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January 9, 2013

Advice 4174-E
(Pacific Gas and Electric Company U 39 E)

Public Utilities Commission of the State of California

Subject: Pacific Gas and Electric Company's Proposed Second Extension of its Power Purchase Agreement with Bailey Creek

Introduction

Pacific Gas and Electric Company ("PG&E") requests the California Public Utilities Commission ("Commission" or "CPUC") to approve a second extension of the power purchase agreement ("PPA") between PG&E and Bailey Creek Hydroelectric Inc. ("Bailey Creek" or "Seller"). This second extension will extend the existing PPA until March 31, 2013, to provide Bailey Creek a reasonable amount of time to meet California Independent System Operator ("CAISO") requirements for delivering energy into the CAISO market as scheduled by a third-party scheduling coordinator.

Background

In Decision ("D.") 10-12-035, the Commission approved the Qualifying Facility and Combined Heat and Power Settlement ("QF/CHP Settlement" or "Settlement") and adopted new pro-forma PPAs for QFs and CHP generators and a pro-forma pricing amendment for legacy QFs. The Settlement became effective on November 23, 2011 ("Settlement Effective Date"), at which time the approved agreements became available for execution.

Bailey Creek is a 630 kilowatt ("kW") run-of-the-river hydroelectric QF located in Shasta County which has sold power to PG&E under a legacy contract. Bailey Creek seeks to deliver power into the CAISO market through a third-party scheduling coordinator. By Resolution E-4528, the Commission approved the first extension of the existing PPA through December 31, 2012, to allow Bailey Creek to obtain its own CAISO Resource ID for scheduling purposes. Bailey Creek has been issued a Resource ID. However, Bailey Creek has not yet completed all the steps necessary to participate in the CAISO market, and particularly for an entity other than PG&E to function as Bailey Creek's scheduling coordinator.

On December 26, 2012, Bailey Creek sent a letter requesting PG&E to further extend its PPA. On December 27, 2012, Bailey Creek sent a similar letter to Edward Randolph, the Director of Energy Division, requesting that the Energy Division grant an extension. However, the Energy Division is not authorized to grant an extension of a legacy PPA that expires beyond the 120-day transition period provided by the QF/CHP Settlement. Accordingly, any further extension must be executed by PG&E and submitted for Commission approval.

Need for Further PPA Extension

Legacy QFs expiring during the Settlement's Initial Program Period have several commercial options available to them, including the execution of one of the pro-forma PPAs approved as part of the QF/CHP Settlement.¹ Generators that wish to deliver into the CAISO market must comply with the CAISO Tariff, specifically by executing a Participating Generator Agreement, obtaining a CAISO meter, executing a Meter Service Agreement, and executing the appropriate transmission interconnection agreement. To exercise the option of using a scheduling coordinator other than PG&E the QF must have its own CAISO Resource ID and have installed one or more CAISO meters on or before the Term Start Date. The first amendment to Seller's legacy PPA extended the term through December 31, 2012, by which time Seller had obtained its own CAISO Resource ID. However, Seller has not yet fulfilled all the CAISO requirements necessary to be scheduled by a third-party scheduling coordinator.

The Commission previously extended Bailey Creek's legacy PPA to allow it to continue deliveries while obtaining its own Resource ID, which is required to fully participate in the CAISO market. Bailey Creek has made substantial progress toward meeting all the regulatory requirements for electing its own scheduling coordinator. It has installed CAISO meters, but was unable to obtain CAISO verification and elect a third-party scheduling coordinator prior to the expiration of its PPA, as amended. Bailey Creek states that it should be able to accomplish the purpose for which the first extension was approved within three months. PG&E supports one final extension consisting of the three month period within which Bailey Creek states it will conclude the task of retaining a third-party scheduling coordinator.

Benefits to PG&E's Customers

Bailey Creek is a run-of-river small hydroelectric facility which is also an eligible renewable energy resource, and Bailey Creek's power production is limited to a few months each year, beginning in late spring. Bailey Creek's PPA expired soon after the expiration of the 120-day period allowed by QF/CHP Settlement Term Sheet Section 11.2. PG&E has reached out to Bailey Creek on several occasions this year to remind the Seller of its option to continue deliveries under a new QF/CHP Settlement contract once its PPA has expired. Bailey Creek has determined that contracting with PG&E is the most convenient option for a successor PPA. However, shortly before its

¹ QF/CHP Settlement Term Sheet, Section 11

expiration date, Bailey Creek informed PG&E of its decision to obtain an individual Resource ID from the CAISO so that its generation can be scheduled by a third party. Without this second extension of its existing PPA, Bailey Creek would no longer be delivering power under its legacy PPA.

