June 7, 2011

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: Filing in Compliance with Resolution E-4393, Approving with Conditions the Power Purchase Agreement for Procurement of Renewable Energy Resources between Mesquite Solar-1, LLC (Formally SGS-1, LLC), and PG&E Company

Dear Ms. Yura:

Advice Letter 3845-E is effective June 7, 2011.

Sincerely,

Julie A. Fitch, Director
Energy Division
May 16, 2011

Advice 3845-E
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject:  Filing in Compliance With Resolution E-4393, Approving With Conditions the Power Purchase Agreement for Procurement of Renewable Energy Resources Between Mesquite Solar-1, LLC (Formally SGS-1, LLC), and Pacific Gas and Electric Company

Purpose:

In compliance with Resolution E-4393, approved April 15, 2011, PG&E submits this Advice Letter to demonstrate that the product delivered under the Power Purchase Agreement (the “Mesquite PPA”) between PG&E and Mesquite Solar-1, LLC (“Mesquite Solar”), a wholly-owned subsidiary of Sempra Generation (“Sempra”), will qualify as “bundled” procurement pursuant to California Public Utilities Commission (“Commission”) decisions. This Advice Letter also complies with Resolution E-4393 by attaching an amendment to the Mesquite PPA that incorporates certain non-modifiable standard terms and conditions approved by the Commission.

Background:

On April 15, 2011, in Resolution E-4393, the Commission conditionally approved the Mesquite PPA, which was filed in PG&E’s Advice Letter 3741-E on October 12, 2010. The Commission’s approval contained two conditions. First, in Ordering Paragraph 2, the Commission required that, within thirty days of the effective date of Resolution E-4393, PG&E submit a Tier 1 Advice Letter to demonstrate that the Mesquite Solar contract has been amended to include all relevant non-modifiable standard terms and conditions currently required by the Commission. Additionally, in Ordering Paragraph 3, the Commission required that PG&E submit a Tier 1 Advice Letter to demonstrate that the requirements for classifying procurement under the Mesquite Solar-1, LLC contract as a bundled transaction, pursuant to Decision 10-03-021, as modified by Decision 11-01-025, have been satisfied.
Demonstration of Compliance:

Appendix A to this filing is an amendment to the Mesquite PPA that incorporates the precise language of Standard Term and Condition ("STC") REC-1 (Transfer of Renewable Energy Credits) and STC REC-2 (Tracking of RECs in WREGIS).\(^1\) D.10-03-021 as modified by D.11-01-025, also includes the requirement that "contracts for purchase of renewable energy credits only" contain an additional STC REC-3.\(^2\) Because today’s filing demonstrates that the Mesquite PPA qualifies as “bundled” procurement under the requirements of these decisions, and is not a contract for renewable energy credits only, PG&E has determined that STC REC-3 is not relevant and need not be incorporated into the Mesquite PPA.

Confidential Appendix B demonstrates that the output from Mesquite Solar meets the requirements for classification as “bundled” procurement pursuant to D.10-03-021, as modified by D.11-01-025, and will also be treated as in-state procurement pursuant to the recently-enacted 33% RPS legislation, once that statute becomes effective.

Attachments:

- **Appendix A**  
  Amendment to Power Purchase Agreement
- **Confidential Appendix B**  
  Documentation Regarding Bundled Classification of Mesquite Solar

Confidentiality:

In support of this Advice Letter, PG&E submits Confidential Appendix B in the manner directed by D.08-04-023 and the August 22, 2006, Administrative Law Judge’s Ruling Clarifying Interim Procedures for Complying with D.06-06-066 to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided under General Order 66-C. A separate Declaration Seeking

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1. *See* Decision (“D.”) 11-01-025 at 46 (Ordering Paragraph (“OP”) 4.P). Please note that D.11-01-025 contains a discrepancy in the required language for STC REC-1. In the version cited above, the phrase “Renewable Energy Credits” is capitalized. However, in the version of STC REC-1 contained on page 22 of Appendix A to the Decision (“Findings of fact, Conclusions of Law, and Order in D.10-03-021 as Modified by This Decision”), the phrase is not capitalized. PG&E has followed the capitalization used in the Ordering Paragraph of the Decision rather than in the Appendix, and it submits that capitalizing this phrase is appropriate because it is consistent with the use of the phrase elsewhere in the non-modifiable STCs and the Mesquite PPA.

2. *Id.* at 47 (OP 4.Q).
Confidential Treatment is being filed concurrently with this Advice Letter.

**Protests:**

The protest and comment period for the PPA should not be reopened. This compliance filing only updates the PPA non-modifiable standard terms and conditions and provides the required demonstration that the requirements for classifying procurement under the Mesquite Solar-1, LLC contract as a bundled transaction, pursuant to Decision 10-03-021, as modified by Decision 11-01-025, have been satisfied.

