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July 26, 2013

Advice 3632-E-C  
(Pacific Gas and Electric Company) D 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 Barclays Bank PLC 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 Letter 3632-E, dated March 12, 2010, as supplemented by Advice Letter 3632-E-A, dated October 29, 2010 and Advice Letter 3632-E-B, dated February 9, 2011, (collectively, the "Advice Letter").<sup>1</sup> The Advice Letter is pending approval of the Commission. In the Advice Letter, PG&E seeks Commission approval of an amended and restated confirmation letter, which supplements and modifies an existing Edison Electric Institute Power Purchase and Sale Agreement, as amended, between PG&E and Barclays Bank PLC ("Barclays") (collectively, "the Agreement"). The purpose of this third supplement is to obtain CPUC approval of the Agreement as amended by the July 17, 2013 amendment to the Agreement ("Amended Agreement"). This supplemental filing is similar to the supplemental filing submitted for the Hay Canyon amendment executed May 6, 2013 and filed May 17, 2013 through Advice Letter 3600-E-C.

In the Advice Letter, PG&E seeks the Commission's approval of the Agreement for PG&E to purchase approximately 33 gigawatt hours per year of Renewables Portfolio Standard ("RPS")-eligible energy, consisting of Green Attributes, from Phase III of the Nine Canyon Wind Facility near Kennewick, Washington, and energy for contract years

<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 protest period or delay the effective date of the Advice Letter.

2010 and 2011. The Amended Agreement removes the 2010 Green Attribute volumes and reduces the Green Attribute price.

Barclays and PG&E agreed to amend the Agreement with a price term that better reflects the current value of Renewable Energy Credits ("RECs") to PG&E. The new and reduced contract price is reasonable and good value for PG&E customers. The Amended Agreement is comparable to PG&E's amended contract with Sierra Pacific Industries for unbundled RECs presented by Advice Letter 3854-E and approved by the Commission by Resolution 4560 on January 14, 2013. The Amended Agreement is also comparable to PG&E's amended contract with Barclays for the Hay Canyon RECs presented by Advice Letter 0-660. Confidential Appendix C contains a comparison of the Amended Agreement to current procurement options available to PG&E.

The Amendment Removes 2010 Green Attributes

Barclays and PG&E agreed to amend the Agreement to remove the 2010 Green Attributes. Under the Amended Agreement, PG&E will purchase the 2011 Green Attributes.

Procurement from the Amended Agreement Counts in Full toward RPS Compliance

Procurement from the Amended Agreement grandfathered procurement that will count in full toward procurement requirements in effect under Senate Bill ("SB") 21X. 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 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>3</sup>

<sup>2</sup> As PG&E explained in Advice Letter 3632-E-B at pp. 2- 5, the Agreement is a REC-only transaction for the purpose of RPS compliance under Decision ("D.") 10-03-021, as modified by D.11-01-025.

<sup>3</sup> Public Utilities Code Section 399.16(d).

Commission Decision 12-06-038 established guidance regarding pre-June 1, 2010 procurement that is subsequently amended, or extended. The Commission determined that the original contract should “count in full” toward the procurement requirements in effect prior to SB12 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>4</sup>

Upon Commission approval of the Amended Agreement, procurement from the Project will count in full toward PG&E’s RPS program requirements, and will be fully “bankable”, while not counting towards any of the production category or “bucket” limitations. As detailed in the Advice Letter, the Project was certified by the California Energy Commission as an eligible renewable resource under the rules in place as of the date the original Agreement was signed on February 16, 2010, and continues to be RPS-eligible today. None of the amendments to the original Agreement that were signed after June 1, 2010 increase the capacity or expected quantities of annual generation, substitute or allow the use of other renewable energy resources, or extend the duration of the Agreement. Thus, if approved by the Commission, procurement under the Amended Agreement is not subject to rules established by the Commission for portfolio balance, long-term contracting, and excess procurement under the 33% RPS program.

