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

In the Matter of the Application of Pacific Gas
and Electric Company to Establish a Green
Option Tariff

A.12-04-020

U 39 E

**JOINT MOTION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E),
THE UTILITY REFORM NETWORK, COALITION OF CALIFORNIA UTILITY
EMPLOYEES, THE BLACK ECONOMIC COUNCIL, NATIONAL ASIAN
AMERICAN COALITION, LATINO BUSINESS CHAMBER OF GREATER L.A.,
SIERRA CLUB CALIFORNIA, AND CALIFORNIA CLEAN ENERGY COMMITTEE
TO ADOPT SETTLEMENT**

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I. INTRODUCTION

Pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E), The Utility Reform Network (TURN), Coaliton of California Utility Employees (CCUE), the Black Economic Council, National Asian American Coalition, Latino Business Chamber of Greater L.A., Sierra Club California (Sierra Club), and California Clean Energy Committee (CCEC) (collectively, Joint Parties) hereby file this Joint Motion to Adopt Settlement to approve PG&E's application to establish a Green Option tariff as modified by the settlement.¹

The Green Option tariff, as replaced by the Settlement Agreement, allows PG&E's residential and commercial customers to voluntarily elect to purchase renewable power to satisfy up to 100% of their electrical demand. Under the program, PG&E will execute contracts for new renewable generation from facilities to be built within the PG&E service territory sufficient to serve the electrical demand of customers participating in the program. The amount paid by participating PG&E customers will be based on the actual cost of procuring new renewable generation, thereby providing them with a fair price and a long-term hedge against rising conventional supply costs. Non-participating customers will pay no portion of the the costs of

¹ Counsel for the other parties to the settlement have authorized PG&E to file this Motion on their behalf.

the program. Under the program, PG&E customers such as tenants who are unable to install rooftop solar will have the opportunity to participate in a program that will directly procure additional renewable generation from resources located within the PG&E service territory.

The Joint Parties believe that this voluntary Green Option tariff fills a large void, enabling customers who cannot or do not want to put a solar system on their roof, and for whom other programs are insufficient, to subscribe to renewable energy for all of their electric usage.

As demonstrated in more detail below and in accordance with Rule 12.1(d), the Joint Parties' proposed settlement is reasonable in light of the whole record, consistent with law, and in the public interest. In addition, the proposed settlement fully responds to and resolves the policy, legal and ratemaking issues identified by the scoping memo in this proceeding as well as the protests and prepared testimony filed or served in the proceeding.

The key elements of the proposed settlement are as follows:

- PG&E will withdraw its unbundled Renewable Energy Certificate (REC) Green Option proposal, and instead offer a bundled, “steel in the ground” incremental renewable product to customers who voluntarily choose to procure additional renewable energy as part of their bundled electricity service. This product is designed to tie customer subscriptions to the development of new renewable generation located within PG&E’s service territory.
- PG&E’s modified Green Option program has been designed to ensure that the program costs will be fully borne by participating customers, and the ratemaking for the program will ensure that non-participating ratepayers are indifferent. Furthermore, Green Option resources will not be double-counted for purposes of Renewable Procurement Standard (RPS) or AB 32 compliance.
- Participating customers will receive rate credits for avoided PG&E generation costs and pay charges to fully cover the cost of procuring Green Option resources to serve their needs. By receiving a credit equal to the class average generation rate (minus the Power Cost Indifference Adjustment), participants will be protected against increases in generation costs for the duration of their participation in the program. These charges and credits are in full compliance with existing CPUC ratemaking standards for credits and charges associated with other voluntary, optional rate schedules similar to the Green Option.
- PG&E will rely on then-existing, CPUC-approved renewable procurement tools and mechanisms to procure additional renewable energy resources for the program from incremental, additional renewable generating facilities, primarily those sized at 20 MW or below.

