

March 28, 2012

Energy Division Tariff Unit
California Public Utilities Commission
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102

RE: Public Reply to the Division of Ratepayer Advocates' Protest of Pacific Gas and Electric Company's Advice Letter 4007-E (Amendment to Existing Sierra Power Corporation RPS Contract)

Dear Energy Division Tariff Unit:

Pacific Gas and Electric Company ("PG&E") hereby replies to the Division of Ratepayer Advocates' ("DRA") March 21, 2012 protest of PG&E's Advice Letter 4007-E (the "Advice Letter"). The Advice Letter requests approval of an amendment ("Amendment") to PG&E's existing Power Purchase Agreement ("PPA") with Sierra Power Corporation ("Sierra Power"). Commission approval of the Amendment will enable Sierra Power to continue to generate and sell to PG&E Renewables Portfolio Standard ("RPS")-eligible power from its existing biomass facility located in Terra Bella, California.

DRA does not object to the price or terms and conditions of the Amendment. DRA's only concern is whether deliveries under the PPA as amended by the Amendment are bankable. If the Commission determines that deliveries are not bankable, DRA recommends rejection of the Amendment.¹

PG&E agrees with DRA that the Commission should address the bankability of deliveries under the amended PPA. The Commission should find that such deliveries are bankable under Public Utilities Code Section 399.13(a)(4)(B). The transaction at issue in the Advice Letter is an amendment to an existing, long-term RPS contract between PG&E and Sierra Power. It is not a new, short-term PPA. Because the PPA as amended has a duration of greater than 10 years, its deliveries are bankable under Section 399.13(a)(4)(B).

DRA claims that "the term length of the Amended PPA is only 21 months" and that "[b]y definition, a 21 month long contract qualifies as short-term" and is not bankable under Section 399.13(a)(4)(B).² While the provisions of the Amendment will only apply for a short period of time (from the date of CPUC Approval through the expiration of the PPA,

¹ DRA protest, pp. 2-3.

² *Id.* at p. 3.

or July 8, 2014), the Amendment is not, as DRA suggests, a new 21-month contract. Rather, it is a change to an existing RPS contract whose duration is greater than 10 years. The fact that the amended terms will apply for less than 10 years has no bearing on the long-term nature of the existing contract.

DRA claims that the Sierra Power project's value to ratepayers will be diminished unless deliveries under the amended PPA are bankable.³ Specifically, DRA argues that the Sierra Power PPA does not significantly impact PG&E's renewable portfolio, and that

[REDACTED]

[REDACTED].⁴ As PG&E explained in Confidential Appendix A to the Advice Letter, however,

[REDACTED]

[REDACTED]. Thus, bankability aside, continued deliveries from Sierra Power are important to ensuring compliance with PG&E's RPS requirements.

For the foregoing reasons, the Commission should reject DRA's protest and approve the Advice Letter without modification.

Sincerely,



Vice President – Regulation and Rates

cc: Service List for R.11-05-005
Service List for R.10-05-006
Paul Douglas – Energy Division
Sean Simon – Energy Division
Jason Simon – Energy Division
Adam Schultz – Energy Division
Joseph Abhulimen – DRA
Cynthia Walker – DRA

³ DRA protest, p. 4.

⁴ *Id.*

⁵ [REDACTED]

**DECLARATION OF GILLIAN CLEGG
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN
REPLY TO DRA'S PROTEST OF ADVICE LETTER 4007-E
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Gillian Clegg, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since 2007. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating PG&E's Renewables Portfolio Standard Program ("RPS") Power Purchase Agreements. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties and have also gained knowledge of the operations of electricity sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating positions of electricity sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary.
2. Based on my knowledge and experience, and in accordance with Decision ("D") 08-04-023 and the August 22, 2006 "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," I make this declaration seeking confidential treatment of PG&E's Reply to DRA's Protest of Advice Letter 4007-E, submitted on March 28, 2012.
3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023 (the "IOU Matrix"), or constitutes information that should be protected under General Order 66-C. The matrix also specifies the category or

categories in the IOU Matrix to which the data and information corresponds, if applicable, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information, if applicable; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that to the best of my knowledge, the foregoing is true and correct. Executed on March 28, 2012, at San Francisco, California.



GILLIAN CLEGG

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
PG&E's Reply to DRA's Protest of
Advice Letter 4007-E
March 28, 2012

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
Document: PG&E's Reply to DRA's Protest of Advice Letter 4007-E							
Gray-shaded material in PG&E's March 28, 2012 Reply to DRA's Protest	Y	Item VI B) Utility Bundled Net Open Position for Energy (MWh).	Y	Y	Y	PG&E's Reply to DRA's Protest discusses and analyzes how the Sierra Power project will contribute toward PG&E's compliance with California's Renewables Portfolio Standard ("RPS") program. Disclosure of this information would provide valuable market sensitive information to competitors. Release of this information would be damaging to negotiations. Disclosure could reveal PG&E's remaining RPS net open energy position.	Information covered under Item VI B) should remain confidential for three years.