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January 30, 2013

Advice 3862-E-B  
(Pacific Gas and Electric Company) D U39 E)

Public Utilities Commission of the State of California

Subject: Second Supplemental Filing for Purchase and Sale Agreement for Procurement of Renewable Energy Credits Between TransAlta Corporation and Pacific Gas and Electric Company

Introduction

Pacific Gas and Electric Company ("PG&E") submits to the California Public Utilities Commission ("Commission" or "CPUC") a second supplemental filing for Advice 3862-E ("Advice Letter"), dated June 16, 2011. In the Advice Letter, PG&E submitted a purchase and sales agreement dated September 15, 2009, amended by the first amendment thereto (collectively, the "PSA") between TransAlta Corporation ("TransAlta") and PG&E for a term of four years. Under the PSA, TransAlta will sell Renewable Energy Credits ("RECs") created by generating renewable portfolio standard ("RPS")-eligible electric power at TransAlta's Summerview 2 wind generation facility in Alberta, Canada (the "Project") to PG&E. The annual production is expected to be 475,000 RECs. The Advice Letter is pending resolution by the Commission.

On October 12, 2012, PG&E filed supplemental Advice Letter 3862-E-A to obtain CPUC approval of the PSA as amended by the September 28, 2012 amendment to the PSA. The September 28, 2012 amendment to the PSA reduced the term of the PSA from four years to three years.

The purpose of the second supplement is to further the term of the contract and obtain CPUC approval of the PSA as amended by both the September 28, 2012 amendment and the January 2, 2013 amendment to the PSA (the "Amended PSA"). The Amended PSA reduces the term of the PSA to two years. PG&E continues to seek Commission approval of the PSA and its subsequent amendments.

<sup>1</sup> Supplements to Advice Letters are authorized by General Order ("GO") 96-B, General Rules Section 7.5.1. Due to the limited scope of PG&E's supplemental information, this filing should not re-open the protest period or the effective date of the advice letter.

### The Amended PSA Contains a Reduced Delivery Term

Because of the delay in obtaining Commission approval for the PSA, TransAlta contacted PG&E and requested a further reduction in delivery term to allow TransAlta the option to sell the Project's 2012 vintage RECs to a third party. PG&E found it reasonable to release the 2012 RECs to TransAlta and executed the Amended PSA on January 2, 2013.

The Amended PSA reduces the delivery term of the PSA to two years. PG&E will purchase 175,000 – 210,000 RECs per year that are produced by the Project during the 2 year period January 1, 2013 to December 31, 2014. The January 2, 2013 Amendment does not otherwise modify the PSA and is attached as Confidential Appendix A.

### Procurement from the Amended PSA Counts in Full toward RPS Compliance

Procurement from the Amended PSA will count in full toward procurement requirements in effect under Senate Bill (SB) 21X transactions signed before June 1, 2010, "count in full" if the following conditions are met:

- (1) The renewable energy resource was eligible under the rules in effect on the date the contract was executed;
- (2) For an electrical generation contract, the contract has been approved by the commission, even if that approval occurs after June 1, 2010; and
- (3) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable resource. The duration of the contract may be extended if the original contract specified a procurement commitment of 15 or more years.<sup>2</sup>

Commission Decision ("D.") 12-06-038 establishes the guidance regarding pre-June 1, 2010 procurement that is subsequently amended, modified, or extended. The Commission determines that the original transaction should "count in full" toward procurement requirements in effect prior to SB 21X and that only incremental procurement from the amended, modified or extended contract should be subject to applicable rules on portfolio balance, use of short-term contracts, and excess procurement.<sup>3</sup>

Upon Commission approval of the Amended PSA, procurement from the Amended PSA will count in full toward RPS procurement requirements and is fully "bankable." As detailed in the Advice Letter, the Project is a renewable resource under the rules in effect as of the date the original agreement was signed, October 29, 2009. Subsequent amendments to the PSA signed after June 1, 2010 do not increase the capacity or expected quantities of annual

<sup>2</sup> Public Utilities Code Section 399.16(d).

<sup>3</sup> See D.12-06-038 at 33-34 and Conclusion of Law 13-14.

<sup>4</sup> See Advice Letter at 13.

generation, substitute the renewable energy resources generating RECs, or extend the duration of the PSA. Thus, if approved by the Commission, procurement from the Amended PSA is not subject to rules established by the Commission on portfolio balance, long term contracting, and excess procurement under the 33% RPS program.

