

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 30, 2009

**Advice Letter 3515-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 of Power Purchase Agreement between PG&E  
and Sierra Pacific Industries for Procurement of Renewable  
Energy Resources**

Dear Mr. Cherry:

Advice Letter 3515-E is effective January 1, 2009.

Sincerely,

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

Julie A. Fitch, Director  
Energy Division

August 27, 2009

**Advice 3515-E**  
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Amendment of Power Purchase Agreement between PG&E and Sierra Pacific Industries for Procurement of Renewable Energy Resources**

### **Introduction**

Pacific Gas and Electric Company (“PG&E”) submits this advice letter to request that the California Public Utilities Commission (“Commission” or “CPUC”) approve an amendment (“Amendment”) of its Interim Standard Offer 4 Power Purchase Agreement (“ISO4 PPA”) with Sierra Pacific Industries (“SPI”) that allows output from SPI’s currently operational Sonora facility to replace output from SPI’s now decommissioned Susanville facility and provides the potential for incremental Renewables Portfolio Standard (“RPS”)-eligible deliveries.

### **Background**

The Amendment substitutes an operational 7.5 megawatt (“MW”) biomass facility in Sonora, California, (“Sonora Facility”) for a no longer operational 12.5 MW nameplate capacity biomass facility in Susanville, California (“Susanville Facility”). This substitution enables SPI to continue, and enhance, its deliveries of renewable energy and capacity under the ISO4 PPA.

PG&E originally signed the ISO4 PPA with SPI for deliveries from the Susanville Facility in September 1984. In 2002, SPI and PG&E entered into a settlement agreement (“Settlement Agreement”) concerning the ISO4 PPA and three other power purchase agreements between SPI and PG&E involving three other facilities. The Settlement Agreement allows SPI to pool capacity and energy from the Susanville Facility and the other three facilities to satisfy SPI’s collective obligations to PG&E under the ISO4 PPA and the other three agreements.

The Susanville Facility was operational at the time of contract execution and delivered energy until it was shut down in May 2004; it was subsequently decommissioned. Although there have been no deliveries from the Susanville Facility since May 2004, SPI has fulfilled its delivery obligations using the three other facilities subject to the Settlement Agreement.

In January 2009, PG&E began to accept deliveries from the Sonora Facility pursuant to the terms of the Amendment. Under the Amendment, SPI will use the Sonora Facility in place of the Susanville Facility to deliver to PG&E's customers an anticipated additional 17,000 MWh per year.

### 1. Energy and Capacity Payments

SPI receives both energy and capacity payments under the ISO4 PPA. The Amendment does not modify any of the energy or capacity payments. The terms of the ISO4 PPA and the Settlement Agreement will apply to the Sonora Facility.

### 2. Compliance with Performance and Efficiency Standards

As an Eligible Renewable Energy Resource fueled by biomass, the Sonora Facility meets the Federal Energy Regulatory Commission ("FERC")-mandated operating and efficiency standards applicable to cogenerators.

The Amendment complies with the Emissions Performance Standard ("EPS") adopted by the Commission in Decision ("D.") 07-01-039 because the Sonora Facility utilizes wood waste that would otherwise be burned or left to compost.

### Advice Letter 3433-E

On March 13, 2009, PG&E submitted the Amendment for approval pursuant to the Restructuring Advice Letter Filing ("RALF") procedure adopted in D.98-12-066, via Advice Letter 3433-E.

On March 23, 2009, SPI unexpectedly announced that it would be closing the Sonora Facility in the summer of 2009 due to the closure of its sawmill, on which it relies for wood waste to fuel the Sonora Facility. PG&E recalculated the benefits of the Amendment to reflect the unexpectedly short operating period that would result from the facility closure. Because the RALF process was not an appropriate filing method absent a showing of the ongoing viability of the facility, PG&E subsequently withdrew Advice Letter 3433-E on July 28, 2009.

### **The Amendment Will Provide Long-Term Benefits To PG&E Customers**

The Sonora Facility is expected to close prior to September 1, 2009 due to closure of SPI's sawmill. Although it would be uneconomic to operate the Sonora Facility under the terms of the Amendment absent the wood waste from SPI's sawmill, SPI has committed the potential renewable energy generation from the Sonora Facility to PG&E. If the Sonora Facility reopens in the future, SPI is obligated to sell the facility's output to PG&E under the terms of the Amendment. Absent the Amendment, SPI could sell to any other party any generation in excess of its obligations to PG&E under the Settlement Agreement. Therefore, although the benefits under the Amendment will not be as high as initially expected due to the anticipated closure of the Sonora Facility, customers should not be harmed by this change and the transaction still offers benefits to PG&E customers through the potential for future incremental RPS-eligible deliveries.

