

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 13, 2011

Advice Letters 3623-E and 3623-E-A

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

**Subject: Contracts for the Procurement of Renewable Energy Resources
Resulting from PG&E's Power Purchase Agreements with Potrero
Hills Energy Producers, LLC and Sunshine Gas Producers, LLC
and Supplemental Filing**

Dear Mr. Cherry:

Advice Letters 3623-E and 3623-E-A are effective August 18, 2011 per Resolution E-4415.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



Jane K. Yura
Vice President
Regulation and Rates

Mailing Address
Mail Code B10B
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.6520

April 13, 2011

Advice 3623-E-A
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Supplemental Filing for Power Sales Agreements Between PG&E and Potrero Hills Energy Producers, LLC, and Sunshine Gas Producers, LLC

Introduction

Pacific Gas and Electric Company (“PG&E”) submits this supplemental filing to Advice Letter 3623-E that requests California Public Utilities Commission (“Commission”) approval of two Renewable Power Purchase Agreements (“PPAs”), one with Potrero Hills Energy Producers (“Potrero”) and the other with Sunshine Gas Producers, LLC (“Sunshine”), (collectively the “Projects”). PG&E, Potrero and Sunshine have agreed to amendments to the PPAs (“Amendments”) since Advice Letter 3623-E was originally filed. This supplemental filing includes the Amendments. Each Amendment lowers the contract price until the seller passes the California Independent System Operator’s (“CAISO”) deliverability assessment test and is able to provide Resource Adequacy (“RA”) attributes to PG&E. In addition, the Amendments clarify specific terms in the original PPAs and also modify the PPAs to include certain standard terms and conditions required by Decision (“D.”) 10-03-021, as amended by D.11-01-025.

Background and Summary of Amendments

The PPAs resulted from negotiations between PG&E and DTE Biomass Energy, Inc. (“DTEB”) Potrero is a wholly-owned subsidiary of DTEB, and Sunshine is a 50-50 joint venture between Landfill Energy Systems (“LES”) and DTEB. PG&E filed the PPAs for Commission approval on February 25, 2010, in Advice Letter 3623-E, which is currently pending before the Commission.

Potrero is an 8 megawatt (“MW”) facility in Suisun City, California, expected to produce up to 56 gigawatt hours (“GWh”) per year, and Sunshine is a 20 MW facility in Sylmar, California, expected to produce 140 GWh per year. The Sunshine Project is expected to

commence commercial operation in December 2014, and the Potrero Project is expected to commence operation in June 2015. Under the original PPAs, PG&E agreed to purchase bundled RPS-eligible power and capacity from the Projects. The Sellers anticipate, however, that they will not be able to deliver the RA capacity initially as provided in the original PPAs because of expected delays in obtaining CAISO Deliverability Assessments. The Amendments modify the PPAs to allow deliveries to include only RPS-eligible bundled energy and non-RA-eligible capacity until the Projects obtain all necessary CAISO approvals for capacity to be counted under the RA rules. The Amendments also include a contract price reduction to reflect the reduced value for deliveries as a result of not receiving RA-eligible capacity. The price reduction reflects the RA value assumed by PG&E when it evaluated the Projects.

The Amendments also clarify certain guaranteed milestones in the PPAs.

In addition, the Amendments provide clarity on the necessity of and timing to obtain CPUC Approval to authorize future agreements between the parties regarding the allocation of greenhouse gas (“GHG”) Costs.

Finally, the Amendments modify the original PPAs to conform the provisions to the standard terms and conditions set forth in D.10-03-021 as modified by D.11-01-025. The PPAs as amended contain provisions that conform exactly to the “non-modifiable” terms set forth in D.10-03-021 as modified by D.11-01-025 and in previous decisions, including D.07-11-025, D.08-04-009, and D.08-08-028. The applicable non-modifiable terms may be found in the following sections and pages of the Amendments:

Non-Modifiable Term	Potrero PPA		Sunshine PPA	
	Section	Page	Section	Page
<i>From Amendments</i>				
STC REC-1 Transfer of renewable energy credits	Amendment Item F	2	Amendment Item F	2
STC REC-2 Tracking of RECs in WREGIS	Amendment Item B	2	Amendment Item B	2

The Amendments are attached as Confidential Appendix A. Confidential Appendix B provides further explanation of the terms modified by the Amendments.

The Amendments 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 Amendments have several benefits. First, by recognizing

the challenges faced by new projects under the current RA rules, the Amendments increase the viability of these new in-state biomass projects and the certainty of deliveries to PG&E of RPS-eligible energy from the Projects. Second, by decreasing the contract price for deliveries that do not include RA-eligible capacity, the Amendments provide continued incentives to the Seller to qualify for RA while appropriately valuing the actual deliveries. The price reduction included in the Amendments reflects the RA value assumed by PG&E when it evaluated the Projects.

