

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 8, 2011

Advice Letter 3668-E

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

**Subject: Amended and Restated Power Purchase Agreement for
Procurement of Eligible Renewable Energy Resources
Between Bottle Rock Power LLC, and PG&E Company**

Dear Ms. Yura:

Advice Letter 3668-E is effective January 27, 2011 per Resolution E-4384.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



May 20, 2010

Advice 3668-E
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: Amended and Restated Power Purchase Agreement for Procurement of Eligible Renewable Energy Resources between Bottle Rock Power LLC, and Pacific Gas and Electric Company

I. INTRODUCTION

A. Purpose and Overview

Pacific Gas and Electric Company (“PG&E”) seeks California Public Utilities Commission (“Commission”) approval of an amended and restated power purchase agreement (“Amended and Restated PPA”) between Bottle Rock Power LLC (“Bottle Rock”), and PG&E. The Amended and Restated PPA amends the original PPA (“Existing PPA”) between the parties that was approved by the Commission on October 5, 2006. PG&E requests that the Commission issue a resolution no later than December 2, 2010, approving the Amended and Restated PPA and containing the findings as set forth in Section VI below.

B. General Project Description

The Existing PPA with Bottle Rock resulted from PG&E’s 2005 RPS Solicitation and is for a 55 megawatt (“MW”) geothermal facility located in Lake County, California. PG&E filed the Existing PPA for Commission approval on May 15, 2006, in Advice Letter 2827-E and the Commission approved it without modification on October 5, 2006, in Resolution E-4021.

On October 9, 2007, PG&E filed an amendment to the Existing PPA (“First Amendment”) in Advice Letter 3131-E. The First Amendment changed the guaranteed project online date from July 31, 2007, to October 1, 2007, and reduced the initial minimum capacity from 14.45 MW to 10 MW. In addition, the First Amendment set a milestone of December 31, 2007, to achieve a capacity of 14.45 MW. One year later, a

second milestone of December 31, 2008, was set for the Project to reach 16.15 MW. Advice Letter 3131-E was approved by letter on December 18, 2007.

When the Existing PPA was executed, Bottle Rock was wholly owned by US Renewable Group (“USRG”). In August 2006, Riverstone Holdings acquired a significant stake in Bottle Rock from USRG.

The Amended and Restated PPA modifies the Existing PPA’s: (1) pricing terms for deliveries above the required minimum deliveries; (2) project development security; (3) delivery term security; (4) minimum contract capacity; and (5) delivery term. Most importantly, as discussed in Confidential Appendix D, the Amended and Restated PPA has the potential to increase deliveries of Renewable Portfolio Standard (“RPS”)-eligible energy through development of additional steam wells. Given the challenges facing PG&E and California’s other utilities in meeting the state’s ambitious RPS goals, the Amended and Restated PPA is reasonable and should be approved by the Commission.

The following table summarizes the substantive features of the Project:

Project Name	Bottle Rock Power LLC
Owner/Developer	Bottle Rock Power LLC
Technology	Baseload Geothermal
Capacity (MW)	50.5 MW
Capacity Factor	Approximately 95%
Expected Generation (GWh/Year)	Minimum contract quantity is 125 GWh Maximum contract quantity is 420 GWh
Initial Commercial Operational Date (COD)	The Project is currently operating. The new contract quantity becomes effective 30 months after CPUC approval upon proven increase in quantity.
Date Contract Delivery Term Begins	See COD above
Delivery Term (Years)	15 years
Vintage (New / Existing / Repower)	Existing
Location (City and State)	Lake County, California
Control Area (e.g., California Independent System Operator (“CAISO”), Bonneville Power Administration (“BPA”))	CAISO

Nearest Competitive Renewable Energy Zone (CREZ) as identified by the Renewable Energy Transmission Initiative (RETI)	Not Applicable
Type of cooling, if applicable	Not Applicable
Price relative to MPR (i.e., above/below)	Exceeds the applicable 2009 MPR for a project coming online in 2013. Cost information is discussed in further detail in Confidential Appendix D.

