

Brian K. Cherry Vice President Regulatory Relations Pacific Gas and Electric Company 77 Beale St., Mail Code B10C P.O. Box 77000 San Francisco, CA 94177

Fax: 415.973.7226

September 30, 2013

Advice 4289-E (Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

<u>Subject:</u> Update to Electrical Capacity Procurement Limits in Pacific Gas and Electric Company's Bundled Procurement Plan

Introduction

Pacific Gas and Electric Company("PG&E") hereby submits to the California Public Utilities Commission ("Commission" or "CPUC") this advice letter filing to incorporate revisions to PG&E'sapproved Bundled Procurement Plan ("BPP") concerning PG&E's Electrical Capacity Procurement Limits and Ratable Rates.

Background

On October 11, 2012, the Commission issued Resolution E-4544, which approved PG&E'sBPP consistent with Decisions (D.) 12-01-033 and 12-04-046. PG&E'sBPP establishes electrical capacity procurement limits and ratable rates that apply to elec beyond the prompt calendar year BPP capacity transactions with deliveries provides that PG&Ewill file an "annual (or more frequent, if necessary) update to i electrical capacity procurement limit and ratable rates in a Tier 1 advice letter during an updated conformed bundled procurement plan." years which PG&Edoes not file Accordingly, PG&E submits this advice filing update its electrical to capacit procurement limits and ratable rates. The updated electrical capacity procurement replace the Electrical Capacity Procurement Limit ar table discussed below will limits 1X Ratable Rates Table set forth in Appendix A of PG&E'sBPPsubmittal (Table PGE-3).

Discussion

PG&Esubmits this advice letter to: (1) update Table PGE-3; (2) update text in Appendix A of the Conformed BPP; and (3) correct typographical errors related to PG&E's description of the applicability of electrical capacity procurement limits and ratable in PG&E'sBPP. PG&Eprovides clean and redlined versions of the replacement sheets

¹ BPP, Sheet Nos. 43-44.

² BPP, Sheet No. 44.

for both confidential and public versions of Sheet 42, Sheet 106, and Sheet 107 of the BPP.

Electrical Capacity Procurement Limits and Ratable Rate Update

PG&Eupdates Table PGE-3in the BPPto reflect those electrical capacity procurement and ratable rates derived from the Commission's updated standardized planning limits assumptions applicable to Track 2 of the 2012 Long Term Procurement Plan (the "2012 LTPP Assumptions"), ³ with limited refinements. In addition to this annual update, Table PGE-3 includes updated ratable applicable September through rates to based on the 2012 LTPP Assumptions and limited December 2013, calculated refinements described below. PG&E's update is consistent with the BPP, which establishes that PG&E'supdates may reflect changes in PG&E'sportfolio and updated forecast assumptions.⁵

the 2012 LTPP Assumptions applicable to load forecast and In addition to utilizing updates to Table PGE-3, PG&Eadjusted its load forecast to demand to calculate updated assumptions concerning anticipated Community Choice incorporate Aggregation ("CCA") load in its service territory from PG&E's2014 Energy Resource Recovery Account and Generation Non-bypassable Charge Forecast Application (A.13-05-015) ("2014 ERRAForecast Application"). In addition to utilizing the 2012 LTPI Assumptions applicable to supply, PG&Ealso updated its supply position to reflect the current forecast of its resources as of August, 2013. Forecast assumptions pertaining Standard ("RPS")-eligible to supplies of Renewables Portfolio power and RPS-eligible power as set forth in its 2014 ERRAForecast Application were als aualifvina facility because the 2012 LTPP Assumptions did not specify recontracting used. Finally, assumptions concerning existing CombinedHeat and Power ("CHP") facilities, PG&E the CHPrecontracting assumptions required by the 2010 LTPPProceedering (utilized R.10-05-006) for the purposes of preparing its calculations required to update Table PGE-3.

Implied Market Heat Rate Update

PG&Ealso updates Appendix A of the BPP concerning its calculation of the Implied Market Heat Rate ("IMHR") used at the time of capacity procurement to adjust relevant monthly forward prices for greenhouse gas ("GHG") costsPG&Eiled the BPPprior to

⁴ PG&E's BPP at Sheet Nos. 42-43 provides a detailed description of the calculations required to derive Table PGE-3.

³ See Assigned Commissioner's Ruling on Standardized Planning Assumptions in Rulemaking 12-03-014 (June 27, 2012) available at http://www.cpuc.ca.gov/PUC/energy/Procurement/LTPP/ltpp_history.htm ("LTTP Ruling").

