STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

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

December 24, 2007

Advice Letters 3092-E
3092-E-A

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

Subject: Contract for Procurement of Renewable Energy Resources Resulting from PG&E's 2005 Renewables Portfolio Standard (RPS) Solicitation

Dear Mr. Cherry:

Advice Letters 3092-E and 3092-E-A are effective December 20, 2007.

Sincerely,

Sean H. Gallagher, Director
Energy Division

Pacific Gas and Electric Company™

Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.7226

July 25, 2007

Advice 3092-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 PG&E's 2005 Renewables Portfolio Standard (RPS) Solicitation**

I. PURPOSE AND OVERVIEW

Pacific Gas and Electric Company (PG&E) requests the California Public Utilities Commission (Commission or CPUC) to approve an Amended and Restated Power Purchase and Sale Agreement (PPA), dated June 28, 2007, that PG&E has executed with SOLEL-MSP-1, LLC (Solel). PG&E submits this PPA for CPUC review and approval to establish PG&E's ability to recover the cost of power purchase payments through its Energy Resource Recovery Account (ERRA).

The PPA results from PG&E's August 4, 2005 solicitation for renewable offers (2005 RPS Solicitation), authorized by Decision (D.) 05-07-039.The estimated annual output of the Solel project is approximately 1,388 gigawatt-hours (GWh), or approximately 1.9 percent of PG&E's 2005 retail sales. Upon the approval of this PPA, PG&E will have procured or contracted for deliveries of approximately 3,241 GWh or almost 4.5 percent of 2005 retail sales as a result of its 2005 RPS Solicitation.

PG&E selected the Solel project in accordance with the least-cost and best-fit criteria defined in D.04-07-029. The PPA includes the standard representation and warranty that the project is an eligible renewable energy resource certified by the California Energy Commission (CEC). The standard terms and conditions for RPS contracts adopted by D.04-06-014 and D.07-02-011, as modified by D.07-05-057, are incorporated in the PPA, except for certain permissible non-substantive changes necessary to reflect specific defined terms in the PPA.

PG&E previously submitted two advice letters for approval of five agreements reached as a result of its 2005 RPS Solicitation.[1] The Solel PPA constitutes the third tranche of PG&E's 2005 RPS contracts. The PPA is provided in Confidential Appendix G.

The actual contract price of electricity under the PPA exceeds the 2005 market price referent (MPR). Although the possibility exists for Solel to obtain the difference between the MPR and actual contract price from the CEC by applying for supplemental energy payments (SEPs), Solel will not apply for SEPs because of the perceived uncertainty in the SEP payment stream. PG&E has considered the probability that lenders may take this position in light of the following:

(a) The CEC may grant all or none of the funding requested or the CEC may impose a cap on SEP payments; that is, the CEC may fund some, but not all, of the SEPs indicated in the SEPs worksheet.[2]

(c) The CEC's ability to pay the schedule of SEPs is conditioned upon annual State Legislative appropriation of funds collected from retail sellers (such as PG&E) and deposited in the State Treasury; and

(d) SEP funds must be appropriated each year by State Legislative action, for deposit into the Renewables Trust Fund and, therefore, the possibility exists that the State Legislature could fail to appropriate sufficient funds to meet the schedule of RPS payments.

Solel states that it may not be possible to secure financing given the SEP uncertainty and that even if it were possible to finance with part of the expected cash flow based on SEPs, the reliance on SEPs to provide the remainder of the actual contract price would make the project significantly more expensive because of the additional risk associated with the SEP cash flow. In light of the foregoing considerations, PG&E has agreed to pay Solel the full contract price. The calculation of the foregone SEPs, which PG&E proposes to pay so that the project will have a sufficiently reliable revenue stream to support project financing, is attached in confidential Appendix D.

