

July 23, 2010

**Advice 3141-G/3708-E**

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Notification of the Creation of a New Affiliate****Purpose**

In accordance with Decision 06-12-029, Appendix A, Rule VI. B--New Affiliate Compliance Plans, Pacific Gas and Electric Company (PG&E) hereby notifies the Commission of the formation of a new affiliate under Rule II.B of the Affiliate Transaction Rules.

Rule VI. B. requires that:

Upon creation of a new affiliate, which is addressed by these Rules, the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission, served on parties to this proceeding. The advice letter shall demonstrate how the utility will implement these Rules with respect to the new affiliate.

**SunRun Pacific Solar, LLC**

On May 25, 2010, PG&E Corporation's subsidiary, Pacific Energy Capital II, LLC ("PEC II"), acquired a membership interest in SunRun Pacific Solar, LLC, a Delaware limited liability company ("SunRun Pacific"). SunRun Pacific is an affiliate of Pacific Gas and Electric Company and it is subject to the Affiliate Transaction Rules under Rule II.B thereof because it is active in the electric energy business as a provider of residential rooftop solar energy installations. PEC II's investment in SunRun Pacific is funded by PG&E Corporation shareholders.

The management of SunRun Pacific is as follows:

**Managing Member:** SunRun, Inc.

**Members:** PEC II  
SunRun, Inc.

### **Description Of The Investment**

Under SunRun Pacific's limited liability company agreement, PEC II will provide \$100 million in capital for more than 3,500 residential solar energy installations across the nation in 2010 and 2011. As the owner of the installations, SunRun Pacific will be entitled to the related host customer payments. PEC II will receive a share of the cash flows generated by SunRun Pacific as well as federal investment tax credits and other tax benefits. PEC II's investment in SunRun Pacific is of a type usually characterized as a "tax equity investment."

The managing member of SunRun Pacific will be SunRun, Inc., a provider of residential solar sales, marketing, financing and monitoring services. SunRun, Inc., will also manage the solar energy projects. The host customers will receive the energy generated by the projects and those customers who reside in Pacific Gas and Electric Company's service territory will participate in Pacific Gas and Electric Company's Net Energy Metering Program.

SunRun Pacific also has an Operations and Maintenance Agreement with SunRun, Inc., whereunder host customers will work directly with SunRun employees and partners for billing, installation and upkeep of their PV systems. Thus, under the two agreements, neither SunRun Pacific nor PEC II will have any responsibility for day-to-day management or operation of the PV systems; nor will they interact directly with the host customers or with Pacific Gas and Electric Company. Further, because SunRun, Inc., obtains tax equity capital from multiple investors, neither SunRun, Inc., nor the host customers to whom SunRun, Inc., and its partners sell will know at the time of contract execution whether or not capital from an affiliate of Pacific Gas and Electric Company will be used to acquire the system.

The SunRun transaction was initiated and conducted independently from Pacific Gas and Electric Company and in full compliance with the Affiliate Transaction Rules.

### **Continued Compliance With The Affiliate Transaction Rules**

Pacific Gas and Electric Company has a strong Affiliate Transaction Rules compliance plan in place that, combined with additional targeted training provided in connection with PG&E Corporation's tax equity investments, will ensure continued compliance with the Affiliate Transaction Rules. On June 30, 2010, in Advice Letter

3131-G/3694-E, Pacific Gas and Electric Company filed its Affiliate Transaction Rules Compliance Plan with the Commission. Advice 3131-G/3694-E details Pacific Gas and Electric Company's plan for compliance with the Affiliate Transaction Rules. Pacific Gas and Electric Company employees are directed to understand and comply with Pacific Gas and Electric Company's Affiliated Transaction Company Procedures, which can be found on PG&E's internal web site. A communication was issued to all Pacific Gas and Electric Company employees directing them to comply with the Affiliate Transaction Rules and with the company's procedures. In addition, Pacific Gas and Electric Company provides training to targeted groups affected by particular rules. The annual audits performed by the independent auditors through 2006<sup>1</sup> have confirmed that Pacific Gas and Electric Company's procedures have been effective.

The following discussion addresses particular rules, their applicability to SunRun Pacific, and how Pacific Gas and Electric Company will address compliance with the rules.