**Effective Date:**

Because PG&E submits this as a Tier 1 advice filing, it is effective pending disposition.

**Notice:**

In accordance with General Order 96-B, Section IV, a copy of this Advice Letter excluding the confidential appendix is being sent electronically and via U.S. mail to parties shown on the attached list and on the service lists for R.06-02-012, R.08-02-007 and R.11-05-005. 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 attachment by overnight mail. Address changes to the General Order 96-B service list and all electronic approvals 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 – Regulation and Rates

cc: Service List for R.11-05-005
    Service List for R.06-02-012
    Service List for R.08-02-007
    Paul Douglas – Energy Division
    Sean Simon – Energy Division

Attachments
Limited Access to Confidential Material:

Appendix B to this Advice Letter is 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 pursuant to General Order 66-C. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.
CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

<table>
<thead>
<tr>
<th>Company name/CPUC Utility No.</th>
<th>Pacific Gas and Electric Company (ID U39 M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility type:</td>
<td>Contact Person: David Poster and Linda Tom-Martinez</td>
</tr>
<tr>
<td>☐ ELC ☑ GAS ☐ PLC ☐ HEAT ☐ WATER</td>
<td>Phone #: (415) 973-1082 and (415) 973-4612</td>
</tr>
<tr>
<td>E-mail: <a href="mailto:dxpu@pge.com">dxpu@pge.com</a> and <a href="mailto:lmt1@pge.com">lmt1@pge.com</a></td>
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</tbody>
</table>

EXPLANATION OF UTILITY TYPE

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

Advice Letter (AL) #: 3845-E
Tier: 1

Subject of AL: **Filing in Compliance With Resolution E-4393, Approving With Conditions the Power Purchase Agreement for Procurement of Renewable Energy Resources Between Mesquite Solar-1, LLC (Formally SGS-1, LLC), and Pacific Gas and Electric Company**

Keywords (choose from CPUC listing): Contracts, Portfolio, Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution E-4393

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: Sandy Burns (415) 973-1627

Resolution Required? ☐ Yes ☑ No

Requested effective date: **May 16, 2011**

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 proposed¹: 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 and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**
**Attn: Brian Cherry**
**Vice President, Regulation and Rates**
**77 Beale Street, Mail Code B10C**
**P.O. Box 770000**
**San Francisco, CA 94177**
**E-mail: PGETariffs@pge.com**
DECLARATION OF SANDRA J. BURNS
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN
ADVICE LETTER 3845-E
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)

I, Sandra J. Burns, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since 1985. I am a principal in the Renewable Energy group in the Energy Procurement department within Pacific Gas and Electric Company (PG&E). I am responsible for managing PG&E's Renewables Portfolio Standard solicitation and negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge 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.


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 information that should be protected under General Order 66-C. The matrix also specifies why confidential protection is justified. Finally, the matrix specifies that: (1) (1) the information is not already public; and (2) 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 to the best of my knowledge, the foregoing is true and correct. Executed on May 16, 2011, at San Francisco, California.

SANDRA J. BURNS
<table>
<thead>
<tr>
<th>Redaction Reference</th>
<th>1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to 0.06-06-056 and Appendix C to 0.08-04-023 (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>
<th>PG&amp;E's Justification for Confidential Treatment</th>
<th>Length of Time</th>
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<tbody>
<tr>
<td>1</td>
<td>Document: Advice Letter 3845-E</td>
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<td>2</td>
<td>Appendix B</td>
<td>N</td>
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<td>Y</td>
<td>Appendix B constitutes information of a confidential nature furnished to the Commissioner under General Order 58-C, and for that reason should be excluded from public disclosure. Specifically, it would place PG&amp;E at an unfair business disadvantage if the Commission revealed the redacted information. (G.O. 58-C, Sec. 2.2(b)). Additionally, it is in the public interest to seal the information since it was obtained by PG&amp;E in confidence from another party. (G.O. 58-C, Sec. 2.8)</td>
<td>Until no longer confidential pursuant to G.O. 58-C.</td>
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<td>Reference</td>
<td>1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-05-066 and Appendix C to D.06-04-023 (Y/N)</td>
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| POSR's Justification for Confidential Treatment | Length of Time |
Public Appendix A

Amendment to Power Purchase Agreement
AMENDMENT OF POWER PURCHASE AND SALE AGREEMENT

This AMENDMENT OF POWER PURCHASE AND SALE AGREEMENT (this “Amendment”) is made as of the Amendment Effective Date (defined below), by and between Pacific Gas and Electric Company (“Buyer”) and Mesquite Solar 1, LLC (“Seller” and collectively with Buyer, the “Parties”). Buyer and Seller are Parties to that certain Power Purchase and Sale Agreement between the Parties dated July 29, 2010 (“Agreement”).