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[1] PG&E submitted its agreements with Bottle Rock Power LLC, Liberty V Biofuels LLC, and HFI Bio Power Project LLC in its first tranche of 2005 RPS contracts via Advice Letter 2827-E, filed on May 15, 2006. PG&E's second tranche consisted of an agreement with Northwest Geothermal Company, LLC and an agreement with IEA Truckhaven I, LLC, filed on July 25, 2006 via Advice Letter 2863-E.

[2] California Public Resources Code Section 25743

The reasonableness of PG&E's offer to purchase Solel's generation at the actual contract price is demonstrated by the process PG&E used to select the Solel project. PG&E short-listed the Solel project based upon its merit in accordance with the "Evaluation of Offers" in the approved 2005 RPS Solicitation Protocol. The economic benefits of this PPA in comparison to other offers bid into the 2005 RPS Solicitation enabled this project to be ranked favorably in relation to other bids in terms of market valuation. In light of: (1) PG&E's 1 percent to 2 percent contract goal for the 2005 RPS Solicitation; (2) the acceleration of the RPS goal to 20 percent by 2010; (3) the risk of non-delivery by other projects; and (4) Solel's bid rank, Solel's generation is well within the range of generation that must be procured to meet PG&E's 20 percent RPS goal. Given the foregoing considerations which make selection of the Solel project reasonable, the Commission should find the actual contract purchase price reasonable as well.

As the Commission has stated, the language of the RPS statute "is clear that the utility may choose to propose RPS contracts at supra-MPR prices. The Commission would carefully consider the merits of such contracts, *bearing in mind the state's aggressive goals for renewable energy development and the limited amount of SEP funds presently available."* While these supra-MPR contracts would not be considered *per se* reasonable, *we encourage the utilities to propose all renewable contracts that provide ratepayer and environmental benefit[s]."*[3] (

The Commission should approve the PPA as reasonable in its entirety, including the payments PG&E will make pursuant to it, subject only to the Commission's review of PG&E's administration of the PPA. The Commission should also find that the delivery of electricity under the PPA constitutes procurement of energy from an eligible renewable resource in compliance with any obligation PG&E has to procure eligible renewable energy resources pursuant to California's RPS statute. PG&E requests that the Commission issue a resolution no later than December 6, 2007, 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 will remain in effect.[4] The requested form of approval is described in more detail under the heading, "Request for Commission Approval", below.

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[3] D.04-06-015, mimeo p. 10; emphasis added.

[4] 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, for an executed RPS PPA to be binding on the parties. Furthermore, the PPA between Solel and PG&E is subject to no-fault termination if final, non-appealable CPUC approval is not received within 180 days of filing of this Advice Letter.

In support of this request, the following confidential information is being submitted under the confidentiality protections of Section 583 of the Public Utilities Code and General Order 66-C. PG&E submits the confidential information in the manner directed by the Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066, issued August 22, 2006 in R. 05-06-040, to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided by section 583 of the Public Utilities Code. A separate Declaration of Confidential Treatment is being filed concurrently for this purpose.

Confidential Attachments:

<u>Confidential Appendix A – Overview of 2004 – 2006 Solicitation Bids</u>

<u>Confidential Appendix B – 2005 Bid Evaluations</u>

<u>Confidential Appendix C – Not Included</u>

<u>Confidential Appendix D – Contract Terms and Conditions Explained; MPR/SEP Calculations</u>

<u>Confidential Appendix E – Project Viability</u>

<u>Confidential Appendix F – Project's Contribution Toward RPS Goals</u>

<u>Confidential Appendix G – Power Purchase Agreement</u>

<u>Confidential Appendix H – Standard Terms and Conditions Comparison</u>

II. DESCRIPTION OF THE PROJECT

The following table summarizes the substantive features of the PPA:

Generating Facility	Type	Term Years	MW Capacity	Annual Deliveries	Commercial Operating Date	Project Location
SOLEL-MSP-1, LLC	Solar thermal	25	553.5 MW	1,388 GWh (starting second year)	January 1, 2011	One of the following: (1) A site near Needles, CA or (2) a site near Stedman, CA or (3) a site near Arrowhead Junction, CA

A copy of the PPA is provided as Confidential Appendix G and a contract summary is provided as Confidential Appendix D.