C. General Description of the Amended and Restated PPA

As discussed above, the Amended and Restated PPA addresses changed facts and circumstances relating to the development of the Project. It provides for the following modifications to the Existing PPA:

1. An increase in the Contract Price for deliveries above the Existing PPA minimum.
2. An increase in the delivery term of the Existing PPA to 15 years.
3. An increase in project development security and delivery term security.
4. A lower minimum contract capacity from the Existing PPA.

As discussed in Confidential Appendix D, other modifications were made to the Contract Quantity and scheduling terms, and a new provision was added to facilitate future development of additional capacity. In addition, the Amended and Restated PPA includes changes necessary to incorporate the Commission's new standard terms and conditions set forth in Decision ("D.") 10-03-021. Except for the modifications described above and in Confidential Appendix D, no other major provisions of the Existing PPA have been modified or changed.

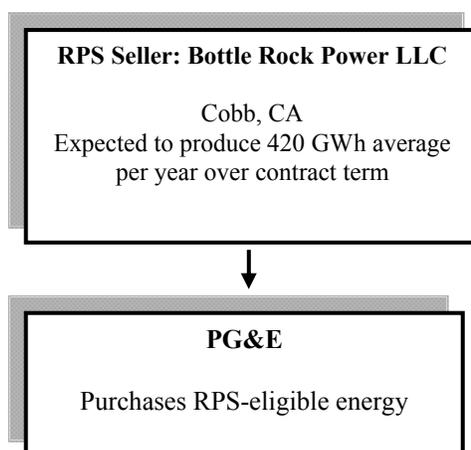
Under the Amended and Restated PPA, deliveries from the geothermal facility are expected to increase from the current 12 MW up to 50.5 MW of capacity starting 30 months from Commission approval of the Amended and Restated PPA. These additional deliveries will contribute significantly towards PG&E's RPS goals. When the new contract quantity becomes operational in 2013, the Project is expected to deliver up to 420 GWh per year over the Amended and Restated PPA's delivery term.

D. General Deal Structure

The Project is the 50.5 MW contract executed as a result of PG&E's 2005 RPS Solicitation. Bottle Rock Power LLC is owned by USRG and Riverstone Holdings. As discussed above, the Project is already interconnected to the California Independent System Operator ("CAISO"). PG&E will become the scheduling coordinator. There is no firming and shaping associated with this deal.

The figure below depicts the delivery structure of the Bottle Rock transaction:

Figure 1: Amended and Restated PPA Delivery Structure



E. RPS Statutory Goals

Senate Bill ("SB") 1078 established the California RPS Program, requiring an electrical corporation to increase its use of eligible renewable energy resources to 20 percent of total retail sales no later than December 31, 2017. The legislature subsequently accelerated the RPS goal to reach 20 percent by the end of 2010. In addition, California is actively considering increasing its renewable goals beyond the current 20 percent renewable energy target. Governor Schwarzenegger's Executive Order issued in November 2008 describes a new target for California of 33 percent renewable energy by 2020, and his executive order issued in September 2009 directs the California Air Resources Board to adopt a regulation consistent with this 33 percent target by July 31, 2010. Finally, the California Air Resources Board's Scoping Plan, adopted in December 2008, identifies an increase in the renewables target to 33 percent by 2020 as a key measure for reducing greenhouse gas emissions and meeting California's climate change goals.

The Project is currently operational, and the new contract quantity will become operational 30 months after Commission approval. Therefore, the Amended and Restated PPA will contribute to PG&E's 20-percent-by-2010 RPS goal. The Amended and Restated PPA will also contribute to PG&E's longer-term RPS goals.

F. Confidentiality

In support of this Advice Letter, PG&E has provided the confidential information listed under Section V.C, "Request for Confidential Treatment," below. This information includes the Amended and Restated 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 under either the terms of the IOU Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023, or General Order 66-C. A separate Declaration Seeking Confidential Treatment is being filed concurrently with this Advice Letter.