⁵ BPP, Sheet No. 44.

⁶ See LTPP Ruling at Planning Assumption Attachment pp. 15-24.

⁷ As described on PG&E's BPP at Sheet 43, procurement at two-times the ratable rate, subject to the electrical capacity procurement limits, for delivery years 2 through 5 is allowed if the prompt 12-month forward on-peak implied market heat rate at the time of execution is less than the two standard deviation historical high value as shown in Appendix A. Otherwise, procurement at one-times the ratable rate is used.

the commencement of California Air Resources Board ("CARB") GHG allowance auctions and utilized a conservative IMHR based on auction reserve prices for the purpose of this reduction. The BPP authorizes PG&Eto adjust the IMHR using marketbased forward price curves after the first CARBGHG auction Because CARBGHG auctions have commenced, PG&Eis updating the BPP to utilize an IMHR based on market-based forward GHG price curves.

Conformed BPP Typographical Error

PG&Eprovides two minor edits to Sheet No. 42 of its BPP. PG&E'sBPP references annual capacity procurement limits and ratable rates for delivery years "two through ten." PG&E'sedits remove reference to delivery year ten because the scope of PG&E's BPP does not pertain to such a period. Specifically, PG&E'sBPP applies to the period from January 12, 2012 through December31, 2020. PG&E'sedits therefore remove reference to periods outside of the scope of the Conformed BPP.

Confidentiality

In support of this Advice Letter, PG&Esubmits Confidential Appendicets in the manner directed by D.08-04-023 and the August 22, 2006, Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066 to demonstrate the confidentiality of the material and to invoke the protection of confidential u information provided under General Order 66-C and Public Utilities Code Section 454.5(g). A separate Declaration Seeking Confidential Treatment is being filed concurrently with this Advice Letter.

Confidential Appendices:

Appendix A Redlined Sheet 106

Appendix B Clean Sheet 106

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile E-mail, no later than October 21, 2013, which is 21afteerys the date of this filing. Protests must be submitted to:

⁸ BPP, Sheet No. 107.

⁹ See BPP, Sheet No. 1. See also Sheet 42 at footnote 6 (specifying that no formal limits or ratable rates are set beyond the term of the BPP).

¹⁰ The 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.

CPUC Energy Division ED Tariff Unit 505 Van Ness Avenue, 4th Floor San Francisco, California 94102

Facsimile: (415) 703-2200 E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energi Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&Eeither via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry Vice President, Regulatory Relations Pacific Gas and Electric Company 77 Beale Street, Mail Code B10C P.O. Box 77000 San Francisco, California 94177

Facsimile: (415) 973-7226 E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain th following information: specification of the advice letter protested; grounds for the prosupporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest w submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&Erequests that this Tier 1 advice letter, in accordance with the BPP, become effective September 30, 2013.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is beir sent electronically and via U.S. mail to parties shown on the attached list and t Address changes to the General Order 96-B service list service list for R.12-03-014. should be directed to PG&Eat email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703at Process Office@cpuc.ca.gov. 2021 or Send all electronic approvals to

PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs

Brian Cherry /IG

Vice President – Regulatory Relations

cc: President Michael R. Peevey Commissioner Mark J. Ferron Commissioner Catherine J.K. Sandoval Commissioner Mike Florio Commissioner Carla Peterman Frank Lindh, General Counsel Chief ALJ Karen Clopton Edward Randolph, Director, Energy Division Energy Division Tariff Unit, Energy Division Service List for R.12-03-014

Limited Access to Confidential Material:

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protection of 454.5(g) of the Public Utilities Code and Gen Order 66-C. A separate Declaration seeking confidential treatment regarding the confidential information is filed concurrently herewith.

Attachments:

Appendix A	Redlined Sheet 106 (Confidential)
Appendix B	Clean Sheet 106 (Confidential)
Appendix C	Redlined Sheet 42 and Sheet 107(Public)
Appendix D	Clean Sheet 42 and Sheet 107 (Public)

