

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



June 7, 2011

**Advice Letters 3705-E and 3705-E-A**

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: Restructuring Advice Letter Filing for Amendment to Power Purchase Agreement between ENXCO Wind Farm, Inc., and PG&E Company and Supplemental Filing**

Dear Ms. Yura:

Advice Letters 3705-E and 3705-E-A are effective March 10, 2011 per Resolution E-4389.

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

March 1, 2011

**Advice 3705-E-A**  
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

**Subject: Supplemental Filing for Amendment to Power Purchase Agreement  
Between ENXCO Wind Farm, Inc., and Pacific Gas and Electric  
Company**

Pacific Gas and Electric Company (“PG&E”) hereby submits to the California Public Utilities Commission (“Commission” or “CPUC”) a supplemental filing for Advice Letter 3705-E (“Advice Letter”) dated July 12, 2010.<sup>1</sup>

PG&E previously filed Appendix G to Advice Letter 3705-E, “Customer Benefits Analysis” confidentially. PG&E now makes publicly available a redacted version of this Appendix, which includes the total estimated customer savings amount of \$2,779,791.

PG&E also is making Appendices B2, B3, and B4 from Advice Letter 3705-E publicly available. These Appendices contain prior Amendments to the Power Purchase Agreement (“PPA”) and were inadvertently filed confidentially in Advice Letter 3705-E. The 3-year protected period for these Appendices began upon the initiation of deliveries under each amendment. Deliveries began in 1989 under the First and Second Amendment, and in 2006 under the Third Amendment, thus the amendments are no longer confidential. PG&E wishes to delete Appendices B2, B3, and B4 from the confidentiality declaration that accompanied AL 3705-E.

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<sup>1</sup> Supplements to Advice Letters are authorized by General Order 96-B, Section 7.5.1. Due to the limited scope of PG&E’s supplemental information, this filing should not re-open the protest period or delay the effective date of the advice letter.

**Effective Date**

PG&E requests that this supplemental filing become effective concurrent with Advice Letter 3705-E.

**Protests**

The protest and comment period for the Agreement should not be re-opened due to the limited scope of this update.

**Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.08-08-009, R.06-02-012, and R.08-02-007. 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>.

Handwritten signature of Jane Yura in cursive, with a vertical line and the word "Vice" written below it.

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

Appendix A – Redacted Version of Customer Benefits Analysis (Appendix G to Advice Letter 3705-E)

Appendix B1 – First Amendment to PPA (Appendix B2 to AL 3705-E)

Appendix B2 – Second Amendment to PPA (Appendix B3 to AL 3705-E)

Appendix B3 – Third Amendment to PPA (Appendix B4 to AL 3705-E)

Attachments

# 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) #: **3705-E-A**

Tier: **3**

Subject of AL: **Supplemental Filing for Amendment to Power Purchase Agreement Between ENXCO Wind Farm, Inc., and Pacific Gas and Electric Company**

Keywords (choose from CPUC listing): Contracts, Compliance

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<sup>1</sup>: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: **Upon Commission Approval (concurrent with 3705-E)**      No. of tariff sheets:

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<sup>1</sup>: 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**

EnXco V Restructuring Notional Value and Benefit Calculation Starting 2/1/10 (PG&E Log No. 06W148)

Expected Payments Prior to Restructuring

Year	PV at 7.6 %	2010	2011	2012	2013	2014	2015	2016	2017
MWh		27,899	29,363	29,363	29,363	29,363	29,363	29,363	29,363
Energy (\$)									
Capacity (\$)									
Total									

Expected Payments Post Restructuring

Year		2010	2011	2012	2013	2014	2015	2016	2017
MWh		27,899	29,363	29,363	29,363	29,363	29,363	29,363	29,363
Energy (\$)									
Capacity (\$) <sup>1</sup>									
Total									
Savings Resulting from Lower Payments									
Payment to PG&E									
<b>Total Savings</b>									<b>\$2,779,791</b>

<sup>1</sup> PG&E assumes that Contract Limit is reached in July and Capacity Payments are at Current Shortage Cost for remainder of year, resulting in about a 35% reduction.

Historical Average Generation by Month-					
Month	Delivery Kwh	Delivery MWh	Energy Pmt	Capacity Pmt	Explanation
January	1,463,956	1,464	106,437	12,691	=average January 2007, 2008, 2009
February	952,029	952	69,182	7,112	=average February 2007, 2008, 2009
March	1,177,891	1,178	85,372	7,485	=average March 2007, 2008, 2009
April	1,936,356	1,936	140,504	13,915	=average April 2007, 2008, 2009
May	3,624,441	3,624	205,964	85,043	=average May 2007, 2008, 2009
June	4,094,207	4,094	219,253	86,769	=average June 2006,2007,2008,2009
July	5,220,028	5,220	284,092	113,494	=average July 2006,2007,2008,2009
August	4,189,465	4,189	239,507	78,692	=average August 2006,2007,2008,2009
September	2,756,061	2,756	156,677	50,391	=average September 2006,2007,2008,2009
October	1,386,404	1,386	78,897	31,984	=average October 2006,2007,2008,2009
November	1,088,267	1,088	79,446	8,167	=average November 2006,2007,2008 <sup>1</sup>
December	1,473,509	1,474	107,376	11,429	=average December 2006,2007,2008 <sup>1</sup>
		29,363	1,772,706	507,172	

Notes:

<sup>1</sup> Curtailment for Transmission line upgrade in November and December of 2009

FIRST AMENDMENT  
TO  
LONG-TERM ENERGY AND CAPACITY  
POWER PURCHASE AGREEMENT  
BETWEEN  
U.S. WINDPOWER, INC.  
AND  
PACIFIC GAS AND ELECTRIC COMPANY

This First Amendment is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation, and U.S. WINDPOWER, INC. ("USW"), a Delaware corporation.

WHEREAS, there is a Long-Term Energy and Capacity Power Purchase Agreement signed by PG&E on November 5, 1984 and by USW on October 30, 1984, for a 10,000 kW facility and identifying a scheduled operation date of January 1, 1988 (the "Agreement"); and

WHEREAS, pursuant to paragraphs 1, 2 and 4A(i) of the Solano Deferral Agreement between PG&E and USW dated May 27, 1988, as amended by the First Amendment dated October 27, 1988 (the "Solano Agreement") and approved by the California Public Utilities Commission ("CPUC"), USW and PG&E agreed to amend the Agreement in the manner set forth herein; and

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, USW and PG&E agree that the Agreement is amended as follows:

1. Location. Article 3(b) is hereby amended by inserting the following language in the space provided: "any location in Solano County, California."

