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

Application of Pacific Gas and Electric
Company (U 39 E) for Adoption of Electric
Revenue Requirements and Rates Associated
with the 2011 Energy Resource Recovery
Account (ERRA) and Ongoing Competition
Transition Charge (CTC) Forecasts
(U 39 E)

Application 10-05-022
(Filed May 28, 2010)

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY ON
PROPOSED DECISION OF ALJ SEANEEN M. WILSON
ADOPTING PACIFIC GAS AND ELECTRIC COMPANY'S 2011
ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT
FORECAST**

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Dated: November 22, 2010

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rule of Practice and Procedure, Pacific Gas and Electric Company (PG&E) respectfully submits these comments on the Proposed Decision (PD) of Administrative Law Judge (ALJ) Seaneen M. Wilson issued on November 2, 2010.

PG&E appreciates ALJ Wilson's careful and thoughtful consideration of the parties' arguments and supports the PD, with the minor modifications discussed below including those necessary to make it consistent with the Update served on November 5, 2010. In the ALJ's Concurrent Ruling of November 2, 2010, she noted that, because the PD was being issued before PG&E's service of its Update (in an effort to provide the parties sufficient time to comment on the PD), it was her intent to align the figures in the PD with those in the Update after they were provided. PG&E applauds this approach as it will enable a final decision to be issued by the CPUC's December 16, 2010 meeting for rates to become effective on January 1, 2011. Pursuant to Rule 14.3 (b) and (c) PG&E provides, in Appendix A, the necessary modifications to the PD's Findings of Fact and Conclusions of Law, including those needed to reflect the November

Update.

II. PROPOSED MINOR MODIFICATIONS TO PROPOSED DECISION

A. Vintage of PPA

At page 11, the PD notes that “the vintage of the PPC contract for the Harvest Wind 8 contract should be changed from 2009 to 2010, as recommended by the Marin Energy Agency (MEA), since the contract was executed in 2010.” PG&E agreed that this contract should be re-vintaged according to the actual execution date and reflected this, as stated in not only PG&E’s rebuttal testimony and briefs but also in its November 5, 2010 Update. Accordingly, PG&E has in fact accomplished the necessary re-vintaging of this contract.

The PD goes on to note at page 11 that: “PG&E must correct its calculation of the PCIA based on this corrected vintage date for the Harvest Wind 8 project PPA contract, as ordered herein.” PG&E has no objection to this, but, as noted in its Update, because CPUC approval of the Advice Letter on the Harvest Wind 8 contract is still pending, its is not yet ripe for inclusion in the calculation of the PCIA. This contract will, however, be reflected in subsequent years’ PCIA calculations once it receives CPUC approval.

B. Vintage of UOG PPV

As properly noted in the PD, “PG&E agreed to update its calculation of the PCIA to correct the vintage of UOG PV projects and the amount of MWs included in a particular year, in compliance with D.08-09-012 and D.10-04-052.” PG&E has done so in its November Update and appreciates the PD’s intent to accept PG&E’ revisions as provided in its November Update. PG&E would note, however, that the projects for which re-vintaging was done will not come on line until 2012; therefore they will be reflected in the PCIA in *subsequent years once operations begin*. But, for now, they have already been properly vintaged as 2011 projects.

As noted in PG&E’s Update, the re-vintaging of both the UOG PPVs and the Harvest Wind 8 PPA contract can be verified by referring to the public workpapers to the November Update.

C. Market Price Benchmark Calculation

Although the following discussion does not give rise to any requested change in the PD, PG&E would note that, in its Update, PG&E included as a placeholder its calculation of the market price benchmark using the adopted methodology.^{1/} PG&E has been in touch with the Energy Division and hopes that it will communicate to the ALJ and all parties its confirmation based on its own independent calculations soon. In order to keep this proceeding on track for a final decision by the Commission's December 16, 2010 decision conference, for rates effective January 1, 2011, the CPUC should, if necessary, proceed based on benchmark presented in PG&E's November Update. A later adjustment to the rate could be made, if necessary, should Energy Division arrive at a different benchmark calculation than the placeholder used in the November Update.

