

From: [Redacted]  
Sent: 10/6/2011 11:40:36 AM  
To: 'Eustace, Claire' (claire.eustace@cpuc.ca.gov)  
Cc: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe); Lukins, Chloe (chloe.lukins@cpuc.ca.gov); [Redacted]  
[Redacted] Haga, Robert  
(robert.haga@cpuc.ca.gov)  
Bcc:  
Subject: RE: PG&E's FEPA Application (A.11-08-005)--ED DRs and PG&E's responses

**Confidential Protected Material Enclosed  
Not for Public Disclosure**

Hi Claire,  
Thank you for your email. As I mentioned in our conversation today, Energy Division has not issued any data requests regarding PG&E's FEPA application. We did have a conversation with Energy Division regarding the application and there were a few follow ups. I have provided the follow up information below in case you would like to review. Please note that the information is confidential.

Thank you,

[Redacted]

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**Q:1) What are the sources of the gas forwards?**

A1: The Gas Forwards are from PG&E's Market Data System (MDS). The MDS forward curves are developed using proprietary and confidential broker quotes and a proprietary vendor supplied CurveDeveloper program. Broker quotes are obtained from Amerex and TFS .

**Q:2) Is the escalator in the monthly SRAC forward price and the 2% annual escalator in the Fixed Energy Price being double counted?**

A:2) No. The escalation factor is not double counted. PG&E used the gas forwards from MDS to calculate a SRAC forward price for each month of the amendment term. PG&E then solved for a fixed price, that if escalated 2% per annum, results in an average over the life of contract term that equals the average of the monthly SRAC. This price was \$53.83/MWh. Had PG&E chosen a higher escalation rate, the initial year contract price would have been lower than \$53.83/MWh. Similarly, had PG&E chosen a lower escalation rate, the initial year contract price would have been higher than \$53.83/MWh.

PG&E then reduced the fixed price offered to Sellers from from \$53.83/MWh to

\$53.70/MWh. The \$53.70/MWh price is lower than the average SRAC price and matches the pricing that Seller's had previously received per D. 01-06-015.

This explanation supplements the language on Page 4 of the Application, which described the process used to determine the forward prices in less precise terms. The language reads,

"[t]o create a gas price that is valid for five years, PG&E obtained gas price forecasts, applied the escalation factor that was used in the most recent calculation of the Market Price Referent ("MPR") and levelized the price over the period beginning on September 1, 2011 and ending on August 31, 2016. " To be more specific, the language could read, "[t]o create a fixed price that is valid for five years, PG&E obtained (burner tip) gas price forecasts, (in which PG&E applied the escalation factor to the G-AAOFF and G-EG tariff of the Intrastate Transportation (GTn) component, as used in the most recent calculation of the RPS Market Price Referent ("MPR")) and levelized the resulting SRAC price beginning on September 1, 2011 and ending on August 31, 2016."

**Q:3) Provide the capacity prices and all-in price, but based on historical performance.**

A:3) See Attached.

**Q:4) How did PG&E incorporate GHG charges?**

A:4) PG&E incorporated GHG charges as a gas price adder in the Option A formula. The "GHG Charges per MWh" were calculated as GHG costs per MMBtu multiplied by the Applicable Heat Rate and TOD factors in the Option A formula. GHG Charges were only applied to the period from 2012 to 2014, which is the assumed the Floor Test Period in the Option A formula.

**Q:4a) How does the Fixed Price compare to the SRAC with and without GHG charges in the Option A SRAC?**

A:4a) Without GHG charges, the Fixed Price becomes \$51.42/MWh. With GHG charges that PG&E assumed, the Fixed Price was \$53.83/MWh, which, as stated in the answer to question 2, was reduced to \$53.70/MWh.

**Q:4b) Are the GHG charges included in the market heat rate after 2015?**

A:4b) GHG charges were included in the market heat rate to the extent that the market forward prices for power include the GHG charges. In other words, PG&E didn't add GHG charges to the market forward prices for power when calculating the market heat rate, assuming that the market already prices GHG charges in the forward prices for power.

**Q:4c) If so, what happens to the GHG charges in the Option A SRAC calculations? Finally how are the numbers in the box below calculated/derived (Y4:Z6 in your QF-**

**PPA FEPA excel sheet)?**

A:4c)  $0.907194 \text{ MT/ton} = (2000 \text{ lbs/ton}) / (2204.6 \text{ lbs/MT})$  : this is conversion factor from ton to MT.

10 \$/MT = This is the assumed GHG costs per MT. The \$10/MT is the proposed allowance market price floor of the first year of the Market in the proposed CARB's Proposed Cap and Trade regulation.

$9.0719405 \text{ \$/ton} = (0.907194 \text{ MT/ton}) * (\$10/\text{MT})$  : this is the assumed GHG costs per ton using the conversion factor from ton to MT and \$10/MT.

**From:** Eustace, Claire [mailto:claire.eustace@cpuc.ca.gov]  
**Sent:** Wednesday, October 05, 2011 12:27 PM  
**To:** [Redacted]  
**Cc:** [Redacted] Haga, Robert; Lukins, Chloe  
**Subject:** PG&E's FEPA Application (A.11-08-005)--ED DRs and PG&E's responses

Hi Karen,  
I just wanted to remind you of DRA's data request 1.3, where DRA asked PG&E to submit to DRA data requests from Energy Division and all intervenors other than DRA. I understand that ED has sent DRs to PG&E about this application and PG&E has responded to them. Would you please forward me electronically all data requests and responses that have been sent thus far?

DRA's original data request is attached.

Thank you,

Claire Eustace | Electricity Planning & Policy Branch | Procurement Section | Division of Ratepayer Advocates | [claire.eustace@cpuc.ca.gov](mailto:claire.eustace@cpuc.ca.gov) | 415-703-1889

**From:** Eustace, Claire  
**Sent:** Tuesday, August 23, 2011 10:51 AM  
**To:** [Redacted]  
**Cc:** [Redacted] Haga, Robert; Lukins, Chloe  
**Subject:** DRA's First Data Request for PG&E's FEPA Application (A.11-08-005)

Dear Karen:  
Please see DRA's first set of data requests for A.11-08-003, attached. I am requesting an expedited, September 1 due date for responses because protests are due on September 7. I understand that PG&E has up to September 6 to respond.

Thank you.

Best Regards,

Claire Eustace | Electricity Planning & Policy Branch | Procurement Section | Division of Ratepayer  
Advocates | [claire.eustace@cpuc.ca.gov](mailto:claire.eustace@cpuc.ca.gov) | 415-703-1889