



**Pacific Gas and
Electric Company®**

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November 22, 2010

Advice 3170-G/3763-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Notification of the Creation of a New Affiliate

Purpose

In accordance with Decision 06-12-029, Appendix A, Rule VI. B--New Affiliate Compliance Plans, Pacific Gas and Electric Company ("PG&E") hereby notifies the Commission of the formation of a new affiliate under Rule II.B of the Affiliate Transaction Rules.

Rule VI. B. requires that:

Upon creation of a new affiliate, which is addressed by these Rules, the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission, served on parties to this proceeding. The advice letter shall demonstrate how the utility will implement these Rules with respect to the new affiliate.

Sequoia Pacific Solar I, LLC

On September 21, 2010, PG&E Corporation's subsidiary, Pacific Energy Capital III, LLC ("PEC III"), acquired a membership interest in Sequoia Pacific Solar I, LLC, a Delaware limited liability company ("Sequoia Pacific"). Sequoia Pacific is an affiliate of Pacific Gas and Electric Company and it is subject to the Affiliate Transaction Rules under Rule II.B thereof because it is active in the electric energy business as a provider of residential rooftop solar energy installations. PEC III's investment in Sequoia Pacific is funded by PG&E Corporation shareholders.

The management of Sequoia Pacific is as follows:

Managing Member:	Sequoia Pacific Member I, LLC
Members:	PEC III Sequoia Pacific Member I, LLC

Description of the Investment

Under Sequoia Pacific's limited liability company agreement, PEC III will provide \$120 million in capital for approximately 23 megawatts of residential and commercial solar energy installations within and outside of PG&E's service territory in 2010 and 2011. As the owner of the installations, Sequoia Pacific will be entitled to the related host customer payments. PEC III will receive a share of the cash flows generated by Sequoia Pacific as well as federal investment tax credits and other tax benefits. PEC III's investment in Sequoia Pacific is of a type usually characterized as a "tax equity investment."

The managing member of Sequoia Pacific will be Sequoia Pacific Member I, LLC (the Managing Member), an affiliate of SolarCity Corporation ("SolarCity") and a provider of residential solar sales, marketing, financing and monitoring services. The Managing Member will also manage the solar energy projects. The host customers will receive the energy generated by the projects and those customers who reside in PG&E's service territory will participate in PG&E's Net Energy Metering Program.

Sequoia Pacific also has a Maintenance Services Agreement with SolarCity, whereunder host customers will work directly with SolarCity employees for billing, installation and upkeep of their PV systems. Thus, under the two agreements, neither Sequoia Pacific nor PEC III will have any responsibility for day-to-day management or operation of the PV systems, nor will they interact directly with the host customers or with PG&E. Further, because SolarCity obtains tax equity capital from multiple investors, neither SolarCity nor the host customers to whom SolarCity sell will know at the time of contract execution whether or not capital from an affiliate of PG&E will be used to acquire the system.

The Sequoia Pacific transaction was initiated and conducted independently from PG&E and in full compliance with the Affiliate Transaction Rules.

Continued Compliance With The Affiliate Transaction Rules

PG&E has a strong Affiliate Transaction Rules compliance plan in place that, combined with additional targeted training provided in connection with PG&E

Corporation's tax equity investments, will ensure continued compliance with the Affiliate Transaction Rules. On June 30, 2010, in Advice Letter 3131-G/3694-E, PG&E filed its Affiliate Transaction Rules Compliance Plan with the Commission. Advice 3131-G/3694-E details PG&E's plan for compliance with the Affiliate Transaction Rules. PG&E employees are directed to understand and comply with PG&E's Affiliated Transaction Company Procedures, which can be found on PG&E's internal web site. A communication was issued to all PG&E employees directing them to comply with the Affiliate Transaction Rules and with the company's procedures. In addition, PG&E provides training to targeted groups affected by particular rules. The annual audits performed by the independent auditors through 2006¹ have confirmed that PG&E's procedures have been effective.

The following discussion addresses particular rules, their applicability to Sequoia Pacific, and how PG&E will address compliance with the rules.

