

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



March 12, 2009

**Advice Letters 3150-E and 3150-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: Power Purchase Agreement for Procurement of Renewable  
Energy Resources between PG&E and Ausra**

Dear Mr. Cherry:

Advice Letters 3150-E and 3150-E-A are withdrawn as requested in your letter dated March 6, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division



November 5, 2007

**Advice 3150-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 Ausra  
and PG&E.**

**I. INTRODUCTION**

Pacific Gas and Electric Company (“PG&E”) seeks California Public Utilities Commission (“Commission” or “CPUC”) approval of a power purchase agreement (“PPA”) related to the procurement of renewable energy from a solar thermal power project that will be developed by Ausra CA II, LLC, dba Carrizo Energy, LLC, a subsidiary of Ausra, Inc. (collectively, “Ausra”). Approval of the PPA will authorize PG&E to procure up to 177 megawatts (MW) of solar thermal power for a 20-year term from a project located on the Carrizo Plain in San Luis Obispo County, California. The Commission should grant CPUC Approval, as that term is defined by Commission decision (“D.”) 04-06-014 and confirm PG&E’s ability to recover the cost of power purchased under the PPA through its Energy Resource Recovery Account (“ERRA”).

The Ausra PPA is a significant next step in the implementation of PG&E’s “Solar Strategy.” Because there is uncertainty at this point in time as to which of the emerging solar technologies can achieve the greatest efficiencies and reductions in cost over time, PG&E’s procurement strategy does not rely on a single technology, developer or solar equipment manufacturer. Instead, PG&E employs a portfolio approach to drive costs down through competition and ensure as broad a portfolio of successful and cost competitive projects for our customers. In this vein, the Solar Strategy has two features:

- 1. Sign PPAs for projects with existing, reliable, proven technologies at sizes that capture economies of scale; and*
- 2. Enable viable next generation technologies by signing PPAs for technologies that have the potential to realize lower long-term costs and drive a technology shift in the industry.*

The 554 MW Solel-MSP-1, LLC power purchase agreement, submitted to the Commission for approval on July 25, 2007 (AL 3092-E), is an example of the first prong of the strategy, as the Solel agreement provides for a large scale application of an existing, proven technology (solar thermal trough).

The Ausra PPA is part of the second prong of the Solar Strategy. The PPA will be with a new solar thermal facility utilizing Compact Linear Fresnel Reflector ("CLFR") technology for the solar reflector array. The low-cost, standardized equipment design offers the potential for significantly lower solar based generation costs.

The Ausra PPA will enable PG&E to make additional progress in meeting its 20 percent RPS portfolio goal. The project will contribute approximately 388 GWh per year of renewable power or 0.5 percent of PG&E's forecasted 2010 retail sales. Initial deliveries are projected to commence in 2010. Significantly, this project is one of the few new large-scale renewable projects capable of commercial operation by this date.

The Ausra project's location in Northern California benefits customers. While the project is located in the California Independent System Operator's ("CAISO") ZP-26 zone, the project's on-peak generation patterns avoid the congestion that has historically occurred during the off-peak periods on the transmission Paths 26 and 15. In addition, the project's location in Northern California will also avoid the transmission problems confronting many other solar thermal projects located in the Mohave area of South Eastern California.

The Ausra opportunity arose after PG&E had completed the 2006 RPS solicitation but while it was still developing the 2007 RPS solicitation. Rather than wait until the start of the 2007 RPS solicitation, which would have resulted in an approximate eight month delay in the start of negotiations, PG&E began bilateral negotiations with Ausra in late 2006. Proceeding immediately was important for two reasons. First, it allowed Ausra to move forward with planning for a 2010 online date, and second, Ausra would likely have begun negotiations with other load-serving entities had PG&E not acted quickly.

The PPA is not eligible for supplemental energy payments ("SEPs"), since it was not transacted through a competitive solicitation.<sup>1</sup> Deliveries under the PPA are priced above the 2007 market price reference ("MPR"). Consistent with the protocol used for review of renewable contracts resulting from the 2007 RPS solicitation, PG&E has included the confidential appendices A through I, which address the reasonableness of the terms and conditions of the PPA.

