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August 18, 2014

Energy Division Tariff Unit  
Energy Division  
California Public Utilities Commission

505 Van Ness Avenue  
San Francisco, CA 94102

**Subject: Comments on Draft Resolution E -4662, Approving the Request of Pacific Gas and Electric Company for Approval of Power Purchase Agreements with Badger Creek Limited, Bear Mountain Limited, Chalk Cliff Limited, Live Oak Limited and McKittrick Limited ( Collectively Known as the ArcLight Facilities) for Procurement of Combined Heat and Power Energy and Capacity**

Dear Energy Division Tariff Unit:

On July 28, 2014, the Energy Division of the California Public Utilities Commission (“Commission”) issued Draft Resolution E -4662 (“Draft Resolution”), which appropriately approves Pacific Gas and Electric Company’s (“PG&E”) Power Purchase Agreements (“PPAs”) with the ArcLight Facilities, authorizes PG&E to recover the costs associated with the PPAs, and finds that the five PPAs count toward PG&E’s Combined Heat and Power (“CHP”) megawatt target (“MW Target”) and PG&E’s greenhouse gas emissions reduction target (“GHG Emissions Reduction Target”)<sup>1</sup> as requested in PG&E Advice Letter number 4376-E (“advice letter”).

PG&E respectfully submits the attached comments for two primary reasons . First, PG&E offers technical suggestions to more accurately describe the ArcLight transaction . Second, PG&E informs the Commission of a recent order by the Federal Energy Regulatory Commission (“FERC”), which finds that one of the ArcLight Facilities, Badger Creek Limited (“Badger” ) is non-compliant with the operating efficiency requirements for qualifying facilities (“QFs”) under the Public Utility Regulatory Policies Act of 1978 (“PURPA”).<sup>2</sup> FERC’s order has no effect on the PPA or its contribution toward the MW and GHG Emissions Reduction Targets.

As a threshold issue, the Draft Resolution describes the eligibility of proposals to convert CHP to utility prescheduled facilities (“UPF”) to participate in PG&E’s competitive solicitation for CHP procurement, or Request for Offers (“RFO”). It notes that “The Commission has already

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<sup>1</sup> The CHP MW Target and the GHG Emissions Reduction Target were established for PG&E by the Qualifying Facility/CHP Settlement Agreement that was approved by Decision (“D.”) 10-12-035 (“QF/CHP Settlement Agreement”).

<sup>2</sup> *Badger Creek Limited*, 148 FERC 61,074, July 30, 2014.

approved other Utility Prescheduled Facility conversions for CHP Facilities where the thermal host has discontinued operations” and cites its approval of a contract amendment as an example.<sup>3</sup> While this is true, in this case, the conversion of the ArcLight PPAs from baseload to UPF occurred through ArcLight’s submission of the PPAs into the CHP RFO. PG&E suggests that the Resolution should also confirm that baseload to UPF conversions submitted into a CHP RFO are not subject to the Commission’s discretion but are allowed under the Settlement Term Sheet. Adding this sentence to the last paragraph on page 3 will provide the appropriate context for the ArcLight transaction:

The Settlement Agreement specifically identifies conversions from QF baseload to UPF facilities as eligible to participate in the CHP RFO process. (See, Settlement Term Sheet section 4.2.2.2.)

PG&E suggests that the following non -controversial clarifications be made to Confidential Appendix A of the Draft Resolution to provide a correct record of the Commission’s decision to approve the ArcLight PPAs:

Table 4:

The header of the third column states, “Existing Contract Expiration Date if New Contract Signed.” The contracts in Table 4 have already been signed. The header should state, “Existing Contract Expiration Date if New Contract Approved.”

The “Current Steam Host” names should be corrected to match the information contained in the advice letter. See the table on page C-13 of Confidential Appendix C of the advice letter.

Page 19:

Revise the first sentence of the second paragraph to state: “ [REDACTED]

[REDACTED]  
[REDACTED]”

Table 7:

The heading “Offered PAV/kW -year” does not indicate the correct valuation metric used by PG&E. The heading should be replaced with the correct metric, which is “PAV/CHP kW-year.”

PG&E takes this opportunity to inform the Commission that Badger no longer complies with the operational efficiency standards applicable to QFs, as it did when PG&E submitted the advice letter on March 14, 2014, due to a recent order of the FERC.<sup>4</sup> On July 30, 2014, FERC denied

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<sup>3</sup> Draft Resolution, p.3.

<sup>4</sup> *Badger Creek Limited, supra.*

the request of Badger for a temporary exemption from the fuel use efficiency requirements applicable to Qualifying Cogeneration Facilities under the FERC's regulations. PG&E had assumed that because Badger was operating under the Transition PPA, it would be a baseload QF converting to a UPF at the commencement of the new PPA at issue here. Instead, Badger lost its steam host and no longer meets the operating efficiency standards of the regulations implementing PURPA during the years 2014-2015. Nonetheless, the FERC Order will not affect Badger's eligibility for the ArcLight PPA or the counting benefits conferred by that PPA.

