December 12, 2013

Advice Letters 3600-E/E-A/E/B/E-C

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

Subject:  Contracts for Procurement of Renewable Energy Resources Resulting From PG&E's Wind Energy Purchase Agreement with Barclays Bank PLC

Dear Mr. Cherry:


Sincerely,

Edward F. Randolph, Director
Energy Division
May 17, 2013

Advice 3600-E-C
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: Supplemental Filing for Purchase and Sale Agreement for Procurement of Renewable Energy Credits between Barclays Bank PLC and Pacific Gas and Electric Company

Introduction

Pacific Gas and Electric Company ("PG&E") submits to the California Public Utilities Commission ("Commission" or "CPUC") a supplemental filing for Advice Letter 3600-E, dated January 26, 2010, as supplemented by Advice Letter 3600-E-A, dated October 20, 2010 and Advice Letter 3600-E-B, dated February 9, 2011, (collectively, the "Advice Letter").1 The Advice Letter is pending approval by the Commission. In the Advice Letter, PG&E sought Commission approval of an amended and restated confirmation letter, which supplements and modifies an existing Edison Electric Institute Master Power Purchase and Sale Agreement, as amended, between PG&E and Barclays Bank PLC ("Barclays") (collectively, the "Agreement"). The purpose of this third supplement is to obtain CPUC approval of the Agreement as amended by the May 6, 2013 amendment to the Agreement ("Amended Agreement").

By the Advice Letter, PG&E sought the Commission’s approval of the Agreement for PG&E to purchase approximately 250 gigawatt hours per year of Renewables Portfolio Standard ("RPS")-eligible energy, consisting of Green Attributes and energy, from the Hay Canyon Wind Facility in Oregon for contract years 2010 and 2011.2 The Amended Agreement removes the 2010 Green Attribute volumes and reduces the Green Attribute price.

Barclays and PG&E agreed to amend the Agreement with a price term that better reflects the current value of Renewable Energy Credits ("RECs") to PG&E. The new and

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1 Supplements to Advice Letters are authorized by General Order ("GO") 96-B, General Rules Section 7.5.1. Due to the limited scope of PG&E’s supplemental information, this filing should not re-open the protest period or delay the effective date of the Advice Letter.

2 As PG&E explained in Advice Letter 3600-E-B at pp. 2-5, the Agreement is a REC-only transaction for the purpose of RPS compliance under Decision ("D.") 10-03-021, as modified by D 11-01-025.
reduced contract price is reasonable and reflects good value for PG&E customers. The Amended Agreement is comparable to PG&E’s amended contract with Sierra Pacific Industries for unbundled RECs presented by Advice Letter 3854-E-A, and approved by the Commission by Resolution E-4560 on January 14, 2013. Confidential Appendix C contains a comparison of the Amended Agreement to current procurement options available to PG&E, and a showing documenting the competitiveness of the Amended Agreement.

**The Agreement Removes 2010 Green Attributes**

Barclays and PG&E agreed to amend the Agreement to remove the 2010 Green Attributes. Under the Amended Agreement, PG&E will purchase the 2011 Green Attributes.

**Procurement from the Amended Agreement Counts in Full toward RPS Compliance**

Procurement from the Amended Agreement is grandfathered procurement that will count in full toward procurement requirements in effect under Senate Bill (“SB”) 21X. Transactions signed before June 1, 2010 “count in full” if the following conditions are met:

1. The renewable energy resource was eligible under the rules in place as of the date the contract was executed;
2. For an electrical corporation, the contract has been approved by the commission, even if that approval occurs after June 1, 2010; and
3. Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource. The duration of the contract may be extended if the original contract specified a procurement commitment of 15 or more years.³

Commission Decision 12-06-038 established further guidance regarding pre-June 1, 2010 procurement that is subsequently amended, modified, or extended. The Commission determined that the original contract should “count in full” toward the procurement requirements in effect prior to SB 21X and that only incremental procurement from the amended, modified or extended contract should be subject to applicable rules on portfolio balance, use of short-term contracts, and excess procurement.⁴

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³ Public Utilities Code Section 399.16(d).
⁴ See D.12-06-038 at pp. 33-34 and Conclusion of Law 13-14.
Upon Commission approval of the Amended Agreement, procurement from the Project will count in full toward PG&E’s RPS procurement requirements, and will be fully “bankable”, while not counting towards any of the product content category or “bucket” limitations. As detailed in the Advice Letter, the Project was certified by the California Energy Commission as an eligible renewable resource under the rules in place as of the date the original Agreement was signed, January 15, 2010, and it continues to be RPS-eligible today. None of the amendments to the original Agreement that were signed after June 1, 2010 increase the nameplate capacity or expected quantities of annual generation, substitute or allow the substitution of the renewable energy resources, or extend the duration of the Agreement. Thus, if approved by the Commission, procurement from the Amended Agreement is not subject to rules established by the Commission for portfolio balance, long term contracting, and excess procurement under the 33% RPS program.