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<sup>1</sup> Public Utilities Code Section 399.14 (f)(3).

PG&E requests that the Commission approve the PPA, including payments PG&E will make pursuant to the PPA, 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 energy 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 April 17, 2008, 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.<sup>2</sup>

## II. DETAILED DESCRIPTION OF THE PROJECT

Ausra (previously Solar Heat and Power) was originally based in Australia and has been working on its CLFR solar thermal power technology for a number of years. PG&E began discussions with Ausra in late 2006.

The Ausra project involves the development of a new solar thermal facility between Simmler and California Valley, on the Carrizo Plain in San Luis Obispo County, California. The following table summarizes the substantive features of the Ausra PPA:

Generating Facility	Type	Term Years	MW Capacity	Annual Deliveries	Commercial Operating Date	Project Location
Ausra	Solar thermal using CLFR technology	20	177 MW	388 GWh	August 31, 2010	San Luis Obispo County, California

A copy of the PPA is provided in Confidential Appendix G, and a contract analysis is provided in Confidential Appendix D.

Ausra's technology is designed around the CLFR as a base element for collecting solar energy. In traditional solar thermal trough design, some of the most expensive components are the curved mirrors that make up the trough. These require specialized manufacturing. The CLFR technology dramatically lowers

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<sup>2</sup> As provided by D.04-06-014, the Commission must approve the PPA and the payments to be made thereunder, and find that the procurement will count toward PG&E's RPS procurement obligations, for the executed PPA to be binding on the parties.

costs by replacing the expensive curved mirrors with a series of flat mirrors that focus independently. Another expensive element in a traditional trough design is the heat collection element (a specialized glass tube, which is currently only available from a limited number of producers) and the specialized oil medium it requires. Ausra replaces this specialized glass tube with a simple stationary overhead collector that uses water as a thermal collection fluid. This overhead collector should cost less and should be easier to operate. Because the CLFR technology generates steam at relatively lower temperatures than traditional solar thermal trough designs, the turbine efficiency with CLFR will likely be lower; however, the lower overall cost of the project is expected to more than compensate for the loss in efficiency.

### **III. PRG PARTICIPATION AND FEEDBACK**

PG&E provided its PRG with a briefing on its Solar Strategy as well as reports on the negotiations of the PPA on several occasions. The first briefing, which presented PG&E's Solar Strategy and the role of the potential Ausra transaction in that strategy, occurred on March 30, 2007. PG&E also discussed the Ausra transaction with its PRG on July 11, 2007, August 24, 2007, September 21, 2007, and October 24, 2007. These presentations included a general overview of the negotiated terms and conditions of the PPA.

There was no opposition to PG&E's execution of the PPA. The PRG supports PG&E moving forward with the PPA.

### **IV. THE AUSRA PPA IS CONSISTENT WITH THE COMMISSION'S RPS-RELATED DECISIONS**

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

PG&E's 2007 RPS plan was approved in D.07-02-011. 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 protocol setting forth the need for renewable generation of various operational characteristics.<sup>3</sup>

The goal of PG&E's 2007 RPS Solicitation Plan was to procure approximately 1 to 2 percent of PG&E's retail sales volume, or between 750 GWh and 1,500 GWh per year, with delivery terms of 10, 15, or 20 years. Offers for four specific

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<sup>3</sup> Pub. Util. Code § 399.14(a)(3).

products – as-available, baseload, peaking, and dispatchable resources – were solicited by the 2007 Plan.

### **1. Consistency with Identified Renewable Resource Need**

The Ausra project offers approximately 388 GWh per year of as-available solar generation over a period of 20 years. This generation fits the criteria for renewables procurement contained in PG&E's 2007 RPS Solicitation Plan. Deliveries under the Ausra PPA are scheduled to commence in 2010 and will contribute to the State's goal of securing 20 percent renewable energy by that year.

