

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 7, 2010

**Advice Letter 3557-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 Purchase Agreements Between PG&E  
And Burney Mountain Power and Mt. Lassen Power**

Dear Mr. Cherry:

Advice Letter 3557-E is effective November 1, 2009.

Sincerely,

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

Julie A. Fitch, Director  
Energy Division

November 13, 2009

**Advice 3557-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Amendment to Power Purchase Agreements between PG&E and Burney Mountain Power and Mt. Lassen Power**

**Introduction**

Pacific Gas and Electric Company (“PG&E”) submits this advice letter to request that the California Public Utilities Commission (“Commission”) approve a 12-month contract amendment (“Amendment”) of its existing Qualifying Facility (“QF”) Power Purchase Agreements (“PPAs”) with Burney Mountain Power (“Burney”), located in Burney, CA, and Mt. Lassen Power (“Mt. Lassen”), located in Westwood, CA, that will allow PG&E to continue purchasing RPS-eligible generation from Burney and Mt. Lassen’s existing biomass facilities (“Facilities”). The Amendment includes a one-year price modification for the existing PPAs, as well as additional performance requirements for the Burney and Mt. Lassen facilities during the one-year term of the Amendment. 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.<sup>1</sup>

**Background**

PG&E currently has QF contracts with Burney and Mt. Lassen with capacities of 9.75 MW and 11.4 MW, respectively, which expire in 2015. The projects are located in Burney, California and Westwood, California. The Amendment, whose terms will allow Burney and Mt. Lassen to continue operation, was executed on October 26, 2009. Burney and Mt. Lassen are biomass facilities that have supplied reliable power to PG&E for over 25 years. Without the Amendment, the Burney and Mt. Lassen facilities will be required to shutdown because it will be uneconomic for them to continue to operate.

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<sup>1</sup> See D.06-12-009 at 7.

The Amendment is effective upon Commission approval. The parties agreed to purchases beginning on November 1, 2009, subject to true-up for all deliveries received from November 1, 2009 forward to the Amendment 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. Included as confidential Attachment C is a declaration from the owner of the Burney and Mt. Lassen facilities explaining the need for the Amendment in order to keep these two existing biomass facilities operating.

### **The Amendment Will Benefit PG&E Customers**

PG&E is aggressively pursuing reasonably priced and viable opportunities to provide its customers with renewable power in an effort to meet the state's current and prospective RPS goals. The Amendment has several benefits. First, it will allow two existing RPS-eligible facilities to continue to operate for one year. The Amendment is limited in duration and allows the parties time to negotiate a replacement long-term RPS-PPA for the full output of the facilities.

Second, the Burney and Mt. Lassen facilities have reliably operated for 25 years and the Amendment ensures their continued, reliable operation. In addition, the Amendment includes certain performance requirements that are not included in the PPAs that require Burney and Mt. Lassen to provide generation at specific times of the year when it is needed by PG&E's customers and in specific amounts. These additional performance requirements are beneficial to PG&E's customers.

Finally, as the owners of the Burney and Mt. Lassen facility explain in confidential Attachment C, closing the Burney and Mt. Lassen facilities will result in the loss of local jobs and have a detrimental economic local impact. By entering into the Amendment, at a reasonable price and with increased performance requirements, PG&E can ensure that it continues to receive a reliable source of RPS-eligible energy and local jobs will be retained.

### **PRG Participation and Feedback**

On October 21, 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 D.

### **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 and the existing QF PPAs.

### **Compliance Items**

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

- Attachment A      Amendment to the PPAs
- Attachment B      Summary of the Amendment Terms
- Attachment C      Affidavit from Burney and Mt. Lassen
- Attachment D      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 **December 3, 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](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 **December 14, 2009**, with an effective date of **November 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, a copy of this Advice Letter, excluding the confidential appendices, is being sent electronically to parties shown on the attached list and the service list for R.06-05-027. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates may also receive the Advice Letter and accompanying confidential attachments. Address changes should be directed to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Brian K. Cherry  
Vice President – Regulatory Relations

cc: PG&E's Procurement Review Group  
Melissa Semcer, Energy Division, CPUC  
Service List for R.08-08-009

Attachments

### **Limited Access to Confidential Material:**

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protections of Sections 583 and 454.5(g) of the Public Utilities

Code and General Order 66-C. This material is protected from public disclosure because it consists of the contract itself, including price information, which is 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: Amendment to the PPAs**

**Appendix B: Summary of the Amendment Terms**

**Appendix C: Affidavit from Burney and Mt. Lassen**

**Appendix D: PRG Presentation**

# 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) #: **3557-E**

**Tier: [2]**

Subject of AL: **Amendment of Power Sales Agreements between PG&E and Burney Mountain Power and Mt. Lassen Power**

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

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: **November 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:

Service affected and changes proposed:

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 3557-E  
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Hugh M. Merriam, declare:

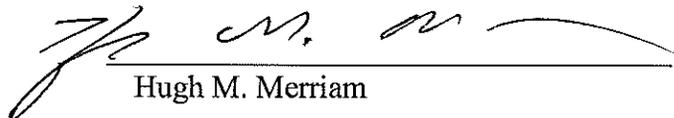
1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since 1983. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating new and amended Power Purchase Agreements. In carrying 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-D to Advice Letter 3557-E, submitted on November 13, 2009. By this Advice Letter, PG&E is seeking this Commission's approval of an amendment to its Qualifying Facility Power Purchase Agreements with Burney Mountain Power and Mt. Lassen Power.

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 November 13, 2009 at San Francisco, California.

  
Hugh M. Merriam

PACIFIC GAS AND ELECTRIC COMPANY Advice Letter 3557-E November 13, 2008		IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066 AND DECISION 06-04-023		PG&E's Justification for Confidential Treatment	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.06-06-066 and Appendix C to D.06-04-023 (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)
1 Document: Advice Letter 3557-E	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties. General Order 66-C.	Y	Y	Y
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
3 Appendix B	Y	Item II - Cost Forecast Data-- Electric, Section B.3 (Generation Cost Forecasts, QF Contracts) and Public Utilities Code sections 454.5(g) and 583	Y	Y	Y
4 Appendix C	Y	Item II - Cost Forecast Data-- Electric, Section B.3 (Generation Cost Forecasts, QF Contracts) and Public Utilities Code sections 454.5(g) and 583	Y	Y	Y

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 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)	Length of Time
5 Appendix D	Y	Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties	Y	Y	Y	<p>PG&amp;E's Justification for Confidential Treatment</p> <p>This Appendix consists of the presentation of the Amendment to PG&amp;E's Procurement Review Group (PRG). It describes the terms of the Amendment, which is a power purchase agreement for QF energy. Disclosure of this information would provide valuable market sensitive information to competitors, as described above with regard to Appendices A-B. Under D.06-06-066, an IOU may maintain the confidentiality of a power purchase agreement for three years. Disclosure of this Appendix could undermine PG&amp;E's ability to bargain on behalf of its customers, the Appendix should remain confidential for three years.</p> <p>For information covered under Item VII B), remain confidential for three years</p>

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

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