Pacific Gas and Electric Company®

Pacific Gas and Electric Company
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Fax: 415.973.7226

March 4, 2014

California Public Utilities Commission
Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Re: Substitute Sheets for Advice 4362-E, *Power Purchase Agreement for Procurement of an Eligible Renewable Energy Resource between Diablo Winds, LLC and Pacific Gas and Electric Company*

Dear Energy Division Tariff Unit:

An original and one copy of substitute sheets are attached for the above-referenced advice letter.

In Pacific Gas and Electric Company's (PG&E's) Advice Letter 4362-E filed on Tuesday, February 18, 2014, PG&E inadvertently included a sentence on page 25 referencing Section 3.9(a) of the PPA, however the PPA for Diablo Winds does not include a Section 3.9(a) since the PPA is for an existing and operating facility.[1]

Confidential Appendix D is also being corrected due to a paragraph being inadvertently included on page nine of the appendix, even though no such provision exists in the PPA for Diablo Winds. PG&E deleted the following paragraph:

> "If prior to the Construction Start Date or Commercial Operation Date, Seller is unable, due solely to a Force Majeure event, to achieve the Construction Start Date or place the Project into Commercial Operation by either of the Guaranteed Milestones, after applicable extensions or cure periods have run; provided that Seller shall have up to ninety (90) days following such FM event to provide a certification from an independent third party engineer stating that the Project is capable of being repaired within 24 months. If the Project is not repaired or has not resumed normal operations within the allotted time period, then PG&E may terminate the PPA."

[1] PG&E deleted the following sentence in the first paragraph of p.25: Section 3.9(a) of the PPA requires Seller to "acquire all permits and other approvals necessary for the construction, operation and maintenance of the Project."

The attached substitute sheets and CDs include the corrected version of the advice letter and Confidential Appendix D, respectively.

A declaration supporting confidential treatment for Confidential Appendix D was submitted with Advice 4362-E in accordance with D.08-04-023 and the August 22, 2006, Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066. The declaration submitted with Advice 4362-E is still applicable to the enclosed substitute sheets.

In accordance with General Order 96-B, Section 7.5.1, the substitute sheets are being served in the same manner as the original advice letter. For administrative convenience, a new advice letter and Confidential Appendix D are attached in their entirety. Please discard previously submitted advice letter and Confidential Appendix D.

Please telephone me at (415) 973-8580 should you have any questions regarding the substitute sheets.

/S/ Igor Grinberg

Igor Grinberg
Regulatory Relations

cc: Service List for R.11-05-005
Service List for R.12-03-014
Cynthia Walker – Energy Division
Paul Douglas – Energy Division
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Attachments

Pacific Gas and Electric Company

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February 18, 2014

Advice 4362-E
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: Power Purchase Agreement for Procurement of an Eligible Renewable Energy Resource between Diablo Winds, LLC and Pacific Gas and Electric Company

I. Introduction

A. Purpose of the advice letter

Pacific Gas and Electric Company ("PG&E") seeks California Public Utilities Commission ("Commission" or "CPUC") approval of a power purchase agreement ("PPA") with Diablo Winds, LLC ("Diablo Winds"). The PPA is for Renewables Portfolio Standard ("RPS")-eligible energy from an existing wind project to be located in Altamont Pass, California. The PPA has a term of fifteen years and is expected to deliver 62 GWh per year.

PG&E requests that the Commission issue a resolution no later than September 11, 2014, approving the PPA in its entirety and containing the findings set forth in Section VI below.

B. Identify the subject of the advice letter, including:

1. Project name

The name of the project is Diablo Winds. Diablo Winds is an existing 18 MW wind facility located in Altamont Pass, California (the "Project").

2. Technology (including level of maturity)

The Project uses Vestas V-47 580 kV wind turbines.

3. General Location and Interconnection Point

The Project is located within California and is interconnected with the California Independent System Operator ("CAISO") at the Elsworthy Substation.

4. Owner(s) / Developer(s)

a. Name(s)

The owner of the Project is Diablo Winds, a limited liability company (“LLC”). The developer of the Project is NextEra, LLC (“NextEra”). Diablo Winds is a wholly owned subsidiary of NextEra.

b. Type of entity(ies) (e.g., LLC, partnership)

The owner of the Project is a LLC.

c. Business Relationship (if applicable, between seller/owner/developer)

Not applicable.

5. Project background, e.g., expiring QF contract, phased project, previous power purchase agreement, contract amendment

The Project is an existing 18 MW wind facility.

6. Source of agreement, i.e., RPS solicitation year or bilateral negotiation

The PPA resulted from PG&E’s 2012 RPS Solicitation.

7. If an amendment, describe contract terms being amended and reason for amendment

Not applicable.

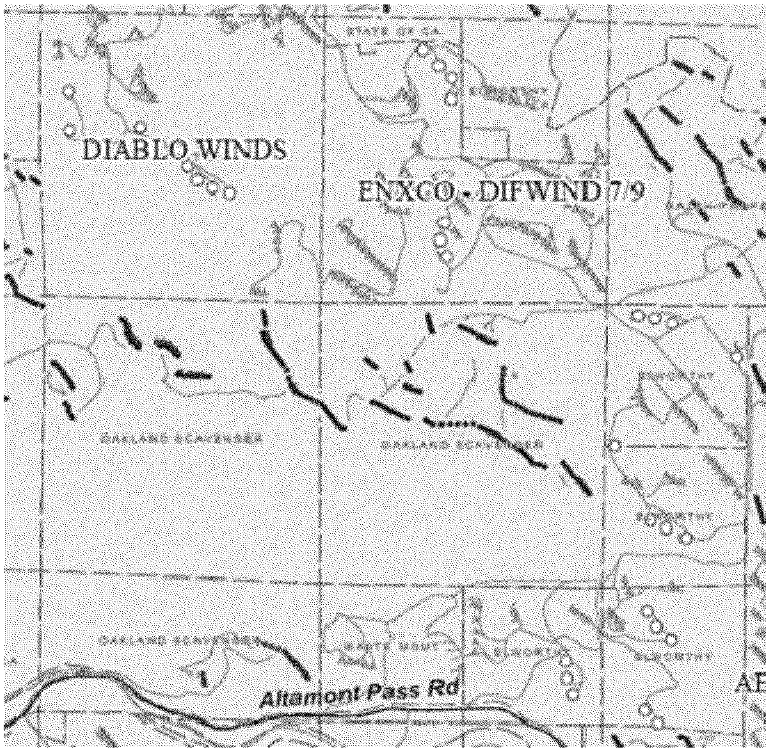
C. General Project(s) Description

Project Name	Diablo Winds
Technology	Wind
Capacity (MW)	18 MW
Capacity Factor	39%
Expected Generation (GWh/Year)	62 GWh
Initial Commercial Operational Date	2004
Date contract Delivery Term begins	June 30, 2016
Delivery Term (Years)	15
Vintage (New / Existing / Repower)	Existing facility
Location (city and state)	Alameda County, California
Control Area (e.g., CAISO, BPA)	CAISO

Nearest Competitive Renewable Energy Zone (CREZ) as identified by the Renewable Energy Transmission Initiative (RETI)[1]	Solano
Type of cooling, if applicable	Not applicable

D. Project location

1. Provide a general map of the generator facility's location.



2. For new projects describe facility's current land use type (private, agricultural, county, state lands (agency), federal lands (agency), etc.).

N/A as this is an existing facility.

E. General Deal Structure

Describe general characteristics of contract, for example:

1. Required or expected Portfolio Content Category of the proposed contract

[1] Information about RETI is available at: http://www.energy.ca.gov/reti/

The Project is an 18 MW wind facility that is connected to the CAISO-controlled transmission system, a California balancing authority. Because the Project is an RPS-eligible generator that has its first point of interconnection with the Western Electricity Coordinating Council ("WECC") transmission system within the boundaries of a California balancing authority, RPS-eligible procurement from the Project satisfies the criteria for the portfolio content category specified in Public Utilities Code Section 399.16(b)(1)(A) (hereinafter "Portfolio Content Category One").

2. Partial/full generation output of facility

PG&E will receive all of the generation output from the Project starting June 30, 2016. The PPA is for the purchase of as-available product ("Product").

3. Any additional products, e.g. capacity

The Product includes the energy, capacity, and all ancillary products, services or attributes which are or can be produced by or associated with the Project, including, without limitation, Renewable Energy Credits ("RECs"), Capacity Attributes and Green Attributes.

4. Generation delivery point (e.g. busbar, hub, etc.)

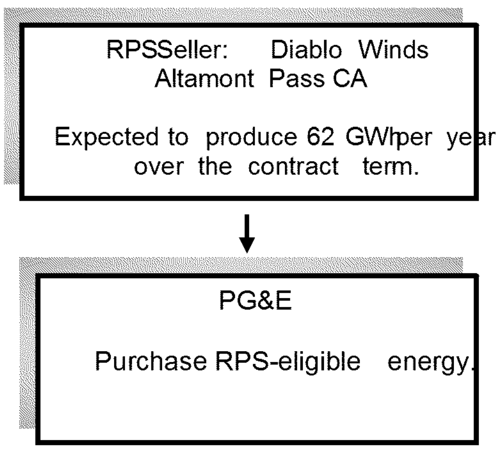
Diablo Winds' interconnection point is the Elsworthy Substation.

5. Energy management (e.g. firm/shape, scheduling, selling, etc.)

There is no firming or shaping associated with this PPA. PG&E or its agent will be the Scheduling Coordinator for the Project.

6. Diagram and explanation of delivery structure

Figure 1: Delivery Structure of the PPA



F. RPS Statutory Goals & Requirements

1. Briefly describe the Project's consistency with and contribution towards the RPS program's statutory goals set forth in Public Utilities Code §399.11. These goals include

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displacing fossil fuel consumption within the state; adding new electrical generating facilities within WECC; reducing air pollution in the state; meeting the state's climate change goals by reducing emissions of greenhouse gases associated with electrical generation; promoting stable retail rates for electric service; a diversified and balanced energy generation portfolio; meeting the state's resource adequacy requirements; safe and reliable operation of the electrical grid; and implementing the state's transmission and land use planning activities.

Public Utilities Code Section 399.11 states that increasing California's reliance on eligible renewable energy resources is intended to displace fossil fuel consumption within the state, promote stable electricity prices, reduce greenhouse gas ("GHG") emissions, improve environmental quality and promote the goal of a diversified and balanced energy generation portfolio. The Project is consistent with these goals because it is located in the WECC and will generate clean energy and will produce no GHG emissions directly associated with energy production.

2. Describe how procurement pursuant to the contract will meet IOU's specific RPS compliance period needs. Include Renewable Net Short calculation as part of response.

Senate Bill ("SB") 1078 established the California RPS Program, requiring an electrical corporation to increase its use of eligible renewable energy resources to 20 percent of total retail sales no later than December 31, 2017. The legislature subsequently accelerated the RPS goal to reach 20 percent by the end of 2010. In April 2011, Governor Brown signed into law SB 2 1X. As implemented by D.11-12-020, SB 2 1X requires retail sellers of electricity to meet the following RPS procurement quantity requirements beginning on January 1, 2011:

- An average of twenty percent of the combined bundled retail sales during the first compliance period (2011-2013).
- Sufficient procurement during the second compliance period (2014-2016) that is consistent with the following formula: (.217 * 2014 retail sales) + (.233 * 2015 retail sales) + (.25 * 2016 retail sales).
- Sufficient procurement during the third compliance period (2017-2020) that is consistent with the following formula: (.27 * 2017 retail sales) + (.29 * 2018 retail sales) + (.31 * 2019 retail sales) + (.33 * 2020 retail sales).
- 33 percent of bundled retail sales in 2021 and all years thereafter.

Consistent with the Energy Division Staff methodology for calculating the renewable net short ("RNS"),[2] PG&E provides a RNS calculation in Table 1. PG&E also provides an alternative RNS calculation (the "Alternate RNS") in Table 2. The RNS calculates the volumes that PG&E projects it will need for RPS compliance based on direction provided

[2] See Administrative Law Judge's Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating the Attached Methodology into the Record, and (3) Extending the Date for Filing Updates to 2012 Procurement Plans issued on August 2, 2012.

in the August 2, 2012 Ruling using "expected case" scenario. The Alternate RNS provides the same calculations as the RNS but substitutes PG&E's internal long-term bundled retail sales forecast for the assumptions provided in the August 2, 2012 ALJ Ruling.

As illustrated by both scenarios, PG&E's existing RPS portfolio is expected to provide sufficient RPS-eligible deliveries to meet PG&E's RPS compliance requirements in the first compliance period (2011 – 2013). Additionally, PG&E expects to exceed the RPS procurement requirement in the second compliance period (2014 – 2016). While the RNS calculations show a slight surplus in the third compliance period, both scenarios show that if RPS-eligible projects in PG&E's portfolio perform as expected, PG&E has fairly significant incremental need beginning in 2020 (prior to applying any excess procurement from earlier compliance periods) and beyond in order to maintain a 33 percent RPS level. This significantly increased need in the early part of the next decade is driven, primarily, by a large volume of expiring contracts in that time frame.

Through an existing PPA, PG&E presently purchases RPS-eligible energy from the Project and will continue to do so through June 30, 2016. Deliveries to PG&E under the new PPA will commence on June 30, 2016. Total deliveries from the Project are expected to average 62 GWh per year over the 15 year term of the PPA. Although the Project's initial deliveries are scheduled to begin prior to PG&E's stated preference of 2019-2020, the majority of the Project's deliveries will occur when PG&E has a need for new incremental deliveries of RPS-eligible volumes in 2020 and beyond. Furthermore, because the PPA is long term, and the Project satisfies the criteria of Portfolio Content Category One, any deliveries in excess of PG&E's RPS compliance obligation will be bankable and available for use to satisfy future compliance period or year needs.

Table 1: Renewable Net Short Calculation as of December 2013

Net Short Calculation Using PG&E Bundled Retail Sales Forecast In Near Term (2013 - 2017) and LTPP Methodology (2018 - 2030) **

Current Expected Need Scenario (Annual)

Line #		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	RPS Target	20.0%	20.0%	20.0%	21.7%	23.3%	25.0%	27%	29%	31%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
2	Voluntary Margin of Over-Procurement (GWh)*** 0 0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
3	Aggregate Volumes (GWh)	14,833	14,511	17,167	22,054	23,723	24,048	25,375	24,854	23,881	23,265	22,820	20,485	20,151	19,887	19,763	19,158	18,823	18,713	18,104	18,037
4	Annual RPS Position (%)	19.8%	19.0%	[redacted]				32.2%	31.8%	31.1%	30.2%	29.6%	26.5%	26.0%	25.6%	25.4%	24.6%	24.1%	23.9%	23.1%	23.0%
5	Gross Surplus/(Deficit) compared to Annual Targets* (GWh)	(140)	(730)	[redacted]				4,125	2,139	107	(2,133)	(2,626)	(5,013)	(5,397)	(5,713)	(5,888)	(6,545)	(6,931)	(7,092)	(7,753)	(7,872)
6	Non-Bankable Volumes (GWh)	0	15	[redacted]				89	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Volumes (Banked) or Withdrawn from Bank (GWh)	0	0	[redacted]				(4,037)	(2,139)	(107)	2,132	2,626	5,013	5,397	5,713	2,209	0	0	0	0	0
8	Net Surplus/(Deficit) (GWh)	(140)	(730)	[redacted]				89	0	0	0	0	0	0	0	(3,678)	(6,545)	(6,931)	(7,092)	(7,753)	(7,872)
9	Net Annual RPS Positions (% with Use of Bank)	19.8%	19.0%	[redacted]				27.1%	29.0%	31.0%	33.0%	33.0%	33.0%	33.0%	33.0%	28.3%	24.6%	24.1%	23.9%	23.1%	23.0%
10	Cumulative Banked Volumes (GWh)	0	0	[redacted]			16,808	20,845	22,984	23,091	20,959	18,332	13,320	7,923	2,209	0	0	0	0	0	0
11	Forecast Failure Rate (% for New Projects not yet online		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12	Forecast Failure Rate (% for Existing Generation		0.0%	0.0%	0.1%	0.7%	0.5%	0.4%	0.4%	0.3%	0.2%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Current Expected Need Scenario (Compliance Period)

Line #		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
13	Compliance Period Requirement		20.0%			23.3%			30.0%			33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
14	Voluntary Margin of Over-Procurement (GWh) ***		0			0			0			0	0	0	0	0	0	0	0	0	0
15	Aggregate Volumes (GWh)		46,511			69,826			96,874			22,820	20,485	20,151	19,887	19,763	19,158	18,823	18,713	18,104	18,037
16	RPS Position (%	[redacted]							31.4%			29.6%	26.5%	26.0%	25.6%	25.4%	24.6%	24.1%	23.9%	23.1%	23.0%
17	Gross Surplus/(Deficit) (GWh)	[redacted]							4,239			(2,626)	(5,013)	(5,397)	(5,713)	(5,888)	(6,545)	(6,931)	(7,092)	(7,753)	(7,872)
18	Non-Bankable Volumes (GWh)	[redacted]							89			0	0	0	0	0	0	0	0	0	0
19	Volumes (Banked) or Withdrawn from Bank (GWh)	[redacted]							(4,151)			2,626	5,013	5,397	5,713	2,209	0	0	0	0	0
20	Net Surplus/(Deficit) (GWh)	[redacted]							89			0	0	0	0	(3,678)	(6,545)	(6,931)	(7,092)	(7,753)	(7,872)
21	Net RPS Positions (%	[redacted]							30.0%			33.0%	33.0%	33.0%	33.0%	28.3%	24.6%	24.1%	23.9%	23.1%	23.0%
22	Cumulative Banked Volumes (GWh)	[redacted]				16,808			20,959			18,332	13,320	7,923	2,209	0	0	0	0	0	0
23	Forecast Failure Rate (% for New Projects not yet online		0%			0%			0%			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
24	Forecast Failure Rate (% for Existing Generation		0.0%			0.5%			0.3%			0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

Line #		
25	Total RPS Risk Adjusted Net Short (2011-2030) (GWh)	(39,870)

* Assumed annual targets are: 2011-2013 (20% annually), 2014 (21.7%), 2015 (23.3%), 2016 (25%), 2017 (27%), 2018 and 2019 (29%), 2020 (33%). (These targets are illustrative only and not enforceable.

** The 2010 LTPP sales forecast extends only from 2018 through 2020. For purposes of extending this forecast past 2020, PG&E applied a 0.2% annual growth rate to the LTPP's "Adjusted Energy Demand Consumption" forecast in years after 2020. (This 0.2% growth rate is equal to the average growth rate seen in the LTPP forecast over the 2018-2020 period) The "Energy Demand Consumption" amount was then adjusted for line losses to determine bundled retail sales.

*** PG&E considers an adequate bank of surplus RPS procurement to be a voluntary margin of procurement. However, in accordance with Decision 13-11-024, PG&E will not seek in 2013 RPS Solicitation to procure Portfolio Content Category 2 and 3 RPS products to build and maintain an adequate bank.

Table 2: Alternate Renewable Net Short Calculation as of December 2013

Net Short Calculation Using PG&E Bundled Retail Sales Forecast

Current Expected Need Scenario (Annual)

line #		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
1	RPS Target	20.0%	20.0%	20.0%	21.7%	23.3%	25.0%	27%	29%	31%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
2	Voluntary Margin of Over-Procurement (GWh) **	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0	0	0	0
3	Aggregate Volumes (GWh)	14,833	14,511	17,167	22,054	23,723	24,048	25,875	24,354	23,881	23,265	22,820	20,485	20,151	19,887	19,763	19,158	18,823	18,713	18,104	18,037
4	Annual RPS Position (%)	19.8%	19.0%	[redacted]				32.2%	30.7%	29.9%	29.0%	28.2%	25.1%	24.5%	23.9%	23.6%	22.6%	22.0%	21.6%	20.7%	20.4%
5	Gross Surplus/(Deficit) compared to Annual Targets* (GWh)	(140)	(730)	[redacted]				4,125	1,370	(841)	(3,243)	(3,896)	(6,480)	(7,043)	(7,567)	(7,922)	(8,827)	(9,423)	(9,815)	(10,713)	(11,079)
6	Non-Bankable Volumes (GWh)	0	15	[redacted]				89	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Volumes (Banked) or Withdrawn from Bank (GWh)	0	0	[redacted]				(4,037)	(1,370)	841	3,243	3,896	6,480	7,043	712	0	0	0	0	0	0
8	Net Surplus/(Deficit) (GWh)	(140)	(730)	[redacted]				89	0	0	0	0	0	0	(6,855)	(7,922)	(8,827)	(9,423)	(9,815)	(10,713)	(11,079)
9	Net Annual RPS Positions (%) with Use of Bank	19.8%	19.0%	[redacted]				27.1%	29.0%	31.0%	33.0%	33.0%	33.0%	33.0%	24.8%	23.6%	22.6%	22.0%	21.6%	20.7%	20.4%
10	Cumulative Banked Volumes (GWh)	0	0	[redacted]			16,808	20,845	22,215	21,374	18,131	14,235	7,755	712	0	0	0	0	0	0	0

line #		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
11	Forecast Failure Rate (%) for New Projects not yet online	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
12	Forecast Failure Rate (%) for Existing Generation	0.0%	0.0%	0.1%	0.7%	0.5%	0.4%	0.4%	0.3%	0.2%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.

Current Expected Need Scenario (Compliance Period)

line #		2011–2013	2014–2016	2017–2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
13	Compliance Period Requirement	20.0%	23.3%	30.0%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
14	Voluntary Margin of Over-Procurement (GWh) **	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Aggregate Volumes (GWh)	46,511	69,826	96,874	22,820	20,485	20,151	19,887	19,763	19,158	18,823	18,713	18,104	18,037
16	RPS Position (%)	[redacted]		30.5%	28.2%	25.1%	24.5%	23.9%	23.6%	22.6%	22.0%	21.6%	20.7%	20.4%
17	Gross Surplus/(Deficit) (GWh)			1,411	(3,896)	(6,480)	(7,043)	(7,567)	(7,922)	(8,827)	(9,423)	(9,815)	(10,713)	(11,079)
18	Non-Bankable Volumes (GWh)			89	0	0	0	0	0	0	0	0	0	0
19	Volumes (Banked) or Withdrawn from Bank (GWh)			(1,323)	3,896	6,480	7,043	712	0	0	0	0	0	0
20	Net Surplus/(Deficit) (GWh)			89	0	0	0	(6,855)	(7,922)	(8,827)	(9,423)	(9,815)	(10,713)	(11,079)
21	Net RPS Positions (%)			30.0%	33.0%	33.0%	33.0%	24.8%	23.6%	22.6%	22.0%	21.6%	20.7%	20.4%
22	Cumulative Banked Volumes (GWh)	[redacted]	16,808	18,131	14,235	7,755	712	0	0	0	0	0	0	0

line #		2011–2013	2014–2016	2017–2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
23	Forecast Failure Rate (%) for New Projects not yet online	0%	0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
24	Forecast Failure Rate (%) for Existing Generation	0.0%	0.5%	0.3%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

line #		
25	Total RPS Risk Adjusted Net Short (2011-2030) (GWh)	(64,635)

* Assumed annual targets are: 2011-2013 (20% annually), 2014 (21.7%), 2015 (23.3%), 2016 (25%), 2017 (27%), 2018 (29%), 2019 (31%), and 2020 (33%). These targets are illustrative only and not enforceable.

** PG&E considers an adequate bank of surplus RPS procurement to be a voluntary margin of procurement. However, in accordance with Decision 13-11-024, PG&E will not seek in its 2013 RPS Solicitation to procure Portfolio Content Category 2 and 3 RECs to build and maintain an adequate bank.

G. Confidentiality

> Explain if confidential treatment of specific material is requested. Describe the information and reason(s) for confidential treatment consistent with the showing required by D.06-06-066, as modified by D.08-04-023.

In support of this Advice Letter, PG&E has provided the confidential information listed below. This information includes the PPA and other information that more specifically describes the rights and obligations of the parties. This information is being submitted in the manner directed by D.08-04-023 and the August 22, 2006, Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with D.06-06-066 to demonstrate the confidentiality of the material and to invoke the protection of confidential utility information provided under either the terms of the IOU Matrix, Appendix 1 of D.06-06-066 and Appendix C of D.08-04-023, or General Order 66-C. A separate Declaration Seeking Confidential Treatment is being filed concurrently with this Advice Letter.

<u>Confidential Attachments:</u>

Appendix A – Consistency with Commission Decisions and Rules and Project Development Status

Appendix B – 2012 Solicitation Overview

Appendix C1 – Independent Evaluator Report (Confidential)

Appendix D – Contract Summary

Appendix E – Comparison of the PPA to PG&E's 2012 Pro Forma Power Purchase Agreement

Appendix F – Diablo Winds Power Purchase Agreement

Appendix G – Project's Contribution Toward RPS Goals

<u>Public Attachment</u>

Appendix C2 – Independent Evaluator Report (Public)

II. Consistency with Commission Decisions

A. RPS Procurement Plan

> 1. Identify the Commission decision that approved the utility's RPS Procurement Plan. Did the utility adhere to Commission guidelines for filing and revisions?

PG&E's 2012 Renewable Procurement Plan ("2012 RPS Plan") was conditionally approved in D.12-11-016 on November 8, 2012 and the decision was issued on

November 14, 2012. Consistent with the decision, PG&E submitted a final version of its 2012 RPS Plan on November 29, 2012. In this plan, PG&E stated that it seeks to procure about 1,000 GWh in its 2012 RPS solicitation, with a preference for long-term contracts that qualify as a Portfolio Content Category One product with initial deliveries starting in 2019-2020.

2. Describe the Procurement Plan's assessment of portfolio needs.

The goal of PG&E's 2012 RPS Plan is to procure approximately 1,000 GWh per year of RPS-eligible deliveries offering high portfolio value through long-term contracts. In addition, based on deliveries from current projects, PG&E does not expect the need for deliveries from new projects until 2020 and beyond.

3. Discuss how the Project is consistent with the utility's Procurement Plan and meets utility procurement and portfolio needs (e.g. capacity, electrical energy, resource adequacy, or any other product resulting from the project).

The Proposed PPA is consistent with PG&E's goal to procure 1,000 GWh per year in the 2012 RPS solicitation. In addition, because the PPA is long-term and deliveries from the Project are expected to satisfy the criteria of Portfolio Content Category One, any deliveries in excess of PG&E's short-term need will be bankable and available for use to satisfy future compliance period needs.

4. Describe the preferred project characteristics set forth in the solicitation, including required deliverability characteristics, online dates, location preferences, etc. and how the Project meets those requirements.

The Project is also consistent with PG&E's preferred project characteristics set forth in the 2012 RPS Solicitation. PG&E's 2012 RPS Solicitation Protocol expressed a preference for bundled in-state resources delivering energy and capacity at a delivery point assigned by CAISO inside PG&E's service territory. The Project is interconnected to the CAISO and PG&E is entitled to all of the Project's Contract Capacity, including Capacity Attributes, from the Project to enable PG&E to meet its Resource Adequacy or successor program requirements, as the CPUC, CAISO, or other regional entity may prescribe.

The PPA conforms to PG&E's Commission-approved 2012 RPS Plan by delivering an average of 62 GWh per year to fill a portion of PG&E's RPS net short position. The transaction complies with RPS program requirements, meets the portfolio needs outlined by the 2012 RPS Plan, and meets the majority of project characteristics set forth in the solicitation. Finally, the PPA is competitive when compared to the other bids submitted in PG&E's 2012 RPS Solicitation and final shortlisted offers.

5. Sales

a) For Sales contracts, provide quantitative analysis that evaluates selling the proposed contracted amount vs. banking the RECs towards future RPS compliance requirements (or any reasonable other options).

b) Explain the process used to determine price reasonableness, with maximum benefit to ratepayers.

This section is not applicable because the agreement is for the purchase, not sale, of energy.

6. Portfolio Optimization Strategy

a) Describe how the proposed procurement (or sale) optimizes IOU's RPS portfolio (or entire energy portfolio). Specifically, response should include:

i. Identification of IOU's portfolio optimization strategy objectives that the proposed procurement (or sale) are consistent with.

ii. Identification of metrics within portfolio optimization methodology or model (e.g. PPA costs, energy value, capacity value, interest costs, carrying costs, transaction costs, etc.) that are increased/decreased as a result of the proposed transaction.

iii. Identification of risks (e.g. non-compliance with RPS requirements, regulatory risk, over-procurement of non-bankable RPS-eligible products, safety, etc.) and constraints included in optimization strategy that may be decreased or increased due to proposed procurement (or sale).

The PPA is consistent with PG&E's objectives of achieving and maintaining RPS compliance and minimizing customer costs over time. The PPA helps to meet the objective of filling the net short RPS compliance position through the steady and moderate procurement of cost effective RPS-eligible products through long-term contracts with start dates towards the latter part of the current decade. In order to minimize the total cost impact of the RPS program to customers, Net Market Value ("NMV") and Portfolio Adjusted Value ("PAV") calculations were used to evaluate the transaction's cost for PG&E's customers relative to the forecast market benefits provided by each offer. This transaction reduces the risk of non-compliance with RPS requirements by reducing the net short RPS compliance position beginning in 2019, consistent with PG&E's portfolio needs.

b. Description of how proposed procurement (or sale) is consistent with IOUs overall planned activities and range of transactions planned to optimize portfolio.

As stated in the 2012 RPS Plan, PG&E plans to fill the net short RPS compliance position through the steady and moderate procurement of cost effective RPS-eligible products through long-term contracts with start dates towards the latter part of the current decade. Although the Project's initial deliveries are scheduled to begin prior to PG&E's

stated preference of 2019-2020, the Project's NMV and PAV scores demonstrate that the cost competitiveness and portfolio fit benefits of the PPA outweigh the potential negative effects of the near-term timing of initial deliveries. Furthermore, because the PPA is long-term, and the Project satisfies the criteria of Portfolio Content Category One, any deliveries in excess of PG&E's RPS compliance obligation will be bankable and available for use to satisfy future compliance period or year needs.

B. Bilateral contracting – if applicable

1. Discuss compliance with D.06-10-019 and D.09-06-050.
2. Specify the procurement and/or portfolio needs necessitating the utility to procure bilaterally as opposed to a solicitation.
3. Describe why the Project did not participate in the solicitation and why the benefits of the Project cannot be procured through a subsequent solicitation.

This section is not applicable because the PPA resulted from PG&E's 2012 RPS Solicitation and not from bilateral negotiations.

C. Least-Cost, Best-Fit (LCBF) Methodology and Evaluation

1. Briefly describe IOU's LCBF Methodology and how the Project compared relative to other offers available to the IOU at the time of evaluation.

PG&E's filed its 2012 RPS Shortlist Report on June 7, 2013 in Advice Letter 4238-E, a Supplement to the 2012 RPS Shortlist Report on July 10, 2013 in Advice Letter 4238-E-A, and a second Supplement to the 2012 RPS Shortlist Report on July 15, 2013 in Advice Letter 4238-E-B.

The RPS statute requires PG&E to procure the "least-cost best-fit" ("LCBF") eligible renewable resources.[3] The LCBF decision directs the utilities to use certain criteria in their bid ranking[4] and offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it commences negotiations. PG&E's approved process for identifying LCBF renewable resources focuses on four primary areas:

a. Market Valuation;
b. Portfolio Fit;
c. Project Viability; and
d. RPS Goals.

PG&E examined the reasonableness of the PPA using the LCBF evaluation criteria from the 2012 RPS solicitation. The general finding is that the PPA ranked favorably compared to the other projects received in PG&E's 2012 RPS Solicitation. A more

3 Pub. Util. Code § 399.14(a)(2)(B).

4 D.04-07-029.

detailed discussion of PG&E's evaluation of the PPA is provided in Confidential Appendix A.

a. Market Valuation

In a "mark-to-market analysis," the present value of the bidder's payment stream is compared with the present value of the product's market value to determine the benefit (positive or negative) from the procurement of the resource irrespective of PG&E's portfolio. This analysis is based on evaluation of the contract price in the PPA.

The transmission adder adjusts offer prices to include the cost, if any, of bringing the power from the generating facility to PG&E's network. Each bid is associated with a transmission cluster based upon the location of the facility. The costs in the CAISO interconnection study are used for bid evaluation.

PG&E's analysis of the market value and transmission adder is confidential and addressed in Confidential Appendix A.

b. Portfolio Fit

Portfolio fit considers how well an offer's features match PG&E's portfolio needs. PG&E evaluated the offer's consistency with portfolio fit as described in the 2012 RPS Plan and Protocol and filed its initial 2012 RPS Shortlist Report on June 7, 2013.

The PAV intends to more accurately reflect the value of renewable resources to PG&E customers. Specifically, the PAV methodology starts with net market value results, which reflect the value of a transaction relative to market forward curves, as an initial quantitative valuation. Additional quantitative adjustments are then made for aspects of market valuation, transmission adder, and portfolio fit described herein and for other factors that impact the value of a contract with respect to PG&E's portfolio. Using PG&E's PAV methodology for the 2012 RPS Solicitation, the offer compared favorably to the other 2012 RPS shortlisted offers. Additional information about the PAV methodology is provided in Confidential Appendix A and Advice Letter 4238-E-B.

c. Project Viability

Project viability is based on three categories: 1) Company/ Development Team, 2) Technology, and 3) Development Milestones. It is assessed by the CPUC developed Project Viability Calculator ("PVC"). The PVC is a tool for IOUs to evaluate the viability of a renewable energy project, relative to all other projects that bid into the California utilities' RPS solicitations. The PVC uses standardized categories and criteria to quantify a project's strengths and weaknesses in key areas of renewable project development.

PG&E's analysis of Project Viability and PVC score are confidential and can be found in Confidential Appendix A.

d. RPS Goals

PG&E assesses the Offer's consistency with and contribution to California's goals for the RPS program and the Offer's support of PG&E's supplier diversity goals (collectively "RPS Goals"). The RPS Goals assessment considers non-quantitative factors, legislative findings, and declarations that increase California's reliance on renewable energy, consistency with the CPUC's Water Action Plan, Executive Order S-06-06 which established a goal that the state would meet 20% of its renewable energy needs with electricity produced from biomass, and supplier diversity.

2. Indicate when the IOU's Shortlist Report was approved by Energy Division.

The 2012 Shortlist Report was approved by Resolution E-4631 on December 19, 2013.

D. Compliance with Standard Terms and Conditions (STCs)

1. Does the proposed contract comply with D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025?

The Commission set forth standard terms and conditions to be incorporated into contracts for the purchase of electricity from eligible renewable energy resources in D.04-06-014 and D.07-02-011, as modified by D.07-05-057 and D.07-11-025. These terms and conditions were compiled and published in D.08-04-009. Additionally, the non-modifiable term related to Green Attributes was finalized in D.08-08-028 and the non-modifiable terms related to RECs were finalized in D.10-03-021, as modified by D.11-01-025.

The non-modifiable standard terms and conditions in the PPA conform exactly to the "non-modifiable" terms set forth in Attachment A of D.08-04-009, as modified be D.08-08-028 and by Appendix C of D.10-03-021, as modified by D.11-01-025.

2. Using the tabular format, provide the specific page and section number where the RPS non-modifiable STCs are located in the contract.

The locations of non-modifiable terms in the PPA are indicated in the table below:

Non-Modifiable Term	Contract Section Number	Contract Page Number
STC1: CPUC Approval	1.36	4
STC2: Green Attributes and RECs		
• Definition of Green Attributes	1.104	11
• Conveyance of Green Attributes	3.2	29
STC6: Eligibility	10.2(b)	48
STC17: Applicable Law	10.12	55
STCREC1: Transfer of RECs	10.2(b)	48
STCREC2: WREGIS Tracking of RECs	3.1(k)(viii)	26

3. Provide a redline of the contract against the utility's Commission-approved pro forma RPS contract as Confidential

Appendix E to the filed advice letter. Highlight modifiable terms in one color and non-modifiable terms in another.

A redline comparison of the PPA with PG&E's 2012 Pro Forma PPA is provided Confidential Appendix E.

E. Portfolio Content Category Claim and Upfront Showing (D.11-12-052, Ordering Paragraph 9)

1. Describe the contract's claimed portfolio content category.

As described in Section I.E and in further detail below, the PPA satisfies the upfront showing required for Portfolio Content Category One.

2. Explain how the procurement pursuant to the contract is consistent with the criteria of the claimed portfolio content category as adopted in D.11-12-052.

SB 2 1X, which is codified at Public Utilities Code Sections 399.11, and following, established three portfolio content categories that apply to RPS-eligible generation associated with RPS procurement contracts signed after June 1, 2010. D.11-12-052 requires that IOUs make an upfront showing related to the categorization of each proposed RPS procurement transaction. Specifically, for approval of contracts meeting the criteria of Portfolio Content Category One, an IOU may show the RPS-eligible generator has its first point of interconnection with the WECC transmission system within the boundaries of a California balancing authority area.

The Project meets the upfront showing required for Portfolio Content Category One because it is an in-state RPS-eligible renewable resource that expects to have its first point of interconnection with the WECC transmission system with the CAISO, a California balancing authority. Therefore, RPS-eligible procurement from the Project satisfies the criteria for Portfolio Content Category One adopted in D.11-12-052.

3. Describe the risks that the procurement will not be classified in the claimed portfolio content category.

There is no known risk that the electric power would not be categorized as Portfolio Content Category One.

4. Describe the value of the contract to ratepayers if:

1. Contract is classified as claimed

2. Contract is not classified as claimed

The value of the PPA, as described and assessed in this Advice Letter, is based on the assumption that the procurement meets the criteria of Portfolio Content Category One. If the PPA is not classified as Portfolio Content Category One, its value to PG&E and its customers could, under certain limited scenarios, be lower. For example, if PG&E (i) exceeds the applicable portfolio balance requirements set forth in Public Utilities Code Section 399.16(c)(2); and (ii) has excess procurement in that compliance period, D.12-06-038 would require any RECs from the Project exceeding the portfolio balance requirements to be deducted from the surplus.

5. Use the table below to report how the procurement pursuant to the contract, if classified as claimed, will affect the IOU's portfolio balance requirements established in D.11-12-052.

Per PG&E's 2012 Preliminary Annual 33 percent RPS Compliance Report, amended and filed on November 15, 2013, PG&E's current Portfolio Balance Requirements are listed in the table below.

Forecast of Portfolio Balance Requirements	Compliance Period 2 (2014-2016)	Compliance Period 3 (2017-2020)
PCC 1 Balance Requirement CP 2 = 65% of RECs applied to procurement quantity requirement CP 3 = 75% of RECs applied to procurement quantity requirement		
Quantity of PCC1 RECs (under contract, not inclu proposed contract)	13,598 GWh	26,374 GWh
Quantity of PCC1 RECs from proposed contract	31 GWh	248 GWh
Quantity of PCC2 RECs	0	0
Quantity of PCC2 RECs (under contract, not including proposed contract)	0	0
Quantity of PCC2 RECs from proposed contract	0	0
PCC3 Balance Limitation CP 2 = 15% of RECs applied to procurement quantity requirement CP 3 = 10% of RECs applied to procurement quantity requirement		
Quantity of PCC3 RECs (under contract, not inclu proposed contract)	0[5]	0[6]
Quantity of PCC3 RECs from proposed contract	0	0

[5] PG&E has 34.5 GWh under contract pursuant to three PCC3 REC purchase agreements that are not yet effective because they are pending CPUC approval.

[6] PG&E has 46 GWh under contract pursuant to three PCC3 REC purchase agreements that are not yet effective because they are pending CPUC approval.

F. Long-Term Contracting Requirement

D.12-06-038 established a long-term contracting requirement that must be met in order for an IOU to count RPS procurement from contracts less than 10 years in length ("short-term contracts") toward RPS compliance.

1. Explain whether or not the proposed contract triggers the long-term contracting requirement.
2. If the long-term contracting requirement applies, provide a detailed calculation that shows the extent to which the utility has satisfied the long-term contracting requirement. If the requirement has not yet been satisfied for the current compliance period, explain how the utility expects to satisfy the quantity by the end of the compliance period to count the proposed contract for compliance.

In D.12-06-038, the Commission adopted a threshold pursuant to SB 2 1X that requires load serving entities to sign long-term contracts each compliance period equal to at least 0.25 percent of their expected retail sales over that same compliance period. The proposed PPA is a long-term 15-year contract that does not trigger the minimum quantity requirement set forth in D.12-06-038.

G. Tier 2 Short-term Contract "Fast Track" Process – if applicable

1. Is the facility in commercial operation? If not in commercial operation, explain the IOU's basis for its determination that commercial operation will be achieved within the required six months.
2. Describe and explain any contract modifications to the Commission-approved short-term pro forma contract.

PG&E is not submitting the PPA under the "Fast Track" process.

H. Interim Emissions Performance Standard

In D.07-01-039, the Commission adopted a greenhouse gas Emissions Performance Standard (EPS) which is applicable to electricity contract for baseload generation, as defined, having a delivery term of five years or more.

1. Explain whether or not the contract is subject to the EPS.

A greenhouse gas Emissions Performance Standard ("EPS") was established by Senate Bill 1368 ("SB 1368"), which requires that the Commission consider emissions costs associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

To implement SB 1368, in D.07-01-039, the Commission adopted an EPS that applies to contracts for a term of five years or more for baseload generation with an annualized plant capacity factor of at least 60 percent. The PPA is not a covered procurement subject to the EPS because the generating facility has a forecast annualized capacity factor of less than 60 percent and therefore is not baseload generation under paragraphs 1(a)(ii) and 3(2)(a) of the Adopted Interim EPS Rules.

Notification of compliance with D.07-01-039 is provided through this Advice Letter, which has been served on the service list in the RPS rulemaking, R.11-05-005

2. If the contract is subject to the EPS, discuss how the contract is in compliance with D.07-01-039.

See Section H.1 above.

3. If the contract is not subject to EPS, but delivery will be firmed/shaped with specified baseload generation for a term of five or more years, explain how the energy used to firm/shape meets EPS requirements.

Not applicable.

4. If the contract term is 5 or more years and will be firmed/shaped with unspecified power, provide a showing that the utility will ensure that the amount of substitute energy purchases from unspecified resources is limited such that total purchases under the contract (renewable and non-renewable) will not exceed the total expected output from the renewable energy source over the term of the contract.

Not applicable.

5. If substitute system energy from unspecified sources will be used, provide a showing that:

   a. the unspecified energy is only to be used on a short-term basis; and

   b. the unspecified energy is only used for operational or efficiency reasons; and

   c. the unspecified energy is only used when the renewable energy source is unavailable due to a forced outage, scheduled maintenance, or other temporary unavailability for operational or efficiency reasons; or

   d. the unspecified energy is only used to meet operating conditions required under the contract, such as provisions for number of start-ups, ramp rates, minimum number of operating hours.

Not applicable.

I. Procurement Review Group (PRG) Participation

1. List PRG participants (by organization/company).

The Procurement Review Group ("PRG") for PG&E includes the Commission's Energy Division and Division of Ratepayer Advocates, Department of Water Resources, Union of Concerned Scientists, The Utility Reform Network, the California Utility Employees, and Jan Reid, as a PG&E ratepayer.

2. Describe the utility's consultation with the PRG, including when information about the contract was provided to the PRG, whether the information was provided in meetings or other correspondence, and the steps of the procurement process where the PRG was consulted.

The PPA was presented to the PRG as part of PG&E's proposed shortlist on March 27, 2013. The transaction was subsequently presented to the PRG as a potential contract for execution on November 12, 2013. Additional information is provided in Confidential Appendix A.

3. For short-term contracts, if the PRG was not able to be informed prior to filing, explain why the PRG could not be informed.

Not applicable

J. Independent Evaluator (IE)

The use of an IE is required by D.04-12-048, D.06-05-039, 07-12-052, and D.09-06-050.

1. Provide name of IE.

The Independent Evaluator is Lewis Hashimoto from Arroyo Seco Consulting.

2. Describe the oversight provided by the IE.

The IE reviewed and assessed PG&E's RPS evaluation and selection process, and observed the negotiations of the PPA to ensure that they were conducted fairly.

3. List when the IE made any findings to the Procurement Review Group regarding the applicable solicitation, the project/bid, and/or contract negotiations

The IE provided insights and findings to the PRG during the PRG meetings noted in Section I above. Overall, the IE's opinion is that the Diablo Winds contract merits CPUC approval based on superior pricing, value, and viability.

4. Insert the public version of the project-specific IE Report.

The public version of the IE report is attached to this Advice Letter as Appendix C2.

III. Project Development Status

This section is not applicable because the project is already commercially operational.

A. Company / Development Team

1. Describe the Project development team and/or company principals and describe how many years of experience they have had on the development side of the electric industry.
2. List any successful projects (renewable and conventional) the Project development team and/or company principals have owned, constructed, and/or operated.

B. Technology

1. Technology Type and Level of Technology Maturity

   a. Discuss the type and stage of the Project's proposed technology (e.g. concept stage, testing stage, commercially operating, utility-scale operation, ample history of operation).

   b. If the technology has not been commercially demonstrated, identify whether the developer has or plans to have a demonstration project. Describe the project (MW, hours run), its results (e.g., temperature, GWh, or other appropriate metrics) and its ability to perform on a commercial scale.

   c. If hybrid technology will be deployed, describe the configuration and potential issues and/or benefits created by the hybrid technology.

2. Quality of Renewable Resource

   a. Explain the quality of the renewable resource that the Project will rely upon. Provide supporting documentation, such as project-specific resource studies, reports from RETI or the National Renewable Energy Lab (NREL) that supports resource quality claims and ability for the facility to provide expected generation.

   b. For biomass projects, please provide a fuel resource analysis and the developer's fuel supply plan. Identify:

      i. From whom/where the fuel is being secured; and

      ii. Where the fuel is being stored

   c. Explain whether the IOU believes that the Project will be able meet the terms of the contract given its independent understanding of the quality of the renewable resource. If necessary, reference successful nearby projects, completed studies, and/or other information.

3. Other Resources Required

   a. Identify any other fuel supply (other than the renewable fuel supply discussed above) necessary to the Project and the anticipated source of that supply;

   b. Explain whether the developer has secured the necessary rights for water, fuel(s), and any other required inputs to run the Project.

   c. Provide the estimated annual water consumption of the facility (gallons of water/year).

   d. Explain whether the IOU believes that the Project will be able meet the terms of the contract given its independent understanding of the adequacy of the additional fuel or any other necessary resource supply. If necessary, reference successful nearby projects, completed studies, and/or other information.

C. Development Milestones

1. Site Control

   Explain the status of Project site control, including:

   a. Site control type (e.g. ownership, lease, BLM Right-of-Way grant, etc.)

      i. If lease, describe duration of site control and any exercisable extension options

      ii. Level or percent of site control attained – if less than 100%, discuss seller's plan for obtaining full site control

2. Equipment Procurement

   Explain the status of equipment procurement for the Project, including:

   a. The status of the procurement of major equipment (e.g. equipment in-hand, contracts executed and equipment in delivery, negotiating contracts with supplier(s), etc.). For equipment not yet procured, explain any contingencies and overall timing.

   b. The developer's history and ability to procure equipment.

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c. Any identified equipment procurement issues, such as lead time, and their effect on the Project's date of operability.

3. Permitting / Certifications Status

   a. Describe the status of the Project's RPS-eligibility certification from the CEC. Explain if there is any uncertainty regarding the Project's eligibility.

   b. Use the following table to describe the status of all major permits or authorizations necessary for development and operation of the Project, including, without limitation, CEC authorizations, air permits, certificates of public convenience and necessity (CPCN) or permits to construct (PTC) for transmission, distribution, or substation construction/ expansion, land use permits, building permits, water use or discharge authorizations, Federal Aviation Administration authorizations, military authorizations, and Federal Communication Commission authorizations. If necessary, table may be split between public and confidential sections – permits requests with public agencies should be included in the public portion.

Name of Permit or Lease required	Grantor	Description of Permit or Lease	Current Status (to be filed, pending approval, approved)	Projected timeframe for approval
		.		

4. Production Tax Credit (PTC) / Investment Tax Credit (ITC) / Other government funding – if applicable

   a. Explain the Project's potential eligibility for tax credits or other government funding based on the technology of the Project and contract operation date.

   b. If the developer is pursuing PTCs/ITCs/Other, explain the criteria that must be met and the developer's plans

c. Explain whether the utility or the seller bears the risk if the anticipated tax credits/funding are not obtained.

5. Transmission

a. Discuss the status of the Project's interconnection application, whether the Project is in the CAISO or any other interconnection queue, and which transmission

b. Discuss the status of the Interconnection Agreement with the interconnecting utility (e.g., draft issued, executed and at FERC, fully approved).

c. Describe the required network and gen-tie upgrades and the capacity to be available to the Project upon completion, including any proposed curtailment schemes.

d. Describe any required substation upgrades or construction.

e. Discuss the timing and process for all transmission-related upgrades. Identify critical path items and potential contingencies in the event of delays.

f. Explain any issues relating to other generating facility projects in the transmission queue as they may affect the Project.

g. If the Project is dependent on transmission that is likely to be congested at times, leading to a product that is less than 100% deliverable for at least several years, explain how the utility factored the congestion into the LCBF bid analysis.

h. Describe any alternative transmission arrangements available and/or considered to facilitate delivery of the Project's output.

A. Financing Plan

1. Explain developer's manner of financing (e.g. project financing, balance sheet financing, utility tax equity investment, etc.).

2. Describe the developer's general project financing status.

3. To what extent (%) has the developer received firm commitments from financers (both debt and equity), and how much financing is expected to be needed to bring the Project online?

4. List any government funding or awards received by the Project.

5. Explain the creditworthiness of all relevant financiers.

6. Describe developer's history of ability to procure financing.

7. Describe any plans for obtaining subsidies, grants, or any other third party monetary awards (other than Production Tax Credits and Investment Tax Credits) and discuss how the lack of any of this funding will affect the Project.

IV. Contingencies and/or Milestones

Describe major performance criteria and guaranteed milestones, including those outside the control of the parties, including transmission upgrades, financing, and permitting issues.

The PPA includes certain performance criteria and milestones that PG&E includes in its form RPS PPA contracts. These and other contingencies and milestones are addressed in Confidential Appendices A and D. The terms of the PPA are conditioned on the occurrence of CPUC Approval, as it is defined in the PPA.

V. Safety Considerations

1. What terms in the PPA address the safe operation, construction and maintenance of the Project? Are there any other conditions, including but not limited to conditions of any permits or potential permits, that the IOU is aware of that ensure such safe operation, construction and decommissioning?

Local, state and federal agencies that have review and approval authority over the Project are charged with enforcing safety, environmental and other regulations for the Project, including decommissioning. Moreover, PG&E requires that the Project abide by contractual obligations in the PPA that require certain Standards of Care (Section 3.5) and Covenants (Section 10.3) to not violate applicable laws, rules and regulations. These provisions serve to: (1) clarify that the burden of safe operations resides with the seller, the entity with control over on-site decisions, and (2) protect PG&E customers against bearing the cost of imprudent or unsafe operations. They do not provide PG&E with rights to enforce or dictate safe operations of the Project; those rights reside with the governmental authorities with safety and permitting oversight over the Project.

2. What has the IOU done to ensure that the PPA and the Project's operation are: consistent with Public Utilities Code Section 451; do not interfere with the IOU's safe operation of utility operations and facilities; and will not adversely affect the public health and safety?

The Project is owned, constructed, and operated by a third party. As explained in Section V.1, the Seller is obligated to own and operate the Project in accordance with the laws, rules, and regulations and to comply, a number of which are referenced in the PPA to clarify that the burden of safe operations, including operations that impact public safety, lies with the Seller.

3. If PPA or amendment is with an existing facility, please provide a matrix that identifies all safety violations found by any entity, whether government, industry-based or internal with an indication of the issue and if the resolution of that alleged violation is pending or resolved and what the progress or resolution was/is.

Seller has indicated that no safety violations have been found by any entity. PG&E has validated Seller's report through a search of the CA-OSHA database and a general Google search.

4. If PPA or amendment is with an existing facility, will the PPA or amendment lead to any changes in the structure or operations of the facility? Any change in the safety practices at the facility? If so, with what federal, state and local agencies did the developer confer or seek permits or permit amendments for these changes?

There are no expected changes to the structure or operations of this facility. The components of the facility have useful lives that exceed the term of this agreement.

VI. REQUEST FOR COMMISSION APPROVAL

PG&E requests that the Commission issue a resolution no later than September 11, 2014, that:

1. Approves the PPA in its entirety, including payments to be made by PG&E pursuant to the PPA, subject to the Commission's review of PG&E's administration of the PPA.

2. Finds that any procurement pursuant to the PPA is procurement from eligible renewable energy resources for purposes of determining PG&E's compliance

with any obligation that it may have to procure eligible renewable energy resources pursuant to the California RPS (Public Utilities Code Section 399.11 et seq.), D.03-06-071, D.06-10-050, D.11-12-020, D.11-12-052 or other applicable law.

3. Finds that all procurement and administrative costs, as provided by Public Utilities Code Section 399.13(g), associated with the PPA shall be recovered in rates.

4. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:

   a. The PPA is consistent with PG&E's 2012 RPS procurement plan.

   b. The terms of the PPA, including the price of delivered energy, are reasonable.

5. Adopts the following finding of fact and conclusion of law in support of cost recovery for the PPA:

   a. The utility's costs under the PPA shall be recovered through PG&E's Energy Resource Recovery Account.

   b. Any stranded cost that may arise from the PPA is subject to the provisions of D.04-12-048 that authorize recovery of stranded renewables procurement costs over the life of the contract. The implementation of the D.04-12-048 stranded cost recovery mechanism is addressed in D.08-09-012.

6. Adopts the following findings with respect to resource compliance with the EPS adopted in R.06-04-009:

   a. The PPA is not a form of covered procurement subject to the EPS, because the generating facility has an expected capacity factor of less than 60 percent and, therefore, is not baseload generation under paragraph 1(a)(ii) and 3(2)(a) of the adopted Interim EPS Rules.

7. Adopts a finding of fact and conclusion of law that deliveries from the PPA shall be categorized as procurement under the portfolio content category specified in Section 399.16(b)(1)(A), subject to Commission's after-the-fact verification that all applicable criteria have been met.

Protests:

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than March 10, 2014, 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 the Commission issue a resolution approving this Tier 3 advice filing by September 11, 2014

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
Cynthia Walker – Energy Division
Paul Douglas – Energy Division
Jason Simon – Energy Division
Shannon O'Rourke – Energy Division
Joseph Abhulimen – ORA
Karin Hieta – ORA

Limited Access to Confidential Material:

The portions of this Advice Letter marked Confidential Protected Material are submitted under the confidentiality protection of Sections 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 PPA itself, price information, and analysis of the proposed RPS PPA, which are 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.