The project also supports the Utility's goal of increasing renewable energy supply by enabling the commercialization of new renewable generation technologies. Under the Solar Strategy, the Utility plans to contract for both proven technologies (like solar trough) that can more reliably provide relatively lower prices today, and for emerging technologies that have a potential to provide a breakthrough shift in the supply curve and reduce prices further in the long term. This Solar Strategy will help the Utility to meet the current 2010 target and beyond.

### **2. 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 strategy was reflected in PG&E's 2006 Long-Term Plan and 2007 RPS Plan. Because Ausra 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 RPS statute requires procurement of the "least-cost, best-fit" ("LCBF") eligible renewable resources. In D.04-07-029, the Commission provided guidance on how bids received through an RPS solicitation should be evaluated and ranked to carry out LCBF principles. It described the process by which the utility ranks bids 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.

As a bilateral negotiation, the Ausra project did not undergo the same matrix evaluation conducted for bids received in the 2007 RPS Solicitation. However, the project was compared to the 2007 bids using the same LCBF criteria. As shown in the confidential appendices, the Ausra PPA is competitive with the bids received and evaluated under the 2007 RFO.

### **1. Market Valuation**

In its “mark-to-market analysis,” the present value of the PPA 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.<sup>4</sup>

### **2. Portfolio Fit**

Portfolio fit is how well an offer matches PG&E’s portfolio needs. Because Ausra’s solar thermal technology will produce power that is largely coincidental with PG&E’s peak demand, and will have a high degree of predictability for an “as-available” technology, this offer is a reasonable match to PG&E’s portfolio needs.

### **3. Consistency with the Transmission Ranking Cost Decision**

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. PG&E’s 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. When more project specific information is available, such as through technical studies from the CAISO Large Generation Interconnection Process (“LGIP”), cost information from those studies is used in lieu of the TRCR information.

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<sup>4</sup> PG&E’s RPS Renewable Energy Procurement Plan, June 24, 2004, page (p.)6, lines (ll.) 4-18.

Ausra has initiated the CAISO LGIP for a transmission interconnection. The LGIP includes a series of technical studies to determine the scope of work and cost to interconnect a new generation project to the CAISO grid. Ausra received the first of these studies, the Interconnection Feasibility Study Report, in September 2007. This Report identifies the feasibility of connecting the project to the transmission system and a high level cost estimate of the transmission upgrades necessary to integrate the project into the CAISO grid.

#### **4. Consistent Application of TODs**

The Time of Day (TOD) factors are applied against the MPR for the project under consideration to enable comparison between the bid price and the MPR during different time periods. The revised TOD factors that PG&E used in its analysis are based upon recent forward market prices wholesale power.

#### **5. Qualitative Factors**

PG&E also considered certain qualitative factors as required by D.04-07-029 when evaluating the PPA. As noted above, approval of the PPA will add to the diversity of solar technologies in PG&E's renewable portfolio and could convey significant customer benefits. The proposed project would not contribute to local reliability or possess any of the qualitative factors identified for special consideration by D.04-07-029.

#### **6. Impact of Debt Equivalence**

Debt equivalence is addressed in the Least-Cost Best-Fit (LCBF) Ranking section of Confidential Appendix D.

### **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 contains 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. The PPA does not deviate from the non-modifiable terms and conditions, except for permissible non-substantive edits and changes to reflect current California law. Each change has been identified and compared with the non-modifiable terms and conditions specified in D.04-06-014 and D.07-02-011, as modified by D.07-05-057, and with the 2007 RPS As-Available PPA form submitted for Commission approval on September 26, 2006, and approved February 15, 2007 by D.07-02-011. 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. Each change has been identified and compared with the modifiable terms and conditions in the approved 2007 RPS As-Available PPA form in Confidential Appendix H.

The PPA represents a meeting of the minds between Ausra 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 PPA as a whole, in terms of its ultimate effect 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. Minimum Quantity**

The Ausra PPA is a long-term contract with a new facility. All of the RPS contracts that PG&E has signed this year are long-term and with new facilities.

