

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

Application of Pacific Gas and Electric
Company (U 39 E) for Approval of 2009
Energy Efficiency Incentives

Application 11-06-____
(Filed June 27, 2011)

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 E) FOR APPROVAL OF 2009 ENERGY EFFICIENCY
INCENTIVES**

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Pursuant to California Public Utilities Commission (CPUC or Commission) Decision (D.) 10-12-049,^{1/} Pacific Gas and Electric Company (PG&E) submits this application for approval of energy efficiency incentives (Application) for successful administration of its 2009 energy efficiency portfolio.^{2/}

I. EXECUTIVE SUMMARY

As a national leader in energy efficiency, California has long since established energy efficiency as its top priority energy resource and has acknowledged the importance of incenting the continued investment in energy efficiency to support its role as a core component of the California utility business model.^{3/} The Commission has continually reaffirmed its commitment to these principles and in D.10-12-049, ordered each of the Investor-Owned Utilities (IOUs) to submit an application for approval of

^{1/} *Decision Regarding The Risk/Reward Incentive Mechanism Earnings True-Up For 2006-2008*, issued December 27, 2010 in R.09-01-019.

^{2/} PG&E's Application is also filed pursuant to the Commission's Rules of Practice and Procedure, Rules 2 and 3.2(a).

^{3/} *See Energy Action Plan 2008 Update*, <http://www.energy.ca.gov/2008publications/CEC-100-2008-001/CEC-100-2008-001.PDF> [as of March 7, 2011], p. 8; *see also* D.10-12-049, pp. 6, 7 and FOF 1.

energy efficiency incentives for energy savings during program year 2009.^{4/} The Commission has also recognized that for an incentive mechanism to effectively promote those goals, it must provide the opportunity for annual earnings for successful implementation of energy efficiency programs.^{5/} In accordance with these principles, the Commission ordered the IOUs to file their respective applications no later than June 30, 2011 to allow sufficient time for the Commission to issue a final decision on the applications by December 31, 2011.^{6/}

In D.10-12-049, the Commission set forth specific requirements regarding the content of this application and ordered that specific assumptions and methodologies should be used as the basis for calculation of incentives in the application.^{7/} In accordance with those Commission directives and requirements, PG&E submits its application for approval of \$32.4 million in energy efficiency incentives for program year 2009. In support of this Application, PG&E also concurrently submits its Prepared Testimony and the appendices attached thereto.

II. PG&E CUSTOMERS REALIZED SIGNIFICANT ENERGY SAVINGS AS A RESULT OF PG&E'S 2009 ENERGY EFFICIENCY PROGRAMS

PG&E customers realized significant gas and electric savings as a result of PG&E's Commission-approved 2009 energy efficiency programs. As shown in Table 1 below, in 2009, PG&E customers realized energy savings of 2,031 gigawatt hours, 327 megawatts and 17 MM Therms through PG&E's energy efficiency resource programs. When compared to the Commission's 2009 savings goals, PG&E's 2009 energy

^{4/} See generally, D.08-01-042, *Interim Opinion: Joint Petition For Modification Of Decision 07-09-043*, issued Feb. 1, 2008 in R.06-04-010, FoF 1-3; see also FN 10 *infra*.

^{5/} See generally, D.08-01-042, *Interim Opinion: Joint Petition For Modification Of Decision 07-09-043*, issued Feb. 1, 2008 in R.06-04-010, FoF 1-3; see also FN 10 *infra*.

^{6/} D.10-12-049, OP 4.

^{7/} *Id.*

efficiency programs achieved 200%, 142% and 115%, of the Commission’s 2009 energy goals for gigawatt hours, megawatts and MMTherms respectively, and resulted in \$942 million in net resource benefits for PG&E’s customers.

Table 1
Pacific Gas and Electric Company
2009 Energy Efficiency Program Savings as Percentage of Goal

	GWH	MW	MMTherms
2009 CPUC Goals ^{8/}	1,014.0	230.0	15.0
2009 Accomplishments ^{9/}	2,031.2	327.5	17.3
% of CPUC Goals (by individual metric)	200%	142%	115%
% of CPUC goals (overall)	152%		

These energy savings contributed significantly to California’s ambitious greenhouse gas emission reduction goals resulting in the reduction of 1.1 million metric tons of greenhouse gas emissions—the equivalent to removing 185,000 cars from California’s roads. PG&E also invested in non-resource programs (programs that do not directly produce energy savings), such as the Education and Training centers and Emerging Technologies projects.

