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October 2, 2006

Dear Interested Party:

Re: Solicitation for Information on Potential Renewable Resource Projects

Pacific Gas and Electric Company (“PG&E”) hereby undertakes a solicitation for information from developers of eligible renewable energy projects¹ expected to commence deliveries to the PG&E-owned transmission system by January 2010.² This information may be used to update the Transmission Ranking Costs in PG&E’s Renewable Solicitation Protocol. Developers incur no obligation to pay for any facilities or to undertake any development by responding to this letter. All project-specific information will be treated as confidential; however, developments may be described in regulatory filings in generic terms without revealing the identity of the project. Response to this solicitation for information does not constitute response to PG&E’s Request for Offer (RFO), nor does it constitute a request for Interconnection under the CA ISO Tariff or PG&E Transmission Owner’s Tariff.

Background

- Use of the Transmission Ranking Cost Report to Evaluate Renewable Bids

The California Public Utilities Commission (CPUC) has ruled that the cost of transmission required to interconnect a proposed renewable resource is to be considered when selecting a renewable project. To this end, PG&E identified the transmission capacity available at certain interconnection clusters in the PG&E-owned ISO controlled transmission grid in its “2006 Transmission Ranking Cost Report” (TRC Report). All transmission projects already operational, approved, or necessary to interconnect new generation already in the ISO queue are included in the base case of the TRC Report. Any available transmission capacity is assumed to be available for new interconnecting renewable generators. PG&E is now seeking information to update its study and publish the 2007 TRC Report.

¹ An eligible renewable energy project is any existing or proposed renewable energy generation facility that is located such that the first point of interconnection to the existing transmission grid is or would be at a facility owned by PG&E, and is an “eligible renewable energy resource” under Section 399.12(a)

² This solicitation was ordered by the Assigned Commissioner’s Ruling dated August 21, 2006 in California Public Utilities Commission rulemaking (R.) 06-05-027 and scheduled by an Administrative Law Judge’s Ruling dated September 14, 2006.

The TRC Report will show which “clusters”, or locations have the most remaining transmission capacity to accommodate identified potential renewable resources in the area. In addition, the TRC Report lists the cost of transmission capacity assuming various levels of facility development that exceed the base case. The transmission cost estimates in the TRC Report will be based on the most recent existing conceptual transmission studies.

The TRC Report helps PG&E to rank bids for its short list of preferred offers based on the total potential cost of accepting deliveries from a potential renewable resource through the following steps: First, all renewable bids proposed for interconnection at each transmission cluster are ranked in accordance with bid price and other factors. The offer providing the best value to ratepayers is ranked first, and so on. The capacity available according to the TRC Report is assigned to the bidders based on this ranking. After each bid has been assigned its transmission cluster, if the TRC Report indicates that facilities at a cluster must be upgraded to interconnect the project under consideration, the cost identified in the TRC Report would be imputed to the bid in the form of Transmission Adders³. This ensures that the potential cost of transmission associated with delivery of the renewable power will be included in the ranking of bids.

This methodology has been approved by the CPUC as the means of determining the indirect transmission costs associated with selection of particular renewable energy bids. PG&E’s 2006 solicitation for renewable resources will continue to follow these “least cost best fit” principles. Further information on Transmission Ranking Costs is included in Appendix A.

- Requested Information

PG&E intends to use the information solicited by this letter to augment the renewable project information derived from PG&E’s 2004, 2005 and 2006 renewables solicitations and the latest renewable electricity generation resource plan prepared by the California Energy Resources Conservation and Development Commission (CEC). For the current solicitation, this would be the Renewable Resource Development Report published by the CEC on September 30, 2003. Information from the CEC-sponsored Strategic Value Analysis would also be used. The following project types are urged to respond to this solicitation for information:

1. Projects in a utility’s service territory that have not been identified previously in the following venues or publications:

³ PG&E will use the lesser of the Transmission Adder developed from the TRC Report or alternative commercial arrangements in determining the market value of bids and selecting the shortlist. Any such alternative commercial arrangements are outside the scope of the TRC Report.