2. Capacity. Appendix D, Section D-1 is hereby amended by adding the following paragraph immediately after the heading "AS-DELIVERED CAPACITY PAYMENT OPTION 2":

Prior to the fixed price period, Seller shall be paid for as-delivered capacity at prices authorized from time to time by the CPUC.

3. Energy. Article 4, "Energy Price" is hereby amended as follows:

A. The following paragraph is inserted immediately after the heading "Energy Payment Option 1 - Forecasted Energy Prices":

Prior to the fixed price period, Seller shall be paid for energy delivered to PG&E at prices equal to PG&E's full short-run avoided operating costs.

B. The following paragraph is inserted immediately after the heading "Energy Payment Option 2 - Levelized Energy Prices":

Prior to the fixed price period, Seller shall be paid for energy delivered to PG&E at prices equal to PG&E's full short-run avoided operating costs.

4. Fixed Price Period. The definition of "fixed price period" set forth in section A-1 of Appendix A is hereby deleted and replaced by the following:

Fixed price period - The nine (9) year period of the term of agreement during which forecasted or levelized energy prices, and/or forecasted as-delivered capacity prices, are in effect; subject to the following:

(a) The fixed price period for the Windplant (as defined in Section A-1 of Appendix A) will commence at the date of initial energy deliveries to PG&E from the Windplant and continue for nine (9) years, provided, however, that in no event shall the fixed price period begin before January 1, 1990 nor after December 31, 1992.

(b) The fixed price period for the Windplant will be adjusted as follows so that the end of the first eight (8) years of the fixed price period will coincide with the end of a monthly billing period:

(1) If the anniversary of the date of commencement of the fixed price period is exactly the middle of the monthly billing period, the first year of the fixed price period will

be extended by one half (1/2) of a monthly billing period.

(2) If the anniversary of the date of commencement of the fixed price period is between the middle and the end of the monthly billing period, the first year of the fixed price period will be extended by the appropriate amount (up to one-half (1/2) of a monthly billing period).

(3) If the anniversary of the date of commencement of the fixed price period is between the beginning and the middle of the monthly billing period, the first year of the fixed price period will be decreased by the appropriate amount (up to one-half (1/2) of a monthly billing period).

(i) For example, if the Windplant began initial energy deliveries on either April 15 or April 17, 1990, and the monthly billing period coinciding with April, 1991, ran from April 1 through April 30, 1991, the first year prices of the fixed price period would extend until April 30, 1991. However, if the Windplant began initial energy deliveries on April 13, 1990, the first year prices of the fixed price period would end on March 31, 1991.

(4) The final year of the fixed price period will be adjusted in the opposite direction from the first year so that the term

of the fixed price period will equal exactly nine (9) years. All other years of the fixed price period will each last 12 monthly billing periods.

(c) Energy and capacity prices paid during the fixed price period will be the prices provided by Appendices B and D herein for the fixed price period 1988 through 1996.

5. Term of Agreement. Article 12, Term of Agreement, is hereby deleted and replaced with the following:

#### ARTICLE 12 TERM OF AGREEMENT

This Agreement shall be binding upon execution and remain in effect thereafter for twenty-eight (28) years from the date of initial energy deliveries from the applicable Windplant; provided, however, that if less than 10,000 kW are installed and operational under this Agreement by December 31, 1992, this Agreement shall terminate as to those kilowatts not so installed and operational by December 31, 1992.

6. Except as expressly amended herein, the Agreement is unchanged.

IN WITNESS WHEREOF, PG&E and USW have caused this First Amendment to be signed by their duly authorized representatives, and it is effective as of the last signature date set forth below:

U.S. WINDPOWER, INC.

PACIFIC GAS AND ELECTRIC COMPANY

By: Tom E. Pollock  
Name: Tom E. Pollock, III  
Title: Secretary

By: Robert J. Haywood  
Name: Robert J. Haywood  
Title: Vice President - Power Planning and Contracts

Date Signed:  
January 20 , 1989

Date Signed:  
January 20 , 1989

Approved as to Form  
KBW  
Attorney

SECOND AMENDMENT  
TO  
30 MW SOLANO PORTION OF THE 70 MW  
LONG-TERM ENERGY AND CAPACITY  
POWER PURCHASE AGREEMENT  
BETWEEN  
U.S. WINDPOWER, INC.  
AND  
PACIFIC GAS AND ELECTRIC COMPANY

THIS SECOND AMENDMENT TO 30 MW SOLANO PORTION is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation, and U.S. WINDPOWER, INC. ("USW"), a Delaware corporation.

WHEREAS, there is a Long-Term Energy and Capacity Power Purchase Agreement signed by PG&E on March 2, 1984 and by USW on March 5, 1984, for a 70,000 kW facility and identifying a scheduled operation date of January 1, 1988 (the "Agreement"); and

WHEREAS, the Agreement has been amended by an Amendment No. 1 dated May 18, 1984 (the "First Amendment"); and

WHEREAS, in the Altamont Renegotiation Agreement dated May 27, 1988 (the "Altamont Agreement"), USW and PG&E agreed that a 20 MW portion of the Agreement could be developed in the Altamont Pass area of California (the "20 MW Altamont Portion"); and

WHEREAS, pursuant to the Altamont Agreement, USW and PG&E signed an amendment dated July 29, 1988 and titled Second Amendment to 20 MW Portion of the 70 MW Long-Term Energy and Capacity Power Purchase Agreement; and

WHEREAS, in the Solano Deferral Agreement dated May 27, 1988, as amended by the First Amendment dated October 27, 1988 (the "Solano Agreement"), USW and PG&E divided the remaining 50 MW portion of the Agreement into a 30 MW portion (the "30 MW Solano Portion") and a 20 MW portion (the "20 MW Solano Portion"); and

WHEREAS, the Solano Agreement has been approved by the California Public Utilities Commission (the "CPUC"); and

WHEREAS, this Second Amendment to 30 MW Solano Portion amends the Agreement to the extent of the 30 MW Solano Portion; and

WHEREAS, USW and PG&E are signing a Second Amendment to the 20 MW Solano Portion of the Agreement on the date hereof; and

WHEREAS, pursuant to paragraphs 1, 3(B), 4A(iii) and 10 of the Solano Agreement, USW and PG&E agreed to amend the 30 MW Solano Portion in the manner set forth herein.

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, USW and PG&E agree that the Agreement, to the extent of the 30 MW Solano Portion only, is amended as follows:

1. Location. Article 3(b) is hereby amended by inserting the following language in the space provided: "any location in Solano County, California."

2. Capacity. Appendix D, Section D-1 is hereby amended by adding the following paragraph immediately after the heading "AS-DELIVERED CAPACITY PAYMENT OPTION 2":

Prior to the fixed price period, Seller shall be paid for as-delivered capacity at prices authorized from time to time by the CPUC.