#### Superseded Energy Delivery Requirements do not Apply to the Amended PSA

SB 2 1X eliminated the requirement that energy be delivered to California in order to be RPS eligible.<sup>5</sup> In Advice Letter 3862-E, PG&E explained that PG&E would associate RECs from the Project with imports into California as a precautionary measure until implementation of SB 2 1X.<sup>6</sup> Subsequent to the Advice Letter, the Commission and California Energy Commission (“CEC”) implemented the removal of the deliverability requirement. Specifically, D.11-12-052 determined that (1) the requirement for delivery; (2) the Commission’s authority to require demonstration that a RPS procurement transaction meets the delivery requirement ceases to exist December 10, 2011. The CEC RPS Eligibility Guidebook was also modified to remove requirements that state RECs are delivered to California, the CEC will no longer verify energy deliveries for purposes of the RPS beginning on or after January 1, 2011. Because the Amended PSA is for the purchase of RECs produced by the Project commencing January 1, 2013 and the repeal of the RPS deliverability requirement was implemented by the Commission and CEC, PG&E is required to associate RECs from the Project with imported energy.

#### Request for Commission Approval

PG&E requests that the Commission approve this Advice Letter and this supplemental filing with an additional finding that:

8. Finds that pursuant to SB 2 1X and D.11-12-052, PG&E is not required to demonstrate that the RECs associated with the Project are delivered to California with imported energy for the purposes of determining RPS eligibility.

#### Effective Date:

PG&E requests that this Tier 3 Supplemental Advice Letter become effective concurrent with Advice Letter 3862-E and Supplemental Advice Letter 3862-E-A.

<sup>5</sup> SB 2 (1x) eliminates the delivery requirement by amending Public Resources Code Section 25471 to remove reference to delivery.

<sup>6</sup> Advice Letter at 4, 12 (explaining the inapplicability of deliverability under SB 2 1X and that PG&E will associate the Project’s RECs with imported energy “out of an abundance of caution” until SB 2 1X implementation).

<sup>7</sup> D.11-12-052 at 15 and Conclusion of Law 1-2.

<sup>8</sup> CEC Renewable Portfolio Standard Eligibility Guidebook at 5 (August 2012 Sixth Edition).

<sup>9</sup> Id.

Notice:

In accordance with General Order 96-C, Section IV, a copy of Advice Letter excluding the confidential appendices is being sent electronically via U.S. mail to parties shown on the attached list and the service lists for R.11-05-005, R.12-03-014. Non-market participants who are members of PG&E's Procurement Review Group have signed appropriate Non-Disclosure Certificates will receive the Advice Letter and accompanying confidential attachments by overnight mail. Address changes to the General Order 96-C service list should be directed to PGETariffs@pge.com. For changes to other service lists please contact the Commission's Process Office at (415) 703-2021 at Process\_Office@cpuc.ca.gov. Advice letter filings can also be accessed online at <http://www.pge.com/tariffs>.



Vice President – Regulatory Relations

- cc: Service List for R.11-05-005
- Service List for R.12-03-014
- Paul Douglas – Energy Division
- Jason Simon – Energy Division
- Adam Schultz – Energy Division
- Karin Hieta - DRA
- Joseph Abhulimen – DRA
- Cynthia Walker – DRA

Attachments

Limited Access to Confidential Material:

The portions of this Advice Letter marked Confidential or Confidential Material are submitted under the confidentiality protection of Section 583 and 454.5(g) of Public Utilities Code and General Order 66-C. This material is protected from public disclosure because it consists of, the Amendment itself which is protected pursuant to D.06-06-066 and D.08-04-023. A separate Declaration Seeking Confidential Treatment regarding confidential information is filed concurrently herewith.

Confidential Attachments:

Appendix A – Amendment of Renewable Energy Certificate Purchase and Sale Agreement

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

Company name/CPU Utility: Northern Pacific Gas and Electric Company (ID: U39E)

Utility type: ELC <input type="checkbox"/> ffi GAS ffi PLC <input type="checkbox"/> ffi HEAT <input type="checkbox"/> ffi WATER <input type="checkbox"/>	Contact Person: <u>Kimberly Chang and Anu Vege</u> Phone#: <u>(415) 973-7600 and (415) 972-5472</u> E-mail: <u>a1vb@pge.com and kwcc@pge.com and PGETariffs@pge.com</u>
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EXPLANATION OF UTILITY TYPE ELC= Electric                      GAS= Gas PLC= Pipeline                      HEAT= Heat                      WATER= Water	(Date Filed/ Received Stamp by CPUC)
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Advice Letter (AL) 3862-E-B Tier: 3  
 Subject of AL: Second Supplemental Filing for Purchase and Sale Agreement for Procurement of Renew Energy Credits Between TransAlta Corporation and Pacific Gas and Electric Company

Keywords (choose from CPU listing): Contracts, Portfolio

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: \_\_\_\_\_

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

Summarized 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: Yes See the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Richard Miram (415) 973-1170

Resolution Required:  Yes  No

Requested effective date: December 15, 2011 No. of tariff sheets: N/A  
 (Concurrent with Advice 3862-E and 3862-E-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, 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 otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission Energy Division ED Tariff Unit 505 Van Ness Ave., 4th Fl. San Francisco, CA 94102 E-mail: <a href="mailto:EDTariffUnit@cpuc.ca.gov">EDTariffUnit@cpuc.ca.gov</a>	Pacific Gas and Electric Company Attn: Brian Cherry Vice President, Regulatory Relations 77 Beale Street, Mail Code B10C P.O. Box 770000 San Francisco, CA 94177 E-mail: <a href="mailto:PGETariffs@pge.com">PGETariffs@pge.com</a>
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**DECLARATION OF RICHARD MIRAM  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION CONTAINED IN  
ADVICE LETTER 3862-E-B  
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Rich Miram, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E") and have been an employee at PG&E since 1973. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties and have also gained knowledge of the operations of electricity sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating positions of electricity sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary.