- PG&E will establish an Advisory Group that will advise PG&E on program implementation, ongoing administration and potential changes over time. PG&E will also actively market the program to low-income and minority communities and customers in order to ensure that the program complies with diverse procurement and General Order 156 goals.
- In the event that PG&E procures more renewable resources than participating Green Option customers require, as a result of attrition or related factors, the additional resources may be applied to PG&E's current RPS obligations or banked for future use to benefit all customers in accordance with RPS banking and procurement rules.
- PG&E will track and account for all Green Option revenues and costs under balancing account ratemaking standards that ensure that PG&E only recovers the actual costs of the program and that all program costs and revenues are fully transparent and auditable.
- As part of the program mix, PG&E may incorporate energy supplies from projects located within a reasonable proximity to customer enrollees. PG&E and the settling parties mutually will continue to consider additional community renewables options and improvements. Any such agreed-upon program elements would be submitted to the CPUC for approval.

The Joint Parties' proposed settlement also represents significant compromises of adverse litigation positions taken by the settling parties in the proceeding, and thus will avoid needless and contentious litigation and resources on the part of the parties and the Commission. In particular, PG&E as the applicant in the proceeding has significantly modified its proposed Green Option tariff and program in order to resolve policy and ratemaking opposition to its proposal by TURN, CCUE, Joint Parties, Sierra Club, and California Clean Energy Committee. In addition, PG&E has modified its proposal to respond to issues raised by other parties in the proceeding, including the City and County of San Francisco (CCSF) and Division of Ratepayer Advocates.

For these reasons, the Joint Parties request that the Commission approve their proposed settlement expeditiously and in full in this proceeding.

II. SECTION-BY-SECTION SUMMARY OF PROPOSED SETTLEMENT

A. Section 3.1 – Withdrawal of PG&E's Original Green Option Proposal

PG&E is required to withdraw the proposal in its original application to offer an unbundled Renewable Energy Credit (REC) product under its Green Option tariff. However,

PG&E reserves the right to reintroduce its proposed unbundled REC product in the event that the settlement is rejected or modified by the Commission. If PG&E chooses to propose an unbundled REC product in a subsequent phase or separate proceeding, the settling parties are free to assert any position and have no obligation to support PG&E's proposal.

B. Section 3.2 – Terms Relating to Bundled Renewable Energy Product to be Offered by PG&E

1. Time and Quantity Commitments

Instead of the unbundled REC product originally proposed by PG&E, PG&E will offer a bundled renewable energy product under which customers may elect to satisfy either 100% of their electricity usage under the program, or some other specified amount (i.e. 50% or block of x kWh), which will be determined after market research is performed and in consultation with settling parties or the advisory group defined in Section 3.6.1 of the settlement, to the extent that this group has been established. In either case, program supplies will constitute a full replacement of the designated amount of PG&E's standard supply portfolio that would otherwise be provided to the participating customer.

PG&E may require participating customers to commit to an initial subscription term of at least one year. At the end of the initial subscription term, a participating customer will remain on the program on a month-to-month basis, under the same terms, unless the participating customers affirmatively elects to return to default bundled service.

PG&E also may require participating customers canceling prior to the end of their initial subscription term to a reasonable early termination fee. If such a fee is established, there will be an initial 60-day "cooling off period" after a participating customer subscribes during which time the participant may cancel without an early termination fee.

2. Program Cap and Subscriber Size

PG&E initially will be authorized to serve up to 250 MW (solar equivalent) of subscriber load with the bundled product². PG&E may seek an expansion of the 250 MW cap via a Tier 3 Advice Letter. No less than 125 MW shall be reserved for the residential class. PG&E may impose a limit on the amount of load a non-residential subscriber may enroll after consulting with its advisory group and filing a Tier 2 advice letter. This would be in response to any potential concentration of demand among a relative small number of customers.

3. Duration of Program

The program will be open to new subscriptions for 5 years from the date of launch (assuming that the 250 MW cap described in subsection 2 has not been reached). Customers who have subscribed to the program may remain on the program past this date. PG&E may propose to extend the program through a Tier 3 Advice Letter. For reasons including but not limited to unanticipated changes in the price, supply or cost of the renewable energy product, PG&E may suspend the availability of the Green Option tariff to new enrollees upon ninety (90) days prior written notice. To the extent that PG&E wishes to terminate the program for then current enrollees, it will file a Tier 2 advice letter at the Commission within sixty (60) days of such termination, proposing the disposition of revenues received from existing subscribers during their respective subscription periods prior to the termination.