3. Energy. Article 4, "Energy Price" is hereby amended as follows:

A. The following paragraph is inserted immediately after the heading "Energy Payment Option 1 - Forecasted Energy Prices":

Prior to the fixed price period, Seller shall be paid for energy delivered to PG&E at prices equal to PG&E's full short-run avoided operating costs.

B. The following paragraph is inserted immediately after the heading "Energy Payment Option 2 - Levelized Energy Prices":

Prior to the fixed price period, Seller shall be paid for energy delivered to PG&E at prices equal to PG&E's full short-run avoided operating costs.

4. Fixed Price Period. The definition of "fixed price period" set forth in section A-1 of Appendix A is hereby deleted and replaced by the following:

Fixed price period - The nine (9) year period of the term of agreement during which forecasted or levelized energy prices, and/or forecasted as-delivered capacity prices, are in effect; subject to the following:

(a) The fixed price period for each Windplant (as defined in Section A-1 of Appendix A) will commence at the date of

initial energy deliveries to PG&E from the applicable Windplant and continue for nine (9) years, provided, however, that in no event shall the fixed price period begin before January 1, 1991 nor after December 31, 1992.

(b) The fixed price period for each Windplant will be adjusted as follows so that the end of the first eight (8) years of the fixed price period will coincide with the end of a monthly billing period:

(1) If the anniversary of the date of commencement of the fixed price period is exactly the middle of the monthly billing period, the first year of the fixed price period will be extended by one half (1/2) of a monthly billing period.

(2) If the anniversary of the date of commencement of the fixed price period is between the middle and the end of the monthly billing period, the first year of the fixed price period will be extended by the appropriate amount (up to one-half (1/2) of a monthly billing period).

(3) If the anniversary of the date of commencement of the fixed price period is between the beginning and the middle of the monthly billing period, the first year of the fixed price period will be decreased by the appropriate amount (up to one-half (1/2) of a monthly billing period).

(i) For example, if the Windplant began initial energy deliveries on either April 15 or April 17, 1990, and the monthly billing period coinciding with April,

1991, ran from April 1 through April 30, 1991, the first year prices of the fixed price period would extend until April 30, 1991. However, if the Windplant began initial energy deliveries on April 13, 1990, the first year prices of the fixed price period would end on March 31, 1991.

(4) The final year of the fixed price period will be adjusted in the opposite direction from the first year so that the term of the fixed price period will equal exactly nine (9) years. All other years of the fixed price period will each last 12 monthly billing periods.

(c) Energy and capacity prices paid during the fixed price period will be the prices provided by Appendices B and D herein for the fixed price period 1988 through 1996.

5. Term of Agreement. Article 12, Term of Agreement, is hereby deleted and replaced with the following:

#### ARTICLE 12 TERM OF AGREEMENT

This Agreement shall be binding upon execution and remain in effect thereafter for twenty-eight (28) years from the date of initial energy deliveries from the applicable Windplant; provided, however, that if less than 30,000 kW are installed and operational under this 30 MW Solano Portion by December 31, 1992, this 30 MW Solano Portion shall terminate as to those kilowatts not so installed and operational by December 31, 1992.

6. Assignment. Section A-13, Assignment, of Appendix A is hereby amended as follows:

A. The phrase, "consisting of up to four (4) Windplants," is deleted from the first sentence in Section A-13 and the following phrase is inserted in its place: "consisting of one or more Windplants."

B. The period (".") at the end of paragraph (b) of Section A-13 is deleted and replaced by a semicolon and the word "and" ("; and").

C. The following paragraph (c) is inserted into Section A-13 following paragraph (b):

(c) Total Windplants under this 30 MW Solano Portion and under the 20 MW Solano Portion shall together not exceed three (3) in number.

7. Except as expressly amended herein, the Agreement is unchanged.

IN WITNESS WHEREOF, PG&E and USW have caused this Second Amendment to 30 MW Solano Portion to be signed by

their duly authorized representatives and it is effective as of the last signature date set forth below:

U.S. WINDPOWER, INC.

PACIFIC GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_  
Name:  
Title:

By: *Ronald Maynard*  
Name:  
Title:

Date Signed:  
January , 1989

Date Signed:  
January , 1989

Approved as to Form  
*EBN.*  
Approved:

SECOND AMENDMENT  
TO  
20 MW SOLANO PORTION OF THE 70 MW  
LONG-TERM ENERGY AND CAPACITY  
POWER PURCHASE AGREEMENT  
BETWEEN  
U.S. WINDPOWER, INC.  
AND  
PACIFIC GAS AND ELECTRIC COMPANY

THIS SECOND AMENDMENT TO 20 MW SOLANO PORTION is by and between PACIFIC GAS AND ELECTRIC COMPANY ("PG&E"), a California corporation, and U.S. WINDPOWER, INC. ("USW"), a Delaware corporation.

WHEREAS, there is a Long-Term Energy and Capacity Power Purchase Agreement signed by PG&E on March 2, 1984 and by USW on March 5, 1984, for a 70,000 kW facility and identifying a scheduled operation date of January 1, 1988 (the "Agreement"); and

WHEREAS, the Agreement has been amended by an Amendment No. 1 dated May 18, 1984 (the "First Amendment"); and

WHEREAS, in the Altamont Renegotiation Agreement dated May 27, 1988 (the "Altamont Agreement"), USW and PG&E agreed that a 20 MW portion of the Agreement could be developed in the Altamont Pass area of California (the "20 MW Altamont Portion"); and

WHEREAS, pursuant to the Altamont Agreement, USW and PG&E signed an amendment dated July 29, 1988 and titled Second Amendment to 20 MW Portion of the 70 MW Long-Term Energy and Capacity Power Purchase Agreement; and

WHEREAS, in the Solano Deferral Agreement dated May 27, 1988, as amended by the First Amendment dated October 27, 1988 (the "Solano Agreement"), USW and PG&E divided the remaining 50 MW portion of the Agreement into a 30 MW portion (the "30 MW Solano Portion") and a 20 MW portion (the "20 MW Solano Portion"); and

WHEREAS, the Solano Agreement has been approved by the California Public Utilities Commission (the "CPUC"); and

WHEREAS, this Second Amendment to 20 MW Solano Portion amends the Agreement to the extent of the 20 MW Solano Portion; and

WHEREAS, USW and PG&E are signing a Second Amendment to the 30 MW Solano Portion of the Agreement on the date hereof; and

WHEREAS, pursuant to paragraphs 1, 3(A), 4A(ii) and 10 of the Solano Agreement, USW and PG&E agreed to amend the 20 MW Solano Portion in the manner set forth herein.