Compliance Items

In support of this supplement to Advice Letter 3623-E, PG&E encloses the following confidential attachments containing supporting documentation:

Appendix A:

- I. Amendment to the PPA Between PG&E and Potrero**
- II. Amendment to the PPA Between PG&E and Sunshine**

Appendix B Summary of the Key Amendment Terms

Appendix C Independent Evaluator Report (Confidential)

Protests

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 **May 3, 2011**, 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: jnj@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:

Pacific Gas and Electric Company
Attention: Jane K. Yura
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520
E-Mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice letter be approved no later than **July 14, 2011**. PG&E submits this request as a Tier 3 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 and via U.S. mail to parties shown on the attached list. 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. Address changes to the General Order 96-B service list should be directed to PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.



Vice President – Regulation and Rates

cc: PG&E's Procurement Review Group
Service List for R.08-08-009
Service List for R.06-02-012
Service List for R.08-02-007
Paul Douglas – Energy Division
Sean Simon – Energy Division

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, 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:**

- I. Amendment to the PPA Between PG&E and Potrero**
- II. Amendment to the PPA Between PG&E and Sunshine**

Appendix B - Summary of the Key Amendment Terms**Appendix C - Independent Evaluator Report (Confidential)****Public Attachments:****Appendix D – Independent Evaluator Report (Public)**

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 Linda Tom-Martinez

Phone #: (415) 973-1082 and (415) 973-4612

E-mail: dxpu@pge.com and lmt1@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) #: **3623-E-A**

Tier: **3**

Subject of AL: **Supplemental Filing for Power Sales Agreements Between PG&E and Potrero Hills Energy Producers, LLC, and Sunshine Gas Producers, LLC**

Keywords (choose from CPUC listing): Contracts, Portfolio

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: Yes No 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: David Lewis (415) 973-8778

Resolution Required? Yes No

Requested effective date: **July 14, 2011**

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 proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Ave.,
San Francisco, CA 94102
jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Jane Yura
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

**DECLARATION OF DAVID LEWIS
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN ADVICE LETTER 3623-E-A
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, David Lewis, declare

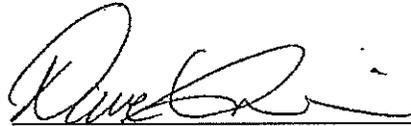
1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since February 2008. My current title is Director within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating PG&E's Renewables Portfolio Standard Program ("RPS") Power Purchase Agreements. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties 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 PG&E's Advice Letter 3623-E-A submitted on April 13, 2011.

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"), and/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, if applicable, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information, if applicable; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text in the attached matrix that is pertinent to 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 April 13, 2011 in San Francisco, California.

A handwritten signature in black ink, appearing to read "David Lewis", written over a horizontal line.

David Lewis

		PACIFIC GAS AND ELECTRIC COMPANY Advice Letter 3623-E-A April 13, 2011		IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 05-06-066 AND DECISION 08-04-023			
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)	PG&E's Justification for Confidential Treatment	Length of Time
1	Document: Advice Letter 3623-E-A						
5	Appendix A	Item VII (G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	This Appendix contains the First Amendments. Disclosure of the First Amendments would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparty to the First Amendments has an expectation that the terms of the First Amendments including price will remain confidential pursuant to confidentiality provisions in the original PPAs.	Information covered under Item VII (G) remain confidential for three years
	Appendix B	Item VII (G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	This Appendix contains the terms of the confidential First Amendments to the Pótero and Sunshine PPAs. Disclosure of the confidential terms of the First Amendments would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparty to the First Amendments has an expectation that the terms of the First Amendments including price will remain confidential pursuant to confidentiality provisions in the original PPAs.	Information covered under Item VII (G) remain confidential for three years
7	Appendix C	Item VII (G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	This Appendix contains discussions, analysis and evaluations of the terms of the First Amendments. Disclosure of the confidential terms of the First Amendments would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparty to the First Amendments has an expectation that the terms of the First Amendments including price will remain confidential pursuant to confidentiality provisions in the original PPAs.	Information covered under Item VII (G) remain confidential for three years

Public Appendix D
Independent Evaluator Report

ARROYO SECO CONSULTING

PACIFIC GAS AND
ELECTRIC COMPANY
BILATERAL CONTRACT
EVALUATION

ADVICE LETTER REPORT OF THE
INDEPENDENT EVALUATOR ON AMENDED
CONTRACTS WITH SUNSHINE GAS
PRODUCERS, LLC AND POTRERO HILLS
ENERGY PRODUCERS, LLC

APRIL 12, 2011

SUMMARY

This report provides an independent opinion about amendments to contracts between Pacific Gas and Electric Company (“PG&E”) and two project subsidiaries of DTE Energy (“DTE”) for the output of two proposed landfill gas-fueled generators. The two subsidiaries¹ are Sunshine Gas Producers, LLC (“Sunshine”) and Potrero Hills Energy Producers, LLC (“Potrero”), which propose to develop, construct, and operate facilities in Los Angeles County and Solano County, respectively. An independent evaluator (“IE”), Arroyo Seco Consulting (“Arroyo”) had prepared and submitted IE reports to accompany PG&E’s advice letter filing for those contracts.² In those prior IE reports Arroyo had expressed an opinion that these two contracts merited California Public Utilities Commission (“CPUC”) approval, based on their moderate to high value, low to moderate price, moderate project viability, moderate portfolio fit, and ability to contribute to long-term Renewables Portfolio Standard (RPS) goals.