CALIFORNI RUBLICUTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY

ENERGY UTILITY

MUSTBE COMPLETEDY UTILITY (Attach additional pages as needed)					
Companyname/CPUOtility No. Pacific Gas and Electric Company(ID U39E)					
Utility type: Contact Person: Igor Grinberg					
ELC ffi GAS Phone#: (415) 973-8580					
ffi PLC ffi HEAT ffi WATER E-mail: <u>ixg8@pge.comand PGETariffs@pge.co</u> m					
EXPLANATIONFUTILITY TYPE (Date Filed/ Received Stampby CPUC)					
ELC= ElectricGAS= GasPLC= PipelineHEAT= HeatWATER Water					
Advice Letter (AL) <u>4</u> 289-E Tier: <u>1</u>					
Subject of AUpdate to Electrical Capacity Procurement Limits in Pacific Gas and Electric Company'sBundle					
Procurement Plan Keywords(choose from CPU@isting): Procurement					
AL filing type: Monthly Quarterly Annual ffi One-Time Other					
If AL filed in compliance with a Commissionorder, indicate relevant Decision/Resolution #: Resolution E-4544					
Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No					
Summarizedifferences between the AL and the prior withdrawn or rejected AL:					
Is AL requesting confidential treatment? If so, what information is the utility seeking confidentiale streatttmented or: <u>Declaration and Ma</u> trix					
Confidential information will be madeavailable to those who have executed a nondisclifesures agreeoment:					
Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the conf information: <u>OsmarSezgen (415) 973</u> -0461					
Resolution Required? Yesffi No					
Requested effective date the section of the section					
Estimated system annual revenue effect (%): N/A					
Estimated system average rate effe <u>ct (</u> %): N/A					
Whenrates 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 sametariff sheets: N/A					
Protests, dispositions, and all other correspondence regarding this AL are due hoafketer thehadrato of a shire, unle otherwise authorized by the Commission, and shall be sent to:					
CPUC,Energy DivisionPacific Gas and Electric CompanyED Tariff UnitAttn: Brian Cherry505 Van Ness Avenue, 4th FloorVice President, Regulatory RelationsSan Francisco, CA 9410277 Beale Street, Mail Code B10CE-mail: EDTariffUnit@cpuc.ca.govP.O. Box 770000San Francisco, CA 94177E-mail: PGETariffs@pge.com					

¹ The 20-day protest period concludes on a weekend, therefore, PG&E is moving this date to the following business day.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DECLARATION OF OSMAN SEZGEN SEEKING CONFIDENTIAL TREATMENT FOR CERTAIN DATA AND INFORMATION CONTAINED IN PG&E'S ADVICE LETTER 4289-E

I, Osman Sezgen, declare:

1. I am a Manager in the Integrated Resource Planning Department within the Energy Procurement Organization at Pacific Gas and Electric Company (PG&E). I am responsible for the development of PG&E's bundled electric portfolio procurement cost forecast. This declaration is based on my personal knowledge of PG&E's electric energy procurement forecast function and my understanding of the Commission's decisions protecting the confidentiality of market-sensitive information concerning electric procurement of an investorowned utility.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for Advice Letter 4289-E which provides an update to PG&E's approved Bundled Procurement Plan.

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 data and information covered by General Order (GO) 66-C, Section 2.2b, which would place PG&E in an unfair business disadvantage if disclosed, and Public Utilities Code Section 454.5(g), which would reveal market sensitive information. The matrix also specifies why confidential protection is justified. Finally, the matrix specifies that: (1) the information is not already public; and (2) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating

4

into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

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

OSMAN SEZGEN

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E) ADVICE LETTER 4289-E September 30, 2013								
Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	II 2) Data correspond to category in Appendix 1:	3) Complies with limitations of D.06-06-066 (Y/N)	ON OF CON 4) Data not already public (Y/N)	FIDENTIAL I 5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (X/N)	NFORMATION PG&E's Justification for Confidential Treatment	Length of Time	
Document: Advice Letter 4289-E Appendix A and B								
Table PGE-3	N	General Order 66-C, Section 2.2; Public Utilities Code Section 454.5(g)	N/A	Y	Y	This information discloses PG&E's procurement limits for the hedging of capacity. The release of this commercially sensitive information could cause harm to PG&E's customers and put PG&E at an unfair business disadvantage if this information was disclosed and then used by market participants to gain an insight into PG&E's procurement needs and thus gain a commercial advantage. In addition, this information is similar to the type of procurement information that is confidential and protected under D.06-06-066, Section I.A.4 (long-term fuel (gas) buying and hedging plans).	No quantification in GO 66-C and PUC Section 454.5(g)	

Public Appendix C Redlined Sheet 42 and Sheet 107



transactions occurring in 2012, procurement limits and ratable rate shall apply to contract deliveries in 2014 and beyond).⁶ The procurement limits and ratable rates reflect a limit on net capacity procurement, which is purchases less sales of capacity in a given year. No limits or ratable rates apply to PG&E meeting its RA capacity requirements for the current calendar year and prompt calendar year (*i.e.*, the calendar delivery year immediately following the current year).