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, USW and PG&E agree that the Agreement, to the extent of the 20 MW Solano Portion only, is amended as follows:

1. Location. Article 3(b) is hereby amended by inserting the following language in the space provided: "any location in Solano County, California."

2. Capacity. Appendix D, Section D-1 is hereby amended by adding the following paragraph immediately after the heading "AS-DELIVERED CAPACITY PAYMENT OPTION 2":

Prior to the fixed price period, Seller shall be paid for as-delivered capacity at prices authorized from time to time by the CPUC.

3. Energy. Article 4, "Energy Price" is hereby amended as follows:

A. The following paragraph is inserted immediately after the heading "Energy Payment Option 1 - Forecasted Energy Prices":

Prior to the fixed price period, Seller shall be paid for energy delivered to PG&E at prices equal to PG&E's full short-run avoided operating costs.

B. The following paragraph is inserted immediately after the heading "Energy Payment Option 2 - Levelized Energy Prices":

Prior to the fixed price period, Seller shall be paid for energy delivered to PG&E at prices equal to PG&E's full short-run avoided operating costs.

4. Fixed Price Period. The definition of "fixed price period" set forth in section A-1 of Appendix A is hereby deleted and replaced by the following:

Fixed price period - The nine (9) year period of the term of agreement during which forecasted or levelized energy prices, and/or forecasted as-delivered capacity prices, are in effect; subject to the following:

(a) The fixed price period for each Windplant (as defined in Section A-1 of Appendix A) will commence at the date of

initial energy deliveries to PG&E from the applicable Windplant and continue for nine (9) years, provided, however, that in no event shall the fixed price period begin before January 1, 1990 nor after December 31, 1992.

(b) The fixed price period for each Windplant will be adjusted as follows so that the end of the first eight (8) years of the fixed price period will coincide with the end of a monthly billing period:

(1) If the anniversary of the date of commencement of the fixed price period is exactly the middle of the monthly billing period, the first year of the fixed price period will be extended by one half (1/2) of a monthly billing period.

(2) If the anniversary of the date of commencement of the fixed price period is between the middle and the end of the monthly billing period, the first year of the fixed price period will be extended by the appropriate amount (up to one-half (1/2) of a monthly billing period).

(3) If the anniversary of the date of commencement of the fixed price period is between the beginning and the middle of the monthly billing period, the first year of the fixed price period will be decreased by the appropriate amount (up to one-half (1/2) of a monthly billing period).

(i) For example, if the Windplant began initial energy deliveries on either April 15 or April 17, 1990, and the monthly billing period coinciding with April,

1991, ran from April 1 through April 30, 1991, the first year prices of the fixed price period would extend until April 30, 1991. However, if the Windplant began initial energy deliveries on April 13, 1990, the first year prices of the fixed price period would end on March 31, 1991.

(4) The final year of the fixed price period will be adjusted in the opposite direction from the first year so that the term of the fixed price period will equal exactly nine (9) years. All other years of the fixed price period will each last 12 monthly billing periods.

(c) Energy and capacity prices paid during the fixed price period will be the prices provided by Appendices B and D herein for the fixed price period 1988 through 1996.

5. Term of Agreement. Article 12, Term of Agreement, is hereby deleted and replaced with the following:

#### ARTICLE 12 TERM OF AGREEMENT

This Agreement shall be binding upon execution and remain in effect thereafter for twenty-eight (28) years from the date of initial energy deliveries from the applicable Windplant; provided, however, that if less than 20,000 kW are installed and operational under this 20 MW Solano Portion by December 31, 1992, this 20 MW Solano Portion shall terminate as to those kilowatts not so installed and operational by December 31, 1992.

6. Assignment. Section A-13, Assignment, of Appendix A is hereby amended as follows:

A. The phrase, "consisting of up to four (4) Windplants," is deleted from the first sentence in Section A-13 and the following phrase is inserted in its place:  
"consisting of one or more Windplants."

B. The period (".") at the end of paragraph (b) of Section A-13 is deleted and replaced by a semicolon and the word "and" ("; and").

C. The following paragraph (c) is inserted into Section A-13 following paragraph (b):

(c) Total Windplants under this 20 MW Solano Portion and under the 30 MW Solano Portion shall together not exceed three (3) in number.

7. Except as expressly amended herein, the Agreement is unchanged.

IN WITNESS WHEREOF, PG&E and USW have caused this Second Amendment to 20 MW Solano Portion to be signed by

their duly authorized representatives and it is effective as of the last signature date set forth below:

U.S. WINDPOWER, INC.

PACIFIC GAS AND ELECTRIC COMPANY

By: \_\_\_\_\_  
Name:  
Title:

By: Ronald Maygood  
Name:  
Title:

Date Signed:  
January , 1989

Date Signed:  
January , 1989

Approved as to Form

KBW  
Attorney

**AMENDMENT TO THE  
POWER PURCHASE AGREEMENT  
BETWEEN  
GREEN RIDGE POWER LLC  
AND  
PACIFIC GAS AND ELECTRIC COMPANY  
(PG&E LOG NO. 06W148)**

THIS AMENDMENT (“Amendment”) is by and between PACIFIC GAS AND ELECTRIC COMPANY (“PG&E”), a California corporation, and GREEN RIDGE POWER LLC (“Seller”), a Delaware limited liability company. PG&E and Seller are sometimes referred to herein individually as “Party” and collectively as “Parties.”

**RECITALS**

- A. Seller (or Seller’s predecessor(s), as applicable) and PG&E entered into a power purchase agreement (“PPA”) as amended, dated November 5, 1984, pursuant to which PG&E purchases electric power from Seller and Seller sells electric power to PG&E.
- B. On April 1, 2004, the CPUC issued an *Order Instituting Rulemaking To Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning* (R.04-04-003). In that Rulemaking, the CPUC noted that it would issue a separate rulemaking on avoided cost issues.
- C. On September 30, 2004, the assigned Administrative Law Judge (ALJ) in R.04-04-003 issued a ruling designating that proceeding as the forum for the CPUC’s consideration of long-term policy for new and expiring QF contracts.

D. On April 22, 2004, the CPUC issued an Order Instituting Rulemaking that addresses avoided cost issues in various electric resource-related proceedings. (R.04-04-025.)

E. On January 1, 2005, the Assigned Commissioner in R.04-04-025 issued a ruling and scoping memo that established a separate phase in that rulemaking to address SRAC pricing issues for QFs including: (1) whether or not the CPUC's current SRAC energy pricing formula, including existing time-of-delivery and line loss factors should be replaced, and if so, what changes should be made; and (2) updating current as-delivered capacity prices.