**Effective Date:**

PG&E requests that this Tier 3 Supplemental Advice Letter become effective concurrent with Advice Letter 3600-E, 3600-E-A, and 3600-E-B by no later than July 11, 2013.

**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.11-05-005, and R.12-03-014. 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 to the General Order 96-B service list should be directed to PGETariffs@pge.com. For changes to any other service list, please contact the Commission’s Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at http://www.pge.com/tariffs.

Vice President – Regulatory Relations

cc: Service List for R.11-05-005
    Service List for R.12-03-014
    Paul Douglas – Energy Division
    Jason Simon – Energy Division

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5 See Advice Letter at p. 1.
Limited Access to Confidential Material:

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 and 454.5(g) 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 Agreement itself, price information, and analysis of the Agreement, which is protected pursuant to D.06-06-066 and D.08-04-023. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments:

Appendix A – Second Amendment to the Master Power Purchase & Sale Agreement
Green Energy & WREGIS Certificate Transaction Amended and
Restated Confirmation Letter
Appendix B – 2012 Solicitation Overview
Appendix C – Contract Summary and Analysis of Competitiveness
Appendix D1 – Independent Evaluator Report (Confidential)

Public Attachments:

Appendix D2 – Independent Evaluator Report (Public)
Company name/CPUC Utility No. Pacific Gas and Electric Company (ID U39 E)

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<td>Phone #: (415) 972-5472</td>
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EXPLANATION OF UTILITY TYPE
ELC = Electric      GAS = Gas
PLC = Pipeline       HEAT = Heat  WATER = Water

Advice Letter (AL) #: 3600-E-C
Subject of AL: **Supplemental Filing for Purchase and Sale Agreement for Procurement of Renewable Energy Credits between Barclays Bank PLC and Pacific Gas and Electric Company**

Keywords (choose from CPUC listing): Compliance, Agreements, Portfolio, Procurement

AL filing type: ☑ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other _____________________________

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

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. Please see attached declaration and matrix.

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: Michael Avidan (415) 973-4858

Resolution Required? ☑Yes ☐No

Requested effective date: July 11, 2013

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: N/A

Pending advice letters that revise the same tariff sheets: N/A

Dispositions and all other correspondence regarding this AL shall be sent to:

**California Public Utilities Commission**

Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

**Pacific Gas and Electric Company**

Attn: Brian 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 MICHAEL J. AVIDAN
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN ADVICE LETTER 3600-E-C
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)

I, Michael J. Avidan, declare:

1. I am presently employed by Pacific Gas and Electric Company (“PG&E”), and have been an employee at PG&E since September 1, 2008. My current title is Senior Manager within PG&E’s Energy Procurement organization. In this position, my responsibilities include negotiating PG&E’s Renewables Portfolio Standard Program (“RPS”) Power Purchase Agreements. 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 Decision (“D.”) 08-04-023 and the August 22, 2006 the “Administrative Law Judge’s Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066,” I make this declaration seeking confidential treatment of Appendices A, B, C, and D to PG&E’s of Advice Letter 3600-E-C submitted on May 17, 2013. By this advice letter, PG&E is seeking this Commission’s approval of a power purchase agreement that PG&E has executed with Barclays Bank PLC.

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 of
D. 06-06-066 and Appendix C of D.08-04-023 (“the IOU Matrix”), or constitutes information that should be protected under General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, if applicable, 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, if applicable; (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, to the best of my knowledge, the foregoing is true and correct. May 17, 2013 at San Francisco, California.

