

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

Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans.

Rulemaking 10-05-006
(Filed May 6, 2010)

NOTICE OF *EX PARTE* COMMUNICATION

Pursuant to Rule 8.4(a) of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby gives notice of the following ex parte communications. The two communications occurred on Friday, March 9, 2012, at approximately 10:30 a.m., and 11:15 a.m. at the offices of California Public Utilities Commission. The communications were oral and no written material was used. [Rule 8.4(a)]

Erik Jacobson, Senior Director-Regulatory Relations, PG&E, initiated the communications with Matthew Tisdale, Advisor to Michel Florio; and Damon Franz, Advisor to Commission President Michael Peevey. Also in attendance was Marino Monardi, Director-Energy Procurement, PG&E. [Rule 8.4(b)]

Mr. Jacobson stated that the proposed decision effectively shuts the door on utility-owned generation (UOG) and it should be modified to allow for head-to-head competition between UOG and PPAs (Power Purchase Agreements) in all source solicitations. There is no basis for prohibiting such competition given the Commission's prior support for a hybrid market and its approval of mix of new resources that has included both PPAs and PSAs (Power Sale Agreements). The Commission should keep

its options open and not constrain the market by prohibiting UOG participation in RFOs (Request for Offers). Mr. Monardi explained how fair comparisons have been made between PSAs and PPAs in past long-term RFOs. He stated that having PSA bids considered side by side with PPAs helps keep customer costs down. He also explained the difficulty of demonstrating that an RFO has “failed” through an advice letter process. Mr. Monardi described PG&E’s concerns with the proposed decision’s requirement to file a Tier 3 advice letter for approval of any contract less than five years with Once Through Cooling (OTC) units. While PG&E supports a prohibition against contracts to purchase power from OTC units beyond the State Water Resources Control Board compliance deadline, the advice letter approval process is not compatible with the short-term nature of contracting for Resource Adequacy (RA). This advice letter requirement would make it extremely difficult to contract with OTC units for RA prior to 2017 and will result in increased customer costs. [Rule 8.4(c)]

Respectfully submitted,

/s/ BRIAN K. CHERRY

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