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

A1108005

**Application of Pacific Gas and Electric Company (U 39E)
for Approval of Fixed Energy Price Amendments With
Existing Renewable Qualifying Facilities and Associated
Cost Recovery.**

Application No. 11-08-_____

**APPLICATION OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
FOR APPROVAL OF
FIXED ENERGY PRICE AMENDMENTS
WITH EXISTING RENEWABLE
QUALIFYING FACILITIES**

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Dated: August 3, 2011

TABLE OF CONTENTS

| | Page |
|---|----------|
| I. INTRODUCTION AND AUTHORITY REQUESTED | 1 |
| II. BACKGROUND AND DESCRIPTION OF THE AMENDMENT..... | 3 |
| A. Background..... | 3 |
| B. Description Of The Amendment..... | 3 |
| 1. The Fixed Energy Price | 4 |
| 2. Generation Forecasting And Outage Reporting..... | 4 |
| 3. Consistency With RPS Terms..... | 5 |
| C. The FEPA Offer..... | 5 |
| D. Incremental Cost Of The FEPA | 6 |
| III. THE AMENDMENT IS REASONABLE AND BENEFICIAL. | 7 |
| A. Fixed Energy Pricing has Been Approved For QF Contracts..... | 7 |
| B. The PPAs Are Consistent With The QF/CHP Settlement | 8 |
| C. The Amendment Is Reasonable | 8 |
| IV. OVERVIEW OF ATTACHMENTS..... | 9 |
| V. COMPLIANCE WITH THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE..... | 9 |
| A. Summary Of Authorization Request (Rule 2.1) | 9 |
| B. Statutory Authority (Rule 2.1) | 10 |
| C. Categorization, Hearings, Issues To Be Considered, And Schedule (Rules 2.1(c) and 7.1)..... | 10 |
| 1. Proposed Category | 10 |
| 2. Need For Hearing..... | 10 |
| 3. Issues To Be Considered..... | 10 |
| 4. Proposed Schedule | 10 |
| D. Legal Name And Principal Place Of Business (Rule 2.1(a))..... | 11 |
| E. Correspondence And Communication Regarding This Application (Rule 2.1(b))..... | 11 |

TABLE OF CONTENTS
(continued)

| | Page |
|--|-------------|
| F. Articles Of Incorporation (Rule 2.2)..... | 12 |
| G. Balance Sheet And Income Statement (Rule 3.2(a)(1))..... | 12 |
| H. Statement Of Presently Effective Rates And Proposed Increases (Rules 3.2(a)(2) and (a) (3))..... | 12 |
| I. Summary Of Earnings (Rules 3.2(a)(5) and 3.2(a)(6))..... | 12 |
| J. Most Recent Proxy Statement (Rule 3.2(a)(8)) | 12 |
| VIII. REQUESTED RELIEF | 13 |

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I. INTRODUCTION AND AUTHORITY REQUESTED.

Pacific Gas and Electric Company (“PG&E”) respectfully files this Application pursuant to Article 2 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“CPUC” or “Commission”). In this Application, PG&E seeks approval of forty-eight Fixed Energy Price Amendments (“FEPAs” or “Amendments”) that it has executed with forty-eight qualifying facilities that use renewable energy resources to deliver electricity under their existing power purchase agreements (“PPAs”) with PG&E (“Renewable QFs” or “Sellers”). PG&E requests the Commission to issue a decision no later than December 31, 2011 that:

- (1) Approves the FEPA;
- (2) Finds that the FEPAs are reasonable; and
- (3) Authorizes PG&E to recover all costs incurred under the FEPAs in rates, subject only to ongoing review of the reasonableness of PG&E’s administration of the FEPA through the Energy Resource Recovery Account (“ERRA”) or other appropriate ratemaking mechanism.

Each of the forty-eight Amendments consists of a pro-forma FEPA that has been signed by the Renewable QF and PG&E without any changes to the form.¹ The pro-forma FEPA provides the Renewable QFs with a fixed-price version of the short run avoided cost (“SRAC”) that was adopted in the Qualifying Facility and Combined Heat and Power Program Settlement (“QF/CHP Settlement”)². In exchange, Sellers agree to provide PG&E with non-binding forecasts of their generation and notice of outages. Sellers also agree to maintain their status as Eligible Renewable Energy Resources and take other actions to enable PG&E to claim the benefits of their renewable generation under the Renewables Portfolio Standard (“RPS”) program.

The FEPAs will take effect upon the fulfillment of the two conditions precedent:

- (1) CPUC approval of this Application by December 31, 2011; and
- (2) The effectiveness of the QF/CHP Settlement.³

The FEPAs will remain in effect for the remaining term of the existing QF contracts, but for no more than five years. PG&E requests the Commission to act by December 31, 2011; otherwise, it will be impossible for the first Condition Precedent to be met.

