

November 9, 2012

**Advice 3854-E-A**  
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

**Subject: Supplemental Filing for Purchase and Sale Agreement for Procurement of Renewable Energy Credits between Sierra Pacific Industries and Pacific Gas and Electric Company**

### **Introduction**

Pacific Gas and Electric Company (“PG&E”) submits to the California Public Utilities Commission (“Commission” or “CPUC”) a supplemental filing for Advice 3854-E (“Advice Letter”), dated June 2, 2011.<sup>1</sup> In the Advice Letter, PG&E submitted an Amended and Restated Renewable Energy Credit Purchase and Sales Agreement (“PSA”) dated April 4, 2011, between Sierra Pacific Industries (“SPI”) and PG&E. The original agreement was executed on October 29, 2009 and filed for Commission approval by application 09-10-035. The original agreement was subsequently amended and restated and filed as a Tier 3 Advice Letter to comply with updated non-modifiable terms and conditions and to make other necessary modifications to accommodate the passage of time between the execution of the original agreement and the submission of the PSA by Advice Letter.

Under the PSA, PG&E will buy all the Renewable Energy Credits (“RECs”) associated with electricity generated at SPI’s four existing California biomass generation facilities and consumed on site by SPI’s saw mills located in Anderson, Lincoln, Quincy, and Burney (the “Project”) for a five-year term beginning in 2011. The purpose of this supplement is to obtain CPUC approval of the PSA as amended by the November 1, 2012 amendment to the PSA (“Amended PSA”). The Amended PSA reduces the contract price.

### **The Amended PSA Contains a Reduced Price**

SPI and PG&E agreed to amend the PSA with a price term that better reflects the current value of the product to PG&E.

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<sup>1</sup> Supplements to Advice Letters are authorized by General Order (“GO”) 96-B, General Rules Section 7.5.1. Due to the limited scope of PG&E’s supplemental information, this filing should not re-open the protest period or delay the effective date of the Advice Letter.

The new and reduced contract price is reasonable and reflects good value for PG&E customers. Confidential Appendix C contains a comparison of the Amended PSA to current procurement options available to PG&E, and a showing documenting the competitiveness of the Amended PSA.

### **Procurement from the Amended PSA Counts in Full toward RPS Compliance**

Procurement from the Amended PSA is grandfathered procurement that will count in full toward procurement requirements in effect under SB 2 1X. Transactions signed before June 1, 2010 “count in full” if the following conditions are met:

- (1) The renewable energy resource was eligible under the rules in place as of the date the contract was executed;
- (2) For an electrical corporation, the contract has been approved by the commission, even if that approval occurs after June 1, 2010; and
- (3) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource. The duration of the contract may be extended if the original contract specified a procurement commitment of 15 or more years.<sup>2</sup>

Commission Decision (“D.”)12-06-038 established further guidance regarding pre-June 1, 2010 procurement that is subsequently amended, modified, or extended. The Commission determined that the original contract should “count in full” toward the procurement requirements in effect prior to SB 2 1X and that only incremental procurement from the amended, modified or extended contract should be subject to applicable rules on portfolio balance, use of short-term contracts, and excess procurement.<sup>3</sup>

Upon Commission approval of the Amended PSA, procurement from the Amended PSA will count in full toward Renewables Procurement Standard (“RPS”) procurement requirements and be fully “bankable.” As detailed in the Advice Letter, the four exiting SPI generating facilities that comprise the Project were eligible renewable resources under the rules in place as of the date the original agreement was signed, October 29, 2009, and they continue to be RPS-eligible today.<sup>4</sup> The PSA and the Amended PSA each were signed after June 1, 2010 and do not increase the nameplate capacity or expected quantities of annual generation, substitute or allow the substitution of the renewable energy resources generating the RECs, or extend the duration of the PSA. Thus, if approved by the Commission, procurement from the Amended PSA is not subject to rules established by the Commission for portfolio balance, long term contracting, and excess procurement under the 33% RPS program.

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<sup>2</sup> Public Utilities Code Section 399.16(d).

<sup>3</sup> See D.12-06-038 at 33-34 and Conclusion of Law 13-14.

<sup>4</sup> See Advice Letter at 12. The PSA is for the purchase of RECs associated with on-site load served by the Projects.

**Effective Date:**

PG&E requests that this Tier 3 Supplemental Advice Letter become effective concurrent with Advice Letter 3854-E.

**Notice:**

In accordance with General Order 96-B, Section IV, a copy of this Advice Letter excluding the confidential appendices is being sent electronically and via U.S. mail to parties shown on the attached list and the service lists for R.11-05-005, and R.12-03-014. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the Advice Letter and accompanying confidential attachments by overnight mail. Address changes to the General Order 96-B service list should be directed to PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

*Brian Cherry /IG*

Vice President – Regulatory Relations

cc: Service List for R.11-05-005  
Service List for R.12-03-014  
Paul Douglas – Energy Division  
Jason Simon – Energy Division  
Adam Schultz – Energy Division  
Joseph Abhulimen – DRA  
Cynthia Walker – DRA

Attachments

**Limited Access to Confidential Material:**

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 and 454.5(g) of the Public Utilities Code and General Order 66-C. This material is protected from public disclosure because it consists of, among other items the Amended PSA itself, price information, and analysis of the Amended PSA, which is protected pursuant to D.06-06-066 and D.08-04-023. A separate Declaration Seeking Confidential Treatment regarding the confidential information is filed concurrently herewith.

