

August 9, 2013

Energy Division Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102**Subject: PG&E's Comments on Draft Resolution E-4581**

Dear Energy Division Tariff Unit:

Pacific Gas and Electric Company ("PG&E") respectfully submits its comments on Draft Resolution E-4581 ("Draft Resolution"), which approves, without modification, the power purchase agreement ("PPA") between PG&E and Oroville Cogeneration L.P. ("Oroville") pursuant to the terms of the Qualifying Facility and Combined Heat and Power Program Settlement Agreement ("QF/CHP Settlement Agreement").

PG&E filed the PPA by Advice Letter ("AL") 4171-E on December 27, 2012. No protests were filed. PG&E appreciates that the 30-day comment period for the Draft Resolution has been reduced to 15 days and that the Commission vote has been accelerated from the end of the usual 30-day public comment period by 10 days, from August 25 to August 15, 2013. PG&E fully supports the Draft Resolution and believes the expedited schedule is appropriate.

There are, however, two minor inaccuracies that should be corrected in the final resolution. First, the Draft Resolution refers to two "Oroville Agreements" in the first paragraph under the heading, "Discussion" on page 5, and "Oroville Agreements" and "Agreements" in the "Estimated Cost" section on page 1, the "Public Safety" section on page 13, the "Consistency with the Emissions Performance Standard" section on page 14, the "Independent Evaluator" section on pages 15 and 16, and in Finding and Conclusion No. 12. This should be replaced by "Oroville Agreement" and "Agreement" because there is only one agreement. Second, the Draft Resolution on page 12 refers to the effect of GHG "allowances" being reflected as part of the Net Market Value. The word "allowances" should be replaced by the word "reductions" because GHG emission reductions are used for the evaluation of offers, not allowances.

Finally, the Draft Resolution does include two Findings and Conclusions where the Commission concludes that the Oroville Agreement will contribute 3,742 MTCO₂e towards PG&E's GHG Emissions Reduction Target. PG&E requests that the Energy Division add an Ordering Paragraph that states the following: "3,742 MTCO₂e of Oroville's GHG emission reductions shall count towards PG&E's GHG Emissions Reduction Target."

The Commission should adopt the Draft Resolution, subject to these minor corrections, under its current, expedited schedule.

Sincerely,

Handwritten signature of Brian Cherry in cursive script.

Vice President, Regulatory Relations

cc: Michael Peevey, President
Mike Florio, Commissioner
Catherine Sandoval, Commissioner
Mark Ferron, Commissioner
Carla Peterman, Commissioner
Edward Randolph, Director – Energy Division
Karen Clopton, Chief ALJ
Frank Lindh, General Counsel
Cem Turhal, Energy Division
Damon Franz, Energy Division
Nicholas Castillo, Energy Division
Service Lists R.10-05-006 and R.12-03-014

**Appendix
PG&E's Comments on Draft Resolution E-4581**

**Correction of Errors and
Recommended Revisions to Findings and Conclusions and Ordering Paragraphs**

Reference to Draft Resolution	Corrections and Revisions
<p>(1) Estimated Cost, page 1;</p> <p>Discussion, page 5, 1st paragraph;</p> <p>Public Safety, page 13, 2nd paragraph;</p> <p>Consistency with the Emissions and Performance Standard, page 14, 4th paragraph;</p> <p>Independent Evaluator Review, pages 15-16, 1st, 2nd, and 3rd paragraphs;</p> <p>Finding and Conclusion 12</p>	<p>Estimated Cost section should be modified as follows:</p> <p style="padding-left: 40px;">Capacity, energy, and variable cost components of the Oroville Agreements are confidential at this time due to its selection through the CHP Request for Offers ("RFO") process, which is a competitive solicitation process.</p> <p>Discussion section should be modified as follows:</p> <p style="padding-left: 40px;">On December 27, 2012, PG&E filed Advice Letter AL 4171-E which requests Commission approval of two <u>an</u> "Oroville Agreements" with Oroville Cogeneration Company.</p> <p>Public Safety section should be modified as follows:</p> <p style="padding-left: 40px;">The Oroville Agreements are <u>is</u> between Pacific Gas and Electric Company and Oroville Cogeneration Company.</p> <p>Consistency with the Emissions and Performance Standard section should be modified as follows:</p> <p style="padding-left: 40px;">Under the Oroville Agreements, the Oroville facility will operate for seven years starting on the Commission approval date of the Oroville agreement.</p> <p>Independent Evaluator Review section should be modified as follows:</p> <p style="padding-left: 40px;">PG&E retained Wayne Oliver of Merrimack Energy Group, Inc. as the Independent Evaluator ("IE") to oversee the negotiations and transactions pursuant to the CHP</p>

	<p>Program to evaluate overall merits for Commission approval of the Agreements ...</p> <p>The Independent Evaluator concludes that PG&E appropriately selected Oroville's qualifying offer and therefore recommends Commission approval of the Oroville Agreements ...</p> <p>The Independent Evaluator concurs with PG&E's decision to execute the Oroville Agreements with Oroville and finds that the Agreements merit Commission approval.</p> <p>Finding and Conclusion 12 should be modified as follows:</p> <p>12. The Independent Evaluator concurs with PG&E's decision to execute the Oroville Agreements with Oroville Cogeneration L.P. and finds that the Agreements merit Commission approval.</p>
<p>(2) Cost Reasonableness, page 12</p>	<p>Cost Reasonableness section should be modified as follows:</p> <p>...The components of PAV are Net Market Value (including the effect of GHG allowancesreductions), location adjustment, portfolio adjustment, curtailment, delivery pattern, flexibility, and transmission.</p>
<p>(3) Ordering Paragraphs</p>	<p>The following Ordering Paragraph shall be added:</p> <p>3,742 MTCO₂e of Oroville's GHG emission reductions shall count towards PG&E's GHG Emissions Reduction Target.</p>