613 Combined Heat and Power (CHP) contracts using the 2009 Market Price Referent (MPR) components instead of the 2008 MPR components to reduce customer costs and use the most up-to-date information. TURN and DRA agree with this requested modification because up-to-date information provides best estimate of cost and would result in a reduction in ratepayer costs.

B. The Price Should Clearly Be Stated As Fixed

The PTM also seeks to modify Exhibit C of the AB 1613 contract form to correct the “Fixed Price Component” of the price paid so as to be a constant value during the entire term rather than allowing for an escalation of the fixed price. DRA and TURN agree that the language in the contract form should be clarified. As it is written, the contract language could be interpreted to mean that the fixed price will be adjusted yearly, which is incorrect since the values at issue have already been escalated once in the process of developing a levelized price.

C. The Greenhouse Gas Compliance Costs Component of the Fixed Price should be Clearly Defined

The CHP Decision defines fixed component as the fixed component of the 2008 MPR minus Greenhouse Gas (GHG) compliance costs, in \$/kWh based on 10-year contracts. (D.09-12-042, p. 38) The PTM seeks to modify the decision to clarify the definition of the GHG compliance cost and what GHG compliance costs should be applied toward the fixed component of the CHP pricing option. DRA and TURN agree that the GHG compliance costs should explained distinctly.

D. The Price Paid Under the AB 1613 Form Contract Should Be Changed To Reflect the As-Available Characteristics of the CHP Product

The PTM next asks to reduce the price paid to reflect the as-available characteristics of the CHP product. The PTM articulated that the eligible CHP units are as-available resources. TURN and DRA agree with this suggested change.

E. The Suggested ‘Clean-Up’ Modifications to Certain Provisions of the Form Power Purchase Agreements are not Objectionable

DRA and TURN do not object to the contract modifications suggested as a part of Section V of the PTM.

III. CONCLUSION

For the reasons stated herein, the CHP Decision should be modified as suggested herein.

Respectfully submitted,

/s/ MITCHELL SHAPSON

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March 4, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES AND THE UTILITY REFORM NETWORK TO PETITION TO MODIFY DECISION 09-12-042 BY PACIFIC GAS & ELECTRIC, SOUTHERN CALIFORNIA EDISON, AND SAN DIEGO GAS & ELECTRIC** in **R.08-06-024** by using the following service:

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Executed on **March 4, 2010** at San Francisco, California.

/s/ HALINA MARCINKOWSKI

Halina Marcinkowski

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R.08-06-024

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