

**Brian K. Cherry**  
Vice President  
Regulation and Rates

Pacific Gas and Electric Company  
Mail Code B10B  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415.973.6520

February 21, 2012

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

**Re: PG&E's Comments on Draft Resolution E-4455**

Dear Mr. Gatchalian and Ms. Salinas:

Pacific Gas and Electric Company ("PG&E") submits the following comments on Draft Resolution E-4455 ("Draft Resolution"), which was issued on February 2, 2012. The Draft Resolution approves without modification amendments to five Qualifying Facility ("QF") Standard Offer power purchase agreements (collectively, the "Amendments") that PG&E has executed with Covanta Mendota, L.P. ("Mendota"), Rio Bravo Fresno ("Fresno"), Rio Bravo Rocklin ("Rocklin"), Wheelabrator Shasta Energy Company, Inc. ("Shasta"), and Pacific-Ultrapower Chinese Station ("Chinese Station"), collectively (the Sellers"). While PG&E supports the Draft Resolution's approval of the Amendments without modification, it requests that the Commission correct factual errors contained in the Draft Resolution regarding the term of the Amendments.

The existing PPAs are 30-year Interim Standard Offer 4 ("ISO 4") contracts that expire on various dates. As PG&E explained in Advice Letter 3921-E, the Amendments provide the Sellers with a higher price for delivered energy in exchange for stricter performance obligations and other beneficial terms and conditions. The Amendments will take effect on September 1, 2011. The term of the Mendota amendment is approximately three years and four months, and the term of the Fresno, Rocklin, Shasta, and Chinese Station amendments is four years and eleven months. The amendment term, amendment expiration date, and PPA expiration date for each facility is outlined below:

| <b>Facility</b> | <b>Amendment Term</b>              | <b>Amendment Expiration Date</b> | <b>ISO4 PPA Expiration Date</b> |
|-----------------|------------------------------------|----------------------------------|---------------------------------|
| Mendota         | Approximately 3 years and 4 months | January 14, 2015                 | January 14, 2015                |
| Fresno          | 4 years and 11 months              | July 31, 2016                    | February 12, 2019               |
| Rocklin         | 4 years and 11 months              | July 31, 2016                    | March 16, 2020                  |
| Shasta          | 4 years and 11 months              | July 31, 2016                    | April 30, 2018                  |
| Chinese Station | 4 years and 11 months              | July 31, 2016                    | January 23, 2017                |

PG&E provided the above-described information in Advice Letter 3921-E and its Confidential Appendices<sup>1</sup>.

The Draft Resolution incorrectly describes the term of each of the Amendments and uses this information in its analysis. Specifically, the Draft Resolution incorrectly refers to an initial three-year term with an option to extend for one year and another option to extend for an additional 11 months.<sup>2</sup> The Amendments do not, however, contain any options to extend, but are rather for one fixed term as described in the table above.

PG&E requests that the Commission modify the Draft Resolution to include the correct Amendment terms and continue to approve the Amendments without modification. PG&E's proposed changes to the Findings and Conclusions and the Ordering Paragraphs are provided in the attached Appendix A.

Sincerely,

A handwritten signature in black ink that reads "Brian Cherry". The signature is written in a cursive, flowing style. To the right of the name, there is a small, stylized mark that appears to be a date or initials, possibly "JUL 16".

Vice President – Regulation and Rates

cc:

Commissioners Michael Peevey, Mark Ferron, Mike Florio, Catherine Sandoval,  
and Timothy Simon  
Edward Randolph – Director, Energy Division  
Karen Clopton – Chief Administrative Law Judge  
Frank Lindh – General Counsel  
Cem Turhal – Energy Division  
Andrew Schwartz – Energy Division  
Honesto Gatchalian – Energy Division  
Maria Salinas – Energy Division  
Service List R.10-05-006  
Service List R.11-05-005  
Service List R.04-04-003/04-04-025

---

<sup>1</sup> The Term Amendments and associated information can be found on pages 1, 3, 4, 5, of Advice 3921-E. They are also contained on pages 6 of the PPA contained in Confidential Appendix A1, A2 and A3 for Mendota, Fresno and Rocklin, respectively, pages 6 to 7 in Confidential Appendix A4 for Shasta, and page 7 in Confidential Appendix A5 for Chinese Station. The information is also present on pages B-2 to B-4, B-10, B-26, B-30, B-33, and B-40 of Confidential Appendix B1 for Mendota; pages B-2 to B-4, B-10, B-26, B-29, B-31 and B-40 in Confidential Appendix B2 for Fresno; pages B-2 to B-4, B-10, B-26, B-30, B-31, B-39, and B-40 in Confidential Appendix B3 for Rocklin; pages B-2 to B-4, B-10, B-26, B-30, B-33, B-40, and B-41 in Confidential Appendix B4 for Shasta; and B-2 to B-4, B-11, B27, B-28, B-32, B-33, B-41, and B-42 in Confidential Appendix B5 for Chinese Station.

<sup>2</sup> These inaccuracies are contained on pages 1, 2, 3, 4, 7, 12, 13, 14 of the Draft Resolution and in Findings and Conclusions 16 and Ordering Paragraph 1. They are also contained on pages 20, 22, 23, 31, and 32 of Confidential Appendix A to the Draft Resolution.

## Appendix A to PG&E's Comments on Draft Resolution E-4455

### Proposed Changes to Findings and Ordering Paragraphs

Consistent with its comments on the Draft Resolution, PG&E recommends that the Commission make the following changes to the Findings and Conclusions and the Ordering Paragraphs in the Draft Resolution:

#### Findings and Conclusions

16. Deliveries from the Five Facilities will help fulfill PG&E's near term RPS obligations, ~~however beyond the initial term, the need for the energy from these projects is less certain given the contracting PG&E has done to date and potential future contracting activities.~~

#### Ordering Paragraphs

1. Pacific Gas and Electric Company's Advice Letter 3921-E, as amended by Advice Letter 3921-E-A, requesting Commission approval of ~~a three-year~~ amendments to five existing Qualifying Facility (QF) contracts ~~and the option to extend (where applicable) the proposed amendment by 1 year, and subsequently (where applicable), an additional 11 months,~~ with Covanta Mendota, L.P., Rio Bravo Fresno, Rio Bravo Rocklin, Wheelabrator Shasta Energy Company, Inc., and Pacific-Ultrapower Chinese Station is approved without modifications.

## 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 comments on Draft Resolution E-4455, regarding PG&E's Advice Letter 3921-E (as amended by Advice Letter 3921-E-A) on:

- 1) Commissioners Michael Peevey, Mark Ferron, Mike Florio, Catherine Sandoval, and Timothy Simon
- 2) Edward Randolph – Director, Energy Division
- 3) Karen Clopton – Chief Administrative Law Judge
- 4) Frank Lindh – General Counsel
- 5) Cem Turhal – Energy Division
- 6) Andrew Schwartz – Energy Division
- 7) Honesto Gatchalian – Energy Division
- 8) Maria Salinas – Energy Division
- 9) Service List R.10-05-006
- 10) Service List R.11-05-005
- 11) Service List R.04-04-003/04-04-025

/S/ KIMBERLY CHANG  
Kimberly Chang  
PACIFIC GAS AND ELECTRIC COMPANY

Date: February 21, 2012