STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

March 7, 2007

Advice Letter 2915-E
2915-E-A

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: Contract for Procurement of Renewable Energy Resources Resulting from a Power Purchase Agreement between Geysers Power Company and PG&E

Dear Ms. de la Torre:

Advice Letter 2915-E and Supplemental Advice Letter 2915-E-A are effective December 14, 2006. Copies of the Advice Letters and Resolution E-4046 are returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS
Tariffs Section
M Brown
R Dela Torre
B Lam
D Poster
M Hughes

MAR 12 2007

Records
Return to File
cc to

Pacific Gas and Electric Company

Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

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October 16, 2006

Advice 2915-E
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: **Contract for Procurement of Renewable Energy Resources Resulting from a Power Purchase Agreement between Geysers Power Company and PG&E**

I. PURPOSE AND OVERVIEW

Pacific Gas and Electric Company (PG&E) seeks the California Public Utilities Commission's (Commission or CPUC) approval of one power purchase agreement and corresponding confirmation letter (PPA) that PG&E has executed with Geysers Power Company, LLC (Geysers), a Calpine Corporation (Calpine) subsidiary that holds Calpine's Geysers geothermal system assets.

The Commission's approval of the PPA will authorize PG&E to accept future deliveries of Renewable Portfolio Standard (RPS) eligible power supplies of firm, baseload energy from the Geysers' facilities, with a firm energy schedule of 200 megawatts (MW) around the clock for the entire six-year contract term. The energy deliveries will contribute to PG&E's goal of 20 percent eligible renewables procurement required by California's RPS statute.[1] The PPA requires that a minimum of 832 GWh of the annual energy output will come from Geysers Units that the CEC has certified as incremental renewable resources.[2]

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[1] California Public Utilities Code section 399.11 et seq, as interpreted by D.03-07-061, the "Order Initiating Implementation of the Senate Bill 1078 Renewables Portfolio Standard Program," and subsequent CPUC decisions in Rulemaking (R.) 04-04-026 and R.06-05-027.

[2] The total annual energy delivery of 200 MW on a 7x24 schedule is equal to 1,752 GWh. The minimum energy that is to be RPS eligible is 95% of the total delivered energy (or 1,664 GWh). With at least 50% of the RPS energy being required to qualify as incremental, that translates to approximately 832 GWh.

The binding nature of this renewables PPA is contingent on CPUC approval, as well as CPUC approval of related Resource Adequacy (RA) PPAs and FERC approval of a settlement, both of which will be filed within the next month, which together represent an integrated settlement agreement between PG&E and Calpine that must be approved in its entirety or rejected all together.

PG&E is requesting that the Commission consider this renewables transaction on its own merit, and approve the transaction and its associated hedging plan by year-end through a resolution that explicitly:

1. **Approves the PPA and its associated hedging plan in its entirety, including payments to be made by PG&E during the entire term of the agreement, subject to CPUC review of PG&E's administration of the Agreement;**
2. **Finds that procurement pursuant to the PPA is procurement from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision (D.)03-06-071, or other applicable law;**
3. **Finds that at least 832 GWh[3] of the annual procurement pursuant to the PPA constitutes incremental procurement by PG&E from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation to increase its total procurement of eligible renewable energy resources that it may have pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), D.03-06-071, or other applicable law;**
4. **Finds that payments made under the PPA and any indirect costs of renewables procurement identified in Section 399.15(a)(2) shall be recovered in rates.**
5. **Finds that the costs associated with the PPA and its associated hedging plan are eligible for recovery through a non-bypassable charge over the life of the contracts consistent with the provisions of D.04-12-048.**
6. **Make CPUC approval of this PPA contingent on the approval of the related RA PPAs and FERC approval of the settlement between Calpine and PG&E regarding past, current, and limited future Reliability Must Run (RMR) issues.**

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[3] See footnote 2.

