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June 17, 2013

ED Tariff Unit
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Comments on Revised Draft Resolution E-4529 Approving PG&E's Advice 4074-E

Dear Energy Division Tariff Unit:

PG&E submits these comments on Revised Draft Resolution E-4529 (the "RDR") pursuant to Rule 14.3(c) of the Commission's Rules of Practice and Procedure to correct "factual, legal or technical errors" in the RDR. Comments on the RDR are appropriate in this limited case because text that appears for the first time in the RDR is clearly inapplicable to PG&E. If the language remains in the RDR, it would at least be confusing; at worst, it could directly harm PG&E's bundled electric customers by preventing the allocation of the above-market cost of the LMEC Agreement to all benefitting customers.

Like the original Draft Resolution issued on March 1, 2013, the RDR approves the Confirmation for Resource Adequacy Capacity Product between PG&E and Los Medanos Energy Center ("LMEC Agreement"). PG&E supports the RDR but recommends that the Commission delete the following text from page 16 of the RDR:

The CHP settlement specifies that when facilities are contracted via non-RPS contracting vehicles available in the settlement, the costs and benefits of those contracts are to be allocated to all benefitting customers. This in general refers to the Cost Allocation Mechanism (CAM) process that the Commission uses when contracting for system capacity that will help overall system reliability.

This procurement contract (between PG&E and Los Medanos Energy Center) complicates the allocation of costs and benefits, given the nature of Los Medanos Energy Center and its (sic) location outside of SCE's service area. As a Local RA resource in PG&E's territory, SCE (or any customer in SCE's territory) are unable to capture that Local RA value yet are paying for it. Likewise, PG&E's customers are unable to capture that value since they are not receiving allocation of costs and benefits. In addition, it is unclear whether SCE's customers would be able to use

system RA capacity from the plant given the restrictions on transfers over Path 26 (the Path 26 counting constraint adopted in D.07-06-029).

In light of these difficulties, the Commission finds that allocation of this contract via the CAM process is unworkable and unlikely to result in equitable or efficient cost and benefit allocation and do not adopt it for this contract.

The foregoing discussion wrongly asserts that PG&E's recovery of the net capacity cost of the LMEC Agreement through the CAM mechanism depends on whether the LMEC Agreement confers Resource Adequacy benefits on Southern California Edison's ("SCE's") customers. PG&E does not procure power on behalf of SCE's customers. This text was clearly inserted by mistake and should be deleted.¹ The above-quoted text is inconsistent with the rest of the RDR. Once the erroneous text is deleted, there is no context for the description of the CAM process in the first paragraph. Although it is not incorrect, it would be awkward in the final resolution and should also be deleted. The Findings/Conclusions correctly authorize PG&E to utilize the CAM to recover its LMEC Agreement costs.

Finding/Conclusion 10 states,

The terms of the LMEC agreement for a capacity-only PPA will provide the CHP Attributes, the RA Attributes, the Local RA Attributes, and the Capacity Attributes equivalent to 280.5 MW associated with the LMEC agreement to the ratepayers.

Finding/Conclusion 12 states,

PG&E shall allocate the net capacity costs and associated RA benefits to bundled, DA, CCA, and departing load (to the extent not exempted) customers consistent with D.10-12-035, as modified by D.11-07-010, and PG&E's Advice 3922-E, approved December 19, 2011.

And finally, Finding/Conclusion 13 states,

The net capacity costs of the LMEC Agreement will be billed via PG&E's CAM rate and recovered through PG&E's NSGBA from all benefiting customers.

The new text on p. 16 of the RDR was clearly inserted by mistake and should be stricken from the final resolution.

¹ PG&E notes that SCE's agreement with LMEC is currently pending at the CPUC. Perhaps this language was intended to be inserted into Draft Resolution E-4569, which addresses SCE's agreement with LMEC.

Sincerely,



Vice President – Regulatory Relations

cc: Commissioner Michael Peevey
Commissioner Mark Ferron
Commissioner Mike Florio
Commissioner Catherine Sandoval
Commissioner Carla Peterman
Edward Randolph – Director, Energy Division
Karen Clopton – Chief Administrative Law Judge
Frank Lindh – General Counsel
Energy Division Tariff Unit – Energy Division
Brian Stevens – Advisor for President Michael Peevey
Jennifer Kalafut – Advisor for Commissioner Carla J. Peterman
Cem Turhal – Energy Division
Damon Franz – Energy Division
John Leslie – McKenna Long & Aldridge LLP
Service List for Revised Draft Resolution E-4529

CERTIFICATE OF SERVICE

I certify that I have by mail, e-mail, or hand delivery this day served a true copy of Pacific Gas and Electric Company's comments on Revised Draft Resolution E-4529, regarding PG&E's Advice Letter 4074-E on:

- 1) Commissioner Michael Peevey
- 2) Commissioner Mark Ferron
- 3) Commissioner Mike Florio
- 4) Commissioner Catherine Sandoval
- 5) Commissioner Carla Peterman
- 6) Edward Randolph – Director, Energy Division
- 7) Karen Clopton – Chief Administrative Law Judge
- 8) Frank Lindh – General Counsel
- 9) Brian Stevens – Advisor for President Michael Peevey
- 10) Jennifer Kalafut – Advisor for Commissioner Carla J. Peterman
- 11) Cem Turhal – Analyst, Energy Division
- 12) Damon Franz – Supervisor, Energy Division
- 13) Energy Division Tariff Unit – Energy Division
- 14) John Leslie - McKenna Long & Aldridge LLP
- 15) Service List for Revised Draft Resolution E-4529

/S/ KIMBERLY CHANG _____
Kimberly Chang
PACIFIC GAS AND ELECTRIC COMPANY

Date: June 17, 2013