

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 24, 2013

**Advice Letter 4275--E**

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

**Subject: Calpine Los Medanos Energy Center (LMEC) amended agreement pursuant to Resolution E-4529**

Dear Mr. Cherry:

This disposition letter approves Pacific Gas and Electric Company (PG&E) Tier 1 Advice Letter (AL) 4275-E, which submits an Amended Agreement between PG&E and Calpine Energy Services for Combined Heat and Power (CHP) capacity from the Los Medanos Energy Center (LMEC) pursuant to Resolution E-4529.

On July 2, 2012, PG&E filed AL 4074-E seeking approval of 280.5 megawatts (MWs) of CHP Resource Adequacy (RA) capacity from the LMEC facility as a result of its initial CHP RFO. On July 25, 2013, the Commission issued Resolution E-4529, which rejected the AL but allowed PG&E to submit a modified agreement in a subsequent Tier 1 AL filing. Specifically, the Commission authorized PG&E to renegotiate an amended Agreement for reduced capacity from LMEC, and the Resolution provided three options for doing so. In AL 4275-E, PG&E chose Option 3, which authorized PG&E to procure 140.25 MWs of capacity from LMEC, half of the 280.5 MWs originally requested in AL 4074-E. On August 23, 2013, PG&E filed AL 4275-E, requesting approval of the amended capacity contract with Calpine for 140.25 MW of RA capacity from the LMEC facility in accordance with the direction provided in Resolution E-4529.

Energy Division staff reviewed PG&E's AL 4275-E and determined that it is in compliance with the Commission's guidance as provided in Resolution E-4529. Since there were no protests and no material changes to the original agreement, other than the Commission authorized Option 3 (constituting a MW size reduction from 280.5 MWs to 140.25 MWs), Advice Letter 4275-E is effective September 24, 2013 without modification.

Sincerely,

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

Edward F. Randolph, Director  
Energy Division

August 23, 2013

**Advice 4275-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Submission of Amended Agreement between Pacific Gas and Electric Company and Calpine Energy Services L.P. for Combined Heat and Power Capacity from the Los Medanos Energy Center Pursuant to Resolution E-4529**

**I. Introduction**

Pacific Gas and Electric Company ("PG&E") submits the *Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities* ("Original Agreement") and the *First Amendment to Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities* ("First Amendment"), which together comprise the "Amended Agreement," for 140.25 megawatts ("MW") of combined heat and power ("CHP") capacity associated with the Los Medanos Energy Center ("LMEC"). PG&E negotiated the Amended Agreement with Calpine Energy Services, L.P. ("Calpine") as authorized by California Public Utilities Commission ("CPUC") Resolution E-4529 ("Resolution"), Ordering Paragraph ("OP") 2. The Resolution was approved on July 25, 2013. The Amended Agreement is being submitted via Tier 1 advice letter within 30 days after CPUC's approval of the Resolution in accordance with OP 2 of the Resolution.

PG&E respectfully requests the Energy Division to promptly find the Amended Agreement to be in compliance with the Resolution and accordingly approve this filing.

**II. Background**

PG&E submitted Advice 4074-E to obtain Commission approval of its Original Agreement for 280.5 MW of CHP capacity to be provided by LMEC. The Resolution rejected the advice letter; however, OP 2 of the Resolution authorizes PG&E to renegotiate the RA-only capacity terms of the LMEC agreement to result in an amended agreement that complies with one of three Options. PG&E has selected Option 3, which authorizes:

A QF/CHP Agreement for RA-only capacity that is for one half or less of the contracted amount in the instant Agreement (up to no more than 140.25 MW), but is otherwise identical to the instant LMEC Agreement.<sup>1</sup>

### III. **Amended Agreement**

PG&E and Calpine have executed the First Amendment, which amends the Original Agreement to state that PG&E is contracting for 140.25 MW of LMEC's capacity, which will count towards PG&E's MW target for CHP generation as set forth in the QF/CHP Settlement Agreement.

