

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



February 27, 2009

**Advice Letter 3405-E**

Brian K. Cherry  
Vice President, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

**Subject: Revisions to PG&E Company's Conformed 2006 Long  
Term Procurement Plan in Compliance with D.07-12-052,  
as modified by D.08-09-045 and D.08-11-008**

Dear Mr. Cherry:

Advice Letter 3405-E is effective February 17, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division



January 16, 2009

**Advice 3405-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Revisions to Pacific Gas and Electric Company's Conformed  
2006 Long Term Procurement Plan in Compliance with Decision  
(D.) 07-12-052, as modified by D.08-09-045 and D.08-11-008**

**Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits this compliance filing to revise its conformed 2006 Long-Term Procurement Plan ("Conformed 2006 LTPP") in compliance with Decision (D.) 07-12-052 as modified by D.08-09-045 and D.08-11-008. This cover letter describes PG&E's revisions to the Conformed 2006 LTPP. Attachment 1 contains new and replacement pages for Attachment B (Public Clean Version) and Attachment D (Clean Confidential Version) of PG&E's Conformed 2006 LTPP.

**Background**

On March 18, 2008, PG&E filed Advice Letter (AL) 3233-E, *Pacific Gas and Electric Company's 2006 Long-Term Procurement Plan Proceeding Compliance Filing*, in compliance with D.07-12-052. On June 26, 2008, the Commission approved AL 3233-E by Resolution E-4177.

In D.08-09-045 the Commission modified D.07-12-052 to specifically acknowledge the requirements of cost and need of the Public Utility Regulatory Policy Act (PURPA).

In D.08-11-008, the Commission made the following modifications to D.07-12-052:

- a. We authorize the investor-owned utilities (IOUs) to recognize the effects of debt equivalence (DE) when comparing power purchase agreements (PPA) against PPAs in their bid evaluations, but not when a utility-owned generation (UOG) project is being considered.
- b. We grant the request to delete the exception of allowing IOUs to chose UOG projects outside of a competitive solicitation for expansion of existing facilities.
- c. We specify the circumstances under which engineering, procuring and construction (EPC) bids are appropriate as follows: (1) The purpose of allowing EPC bids is in no way intended to provide the IOUs with a broad loophole that allows for what are essentially direct utility build projects, as suggested by the Petitioners - the purpose is simply to acknowledge that certain extraordinary circumstances that are unpredictable in advance may necessitate utility ownership of generation at a particular site; (2) While extraordinary circumstances are by definition difficult to identify a priori, our intention is to set a high bar for an "appropriate circumstance" for an IOU to circumvent the potential for private ownership by soliciting EPC bids. (3) Simply owning land on which generation could be built or requesting EPC bids in general in an RFO as an alternative to PSAs and PPAs does not satisfy this requirement.
- d. We authorize San Diego Gas & Electric Company (SDG&E) to procure a total of up to 530 megawatts (MW) of new local capacity that was conditionally authorized in D.07-12-052 and require that applications for this procurement be supported by updates of the status and projected on-line date of the Sunrise Powerlink project.
- e. We modify the circumstances under which an IOU must retain the services of an Independent Evaluator ( IE) to requests for offers (RFO) that seek products two years or

greater in duration is granted. However, we still require that an IE be utilized whenever an affiliate or utility bidder participates in the RFO, regardless of contract duration<sup>1</sup>.

Therefore, in order to comply with the modifications made to D.07-12-052, PG&E is filing this advice letter to revise its Conformed 2006 LTPP.

### **Conformed 2006 LTPP Revisions**

Attachment 1 contains the replacement sheets for the Conformed 2006 LTPP. These replacement sheets reflect conditions upon which an Investor Owned Utility (IOU) can pursue utility-ownership of generation through a Request for Offers (RFO), competitive RFOs for which an Independent Evaluator (IE) shall be contracted with, requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA) for QF capacity, inclusion of a code of conduct when RFO bid documents are issued, and IOUs' authority to recognize debt equivalence when comparing Power Purchase Agreement (PPAs) against PPAs in their bid evaluations.

