

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 12, 2010

**Advice Letter 3728-E**

Jane K. Yura  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, CA 94177

**Subject: Amendment of Power Purchase Agreement Between PG&E and  
Sierra Pacific Industries for Procurement of Renewable Energy  
Resources**

Dear Ms. Yura:

Advice Letter 3728-E is effective October 19, 2010.

Sincerely,

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

Julie A. Fitch, Director  
Energy Division



**Jane K. Yura**  
Vice President  
Regulation and Rates

*Mailing Address*  
Mail Code B10B  
Pacific Gas and Electric Company  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415.973.6520

September 3, 2010

**Advice 3728-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Amendment of Power Purchase Agreement Between PG&E and Sierra Pacific Industries for Procurement of Renewable Energy Resources**

**Introduction**

Pacific Gas and Electric Company (“PG&E”) seeks Commission approval of a further amendment of its Interim Standard Offer 4 Power Purchase Agreement (“ISO4 PPA”) with Sierra Pacific Industries (“SPI”) that will allow output from SPI’s currently operational Anderson facility (“Anderson”) to replace output from SPI’s now dismantled Susanville facility (“Susanville”). The Commission has previously approved Advice Letter (“AL”) 3515-E, which substituted output from the SPI Sonora facility (“Sonora”) for the Susanville facility; the proposed amendment would allow the output of Anderson, in addition to that of Sonora, to replace the Susanville output (“Anderson Amendment”).

**Background**

**SPI Susanville PPA**

In September 1984, PG&E and SPI executed an ISO4 PPA for deliveries from SPI’s 12.5 MW nameplate capacity Susanville generating facility. The Susanville PPA is subject to the terms of a 2002 Settlement Agreement between SPI, the California Independent System Operator (“CAISO”) and PG&E. Susanville was operational at the time of contract execution and delivered energy until it was shut down in May 2004; it was subsequently decommissioned and dismantled.

On August 27, 2009, PG&E sought approval of an amendment to the Susanville PPA whereby generation from SPI’s 7.5 MW Sonora biomass-fueled facility would replace

generation from Susanville.<sup>1</sup> The termination of sawmill operations in 2009 caused Sonora to close in 2009.<sup>2</sup> On September 30, 2009, the Energy Division approved the amendment.

### SPI Anderson

PG&E is purchasing electricity from SPI's 5.0 MW biomass facility in Anderson, California under an SO1 PPA which expires on December 31, 2010. PG&E proposes to substitute deliveries from Anderson for those of Susanville under the terms of the Susanville PPA and thus secure renewable electricity from Anderson at a price below the 2009 MPR for the remaining term of the Susanville ISO4 PPA.

#### 1. Energy and Capacity Payments

SPI receives both energy and capacity payments under the ISO4 PPA. The Anderson Amendment will not modify any of the energy or capacity payments made under the ISO4 PPA. Upon CPUC approval, deliveries from Anderson will be subject to the terms of the ISO4 PPA and the Settlement Agreement.

#### 2. Compliance With Performance and Efficiency Standards

As an Eligible Renewable Energy Resource fueled by biomass, the Anderson Facility meets the Federal Energy Regulatory Commission ("FERC")-mandated operating and efficiency standards applicable to cogenerators (FERC Docket No. RM09-23-000, Order No. 732).

The Further Amendment complies with the Emissions Performance Standard ("EPS") adopted by the Commission in Decision ("D.") 07-01-039 because the Anderson Facility utilizes wood waste that would otherwise be burned or left to compost<sup>3</sup>.

### **The Amendment Will Provide Long-Term Benefits To PG&E Customers**

Authorization to procure Anderson generation under the terms of the Susanville SO4 PPA will ensure the uninterrupted supply of renewable energy at an advantageous price. Absent the Anderson Amendment, PG&E's customers could lose the benefits of Anderson's biomass generation at the end of Anderson's SO1 PPA term.

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<sup>1</sup> AL 3515-E.

<sup>2</sup> However, the amendment provides that if the Sonora facility resumes operation, any electric output must be sold to PG&E.

<sup>3</sup> D.07-01-039, Attachment 7, Section 5, "Pre-Approved Renewable Resources and Technologies."

