



**Pacific Gas and
Electric Company**[®]

Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Fax: 415.973.7226

December 10, 2010

President Michael R. Peevey
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Commissioner John A. Bohn
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Commissioner Dian M. Grueneich
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Commissioner Nancy Ryan
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Commissioner Timothy A. Simon
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Pacific Gas and Electric Company's Petition for Modification of D.10-07-045 Regarding
The Oakley Generating Station (A.09-09-021)

Dear President Peevey and Commissioners:

This letter responds to the Division of Ratepayer Advocates' ("DRA") letter dated December 9, 2010 regarding PG&E's Petition for Modification ("PFM") of Commission Decision 10-07-045.

In its letter, DRA asserts that a recent California Energy Commission ("CEC") filing by the developer of the Oakley Project is "inconsistent" with PG&E's PFM. In particular, DRA asserts that the developer's statement to the CEC that construction of the Oakley Project needs to begin by May 2011 is inconsistent with a revised schedule included with the PFM. DRA requests that the Commission delay acting on the PFM until this issue has been investigated further.

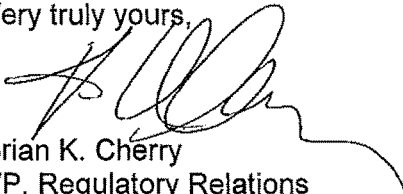
DRA's last minute effort to unnecessarily delay a Commission decision on the PFM is based on a fundamental misunderstanding of the contractual amendment submitted by PG&E with its

PFM, and the recent Oakley Project CEC filing. The schedule attached to the *Declaration of Marino Monardi* that was filed in support of the PFM included a list of project milestones. Under the terms of the Oakley Purchase and Sale Agreement ("PSA") project milestones are defined as the last date that a specific event can occur in the project development schedule. The fact that the dates in the CEC filing are earlier than the project milestones in the PSA is entirely understandable given that the developer wants to ensure that it satisfies the appropriate project milestones within the time specified. Indeed, any prudent developer would schedule development activities to be initiated before the date required in its contract to ensure that the milestones are met. DRA's concern that the CEC filing includes dates that are earlier than the project milestones is based on a flawed understanding of the terms of the PSA.

DRA also asserts that PG&E's conduct suggests that it is "determined to bring the Oakley Power Plant online by 2014 or earlier rather than 2016 as claimed in the PFM." DRA provides no factual basis for this assertion. More fundamentally, however, the Alternate Proposed Decision issued by Commissioner Bohn provides that no ratepayer funds can be expended on the PSA before January 1, 2016. This additional condition, which DRA fails to mention, should resolve any concerns about the Oakley Project coming on line earlier than 2016.

Had DRA simply asked PG&E about this supposed inconsistency, rather than sending a letter to the Commission requesting a delay, PG&E could have corrected DRA's misunderstanding and the matter would have been resolved. Unfortunately, DRA elected not to do so and instead it requested that the Commission delay acting on the PFM based on DRA's misunderstanding of the facts. We are hopeful that this letter adequately resolves DRA's unfounded concerns.

Very truly yours,



Brian K. Cherry
VP, Regulatory Relations

cc: Paul Clanon
Julie Fitch
Frank Lindh
Service List in Proceeding A.09-09-021