C. Section 3.3 – Renewable Resources Used to Serve Participating Customers

1. Size and Location of Eligible Renewable Resources

PG&E will supply Green Option subscribers with a bundled energy product from third party developed renewable projects located within the boundaries of PG&E's service territory.

² A 250 MW of solar equivalent load will be calculated as the maximum energy load that can be served with 250 MW of solar PV. For example, assuming a 20% capacity factor, 250 MW of solar PV can serve 438,000 MWh of load.

PG&E may use partial capacity from projects under contract to supply Green Option subscribers. Eligible facilities shall be no larger than 20 MWs unless PG&E proposes to procure from larger facilities and consults in advance with its advisory group.

2. Procurement of New Renewable Resources to Serve Green Option Subscribers

Until new resources are developed to serve Green Option subscribers, PG&E will provide renewable energy procured from recently developed and operating renewable energy projects located within its service territory under pre-existing power purchase agreements (PPAs). PG&E will select resources that, on a weighted average basis, do not cost more than the applicable renewable power rate charged to subscribers (Section 4, below).

To satisfy Green Option subscriber demand, PG&E will execute long-term contracts for new renewable energy facilities located within its service territory using current or newly approved RPS solicitation programs. Except as described below, PG&E will commit to additional procurement at the earlier of incremental subscriber demand equal to 30 MW or the end of each calendar year.³

PG&E may procure renewable energy resources to satisfy forecast program demand in advance of program subscription, prior to program launch date, or based on actual program demand. PG&E is authorized to procure up to 50 MW in advance of subscriber demand so long as the cost of such procurement, on a weighted average portfolio basis, does not exceed the applicable renewable power rate (Section 4, below).

New long-term contracts executed pursuant to this section will be incremental to any quantities that would otherwise be procured under existing or future regulatory requirements and, except as identified in subsection 3.3 and section 3.5.1, below, cannot be counted towards

³ 30 MW shall be understood as a solar capacity equivalent and calculated in MWh.

satisfying such requirements. Once new facilities are operational, they must be used to supply renewable energy to Green Option subscribers.

As part of this program, PG&E also may execute long-term contracts, using existing or newly approved procurement tools and contract forms, for new smaller-scale renewable generation located in proximity to concentrations of expected or actual subscribers. Before making any decisions regarding the products, targets or strategies for incorporating small-scale, local generation into the Green Option portfolio, PG&E must consult with the settling parties, or the advisory group, to the extent that this group has been established.

3. Bundled Customer Backstop

Any portion of incremental resources contracted to serve Green Option subscribers that cannot be sold to subscribers due to lack of demand, or due to attrition, may be used to supply PG&E's bundled service customers and may be used to satisfy PG&E's RPS compliance obligations, consistent with RPS "banking" requirements for RPS compliance. PG&E will consider any resources provided under the backstop in making future RPS procurement decisions in accordance with its approved resource supply plans.

4. Compliance with CARB Voluntary Renewable Electricity Program

All renewable energy procured on behalf of subscribers will be compliant with the Green-e Energy Standard and the CARB Voluntary Renewable Electricity Program (VRE). California-eligible greenhouse gas (GHG) allowances (from the VRE) associated with these purchases must be retired on behalf of subscribers as part of the annual Green-e Energy verification process.

D. Section 3.4 – Participating Customer Charges and Credits

1. Non-participating ratepayer indifference

The charges and credits associated with a Green Option subscription must be structured to achieve non-participant ratepayer indifference for the remaining bundled service, direct access and community choice aggregation customers. The charges and credits in subsections 2 and 3 described below achieve this objective.