### **PRG Participation and Feedback**

On June 24, 2010, PG&E provided its Procurement Review Group (“PRG”) with a presentation on the Anderson Amendment. This confidential presentation is attached to this advice letter as Confidential Attachment B.

### **Conclusion**

PG&E requests approval of all payments made under the Anderson Amendment, subject only to ongoing CPUC review with respect to the reasonableness of PG&E’s administration of the Amendment, existing ISO4 PPA, and prior amendments.

### **Compliance Items**

In support of this advice letter, PG&E encloses the following confidential supporting documentation:

- Confidential Attachment A – “Amended and Restated Substitution Agreement”.
- Confidential Attachment B – PRG Presentation Regarding SPI
- Confidential Attachment C – Summary of the Transaction Documents and Transaction Details

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **September 23, 2010**, 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 Gatchalian, 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: Jane K. Yura  
Vice President, Regulation and Rates  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, California 94177

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

### **Effective Date**

PG&E requests that this advice letter be approved no later than **December 31, 2010**. PG&E submits this request as a Tier 2 advice letter.

### **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. 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. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

Handwritten signature of Jane Yura in cursive script, followed by a forward slash and the initials 'lmt'.

Vice President – Regulation and Rates

cc: PG&E's Procurement Review Group  
Melissa Semcer, Energy Division, CPUC

**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 contract itself, price information, and analysis of the proposed RPS contract, which are 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:**

Attachment A - "Amended and Restated Substitution Agreement".

Attachment B - PRG Presentation Regarding SPI

Attachment C – Summary of the Transaction Documents and Transaction Details

# 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 and Linda Tom-Martinez

Phone #: (415) 973-1082 and (415) 973-4612

E-mail: dxpu@pge.com and lmt1@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
 PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3728-E**

Tier: **2**

Subject of AL: **Amendment of Power Purchase Agreement Between PG&E and Sierra Pacific Industries for Procurement of Renewable Energy Resources**

Keywords (choose from CPUC listing): Contracts, Portfolio

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 the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  No 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: Hugh Merriam (415) 973-1269

Resolution Required?  Yes  No

Requested effective date: **December 31, 2010**

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

Pending advice letters that revise the same tariff sheets: 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](mailto:jnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)**

**Pacific Gas and Electric Company**  
**Attn: Jane Yura**  
**Vice President, Regulation and Rates**  
**77 Beale Street, Mail Code B10B**  
**P.O. Box 770000**  
**San Francisco, CA 94177**  
**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

**DECLARATION OF HUGH M. MERRIAM  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION  
CONTAINED IN ADVICE LETTER 3728-E  
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Hugh M. Merriam, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since 1983. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating new and amended 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 "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," I make this declaration seeking confidential treatment of Attachments A, B and C to Advice Letter 3728-E, submitted on September 3, 2010. By this Advice Letter, PG&E is seeking this Commission's approval of an amendment of its Interim Standard Offer 4 Power Purchase Agreement with Sierra Pacific Industries.

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, 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 to the best of my knowledge the foregoing is true and correct. Executed on September 3, 2010 at San Francisco, California.

