

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 19, 2008

Advice Letter 3292-E

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 2006 Renewables Portfolio Standard
Solicitation**

Dear Mr. Cherry:

Advice Letter 3292-E is effective November 21, 2008 per Resolution E-4204.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Lewis".

Kenneth Lewis, Acting Director
Energy Division



July 1, 2008

Advice 3292-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 2006 Renewables Portfolio Standard
Solicitation**

I. PURPOSE AND OVERVIEW

Pacific Gas and Electric Company ("PG&E") seeks California Public Utilities Commission ("Commission" or "CPUC") approval of a power purchase agreement ("PPA") that PG&E has executed with Arlington Wind Power Project LLC ("Arlington"), which includes firming and shaping services, resulting from PG&E's 2006 Renewables Portfolio Standard ("RPS") Solicitation. PG&E submits the 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 Commission's approval of the PPA will authorize PG&E to accept deliveries of RPS-eligible energy from the Rattlesnake Road Wind Power Project, a new 102.9 megawatt ("MW") wind facility located in Gilliam County, Oregon ("Project"), for a term of 15 years. Deliveries are anticipated to begin on December 31, 2008. PG&E will purchase 100 percent of the Project's output with expected deliveries of 240 gigawatt hours ("GWh") per year. Energy deliveries under the PPA include firming and shaping services and are priced above the 15-year 2006 and 2007 Market Price Referents ("MPR"). These deliveries will contribute to PG&E's 20 percent portfolio goal and to PG&E's RPS goals in the years beyond 2010.

PG&E requests that the Commission issue a resolution no later than November 6, 2008 containing the findings required by the definition of CPUC Approval adopted

by Decision (“D.”) 07-11-025 and D.08-04-009 and incorporated in the PPA so that the PPA will remain in effect.¹

In support of this request, PG&E has provided Confidential Appendices A, B, D, E, F, G and H, which address the reasonableness of the PPA. As discussed below under the heading “Request for Confidential Treatment,” PG&E is seeking confidential treatment of the information contained in these appendices.

II. DETAILED DESCRIPTION OF THE PROJECT

The PPA is the sixth contract resulting from PG&E’s 2006 RPS Solicitation. PG&E filed its first three 2006 RPS contracts via Advice Letter 3074-E,² and filed its fourth and fifth contracts via Advice Letters 3090-E and 3181-E. With this PPA, PG&E will have contracted for deliveries of up to 523 GWh as a result of its 2006 RPS Solicitation.

The Project is a new 102.9 MW wind facility located in Gilliam County, Oregon. PG&E will be purchasing 100 percent of the Project’s output or approximately 240 GWh per year for a 15-year delivery term. The Project’s anticipated commercial operation date is December 31, 2008, and its guaranteed commercial operation date is August 31, 2009.

The following table summarizes the substantive features of the PPA:

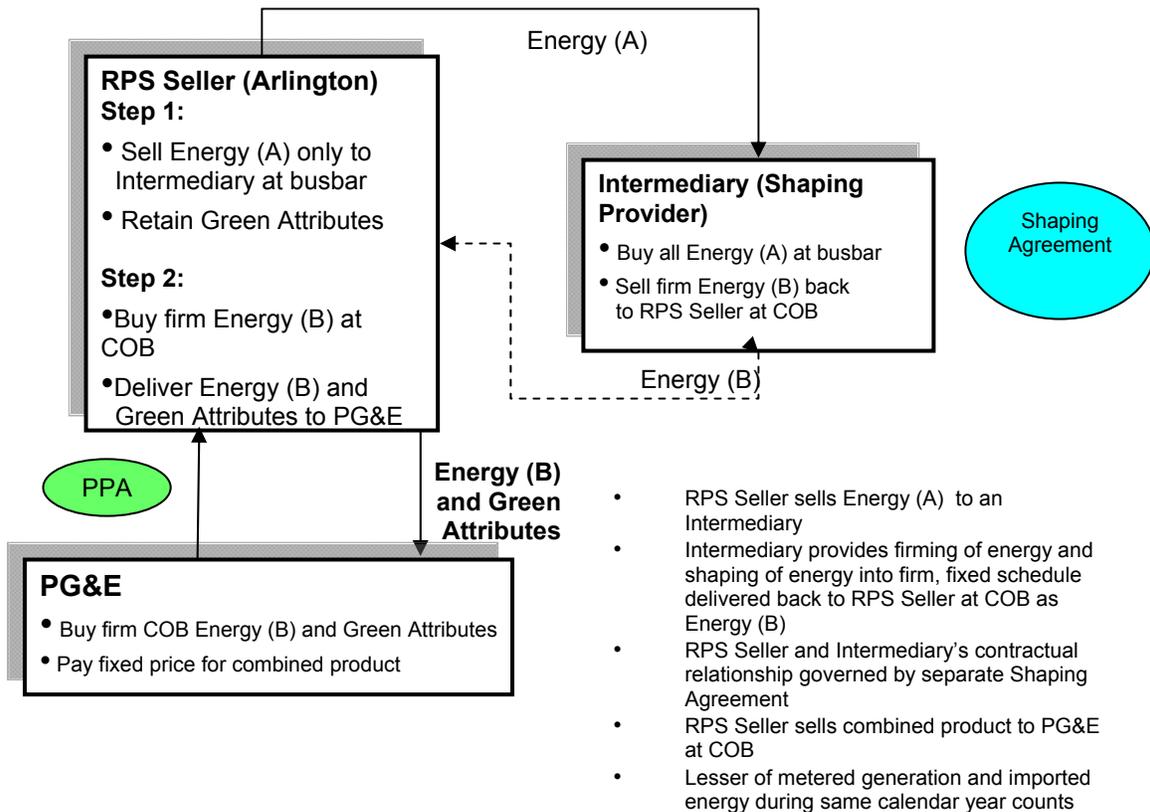
Generating Facility	Type	Term Years	MW Capacity	Annual Deliveries	Anticipated Commercial Operation Date	Project Location
Rattlesnake Road Wind Power Project	Wind	15 years	102.9 MW	240 GWh	December 31, 2008	Gilliam County, Oregon