2. Participating Customer Charges

The Renewable Power Rate charged to participating customers initially will be set at \$107/MWh. This rate will be adjusted for new and existing subscribers, over time, to reflect the actual costs of new incremental renewable resources procured to serve Green Option subscribers. In determining the appropriateness of making reductions to this rate, PG&E will take into account the costs of smaller-scale resources to be blended into the overall portfolio. To the extent that this rate must be increased in order to incorporate additional resources to serve new subscribers, only new subscribers will be subject to the higher rate. Any changes to this rate will be submitted for CPUC approval in the form of a Tier 2 advice letter.

The Power Charge Indifference Adjustment (PCIA) charged to participating customers will be the PCIA that would otherwise be assessed to any customer departing bundled service based on the initial year the specific customer subscribes to the Green Option (assuming the customer remains on the program continuously). If a customer leaves the program and subsequently re-enrolls, the PCIA will be based on the most recent enrollment.

A Renewable Integration Charge will be charged to participating customers as determined in R.12-03-014 or a successor proceeding. The charge will be applied to a new customer initially subscribing after the charge has been approved by the Commission.

The Program Administration Charge will be charged to participating customers consistent with the provisions of Section 6 regarding recovery of program administrative costs discussed below.

Resource Adequacy Costs will be included in participating customer charges to recover the costs to acquire sufficient resource adequacy to serve Green Option subscribers. The costs will be based on the CPUC-approved PCIA methodology.

CAISO scheduling charges will be included in participant charges, based on California Independent System Operator (CAISO) tariffs and forecasted PG&E scheduling costs for renewable resources used to serve Green Option subscribers.

WREGIS fees will be included in participant charges, based on charges assessed by the Western Renewable Energy Generation Information System (WREGIS) for generation used to serve Green Option subscribers.

3. Participating Customer Rate Credits

The participating customer's rates will be credited with the Class Average Retail Generation Rate, as established in approved PG&E tariffs for the class to which the subscriber belongs.

The participating customer's rates will be credited with the Solar Value Adjustment, which is intended to reflect the following:

(1) any differences between the Time Of Day (TOD) profile of the renewable resources used to serve the subscriber and the class average TOD profile.

(2) the resource adequacy value of any resources contained within the Green Option portfolio.

The participating customer's rates will be credited with any other CPUC-approved values applicable to the renewable resources contained in the Green Option portfolio. These additional

credits will be applied to a new customer initially subscribing after the value has been approved by the Commission.

4. Accounting and Recovery of Green Option Revenues and Costs

PG&E must ensure that the costs and revenues associated with the Green Option program are tracked and accounted for via balancing account mechanisms that avoid cost-shifting and maintain customer indifference. Following a decision approving the Green Option tariff, PG&E will file a Tier 2 advice letter modifying its electric preliminary statements. PG&E must exclude Green Option administration costs from recovery in an ERRA or an ERRA subaccount if such accounts become the default balancing accounts used for accounting for Green Option revenues and costs. If a separate balancing account is established, PG&E will record the Green Option administration costs to that balancing account. PG&E also must ensure that the costs associated with the Green Option program are excluded from the total portfolio indifference calculation used to set the PCIA.

5. Ratemaking Implementation

PG&E will submit a Tier 3 Advice Letter for approval of the rate charges and credits described in this section. Prior to submission, PG&E will consult with the Green Option advisory group. Any subsequent modifications to rate credits or charges shall be proposed by PG&E in a Tier 2 Advice Letter filing after consultation with the Green Option advisory group.

E. Section 3.5 – Renewable Procurement Standard Compliance

1. Treatment of Renewable Energy Certificates

PG&E must retire sufficient Renewable Energy Certificates (RECs) associated with Green Option renewable supply in order to satisfy the applicable RPS requirements for Green Option subscribers. All RECs associated with Green Option renewable energy in excess of RPS

requirements for the subscribers will be retired on their behalf and may not be resold or applied to PG&E's RPS compliance obligations.

2. Treatment of Retail Sales Associated with Green Option Resources

Retail sales associated with Green Option subscribers shall be included in PG&E's RPS compliance calculations. The relevant portion of renewable energy procured for subscribers shall be used to satisfy their RPS obligations.

