

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 25, 2012

Advice Letter 4034-E/4034-E-A

Brian K. Cherry
Vice President, Regulation and Rates
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
Email: PGETariffs@pge.com

Subject: Approval of PG&E AL 4034-E and 4034-E-A requesting approval of a power purchase agreement between PG&E and Calpine Energy Services in compliance with Commission Resolution E-4471

Dear Mr. Cherry:

Energy Division approves Advice Letter 4034-E/4034-E-A (Advice Letter), with an effective date of May 25, 2012. Energy Division finds the Advice Letter is in compliance with Commission Resolution E-4471.

Background:

On March 22nd, 2012 the Commission issued Resolution E-4471 ordering Pacific Gas and Electric ("PG&E") to negotiate a power purchase agreement with Calpine Energy Services L.P. ("Calpine") for the Sutter power plant for a price less than that available under the Capacity Procurement Mechanism (CPM). The California Independent System Operator ("CAISO") had filed with the Federal Energy Regulatory Commission ("FERC") in order to create a contracting mechanism to provide Sutter with a backstop contract that would provide additional revenue to keep it operating. CAISO released a report as part of the backstop contracting process (referred to as Capacity Procurement Mechanism) that demonstrated the potential reliability risks that might occur in future years upon retirement of Sutter.

On May 4th, 2012 PG&E filed Advice Letter 4034-E in compliance with Commission Resolution E-4471. The Advice Letter included as an appendix the procurement contract for Resource Adequacy (RA) from the Sutter plant (contract or RA Agreement) for which PG&E is seeking approval. PG&E also requests approval of a subaccount to the New System Generation Balancing Account. On May 7, 2012 PG&E filed a supplemental AL 4034-E-A in which PG&E attached the confidential Independent Evaluator Report.

Protests:

DRA filed a protest on May 23rd disputing whether this contract and the pricing terms were just and reasonable. DRA discussed the contract price relative to market prices PG&E otherwise pays for resource adequacy (RA) capacity and used this comparison to dispute PG&E's assertion that PG&E followed the dictates of Resolution E-4471. Energy Division dismisses the protest, since Resolution E-4471 set the standard against which PG&E was required to demonstrate reasonableness, i.e. the

contract is less than PG&E's proportionate share of the CPM price of \$17.4 million. PG&E demonstrated that they complied with the requirements of the resolution.

Alliance for Retail Energy Markets, Direct Access Coalition, Energy Users Forum, and Marin Energy Authority filed a joint protest (AREM et al. protest) on May 24th arguing that the approval of this Advice Letter would create costs for direct access customers without the accompanying allocation of RA capacity credit, meaning that customers on direct access or customers of community choice aggregators would pay for RA capacity that they would not receive the benefits of. Protestants requested that the Commission order the utilities to allocate RA capacity credit to all benefitting customers as a means of giving them the benefits to go along with the costs of the Sutter contract. Energy Division does not believe this protest merits rejection of the Advice Letter since we plan to implement this request, as specified below. While the AREM et al. protest would have Energy Division implement their request at a later date, we believe we can comply immediately and avoid any further delays.

TURN protested the Advice Letter on May 24th on the basis that the mechanics of how Calpine and the utilities negotiated was not leading to best value for ratepayers. In addition, TURN proposed a means to return over market revenues to ratepayers in the form of agreements for future years. These concerns are outside the scope of the Advice Letter, as TURN's suggested process and any future year agreements are not criteria Energy Division was ordered to use in reviewing the Advice Letter. TURN's protest attempts to relitigate Resolution E-4471.

CUE filed a protest on May 24th and states that Calpine is bluffing about Sutter's retirement. CUE proposes a detailed mechanism to repay above market 2012 payments for Sutter from future profits from the Sutter plant. As with TURN's protest, CUE's suggestion is outside the scope of the Advice Letter and is an attempt to relitigate Resolution E-4471.

