

PUBLIC UTILITIES COMMISSION  
505 Van Ness Avenue  
San Francisco CA 94102-3298



**Pacific Gas & Electric Company**  
**ELC (Corp ID 39)**  
**Status of Advice Letter 6322E**  
**As of September 21, 2021**

Subject: Procurement for Summer 2021 Under Decision 21-02-028 and Decision 21-03-056

Division Assigned: Energy

Date Filed: 09-10-2021

Date to Calendar: 09-15-2021

Authorizing Documents: D2102028

Authorizing Documents: D2103056

<b>Disposition:</b>	<b>Accepted</b>
<b>Effective Date:</b>	<b>09-15-2021</b>

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)

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Annie Ho

415-973-8794

[PGETariffs@pge.com](mailto:PGETariffs@pge.com)

**PUBLIC UTILITIES COMMISSION**  
505 Van Ness Avenue  
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to  
**[edtariffunit@cpuc.ca.gov](mailto:edtariffunit@cpuc.ca.gov)**

September 10, 2021

**Advice 6322-E**

Pacific Gas and Electric Company (U 39 E)

Public Utilities Commission of the State of California

**Subject: Procurement for Summer 2021 Under Decision 21-02-028 and Decision 21-03-056**

**I. Purpose**

Consistent with the guidance provided in Decision (D.) 21-02-028 and pursuant to D.21-03-056 Ordering Paragraph (OP) 14, dated March 26, 2021, Pacific Gas and Electric Company (PG&E) respectfully submits this Tier 1 advice letter seeking the California Public Utilities Commission's (Commission or CPUC) approval of an amendment to an existing agreement for additional energy deliveries for the remainder of the summer 2021 compliance period, specifically the balance of September and the month of October. The amendment is summarized in Section IV of this advice letter.

PG&E is filing a separate Tier 1 advice letter wherein it requests approval of an extension to the underlying agreement through summers 2022 and 2023, with a realignment of energy delivery incentives to the California Independent System Operator Corporation's (CAISO) Resource Adequacy Availability Incentive Mechanism (RAAIM) Availability Assessment Hours (AAH) of 4pm to 9pm. PG&E is filing that amendment separately in Advice Letter 6323-E to facilitate the approval of this amendment for immediate additional energy deliveries.

**II. Background**

On December 28, 2020, an Assigned Commissioner's Ruling (ACR) was issued that directed the large investor-owned utilities (IOUs) to immediately seek contracts for incremental capacity, available for peak and net peak in the summers of 2021 and 2022. On February 11, 2021, the Commission subsequently issued D.21-02-028 directing the investor-owned utilities (IOUs) to seek contracts for additional power capacity for summer 2021 reliability and submit those contracts for consideration before the Commission via advice letters of various tiers. On March 26, 2021, the Commission issued D.21-03-056 directing the IOUs to take action to prepare for potential extreme weather events in the summers of 2021 and 2022.

OP 14 in D.21-03-056 authorizes the IOUs to continue their procurement efforts and endeavor to meet and exceed their respective incremental procurement targets to achieve an effective 17.5 percent planning reserve margin (PRM) for the months of system reliability concern. OP 14 states that all procurement contracts shall be submitted to Energy Division via a Tier 1 advice letter on a continuing basis, except for contracts for incremental gas generation of five years or more, which require a Tier 3 advice letter, and incremental imports.

Increasing the PRM from 15 percent to an effective 17.5 percent results in a minimum incremental procurement target of 450 megawatts (MW) for PG&E.<sup>1</sup>

### **III. Overview of Procurement for Summer 2021**

#### **A. Procurement for Summer 2021 – Structure and Process**

Following the December 28, 2020 ACR, PG&E issued the first of several market notices<sup>2</sup> on December 29, 2020, and ultimately submitted the results of a resulting first phase of procurement for 2021 on February 16, 2021, in Advice Letters 6088-E and 6089-E. PG&E then issued a market notice on February 16, 2021, following guidance in D.21-02-028, asking Market Participants to provide offers by February 23, 2021, for incremental capacity for summer 2022 consistent with the parameters in D.21-02-028.