#### **V. MPR AND SEPs**

The actual price of the PPA is confidential, market sensitive information. The price that PG&E will pay to Ausra under the PPA, or the applicable "Contract Prices," is above the 2007 MPR adjusted for the year of initial deliveries. Consequently, the present value of the sum of payments Ausra is to receive under the PPA exceeds the present value of payments that would be made at the 2007 MPR 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 2007 MPR and other appropriate benchmarks.

Because the contract was negotiated bilaterally, Ausra is not eligible to obtain the difference between the MPR and actual contract prices through SEPs. Accordingly, PG&E requests that the Commission find the entire contract cost of the PPA to be reasonable and fully recoverable in rates over the life of the contract.

Although this contract was bilaterally negotiated and is above the MPR, the Commission has ruled:

[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]."<sup>5</sup>

PG&E is submitting the Ausra PPA to the Commission for approval, given the ratepayer and environmental benefits that will be captured under the Agreement. As shown in the confidential appendices, the Ausra PPA is competitive with other offers received in the 2007 RPS Solicitation and would have been placed on the 2007 RPS short-list.

## **VI. PROJECT VIABILITY**

The likelihood that the facility subject to the PPA will generate renewable power as described in the PPA is evaluated in Confidential Appendix E, "Project Viability." Because project-specific information needed to demonstrate viability is commercially sensitive, proprietary business information, only certain viability criteria are discussed in the public portion of this Advice Letter.

### **A. Financing**

There is a reasonable likelihood that the Ausra project will be financed and completed as required by the PPA and will be available to deliver energy by the guaranteed commercial operation date.

### **B. Sponsor's Creditworthiness and Experience**

Ausra has provided appropriate credit-related information as part of the negotiations with PG&E. PG&E has reviewed this information and is satisfied that the counterparty to the PPA possesses the necessary credit to perform as required by the PPA.

### **C. 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 security.

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<sup>5</sup> D.04-06-015, mimeo p. 10; emphasis added.

## **VII. CONTINGENCIES AND PROJECT MILESTONES**

The PPA identifies the construction start date and the commercial operation date as guaranteed project milestones. As previously noted, the project is not eligible for SEPs. Other contingencies and milestones are addressed in Confidential Appendix D.

## **VIII. TERMS AND CONDITIONS OF DELIVERY**

Ausra will act as its own scheduling coordinator or designate an agent to fulfill this role. Both prior to and following the implementation of CAISO's Market Redesign and Technology Update ("MRTU"), the point of delivery will be within ZP-26. Transmission-related issues are addressed in Confidential Appendix D. 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).

## **IX. REGULATORY PROCESS**

### **A. Requested Effective Date**

PG&E requests that the Commission issue a resolution approving the PPA no later than April 17, 2008. Time is of the essence in the Commission's consideration and approval of this Advice Letter. California's ambitious RPS goals require resources in addition to those that have responded to the utility RPS solicitations. New resources to achieve and maintain those goals must be identified and developed as soon as possible to maintain California's growth of renewable generation. As noted above, the Ausra project is one of the few new large-scale renewable projects capable of commercial operation by 2010, and thus offers the substantial benefit of early renewable deliveries. PG&E filed this Advice Letter seeking approval of the PPA as soon as was reasonably possible after execution of the contract. Approval by the requested effective date will provide the certainty necessary to proceed with project financing and move toward the projected 2010 online date.

### **B. Earmarking**

PG&E is not proposing to earmark this contract.

### **C. RPS-Eligibility Certification**

The PPA includes the standard representation and warranty that the project is an eligible renewable energy resource certified by the California Energy Commission ("CEC").

#### **D. Request for Confidential Treatment**

In support of this Advice Letter, PG&E has provided the following confidential information, including the PPA and other information that more specifically describe the rights and obligations of the parties. This information is being submitted in the manner directed by the Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066, issued August 22, 2006, 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 under either the terms of the IOU Matrix, Appendix 1, of D.06-06-066 or General Order 66-C. A separate Declaration Seeking Confidential Treatment is being filed concurrently with this Advice Letter.

