

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



REVISED

November 6, 2013

Advice Letter 4289-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: Update to Electrical Capacity Procurement Limits in PG&E's Bundled Procurement Plan.

Dear Mr. Cherry:

Advice Letter 4289-E is effective September 30, 2013.

Sincerely,

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

Edward F. Randolph, Director
Energy Division

September 30, 2013

Advice 4289-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Update to Electrical Capacity Procurement Limits in Pacific Gas and Electric Company's Bundled Procurement Plan**Introduction**

Pacific Gas and Electric Company ("PG&E") hereby submits to the California Public Utilities Commission ("Commission" or "CPUC") this advice letter filing to incorporate revisions to PG&E's approved Bundled Procurement Plan ("BPP") concerning PG&E's Electrical Capacity Procurement Limits and Ratable Rates.

Background

On October 11, 2012, the Commission issued Resolution E-4544, which approved PG&E's BPP consistent with Decisions (D.) 12-01-033 and 12-04-046. PG&E's BPP establishes electrical capacity procurement limits and ratable rates that apply to electric capacity transactions with deliveries beyond the prompt calendar year.¹ The BPP provides that PG&E will file an "annual (or more frequent, if necessary) update to its electrical capacity procurement limit and ratable rates in a Tier 1 advice letter during the years which PG&E does not file an updated conformed bundled procurement plan."² Accordingly, PG&E submits this advice filing to update its electrical capacity procurement limits and ratable rates. The updated electrical capacity procurement limits table discussed below will replace the Electrical Capacity Procurement Limit and 1X Ratable Rates Table set forth in Appendix A of PG&E's BPP submittal (Table PGE-3).

Discussion

PG&E submits this advice letter to: (1) update Table PGE-3; (2) update text in Appendix A of the Conformed BPP; and (3) correct typographical errors related to PG&E's description of the applicability of electrical capacity procurement limits and ratable rates in PG&E's BPP. PG&E provides clean and redlined versions of the replacement sheets

¹ BPP, Sheet Nos. 43-44.

² BPP, Sheet No. 44.

for both confidential and public versions of Sheet 42, Sheet 106, and Sheet 107 of the BPP.

Electrical Capacity Procurement Limits and Ratable Rate Update

PG&E updates Table PGE-3 in the BPP to reflect those electrical capacity procurement limits and ratable rates derived from the Commission's updated standardized planning assumptions applicable to Track 2 of the 2012 Long Term Procurement Plan (the "2012 LTPP Assumptions"),³ with limited refinements.⁴ In addition to this annual update, Table PGE-3 includes updated ratable rates applicable to September through December 2013, calculated based on the 2012 LTPP Assumptions and limited refinements described below. PG&E's update is consistent with the BPP, which establishes that PG&E's updates may reflect changes in PG&E's portfolio and updated forecast assumptions.⁵

In addition to utilizing the 2012 LTPP Assumptions applicable to load forecast and demand to calculate updates to Table PGE-3, PG&E adjusted its load forecast to incorporate updated assumptions concerning anticipated Community Choice Aggregation ("CCA") load in its service territory from PG&E's 2014 Energy Resource Recovery Account and Generation Non-bypassable Charge Forecast Application (A.13-05-015) ("2014 ERRA Forecast Application"). In addition to utilizing the 2012 LTPP Assumptions applicable to supply,⁶ PG&E also updated its supply position to reflect the current forecast of its resources as of August, 2013. Forecast assumptions pertaining to supplies of Renewables Portfolio Standard ("RPS")-eligible power and RPS-eligible qualifying facility power as set forth in its 2014 ERRA Forecast Application were also used. Finally, because the 2012 LTPP Assumptions did not specify recontracting assumptions concerning existing Combined Heat and Power ("CHP") facilities, PG&E utilized the CHP recontracting assumptions required by the 2010 LTPP Proceeding (*i.e.*, R.10-05-006) for the purposes of preparing its calculations required to update Table PGE-3.

Implied Market Heat Rate Update

PG&E also updates Appendix A of the BPP concerning its calculation of the Implied Market Heat Rate ("IMHR") used at the time of capacity procurement to adjust relevant monthly forward prices for greenhouse gas ("GHG") costs.⁷ PG&E filed the BPP prior to

³ See Assigned Commissioner's Ruling on Standardized Planning Assumptions in Rulemaking 12-03-014 (June 27, 2012) available at http://www.cpuc.ca.gov/PUC/energy/Procurement/LTPP/ltppl_history.htm ("LTPP Ruling").

