

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



May 1, 2008

Advice Letters 3211-E and 3211-E-A

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

Subject: Contract for Procurement of Renewable Energy Resources  
Resulting from a Power Purchase Agreement between Geysers  
Power Company, LLC and PG&E

Dear Mr. Cherry:

Advice Letters 3211-E and 3211-E-A are effective February 16, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director  
Energy Division



**Brian K. Cherry**  
Vice President  
Regulatory Relations

77 Beale Street, Room 1087  
San Francisco, CA 94105

*Mailing Address*  
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P.O. Box 770000  
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Fax: 415.973.7226

February 15, 2008

**Advice 3211-E**

(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

**Subject: Contract for Procurement of Renewable Energy Resources  
Resulting from a Power Purchase Agreement between Geysers  
Power Company, LLC and PG&E**

**I. PURPOSE AND OVERVIEW**

Pacific Gas and Electric Company (“PG&E”) seeks expedited California Public Utilities Commission’s (“Commission” or “CPUC”) approval of a power purchase agreement (“PPA”) that PG&E has executed with Geysers Power Company, LLC (“Geysers”), a Calpine Corporation (“Calpine”) subsidiary that holds Calpine’s geothermal system assets. The PPA consolidates six existing Qualifying Facility (“QF”) contracts (“QF Contracts”) between PG&E and Geysers and additional generation from Geysers’ 700 megawatt (“MW”) geothermal generation system located in Sonoma and Lake Counties, California (“Geysers System”) into a single contract for baseload renewable power.

The Commission’s approval of the PPA will authorize PG&E to accept deliveries of Renewables Portfolio Standard (“RPS”) eligible baseload energy from the Geysers System beginning in 2008, with a firm energy schedule of 175 MW or approximately 1,533 gigawatt hours (“GWh”) per year, for a term of approximately six years and eleven months. These energy deliveries will advance PG&E’s achievement of the goal of 20 percent eligible renewables procurement required by California’s RPS statute.<sup>1</sup>

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<sup>1</sup> California Public Utilities Code section 399.11 et seq., as interpreted by Decision (“D.”) 03-07-061, the “Order Initiating Implementation of the Senate Bill 1078 Renewables Portfolio Standard Program,” and subsequent CPUC decisions in Rulemaking (“R.”) 04-04-026 and R.06-05-027.

The PPA resulted from bilateral negotiations independent of PG&E's RPS solicitations. Consistent with the protocol used for review of RPS contracts resulting from the 2007 RPS Solicitation, PG&E has included Confidential Appendices A through H, which address the reasonableness of the PPA. As is discussed below under the section entitled "Request for Confidential Treatment," PG&E is seeking confidential treatment of the information contained in these appendices.

**The PPA is effective upon execution, but the continued binding nature of the PPA is contingent on CPUC Approval. If PG&E does not obtain CPUC Approval within 120 days of the date of execution of the PPA, only the QF Contracts will remain in place. Thus, expedited review is essential.**

PG&E requests that the Commission issue a resolution no later than April 24, 2008, containing the findings required by the definition of CPUC Approval adopted by D.07-11-025 and incorporated in the PPA so that the PPA will remain in effect.<sup>2</sup>

## II. DETAILED DESCRIPTION OF THE PROJECT

The PPA resulted from bilateral negotiations between PG&E and Geysers. The following table summarizes the substantive features of the PPA:

Generating Facility	Type	Term Years	MW Capacity	Annual Deliveries	Commercial Operating Date	Project Location
Geysers System	Geothermal	Approximately 6 years 11 months	175 MW	1,533 GWh (7x24, flat volume, subject to outages)	Currently operating	NP-15 (pre-MRTU); Geysers System busbars (post-MRTU)

A copy of the PPA is provided in Confidential Appendix G and a contract analysis is provided in Confidential Appendix D.

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<sup>2</sup> As provided by D.07-11-025, the Commission must approve the PPA and payments to be made thereunder, and find that the procurement will count toward PG&E's RPS procurement obligations, for the executed PPA to be binding on the parties. Furthermore, the PPA between Geysers and PG&E is subject to no-fault termination if final, non-appealable CPUC approval is not received within 120 days of the execution date of the PPA.