Rule II – Applicability

Rule I.A of the Affiliate Transaction Rules define "affiliate" as "any person, corporation, utility, partnership, or other entity 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation." Rule II makes the rules applicable "to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity." PEC III is a wholly-owned subsidiary of PG&E Corporation, which in turn owns PG&E, and PEC III owns a greater than 5 percent voting interest in Sequoia Pacific. Sequoia Pacific is thus an "affiliate." Through power purchase agreements and leases, Sequoia Pacific will be providing PV systems to residential customers and will thus be engaging in the provision of a service that relates to the use of electricity. The Affiliate Transaction Rules will therefore apply to any transactions between Sequoia Pacific and PG&E.

PEC III's investment in Sequoia Pacific is a passive financial investment in that PEC III will not engage in the day-to-day management of either Sequoia Pacific or the related customer solar energy systems. Moreover, most host customers will not know of the affiliate relationship between Sequoia Pacific and PG&E, as they will be exposed solely to the brand of SolarCity in connection with their solar energy systems.

¹ 2006 is the last year for which Pacific Gas and Electric Company had an independent audit of its Affiliate Transaction Rules compliance; independent biennial Commission-directed audits are pending.

Separate from this transaction, PG&E Corporation has warrant rights that allow it to acquire approximately a two percent equity interest in SolarCity under certain circumstances. PG&E Corporation presently has no ownership interest or control over SolarCity, however, and, even if it ultimately exercises its warrant rights, it will only hold approximately a two percent interest, and SolarCity will still not be an "affiliate" within the meaning of Rule I.A.

Rule III - Nondiscrimination

Rule III.A prohibits a utility from (1) representing that, as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers, or (2) providing affiliates, or customers of affiliates, any preference over non-affiliated suppliers or their customers in the provision of services provided by the utility. In the case of Sequoia Pacific, PG&E, in its role as Program Administrator for CSI projects located in its service territory, will be providing certain standardized CSI services to Sequoia Pacific provided for in the Commission-approved CSI Program Handbook. PG&E has policies and procedures in place to ensure compliance with Rule III.A.

In addition to the general communication issued to PG&E employees and to regular compliance training, upon execution of the initial SolarCity agreements for tax equity financing, PG&E sent a communication to employees responsible for managing CSI advising them about Rule II.B affiliates and reminding them to comply with the Affiliate Transaction Rules with emphasis on not providing preferential treatment. All such employees were also required to take an additional on-line compliance training course in 2010 after the first instance of a PG&E affiliate investing in a company performing services related to CSI. In addition, PG&E provided targeted one-on-one compliance counseling to key employees responsible for administering CSI to ensure that PG&E does not provide any preferential treatment.

Rule III.B limits transactions between a utility and its affiliates to tariffed products and services, to the sale of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process, to the provision of information made generally available by the utility to all market participants, to Commission approved resource procurement by the utility, or to approved joint purchases or corporate support. In the case of Sequoia Pacific, any transactions between Sequoia Pacific and Pacific Gas and Electric Company will be pursuant to the Commission-approved CSI Program Handbook available to all market participants. Pacific Gas and Electric Company will only provide to Sequoia Pacific (or to SolarCity, acting as agent for Sequoia Pacific) the same information made generally available to all CSI participants. The procedures detailed in Advice 3131-G/3694-E are designed to ensure compliance with this rule and the Commission-ordered independent

auditor's annual audits through 2006 have confirmed that these procedures are effective. Pacific Gas and Electric Company provided additional training to employees responsible for administering CSI to ensure that they understand and comply with this rule.

Rule III.C prohibits tying utility services to services provided by affiliates. No PG&E customer will be required to install systems associated with Sequoia Pacific leases or power purchase agreements in order to receive any services from PG&E.

Rules III.D and III.E prohibit utilities from assigning customers to affiliates, providing leads to affiliates, soliciting business on behalf of affiliates, acquiring information in behalf of affiliates, sharing nonpublic market information with affiliates, requesting authorization from customers to pass on customer information exclusively to affiliates, or giving the appearance that the utility or affiliate speak on behalf of each other. The limited nature of any interaction between Sequoia Pacific and PG&E presents little danger of noncompliance with these rules. That said, PG&E's Utility Affiliated Transaction Company Procedures and associated employee training are designed to ensure compliance with these rules. The specific training PG&E provided to employees responsible for managing the CSI program was designed to ensure that they provide no preferential treatment.