  
\_\_\_\_\_  
Hugh M. Merriam

PACIFIC GAS AND ELECTRIC COMPANY Advice Letter 3728-E September 3, 2010		IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066 AND DECISION 08-04-023				PG&E's Justification for Confidential Treatment	Length of Time
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 and Appendix C to D.08-04-023 (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)		
1 Document: Advice Letter 3728-E Attachment A	Y	Item VII - Bilateral Contract Terms and Conditions - Electric, Section B (Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS)). General Order 66-C.	Y	Y	Y	This Attachment contains the Amendment to the existing Interim Standard Offer 4 Power Purchase Agreement between PG&E and SPI. Disclosure of the Amendment, that is, the contract terms, would provide valuable market sensitive information to competitors. Under D.06-06-066, an IOU may maintain the confidentiality of contract terms for three years. Release of this information would impair PG&E's ability to negotiate and obtain the most favorable contract terms. Furthermore, the counterparty to the Amendment has an expectation that the terms will remain confidential. I am informed and believe that General Order 66-C also provides a 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 information obtained from a seller of renewable energy as confidential because, if such information were made public, it could have a This Attachment consists of the presentation of the SPI-Anderson Amendment to PG&E's Procurement Review Group (PRG). It describes the terms of the Amendment, which is a power purchase agreement for renewable energy. Disclosure of this information would provide valuable market sensitive information to competitors. Under D.06-06-066, an IOU may maintain the confidentiality of a power purchase agreement for three years. Since negotiations to purchase renewable energy are ongoing, and disclosure of this Attachment could undermine PG&E's ability to bargain on behalf of its ratepayers, the Attachment should remain confidential for three years.	For information covered under item VII B), remain confidential for three years For information covered by General Order 66-C, remain confidential
3 Attachment B	Y	Item VII - Bilateral Contract Terms and Conditions - Electric, Section B (Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS))	Y	Y	Y	This Attachment contains terms of the Amendment, which is a power purchase agreement for renewable energy. Disclosure of this information would provide valuable market sensitive information to competitors. Under D.06-06-066, an IOU may maintain the confidentiality of a power purchase agreement for three years. Since negotiations to purchase renewable energy are ongoing, and disclosure of this Attachment could undermine PG&E's ability to bargain on behalf of its ratepayers, the Attachment should remain confidential for three years.	Remain confidential for three years
4 Attachment C	Y	Item VII - Bilateral Contract Terms and Conditions - Electric, Section B (Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS))	Y	Y	Y	This Attachment contains terms of the Amendment, which is a power purchase agreement for renewable energy. Disclosure of this information would provide valuable market sensitive information to competitors. Under D.06-06-066, an IOU may maintain the confidentiality of a power purchase agreement for three years. Since negotiations to purchase renewable energy are ongoing, and disclosure of this Attachment could undermine PG&E's ability to bargain on behalf of its ratepayers, the Attachment should remain confidential for three years.	Remain confidential for three years

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

Alcantar & Kahl	Department of Water Resources	Northern California Power Association
Ameresco	Department of the Army	Occidental Energy Marketing, Inc.
Anderson & Poole	Dept of General Services	OnGrid Solar
Arizona Public Service Company	Division of Business Advisory Services	Praxair
BART	Douglass & Liddell	R. W. Beck & Associates
BP Energy Company	Downey & Brand	RCS, Inc.
Barkovich & Yap, Inc.	Duke Energy	Recon Research
Bartle Wells Associates	Dutcher, John	Recurrent Energy
Bloomberg New Energy Finance	Economic Sciences Corporation	SCD Energy Solutions
Boston Properties	Ellison Schneider & Harris LLP	SCE
Brookfield Renewable Power	Foster Farms	SMUD
C & H Sugar Co.	G. A. Krause & Assoc.	SPURR
CA Bldg Industry Association	GLJ Publications	San Francisco Public Utilities Commission
CAISO	Goodin, MacBride, Squeri, Schlotz & Ritchie	Santa Fe Jets
CLECA Law Office	Green Power Institute	Seattle City Light
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California Cotton Ginners & Growers Assn	Hitachi	Sierra Pacific Power Company
California Energy Commission	International Power Technology	Silicon Valley Power
California League of Food Processors	Intestate Gas Services, Inc.	Silo Energy LLC
California Public Utilities Commission	Lawrence Berkeley National Lab	Southern California Edison Company
Calpine	Los Angeles Dept of Water & Power	Sunshine Design
Cameron McKenna	Luce, Forward, Hamilton & Scripps LLP	Sutherland, Asbill & Brennan
Cardinal Cogen	MAC Lighting Consulting	Tabors Caramanis & Associates
Casner, Steve	MBMC, Inc.	Tecogen, Inc.
Chris, King	MRW & Associates	Tiger Natural Gas, Inc.
City of Glendale	Manatt Phelps Phillips	Tioga Energy
City of Palo Alto	McKenzie & Associates	TransCanada
Clean Energy Fuels	Merced Irrigation District	Turlock Irrigation District
Coast Economic Consulting	Mirant	U S Borax, Inc.
Commerce Energy	Modesto Irrigation District	United Cogen
Commercial Energy	Morgan Stanley	Utility Cost Management
Consumer Federation of California	Morrison & Foerster	Utility Specialists
Crossborder Energy	NRG West	Verizon
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	Wellhead Electric Company
Day Carter Murphy	Norris & Wong Associates	Western Manufactured Housing Communities Association (WMA)
Defense Energy Support Center	North America Power Partners	eMeter Corporation
	North Coast SolarResources	