^{8/} See generally, D.08-01-042, *Interim Opinion: Joint Petition For Modification Of Decision 07-09-043*, issued Feb. 1, 2008 in R.06-04-010, FoF 1-3; see also FN 10 *infra*.

^{9/} As specified in the Energy Efficiency Policy Manual, Version 4.0 (August 2008), energy efficiency program performance consists of accomplishments from three areas, Energy Efficiency (EE), Low Income Energy Efficiency (LIEE), and Codes and Standards (C&S): EE savings were taken from the Evaluation Reporting Template (ERT) results based on gross ex-ante savings with EDIRate. The C&S savings are from Appendix Q of the 2009 Energy Efficiency Evaluation Report, issued January 2011). The Low Income Energy Efficiency savings are from PG&E’s 2009 LIEE Annual Report.

III. REGULATORY AUTHORITY FOR THIS APPLICATION

- A. In D.10-12-049, the Commission ordered the IOUs to file an incentive application for program year 2009 and set forth clear requirements regarding the content of the application and the methodology to be used.**

In D.10-12-049, the Commission extended the incentive mechanism to the 2009 program year.^{10/} With some modifications, the Commission ordered the IOUs to apply the methodology adopted for the 2006-2008 incentive mechanism when calculating the amount of energy efficiency incentives in their respective program year 2009 incentive applications.^{11/} Specifically, the Commission ordered the IOUs to use *ex ante* values—“parameters that were in place at the time the Commission approved the utility energy efficiency portfolios” to measure both (1) performance against the Commission’s energy savings goals (Minimum Performance Standard); and (2) the net benefits used to calculate the incentive amount for 2009 (Performance Earnings Basis).^{12/} The Commission also ordered the IOUs to apply the reduced, seven percent shared savings rate adopted in that decision in their 2009 incentive applications.^{13/} Finally, the Commission ordered the IOUs to comply with the following specific directives in submitting their respective incentive applications for program year 2009.^{14/}

- File an application for 2009 energy efficiency incentives no later than June 30, 2011;

^{10/} The Commission extended the incentive mechanism to the 2009 energy efficiency programs so as not to “create an ‘unwarranted omission’ in the treatment of the efforts the utilities undertook to promote energy efficiency in that year.” D.10-12-049, p. 60; *see also* OP 4.

^{11/} *Id.*

^{12/} *Id.* at p. 3, *see* OP 4.

^{13/} *Id.* at App A, OP 4.

^{14/} *Id.* at OP 4.

- Use the Risk Reward Spreadsheet Template provided by the Energy Division to calculate the net benefits of the 2009 portfolio and the corresponding amount of incentives. The Risk Reward Template excludes consideration of 2004-2005 goals and savings, includes net goals for program years 2006-2008 and gross goals for the 2009 program year, accounts for the 50% decay in savings for program years 2006-2008, and includes verified Codes and Standards (50% of savings from pre-2006 advocacy and 100% of savings from post-2005 advocacy^{15/}) as directed by the Commission;
 - Recalculate the 2009 *ex ante* savings in the Evaluation Reporting Template (ERT) tool to reflect gross *ex ante* savings; and
 - Incorporate estimated net benefits attributable to post-2005 C&S program advocacy efforts for purposes of calculating the 2009 incentive.
- B. PG&E has satisfied the requirements set forth in D.10-12-049 and is eligible for energy incentives for program year 2009.**

As discussed in this Application and the accompanying Prepared Testimony, PG&E has complied with the requirements set forth by the Commission in D.10-12-049 for submission of this Application. Based on the Commission-mandated methodology for calculation of energy efficiency incentives for program year 2009 set forth in that