Effective Date:

PG&E requests that this Tier 3 Supplemental Advice Letter become effective concurrent with Advice Letters 3632-E, 3632-E-A, 632-E-B by no later than September 19, 2013.

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 list 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 night 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, contact the Commission’s Process Office at

<sup>4</sup> See D.12-06-038 at pp. 33-34 and Conclusion of Law 13-14.

<sup>5</sup> See Advice Letter at p. 1.

(415) 703-2021 or at Process\_Office@pge.com. 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 ~~Confidential~~ Confidential Protected Material are submitted under the confidentiality protection of 58 Stat. 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 Agreement price information, and analysis of the Agreement, 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 – Second Amendment to the Master Power Purchase & Sale Agreement Green Energy & WREGIS Certificate Transaction Amended and Restated Confirmation Letter
- Appendix B – 2012 Solicitation Overview
- Appendix C – Contract Summary and Analysis of Competitiveness
- Appendix D1 – Independent Evaluator Report (Confidential)

Public Attachments:

- Appendix D2 – Independent Evaluator Report (Public)

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

Company name/CPUC utility: Pacific Gas and Electric Company (ID U39 E)

Utility type:

ELC ffi GAS

ffi PLC ffi HEAT ffi WATER

Contact Person: Igor Grinberg

Phone#: (415) 973-8580

E-mail: [ixg8@pge.com](mailto:ixg8@pge.com) and [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC= Electric  
PLC= Pipeline

GAS= Gas  
HEAT= Heat

WATER= Water

Advice Letter (AL) 3632-E-C

Tier: 3

Subject of AL: Supplemental Filing for Purchase and Sale Agreement for Procurement of Renewable Energy Credits from Barclays Bank PLC and Pacific Gas and Electric Company

Keywords (choose from CPUC listing): Contracts, Portfolio

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

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

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

Summarized 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. 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: Michael Avidan (415-973-4858)

Resolution Required?  Yes  No

Requested effective date on CPUC Approval (concurrent with 3632-E, 3632-E-A and 3632-E-B) - 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, 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

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

CPUC, Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4th Floor  
San Francisco, CA 94102  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto: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](mailto:PGETariffs@pge.com)

**DECLARATION OF MICHAEL AVIDAN  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION  
CONTAINED IN ADVICE LETTER 3632-E-C  
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Michael Avidan, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been an employee at PG&E since September 1, 2008. My current title is Senior Manager within PG&E's Energy Procurement organization. During the negotiation of the agreement associated with Advice Letter 3632-E-C, my responsibilities included 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 the "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, C, and D to PG&E's Advice Letter 3632-E-C submitted on July 26, 2013. By this advice letter, PG&E is seeking Commission approval of an amended power purchase agreement that PG&E has executed with Barclays Bank PLC.

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 that is pertinent to this filing.

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 July 26, 2013 at San Francisco, California.



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Michael Avidan

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

**Advice Letter 3632-E-C**

**July 26, 2013**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

| <b>Redaction Reference</b>              | <b>Material in Appendix 1 to D.06-06-066 (Y/N)</b> | <b>Which category or categories in the Matrix the data correspond to:</b>  | <b>That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)</b> | <b>That the information is not already public (Y/N)</b> | <b>Data cannot be aggregated, redacted, summarized, masked or otherwise protected for partial disclosure (Y/N)</b> | <b>PG&amp;E's Justification for Confidential Treatment</b>   | <b>Length of Time</b>   |
|---|--|--|---|---|--|--|---|
| <b>Document: Advice Letter 3632-E-C</b> |  |  |   |   |  |  |   |
| Appendix A                              | Y  | Item VII G) Renewable Resource Contracts under RPS program - Contracts without 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 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. | For information covered under Item VII G), remain confidential for three years, 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 and 2012 RPS Solicitations. 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<br><br>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 3632-E-C**