The replacement sheet numbers are identified below:

- Section II – Sheet No. 20, 22 thru 22-A
- Section IV – Sheet No. 73 thru 73-A
- Appendix I – Sheet No. 149 thru 149-A

As a reference, Attachment 2 is a redline version of the changes in Sections II, IV and Appendix I.

### **Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **February 5, 2009**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division  
Tariff Files, Room 4005  
DMS Branch  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200

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<sup>1</sup> D.08-11-008 at 37-38, Ordering Paragraph (OP) 1

E-mail: [ijnj@cpuc.ca.gov](mailto:ijnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

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

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E 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 770000  
San Francisco, California 94177

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

### **Effective Date**

PG&E requests that this advice filing become effective on regular notice, **February 17, 2009**, which is 32 calendar days after the date of filing<sup>2</sup>.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list for R.06-02-013. Address changes to the General Order 96-B service list should be directed to Rose de la Torre at (415) 973-4716. Send all electronic approvals to [PGETariffs@pge.com](mailto:PGETariffs@pge.com). Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

A handwritten signature in cursive script that reads "Brian K. Cherry / drc".

Vice President, Regulatory Relations

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<sup>2</sup> The 30<sup>th</sup> day after the filing date is a weekend; therefore PG&E requests that the advice letter become effective on the following business day.

Attachments

Attachment 1 – Conformed 2006 LTPP Replacement Sheets, Public Clean Version

Attachment 2 – Conformed 2006 LTPP Replacement Sheets, Public Redline Version

cc: Service List R.06-02-013

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Daren Chan

Phone #: (415) 973-5361

E-mail: D1CT@pge.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3405-E**

**Tier: 2**

Subject of AL: Revisions to Pacific Gas and Electric Company's Conformed 2006 Long Term Procurement Plan in Compliance with Decision (D.) 07-12-052, as modified by D.08-09-045 and D.08-11-008

Keywords (choose from CPUC listing): Compliance, Long Term Procurement Plan

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.07-12-052, D.08-09-045, D.08-11-008

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required?  Yes  No

Requested effective date: **February 17, 2009**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division**

**Tariff Files, Room 4005**

**DMS Branch**

**505 Van Ness Ave., San Francisco, CA 94102**

**jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Brian K. Cherry, Vice President, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**



**Pacific Gas and Electric Company**  
San Francisco, California

Cal. P.U.C. Sheet No.  
2006 Pacific Gas and Electric Company  
Long-Term Procurement Plan

**PACIFIC GAS AND ELECTRIC COMPANY**  
**CONFORMED 2006 LONG-TERM PROCUREMENT PLAN**

**REPLACEMENT PAGES**

**ATTACHMENT 1**

**PUBLIC CLEAN VERSION**

Advice Letter No. 3405-E  
Decision No. 07-12-052, 08-09-045,  
08-11-008

Issued by  
**Brian K. Cherry**  
Vice President  
Regulatory Relations

Date Filed January 16, 2009  
Effective December 21, 2007  
Resolution No. \_\_\_\_\_



**TABLE II-5  
PACIFIC GAS AND ELECTRIC COMPANY  
PROCUREMENT METHODS AND PRACTICES  
(CONTINUED)**

Item #	Transaction Process	Description	Prior Authorization
6	Utility ownership of generation	Utility-ownership of generation can be pursued through an RFO under certain conditions (see D.07-12-052 at 198-205; D.08-11-008 at 18-20) or outside of the RFO process under certain conditions (see D.07-12-052 at 209-213; D.08-11-008 at 20-23).	D.07-12-052 D.08-11-008
7	Open Access Same-Time Information Systems ("OASIS")	Procure standard electric transmission products from transmission providers throughout the Western Electric Coordinating Council ("WECC") region at FERC tariffed rates and voice and on-line brokers.	D.03-12-062 D.04-12-048 AL 2615-E
8	Negotiated bilateral contracts for non-standard products which terms exceed three months provided that the IOUs include a product justification in quarterly compliance filings.	Process to purchase products provided they are included in quarterly compliance filings to justify the need and process in each case. Terms and conditions are benchmarked against the best available market information for similar products recently offered.	D.03-12-062 D.04-12-048 AL 2615-E
9	Transparent exchanges to include voice and on-line brokers	Transparent price products from voice and on-line brokers.	D.03-12-062 D.04-12-048 AL 2615-E
10	Electronic Auction	IOUs are authorized to conduct procurement using an electronic auction format.	D.04-12-048 AL 2615-E
11	Generator Requests for Proposals	IOUs can bid in open season or RFPs held by generator owners.	D.04-01-050 AL 2615-E
12	CAISO Allocations and Auctions	CAISO allocation and auctions for LT-CRRs and CRRs.	AL-3095-E and AL 3106-E