II. CONSISTENCY WITH COMMISSION DECISIONS

A. Compliance with Resolution E-4199

In Resolution E-4199, the Commission set forth eligibility criteria and guidelines for approving requests for above-market costs of renewable energy contracts negotiated through competitive solicitations. As part of this Resolution, the Commission established standard information that the investor-owned utilities, developers, and Independent Evaluators ("IE") must provide when submitting amendments that affect the contract price of an approved contract.

The Amended and Restated PPA affects the price of the Project and thus falls under the requirements set forth in Resolution E-4199. These requirements are addressed to the extent possible in the public portion of this Advice Letter, and are further addressed in the Confidential Appendices and via separate submission as detailed in the table below:

Requirement	Refer To
<i>The IOU should:</i>	
<ul style="list-style-type: none"> Compare the amended contract against the most recently approved set of MPRs and the time of delivery ("TOD") factors associated with that solicitation year 	Appendix B Appendix D
<ul style="list-style-type: none"> Re-evaluate the competitiveness of the amended project as compared to the projects that the IOU is negotiating and to 	Appendix A Appendix B

the IOU's most recent shortlist, and provide a sufficient showing in the advice letter that the amended contract is competitive based on current market data	Appendix D
<ul style="list-style-type: none"> • Explain why the contract change is needed • Provide all relevant data to justify the change 	Appendix D
<i>The Developer must:</i>	
<ul style="list-style-type: none"> • Provide the Commission and the IE with the original cash flow model, reflecting the price in the original contract • Provide the Commission and the IE with the latest cash flow model, reflecting the price in the amended contract 	Under separate cover
<i>The confidential IE report must, at a minimum, include its:</i>	
<ul style="list-style-type: none"> • Evaluation of the new price based on the project's market valuation as compared to the bids in the IOU's most recent solicitation • Review of the cash flow model • Evaluation of the change in model inputs 	Appendix C

1. The Increase in the Contract Price is Justified

PG&E performed due diligence on Bottle Rock's requested changes when PG&E and Bottle Rock negotiated the Amended and Restated PPA. As Contract Price was one of the amended terms, PG&E used the guidance provided in Resolution E-4199 as a framework for evaluating the amended price. Bottle Rock provided, and PG&E reviewed, the original Project cost assumptions developed by Bottle Rock, the changes to the assumptions made by Bottle Rock, the cash flow models associated with Bottle Rock assumptions, and additional supporting documentation for Project costs and timelines. Confidential Appendix D contains a thorough explanation of the changes in assumptions and resulting price implications.

Based on the review of the cash flow models, supporting information provided by Bottle Rock, and due diligence on cost assumptions, PG&E concluded that the price increase is justified.

2. The Amended and Restated PPA is Competitive as Compared to Current Market Data

The Amended and Restated PPA is competitive with projects that were shortlisted in the 2009 RPS Solicitation. Additional information on the comparison of the Amended and Restated PPA against current market data is provided in the Confidential Appendices to this Advice Letter.

B. Consistency with PG&E's Adopted RPS Procurement Plan

The Existing PPA was submitted as part of the 2005 Request for Offers ("RFO") and was subsequently executed and filed in 2006. As the Amended and Restated PPA was recently executed, it is being compared to the 2009 RFO.

PG&E's 2009 Renewable Procurement Plan ("2009 Plan") was conditionally approved in D.09-06-018 on June 4, 2009. As required by statute, the 2009 Plan included 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 setting forth the need for renewable generation of various operational characteristics.¹

The goal of PG&E's 2009 Plan was to procure approximately one to two percent of its retail sales volume, or between 800 GWh and 1,600 GWh per year. With expected incremental RPS-eligible energy deliveries, the Amended and Restated PPA meets the criteria for the renewables procurement contained in the 2009 Plan. Projects capable of providing actual deliveries in the near-term are especially valuable to PG&E. Additionally, the Amended and Restated PPA will contribute to PG&E's longer-term RPS goals.

The Amended and Restated PPA is also consistent with PG&E's approved 2009 Plan because its evaluation was consistent with the review protocol in the 2009 RPS Solicitation, including portfolio fit, viability, and market valuation.

