

June 21, 2012

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

RE: Reply to the Division of Ratepayer Advocates' Protest of Pacific Gas and Electric Company's Advice Letter 4048-E (Amended and Restated Power Purchase Agreement for Procurement of Eligible Renewable Energy Resources between Bottle Rock Power LLC and Pacific Gas and Electric Company)

Dear Energy Division Tariff Unit:

Pacific Gas and Electric Company ("PG&E") hereby replies to the Division of Ratepayer Advocates' ("DRA") June 14, 2012 protest of PG&E's Advice Letter 4048-E (the "Advice Letter"). The Advice Letter requests approval of an amended and restated power purchase agreement ("A&R PPA") between Bottle Rock Power LLC ("Bottle Rock") and PG&E for Renewables Portfolio Standard ("RPS")-eligible power from Bottle Rock's existing geothermal facility in Lake County, California ("Project"). Commission approval of the A&R PPA will enable Bottle Rock to continue to generate and deliver RPS-eligible power to PG&E, will require Bottle Rock to maintain jobs, and will increase the potential for higher output from the Project in exchange for a higher price.

DRA recommends that the Commission reject the Advice Letter for several reasons, including price and accrued damages terms in the A&R PPA, lack of RPS need for the Project, concerns about the Project's long-term viability, and a belief that economic development and job preservation alone do not warrant approval of the Advice Letter. For the reasons provided below and in the Advice Letter, the Commission should reject DRA's protest and approve the A&R PPA without modification.

DRA argues that the Commission should reject the A&R PPA because it is priced above the 2011 market price referent ("MPR") and there are lower-cost alternatives available to PG&E.¹ DRA further claims that the contract's sole

¹ DRA protest, pp. 4-5.

benefit of providing economic development does not justify approval.² These arguments fail to recognize the Project's other positive factors in addition to job preservation in an economically depressed area, including (1) the Project is an existing and operating in-state facility with local area reliability benefits, interconnected to the California Independent System Operator ("CAISO") transmission system at NP-15; (2) the Project does not require any additional transmission network upgrades; (3) the Project does not present integration issues that are associated with intermittent resources; and (4) the Project is required to spend at least a specified amount of capital in order to improve plant production in the long term. Thus, while the economics of the Project compare unfavorably to the current market and PG&E's 2011 RPS Solicitation shortlist, other factors are favorable and support approval.

DRA also claims that PG&E does not need RPS energy from the Project to meet its RPS goals.³ However, PG&E's draft 2012 Renewable Energy Procurement Plan ("Draft 2012 RPS Plan")⁴ provides an assessment of PG&E's current expected RPS need and demonstrates that PG&E has a need for incremental long-term energy over the third compliance period and beyond in order to maintain a 33% RPS level after 2020.⁵ As PG&E explained in the Advice Letter, under the A&R PPA the Project is required to produce additional RPS-eligible deliveries in years when PG&E has a need for incremental RPS energy.⁶ Moreover, under the decision setting compliance rules for the 33% RPS program approved today by the Commission, near-term deliveries from the Project would be bankable for use in future compliance periods (including beyond 2020).

DRA further argues that PG&E has performed its contract administration duties in an unreasonable manner by including certain terms in the A&R PPA relating to accrued damages.⁷ The issue of accrued damages under the 2007 PPA and 2010 PPA is addressed in and a part of the entire A&R PPA package. Commission approval of the A&R PPA would resolve any issues concerning accrued damages and DRA's concerns about contract administration would thus be moot.

Finally, DRA recommends rejection of the Advice Letter due to concerns over the Project's long-term viability and the possibility that Bottle Rock could seek an additional price increase in the future.⁸ The structure and terms of the A&R PPA,

² *Id.* at pp. 6-7.

³ DRA protest, pp. 5-6.

⁴ PG&E's Draft 2012 RPS Plan was filed on May 23, 2012 in R.11-05-005 and can be found at: <http://apps.pge.com/regulation/SearchResults.aspx?NewSearch=True&CaseID=1146&DocType=52&PartyID=4&fromDate=05%2F23%2F12&toDate=05%2F23%2F12&sortOrder=FileName¤tPage=1&recordsPerPage=100&searchDocuments=Search>

⁵ Draft 2012 RPS Plan, pp. 48-49.

⁶ Advice Letter, pp. 6, 9.

⁷ DRA protest, p. 5.

⁸ *Id.* at p. 6.

however, support the continued operation of the Project and increase the potential for higher output. While Bottle Rock was unable to raise the capital necessary to expand the steam field and increase generation as required under the 2010 PPA (and thus did not reach the production level necessary to receive higher payments), [REDACTED]

[REDACTED] .⁹ Moreover, the A&R PPA includes an obligation to invest a minimum amount in steam field expansion and improvement of the Project, and [REDACTED]

[REDACTED] As a result, PG&E does not believe that DRA's concerns about project viability warrant rejection of the Advice Letter.

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

Sincerely,



Vice President – Regulatory Relations

cc: Service List R.11-05-005 (Public Version Only)
Service List R.12-03-014 (Public Version Only)
Paul Douglas – Energy Division
Jason Simon – Energy Division
Adam Schultz – Energy Division
Joseph Abhulimen – DRA
Cynthia Walker – DRA
Imelda Eusebio – DRA
Legal_Support - DRA

⁹ Confidential Appendix A to the Advice Letter, p. A6.

**DECLARATION OF GILLIAN CLEGG
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION CONTAINED IN
REPLY TO DRA'S PROTEST OF ADVICE LETTER 4048-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 for certain information contained in PG&E's Reply to DRA's Protest of Advice Letter 4048-E, submitted on June 21, 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 June 21, 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 4048-E
June 21, 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 4048-E							
Gray-shaded material in PG&E's June 21, 2012 Reply to DRA's Protest	Y	Item VII G) Renewable Resource Contracts under RPS program - Contracts without SEPs. General Order 66-C.	Y	Y	Y	PG&E's Reply to DRA's Protest includes discussion of a specific contract term, which is protected from disclosure under Item VII G) of the Matrix. PG&E's Reply also contains information obtained in confidence from the counterparty. It is in the public interest to treat such information as confidential because if such information were made public, it would put the counterparty at a business disadvantage, could create a disincentive to do business with PG&E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparties.	For information covered under Item VII G) remain confidential for three years after the commercial operation date, or one year after expiration (whichever is sooner). For information covered under General Order 66-C, remain confidential.