

August 26, 2013

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

**Subject: Comments of Pacific Gas and Electric Company on Draft Resolution E-4594  
(PG&E's Advice 4190-E)**

Dear Energy Division Tariff Unit:

Pacific Gas and Electric Company ("PG&E") respectfully submits its comments on Draft Resolution E-4594 ("Draft Resolution"), which approves, without modification, the power purchase agreement ("PPA") between PG&E and Kern River Cogeneration Company ("KRCC") 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") 4190-E on February 6, 2013. No protests were filed. PG&E fully supports the Draft Resolution.

There are, however, two minor inaccuracies and missing language that should be corrected in the final resolution.

- First, the Draft Resolution refers to multiple KRCC "Agreements" when PG&E submitted only one KRCC agreement for approval. The reference to the word "Agreements" appears several times in the Draft Resolution on the following pages: "Safety Considerations" section on page 1, the "Summary" section on page 2, Table 1 on page 5, the reference to modifications described in Confidential Appendix A on page 6, the "Consistency with Settlement Greenhouse Gas Accounting Methodology" on page 11, the "Public Safety" and "Project Viability" sections on page 15, the "Independent Evaluator Review" section on page 18, Findings and Conclusions 5 and 12, and Ordering Paragraph 2. Making this global change is necessary because there is only one KRCC Agreement.
- Second, the Draft Resolution on page 14 refers to 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.

- In addition, the Draft Resolution includes two Findings and Conclusions regarding the contribution that the KRCC PPA will make toward PG&E's CHP Program targets. Based on the Commission's recently-approved Resolution E-4529 (approving PG&E's CHP Program procurement from Calpine for Los Medanos Energy Center), these findings should be reiterated in the form of ordering paragraphs.<sup>1</sup> PG&E requests that the Energy Division conform the draft KRCC resolution to the format of Resolution E-4529 by adding the following as ordering paragraphs:

"KRCC's nameplate capacity of 296 MW shall count toward PG&E's 1,387 MW procurement Target at the end of the Initial Program Period."

"KRCC's operations under the Agreement shall count as a 148,171 MTCO<sub>2</sub>e GHG Credit toward PG&E's GHG Emissions Reduction Target at the end of the Second Program Period."

- Finally, as the Commission has done in other resolutions to avoid any doubt, the Energy Division should indicate in the Proposed Outcome and in Ordering Paragraph 1 of the Draft Resolution that the KRCC Agreement is approved "without modification."

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

*Brian Cherry / KHC*

Vice President – Regulatory Relations

cc: President Michael R. Peevey  
Commissioner Michel P. Florio  
Commissioner Catherine J.K. Sandoval  
Commissioner Mark J. Ferron  
Commissioner Carla J. Peterman  
Frank Lindh, General Counsel  
Karen Clopton, Chief Administrative Law Judge  
Edward Randolph, Director, Energy Division  
Damon Franz, Energy Division, CPUC  
Noel Crisostomo, Energy Division, CPUC  
Chris Ungson, Division of Ratepayer Advocates, CPUC  
Energy Division Tariff Unit  
Service List R.12-03-014

<sup>1</sup> Finding/Conclusion 4 states "The 296 MW Contract Nameplate value for KRCC will count towards PG&E's MW procurement Target"; Finding/Conclusion 5 states, "KRCC's operations under the Agreement ... [will yield] a GHG Credit of 148,171 MT towards PG&E's GHG Emissions Reduction Target." Resolution E-4529, Ordering Paragraph 3, states: "The number of MW contracted under a renegotiated LMEC Agreement pursuant to Ordering Paragraph 2, would contribute to the MW target assigned to PG&E under the QF/CHP Settlement."

**Appendix  
PG&E’s Comments on Draft Resolution E-4594**

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

Reference to Draft Resolution	Corrections and Revisions
<p><b>(1) Safety Considerations, page 1;</b></p> <p><b>Summary, page 2, 2<sup>nd</sup> and 3<sup>rd</sup> paragraphs;</b></p> <p><b>Table 1, page 5;</b></p> <p><b>Reference to modifications described in PG&amp;E’s Confidential Appendix A, page 6, 1<sup>st</sup> paragraph;</b></p> <p><b>Consistency with Settlement Greenhouse Gas Accounting Methodology, page 11, 2<sup>nd</sup> and 5<sup>th</sup> paragraphs;</b></p> <p><b>Public Safety, page 15, 2<sup>nd</sup> paragraph</b></p> <p><b>Project Viability, page 15, 1<sup>st</sup> paragraph</b></p> <p><b>Independent Evaluator Review, page 18, 3<sup>rd</sup> and 4<sup>th</sup> paragraphs</b></p> <p><b>Findings and Conclusions 5 and 12</b></p> <p><b>Ordering Paragraph 2</b></p>	<p>Safety Considerations section should be modified as follows:</p> <p>The Agreements <del>are</del><u>is</u> between Pacific Gas and Electric Company and KRCC. ... Based on the information before us, <del>these</del><u>this</u> Agreements <del>does</del><u>do</u> not appear to result in any adverse safety impacts on the facilities or operations of PG&amp;E.</p> <p>Summary section should be modified as follows:</p> <p>On May 23, 2013, Commission Resolution E-4571 approved an amended Transition PPA between SCE and KRCC for baseload energy and additional dispatchable capacity (“Transition Agreements”). The KRCC Transition Agreements with SCE will terminate upon KRCC’s election, prior to the start date of the KRCC CHP RFO PPA with PG&amp;E, anticipated to be December 31, 2013.</p> <p>KRCC’s operations under SCE’s Transition Agreements...</p> <p>Table 1 should be modified as follows:</p> <p>Transition Agreements<del>e</del></p> <p>The section referencing the modifications described in PG&amp;E’s Confidential Appendix A should be modified as follows:</p> <p>A summary of the modifications to the terms and conditions included in the KRCC Agreements...</p>