PG&E responded to the protests on May 25, 2012. PG&E argued that DRA, TURN, and CUE filed protests that are outside the scope of the Advice Letter. PG&E argued that the AREM et al. protest can be accommodated if the Energy Division provides the capacity allocations. PG&E states, "Thus, all parties are on equal footing with regards to their RA procurement efforts in light of the Resolution and as long as an allocation of RA is made by the Energy Division for inclusion in an RA filing, all customers should bear the costs of the RA Agreement." (p. 5)

Discussion:

Energy Division does not find any of the four protests meet the grounds for protest established in General Order 96-B (Section 7.4.2). In particular "a protest may not rely on policy objections to an advice letter where the relief requested in the advice letter follows rules or directions established by statute or Commission order applicable to the utility". (Ibid.) With the exception of the AREM et al. protest which the Energy Division addresses via separate action, each of the other protests requests a relitigation of Resolution E-4471 and each requests the Energy Division not apply the approval standard clearly communicated via the Resolution.

In light of the above, PG&E's Advice Letter is in compliance with Commission Resolution E-4471, and we find that PG&E has shown that the Sutter contract is just and reasonable and the costs fully recoverable in rates. PG&E's contract is less than the price that would otherwise have been charged for Sutter at the CPM price. PG&E's Advice Letter requested the following findings: PG&E's entry into the RA agreement with Calpine for Sutter is reasonable, the payments made by PG&E are just and reasonable and fully recoverable in rates, the RA Agreement is not subject to further reasonableness reviews other than a review of PG&E's administration of the RA Agreement; and PG&E's portion of the total IOU compensation to Calpine is not more than its proportional load share.

Allocation of RA capacity credit:

As adopted in D.07-09-044 and D.09-06-028, the Energy Division allocates capacity credit to load serving entities (LSEs) for the contracts whose costs are paid for via a non-bypassable charge to all benefitting customers. For purposes of PG&E's Sutter contract, Energy Division will allocate capacity for July and August 2012 (capacity for those months was already allocated April 12th and May 16th respectively), for use in the RA filings due on June 1 and July 2. Via revised letter dated today, Energy Division will send revised capacity allocations to each LSE for these filing months to reflect the Sutter contract. Energy Division will continue to allocate capacity for this contract along the normal schedule for the remaining months of the contract term.

Sincerely,

Molly Storkel for Ed Randolph

Edward F. Randolph, Director
Energy Division

Cc via email:

President Michael R. Peevey
Commissioner Mark J. Ferron
Commissioner Catherine J.K. Sandoval
Commissioner Mike Florio
Commissioner Timothy Alan Simon
Frank Lindh, General Counsel
Chief ALJ Karen Clopton
Service List for R.10-05-006
Service List for R.11-10-023
Service List for R.12-03-014

Protestors:

CUE, via email, mdjoseph@adamsbroadwell.com
TURN, via email, matthew@turn.org
AReM et al., via email, sue.mara@rtoadvisors.com
DRA, via email, Claire.eustace@cpuc.ca.gov; cynthia.walker@cpuc.ca.gov



Brian K. Cherry
Vice President
Regulation and Rates

Mailing Address
77 Beale St., Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.6520

May 4, 2012

Advice 4034-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Approval of Resource Adequacy Agreement Between Calpine Energy Services, L.P. and Pacific Gas and Electric Company Pursuant to Resolution E-4471

Introduction

In compliance with Resolution E-4471 (“Resolution”), Pacific Gas and Electric Company (“PG&E”) hereby submits to the California Public Utilities Commission (“Commission” or “CPUC”) for approval an agreement between Calpine Energy Services, L.P. (“CES”) and PG&E for Resource Adequacy (“RA”) product (“RA Agreement”). PG&E requests that the Commission approve the RA Agreement and the recovery of costs associated with the RA Agreement through the cost recovery mechanisms described below.