¹ As provided by D.07-11-025 and D.08-04-009, 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.

² PG&E submitted its agreements with CalRENEW-1, LLC, Western GeoPower, Inc., and Green Volts, Inc. in its first tranche of 2006 RPS contracts via Advice Letter 3074-E, filed June 27, 2007, for deliveries of approximately 226 GWh. Western GeoPower subsequently terminated its agreement, reducing the expected deliveries from the first tranche to approximately 14 GWh.

Pursuant to the PPA, PG&E will pay a fixed price for a product consisting of energy, capacity and Green Attributes from Arlington at the California-Oregon border (“COB”). The energy is generated and delivered to a firming and shaping service provider at the Project’s busbar pursuant to a separate agreement between Arlington and the service provider (“Shaping Agreement”). The service provider shapes the intermittent wind generation from Arlington and subsequently redelivers firmed and shaped energy to Arlington at COB, also pursuant to the Shaping Agreement. Arlington then delivers the firmed and shaped energy with the Green Attributes and capacity (“Product”) to PG&E at COB and PG&E pays Arlington for the Product pursuant to the PPA.

Diagram of Delivery Structure



The Project has been pre-certified by the California Energy Commission (“CEC”) as an eligible renewable energy resource, and the transaction complies with the CEC’s RPS eligibility requirements for firmed and shaped deliveries of out of state power where deliveries occur at a different time than generation.³ Relevant portions of the CEC’s RPS Eligibility Guidebook are reproduced below.

Electricity may be delivered into California at a different time than when the RPS-certified facility generated electricity, pursuant to Public Resources Code Section 25741, Subdivision (a). Further, the electricity delivered into California may be generated at a different location than that of the RPS-certified facility. In practical terms, out-of-state energy may be “firmed” or “shaped” within the calendar year. Firming and shaping refers to the process by which resources with variable delivery schedules may be backed up or supplemented with delivery from another source to meet customer load. . . .

To count generation from out-of-state facilities for RPS compliance, the RPS-certified facility must enter a power purchase agreement with a retail seller, procurement entity or third party, and a matching quantity of electricity must be delivered to an in-state market hub (also referred to as “zone”) or in-state point of delivery (also referred to as “node”) located within California. . . . The retail seller or procurement entity and seller may negotiate which party is responsible for securing transmission, as necessary, at any point along the delivery path as long as the energy is delivered into California.

The retail seller or procurement entity may document delivery of electricity from any control area operator (also referred to as “balancing authority”) in the WECC transmission system outside California, and the delivered electricity may originate from a control area that is different from that in which the RPS-certified facility is located. The electricity delivery may occur through typical delivery arrangements, such as through wheeling across multiple control areas, and the delivery may occur at any delivery point into California.

³ See California Energy Commission Renewables Portfolio Standard Eligibility Guidebook (“RPS Eligibility Guidebook”), Third Edition, CEC-300-2007-006-ED3-CMF, adopted December 19, 2007.