#### **Confidential Attachments:**

Appendix A – Overview of 2004 – 2007 Solicitation Bids

Appendix B – 2007 Bid Evaluations

Appendix C – Independent Evaluator RPS Solicitation Report – Intentionally Omitted

Appendix D – Contract Terms and Conditions Explained

Appendix E – Project Viability: Ausra CA II, LLC, dba Carrizo Energy, LLC

Appendix F – Project's Contribution Toward RPS Goals

Appendix G – Power Purchase Agreement

Appendix H (Parts I, II and III) – Standard Terms and Conditions Comparison

Appendix I – Good Faith Security Agreement

### **E. Compliance with the Greenhouse Gas Emissions Performance Standard**

The Commission has adopted an Emissions Performance Standard (“EPS”) that limits covered procurement of certain baseload generation with an annualized plant capacity factor of at least 60 percent. Because the annualized plant capacity factor of the Ausra project is designed and intended to be less than 60 percent, the Ausra project is not subject to the EPS. PG&E has provided notice of Ausra’s exemption from the interim EPS requirements by serving this Advice Letter on the service list in the RPS rulemaking, R.06-05-027.

### **X. 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 April 17, 2008, that:

1. Approves the Ausra PPA in its entirety, including payments to be made by PG&E pursuant to the PPA, subject to the Commission’s review of PG&E’s administration of the PPA.
2. Finds that any 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.) (“RPS”), D.03-06-071 and D.06-10-050, or other applicable law.
3. Finds that any procurement pursuant to the PPA constitutes incremental procurement or procurement for baseline replenishment 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 RPS, D.03-06-071, or other applicable law.
4. Adopts the following findings of fact and conclusions of law in support of CPUC Approval:
  - a. The PPA is consistent with PG&E’s approved 2007 Renewables Procurement Plan.

- b. The terms of the PPA, including the price of electricity, are reasonable.
5. Orders PG&E to recover its PPA procurement costs under the existing revenue recovery mechanism:
  - a. The utility's cost of procurement under the PPA shall be recovered through PG&E's Energy Resource Recovery Account.
  - b. Any stranded costs that may arise from the PPA are subject to the provisions of D.04-12-048 that authorize recovery of stranded renewables procurement costs over the life of the contract. The implementation of the D.04-12-048 stranded cost recovery mechanism is being addressed in Rulemaking ("R.") 06-02-013.
6. Makes the following findings with respect to resource compliance with the Emissions Performance Standard ("EPS") adopted in R.06-04-009:
  - a. The power purchase agreement is not a covered procurement subject to the EPS because the generating facility has a forecast annualized capacity factor of less than 60% and therefore is not baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the EPS.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by November 26, 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, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto: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 filing become effective on **April 17, 2008**. 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.06.02.012, R.06-02-013 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  
Vice President - Regulatory Relations

cc: Service List for R.06-02-012  
Service List for R.06-02-013

Service List for R.06-05-027  
Paul Douglass - Energy Division

**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, among other things, the contract itself, price information, and analysis of the proposed RPS contract, which are protected pursuant to D.06-06-066. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.

**Confidential Attachments:**

Appendix A – Overview of 2004 – 2007 Solicitation Bids

Appendix B – 2007 Bid Evaluations

Appendix C – Independent Evaluator RPS Solicitation Report – Intentionally Omitted

Appendix D – Contract Terms and Conditions Explained

Appendix E – Project Viability: Ausra CA II, LLC, dba Carrizo Energy, LLC

Appendix F – Project's Contribution Toward RPS Goals

Appendix G – Power Purchase Agreement

Appendix H (Parts I, II and III) – Standard Terms and Conditions Comparison

Appendix I – Good Faith Security Agreement

# 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:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: David Poster

Phone #: (415) 973-1082

E-mail: DXPU@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
 PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3150-E**

**Tier: [3]**

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

Keywords (choose from CPUC listing): PPA

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 15 of 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: Gary Jeung. (415)-973-5481.