The PPA consolidates the QF Contracts and additional generation from the Geysers System into a single new contract for baseload renewable power. Approximately 37 percent of the energy deliveries over the term of the PPA are associated with power from the QF Contracts and the remaining deliveries are for additional renewable power. By consolidating the QF Contracts into a single new contract, the PPA eliminates the risk that Geysers would have terminated the QF Contracts prior to the end of their respective terms. The PPA also provides additional renewable power from the Geysers System to meet PG&E's RPS requirement, and provides PG&E with additional local Resource Adequacy ("RA") through 2014 in the North Bay/North Coast sub-area, a region that the California Independent System Operator ("CAISO") has identified as transmission constrained.<sup>3</sup>

The approximate six year, eleven month term of the PPA is less than the more typical 10 to 20 year terms offered in competitive RPS solicitations. In D.07-05-028, the Commission authorized that, beginning in 2007, RPS-obligated entities may use energy deliveries from contracts of less than 10 years' duration with eligible renewable energy resources that commenced commercial operation prior to January 1, 2005 for RPS compliance, provided that such entities contract for deliveries equal to at least 0.25 percent of their prior year's retail sales through contracts of at least 10 years' duration or through short-term contracts with new facilities. PG&E may therefore count deliveries from the PPA for RPS compliance provided that it meets this requirement.

PG&E will pay fixed prices under the PPA for all volumes that would have been delivered under the QF Contracts prior to the August 31, 2011 expiration of the Independent Energy Producers ("IEP") settlement of energy prices for QF contracts,<sup>4</sup> and will pay an index price plus an additional fixed amount per megawatt hour ("MWh") for all volumes that would have been delivered under the QF Contracts subsequent to the expiration of the IEP settlement. For all other energy deliveries, PG&E will pay an index price plus an adder for Green Attributes

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<sup>3</sup> The additional RA procured through the PPA would reduce the need for the CAISO to procure resources through Reliability Must-Run contracts, and as a result may reduce the overall cost to PG&E's customers.

<sup>4</sup> The prices for these deliveries reflect the total payments that would have been made under the QF Contracts net of the RA payment under the PPA, which is being paid on all capacity to simplify contract settlement calculations. The prices vary over the PPA term because the QF Contracts ended at different times and had different prices.

("GA"). PG&E will pay an additional amount for each MW of capacity received under the PPA.

The project is currently operating. The PPA provides that for the period between February 16, 2008 and CPUC Approval, the parties will continue to perform under the QF Contracts and PG&E will receive additional energy deliveries of 57 MW each hour from the Geysers System at a market index price. Following CPUC Approval, PG&E will pay an additional fixed price per MWh for the GA associated with the 57 MW of energy delivered between February 16, 2008 and the date of CPUC Approval, the QF Contracts will terminate, and PG&E will receive deliveries under the PPA in the volumes and at the prices described above. Over time, the energy deliveries above the volume from the QF Contracts will increase, as is shown in the Contract Summary section of Confidential Appendix D. PG&E requests that the Commission approve the PPA in its entirety, including the portions of the transaction that occur both before and after CPUC Approval.

### **III. PG&E'S HEDGING PROPOSAL**

The index-priced volumes under the PPA will be hedged by PG&E such that combined hedge transactions along with the PPA will result in fixed priced energy for the term of the PPA. The hedging process will involve a competitive solicitation process utilizing commercially standard fixed-for-floating swap products. PG&E will establish a list of eligible and interested counterparties, pre-approved for the products (including maximum quantity and term), set up and communicate the execution protocol in advance, and then execute hedge contracts over a prescribed period based on the competitive pricing for the swaps. A more detailed discussion of the hedging plan is provided in Confidential Appendix D.

### **IV. PRG PARTICIPATION AND FEEDBACK**

PG&E informed its PRG of the proposed transaction on August 24, 2007, October 24, 2007, November 30, 2007 and January 9, 2008. None of the PRG members objected to PG&E's execution of the transaction.