II. BACKGROUND

This PPA results from a broader negotiation between PG&E and Calpine that would: 1) settle a number of outstanding disputes at the FERC related to past RMR costs and Scheduling Coordinator (SC) credits related to the Geysers system; 2) settle past and current RMR costs at several non-Geysers generating facilities;[4] 3) settle future RMR rate calculations that will provide a benefit to PG&E customers; 4) provide renewable power from the Geysers units to meet PG&E's RPS requirement and 5) provide PG&E with additional Resource Adequacy through 2011 from the Los Medanos and Metcalf Energy Centers through separately filed PPAs.[5] The Resource Adequacy PPAs will be submitted in a separate Advice Letter for CPUC approval. While P&GE requests that CPUC approval of this PPA be made contingent on approval of the associated agreements listed above at the CPUC and FERC, the economic merit of this PPA – renewable power from the Geysers – stands on its own.

The six year term of this PPA is less than the more typical 10 to 20 year terms offered in competitive RPS solicitations. The Commission has the authority to approve contracts of shorter than 10-year terms when such shorter term is proposed by the Seller. This is the case here. No Supplemental Energy Payments (SEPs)[6] are sought here; shorter-term contracts such as this are not eligible for SEPs. These conditions were affirmed by the Commission in D. 06-03-016.

The PPA between PG&E and Geysers includes the standard covenant that during the delivery period, the project will constitute an eligible energy resource certified by the California Energy Commission (CEC). The Geysers project has been pre-certified by the CEC as an eligible renewable resource. However, the PPA allows Calpine to deliver up to 5 percent of the total energy from non-Geysers and non-RPS eligible sources if required due to unanticipated outages from various units.[7]

This transaction can be justified from several perspectives. First, its annual deliveries will contribute significantly toward PG&E's achievement of its RPS

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[4] FERC RMR settlement includes Los Medanos Energy Center, Delta Energy Center, Los Esteros, and the Creed, Goosehaven and Gilroy peakers.
[5] The PPAs for additional RA will contain Condition Precedent language requiring this PPA and the FERC settlement all be approved.
[6] New Renewable Facilities Program Guidebook, Seventh Edition, publication #CEC-300-2006-006-F, adopted April 26, 2006.
[7] As stated in footnote 2, at least 95% of the delivered energy must be renewable energy in order for the seller to avoid penalties..

objectives. Second, the pricing is competitive. Third, this transaction is bundled with other transactions that help satisfy other regulatory requirements (local RA) and, through the FERC settlement, avoid litigation on past and future RMR issues.

Economic Justification – Competitive With the Market Price Referent (MPR)
The price of the contract is competitive, including a hedging plan for the portion of the price that is not fixed, and is fully described in Confidential Appendix B to this advice letter. The price is market sensitive information; disclosure of the price could foreseeably influence the price that other suppliers would be willing to accept for similar deliveries. Accordingly, the basis of the price is not described here, but are discussed fully in Confidential Appendix B to this advice letter. As of October 12, 2006, the equivalent price for the contract term was below the 10-year Market Price Referent.

Economic Justification of the Local RA Component
In the Resource Adequacy proceedings, the CPUC ruled that load serving entities are required to procure RA to meet its local RA obligations, but may seek a waiver from this requirement when insufficient offers are received below the price level at which a waiver to the RA purchase requirement has been set by the CPUC. The Geysers units were offered below the waiver price threshold.[8] The offer price was also below the price provided for under the Reliability Capacity Services Tariff (RCST),[9] which resulted from a multi-party settlement that included the CPUC. Procurement of the Geysers units should help satisfy the needs of the California Independent System Operator Corporation (CAISO) for local resources in the Bay Area, and reduce or eliminate the need for the CAISO to procure additional resource adequacy through the RCST mechanism. The Geysers procurement illustrates how deliveries from reasonably priced renewable energy resources can fit into the utility resource plan.

Economic Justification of the Environmental Attribute Adder
The Environmental Attribute component of the purchase price is competitive with the value of the renewable attribute imputed to recently executed RPS transactions and is available at less risk than from other renewable resources, due to the firm baseload nature of deliveries from the Geysers resource.