F. A joint ALJ ruling was issued January 21, 2005 transferring certain SRAC issues from R.99-11-022 to R.04-04-025, including the determination of an incremental energy rate (IER) and an operation and maintenance (O&M) adder, but excluding issues pertaining to the remand order of the California Court of Appeal in *Southern California Edison v. Public Utilities Commission*, 101 Cal. App. 4<sup>th</sup> 982 (2002) regarding SRAC pricing between December 2000 and March 2001. The resolution of the Court of Appeal's remand remains in R.99-11-022.

G. In Decision 99-11-025, the Commission allowed QFs to switch to the Power Exchange Corporation's ("PX") zonal day-ahead market clearing price instead of SRAC energy pricing, subject to the potential for a later true-up by the Commission. The true-up issue for QFs who switched to PX pricing remains in R.99-11-022.

H. By an Assigned Commissioner's ruling and scoping memo dated February 18, 2005, R.04-04-003 and R.04-04-025 were consolidated for the limited purpose of joint evidentiary hearings on policy and pricing related to QF contracts. Those hearings were held between January 18, 2006 and February 2, 2006. Opening briefs were served on March 3, 2006 and reply briefs were served on March 17, 2006.

I. In Decision 01-01-007, the Commission adopted a Generation Meter Multiplier (GMM)-based formula for reflecting transmission line losses in calculating payments to QFs who switched to PX-based pricing and QFs who continued to receive payments based on the SRAC-based transition formula adopted in Public Utilities Code section 390. In Decision 01-02-072, the Commission reverted QFs that switched to PX-based pricing back to CPUC approved

SRAC-based pricing. During the proceeding described in recital H, above, several parties presented proposals addressing how to adjust QF payments for transmission line losses.

J. On December 22, 2005, Rio Bravo filed a petition for modification of D.01-02-072 in R. 99-11-022 that requests the Commission to direct PG&E to recalculate QF payments using the GMMqf/GMMsys formula adopted in D.01-01-007, retroactive to January 19, 2001.

K. On April 18, 2006 Independent Energy Producers Association and Pacific Gas and Electric Company entered a Settlement Agreement resolving certain issues pending in Rulemakings 99-11-022, 04-04-003, and 04-04-025 for QFs electing to sign an Amendment (Settlement Agreement). There are two energy price options available under the Settlement Agreement to QFs electing to execute an Amendment.

L. Seller and PG&E hereby agree to amend Seller's PPA, as identified in Recital A above, as follows.

### **AGREEMENT**

In consideration of the mutual promises and covenants contained herein, PG&E and Seller agree to modify the PPA and resolve the Settled Issues as follows:

#### **SELECTION OF ENERGY PRICE OPTION**

Seller hereby elects the following energy price option (selected option is marked with an "X" in space provided):

[ ] Option 1 -- Option 1 provides a variable energy price that is based upon an annual average heat rate of 8,700 Btu/kWh adjusted in accordance with monthly changes in burnertip

natural gas prices (as defined below), plus a variable O&M adder of \$2/MWh. Option 1 is available only to natural gas-fired cogeneration QFs.

[ X ] Option 2 -- Option 2 provides a fixed energy price for up to five years equal to \$64.50/MWh, with escalation of 1% beginning one year after commencement of the Fixed Price Period and annually thereafter. Option 2 is available only to Renewable QFs or non-gas-fired QFs.

### **DEFINITIONS**

When used herein, the following definitions shall be used to interpret this Amendment.

Underlined terms not defined herein shall have the meaning ascribed to it in the PPA.

**CAISO:** The California Independent System Operator as described in section 345 et seq. of the California Public Utilities Code, or successor organization.

**CAISO Day-Ahead Energy Market:** The day-ahead market that the CAISO's recent Market Redesign and Technology Upgrade Tariff (MRTU) shall create, which is pending FERC approval and currently scheduled to become operational in November 2007.

**CPUC:** The Public Utilities Commission of the State of California.

**CPUC Approval:** A final CPUC order or resolution, no longer subject to appeal, without conditions or modifications unacceptable to a Party in its sole discretion, which order approves this Amendment in its entirety, and contains findings that this Amendment is reasonable and prudent for all purposes, including, but not limited to, PG&E's recovery in rates of all payments made under the Amendment, subject only to ongoing CPUC review with respect to the reasonableness of PG&E administration of the Amendments. The Parties agree that if the CPUC

fails to approve the Amendment as reasonable, and adopt it unconditionally and without modification, including the findings and determinations requested herein, any Party may in its sole discretion, elect to terminate the Amendment upon written notice to the other Party. If there is no timely application for rehearing or reconsideration of an acceptable CPUC resolution or decision approving this Amendment, that resolution or decision shall be deemed adequate CPUC approval. Unless otherwise agreed by the Parties, the Amendment shall terminate if the CPUC has not issued a decision approving this Amendment by September 1, 2006.

**Effective Date:** The day of CPUC Approval of this Amendment.

**Fixed Price Period:** The period, for each individual QF that has executed an Option 2 Amendment, that begins on the later of: (1) the Effective Date; or (2) the expiration of the existing fixed energy pricing amendment to the QF's PPA pursuant to D.01-06-015 currently in effect. If the Effective Date occurs after the expiration of the existing fixed energy pricing amendment as set forth in (2) above, then, as of the day following such expiration date, the QF will be paid the then-current SRAC as determined by the CPUC for energy deliveries until the Fixed Price Period begins on the Effective Date. The Fixed Price Period concludes on the earlier of: (1) the date that is five years after the commencement of the Fixed Price Period; or (2) the expiration of the PPA. During the Fixed Price Period, PG&E shall pay a fixed energy price in lieu of PG&E's SRAC as defined in the PPA.

**Option 1:** The energy pricing option in the Amendment containing a variable energy price, as set forth in Section 1.

**Option 2:** The energy pricing option in the Amendment containing a fixed energy price as set forth in Section 2.

**PPA:** The power purchase agreement between PG&E and Seller, as subsequently amended in writing by the Parties.

**PURPA:** The Public Utility Regulatory Policies Act of 1978, as modified and amended. (sections applicable to QFs appear primarily in 16 U.S.C.A. §§ 796 and 824a-3)

**Qualifying Facility or QF:** A qualifying cogeneration facility or qualifying small power production facility as defined in PURPA and in 18 C.F.R. § 292.101 (b) (1).

**QF Switchers:** Those QFs who switched to the PX market-clearing price at any time between June 2000 and January 2001 pursuant to CPUC Decision 99-11-025. .

**Renewable QFs:** Those QFs who meet the definition of Eligible Renewable Energy Resource included in Public Utilities Code Section 398.4(h)(1)(F) as such definition existed as of the date the last party executed this Amendment.