The Amended Agreement contains no other changes to the Original Agreement.

Finding and Conclusion 7 of the Resolution provides that once the Energy Division determines that the Amended Agreement is consistent with PG&E's selected Option, certain findings will automatically apply to the filed Amended Agreement.<sup>2</sup> Thus, if the

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<sup>1</sup> Resolution, p. 24. Option 3 is further described as follows at Resolution pages 12 and 13: "PG&E and Calpine may restructure the Agreement for RA-only capacity that is for one half or less of the contracted amount in the instant Agreement (up to no more than 140.25 MW). This would also reduce the number of MW, but would otherwise be identical to the instant LMEC Agreement."

<sup>2</sup> Finding and Conclusion 7 of the Resolution states:

"7. If PG&E renegotiates an LMEC Agreement consistent with the options outlined in this Resolution, the following findings in this Resolution would apply to such a conforming new Agreement.

- a. As an existing CHP Facility, per QF/CHP Settlement Term Sheet Section 7.3.3.1, LMEC capacity would not contribute towards PG&E's GHG Targets and is neutral for GHG accounting purposes.
- b. The number of MW contracted under the amended LMEC Agreement, pursuant to Ordering Paragraph 2, would contribute to the MW target assigned to PG&E under the QF/CHP Settlement.
- c. The LMEC facility is an existing CHP facility and therefore would be a viable project.
- d. The terms of the LMEC agreement for a capacity-only PPA would provide the CHP Attributes, the RA Attributes, the Local RA Attributes, and the Capacity Attributes equivalent to the capacity associated with the LMEC Agreement to the ratepayers.
- e. A capacity-only LMEC PPA is not subject to the EPS under D.07-01-039 as it was deemed to be compliant with the EPS, as it is a combined-cycle natural gas facility that was in operation prior to June 30, 2007.
- f. PG&E is allowed to allocate the net capacity costs and associated RA benefits to bundled, DA, CCA, and departing load (to the extent not exempted) customers consistent with D.10-12-035, as modified by D.11-07-010, and PG&E's Advice 3922-E, approved December 19, 2011.

*(continued next page)*

Energy Division finds that the Amended Agreement is consistent with Option 3, Amended Agreement is automatically reasonable and approved.<sup>3</sup>

As required by Resolution Option 3, the Amended Agreement is for 140.25 MW of RA-only capacity. The Amended Agreement procures no more than one half of the originally contracted amount of 280.5 MW, but is otherwise identical to the Agreement that was considered by the Commission in its issuance of Resolution E-4529.

Consequently, the Energy Division should issue a disposition letter approving this advice letter based on the following:

- PG&E has renegotiated an Amended Agreement consistent with Resolution OP 1 Option 3, as authorized by Resolution OP 2,
- PG&E has resubmitted the Amended Agreement via a Tier 1 advice letter within 30 days after the Commission approved the Resolution as required by Resolution OP 2, and
- PG&E has satisfied the condition for the findings in Finding and Conclusion 7 of the Resolution to apply to the Amended Agreement.
- Costs incurred under the Amended Agreement are reasonable and will be collected through the cost recovery mechanism set forth in D.10-12-035 (as modified by D.11-07-010), Section 13.1.2.2 of the Qualifying Facility/ Combined Heat and Power Settlement Term Sheet.

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g. Actual LMEC Agreement costs will be recovered through ERRA, with net capacity costs recovered in the NSGBA being credited to the ERRA.

h. PG&E has complied with the Commission's rules for involving the PRG and CAM. Should PG&E renegotiate the LMEC Agreement, they should be encouraged but not required to consult again with their PRG and CAM.

i. The Independent Evaluator concurred with PG&E's decision to execute the LMEC Agreement with Calpine Energy Services, L.P. and found that the LMEC PPA merits Commission approval. Should PG&E renegotiate the LMEC Agreement, as long as the per-MW costs do not increase, they should not be required to subject the amended Agreement to additional IE analysis prior to resubmitting to the Commission."

