

July 20, 2010

Mr. Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: PG&E's Reply Comments on Draft Resolution E-4349

Dear Mr. Gatchalian:

Pacific Gas and Electric Company ("PG&E") supports Draft Resolution E-4349 ("Draft Resolution") which approves the two-year Qualifying Facility ("QF") contract extension ("2010 Extension Agreement") and related contract modifications between PG&E and Stockton CoGen Company ("Stockton CoGen") while Stockton CoGen continues to convert its existing primarily coal-fueled facility into a biomass or hybrid biomass/coal generation.

However, we request modification on one aspect of the Draft Resolution. Specifically, the Draft Resolution notes that Stockton CoGen may generate up to 20-25% of RPS-eligible biomass. While this level of delivery is expected, the Resolution should be revised to allow for cost recovery in the event that Stockton CoGen generates RPS-eligible energy at a level greater than 25%.

PG&E proposes the following change to the Draft Resolution. We request that the last paragraph on page 9 should be revised to state:¹

The Alternate 2010 Extension Agreement provides for renewable generation from hybrid coal/biomass facility

Pursuant to the Alternate 2010 Extension Agreement, Stockton CoGen expects to ~~may~~ generate energy using up to 20-25% of RPS-eligible biomass, but could generate RPS-eligible energy beyond that amount.

¹ Underlining indicates additions and strike-through indicates deletions.

With this modification, PG&E fully supports the Draft Resolution.

Sincerely,

A handwritten signature in black ink that reads "Jane Yura /ent". The signature is written in a cursive style.

Vice President – Regulation and Rates

Attachment – Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by mail, e-mail, or hand delivery this day served a true copy of Pacific Gas and Electric Company's reply comments on Draft Resolution E-4349 regarding PG&E's Advice Letter 3660-E to:

- Honesto Gatchalian
- Commissioners: Michael Peevey, John Bohn, Dian Grueneich, Nancy Ryan, and Timothy Simon
- Julie Fitch
- Karen Clopton
- Frank Lindh
- Melissa Semcer

/S/ LINDA TOM-MARTINEZ
LINDA TOM-MARTINEZ
PACIFIC GAS AND ELECTRIC COMPANY

Date: July 20, 2010