C. Consistency with Commission Guidelines for Bilateral Contracting

Because the Amended and Restated PPA is a result of the 2005 RPS Solicitation, this section is not applicable.

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

The RPS statute requires PG&E to procure the "least-cost best-fit" ("LCBF") eligible renewable resources.² The LCBF decision directs the utilities to use certain criteria in their bid ranking³ and offers guidance regarding the process by which the utility ranks

¹ Pub. Util. Code § 399.14(a)(3).

² Pub. Util. Code § 399.14(a)(2)(B).

³ D.04-07-029.

bids in order to select or “shortlist” the bids with which it will commence negotiations. PG&E’s approved process for identifying the LCBF renewable resources 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.

PG&E examined the reasonableness of the Amended and Restated PPA using the same comparison tools used with other RPS transactions received in the 2009 RPS Solicitation and with bilaterals currently being offered to PG&E. The general finding is that this Project is reasonably priced. A more detailed discussion of PG&E’s evaluation of the Amended and Restated PPA is provided in Confidential Appendices A and D.

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 Amended and Restated PPA is addressed in Confidential Appendix A.

2. Portfolio Fit

Portfolio fit considers how well an offer’s features match PG&E’s portfolio needs. As part of the portfolio fit assessment, PG&E differentiates offers by the firmness of their energy delivery and by their energy delivery patterns. A higher portfolio fit measure is assigned to the energy that PG&E is sure to receive and fits the needs of the existing portfolio. As the Project is a baseload geothermal facility, which is easier to meet demand loads than intermittent renewable resources are, the portfolio fit is good. The Project is also located in Northern California, provides local resource adequacy benefits and is already interconnected to the CAISO grid. Thus, the Amended and Restated PPA fits PG&E’s portfolio in a satisfactory manner.

3. Consistency with the Transmission Ranking Cost Decision

No transmission cost adders were used in the evaluation of the Project as the Project is an existing facility.

4. Consistent Application of TODs

The price for the power under the Amended and Restated PPA is not subject to Time of Delivery (“TOD”) adjustments.

5. Qualitative Factors

PG&E considered qualitative factors as required by D.04-07-029 and D.07-02-011 when evaluating the Amended and Restated PPA, including developer experience, existing facility status, resource availability, environmental stewardship, and resource diversity. The Project provides local resource adequacy in the North Coast/North Bay region.

E. Compliance with Standard Terms and Conditions

The Commission set forth standard terms and conditions to be incorporated into contracts for the purchase of electricity from eligible renewable energy resources in D.04-06-014 and D.07-02-011, as modified by D.07-05-057 and D.07-11-025. These terms and conditions were compiled and published in D.08-04-009. Additionally, the non-modifiable term related to Green Attributes was finalized in D.08-08-028 and the non-modifiable terms related to Tradable Renewable Energy Credits (“TRECs”) were finalized in D.10-03-021.

The non-modifiable terms in the Amended and Restated 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, as modified by D.08-08-028 and by Appendix C of D.10-03-021. These terms may be found on the following pages of the Amended and Restated PPA:

Non-Modifiable Term	Section No.	Page No.
STC 1: CPUC Approval	1.28	3
STC 2: Renewable Energy Credits (“RECs”) and Green Attributes		
• Definition of Green Attributes	1.65	7–8
• Conveyance of Green Attributes	3.2	19

STC 6: Eligibility	10.2(b)	40
STC 17: Applicable Law	10.12	46
STC REC-1 Transfer of renewable energy credits	10.2(b)	40
STC REC-2 Tracking of RECs in WREGIS	3.1(k)(viii)	19

The Project interconnects directly with the CAISO. Therefore, the Amended and Restated PPA does not include the non-modifiable terms intended for REC-only contracts.

The terms in the Amended and Restated PPA that correspond to the “modifiable” standard terms and conditions drafted in D.07-11-025 and D.08-04-009 have been modified based upon mutual agreement reached during negotiations. Comparison of the modifiable terms in the Amended and Restated PPA against the modifiable terms in PG&E’s 2009 RPS PPA form in the Solicitation Protocol dated June 29, 2009, is provided in Confidential Appendix E.