Resolution Required?  Yes  No

Requested effective date: **04/17/2008**

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<sup>1</sup>: 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 GARRETT P. JEUNG  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION  
CONTAINED IN ADVICE LETTER 3150-E  
(PACIFIC GAS AND ELECTRIC COMPANY - 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 at PG&E 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, as well as with the type of information that such sellers 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, B, D, E, F, G, H, and I to Advice Letter 3150-E," submitted on November 5, 2007. By this Advice Letter, PG&E is seeking this Commission's approval of a PPA that PG&E has executed with Ausra CA II, LLC, dba Carrizo Energy, LLC, a subsidiary of Ausra, Inc.

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, or constitutes information that should be protected

under Public Utilities Code § 583 and General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds (where applicable), 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 (where applicable); (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 in the attached matrix that is pertinent to my testimony.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on November 5, 2007 at San Francisco, California.

  
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GARRETT P. JEUNG

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 3150-E						
2	Appendix A	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	This Appendix contains bid information and bid evaluations from the 2004, 2005, 2006 and 2007 solicitations. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, contracts from the 2005, 2006 and 2007 solicitations are still under negotiation, further substantiating why releasing this information would be damaging to the negotiation process.	For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval  For information covered under Item VIII B), remain confidential for three years after winning bidders selected
3	Appendix B	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	This Appendix contains bid information and bid evaluations from the 2007 solicitation. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, contracts from the 2005, 2006, and 2007 solicitations are still under negotiation, further substantiating why releasing this information would be damaging to the negotiation process.	For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval  For information covered under Item VIII B), remain confidential for three years after winning bidders selected
4	Appendix D	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids. Item VII G) Renewable Resource Contracts under RPS program - Contracts without SEPs. Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects.	Y	Y	Y	This Appendix contains bid information and bid evaluations from the 2007 solicitation, information regarding the terms of the PPA, and analyses and evaluations of the project. Disclosure of this information would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006 and 2007 solicitations, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparty has an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA. I am informed and believe that General Order 66-C provides a separate and independent basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "Information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other offers.	For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval  For information covered under Item VIII B), remain confidential for three years after winning bidders selected  For information covered under Item VII G) and Item VII (un-numbered category following VII G), 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
5 Appendix E	Y	Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects.	Y	Y	Y	This Appendix contains information concerning and analyses and evaluations of project viability. If made public, this information could harm the counterparty and adversely affect project viability. Furthermore, the counterparty has an expectation of confidentiality with respect to some of this information pursuant to the provisions of a confidentiality agreement entered into with PG&E. I am informed and believe that General Order 66-C provides a separate and independent basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "Information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on project viability.	Remain confidential for three years
6 Appendix F	Y	Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VI (B) Utility Bundled Net Open Position for Energy (MWh).	Y	Y	Y	This Appendix contains information that, if disclosed, 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, 2006 and 2007 solicitations, this information should remain confidential for three years.	Remain confidential for three years
7 Appendix G	Y	Item VII (G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	This Appendix contains the PPA. Disclosure of the PPA would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006 and 2007 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations. Furthermore, the counterparty has an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA. I am informed and believe that General Order 66-C provides a separate and independent basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "Information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other offers.	Remain confidential for three years
8 Appendix H	Y	Item VII (G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	This Appendix contains certain terms of the PPA. Disclosure of certain terms of the PPA would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006 and 2007 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations. Furthermore, the counterparty has an expectation that the terms of the PPA will remain confidential pursuant to the confidentiality provisions of the PPA. I am informed and believe that General Order 66-C provides a separate and independent basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "Information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other offers.	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
9 Appendix I	N	The information contained in this Appendix is not identified in the Matrix, but should be protected under Public Utilities Code § 583 and General Order 66-C.	N/A	Y	Y	This Appendix contains the Good Faith Security Agreement. Although this information is not identified in the Matrix, for the reasons stated below, it should be protected under Public Utilities Code § 583 and General Order 66-C. General Order 66-C includes in its category of records not open to public inspection "information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). Disclosure of the Agreement would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006 and 2007 solicitations, this information should remain confidential. It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other offers. Furthermore, the counterparty has an expectation of confidentiality with respect to this information pursuant to the provisions of a confidentiality with agreement entered into with PG&E.	Remain confidential

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

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