Delivery years two <u>and onward through ten have</u> maximum annual electrical capacity procurement limits equal to the difference between: (1) PG&E's forecast electrical capacity requirement to meet its RA requirement (*i.e.*, peak annual hour load using a 1-in-2 year load forecast multiplied by 117%); and (2) the forecast Net Qualifying Capacity ("NQC") of PG&E's committed resources⁷ and planned preferred resources.⁸

Ratable rates equal to the annual electrical capacity procurement limits divided by the number of years between the delivery year and transaction year apply for delivery years two through tenand onward and reflect the maximum capacity procurement of nonpreferred electrical capacity allowed under the BPP in that year. For example, the ratable rate for delivery Year 4 is one-third the annual electrical capacity procurement limit for Year 4 (*i.e.*, the Year 4 electrical capacity procurement limits divided by the annual time

⁶ No formal limits or ratable rates are set beyond the term of the BPP. Approval for any capacity procurement in this timeframe will be sought through an application.

⁷ Assuming no re-contracting of resources that are not preferred.

⁸ For purposes of calculating PG&E's annual electrical capacity procurement limits and compliance with such limits, preferred resources are EE programs, DR programs, Renewable Sources (including energy imports associated with approved RECs), and Distributed Generation including CHP resources (or those resources qualified to count toward the Commission's CHP goals) including procurement of preferred resources above the Commission's targets or goals.

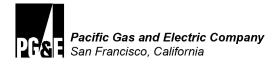


TABLE PGE-4 PACIFIC GAS AND ELECTRIC COMPANY ELECTRICAL CAPACITY IMPLIED MARKET HEAT RATE ("IMHR") MARKET CONDITION MEASURE

Measure	Value (MMBtu/MWh)
2 Standard Deviation High	

The forward power curves used to calculate the 2-standard-deviation measure span periods that predate the January 2013 start-date of California's cap-and-trade program. In contrast, the forward curve used to calculate the IMHR that is to be calculated at the time of procurement and compared to the measure extends beyond December 2012.

Because implied greenhouse gas ("GHG") cost is embedded in the post December 2012 monthly forward prices, an adjustment to the relevant monthly forward prices is necessary when calculating the IMHR at the time of procurement. In calculating IMHR, forward prices for delivery months January 2013 and after will be reduced.² For the calculation of this reduction, as a conservative choice, GHG auction reserve prices (floor prices) set by California Air Resources Board ("CARB") will be used.³ After the first GHG auction, Pacific Gas and Electric Company ("PG&E") may propose to make adjustments to the IMHR calculation using market-based forward GHG and power-price curves will be used.

1

² Reduction in on-peak power price for months January 2013 and after will be calculated as the multiplication of: (1) the average of the historical 12-month forward on-peak IMHR for the historical period used for the calculation of the Market Condition Measure; (2) the GHG emissions from natural gas of 0.05307 metric-tons/Millions of British Thermal Units ("MMBtu"); and (3) the GHG price for that year.

³ The auction reserve price has been set by CARB at \$10/metric ton for vintage 2013 allowances, in all auctions during 2012 and 2013. [Source: Section 95911(b)(6)(A) of final regulations <u>http://www.arb.ca.gov/regact/2010/capandtrade10/finalrevfro.pdf.</u>] For 2014, PG&E will escalate this floor price by 5 percent plus rate of inflation.

Decision No. 12-01-033

Issued by **Brian K. Cherry** Vice President Regulatory Relations Date Filed April 11, 2012 Effective Resolution No. Public Appendix D Clean Sheet 42 and Sheet 107



transactions occurring in 2012, procurement limits and ratable rate shall apply to contract deliveries in 2014 and beyond).⁶ The procurement limits and ratable rates reflect a limit on net capacity procurement, which is purchases less sales of capacity in a given year. No limits or ratable rates apply to PG&E meeting its RA capacity requirements for the current calendar year and prompt calendar year (*i.e.*, the calendar delivery year immediately following the current year).