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

F. Consistency with Unbundled Renewable Energy Credit Transactions

The Amended and Restated PPA is for the purchase of bundled RPS-eligible energy and therefore does not include the purchase of unbundled renewable energy credits.

G. Consistency with Minimum Quantity Decision

In D.07-05-028, the Commission determined that in order to count energy deliveries from short-term contracts with existing facilities toward RPS goals, RPS-obligated load-serving entities must contract for deliveries equal to at least 0.25 percent of their prior year’s retail sales through long-term contracts or through short-term contracts with new facilities.

The Amended and Restated PPA is a long-term contract executed in 2010 and thus counts toward PG&E’s contracting obligation under D.07-05-028. PG&E expects that, in 2010, it will be in compliance with the minimum quantity set forth in D.07-05-028.

H. Tier 2 Short-Term Contract “Fast Track” Process

PG&E is not submitting this contract under the “Fast Track” Process.

I. Market Price Referent

The actual price under the Amended and Restated PPA is confidential, market-sensitive information. As the Amended and Restated PPA involves an increase in the contract price, it is appropriate to compare the amended price with the most recently approved market price referent (“MPR”) and the TOD factors associated with that solicitation year,⁴ which are the 2009 MPR established in Resolution E-4298 on December 17, 2009 and PG&E’s 2009 TOD factors. While there are no TOD factors in the Amended and Restated PPA, the price under the Amended and Restated PPA is above the applicable 2009 MPR. Total cost information is discussed in Confidential Appendices A and D.

J. Above-Market Funds

Because the Amended and Restated PPA is a long-term contract for a bundled renewable energy product from a repowered facility that was selected through PG&E’s competitive solicitation, the Amended and Restated PPA is consistent with SB 1036 and is eligible for above-market funds (“AMF”). However, although the Amended and Restated PPA is technically eligible for AMF, PG&E was notified by the CPUC on May 28, 2009, that PG&E had exhausted its portion of the AMF available for contract payments that are above the MPR. Since exhausting its AMF, PG&E has continued to voluntarily procure renewables that are priced above the MPR, subject to Commission approval and a finding that the procurement is just and reasonable and fully recoverable in rates. PG&E is proposing to voluntarily procure this above-MPR renewable energy pursuant to Public Utilities Code section 399.15(d)(4). PG&E’s AMF analysis is included in Confidential Appendix D.

⁴ See Resolution E-4199 at 36 (“Contracts re-filed for approval of a price amendment should be compared against the most recently approved set of MPRs and the TODs associated with that solicitation year.”)

K. Compliance with Interim Emissions Performance Standard

In D.07-01-039, the Commission adopted an Emissions Performance Standard (“EPS”) that applies to new and renewal contracts for a term of five or more years for baseload generation with an annualized plant capacity factor of at least 60 percent. D.07-01-039 determined that certain renewable resources and technologies are pre-approved as EPS-compliant. This includes facilities like Bottle Rock, which fall within the following categories:

“Based on the record in this proceeding, it is reasonable to make an upfront determination that the following renewable resources and technologies are EPS-compliant:

- (a) Solar Thermal Electric (with up to 25% gas heat input)
- (b) Wind
- (c) Geothermal, with or without reinjection
- (d) Generating facilities (e.g., agricultural and wood waste, landfill gas) using biomass that would otherwise be disposed of utilizing open burning, forest accumulation, landfill (uncontrolled, gas collection with flare, gas collection with engine), spreading or composting.”⁵

L. Procurement Review Group Participation

The Procurement Review Group (“PRG”) for PG&E includes the Commission’s Energy Division and Division of Ratepayer Advocates, Union of Concerned Scientists (“UCS”), The Utility Reform Network (“TURN”), the California Utility Employees (“CUE”), and Jan Reid, as a PG&E ratepayer.⁶ The Amended and Restated PPA was discussed at meetings on August 14, 2009; December 15, 2009; February 12, 2010; and April 9, 2010.