F. Section 3.6 – Program Administration, Marketing and Disclosures

1. Green Option Advisory Group

PG&E will create an advisory group composed of environmental, consumer, low-income advocates, Commission staff, labor and other relevant stakeholders. The advisory group will provide ongoing guidance relating to the implementation of the Green Option program. Meetings of the advisory group may occur on a quarterly basis.

2. Marketing to low-income and minority customers

For outreach purposes, PG&E will utilize, among others, the existing network of community-based organizations and local and ethnic media such as newspapers, radio, and television. PG&E recognizes the importance of these channels to reach and penetrate some of the harder-to-reach communities and help them identify opportunities to enroll in the Green Option program. PG&E will ensure that the outreach and contracting opportunities created through the Green Option Program contribute to the supplier diversity program goals in accordance with the Commission's General Order 156 and §8281 of the California Public Utilities Code. The Advisory Group resulting from the settlement will include member(s) from the Joint Parties who advocate on behalf of communities of color. Further, outreach and marketing strategies will receive input from these members on a regular basis at the Advisory Group meetings.

3. Availability of On-Line Bill Calculator

PG&E will present Green Option subscription information using an internet-based interface to allow prospective subscribers to determine total bill impacts and GHG reductions available under the program in useful metrics. PG&E will regularly report to participating commercial and residential customers the quantity of benefits achieved by their subscriptions, either collectively, or where possible, on an individual basis.

4. Recovery of Marketing and Administrative Costs

All subscribers shall be charged for the administration and marketing costs of the Green Option program. As PG&E committed in its prepared testimony for the Green Option, costs in excess of revenues received from participating subscribers over the course of the program will be borne by PG&E. PG&E will be responsible for managing both start-up costs and variable costs to fully recover costs over the life of the program. PG&E shareholders accept the risk of administration and marketing costs not recovered over the first 5 years of the program.

5. Availability of Subscriber Consumption Data

PG&E will provide municipalities with aggregated consumption data for participants within their jurisdictions to allow for reporting on progress towards climate action goals. PG&E also will publicly disclose, on a geographic basis, consumption data and GHG reductions achieved by participants, on an aggregated basis consistent with privacy protections.

G. Section 3.7 – Support for Consideration of Future Community Renewables Program Changes

The settling parties agree to mutually discuss and work together in good faith to consider an enhanced community renewables program element that would facilitate development of additional renewable projects located closer to load. Examples of models that would be considered include, but are not limited to, SDG&E's proposed Share the Sun proposal, and

“crowd-funding” approaches. Proposed program rules/implementation would be subject to mutual approval by the settling parties and other interested parties as appropriate. The settling parties would strive to complete their work within 60 days of CPUC approval of this settlement. Any program changes that the parties agree to would be submitted to the CPUC for approval as part of A.12-04-020, and A.12-04-020 would remain open solely for this purpose.

H. Article 4 -- Procedure for Settlement Approval

The settling parties agree to mutually support and advocate for approval of the settlement without change before the CPUC. If the CPUC does not approve the settlement, or approves the settlement with modifications not acceptable to all the parties, the settlement shall be terminated and each settling party is free to advocate for proposals, positions and outcomes in the proceeding without regard to the settlement or any commitments made in the settlement.

III. THE PROPOSED SETTLEMENT IS REASONABLE AND IN THE PUBLIC INTEREST

A. The Proposed Settlement Provides a Voluntary Opportunity for Customers to Support Additional and Incremental Renewable Energy Resources Consistent with California’s Energy and Environmental Policies

The proposed Green Option settlement provides customers with a voluntary opportunity to directly support the development of additional renewable energy resources in California, over and above the current renewable procurement that PG&E conducts for its other bundled customers. The Green Option provides this opportunity by requiring PG&E to purchase additional bundled energy from renewable generators to supply participants’ purchases through the program. PG&E retires the RECs associated with the energy purchased for program participants as the energy is produced, to ensure that the renewable characteristics and energy are purchased solely for program participants. Under the Green Option, customers will be offered a

block option of 100% of their electricity usage, or some other specified amount developed by PG&E in consultation with stakeholders or the advisory group formed under the settlement.

