

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



June 1, 2012

**Advice Letters 3847-E**

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

**Subject: Power Purchase Agreement for Procurement of Renewable Energy Resources Between Montezuma Winds II, LLC, and PG&E**

Dear Mr. Cherry:

Advice Letters 3847-E is effective January 12, 2012 per Resolution E-4459.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division



**Brian K. Cherry**  
Vice President  
Regulation and Rates

*Mailing Address*  
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May 27, 2011

**Advice 3847-E**  
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

**Subject: Power Purchase Agreement for Procurement of Renewable Energy Resources Between Montezuma Winds II, LLC, and Pacific Gas and Electric Company**

## **I. INTRODUCTION**

### **A. Purpose**

Pacific Gas and Electric Company (“PG&E”) seeks the California Public Utilities Commission’s (“Commission”) approval of a purchase power agreement, as amended by the first amendment thereto, (“PPA”) between Montezuma Winds II, LLC (“Montezuma II”)<sup>1</sup> and PG&E. The PPA is for Renewable Portfolio Standard (“RPS”)-eligible energy from a 78.2 megawatt (“MW”) wind project to be located in Birds Landing, California, in Solano County (“Project”).

PG&E also seeks Commission approval of an amendment to an existing Qualifying Facility (“QF”) Standard Offer #4 Power Purchase Agreement covering power produced by a wind project owned by enXco Windfarm V, Inc. (“enXco Windfarm”) and operated by Green Ridge Power, LLC (“Green Ridge Power”), an affiliate of Montezuma II (“enXco PPA”). The Project will be located on the same site as the wind project supplying power under the enXco PPA. Green Ridge Power and enXco Windfarm intend to remove 178 older 100 kV wind turbines from the site in order to facilitate development of the Project; these turbines will be effectively replaced by newer, advanced technology 2.3 MW turbines in the Project. Accordingly, Green Ridge Power, enXco Windfarm, and PG&E have agreed to amend the enXco PPA to reduce the existing contract capacity by 17.8 MW (“enXco Amendment”), or approximately 23 GWh/year.

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<sup>1</sup> Montezuma Winds II, LLC is a subsidiary of NextEra Energy Resources, LLC.

PG&E requests that the Commission issue a resolution no later than December 15, 2011, approving the PPA and enXco Amendment and containing the findings as set forth in Section VI below.

### **B. Subject of the Advice Letter**

PG&E requests that the Commission issue a resolution no later than December 15, 2011 approving the PPA and the enXco Amendment in their entirety, all payments to be made by PG&E under the PPA, and containing the findings required by the definition of CPUC Approval adopted by Decision (“D.”) 07-11-025 and D.08-04-009.<sup>2</sup> As discussed in more detail below and in the confidential appendices, the PPA has a high valuation, reasonable contract price, high viability, and is a reasonable portfolio fit. PG&E found from its least-cost, best-fit (“LCBF”) analysis that the PPA is reasonable, and the Project meets PG&E’s current renewable resource needs. The Project is located in a known wind resource area and is being developed by a viable counterparty. The Project will help PG&E achieve compliance with the RPS requirements at a competitive market price. Furthermore, the Project is in-state, located within PG&E’s service territory, and is interconnected directly to the California Independent System Operator (“CAISO”) grid.

The PPA is a result of bilateral negotiations. Consistent with the protocol used for review of RPS contracts resulting from the 2009 RPS Request for Offers (“RFO”), PG&E has included Confidential Appendices A through G and Public Appendix H, which demonstrate the reasonableness of the PPA. In addition, PG&E has attached, as Confidential Appendix I, a copy of the enXco Amendment. As discussed below, PG&E requests confidential treatment for the information contained in Appendices A through G and Appendix I.

The first amendment to the PPA (“First Amendment”) was executed May 18, 2011, in response to D.11-01-025, which directed certain revisions to the non-modifiable standard terms and conditions that are required to be included in all RPS contracts. The First Amendment makes the required language changes.