- A. The I.00-11-001 solicitations conducted in 2003, 2004, 2005 or 2006
 - B. The Renewable Resources Development Report approved by the California Energy Commission on November 19, 2003, or
 - C. The final CPUC Renewables Transmission report filed in I.00-11-001,
2. Projects that were previously identified in Item 1 but now propose a change in size, location, or expected operating date,
 3. A project located within the service territory of one utility, the power of which the developer intends to sell to a different California utility, and
 4. Projects outside of the utility's service territory for which the developer anticipates submitting a bid.
 - o Allocation of Project to Transmission Cluster

Based upon its review of a geographical map, PG&E will divide the identified renewable resources into clusters based on the substation(s) and bus(es) to which the identified renewable resources most likely would interconnect. If the renewable resource's first point of interconnection is at a substation or bus not owned by PG&E, PG&E will treat that renewable resource as part of a cluster (or all of a cluster) beginning at the first point where such added generation would first enter the PG&E-owned transmission system.

- o Limited Identification of Costs

PG&E will develop Transmission Ranking Costs for the clusters of identified potential bidders located in each geographical area. PG&E will perform a screening level evaluation of transmission system upgrades (but not generator collection lines or interconnection facilities) that might be necessary to serve the expected aggregated output of all renewable generators in a specific geographical area. This evaluation would be based on off-the-shelf information. It will not model any specific project's interconnection to the PG&E-owned, CAISO-controlled transmission grid. To expedite the development of the updated Transmission Ranking Costs, PG&E will not be performing screening studies for individual renewable projects.

- o Limitations and Disclaimers

It is important to note that the TRC Report will be used only for purposes of conducting the least cost, best fit ranking and selection of bidders responding to any RPS Program procurement solicitation by PG&E, and is intended only to allow a comparison of the potential network upgrade costs that may be imposed on ratepayers as a result of selecting one bidder over another bidder.

The TRC Reports do not constitute either System Impact Studies or Facilities Studies under the ISO Electric Tariff on file with the Federal Energy Regulatory Commission (CAISO Tariff). Any bidder seeking interconnection to the ISO-controlled transmission grid must follow the procedures set forth in the CAISO Tariff. Therefore, any developer whose RPS bid is accepted, based on these Transmission Ranking Costs, and later seeks interconnection, or seeks to increase its generating capacity to make its RPS deliveries, will then have to apply for interconnection with the CAISO. PG&E cannot and does not guarantee that the CAISO, following its receipt of a later interconnection application, will accept the Transmission Ranking Costs from the screening study described by this letter. The System Impact Study and Facility Study required by the CAISO Tariff must be conducted based on the then-existing CAISO Interconnection Queue.

Solicitation

PG&E requests that developers of renewable energy projects eligible for the RPS Program under Pub. Util. Code § 399.12 and for which interconnection to the PG&E-owned transmission system may be sought, submit the following information for each renewable resource project by October 10, 2006:

- Its location;
- its expected date of operation;
- the expected first point of interconnection with the existing transmission grid;
- the expected electric generation output of the facility, or additional output of an expanded facility;

- whether the facility is interconnected to the existing transmission grid or whether an interconnection application has been submitted to the California Independent System Operator (ISO) and, if so, its status;
- whether the generation facility intends to submit a bid to another California utility, if so, the anticipated capacity (and energy) to be included in this anticipated bid⁴ and the anticipated California utility to which this bid would be submitted and;
- whether the generation facility has secured Firm Transmission Right (FTR) with the purchasing utility, the interconnecting utility, any utilities providing transmission service, to the extent they are different entities, and the terms and conditions of such FTRs.

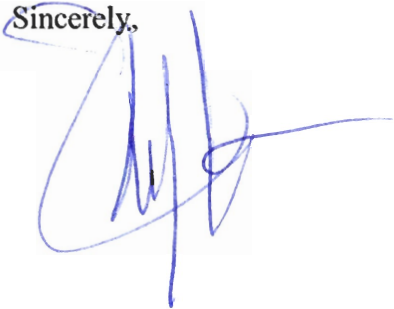
⁴ Please be aware that for the purpose of developing the Transmission Ranking Cost Report, if a renewable resource project anticipates submitting a bid to another California utility, PG&E will assume that any remaining capacity and energy from this project will be included in bid(s) to be submitted to PG&E.

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Please submit the information requested above to: Steve Metague, Director, Electric Transmission Rates Department, Pacific Gas & Electric Company, P.O. Box 770000, MC-B13L, San Francisco, CA 94177. Questions regarding the necessary information to be included with any request for a Facilities Study or a screening level evaluation may be directed to Chifong Thomas at (415) 973-7646 or CLT7@pge.com. Questions regarding the terms of this solicitation may be directed to Evelyn Lee, (415) 973-2786, ECL8@pge.com.

We look forward to working with you in developing information regarding the interconnection of your potential renewable energy project to the PG&E-owned transmission grid.