^{15/} With respect to Codes and Standards, D.10-12-049 contains a typographical error in OP 4. OP 4 directs the IOUs to calculate “C&S savings using 50% for pre-2006 and 100% **post-2006** as directed in other Commission directives.” [emphasis added]. It should read “50% for pre-2006 and 100% for **post-2005**...” [emphasis added]. See Energy Efficiency Policy Manual Version 4.0, August 2008, Section VIII.2.d.3.b, page 21 stating that “[o]ne hundred (100) percent of verified savings from **post-2005** Codes and Standards Advocacy Programs shall count towards the energy savings goals, minimum performance standards and performance earnings basis for the 2006 - 2008 and 2009 - 2011 program cycles.” (emphasis added).

decision, PG&E is eligible for energy efficiency incentives as presented in this Application for successful administration of its 2009 energy efficiency portfolio as follows:

- PG&E demonstrated that the cumulative energy savings from its 2006-2009 energy efficiency programs exceeded the Minimum Performance Standard (MPS) as required by D.07-09-043 and D.10-12-049. (See Prepared Testimony Sec. C.1.a. and App. A thereto). As shown in Table 2 below, for program years 2006-2009 PG&E exceeded the 80% MPS threshold for each individual savings metric, as well as the 85% threshold across the three savings metrics combined. As such, PG&E is eligible for energy efficiency incentives for program year 2009.

Table 2
Pacific Gas and Electric Company
2006 – 2009 Energy Efficiency Accomplishments Towards CPUC Goals

	GWH	MW	MMTherms
2006 - 2009 CPUC Goals	3,840.0	843.0	60.0
2006 - 2009 Accomplishments	6,048.7	996.4	88.2
% of CPUC Goals (by individual metric)	158%	118%	147%
% of CPUC goals (overall)	141%		

- PG&E used the Energy Division prescribed Risk Reward Template Spreadsheet (App. A to Prepared Testimony) and Evaluation Reporting Template (ERT) (App. B to Prepared Testimony) to compute energy savings and calculate the amount of incentives for program year 2009 presented in this Application. Consistent with D.10-12-049, and acting upon a recommendation from CPUC's Energy Division, PG&E made a correction to the ERT to correct a known error. In compliance with D.10-12-049, that correction is detailed in PG&E's Prepared Testimony and in Appendix E thereto.
- PG&E incorporated Post-2005 Codes and Standards (C&S) advocacy net benefits when calculating the energy efficiency incentives presented in this Application. The methodology used to calculate the C&S benefits is discussed in detail in PG&E's Prepared Testimony and Appendix C thereto and is consistent with the methodology used by the CPUC's Energy Division in calculating C&S savings for the 2006-2009 period.
- Per the CPUC's directives, PG&E included *ex ante* energy savings from Compact Fluorescent Lights incented in the 2006-2008 program cycle but installed in 2009 when calculating the incentives presented in this Application. As explained in Appendix D to Prepared Testimony, PG&E used CPUC's Energy Division's data and corrected a known error so that savings reflected *ex ante* values, per D.10-12-049.

In addition to meeting the MPS requirements and satisfying the specific directives of D.10-12-049 in preparing this Application, PG&E, Southern California Edison, Southern California Gas Company, and San Diego Gas and Electric Company (Joint Utilities) worked in collaboration with CPUC's Energy Division to ensure that the

information and methodology presented in their respective applications and discussed in this section was appropriate, in accordance with the Commission's directives as set forth in D.10-12-049, presented in a consistent format across the IOU's respective applications, and implemented correctly in the ERT software required by the Commission.

IV. REVENUE REQUIREMENT AND RATEMAKING PROPOSALS

The total electric distribution revenue requirement and gas transportation revenue requirement will change as a result of PG&E's energy efficiency incentive claim proposed herein. The incremental electric revenue requirements revenue is \$27.2 million in 2012 which is less than a (0.25 percent increase over 2011 revenue requirements). The incremental gas transportation revenue requirements revenue is \$5.2 million in 2012 which is less than (0.20 percent increase over 2011 revenue requirements).

PG&E's rate recovery proposal is discussed further in its prepared testimony.