In the remainder of this section, PG&E describes its procurement practices and methods for: (a) short- and medium-term procurement transactions; (b) long-term transactions; (c) RPS transactions; and (d) the length of time between the date contracts are executed and when actual deliveries commence.



The remainder of this discussion summarizes the short- and medium-term procurement process and describes some of the Commission-approved transaction methods that PG&E has undertaken in each time frame since it has resumed electric procurement.

**(1) Multi-year**

PG&E initially determines its need for short- and medium-term transactions. Multi-year transactions typically involve competitive solicitations that are reviewed in consultation with the Procurement Review Group (“PRG”). After negotiating a multi-year transaction, PG&E submits the agreement to the Commission for approval via an advice letter, if the term of the transaction is less than five years. An Independent Evaluator (“IE”) is required for all competitive RFOs that: (1) involve an IOU affiliate or utility bidder, regardless of the contract duration; or (2) seek products two years or more in duration. Competitive RFOs include RFOs issued to satisfy service area need and supply-side resources, not including energy efficiency and demand response.

**(2) Annual, Quarterly, and Monthly**

PG&E performs and updates assessments of its net open position for a 12-month forward period on a regular basis to determine whether additional resources are required or it has excess resources for potential surplus sales. This process ensures that PG&E has resources to meet requirements, and determines by the close of the month prior to an operating month that it will control resources within 5% of expected requirements, as recommended by the Commission in D.02-10-062.

The analysis is the same as that employed for the multi-year time frame, with the primary difference being the assumptions used—forecasted loads, resource availability, gas prices, hydro availability and market prices are further refined as PG&E moves closer to the operating period, hence resource requirements and market opportunities become clearer.

Forward Energy Products (*e.g.*, term, balance-of-month and balance-of-week purchases and sales) are transacted to diversify the portfolio and reduce reliance on spot markets.

Transactions with a delivery date later than three calendar months from execution, or for a term



greater than three calendar months are reviewed by the PRG. PG&E's monthly forward



**4. Qualifying Facilities**

PG&E currently has contracts with about 260 QF projects. Under D.07-12-052 and D.08-09-045, PG&E is required to maintain at least 2,166 MW of QF capacity through recontracting with existing QFs and contracting with new QFs, subject to the requirements of the Public Utilities Regulatory Policies Act of 1978 (“PURPA”) (16 U.S.C. § 824a-3 *et seq.*). The Commission determined the conditions under which IOUs can enter into new QF contracts in D.07-09-040.

**5. New Generation From PG&E’s 2004 Long-Term Request for Offers**

PG&E’s 2004 LTRFO will result in the construction of new peaking and shaping generation in northern California. One of the winning 2004 LTRFO bidders, for the Energy Investors Funds (“EIF”) Fresno project, recently announced that it was terminating its power purchase agreement with PG&E. Pursuant to D.07-12-052, pages 105-106, to the extent these approved resources are “determined unviable during the development process and the associated contract is terminated, the procurement authority for those megawatts remains.” Thus, the authority associated with the EIF Fresno megawatts remains.<sup>7</sup>

**6. New All-Source Generation**

PG&E will issue an all-source LTRFO to procure between 800 and 1,200 MW of new dispatchable ramping resources that can be used to adjust for the morning and evening ramps created by intermittent types of renewable resources to come online by 2015. PG&E plans to issue its new LTRFO in 2008. PG&E expects to file the results of the 2008 LTRFO with the Commission after executing contracts with winning bidders.