RECITALS

WHEREAS, the Parties have heretofore entered into the Agreement; and

WHEREAS, the California Public Utilities Commission (“CPUC”) approved the Agreement in its Resolution E-4393, issued on April 15, 2011, subject to the modifications set forth below;

WHEREAS, the Parties wish to amend the Agreement as set forth below; and

WHEREAS, capitalized terms defined in the Agreement are used in this Amendment as defined in the Agreement,

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

The Agreement is hereby amended, and this Amendment shall be effective as of the date of approval of the advice letter submitted to the CPUC relating to this Amendment (“Amendment Effective Date”), as follows:

A. Amendment to 3.1(k)(v): Section 3.1(k)(v) shall be deleted and replaced in its entirety with the following:

“Seller warrants that all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the Western Renewable Energy Generation Information System will be taken prior to the first delivery under the contract.”

B. Amendment to Section 10.2(b): The first sentence of the second paragraph of Section 10.2(b) shall be deleted and replaced in its entirety with the following:

“Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation.”
C. Miscellaneous.

1. Effect of Amendment. The Agreement, as modified by this Amendment, remains in effect in accordance with its terms. If there is any conflict between the Agreement and this Amendment, this Amendment shall control.

2. Entire Agreement. This Amendment along with the Agreement constitutes the entire agreement between the Parties relating to the subject matter thereof and shall supersede all other prior and contemporaneous understandings or agreements, both written and oral, between the Parties relating to the subject matter thereof.

3. Governing Law. This Amendment shall be governed by Section 10.12 of the Agreement. The Parties agree to comply with Article 12 of the Agreement with respect to any dispute relating to this Amendment.

4. Captions; Construction. The headings used for the sections and articles herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement. Any term and provision of this Amendment shall be construed simply according to its fair meaning and not strictly for or against any Party. The Parties collectively have prepared this Amendment, and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Amendment or any part hereof.

5. Counterparts. This Amendment may be executed in one or more counterparts each of which shall be deemed an original and all of which shall be deemed one and the same Amendment. Delivery of an executed counterpart of this Amendment by fax will be deemed as effective as delivery of an originally executed counterpart. Any Party delivering an executed counterpart of this Amendment by facsimile will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement will not affect the validity or effectiveness of this Amendment.

6. Any Amendments or Modifications. This Amendment may only be amended or modified in writing signed by each of the Parties.

IN WITNESS WHEREOF, the Parties have caused this Amendment to the Agreement to be duly executed by its authorized representatives, as of the day and year written below.

Mesquite Solar 1, LLC, a Delaware limited liability company

Signature: [Signature]
Name: James Sahagian
Title: Vice President
Date: 5/11/11

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation

Signature: [Signature]
Name: Roy Alvarez
Title: Director, Competitive Solicitations
Date: 05/10/2011
PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV

AT&T
Alcantar & Kahl LLP
Ameresco
Anderson & Poole
Arizona Public Service Company
BART
Barkovich & Yap, Inc.
Bartle Wells Associates
Bloomberg
Bloomberg New Energy Finance
Boston Properties

Braun Blaising McLaughlin, P.C.
Brookfield Renewable Power
CA Bldg Industry Association
CLECA Law Office
CSC Energy Services
California Cotton Ginners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Cardinal Cogen
Casper, Steve
Chris, King
City of Palo Alto
City of Palo Alto Utilities
Clean Energy Fuels
Coast Economic Consulting
Commercial Energy
Consumer Federation of California
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy

Defense Energy Support Center
Department of Water Resources

Dept of General Services
Douglas & Liddell
Downey & Brand
Duke Energy
Dutcher, John
Economic Sciences Corporation
Ellison Schneider & Harris LLP
Foster Farms
G. A. Krause & Assoc.
GLJ Publications
GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
Hitachi
In House Energy
International Power Technology
Intestate Gas Services, Inc.
Lawrence Berkeley National Lab
Los Angeles Dept of Water & Power
Luce, Forward, Hamilton & Scripps LLP
MAC Lighting Consulting
MBMC, Inc.
MRW & Associates
Manatt Phelps Phillips
McKenzie & Associates
Merced Irrigation District
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
NLine Energy, Inc.
NRG West
Navigant Consulting
Norris & Wong Associates
North America Power Partners
North Coast Solar Resources

Northern California Power Association
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
San Francisco Public Utilities Commission
Santa Fe Jets
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sun Light & Power
Sunshine Design
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Turlock Irrigation District
United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing
Communities Association (WMA)
eMeter Corporation