⁴ PG&E's BPP at Sheet Nos. 42-43 provides a detailed description of the calculations required to derive Table PGE-3.

⁵ BPP, Sheet No. 44.

⁶ See LTPP Ruling at Planning Assumption Attachment pp. 15-24.

⁷ As described on PG&E's BPP at Sheet 43, procurement at two-times the ratable rate, subject to the electrical capacity procurement limits, for delivery years 2 through 5 is allowed if the prompt 12-month forward on-peak implied market heat rate at the time of execution is less than the two standard deviation historical high value as shown in Appendix A. Otherwise, procurement at one-times the ratable rate is used.

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th 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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) 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).

Effective Date

PG&E requests that this Tier 1 advice letter, in accordance with the BPP, become effective **September 30, 2013**.

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.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. 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. Send all electronic approvals to

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: President Michael R. Peevey
Commissioner Mark J. Ferron
Commissioner Catherine J.K. Sandoval
Commissioner Mike Florio
Commissioner Carla Peterman
Frank Lindh, General Counsel
Chief ALJ Karen Clopton
Edward Randolph, Director, Energy Division
Energy Division Tariff Unit, Energy Division
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 454.5(g) of the Public Utilities Code and General Order 66-C. A separate Declaration seeking confidential treatment regarding the confidential information is filed concurrently herewith.

Attachments:

Appendix A	Redlined Sheet 106 (Confidential)
Appendix B	Clean Sheet 106 (Confidential)
Appendix C	Redlined Sheet 42 and Sheet 107(Public)
Appendix D	Clean Sheet 42 and Sheet 107 (Public)

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) #: **4289-E**

Tier: **1**

Subject of AL: **Update to Electrical Capacity Procurement Limits in Pacific Gas and Electric Company's Bundled Procurement Plan**

Keywords (choose from CPUC listing): 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-4544

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, please see attached Declaration and Matrix

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: Osman Sezgen (415) 973-0461

Resolution Required? Yes No

Requested effective date: **September 30, 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 21 days¹ 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

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

¹ The 20-day protest period concludes on a weekend, therefore, PG&E is moving this date to the following business day.

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

**DECLARATION OF OSMAN SEZGEN
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN PG&E'S ADVICE LETTER 4289-E**

I, Osman Sezgen, declare:

1. I am a Manager in the Integrated Resource Planning Department within the Energy Procurement Organization at Pacific Gas and Electric Company (PG&E). I am responsible for the development of PG&E's bundled electric portfolio procurement cost forecast. This declaration is based on my personal knowledge of PG&E's electric energy procurement forecast function and my understanding of the Commission's decisions protecting the confidentiality of market-sensitive information concerning electric procurement of an investor-owned utility.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for Advice Letter 4289-E which provides an update to PG&E's approved Bundled Procurement Plan.

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 data and information covered by General Order (GO) 66-C, Section 2.2b, which would place PG&E in an unfair business disadvantage if disclosed, and Public Utilities Code Section 454.5(g), which would reveal market sensitive information. The matrix also specifies why confidential protection is justified. Finally, the matrix specifies that: (1) the information is not already public; and (2) 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 that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on September 30, 2013 at San Francisco, California.



OSMAN SEZGEN

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
ADVICE LETTER 4289-E
September 30, 2013**

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) 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 4289-E Appendix A and B							
Table PGE-3	N	General Order 66-C, Section 2.2; Public Utilities Code Section 454.5(g)	N/A	Y	Y	This information discloses PG&E's procurement limits for the hedging of capacity. The release of this commercially sensitive information could cause harm to PG&E's customers and put PG&E at an unfair business disadvantage if this information was disclosed and then used by market participants to gain an insight into PG&E's procurement needs and thus gain a commercial advantage. In addition, this information is similar to the type of procurement information that is confidential and protected under D.06-06-066, Section I.A.4 (long-term fuel (gas) buying and hedging plans).	No quantification in GO 66-C and PUC Section 454.5(g)

Public Appendix C
Redlined Sheet 42 and Sheet 107



transactions occurring in 2012, procurement limits and ratable rate shall apply to contract deliveries in 2014 and beyond).⁶ The procurement limits and ratable rates reflect a limit on net capacity procurement, which is purchases less sales of capacity in a given year. No limits or ratable rates apply to PG&E meeting its RA capacity requirements for the current calendar year and prompt calendar year (*i.e.*, the calendar delivery year immediately following the current year).