At the outset of the Green Option program, PG&E will supply energy for participating customers at a prescribed price from PG&E's then-current portfolio of contracted renewable projects delivering energy to California. As the program progresses, PG&E will cause the development of newly constructed renewable projects from which long-term bundled energy purchases may be used to supply Green Option energy to participating customers.

PG&E will charge participating customers a rate (initially set at \$107/MWH⁴) based on the actual cost of procuring the renewable energy provided through the Green Option program. This approach allows the renewable energy to provide a hedge against changes in PG&E's otherwise applicable portfolio, and replaces that element of rates recovering generation costs, minus a CPUC-approved non-bypassable charge.

Participating customers initially may be required to subscribe for a minimum period of at least one year. This will provide a more predictable program load for the first year or two of operation. Participating customers pay program administrative costs and the costs of ensuring resource adequacy required to supply customer loads with reliable power. The prices charged to participating customers would include the CPUC-approved charges and credits as described in Section II.D.2, in order to ensure that the prices are cost-based and that participating customers bear the full costs of the program.

⁴ The \$107/MWH was derived as the starting price for the SB 32 REMAT program (see http://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/167679.PDF, page 44), adjusted for solar time-of-delivery characteristics of 1.2 for PG&E's service area.

These charges and credits sum to a net charge that will be incremental to the Otherwise Applicable Generation rate and displayed separately on a Green Option customer's monthly electric bill.

Through these specific design elements, the proposed Green Option settlement meets and exceeds the following criteria outlined in the Scoping Memo in this proceeding:

- Is PG&E's proposed Green Option Tariff the best policy choice for the Commission to approve, given its reliance upon investment in renewable energy credits (RECs) instead of a more direct investment in renewable energy projects?
PROPOSED GREEN OPTION SETTLEMENT: *The proposed Green Option settlement chooses more direct investment in renewable energy projects as the alternative to PG&E's original REC-based Green Option proposal.*
- Is the Green Option charge a just and reasonable charge for procuring RECs on a short-term basis?
PROPOSED GREEN OPTION SETTLEMENT: *The proposed Green Option settlement provides that participating customers will only be charged cost-based charges that accurately reflect the costs and credits of the program, based on Commission-approved charges and ratemaking methodologies.*
- Is the proposed cost cap reasonable in light of the expected administration, marketing, and procurement costs? Does the program ensure price protection for consumers utilizing the program?
PROPOSED GREEN OPTION SETTLEMENT: *The proposed Green Option settlement retains the cap on administrative and marketing costs proposed by PG&E, and requires that customer charges reflect only actual, CPUC-approved procurement costs. In addition, PG&E's procurement activities under the program will be subject to ongoing advice and guidance from the advisory group established by the settlement.*
- Does the proposed program meet the Commission's consumer protection expectations and comply with California's consumer protection statutes by clearly and accurately describing the potential benefits of participation?
PROPOSED GREEN OPTION SETTLEMENT: *The proposed Green Option settlement establishes an advisory group consisting of interested parties and stakeholders to advise and guide PG&E on all aspects of the program, including consultation by PG&E on the customer education and outreach materials used by PG&E with customers. This process will ensure that PG&E accurately and fairly communicates to customers regarding the terms, conditions and benefits of the program, including compliance with consumer protection rules and statutes applicable to the Green Option program.*

The parties to the settlement include not only PG&E, but also consumer and environmental groups which place a high priority on not only achieving California's clean and renewable energy goals, but also ensuring that the Green Option program is fairly and reasonably priced and marketed to PG&E's customers. The parties to the proposed Green Option settlement agree that the settlement is designed to provide customers with a realistic and effective opportunity to support development of additional community renewable energy supplies in California at reasonable costs to participating customers.

B. The Proposed Settlement is Competitively Neutral

The Scoping Memo asked the following questions regarding the competitive impact of the proposed Green Option: Does the proposed program give PG&E an unfair competitive advantage over Community Choice Aggregators (CCAs), Energy Service Providers (ESPs), local renewable energy projects, solar companies and energy efficiency companies?