**July 26, 2013**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

| <b>Redaction Reference</b> | <b>Material in Appendix 1 to D.06-06-066 (Y/N)</b> | <b>Which category or categories in the Matrix the data correspond to:</b>   | <b>That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)</b> | <b>That the information is not already public (Y/N)</b> | <b>Data cannot be aggregated, redacted, summarized, masked or otherwise protected for partial disclosure (Y/N)</b> | <b>PG&amp;E's Justification for Confidential Treatment</b>  | <b>Length of Time</b>   |
|----------------------------|--|---|---|---|--|---|---|
| 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> | Y   | Y   | Y  | <p>This Appendix contains bid information and evaluations from the 2011 and 2012 Solicitations discusses, analyzes and evaluates 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. 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, 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> |

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

**Advice Letter 3632-E-C**

**July 26, 2013**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

| Redaction Reference | Material in Appendix 1 to D.06-06-066 (Y/N) | Which category or categories in the Matrix the data correspond to:  | That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N) | That the information is not already public (Y/N) | Data cannot be aggregated, redacted, summarized, masked or otherwise protected for partial disclosure (Y/N) | PG&E's Justification for Confidential Treatment  | Length of Time   |
|---------------------|---|---|--|--|---|--|--|
| Appendix D          | 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 A) Bid information and 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. 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 A), remain confidential for three years after winning bidders selected.</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> |

**Public Appendix D2**  
**Independent Evaluator Report**

STATEMENT OF INDEPENDENT EVALUATOR  
UPDATING THE REPORT ON A BILATERAL  
CONTRACT BETWEEN PACIFIC GAS & ELECTRIC  
COMPANY AND BARCLAYS BANK PLC

JULY 26, 2013

Arroyo Seco Consulting, an independent evaluator, has updated its assessment of a power purchase and sale confirmation agreement previously executed on February 16, 2010 between Pacific Gas & Electric Company (PG&E) and Barclays Bank PLC (Barclays). Arroyo had submitted a report on the merits of the contract along with PG&E's advice filing in March 2010. Subsequently, PG&E and Barclays executed an amendment on July 17, 2013 that altered the pricing of the agreement. This statement provides an update about the amended agreement.

In the prior IE report submitted in 2010, Arroyo expressed an opinion that the original agreement with Barclays merited approval. Arroyo ranked the original contract as moderate in pricing and net valuation in comparison to then-relevant comparable market transactions and proposals. Arroyo ranked the original contract as quite high in project viability (for the underlying resource) and low to moderate in portfolio fit. Three years have elapsed and the market and regulatory environment have changed; this statement updates Arroyo's prior views on valuation and viability for the amended contract.

Arroyo's current view is that the Barclays contract as amended ranks as moderate in net value and pricing, as in the prior report. The project's viability continues to rank high against competing alternatives. Based on these comparisons, Arroyo's opinion is that the contract still merits approval by the CPUC.

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**A. FAIRNESS OF NEGOTIATIONS**

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This amendment to the transaction with Barclays for output of Phase III of the Nine Canyon Wind project in Benton County, Washington follows closely on a negotiated amendment to a similar but earlier transaction with Barclays for the output of the Hay Canyon Wind project in Sherman County, Oregon. Arroyo submitted an IE statement in May 2013 describing the negotiations between PG&E and Barclays to arrive at an amendment to the Hay Canyon transaction. That set of prior discussions set the context for the same parties to pursue an amendment to the analogous Nine Canyon transaction.

Discussions between the PG&E and Barclays teams that focused on amending the Nine Canyon confirmation agreement began in mid-May 2013 shortly after execution of the Hay Canyon amendment. The record of e-mail correspondence in the period of May through July 2013 and copies of draft agreements appear to provide a fair view of the commercial give-and-take leading to this contract amendment. Arroyo did not observe any telephonic or

face-to-face discussions between the parties about the Nine Canyon agreement, but it appears that no more than a single telephonic discussion took place.

