



April 24, 2012

Advice 4010-E-A

(Pacific Gas and Electric Company U39-E)

Public Utilities Commission of the State of California

Subject: Supplemental Filing to Pacific Gas and Electric Company's Advice Letter 4010-E (Replacement Power Purchase Agreement with O.L.S. Energy-Agnews, Inc.)

Purpose:

Pacific Gas and Electric Company ("PG&E") hereby submits to the California Public Utilities Commission ("Commission") this supplemental filing to PG&E's Advice Letter 4010-E, dated March 9, 2012 ("Advice Letter").¹ The Advice Letter requests approval of a power purchase agreement between PG&E and O.L.S. Energy-Agnews, Inc. that will replace an existing Qualifying Facility ("QF") contract ("Replacement PPA"). The Advice Letter is currently pending approval by the Commission. The purpose of this supplemental filing is to revise the Advice Letter's request for cost recovery and to clarify the Advice Letter's request regarding the counting of greenhouse gas ("GHG") emissions associated with the Replacement PPA.

Background:

On March 29, 2012, Marin Energy Authority ("MEA") and Alliance for Retail Energy Markets ("AREM") submitted a protest to the Advice Letter that raised concerns about the allocation of costs, resource adequacy ("RA") benefits, and GHG emissions reductions related to the Replacement PPA ("Protest"). Specifically, the Protest claimed that (1) the Advice Letter's request for cost recovery appears to be inconsistent with Decision ("D") 10-12-035, which approved the QF/Combined Heat and Power ("CHP") Settlement; and (2) the Advice Letter is contrary to the QF/CHP Settlement and D.10-12-035 because it intends to allocate GHG reductions to PG&E's emissions reductions targets, notwithstanding the proportionate electric service provider ("ESP") and community choice aggregator ("CCA") emissions reductions targets and the investor-owned utilities' ("IOUs") obligations to procure CHP resources on behalf of ESPs and CCAs.

PG&E reviewed the Advice Letter's cost recovery language quoted in the Protest and discovered that it was in error. In its April 5, 2012 reply to the Protest ("Reply"), PG&E indicated its intent

¹ Supplements to Advice Letters are authorized by General Order 96-B, section 7.5.1.

to revise this language to seek authorization of cost recovery consistent with D.10-12-035 (as modified by D.11-07-010), Section 13.1.2.2 of the QF/CHP Settlement Term Sheet, and PG&E's Advice Letter 3922-E (effective November 23, 2011).² PG&E also indicated in its Reply its intent to revise the Advice Letter's language regarding the counting of GHG emissions reductions. This supplement revises the Advice Letter's cost recovery and GHG language consistent with PG&E's Reply. These revisions are described below.

Revisions to Cost Recovery Language:

In D.10-12-035, the Commission approved the QF/CHP Settlement Agreement, which adopts the QF/CHP Program and requires the IOUs to procure CHP on behalf of direct access ("DA") and CCA customers. Under the Settlement, the IOUs can recover certain QF/CHP Program net capacity costs from DA and CCA customers and must allocate a pro-rata share of RA benefits to ESPs and CCAs.³ PG&E's Advice Letter 3922-E, which became effective on November 23, 2011, explains how net capacity costs for QF/CHP Program contracts will be recovered through PG&E's New System Generation Balancing Account ("NSGBA") and how the remaining costs for such contracts will be recovered through PG&E's Energy Resource Recovery Account ("ERRA").

The Advice Letter requests that the Commission authorize recovery of costs associated with the Replacement PPA through PG&E's ERRA, and authorize recovery of stranded costs consistent with D.08-09-012. However, the Advice Letter should have instead requested cost recovery consistent with the Settlement. Accordingly, this supplement revises the Advice Letter's cost recovery language as follows:

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Given the clear benefits of the Replacement PPA, PG&E requests that the Commission (1) approve the Replacement PPA without modification, and (2) authorize recovery of costs associated with the Replacement PPA through PG&E's Energy Resource Recovery Account ("ERRA"), and (3) authorize recovery of stranded costs consistent with D.08-09-012 the cost recovery mechanisms set forth in D.10-12-035 (as modified by D.11-07-010), Section 13.1.2.2 of the QF/CHP Settlement Term Sheet, and PG&E's Advice Letter 3922-E.

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2. Authorize recovery of the costs associated with the Replacement PPA through PG&E's ERRA and recovery of stranded costs consistent with D.08-09-012 the cost recovery

² PG&E's Advice Letter 3922-E can be found at the following link:
http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC_3922-E.pdf

³ D.10-12-035, as modified by D.11-07-010, Ordering Paragraph 5; QF/CHP Settlement Term Sheet, Section 13.1.2.2, as modified by D.11-07-010.

mechanisms set forth in D.10-12-035 (as modified by D.11-07-010), Section 13.1.2.2 of the QF/CHP Settlement Term Sheet, and PG&E's Advice Letter 3922-E;

Revisions to GHG Language:

Section 6.3 of the QF/CHP Settlement Term Sheet allocates a portion of the California Air Resources Board ("CARB") CHP Recommended Reduction Measure ("RRM") to ESPs and CCAs. In addition, as noted above, under the approved QF/CHP Program the IOUs are obligated to procure CHP on behalf of ESPs and CCAs. The Advice Letter requests that the Commission determine that any GHG reductions associated with the Replacement PPA shall count toward PG&E's GHG Emissions Reduction Targets in the QF/CHP Settlement. In order to clarify that any such emissions reductions should count toward the GHG Emissions Reduction targets in the Settlement, including the requirement that PG&E procure on behalf of ESPs and CCAs, this supplement makes the following revisions to the Advice Letter:

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PG&E also requests that the Commission determine that any GHG reductions associated with the Replacement PPA shall count toward ~~PG&E's~~ the GHG Emissions Reduction Targets in the QF/CHP Settlement, and find that the Replacement PPA is not a covered procurement subject to the Emissions Performance Standard ("EPS") adopted in D.07-01-039.