Delivery years two ~~and onward through ten have~~ maximum annual electrical capacity procurement limits equal to the difference between: (1) PG&E's forecast electrical capacity requirement to meet its RA requirement (*i.e.*, peak annual hour load using a 1-in-2 year load forecast multiplied by 117%); and (2) the forecast Net Qualifying Capacity ("NQC") of PG&E's committed resources⁷ and planned preferred resources.⁸

Ratable rates equal to the annual electrical capacity procurement limits divided by the number of years between the delivery year and transaction year apply for delivery years two ~~through ten and onward~~ and reflect the maximum capacity procurement of non-preferred electrical capacity allowed under the BPP in that year. For example, the ratable rate for delivery Year 4 is one-third the annual electrical capacity procurement limit for Year 4 (*i.e.*, the Year 4 electrical capacity procurement limits divided by the annual time

⁶ No formal limits or ratable rates are set beyond the term of the BPP. Approval for any capacity procurement in this timeframe will be sought through an application.

⁷ Assuming no re-contracting of resources that are not preferred.

⁸ For purposes of calculating PG&E's annual electrical capacity procurement limits and compliance with such limits, preferred resources are EE programs, DR programs, Renewable Sources (including energy imports associated with approved RECs), and Distributed Generation including CHP resources (or those resources qualified to count toward the Commission's CHP goals) including procurement of preferred resources above the Commission's targets or goals.



**TABLE PGE-4
PACIFIC GAS AND ELECTRIC COMPANY
ELECTRICAL CAPACITY IMPLIED MARKET HEAT RATE (“IMHR”) MARKET CONDITION MEASURE**

Measure	Value (MMBtu/MWh)
2 Standard Deviation High	[REDACTED]

The forward power curves used to calculate the 2-standard-deviation measure span periods that predate the January 2013 start-date of California’s cap-and-trade program. In contrast, the forward curve used to calculate the IMHR that is to be calculated at the time of procurement and compared to the measure extends beyond December 2012.

Because implied greenhouse gas (“GHG”) cost is embedded in the post December 2012 monthly forward prices, an adjustment to the relevant monthly forward prices is necessary when calculating the IMHR at the time of procurement. In calculating IMHR, forward prices for delivery months January 2013 and after will be reduced.² For the calculation of this reduction, ~~as a conservative choice, GHG auction reserve prices (floor prices) set by California Air Resources Board (“CARB”) will be used.³ After the first GHG auction, Pacific Gas and Electric Company (“PG&E”) may propose to make adjustments to the IMHR calculation using market-based forward GHG and power price curves will be used.~~

¹ [REDACTED]

² Reduction in on-peak power price for months January 2013 and after will be calculated as the multiplication of: (1) the average of the historical 12-month forward on-peak IMHR for the historical period used for the calculation of the Market Condition Measure; (2) the GHG emissions from natural gas of 0.05307 metric-tons/Millions of British Thermal Units (“MMBtu”); and (3) the GHG price for that year.

³ ~~The auction reserve price has been set by CARB at \$10/metric ton for vintage 2013 allowances, in all auctions during 2012 and 2013. [Source: Section 95911(b)(6)(A) of final regulations <http://www.arb.ca.gov/regact/2010/capandtrade10/finalrevfro.pdf>.] For 2014, PG&E will escalate this floor price by 5 percent plus rate of inflation.~~

Public Appendix D
Clean Sheet 42 and Sheet 107



transactions occurring in 2012, procurement limits and ratable rate shall apply to contract deliveries in 2014 and beyond).⁶ The procurement limits and ratable rates reflect a limit on net capacity procurement, which is purchases less sales of capacity in a given year. No limits or ratable rates apply to PG&E meeting its RA capacity requirements for the current calendar year and prompt calendar year (*i.e.*, the calendar delivery year immediately following the current year).

Delivery years two and onward maximum annual electrical capacity procurement limits equal to the difference between: (1) PG&E's forecast electrical capacity requirement to meet its RA requirement (*i.e.*, peak annual hour load using a 1-in-2 year load forecast multiplied by 117%); and (2) the forecast Net Qualifying Capacity ("NQC") of PG&E's committed resources⁷ and planned preferred resources.⁸

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¹ [REDACTED]

² Reduction in on-peak power price for months January 2013 and after will be calculated as the multiplication of: (1) the average of the historical 12-month forward on-peak IMHR for the historical period used for the calculation of the Market Condition Measure; (2) the GHG emissions from natural gas of 0.05307 metric-tons/Millions of British Thermal Units (“MMBtu”); and (3) the GHG price for that year.

**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.	