D. PCIA Adjustment

PG&E would note that its November 5, 2010 Update, Appendix B, distinguished between the PCIA approved pursuant to D.06-07-030 (which is debited to ERRA and appears as a credit on non-exempt departing customers' bills) as contrasted with the PCIA authorized in D.04-12-048 and implemented pursuant to D.08-09-012 (which appears on the customer's bill as a charge and is credited to CDWR). It is the D.04-12-048 PCIA that captures the re-vintaging associated with the Harvest Shell Project and the UOG PV program and pursuant to D.06-07-030. Again, this PCIA is credited against the California Department of Water Resources (CDWR) revenue requirement rather than the ERRA revenue requirement. Thus, consistent with the current accounting protocol, which credits CDWR revenue requirement for the D.04-12-048 PCIA revenues, PG&E has made suggested edits to Finding of Facts 11 and 16, and Conclusion of Law 1 consistent with how positive PCIA revenues are currently accounted for (e.g. credited against the CDWR revenue requirement).

^{1/} The ALJ has already ruled in granting PG&E's Motion to Strike that changes in the benchmark methodology are beyond the scope of this proceeding and should be considered in a separate proceeding.

III. CONCLUSION

For the foregoing reasons, and those set forth in PG&E's previous submittals in this proceeding, PG&E respectfully requests that the Commission adopt the PD with the modifications suggested in these comments and in the accompanying Proposed Findings of Fact and Conclusions of Law. PG&E further respectfully requests that the Commission do so no later than its December 16, 2010 decision conference for rates effective January 1, 2011, consistent with the schedule in this proceeding and in compliance with P.U. Code Section 454.5(d)(3) which require the Commission to "ensure timely recovery of prospective procurement costs...."

PG&E appreciates the ALJ's and the Commission's efficient, fair and on-schedule processing of this year's ERRA Forecast Application.

Respectfully Submitted,

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APPENDIX A

PG&E's Proposed Modifications to Findings of Fact and Conclusions of Law (Shown in Redline-style Revision Formatting)

Findings of Fact

10. PG&E's Application as updated on November 5, 2011, requests the Commission to adopt a total 2011 electric procurement forecast of \$4,084.6 million, which consists of PG&E's 2011 ERRRA forecast revenue requirement of \$3,484.3 million, its Ongoing CTC forecast revenue requirement of \$633.6 million, and its PCIA credit forecast of \$33.2 million.
11. In response to the assigned ALJ's October 15, 2010 ruling, PG&E provided a PCIA credit forecast figure adjusted to account for a revision to the vintage of the Harvest Wind 8 PPA contract. This adjusted PCIA credit forecast equals \$40.8 million, which is credited to bundled customers' generation rate through an adjustment to the California Department of Water Resources revenue requirement. results in a revised total 2011 electric procurement forecast of \$_____.
14. PG&E agreed to correct the vintage of several UOG PV projects as well as the Harvest Wind 8 PPA contract, and revise the calculation accordingly in its November 5, Update.
15. The Harvest Wind 8 PPA contract was executed in 2010, but PG&E's Advice Letter seeking CPUC approval was still pending as of November 5, 2010.
16. The total 2011 electric procurement forecast of \$4,084.6 million, as adjusted for including the revision to the PCIA ordered herein, is \$26 million higher than the 2011 revenues at present requirement currently in present rates.

Conclusions of Law

1. PG&E's updated 2011 ERRRA Forecast revenue requirement of \$3,484.3 million, Ongoing CTC forecast revenue requirement of \$633.6 million, and PCIA credit forecast of \$33.2 million, should be adopted. The positive PCIA currently credited against the CDWR revenue requirement will be as adjusted to account for revision of the vintage for the Harvest Wind 8 PPA contract as ordered herein in a subsequent year's proceeding after the CPUC has approved that still-pending contract.
6. PG&E should, as it has agreed, correct the vintage of several UOG PV projects and the Harvest Wind 8 PPA contract, and revise its calculation of the PCIA accordingly in its November 5, 2011 update.
7. Since the Harvest Wind 8 project PPA contract was executed in 2010, the vintage of this PPA contract should be changed from 2009 to 2010, and PG&E should revise its calculation of the PCIA accordingly after the CPUC has approved that contract which was still pending approval as of November 5, 2010.