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PG&E is requesting that the Commission determine that any GHG reductions associated with the Replacement PPA count toward ~~PG&E's~~ the GHG Emissions Reduction targets included in the QF/CHP Settlement.

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3. Determine that any GHG reductions associated with the Replacement PPA count toward ~~PG&E's~~ the GHG Emissions Reduction targets included in the QF/CHP Settlement; and

Effective Date:

PG&E submits this supplement with a Tier 3 designation and requests that it become effective concurrently with the Commission's disposition of Advice Letter 4010-E. PG&E has requested approval of Advice Letter 4010-E by no later than September 1, 2012, with an effective date of September 1, 2012.

Protests:

Anyone wishing to protest this supplemental filing may do so by sending a letter by **May 14, 2012**, which is **20** days from the date of this filing. The protest must state the grounds upon

which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Andrew Schwartz, Energy Division, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company
Attention: Brian K. Cherry
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-6520
E-Mail: PGETariffs@pge.com

Notice:

In accordance with General Order 96-B, Section IV, a copy of this supplemental filing is being sent electronically and via U.S. mail to parties shown on the attached list and the R.10-05-006 official service list. Address changes to the General Order 96-B service list should be directed to PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Brian Chewy". The signature is written in a cursive style and includes a large, stylized flourish at the end that resembles the letters "JCW".

Vice President – Regulation and Rates

cc: Service List for R.10-05-006
Andrew Schwartz, Energy Division, CPUC
Jennifer Kalafut, Energy Division, CPUC
Jason Houck, Energy Division, CPUC
Joseph Abhulimen, DRA, CPUC
Elizabeth Rasmussen, MEA/AReM
Sarah Gardner, MEA/AReM
Dan Douglass, MEA/AReM

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:

- ELC GAS
 PLC HEAT WATER

Contact Person: Kimberly Chang

Phone #: (415) 973-5472

E-mail: kwcc@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
 PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4010-E-A**

Tier: **3**

Subject of AL: **Supplemental Filing to Pacific Gas and Electric Company's Advice Letter 4010-E (Replacement Power Purchase Agreement with O.L.S. Energy-Agnews, Inc.)**

Keywords (choose from CPUC listing): Compliance, Agreements, Contracts

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.10-12-035

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? Yes No

Requested effective date: **September 1, 2012 (Concurrent with PG&E Advice Letter 4010-E)**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Ave.,
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

AT&T	Dept of General Services	Northern California Power Association
Alcantar & Kahl LLP	Douglass & Liddell	Occidental Energy Marketing, Inc.
Ameresco	Downey & Brand	OnGrid Solar
Anderson & Poole	Duke Energy	Praxair
BART	Economic Sciences Corporation	R. W. Beck & Associates
Barkovich & Yap, Inc.	Ellison Schneider & Harris LLP	RCS, Inc.
Bartle Wells Associates	Foster Farms	Recurrent Energy
Bloomberg	G. A. Krause & Assoc.	SCD Energy Solutions
Bloomberg New Energy Finance	GLJ Publications	SCE
Boston Properties	GenOn Energy, Inc.	SMUD
Braun Blaising McLaughlin, P.C.	Goodin, MacBride, Squeri, Schlotz & Ritchie	SPURR
Brookfield Renewable Power	Green Power Institute	San Francisco Public Utilities Commission
CA Bldg Industry Association	Hanna & Morton	Seattle City Light
CLECA Law Office	Hitachi	Sempra Utilities
CSC Energy Services	In House Energy	Sierra Pacific Power Company
California Cotton Ginners & Growers Assn	International Power Technology	Silicon Valley Power
California Energy Commission	Intestate Gas Services, Inc.	Silo Energy LLC
California League of Food Processors	Lawrence Berkeley National Lab	Southern California Edison Company
California Public Utilities Commission	Los Angeles Dept of Water & Power	Spark Energy, L.P.
Calpine	Luce, Forward, Hamilton & Scripps LLP	Sun Light & Power
Cardinal Cogen	MAC Lighting Consulting	Sunrun Inc.
Casner, Steve	MBMC, Inc.	Sunshine Design
Center for Biological Diversity	MRW & Associates	Sutherland, Asbill & Brennan
Chris, King	Manatt Phelps Phillips	Tabors Caramanis & Associates
City of Palo Alto	McKenzie & Associates	Tecogen, Inc.
City of Palo Alto Utilities	Merced Irrigation District	Tiger Natural Gas, Inc.
City of San Jose	Modesto Irrigation District	TransCanada
City of Santa Rosa	Morgan Stanley	Turlock Irrigation District
Clean Energy Fuels	Morrison & Foerster	United Cogen
Coast Economic Consulting	Morrison & Foerster LLP	Utility Cost Management
Commercial Energy	NLine Energy, Inc.	Utility Specialists
Consumer Federation of California	NRG West	Verizon
Crossborder Energy	NaturEner	Wellhead Electric Company
Davis Wright Tremaine LLP	Navigant Consulting	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	Norris & Wong Associates	eMeter Corporation
Defense Energy Support Center	North America Power Partners	
Department of Water Resources	North Coast SolarResources	