Michael J. Avidan
## IDENTIFICATION OF CONFIDENTIAL INFORMATION

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<th>Redaction Reference</th>
<th>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)</th>
<th>2) Which category or categories in the Matrix 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>
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<td>Y</td>
<td>Y</td>
<td>This Appendix contains the Amendment for which PG&amp;E seeks approval in the Advice Letter filing. Disclosure of certain terms of the Amendment would provide valuable market sensitive information to competitors. Release of this information would be damaging to negotiations with other counterparties and should remain confidential. Furthermore, the counterparty to the Amendment has an expectation that the terms of the Amendment will remain confidential.</td>
<td>For information covered under Item VII G), remain confidential for three years, or one year after expiration (whichever is sooner)</td>
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<td>Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.</td>
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<td>Y</td>
<td>Y</td>
<td>This Appendix contains bid information and bid evaluations from the 2011 and 2012 RPS Solicitations. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, offers received outside of the solicitations are still under negotiation, further substantiating why releasing this information would be damaging to the negotiation process.</td>
<td>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.</td>
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<td>This Appendix contains bid information and evaluations from the 2011 and 2012 Solicitations discusses, analyzes and evaluates the Project and the terms of the Amendment. Disclosure of this information would provide valuable market sensitive information to competitors. Release of this information would be damaging to negotiations with other counterparties and should remain confidential. Furthermore, the counterparty to the Amendment has an expectation that the terms of the Amendment will remain confidential. It is in the public interest to treat such information as confidential because if such information were made public, it would put the counterparty at a business disadvantage, could create a disincentive to do business with PG&amp;E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparty.</td>
<td>For information covered under Item VII G) remain confidential for three years, or one year after expiration (whichever is sooner).</td>
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<td>Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects.</td>
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<td>For information covered under Item VIII B), remain confidential for three years after winning bidders selected.</td>
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For information covered under Item VII G) remain confidential for three years, or one year after expiration (whichever is sooner).
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<td>Y</td>
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<td>This Appendix contains bid information and evaluations from the 2011 Solicitation; discusses, analyzes and evaluates the Project and the terms of the Amendment. Disclosure of this information would provide valuable market sensitive information to competitors. Release of this information would be damaging to negotiations with other counterparties and should remain confidential. Furthermore, the counterparty to the Amendment has an expectation that the terms of the Amendment will remain confidential. It is in the public interest to treat such information as confidential because if such information were made public, it would put the counterparty at a business disadvantage, could create a disincentive to do business with PG&amp;E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparty.</td>
<td>For information covered under item VII G) remain confidential for three years after the commercial operation date, or one year after expiration (whichever is sooner). For information covered under Item VII (un-numbered category following VII G), remain confidential for three years. For information covered under Item VIII A), remain confidential for three years after winning bidders selected. For information covered under Item VIII B), remain confidential for three years after winning bidders selected. For information covered under General Order 66-C, remain confidential.</td>
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Public Appendix D2

Independent Evaluator Report
STATEMENT OF INDEPENDENT EVALUATOR
UPDATING THE REPORT ON A BILATERAL CONTRACT BETWEEN PACIFIC GAS & ELECTRIC COMPANY AND BARCLAYS BANK PLC

MAY 15, 2013

Arroyo Seco Consulting, an independent evaluator, has updated its assessment of a power purchase agreement previously executed on January 15, 2010 between Pacific Gas & Electric Company (PG&E) and Barclays Bank PLC (Barclays). Arroyo had submitted a report on the merits of the contract along with PG&E’s advice filing in January 2010. Subsequently, PG&E and Barclays executed an amendment on May 6, 2013 that altered the pricing of the agreement. This statement provides an update about the agreement.

In the prior IE report submitted in 2010, Arroyo expressed an opinion that the agreement with Barclays merited approval. Arroyo ranked the original contract as moderate in pricing and net valuation in comparison to then-relevant comparable market transactions and proposals. Arroyo ranked the original contract as high in project viability (for the underlying resource) and low to moderate in portfolio fit. Three years have elapsed and the market and regulatory environment have changed; this statement updates Arroyo’s prior views on valuation and viability for the amended contract.

Arroyo’s current view is that the Barclays contract as amended ranks as moderate in net value and pricing, as in the prior report. The project’s viability continues to rank high against competing alternatives. Based on these comparisons, Arroyo’s opinion is that the contract still merits approval by the CPUC.

A. FAIRNESS OF NEGOTIATIONS

Arroyo telephonically observed five negotiation sessions between the PG&E and Barclays teams, beginning in December 2012. Talks between the parties about an amendment began in October 2012 and the IE did not observe their initial discussions of pricing. The record of discussions starting in December, e-mail correspondence starting in November 2012, and copies of draft agreements appear to provide a fair view of the commercial give-and-take leading to this contract amendment.

In the original contract, Barclays would deliver renewable energy to PG&E on a firm schedule at the California-Oregon Border during the period starting from a week after CPUC approval (requested by PG&E to be in mid-2010) to the end of 2010, and during calendar year 2011. Barclays would purchase renewable wind energy from an upstream counterparty that holds long-term contract rights to purchase generation from Iberdrola.

1 An earlier amendment executed on February 1, 2011 conformed the text of the agreement to a newly applicable version of the CPUC’s required non-modifiable terms and conditions.