### **C. General Description of the PPA**

The following table summarizes the substantive features of the Project:

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<sup>2</sup> As provided by D.07-11-025 and D.08-04-009, the Commission must approve the PPA and payments to be made there under, and find that the procurement will count toward PG&E’s RPS procurement obligations.

<b>Project Name</b>	Montezuma Winds II
<b>Owner/Developer</b>	Montezuma Winds II, LLC, a subsidiary of NextEra Energy Resources, LLC
<b>Technology</b>	As-available wind power
<b>Capacity (MW)</b>	78.2 MW
<b>Capacity Factor</b>	29%
<b>Expected Generation (GWh/Year)</b>	201 GWh <sup>3</sup>
<b>Initial Commercial Operational Date (COD)</b>	11/1/2012
<b>Date Contract Delivery Term Begins</b>	Commercial Operation Date
<b>Delivery Term (Years)</b>	25 years
<b>Vintage (New/Existing/Repower)</b>	New
<b>Location (City and State)</b>	Birds Landing, CA
<b>Control Area (e.g., California Independent System Operator (“CAISO”), Bonneville Power Administration (“BPA”))</b>	CAISO
<b>Nearest Competitive Renewable Energy Zone (CREZ), As Identified By the Renewable Energy Transmission Initiative (RETI)</b>	Solano
<b>Price Relative to MPR</b>	Price is below the applicable 2009 MPR for a project coming online in 2012. Price information is discussed in further detail in Confidential Appendix D.

A copy of the PPA and the First Amendment is provided in Confidential Appendix F. A copy of the enXco Amendment is provided in Confidential Appendix I. Contract analysis is provided in Confidential Appendix D.

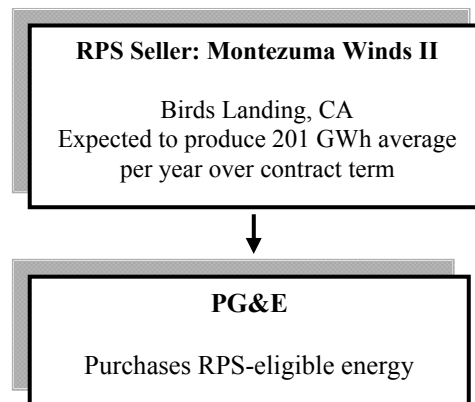
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<sup>3</sup> From 2012 - 2017, the annual GWh of 201 GWh/year will be offset by the capacity reduction of approximately 23 GWh/year resulting from the enXco Amendment.

#### D. General Deal Structure

The Project is a 78.2 MW wind facility. The Project will interconnect to the CAISO controlled transmission system. PG&E will be the scheduling coordinator. There is no firming and shaping associated with this deal.

**Figure 1: PPA Delivery Structure**



#### E. RPS Statutory Goals

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. On April 12, 2011, Governor Brown approved Senate Bill 2 in the First Extraordinary Session of the 2011 Legislative Session (“SBX1 2”) increasing California’s RPS target to 33 percent of delivered energy from RPS-eligible facilities by 2020. SBX1 2 also includes incremental goals between 2010 and 2020 to meet California’s 33 percent by 2020 target. The Project is scheduled to become operational on November 1, 2012. The PPA will contribute to achieving PG&E’s incremental targets and the 33 percent by 2020 RPS goal.

#### F. Confidentiality

In support of this Advice Letter, PG&E has provided the following confidential information, including 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.

**Confidential Attachments:**

**Appendix A – Consistency With Commission Decisions and Rules and Project Development Status**

**Appendix B – 2009 Solicitation Overview**

**Appendix C – Independent Evaluator Report (Confidential)**

**Appendix D – Contract Summary**

**Appendix E – Comparison of Contract With PG&E’s 2011 Pro Forma Power Purchase Agreement**

**Appendix F – Power Purchase Agreement and First Amendment**

**Appendix G – Project’s Contribution Toward RPS Goals**

**Appendix I – enXco Amendment**

**Public Attachment:**

**Appendix H – Independent Evaluator Report (Public)**

**II. CONSISTENCY WITH COMMISSION DECISIONS**

**A. Consistency With PG&E’s Adopted RPS Procurement Plan**

PG&E’s 2009 Renewable Procurement Plan (“2009 Plan”) was conditionally approved in D.09-06-018 on June 4, 2009. As required by statute, the 2009 Plan included an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of compliance flexibility mechanisms established by the