M. Independent Evaluator

The Independent Evaluator (“IE”) for this Amended and Restated PPA, Sedway Consulting, Inc., evaluated the PPA. The findings of the IE are contained in Confidential Appendices A and C and Public Appendix H.

⁵ D.07-01-039 at 18 and Conclusions of Law 35(c).

⁶ The California Division of Water Resources (“DWR”) also participated in PG&E’s PRG during the period when the Amended and Restated PPA was discussed. However, as of January 14, 2010, DWR no longer participates in the RPS portions of the PRG meetings and does not receive information on PG&E’s RPS activities.

III. PROJECT DEVELOPMENT STATUS

A. Company / Development Team

Bottle Rock is a partnership between USRG and Riverstone Holdings. Beginning in 2006, Bottle Rock underwent a comprehensive refurbishment, contracting, and permitting process. Bottle Rock satisfied all protection testing with PG&E and was synchronized to the grid in April 2007. Bottle Rock achieved commercial operations under its Existing PPA in October 2007. This same team has been operating the Project since it was restarted in 2007.

B. Technology

1. Technology Type and Level of Technology Maturity

Bottle Rock uses a well known and proven geothermal generation technology and has been in operation since 1985 and was repowered in 2007. This is a mature technology.

2. Quality of Renewable Resource

Bottle Rock is in a known geothermal area, located at The Geysers Geothermal Field, and has been in production for several decades. Further, the Project is expected to increase deliveries of RPS eligible energy through development of additional steam wells.

3. Other Resources Required

No other resources required.

C. Development Milestones

Additional discussion in Confidential Appendix A.

1. Site Control

Bottle Rock holds a geothermal lease with the Bureau of Land Management ("BLM").

2. Equipment Procurement

Bottle Rock will not need to acquire major Engineering, Procurement, and Construction ("EPC") equipment to complete its plan.

3. Permitting / Certification Status

The following table summarizes key, non-confidential permits, agreements and licenses PG&E is currently aware of that may be necessary for the construction of new wells and operation of the generation facility:

Permit and Lease Table		
Name of Permit or Lease Required	Public or Private	Agency
Conditional Use Permit	Public	Lake County
Petition to Amend	Public	CEC
Geothermal Resource Lease	Public	BLM

4. Production Tax Credit / Investment Tax Credit

Bottle Rock has informed PG&E that it is eligible for and will apply for production tax credits (“PTC”).

5. Transmission

The Project is operational and interconnected to the CAISO.

D. Financing Plan

Bottle Rock’s financing plans are confidential and described in Confidential Appendix D.

IV. CONTINGENCIES AND/OR PROJECT MILESTONES

The Amended and Restated PPA includes certain performance criteria and milestones that PG&E includes in its form RPS PPA contract. These and other contingencies and milestones are addressed in Confidential Appendices A and D.

V. REGULATORY PROCESS

A. Requested Effective Date

PG&E requests that the Commission issue a resolution approving this advice filing no later than December 2, 2010. Justification for this date is provided in Confidential Appendix D.

B. Earmarking

PG&E reserves the right to earmark deliveries from this Amended and Restated PPA.

C. Request for Confidential Treatment

In support of this Advice Letter, PG&E has provided the following confidential information, including the Amended and Restated PPA and other information that more specifically describes the rights and obligations of the parties. PG&E is submitting this information 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 under either the terms of the IOU Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023, or General Order 66-C. A separate Declaration Seeking Confidential Treatment regarding the confidential information is being filed concurrently with this Advice Letter.

