

From: [Redacted]  
Sent: 1/31/2012 10:31:08 AM  
To: Turhal, Cem (cem.turhal@cpuc.ca.gov)  
Cc: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe); [Redacted]  
(law) (/O=PG&E/OU=Corporate/cn=Recipients/cn=[Redacted]); Schwartz, Andrew  
(andrew.schwartz@cpuc.ca.gov)  
Bcc:  
Subject: RE: Questions in regards to Advice 3921-E.

**CONFIDENTIAL INFORMATION PROTECTED UNDER DECISION 06-06-066,  
APPENDIX 1 AND/OR GENERAL ORDER 66-C, AND SUBMITTED UNDER PUBLIC  
UTILITIES CODE SECTION 583**

Hi Cem,

Please find PG&E's answers to your questions below. We will be following up with a confidentiality declaration and matrix.

Please let me know if you have any additional questions.

Thanks,

Karen

**From:** Turhal, Cem [mailto:cem.turhal@cpuc.ca.gov]  
**Sent:** Wednesday, January 25, 2012 4:56 PM  
**To:** [Redacted]  
**Cc:** Schwartz, Andrew  
**Subject:** Questions in regards to Advice 3921-E.

Hi Karen,

Hope all is well.

Per our conversation earlier here are the following items we would like to have some clarity on in regard to the Advice 3921-E ("The five"). The sooner the better and feel free to answer them in chunks as they may come up.

1. The current capacity prices are not reflected in the attachments for either facility. Each facility has identified their existing capacity prices but not their current capacity price. Because the capacity price can fluctuate and the energy and the all in price for each facility is fixed; we thought (to calculate the capacity values for each facility) that we would subtract the energy price from the all in price to derive the maximum capacity price under the amendment. We would use this number in a table identifying the delta between the current and amended price. If you think that this is not an acceptable metric for capacity prices calculations, we would like to you to send us a capacity price under the new amendment for each facility as to determine the difference between the new and current capacity prices.

Redacted

2. The IE also stated that PG&E could procure out-of-state power or RECs at substantially lower prices in the short term, but found that the proposed contract amendments are neither substantially higher in price nor substantially lower in valuation than in-state alternatives. Could you comment on why you elected to procure in-state resources and pay higher prices in doing so?

The Category 2 amendments are price amendments for temporary price relief under existing, long-term agreements. Since deliveries from these contracts are bundled, long-term

procurement, they can be applied to subsequent compliance periods (i.e., the deliveries are eligible for banking).

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3. We are concerned about the lack of price relief justification on the Category 2 biomass facilities. Can you answer the following in regard to this question:
- a. Could you explain the three categories (Category 1-2-3) and provide some background on what/how each of these categories came to be and how the prices were determined under each category.

Category 1: PG&E offered an amendment to all renewable QF facilities which set energy pricing to \$53.70/MWh escalating at 2% per year for the lesser of five years or the existing term of the PPA. This amendment was offered to all renewable QFs to provide price certainty to renewable QFs. The price was calculated based off of a levelization of PG&E's forecast of SRAC.

Redacted

Redacted

- b. Please specify why Category 2 facilities do not need an open book analysis while category three facilities do.

Redacted

4. Finally please confirm that all relevant non-modifiable standard terms and conditions currently required by the Commission for all the Five Facilities in AL 3921-E as amended by AL 3921-E-A, are in fact included with PG&E's AL filing.

Yes, all five transactions include the RPS non-modifiable standard terms and conditions . The RPS non-modifiable standard terms and conditions are included in the following sections of each of the five amendments: Section 1 (definitions of CPUC Approval and Green Attributes); Section 3.2; Section 3.8; Section 3.9(a); Section 3.9(b); and Section 5.C. For Covanta Mendota, Rio Bravo Fresno and Rio Bravo Rocklin, Sections 1, 3.8 and 3.9(b) were modified by letter agreement to conform with the CPUC's non-modifiable language for each of those terms. The amendments and letter agreements were included in Confidential Appendices A1 through A5 to Advice Letter 3921-E filed on October 6, 2011. The relevant letter agreements are dated September 28, 2011 for Covanta Mendota and September 21, 2011 for Rio Bravo Fresno and Rio Bravo Rocklin.

If you have any questions on either of these items please feel free to contact me.

Thank you,

Cem Turhal,

Public Utility Regulatory Analyst

Energy Division, 4A

California Public Utilities Commission

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