Further, under the Amendment, customers have already received roughly 10,000 MWh of incremental RPS-eligible energy, and will continue to receive additional power at a price currently below the relevant Market Price Referent ("MPR") whenever the sawmill is in operation. As of the date of this advice letter filing, the facility is still in operation.

Finally, the three other power purchase agreements that are subject to the Settlement Agreement remain in place and SPI continues to perform under those agreements. Consequently, the Amendment has no adverse impact on the Settlement Agreement and customers are no worse off than before the Amendment.

### **PRG Participation and Feedback**

On October 17, 2008, PG&E provided its Procurement Review Group ("PRG") with a presentation on the Amendment. This confidential presentation is attached to this advice letter as Confidential Attachment B.

### **CPUC Approval Extension Agreement**

PG&E and SPI executed an agreement that grants an extension of time for CPUC approval of the Amendment. This agreement is attached to this advice letter as Confidential Attachment C.

### **Conclusion**

PG&E requests approval of 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, existing ISO4 PPA, and prior amendments, retroactive to **January 1, 2009**, the effective date of the Amendment and the date on which PG&E began accepting deliveries from the Sonora Facility.

### **Compliance Items**

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

- Attachment A - Amendment
- Attachment B - PRG Presentation Regarding SPI
- Attachment C - CPUC Approval Extension Agreement

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 16, 2009**, which is 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](mailto:jjn@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto: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 28, 2009**, with an effective date of **January 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

Confidential Attachment A – Amendment  
Confidential Attachment B – PRG Presentation Regarding SPI  
Confidential Attachment C – CPUC Approval Extension 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 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) #: **3515-E**

Tier: **[2]**

Subject of AL: **Amendment of Power Purchase Agreement between PG&E and Sierra Pacific Industries for Procurement of Renewable Energy Resources**

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: **January 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 3515-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 Attachments A, B and C to Advice Letter 3515-E, submitted on August 27, 2009. By this Advice Letter, PG&E is seeking this Commission's approval of an amendment of its Interim Standard Offer 4 Power Purchase Agreement with Sierra Pacific Industries.

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 27, 2009 at San Francisco, California.

  
\_\_\_\_\_  
Hugh M. Merriam

PACIFIC GAS AND ELECTRIC COMPANY  
 Advice Letter 3515-E  
 August 27, 2009

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066 AND DECISION 08-04-023

Document Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 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 3515-E							
2 Attachment A	Y	Item VII - Bilateral Contract Terms and Conditions - Electric, Section B (Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)). General Order 66-C.	Y	Y	Y	This Attachment contains the Amendment to the existing Interim Standard Offer 4 Power Purchase Agreement between PG&E and SPL. Disclosure of the Amendment, that is, the contract terms, would provide valuable market sensitive information to competitors. Under D.06-06-066, an IOU may maintain the confidentiality of contract terms for three years. Release of this information would impair PG&E's ability to negotiate and obtain the most favorable contract terms. 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 information obtained from a seller of renewable energy as confidential because if such information were made public, it could have a negative impact on the ability of the seller to sell renewable energy. This Attachment consists of the presentation of the SPL-Sonora Amendment to PG&E's Procurement Review Group (PRG). 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.06-06-066, 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 Attachment could undermine PG&E's ability to bargain on behalf of its ratepayers, the Attachment should remain confidential for three years.	For information covered under Item VII B), remain confidential for three years For information covered by General Order 66-C, remain confidential
3 Attachment B	Y	Item VII - Bilateral Contract Terms and Conditions - Electric, Section B (Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS))	Y	Y	Y	This Attachment contains 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.06-06-066, 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 Attachment could undermine PG&E's ability to bargain on behalf of its ratepayers, the Attachment should remain confidential for three years.	Remain confidential for three years
4 Attachment C	Y	Item VII - Bilateral Contract Terms and Conditions - Electric, Section B (Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS))	Y	Y	Y	This Attachment contains 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.06-06-066, 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 Attachment could undermine PG&E's ability to bargain on behalf of its ratepayers, the Attachment should remain confidential for three years.	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
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
	New United Motor Mfg., Inc.	eMeter Corporation