Commission, and a bid solicitation setting forth the need for renewable generation of various operational characteristics.<sup>4</sup>

The goal of PG&E's 2009 Plan is to procure approximately one to two percent of its retail sales volume, or between 800 GWh and 1,600 GWh, per year. With expected RPS-eligible energy deliveries, on average, of approximately 201 GWh per year, the PPA meets the criteria for the renewables procurement contained in the 2009 Plan. Projects capable of providing actual deliveries in the near-term are especially valuable to PG&E. Additionally, the PPA will contribute to PG&E's longer-term RPS goals.

The PPA is also consistent with PG&E's approved 2009 Plan because it was evaluated consistent with the review protocol in the 2009 RPS Solicitation, including portfolio fit, viability, and market valuation.

### **B. Consistency With Commission Guidelines for Bilateral Contracting**

PG&E negotiated the PPA on a bilateral basis because the offer was at a favorable price (*i.e.*, below the 2009 MPR) with acceptable terms and conditions, and because there was a high probability that, if the offer had been deferred to PG&E's 2011 RPS solicitation, the Project's online date could have been significantly delayed. By negotiating this transaction on a bilateral basis, rather than under the 2011 RPS Solicitation, PG&E will be able to secure deliveries of RPS-eligible power from the PPA in 2012 to enhance its 20% RPS compliance position through 2013.

To address the issue of bilateral contracting, the Commission developed guidelines pursuant to which utilities may enter into bilateral RPS contracts. In D.03-06-071, the Commission authorized entry into bilateral RPS contracts, provided that such contracts did not require Public Goods Charge funds and were "prudent."<sup>5</sup> Later, in D.06-10-019, the Commission again held that bilateral contracts were permissible provided that they were at least one month in duration and also found that such contracts must be reasonable and submitted for Commission approval by advice letter.<sup>6</sup> Also in that decision, the Commission stated that bilateral contracts were not eligible for supplemental energy payments.<sup>7</sup>

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<sup>4</sup> Pub. Util. Code § 399.14(a)(3).

<sup>5</sup> D.03-06-071 at 57-58.

<sup>6</sup> D.06-10-019 at 29.

<sup>7</sup> *Id.* at 31.

Based on D.03-06-071 and D.06-10-019, the Commission set forth the following four requirements for approval of bilateral contracts in a Resolution approving a bilateral RPS contract executed by PG&E: (1) the contract is submitted for approval by advice letter; (2) the contract is longer than one month in duration; (3) the contract does not receive above-market funds (“AMFs”); and (4) the contract is deemed reasonable by the Commission.<sup>8</sup> The Commission noted that it would be developing evaluation criteria for bilateral contracts, but that the above four requirements would apply in the interim.<sup>9</sup>

On June 19, 2009, the Commission issued D.09-06-050 establishing price benchmarks and contract review processes for short-term and bilateral RPS contracts. D.09-06-050 provides that bilateral contracts should be reviewed using the same standards as contracts resulting from RPS solicitations.

The PPA satisfies the four requirements listed above and the requirements of D.09-06-050. The PPA is being submitted for approval via this Advice Letter and is not eligible for AMFs because it resulted from bilateral negotiations. The PPA’s term is longer than one month in duration—it has a term of 25 years. Finally, the PPA is reasonable when considered against the pricing and other standards used for evaluating contracts resulting from PG&E’s 2009 RPS Solicitation, as PG&E explains in this Advice Letter and in the attached Confidential Appendices. The Commission should therefore approve the PPA.