The Energy Commission will compare the amount of RPS-eligible electricity generated by the RPS-eligible facility per calendar year with the amount of electricity delivered into California for the same calendar year and the lesser of the two amounts may be counted as RPS-eligible procurement (for more discussion see “verification of delivery”). The electricity generated and associated RECs from the RPS-certified facility must be procured through a power purchase agreement with the retail seller or procurement entity. The delivery of electricity to an in-state market hub or in-state point of delivery located within California must be made consistent with North American Electric Reliability Corporation (NERC) rules and documented with a NERC E-tag as described below.⁴

The transaction’s delivery structure is identical to the following contracting structure, which the CEC has determined satisfies the RPS delivery requirements:

The facility could provide firming and shaping services. For example, the retail seller could enter into a power purchase agreement (PPA) with an RPS-eligible facility and, as part of the PPA, the facility would provide firming and shaping to deliver a firm or non-firm product into California.⁵

III. PRG PARTICIPATION AND FEEDBACK

PG&E informed its Procurement Review Group (“PRG”) of the proposed transaction on numerous occasions, specifically in detail on July 11, 2007 and March 14, 2008. The PRG voiced no objections to PG&E’s execution of the PPA.

IV. THE PPA IS CONSISTENT WITH THE COMMISSION’S RPS-RELATED DECISIONS

A. Consistency with PG&E’s Adopted RPS and Long-Term Procurement Plans

1. Consistency with Identified Renewable Resource Needs

⁴ RPS Eligibility Guidebook at 23-24 (footnotes omitted).

⁵ RPS Eligibility Guidebook at 23-24, n. 2.

PG&E's 2006 RPS plan was approved in D.06-05-039 on May 25, 2006 (the "Plan"). 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.⁶

The stated goal of the Plan was to procure approximately 1 to 2 percent of PG&E's retail sales volume, or between 727 GWh and 1,454 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.

The PPA under consideration falls within the criteria identified in the Plan, and is expected to contribute toward achievement of PG&E's 2010 RPS target.

2. Consistency with RPS Solicitation Protocol

The proposed PPA is consistent with PG&E's approved Plan because it was solicited, negotiated and executed through PG&E's adherence to its Solicitation Protocol, which is the primary component of the Plan.

PG&E generally followed the RPS Solicitation schedule set forth in its Solicitation Protocol, but the schedule for concluding negotiations was necessarily extended. The resulting 2006 Solicitation schedule is shown below:

⁶ Pub. Util. Code § 399.14(a)(3).

Date	Event
June 30, 2006	PG&E issued Solicitation
July 10, 2006	Participants filed Notice of Intent to bid
July 20, 2006	Pre-Bid Conference
September 8, 2006	Deadline for Participants to submit Offers
October 26, 2006	PG&E presented preliminary Shortlist to the PRG
November 6, 2006	PG&E distributed a revised and finalized Shortlist to the PRG
December 14, 2006 January 26, 2007 March 30, 2007 May 30, 2007 July 11, 2007 November 30, 2007 January 4, 2008 March 14, 2008 April 11, 2008	PG&E updated its PRG on the status of negotiations with shortlisted bidders
June 27, 2007	PG&E submitted the first tranche of PPAs for Commission approval
July 20, 2007	PG&E submitted the fourth contract, a power purchase agreement with Klondike III Wind Power LLC, for Commission approval
December 18, 2007	PG&E submitted the fifth contract, a power purchase agreement with Finavera Renewables, Inc. for Commission approval
July 1, 2008	PG&E submits PPA with Arlington for Commission approval

Using its CPUC-approved Solicitation Protocol and forms of power purchase agreements, PG&E commenced its solicitation on June 30, 2006. PG&E accepted bids until September 8, 2006, consistent with the published schedule. PG&E evaluated and scored the bids in the manner prescribed in the Solicitation Protocol. In particular, evaluation of the offer prices took into account PG&E's published Time of Delivery ("TOD") 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 described in the Solicitation Protocol.

PG&E ranked the bids, placed them on PG&E's "Short List" and presented them to PG&E's PRG on November 6, 2006. PG&E notified short-listed bidders and commenced negotiations with short-listed bidders once they submitted the required bid deposit. PG&E presented the interim results of negotiations to the PRG on several occasions between December 14, 2006 and April 11, 2008.