PG&E submits forty-eight executed Amendments for approval through this Application. However, instead of filing each Amendment, PG&E has attached the pro-forma FEPA as Attachment A and a list of the Renewable QFs that have accepted the offer as Attachment B.

The Declaration of Hugh M. Merriam in Support of the Fixed Energy Price Amendment

¹ In this Application, capitalized terms have the meaning provided by the pro-forma FEPA. In the event of discrepancy, the definitions in the FEPA shall control.

² See, “QF/CHP Settlement Agreement Term Sheet,” approved by CPUC Decision (“D.”)10-12-035.

³ The QF/CHP Settlement Agreement was approved by the Commission in D.10-12-035; however, that approval has not yet become final and non-appealable in accordance with the Settlement Agreements’ terms.

(“*Merriam Declaration*”) is attached as Attachment C.⁴ Attachments D through F present the material required by Commission Rule 2.1 of all applications submitted to the CPUC.

In the following sections, PG&E explains that the FEPAs are reasonable, are in the best interests of PG&E’s customers, and should be approved.

II. BACKGROUND AND DESCRIPTION OF THE AMENDMENT.

A. Background.

Existing Renewable QFs delivering under the terms of a Standard Offer PPA from the 1980’s are sometimes referred to as “Legacy QFs”. Many of PG&E’s Legacy QFs are paid a fixed energy price under the terms of a settlement between PG&E and the Independent Energy Producers (“IEP”) that was approved in D.06-07-032. With one exception, those amendments will expire in August of 2011, whereupon, under the terms of the settlement, the Legacy QF’s energy price will revert to variable short run avoided cost (“SRAC-var”).

SRAC-var is the product of a heat rate times PG&E’s price of gas plus variable operation and maintenance costs; SRAC-var is updated monthly. Some Renewable QFs wish to avoid the price fluctuations inherent in the fossil-fuel based SRAC-var. The Fixed Energy Price option eliminates the link between the market price of gas price and the energy payment for Renewable QFs and provides price stability desired by the QF.

B. Description of the Amendment.

The pro-forma FEPA is based on the amendment to existing QF PPAs (“Legacy PPA Amendment”) that was approved as part of the QF/CHP Settlement. The primary difference between the two amendments is that with the FEPA, the energy price is fixed.

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⁴ This arrangement was successfully used to present 121 identical Contract Amendments for Commission approval in Rulemaking (“R.”) 04-04-003 et al, Decision (“D.”) 06-07-032.

1. The Fixed Energy Price.

The Fixed Energy Price is based on the otherwise applicable SRAC Option A formula within the Legacy PPA Amendment with modifications specific to PG&E.

The Option A SRAC is expressed as follows:

$$\text{Energy Price \$/kWh} = (\text{Applicable HR} * \text{BTGP}/1,000,000 + \text{VOM}) * \text{TOU} + \text{LA} + \text{GHG Charges}$$

The “Applicable Heat Rate” for the current year is selected from the table in the Legacy Amendment. The burner tip gas price (“BTGP”) is as defined by D.07-09-040 and CPUC Resolution E-4246. To create a gas price that is valid for five years, PG&E obtained gas price forecasts, applied the escalation factor that was used in the most recent calculation of the RPS Market Price Referent (“MPR”), and levelized the price over the period beginning on September 1, 2011 and ending on August 31, 2016.

The energy price is adjusted by the TOU factors in the Legacy PPA Amendment. However, the TOU-differentiated energy price will not be recalculated each time TOUs are re-published in PG&E’s MPR, as described in Option A, because then the price would not be “fixed.” Ordinarily, application of the “LA” or locational adder would result in an hourly changing price. In the pro-forma FEPA, the LA is set at “zero”.

2. Generation Forecasting And Outage Reporting.

The pro-forma FEPA requires the Seller to make good faith efforts to provide the forecasting and outage reporting as necessary to support PG&E’s compliance with the California Independent System Operators (“CAISO”) scheduling requirements. These terms are the same as those in the Legacy PPA Amendment.⁵ Forecasts generated by this process are non-binding

⁵ See, “QF/CHP Settlement Term Sheet”, Section 11.3, “Non-Binding Forecasting Requirements for Legacy PPAs.”

on the Seller, so that Seller's actual deliveries may deviate from its forecasts without incurring charges. Any charges that do occur are absorbed by PG&E's customers.