III. CONTRACT ANALYSIS

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

California's RPS statute requires the Commission to review the results of a renewable energy resource solicitation submitted for approval by a utility. The Commission will then accept or reject proposed PPAs based on their consistency with the utility's approved renewable procurement plan.[5] The Commission approved PG&E's 2005 RPS on July 21, 2005 in D.05-07-039. 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.[6]

The goal of the 2005 RPS solicitation was to procure approximately 1 to 2 percent of PG&E's retail sales volume or between 700 to 1,400 GWh per year with delivery terms of 10, 15, or 20 years. Participants could submit offers for four specific products: as-available, baseload, peaking, and dispatchable resources.

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[5] Public Utilities Code (Pub. Util. Code) § 399.14(c).

[6] Pub. Util. Code § 399.14(a)(3).

1. Fit with Identified Renewable Resource Needs

In its approved 2005 RPS Plan, PG&E's portfolio assessment showed a "medium" need for as-available and baseload resources beginning in 2007. To meet the 20 percent renewable energy target by 2010, PG&E would require incremental energy deliveries from newly contracted resources at an average increase rate of approximately 700 to 1400 GWh per year. Although the 553.5 MW of as-available capacity Solel will provide would not reach commercial operation until 2011, it will contribute significantly toward PG&E's RPS target, particularly because PG&E's contracts with older renewable generating facilities are scheduled to expire in the coming years.

2. Consistency with RPS Solicitation Protocol

The Solel PPA is consistent with the RPS Plan because it was solicited, negotiated and executed through PG&E's implementation of its protocol for the Solicitation (Solicitation Protocol), which is the primary component of the 2005 RPS Plan. PG&E's application of the bid evaluation criteria contained in PG&E's approved 2005 RPS Plan placed Solel in the rank order. PG&E's 2005 Plan states that it will procure more than the minimum 1 percent of its retail sales to meet its RPS targets. Starting with the least-cost best fit resources first, and proceeding in accordance with rank order, PG&E will procure renewable generation in sufficient quantity to meet its RPS goals. The Solel project is one of the resources PG&E has procured through its 2005 RPS Solicitation to meet its RPS goals.

Because Solel satisfies least-cost best fit criteria for meeting PG&E's RPS targets (based upon Solel's ranking among the bids in the 2005 RPS Solicitation) procurement of renewable electricity pursuant to the Solel PPA is clearly consistent with PG&E's 2005 RPS Plan.

PG&E generally followed the schedule set forth in its Solicitation Protocol, but ultimately, the schedule for concluding negotiations was necessarily extended. The resulting 2005 Solicitation schedule is shown below:

DATE	EVENT
August 4, 2005	PG&E issued Solicitation
August 11, 2005	Participants filed Notice of Intent to bid
August 18, 2005	Pre-Bid Conference
September 15, 2005	Participants submitted bids
September 30, 2005	PG&E summarized the bids; consulted with PRG
October 24, 2005	PG&E presented the shortlist
December 1, 2005	PG&E updated its PRG on the status of negotiations

January 12, 2006	PG&E updated its PRG on negotiations with short-listed bidders
March 29, 2006	PG&E updated its PRG on negotiations with short-listed bidders
May 3, 2006	PG&E informed its PRG of the subject contract terms for the projects to be included in the first advice filing
May 15, 2006	PG&E submits first tranche of PPAs for approval
June 15, 2006	PG&E updated its PRG on the status of the negotiations with shortlisted bidders
July 25, 2006	PG&E submits second tranche of PPAs for approval
August 28, 2006	PG&E provided its PRG with a brief update on Solel
September 25, 2006	PG&E updated the PRG on the overall status of the 2005 solicitation
March 30, 2007	PG&E discussed Solel as part of its overall Solar Strategy
May 30, 2007	PG&E updated the PRG on the Solel project
June 28, 2007	Execution Date of June 28, 2007 Amended and Restated Power Purchase and Sale Agreement between PG&E and Solel

