

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



March 5, 2014

Advice Letters:

3862-E
3862-E-A
3862-E-B
3862-E-C

Brian Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

SUBJECT: PURCHASE AND SALE AGREEMENT FOR PROCUREMENT OF RENEWABLE ENERGY CREDITS BETWEEN TRANSALTA CORPORATION AND PG&E

Dear Mr. Cherry:

Advice Letters 3862-E, 3862-E-A, 3862-E-B, and 3862-E-C are denied as ordered in Resolution E-4636, dated: February 28, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division

Megan Scott-Kakures

January 15, 2014

Page 2



Brian K. Cherry
Vice President
Regulatory Relations

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

Fax: 415-973-7226

October 17, 2013

Advice 3862-E-C
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: Third Supplemental Filing to Advice 3862-E for Purchase and Sale Agreement for Procurement of Renewable Energy Credits Between TransAlta Corporation and Pacific Gas and Electric Company

Introduction

In Advice 3862-E (“Advice Letter”), Pacific Gas and Electric Company (“PG&E”) submitted to the California Public Utilities Commission (“Commission or “CPUC”) a purchase and sales agreement dated September 15, 2009 (“PSA”), between TransAlta Corporation (“TransAlta”) and PG&E for a term of four years. Under the PSA, TransAlta will sell all the Renewable Energy Credits (“RECs”) created by generating renewables portfolio standard (“RPS”)-eligible electric power at TransAlta’s Summerview 2 wind generation facility in Alberta, Canada (the “Project”) to PG&E. The annual production is expected to be 175,000 – 210,000 RECs. The Advice Letter is pending resolution by the Commission.

On October 12, 2012, PG&E filed supplemental Advice Letter 3862-E-A to obtain CPUC approval of the PSA as amended by the September 28, 2012 amendment to the PSA. The September 28, 2012 amendment reduced the term of the PSA from four years to three years. Further, on January 30, 2013, PG&E filed supplemental Advice Letter 3862-E-B to obtain CPUC approval of the PSA as amended by the January 2, 2013 amendment to the PSA. The January 2, 2013 amendment reduced the term of the PSA from three years to two years.

The purpose of this third supplement is to further reduce the term of the contract and obtain CPUC approval of the PSA as amended by the September 28, 2012, January 2, 2013, and September 23, 2013 amendments (“Amended PSA”). The Amended PSA reduces the term of the PSA to one year. PG&E continues to seek Commission approval of the PSA and its subsequent amendments.

The Amended PSA Contains a Reduced Delivery Term

Because of the delay in obtaining Commission approval for the PSA, TransAlta contacted PG&E and requested a further reduction in delivery term to allow TransAlta the option to sell the Project’s 2013 vintage RECs to a third party. PG&E found it reasonable to release the 2013

RECs to TransAlta and executed the amendment on September 23, 2013. The amendment does not otherwise modify the PSA and is attached as Confidential Appendix A.

The Amended PSA delivery term is now one year. PG&E will purchase 175,000 – 210,000 RECs that are produced by the Project during the period from January 1, 2014 to December 31, 2014.

Procurement from the Amended PSA Counts in Full toward RPS Compliance

Procurement from the Amended PSA will count in full toward procurement requirements in effect under Senate Bill (SB) 2 1X. Transactions signed before June 1, 2010 “count in full” if the following conditions are met:

- (1) The renewable energy resource was eligible under the rules in place as of the date the contract was executed;
- (2) For an electrical corporation, the contract has been approved by the commission, even if that approval occurs after June 1, 2010; and
- (3) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource. The duration of the contract may be extended if the original contract specified a procurement commitment of 15 or more years.¹

Commission Decision (“D.”)12-06-038 established further guidance regarding pre-June 1, 2010 procurement that is subsequently amended, modified, or extended. The Commission determined that the original contract should “count in full” toward the procurement requirements in effect prior to SB 2 1X and that only incremental procurement from the amended, modified or extended contract should be subject to applicable rules on portfolio balance, use of short-term contracts, and excess procurement.²

Upon Commission approval of the Amended PSA, procurement from the Amended PSA will count in full toward RPS procurement requirements and be fully “bankable.” As detailed in the Advice Letter, the Project is an eligible renewable resource under the rules in place as of the date the original agreement was signed October 29, 2009.³ All subsequent amendments to the PSA signed after June 1, 2010 do not increase the nameplate capacity or expected quantities of annual generation, substitute the renewable energy resources generating the RECs, or extend the duration of the PSA. Thus, if approved by the Commission, procurement from the Amended PSA is not subject to rules established by the Commission for portfolio balance, long term contracting, and excess procurement under the 33% RPS program.