In the original contract, Barclays would deliver renewable energy generated in calendar years 2010 and 2011 to PG&E on a shaped and firm schedule at the California-Oregon Border. Barclays would purchase renewable wind energy from upstream counterparties that hold long-term contract rights to purchase generation from Phase III of Energy Northwest's Nine Canyon Wind project in Washington, and would arrange to shape and firm that energy for delivery. Total volume was expected to average 30 to 37 GWh/year, but would depend on actual generation by the wind facility ( [REDACTED] ). In the actual course of events, the CPUC has not yet issued a Decision about the original contract.

The parties' negotiations for an amendment covered a few key contract issues.

- Delivery Term. Subsequent to execution of the original contract, legislative and regulatory changes rendered the 2010 deliveries much less valuable to PG&E in the sense that 2010 deliveries were no longer useful for meeting compliance needs in later years. Under the new rules, RECs from 2010 deliveries could only be applied to pre-2011 compliance deficits, while RECs generated in 2011 could count in full towards RPS compliance in later years. PG&E asked Barclays to amend the contract so that deliveries in 2010 consisted only of firm energy delivered at COB, at a market index price with no premium for renewable attributes. The payment for delivery of renewable energy credits would be limited to calendar 2011 only. [REDACTED]

- Price. Both parties had observed the passage of considerably more time than they had expected without obtaining a Decision from the CPUC on the original contract. [REDACTED]

[REDACTED]

[REDACTED]

- Termination rights. [REDACTED]

In Arroyo's opinion, the negotiations to amend the contract between PG&E and Barclays for deliveries from Phase III of the Nine Canyon Wind project were handled fairly. The pricing and non-price terms and conditions of this amendment were largely agreed upon in the course of the parties discussing the prior amendment of the Hay Canyon contract, which, as reported in another IE statement, Arroyo opined was negotiated fairly. PG&E did not unfairly advantage Barclays in the pricing terms it proposed compared to other sellers of similar products. PG&E did not provide concessions to Barclays in non-price terms that appear unfair to other sellers or unreasonable in failing to protect ratepayers' interests.

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**B. UPDATE ON VALUATION**

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In its prior IE report in 2010, Arroyo expressed an opinion that the original Barclays contract ranked as moderate in net valuation and in price when compared to then-recent comparable transactions, including proposals for short-term contracts to PG&E's 2009 RPS solicitation.

Since that report was drafted, the legal and regulatory environment has changed drastically in how deliveries of shaped-and-firmed energy from out-of-state generators are treated for RPS compliance purposes, and the extent to which the California investor-owned utilities can use such RECs for RPS compliance needs. As these changes have reduced the IOUs' demand for such RECs, the market price has dropped and the number of proposals and consummated transactions for PG&E to purchase such products has diminished. There are relatively few recent comparable transactions for unbundled RECs available to make market price comparisons. Arroyo does not view comparisons of the valuations of long-term PPAs for in-state renewable generation proposed into PG&E's RPS solicitations as useful for evaluating the competitiveness of a contract that delivers unbundled RECs from out-of-state generation for just a one-year term.

In June 2011, PG&E received REC-only Offers for [REDACTED] in its 2011 RPS solicitation. In contrast, in February 2013 the utility received [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Another comparable transaction is PG&E's amended contract with Sierra Pacific Industries for unbundled RECs from the seller's biomass-fueled cogeneration units. This transaction is reported to cover renewable generation from the period 2011 through 2015, [REDACTED]

[REDACTED]

Arroyo's conclusion from these scanty data is that the amended Barclays contract ranks as moderate in value and moderate in pricing. [REDACTED]

[REDACTED]

In such an illiquid market it is difficult to find transactions that are directly comparable, but to the extent market data are available it appears to Arroyo that [REDACTED] price for the amended Barclays agreement is reasonable.

**C. UPDATE ON VIABILITY**

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In the prior IE report, Arroyo ranked the Barclays transaction as high in project viability because the renewable attributes would be generated by an existing, operating wind facility in Washington. Nothing has changed since 2010 to change that opinion; the project continues to operate and its Phase III was reported to have produced [REDACTED] in calendar 2011, the basis for deliveries of RECs under the amended contract.