### **V. THE GEYSERS PPA IS CONSISTENT WITH THE COMMISSION'S RPS-RELATED DECISIONS**

#### **A. Consistency with PG&E's Adopted RPS and Long-Term Procurement Plans**

## 1. **Fit with Identified Renewable Resource Needs**

The Commission should evaluate the reasonableness of the PPA in terms of its consistency with PG&E's 2007 renewable procurement plan ("Plan"), which was approved in D.07-02-011 on February 15, 2007. As required by statute, the Plan includes 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.<sup>5</sup>

In its approved Plan, PG&E welcomes baseload offers to meet its RPS goals. In order to meet the 20 percent renewable energy target by 2010, PG&E will still require additional annual energy deliveries from newly contracted resources. Projects capable of providing actual deliveries with only a short or no delay are especially valuable to PG&E. With a nameplate capacity of 175 MW, of which 57 MW is immediate additional capacity, and the capability of starting deliveries in February 2008, the PPA for geothermal baseload electricity generation is expected to contribute significantly towards fulfilling PG&E's RPS target.

## 2. **Consistency with PG&E's Long Term Procurement Plan**

PG&E's 2006 long-term procurement plan stated that PG&E would aggressively pursue procurement of RPS-eligible renewable resources. In approving PG&E's 2006 long-term procurement plan, the Commission noted that development of renewable energy is of "great importance to the Governor, the State of California, and the Commission."<sup>6</sup> The PPA contributes to meeting PG&E's energy needs over the contract period and to meeting PG&E's RPS goals.

### **B. Consistency of Bid Evaluation Process with Least-Cost Best Fit Decision**

The RPS statute requires the "least cost, best fit" ("LCBF") eligible renewable resources to be procured.<sup>7</sup> The LCBF decision directs the utilities to use certain

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<sup>5</sup> Pub. Util. Code § 399.14(a)(3).

<sup>6</sup> D.07-12-052 at 74.

<sup>7</sup> Pub. Util. Code § 399.14 (a)(2)(B).

criteria in their bid ranking.<sup>8</sup> It offers guidance regarding the process by which the utility ranks bids in order to select or “shortlist” the bids with which it will commence negotiations. The renewables bid evaluation process 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.

Since the PPA is the result of bilateral negotiations, PG&E did not evaluate the PPA in the same manner that PG&E evaluated bids received in the 2007 RPS Solicitation. However, the reasonableness of the PPA was examined using market value comparisons with other RPS transactions received in the 2007 RPS Solicitation. The general finding is that this transaction is highly competitive with other RPS opportunities. As an existing resource within NP-15, there are no transmission adders or integration costs.

#### 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. In this analysis, PG&E includes the bid price and indirect costs, such as the costs to the utility transmission system caused by interconnection of the resource to the grid or integration of the generation into the system-wide electrical supply.

#### 2. **Portfolio Fit**

Portfolio fit considers how well an offer’s features matches PG&E’s portfolio needs. This analysis includes the anticipated transaction costs involved in any energy remarketing (i.e., the bid-ask spread) if the contract adds to PG&E’s net long position. Because the deliveries under the PPA are anticipated to occur at a time when PG&E is experiencing a medium to high need for baseload energy, particularly after 2008, the acceptance of these baseload deliveries should not result

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<sup>8</sup> D.04-07-029.

in significant remarketing costs. As a result, the PPA fits PG&E's portfolio in a satisfactory manner.

### 3. **Consistency with the Transmission Ranking Cost Decision**

Under the RPS program, the potential customer cost to accept energy deliveries from a particular project must be considered when determining a project's value. Under the PPA, Geysers proposes to deliver generation from the Geysers System, an existing geothermal system located in the North Bay area. The Geysers System is already connected to the transmission system and no needed transmission upgrades have been identified as a result of the PPA. Hence, no additional costs to accept deliveries were included in the evaluation of the PPA's net benefits.

### 4. **Consistent Application of TODs**

Time of Delivery ("TOD") factors are applied to a non-time differentiated purchase price in order to weight payments according to the value of electricity delivered during various periods. The PPA is for baseload deliveries with expected average deliveries in all periods. Consequently, the TOD factors have no impact since the expected delivery profile is identical to the assumed delivery profile for the market price referent ("MPR").

### 5. **Qualitative Factors**

PG&E considered qualitative factors as required by D.04-07-029. The PPA will provide local RA in the North Bay/North Coast area, a sub-area the CAISO has designated as transmission-constrained.

