



**Brian K. Cherry**  
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June 11, 2012

**Advice 4059-E**  
(Pacific Gas and Electric Company U 39-E)

Public Utilities Commission of the State of California

**Subject: Recovery of Greenhouse Gas (GHG) Procurement Costs through  
PG&E's Energy Resource Recovery Account (ERRA)**

**Purpose**

In compliance with Ordering Paragraph ("OP") 10 of Decision ("D.") 12-04-046, Pacific Gas and Electric Company ("PG&E") hereby requests the California Public Utilities Commission ("CPUC" or "Commission") to authorize PG&E to modify its Energy Resource Recovery Account ("ERRA") preliminary statement to record the procurement costs incurred for the greenhouse gas ("GHG") compliance instrument transactions under the California cap-and-trade program pursuant to Assembly Bill 32 ("AB 32") for recovery in generation rates.

**Background**

In D.12-04-046, the Commission authorized PG&E to procure GHG compliance instruments within a set of parameters to meet its obligations under the AB 32 cap-and-trade program. These parameters are described in PG&E's Bundled Procurement Plan, Appendix L, in AL 4026-E-A. D.12-04-046, OP 10, also authorized PG&E to include the costs incurred for the GHG compliance instrument transactions in its ERRA filing for cost recovery. This advice letter requests that the CPUC authorize PG&E to modify its ERRA preliminary statement so that PG&E can record the procurement costs associated with GHG compliance instruments for recovery in generation rates.

As described in PG&E's GHG Procurement Plan, PG&E will need to procure compliance instruments to meet the compliance requirements associated with its own facilities and imports, as well as the GHG contractual obligations associated with Power Purchase Agreements with third parties that require PG&E to procure GHG compliance products or assume GHG compliance costs for such parties.

The two types of GHG compliance instruments are: (1) GHG allowances – provide the right to emit one mtCO<sub>2</sub>e to satisfy obligations under the Cap-and-Trade Regulation and (2) GHG offsets – represent a verified emission reduction that is accepted by the California Air Resources Board (“CARB”) in lieu of a GHG allowance to satisfy obligations under the cap-and-trade regulation. PG&E is authorized to procure these GHG products through auctions or Allowance Price Containment Reserve held by the CARB, or through a competitive solicitation process or authorized exchanges. The costs associated with these GHG compliance instrument transactions will be recorded in ERRA.

Additional details regarding these costs will be described and approved in PG&E’s ERRA compliance and forecast filings.

### **Tariff Revisions**

PG&E requests that the following line item be added to ERRA as follows:

#### Debit Entry

- GHG Procurement Costs for PG&E’s GHG compliance instrument transactions under the California cap-and trade program pursuant to AB 32.

PG&E has attached the required modification to its Preliminary Statement Part CP, “Energy Resource Recovery Account,” to reflect the entry above. Specifically, Electric Preliminary Statement Part CP, Section 5, is modified to insert a new entry as follows:

- ah) A debit entry equal to the GHG procurement costs for PG&E’s GHG compliance instrument transactions under the California cap-and-trade program pursuant to AB 32.

The existing entries, “ah)” and “ai)” will become “ai)” and “aj)”, respectively.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **July 2, 2012**, which is **21 days**<sup>1</sup> 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:

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<sup>1</sup> The 20 day protest period concludes on a weekend. PG&E hereby moves this date to the following business day.

CPUC Energy Division  
Attention: Tariff Unit, 4th Floor  
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 4004, 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

### **Effective Date**

PG&E requests that this Tier 2 advice letter become effective by **July 11, 2012**, which is 30 calendar days after the date of filing.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this Advice Letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.10-05-006. 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>.



Vice President – Regulation and Rates

cc: Service List R.10-05-006

Attachments

# 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) 972-5472

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) #: **4059-E**

Tier: **2**

Subject of AL: **Recovery of Greenhouse Gas (GHG) Procurement Costs through PG&E's Energy Resource Recovery Account (ERRA)**

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

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D. 12-04-046

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: **July 11, 2012**

No. of tariff sheets: 4

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: Electric Preliminary Statement CP

Service affected and changes proposed: modify its Energy Resource Recovery Account ("ERRA") preliminary statement to record the procurement costs incurred for the greenhouse gas ("GHG") compliance instrument transactions under the California cap-and-trade program pursuant to Assembly Bill 32 ("AB 32") for recovery in generation rates

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](mailto: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](mailto:PGETariffs@pge.com)

**ATTACHMENT 1  
Advice 4059-E**

**Cal P.U.C.  
Sheet No.**

**Title of Sheet**

**Cancelling Cal  
P.U.C. Sheet No.**

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31659-E	ELECTRIC PRELIMINARY STATEMENT PART CP ENERGY RESOURCE RECOVERY ACCOUNT Sheet 1	30645-E
31660-E	ELECTRIC PRELIMINARY STATEMENT PART CP ENERGY RESOURCE RECOVERY ACCOUNT Sheet 8	31466-E
31661-E	ELECTRIC TABLE OF CONTENTS Sheet 1	31607-E
31662-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 14	31468-E



**ELECTRIC PRELIMINARY STATEMENT PART CP**  
**ENERGY RESOURCE RECOVERY ACCOUNT**

Sheet 1

**CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)**

1. **PURPOSE:** The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, QF/Combined Heat and Power (QF/CHP) Program contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), greenhouse gas (GHG) costs for compliance instrument transactions (T) under California cap-and-trade program pursuant to Assembly Bill (AB) (T) 32, expenses or revenues related to renewable energy credits (REC), revenues or costs related to congestion revenue rights (CRRs), revenues or costs related to convergence bidding, Independent Evaluator (IE) costs related to Requests for Offers (RFOs), the technical assistance costs incurred by the Commission and paid by PG&E in connection with the Commission's implementation and administration of the Long-Term Procurement Plan (LTPP) program, fees associated with participating in the Western Renewable Energy Generation Information System (WREGIS), all expenditures related to PG&E's wave energy project (WaveConnect), bilateral contracts, forward hedges, bilateral demand response agreements, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run (RMR) revenues, PG&E's allocation of surplus sales revenues and the ERRA revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA.

(Continued)

Advice Letter No: 4059-E  
 Decision No. 12-04-046

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 Effective \_\_\_\_\_  
 Resolution No. \_\_\_\_\_



**ELECTRIC PRELIMINARY STATEMENT PART CP**  
**ENERGY RESOURCE RECOVERY ACCOUNT**

Sheet 8

**CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)**

**5. ACCOUNTING PROCEDURES: (Cont'd.)**

- ad) A debit entry equal to power purchase payments provided to eligible Net Energy Metering customers for energy produced by on-site generation in excess of consumption over a 12-month period.
- ae) A debit entry equal to the capacity and energy costs for QF/CHP Program contracts.
- af) A credit entry equal to the net capacity costs recorded in the QF/CHP Program subaccount of the New System Generation Balancing Account (NSGBA).
- ag) A debit or credit entry equal to the cost or revenue associated with combined heat and power systems authorized in D.09-12-042, D.10-12-055 and D.11-04-033, and defined in PG&E's tariffs E-CHP, E-CHPS, and E-CHPSA; and
- ah) A debit entry equal to the GHG procurement costs for PG&E's GHG compliance instrument transactions under the California cap-and-trade program pursuant to AB 32. (N)  
|  
|  
(N)
- ai) A monthly entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor; and (T)
- aj) A debit entry equal to the year-end balance transferred from the Long-Term Procurement Plan Technical Assistance Memorandum Account (LTAMA). (T)

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Sheet 1

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

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