**Settled Issues:** The following issues are settled and resolved pursuant to this Amendment:

- (1) The issues relating to QFs that are settled in Rulemakings 04-04-003 and 04-04-025 are: (a) the methodology for determining SRAC energy payments including proposed “adders;” (b) the determination of As Delivered Capacity Payments; (c) the methodology for deriving energy Line Loss Factors as applicable to energy deliveries; and (d) the determination of Time of Delivery factors;
- (2) The CPUC’s policy regarding expiring QF contracts and new QF contracts as addressed in Rulemakings 04-04-003 and 04-04-025;

- (3) The issues settled in R.99-11-022 are: (a) PG&E's claims for a retroactive adjustment of SRAC energy payments made to QFs from December 1, 2000 to March 31, 2001 arising from the Court of Appeal remand in *Southern California Edison v. Public Utilities Commission*, 101 Cal. App. 4<sup>th</sup> 982 (2002); (b) PG&E's claims for a retroactive adjustment of energy payments made to QF Switchers from June 1, 2000 through January 18, 2001; and (c) QF claims that the Commission should direct PG&E to calculate the SRAC energy payment to change the transmission line loss for QF Switchers by using the GMMqf/GMMsys formula, retroactive from January 19, 2001 to the present.

**Settlement Rate Expiration Date:** For QFs electing Option 1: the expiration of the QF's PPA or September 30, 2009, whichever occurs earlier. For QFs electing Option 2: the expiration of the QF's PPA or five years from the first day of the Fixed Price Period, whichever occurs earlier.

**SRAC:** PG&E's full short-run avoided operating costs.

### **1. Option 1 –Variable Energy Pricing**

**1.1 Heat Rate:** The Average Annual Heat Rate shall be 8,700 (Btu/kWh). The summer and winter seasonal factors shall each be 1.0 resulting in a Summer Heat Rate of 8,700 (Btu/kWh) and Winter Heat Rate of 8,700 (Btu/kWh).

**1.2 TOD Factors:** The Time of Delivery Factors shall be applied to the Heat Rate in Section 1.1 above and shall be: (a) 1.20 for the Peak and Partial Peak delivery periods, and; (b) approximately 0.88 for the Off Peak and Super Off Peak delivery periods. The actual TOD factor for Off Peak and Super Off Peak shall be calculated monthly on a residual basis so that the hourly-weighted TOD factor for the entire month shall be equal to 1.0. The formula

deriving the monthly Off Peak and Super Off Peak TOD factor is as follows: Off Peak and Super Off Peak TOD Factor = [Total Monthly Hours minus (1.20 x (Monthly On Peak plus Partial Peak hours))] divided by (Monthly Off Peak plus Super Off Peak Hours).

**1.3 TOD Periods:** The Time of Delivery (TOD) periods shall be PG&E's TOD periods in effect as of January 1, 2006.

**1.4 Variable O&M Adder:** The energy price shall include an operations and maintenance (O&M) adder of \$2/MWh. There will be no escalation of the variable O&M Adder.

**1.5 Gas Price Basis:** The monthly burnertip gas price shall be the sum of: (a) Average PG&E Citygate Bidweek Index; (b) PG&E's tariffed G-EG transportation charge (non-backbone) or its successor, excluding the customer access charge; and (c) PG&E's tariffed G-SUR franchise fee surcharge or its successor. The Average PG&E Citygate Bidweek Index shall be a simple average of Natural Gas Intelligence (NGI) and Inside FERC's Gas Market Report (IFGMR) (or successor publications) bidweek monthly contract gas price indices for the PG&E Citygate delivery location. PG&E shall use tariffed rates for G-EG and G-SUR in effect on the first day of a calendar month to calculate the monthly burnertip price.

If either the NGI or IFGMR PG&E Citygate index is not published for a month, PG&E will use the one published index for that month. Should neither PG&E Citygate index be published for a month, PG&E will use a simple average of Malin and Topock bidweek indices plus firm transportation (currently G-AFT) to calculate the Average PG&E Citygate Bidweek Index. The Malin and Topock bidweek indices will each be based on averages of bidweek indices from NGI and IFGMR (or successor publications).

**1.6 Variable Energy Price Posting:** PG&E shall calculate the Variable Energy Price monthly and shall post the price in its monthly SRAC filing with the CPUC and on PG&E's website.

**1.7 Term:** The Variable Energy Price shall commence at the *later* of: (a) the first day after the expiration of fixed energy pricing under the PPA, as amended pursuant to D.01-06-015; or (b) the Effective Date. The Variable Energy Price shall terminate on the *earlier* of the expiration of Seller's PPA or September 30, 2009. Commencing on October 1, 2009, the successor pricing methodology described in Section 5, below, shall apply for the remaining term of the PPA.

**2. Option 2: Fixed Energy Pricing**

**2.1 Eligibility:** Option 2 is available only to Renewable QFs or QFs that are non-gas-fired.

**2.2 Energy Price:** The energy price is equal to \$64.50/MWh for the first year of the Fixed Price Period. Starting on the day one year after commencement of the Fixed Price Period, the fixed energy price shall be escalated 1% and annually thereafter at each anniversary of the commencement of the Fixed Price Period.

**2.3 TOD Factors/TOD Periods:** The Time of Delivery Factors shall be PG&E's time of delivery factors in effect as of January 1, 2006. The Time of Delivery Periods shall be PG&E's time of delivery periods in effect as of January 1, 2006.

**2.4 RPS Credit:** The Parties agree and condition the effectiveness of this Amendment upon a finding by the Commission at the time of approval of the Amendment that PG&E is entitled to and shall receive full credit for all energy purchased by PG&E under the Amendment with Renewable QFs as procurement for purposes of compliance with the Renewable Portfolio Standard (RPS) requirements. A Seller that is a Renewable QF warrants that it meets the requirements of a Renewable QF and that it will continue to meet those requirements for the term of the Amendment. PG&E will participate in the CEC's RPS credit certification, tracking, and

verification system described in Public Utilities Code Section 399.13 sub. (b) to the extent required to maintain full RPS credit for its purchases from Renewable QFs.

**2.5 Term:** Fixed energy pricing under Option 2 shall be for the term of the Fixed Price Period.

### **3. AS-DELIVERED CAPACITY PRICE**

If payment for as-delivered capacity in the PPA is due to Seller under a Standard Offer No. 1 PPA, USO1 or Interim Standard Offer No. 4 PPA with as-delivered capacity payment Option 1, Seller shall receive payments for as-delivered capacity based on the price of \$50/kW-year beginning on the Effective Date. The as-delivered capacity price shall remain in effect until the Settlement Rate Expiration Date and thereafter shall be subject to prospective modification and adjustment by the CPUC. The Parties agree and condition the effectiveness of this Amendment upon a finding by the CPUC at the time of approval of the Amendment that PG&E is entitled to and shall receive Resource Adequacy credit based upon the historic deliveries methodology adopted for QFs in Decision 04-10-035 for as-delivered capacity purchased by PG&E pursuant to this Amendment. The as-delivered capacity payment shall continue to be time-differentiated in accordance with the then-current method and capacity allocation factors approved by the CPUC.