Background

Sutter is a 578 MW natural gas combined-cycle resource located in Yuba City, California that has been in operation since July 2001. While physically located in the PG&E service territory, Sutter is electrically interconnected to the Western Area Power Administration Sierra Nevada Region (“WAPA”) transmission system. The WAPA transmission system was integrated within the California Independent System Operator (“CAISO”) control area. In 2005, WAPA left the CAISO and joined the Sacramento Municipal Utility District control area. As such, Sutter is subject to a complex pseudo-tie arrangement to move its energy into the CAISO control area. On November 22, 2011, Calpine provided notice to the CPUC, as required under CPUC General Order 167, that it was planning to retire Sutter in 2012 due to the lack of sufficient market revenues to cover its operating costs. Simultaneous with its notice to the CPUC, Calpine requested that the CAISO provide it a capacity payment sufficient to cover its operating costs and to prevent it from shutting down the plant in 2012.

On January 25, 2012, the CAISO, citing a need for renewable integration resources in the 2017/2018 timeframe, filed at the Federal Energy Regulatory Commission (“FERC”) for a waiver of its tariff provisions to enable it to use its Capacity Procurement Mechanism (“CPM”) to make the capacity payments to Calpine for Sutter.

In response, on March 22, 2012, the CPUC approved the Resolution, ordering PG&E, Southern California Edison Company (“SCE”), and San Diego Gas & Electric Company (“SDG&E”) to negotiate to enter into a contract with Calpine for the Sutter Energy Center (“Sutter”) and adopting a non-bypassable charge to recover the cost of any resulting contracts from all benefitting customers, including bundled, direct access (“DA”) and Community Choice Aggregation (“CCA”) customers. The purpose of the Resolution was to keep Sutter online in 2012, and to enable further analysis of the impacts of current and proposed dynamic transfer tariff changes at the CAISO. FERC action on the CAISO tariff amendment request is currently being held in abeyance pending the outcome of the Resolution.

As the CAISO stated in its January 31, 2012, comments on draft Resolution E-4471, “the principle drivers behind [the CAISO’s filing at FERC] were the ISO’s determination that the Sutter plant is needed for reliability by the end of 2017 and Calpine’s submission of a sworn affidavit to the ISO stating that, absent designation of the Sutter plant as capacity at risk of retirement pursuant to the ISO’s CPM tariff provisions, it intends to retire the plant as soon as May 2012.”¹ The CAISO also stated that “the Sutter plant needs to be procured, either by the ISO or by load serving entities, no later than April 1, 2012. . . .”² Customers benefit from ensuring that system reliability is maintained.

The Resolution found it prudent to maintain the operation of Sutter in 2012 to prevent a relatively new, operationally flexible unit needed for renewable integration from retiring until further work could be done related to the long-term capacity market structure. The Resolution also found a need to maintain the operation of Sutter to provide additional information on renewable integration capabilities using a pseudo-tie and dynamic scheduling.³

Description of RA Agreement

The RA Agreement with CES has a term of July 1, 2012 through December 31, 2012. Under the terms of the RA Agreement, CES will provide PG&E with system RA in an amount equal to 45.1%⁴ of the Sutter monthly Net Qualifying Capacity (“NQC”) during

¹ CAISO Comments on Draft Resolution, page 1.

² *Id.*, page 2.

³ Resolution, Page 8

⁴ See http://www.energy.ca.gov/2012_energypolicy/documents/index.html. Data from this source

the period July 1, 2012 through December 31, 2012. The RA Agreement is based on PG&E's standard RA confirmation to an EEI master agreement with several changes to reflect the unique nature of this agreement with CES.

The RA Agreement is included in Confidential Appendix A to this advice letter and a detailed summary of the terms and conditions of the RA Agreement is included in Confidential Appendix B.