Using the approved Solicitation Protocol and forms of power purchase agreements, PG&E commenced its solicitation on August 4, 2005. Bids were received until September 15, consistent with the published schedule. All of the accepted bids conformed to the Solicitation Protocol; that is, they offered power from eligible renewable energy resources, they were submitted using the standard forms, they executed the bid protocol and confidentiality agreements, and they posted the required bid deposit.

PG&E evaluated and scored these bids in the manner prescribed in the Solicitation Protocol. In particular, evaluation of the offer price took into account PG&E's published Time of Delivery factors and imputed the potential cost of transmission adders. PG&E scored the offers pursuant to a methodology that attributed the proper weight to market valuation, portfolio fit, credit and other non-price factors of the Solicitation Protocol.

The bids were ranked according to the protocols, and were placed on PG&E's "Short List" and presented to PG&E's PRG on October 24, 2005. PG&E notified short-listed bidders and PG&E began negotiations with short-listed bidders once they submitted the required bid deposit. The interim results of negotiations were presented to the PRG on several occasions between December 2, 2005 and

September 25, 2006. At those meetings, the PRG had no objection to PG&E proceeding to execute the PPA presented by this Advice Letter.

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

PG&E's 2004 long term procurement plan stated that PG&E would aggressively pursue procurement of As-Available, Baseload, Peaking, and Dispatchable renewable resources. This same need was reflected in PG&E's 2005 RPS plan. Because Solel uses solar thermal technology that operates during the daytime when demand is at its highest level, it will contribute to meeting peak load requirements in both of the long term plans.

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

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 to determine which bids merit serious negotiations. Much of the bid ranking criteria described in the LCBF decision is incorporated in the Protocol and is discussed below.

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 evaluates 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.[7]

2. Portfolio Fit

Portfolio fit is how well an offer variation'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 deliveries under this PPA will occur mainly during the daytime when demand is at its highest level, these as-available deliveries should not result in significant remarketing costs.

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

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 and D.07-02-011. The PPA does not deviate from the non-modifiable terms and conditions adopted by these Decisions, except for non-substantive edits, which are permissible under D.07-02-011, as modified by D.07-05-057. Examples of these edits include conforming words to reflect specific defined terms in the PPA. Each change has been identified and compared with the 2005 RPS Plan form of PPA submitted for Commission approval on March 7, 2005. This analysis and a description of the changes are provided in Confidential Appendix H to this Advice Letter.

During the course of negotiations, the parties found it necessary to modify some of the modifiable standard terms to reach agreement. These terms are all designated as subject to modification upon request of the bidder in Appendix A of D.04-06-014.

The PPA represents a meeting of the minds between the developer and PG&E, and each term was bargained for in consideration of every other term. Each provision is essential to the negotiated agreement between the parties and the Commission should therefore not modify the parties' agreement. The Commission should evaluate the reasonableness of the agreement as a whole, in terms of its ultimate effect on utility customers. PG&E submits that the PPA protects the interests of ratepayers 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 procurement of "least cost, best fit" eligible renewable resources. Under the RPS program, the potential customer cost of accepting energy deliveries from a particular project must be considered when determining a project's value for bid ranking purposes. PG&E's 2005 transmission ranking cost report (TRCR) identified the remaining available transmission capacity and upgrade costs for PG&E substations at which renewable resources are expected to interconnect.