Confidential Supporting Documents

In support of this advice letter, PG&E encloses Bailey Creek's Second Extension Agreement (Log No. 13H119) as Confidential Attachment A. The Declaration of Lynn Cerini attesting that the Second Extension Agreement is confidential pursuant to D.06-06-066 is attached as the Appendix.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **January 29, 2013**, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Rule 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest;

supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Rule 3.11).

Effective Date

PG&E requests that this Tier 2 advice letter be approved no later than February 9, 2013, with an effective date of **January 1, 2013**.

Notice

In accordance with General Order 96-B, Rule 4, 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 R.12-03-014 official service list. 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>.



Vice President – Regulatory Relations

Attachments: Appendix: Declaration of Lynn Cerini and IOU Matrix
Confidential Attachment A: Bailey Creek Second Extension Agreement
(Log No. 13H119)

cc: Service List for R.12-03-014
Andrew Schwartz, Energy Division, CPUC
Cem Turhal, Energy Division, CPUC
Noel Crisostomo, Energy Division, CPUC
Brian Cragg, Counsel for Bailey Creek

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 contracts themselves, price information, and analysis of the proposed energy procurement contracts, which are protected pursuant to D.06-06-066 and D.08-04-023. A declaration seeking confidential treatment of Confidential Attachment A ("Bailey Creek Second Extension Agreement (Log No. 13H119)") is being submitted with this advice letter in accordance with D.08-04-023.

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: Kimberly Chang

Phone #: (415) 972-5472

E-mail: kwcc@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) #: **4174-E**

Tier: **2**

Subject of AL: **Pacific Gas and Electric Company's Proposed Second Extension of its Power Purchase Agreement with Bailey Creek**

Keywords (choose from CPUC listing): Agreement, Procurement, Power, Portfolio

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D. 10-12-035

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. Please see attached Declaration and Matrix.

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Lynn Cerini (415) 973-6737

Resolution Required? Yes No

Requested effective date: **January 1, 2013**

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

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

**DECLARATION OF LYNN CERINI IN SUPPORT OF
THE CONFIDENTIAL TREATMENT OF PG&E'S ADVICE 4174-E FOR APPROVAL
OF THE SECOND EXTENSION TO THE BAILEY CREEK HYDROELECTRIC INC.
POWER PURCHASE AGREEMENT**

I, Lynn Cerini declare:


1. I am a supervisor in the Energy Contract Management and Settlements Department at Pacific Gas and Electric Company (PG&E). I am responsible for managing Qualifying Facility power purchase agreements. This declaration is based on my personal knowledge of PG&E's electric portfolio and my understanding of the Commission's decisions protecting the confidentiality of market-sensitive information.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for certain information contained in PG&E's attachment to Advice 4174-E seeking approval of the second extension of the Bailey Creek Hydroelectric Inc. Power Purchase Agreement.

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 (the "IOU Matrix") of Decision 06-06-066. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, 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; (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 that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on January 9, 2013 at San Francisco, California.


LYNN CERINI

**PACIFIC GAS AND ELECTRIC COMPANY'S
ADVICE 4174-E
APPROVAL OF THE SECOND BAILEY CREEK POWER PURCHASE AGREEMENT EXTENSION
JANUARY 9, 2013**

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 |
|---------------------|---|---|---|---|---|---|--|
| Extension Agreement | Y | Item VII B) Contracts and power purchase agreements between utilities and non-affiliated third parties. General Order 66-C, Section 2.B. | Y | Y | Y | This attachment contain confidential contract terms other than contract summary terms, which are terms other than counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date, which are confidential for three years from the date the contract states deliveries are to begin. If this information is revealed publicly it could place PG&E at an unfair business disadvantage. | For information covered under Item VII B), remain confidential for three years For information under GO 66-C, indefinite. |

**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 |
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| Bloomberg | Foster Farms | RCS, Inc. |
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| 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 | |