No less than thirty days before the start of the Amendment term, Seller will provide PG&E with a forecast of generation for the thirty-day period beginning on the first day of the Amendment. Seller must provide weekly updates for the forward thirty-day period. Seller will update its forecasts as soon as it becomes aware of expected changes in daily, hourly, and real-time deliveries from the Generating Facility for any cause, including changes in the Generating Facility ambient conditions, a Forced Outage, or a Real-Time Forced Outage - any of which results or is expected to result in a material change to the Generating Facility's deliveries.

The pro-forma FEPA stipulates that Seller will describe the disruption in specific terms that will enable PG&E to meet its obligations to report such events to the CAISO. As the QF's scheduling coordinator, PG&E remains responsible for all CAISO charges and is entitled to receive all CAISO revenues.

3. Consistency With RPS Terms.

The Commission's non-modifiable mandatory RPS PPA terms and conditions are included in the pro-forma FEPA to assure that the generation will count toward PG&E's RPS target. The Seller warrants that it is, and will be for the duration of the Amendment, an Eligible Renewable Energy Resource and that the renewable energy credits ("RECs") transferred to PG&E meet the requirements of California's RPS program.

C. The FEPA Offer.

PG&E notified by e-mail each of its Renewable QFs that it was eligible to execute the pro-forma FEPA; QFs with no known valid e-mail address were mailed notification of the Amendment. On June 22, 2011, PG&E posted the pro-forma FEPA, instructions for completing and submitting a signed copy of the Amendment to PG&E, and frequently asked questions

(“FAQs”) on its website. Interested QFs were given until July 18, 2011 to submit an executed copy of the Amendment to PG&E. All forty-eight Amendments signed by the Seller and received by July 18, 2011 have been included in this Application for approval.

QFs that execute the pro-forma FEPA are selecting a fixed SRAC price, instead of the variable SRAC price otherwise available under the Legacy PPA Amendment. Thus, Renewable QFs who sign the pro-forma FEPA waive their right under the QF/CHP Settlement to execute another version of the Legacy Amendment. However, if the FEPAs do not receive final and non-appealable CPUC approval, the Renewable QFs should have the opportunity to execute one of the Legacy PPA Amendments. Pursuant to the terms of the QF/CHP Settlement, the Legacy PPA Amendments are only available for 180 days from the date of the QF/CHP Settlement effective date. PG&E has requested the Commission to approve the FEPAs by December 31, 2011 so that if approval is not granted, each Renewable QF will have sufficient time to exercise its option to execute a Legacy PPA Amendment under the QF/CHP Settlement.

D. Incremental Cost Of The FEPA.

Payments under the FEPAs are based on the same energy price components as the Sellers’ otherwise applicable SRAC. No other pricing term in Seller’s existing PPA is affected. PG&E’s customers should not experience any significant difference in procurement cost due to the Amendment, unless actual gas prices during the Amendment term deviate significantly from currently forecasted prices. The Amendments operate as a hedge against changes in electric procurement costs.

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III. THE AMENDMENT IS REASONABLE AND BENEFICIAL.

The Commission's standards for reviewing QF contract amendments and modifications are not "entirely clear".⁶ In general, however, the Commission examines a QF contract amendment or modification to determine if there are customer benefits that result from the amendment or modification.⁷ Here, as described in more detail below, the FEPAs provide substantial customer benefits and thus should be approved by the Commission.

A. Fixed Energy Pricing Has Been Approved For QF Contracts.

The Commission has previously found that it is reasonable to pay QFs fixed short-run avoided energy cost prices. After the energy crisis of 2001, the Commission adopted an SRAC price that was intended to encourage QFs to resume deliveries. At that time, the Commission found that a proposal to replace the monthly SRAC with a five-year fixed energy price would provide greater incentives to QFs than energy prices that varied each month. The fixed-price structure was also found to provide utility customers greater price certainty and less volatility over the five-year period⁸ and to provide the utility with greater predictability of revenue.⁹

The Commission approved a fixed energy price settlement for a second time in its proceeding to promote consistency in QF pricing, R. 04-04-025. In that case, PG&E and IEP reached a settlement that included an SRAC price and either fixed or variable pricing. Fixed SRAC pricing for five years was offered to renewable energy generators. The total settlement package was found to be consistent with Commission standards for the approval of settlement

⁶ See D.99-02-085, 85 CPUC2d 158, 167 (1999).

⁷ In earlier decisions, the Commission referred to "commensurate" benefits. In other decisions, the Commission referred to customer indifference. *Id.*, at pp. 166-167 (describing Commission decisions and different descriptions of customer benefit standards).

⁸ D.01-06-015, Conclusion of Law 2.

⁹ *Ibid*, Finding of Fact 5.

agreements and was approved.¹⁰ PG&E's FEPA is a similar fixed energy price offer limited to Renewable QFs for an identical five-year term, not to exceed the remaining term of the Seller's contract, and should likewise be approved.