### **4. LINE LOSSES**

The energy line loss factor shall be equal to the QF's project Generation Meter Multiplier (GMM) divided by the system average GMM, as defined in D.01-01-007 ("GMM<sub>qf</sub>/GMM<sub>sys</sub>"). In addition, the hourly line loss factor for Renewable QFs electing Option 2 shall not be less than 0.95. The Parties agree and condition the effectiveness of this Amendment upon a finding by the CPUC approving the 0.95 line loss factor floor for Renewable QFs and a further finding that

PG&E is entitled to and shall receive full credit for all energy purchased and paid for by PG&E under the Amendment with Renewable QFs for purposes of compliance with the Renewable Portfolio Standard (RPS). If GMMs are discontinued by the CAISO, then the annual average of the hourly GMMqf/GMMsys for the twelve prior calendar months shall continue in effect until there is a transition under Section 5 to an electricity market-based SRAC mechanism that reflects line losses in the energy price.

## **5. SUCCESSOR PRICING METHODOLOGY AND TRANSITION TO MARKET**

The Parties agree that SRAC pricing for QFs operating under PPAs should transition to an electricity market-based SRAC mechanism on the day the CPUC has made a determination, that is final and is no longer subject to appeal, that the CAISO Day-Ahead Energy Market or an equivalent market is functioning properly for the purposes of SRAC pricing. The Parties further agree that it is reasonable for the CPUC to adopt a rebuttable presumption that the CAISO Day-Ahead Energy Market, if it is operational and functioning properly, should provide the basis for such market-based pricing mechanism. The transition to a market-based SRAC pricing mechanism contemplated by this Section shall not occur prior to the Settlement Rate Expiration Date. After the Settlement Rate Expiration Date, the transition to a market-based SRAC price shall occur for the Seller as provided in Sections 5.1 through 5.3.

**5.1 CPUC Early Ruling re CAISO Day-Ahead Market:** If the CPUC issues an order finding that the CAISO Day-Ahead Market or an equivalent market is operational and functioning properly for the purpose of SRAC pricing prior to the Settlement Rate Expiration Date, then on the day following the Settlement Rate Expiration Date, the SRAC pricing for Seller shall be equal to the CAISO Day-Ahead Market price for the applicable time periods of

energy delivery or such other market-based rate specified by the CPUC for QFs operating under PPAs.

**5.2 No CPUC Ruling As Of The Settlement Rate Expiration Date:** If the CPUC has not issued a an order finding that the CAISO Day-Ahead Market or an equivalent market is operational and functioning properly for the purpose of SRAC pricing as of the Settlement Rate Expiration Date then, effective upon the Settlement Rate Expiration Date, the SRAC pricing for such QFs (whether they signed an Amendment under Option 1 or Option 2) shall be equal to the variable energy price under Option 1, subject to the following heat rate adjustment:

The 8,700 Btu/kWh heat rate in Option 1 shall be adjusted as of the Settlement Rate Expiration Date, and annually thereafter, up or down by no more than 75 Btu/kWh in the direction of the simple average of:

(1) The average NP-15 day-ahead market heat rate in the prior year for transactions at NP-15, or its equivalent successor. The market heat rate for the prior 12 months will be equal to the average of the daily NP-15 day-ahead market heat rates for the prior 12 months. The daily NP-15 market heat rate for any particular day shall be calculated using: a) the day-ahead electricity market price for that day (equal to the time weighted average of on-peak and off-peak prices) from the InterContinental Exchange and Megawatt Daily, or equivalent successors thereto; and b) the burnertip gas price for that same day. The burnertip gas price for that day shall be equal to the PG&E Citygate burnertip gas price derived using daily prices from Gas Daily, (or equivalent successor), plus PG&E's CPUC rates for tariffed transportation to the burnertip, (currently equal to the sum of G-EG and G-SUR) ; and,

(2) The annual average of the market heat rates embedded in the forward electricity prices for the next 12 months for transactions at NP-15 or its equivalent successor. The forward market heat rates will be determined using: a) the forward market electricity prices from

Megawatt Daily, or equivalent successor, averaged for all NYMEX trading days in September for October Henry Hub contracts and modified as described below to convert the on-peak forward prices to all-hours forward prices; and b) the average of the NYMEX Henry Hub forward gas prices for each month of the next year adjusted to the PG&E Citygate delivery location using the NYMEX ClearPort basis, (or its equivalent successor), averaged for all NYMEX trading days in September for the October Henry Hub contract, plus PG&E's then-current CPUC tariff rates for transportation to the burnertip (currently equal to the sum of G-EG and G-SUR).

The forward market electricity prices currently published by Megawatt Daily for the year ahead are for quarterly periods. Therefore, the annual average of the market heat rates embedded in the forward electricity prices for the next year shall be calculated using the quarterly forward prices and the monthly PG&E burnertip gas prices averaged for the corresponding quarter. In the event that the granularity of the published electricity market forward prices changes (e.g. to monthly) this method will change to accommodate the change in published data. Monthly or quarterly prices shall be weighted by the number of days in such month or quarter for purposes of averaging.

The conversion from on-peak forward prices to all-hour forward prices will be based on the annual average of the ratio of i) daily all-hours NP-15 prices from the prior 12 months and ii) the daily on-peak NP-15 prices from the prior 12 months.

The cumulative change in heat rate shall not exceed 225 Btu/kWh.

If the CPUC has not issued a finding that the CAISO Day-Ahead Market or an equivalent market is operational and functioning for the purposes of SRAC pricing as of January 1, 2013, this formula is subject to prospective modification by the CPUC.

**5.3 CPUC Ruling After Settlement Rate Expiration Date:** If the CPUC issues an order, that is final and no longer subject to appeal, finding that the CAISO Day-Ahead Market or an equivalent market is operational and functioning for the purposes of SRAC pricing after the Settlement Rate Expiration Date, then, effective as of the date of such final CPUC ruling, the adjusted pricing described in Section 5.2 shall terminate and the SRAC pricing for such QF shall be as ordered by the CPUC for the time period applicable to the energy deliveries.

