March 25, 2009

Advice Letter 3417-E

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 Amendments and Modifications Related to the Implementation of MRTU

Dear Mr. Cherry:

Advice Letter 3417-E is effective March 25, 2009.

Sincerely,

Julie A. Fitch, Director
Energy Division
February 6, 2009

Advice 3417-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Contract amendments and modifications related to the implementation of MRTU

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter requesting that the California Public Utilities Commission (Commission) approve contract amendments related to the California Independent System Operator’s (CAISO) implementation of its Market Redesign and Technology Upgrade (MRTU).

Purpose

A number of PG&E’s power purchase agreements (PPAs) that were executed prior to MRTU have terms and conditions that were not drafted in anticipation of the implementation of MRTU. PG&E has proposed to the holders of these PPAs that they be amended to clearly reflect the new CAISO market structure that is currently scheduled to be introduced on March 31, 2009 for the April 1, 2009 trade date. In order to prepare for the new CAISO market structure, PG&E is seeking advance approval of amendments to certain PPAs that would clearly reflect the new market rules to be used upon MRTU implementation.

Background

The CAISO is in the process of implementing a new market structure known as MRTU. This new market structure will change the way in which energy is scheduled and settled, and will be based on a nodal, as opposed to zonal, delivery point and pricing structures. As a result of such changes, as described above, PG&E has proposed to amend several existing PPAs with electric generators and power marketers where PG&E does not serve as the scheduling coordinator.

The intent of the proposed PPA contract amendments for MRTU implementation is to maintain the benefits and burdens negotiated by the parties under the original agreements, while keeping the Sellers indifferent to revenues and charges.
associated with MRTU implementation. PG&E was previously successful in reaching agreement with two counterparties. Sierra Power and J.Aron and Company agreed to modifications of existing PPA language to align its terms with the new MRTU market structure. These amendments were filed as an Advice Letter (3192-E) and were approved by the Commission on February 6, 2008. PG&E was then able to reach agreement with Buena Vista Energy, LLC on modifications of existing PPA language to implement the MRTU initiative. This amendment was filed as an Advice Letter (3254-E) and was also approved by the Commission on May 21, 2008.

Recently, PG&E successfully reached agreement with another counterparty, Midway Sunset Cogeneration Company, on modifications to existing PPA language to align its terms with the new MRTU market structure. These modifications provide clarification to delivery point, scheduling coordinator responsibilities and settlements to comply with characteristics of a MRTU market framework. The amendments themselves do not make material changes to the commercial terms of the PPAs, but rather remove ambiguity on how to operate under the MRTU market structure.

At the same time, PG&E remains engaged in discussions with other counterparties and hope to reach agreement or an understanding on how such PPAs will be administered upon MRTU implementation. If PG&E is able to reach agreement with these counterparties, its current plan is to file a separate advice letter seeking approval of those PPA amendments.

**Contract Amendments**

PG&E requests that the Commission approve these amendments to the PPAs. The amendments clarify: 1) the delivery point under the new nodal delivery model to be used by CAISO, and specify that the Sellers will continue to receive the contract pricing for the energy delivered to PG&E 2) the scheduling instructions to be followed by Sellers and 3) how revenues and charges associated with the transaction under MRTU are to be settled. The Sellers also agree to schedule their deliveries with CAISO in accordance with the CAISO Tariff.
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 February 26, 2009, which is 20 days after the date of this filing. Protests should be mailed to:

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

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

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

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

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
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 this advice filing become effective on regular notice, March 8, 2009, which is 30 calendar days after the date of filing. PG&E submits this as a Tier 2 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. Address changes to the General Order 96-B service list should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs
Limited Access to Confidential Material

The portions of this advice letter so marked Confidential Protected Material are submitted under the confidentiality protection of Section 454.5(g) and 583 of the Public Utilities Code and General Order 96-B. This material is protected from public disclosure because Amendments to Power Purchase Agreements would provide valuable market sensitive information to competitors. Counterparties have an expectation that specific contract language in their PPAs will remain confidential under the provisions of PG&E’s Commission-approved RPS Solicitation Protocol. A separate Declaration for Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments

APPENDIX A – FIRST CONTRACT AMENDMENT BETWEEN PG&E AND BUENA VISTA ENERGY, LLC

APPENDIX B – MRTU CONTRACT LANGUAGE TABLE FOR BUENA VISTA ENERGY, LLC
**Company name/CPUC Utility No.** Pacific Gas and Electric Company (ID U39 M)

<table>
<thead>
<tr>
<th>Utility type:</th>
<th>Contact Person: David Poster</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ ELC</td>
<td>☑ GAS</td>
</tr>
<tr>
<td>☐ PLC</td>
<td>☐ HEAT</td>
</tr>
<tr>
<td>☐ WATER</td>
<td>E-mail: <a href="mailto:DXPU@pge.com">DXPU@pge.com</a></td>
</tr>
</tbody>
</table>

**EXPLANATION OF UTILITY TYPE**

<table>
<thead>
<tr>
<th>ELC = Electric</th>
<th>GAS = Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLC = Pipeline</td>
<td>HEAT = Heat</td>
</tr>
</tbody>
</table>

**Advice Letter (AL) #:** 3417-E

**Subject of AL:** Contract amendments and modifications related to the implementation of MRTU

**Keywords (choose from CPUC listing):** PPA, MRTU, CAISO

**AL filing type:** ☑ One-Time

**If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:**

**Is AL requesting confidential treatment?** If so, what information is the utility seeking confidential treatment for: Yes. See the attached matrix that identifies all of the confidential information.

**Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:** Rich Miram (415)-973-1170.

**Resolution Required?** ☐ Yes ☑ No

**Requested effective date:** 03/08/2009

**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).

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**
I, Rich Miram, declare:

1. I am presently employed by Pacific Gas and Electric Company (“PG&E”), and have been an employee at PG&E since 1973. My current title is Principal in PG&E’s Energy Supply Department. In this position, my responsibilities include managing power procurement solicitations and 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 such sellers and the negotiation of such transactions. I have also gained knowledge of the operations of such sellers in general and, based on my experience in dealing with facility owners and operators, I am familiar with the types of data and information about their operations that such owners and operators 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 to Advice 3417-E,” submitted on February 6, 2008. By this Advice Letter PG&E is seeking this Commission’s approval of the contract amendment that PG&E has executed with Midway Sunset Cogeneration Company as a result of the California Independent System Operator’s (CAISO) implementation of its Market Redesign and Technology Upgrade (MRTU).

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. 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.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on February 6, 2009, at San Francisco, California.

/s/  
RICH MIRAM
### IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

<table>
<thead>
<tr>
<th>Redaction Reference</th>
<th>Document: Advice Letter 3417-E</th>
<th>1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix A to D.06-06-066 (Y/N)</th>
<th>2) Which category or categories in the Matrix does the data correspond to:</th>
<th>3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)</th>
<th>4) That the information is not already public (Y/N)</th>
<th>5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)</th>
<th>PG&amp;E’s Justification for Confidential Treatment</th>
<th>Length of Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>PPAs would provide valuable market sensitive information to competitors. Counterparties have an expectation that specific contract language in their PPAs will remain confidential under the provisions of PG&amp;E’s Commission-approved RPS Solicitation Protocol.</td>
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<td>Remain confidential for three years.</td>
<td>Remain confidential for three years.</td>
</tr>
<tr>
<td>2 Appendix A</td>
<td>Y</td>
<td>Item VII B</td>
<td>Y</td>
<td>Y</td>
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<tr>
<td>3 Appendix B</td>
<td>Y</td>
<td>Item VII B</td>
<td>Y</td>
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Aglet
Agnews Developmental Center
Alcantar & Kahl
Ancillary Services Coalition
Anderson & Poole
Arizona Public Service Company
BART
BP Energy Company
Barkovich & Yap, Inc.
Bartle Wells Associates
Blue Ridge Gas
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CAISO
CLECA Law Office
CSC Energy Services
California Cotton Ginners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Cameron McKenna
Cardinal Cogen
Casner, Steve
Cerox
Chamberlain, Eric
Chevron Company
Chris, King
City of Glendale
City of Palo Alto
City of San Jose
Clean Energy Fuels
Coast Economic Consulting
Commerce Energy
Commercial Energy
Constellation
Constellation New Energy
Consumer Federation of California
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Department of Water Resources
Department of the Army
Division of Business Advisory Services
Douglas & Liddell
Douglas & Liddell
Downey & Brand
Duke Energy
Duncan, Virgil E.
Dutcher, John
Ellison Schneider & Harris LLP
Energy Management Services, LLC
FPL Energy Project Management, Inc.
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
G. A. Krause & Assoc.
GLJ Publications
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
Heeg, Peggy A.
Hitachi
Hogan Manufacturing, Inc.
Imperial Irrigation District
Innercite
International Power Technology
Intestate Gas Services, Inc.
J. R. Wood, Inc.
JTM, Inc.
Los Angeles Dept of Water & Power
Luce, Forward, Hamilton & Scripps LLP
MBMC, Inc.
MRW & Associates
Manatt Phelps Phillips
Matthew V. Brady & Associates
McKenzie & Associates
Meek, Daniel W.
Merced Irrigation District
Mirant
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
New United Motor Mfg., Inc.
Norris & Wong Associates
North Coast SolarResources
Northern California Power Association
Occidental Energy Marketing, Inc.
OnGrid Solar
PPL EnergyPlus, LLC
Pinnacle CNG Company
Praxair
R. W. Beck & Associates
RCS, Inc.
RMC Lonestar
Recon Research
SCD Energy Solutions
SCE
SESCO
SMUD
SPURR
Santa Fe Jets
Seattle City Light
Sempra Utilities
Sequoia Union HS Dist
Sierra Pacific Power Company
Silicon Valley Power
Smurfit Stone Container Corp
Southern California Edison Company
St. Paul Assoc.
Sunshine Design
Sutherland, Asbill & Brennan
TFS Energy
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
Tioga Energy
TransCanada
Turlock Irrigation District
U S Borax, Inc.
United Cogen
Utility Cost Management
Utility Resource Network
Utility Specialists
Vandenberg Air Force
Verizon
Wellhead Electric Company
Western Manufactured Housing
Communities Association (WMA)
White & Case
eMeter Corporation