### **C. Consistency of Bid Evaluation Process With Least-Cost, Best-Fit Decision**

The RPS statute requires PG&E to procure the “least-cost, best-fit” (“LCBF”) eligible renewable resources.<sup>10</sup> The LCBF decision directs the utilities to use certain criteria in their bid ranking<sup>11</sup> and offers guidance regarding the process by which the utility ranks bids in order to select or “shortlist” the bids with which it will commence negotiations. PG&E’s approved process for identifying the LCBF renewable resources focuses on four primary areas:

1. Determination of market value of bid;
2. Calculation of transmission adders and integration costs;
3. Evaluation of portfolio fit; and

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<sup>8</sup> Resolution E-4216 at 5.

<sup>9</sup> *Id.*

<sup>10</sup> Pub. Util. Code § 399.14(a)(2)(B).

<sup>11</sup> D.04-07-029.



#### 4. Consideration of non-price factors.

PG&E examined the reasonableness of the PPA using the same comparison tools used with other RPS transactions received in the 2009 RPS Solicitation and with bilaterals currently being offered to PG&E. The general finding is that this Project is reasonably priced and viable. A more detailed discussion of PG&E's evaluation of the PPA is provided in Confidential Appendices A and D.

##### **1. 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 includes evaluation of the bid price and indirect costs, such as transmission and integration costs. PG&E's analysis of the market value of the PPA is addressed in Confidential Appendix A.

##### **2. Portfolio Fit**

Portfolio fit considers how well an offer's features match PG&E's portfolio needs. As part of the portfolio fit assessment, PG&E differentiates offers by the firmness of their energy delivery and by their energy delivery patterns. A higher portfolio fit measure is assigned to the energy that PG&E is sure to receive and fits the needs of the existing portfolio. The proposed Project is expected to offer deliveries no later than November 1, 2012, or earlier, and continue for 25 years, which will contribute toward PG&E's RPS goals and will provide additional wind generation to PG&E's portfolio. Thus, the PPA fits PG&E's portfolio in a satisfactory manner. The projected profile for the Project shows that its production will be the greatest during May through September, which correlates with PG&E's seasonal system needs. The fit of the Project with PG&E's portfolio is moderate.

##### **3. Consistency With the Transmission Ranking Cost Decision**

No transmission cost adders were used in the evaluation of the Project as the primary network upgrades required for the Project have been constructed. The Project is currently proceeding with interconnection activities.

#### **4. Consistent Application of TOD**

The price for the power under the PPA is not subject to Time of Delivery (“TOD”) adjustments.

#### **5. Qualitative Factors**

PG&E considered qualitative factors as required by D.04-07-029 and D.07-02-011 when evaluating the PPA, including benefits to low income or minority communities, environmental stewardship, local reliability, and resource diversity benefits. During construction of the Project, approximately 35 people will be employed for between four and eight months. Local construction and suppliers will be used to the extent possible. Additionally, after construction, two to three new permanent jobs will be required for turbine operation and maintenance.

#### **D. Compliance With Standard Terms and Conditions**

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 Tradable Renewable Energy Credits (“TREC”) were finalized in D.10-03-021, as modified in D.11-01-025.

The non-modifiable terms in the PPA and First Amendment conform exactly to the “non-modifiable” terms set forth in Attachment A of D.07-11-025 and Appendix A of D.08-04-009, as modified by D.08-08-028 and Appendix C of D.10-03-021, as modified in D.11-01-025.

The terms in the PPA that correspond to the “modifiable” standard terms and conditions drafted in D.07-11-025 and D.08-04-009 have been slightly modified based upon mutual agreement reached during negotiations. Comparisons of the modifiable terms in the PPA against the modifiable terms in PG&E’s 2011 RPS PPA form in the Solicitation Protocol dated May 4, 2011 is provided in Confidential Appendix E.

Each provision in the PPA is essential to the negotiated agreement between the parties, and, therefore, the Commission should not modify any of the provisions. The Commission should consider the PPA as a whole in terms of its ultimate effect on utility customers. PG&E submits that the PPA protects the interests of its customers while

achieving the Commission's goal of increasing procurement from eligible renewable resources.