This transaction can be justified from several perspectives. First, its annual deliveries will contribute significantly toward PG&E's achievement of its RPS objectives. Second, the pricing is competitive. Third, this transaction helps satisfy other regulatory requirements (local RA).

## C. **Consistency with Adopted Standard Terms and Conditions**

The Commission set forth standard terms and conditions to be incorporated into RPS agreements in D.04-06-014, D.07-02-011 as modified by D.07-05-057, and D.07-11-025.

During the course of negotiations, the parties found it necessary to modify some of the non-modifiable standard terms set forth in Attachment A of D.07-11-025.

Under the PPA, PG&E will purchase energy from only a subset of the units in the Geysers System. The non-modifiable standard terms for the definition of GA, the conveyance of GA, and eligibility were modified to reflect that PG&E is not purchasing the entire output from the Geysers System, but only the output from specified units within the system. The non-modifiable standard term for eligibility was also modified to clarify Geysers' obligations in the event that delivery is suspended under certain circumstances described in the PPA. A description of the changes to these terms has been provided in Confidential Appendix H1 to this Advice Letter.

Changes have also been made to the terms that the Commission has designated as modifiable in D.07-11-025. Confidential Appendix H2 compares each modifiable standard term and condition that has been changed in the PPA against its form in the 2007 Solicitation Protocol issued on March 12, 2007.

The PPA represents a meeting of the minds between Geysers and PG&E, and each term was bargained for in consideration of every other term. Each provision is essential to the negotiated agreement between the parties and the Commission should therefore not modify any of the provisions. The Commission should consider the agreement as a whole, in terms of its ultimate effect on utility customers. PG&E submits that the PPA protects the interests of its customers while achieving the Commission's goal of increasing procurement from eligible renewable resources.

#### **D. Consistency with Minimum Quantity Decision**

The PPA is for less than 10 years' duration and is with an existing facility. This is the first RPS contract that PG&E has signed this year. In accordance with Commission D.07-05-028, deliveries under the PPA will only count for RPS compliance purposes if PG&E within this calendar year enters into contracts of at least 10 years' duration and/or short-term contracts with facilities that commenced commercial operations on or after January 1, 2005 for energy deliveries equivalent to at least 0.25 percent of PG&E's 2007 retail sales. PG&E expects to fulfill this requirement.

#### **VI. MPR AND SUPPLEMENTAL ENERGY PAYMENTS**

The actual price of the PPA is confidential, market sensitive information.

Because the term of the PPA is less than 10 years, there is currently no MPR available for comparison to the PPA. The levelized price over the term of the PPA (based on recent market prices) is higher than the 2007 MPR for a project with a 10-year delivery term beginning in 2008.

Senate Bill (“SB”) 1036 eliminated the California Energy Commission’s (“CEC”) authority to award supplemental energy payments (“SEPs”) as of January 1, 2008 and established a public goods charge (“PGC”) based procurement cap equal to the funds that would have been collected under the SEP program. The above-MPR costs of approved long-term RPS contracts with new or repowered facilities resulting from RPS solicitations may be counted toward this PGC-based procurement cap. Because this PPA is a short-term contract and is not based on a bid received in a competitive RPS solicitation, procurement under the PPA is not eligible to count against this PGC-based cap.

## **VII. PROJECT VIABILITY**

The PPA concerns an existing and operating facility. There is no development prior to delivery or any associated milestones, so viability issues are minor.

## **VIII. CONTINGENCIES AND PROJECT MILESTONES**

Because the Geysers System is an existing and operating facility, there are no project milestones. The PPA is subject to no-fault termination if final CPUC Approval is not received within 120 days of the execution date of the PPA. Other contingencies are addressed in Confidential Appendix D.

## **IX. TERMS AND CONDITIONS OF DELIVERY**

The point of delivery will be within NP-15 until implementation of the CAISO’s Market Redesign and Technology Upgrade (“MRTU”). Post-MRTU, the point of delivery will be the busbars of the units within the Geysers System that will provide power pursuant to the PPA. For the purposes of settlement, the point of delivery will be the weighted average of the Geysers System. Geysers will serve as its own scheduling coordinator throughout the delivery term.

**X. REGULATORY PROCESS****A. Requested Effective Date**

PG&E requests that the Commission issue a resolution approving this advice filing no later than April 24, 2008, and that the effective date of such resolution be February 16, 2008.