<sup>3</sup> "In the case of the three options above, the terms of the amended or renegotiated Agreement would be identical to the instant LMEC Agreement, except for the amount of MW procured. Therefore, we make additional findings in this Resolution that would apply to those Options, should PG&E and Calpine choose to exercise one of them, and bring back an amended Agreement for our consideration. Option 3 indicates the maximum procurement amount PG&E is authorized to procure and count toward the obligation regardless of which Option is executed." Resolution, p.13.

**IV. 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 September 12, 2013, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter. (General Order 96-B, Section 7.4.) The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

**V. Effective Date**

PG&E requests that this Tier 1 advice letter become effective on August 23, 2013, in accordance with Resolution E-4529. Accordingly, PG&E requests that Energy Division issue a disposition letter approving this advice letter. Pursuant to General Order 96-B,

Section 7.3.3 and Energy Industry Rule 5.1, this advice letter will be effective immediately pending disposition.

**VI. 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.12-03-014. Address changes to the General Order 96-B service list should be directed to PG&E at email address [PGETariffs@pge.com](mailto: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](mailto:Process_Office@cpuc.ca.gov). 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>

*Brian Cherry /IG*

Vice President, Regulatory Relations

cc: Damon Franz, Energy Division, CPUC  
Jason Houck, Energy Division, CPUC  
Cem Turhal, Energy Division, CPUC  
Noel Crisostomo, Energy Division, CPUC  
Chris Ungson, DRA, CPUC  
Service List R.12-03-014

**Attachments:**

Confidential Appendix A: Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities

Confidential Appendix B: First Amendment to Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities

Declaration and Matrix of Soumya Sastry in Support of Confidential Treatment

**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, price information, and analysis of the proposed energy procurement contracts, which are protected pursuant to D.06-06-066 and D.08-04-023. A declaration seeking confidential treatment of the following attachments is being submitted with this advice letter in accordance with D.08-04-023:

- Confidential Appendix A: Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities
- Confidential Appendix B: First Amendment to Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities

# 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: Igor Grinberg

Phone #: (415) 973-8580

E-mail: ixg8@pge.com and PGETariffs@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) #: **4275-E**

Tier: **1**

Subject of AL: **Submission of Amended Agreement between Pacific Gas and Electric Company and Calpine Energy Services L.P. for Capacity provided by the Los Medanos Energy Center Pursuant to Resolution E-4529**

Keywords (choose from CPUC listing): Agreements, Capacity, Qualifying Facility and Procurement

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution E-4529

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, Confidential Appendices A and B

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: **Soumya Sastry, (415)-973-3295**

Resolution Required?  Yes  No

Requested effective date: **August 23, 2013**

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**  
**ED Tariff Unit**  
**505 Van Ness Avenue, 4th Floor**  
**San Francisco, CA 94102**  
**E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)**

**Pacific Gas and Electric Company**  
**Attn: Brian Cherry**  
**Vice President, Regulatory Relations**  
**77 Beale Street, Mail Code B10C**  
**P.O. Box 770000**  
**San Francisco, CA 94177**  
**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

**DECLARATION OF SOUMYA SASTRY  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION CONTAINED IN  
ADVICE LETTER 4275-E  
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Soumya Sastry, declare:

1. I am presently employed by Pacific Gas and Electric Company (“PG&E”), and have been an employee of PG&E since 2005. I am a principal in the Portfolio Management group in the Energy Procurement department within PG&E. I am responsible for negotiating transactions resulting from PG&E's Combined Heat and Power Request for Offers solicitation and negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of such sellers in general and, based on my experience in dealing with facility owners and operators, I am familiar with the types of data and information about their operations that such owners and operators consider confidential and proprietary. I can also determine whether buyers and sellers of electricity would consider certain information to be “market sensitive information” as defined by California Public Utilities Commission (“CPUC”) Decision (“D.”) 06-06-066 and D.09-12-020, that is, information that has the potential to materially impact a procuring party’s market price for electricity if released to market participants.