2. Based on my knowledge and experience, and in accordance with Decision ("D.") 08-04-023 and the August 22, 2006, "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," I make this declaration seeking confidential treatment of Appendix A to Supplemental Advice Letter 3862-E-B submitted on January 30, 2013. By this Supplemental Advice Letter, PG&E is seeking this Commission's approval of an amendment to the power purchase agreement that PG&E has executed with TransAlta Corporation.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix 1 of

D.06-06-066 and Appendix C of D.08-04-023 (the "IOU Matrix"), or constitutes information that should be protected under Public Utilities Code § 583 and General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California that, to the best of my knowledge, the foregoing is true and correct. Executed on January 30, 2013, at San Francisco, California.



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Rich Miram

PACIFIC GAS AND ELECTRIC COMPANY  
 Advice Letter 3862-E-B  
 January 30, 2013

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066 AND DECISION 08-04-023

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 and Appendix C to D.08-04-023 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
1 Document: Advice Letter 3862-E-B Appendix A Amendment of Renewable Energy Certificate PSA		Item VII G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	This Appendix contains the terms of the amended PSA. Disclosure of certain terms of the PSA would provide valuable market sensitive information to competitors. Release of this information would be damaging to future negotiations. Furthermore, the counterparties to the PSA have an expectation that the terms of the PSA will remain confidential pursuant to confidentiality provisions in the PSA.	Remain confidential for three years.



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

, Helen	Dept of General Services	PG&E
1st Light Energy	Douglass & Liddell	Praxair
AT&T	Downey & Brand	R. W. Beck & Associates
Alcantar & Kahl LLP	Duke Energy	RCS, Inc.
Ameresco	Economic Sciences Corporation	Ross, Jim
Anderson & Poole	Ellison Schneider & Harris LLP	Rutherford, Reid
BART	Foster Farms	SCD Energy Solutions
Barkovich & Yap, Inc.	G. A. Krause & Assoc.	SCE
Bartle Wells Associates	GLJ Publications	SMUD
Bear Valley Electric Service	GenOn Energy Inc.	SPURR
Bloomberg	GenOn Energy, Inc.	Salazar, Julie
Bloomberg New Energy Finance	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
Boston Properties	Green Power Institute	Seattle City Light
Braun Blasing McLaughlin, P.C.	Hamlin, Corey	Sempra Utilities
Brookfield Renewable Power	Hanna & Morton	Shaw, Tim
CA Bldg Industry Association	Hitachi	Sheriff, Nora
CENERGY POWER	House, Lon	Sierra Pacific Power Company
CLECA Law Office	In House Energy	Silicon Valley Power
Cade, Mike	International Power Technology	Silo Energy LLC
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Smith, Allison
California Energy Commission	Kelly, Kate	SoCalGas
California League of Food Processors	Lawrence Berkeley National Lab	Southern California Edison Company
California Public Utilities Commission	Los Angeles County Office of Education	Spark Energy, L.P.
Calpine	Los Angeles Dept of Water & Power	Srinivasan, Seema
Cardinal Cogen	MAC Lighting Consulting	Stewart, Michael
Casner, Steve	MRW & Associates	Sun Light & Power
Castracane, Steve	Manatt Phelps Phillips	Sunrun Inc.
Center for Biological Diversity	Marin Energy Authority	Sunshine Design
Chris, King	McKenna Long & Aldridge LLP	Sutherland, Asbill & Brennan
City of Palo Alto	McKenzie & Associates	Tecogen, Inc.
City of Palo Alto Utilities	Merced Irrigation District	Terranova, Karen
City of San Jose	Modesto Irrigation District	Tiger Natural Gas, Inc.
City of Santa Rosa	Morgan Stanley	TransCanada
Clean Energy Fuels	Morrison & Foerster	Turlock Irrigation District
Clean Power	Morrison & Foerster LLP	United Cogen
Coast Economic Consulting	NLine Energy, Inc.	Utility Cost Management
Commercial Energy	NRG West	Utility Specialists
Consumer Federation of California	NaturEner	Verizon
Crossborder Energy	Norris & Wong Associates	Wellhead Electric Company
Davis Wright Tremaine LLP	North America Power Partners	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	North Coast SolarResources	White, David
Day, Michael	Northern California Power Association	Wodtke, Alexis
Defense Energy Support Center	O'Brien, Ed	eMeter Corporation
Department of General Services	Occidental Energy Marketing, Inc.	
Department of Water Resources	OnGrid Solar	