In response to this question, the settling parties have expressly designed the proposed Green Option settlement to ensure that the Green Option is offered to customers in a competitively-neutral manner. Two elements accomplish this objective:

First, customers who participate in the Green Option program will be charged no less than the full costs of the program under renewable procurement and cost accounting mechanisms previously approved by the CPUC, with no direct or indirect subsidies from other customers. PG&E is required to maintain totally separate accounting for all costs of the program, and to use existing, CPUC-approved renewable procurement methods and mechanisms to procure and price the renewable energy supplied under the program. In the event of any PG&E under-procurement for Green Option customers, any additional renewable energy costs to supply Green Option customers will be borne solely by the Green Option customers. In the event of any PG&E over-procurement for Green Option customers, PG&E will only be able to use the excess to serve

non-participating customers under existing CPUC rules for “banking” of renewable energy supplies. This ensures that the price of renewable energy offered to retail customers under the program is transparent and competitively-neutral.

Second, PG&E’s marketing and customer outreach for the Green Option program will adhere strictly to all existing “code of conduct” rules applicable to PG&E’s electricity services to customers currently or potentially served by CCAs and ESPs. In addition, PG&E has agreed to consult with the advisory group created by the settlement on the marketing and communications materials it will use to market the Green Option to customers generally.

The parties to the proposed Green Option settlement recognize that the Green Option is very similar in structure to other “optional” rate schedules and services that PG&E and other utilities routinely offer to retail customers. Such optional rates and schedules are offered by the utility as separately tariffed, separately costed, optional services that customer can choose or not choose, depending on their own individual preferences. The specific terms and conditions of these optional rates and services are expressly described in the utility’s tariffs, and the costs are separately allocated and recovered solely from the participating customers. The proposed Green Option settlement follows the Commission’s traditional methodology for such optional rate schedules and services, and the settlement requires that PG&E file an advice filing for Commission approval to implement the detailed terms and conditions for the Green Option in PG&E’s filed and public tariffs.

C. The Proposed Settlement Ensures that Only Voluntarily Participating Customers or PG&E Bear the Costs of the Green Option

As discussed above, the proposed Green Option settlement requires that only participating customers bear the costs of the Green Option program, and that only PG&E shareholders bear any marketing and administrative costs that exceed the costs recovered from

participating customers during the initial five year term of the program. The settling parties agree that the settlement fully meets the criteria in the Scoping Memo, that requested that parties address what mechanisms will be used to ensure that program costs incurred prior to a Commission decision approving the program.

All procurement costs of PG&E's Green Option will be borne solely by participating customers, as will administrative and marketing costs (with the exception of a shareholder exposure). PG&E anticipates that it may take several years to recover initial start-up costs from participating customers, as is typical of new green pricing programs. Over the course of the program, costs in excess of revenues received from participating customers, to the extent that they are not recovered through rates charged to participating customers, will be borne by PG&E. The RECs procured by PG&E to support the program will be additional to renewable energy obtained by PG&E to comply with California's Renewable Portfolio Standard (RPS), and PG&E will not use the Green Option RECs for compliance with the RPS. PG&E will not earn any profit or incentive payments under the program.

To accomplish the tracking of administrative and marketing costs, PG&E will establish the Green Option Memorandum Account (GOMA) to track and record the actual costs and revenues associated with marketing and administration of the Green Option Program. Every five years, or earlier if PG&E terminates the Green Option, PG&E will file a Tier 2 advice letter for CPUC approval of the disposition of any excess marketing and administration revenues PG&E may have collected above the actual costs of the Green Option during the program. PG&E will remain at risk throughout the program for recovery of any undercollection resulting from marketing and administration costs in excess of revenues collected from participating customers over the life of the program, to the extent that the costs are not recovered through rates charged

to participating customers. PG&E will not earn a profit or any incentive payment under the program. The GOMA will record the costs of the program, including internal fixed and administrative, operating and maintenance costs

D. The Proposed Settlement Provides for Meaningful Guidance from Low-Income and Minority Groups and Other Stakeholders

As recommended by the Joint Parties and as requested by the Scoping Memo, the proposed Green Option settlement includes specific terms and conditions providing for meaningful guidance and participation by low-income and minority groups and other stakeholders in the Green Option program.