PPA Contributes Towards RPS Procurement
The PPA contributes significantly towards PG&E's renewables procurement goals. The expected annual contribution from the new PPA is as much as 1,752 GWh of renewable power -- more than two percent of PG&E's bundled retail sales -- of

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[8] The price for the waiver as set by the CPUC in Decision D. 06-06-064 is $40/kW-yr.
[9] This proposed tariff recently accepted by FERC is $73/kW-yr less the energy and A/S value from a hypothetical unit with a 10,500 Btu/kWh heat rate unit. Based on estimates several months ago, that value was in the range of $20-$30/kW-yr, leaving an RCST at least in the $43/kW-yr range.

which at least half will qualify as incremental deliveries and thus contribute to both PG&E's Incremental Procurement Target (IPT) in 2007/2008 and to its 20 percent goal in 2010.

On August 1, 2006, PG&E reported its 2006 IPT as 727 GWh.[10] Although PG&E has signed PPAs for renewable power volumes in excess of its 2005 IPT and expects to do the same in 2006, the Geysers PPA is important for PG&E if it is to meet the requirements for actual deliveries of incremental renewable power in 2007 and 2008. With the approval of the Geysers PPA, PG&E will have procured or contracted for deliveries of approximately 18 percent of its retail sales. This PPA demonstrates the accelerated progress PG&E has made toward the procurement of deliveries from renewable resources.

The Commission should approve the PPA and the associated hedging plan in their entirety, including payments to be made by PG&E, subject to the Commission's review of PG&E's administration of the PPA, and should find that deliveries of electricity under the PPA constitute incremental and baseline procurement of energy from an eligible renewable resource pursuant to California's RPS statute. PG&E requests that the Commission issue a resolution no later than December 14, 2006, containing the findings required by the definition of "CPUC Approval" within the RPS Standard Contract Terms and Conditions adopted by D.04-06-014 and incorporated in the PPA so that the PPA can remain in effect.[11] The requested form of approval is described in more detail under the heading, "Request for Commission Approval," below.

In support of this request, the following confidential information is being submitted under seal. This material is also protected from public disclosure by Decision 06-06-066, as specified in the Declaration Seeking Confidential Treatment accompanying this advice letter.

<u>Confidential Appendix A – Power Purchase Agreement and Confirmation Letter</u>

<u>Confidential Appendix B – Contract Analysis</u>

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[10] August 1, 2006, Compliance Filing of Pacific Gas and Electric Company; p. 5.

[11] As provided by D.04-06-014, the Commission must approve the PPA and payments to be made thereunder, and find that the procurement will count toward PG&E's RPS procurement obligations, as either incremental procurement or procurement for baseline replenishment, in order for an executed RPS PPA to be binding on the parties.

III. DESCRIPTION OF THE PROJECT

The following table summarizes the substantive features of the PPA that are required by Commission decision to be disclosed[12]:

Generating Facility	Type	TERM Years	MW Capacity	Annual Deliveries	Commercial Operating Date	Project Location
Geysers Power Company	Geothermal	6	200 MW	1,752 GWh	January 1, 2007	NP-15 (pre-MRTU); Geysers busbar after MRTU

A copy of the PPA is provided as Confidential Appendix A and a contract analysis is provided as Confidential Appendix B.

IV. CONTRACT ANALYSIS

A. Consistency with PG&E's Adopted RPS Plan.

The Commission should evaluate the reasonableness of the Agreement in terms of its consistency with PG&E's renewable procurement plan, which was approved on July 21, 2005. As required by statute, the plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of compliance flexibility mechanisms established by the Commission, and a bid solicitation setting forth the need for renewable generation of various operational characteristics.[13]

1. Fit with Identified Renewable Resource Needs

In its approved 2006 RPS Plan, PG&E welcomes baseload offers to meet its RPS goals. In order to meet the 20 percent renewable energy target by 2010, PG&E would require incremental energy deliveries from newly contracted resources at an average rate of approximately 700 to 800 GWh per year. Projects capable of providing actual deliveries with only a short or no delay are especially valuable to PG&E. With a nameplate capacity of 200 MW and the capability of starting deliveries in 2007, the PPA for geothermal-based baseload electricity generation is expected to contribute significantly towards fulfilling PG&E's RPS target.

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[12] The Confidentiality Decision (D.06-06-066) categorized the listed information about resources responding to a renewables solicitation as public.