Confidentiality Protected Under Decision 06-06-066
Appendix 1, Item VIII “Competitive Solicitation (Bidding) Information – Electric”

C-1
Renewables’ Hay Canyon project in Oregon, and would arrange to shape and firm that energy for delivery. Total volume was estimated to average 250 GWh/year, but would depend on actual generation by the wind facility (now confirmed to be about 219 GWh for 2011). In the actual course of events, the CPUC has not yet issued a Decision about the original contract.

The parties’ negotiations covered a few key contract issues.

- **Delivery Term.** Subsequent to execution of the original contract, legislative and regulatory changes rendered the 2010 deliveries much less valuable to PG&E in the sense that 2010 deliveries were no longer useful for meeting compliance needs in later years. Under the new rules, RECs from 2010 deliveries could only be applied to pre-2011 compliance deficits, while RECs generated in 2011 could count in full towards RPS compliance in later years. In October 2012, PG&E asked Barclays to amend the contract so that deliveries in 2010 consisted only of firm energy delivered at COB, at a market index price. The delivery of renewable energy credits would be limited to calendar 2011 only.

- **Price.** Both parties had observed the passage of considerably more time than they had expected without obtaining a final decision from the CPUC on the original contract.

- **Termination rights.**
In Arroyo’s opinion, the negotiations to amend the contract between PG&E and Barclays were handled fairly. PG&E did not unfairly advantage Barclays in the pricing terms it proposed compared to other sellers of similar products. PG&E did not provide any confidential information to Barclays that advantaged it in negotiations compared to other sellers. PG&E did not provide concessions to Barclays in non-price terms that appear unfair to other sellers or unreasonable in failing to protect ratepayers’ interests.

B. UPDATE ON VALUATION

In its prior IE report, Arroyo stated an opinion that the original Barclays contract ranked as moderate in net valuation and in price when compared to then-recent comparable transactions, including proposals for short-term contracts to PG&E’s 2009 RPS solicitation.

Since that report was drafted, the legal and regulatory environment has changed drastically in how deliveries of shaped-and-firmed energy from out-of-state generators are treated for RPS compliance purposes, and the extent to which the California investor-owned utilities can use such RECs for RPS compliance needs. As these changes have reduced the IOUs’ demand for such RECs, the market price has dropped and the number of proposals and consummated transactions for PG&E to purchase such products has diminished. There are relatively few recent comparable transactions for unbundled RECs available to make market price comparisons. Arroyo does not view comparisons of the valuations of long-term PPAs for in-state renewable generation proposed into PG&E’s RPS solicitations as useful for evaluating the competitiveness of a contract that delivers unbundled RECs from out-of-state generation for just a one-year term.

In June 2011, PG&E received REC-only Offers for [REDACTED] in its 2011 RPS solicitation. In contrast, in February 2013 the utility received [REDACTED]
Another comparable transaction is PG&E’s amended contract with Sierra Pacific Industries for unbundled RECs from the seller’s biomass-fueled cogeneration units. This transaction is reported to cover renewable generation from the period 2011 through 2015, Arroyo’s conclusion from these scanty data is that the amended Barclays contract ranks as moderate in value and moderate in pricing. In such an illiquid market it is difficult to find transactions that are directly comparable, but to the extent market data are available it appears to Arroyo that price for the amended Barclays agreement is reasonable.
C. UPDATE ON VIABILITY

In the prior IE report, Arroyo ranked the Barclays transaction as high in project viability because the renewable attributes would be generated by an existing, operating wind facility in Oregon. Nothing has changed since 2010 to change that opinion; the project continues to operate and was reported in public filings to have produced 219 GWh in calendar 2011.

D. PORTFOLIO FIT

In the prior IE report, Arroyo ranked the Barclays contract as low to moderate in portfolio fit, based on the metrics that were used by PG&E in its 2009 RPS solicitation. Since then PG&E has revised its metrics for fit; in the 2012 RPS RFO portfolio fit is measured quantitatively through adjustments to Net Market Value.

While PG&E does not expect a net RPS compliance need in the first compliance period 2011 – 2013, the utility expects that the RECs delivered from the amended Barclays contract will “count in full” towards RPS compliance. PG&E anticipates that the RECs can be used for RPS compliance at some future date when the utility has a compliance need. In particular, PG&E places value on the “grandfathered” nature of the RECs from this transaction, which allows them to be used for RPS compliance needs going forward without being subject to limitations on the use of Category 3 deliveries. On that basis Arroyo’s opinion is that the portfolio fit of the amended contract is high.

E. MERIT FOR CPUC APPROVAL

Arroyo’s view is that the amended Barclays contract’s valuation is moderate, its pricing is moderate, and its project viability and portfolio fit are high. On that basis, in Arroyo’s opinion the amended contract merits CPUC approval.
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