**6. REDUCTION IN PAYMENTS TO QF SWITCHERS**

Check appropriate box:

- Seller is a QF Switcher (Switch month: \_\_\_\_\_)
- Seller is not a QF Switcher
- Seller is a QF Switcher but has already resolved issue with PG&E

For QF Switchers that have not already settled and resolved the issue of potential contingent liability with PG&E, there shall be a reduction in the net energy price payment to the affected QF equal to \$0.90/MWh, calculated monthly that shall apply for a period of time ranging from one and one-half years to four and one-half years, depending upon the month Seller switched from SRAC to PX pricing. The energy price reductions shall commence with the term of the Variable Energy Price set forth in Section 1.6 above for Option 1 or the Fixed Price Period for Option 2. The \$0.90/MWh reduction shall be applied to the Variable O&M Adder for Option 1 or the fixed energy price for Option 2. The following table defines the period for energy price reductions:

Switch Month	Energy Price Reduction Period
June 2000	4 ½ years
July 2000	4 years

August 2000	3 ½ years
September 2000	3 years
October 2000	2 ½ years
November 2000	2 years
December 2000	1 ½ years

## **7. SELLER'S RIGHT TO A SUBSEQUENT AGREEMENT WITH PG&E**

Seller agrees, for itself and all of its successors and assigns, that following the expiration of its PPA, that Seller shall be entitled to exercise of the mandatory purchase obligation available to QFs under PURPA solely by invoking the following options: (1) participation in PG&E's all-source or renewable solicitations or; (2) execution of a one-year power purchase agreement with PG&E (renewable for successive one-year terms) under which PG&E shall pay for energy deliveries a price equal to the CAISO Day-Ahead Market Price for the applicable delivery period or such other market-based mechanism as specified by the CPUC. The Parties remain free to negotiate mutually acceptable bi-lateral agreements independent of the exercise of Seller's rights under PURPA. Seller further agrees that it will include the PURPA rights limitation described in this section as a condition of any sale, lease or other transfer of the Facility. The capacity price under the one-year contract shall be mutually agreed between Seller and PG&E, provided that, if agreement cannot be reached on a capacity payment, Seller retains the right to sell its capacity to a third party or in a capacity market. Any obligation undertaken by PG&E pursuant to this Amendment to execute or renew a one-year contract shall expire as of the date that FERC issues an order suspending the mandatory purchase obligation for QFs under PURPA in accordance with Section 210(m) of PURPA.

## **8. RELEASE AND WAIVER OF LIABILITIES**

8.1 PG&E (on behalf of itself, its predecessors, successors, and assigns by operation of law or otherwise) and Seller (on behalf of itself, its predecessors, successors, and assigns by operation of law or otherwise), hereby release, and forever discharge each other and each of the other Party's present and former affiliates, parents, guarantors, directors, officers, shareholders, partners, employees, agents, representatives, attorneys, insurers, predecessors, assigns, and successors-in-interest, from any and all claims, actions, causes of action, regulatory challenges, liabilities, breaches of contract, offsets, defenses, demands, losses, and damages of any kind whatsoever, whether known or unknown, asserted or unasserted, suspected or unsuspected, arising from Section (3) of the Settled Issues. In addition, subject to the last paragraph of Section 5.2, each Party acknowledges and agrees that the Amendment results in full, binding resolution of Section (1) and (2) of the Settled Issues and that each Party will not seek to apply to the PPA, either on a prospective or retroactive basis, or otherwise obtain the benefit of, any decision by the CPUC that would result in a resolution of Section (1) and (2) of the Settled Issues other than as provided in the Amendment.

## **9. APPROVAL OF AMENDMENT**

9.1. CPUC Approval is a condition precedent to the effectiveness of this Amendment. Seller and PG&E agree to actively support, as necessary, prompt approval of the Amendment. The Parties agree that if the CPUC fails to approve the Amendment as reasonable, and adopt it unconditionally and without modification, including the findings and determinations requested herein, any Party may in its sole discretion, elect to terminate the Amendment upon written notice to the other Party. The Parties further agree that any material change to the Amendment shall give each Party in its sole discretion, the option to terminate the Amendment.

9.2 Seller and PG&E shall take all necessary action to implement the terms and conditions contemplated herein, including by taking any actions necessary to approve, execute, and deliver this Amendment to the other Party. Seller and PG&E agree to take all necessary actions to obtain other necessary approvals of this Amendment in its entirety including, if applicable, Bankruptcy Court approval.

10. The Parties agree that this Amendment reflects a compromise, not an agreement or endorsement of disputed facts and law presented in CPUC Rulemaking 99-11-022, 04-04-003 or 04-04-025 and shall not establish binding precedent for any future proceeding. The Parties have assented to the terms of this Amendment only to reach the compromise embodied herein.

11. This Amendment embodies the entire understanding and agreement of the Parties with respect to the matters described herein, and, except as described herein, supersedes and cancels any and all prior oral or written agreements, principles, negotiations, statements, representations or understandings among the Parties or their representatives.

12. The Amendment may be amended or changed only by a written agreement signed by the Parties.

13. The Parties intend the Amendment to be interpreted and treated as a unified, interrelated agreement.

14. Each of the Parties hereto and its respective counsel and advocates have contributed to the preparation of this Amendment. Accordingly, the Parties agree that no

provision of this Amendment shall be construed against any Party because that Party or its representative or counsel drafted the provision.

15. This Amendment shall be governed by and construed in accordance with the laws of the State of California, excluding any choice of law rules that may specify the laws of another jurisdiction.

16. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

**17. SIGNATURES**

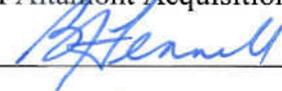
IN WITNESS WHEREFORE, Seller and PG&E have caused this Amendment to be executed by their authorized representatives.

PACIFIC GAS AND ELECTRIC COMPANY  
a California corporation

By:   
Title: VP Energy Supply  
Date: 5.5.06

GREEN RIDGE POWER LLC  
a Delaware limited liability company

By ESI Altamont Acquisitions, Inc., its Managing Member

By:  **BRYAN J. FENNELL**  
Title:  **VICE PRESIDENT**  
Date: 4/26/06

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

Alcantar & Kahl LLP	Division of Business Advisory Services	Occidental Energy Marketing, Inc.
Ameresco	Douglass & Liddell	OnGrid Solar
Anderson & Poole	Downey & Brand	Praxair
Arizona Public Service Company	Duke Energy	R. W. Beck & Associates
BART	Dutcher, John	RCS, Inc.
Barkovich & Yap, Inc.	Economic Sciences Corporation	Recurrent Energy
Bartle Wells Associates	Ellison Schneider & Harris LLP	SCD Energy Solutions
Bloomberg	Foster Farms	SCE
Bloomberg New Energy Finance	G. A. Krause & Assoc.	SMUD
Boston Properties	GLJ Publications	SPURR
	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
Braun Blasing 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	
Dept of General Services	Northern California Power Association	