[13] Pub. Util. Code sec. 399.14 subsec.(a)(3).

2. Consistency with PG&E's Long Term Procurement Plan

PG&E's 2004 long term procurement plan assumed a medium to high need for baseload energy, depending on the contract period. The Geysers geothermal project contributes to meeting PG&E's energy needs over the contract period.

B. Consistency of bid evaluation process with Least-Cost Best Fit (LCBF) decision.

The RPS statute requires the "least cost, best fit" eligible renewable resources to be procured. The LCBF decision directs the utilities to use certain criteria in their bid ranking. It offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. The renewables bid evaluation process focuses on four primary areas:

1. Determination of market value of bid,
2. Calculation of transmission adders and integration costs,
3. Evaluation of portfolio fit, and
4. Consideration of non-price factors.

The reasonableness of the Geysers Agreement was examined using market value comparisons of the most similar RPS transactions. The general finding is that this transaction is highly competitive with other shorter- to intermediate RPS opportunities. The value of the RA and EA attributes are key elements to the determination of overall market value. As an existing resource within NP-15, there are no transmission adders and integration costs. No special consideration has been given to non-price factors.

1. Market Valuation

In its "mark-to-market analysis," the present value of the bidder's payment stream is compared with the present value of the product's market value to determine the benefit (positive or negative) from the procurement of the resource, irrespective of PG&E's portfolio. PG&E includes the bid price and indirect costs, such as the costs to the utility transmission system caused by interconnection of the resource to the grid or integration of the generation into the system-wide electrical supply, in this analysis.[14]

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[14] PG&E's RPS Renewable Energy Procurement Plan, June 24, 2004, page (p.) 6, lines (ll.) 4-18.

2. Portfolio Fit

Portfolio fit considers how well an offer's features match PG&E's portfolio needs. This analysis includes the anticipated transaction costs involved in any energy remarketing (i.e., the bid-ask spread) if the contract adds to PG&E's net long position. Because the deliveries under the PPA are anticipated to occur at a time when PG&E is experiencing medium to high need for baseload energy, particularly after 2008, the acceptance of these baseload deliveries should not result in significant remarketing costs. As a result, this Project fits PG&E's portfolio in a satisfactory manner.

C. Consistency with Adopted Standard Terms and Conditions.

The Commission set forth standard terms and conditions to be incorporated into RPS agreements in D.04-06-014. During the course of negotiations, the parties identified the need to modify some of the standard terms in order to reach agreement. Standard Terms and Conditions identified in Confidential Appendix A of that decision as "may not be modified" were conformed to meet the specific details of the transaction. Other terms that were modified had been designated as subject to modification upon request of the bidder in Appendix A of D.04-06-014. The specific modifications from the Standard Terms and Conditions are not described here, but are discussed fully in Confidential Appendix B to this advice letter.

The Geysers PPA is part of an integrated settlement package and cannot be approved in isolation. All of the individual PPAs contained in the settlement must be approved by the Commission in order for any one of them to become effective and to avoid a lapse of the settlement. In addition, the FERC settlement must also be approved. Each provision in the Geysers PPA should be understood by the Commission as essential to the negotiated agreement between the parties. The reasonableness of an agreement should be examined as a whole, in terms of its ultimate impact on utility customers. PG&E submits that the PPA protects the interests of customers while achieving the Commission's goal of increasing procurement from eligible renewable resources.

D. Consistency with the Transmission Ranking Cost decision

The RPS statute requires the "least cost, best fit" eligible renewable resources to be procured. Under the RPS program, the potential customer cost to accept energy deliveries from a particular project must be considered when determining a project's value. Under this PPA, Calpine proposes to deliver generation from Geysers' existing 750 MW geothermal system located in the North Bay area. The system is already connected to the transmission system and no needed transmission upgrades have been identified as a result of this PPA. Hence, no additional costs to accept deliveries were included in the evaluation of the Geyser's net benefits.

E. Terms and Conditions of Delivery

Geysers will be its own scheduling coordinator and is responsible for all related charges assigned to scheduling coordinators by the CAISO. Prior to implementation of the CAISO's Market Redesign and Technology Upgrade (MRTU), the point of delivery will be NP-15. Provision is made for alternate points of delivery once the CAISO's current zonal delivery system is changed from zonal to nodal. No other transmission-related issue required accommodation in the PPA.