PG&E determined the TRCR cluster at which each shortlisted project would interconnect to the transmission grid. Consistent with Commission decisions, based on: (1) the potential of each project to contribute to transmission congestion, considering the project's generation profile; (2) the offer to curtail during periods of congestion, if any; (3) the associated proxy transmission network upgrades; and (4) the associated capital costs that may be need to accommodate delivery at this cluster, PG&E assigned a transmission adder to each Offer for evaluation. Since Solel's first point of interconnection is within the service territory of Southern California Edison Company (SCE), the transmission adder is calculated as the sum of the TRC at the SCE cluster closest to Solel and PG&E's cluster closest to the interconnection point between PG&E and SCE (Midway). This cost was compared to the cost of commercial alternatives to physically delivering the power to PG&E's load center, and the lower of the two costs was imputed to the cost of power from the proposed project.

E. Terms and conditions of delivery

The Solel project will act as its own scheduling coordinator. The point of delivery will be within SP-15. Alternative points of delivery are specified if the Independent System Operator's current zonal delivery system is changed to a nodal system. No other transmission-related issue requires accommodation in the PPA at this time; however, approval of the PPA should also include approval of any indirect costs of procurement, as provided in Public Utilities Code Section 399.15(d).

F. Actual Price

PG&E and Solel have agreed to treat the actual PPA price as confidential, market-sensitive information that is not to be publicly revealed. As noted above, Solel bid its project into PG&E's 2005 RPS Solicitation. The price that PG&E will pay to Solel, or the "Contract Price", is above the 2005 MPR, adjusted for the year of initial deliveries; consequently, the present value of the sum of payments Solel is to receive under the PPA exceeds the present value of payments that would be made at the 2005 market price referent for the year of anticipated delivery. Confidential Appendix D presents a detailed analysis of the present value of the contract payments in relation to the adjusted 2005 MPR.

G. Qualitative factors

PG&E also considered certain qualitative factors as required by D.04-07-029 when evaluating the participants in the 2005 RPS Solicitation. While PG&E could have attempted to include a diverse mix of renewable technologies on the short list, PG&E eventually found certain technologies confer significantly greater customer benefits. None of the bids asserted that the proposed project would contribute to local reliability or possess any of the qualitative factors identified for special consideration by D.04-07-029.

H. Project Milestones

The PPA identifies the construction start date and the commercial operation date as guaranteed project milestones. To protect the proprietary interests of the developer, PG&E requests that the construction start date remain confidential pursuant to General Order 66-C paragraph 2.8.

I. Project Viability

1. Financeability of resource

PG&E believes the Solel project has a reasonable likelihood of being financed and completed as required by the PPA and will be available to deliver energy by the guaranteed commercial operation date.

2. Sponsor's creditworthiness and experience

The bidders provided credit-related information as part of their bids. PG&E has reviewed this information and is satisfied that the counterparties to the PPA possess the necessary credit and experience to perform as required by the parties' PPA.

3. Project Status

The PPA includes guaranteed construction start dates and guaranteed commercial operation dates. The seller's obligation to meet these milestones is supported by a performance assurance security.

IV. PRG Feedback

PG&E provided its PRG with reports on the progress of its 2005 RPS solicitation on several occasions. The first briefing occurred on September 30, 2005, and focused on the results of PG&E's August 4, 2005 solicitation. The second briefing occurred on October 24, 2005, when PG&E reviewed the results of the bid evaluation and provided its preliminary short-list. At the third PRG briefing on December 1, 2005, PG&E reviewed the status of negotiations with short-listed bidders and responded to concerns raised at the previous presentation. At the January 12 and March 29, 2006 meetings, PG&E provided the PRG with an overview of the projects it considered most likely to proceed to final agreement. These presentations included a general overview of the negotiated terms and conditions of these and other PPAs.

At the May 3 and June 15, 2006 meetings, PG&E provided the PRG with a status report of the 2005 Solicitation. PG&E described and presented the Solel project in the context of the Solicitation Results. At the July 15, 2006 meeting, PG&E provided the PRG with an updated overview of the projects it considered as top prospects, which included a summary of negotiated terms and conditions. On August 28, 2006, PG&E provided the PRG with a brief update on Solel. At the September 25, 2006 meeting, PG&E provided the PRG with an updated overall status report of the 2005 solicitation. There was no opposition to PG&E's execution of this contract.