On February 24, 2021, PG&E began evaluating submitted offers for execution according to its offer selection process and consistent with the parameters in D.21-02-028, including the procurement of additional capacity and/or energy through: (1) short-term agreements for energy; (2) incremental capacity from existing (utility-owned) power plants through efficiency upgrades; (3) firm import energy agreements; (4) existing portfolio capacity in excess of bundled service needs and net of sales; and (5) demand-side solutions.

Meanwhile, PG&E has maintained bilateral discussions to seek additional incremental capacity and energy for summer 2021 towards procurement targets established in D.21-03-056. The present amendment results from this ongoing procurement activity.

#### **B. 2021 Summer Procurement Evaluation Framework**

PG&E prepared a framework based on procurement requirements and needs identified in D.21-03-056 and D.21-06-035. PG&E's guiding principles when evaluating offers as part of this procurement were to: 1) improve system reliability for summer 2021; and 2) customer affordability. PG&E evaluated the offer based on Net Market Value (NMV).

The evaluation framework used to select this offer is described in Appendix C.

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<sup>1</sup> D.21-03-056, p. 43.

<sup>2</sup> Additional market notices were issued on January 5 and 11, 2021.

### **C. Negotiations**

Following the August 2020 rotating outages, PG&E reached out to counterparties within its portfolio for incremental energy from resources under contract. In light of D.21-02-028 and D.21-03-056, PG&E has maintained discussions with counterparties, including Tesoro, for opportunities to obtain incremental energy.

### **D. Cost Allocation Mechanism Group and Procurement Review Group**

On September 2, 2021, PG&E notified the Cost Allocation Mechanism (CAM) Group and the Procurement Review Group (PRG) via email of the amendments. This timing was to ensure that PG&E could incorporate any CAM group and PRG feedback before agreements were to be executed. PG&E did not receive any feedback.

### **E. Independent Evaluator**

PG&E engaged an Independent Evaluator (IE) to assess the agreement to provide for reasonable oversight and increased transparency. The IE reviewed the terms of the agreement and the IE has provided general support for the agreement.

## **IV. Selected Project – Tesoro Refining & Marketing Company LLC – Martinez Cogeneration**

PG&E is requesting the approval of an amendment to an existing agreement with Tesoro Refining & Marketing Company LLC to provide incremental energy during peak and net peak from its Martinez Cogeneration facility, as described below. The final executed amendment can be found in Confidential Appendix A.

PG&E reached out to Tesoro, among many counterparties, for incremental energy following the August 2020 rotating outages. PG&E has conducted ongoing discussions with Tesoro for opportunities to obtain incremental energy, particularly in light of D.21-02-028 and D.21-03-056. These discussions have resulted in an amendment that provides additional energy deliveries from the Tesoro Martinez facility under modified compensation terms, consistent with the goals of the emergency procurement and the governor's proclamation. The amendment is limited in scope and duration.

The amendment is expected to provide up to 100 MW of energy for the balance of September and the month of October 2021, with 90.55 MW and 78.53 MW being incremental to the resource's net qualifying capacity (NQC) values for the respective month.<sup>3</sup>

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<sup>3</sup> CAISO NQC values for 2021: Sept: 9.45 MW and Oct: 21.47 MW.

## **V. Cost Recovery**

D.21-02-028 affirmed that the large electric utilities can request, and PG&E hereby requests, Cost Allocation Mechanism (CAM) treatment for procurement that conforms to the parameters outlined in the D.21-02-028. The amendments and associated costs for incremental energy presented in this advice letter are eligible for CAM and will be recovered through PG&E's New System Generation Charge (NSGC) and recorded to PG&E's New System Generation Balancing Account (NSGBA). PG&E requests CAM cost recovery through and including October 31, 2021.

The amendment in this advice letter will allow PG&E to meet the Commission's procurement order and support system reliability at reasonable cost. The resources are being procured on behalf of all customers in PG&E's service territory and the costs and benefits will be allocated to all benefiting customers through PG&E's CAM.

