

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

Application of Pacific Gas and Electric
Company (U 39-E) for Approval of 2008
Long-Term Request for Offer Results and for
Adoption of Cost Recovery and Ratemaking
Mechanisms.

Application 09-09-021
(Filed September 30, 2009)

**DECLARATION OF MARINO MONARDI
IN SUPPORT OF PACIFIC GAS AND ELECTRIC COMPANY'S (U 39-E)
PETITION FOR MODIFICATION OF DECISION 10-07-045**

(CONFIDENTIAL VERSION)

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Date: August 23, 2010

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

Application of Pacific Gas and Electric Company (U 39-E) for Approval of 2008 Long-Term Request for Offer Results and for Adoption of Cost Recovery and Ratemaking Mechanisms.

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PACIFIC GAS AND ELECTRIC COMPANY'S (U 39-E)
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(CONFIDENTIAL VERSION)

I, Marino Monardi, make this declaration based on my own personal knowledge and, if required to do so, could and would testify as to the facts stated herein.

1. I am currently employed by Pacific Gas and Electric Company ("PG&E") as Director, Portfolio Management and am responsible for the procurement of medium-term to long-term conventional electric resources.

2. After the Commission issued Decision ("D.") 10-07-045 (the "LTRFO Decision"), PG&E and Contra Costa Generating Station, LLC ("Contra Costa LLC") (the developer of the Oakley Project) negotiated and agreed to an Amendment to the Purchase and Sale Agreement ("PSA"), dated August 23, 2010 ("Amendment"). A true and correct copy of the Amendment is attached to this declaration as Exhibit A.

3. The guaranteed commercial availability date for the Oakley Project in the PSA was originally June 2014. Under the Amendment, the guaranteed commercial availability date has been extended to June 1, 2016. The Amendment modifies provisions in the PSA including the schedule of project milestones to accommodate the change in the guaranteed commercial availability date.

4. The Amendment also allows Contra Costa LLC to terminate the PSA by the later of November 30, 2010 or the date upon which a Commission decision on the amended PSA is

final and non-appealable, with no liability for damages or termination fees, if Contra Costa LLC is unable to secure in a satisfactory form debt or equity financing or its Engineering, Procurement and Construction (“EPC”) Contract for the Oakley Project. The Amendment modifies provisions in the PSA to accommodate the change in the termination right and to reflect PG&E’s filing of a petition seeking modification of the Commission’s original decision regarding the PSA and seeking Commission approval.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on this 20th day of August 2010 at San Francisco, California.

/s/

Marino Monardi

EXHIBIT A
(CONFIDENTIAL)

**AMENDMENT TO
PURCHASE AND SALE AGREEMENT**

This AMENDMENT TO PURCHASE AND SALE AGREEMENT (this "Amendment") is entered into as of August 23, 2010 (the "Effective Date"), by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Purchaser"), and CONTRA COSTA GENERATING STATION LLC, a Delaware limited liability company ("Seller"), individually referred to as a "Party" or collectively as the "Parties."

RECITALS

WHEREAS, Seller and Purchaser entered into that certain Purchase and Sale Agreement dated as of September 29, 2009 (the "PSA") for the sale by Seller to Purchaser of a power generating facility more particularly described therein; and

WHEREAS, on September 30, 2009 Purchaser filed application number 09-09-021 with the California Public Utilities Commission (the "CPUC") (the "Application") seeking certain approvals with respect to the transactions contemplated by the PSA; and

WHEREAS, on August 4, 2010, the CPUC issued its decision number 10-07-045 denying such approvals (the "Original CPUC Decision"); and

WHEREAS, the Parties desire to amend the PSA and file such amendment along with Purchaser's petition of even date herewith seeking modification of the Original CPUC Decision with respect to the PSA and a CPUC order granting the approvals requested by PG&E in that petition, all in light of this Amendment (the "Petition").

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

AGREEMENT:

1. Definitions. Capitalized terms used and not otherwise defined shall have the meanings ascribed to them in the PSA, and the rules of interpretation set forth therein shall apply to terms used in this Amendment.
2. Effective Date. This Amendment shall become effective on and as of the Effective Date, as defined in the preamble to this Amendment.
3. Amendments to PSA. The PSA is hereby amended as follows:

Section 1.1 is hereby amended as follows:

The following new definitions are hereby added:

“CPUC Decision Review Deadline” means the date of expiration of all periods within which a petition for rehearing or a petition for writ of review of the CPUC’s decision with respect to the Petition may be filed.

“Petition” has the meaning set forth in the fourth recital to this Amendment.

The following definitions are hereby deleted and replaced in their entirety with the following:

“Delivery Date Security” means (i) for the period beginning on receipt of CPUC Approval and ending on August 31, 2012, a sum equal to \$12,400,000 (determined using \$20,000 per MW times 620 MWs), (ii) for the period beginning on September 1, 2012 and ending on June 30, 2013, a sum equal to \$27,280,000 (determined using \$44,000 per MW times 620 MWs), and (iii) thereafter, a sum equal to \$62,000,000 (determined using \$100,000 per MW times 620 MWs); provided however that each of the dates set forth in subsections (i) through (iii) shall be extended on a day for day basis equal to the duration of any Force Majeure Event or Major Legal Change that would entitle the Seller to an extension of the Project Milestone for permitting set forth in the first row of Schedule 2.4.