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**D. PORTFOLIO FIT**

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In the prior IE report, Arroyo ranked the Barclays contract as low to moderate in portfolio fit, based on the metrics that were used by PG&E in its 2009 RPS solicitation. Since then PG&E has revised its metrics for fit; in its 2012 RPS RFO portfolio fit is measured quantitatively through adjustments to Net Market Value.

While PG&E does not expect a net RPS compliance need in the first compliance period 2011 – 2013, the utility expects that the RECs delivered from the amended Barclays contract will “count in full” towards RPS compliance. PG&E anticipates that the RECs can be used for RPS compliance at some future date when the utility has a compliance need. In particular, PG&E places value on the “grandfathered” nature of the RECs from this transaction, which allows them to be used for RPS compliance needs going forward without being subject to limitations on the use of Category 3 deliveries. On that basis Arroyo’s opinion is that the portfolio fit of the amended contract is high.

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**E. MERIT FOR CPUC APPROVAL**

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Arroyo’s view is that the valuation of the amended contract with Barclays Bank is moderate, its pricing is moderate, and its project viability and portfolio fit are high. Negotiations to arrive at the amendment were handled fairly. On that basis, in Arroyo’s opinion the amended contract with Barclays Bank for deliveries from Phase III of the Nine Canyon Wind project merits CPUC approval.

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

|   |   |  |
|---|---|--|
| 1st Light Energy                              | Division of Ratepayer Advocates             | Occidental Energy Marketing, Inc.                          |
| AT&T  | Douglass & Liddell                          | OnGrid Solar   |
| Alcantar & Kahl LLP                           | Downey & Brand                              | Pacific Gas and Electric Company                           |
| Anderson & Poole                              | Ellison Schneider & Harris LLP              | Praxair  |
| BART  | G. A. Krause & Assoc.                       | Regulatory & Cogeneration Service, Inc.                    |
| Barkovich & Yap, Inc.                         | GenOn Energy Inc.                           | SCD Energy Solutions                                       |
| Bartle Wells Associates                       | GenOn Energy, Inc.                          | SCE  |
| Bear Valley Electric Service                  | Goodin, MacBride, Squeri, Schlotz & Ritchie | SDG&E and SoCalGas   |
| Braun Blasing McLaughlin, P.C.                | Green Power Institute                       | SPURR  |
| CENERGY POWER                                 | Hanna & Morton                              | San Francisco Public Utilities Commission                  |
| California Cotton Ginners & Growers Assn      | In House Energy                             | Seattle City Light   |
| California Energy Commission                  | International Power Technology              | Sempra Utilities   |
| California Public Utilities Commission        | Intestate Gas Services, Inc.                | SoCalGas   |
| California State Association of Counties      | Kelly Group                                 | Southern California Edison Company                         |
| Calpine                                       | Linde                                       | Spark Energy   |
| Casner, Steve                                 | Los Angeles Dept of Water & Power           | Sun Light & Power  |
| Center for Biological Diversity               | MAC Lighting Consulting                     | Sunshine Design  |
| City of Palo Alto                             | MRW & Associates                            | Tecogen, Inc.  |
| City of San Jose                              | Manatt Phelps Phillips                      | Tiger Natural Gas, Inc.                                    |
| Clean Power                                   | Marin Energy Authority                      | TransCanada  |
| Coast Economic Consulting                     | McKenna Long & Aldridge LLP                 | Utility Cost Management                                    |
| Commercial Energy                             | McKenzie & Associates                       | Utility Power Solutions                                    |
| County of Tehama - Department of Public Works | Modesto Irrigation District                 | Utility Specialists  |
| Crossborder Energy                            | Morgan Stanley                              | Verizon  |
| Davis Wright Tremaine LLP                     | NLine Energy, Inc.                          | Water and Energy Consulting                                |
| Day Carter Murphy                             | NRG Solar                                   | Wellhead Electric Company                                  |
| Defense Energy Support Center                 | Nexant, Inc.                                | Western Manufactured Housing Communities Association (WMA) |
| Dept of General Services                      | North America Power Partners                |  |