## **VI. Confidentiality Treatment**

In support of this advice letter, PG&E has provided the confidential information listed below. This information is being submitted 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 Public Utilities Code section 454.5(g) or the Investor Owned Utility Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023. A separate Declaration Seeking Confidential Treatment is being submitted concurrently with this advice letter.

### **Confidential Appendices**

Appendix A: Amendment Modifying Unit Operation and Compensation Formula

Appendix B: Evaluation Framework for Agreement for Modifying Unit Operation and Compensation Formula

Appendix C: Description of Agreement for Modifying Unit Operation and Compensation Formula

Appendix D1:Independent Evaluator (IE) Memo (Confidential)

### **Public Appendices**

Appendix D2:Independent Evaluator (IE) Memo (Public)

## **VII. Protests**

**\*\*\*Due to the COVID-19 pandemic, PG&E is currently unable to receive protests or comments to this advice letter via U.S. mail or fax. Please submit protests or comments to this advice letter to [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov) and [PGETariffs@pge.com](mailto:PGETariffs@pge.com)\*\*\***

Pursuant to D.21-02-028, the protest period for Tier 1 advice letters is 10 days after submission. Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile, or E-mail, no later than September 20, 2021. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Sidney Bob Dietz II  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-3582  
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

#### **VIII. Effective Date**

Pursuant to D.21-02-028, this advice letter is submitted with a Tier 1 designation and will be effective no sooner than 5 days after submission. PG&E requests that this advice letter be effective on September 15, 2021.



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**PACIFIC GAS AND ELECTRIC COMPANY  
RULEMAKING 20-11-003**

**DECLARATION OF DON HOWERTON SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION CONTAINED IN PG&E'S ADVICE  
LETTER 6322-E FOR PROCUREMENT FOR SUMMER 2021 UNDER DECISION 21-  
02-028 AND DECISION 21-03-056**

I, Don Howerton, declare:

1. I am a Director of Structured Energy Transactions in the Energy Procurement and Policy Organization at Pacific Gas and Electric Company (PG&E). In this position, I am responsible for procurement of various electric resources and products including energy storage and renewable energy. This declaration is based on my personal knowledge of PG&E's practices and my understanding of the Commission's decisions protecting the confidentiality of market-sensitive procurement and bid-related information.

2. Based on my knowledge and experience, and in accordance with the Decisions 06-06-066, 08-04-023, and relevant Commission rules, I make this declaration seeking confidential treatment for certain procurement and bid-related data and information contained in PG&E's Advice Letter 6322-E for Procurement for Summer 2021 Under Decision 21-02-028 and Decision 21-03-056.

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 confidential market sensitive procurement and bid-related data and information covered by D.06-06-066. The matrix also specifies why confidential protection is justified. Further, the data and information: (1) is not already public; and (2) 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 that is pertinent to my testimony in the attached matrix.



**PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

**ADVICE LETTER 6322-E FOR PROCUREMENT FOR SUMMER 2021  
UNDER DECISION 21-02-028 AND DECISION 21-03-056  
SEPTEMBER 10, 2021**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

<b>Redaction Reference</b>	<b>Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To</b>	<b>PG&amp;E's Justification for Confidential Treatment</b>	<b>Length of Time</b>
<b>Confidential Appendices</b>			
Appendix A: Amendment Modifying Unit Operation and Compensation Formula	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The terms of the Letter Agreement presented in this appendix are generally confidential. The terms of this contract that are public pursuant to Item VII.B are publicly disclosed in Section IV. Selected Project – Tesoro Refining & Marketing Company LLC – Martinez Cogeneration.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.
Appendix B: Evaluation Framework for Agreement for Modifying Unit Operation and Compensation Formula	Item VIII.B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	The appendix contains information on the evaluation methodology and price caps, which constitutes the confidential results of bid scoring and evaluation.	Information under Item VIII.B is confidential for three years from the date winning contracts are submitted for CPUC approval.
Appendix C: Description of Agreement for Modifying Unit Operation and Compensation Formula	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS)).	The terms of the Letter Agreement presented in this appendix are generally confidential. The terms of this contract that are public pursuant to Item VII.B are publicly disclosed in Section IV. Selected Project – Tesoro Refining & Marketing Company LLC – Martinez Cogeneration.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.

**PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

**ADVICE LETTER 6322-E FOR PROCUREMENT FOR SUMMER 2021  
UNDER DECISION 21-02-028 AND DECISION 21-03-056  
SEPTEMBER 10, 2021**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

<b>Redaction Reference</b>	<b>Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To</b>	<b>PG&amp;E's Justification for Confidential Treatment</b>	<b>Length of Time</b>
Appendix D1: Independent Evaluator (IE) Memo (Confidential)	Item VII.B (Contracts and Power Purchase Agreements between utilities and non-Affiliated Third Parties (except RPS));  Item VIII.B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	The IE Memo contains extensive discussion of the specific terms of the letter agreements and discussions with counterparties.  The IE Memo also contains information on the evaluation framework and confidential results of the evaluation.	Contract documents and terms of contracts are confidential for three years from the date that the contract states that deliveries are to begin, or until one year following expiration, whichever comes first.  Information under Item VIII.B is confidential for three years from the date winning contracts are submitted for CPUC approval.



# ADVICE LETTER 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 E)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Annie Ho

Phone #: (415) 973-8794

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: AMHP@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 6322-E

Tier Designation: 1

Subject of AL: Procurement for Summer 2021 Under Decision 21-02-028 and Decision 21-03-056

Keywords (choose from CPUC listing): Compliance

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.21-02-028, D.21-03-056

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:

Confidential treatment requested?  Yes  No

If yes, specification of confidential information: See Confidentiality Declaration and Matrix  
 Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information: Don Howerton, DPHk@pge.com

Resolution required?  Yes  No

Requested effective date: 9/15/21

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

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Sidney Bob Dietz II, c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility Name: Pacific Gas and Electric Company  
Address: 77 Beale Street, Mail Code B13U  
City: San Francisco, CA 94177  
State: California Zip: 94177  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: District of Columbia Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Appendix A**

### **Amendment Modifying Unit Operation and Compensation Formula**

**(Confidential)**

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Appendix B**

### **Evaluation Framework for Agreement for Modifying Unit Operation and Compensation Formula**

**(Confidential)**

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Appendix C**

### **Description of Agreement for Modifying Unit Operation and Compensation Formula**

**(Confidential)**

**PACIFIC GAS AND ELECTRIC COMPANY**

**Appendix D1**

**Independent Evaluator (IE) Memo**

**(Confidential)**

*Confidential Market Sensitive Information Protected Under  
Public Utilities Code Section 454.5(g) and D.06-06-066*

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Appendix D2**

### **Independent Evaluator (IE) Memo**

**(Public)**

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EQ

September 8, 2021

Don Howerton  
Director  
Structured Energy Transactions  
Pacific Gas & Electric Company  
77 Beale Street  
San Francisco, CA 94105

Subject: Letter Report of Merrimack Energy Group, Inc. ("Merrimack Energy") Regarding the Proposed First and Second Amendments to Tesoro Refining and Marketing Company LLC Martinez Cogen LP Facility Agreement with Pacific Gas & Electric

Dear Mr. Howerton:

Pacific Gas & Electric ("PG&E") seeks approval for two Amendments to an existing contract with Tesoro Refining and Marketing ("Tesoro") for capacity and energy products from the existing Martinez Cogen, LP facility ("MCLP"). The existing agreement between Tesoro and PG&E was executed on August 25, 2014. The current agreement commenced on July 1, 2015 and terminates on April 30, 2022. Tesoro owns and operates the Golden Eagle Refinery ("GER") which is the host site for the MCLP. As noted in Exhibit B of the original agreement, MCLP is interconnected with both the GER through internal wiring and with the CAISO and PG&E grid through the PG&E Tidewater Substation. MCLP has implemented all agreements required to participate in the CAISO and has installed CAISO metering. The project is located in the Greater Bay Area and will therefore provide local capacity to PG&E. It is the IE's understanding that PG&E has negotiated these Amendments as bilateral agreements. The First Amendment procures additional energy for the months of September and October 2021. The Second Amendment represents an extension of the existing contract that is due to terminate at the end of April, 2022.