B. The PPAs Are Consistent With The QF/CHP Settlement.

The fixed energy price is based on Pricing Option A of the PPA Legacy Amendment. Option A uses a new calculation of SRAC that is used in the PPAs included in the QF/CHP Settlement.

The pro-forma FEPA incorporates the essential terms of the PPA Legacy Amendment. In particular, it requires the QF to agree to the voluntary generation forecast and outage reporting terms contained in the PPA Legacy Amendment¹¹ and to comply with provisions applicable to eligible renewable energy resources.¹² However, terms concerning greenhouse gas emissions ("GHG") have been omitted because renewable sellers do not create regulated GHG emissions, and the lengthy and complex dispute resolution provisions were not included.

C. The Amendment Is Reasonable.

The FEPA offers generally the same terms and energy price as the Legacy PPA Amendment but at pricing that is better aligned with the operations of renewable QFs. The price is based on an SRAC that was approved by D.10-12-035. The Commission has twice authorized a five-year fixed energy price, i.e., in D.01-06-015 and D.06-07-032. The Amendment will provide the Renewable QFs with greater revenue certainty and will therefore encourage them to continue production for the remaining terms of their PPAs. Consistent deliveries will provide

¹⁰ D.06-07-032.

¹¹ Legacy PPA Amendment Section 1.04, Addition of Forecasting Attachment.

¹² Legacy PPA Amendment Sections 1.05, Additional Representations, Warranties, and Covenants Applicable to Renewable Facilities and 1.07, Additional Defined Terms.

consumers with RPS-eligible electricity at a reasonable price and reduce the potential need to procure replacement renewable power. In addition, the Amendment will provide utility customers greater price certainty and less volatility than otherwise applicable fossil fuel-based SRAC and will benefit PG&E by providing some revenue certainty.

IV. OVERVIEW OF ATTACHMENTS.

PG&E has attached to this Application a copy of the pro-forma FEPA as “Attachment A” and a list of the QFs that have accepted the proposed Amendment as “Attachment B.” The name, PG&E Log Number (which identifies each QF’s original standard offer PPA), and nameplate capacity of each Facility are provided in Attachment B. Copies of each executed Amendment are not being provided due to resource considerations and because no value would be gained by filing a copy of every one of the forty-eight signed Amendments, since each Amendment is identical. A detailed description of pro-forma the FEPA, including how it was developed from the QF/CHP Settlement SRAC model, is provided in “Attachment C,” the *Merriam Declaration*.

V. COMPLIANCE WITH THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE.

A. Summary Of Authorization Requested (Rule 2.1).

PG&E respectfully requests that the Commission issue a decision no later than December 31, 2011 that:

- (1) Approves the FEPAs;
- (2) Finds that the FEPAs are reasonable and in the best interests of PG&E’s customers; and
- (3) Authorizes PG&E to recover the costs incurred under the FEPAs in rates through its ERRA or other appropriate ratemaking mechanism, subject only to the Commission’s ongoing review of the reasonableness of PG&E’s contract administration.

B. Statutory Authority (Rule 2.1).

PG&E submits this Application pursuant to Public Utilities Code §§ 451, 454, 454.5, and 701 and the Commission's Rules of Practice and Procedure.

C. Categorization, Hearings, Issues To Be Considered, And Schedule (Rules 2.1(c) and 7.1).

1. Proposed Category.

PG&E proposes that this Application be categorized as a rate setting proceeding.

2. Need For Hearing,

PG&E believes that the Commission should approve the FEPAs without hearings based on the *Merriam Declaration* and the information presented by PG&E in this Application. Parties that wish to argue the merits of the FEPAs may do so through briefs. If the Commission determines that hearings are necessary, PG&E reserves the right to submit prepared testimony.

3. Issues To Be Considered.

The following issues should be considered in this proceeding:

- (a) Are the FEPAs just and reasonable;
- (b) Should the FEPAs be approved; and
- (c) Should PG&E recover the costs associated with the FEPAs in rates through the ERRRA or other appropriate ratemaking mechanism.

4. Proposed Schedule.

PG&E proposes the following schedule in order to obtain a final decision on this Application by December 31, 2011 in order to meet one of the conditions precedent to the effectiveness of the FEPAs.

