

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



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,

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

Julie A. Fitch, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
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415.973.4977
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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: ijnj@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>



Vice President, Regulatory Relations

Attachments

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

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) #: **3417-E**

Tier: **[2]**

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

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

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

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.

Confidential information will be made available to those who have executed a nondisclosure agreement:

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

jinj@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 RICH MIRAM
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN ADVICE LETTER 3417-E
(PACIFIC GAS AND ELECTRIC COMPANY ID U 39 E)**

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

PACIFIC GAS AND ELECTRIC COMPANY
 Advice Letter 3417-E,
 February 6, 2009

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 does the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
1	Document: Advice Letter 3417-E							
2	Appendix A	Y	Item VII B	Y	Y	Y	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&E's Commission-approved RPS Solicitation Protocol.	Remain confidential for three years
3	Appendix B	Y	Item VII B	Y	Y	Y	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&E's Commission-approved RPS Solicitation Protocol.	Remain confidential for three years

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

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
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BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
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CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	