In response to California Public Utility Commission ("CPUC") Decision 21-03-056 which directed the Investor-Owned Utilities ("IOUs") to continue procurement efforts to decrease peak and net peak demand and increase peak and net peak supply during the summers of 2021 and 2022, PG&E has executed two amendments to the above Tesoro Agreement, which are described below. PG&E has requested that Merrimack Energy serve as Independent Evaluator for this bilateral contract transaction. Merrimack Energy has served as Independent Evaluator for PG&E's recent 2021-2022 Emergency Summer Procurement initiatives.

As background, the existing agreement with Tesoro for the Martinez Cogen project, an existing CHP facility, allows the Seller to provide 99.9 MW of capacity [REDACTED]. Under the Agreement, the Seller may elect to provide (i) only firm contract capacity; (ii) only as-available capacity; or (iii) both firm and as-available capacity. The agreement implies that the Seller will likely provide as-available capacity [REDACTED]. The as-available capacity for the TOD period is denominated in kWh per hour. [REDACTED]

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[REDACTED]

As Merrimack Energy understands, the Refinery is currently undergoing a transition from a conventional oil refinery to a renewable diesel fuel refining facility and is currently not operational. As a result, the Martinez Combined Cycle Cogen facility can maximize its electric energy output at approximately 90 – 100 MWs and sell the output to PG&E for the September – October, 2021 timeframe.<sup>1</sup>

As noted, PG&E executed two contract amendments. The term of the First Amendment shall commence as of that time and date upon which PG&E files an advice letter with the CPUC requesting CPUC approval and shall conclude at the end of the day on October 31, 2021. Section 3.24 Energy Generation is added to the Agreement during the First Amendment term which states that Seller shall maximize the Power Output of the Generating Facility and the Product delivered to Buyer during all hours of the First Amendment Term, subject to the safe operating limits of the Cogeneration Facility, Prudent Electrical Practices, and any Planned Outages or Forced Outages. In addition, the existing Section 2(b) – Energy Payment – of Exhibit D (Monthly Contract Payment Calculation) to the Agreement shall be deleted and replaced with a new pricing formula.

[REDACTED]

The Second Amendment essentially extends the current Agreement eighteen (18) months through at least October 2023, instead of terminating the Agreement on April 30, 2022 as specified under the current Agreement. The Second Amendment states that the Agreement will be terminated on October 31, 2023 if either party issues a Notice of termination to the other party by August 31, 2022. Otherwise, if no Notice of termination is issued by August 31, 2022, then the term shall automatically extend an additional year on an annual basis unless and until a party issues a Notice of termination.

The monthly capacity payment for the Second Amendment will be the product of the MW capacity times the contract capacity price. [REDACTED]

[REDACTED]

<sup>1</sup> Generation and payments are capped at 80 MW per hour midnight to noon.

<sup>2</sup> [REDACTED]

[REDACTED] from July 2023 to October 2023.<sup>3</sup> The hourly energy generation is expected to range between 40 to 50 MW,<sup>4</sup> so the capacity is estimated at 45 MW. Payment under the Second Amendment is effective only during the Summer RA Hours period, which is 4-9 pm, May 1 through October 31, 2022 and May 1 through October 31, 2023. Contract capacity for the remaining hours during the day during summer and all hours for all days during the Winter period (November 1, 2022 – April 30, 2023) will be zero.