¹ Public Utilities Code Section 399.16(d).

² See D.12-06-038 at 33-34 and Conclusion of Law 13-14.

³ See Advice Letter at 13.

Superseded Energy Delivery Requirements do not Apply to the Amended PSA

SB 2 1X eliminated the requirement that electricity be delivered into California in order to be RPS eligible.⁴ In Advice Letter 3862-E, PG&E explained that PG&E would associate RECs from the Project with imports into California as a precautionary measure until implementation of SB 2 1X.⁵ Subsequent to the Advice Letter filing, the Commission and California Energy Commission (“CEC”) implemented the removal of the deliverability requirement. Specifically, D.11-12-052 determined that (1) the legal requirement for delivery; and (2) the Commission’s authority to require a demonstration that a RPS procurement transaction meets the delivery requirement ceases to exist on December 10, 2011.⁶ The CEC RPS Eligibility Guidebook was also modified to remove requirements that out-of-state RECs are delivered to California,⁷ and the CEC will no longer verify energy deliveries for purposes of the RPS beginning on or after January 1, 2011.⁸ Because the Amended PSA is for the purchase of RECs produced by the Project commencing January 1, 2014 and the repeal of the RPS deliverability requirement was implemented by the Commission and CEC, PG&E is not required to associate RECs from the Project with imported energy.

Request for Commission Approval

PG&E requests that the Commission approve the Advice Letter and this supplemental filing with an additional finding that:

8. Finds that pursuant to SB 2 1X and D.11-12-052, PG&E is not required to demonstrate that the RECs associated with the Project are delivered to California with imported energy for the purposes of determining RPS eligibility.

Effective Date:

PG&E requests that this Tier 3 Supplemental Advice Letter become effective concurrent with Advice Letter 3862-E, Supplemental Advice Letter 3862-E-A, and Supplemental Advice Letter 3862-E-B.

Notice:

In accordance with General Order 96-B, Section IV, a copy of this Advice Letter excluding the confidential appendices is being sent electronically and via U.S. mail to parties shown on the attached list and the service lists for R.11-05-005, and R.12-03-014. Non-market participants who are members of PG&E’s Procurement Review Group and have signed appropriate Non-

⁴ SB 2 (1x) eliminates the delivery requirement by amending Public Resources Code Section 25471 to remove reference to delivery.

⁵ Advice Letter at 4, 12 (explaining the inapplicability of deliverability under SB 2 1X and that PG&E will associate the Project’s RECs with imported energy “out of an abundance of caution” until SB 2 1X implementation).

⁶ D.11-12-052 at 15 and Conclusion of Law 1-2.

⁷ CEC Renewable Portfolio Standard Eligibility Guidebook at 5 (August 2012 Sixth Edition).

⁸ Id.

Disclosure Certificates will also receive the Advice Letter and accompanying confidential attachments by overnight mail. Address changes to the General Order 96-B service list 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>.



Vice President – Regulatory Relations

cc: Service List for R.11-05-005
Service List for R.12-03-014
Paul Douglas – Energy Division
Adam Schultz – Energy Division
Shannon O'Rourke – Energy Division
Karin Hieta – DRA
Joseph Abhulimen – DRA
Cynthia Walker – DRA

Attachments

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, the Amendment itself which is 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.

Confidential Attachments:

Appendix A – Amendment of Renewable Energy Certificate Purchase and Sale Agreement

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: Anupama Vege and Kingsley Cheng

Phone #: (415) 973-7600 and (415) 973-5265

E-mail: alvb@pge.com and k2c0@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

Advice Letter (AL) #: **3862-E-C**

Tier: **3**

Subject of AL: **Third Supplemental Filing to Advice 3862-E for Purchase and Sale Agreement for Procurement of Renewable Energy Credits Between TransAlta Corporation and Pacific Gas and Electric Company**

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 #:

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: 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: **Richard Miram, (415) 973-1170**

Resolution Required? Yes No

Requested effective date: **December 15, 2011**
(Concurrent with Advice 3862-E and 3862-E-A and 3862-E-B)

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

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:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@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

**DECLARATION OF RICHARD MIRAM
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN
ADVICE LETTER 3862-E-C
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Rich Miram, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E") and have been an employee at PG&E since 1973. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include 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 electricity sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating positions of electricity sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary.