In particular, the settlement requires that PG&E use, among others, the existing network of community-based organizations and local and ethnic media to reach and penetrate some of the harder-to-reach low-income and minority communities and help those customers identify opportunities to enroll in the Green Option program. In addition, the settlement requires that the outreach and contracting opportunities created by the Green Option program contribute to supplier diversity goals under the the CPUC's General Order 156 and Public Utilities Code Section 8281.

The settlement also creates an advisory group of outside stakeholders to provide ongoing guidance relating to implementation of the Green Option program. The members of the advisory group must include members from the Joint Parties who advocate on behalf of communities of color.

The settling parties agree that these elements in the proposed Green Option settlement will ensure that external stakeholders and low-income and minority group advocates can play an active, affirmative role in advising on how to make the Green Option successful to a wide segment of customers throughout PG&E's service area.

IV. THE PROPOSED SETTLEMENT IS LAWFUL

As discussed above, the proposed Green Option settlement fully complies with long-standing CPUC ratemaking and legal precedents supporting utility programs that offer optional, voluntary, separately-tariffed and separately-costed tariffs and services to utility customers. In addition, a legal question raised in A.12-01-008 regarding whether the costs of voluntary renewable programs similar to the Green Option program would comply with Public Utilities Code Sections 399.15(d), (e) and (f) and other so-called “cost containment” restrictions in the Renewable Portfolio Standard (RPS) program. The settling parties have reviewed the A.12-01-008 and agree that the proposed Green Option settlement in this proceeding is fully compliant with the RPS “cost containment” protections. By its terms, the RPS statute “cost containment” provision does not preclude a utility from choosing to incur higher-than-projected costs for complying with the RPS; it merely allows the utility to choose to “refrain” from incurring such costs. (Public Utilities Code Section 399.15(f).) To the extent that PG&E incurs higher than expected RPS costs as a result of any energy procured under the Green Option that might become excess to participants’ needs, PG&E may choose to incur such costs, as long as the costs and the resources associated with such costs are consistent with PG&E’s long-term procurement plan approved by the CPUC pursuant to Public Utilities Code Section 454.5. The settling parties do not expect PG&E to incur higher-than-expected RPS costs under the Green Option, because Green Option costs are intended to be borne solely by participating customers, not by other customers for purposes of RPS compliance. However, in the remote event that excess Green Option costs are incurred and therefore “banked” for use by non-participating customers for RPS or long-term procurement purposes, Public Utilities Code Section 399.15 does not prohibit the recovery of such costs consistent with PG&E’s long-term procurement plan.

V. THE COMMISSION SHOULD APPROVE THE SETTLEMENT EXPEDITIOUSLY AS A REASONABLE COMPROMISE OF PARTIES' LITIGATION POSITIONS

The parties to the proposed Green Option settlement represent a broad and in some ways unprecedented “coming together” of diverse and broad interests in California energy policy-making: a utility, consumer groups, environmental groups, and representatives of diverse and under-served communities. Over the course of several months beginning in December, 2012, the settling parties have engaged in candid, detailed and good faith negotiations on every aspect of the community renewables issues identified in this proceeding. As is normal for settlements of this breadth and detail, not all parties obtained precisely the outcome they desired, and all parties gave up and compromised on significant, strongly-held positions. However, one common agreement brought all the parties together on this settlement: the agreement that it is possible and in fact vitally important that California offer its consumers and businesses the opportunity to go beyond current renewable energy goals and targets, and to choose to support new, additional community renewables resources capable of serving 100% of those customers’ electricity needs at a reasonable premium to the current cost of power.

The Joint Parties are united in believing that the proposed Green Option settlement can achieve this goal practically, economically and in a way that fulfills the desire of PG&E customers.

VI. CONCLUSION

The Joint Parties respectfully request that the Commission approve the Green Option

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settlement as reasonable in light of the whole record, consistent with law, and in the public interest.

Respectfully submitted on behalf of the Joint Parties,
CHRISTOPHER J. WARNER

By: /s/ Christopher J. Warner
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