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| ACTIVITY | PROPOSED SCHEDULE |
|---------------------------------|--------------------------|
| Application filed | August 3, 2011 |
| Application Noticed | August 5, 2011 |
| Responses filed | September 5, 2011 |
| PG&E's reply to responses | September 12, 2011 |
| Prehearing Conference | September 19, 2011 |
| Concurrent opening briefs filed | September 30, 2011 |
| Concurrent reply briefs filed | October 7, 2011 |
| ALJ's Proposed Decision filed | November 14, 2011 |
| Commission Approval | December 31, 2011 |

D. Legal Name And Principal Place Of Business (Rule 2.1(a)).

The Applicant's legal name is Pacific Gas and Electric Company. PG&E's principal place of business is 77 Beale Street, San Francisco, California. Its post office address is P. O. Box 7442, San Francisco, CA 94120-7422. PG&E is a corporation organized under the laws of the State of California.

E. Correspondence And Communication Regarding This Application (Rule 2.1(b)).

Correspondence regarding this Application should be directed to PG&E's representatives in this matter, listed below:

Evelyn C. Lee
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F. Articles Of Incorporation (Rule 2.2).

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, is on record before the Commission in connection with PG&E's Application 04-05-005 filed with the Commission on May 3, 2004. These articles are incorporated herein by reference, pursuant to Rule 2.2 of the Commission's Rules.

G. Balance Sheet And Income Statement (Rule 3.2(a)(1)).

PG&E's First Quarter 2011 Consolidated Statements of Income and Consolidated Balance Sheets are provided as Attachment D of this Application.

H. Statement Of Presently Effective Rates And Proposed Increases (Rules 3.2(a)(2) and (a) (3)).

PG&E does not propose to modify its electric rates in this Application.

I. Summary Of Earnings (Rules 3.2(a)(5) and 3.2(a)(6)).

PG&E's revenues, expenses, rate base and rates of return summary for the recorded year 2009 are set forth in Attachment E of this Application.

J. Most Recent Proxy Statement (Rule 3.2(a)(8)).

PG&E's most recent Proxy Statement, dated April 1, 2009, was filed with the Commission on May 18, 2009 in Application 09-05-016. This Proxy Statement is incorporated herein by this reference.

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VI. REQUESTED RELIEF.

PG&E respectfully requests that the Commission approve the Amendments as reasonable and determine that all costs associated with the Amendments can be recovered in rates through ERRA or other appropriate ratemaking mechanism, subject only to Commission review of the reasonableness PG&E's administration of the Amendments.

DATED: August 3, 2011

Respectfully submitted,

PACIFIC GAS AND ELECTRIC COMPANY

By: _____ /S/
ROY M. KUGA
Vice President - Energy Supply Management

By: _____ /S/
EVELYN C. LEE

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

VERIFICATION

I, Roy M. Kuga, say:

I am an officer of Pacific Gas and Electric Company, a corporation, and am authorized, pursuant to Code of Civil Procedure § 446, ¶3, to make this Verification for and on behalf of said Corporation, and I make this Verification for that reason. I have read the foregoing Application, and I am informed and believe that the matters therein concerning Pacific Gas and Electric Company are true. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on August 3, 2011, at San Francisco, California.

/S/

ROY M. KUGA
Vice President - Energy Supply Management

ATTACHMENT A

Pro-Forma Fixed Energy Price Amendment

**2011 RENEWABLE FIXED ENERGY PRICE AMENDMENT TO THE
QUALIFYING FACILITY POWER PURCHASE AGREEMENT BETWEEN
(NAME OF QUALIFYING FACILITY)**

AND

**PACIFIC GAS AND ELECTRIC COMPANY
(PG&E LOG NO. _____)**

This 2011 Renewable Fixed energy Price Amendment to [Title of applicable contract] (“Amendment”), by and between Pacific Gas and Electric Company, a California corporation (“Buyer”), and [Seller's name], a [Seller's form of business entity and state of registration] (“Seller”), is entered into as of the later of the signature dates found at the signature block, below. Buyer and Seller are sometimes referred to in this Amendment individually as a “Party” and collectively as the “Parties”. Unless the context specifies or requires, any initially capitalized term used but not otherwise defined in this Amendment has the meaning given to such term in the Agreement (as defined in Recital A).

RECITALS

- A. The Parties entered into that certain [Title of applicable contract] dated [Date of applicable contract], (the “Agreement”);
- B. The Term of Agreement expires on [Expiration Date, if applicable];
- C. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, the California Cogeneration Council, the Cogeneration Association of California, the Energy Producers and Users Coalition, the Independent Energy Producers Association, the Division of Ratepayer Advocates of the California Public Utilities Commission, and The Utility Reform Network (collectively, the “Settling Parties”) entered into the Qualifying Facility and Combined Heat and Power (“QF/CHP”) Settlement dated October 8, 2010, which was approved by the California Public Utilities Commission (“CPUC” or “Commission”) in Decision (“D.”) 10-12-035 (“Settlement Agreement”);
- D. Under the Settlement Agreement, Seller may execute an Amendment to Legacy Power Purchase Agreement (“PPA”) to amend the energy price formula of its Agreement;
- E. The Parties have agreed that Seller shall be paid an escalating Fixed Energy Price based on the Amendment to Legacy PPA for energy delivered during the Amendment Term, as provided below.