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

PG&E's 2006 long-term procurement plan ("LTPP") stated that PG&E would aggressively pursue procurement of RPS-eligible renewable resources. In approving PG&E's 2006 LTPP, the Commission noted that development of renewable energy is "of great importance to the Governor, the State of California, and the Commission."⁷ The PPA is consistent with PG&E's 2006 LTPP and with Commission policy regarding renewable energy.

B. Consistency of Bid Evaluation Process with Least-Cost Best Fit Decision

The RPS statute requires the "least cost, best fit" ("LCBF") eligible renewable resources to be procured.⁸ The Commission's LCBF decision directs the utilities to use certain criteria in their bid ranking.⁹ It offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence negotiations. The renewables bid evaluation process focuses on four primary areas:

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

Based on these factors, the PPA is highly competitive with other offers received in the 2006 and 2007 RPS Solicitations and with other RPS opportunities recently

⁷ D.07-12-052 at 73.

⁸ Pub. Util. Code § 399.14(a)(2)(B).

⁹ D.04-07-029.

executed or under negotiation. The Project represents an LCBF renewables procurement opportunity.

1. **Market Valuation**

In a “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. This analysis includes evaluation of the bid price and indirect costs, such as transmission and integration costs. PG&E’s analysis of the market value of the PPA is addressed in Confidential Appendix D.

2. **Portfolio Fit**

Portfolio fit considers how well an offer’s features match PG&E’s portfolio needs. The PPA is a good fit for PG&E’s portfolio.

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

Under the transmission ranking cost decision, the customer’s potential cost of accepting energy deliveries from a project must be considered when determining the project’s value. The decision also allows for alternative delivery points/commercial arrangements to effect delivery of renewable energy. In this transaction, an alternative commercial arrangement is utilized rather than assigning a transmission adder to reflect the cost of potential transmission upgrades to import power into the California Independent System Operator (“CAISO”). This alternative commercial arrangement reflects the potential for congestion south of COB based upon the transaction’s valuation against COB forward prices.

4. **Consistent Application of TOD Factors**

TOD factors are applied to a non-time differentiated purchase price in order to weight payments according to the value of electricity delivered during various periods. The price under the PPA is not adjusted by TOD factors.

5. **Qualitative Factors**

PG&E considered qualitative factors as required by D.04-07-029 and D.07-02-011 when evaluating the PPA.

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, D.07-02-011 as modified by D.07-05-057, and D.07-11-025. These terms and conditions were compiled and published by D.08-04-009. The non-modifiable terms in the PPA conform exactly to the non-modifiable terms set forth in Attachment A of D.07-11-025 and Appendix A of D.08-04-009.

Modifications have been made to terms designated as modifiable in D.07-11-025 and D.08-04-009 based upon mutual agreement reached during negotiations. A comparison of the modifiable terms in the PPA against the modifiable terms in PG&E's 2006 RPS As-Available PPA form in the Solicitation Protocol issued on June 30, 2006 is provided in Confidential Appendix H.

Each provision in the PPA is essential to the negotiated agreement between the parties and the Commission should therefore not modify any of the provisions. The Commission should consider the agreement as a whole, in terms of its ultimate effect on utility customers. PG&E submits that the PPA protects the interests of its customers while achieving the Commission's goal of increasing procurement from eligible renewable resources.

D. Consistency with Minimum Quantity Decision

The PPA is a long-term contract with a new facility and thus counts towards PG&E's procurement obligation for 2008 under D.07-05-028. With the exception of one contract, all of the RPS contracts that PG&E has executed in 2008 are long-term and/or with new facilities.

V. MPR

The actual price of the PPA is confidential, market sensitive information. The PPA price is above the 2006 and 2007 MPRs for a project with a 15-year delivery term beginning in 2009. Given that the PPA was executed more than 18 months after the deadline to submit offers in the 2006 RPS Solicitation, PG&E believes that the 2007 MPR provides the more appropriate comparison.

VI. PROJECT VIABILITY

There is a very good likelihood that the Project will be financed and completed as required by the PPA and will be available to deliver energy by the guaranteed commercial operation date. PG&E has reviewed the credit-related information provided by Arlington and is satisfied that it possesses the necessary credit and experience to perform as required by the PPA. Arlington's obligation to meet milestones is supported by significant performance assurance securities.

The Project is being constructed and operated by a viable and experienced project operator. Arlington's parent, Horizon Wind Energy, LLC, has successfully developed over 2,000 MW of wind energy projects and currently owns and operates over 1,300 MW of wind energy facilities.