## **Rule II – Applicability**

Rule I.A of the Affiliate Transaction Rules define "affiliate" as "any person, corporation, utility, partnership, or other entity 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation." Rule II makes the rules applicable "to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity." PEC II is a wholly-owned subsidiary of PG&E Corporation, which in turn owns Pacific Gas and Electric Company, and PEC II owns a greater than 5 percent voting interest in SunRun Pacific. SunRun Pacific is thus an "affiliate." Through power purchase agreements and leases, SunRun Pacific will be providing PV systems to residential customers and will thus be engaging in the provision of a service that relates to the use of electricity. The Affiliate Transaction Rules will therefore apply to any transactions between SunRun Pacific and Pacific Gas and Electric Company.

PEC II's investment in SunRun Pacific is a passive financial investment in that PEC II will not engage in the day-to-day management of either SunRun Pacific or the related customer solar energy systems. Moreover, most host customers will not know of the affiliate relationship between SunRun Pacific and Pacific Gas and Electric Company, as they will be exposed solely to the brands of SunRun, Inc., and its partners in connection with their solar energy systems.

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<sup>1</sup> 2006 is the last year for which Pacific Gas and Electric Company had an independent audit of its Affiliate Transaction Rules compliance; independent biennial Commission-directed audits are pending.

Separate from this transaction, PG&E Corporation has warrant rights that allow it to acquire a one percent equity interest in SunRun under certain circumstances. PG&E Corporation presently has no ownership interest or control over SunRun, however, and, even if it ultimately exercises its warrant rights, it will only hold a one percent interest, and SunRun will still not be an "affiliate" within the meaning of Rule I.A.

### **Rule III - Nondiscrimination**

Rule III.A prohibits a utility from (1) representing that, as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers, or (2) providing affiliates, or customers of affiliates, any preference over non-affiliated suppliers or their customers in the provision of services provided by the utility. In the case of SunRun Pacific, Pacific Gas and Electric Company, in its role as Program Administrator for CSI projects located in its service territory, will be providing certain CSI tariff services to SunRun Pacific. Pacific Gas and Electric Company has policies and procedures in place to ensure compliance with Rule III.A.

In addition to the general communication issued to Pacific Gas and Electric Company employees and to regular compliance training, upon PEC II's execution of agreements for the SunRun Pacific investment, Pacific Gas and Electric Company sent a communication to employees responsible for managing CSI advising them that SunRun Pacific was a Rule II.B affiliate and reminding them to comply with the Affiliate Transaction Rules with emphasis on not providing preferential treatment to SunRun Pacific. All such employees were also required to take an additional on-line compliance training course in 2010 after the first instance of a Pacific Gas and Electric Company affiliate investing in a company performing services related to CSI. In addition, Pacific Gas and Electric Company provided targeted one-on-one compliance counseling to key employees responsible for administering CSI to ensure that Pacific Gas and Electric Company does not provide any preferential treatment to SunRun Pacific.

Rule III.B limits transactions between a utility and its affiliates to tariffed products and services, to the sale of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process, to the provision of information made generally available by the utility to all market participants, to Commission approved resource procurement by the utility, or to approved joint purchases or corporate support. In the case of SunRun Pacific, any transactions between SunRun Pacific and Pacific Gas and Electric Company will be pursuant to Commission-approved CSI tariffs. Pacific Gas and Electric Company will only provide to SunRun Pacific (or to SunRun, Inc., acting as agent for SunRun Pacific) the same information made generally available to all CSI participants. The procedures detailed in Advice 3131-G/3694-E are designed to ensure compliance with this rule and the Commission-ordered independent auditor's annual audits through 2006 have confirmed that these

procedures are effective. Pacific Gas and Electric Company provided additional training to employees responsible for administering CSI to ensure that they understand and comply with this rule.

Rule III.C prohibits tying utility services to services provided by affiliates. No Pacific Gas and Electric Company customer will be required to install systems associated with SunRun Pacific leases or power purchase agreements in order to receive any services from Pacific Gas and Electric Company.

Rules III.D and III.E prohibit utilities from assigning customers to affiliates, providing leads to affiliates, soliciting business on behalf of affiliates, acquiring information in behalf of affiliates, sharing non-public market information with affiliates, requesting authorization from customers to pass on customer information exclusively to affiliates, or giving the appearance that the utility or affiliate speak on behalf of each other. The limited nature of any interaction between SunRun Pacific and Pacific Gas and Electric Company presents little danger of noncompliance with these rules. That said, Pacific Gas and Electric Company's Utility Affiliated Transaction Company Procedures and associated employee training are designed to ensure compliance with these rules. The specific training Pacific Gas and Electric Company provided to employees responsible for managing the CSI program was designed to ensure that they provide no preferential treatment to SunRun Pacific.