NOW, THEREFORE, the Parties, intending to be legally bound, agree as follows:

ARTICLE 1: AMENDMENT TERM

The Amendment Term shall be established as follows:

- 1.1 Effective Date. This Amendment shall become effective the first day of the month after all Conditions Precedent have been met (“Effective Date”).
- 1.2 Delivery Term. This Amendment shall be effective from the Effective Date until terminated in accordance with Article 1.3 (“Delivery Term”).

1.3 **Termination.** This Amendment shall terminate upon the earlier of: (a) the expiration of the Term of Agreement; (b) five years after the Effective Date (“Termination Date”); (c) as provided in Section 7.2, or (d) at Buyer’s option, upon an Event of Default, as defined herein.

ARTICLE 2: FIXED ENERGY PRICE

During the Delivery Term, the following Fixed Energy Price shall be paid for energy delivered in accordance with the terms of this Amendment.

2.1 **Fixed Energy Price.** Seller shall be paid a time of delivery-adjusted price for energy delivered in accordance with the terms of this Amendment at the fixed rate of \$53.70 per Megawatt-hour (“MWh”) escalated by two percent (2%) every twelve (12) months from the Effective Date (“Fixed Energy Price”).

2.2 **Time of Delivery Adjustment.** The Fixed Energy Price shall be adjusted by the following Time of Delivery (“TOD”) Factors applicable to each of the TOD Periods, defined below, in which energy is delivered:

(a) TOD Factors are as follows:

| TOD Factors | | |
|--------------------|---------------|---------------|
| Time Period | Summer | Winter |
| Peak | 1.2564 | N/A |
| Partial-Peak | 1.1535 | 1.1395 |
| Off-Peak | 0.9155 | 0.9628 |
| Super Off-Peak | 0.7439 | 0.8216 |

(b) TOD Periods

| TOD Periods – by Season and Time | | | |
|---|--------------------------------------|---|--------------------------|
| Time Period | Summer May 1 – October 31 | Winter November 1 – April 30 | Applicable Days |
| Peak | Noon – 6:00 p.m. | N/A | Weekdays except Holidays |
| Partial-Peak | 8:30 a.m. – Noon | 8:30 a.m. – 9:30 p.m. | Weekdays except Holidays |
| | 6:00 p.m. – 9:30 p.m. | 6:00 p.m. – 9:30 p.m. | Weekdays except Holidays |
| Off-Peak | 9:30 p.m. – 1:00 a.m. | 9:30 p.m. – 1:00 a.m. | Weekdays except Holidays |
| | 5:00 a.m. – 8:30 a.m. | 5:00 a.m. – 8:30 a.m. | Weekdays except Holidays |
| | 5:00 a.m. – 1:00 a.m. | 5:00 a.m. – 1:00 a.m. | Weekends & Holidays |
| Super Off-Peak | 1:00 a.m. – 5:00 a.m. | 1:00 a.m. – 5:00 a.m. | All Days |

ARTICLE 3: GENERATION FORECASTING AND OUTAGE NOTIFICATION

3.1 **General Provisions.** The Parties shall make good faith efforts to abide by the requirements and procedures for Forecasting and Outage Notification described in Article 3 and Appendix A, herein, and shall agree upon reasonable changes to these requirements and procedures from time to time as necessary to: (a) support Buyer’s compliance with the California Independent System Operator’s (“CAISO”) Scheduling requirements related to the Agreement; (b) accommodate changes to the Parties’ respective technology and organizational structure, (c) address changes in the Operating and Scheduling procedures

of Seller, Buyer and the CAISO, including automated Forecast and Outage submissions. The Parties agree that the Forecasts and Outages generated by, or otherwise resulting from, the Forecasting and Notification requirements and procedures in this Amendment are non-binding on Seller.

3.2 Seller's Forecasting Requirements. Seller shall provide Buyer with the information described in this article in a form reasonably acceptable to Buyer using the Notification procedures set forth in Appendix A.

(a) Annual Forecast of Generation. Within thirty (30) days of the Effective Date and no later than June 1 of each year during the Delivery Term, Seller shall provide Buyer with a non-binding Forecast of the hourly generation for each day in each month of the following calendar year.

(b) Monthly Forecast of Generation. Ten (10) Business Days before the beginning of each month during the Delivery Term, Seller shall provide to Buyer a non-binding Forecast of the hourly generation for each day of the following month.