The likelihood that the Project will generate renewable power as described in the PPA is further evaluated in Confidential Appendix E, "Project Viability."

VII. CONTINGENCIES AND PROJECT MILESTONES

The PPA identifies the construction start date and the commercial operation date as guaranteed project milestones. The PPA is subject to no-fault termination if final CPUC Approval is not received within 180 days of the date the PPA is filed for CPUC Approval. Other contingencies and milestones are addressed in Confidential Appendix D.

VIII. TERMS AND CONDITIONS OF DELIVERY

The point of delivery will be COB. PG&E will be the Scheduling Coordinator throughout the delivery term of the PPA.

IX. REGULATORY PROCESS

A. Requested Effective Date

PG&E requests that the Commission issue a resolution approving this advice filing no later than November 6, 2008.

B. Earmarking

PG&E is not currently proposing to earmark this contract.

C. RPS-Eligibility Certification

The PPA includes the standard representation and warranty that during the delivery period, the Project will constitute an eligible renewable energy resource certified by the CEC. The Project has been pre-certified and expects to be certified at commercial operation by the CEC as an eligible renewable energy resource.

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 describes the rights and obligations of the parties. This information is being submitted in the manner directed by D.08-04-023 and the August 22, 2006 Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066 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 and Appendix C of R.08-04-023, 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 – 2006 and 2007 Bid Evaluations

Appendix C – Independent Evaluator Report (to be provided in a supplemental filing)

Appendix D – Contract Terms and Conditions Explained

Appendix E – Project Viability

Appendix F – Project's Contribution Toward RPS Goals

Appendix G – Power Purchase Agreement

Appendix H – Standard Terms and Conditions Comparison – Modifiables

Non-Confidential Attachment:**Appendix I – Independent Evaluator Report, Public Version (to be provided in a supplemental filing)****E. Compliance with the Greenhouse Gas Emissions Performance Standard**

In D.07-01-039, the Commission adopted an Emissions Performance Standard (“EPS”) that applies to contracts for a term of five or more years for baseload generation with an annualized plant capacity factor of at least 60 percent. Because the annualized plant capacity factor of the Project is designed and intended to be less than 60 percent, the Project is not subject to the EPS.

Because the Project’s generation is intermittent and located outside the CAISO, energy deliveries will be delivered to COB by Arlington. As described above, generation from Arlington will enter the local grid whenever it is generated, but energy will be delivered to PG&E’s customers via COB in accordance with a fixed bi-monthly schedule (“firmed”) and aggregated into the expected amount of generated energy over a two-week period (“shaped”).

The system power used for firming and shaping does not violate SB 1368 (or D.07-01-039), because total purchases to firm and shape the energy (whether from the intermittent renewable resource or from substitute unspecified resources) are not expected to exceed the total expected output of the Project over the term of the PPA.

Notification of the PPA’s compliance with D.07-01-039 is provided through this Advice Letter, which has been served 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. With an anticipated commercial operation date of December 31, 2008, this Project could contribute almost immediately to PG&E’s 2010 RPS target.

Therefore, PG&E requests that the Commission issue a resolution no later than **November 6, 2008** that:

1. Approves the 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"), Decision ("D.") 03-06-071 and D.06-10-050, or other applicable law.
3. Finds that all procurement and administrative costs, as provided by Public Utilities Code section 399.14(g), associated with the PPA shall be recovered in rates.
4. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
 - a. The PPA is consistent with PG&E's approved 2006 RPS procurement plan.
 - b. The terms of the PPA, including the price of delivered energy, are reasonable.
5. Adopts the following finding of fact and conclusion of law in support of cost recovery for the PPA:
 - 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. Adopts the following findings with respect to resource compliance with the Emissions Performance Standard (“EPS”) adopted in R.06-04-009:
 - a. The PPA is not a covered procurement subject to the EPS because the generating facility has a forecast annualized capacity factor of less than 60 percent and therefore is not baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the Adopted Interim EPS Rules.
 - b. Arlington’s renewable generating facility is an intermittent renewable energy resource, for purposes of compliance with the EPS adopted in R.06-04-009.
 - c. The use of system energy to deliver electricity under the terms of the PPA is consistent with the Commission’s adopted greenhouse gas emissions performance standards.

Protests:

Anyone wishing to protest this filing may do so by sending a letter by **July 21, 2008**, 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 Gatshalian, 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 the Commission issue a resolution approving this advice filing no later than **November 6, 2008**.