Description of Cost Recovery Mechanism

The Resolution states that the costs of the RA Agreement should be recovered through a non-bypassable charge on all benefiting customers.⁵ PG&E therefore requests that the Commission approve recording the costs associated with the RA Agreement through the Cost Allocation Mechanism ("CAM") recorded in the New System Generation Balancing Account ("NSGBA") and PG&E's Energy Resource Recovery Account ("ERRA"). This method for cost recovery will allow all costs and benefits to be allocated among PG&E's bundled, DA and CCA customers. The affected tariff sheet for the NSGBA is attached in Attachment 1 and PG&E requests that the Commission approve the addition of a subaccount to the NSGBA which will ensure the allocation of costs and benefits to benefiting customers. Consistent with other generation contract costs approved for recovery in rates, PG&E requests that the costs associated with the RA Agreement not be subject to any after-the-fact reasonableness review other than a review of PG&E's administration of the RA Agreement.⁶

In the Resolution, the Commission delegated to the Energy Division the authority to approve the RA Agreement through a disposition letter, on behalf of the Commission. The RA Agreement includes a condition precedent that specifies that the Energy Division disposition letter include the following findings:

1. PG&E's entry into the RA Agreement is reasonable;
2. All payments to be made by PG&E under the RA Agreement are just and

indicates that in 2010, the total bundled, Community Choice Aggregation ("CCA") and Direct Access ("DA") retail sales were 84,099 GWh for PG&E, 19,485 GWh for SDG&E and 83,091 GWh for SCE. PG&E's bundled, DA and CCA load represented 45.1% of the total, SDG&E's bundled and DA load represented 10.4% of the total, and SCE's bundled and DA load represented 44.5% of the total.

⁵ Resolution, Ordering Paragraph 5

⁶ Public Utilities Code Section 454.5(d)(2) eliminates the need for after-the-fact reasonableness reviews of an electrical corporation's actions in compliance with an approved procurement plan, including resulting electricity procurement contracts, practices, and related expenses. However, the Commission may establish a regulatory process to verify and ensure that each contract was administered in accordance with the terms of the contract, and contract disputes that may arise are reasonably resolved.

reasonable and fully recoverable in rates;

3. The RA Agreement is not subject to further reasonableness reviews other than a review of PG&E's administration of the RA Agreement; and,
4. PG&E's portion of the total IOU compensation to CES is not more than its proportional load share.

PG&E requests that in approving the RA Agreement, the Energy Division include the four statements above and, in addition, clearly state that the cost recovery mechanism proposed by PG&E in this advice letter and the tariff sheet included as Attachment 1 are approved.⁷

The RA Agreement Is Just And Reasonable Because It Is Consistent With The Parameters Set Forth In Resolution E-4471

Ordering Paragraph 5 of the Resolution requires that the utilities "explain how the contract meets the just and reasonable rates requirements under Public Utilities Code Section 454.5." The RA Agreement meets this standard because it is consistent with the framework under which the utilities were ordered to enter into negotiations with Calpine.

The RA Agreement has a term from July through the end of 2012, consistent with the Resolution's stated purpose of keeping Sutter online in 2012.⁸ With regard to overall compensation for Calpine, the RA Agreement is also consistent with the Resolution. PG&E, SCE, and SDG&E negotiated separately with Calpine their respective agreements related to Sutter. The Resolution places a cap on the total contract consideration of \$17.4 million.⁹ Calpine has represented to PG&E that the total consideration payable by PG&E, SCE and SDG&E pursuant to the contracts for Sutter does not exceed the cost cap contained in Resolution and in fact is "significantly below what would be paid if the Sutter plant were subject to the CPM."¹⁰ Therefore, since the term of RA Agreement is consistent with the purpose of the Resolution, and the overall cost of the contracts signed by PG&E, SCE and SDG&E is less than the cost cap set in the Resolution, the RA Agreement is just and reasonable under Public Utilities Code Section 454.5.

⁷ If SDG&E or SCE seeks CPUC approval of its portion of the Sutter contracts in a manner other than a Tier-2 Advice Letter, PG&E may withdraw this advice letter and re-file for approval in a manner consistent with that taken by SDG&E or SCE.