The following table sets forth the specific page and section number where the Commission's non-modifiable terms are located in the PPA and First Amendment. These terms are highlighted in blue in the PPA and First Amendment, both attached as Confidential Appendix E.

<b>Non-Modifiable Term</b>	<b>PPA Section No.</b>	<b>PPA Page No.</b>
<b><i>From Power Purchase Agreement</i></b>		
STC 1: CPUC Approval	1.42	4
STC 2: Renewable Energy Credits ("REC") and Green Attributes		
<ul style="list-style-type: none"> <li>• Definition of Green Attributes</li> </ul>	1.98	10 - 11
<ul style="list-style-type: none"> <li>• Conveyance of Green Attributes</li> </ul>	3.2	30
STC 6: Eligibility	10.2(b)	49
STC 17: Applicable Law	10.12	58
STC REC-1 Transfer of RECs	10.2(b)	49
STC REC-2 Tracking of RECs in WREGIS	3.1(k)(viii)	27
<b><i>From First Amendment</i></b>		
STC 6: Eligibility	10.2(b) and Item 1.2 of First Amendment	First Amendment Page 2
STC REC-1 Transfer of RECs	10.2(b) and Item 1.2 of First Amendment	First Amendment Page 2
STC REC-2 Tracking of RECs in WREGIS	3.1(k)(viii) and Item 1.1. of First Amendment	First Amendment Page 2

The Project will interconnect directly with the CAISO. Therefore, the PPA does not include the non-modifiable terms intended for REC-only contracts.

**E. Consistency With Unbundled Renewable Energy Credit Transactions**

The PPA is for the purchase of bundled RPS-eligible energy and therefore does not involve the purchase of unbundled renewable energy credits.

**F. Consistency With Minimum Quantity Decision**

In D.07-05-028, the Commission determined that in order to count energy deliveries from short-term contracts with existing facilities toward RPS goals, RPS-obligated load-serving entities must contract for deliveries equal to at least 0.25 percent of their prior year's retail sales through long-term contracts or through short-term contracts with new facilities.

The PPA is a long-term contract executed in 2010 and thus counts towards PG&E's procurement obligation under D.07-05-028. PG&E expects that, in 2010, it will be in compliance with the minimum quantity set for in D.07-05-028 and will contribute to meeting requirements in the 2011-2013 compliance period and beyond, in accordance with SBX1 2.

**G. Tier 2 Short-Term Contract "Fast Track" Process**

PG&E is not submitting this contract under the "Fast Track" Process.

**H. Market Price Reference ("MPR")**

The actual price under the PPA is confidential, market sensitive information. However, the PPA price is below the 25-year 2009 MPR for projects with a 2012 commercial online dated adopted in Resolution E-4298 on December 17, 2009. Total cost information is discussed in Confidential Appendix D.

As discussed above in the LCBF section, the overall reasonableness of the PPA was examined using the same comparison tools as with RPS transactions resulting from the 2009 RPS Solicitation. PG&E compared the price and net market value of the Project to offers resulting from the 2009 RPS Solicitation, recently executed contracts, and other bilateral offers currently being made to PG&E as detailed in Confidential Appendices A and D.

As discussed in the section entitled “Independent Evaluator” below, PG&E employed Lewis Hashimoto from Arroyo Seco Consulting to be the Independent Evaluator (“IE”) of this Project. The IE stated in the IE report (attached in public Appendix H) that, as the contract will provide high net valuation, a low contract price, moderate portfolio fit, and high project viability, the PPA merits CPUC approval.

#### **I. Above-Market Funds (“AMF”)**

The PPA is not eligible for AMFs because it is the result of bilateral negotiations. However, as the PPA is priced below the MPR, this ineligibility is not applicable.

#### **J. Compliance With Interim Emissions Performance Standard**

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 or more years 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.

#### **K. Procurement Review Group Participation**

PG&E discussed the Project with its Procurement Review Group (“PRG”) on December 10, 2010, and March 8, 2011. PG&E addresses PRG feedback in Confidential Appendix A.

#### **L. Independent Evaluator**

As discussed above, the IE, Lewis Hashimoto of Arroyo Seco Consulting, participated in the negotiation’s material discussions and communications, evaluated the PPA, and concluded that the PPA merits CPUC approval. Appendix H includes the public portion of the IE’s report and Appendix C includes confidential information.

### **III. PROJECT DEVELOPMENT STATUS**

#### **A. Company/Development Team**

Montezuma Winds II, LLC, is a subsidiary of NextEra Energy Resources, which is a subsidiary of FPL Group, Inc. NextEra is the largest generator of wind and solar power in North America with approximately 115 facilities in operation in 26 states and Canada. It has more than 18,850 MW of generating capacity in operation.

NextEra has extensive power plant development, construction, and execution experience, as well as experience in the development and construction of transmission infrastructure. The company was founded as ESI Energy in 1985, giving it over twenty years of experience. A complete description of NextEra core competencies in project development, construction, operation, transmission, and financing is available at [www.nexteraenergyresources.com](http://www.nexteraenergyresources.com).

#### **B. Technology**

##### **1. Technology Type and Level of Technology Maturity**

The Project expects to use Siemens 2.3 MW -101 wind turbines. The technology is proven and similar technology has been utilized in currently operational utility scale wind projects worldwide.

##### **2. Quality of Renewable Resource**

The Project is located in a well-known and highly predictable wind resource area. NextEra conducted an independent wind resource evaluation of the Project site using Windlogic and internal models. NextEra's wind data was supplemented with regional wind data from which NextEra determined the net capacity factor available for the Project area.

##### **3. Other Resources Required**

None.

#### **C. Development Milestones**

Additional discussion is included in Confidential Appendix A.

**1. Site Control**

The Site is on private land. NextEra has secured lease options for the 2,400 acres that comprise the Project area.

**2. Equipment Procurement**

NextEra will be the Engineering, Procurement, and Construction (“EPC”) contractor on the Project.

**3. Permitting / Certification Status**

The Project expects to receive its Conditional Use Permit and a Final Environmental Impact Report on July 21, 2011.

**4. Production Tax Credit/Investment Tax Credit**

The Project will utilize the Investment Tax Credit (“ITC”).

**5. Transmission**

The Project will interconnect to the CAISO-controlled grid on PG&E’s system. The point of interconnection will be the PNode at the Birds Landing substation.

**D. Financing Plan**

Montezuma II’s financing plans are confidential and described in Confidential Appendix A.

**IV. CONTINGENCIES AND PROJECT MILESTONES**

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.

## V. REGULATORY PROCESS

### A. Requested Effective Date

PG&E requests that the Commission issue a resolution approving this advice filing no later than **December 15, 2011**. Justification for this date is provided in Confidential Appendix D.

### B. Earmarking

PG&E reserves the right to earmark deliveries from the PPA.

## VI. REQUEST FOR COMMISSION APPROVAL

PG&E requests that the Commission issue a resolution no later than **December 15, 2011**, that:

1. Approves the PPA and the First Amendment in their 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. Approves the enXco Amendment in its entirety.
3. Finds that any procurement pursuant to the PPA is procurement from an eligible renewable energy resource 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 Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.) ("RPS") Decision ("D.") 03-06-071 and D.06-10-050, or other applicable law.
4. Finds that all procurement and administrative costs, as provided by Public Utilities Code section 399.14(g), associated with the PPA shall be recovered in rates.
5. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
  - a. The PPA is consistent with PG&E's 2009 RPS procurement plan.



- b. The terms of the PPA, including the price of delivered energy, are reasonable.
6. 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 costs that may arise from the PPA are 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.
7. Adopts the following findings with respect to resource compliance with the Emissions Performance Standard ("EPS") adopted in R.06-04-009:
  - a. The PPA is not covered procurement subject to the EPS because the generating facility has a forecast 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.

**Protests:**

Anyone wishing to protest this filing may do so by sending a letter by **June 16, 2011**, which is **20** days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and it should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)

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

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

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

Facsimile: (415) 973-6520  
E-Mail: PGETariffs@pge.com

**Effective Date:**

PG&E requests that the Commission issue a resolution approving this advice filing on **December 15, 2011**.