Rule IV - Disclosure and Information

Rule IV.A prohibits a utility from providing customer information to third parties without affirmative customer written consent, and then prohibits the utility from providing discriminatory access to such information to affiliates. Sequoia Pacific's participation in the CSI program will not involve access to PG&E customer data, and thus does not present a danger of discriminatory access. That said, PG&E's Utility Affiliated Transaction Company Procedures and associated employee training are designed to ensure compliance with these rules, and employees responsible for managing the CSI program received additional training in affiliate rules compliance with respect to solar energy affiliate relationships.

Rule IV.B. prohibits a utility from providing non-customer specific non-public information to its affiliates. Sequoia Pacific's participation in the CSI program will neither require nor benefit from acquisition of non-public utility information. Regardless, PG&E's Utility Affiliated Transaction Company Procedures and associated employee training are designed to ensure compliance with this rule.

Rule IV.C prohibits utilities from providing lists of service providers to customers except by request of the customer or as otherwise authorized by the Commission. This rule applies to any list, whether or not the list includes utility affiliates. PG&E employees responsible for managing the CSI program and customer service employees are thus already trained to comply with this rule.

Rule IV.D prohibits the utility from providing non-public information received from unaffiliated suppliers to its affiliates without prior written authorization. PG&E provided additional training for employees responsible for managing CSI to ensure that they do not provide non-public information received from other CSI suppliers to solar energy affiliates.

Rule IV.E prohibits utilities from providing “customer advice or assistance with regard to its affiliates or other service providers.” Because this rule applies to all service providers, whether or not they are an affiliate, PG&E employees responsible for managing the CSI program and customer service employees are already trained to comply with this rule. In addition, as discussed above, CSI employees received additional compliance training after execution of the initial SolarCity agreements.

Rules IV.F and IV.G require utilities to maintain contemporaneous records documenting all tariffed and non-tariffed transactions with its affiliates and to maintain such records for a minimum of three years, and to maintain a record of all contracts and related bids for the provision of work, products or services between the utility and its affiliates for at least three years. PG&E employees are trained to comply with this rule, and those employees responsible for managing CSI in particular have been trained to comply with these rules.

Rule V - Separation

Rule V requires that a utility and its affiliates be separate corporate entities, keep separate books and records, maintain such books and records open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Sections 314 and 701, and not share plant, facilities, equipment or costs, other than authorized shared corporate support services. Sequoia Pacific is and will remain in full compliance with these rules. Sequoia Pacific is a separate Delaware limited liability company registered with the California Secretary of State. Sequoia Pacific maintains its own books and records which are available for examination by the Commission as required by law. Sequoia Pacific’s headquarters are separate from PG&E, and Sequoia Pacific shares no facilities, equipment or costs with PG&E other than the cost of permitted shared support services authorized by the Affiliate Transaction Rules.

Rule V.D prohibits certain joint purchases by a utility and its affiliate. Because SolarCity, not Sequoia Pacific, will be managing the solar energy projects, Sequoia Pacific will have no need to, and will not, make any joint purchases with PG&E.

Rule V.E limits the type of corporate support that an affiliate may share with a utility. Sequoia Pacific will receive certain corporate support services from PG&E Corporation and from PG&E. PG&E has detailed procedures in place to ensure compliance with Rule V.E. Moreover, shared support services have been

described and subject to discovery in each of PG&E's recent general rate cases. Sequoia Pacific will only receive the same types of corporate support services that PG&E Corporation and PG&E have historically provided to other Rule II.B affiliates in compliance with this rule (e.g., legal, financial planning, shareholder services, etc.).

Rule V.F prohibits a utility from trading upon, promoting or advertising its affiliate's affiliation with the utility, or allowing affiliates to use the utility's name or logo unless the affiliate includes the required disclaimer. Because Sequoia Pacific will have no role in managing or operating the PV facilities, Sequoia Pacific will not engage in any advertising or promotion, and will thus have no opportunity to violate this rule. In addition, PG&E employees will have no involvement with Sequoia Pacific aside from administration of the CSI program and will not participate in joint advertising or marketing, joint sales calls, trade shows or other events.