Delivery years two and onward maximum annual electrical capacity procurement limits equal to the difference between: (1) PG&E's forecast electrical capacity requirement to meet its RA requirement (*i.e.*, peak annual hour load using a 1-in-2 year load forecast multiplied by 117%); and (2) the forecast Net Qualifying Capacity ("NQC") of PG&E's committed resources⁷ and planned preferred resources.⁸

Ratable rates equal to the annual electrical capacity procurement limits divided by the number of years between the delivery year and transaction year apply for delivery years two and onward and reflect the maximum capacity procurement of non-preferred electrical capacity allowed under the BPP in that year. For example, the ratable rate for delivery Year 4 is one-third the annual electrical capacity procurement limit for Year 4 (*i.e.*, the Year 4 electrical capacity procurement limits divided by the annual time

⁶ No formal limits or ratable rates are set beyond the term of the BPP. Approval for any capacity procurement in this timeframe will be sought through an application.

⁷ Assuming no re-contracting of resources that are not preferred.

⁸ For purposes of calculating PG&E's annual electrical capacity procurement limits and compliance with such limits, preferred resources are EE programs, DR programs, Renewable Sources (including energy imports associated with approved RECs), and Distributed Generation including CHP resources (or those resources qualified to count toward the Commission's CHP goals) including procurement of preferred resources above the Commission's targets or goals.

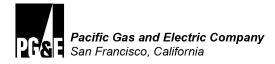


TABLE PGE-4 PACIFIC GAS AND ELECTRIC COMPANY ELECTRICAL CAPACITY IMPLIED MARKET HEAT RATE ("IMHR") MARKET CONDITION MEASURE

Measure	Value (MMBtu/MWh)
2 Standard Deviation High	

The forward power curves used to calculate the 2-standard-deviation measure span periods that predate the January 2013 start-date of California's cap-and-trade program. In contrast, the forward curve used to calculate the IMHR that is to be calculated at the time of procurement and compared to the measure extends beyond December 2012.

Because implied greenhouse gas ("GHG") cost is embedded in the post

December 2012 monthly forward prices, an adjustment to the relevant monthly forward prices is necessary when calculating the IMHR at the time of procurement. In calculating IMHR, forward prices for delivery months January 2013 and after will be reduced.² For the calculation of this reduction, market-based forward GHG price curves will be used.

² Reduction in on-peak power price for months January 2013 and after will be calculated as the multiplication of: (1) the average of the historical 12-month forward on-peak IMHR for the historical period used for the calculation of the Market Condition Measure; (2) the GHG emissions from natural gas of 0.05307 metric-tons/Millions of British Thermal Units ("MMBtu"); and (3) the GHG price for that year.

Decision No. 12-01-033

Issued by **Brian K. Cherry** Vice President Regulatory Relations Date Filed April 11, 2012 Effective Resolution No. PG&EGas and Electric Advice Filing List General Order 96-B, Section IV

1st Light Energy AT&T Alcantar & Kahl LLP Anderson & Poole BART Barkovich & Yap, Inc. Bartle Wells Associates

Braun Blaising McLaughlin, P.C. CENERGY POWER California Cotton Ginners & Growers Assn California Energy Commission California Public Utilities Commission California State Association of Counties Calpine Casner, Steve Center for Biological Diversity City of Palo Alto City of San Jose Clean Power Coast Economic Consulting Commercial Energy County of Tehama - Department of Public Works Crossborder Energy Davis Wright Tremaine LLP Day Carter Murphy Defense Energy Support Center

Dept of General Services Division of Ratepayer Advocates

Douglass & Liddell Downey & Brand Ellison Schneider & Harris LLP G. A. Krause & Assoc. GenOn Energy Inc. GenOn Energy, Inc. Goodin, MacBride, Squeri, Schlotz & Ritchie Green Power Institute Hanna & Morton In House Energy International Power Technology Intestate Gas Services, Inc. Kelly Group Linde Los Angeles Dept of Water & Power MAC Lighting Consulting MRW & Associates Manatt Phelps Phillips Marin Energy Authority McKenna Long & Aldridge LLP McKenzie & Associates Modesto Irrigation District

> Morgan Stanley NLine Energy, Inc. NRG Solar Nexant, Inc.

North America Power Partners Occidental Energy Marketing, Inc. OnGrid Solar Pacific Gas and Electric Company Praxair Regulatory & Cogeneration Service, Inc. SCD Energy Solutions SCE SDG&E and SoCalGas

SPURR San Francisco Public Utilities Commission Seattle City Light Sempra Utilities SoCalGas Southern California Edison Company Spark Energy Sun Light & Power Sunshine Design Tecogen, Inc. Tiger Natural Gas, Inc. TransCanada Utility Cost Management Utility Power Solutions Utility Specialists

> Verizon Water and Energy Consulting Wellhead Electric Company Western Manufactured Housing Communities Association (WMA)