

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 23, 2009

Advice Letter 3507-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: Amendment to Power Sales Agreement between PG&E and
Monterey Regional Waste Management District**

Dear Mr. Cherry:

Advice Letter 3507-E is effective May 1, 2009.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

August 21, 2009

Advice 3507-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Amendment to Power Sales Agreement between PG&E and Monterey Regional Waste Management District

Introduction

Pacific Gas and Electric Company (“PG&E”) submits this advice letter to request that the California Public Utilities Commission (“Commission”) approve an amendment (“Amendment”) of its existing Qualifying Facility (“QF”) Power Sales Agreement (“PSA”) with Monterey Regional Waste Management District (“MRWMD”) that will allow PG&E to purchase additional RPS-eligible generation from MRWMD’s existing biogas facility. This advice letter is submitted in compliance with the procedures set forth in Decision (D.) 06-12-009 allowing modifications and amendments to QF contracts for transactions of less than 5 years.¹

Background

MRWMD and PG&E are parties to an existing 2.8 megawatt (“MW”) QF PSA for a facility located at the Marina Landfill near Monterey, California. Under the existing PSA, MRWMD is committed to provide 1.15 MW of firm capacity to PG&E. MRWMD provides this firm capacity from two generators with a combined nameplate capacity of 2 MW. MRWMD has two separate, metered generators, with nameplate capacities of 1.4 and 1.6 MW that have been selling to a third party through a scheduling coordinator.

The Amendment will allow PG&E to purchase, beginning May 1, 2009, the additional 1.4 and 1.6 MW of capacity from the two additional metered generators, under the existing QF PSA at revised pricing terms. Under the Amendment, the PSA nameplate would be adjusted to accommodate the full output from all four generators at the facility.

¹ See D.06-12-009 at 7.

The output from the additional two generators will be delivered through a Scheduling Coordinator (“SC”)-to-SC trade. The Amendment terminates upon: (1) CPUC approval of a replacement agreement for the PSA; (2) within 45 days of written notice by either party after April 1, 2010, or (3) December 30, 2010. The Amendment is intended to have a relatively short duration, but enough time to provide the parties time to develop a replacement PPA for the entire facility.

The Amendment was executed on April 30, 2009 and is effective upon Commission approval. The parties agreed to purchases beginning on May 1, 2009, at the day-ahead index price, subject to true-up for all deliveries received from May 1, 2009 forward to the contract price after Commission approval. A copy of the Amendment is included as confidential Attachment A to this advice letter and a summary of the key terms of the Amendment is included as confidential Attachment B.

The Amendment Will Benefit PG&E Customers

PG&E is aggressively pursuing reasonably priced and viable opportunities to provide its customers with incremental renewable power in an effort to meet the state’s current and prospective RPS goals. The Amendment has several benefits. First, MRWMD has committed the incremental renewable generation from the facility to PG&E at a price that does not exceed the relevant Market Price Reference (“MPR”). Second, the Amendment is limited in duration and allows the parties time to negotiate a replacement long-term RPS-PPA with MRWMD for the entire output of the facility.

PRG Participation and Feedback

On January 9, 2009, PG&E provided the Procurement Review Group (“PRG”) with a presentation concerning the Amendment. This confidential presentation is attached to this advice letter as Attachment C.

Conclusion

PG&E requests Commission approval of the Amendment, and all payments made under the Amendment, subject only to ongoing CPUC review with respect to the reasonableness of PG&E’s administration of the Amendment, the existing QF PSA, and prior amendments.

Compliance Items

In support of this advice letter, PG&E encloses the following confidential supporting documentation:

- Attachment A Amendment to the PSA
- Attachment B Summary of the Key Amendment Terms
- Attachment C PRG Presentation

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically any of which must be received no later than **September 10, 2009**, which is twenty (20) days from the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjn@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, 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:

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

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

Effective Date

PG&E requests that this advice letter be approved no later than **September 21, 2009**, with an effective date of **May 1, 2009**, the date PG&E began accepting deliveries under the Amendment. PG&E submits this request as a Tier 2 advice letter.

Notice

In accordance with General Order 96-B, Section IV, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to San Heng at 415/973-2640. Advice letter filings can also be accessed electronically at: **<http://www.pge.com/tariffs>**.

Brian K. Cherry /sc

Brian K. Cherry
Vice President – Regulatory Relations

cc: PG&E's Procurement Review Group
Melissa Semcer, Energy Division, CPUC

Related Confidential Attachments A-C

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 and Sally Cuaresma

Phone #: (415) 973-1082; (415) 973-5012

E-mail: DXPU@pge.com; A2C7@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) #: **3507-E**

Tier: [2]

Subject of AL: **Amendment to Power Sales Agreement between PG&E and Monterey Regional Waste Management District**

Keywords (choose from CPUC listing): Qualifying Facility, Contracts, Agreements

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 agreement 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: Hugh Merriam, (415) 973-1269

Resolution Required? Yes No

Requested effective date: **May 1, 2009**

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 HUGH M. MERRIAM
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN ADVICE LETTER 3507-E
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Hugh M. Merriam, declare:

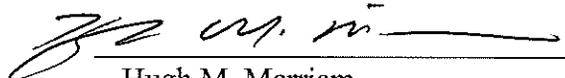
1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since 1983. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating new and amended Power Purchase Agreements. In carrying 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 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 and C to Advice Letter 3507-E, submitted on August 21, 2009. By this Advice Letter, PG&E is seeking this Commission's approval of an amendment of its Power Sales Agreement with Monterey Regional Waste Management District.