⁸ Resolution, p. 1

⁹ Resolution, p. 1

¹⁰ Resolution, p. 8

Conclusion

PG&E respectfully requests:

- 1) With the authority delegated to it by the Commission, the Energy Division approve the RA Agreement as reasonable;
- 2) The Energy Division expressly state in its disposition letter that all payments to be made by PG&E under the RA Agreement are just and reasonable and fully recoverable in rates;
- 3) The Energy Division expressly state in its disposition letter that the RA Agreement is not subject to further reasonableness reviews other than a review of PG&E's administration of the RA Agreement; and,
- 4) In approving the Advice Letter, the Energy Division explicitly approve the recovery of costs associated with the RA Agreement in ERRA and through the CAM, recorded in the NSGBA, as described in this advice letter.

Confidentiality

In support of this Advice Letter, PG&E submits Confidential Appendices A and B, and will submit Confidential Appendix C as a supplement to this Advice Letter as soon as it is available, 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 utility information provided under General Order 66-C. A separate Declaration Seeking Confidential Treatment is being filed concurrently with this Advice Letter.

Confidential Appendices:

Appendix A –RA Agreement

Appendix B – Summary of RA Agreement

Appendix C – Independent Evaluator Report (Confidential Version) – *To be provided as a supplement to this Advice Letter as soon as available*

Public Appendix:

Appendix D - Independent Evaluator Report (Redacted Version) - *To be provided as a supplement to this Advice Letter as soon as available*

Protests

Pursuant to General Order 96-B, Section 1.3, PG&E respectfully requests that the protest period for this Advice Letter be shortened to ten (10) days, and that 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 **May 14, 2012**, which is ten days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously.

Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, CA, 94102

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

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

The protest should also 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:

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

I. Tier Designation

PG&E is designating this as a Tier 2 Advice Letter, in accordance with the Resolution.

II. Effective Date

PG&E requests that the Energy Division issue a disposition approving the agreement no later than **May 25, 2012**. Pursuant to General Order 96-B, Section 1.3, PG&E requests

this expedited approval for the purposes of utilizing the product being purchased in the RA Agreement during the months intended by Resolution E-4471. Pursuant to General Order 96-B, the advice letter will be effective upon approval.

III. 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 and the service list for R.10-05-006, R.11-10-023 and R.12-03-014. Address changes to the General Order 96-B list and electronic approvals should be directed to PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Brian Cherry
Vice President – Regulation and Rates

cc: President Michael R. Peevey
Commissioner Mark J. Ferron
Commissioner Catherine J.K. Sandoval
Commissioner Mike Florio
Commissioner Timothy Alan Simon
Frank Lindh, General Counsel
Chief ALJ Karen Clopton
Edward Randolph, Director, Energy Division
Energy Division Tariff Unit, Energy Division
Service List for R.10-05-006
Service List for R.11-10-023
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 Section 583 and 454.5(g) of the Public Utilities Code and General Order 66-C. This material is protected from public disclosure because it consists of, among other items, the contracts themselves and price information of the RA Agreement, which are protected pursuant to D.06-06-066 and D.08-04-023. A separate Declaration seeking confidential treatment regarding the confidential information is filed concurrently herewith.

Attachments:

Confidential Appendix A: RA Agreement

Confidential Appendix B: Summary of RA Agreement

Confidential Appendix C: Independent Evaluator Report (Confidential Version) - ***To be provided as a supplement to this Advice Letter as soon as available***

Public Appendix D: Independent Evaluator Report (Redacted Version) - ***To be provided as a supplement to this Advice Letter as soon as available***

**DECLARATION OF TERRANCE M. ROBERTSON
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN PG&E'S
ADVICE LETTER 4034-E
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Terrance M. Robertson declare:

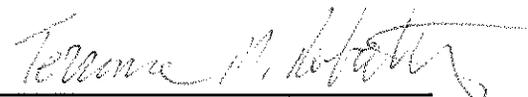
1. I am presently employed by Pacific Gas and Electric Company ("PG&E") and have been an employee since 1989. I am a Principal in the Portfolio Management group in the Energy Procurement department within Pacific Gas and Electric Company (PG&E). I am responsible for intermediate-term portfolio planning and procurement. In carrying out these responsibilities, I have acquired knowledge of procurement process and, based on my experience in procuring energy and capacity for PG&E's bundled customers, I am familiar with the types of contract data and information considered confidential and proprietary, which are the subject of the filing.

2. Based on my knowledge and experience, and in accordance with Decision ("D.") 08-04-023 and the August 22, 2006 the "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," I make this declaration seeking confidential treatment of Appendix A and B to PG&E's Advice Letter (AL) 4034-E. By this Advice Letter, PG&E is seeking this Commission's approval of an agreement that PG&E has executed with Calpine Energy Services.

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 information that should be protected under Decision 06-06-066 and General Order 66-C. The matrix also specifies why confidential protection is justified. Finally, the matrix specifies that: (1) that PG&E is complying with the limitations specified in the IOU

Matrix for that type of data or information (where applicable); (2) that the information is not already public; and (3) that the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the text in the attached matrix that is pertinent to this filing.

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 May 4, 2012, at San Francisco, California.



Terrance M. Robertson

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
Advice Letter 4034-E
May 4, 2012

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
Document: Advice Letter 4034-E							
Appendix A	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties. General Order 66-C.	Y	Y	Y	<p>This Appendix contains the Agreement for which PG&E seeks approval in the Advice Letter filing. Disclosure of certain terms of the Agreement would provide valuable market sensitive information to competitors. Release of this information would be damaging to negotiations with other counterparties and should remain confidential.</p> <p>Furthermore, the counterparty to the Agreement has an expectation that the terms will remain confidential. I am informed and believe that General Order 66-C also provides a basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "Information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other counterparties.</p>	<p>For information covered under Item VII B), remain confidential for three years</p> <p>For information covered under General Order 66-C, remain confidential indefinitely.</p>

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
Advice Letter 4034-E
May 4, 2012

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D:06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
Appendix B	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties. General Order 66-C.	Y	Y	Y	<p>This Appendix contains a summary of the Agreement for which PG&E seeks approval in the Advice Letter filing. Disclosure of certain terms of the Agreement would provide valuable market sensitive information to competitors. Release of this information would be damaging to negotiations with other counterparties and should remain confidential.</p> <p>Furthermore, the counterparty to the Agreement has an expectation that the terms will remain confidential. I am informed and believe that General Order 66-C also provides a basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "Information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other counterparties.</p>	<p>For information covered under Item VII B), remain confidential for three years</p> <p>For information covered under General Order 66-C, remain confidential indefinitely.</p>

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 E)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Meredith Allen and Kimberly Chang

Phone #: (415) 973-2368 and (415) 972-5472

E-mail: meae@pge.com and kwcc@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) #: **4034-E**

Tier: **2**

Subject of AL: **Approval of Resource Adequacy Product Confirmation and Cooperation Agreement Between Calpine Corporation and Pacific Gas and Electric Company Pursuant to Resolution E-4471.**

Keywords (choose from CPUC listing): Contracts, Portfolio

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution E-4471

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: Yes. See the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Terrance M. Robertson (415) 973-6993

Resolution Required? Yes No

Requested effective date: **May 25, 2012**

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

Pending advice letters that revise the same tariff sheets: 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
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

**ATTACHMENT 1
Advice 4034-E**

**Cal P.U.C.
Sheet No.**

Title of Sheet

**Cancelling Cal
P.U.C. Sheet No.**

31543-E	ELECTRIC PRELIMINARY STATEMENT PART FS NEW SYSTEM GENERATION BALANCING ACCOUNT Sheet 1	30648-E
31544-E	ELECTRIC TABLE OF CONTENTS Sheet 1	31539-E
31545-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 17	31474-E