Confidential Attachments:

Appendix A – Consistency with Commission Decisions and Rules and Project Development Status

Appendix B – 2009 Solicitation Overview

Appendix C – Independent Evaluator Report (Confidential)

Appendix D – Contract Summary

Appendix E – Comparison of Contract with Utility's Pro Forma Power Purchase Agreement

Appendix F – Amended and Restated Power Purchase Amendment

Appendix G – Project's Contribution Toward RPS Goals

Public Attachment:

Appendix H – Independent Evaluator Report (Public)

VI. REQUEST FOR COMMISSION APPROVAL

PG&E requests that the Commission issue a resolution no later than **December 2, 2010**, that:

1. Approves the Amended and Restated PPA in its entirety, including payments to be made by PG&E pursuant to the Amended and Restated PPA, subject to the Commission's review of PG&E's administration of the Amended and Restated PPA.
2. Finds that any procurement pursuant to the Amended and Restated 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"), 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 Amended and Restated PPA shall be recovered in rates.
4. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
 - a. The Amended and Restated PPA is consistent with PG&E's 2009 RPS procurement plan.
 - b. The terms of the Amended and Restated PPA, including price of delivered energy, are reasonable.
5. Adopts the following finding of fact and conclusion of law in support of cost recovery for the Amended and Restated PPA:
 - a. The utility's costs under the Amended and Restated PPA shall be recovered through PG&E's Energy Resource Recovery Account.
 - b. Any stranded costs that may arise from the Amended and Restated 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 addressed in D.08-09-012.

6. Adopts the following findings with respect to resource compliance with the Emissions Performance Standard (“EPS”) adopted in R.06-04-009:
 - a. The Amended and Restated PPA is pre-approved as meeting the EPS because it is for an existing geothermal facility covered by Conclusion of Law 35(c) of D.07-01-039.

Protests:

Anyone wishing to protest this filing may do so by sending a letter by **June 9, 2010**, 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 Gatchalian, 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: Jane Yura
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

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

Effective Date:

PG&E requests that the Commission issue a resolution approving this advice filing no later than **December 2, 2010**.

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.08-08-009, R.06-02-012 and R.08-02-007. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also received the Advice Letter and accompanying confidential attachments by overnight mail. Address changes and electronic approvals should be directed to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Vice President – Regulation and Rates

cc: 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 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 – Consistency with Commission Decisions and Rules and Project Development Status

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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) #: **3668-E**

Tier: **3**

Subject of AL: **Amended and Restated Power Purchase Agreement for Procurement of Eligible Renewable Energy Resources Between Bottle Rock Power LLC and Pacific Gas and Electric Company**

Keywords (choose from CPUC listing): Contracts, Portfolios

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: Heather Kellman (415) 973-2922

Resolution Required? Yes No

Requested effective date: **December 2, 2010**

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 HEATHER L. KELLMAN
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN ADVICE LETTER
3668-E
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Heather L. Kellman, declare:

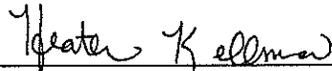
1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee since 2008. I am a MBA Associate, and have been working as a Principal within PG&E's Energy Procurement Department. In this position, my responsibilities include negotiating PG&E's Renewables Portfolio 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, C, D, E, F, and G to Advice Letter 3668-E submitted on May 20, 2010. By this Advice Letter, PG&E is seeking this Commission's approval of an amended and restated power purchase agreement that PG&E has executed with Bottle Rock Power 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, to the best of my knowledge, the foregoing is true and correct. Executed on May 20, 2010 at San Francisco, California.



Heather L. Kellman

		PACIFIC GAS AND ELECTRIC COMPANY Advice Letter 3668-E May 20, 2010		IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-08-066 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.06-066 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 3668-E	Y	Item VII F) Renewable Resource Contracts under RPS program - Contract with SEPs. Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids. General Order 66-C.	Y	Y	Y	This Appendix contains bid information and evaluation from the 2009 Solicitation; discusses, analyzes, and evaluates the Project and the terms of the PPA; and contains confidential information of the counterparties. Disclosure of this information would provide valuable market sensitive information to competitors. Since negotiations are still in process with bidders for 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. Finally, this information has been obtained in confidence from the counterparties under an expectation of confidentiality. It is in the public interest to treat such information as confidential because if such information were made public, it would put the counterparties at a business disadvantage, could create a disincentive to do business with PG&E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparties.	For information covered under Item VIII F) and Item VII, remain confidential for three years. 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. For information covered by General Order 66-C, remain confidential.
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 evaluation from the 2009 Solicitation. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, offers from the 2005, 2006, 2007, 2008, and 2009 solicitations and offers received outside of those 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 bid information and evaluation from the 2009 Solicitation. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, offers from the 2005, 2006, 2007, 2008, and 2009 solicitations and offers received outside of those 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.