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 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 to the best of my knowledge the foregoing is true and correct. Executed on August 20, 2009 at San Francisco, California.



Hugh M. Merriam

PACIFIC GAS AND ELECTRIC COMPANY Advice Letter 3507-E August 21, 2009		IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-08-066 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 and Appendix C to D.08-04-023 (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 3507-E	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties . General Order 66-C.	Y	Y	Y	This Appendix contains the Amendment. Disclosure of the Amendment would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007 and 2008 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations. Furthermore, the counterparty to the Amendment has an expectation that the terms will remain confidential. I am informed and believe that General Order 66-C also provides a 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 VII B), remain confidential for three years For information covered by General Order 66-C, remain confidential
2 Appendix A	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties. General Order 66-C.	Y	Y	Y	This Appendix contains information regarding the terms of the Amendment. Disclosure of this information would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007 and 2008 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations. Furthermore, the counterparty to the Amendment has an expectation that the terms will remain confidential. I am informed and believe that General Order 66-C also provides a 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 VII B), remain confidential for three years For information covered by General Order 66-C, remain confidential
3 Appendix B	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties. General Order 66-C.	Y	Y	Y	This Appendix consists of the presentation of the MIRVMD Amendment to PG&E's Procurement Review Group (PRC). It describes the terms of the Amendment, which is a power purchase agreement for renewable energy. Disclosure of this information would provide valuable market sensitive information to competitors. Under D.06-066, an IOU may maintain the confidentiality of a power purchase agreement for three years. Since negotiations to purchase renewable energy are ongoing, and disclosure of this Appendix could undermine PG&E's ability to bargain on behalf of its ratepayers, the Appendix should remain confidential for three years.	For information covered under item VII B), remain confidential for three years
4 Appendix C	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties	Y	Y	Y	This Appendix consists of the presentation of the MIRVMD Amendment to PG&E's Procurement Review Group (PRC). It describes the terms of the Amendment, which is a power purchase agreement for renewable energy. Disclosure of this information would provide valuable market sensitive information to competitors. Under D.06-066, an IOU may maintain the confidentiality of a power purchase agreement for three years. Since negotiations to purchase renewable energy are ongoing, and disclosure of this Appendix could undermine PG&E's ability to bargain on behalf of its ratepayers, the Appendix should remain confidential for three years.	For information covered under item VII B), remain confidential for three years

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

Alcantar & Kahl	Day Carter Murphy	Norris & Wong Associates
Ameresco	Defense Energy Support Center	North Coast SolarResources
Anderson & Poole	Department of Water Resources	Northern California Power Association
Arizona Public Service Company	Department of the Army	Occidental Energy Marketing, Inc.
BART	Dept of General Services	OnGrid Solar
BP Energy Company	Division of Business Advisory Services	Praxair
Barkovich & Yap, Inc.	Douglas & Liddell	R. W. Beck & Associates
Bartle Wells Associates	Douglass & Liddell	RCS, Inc.
C & H Sugar Co.	Downey & Brand	Recon Research
CA Bldg Industry Association	Duke Energy	SCD Energy Solutions
CAISO	Dutcher, John	SCE
CLECA Law Office	Ellison Schneider & Harris LLP	SMUD
CSC Energy Services	FPL Energy Project Management, Inc.	SPURR
California Cotton Ginners & Growers Assn	Foster Farms	Santa Fe Jets
California Energy Commission	G. A. Krause & Assoc.	Seattle City Light
California League of Food Processors	GLJ Publications	Sempra Utilities
California Public Utilities Commission	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sierra Pacific Power Company
Calpine	Green Power Institute	Silicon Valley Power
Cameron McKenna	Hanna & Morton	Southern California Edison Company
Cardinal Cogen	Hitachi	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Chamberlain, Eric	Intestate Gas Services, Inc.	Tabors Caramanis & Associates
Chevron Company	Los Angeles Dept of Water & Power	Tecogen, Inc.
Chris, King	Luce, Forward, Hamilton & Scripps LLP	Tiger Natural Gas, Inc.
City of Glendale	MBMC, Inc.	Tioga Energy
City of Palo Alto	MRW & Associates	TransCanada
City of San Jose	Manatt Phelps Phillips	Turlock Irrigation District
Clean Energy Fuels	Matthew V. Brady & Associates	U S Borax, Inc.
Coast Economic Consulting	McKenzie & Associates	United Cogen
Commerce Energy	Merced Irrigation District	Utility Cost Management
Commercial Energy	Mirant	Utility Specialists
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
Davis Wright Tremain LLP	New United Motor Mfg., Inc.	eMeter Corporation