Rule V.G. prohibits sharing employees, except in connection with approved corporate support. Sequoia Pacific will not employ anyone who is also employed by PG&E.

Rule V.H requires that any transfer of goods or services from an affiliate to a utility be priced at no more than fair market value. The only services Sequoia Pacific may receive from PG&E (other than authorized shared corporate support services) will be pursuant to the approved CSI Program Handbook and are thus deemed to be at fair market value under Rule V.H.3. Sequoia Pacific will provide no goods or services to PG&E.

PG&E does not believe that the transactions it may engage in with Sequoia Pacific as CSI program administrator implicate any other Affiliate Transaction Rules.

Additional Information

PG&E Corporation also changed the name of PG&E Ventures, Inc. to PCG Capital Inc. PCG Capital Inc. is a Rule II.B. affiliate and has not changed its business description.

No unusual or unique circumstances exist that would require special affiliate transactions rule implementation measures.

Questions regarding this affiliate should be addressed to Megan Janis, Director, Compliance and Ethics at (415) 973-8190.

PG&E has previously notified Commission staff and posted notice of the formation of these affiliates on its affiliate transaction World Wide Web site at: <http://www.pge.com/about/rates/affiliate/>.

This filing will not increase any other rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **December 13, 2010**, which is 21 days after the date of this filing.² Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. Mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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, California 94177

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

² The end of the protest period concludes on a weekend; therefore, PG&E is moving this date to the following business day.

Effective Date

PG&E requests that this advice filing become effective on **November 22, 2010**, the date of this filing. PG&E submits this as a Tier 1 filing.

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 parties on the service lists for A.09-02-019, R.05-10-030, and R.08-03-008. Address changes to the General Order 96-B service list and all electronic approvals should be directed to e-mail 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>.

A handwritten signature in cursive script, reading "Jane Yura / lmt".

Vice President – Regulation and Rates

cc: Service Lists A.09-02-019, R.05-10-030, and R.08-03-008

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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: 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) #: **3170-G/3763-E**

Tier: 1

Subject of AL: Notification of the Creation of a New Affiliate (Sequoia Pacific Solar I, LLC)

Keywords (choose from CPUC listing): Affiliate, Compliance

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.06-12-029

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 AL¹: _____

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: **November 22, 2010**

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 proposed¹:

Pending advice letters that revise the same tariff sheets:

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

**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 Blaising McLaughlin, P.C.	Green Power Institute	Santa Fe Jets
Brookfield Renewable Power	Hanna & Morton	Seattle City Light
CA Bldg Industry Association	Hitachi	Sempra Utilities
CLECA Law Office	In House Energy	Sierra Pacific Power Company
CSC Energy Services	International Power Technology	Silicon Valley Power
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Silo Energy LLC
California Energy Commission	Lawrence Berkeley National Lab	Southern California Edison Company
California League of Food Processors	Los Angeles Dept of Water & Power	Spark Energy, L.P.
California Public Utilities Commission	Luce, Forward, Hamilton & Scripps LLP	Sunshine Design
Calpine	MAC Lighting Consulting	Sutherland, Asbill & Brennan
Casner, Steve	MBMC, Inc.	Tabors Caramanis & Associates
Chris, King	MRW & Associates	Tecogen, Inc.
City of Palo Alto	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
City of Palo Alto Utilities	McKenzie & Associates	TransCanada
Clean Energy Fuels	Merced Irrigation District	Turlock Irrigation District
Coast Economic Consulting	Modesto Irrigation District	United Cogen
Commercial Energy	Morgan Stanley	Utility Cost Management
Consumer Federation of California	Morrison & Foerster	Utility Specialists
Crossborder Energy	NLine Energy, Inc.	Verizon
Davis Wright Tremaine LLP	NRG West	Wellhead Electric Company
Day Carter Murphy	Navigant Consulting	Western Manufactured Housing Communities Association (WMA)
		eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North America Power Partners	
Dept of General Services	North Coast SolarResources	