The PRG members have expressed general satisfaction with the manner in which PG&E arrived at its 2005 RPS shortlist and the resulting PPAs. The PRG supports PG&E moving forward with this PPA.

V. Supplemental Energy Payments

As discussed in Section I above, although the actual contract price of electricity exceeds the MPR, Solel will not request SEPs from the CEC.

VI. Request for Commission Approval

The continued effectiveness of the PPA is conditioned on the occurrence of "CPUC Approval," as that term is defined in the PPA. Time is of the essence in the Commission's consideration and approval of this advice letter.

Therefore, PG&E requests that the Commission issue a resolution no later than December 6, 2007 that:

1. Approves the PPA in its entirety, finds that PG&E's execution of the PPA is reasonable and in the public interest, and finds that PG&E's payments to be made under the PPA are reasonable and fully recoverable in rates over the life of the contract, subject to CPUC review of PG&E's administration of the Agreement;

2. Finds that any procurement pursuant to this 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 03-06-071, or other applicable law;

3. Finds that there is a risk that the proposed development and deliveries will not occur as described by the agreement due to factors that are beyond PG&E's control; that PG&E has made reasonable attempts to reduce the risk of non-performance associated with the PPA without unduly increasing its cost, and that PG&E shall not be subject to penalties for RPS delivery shortfalls due to seller non-performance, consistent with previous decisions.

4. Finds that the payments made under the Agreements and any indirect cost of renewables procurement identified in Section

399.15(d) shall be fully recoverable in rates over the life of the contract;

5. Finds that any cost of bringing generation from the delivery point to PG&E's load center shall be fully recoverable in rates over the life of the contract;

6. Finds that any stranded costs that may arise from this contract are subject to the provisions of D.04-12-048 that authorize stranded cost recovery over the life of the contract. Implementation of these provisions will be addressed in Rulemaking 06-02-013.

Protests

Anyone wishing to protest this filing may do so by sending a letter by August 14, 2007 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: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Honesto Gatchalian, 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 Letter filing become effective on **December 6, 2007.** PG&E submits this as a Tier 3 filing.

Notice:

In accordance with General Order 96-B, Section IV, 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. Send all electronic approval letters to: PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:

http://www.pge.com/tariffs

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 so 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 may be protected pursuant to the affected utility's declaration pursuant to D.06-06-066. A separate Declaration for Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments:

Confidential Appendix A – Overview of 2004 – 2006 Solicitation Bids

Confidential Appendix B – 2005 Bid Evaluations

Confidential Appendix C – Not Included

Confidential Appendix D – Contract Terms and Conditions Explained; MPR/SEP Calculations

Confidential Appendix E – Project Viability

Confidential Appendix F – Project's Contribution Toward RPS Goals

Confidential Appendix G – Power Purchase Agreement

Confidential Appendix H – Standard Terms and Conditions Comparison

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 (ID U39 M)**

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) #: **3092-E** **Tier:** [3]

Subject of AL: Contract for Procurement of Renewable Energy Resources Resulting from PG&E's 2005 Renewables Portfolio Standard Solicitation

Keywords (choose from CPUC listing): RPS

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: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes. See page 4 of the advice letter for the complete list of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Marino Monardi. (415)-973-8573.

Resolution Required? ☑Yes ☐ No

Requested effective date: **12/06/2007** No. of tariff sheets: N/A

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: N/A

Protests, dispositions, 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
Tariff Files, Room 4005
DMS Branch
505 Van Ness Ave., San Francisco, CA 94102
jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian K. Cherry, Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

DECLARATION OF MARINO MONARDI SEEKING CONFIDENTIAL TREATMENT FOR CERTAIN DATA AND INFORMATION CONTAINED IN ADVICE LETTER 3092-E (PACIFIC GAS AND ELECTRIC COMPANY ID U 39 E)

I, Marino Monardi, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since 2004. My current title is Principal in PG&E's Energy Supply Department. In this position, my responsibilities include managing power procurement solicitations and negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with such sellers and the negotiation of such transactions. I have also gained knowledge of the operations of such sellers in general and, based on my experience in dealing with facility owners and operators, I am familiar with the types of data and information about their operations that such owners and operators consider confidential and proprietary.