#### **Rule IV - Disclosure and Information**

Rule IV.A prohibits a utility from providing customer information to third parties without affirmative customer written consent, and then prohibits the utility from providing discriminatory access to such information to affiliates. SunRun Pacific's participation in the CSI program will not involve access to Pacific Gas and Electric Company customer data, and thus does not present a danger of discriminatory access. That said, Pacific Gas and Electric Company's Utility Affiliated Transaction Company Procedures and associated employee training are designed to ensure compliance with these rules, and employees responsible for managing the CSI program received additional training in affiliate rules compliance with respect to solar energy affiliate relationships.

Rule IV.B. prohibits a utility from providing non-customer specific non-public information to its affiliates. SunRun Pacific's participation in the CSI program will neither require nor benefit from acquisition of non-public utility information. Regardless, Pacific Gas and Electric Company's Utility Affiliated Transaction Company Procedures and associated employee training are designed to ensure compliance with this rule.

Rule IV.C prohibits utilities from providing lists of service providers to customers except by request of the customer or as otherwise authorized by the Commission. This rule applies to any list, whether or not the list includes utility affiliates. Pacific

Gas and Electric Company employees responsible for managing the CSI program and customer service employees are thus already trained to comply with this rule.

Rule IV.D prohibits the utility from providing non-public information received from unaffiliated suppliers to its affiliates without prior written authorization. Pacific Gas and Electric Company provided additional training for employees responsible for managing CSI to ensure that they do not provide non-public information received from other CSI suppliers to solar energy affiliates.

Rule IV.E prohibits utilities from providing “customer advice or assistance with regard to its affiliates or other service providers.” Because this rule applies to all service providers, whether or not they are an affiliate, Pacific Gas and Electric Company employees responsible for managing the CSI program and customer service employees are already trained to comply with this rule. In addition, as discussed above, CSI employees received additional compliance training after PEC II’s execution of the SunRun Pacific investment.

Rules IV.F and IV.G require utilities to maintain contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates and to maintain such records for a minimum of three years, and to maintain a record of all contracts and related bids for the provision of work, products or services between the utility and its affiliates for at least three years. Pacific Gas and Electric Company employees are trained to comply with this rule, and those employees responsible for managing CSI in particular have been trained to comply with these rules.

### **Rule V - Separation**

Rule V requires that a utility and its affiliates be separate corporate entities, keep separate books and records, maintain such books and records open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Sections 314 and 701, and not share plant, facilities, equipment or costs, other than authorized shared corporate support services. SunRun Pacific is and will remain in full compliance with these rules. SunRun Pacific is a separate Delaware limited liability company registered with the California Secretary of State. SunRun Pacific maintains its own books and records which are available for examination by the Commission as required by law. SunRun Pacific’s headquarters are separate from Pacific Gas and Electric Company, and SunRun Pacific shares no facilities, equipment or costs with Pacific Gas and Electric Company, other than the cost of permitted shared support services authorized by the Affiliate Transaction Rules.

Rule V.D prohibits certain joint purchases by a utility and its affiliate. Because SunRun, Inc., not SunRun Pacific, will be managing the solar energy projects, SunRun Pacific will have no need to, and will not, make any joint purchases with Pacific Gas and Electric Company.

Rule V.E limits the type of corporate support that an affiliate may share with a utility. SunRun Pacific will receive certain corporate support services from PG&E Corporation and from Pacific Gas and Electric Company. Pacific Gas and Electric Company has detailed procedures in place to ensure compliance with Rule V.E. Moreover, shared support services have been described and subject to discovery in each of Pacific Gas and Electric Company's recent general rate cases. SunRun Pacific will only receive the same types of corporate support services that PG&E Corporation and Pacific Gas and Electric Company have historically provided to other Rule II.B affiliates in compliance with this rule (e.g., legal, financial planning, shareholder services, etc.).

Rule V.F prohibits a utility from trading upon, promoting or advertising its affiliate's affiliation with the utility, or allowing affiliates to use the utility's name or logo unless the affiliate includes the required disclaimer. Because SunRun Pacific will have no role in managing or operating the PV facilities, SunRun Pacific will not engage in any advertising or promotion, and will thus have no opportunity to violate this rule. In addition, Pacific Gas and Electric Company employees will have no involvement with SunRun Pacific aside from administration of the CSI program and will not participate in joint advertising or marketing, joint sales calls, trade shows or other events.

Rule V.G. prohibits sharing employees, except in connection with approved corporate support. SunRun Pacific will not employ anyone who is also employed by Pacific Gas and Electric Company.