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.06-05-027
Service List for R.06-02-013
Service List for R.06-02-012
Paul Douglas - 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 items, the contract itself, price information, and analysis of the proposed RPS contract, which are protected pursuant to D.06-06-066 and D.08-04-023. 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 – 2006 and 2007 Bid Evaluations

Appendix C – Independent Evaluator Report (to be provided in a supplemental filing)

Appendix D – Contract Terms and Conditions Explained

Appendix E – Project Viability

Appendix F – Project’s Contribution Toward RPS Goals

Appendix G – Power Purchase Agreement

Appendix H – Standard Terms and Conditions Comparison – Modifiables

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) #: **3292-E**

Tier: **[3]**

Subject of AL: **Contract for Procurement of Renewable Energy Resources Resulting from PG&E's 2006 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 the attached matrix that identifies all 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: Charlie Post, (415)-973-9286.

Resolution Required? Yes No

Requested effective date: **11/06/2008**

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: 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

jn@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 CHARLES H. POST
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN ADVICE LETTER 3292-E
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Charles H. Post, declare:

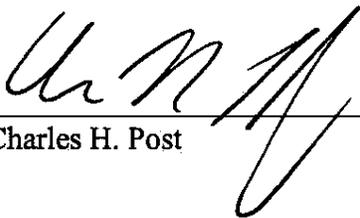
1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee for more than 8 years. My current title is Senior Electric Resource Analyst within PG&E's Energy Procurement Department. In this position, my responsibilities include negotiating PG&E's Renewables Portfolio Standard Program ("RPS") Power Purchase Agreements. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties. I have also gained knowledge of the operations of such sellers in general and, based on my experience in dealing with facility and contract owners, I am familiar with the types of data and information about their contracts and operations that such owners would consider confidential and proprietary.

2. Based on my knowledge and experience, and in accordance with Decision ("D.") 08-04-023 and the August 22, 2006 "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," I make this declaration seeking confidential treatment of Appendices A, B, D, E, F, G, and H to Advice Letter 3292-E, submitted on July 1, 2008. By this Advice Letter, PG&E is seeking this Commission's approval of a PPA that PG&E has executed with Arlington Wind Power Project LLC.

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 of D.06-06-066 and Appendix C of D.08-04-023 (the "IOU Matrix"), 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, 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 in the attached matrix that is pertinent to this filing.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on July 1, 2008 at San Francisco, California.



Charles H. Post

PACIFIC GAS AND ELECTRIC COMPANY Advice Letter 3292-E July 1, 2008		IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-068 AND DECISION 08-04-023					Length of Time
Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.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 3292-E	Y	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 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
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 Appendix contains bid information and bid evaluations from the 2006 and 2007 solicitations. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, contracts from the 2005 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	Y	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	This Appendix contains information regarding the terms of the PPA, bid evaluations from the 2006 solicitation, and analysis and evaluation 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 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 B), remain confidential for three years after winning bidders selected
4 Appendix D	Y	Item VIII 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 information concerning and analysis and evaluation of project viability. If made public, this information could harm the counterparty and adversely affect project viability.	For information covered under Item VII G) and Item VII (un-numbered category following VII G), remain confidential for three years
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 analysis and evaluation of project viability. If made public, this information could harm the counterparty and adversely affect project viability.	Remain confidential for three years

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as 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
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 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 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
B Appendix H	Y	Item VII G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	This Appendix contain 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 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

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

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California League of Food Processors	Hanna & Morton	Sequoia Union HS Dist
California Public Utilities Commission	Heeg, Peggy A.	Sierra Pacific Power Company
California Water Company	Hitachi	Silicon Valley Power
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Cameron McKenna	Imperial Irrigation District	Southern California Edison Company
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Chris, King	Los Angeles Dept of Water & Power	Tecogen, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	TransCanada
City of Palo Alto	MBMC, Inc.	Turlock Irrigation District
City of San Jose	MRW & Associates	U S Borax, Inc.
Clean Energy Fuels	Manatt Phelps Phillips	United Cogen
Coast Economic Consulting	Matthew V. Brady & Associates	Utility Cost Management
Commerce Energy	McKenzie & Associates	Utility Resource Network
Commercial Energy	Meek, Daniel W.	Utility Specialists
Constellation	Merced Irrigation District	Vandenberg Air Force
Constellation New Energy	Mirant	Verizon
Consumer Federation of California	Modesto Irrigation District	Wellhead Electric Company
Crossborder Energy	Morgan Stanley	Western Manufactured Housing Communities Association (WMA)
Davis Wright Tremaine LLP	Morrison & Foerster	White & Case
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