V. TESTIMONY AND APPENDICES

In support of this Application, PG&E submits its Prepared Testimony, including the following appendices thereto:

Appendix A: Risk Reward Spreadsheet Template (included in DVD)
(RRIMCalculator2009_Template#04 PGE_Only.xls)

Appendix B: ERT database files (included in DVD)
Gross Ex-Ante Savings (ERT(v5_5_6)_2003_compatible
Gross_IRate.mdb)
Net Ex-Ante Savings (ERT(v5_5_6)_2003_compatible IRate.mdb)

Appendix C: Codes and Standards (Post 2005 advocacy work in 2009)

Attachment 1: HMG Memo on assumptions and methodology used to quantify post-2005 advocacy work in 2009

Attachment 2 (included in DVD): E3 calculator input file created by HMG (E3_Input.xlsm); E3 calculator output file (E3_Output.xls)

Appendix D: Documentation of gross and net ex-ante energy savings for CFLs incited in 2006 – 2008 and installed in 2009

Attachment 1: Residential CFL bulbs incited in 2006 – 2008 and installed in 2009 (from Energy Division/KEMA)

Attachment 2: Non-Residential CFL bulbs incited in 2006 – 2008 and installed in 2009 (from Energy Division/KEMA)

Attachment 3: Average residential wattage of CFL bulbs incited in 2006 – 2008 and installed in 2009 (Residential)

Attachment 4: Average non-residential wattage of CFL bulbs incited in 2006 – 2008 and installed in 2009 (Non-Residential)

Appendix E: Documentation of 2009 ERT Changes and Procedures

VI. COMPLIANCE WITH THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE AND OTHER REQUIREMENTS

A. Statutory Authority

PG&E’s application is made pursuant to Sections 399.8, 451, and 890 of the Public Utilities Code, and prior decisions and orders of the Commission, including Decision 10-12-049, Ordering Paragraph 4.

B. Categorization, Hearings, and Issues to be Considered (Rules 2.1(c) and 7.1)

1. Proposed Category

PG&E proposes that this Application be categorized as a “rate setting” proceeding.^{16/}

2. Need for Hearing

PG&E submits that hearings will not be needed to address this Application, as PG&E’s Application complies with the requirements set forth for in D.10-12-049. PG&E’s Application and Prepared Testimony constitute a sufficient record for the Commission to rule on PG&E’s Application. To the extent hearings are deemed

^{16/} Rule 1.3(e) defines “rate setting” as “proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities) or establishes a mechanism that in turn sets rates for a specifically named utility or utilities.”

necessary, PG&E proposes a procedural schedule that would allow this Application to be resolved no later than December 1, 2011. PG&E's proposed procedural schedule is set forth in subsection 4, below.

3. Issues to be Considered

The following issues should be considered in this proceeding: (a) PG&E's compliance with the Commission's directives set forth in D.10-12-049 regarding submission of this Application; and (b) PG&E's cost recovery recommendation.

4. Proposed Schedule

PG&E is ready to proceed with its showing in support of this Application immediately and has concurrently served a Notice of Availability of its Prepared Testimony and appendices that accompany this Application. If hearings are required, PG&E proposes the following schedule in order to obtain a timely final decision by December 2011.

ACTIVITY	PROPOSED SCHEDULE
Applications Filed	June 27, 2011
Daily Calendar Notice	June 28, 2011
Responses to Applications	July 28, 2011
Prehearing Conference	August 1, 2011
Scoping memo	August 5, 2011
DRA and Intervenor testimony	August 19, 2011
Rebuttal testimony	August 31, 2011
Hearings (if necessary)	September 7 – 9, 2011
Concurrent opening briefs	September 20, 2011

Concurrent reply briefs	October 4, 2011
ALJ Proposed Decision	November 1, 2011
Final Decision	December 1, 2011

C. Legal Name and Principal Place of Business (Rule 2.1(a))

Applicant’s legal name is Pacific Gas and Electric Company. PG&E’s principal place of business is San Francisco, California. Its post office address is Post Office Box 7442, San Francisco, California 94120.

D. Correspondence and Communication Regarding This Application (Rule 2.1(b))

Correspondence regarding this Application should be directed to PG&E as follows:

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E. Articles of Incorporation (Rule 2.2)

PG&E has been an operating public utility corporation organized under California law since October 10, 1905. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E’s Restated Articles of Incorporation, effective April 12, 2004, is on record before the Commission in connection with PG&E’s Application 04-05-005, filed with the Commission on May 3,

2004. These Articles are incorporated herein by reference pursuant to Rule 2.2 of the Commission's Rules.

F. Balance Sheet and Income Statement (Rule 3.2(a)(1))

PG&E's most recent balance sheet and income statements are contained in Exhibit 1 of this Application.