(c) Daily Forecast of Generation. During the Delivery Term, Seller shall provide a Day-Ahead Forecast of generation (the "Day-Ahead Generation Notice") to Buyer via Buyer's internet site, as provided in Appendix A, for each day no later than fourteen (14) hours before the beginning of the "Preschedule Day", as defined by the WECC, for such day. The current industry standard Preschedule Day timetable is as follows:

- (1) Monday – Preschedule Day for Tuesday
- (2) Tuesday – Preschedule Day for Wednesday
- (3) Wednesday – Preschedule Day for Thursday
- (4) Thursday – Preschedule Day for Friday and Saturday
- (5) Friday – Preschedule Day for Sunday and Monday

Exceptions to this timetable to accommodate holidays, etc., are posted on the WECC website (www.wecc.biz) under the document title, "Preschedule Calendar."

Each Day-Ahead Generation Notice shall clearly identify, for each hour, Seller's Forecast of all amounts of generation pursuant to the Agreement and this Amendment. If the generation changes by at least one (1) megawatt ("MW") (AC) as of a time that is less than fourteen (14) hours prior to the Preschedule Day, then Seller will notify Buyer of such change by telephone and will send a revised Notice to Buyer's Internet site set forth in Appendix A. Such Notices shall describe the beginning date and time of the event resulting in the change in generation, the expected end date and time of such event, the revised expected generation in MW AC, and any other necessary information.

Day-Ahead Desk
Primary Telephone: (415) 973-6222
Backup Telephone: (415) 973-4500

(d) Hourly Forecast of Generation. Seller shall notify Buyer of any changes in generation of one (1) MW (AC) or more, whether due to Forced Outage, Force Majeure, or any other cause, as soon as reasonably possible, but no later than one (1) hour before Buyer or Third Party SC (as applicable) is required to submit Schedules to the CAISO in accordance with the CAISO's Hour-Ahead Scheduling Process (HASP). If generation changes by at least one (1) MW less than one (1) hour before the HASP deadline, Seller should also notify Buyer. The Notice will state the beginning date and time of the event resulting in the change in generation, the expected end date and time of such event, the expected generation in MW (AC), and any other information reasonably requested by CAISO or Buyer.

3.3 Outage Notification. Seller shall notify Buyer of Outages in accordance with this article using a form reasonably acceptable to Buyer and the Notification procedures in Appendix A.

(a) CAISO Approval of Outage(s). Buyer is responsible for obtaining CAISO approvals for Project Outages and for revising Outage Schedules if Outages are not approved by CAISO. Buyer will make reasonable efforts to notify Seller of CAISO approval in a timely manner. Buyer is responsible for entering Project Outages in the “Scheduling and Logging for ISO of California” (“SLIC”) Web Client.

(b) Planned Outages. Seller will include its proposed Planned Outage Schedule in its Annual Forecast of generation and implement the Notification procedures set forth in Appendix A no later than August 1st of each year. Whenever possible, Seller will notify Buyer of changes to the yearly Planned Outage schedule 60 days prior to the start of the month when this change is expected to occur. Seller will provide updates regarding a Planned Outage at least fourteen (14) days before each Planned Outage. Seller shall not conduct Planned Outages during the months of January, June through September, and December. Seller shall request a change to the Planned Outage Schedule if Seller believes the Project must be shut down to conduct maintenance that cannot be delayed until the next Scheduled Planned Outage consistent with Good Utility Practices. Seller shall not substitute Energy from any other source during a Planned Outage. At any time up to the commencement of work for the Planned Outage, Buyer may direct Seller to change its Outage Schedule as ordered by CAISO. If Buyer requests any other change to a Planned Outage Schedule, Seller may propose an alternative Schedule change or use commercially reasonable efforts to accommodate Buyer’s request.

(c) Forced Outages. Seller shall notify Buyer of a Forced Outage in accordance with the procedures in Appendix A. Seller shall inform Buyer of any developments that will affect either the duration of such Outage or the availability of the Project during or after the end of such Outage.

(d) Prolonged Outages. Seller shall notify Buyer of a Prolonged Outage as soon as practicable and notify Buyer when the Project is again capable of meeting its nameplate capacity on a pro rata basis, in accordance with the provisions in Appendix A, section B(2)(f). Seller shall not substitute Energy from any other source for the output of the Project during a Prolonged Outage.

(e) Communications with CAISO. Buyer, in coordination with Seller, will be responsible for communicating all Outage information to the CAISO.

(f) Changes to Operating Procedures. Seller acknowledges that the Outage Notification procedures and operating procedures described in this Amendment are subject to change by Buyer from time to time. Seller agrees to work in good faith to implement any such changes, so long as such change does not increase Seller’s cost of performance by more than a *de minimis* amount.

