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Sent: 3/29/2010 5:25:31 PM
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Bcc:
Subject: RPS Cost Recovery Finding

Traci, Sara, and Sean,

Thank you for meeting with us last week to discuss the cost recovery finding in RPS resolutions. We have put together revised cost recovery language that we believe will address your concerns without implicating the delivery issues that we discussed during our meeting. The revised language specifically states that cost recovery is subject to the CPUC's review of PG&E's enforcement of the terms of the PPA, including STC 6 (or STC REC-1 for transactions for only RECs, and no energy), which should eliminate any doubt that the CPUC has the authority to review PG&E's enforcement efforts in connection with rate recovery.

Because Decision 10-03-021 does not require STC 6 for REC-only transactions, we have proposed two versions of the cost recovery finding. The first is for all transactions for both RECs and energy (because we will endeavor to include STC 6 in transactions for RECs and energy even when not required by the RECs decision), and the second is for all transactions for the purchase of RECs only, and no energy. Proposed changes to the cost recovery finding are identified by strikethrough and underline below.

(1) For Transactions for the Purchase of RECs and Energy:

~~Provided the generation is from an eligible renewable energy resource, or is otherwise compliant with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009, and included in the PPA,~~
Payments made by PG&E under the PPA are fully recoverable in rates over the life of the PPA, subject to Commission review of PG&E's administration and enforcement of the terms of the PPA, including but not limited to Standard Term and Condition 6, set forth in Appendix A of D.08-04-009.

(2) For Transactions for the Purchase of RECs Only:

~~Provided the generation is from an eligible renewable energy resource, or is otherwise compliant with Standard Term and Condition 6, set forth in Appendix A of D.08-04-009, and included in the PPA,~~
Payments made by PG&E under the PPA Agreement are fully recoverable in rates over the life of the PPA Agreement, subject to Commission review of PG&E's administration and enforcement of the terms of the PPA Agreement, including but not limited to Standard Term and Condition REC-1, set forth in Appendix C of D.10-03-021.

We are still working on the other follow up items and hope to have this information ready by the end of this week.

Thank you for considering our proposed edits to the cost recovery finding. Please let us know if we can provide you with any additional information, or if you would like to set up a time to discuss this issue

further.

Regards,

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Attorney

Pacific Gas and Electric Company

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