Arroyo has reviewed the proposed execution versions of amendments to those two Power Purchase Agreements with Sunshine and Potrero, and has updated its prior analyses of the projects against the evaluation criteria used by the utility in selecting proposals in competitive solicitations. The major findings are:

- Arroyo did not directly observe the project-specific negotiations, but was contemporaneously briefed on them by the PG&E team and has reviewed correspondence between the parties including draft contract amendments; based on that, the IE believes that negotiations were conducted in a manner fair to ratepayers and competing developers;
- Some of the changes made by these contract amendments are beneficial to ratepayers. The most significant changes provide a financial remedy for the project companies to compensate ratepayers rather than to undergo an event of default that would lead to early termination of a contract, under certain circumstances. Arroyo’s opinion is that this change is beneficial to ratepayers.
- In an updated comparison, the amended contracts still rank attractively in comparison to competing proposals; Arroyo’s opinion is that:

¹ The Sunshine project company is 50/50 co-owned by DTE Biomass Energy Inc. and Landfill Energy Systems, LLC, which itself is co-owned by Energy Investors Fund (through its United States Power Fund III L.P. private equity vehicle for investors) and Enpower Corp. The DTE Biomass Energy team played the lead role in negotiating the Sunshine contract and for brevity the counterparty will be referred to in this appendix as DTE.

² Arroyo Seco Consulting, “Pacific Gas and Electric Company Bilateral Contract Evaluation: Advice Letter Report of the Independent Evaluator on the Agreements with Sunshine Gas Producers, LLC and Potrero Hills Energy Producers, LLC”, February 24, 2010. Arroyo refers the reader to the discussion in these two prior reports for required content regarding the role of the independent evaluator, the adequacy of PG&E’s outreach in its 2009 RPS solicitation, the fairness of PG&E’s evaluation methodology, and the fairness with which PG&E administered its methodology.

- The net valuation of both contracts as amended rank as moderate to high in net valuation compared to competing alternatives available to PG&E.
- The contract prices rank as moderate.
- The fit of both these resources with PG&E's supply portfolio will rank as moderate.
- The project viability of the Sunshine project ranks as moderate. The project viability of the Potrero Hills project now ranks high, as the project has made progress in its interconnection and permitting processes.
- Both projects will contribute to RPS Goals, with contributions, in particular, towards compliance with the biomass goal set by Executive Order S-06-06.

On that basis, Arroyo's opinion is that the contract amendments to the PPAs with Potrero and Sunshine merit CPUC approval.

Details of the analyses and narratives that underlie this opinion may be found in the confidential appendix to this report.

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

AT&T	Dept of General Services	Northern California Power Association
Alcantar & Kahl LLP	Douglass & Liddell	Occidental Energy Marketing, Inc.
Ameresco	Downey & Brand	OnGrid Solar
Anderson & Poole	Duke Energy	Praxair
Arizona Public Service Company	Dutcher, John	R. W. Beck & Associates
BART	Economic Sciences Corporation	RCS, Inc.
Barkovich & Yap, Inc.	Ellison Schneider & Harris LLP	Recurrent Energy
Bartle Wells Associates	Foster Farms	SCD Energy Solutions
Bloomberg	G. A. Krause & Assoc.	SCE
Bloomberg New Energy Finance	GLJ Publications	SMUD
Boston Properties	GenOn Energy, Inc.	SPURR
	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
Braun Blaising McLaughlin, P.C.	Green Power Institute	Santa Fe Jets
Brookfield Renewable Power	Hanna & Morton	Seattle City Light
CA Bldg Industry Association	Hitachi	Sempra Utilities
CLECA Law Office	In House Energy	Sierra Pacific Power Company
CSC Energy Services	International Power Technology	Silicon Valley Power
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Silo Energy LLC
California Energy Commission	Lawrence Berkeley National Lab	Southern California Edison Company
California League of Food Processors	Los Angeles Dept of Water & Power	Spark Energy, L.P.
California Public Utilities Commission	Luce, Forward, Hamilton & Scripps LLP	Sun Light & Power
Calpine	MAC Lighting Consulting	Sunshine Design
Cardinal Cogen	MBMC, Inc.	Sutherland, Asbill & Brennan
Casner, Steve	MRW & Associates	Tabors Caramanis & Associates
Chris, King	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto	McKenzie & Associates	Tiger Natural Gas, Inc.
City of Palo Alto Utilities	Merced Irrigation District	TransCanada
Clean Energy Fuels	Modesto Irrigation District	Turlock Irrigation District
Coast Economic Consulting	Morgan Stanley	United Cogen
Commercial Energy	Morrison & Foerster	Utility Cost Management
Consumer Federation of California	NLine Energy, Inc.	Utility Specialists
Crossborder Energy	NRG West	Verizon
Davis Wright Tremaine LLP	Navigant Consulting	Wellhead Electric Company
Day Carter Murphy	Norris & Wong Associates	Western Manufactured Housing Communities Association (WMA)
		eMeter Corporation
Defense Energy Support Center	North America Power Partners	
Department of Water Resources	North Coast SolarResources	