BEFOREHE PUBLICUTILITIES COMMISSION OF THESTATEOF CALIFORNIA

Order Instituting RulemakiAgdoess Utility Cost and Revenuelssues Associated with GreenhouseGas Emissions.

Rulemaking 11-03-012 (Filed March 24, 2011)

PACIFICGASANDELECTRIC COMPANY(§ 39 E)
COMMENOSIPROPOSEDECISION CLARIFYINGCOMMISSIONOLICYON
GREENHOUSAESCOSTRESPONSIBILITIFOR CONTRACTESCECUTED
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Dated: March 3, 2014

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TO THE PASSAGO FASSEMBLE 32

The Proposed Decision Clarifying Commission Policy on Greenhouse Gas Cost Responsibility for Contractsuted Prior to Pressage of Assembly Bill ("P32") appropriately addresses a number to the same that happer to the proceeding concerning the Commission's incleres olving disputes between thintings and contracting parties regarding reachtal responsibility greenhouse gas ("GHG") compliance costs. The PD is well-reasoned and Pacific Gas arid Electropany ("PG&E") generally supports its adoption by the Commission. However, some modificant to make cessary to address the specific circumstances with regard to dispute tion efforts between PG&E and Panoche Energy Center ("Panoche"). These modifications the scale in more detail below.

PG&Enas been able to successfully restree grootintracts with almost all of its counterparties to pre-Assembl(y*AEEII*) 32 contracts to provide rfundarity and certainty with respect to GHO compliance cost restingnishing PG&Enas requested received Commission approval for a number of these renegotiated afgree amendments and the contract of the contrac

¹ SeeDecision ("D.") 13-01-003 (approving modifications to Starwood Power-Midwaycontract); D.13-05-005 (approving modifications to Fresno Cogeneration contract); and D.13-08-009 (approving modifications to Marsh Landing Generating Facility contract).

counterparty that PG& Ehas be ablen to negotiate an amount of with to further address GHG compliance cost responsibility. and GRAE no cheen gaged in negion treat for well over a year to try to resolve theofissubject party was responsible forco on the costs. After it became evident to the parties thethrategotiations were uncotes sful, PG& Enitiated dispute resolution under the terms of stiting Prower Purchase Agreement ("PPA") in November 2012. PG&Eand Panocheengaged in an arbitration cess r including discovery, briefs, In May 2013, at the tensed arbitration processit rathen of hearings. elanconsisting of issuzedazengranting PG&E'stwo requestst Panochewas responsible for three arbitrators GHOcompliance costs and Panocheunderstood, tartiethie signed the PPA, that if there was a future change in the law that imposed a Gold Good Statisties, her awould have to bear that cost.

Panochethen went to the Superior Court etatheaæarbitrationaward, and was able to successfully argue that the award shouldedbeomapæocedural grounds. PG&Ehas appealed the Superior Court's decisionthatandhatter is currentlylingo-damefore the California Court of Appeal.

PG&Es concerned that PD's requirement that lities the unique contracts will effect is rely in returning PG&Esamocheto square one. The parties spent more than a year in negatoriative reunable to resoft weir differences. The parties then utilized the discountien reprovisions in PLA do Pdetermine GHO compliance cost responsibility. PG&Estamodes sthat the PD cannot be virtiten way to address each unique contract situation the confurrent status of discussestive en each utility and its counterparties. However, the PD should be smooth feet parties he have already engaged in extensive negotiations and disease term are not investigated parties he have already engaged in the entire process.

To address this situation, PG&Eprothogosfedlowing modifications to the PD:

Conclusions of Law

3. Utilities subject mitronis Sinon jurisdiction shoot in the legacy Contracts in good fait the veloop clear terms and conditions addressing GHO cost responsibility, where negotiate the legacy occurred, utilize a constratispute resolution visions to determine GHO cost responsibility.

Ordering Paragraphs

1. Electric utilities contridates executed prior prastrage of Assembly Bill 32 (the Global WarmingSolutionsthatct)ack specific terms and conditions assigning greenhouse gasescrostsibility re sordered to continue to renegotiates etcontracts to rensureenhouse gas costs and responsibility for those are ostlearly artited in contracts or, where negotiation efforts have already outilized cantract's dispute resolution provisions to determinate responsibility. Absent successful renegotiation and toward rethrough dispute resolution, generators party to these contracted medical through the November 2013 Greenhouse Gas Cap-and-Trade proposed redments currently under consideration by their all a Air Resources Board.

These modifications make cleatr, that a least in PG&E'stbaste,PG&E and Panochedo not need to start over with thieografia but can instead continuous uteo dispute resolution through the appeal pending at Chalifornia Court of Appeals. With these modifications, PG&E ully supports adoption of the PD.

Respectfully submitted,

PACIFICGASANDELECTRI C COMPANY

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Dated: March 3, 2014

CERTIFICATIOF SERVICE BY ELECTRONIC MAIL AND COURIER

I, the undersigned sthat I am a citizen of the table steand amemployed in the City and County of San Francisco; that I am cover f the citizen (18) years from the within cause; and the structures address is Pacificand Batectric Company, Law Department B30A, 77 Beale Street, San Francisco, CA94105.

On the 3rd day of March, 2014şed taube served a true copy of:

PACIFIC GASANDELECTRIC COMPANY(19: 39 E)
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- [XX] By Electronic Mail serving the value e-mail transmission to each of the parties listed on filicial service list for R.11-03-012.
- [XX] By Courier anetherbnic mail to the following:

Melissa Semcer Michael Peevey, Commissioner
Administrative Law Judge California Public Utilities Commission
California Public Utilities Commission
505 Van Ness Avenue, 5Floor San Francisco, CA 94102
San Francisco, CA 94102

I certify and declare under perhaperjury under the State of California that the foregoing is true commetct.

Executed on this 3rd de Maroth, 2014, at San Francisco, California.

/s/ Elizabeth Diamond
ELIZABETHDIAMOND