**B. Earmarking**

PG&E is not currently proposing to earmark this contract.

**C. RPS-Eligibility Certification**

The PPA includes the standard representation and warranty that during the delivery period, the project will constitute an eligible renewable energy resource certified by the CEC. The units within the Geysers System that will provide geothermal power pursuant to the PPA have been certified by the CEC as eligible renewable energy resources.

**D. Request for Confidential Treatment**

In support of this Advice Letter, PG&E has provided the following confidential information, including the PPA and other information that more specifically describe the rights and obligations of the parties. This information is being submitted in the manner directed by the Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066, issued August 22, 2006, to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided by section 583 of the Public Utilities Code under either the terms of the IOU Matrix, Appendix 1 of D.06-06-066, or General Order 66-C. A separate Declaration Seeking Confidential Treatment is being filed concurrently with this Advice Letter.

**Confidential Attachments:****Appendix A – Overview of 2004 – 2007 Solicitation Bids****Appendix B – 2007 Bid Evaluations****Appendix C – Intentionally Blank****Appendix D – Contract Terms and Conditions Explained****Appendix E – Project Viability****Appendix F – Project’s Contribution Toward RPS Goals****Appendix G – Power Purchase Agreement****Appendix H1 – Standard Terms and Conditions Comparison – Non-Modifiables****Appendix H2 – Standard Terms and Conditions Comparison – Modifiables****E. Compliance with the Greenhouse Gas Emission Performance Standard**

In D.07-01-039, the Commission adopted an Emissions Performance Standard (“EPS”) that applies to contracts for a term of five or more years for baseload generation with an annualized plant capacity factor of at least 60 percent. Geothermal facilities are pre-approved as compliant with the EPS. Accordingly, PG&E need not show that the net emissions rate of the Geysers System does not exceed 1,100 lbs of CO<sub>2</sub> per MWh. PG&E has provided notice of the PPA’s exemption from the interim EPS requirements by serving this Advice Letter on the service list in the RPS rulemaking, R.06-05-027.

**XI. REQUEST FOR COMMISSION APPROVAL**

The continued effectiveness of the PPA is conditioned on the occurrence of “CPUC Approval,” as that term is defined in the PPA. Time is of the essence in the Commission’s consideration and approval of this Advice Letter. California’s ambitious RPS goals require resources in addition to those that have responded to the utility RPS solicitations. As noted above, the project can commence deliveries

in 2008 and is currently operating, meaning that it could immediately contribute to PG&E's RPS target. Approval of the renegotiated commercial relationship will provide mutual benefit to Geysers and PG&E.

Therefore, PG&E requests that the Commission issue a resolution no later than **April 24, 2008** that:

1. Approves the PPA and its associated hedging plan (summarized in Section III above with additional details in Confidential Appendix D) in their entirety, including payments to be made by PG&E pursuant to the PPA and hedging plan, subject to the Commission's review of PG&E's administration of the PPA and hedging plan.
2. Finds that any procurement pursuant to the 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"), Decision ("D.") 03-06-071 and D.06-10-050, or other applicable law.
3. Finds that all indirect costs associated with procurement under the PPA shall be recovered in rates.
4. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
  - a. The PPA and the hedging plan are consistent with PG&E's approved 2007 RPS procurement plan.
  - b. The terms of the PPA, including the price of delivered energy, are reasonable.
5. Adopts the following finding of fact and conclusion of law in support of cost recovery for the PPA and hedging plan:
  - a. The utility's cost of procurement under the PPA and hedging plan shall be recovered through PG&E's Energy Resource Recovery Account.

- b. Any stranded costs that may arise from the 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 being addressed in Rulemaking (“R.”) 06-02-013.
6. Adopts the following findings with respect to resource compliance with the Emissions Performance Standard (“EPS”) adopted in R.06-04-009:
  - a. PG&E has requested pre-approval of RPS-eligible procurement covered by SB 1368 as required by D.07-01-039.
  - b. The generating facility employs geothermal technology.
  - c. The renewable resource is pre-approved as compliant with the Interim EPS adopted by D.07-01-039.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **March 6, 2008**, 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, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102

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

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Honesto Gatshalian, 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: Brian Cherry  
Vice President, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-7226  
E-Mail: PGETariffs@pge.com

**Effective Date:**

PG&E requests that the Commission issue a resolution approving this advice filing no later than April 24, 2008, and that the effective date of such resolution be February 16, 2008.