F. Actual Price

The actual price is confidential. Its derivation is discussed in Appendix B.

G. Qualitative Factors

PG&E considered qualitative factors as required by D.04-07-029. The Geysers project will provide local RA in the North Bay/North Coast area, a sub-area the CAISO has designated as transmission-constrained

H. Project Milestones

The PPA concerns an existing facility; there is no development prior to delivery or any associated milestones.

I. Project Viability

1. Financeability of resource.

The PPA is for an existing facility, so viability issues are minor.

2. Sponsor's creditworthiness and experience

Geysers parent company, Calpine, is in bankruptcy. To mitigate the risk that seller will not perform as required by this PPA or default following the commencement date, Geysers is required to post performance security.

3. Project Status

Geysers is an existing and operating facility.

V. PRG Feedback

PG&E provided its PRG with reports on the transaction on several occasions. The first briefing occurred on August 28, 2006, and provided an overview of the settlement with Calpine. The PRG members were updated on the progress of the settlement negotiations again on September 25, 2006. None of the PRG members objected to this PPA in any respect.

VI. Supplemental Energy Payments

This is a bilateral PPA with a term of less than 10 years, and does not qualify for SEPs.

VII. Request for Commission Approval

The effectiveness of this PPA is conditioned on the occurrence of "CPUC Approval," as that term is defined in the PPA, and approval of associated Resource Adequacy contracts. Time is of the essence in the Commission's consideration and approval of this advice letter. Approval of the renegotiated commercial relationship will provide mutual benefit to Calpine and PG&E. In addition, approval must be granted prior to January 1, 2007, to avoid delay due to the Commission's lack of procurement benchmarks required by SB 107 for contracts of less than 10 years.

Therefore, PG&E requests that the Commission issue a resolution no later than **December 14, 2006**.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **November 6, 2006,** which is **20** days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-Mail: PGETariffs@pge.com

Effective Date:

PG&E requests that this advice filing become effective on **December 14, 2006.**

Notice:

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter excluding the confidential appendices is being sent electronically and via U.S. mail to parties shown on the attached list and the service lists for R.01-10-024 and R.06-05-027. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the advice letter and accompanying confidential attachments by overnight mail. Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at:

http://www.pge.com/tariffs

Brian K. Cherry/[illegible]

Brian K. Cherry
Vice President - Regulatory Relations

cc: Service List for R.06-05-027
Service List for R.01-10-024
Paul Douglass - Energy Division

Attachments

Limited Access to Confidential Material:

The portions of this advice letter marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 of the Public Utilities Code and General Order 66-C. This material is protected from public disclosure because it consists of the contract agreement itself, price information, and analysis of the proposed RPS contract, which are protected pursuant to D.06-06-066. A separate Declaration of Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments:

Appendix A **Power Purchase Agreement**

Appendix B **Contract Analysis**

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. Pacific Gas and Electric Company U39M

Utility type:	Contact Person: David Poster
☒ ELC ☒ GAS	Phone #: (415) 973-1082
☐ PLC ☐ HEAT ☐ WATER	E-mail: dxpu@pge.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: 2915-E

Subject of AL: Contract for Procurement of Renewable Energy Resources Resulting from a Power Purchase Agreement between Geysers Power Company and PG&E

Keywords (choose from CPUC listing): RPS Procurement

AL filing type: ☐ Monthly ☐Quarterly ☐ Annual ☒One-Time ☐ Other ______

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Resolution Required? ☒ Yes☐ No

Requested effective date: **12-14-2006** No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed[1]:N/A

Pending advice letters that revise the same tariff sheets:

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Utility Info (including e-mail)

DECLARATION OF GARRETT P. JEUNG SEEKING CONFIDENTIAL TREATMENT OF CERTAIN DATA AND INFORMATION CONTAINED IN ADVICE LETTER 2915-E (PACIFIC GAS AND ELECTRIC COMPANY ID U 39 E)

I, Garrett P. Jeung, declare:

1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee since 2003. My current title is Director within PG&E's Energy Procurement organization. In this position, my responsibilities include managing a department that negotiates power purchase agreements and manages electric portfolio risk. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties and have also gained knowledge of the operations of electricity sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating positions of electricity sellers with respect to price and other terms.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued August 22, 2006, I make this declaration to obtain confidential treatment of certain documents and information contained in PG&E's Advice 2915-E , submitted on October 16, 2006, requesting the Commission's approval of a power purchase agreement (PPA) between PG&E and Geysers Power Company, LLC, (Seller) known as the "Geysers PPA with Geysers Power Company, LLC," (Geysers PPA), that will enable PG&E to purchase up to 200 MW around the clock of RPS-eligible energy.

3. The document, data and information for which PG&E is seeking confidential treatment fall into the following general categories:

- The Geysers PPA and all terms not specifically required by D.06-06-066 to be publicly disclosed.
- The purchase price hedging plan associated with the PPA

4. This information corresponds to a category of protected, confidential information specified in Appendix 1 of the Commission's recent confidentiality decision, D.06-06-066 (Investor Owned Utility (IOU) Confidentiality Matrix), and, in addition, should be kept confidential because it concerns confidential and proprietary trade secret information. The parties seek confidentiality protection for a category of information within recognized under IOU matrix Section VII. "Bilateral Contract Terms and Conditions – Electric", Item G. Renewable Resource Contracts within the RPS program, without Supplemental Energy Payments (SEPs). Since the Geysers PPA falls squarely within this protected Matrix category, only certain items are required by the Matrix to be disclosed, that is, contract summaries, counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date. The unprotected information has been provided in the publicly-filed Advice Letter.[1] Other features of the Geysers PPA, such as the price, the price stabilization or "hedging" mechanism, and the contract itself, are protected by the IOU Matrix as confidential for three years, or until one year following expiration, whichever comes first. Since the cost to consumers will depend on the operation of the price hedging mechanism, it is as important to protect information about this hedging strategy from public disclosure as it is to protect the price term of the PPA, for a term of three years.

[1] The Advice Letter and Settlement Agreement provide the contract summary information, including counterparty (AL p. 2), resource type (AL p. 2), location (AL p. 2), capacity (Settlement Agreement, p. 3), the length of the contracts is specified in Resolution E-3877. The expected delivery point is NP 15.

5. The Geysers PPA concerns generation from facilities that have unique operational characteristics and a seller with very specific business objectives. The terms of the PPA and the price stabilization mechanism constitute a trade secret known only to the contracting parties and their authorized agents. The disclosure of any of the terms of the Geysers PPA may reveal a party's bargained-for position and subject either or both parties to a commercial disadvantage. Confidential trade secrete data should be protected from public disclosure in order to avoid discouraging Sellers from entering into agreements with PG&E.

6. I am informed and believe that the Geysers PPA and its associated hedging mechanism qualify for confidentiality protection pursuant to paragraphs 2.2 and 2.8 of General Order No. 66-C. In order to preserve the commercial advantage of the parties' trade secrets and the confidentiality of the renewables PPA, the information should be protected from public disclosure for three years from date of Advice Letter filing.

7. This information is not already public.

8. The terms and information contained in the PPA and hedging arrangement cannot be summarized or otherwise masked to allow meaningful disclosure in a way that protects the value of the information.

I declare under penalty, under the laws of the State of California, that the foregoing is true and correct. Executed on October 16, 2006, at San Francisco, California.

GARRETT P. JEUNG

PG&E Gas and Electric Advice Filing List
General Order 96-A, Section III(G)

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Ancillary Services Coalition
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Commerce Energy
Constellation New Energy
CPUC
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright, Tremaine LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hitachi Global Storage Technologies
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
IUCG/Sunshine Design LLC
J. R. Wood, Inc
JTM, Inc
Luce, Forward, Hamilton & Scripps
Manatt, Phelps & Phillips
Marcus, David
Matthew V. Brady & Associates
Maynor, Donald H.
MBMC, Inc.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
Office of Energy Assessments
OnGrid Solar
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc
TFS Energy
Transcanada
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA