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March 17, 2016

Via Email & US Mail

Sierra Pacific Industries
Attn: George Emmerson
PO Box 496028
Redding, CA 96049

Re: Letter Agreement for Incremental Generation from SPI Biomass Portfolio Project (PG&E Log No. 33R254)

Dear George:

This Letter Agreement refers to the Power Purchase Agreement (the "Agreement"), dated as of August 9, 2012, and as amended, by and between Pacific Gas and Electric Company, a California corporation ("PG&E" or "Buyer") and Sierra Pacific Industries, a California corporation ("Seller" or "SPI"). Any capitalized term used but not defined herein shall have the meaning specified for such term in the Agreement.

By countersigning this Letter Agreement in the space provided below, Seller agrees to the sale of incremental generation from the five SPI Aggregated Generation Facilities to PG&E. Specifically, Seller agrees that:

- (1) On an as-available basis PG&E will deliver or cause to be delivered fuel in the form of processed wood waste ("Delivered Fuel") to Seller with no less than 24 hours prior notice, and will purchase Incremental Product from Seller at a price ("Incremental Price") of \$22/MWh. "Incremental Product" is defined as Product that is associated with the biomass fuel delivered by or on behalf of the Buyer and accepted by Seller, expressed in Bone Dry Tons ("BDT") ("Fuel Delivered"). Deliveries of fuel to any particular Aggregated Generation Facility shall be coordinated between Buyer or Buyer's designee and the facility personnel shown in Exhibit A.
- (2) The rate used to convert all accepted Delivered Fuel to Incremental Product is set at a rate of 1.1 BDT/MWh ("Fuel Conversion Rate").
- (3) Delivered Energy associated with the Incremental Product shall:
 - (a) not be included in the calculation of Excess Delivered Energy;
 - (b) not be subject to Time of Day (TOD) Factors;
 - (c) not be counted towards the Contract Quantity outlined in Appendix V or Guaranteed Energy Production in Section 3.1(e)(i) of the Agreement;
 - (d) be excluded from the calculation of Declared Contract Capacity outlined in Section 3.1(f)(i) of the Agreement; and

- (e) not count towards the Available Capacity Minimum Threshold in the Agreement.
- (4) Upon delivery of Delivered Fuel, Seller will supply Buyer or Buyer's designee with proof of delivery consistent with Seller's internal processes. Upon delivery to Buyer or Buyer's designee by Seller of such proof of delivery of Delivered Fuel, the title to and responsibility for the Delivered Fuel will transfer to Seller. The contacts for Buyer or Buyer's designee are delivery personnel designated by the PG&E fuel delivery contacts included in Exhibit A.
- (5) On or before the tenth (10th) day of the month following the receipt of Delivered Fuel, Seller shall provide Buyer with documentation reasonably acceptable to Buyer showing the tonnage of Delivered Fuel received by Seller, the tonnage of Delivered Fuel accepted by Seller, the moisture content of the same, and the equivalent BDT for all Delivered Fuel. Seller shall also report to Buyer any defects in the Delivered Fuel that did not meet the specifications in (7) below and was not accepted and the quantity thereof. Submission shall be made to Bilat_Settlements@pge.com.
- (6) Buyer will have the right to audit Seller's method of accounting for Bone Dry Tonnage.
- (7) Seller will provide Buyer a statement of the Delivered Fuel consumed during the prior month in its invoice provided to Buyer in accordance with Section 6 of the Agreement.
- (8) Over the term of this Letter Agreement Seller agrees to deliver an amount of Incremental Product equal to the amount of Delivered Fuel accepted divided by the Fuel Conversion Rate set forth in (2) above.
- (9) Seller shall not be obligated to accept Delivered Fuel unless it meets the following specifications:
- a) For the purposes of this Letter Agreement, Delivered Fuel shall mean processed (chipped or hogged) wood waste no greater than three inches (3") in any dimension.
 - b) All Delivered Fuel shall consist solely of wood material and shall be free of foreign material such as plastic, dirt, sand, clay, rock, metal and other non-combustible material. In no event shall ash exceed three percent (3%) of the weight of any delivery of Delivered Fuel.
 - c) Delivered Fuel shall not contain chemically treated material, painted or pressure treated wood and will not be accepted if any such material is determined, in Seller's sole judgment, to be in violation of applicable legal or permit requirements pertaining to Seller's Aggregated Generation Facilities.
 - d) Delivered Fuel shall have a moisture content not exceeding 50%.
- (10) Scheduling:
- a) Upon the effective date of this Letter Agreement Seller shall provide Buyer a forecast of expected hourly generation to be produced under the terms of the Agreement for each of the next twelve (12) months for each Aggregated Generation Facility. This year ahead forecast will be updated by Seller monthly for the duration of this Letter Agreement. This forecast will be advisory in nature and will not be binding on Seller. The forecast will be provided to mrwg@pge.com. Updates will be submitted on or before the tenth (10th) day of each calendar month.

- b) Upon the effective date of this Letter Agreement Seller will provide Buyer a forecast of expected hourly generation to be produced under the terms of the Agreement for the month ahead. Seller will update this forecast at the beginning of each month. This forecast will be advisory in nature and will not be binding on Seller. The forecast will be provided to mrwg@pge.com, on or before the tenth (10th) day of each calendar month.
- c) Commencing upon the effective date of this agreement and continuing as long as it remains in effect Seller will provide Buyer two day-ahead forecasts of hourly Available Capacity for each Aggregated Generation Facility in accordance with the schedule set forth in the Agreement. One of these forecasts will be of hourly Available Capacity under the terms of the Agreement. This forecast ("PPA GEN") will be provided to Bilat_Settlements@pge.com fourteen (14) hours before the beginning of the Preschedule Day. The other forecast will be of total hourly Available Capacity ("TOT GEN") and will be submitted in accordance with the provisions of 3.4(b)(iii)(C) of the Agreement. For the purpose of settlement only, these forecasts will be binding on Seller.
- d) Seller agrees that the day-ahead forecast of TOT GEN will be greater than or equal to the forecast of PPA GEN for each hour.
- e) Seller agrees that for any hour that the forecast of PPA GEN equals zero (0), TOT GEN will also equal zero (0).

(11) Settlement:

- a) Settlements and the application of provisions of Section 4.7(c) of the Agreement will be accomplished through a series of sequential calculations.
- b) For purposes of interpreting the provisions of Section 4.7(c) of the Agreement "Delivered Energy" shall refer to all energy delivered through the Aggregated Generation Facility's CAISO revenue meter.
- c) For each Aggregated Generation Facility, if the Delivered Energy for any Settlement Interval falls within the Performance Tolerance Band ("PTB") as defined in Section 4.7(c) of the Agreement the following steps are employed to settle for that Settlement Interval.
 - i. If TOT GEN equals PPA GEN then settlement provisions of the Agreement shall be applied.
 - ii. If TOT GEN and Delivered Energy are each greater than PPA GEN then:
 - A. The settlement for energy delivered under the terms of the Agreement is calculated as the product of PPA GEN multiplied by Contract Price multiplied by TOD Factor;
 - B. The settlement for Incremental Product is calculated as the difference between Delivered Energy and PPA GEN multiplied by the Incremental Price;
 - C. The total settlement for the Settlement Interval is equal to the settlement for PPA GEN plus the settlement for Incremental Product.

- iii. If TOT GEN is greater than PPA GEN but Delivered Energy is less than PPA GEN then:
 - A. The settlement for energy delivered under the terms of the Agreement is calculated as the product of Delivered Energy multiplied by Contract Price multiplied by TOD Factor;
 - B. Settlement for Incremental Product is zero (0);
 - C. The total settlement for the Settlement Interval is equal to the settlement for Delivered Energy.

- d) For each Aggregated Generation Facility if the Delivered Energy for any Settlement Interval falls outside of the PTB as defined in Section 4.7(c) of the Agreement the following steps are employed to settle for that Settlement Interval.
 - i. If TOT GEN equals PPA GEN then the settlement provisions of the Agreement shall be applied.
 - ii. If Delivered Energy is greater than TOT GEN and TOT GEN is greater than PPA GEN then:
 - A. Calculate the Performance Tolerance Band Adjustment ("PTB ADJ") as defined in the following table.

Real-Time Price > Contract Price * TOD Factor	Real-Time Price < Contract Price * TOD Factor
N/A	Real-Time Price * Variation

- B. If the Real-Time Price is greater than the Contract Price multiplied by the TOD Factor then:
 - 1. The PTB ADJ equals zero (0);
 - 2. The settlement for PPA GEN equals PPA GEN multiplied by the Contract Price multiplied by the TOD Factor;
 - 3. The settlement for Incremental Product equals the positive difference between Delivered Energy and PPA GEN, multiplied by the Incremental Price;
 - 4. The total settlement for the Settlement Interval is equal to the settlement for PPA GEN plus the settlement for Incremental Product minus CAISO Penalties and CAISO Costs.

- C. If the Real-Time Price is less than or equal to the Contract Price multiplied by the TOD Factor then:
 - 1. Calculate the PTB ADJ as the Real-Time Price multiplied by the Variation;
 - 2. The settlement for PPA GEN equals PPA GEN multiplied by the Contract Price multiplied by the TOD Factor;

3. The settlement for Incremental Product equals the positive difference between TOT GEN and PPA GEN multiplied by the Incremental Price;
 4. The total settlement for the Settlement Interval is equal to the PTB ADJ plus the settlement for PPA GEN plus the settlement for Incremental Product minus CAISO Penalties and CAISO Costs.
- iii. If Delivered Energy is less than TOT GEN then:
- A. Calculate the PTB ADJ as defined in the following table.

Real-Time Price > Day Ahead Price	Real-Time Price < Day Ahead Price
(Real-Time Price - Day Ahead Price) * Variation	N/A

- B. If the Real-Time Price is greater than the Day Ahead Price then:
 1. Calculate the PTB ADJ as the positive difference between the Real-Time Price and the Day Ahead Price multiplied by the Variation;
 2. The settlement for PPA GEN is calculated as the lesser of PPA GEN or Delivered Energy multiplied by the Contract Price multiplied by the TOD Factor;
 3. The settlement for Incremental Product is calculated as follows:
 - a. If Delivered Energy is less than or equal to PPA GEN then the settlement for Incremental Product equals zero (0);
 - b. If Delivered Energy is greater than PPA GEN then the settlement for Incremental Product equals the positive difference between Delivered Energy and PPA GEN multiplied by the Incremental Price;
 4. The total settlement for the Settlement Interval is equal to the settlement for PPA GEN plus the settlement for Incremental Product minus the PTB ADJ and minus CAISO Penalties and CAISO Costs.
- C. If the Real-Time Price is less than the Day Ahead Price then:
 1. The PTB ADJ equals zero (0);
 2. The settlement for PPA GEN is calculated as the lesser of PPA GEN or Delivered Energy multiplied by the Contract Price multiplied by the TOD Factor;
 3. The settlement for Incremental Product is calculated as follows:

- a. If Delivered Energy is less than or equal to PPA GEN then the settlement for Incremental Product equals zero (0);
 - b. If Delivered Energy is greater than PPA GEN, then the settlement for Incremental Product equals the positive difference between Delivered Energy and PPA GEN multiplied by the Incremental Price;
4. The total settlement for the Settlement Interval is equal to the settlement for PPA GEN plus the settlement for Incremental Product minus CAISO Penalties and CAISO Costs.
- (12) In the instance of Buyer Bid Curtailment or a Buyer Curtailment Order, only PPA GEN will be used to calculate the quantity of Deemed Delivered Energy and only the difference between PPA GEN and the specified curtailment level (Pmin or above) will be paid at the Deemed Delivered Energy Price. If, in this instance, the day ahead forecast submitted for TOT GEN is greater than that for PPA GEN, no payment is made for the difference between TOT GEN and PPA GEN and the Incremental Product is assumed to be zero (0).
- (13) Seller will modify its invoice provided to Buyer in accordance with Section 6 of the Agreement to show Product delivered under the terms of the Agreement and to separately show Incremental Product delivered. Seller also agrees to provide all detailed calculations underlying the invoice as well as its estimate of any Performance Tolerance Band adjustments made per the provisions of Section 4.7(c) of the Agreement and as described in (10) above.
- The amount of Delivered Fuel that can be accepted by each of the five Aggregated Generation Facilities and the total amount of Delivered Fuel that can be accepted are shown in Exhibit B. Seller will update this schedule monthly and provide it to crph@pge.com no later than five (5) days before the calendar month to show the quantity of Delivered Fuel Seller expects to be able to accept for each of the next twelve (12) months. Buyer may designate the Generation Facility to receive Delivered Fuel, the dates of shipment of Delivered Fuel, and the amount of Delivered Fuel, in each case in coordination with Seller as to the timing of a Facility's ability to accommodate such deliveries. Seller may deliver Incremental Product from any of the Aggregated Generating Facilities.
- (14) During the first year of the term of this Letter Agreement, the parties will meet and confer on any issues. During this first year, if after meeting and conferring, Buyer determines, in its sole discretion, that Seller is not scheduling PPA GEN and TOT GEN in good faith Buyer may terminate this agreement on one (1) day's notice. In the event of this early termination Seller shall have no more than 60 days to fulfill its obligation to convert any Delivered Fuel not consumed to Incremental Product. After the first full year of the term of this Letter Agreement, if, after good faith efforts to resolve any dispute arising out of this Letter Agreement such dispute(s) remain unresolved, either party may terminate this agreement on ninety (90) days written notice.
- (15) Except as may otherwise be stated explicitly herein, Incremental Product is subject to all provisions of the Agreement and nothing herein is intended to or may be deemed to change any other provision of the Agreement.

- (16) Deliveries of Incremental Product will begin no earlier than the first day of the first month following the Effective Date of this Letter Agreement and will expire on September 8, 2019, unless terminated earlier in accordance with the provisions of (12) above.
- (17) This Letter Agreement may be executed in one or more counterparts each of which shall be deemed an original and all of which shall be deemed one and the same Agreement. Delivery of an executed counterpart of this Agreement by fax will be deemed as effective as delivery of an originally executed counterpart. Any Party delivering an executed counterpart of this Agreement by facsimile will also deliver an originally executed counterpart, but the failure of any Party to deliver an originally executed counterpart of this Agreement will not affect the validity or effectiveness of this Agreement.
- (18) Effective Date. This Letter Agreement shall not become effective until all of the following have occurred:
- (i) This Agreement has been duly executed by the authorized representatives of each of Buyer and Seller;
 - (ii) CPUC Approval has been obtained;
 - (iii) Buyer receives, as part of CPUC Approval or otherwise, a final and non-appealable order of the CPUC without conditions or modifications unacceptable to Buyer that finds that Incremental Product will not be deducted from excess generation in any Renewables Portfolio Standard compliance period pursuant to California Public Utilities Code Section 399.13(a)(4)(B) and CPUC decisions implementing that statutory provision.
- (19) “CPUC Approval” shall be as defined in the Agreement, except that references in that definition to “Agreement” shall mean this Letter Agreement for purposes of this Letter Agreement.

By signing this letter, PG&E and SPI acknowledge and agree to the provisions in this Letter Agreement.

Sincerely,

By:



Name: Martin Wyspianski

Title: Senior Director - Renewable Energy

Date: 3/17/16

PACIFIC GAS AND ELECTRIC COMPANY, a California corporation

Acknowledged and Agreed:

By: 

Name: George Emmerson

Title: President

Date: March 17, 2016

SIERRA PACIFIC INDUSTRIES, a California corporation

EXHIBIT A

FUEL DELIVERY CONTACTS

AGGREGATED GENERATION FACILITY	SPI AGGREGATED GENERATION FACILITY FUEL DELIVERY CONTACT	PG&E FUEL DELIVERY CONTACT
Anderson	[REDACTED] Desk: [REDACTED] Cell: [REDACTED]	Corey Peters Desk: 209.726.6306 Cell: 209.325.5158
Burney	[REDACTED] Desk: [REDACTED] Cell: [REDACTED]	Corey Peters Desk: 209.726.6306 Cell: 209.325.5158
Lincoln	[REDACTED] Desk: [REDACTED] Cell: [REDACTED]	Corey Peters Desk: 209.726.6306 Cell: 209.325.5158
Quincy	[REDACTED] Desk: [REDACTED] Cell: [REDACTED]	Corey Peters Desk: 209.726.6306 Cell: 209.325.5158
Sonora	[REDACTED] Desk: [REDACTED] Cell: [REDACTED]	Corey Peters Desk: 209.726.6306 Cell: 209.325.5158

EXHIBIT B

MAXIMUM ABILITY TO ACCEPT DELIVERED FUEL (BDT)

	Anderson	Burney	Lincoln	Quincy	Sonora	Total Delivered Fuel Limit
FEB	5,000	1,000	2,500	0	4,500	13,000
MAR	5,000	1,000	4,500	0	4,500	15,000
APR	6,000	1,000	5,500	0	4,500	17,000
MAY	6,000	1,800	5,500	0	4,500	17,800
JUN	5,000	1,800	6,500	1,000	4,500	18,800
JUL	8,000	1,800	6,500	1,000	4,500	21,800
AUG	8,000	1,800	6,500	1,000	4,500	21,800
SEP	7,000	1,800	5,500	0	4,500	18,800
OCT	7,000	1,800	5,500	0	4,500	18,800
NOV	6,000	1,000	4,500	0	4,500	16,000
DEC	5,000	1,000	3,500	0	4,500	14,000
JAN 2017	5,000	1,000	2,500	0	4,500	13,000