**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.06-02-012, R.06-02-013 and R.06-05-027. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the Advice Letter and accompanying confidential attachments by overnight mail. Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>



Brian K. Cherry  
Vice President - Regulatory Relations

cc: Service List for R.06-05-027  
Service List for R.06-02-013  
Service List for R.06-02-012  
Paul Douglas - 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. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.

**Confidential Attachments:**

**Appendix A – Overview of 2004 – 2007 Solicitation Bids**

**Appendix B – 2007 Bid Evaluations**

**Appendix C – Intentionally Blank**

**Appendix D – Contract Terms and Conditions Explained**

**Appendix E – Project Viability**

**Appendix F – Project’s Contribution Toward RPS Goals**

**Appendix G – Power Purchase Agreement**

**Appendix H1 – Standard Terms and Conditions Comparison – Non-Modifiables**

**Appendix H2 – Standard Terms and Conditions Comparison – Modifiables**

# 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

Phone #: (415) 973-1082

E-mail: DXPU@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) #: **3211-E**

**Tier: [3]**

Subject of AL: Contract for Procurement of Renewable Energy Resources Resulting from a Power Purchase Agreement between Geysers Power Company, LLC and PG&E

Keywords (choose from CPUC listing): RPS

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 attached matrix.

Confidential information will be made available to those who have executed a nondisclosure agreement: All members of PG&E's Procurement Review Group who have signed nondisclosure 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: Jeff Henderson. (415)-972-5779.

Resolution Required?  Yes  No

Requested effective date: **02/16/2008**

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 proposed<sup>1</sup>: 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: Brian K. Cherry, Vice President, Regulatory Relations**  
**77 Beale Street, Mail Code B10C**  
**P.O. Box 770000**  
**San Francisco, CA 94177**  
**E-mail: PGETariffs@pge.com**

**DECLARATION OF JEFF HENDERSON  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION  
CONTAINED IN ADVICE LETTER 3211-E  
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Jeff Henderson, declare:

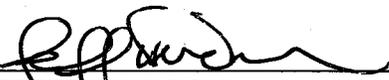
1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee at PG&E since January 2004. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties and have also gained knowledge of the operations of electricity sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating positions of electricity sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," issued August 22, 2006, I make this declaration seeking confidential treatment of "Appendices A, B, D, E, F, G, H1, and H2 to Advice Letter 3211-E," submitted on February 15, 2008. By this Advice Letter, PG&E is seeking this Commission's approval of a PPA that PG&E has executed with Geysers Power Company, LLC, a Calpine Corporation subsidiary.

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 (the "IOU Matrix") of Decision 06-06-066, 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 the foregoing is true and correct. Executed on February 15, 2008 at San Francisco, California.

  
\_\_\_\_\_  
JEFF HENDERSON

		IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066				
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 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	Length of Time
1	Document: Advice Letter 3211-E					
2	Appendix A	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	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	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	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
4	Appendix D	Item VIII B) Specific quantitative analysis involved in scoring and evaluation of participating bids. Item VII G) Renewable Resource Contracts under RPS program - Contracts without SEPs. Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects.	Y	Y	Y	For information covered under Item VIII B), remain confidential for three years after winning bidders selected  For information covered under Item VII G) and Item VII (un-numbered category following VII G), remain confidential for three years
5	Appendix E	Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects.	Y	Y	Y	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 (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
6 Appendix F	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 and 2007 solicitations, this information should remain confidential for three years.	Remain confidential for three years
7 Appendix G	Y	Item VII (G) Renewable Resource Contracts under RPS program - Contracts without 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 and 2007 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations. Furthermore, the counterparty has an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA. I am informed and believe that General Order 66-C provides a separate and independent basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other offers.	Remain confidential for three years
8 Appendices H1 and H2	Y	Item VII (G) Renewable Resource Contracts under RPS program - Contracts without SEPs.	Y	Y	Y	These Appendices contain certain 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 and 2007 solicitations, this information should remain confidential for three years. Release of this information would be damaging to negotiations. Furthermore, the counterparty has an expectation that the terms of the PPA will remain confidential pursuant to the confidentiality provisions of the PPA. I am informed and believe that General Order 66-C provides a separate and independent basis for confidential treatment. General Order 66-C includes in its category of records not open to public inspection "information obtained in confidence from other than a business regulated by this Commission where the disclosure would be against the public interest." (Paragraph 2.8). It is in the public interest to treat such information as confidential because if such information were made public, it could have a damaging effect on current and future negotiations with other offers.	Remain confidential for three years