Rule V.H requires that any transfer of goods or services from an affiliate to a utility be priced at no more than fair market value. The only services SunRun Pacific may receive from Pacific Gas and Electric Company (other than authorized shared corporate support services) will be pursuant to approved CSI tariffs and are thus deemed to be at fair market value under Rule V.H.3. SunRun Pacific will provide no goods or services to Pacific Gas and Electric Company.

Pacific Gas and Electric Company does not believe that the transactions it may engage in with SunRun Pacific as CSI program administrator implicate any other Affiliate Transaction Rules.

### **Additional Information**

No unusual or unique circumstances exist that would require special affiliate transactions rule implementation measures.

Questions regarding this affiliate should be addressed to Megan Janis, Director, Compliance and Ethics at (415) 973-8190.

PG&E has previously notified Commission staff and posted notice of the formation of these affiliates on its affiliate transaction World Wide Web site at: <http://www.pge.com/about/rates/affiliate/>.

This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

### **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 **August 12, 2010**, 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  
E-mail: [ijnj@cpuc.ca.gov](mailto:ijnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

Copies 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:

Jane K. Yura  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, California 94177

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

### **Effective Date**

PG&E requests that this advice filing become effective on **July 23, 2010**, the date of this filing. PG&E submits this as a Tier 1 filing.

**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 parties on the service list for R.05-10-030. Address changes to the General Order 96-B service list and all electronic approvals should be directed to e-mail [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 black ink that reads "Jane Yura /ent". The signature is written in a cursive style.

Vice President – Regulation and Rates

cc: Service List - R.05-10-030

Attachments

# 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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@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) #: **3141-G/3708-E**

**Tier: 1**

Subject of AL: Notification of the Creation of a New Affiliate (SunRun Pacific Solar LLC)

Keywords (choose from CPUC listing): Affiliate, Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.06-12-029

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<sup>1</sup>: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  No

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: **July 23, 2010**

No. of tariff sheets:

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:

Service affected and changes proposed<sup>1</sup>:

Pending advice letters that revise the same tariff sheets:

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: Jane Yura**

**Vice President, Regulation and Rates**

**77 Beale Street, Mail Code B10B**

**P.O. Box 770000**

**San Francisco, CA 94177**

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

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

Aglet	Defense Energy Support Center	North Coast SolarResources
Alcantar & Kahl	Department of Water Resources	Occidental Energy Marketing, Inc.
Ameresco	Department of the Army	OnGrid Solar
Anderson & Poole	Dept of General Services	Praxair
Arizona Public Service Company	Division of Business Advisory Services	R. W. Beck & Associates
BART	Douglass & Liddell	RCS, Inc.
BP Energy Company	Downey & Brand	Recon Research
Barkovich & Yap, Inc.	Duke Energy	Recurrent Energy
Bartle Wells Associates	Dutcher, John	SCD Energy Solutions
Bloomberg New Energy Finance	Economic Sciences Corporation	SCE
Boston Properties	Ellison Schneider & Harris LLP	SMUD
Brookfield Renewable Power	Foster Farms	SPURR
C & H Sugar Co.	G. A. Krause & Assoc.	Santa Fe Jets
CA Bldg Industry Association	GLJ Publications	Seattle City Light
CAISO	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
CLECA Law Office	Green Power Institute	Sierra Pacific Power Company
CSC Energy Services	Hanna & Morton	Silicon Valley Power
California Cotton Ginners & Growers Assn	International Power Technology	Silo Energy LLC
California Energy Commission	Intestate Gas Services, Inc.	Southern California Edison Company
California League of Food Processors	Lawrence Berkeley National Lab	Sunshine Design
California Public Utilities Commission	Los Angeles Dept of Water & Power	Sutherland, Asbill & Brennan
Calpine	Luce, Forward, Hamilton & Scripps LLP	Tabors Caramanis & Associates
Cameron McKenna	MAC Lighting Consulting	Tecogen, Inc.
Casner, Steve	MBMC, Inc.	Tiger Natural Gas, Inc.
Chris, King	MRW & Associates	Tioga Energy
City of Glendale	Manatt Phelps Phillips	TransCanada
City of Palo Alto	McKenzie & Associates	Turlock Irrigation District
Clean Energy Fuels	Merced Irrigation District	U S Borax, Inc.
Coast Economic Consulting	Mirant	United Cogen
Commerce Energy	Modesto Irrigation District	Utility Cost Management
Commercial Energy	Morgan Stanley	Utility Specialists
Consumer Federation of California	Morrison & Foerster	Verizon
Crossborder Energy	NRG West	Wellhead Electric Company
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	Norris & Wong Associates	eMeter Corporation
	North America Power Partners	