2. Decision 08-04-023, ordering paragraph 8, requires that any advice letter for which confidential treatment is requested must be accompanied by a declaration under penalty of perjury that justifies confidential treatment pursuant to D.06-06-066. I was the primary contract negotiator on behalf of PG&E in the PG&E-Los Medanos Energy Center transaction which is the subject of PG&E Advice Letter 4275-E. Based on my knowledge and experience, I make this

declaration seeking confidential treatment of Confidential Appendices A and B to PG&E's Advice Letter 4275-E, submitted on August 23, 2013 ("Confidential Information").

3. The Appendices are as follows:

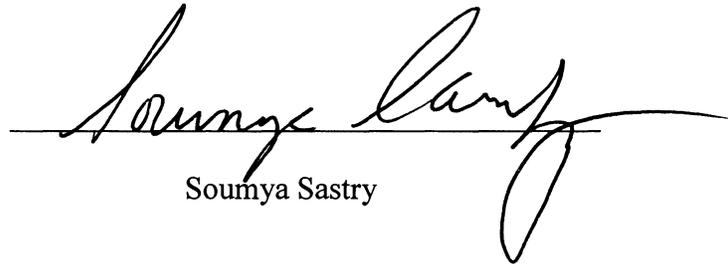
- Confidential Appendix A: Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities
- Confidential Appendix B: First Amendment to Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities

4. Attached to this declaration is a matrix that describes the Confidential Information for which PG&E seeks continued protection against public disclosure, states whether PG&E seeks to protect the confidentiality of the Confidential Information pursuant to D.06-06-066 and/or other authority; and where PG&E seeks protection under D.06-06-066, the category of market sensitive information in D.06-06-066 Appendix I Matrix ("Matrix") to which the Confidential Information corresponds.

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

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

I declare under penalty of perjury, under the laws of the State of California, that to the best of my knowledge, the foregoing is true and correct. Executed on August 23, 2013, at San Francisco, California.



Soumya Sastry

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)  
LOS MEDANOS ENERGY CENTER AMENDMENT  
(ADVICE LETTER 4275-E)**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	2) Data correspond to category in Appendix 1:	3) Complies with limitations of D.06-06-066 (Y/N)	4) Data not already public (Y/N)	5) Lead to partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
<b>Document: Confidential Appendix A – Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities</b>							
Entire document	Y	Item VII.B - Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)	Y	Y	Y	This confidential appendix is the original Los Medanos RA Confirmation Agreement which contains the terms and conditions of the original agreement, which are confidential under Item VII.B of the D.06-06-066 Appendix 1 matrix for 3 years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.	3 years
<b>Document: Confidential Appendix B – First Amendment to Confirmation for Resource Adequacy Capacity Product for CAISO Resources That Qualify as CHP Facilities</b>							
Entire document	Y	Item VII.B - Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)	Y	Y	Y	This confidential appendix is the first amendment to the Los Medanos RA Confirmation Agreement which contains the terms and conditions of the first amendment to the LMEC agreement, which are confidential under Item VII.B of the D.06-06-066 Appendix 1 matrix for 3 years from date contract states deliveries to begin; or until one year following expiration, whichever comes first.	3 years

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

1st Light Energy	Division of Ratepayer Advocates	Occidental Energy Marketing, Inc.
AT&T	Douglass & Liddell	OnGrid Solar
Alcantar & Kahl LLP	Downey & Brand	Pacific Gas and Electric Company
Anderson & Poole	Ellison Schneider & Harris LLP	Praxair
BART	G. A. Krause & Assoc.	Regulatory & Cogeneration Service, Inc.
Barkovich & Yap, Inc.	GenOn Energy Inc.	SCD Energy Solutions
Bartle Wells Associates	GenOn Energy, Inc.	SCE
Bear Valley Electric Service	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Braun Blaising 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	