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

ABAG Power Pool	Douglass & Liddell	PG&E National Energy Group
Accent Energy	Downey, Brand, Seymour & Rohwer	Pinnacle CNG Company
Aglet Consumer Alliance	Duke Energy	PITCO
Agnews Developmental Center	Duke Energy North America	Plurimi, Inc.
Ahmed, Ali	Duncan, Virgil E.	PPL EnergyPlus, LLC
Alcantar & Kahl	Dutcher, John	Praxair, Inc.
Ancillary Services Coalition	Dynergy Inc.	Price, Roy
Anderson Donovan & Poole P.C.	Ellison Schneider	Product Development Dept
Applied Power Technologies	Energy Law Group LLP	R. M. Hairston & Company
APS Energy Services Co Inc	Energy Management Services, LLC	R. W. Beck & Associates
Arter & Hadden LLP	Exelon Energy Ohio, Inc	Recon Research
Avista Corp	Exeter Associates	Regional Cogeneration Service
Barkovich & Yap, Inc.	Foster Farms	RMC Lonestar
BART	Foster, Wheeler, Martinez	Sacramento Municipal Utility District
Bartle Wells Associates	Franciscan Mobilehome	SCD Energy Solutions
Blue Ridge Gas	Future Resources Associates, Inc	Seattle City Light
Bohannon Development Co	G. A. Krause & Assoc	Sempra
BP Energy Company	Gas Transmission Northwest Corporation	Sempra Energy
Braun & Associates	GLJ Energy Publications	Sequoia Union HS Dist
C & H Sugar Co.	Goodin, MacBride, Squeri, Schlotz &	SESCO
CA Bldg Industry Association	Hanna & Morton	Sierra Pacific Power Company
CA Cotton Ginners & Growers Assoc.	Heeg, Peggy A.	Silicon Valley Power
CA League of Food Processors	Hitachi Global Storage Technologies	Smurfit Stone Container Corp
CA Water Service Group	Hogan Manufacturing, Inc	Southern California Edison
California Energy Commission	House, Lon	SPURR
California Farm Bureau Federation	Imperial Irrigation District	St. Paul Assoc
California Gas Acquisition Svcs	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
California ISO	International Power Technology	Tabors Caramanis & Associates
Calpine	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Corp	IUCG/Sunshine Design LLC	TFS Energy
Calpine Gilroy Cogen	J. R. Wood, Inc	Transcanada
Cambridge Energy Research Assoc	JTM, Inc	Turlock Irrigation District
Cameron McKenna	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cardinal Cogen	Manatt, Phelps & Phillips	United Cogen Inc.
Cellnet Data Systems	Marcus, David	URM Groups
Chevron Texaco	Matthew V. Brady & Associates	Utility Resource Network
Chevron USA Production Co.	Maynor, Donald H.	Wellhead Electric Company
City of Glendale	MBMC, Inc.	White & Case
City of Healdsburg	McKenzie & Assoc	WMA
City of Palo Alto	McKenzie & Associates	
City of Redding	Meek, Daniel W.	
CLECA Law Office	Mirant California, LLC	
Commerce Energy	Modesto Irrigation Dist	
Constellation New Energy	Morrison & Foerster	
CPUC	Morse Richard Weisenmiller & Assoc.	
Cross Border Inc	Navigant Consulting	
Crossborder Inc	New United Motor Mfg, Inc	
CSC Energy Services	Norris & Wong Associates	
Davis, Wright, Tremaine LLP	North Coast Solar Resources	
Defense Fuel Support Center	Northern California Power Agency	
Department of the Army	Office of Energy Assessments	
Department of Water & Power City	OnGrid Solar	
DGS Natural Gas Services	Palo Alto Muni Utilities	