Ordering Paragraph 15 in D.07-01-039 directed PG&E to update its 2006 LTRFO filing for compliance with the adopted Interim Emissions Performance Standard rules, as necessary,

<sup>7</sup> On November 5, 2007, PG&E filed Advice Letter 3151-E submitting the EIF Fresno project to the energy auction cost allocation mechanism adopted in D.06-07-29. This advice letter is now moot given the termination of the EIF Fresno agreement.



within sixty (60) days from the effective date of that decision. PG&E's 2006 LTPP is already in compliance with the decision and thus does not need to be further modified. For contracts of



- An IE shall be contracted with and retained for all competitive solicitations that: (1) involve an IOU affiliate or utility bidder, regardless of the contract duration; or (2) seek products two years or more in duration. The contract duration clock begins: (1) at the time the contract resources begin delivery or the product is made available, if delivery or availability of the product occurs within one year of contract execution; or (2) at the time of contract execution if delivery or availability does not begin within one year of contract execution. Competitive RFOs include RFOs issued to satisfy service area need and supply side resources not including EE and DR. For solicitations of less than five years, the IE report shall be filed with the QCR. For solicitations greater than five years, the IE report shall be filed with the application.
- The IOUs, in consultation with the PRG and ED, shall develop comprehensive conflict of interest disclosure requirements for the IE. An IE may be disqualified from participating in an RFO process if there are particular egregious conflicts of interest that arise during the contract. The conflict of interest disclosure requirements shall be approved along with the standard contracts in the next LTPP proceeding.
- In order to clarify the information required in IE reports, we direct ED to develop a template for IEs to use when developing their reports.

#### ***RFO & RFO Process***

- The IOUs shall use a project application template developed by ED when developing an application for an approval of winning bid projects.
- The IOUs are to hold a meeting with the IE, PRG and ED to outline their plans and solicit feedback prior to drafting RFO bid documents. Draft RFO bid documents are to be developed under the oversight of an IE, vetted through the PRGs and any differences resolved by ED staff in advance of the public issuance of the bid documents. Any RFO that seeks any form of utility ownership options must include a code of conduct in the RFO bid documents when the bid documents are issued.
- If an IOU needs new fossil resources not formally authorized in a LTPP decision, the IOU must make a showing through an Advice Letter that unusual or extreme circumstances warrant such an action.
- The IOUs are authorized to recognize the effects of debt equivalence when comparing PPAs against PPAs in their bid evaluations, but not when a utility-owned generation (UOG) project is being considered.
- IOUs are to consider the use of Brownfield sites first before building new generation on Greenfield sites, subject to the parameters set forth in the decision.



- An IOU must publicly reveal the names of winning bidders after key commercial terms have been finalized, within thirty days of filing an application, or withdraw the application until the bidder's identity and other required information can be released. The actual contract does not have to be revealed.



**Pacific Gas and Electric Company**  
San Francisco, California

Cal. P.U.C. Sheet No.  
2006 Pacific Gas and Electric Company  
Long-Term Procurement Plan

**PACIFIC GAS AND ELECTRIC COMPANY**  
**CONFORMED 2006 LONG-TERM PROCUREMENT PLAN**  
**REPLACEMENT PAGES**

**ATTACHMENT 2**  
**REDLINE VERSION**

Advice Letter No. 3405-E  
Decision No. 07-12-052, 08-09-045,  
08-11-008

Issued by  
**Brian K. Cherry**  
Vice President  
Regulatory Relations

Date Filed January 16, 2009  
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Resolution No. \_\_\_\_\_



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Competitive RFOs include RFOs issued to satisfy service area need and supply side resources not including EE and DR. For solicitations of less than five years, the IE report shall be filed with the QCR. ~~An IE shall be utilized for all competitive RFOs regardless of length, the bidders or the type of the product being sought.~~ For solicitations greater than five years, the IE report shall be filed with the application.
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### ***RFO & RFO Process***

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- An IOU must publicly reveal the names of winning bidders after key commercial terms have been finalized, within thirty days of filing an application, or withdraw the application until the bidder's identity and other required information can be released. The actual contract does not have to be revealed.

**PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV**

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	