The ArcLight PPAs arise from PG&E's second CHP RFO , which was issued in February 2013. Badger Creek was eligible to participate in the CHP RFO as a "CHP Facility converting to a Utility Prescheduled Facility " because it met the PURPA efficiency requirements as of September 2007.<sup>5</sup>

Under the Settlement Agreement Term Sheet, Badger Creek is considered to be an Existing CHP Facility because it had QF status and was operational on the Settlement Effective Date.<sup>6</sup> As an Existing CHP Facility, it provides a MW contribution equal to the Contract Nameplate of 48.09 MW listed in PG&E's July 2010 Cogeneration and Small Power Production Report.<sup>7</sup> Badger's<sup>8</sup> GHG Emission reductions will count because it is a CHP Facility converting to a UPF. Accordingly, the FERC Order does not affect Badger's eligibility to participate in the CHP RFO or its contribution toward PG&E's QF/CHP Settlement Agreement Targets. The FERC Order does not require any change to the Draft Resolution.

PG&E appreciates this opportunity to comment on the Draft Resolution and hopes that the above-listed changes will appear in the Final Resolution.

Sincerely,



Senior Director – Regulatory Relations

cc: President Michael R. Peevey

Commissioner Michel P. Florio

Commissioner Carla J. Peterman

Commissioner Michael Picker

Commissioner Catherine J.K. Sandoval

Karen V. Clopton – Acting General Counsel

Timothy J. Sullivan – Acting Chief Administrative Law Judge

Edward Randolph – Director, Energy Division

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<sup>5</sup> Term Sheet Sec. 4.2.2.2

<sup>6</sup> Definition of Existing CHP Facility: "An Existing CHP Facility is one that was operational before the Settlement Effective Date."

<sup>7</sup> Term Sheet Sec. 5.2.3.1.

<sup>8</sup> Term Sheet Sec. 7.3.1.3.

Energy Division Tariff Unit  
Amy Kochanowsky – Energy Division  
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Noel Crisostomo – Energy Division  
Jason Houck – Energy Division  
Yuliya Shmidt – ORA  
Service Lists: R.12-03-014, R.13-12-010

**DECLARATION OF** Redacted  
**SEEKING CONFIDENTIAL TREATMENT**  
**FOR CERTAIN DATA AND INFORMATION CONTAINED IN**  
**COMMENTS ON ARCLIGHT DRAFT RESOLUTION E-4662**  
**(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Redacted declare:

1. I am a Manager in the Energy Procurement department at Pacific Gas and Electric Company (“PG&E”). I was responsible for negotiating transactions resulting from PG&E's second Combined Heat and Power Request for Offers (“CHP RFO”) solicitation and negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of PG&E’s contracts with numerous counterparties and have also gained knowledge of the operations of electric sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating position of electric sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary. I can also identify information that buyers and sellers of capacity would consider to be “market sensitive information” as defined by California Public Utilities Commission (“CPUC”) Decision (“D.”) 06-06-066 and D.09-12-020, that is, information that has the potential to materially impact a procuring party’s market price for capacity if released to market participants.

2. I was responsible for negotiating the ArcLight Agreements resulting from PG&E’s second CHP RFO. Based on my knowledge and experience, I make this declaration seeking confidential treatment of redacted information in PG&E’s comments on CPUC Draft Resolution E-4662 (“Confidential Information”).

3. Attached to this declaration is a matrix that describes the Confidential Information for which PG&E seeks continued protection against public disclosure, states

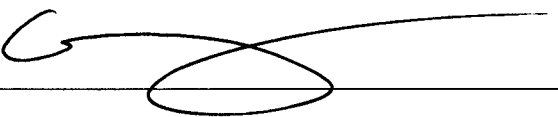
whether PG&E seeks to protect the confidentiality of the Confidential Information pursuant to D.06-06-066 and/or other authority; and where PG&E seeks protection under D.06-06-066, the category of market sensitive information in D.06-06-066 Appendix 1 Matrix (“Matrix”) to which the Confidential Information corresponds.

4. The attached matrix demonstrates that the Confidential Information: (1) constitutes a particular type of confidentiality-protected data listed in the Matrix; (2) corresponds to a category or categories of market sensitive information listed in the Matrix; (3) may be treated as confidential consistent with the limitations on confidentiality specified in the Matrix for that type of data; (4) is not already public; and (5) cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. In the column labeled, “PG&E’s Justification for Confidential Treatment”, PG&E explains why the Confidential Information is not subject to public disclosure under either or both D.06-06-066 and General Order 66-C. The confidentiality protection period is stated in the column labeled, “Length of Time.”

5. By this reference, I am incorporating into this declaration all of the explanatory text in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that to the best of my knowledge, the foregoing is true and correct.

Executed on August 18, 2014, at San Francisco, California.

  
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Redacted

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)  
COMMENTS ON ARCLIGHT DRAFT RESOLUTION E-4662**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	2) Data correspond to category in Appendix 1:	3) Complies with limitations of D.06-06-066 (Y/N)	4) Data not already public (Y/N)	5) Lead to partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
<b>Document: PG&amp;E's Comments on Draft Resolution E-4662</b>							
Redacted portion	Y	Item VIII.B –Specific quantitative analysis involved in scoring and evaluation of participating bids	Y	Y	Y	The redacted portion of PG&E's comments on Draft Resolution E-4662 describes the position of the ArcLight transactions on PG&E's shortlist which resulted from PG&E's evaluation and ranking of bids received in PG&E's second Combined Heat and Power (CHP) Request for Offers (RFO). This information is confidential under Item VIII.B of the D.06-06-066 Appendix 1 matrix for 3 years after the winning bidders were selected.	3 years after the winning bidders were selected