**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.10-05-006. 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 and electronic approvals should be directed to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Vice President – Regulation and Rates

cc: Service Lists for R.11-05-005 and R.10-05-006  
Paul Douglas – Energy Division  
Sean Simon – Energy Division

Attachments

**Limited Access to Confidential Material:**

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

**Confidential Attachments:**

**Appendix A – Consistency With Commission Decisions and Rules and Project Development Status**

**Appendix B – 2009 Solicitation Overview**

**Appendix C – Independent Evaluator Report (Confidential)**

**Appendix D – Contract Summary**

**Appendix E – Comparison of Contract With PG&E's 2011 Pro Forma Power Purchase Agreement**

**Appendix F – Power Purchase Agreement**

**Appendix G – Project's Contribution Toward RPS Goals**

**Appendix I – enXco Amendment**

**Public Attachment:**

**Appendix H – 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 No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

- ELC       GAS  
 PLC       HEAT       WATER

Contact Person: David Poster and Linda Tom-Martinez

Phone #: (415) 973-1082 and (415) 973-4612

E-mail: dxpu@pge.com and lmt1@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3847-E**

Tier: **3**

Subject of AL: **Power Purchase Agreement for Procurement of Renewable Energy Resources Between Montezuma Winds II, LLC, and Pacific Gas and Electric Company**

Keywords (choose from CPUC listing): Contracts, Portfolio

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

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

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

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

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

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

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Richard Miram (415) 973-1170

Resolution Required?  Yes  No

Requested effective date: **December 15, 2011**

No. of tariff sheets: N/A

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

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

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

**CPUC, Energy Division**

**Tariff Files, Room 4005**

**DMS Branch**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Brian Cherry**

**Vice President, Regulation and Rates**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**

**DECLARATION OF RICHARD MIRAM  
SEEKING CONFIDENTIAL TREATMENT  
FOR CERTAIN DATA AND INFORMATION CONTAINED IN  
ADVICE LETTER 3847-E  
(PACIFIC GAS AND ELECTRIC COMPANY - U 39 E)**

I, Rich Miram, declare:

1. I am presently employed by Pacific Gas and Electric Company ("PG&E") and have been an employee at PG&E since 1973. My current title is Principal within PG&E's Energy Procurement organization. In this position, my responsibilities include negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties and have also gained knowledge of the operations of electricity sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating positions of electricity sellers with respect to price and other terms, as well as with the type of information that such sellers consider confidential and proprietary.

2. Based on my knowledge and experience, and in accordance with Decision ("D.") 08-04-023 and the August 22, 2006, "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," I make this declaration seeking confidential treatment of Appendices A, B, C, D, E, F, G, and I to Advice Letter 3847-E submitted on May 27, 2011. By this Advice Letter, PG&E is seeking this Commission's approval of the power purchase agreement (PPA) and the First Amendment of the PPA that PG&E has executed with NextEra Energy Montezuma Wind II, LLC. PG&E also seeks approval of the enXco Amendment that PG&E has executed with Green Ridge Power, LLC and EnXco Windfarm V, Inc.

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 Public Utilities Code § 583 and General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text 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 May 27, 2011, at San Francisco, California.

A handwritten signature in cursive script that reads "Rich Miram".

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Rich Miram

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 08-06-068 AND DECISION 08-04-023