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 seeking confidential treatment of, "Appendices A through H, to Advice 3092-E," submitted on July 25, 2007. By this Advice Letter PG&E is seeking this Commission's approval of the first a PPAs that PG&E has executed with SOLEL-MSP-1, LLC as a result of PG&E's 2005 RPS Solicitation.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix 1 (the "IOU Matrix") of Decision 06-06-066. The matrix also specifies the category or categories

in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on July 25, 2007, at San Francisco, California.

Marino Monardi

MARINO MONARDI

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

	Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
1	Document: Advice Letter 3092-E							
2	Appendix A	Y	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	This information presents bid information and bid evaluations from the 2004, 2005 and 2006 solicitations. This information may provide market sensitive information to competitors and is therefore considered confidential for three years after winning bidders are selected. Furthermore, contracts from the 2005 and 2006 solicitation are still under negotiation further substantiating why releasing this information would be damaging to the negotiation process.	Remain confidential for three years after winning bidders selected
3	Appendix B	Y	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	This information presents bid information and bid evaluations from the 2005 solicitation. This information may provide valuable market sensitive information to competitors and is therefore considered confidential for three years after winning bidders are selected. Furthermore, contracts from the 2005 solicitation are still under negotiation further substantiating why releasing this information would be damaging to the negotiation process.	Remain confidential for three years after winning bidders selected
4	Appendix C	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5	Appendix D	Y	Item VIII B) Specific quantitative analysis involved in scoring and evaluation of participating bids. Items VII F), VII G), and VII Score sheets, analyses, evaluations of proposed RPS projects.	Y	Y	Y	PPAs would provide valuable market sensitive information to competitors. Counterparties have an expectation that the terms of their PPAs will remain confidential under the provisions of PG&E's Commission-approved RPS Solicitation Protocol. Since negotiations are still in progress with bidders from the 2005 and 2006 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations.	Remain confidential for three years after winning bidders selected
6	Appendix E	Y	Item VII Score sheets, analyses, evaluations of proposed RPS projects	Y	Y	Y	If made public, this information could harm counterparties and adversely affect project viability. Counterparties have an expectation that this information remains confidential under the provisions of PG&E's Commission-approved Solicitation Protocol.	Remain confidential for three years
7	Appendix F	Y	Item VII Score sheets, analyses, evaluations of proposed RPS projects. [Consider also, item VI B) Utility Bundled Net Open Position for Energy (MWh)	Y	Y	Y	This information would provide valuable market sensitive information to competitors and allow them to see PG&E's remaining RPS net open energy position. Since negotiations are still in progress with bidders from the 2005 and 2006 solicitations, this information should remain confidential for three years.	Remain confidential for three years
8	Appendix G	Y	Item VII Fand G	Y	Y	Y	PPAs would provide valuable market sensitive information to competitors. Counterparties have an expectation that the terms of their PPAs will remain confidential under the provisions of PG&E's Commission-approved RPS Solicitation Protocol. Since negotiations are still in progress with bidders from the 2005 and 2006 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations.	Remain confidential for three years

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

	Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
	Appendix H	Y	Item VII Fand G	Y	Y	Y	PPAs would provide valuable market sensitive information to competitors. Counterparties have an expectation that the terms of their PPAs will remain confidential under the provisions of PG&E's Commission-approved RPS Solicitation Protocol. Since negotiations are still in progress with bidders from the 2005 and 2006 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations	Remain confidential for three years

PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Kahl
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
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc
TFS Energy
Transcanada
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Resource Network
Wellhead Electric Company
White & Case
WMA