Sincerely,

A handwritten signature in blue ink, appearing to be "Steve Metague", written over a light blue rectangular background.

APPENDIX A: DESCRIPTION OF THE THREE PATHS TO CONCEPTUAL STUDIES

The CAISO Interconnection Process

As you may know, any new generation facility that seeks to interconnect to the CAISO-controlled transmission grid (which includes the PG&E-owned transmission grid in California) must submit an application for interconnection to the CAISO in accordance with the CAISO Tariff on file with the Federal Energy Regulatory Commission (“FERC”). You can access the interconnection procedures and the required application form at: <http://www1.caiso.com/docs/2002/06/11/2002061110300427214.html>

As set forth in more detail in the CAISO documents, once the CAISO has accepted a project’s application and associated documentation as complete, the applicant's project will be placed in the CAISO's Interconnection Queue. Upon review of the application, PG&E and the CAISO will determine what studies will be required. As described in the CAISO’s new generator interconnection procedure, a Feasibility Study, a System Impact Study (SIS) and Facility Study (FS), conducted and coordinated by the CAISO and PG&E at the applicant's expense, may be necessary to identify any system impacts, problems, potential solutions, and provide the associated cost estimates of any required system reinforcements and the cost estimate of interconnection facilities necessary to connect the facility to PG&E’s transmission grid. Separate agreements between the CAISO and the applicant for each such study are required by the CAISO Tariff. The CAISO Tariff also provides for an estimate of the costs for actual interconnection, facilities protection, safety, disconnection and metering, that the applicant must pay to obtain interconnection. Although the study reports will provide certain cost estimates in connection with these studies, such estimates are not binding, may change as a result of, among other things, other applicants dropping out of the Interconnection Queue or permitting issues, and the applicant is responsible for the actual costs incurred that are chargeable to the applicant under the applicable tariffs on file with the FERC.

After the Feasibility, System Impact and Facilities Studies have been completed, at the applicant's request; PG&E will prepare a Large Generator Interconnection Agreement (“LGIA”) to be executed by the applicant, the CAISO and PG&E, and, if required, filed by PG&E and the CAISO at FERC. The LGIA must be executed and/or filed at FERC before construction of interconnection facilities begins.

PG&E encourages all renewable energy generation developers who intend to seek interconnection to PG&E’s transmission grid to apply for interconnection pursuant to procedures set forth in the CAISO Tariff. **An application for interconnection to the CAISO is the only way to reserve an applicant’s position in the CAISO Interconnection Queue.** Because the CAISO places interconnection applications in a queue based upon the time the completed application is received, PG&E and the CAISO will process the applications (and perform the related studies) in the order that completed

applications are received by the CAISO. If earlier applicants withdraw or fall out of the Interconnection Queue, then the estimated costs of necessary system upgrades may change.

Facilities Studies Conducted In Accordance with PG&E TO Tariff

If a renewable energy generation developer does not wish to seek interconnection at this time, but wishes to obtain and fund further studies of various transmission issues, then such a developer may apply for a Facilities Study pursuant to PG&E's TO Tariff, Section 9.1 *et seq.* The developer must identify the "project objectives" and provide the information necessary for PG&E to prepare the Facilities Study. PG&E TO Tariff, Section 9.1. If the project objectives include delivering power to the transmission grid, then the study must also address system impacts. The basic information that PG&E will require to prepare a stand-alone Facilities Study is the same information that is required by the CAISO Interconnection Application form. Following receipt of the necessary information, PG&E will tender to the party requesting the Facilities Study a Facilities Study Agreement "that defines the scope, content, assumptions and terms of reference for such study, the estimated time to complete it, and such other provisions as the parties may reasonably require." PG&E TO Tariff, Section 9.1.2.

Absent interconnection applications in accordance with the CAISO process, there are no set assumptions regarding when and whether other projects will be interconnected. When a generation project is not in the CAISO Interconnection Queue, PG&E cannot know when a new generation project will seek interconnection and thus what the configuration and constraints in the transmission system will be at the point a new generation project later seeks interconnection. For example, a single new generation project with a particular output may not require downstream transmission upgrades, but only facilities necessary to bring that output to the initial point of interconnection with the CAISO-controlled transmission grid, whereas the next generation project in the same area may necessitate a new transmission line or other downstream transmission upgrades. On the other hand, transmission upgrades may be necessary to interconnect the first new generation project in an area, but such facilities then will render unnecessary further upgrades for the next generation project in the same area. Until actual interconnection is sought from the CAISO, PG&E cannot accurately evaluate the system impacts that each successive renewable generation project may cause and an applicant cannot know its estimated costs based upon position in the CAISO Interconnection Queue.⁵

As noted above, a developer seeking a Facilities Study must identify the "project objectives." For those developers not applying for interconnection pursuant to the CAISO Tariff procedures at this time, PG&E proposes that (a) the developer will evaluate and cost-estimate the facilities necessary to bring a new generation facility's energy output to

⁵ Even when a project's interconnection costs are evaluated in the context of the CAISO Interconnection Queue, the estimated costs may change (up or down) if earlier applicants withdraw from or fall out of the Interconnection Queue.

the first point of interconnection with the PG&E-owned, CAISO-controlled transmission grid (the “generation collector line”); and (b) PG&E will evaluate the facilities necessary to connect the generation collector line(s) at the first point of interconnection to the PG&E-owned, CAISO-controlled grid and to mitigate transmission system impacts in accordance with assumptions agreed upon with the developers of potential renewable energy resources. After interested developers have submitted an application for a Facilities Study to PG&E, PG&E would like to hold a workshop with the applicants to discuss the relevant assumptions for the studies. PG&E feels strongly that all Facilities Studies must be conducted using the same basic assumptions. Specific local area systems may require additional simulations for specific generators in that area; such assumptions will be discussed and explained.

PG&E sees at least two options for assumptions needed to conduct a Facilities Study that addresses any system impacts in addition to merely the physical interconnection of the generation facility with the transmission grid. First, PG&E could evaluate the system impacts of each renewable energy project as if it were the only renewable generation project to come on-line in the relevant area on the date specified by the developer, even though that may not be the case when such project actually applies for interconnection. PG&E’s evaluation would take into account any generation projects (renewable or not) that already have applied for interconnection before or around such date. Second, PG&E could evaluate the system impacts of each renewable energy project taking into account each of the other renewable energy projects that seeks a Facilities Study pursuant to this solicitation (as well as any generation projects in the CAISO Interconnection Queue) that assert a desire for an earlier on-line date. Specifically, PG&E would assume that each of the projects for which a Facilities Study is sought will seek to be interconnected to the transmission system on or about the date identified by such developer, and, among such projects, PG&E will assume that the order of interconnection with the same year will be in the order that PG&E receives a request for a Facilities Study under the PG&E TO Tariff.⁶ This will allow PG&E to consider the cumulative system impacts of multiple and possibly successive renewable energy projects. However, unless the renewable energy developers actually seek interconnection regardless of whether they contract to sell such energy pursuant to the “least-cost, best-fit” bidding process under the Renewable Portfolio Standard Program, the assumption that the developers will seek to be interconnected on or about the date specified in the applications for a Facility Study may be incorrect. All parties, however, will be in a better position to evaluate which

⁶ Please note, however, that **a request for a Facilities Study under the PG&E TO Tariff will not reserve the subject project a place in the CAISO Interconnection Queue.** Therefore, even if a Facilities Study conducted pursuant to this solicitation shows limited system upgrade costs attributable to such project because the project’s output can be accommodated with available transmission capacity, that excess capacity may not be available when the project submits an application for interconnection to the CAISO. In that example, the estimated costs may change substantially.

assumptions will be more useful once it is known which potential renewable energy facilities are seeking Facilities Studies.

PG&E will invite developers who request a Facilities Study to a workshop within 10 business days after the deadline for submitting a response to this solicitation. PG&E is open to the developers' suggestions on the relevant assumptions to make in the Facilities Study relating to the individual developer's project(s). Developers may wish to consult among themselves regarding when each project is expected to come on-line and whether multiple projects in a single area wish to be the subject of a single Facilities Study that determines needed transmission upgrades based on the construction of all such projects. However, if consensus cannot be reached among all participants, then PG&E will proceed to conduct the studies pursuant to consultations with the CAISO.

A Screening Level Evaluation

For those renewable energy developers not currently interested in applying to the CAISO for interconnection or requesting PG&E to perform a Facilities Study at this time, PG&E will perform a screening-level evaluation of system transmission upgrades that may be necessary to accommodate estimated output from potential renewable energy projects located in a defined geographical area in the aggregate (cluster) and the results reflected in the associated Transmission Ranking Cost. This screening level evaluation would not identify the transmission facilities and related costs necessary to interconnect any individual specific project to the PG&E-owned, CAISO-controlled transmission grid.