	<p>Consistency with Settlement Greenhouse Gas Accounting Methodology section should be modified as follows:</p> <p style="padding-left: 40px;">For example, the GHG Credit is calculated by first subtracting the expected emissions from operations in the Agreements...</p> <p style="padding-left: 40px;">KRCC's operations under the Agreements as a Utility Prescheduled Facility...</p> <p>Public Safety section should be modified as follows:</p> <p style="padding-left: 40px;">The Agreements <del>are</del> <u>are</u> between Pacific Gas and Electric and KRCC.</p> <p>Project Viability section should be modified as follows:</p> <p style="padding-left: 40px;">Under <u>the</u> Transition PPA Agreements amended...</p> <p>Independent Evaluator Review section should be modified as follows:</p> <p style="padding-left: 40px;">The Commission agrees with the independent evaluation which finds that the Agreements...</p> <p style="padding-left: 40px;">The Independent Evaluator concurs with PG&amp;E's decision to execute the Agreements with KRCC and finds that <del>they</del> <u>it</u> <u>merits</u> Commission approval.</p> <p>Findings and Conclusions 5 and 12 should be modified as follows:</p> <p style="padding-left: 40px;">5. KRCC's operations under the Agreements as a Utility Prescheduled Facility ...</p> <p style="padding-left: 40px;">12. The Independent Evaluator concurs with PG&amp;E's decision to execute the Agreements with KRCC and finds that <del>they</del> <u>it</u> <u>merits</u> Commission approval.</p>
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	<p>Ordering Paragraph 2 should be modified as follows:</p> <p>2. Pacific Gas &amp; Electric Company is authorized to recover the costs associated with the Kern River Cogeneration Company Agreements...</p>
<p><b>(2) Cost Reasonableness, page 14</b></p>	<p>Cost Reasonableness section should be modified as follows:</p> <p>... Components augmenting NMV in the PAV include:</p> <ul style="list-style-type: none"> <li>• <del>GHG allowances</del> <u>GHG reductions</u></li> </ul>
<p><b>(3) Ordering Paragraphs</b></p>	<p>The following Ordering Paragraphs shall be added:</p> <p>KRCC's nameplate capacity of 296 MW shall count toward PG&amp;E's 1,387 MW procurement Target at the end of the Initial Program Period.</p> <p>KRCC's operations under the Agreement shall count as a 148,171 MTCO<sub>2e</sub> GHG Credit toward PG&amp;E's GHG Emissions Reduction Target at the end of the Second Program Period.</p>
<p><b>(4) Proposed Outcome, page 1</b></p> <p><b>Ordering Paragraph 1</b></p>	<p>Proposed Outcome section should be modified as follows:</p> <p>This Resolution approves the power purchase agreement between Pacific Gas &amp; Electric and KRCC pursuant to the terms of the Qualifying Facility and Combined Heat and Power Program Settlement Agreement, <u>without modification</u>.</p> <p>Ordering Paragraph 1 should be modified as follows:</p> <p>1. The request of the Pacific Gas &amp; Electric Company for the Commission to approve the Kern River Cogeneration Company Power Purchase Agreement as requested in Advice Letter AL 4190-E is approved, <u>without modification</u>.</p>



## 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 Draft Resolution E-4594 on:

- 1) Commissioner Michael R. Peevey
- 2) Commissioner Mark J. Ferron
- 3) Commissioner Michel P. Florio
- 4) Commissioner Catherine J.K. Sandoval
- 5) Commissioner Carla J. Peterman
- 6) Edward Randolph – Director, Energy Division
- 7) Karen Clopton – Chief Administrative Law Judge
- 8) Frank Lindh – General Counsel
- 9) Noel Crisostomo – Energy Division
- 10) Damon Franz – Energy Division
- 11) Chris Ungson – Division of Ratepayer Advocates
- 12) Energy Division Tariff Unit
- 13) Service List R.12-03-014

/S/ KINGSLEY CHENG \_\_\_\_\_  
Kingsley Cheng  
PACIFIC GAS AND ELECTRIC COMPANY

Date: August 26, 2013