2. Based on my knowledge and experience, and in accordance with Decision ("D.") 08-04-023 and the August 22, 2006, "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 to Supplemental Advice Letter 3862-E-C submitted on October 17, 2013. By this Supplemental Advice Letter, PG&E is seeking the Commission's approval of an amendment to the purchase and sale agreement that PG&E has executed with TransAlta Corporation.

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 the particular type of data and information listed in Appendix 1 of

D.06-06-066 and Appendix C of D.08-04-023 (the "IOU Matrix"), or constitutes information that should be protected under Public Utilities Code § 583 and General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) 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 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 October 17, 2013, at San Francisco, California.



Rich Miram

| PACIFIC GAS AND ELECTRIC COMPANY Advice Letter 3862-E-C October 17, 2013 | | IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066 AND DECISION 06-04-023 | | | Length of Time | |
|---|---|--|---|---|---|--|
| Redaction Reference | 1) The material submitted substitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 and Appendix C to D.06-04-023 (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 |
| 1 Document: Advice Letter 3862-E-C Appendix A Amendment of Renewable Energy Certificate PSA | | Item VII (G) Renewable Resource Contracts under RPS program - Contracts without SEPs. | Y | Y | Y | This Appendix contains the terms of the amended PSA. Disclosure of certain terms of the PSA would provide valuable market sensitive information to competitors. Release of this information would be damaging to future negotiations. Furthermore, the counterparties to the PSA have an expectation that the terms of the PSA will remain confidential pursuant to confidentiality provisions in the PSA. |
| | | | | | | Remain confidential for three years. |

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

| | | |
|---|---|--|
| 1st Light Energy | Douglass & Liddell | OnGrid Solar |
| AT&T | Downey & Brand | Pacific Gas and Electric Company |
| Alcantar & Kahl LLP | Ellison Schneider & Harris LLP | Praxair |
| Anderson & Poole | G. A. Krause & Assoc. | Regulatory & Cogeneration Service, Inc. |
| BART | GenOn Energy Inc. | SCD Energy Solutions |
| Barkovich & Yap, Inc. | GenOn Energy, Inc. | SCE |
| Bartle Wells Associates | Goodin, MacBride, Squeri, Schlotz & Ritchie | SDG&E and SoCalGas |
| Braun Blasing McLaughlin, P.C. | Green Power Institute | SPURR |
| CENERGY POWER | Hanna & Morton | San Francisco Public Utilities Commission |
| California Cotton Ginners & Growers Assn | In House Energy | Seattle City Light |
| California Energy Commission | International Power Technology | Sempra Utilities |
| California Public Utilities Commission | Intestate Gas Services, Inc. | SoCalGas |
| California State Association of Counties | Kelly Group | Southern California Edison Company |
| Calpine | Linde | Spark Energy |
| Casner, Steve | Los Angeles Dept of Water & Power | Sun Light & Power |
| Center for Biological Diversity | MAC Lighting Consulting | Sunshine Design |
| City of Palo Alto | MRW & Associates | Tecogen, Inc. |
| City of San Jose | Manatt Phelps Phillips | Tiger Natural Gas, Inc. |
| Clean Power | Marin Energy Authority | TransCanada |
| Coast Economic Consulting | McKenna Long & Aldridge LLP | Utility Cost Management |
| Commercial Energy | McKenzie & Associates | Utility Power Solutions |
| County of Tehama - Department of Public Works | Modesto Irrigation District | Utility Specialists |
| Crossborder Energy | Morgan Stanley | Verizon |
| Davis Wright Tremaine LLP | NLine Energy, Inc. | Water and Energy Consulting |
| Day Carter Murphy | NRG Solar | Wellhead Electric Company |
| Defense Energy Support Center | Nexant, Inc. | Western Manufactured Housing Communities Association (WMA) |
| Dept of General Services | North America Power Partners | |
| Division of Ratepayer Advocates | Occidental Energy Marketing, Inc. | |