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 and Appendix C to D.08-04-023 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
1	Document: Advice Letter 3847-E						
2	Appendix A	Item VII F) Renewable Resource Contracts under RPS program - Contract with SEPs.  Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects.  Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids.  General Order 66-C.	Y	Y	Y	This Appendix contains bid information and evaluation from the 2009 Solicitation; discusses, analyzes, and evaluates the Project and the terms of the PPA; and contains confidential information of the counterparties. Disclosure of this information would provide valuable market sensitive information to competitors. Since negotiations are still in process with bidders for the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations.  Finally, this information has been obtained in confidence from the counterparties under an expectation of confidentiality. It is in the public interest to treat such information as confidential because if such information were made public, it would put the counterparties at a business disadvantage, could create a disincentive to do business with PG&E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparties.	For information covered under Item VIII F) and Item VII, remain confidential for three years.  For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval.  For information covered under Item VIII B), remain confidential for three years after winning bidders selected.  For information covered by General Order 66-C, remain confidential.
3	Appendix B	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 evaluation from the 2009 Solicitation. This information would provide market sensitive information to competitors and is therefore considered confidential. Furthermore, offers from the 2005, 2006, 2007, 2008, and 2009 solicitations and offers received outside of those solicitations are still under negotiation, further substantiating why releasing this information would be damaging to the negotiation process.	For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval.  For information covered under Item VIII B), remain confidential for three years after winning bidders selected.

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 and Appendix C to D.08-04-023 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
4 Appendix C	Y	Item VII F) Renewable Resource Contracts under RPS program - Contracts with SEPs. Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids. General Order 66-C.	Y	Y	Y	This Appendix contains bid information and bid evaluations from the 2009 Solicitation; discusses, analyzes and evaluates the Project and the terms of the PPA; contains confidential information of the counterparties; and contains analyses and evaluations of project viability. Disclosure of this information would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations.  Finally, this information has been obtained in confidence from the counterparties under an expectation of confidentiality. It is in the public interest to treat such information as confidential because if such information were made public, it would put the counterparties at a business disadvantage, could create a disincentive to do business with PG&E and other regulated utilities, and could have a damaging effect on current and future negotiations with other counterparties.	For information covered under Item VII F) and Item VII, remain confidential for three years.  For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval.  For information covered under Item VIII B), remain confidential for three years after winning bidders selected.  For information covered by General Order 66-C, remain confidential.
5 Appendix D	Y	Item VII F) Renewable Resource Contracts under RPS program - Contracts with SEPs. Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VIII A) Bid information and B) Specific quantitative analysis involved in scoring and evaluation of participating bids. General Order 66-C.	Y	Y	Y	This Appendix contains bid information and evaluation from the 2009 Solicitation; discusses, analyzes, and evaluates the Project and the terms of the PPA; and contains confidential information of the counterparties. Disclosure of this information would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparties to the PPA have an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA.	For information covered under Item VII F) and Item VII, remain confidential for three years.  For information covered under Item VIII A), remain confidential until after final contracts submitted to CPUC for approval.  For information covered under Item VIII B), remain confidential for three years after winning bidders selected.  For information covered by General Order 66-C, remain confidential.
Appendix E		Item VII F) Renewable Resource Contracts under RPS program - Contracts with SEPs.	Y	Y	Y	This Appendix contains the terms of the PPA. Disclosure of certain terms of the PPA would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparties to the PPA have an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA.	Remain confidential for three years.



Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 and Appendix C to D.08-04-023 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the confidentiality limitations on confidentiality specified in the Matrix for that type of data. (Y/N)	4) That the information is not already public. (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
7 Appendix F	Y	Item VII F) Renewable Resource Contracts under RPS program - Contracts with SEPs.	Y	Y	Y	This Appendix contains the PPA. Disclosure of the PPA would provide valuable market sensitive information to competitors. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential. Release of this information would be damaging to negotiations. Furthermore, the counterparties to the PPA have an expectation that the terms of the PPA will remain confidential pursuant to confidentiality provisions in the PPA.	Remain confidential for three years.
8 Appendix G	Y	Item VII (un-numbered category following VII G) Score sheets, analyses, evaluations of proposed RPS projects. Item VI B) Utility Bundled Net Open Position for Energy (MWh).	Y	Y	Y	This Appendix contains information that, if disclosed, would provide valuable market sensitive information to competitors and allow them to see PG&E's remaining RPS net open energy position. Since negotiations are still in progress with bidders from the 2005, 2006, 2007, 2008, and 2009 solicitations and with other counterparties, this information should remain confidential for three years.	Remain confidential for three years.

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

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