“Termination Fee” means (i) prior to CPUC Approval, a sum equal to \$9,300,000 (determined using \$15,000 per MW times 620 MWs), (ii) for the period beginning on receipt of CPUC Approval and ending on September 30, 2012, a sum equal to \$12,400,000 (determined using \$20,000 per MW times 620 MWs), (iii) for the period beginning on October 1, 2012 and ending on September 30, 2013, a sum equal to \$12,400,000 plus an amount calculated by multiplying \$1,240,000 (determined using \$2,000 per MW times 620 MWs) by the number of full months elapsed between September 1, 2012 and the date a termination of this Agreement is effective, and (iv) thereafter, a sum equal to \$62,000,000 (determined using \$100,000 per MW times 620 MWs); provided however that each of the dates set forth in subsections (i) through (iv), shall be extended on a day for day basis equal to the duration of any Force Majeure Event or Major Legal Change that would entitle the Seller to an extension of the Project Milestone for permitting set forth in the first row of Schedule 2.4.

Section 2.3(a) is hereby deleted and replaced in its entirety by the following:

“(a) Guaranteed Commercial Availability Date. The Seller agrees to cause the Commercial Availability Date to occur not later than June 1, 2016 (as the same may be adjusted pursuant to the terms of this Agreement, the “Guaranteed Commercial Availability Date”).”

Section 10.1 is hereby deleted and replaced in its entirety by the following:

“10.1

(a) Termination Rights.

(i) Seller may, on or before the later of November 30, 2010 or the CPUC Decision Review Deadline, terminate this Agreement by notice given under Section 15.11 if it determines in its sole discretion that it will be unable to negotiate satisfactory terms for its debt or equity financing of the Project or for its EPC Contract for the Project.

(ii) If the CPUC issues a decision that is final (although subject to petition for writ of review) in response to the Petition that (a) denies the relief requested in the Petition or conditions its approval on modifications to this Agreement in a manner that has an adverse effect on either Party, or (b) Purchaser deems not to constitute CPUC Approval in accordance with subsection (iv) below, then either Party may terminate this Agreement by notice given under Section 15.11 no later than sixty (60) days after the date of issuance of such CPUC decision.

(iii) If the CPUC issues a final decision in response to the Petition, without conditions or modifications, that with the passage of the time necessary for such decision to be non-appealable would constitute CPUC Approval as determined by the Purchaser in its sole discretion, and if a third party petitions the California Court of Appeal for a writ of review of such decision, then either Party may terminate this Agreement by notice given under Section 15.11 no later than June 1, 2011.

(iv) Within fifteen (15) days after the date of issuance by the CPUC of a decision that is final (although subject to petition for writ of review) in response to the Petition, Purchaser shall give notice to Seller under Section 15.11 of its determination whether such decision, but for the passage of time necessary for such decision to be non-appealable, constitutes CPUC Approval.

(b) Termination Effects. In the event Seller or Purchaser terminates this Agreement pursuant to this Section 10.1(a), neither Party shall be liable for damages or the Termination Fee as a result of such termination, all Collateral shall be returned to Seller, and the Parties shall have no further rights or obligations to each other except as set forth in Section 11.3 and Article 12.

(c) No Appeals. If the CPUC, or an applicable appellate body reviewing the CPUC decision issued in response to the Petition, issues a decision, without conditions or modifications, that with the passage of the time necessary for such decision to be final and non-appealable would cause CPUC Approval to have occurred as determined by the Purchaser in its sole discretion, then none of the Seller, the Purchaser or any of their Affiliates, directly or in cooperation with others, shall seek further review of the decision.”

Schedule 2.4 to the PSA is hereby deleted and replaced in its entirety with the revised Schedule 2.4 attached to this Amendment.

4. No Other Amendment. Except as expressly set forth herein, this Amendment shall not alter, modify or amend any of the terms, conditions, obligations, covenants or agreements contained in the PSA, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the PSA.


5. Counterparts. This Amendment may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

6. Governing Law. The validity, interpretation and effect of this Amendment are governed by and will be construed in accordance with the laws of the State of California applicable to contracts made and performed in such State and without regard to conflicts of law doctrines.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first written above.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: 
Name: Fong Wan
Title: Senior VP, Energy Procurement

CONTRA COSTA GENERATING STATION LLC,
a Delaware limited liability company

By: _____
Name: Bryan J. Bertacchi
Title: President

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the date first written above.

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

By: _____
Name: Christopher P. Johns
Title: President

CONTRA COSTA GENERATING STATION LLC,
a Delaware limited liability company

By:  _____
Name: Bryan J. Bertacchi
Title: President

SCHEDULE 2.4

REVISED PROJECT MILESTONES

Milestone Name	Deadline
CEC Permitting Deadline	10/01/2013
Project Site Mobilization	2/01/2014
Commencement of Foundation Work	06/01/2014
Commencement of HRSG Erection	12/03/2014
Delivery of STG	05/01/2015
CTs on Foundation	09/01/2015
First Fire	02/03/2016
Substantial Completion	05/05/2016