Redaction Reference	1) The material submitted substitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-06s 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)	PG&E's Justification for Confidential Treatment	Length of Time
4 Appendix C	Y	Item VII F) Renewable Resource Contracts under RPS program - Contracts with SEPs. Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids. General Order 66-C.	Y	Y	Y	This Appendix contains bid information and bid evaluations from the 2009 Solicitation; discusses, analyzes and evaluates the Project and the terms of the PPA; contains confidential information of the counterparties; and contains analyses and evaluations of project viability. 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, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Finally, this information has been obtained in confidence from the counterparties under an expectation of confidentiality. It is in the public interest to treat such information as confidential because if such information were made public, it would put the counterparties at a business disadvantage, could create a disincentive to do business with PG&E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparties.	For information covered under Item VII F) and Item VII, remain confidential for three years. 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. For information covered by General Order 66-C, remain confidential.
5 Appendix D	Y	Item VII F) Renewable Resource Contracts under RPS program - Contracts with SEPs. Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids. General Order 66-C.	Y	Y	Y	This Appendix contains bid information and evaluation from the 2009 Solicitation; discusses, analyzes, and evaluates the Project and the terms of the PPA; and contains confidential information of the counterparties. 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, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparties to the PPA have an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA.	For information covered under Item VII F) and Item VII, remain confidential for three years. 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. For information covered by General Order 66-C, remain confidential.
Appendix E		Item VII F) Renewable Resource Contracts under RPS program - Contracts with SEPs.	Y	Y	Y	This Appendix contains the 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, 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 counterparties to the PPA have an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA.	Remain confidential for three years.

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
7 Appendix F	Y	Item VII (F) Renewable Resource Contracts under RPS program - Contracts with 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, 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 counterparties to the PPA have an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA.	Remain confidential for three years.
8 Appendix G	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, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information 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	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	Douglass & Liddell	R. W. Beck & Associates
Barkovich & Yap, Inc.	Downey & Brand	RCS, Inc.
Bartle Wells Associates	Duke Energy	Recon Research
Bloomberg New Energy Finance	Dutcher, John	SCD Energy Solutions
Boston Properties	Economic Sciences Corporation	SCE
C & H Sugar Co.	Ellison Schneider & Harris LLP	SMUD
CA Bldg Industry Association	Foster Farms	SPURR
CAISO	G. A. Krause & Assoc.	Santa Fe Jets
CLECA Law Office	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
CSC Energy Services	Green Power Institute	Sierra Pacific Power Company
California Cotton Ginners & Growers Assn	Hanna & Morton	Silicon Valley Power
California Energy Commission	Hitachi	Silo Energy LLC
California League of Food Processors	International Power Technology	Southern California Edison Company
California Public Utilities Commission	Intestate Gas Services, Inc.	Sunshine Design
Calpine	Los Angeles Dept of Water & Power	Sutherland, Asbill & Brennan
Cameron McKenna	Luce, Forward, Hamilton & Scripps LLP	Tabors Caramanis & Associates
Cardinal Cogen	MAC Lighting Consulting	Tecogen, Inc.
Casner, Steve	MBMC, Inc.	Tiger Natural Gas, Inc.
Chris, King	MRW & Associates	Tioga Energy
City of Glendale	Manatt Phelps Phillips	TransCanada
City of Palo Alto	McKenzie & Associates	Turlock Irrigation District
Clean Energy Fuels	Merced Irrigation District	U S Borax, Inc.
Coast Economic Consulting	Mirant	United Cogen
Commerce Energy	Modesto Irrigation District	Utility Cost Management
Commercial Energy	Morgan Stanley	Utility Specialists
Consumer Federation of California	Morrison & Foerster	Verizon
Crossborder Energy	NRG West	Wellhead Electric Company
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	Western Manufactured Housing Communities Association (WMA)
	Norris & Wong Associates	eMeter Corporation