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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2012 Energy Resource Recovery Account (ERRA) and 2012 Generation Non-Bypassable Charges Forecast	Application 11-06-004 (Filed June 1, 2011)

PROTEST OF THE ENERGY PRODUCERS AND USERS COALITION

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July 5, 2011

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PROTEST OF THE ENERGY PRODUCERS AND USERS COALITION

Pursuant to Rule 2.6 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Energy Producers and Users Coalition[1] (EPUC) protest the above-referenced Pacific Gas and Electric Company (PG&E) 2012 Energy Resource Recovery Account Application, filed June 1, 2011 (Application).

EPUC members have a direct interest in this proceeding. EPUC members operate energy-intensive, trade-exposed (EITE) facilities that will be regulated under the California Air Resources Board (CARB) greenhouse gas (GHG) cap-and-trade program. They also purchase significant amounts of bundled electricity from the investor-owned utilities (IOUs), and their rates will reflect new GHG costs and revenues. CARB anticipates that EITE facilities will recover these indirect GHG costs from the IOUs through an allocation of the auction

[1] EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP West Coast Products LL, Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, and Occidental Elk Hills, Inc.

revenue received by the IOUs for the free allowances received under cap-and-trade.

The allocation of PG&E's GHG costs and auction revenues are currently at issue in this proceeding. PG&E seeks adoption of its $4.532 billion forecasted electric revenue requirements to become effective in rates on January 1, 2012. The revenue requirement reflects forecasted GHG costs for PG&E-owned generation and purchased power. It also reflects the forecasted revenues from the auction of free allowances awarded to PG&E under the cap-and-trade program. The GHG cost allocation methodology will be determined in this proceeding; the revenue allocation methodology, however, will be adopted in R.11-03-012 and applied in this proceeding.

In light of the importance of these issues, EPUC intends to participate actively in this proceeding if the cap-and-trade program is implemented in 2012. Recent events, however, suggest a delay in the program's implementation. On June 30, 2011, CARB announced that it intends to delay enforcement of the cap-and-trade program by one year. It has further clarified that no allowances would be distributed in the first year of the program. While not yet entirely clear, this suggests deferral of the cap-and-trade program until 2013.

In this case, it is premature to examine the treatment of GHG costs and revenues arising from cap-and-trade in this proceeding. PG&E thus should be required to update its showing to extract the GHG costs and revenues from the revenue requirement and allocation process. Review of these costs and revenues should be deferred until PG&E's next forecast ERRA, giving sufficient time for development of an auction revenue allocation methodology in advance of PG&E's ERRA application.

Respectfully submitted,

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