G. Statement of Presently Effective Rates (Rule 3.2(a)(2))

The presently effective rates PG&E proposes to modify are set forth in Exhibit 2 of this Application.

H. Statement of Proposed Changes and Results of Operations at Proposed Rates (Rule 3.2(a)(3))

This statement is not required since the proposed changes in revenues do not exceed one percent.

I. Summary of Earnings (Rule 3.2(a)(5) and Rule 3.2(a)(6))

A summary of recorded year 2009 revenues, expenses, rate base and rate of return for PG&E's Electric Department is attached as Exhibit 3.

J. Statement of Election of Method of Computing Depreciation Deduction for Federal Income Tax (Rule 3.2(a)(7))

PG&E's statement of the method of computing the depreciation deduction for federal income tax purposes was filed with the Commission on December 21, 2009, as part of PG&E's 2011 GRC Phase 1, A.09-12-020, and is incorporated herein by reference.

K. Most Recent Proxy Statement (Rule 3.2(a)(8))

PG&E's most recent proxy statement, dated March 30, 2011 is attached herewith as Exhibit 4.

L. Type of Rate Change Requested (Rule 3.2(a)(10))

The rate changes sought in this Application do not reflect and pass through to customers increased costs to the corporation for the services furnished by it. Instead, rate changes in this Application compensate the corporation for achieving and exceeding energy efficiency program savings goals set by the Commission.

M. Notice and Service of Application (Rules 3.2(b)-(d))

Within ten days after filing this Application, PG&E will mail a notice stating in general terms the proposed revenues, rate changes, and ratemaking mechanisms requested in this Application to the parties listed in Exhibit 5, including the State of California and cities and counties served by PG&E. PG&E will also publish a notice of the filing of this Application and of proposed changes in rates in a newspaper of general circulation in each county in its service territory. Within 45 days after filing this Application, PG&E will furnish a notice of the proposed rate changes with the regular bills PG&E provides to its customers.

VII. CONCLUSION

WHEREFORE, Pacific Gas and Electric Company respectfully requests that the Commission issue a decision and order no later than December 1, 2011 that:

- A. Approves PG&E's Application for Approval of 2009 Energy Efficiency Incentives in the amount of \$32.4 million for successful implementation of its 2009 energy efficiency programs.
- B. Adopts PG&E's recommendation regarding rate recovery; and
- C. Grants such other and further relief as the Commission finds just and reasonable.

Executed at San Francisco, California, this 24th day of June 2011.

Respectfully submitted,

PACIFIC GAS AND ELECTRIC COMPANY

/s/
STEVEN E. MALNIGHT

VICE PRESIDENT
CUSTOMER ENERGY SOLUTIONS

/s/
MICHAEL R. KLOTZ

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VERIFICATION

I, the undersigned, say:

I am an officer of Pacific Gas and Electric Company, a corporation, and am authorized pursuant to Code of Civil Procedure section 446, paragraph 3, to make this verification for and on behalf of said corporation, and I make this verification for that reason. I have read the foregoing *Application of Pacific Gas and Electric Company For Approval of 2009 Energy Efficiency Incentives* and I am informed and believe that the matters therein concerning Pacific Gas and Electric Company are true.

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

Executed on June 24th, 2011, at San Francisco, California.

/s/

STEVEN E. MALNIGHT

VICE PRESIDENT
CUSTOMER ENERGY SOLUTIONS

CERTIFICATE OF SERVICE BY ELECTRONIC 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 77 Beale Street, San Francisco, California 94105.

On June 27, 2011, I served a true copy of:

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY FOR
APPROVAL OF 2009 ENERGY EFFICIENCY INCENTIVES**

- [XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service lists for R. 09-01-019 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 lists for R. 09-01-019 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 27th day of June, 2011, at San Francisco, California.

/s/

PAMELA J. DAWSON-SMITH