ELECTRIC PRELIMINARY STATEMENT PART FS
NEW SYSTEM GENERATION BALANCING ACCOUNT

Sheet 1

FS. NEW SYSTEM GENERATION BALANCING ACCOUNT

1. **PURPOSE:** The purpose of the New System Generation Balancing Account (NSGBA) is to record the benefits and the costs of Power Purchase Agreements (PPAs) associated with generation resources for which the Commission has determined that the costs and benefits will be allocated to all benefitting customers, including bundled, Direct Access, and Community Choice Aggregation customers. Subaccounts shall be established in the NSGBA for each PPA associated with an eligible generation resource or a category of generation resources for which net capacity costs have been identified as recoverable on a non-bypassable basis.
2. **APPLICABILITY:** The NSGBA shall apply to all benefitting customers and customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** The balancing account shall be trued-up annually.
4. **RATES:** The Cost Allocation Methodology (CAM) rate recovers the net capacity costs associated with NSGBA resources and is set forth in the applicable customer rate schedules.
5. **ACCOUNTING PROCEDURES:** The CPUC-jurisdictional portion of all entries shall be made at the end of each month as follows:
 - a) **Revenues –** the following entry reflects the revenue entry equal to the CAM rate recovering net capacity costs from all CAM-eligible resources.

A credit entry equal to the revenue from the CAM rate from non-exempt retail customers during the month, excluding the allowance for Franchise Fees and Uncollectible (FF&U) Accounts expense;
 - b) **Net Capacity Costs -** the following entries reflect the net capacity costs associated with eligible resources, by subaccount:
 - a. **QF/CHP Program Net Capacity Costs**
 - i. A debit entry equal to the capacity and energy costs for eligible QF/CHP Program contracts;
 - ii. A credit entry equal to the energy revenues as established in Appendix A of D.07-09-044, Section IX.B.2 for eligible QF/CHP Program contracts.
 - b. **Sutter RA Contract Net Capacity Costs**
 - i. A debit entry equal to the capacity and energy costs for Sutter RA contract;
 - ii. A credit entry equal to the energy revenues, if any, as established in Appendix A of D.07-09-044, Section IX.B.2 for the CAM-eligible Sutter RA contract.
 - c) **Interest –** the following entry equals the interest applied to the sum of revenues and net capacity costs for each subaccount for the month.
 - a. A monthly entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

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Advice Letter No: 4034-E
 Decision No. Resolution E-4471

Issued by
Brian K. Cherry
 Vice President
 Regulation and Rates

Date Filed May 4, 2012
 Effective May 25, 2012
 Resolution No. _____



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

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California League of Food Processors	Lawrence Berkeley National Lab	Silo Energy LLC
California Public Utilities Commission	Los Angeles Dept of Water & Power	Southern California Edison Company
Calpine	Luce, Forward, Hamilton & Scripps LLP	Spark Energy, L.P.
Cardinal Cogen	MAC Lighting Consulting	Sun Light & Power
Casner, Steve	MBMC, Inc.	Sunrun Inc.
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Chris, King	Manatt Phelps Phillips	Sutherland, Asbill & Brennan
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City of Palo Alto Utilities	McKenzie & Associates	Tecogen, Inc.
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City of Santa Rosa	Modesto Irrigation District	TransCanada
Clean Energy Fuels	Morgan Stanley	Turlock Irrigation District
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Commercial Energy	Morrison & Foerster LLP	Utility Cost Management
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Crossborder Energy	NRG West	Verizon
Davis Wright Tremaine LLP	NaturEner	Wellhead Electric Company
Day Carter Murphy	Navigant Consulting	Western Manufactured Housing Communities Association (WMA)
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