



May 14, 2012

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Re: Protest of Marin Energy Authority, Alliance for Retail Energy Markets,¹ and the Direct Access Customer Coalition,² and the Energy Users Forum to PG&E Advice Letter 4010-E-A

On April 24, 2012, Pacific Gas and Electric Company (“PG&E”) submitted Advice Letter 4010-E-A, which supplemented PG&E’s Advice Letter (“AL”) 4010-E dated March 9, 2012. The supplemental information contained in AL 4010-E-A was intended to address the issues raised in the Protest of the Marin Energy Authority (“MEA”) and the Alliance for Retail Energy Markets (“AREM”) dated March 29, 2012 (the “Original Protest”). Specifically, the Original Protest requested the correct allocation of (i) costs and resource adequacy (“RA”) benefits, and (ii) greenhouse gas (“GHG”) emissions reductions related to PG&E’s proposed Replacement Power Purchase Agreement (“PPA”) with O.L.S. Energy-Agnews, Inc.

Pursuant to the Original Protest request, AL 4010-E-A correctly allocates the costs associated with the PPA in accordance with the Combined Heat and Power Settlement (“CHP Settlement”) approved by the Commission in Decision (“D”) 10-12-035. However, AL 4010-E-A does not address two of the protest issues raised by MEA and AREM, and MEA, AREM, the Direct Access Customer Coalition (“DACC”) and the Energy Users Forum (“EUF”) raise these issues here. Specifically, AL 4010-E-A does not allocate (1) RA benefits or (2) the GHG benefits in accordance with the CHP Settlement

1. AL 4010-E-A Does Not Allocate RA Benefits as Required by Decision 10-12-035

As stated in the Original Protest, D. 10-12-035, Ordering Paragraph 5, clearly requires:

Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall procure combined heat and power resources on behalf of electric service providers (ESPs) and

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¹ AREM is a California mutual benefit corporation whose members are electric service providers that are active in California's direct access market. The positions taken in this filing represent the views of AREM but not necessarily those of any individual member of AREM or the affiliates of its members with respect to the issues addressed herein.

² DACC is a regulatory alliance of educational, commercial and industrial customers that utilize direct access for all or a portion of their electric load.

community choice aggregators (CCAs) and shall allocate the resource adequacy benefits and net capacity costs associated with this procurement to the ESPs and CCAs as described in Section 13.1.2.2 of the Term Sheet attached to the October 8, 2010 “Qualifying Facility and Combined Heat and Power Settlement Agreement.”

As a result, the following revisions will need to be made to AL 4010-E-A:

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For this reason, PG&E found it prudent to negotiate with Agnews for a replacement contract that would allow, among other benefits, removal of the “must take” obligation, enhanced operational flexibility resulting from PG&E’s scheduling rights, GHG emission reductions, and continued rights to the Resource Adequacy (“RA”) benefits from the facility. Such RA benefits will be allocated among PG&E, electric service providers (“ESP”) and community choice aggregators (“CCAs”) as described in D. 10-12-035 (Ordering Paragraph 5).

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PG&E will continue to receive all rights to the RA value from the Facility. Such RA value will be allocated among PG&E, ESPs and CCAs as described in D. 10-12-035 (Ordering Paragraph 5).

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3. Allocate the RA benefits and value among PG&E and ESPs and CCAs in PG&E’s service territory accordance with D. 10-12-035 (Ordering Paragraph 5);³

2. AL 4010-E-A Does Not Clearly Allocate the GHG Benefits Associated with the Facility

In the Original Protest, MEA and AReM noted that PG&E incorrectly allocated the GHG benefits associated with the Facility only to PG&E. In response to the Original Protest, PG&E has requested that the GHG benefits count toward “the” GHG Emissions Reduction targets rather than “PG&E’s” GHG Emissions Reduction targets. This revision is not clear and should be rejected in favor of the revisions proposed below.

As stated in the Original Protest, the Commission concluded in D. 10-12-035 that “ESPs should be subject to the same GHG emissions reduction requirements as the IOUs” (Conclusion of Law 8), and that the IOUs “shall procure combined heat and power resources on behalf of [ESPs] and [CCAs]. (Ordering Paragraph 5) As a result, the following revisions will need to be made to AL 4010-E as proposed to be amended by AL 4010-E-A:

³ Concluding Paragraphs 3 and 4 on Page 7 of AL 4010-E will need to be renumbered accordingly.

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PG&E also requests that the Commission determine that any GHG reductions associated with the Replacement PPA shall count toward the GHG Emissions Reduction Targets in the QF/CHP Settlement for PG&E and ESPs and CCAs within PG&E's service territory, 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 the GHG Emissions Reduction targets included in the QF/CHP Settlement for PG&E and ESPs and CCAs within PG&E's service territory.

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34. Determine that any GHG reductions associated with the Replacement PPA count toward the GHG Emissions Reduction targets included in the QF/CHP Settlement for PG&E and ESPs and CCAs within PG&E's service territory; and

MEA, AReM and DACC thank the Energy Division for their attention to these requests.

Respectfully Submitted,



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Marin Energy Authority

And on behalf of:
Alliance for Retail Energy Markets
Direct Access Customer Coalition
Energy Users Forum

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