**Confidential Attachments:**

**Appendix A – First Amendment of Amended and Restated Renewable Energy Credit  
Purchase and Sale Agreement.**

**Appendix B – 2011 Solicitation Overview**

**Appendix C – Contract Summary and Analysis of Competitiveness**

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Igor Grinberg

Phone #: (415) 973-8580

E-mail: ixg8@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
 PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3854-E-A**

Tier: **3**

Subject of AL: **Supplemental Filing for Purchase and Sale Agreement for Procurement of Renewable Energy Credits between Sierra Pacific Industries and Pacific Gas and Electric Company**

Keywords (choose from CPUC listing): Contracts, Portfolio

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: \_\_\_\_\_

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes. See the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  No All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Gillian Clegg (415) 973-1332

Resolution Required?  Yes  No

Requested effective date: **December 15, 2011 (Concurrent with Advice 3854-E-A)**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

**DECLARATION OF GILLIAN CLEGG  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION CONTAINED IN  
ADVICE LETTER 3854-E-A  
(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 Appendices A, B, and C to PG&E’s Advice Letter 3854-E-A, submitted on November 9, 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 November 9, 2012, at San Francisco, California.



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GILLIAN CLEGG

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)**

**Advice Letter 3854-E-A**

**November 9, 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
<b>Document: Advice Letter 3854-E-A</b>							
Appendix A	Y	Item VII G) Renewable Resource Contracts under RPS program - Contracts <i>without</i> SEPs.	Y	Y	Y	This Appendix contains the Amendment for which PG&E seeks approval in the Advice Letter filing. Disclosure of certain terms of the Amendment would <i>provide valuable market sensitive information to</i> competitors. Release of this information would be damaging to negotiations with other counterparties and should remain confidential. Furthermore, the counterparty to the Amendment has an expectation that the terms of the Amendment will remain confidential.	For information covered under Item VII G), remain confidential for three years after the <i>commercial operation date</i> , or one year after expiration (whichever is sooner).
Appendix B	Y	Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.	Y	Y	Y	This Appendix contains bid information and bid evaluations from the 2011 Solicitation. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, offers received outside of the solicitations are still under negotiation, further substantiating why releasing this information would be damaging to the negotiation process.	For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval  For information covered under Item VIII B), remain confidential for three years after winning bidders selected.



**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)**  
**Advice Letter 3854-E-A**  
**November 9, 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
Appendix C	Y	<p>Item VII G) Renewable Resource Contracts under RPS program - Contracts without SEPs.</p> <p>Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects.</p> <p>Item VIII B) Specific quantitative analysis involved in scoring and evaluation of participating bids.</p> <p>General Order 66-C.</p>	Y	Y	Y	<p>This Appendix contains bid information and evaluations from the 2011 Solicitation; discusses, analyzes and evaluates the Project and the terms of the Amendment. Disclosure of this information would provide valuable market sensitive information to competitors. Release of this information would be damaging to negotiations with other counterparties and should remain confidential. Furthermore, the counterparty to the Amendment has an expectation that the terms of the Amendment will remain confidential.</p> <p>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&amp;E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparty.</p>	<p>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).</p> <p>For information covered under Item VII (un-numbered category following VII G), remain confidential for three years.</p> <p>For information covered under Item VIII B), remain confidential for three years after winning bidders selected.</p> <p>For information covered under General Order 66-C, remain confidential.</p>

**PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV**

1st Light Energy	Department of General Services	North America Power Partners
AT&T	Department of Water Resources	North Coast SolarResources
Alcantar & Kahl LLP	Dept of General Services	Northern California Power Association
Ameresco	Douglass & Liddell	Occidental Energy Marketing, Inc.
Anderson & Poole	Downey & Brand	OnGrid Solar
BART	Duke Energy	PG&E
Barkovich & Yap, Inc.	Economic Sciences Corporation	Praxair
Bartle Wells Associates	Ellison Schneider & Harris LLP	R. W. Beck & Associates
Bloomberg	Foster Farms	RCS, Inc.
Bloomberg New Energy Finance	G. A. Krause & Assoc.	SCD Energy Solutions
Boston Properties	GLJ Publications	SCE
Braun Blaising McLaughlin, P.C.	GenOn Energy Inc.	SMUD
Brookfield Renewable Power	GenOn Energy, Inc.	SPURR
CA Bldg Industry Association	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
CENERGY POWER	Green Power Institute	Seattle City Light
CLECA Law Office	Hanna & Morton	Sempra Utilities
California Cotton Ginners & Growers Assn	Hitachi	Sierra Pacific Power Company
California Energy Commission	In House Energy	Silicon Valley Power
California League of Food Processors	International Power Technology	Silo Energy LLC
California Public Utilities Commission	Intestate Gas Services, Inc.	Southern California Edison Company
Calpine	Lawrence Berkeley National Lab	Spark Energy, L.P.
Cardinal Cogen	Los Angeles County Office of Education	Sun Light & Power
Casner, Steve	Los Angeles Dept of Water & Power	Sunrun Inc.
Center for Biological Diversity	MAC Lighting Consulting	Sunshine Design
Chris, King	MRW & Associates	Sutherland, Asbill & Brennan
City of Palo Alto	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto Utilities	Marin Energy Authority	Tiger Natural Gas, Inc.
City of San Jose	McKenna Long & Aldridge LLP	TransCanada
City of Santa Rosa	McKenzie & Associates	Turlock Irrigation District
Clean Energy Fuels	Merced Irrigation District	United Cogen
Clean Power	Modesto Irrigation District	Utility Cost Management
Coast Economic Consulting	Morgan Stanley	Utility Specialists
Commercial Energy	Morrison & Foerster	Verizon
Consumer Federation of California	Morrison & Foerster LLP	Wellhead Electric Company
Crossborder Energy	NLine Energy, Inc.	Western Manufactured Housing Communities Association (WMA)
Davis Wright Tremaine LLP	NRG West	eMeter Corporation
Day Carter Murphy	NaturEner	
Defense Energy Support Center	Norris & Wong Associates	