To allow the delivery of energy from some potential new renewable resource generation projects in selected clusters along with energy from existing generation projects, certain parts of the transmission system may need to be expanded. At this time, PG&E lacks sufficient information to determine whether new upgrades may be needed now or in the future. The proposed screening level evaluation would attempt to determine the size of the potential transmission system upgrades (*i.e.*, above 50 kV) that might be necessary to accommodate the generation from the aggregate number of eligible renewable energy projects in each relevant geographic area.

This screening level evaluation would not cover the transmission facilities necessary to connect any generator to the first point of interconnection with the PG&E-owned, CAISO-controlled grid, e.g., generation tie lines, breakers, and bays. Furthermore, information developed from such an evaluation will be based on off-the-shelf data and information. PG&E notes that this screening level evaluation is comparable to the analysis that PG&E undertook in 2003 and in the development of the 2004, 2005 and 2006 Transmission Ranking Cost Reports, but this screening-level evaluation process allows interested developers to provide the relevant information to PG&E earlier in the process.

Under this screening-level evaluation, PG&E intends to address the scope of, and provide non-binding, order-of-magnitude costs (Transmission Ranking Costs) of, potential

transmission system upgrades or expansions (but not generator collection lines and physical interconnection facilities) that could be needed to accommodate renewable generation in the aggregate identified to PG&E in response to this solicitation. PG&E cannot provide more specificity about these potential upgrades and expansions through the screening process because PG&E does not have sufficient information about proposed renewable-generation projects, such as the amount and characteristics (for example, type of generation project, rated output, auxiliary load, manufacturer, output voltage, the generator project-specific models, etc.), location and timing of the generation proposed, the location and timing of other concurrent resources, availability of the then existing transmission capacity, and the lead times involved with expansion projects. Such information is not available until all renewable energy developers seek interconnection through the CAISO interconnection process. At that time, PG&E will be able to perform the necessary interconnection-related studies required by the CAISO Tariff and described above.

This general conceptual assessment, will be insufficient, however, for the purpose of determining the specific transmission projects and costs required to interconnect a particular renewable generator or group of renewable generators to the grid. Moreover, this general conceptual assessment will be made without the benefit of: (a) knowing the outcome of the renewable procurement proceeding, (b) generation project-specific data, (c) performing investigations of power flows, short circuit duties, or any of the other detailed analyses typical of formal interconnection studies, and (d) environmental studies or detail engineering design that would produce more accurate cost estimates. PG&E's screening evaluation, therefore, will identify a possible transmission concept, but the evaluation results are subject to change following the more detailed technical studies that normally are performed as part of the CAISO interconnection-study process with detailed knowledge of the characteristics, location, and timing of proposed generation facilities.

Please note that the screening level study would not constitute the studies necessary to obtain interconnection under the CAISO Tariff or PG&E's TO Tariff on file with the FERC. If you have a specific proposed generation project and want to be interconnected, you must go through the FERC process. All of these studies or evaluations will be performed by PG&E at the developer's request and cost. Information will be kept confidential but will be shared in aggregate form and without the name of the project, developer, exact location, etc. to entities having proper jurisdictional authority.

APPENDIX B: LIMITATIONS OF THE STUDIES

Under either the CAISO Tariff interconnection procedure, the PG&E TO Tariff Facilities Study procedure, or the screening level evaluation, the studies will not evaluate specific routes for any necessary new transmission lines or locations for any necessary new substations, or the environmental impacts of any new or upgraded facilities. To the extent that CPUC permitting is required under General Order 131-D, the CPUC ultimately will determine the siting of new transmission lines and substations, and associated environmental mitigation measures. Cost estimates for new or upgraded transmission facilities will not include an estimate of permitting costs, environmental studies or mitigation costs, or any “low-cost, no-cost” EMF mitigation.

Moreover, PG&E notes that cost estimates prepared as a result of an interconnection application filed with CAISO, a request for a Facilities Study, or a screening level evaluation are not binding and likely will change to a greater or lesser degree upon construction. The Facilities Studies do not include detailed engineering studies and costs are likely to change based upon detailed engineering. Actual interconnection costs will be determined by the transmission system’s configuration when a project is actually interconnected, and estimated costs may change depending upon a project’s place in the CAISO Interconnection Queue and whether earlier projects in the Queue withdraw or fall out of the Queue. The siting of new transmission lines or new substations, and hence related land, construction and environmental costs, will depend upon the CPUC’s permitting decisions. Material and labor costs likely will change over time. In short, the cost estimates are only estimates, and are not binding. Actual costs will be paid in accordance with the relevant provisions of tariffs on file with the FERC.