



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

FILED
08-16-10
04:59 PM

Application of Pacific Gas and Electric)	
Company for Adoption of Electric Revenue)	
Requirements and Rates Associated with its)	
2011 Energy Resource Recovery Account)	A.10-05-022
(ERRA) And 2011 Ongoing Competition)	(Filed May 28, 2010)
Transition Charge (CTC) Forecasts)	
(U39E).)	
_____)	

**LATE-FILED NOTICE OF EX PARTE COMMUNICATION WITH CAROL
BROWN CHIEF OF STAFF TO PRESIDENT PEEVEY**

Pursuant to Rule 8.3 of the Commission's Rules of Practice and Procedure, the City and County of San Francisco (the City) hereby submits this notice of ex parte communication.

On August 13, 2010 between 10:00 and 10:30 AM, representatives from the City met with Carol Brown, chief of staff to President Peevey. The meeting took place at the California Public Utilities Commission headquarters, at 505 Van Ness Avenue in San Francisco. Oral and written communications were exchanged during the meeting. A copy of the written materials provided are appended to this notice.

The City representatives were Manuel Ramirez, Margaret Meal and Kathryn Gillick. The meeting took place at the request of the City.

The City discussed its concerns about the current method for calculating the power charge indifference adjustment (PCIA). The City explained that the objective of the PCIA is to ensure that bundled customers remain indifferent to the departure of Community Choice Aggregation (CCA) customers. The City noted that this objective does not result from the current method for calculating the PCIA because the market price benchmark used to calculate the PCIA does not reflect the market value of renewable resources in the Investor Owned Utility (IOU) resource portfolios, but the cost of renewable resources purchased by IOUs is reflected in the IOU costs used to calculate the PCIA. The result is that CCA customers pay for the cost of the renewable resources

in an IOU portfolio but are not allocated any of the renewable value for which they paid. Instead, the value of the IOU renewable purchases is credited exclusively to bundled customers. The result is a windfall to IOU bundled customers. The City explained further that when CCA load departs, IOUs will not have to sell renewable resources, rather any "excess renewable resources" will avoid the need for the IOUs to procure additional renewable resources to meet the increasing RPS requirement, to the benefit of bundled customers

In contrast, CCA customers pay for the cost of renewables in the IOU resource portfolios, and also pay for the cost of the renewables required to be included in the CCA portfolio of resources, as CCAs must comply with the California renewables portfolio standard (RPS). Thus, CCA customers are paying twice for renewable resources.

City representatives presented the numbers in the charts attached to this notice to illustrate the magnitude of the distortion. These numbers show that the distortion is considerable and has a very significant and unfair adverse impact on CCAs and their customers. The City stressed that in light of the magnitude of the problem, to avoid the anticompetitive impact of having CCA customers subsidize the cost of compliance with the RPS for bundled customers, the Commission should suspend the imposition of the PCIA until it corrects the methods used to calculate the PCIA.

The City noted that the flaws in the methods used to calculate the PCIA were described by the City of Victorville in its March 12, 2008, petition to modify Decision 07-01-025 in Rulemaking 03-10-003, an Order Instituting Rulemaking to Implement Portions of AB 117 Concerning Community Choice Aggregation. In that petition, the City of Victorville raised similar concerns with the current methods and their failure to achieve bundled customer indifference.

The City stressed that it is urgent that the subsidy from CCA customers to bundled customers be corrected in the near term in the Pacific Gas and Electric service territory. The City noted that this is a critical moment in time as two CCAs in PG&E's service territory, Marin Energy Authority and the City and County of San Francisco, are currently rolling out their CCA programs, and will be significantly adversely impacted if PCIA rates are artificially high.

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/S/

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Dated: August 16, 2010

CERTIFICATE OF SERVICE

I, KIANA V. DAVIS, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4698.

On September 28, 2010, I served:

**LATE-FILED NOTICE OF EX PARTE COMMUNICATION WITH CAROL
BROWN CHIEF OF STAFF TO PRESIDENT PEEVEY**

by electronic mail on all parties in CPUC Proceeding No. A.10-05-022

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on September 28, 2010, at San Francisco, California.

/S/

KIANA V. DAVIS