In terms of valuation, the pricing in the First Amendment could be but is not likely to be the same as in the original Agreement. [REDACTED]

[REDACTED]

[REDACTED] Since the cogeneration project is not operating to provide steam to the refinery during this period, it would seem reasonable that to maximize output the seller would want to cover its variable operating costs and not operate at a loss with no steam value at this time. This increase in energy generation will also increase the facility's Net Qualifying Capacity ("NQC") in 2022 and 2023.<sup>5</sup>

[REDACTED]

PG&E's Quantitative Analysis team models the NMV of the Capacity Cost based on Exhibit D, for which the Seller provides capacity to the Buyer during the Summer Peak Months (May 1 through October 31). The Seller is not obligated to provide capacity during the period of November 2022 through April 2023, so no payment is due from PG&E. [REDACTED]

[REDACTED]

[REDACTED] First, the project is located in a PG&E Local Area (Greater Bay Area) that is likely to require additional capacity for 2022 and 2023. The First Amendment adds additional energy during the remaining parts of this summer in 2021, while the Second Amendment is expected to result in additional

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[REDACTED]

<sup>4</sup> The 40-50 MW expected hourly energy generation during the Second Amendment Term is lower than the 90-100 MW expected hourly energy generation during the First Amendment Term because Tesoro expects to start operating the renewable diesel refinery in summer 2022.

<sup>5</sup> As an As Available resource, the NQC value is based on an average of the three previous year's values.

energy and capacity for PG&E during the summers of 2022 and 2023 to meet Emergency Procurement requirements. [REDACTED]

Should the CPUC view the need to add energy and capacity during the remainder of this summer and summer 2022 and 2023 for reliability purposes, then the Amendments will serve to meet those requirements. [REDACTED]

[REDACTED]. In addition, the Second Amendment should result in an increase in as-available capacity and provide local capacity in a part of the PG&E local area that requires additional local capacity.

Very Truly Yours,

Wayne Oliver  
President  
Merrimack Energy Group, Inc.  
26 Shipway Place  
Charlestown, Mass. 02129

[REDACTED]

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

AT&T  
Albion Power Company

Alta Power Group, LLC  
Anderson & Poole

Atlas ReFuel  
BART

Barkovich & Yap, Inc.  
California Cotton Ginners & Growers Assn  
California Energy Commission

California Hub for Energy Efficiency  
Financing

California Alternative Energy and  
Advanced Transportation Financing  
Authority  
California Public Utilities Commission  
Calpine

Cameron-Daniel, P.C.  
Casner, Steve  
Cenergy Power  
Center for Biological Diversity

Chevron Pipeline and Power  
City of Palo Alto

City of San Jose  
Clean Power Research  
Coast Economic Consulting  
Commercial Energy  
Crossborder Energy  
Crown Road Energy, LLC  
Davis Wright Tremaine LLP  
Day Carter Murphy

Dept of General Services  
Don Pickett & Associates, Inc.  
Douglass & Liddell

East Bay Community Energy Ellison  
Schneider & Harris LLP Energy  
Management Service  
Engineers and Scientists of California

GenOn Energy, Inc.  
Goodin, MacBride, Squeri, Schlotz &  
Ritchie

Green Power Institute  
Hanna & Morton  
ICF

IGS Energy

International Power Technology  
Intestate Gas Services, Inc.  
Kelly Group  
Ken Bohn Consulting  
Keyes & Fox LLP  
Leviton Manufacturing Co., Inc.

Los Angeles County Integrated  
Waste Management Task Force  
MRW & Associates  
Manatt Phelps Phillips  
Marin Energy Authority  
McKenzie & Associates

Modesto Irrigation District  
NLine Energy, Inc.  
NRG Solar

OnGrid Solar  
Pacific Gas and Electric Company  
Peninsula Clean Energy

Pioneer Community Energy

Public Advocates Office

Redwood Coast Energy Authority  
Regulatory & Cogeneration Service, Inc.  
SCD Energy Solutions  
San Diego Gas & Electric Company

SPURR  
San Francisco Water Power and Sewer  
Sempra Utilities

Sierra Telephone Company, Inc.  
Southern California Edison Company  
Southern California Gas Company  
Spark Energy  
Sun Light & Power  
Sunshine Design  
Tecogen, Inc.  
TerraVerde Renewable Partners  
Tiger Natural Gas, Inc.

TransCanada  
Utility Cost Management  
Utility Power Solutions  
Water and Energy Consulting Wellhead  
Electric Company  
Western Manufactured Housing  
Communities Association (WMA)  
Yep Energy