3.4 CAISO Charges. Buyer is responsible for all CAISO charges and is entitled to receive all CAISO revenues related to generation availability.

ARTICLE 4: CONDITIONS PRECEDENT

This Amendment shall not be effective until and unless each of the following conditions has been fully satisfied or waived in writing by the Parties:

4.1 Settlement in Effect. The Settlement Agreement is in effect.

4.2 PURPA Agreement. At the start of the Amendment Term, Buyer and Seller are parties to an effective Qualifying Facility (“QF”) PPA pursuant to the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

4.3 Eligible Renewable Energy Resource. Seller is an Eligible Renewable Energy Resource.

4.4 CPUC Approval. The Amendment has received CPUC Approval. “CPUC Approval” means a final and non-appealable order of the CPUC, without conditions or modifications unacceptable to the Parties, or either of them, which contains the following terms:

(a) Approves this Agreement in its entirety, including payments to be made by the Buyer, subject to CPUC review of the Buyer’s administration of the Agreement; and

(b) Finds that any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource for purposes of determining Buyer’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.*), Decision (“D.”) 03-06-071, or other applicable law.

CPUC Approval will be deemed to have occurred on the date that a CPUC decision containing such findings becomes final and non-appealable.

4.5 Executed by Parties. This Amendment has been duly executed by an authorized representative of each Party.

ARTICLE 5: ADDITIONAL REPRESENTATIONS, WARRANTIES, AND COVENANTS

5.1 Waiver. By executing this Amendment, Seller waives the right to execute the “Amendment to Legacy PPAs” referenced in Article 11, section 11.1.2.

5.2 RPS Eligibility; Conveyance of Green Attributes.

(a) Seller, and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement that:

(i) The Project qualifies and is certified by the CEC as an Eligible Renewable Energy Resource (“ERR”) as such term is defined in Public Utilities Code Section 399.12 or Section 399.16; and

(ii) The Project’s output delivered to Buyer qualifies under the requirements of the California Renewables Portfolio Standard.

To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law.

(b) Seller and, if applicable, its successors, represents and warrants that throughout the Delivery Term of this Agreement the Renewable Energy Credits transferred to Buyer conform to the definition and attributes required for compliance with the California Renewables Portfolio Standard, as set forth in California Public Utilities Commission Decision 08-08-028, and as may be modified by subsequent decision of the California Public Utilities Commission or by subsequent legislation. To the extent a change in law occurs after execution of this Agreement that causes this representation and warranty to be materially false or misleading, it shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in law.

(c) Seller warrants that all necessary steps to allow the Renewable Energy Credits transferred to Buyer to be tracked in the Western Renewable Energy Generation Information System will be taken prior to the first delivery under the contract.

(d) Seller hereby provides and conveys all Green Attributes associated with all electricity generation from the Project to Buyer as part of the Product being delivered. Seller represents and warrants that Seller holds the rights to all Green Attributes from the Project, and Seller agrees to convey and hereby conveys all such Green Attributes to Buyer as included in the delivery of the Product from the Project.

ARTICLE 6: ADDITIONAL DEFINED TERMS.

Agreement: Has the meaning set forth in Recital A. However, for purposes of Sections 4.4, 5.2, and 7.4, the word “Agreement” shall mean this Amendment.

Amendment to Legacy PPA: The contract amendment described by Section 11.1.2 of the Settlement Agreement.

Annual Forecast of Generation: That estimate of generation described in Section 3.2(a).

Business Day: Any day except a Saturday, Sunday, the Friday after the United States Thanksgiving holiday, or a Federal Reserve Bank holiday that begins at 8:00 a.m. and ends at 5:00 p.m. local time for the Party sending a Notice or payment or performing a specified action.

CAISO: The California Independent System Operator Corporation or successor entity.

CAISO-Approved Quantity: The total quantity of electric energy that Buyer Schedules with the CAISO and the CAISO approves in its final Schedule which is published in accordance with the CAISO Tariff.

CAISO Tariff: The CAISO Tariff, including the rules, protocols, procedures and standards attached thereto, as the same may be amended or modified from time to time and approved by the FERC, or any successor entity.

California Renewables Portfolio Standard: California Public Utilities Code Section 399.11, *et seq.*, or any successor thereto.

Capacity Attributes: Any current or future defined characteristic, certificate, tag, credit, or ancillary service attribute, whether general in nature or specific as to the location or any other attribute of the Project, intended to value any aspect of the capacity of the Project to produce energy or ancillary services, including, but not limited to, any accounting construct so that the full contract capacity of the Project may be counted toward a resource adequacy requirement or any other measure by the CPUC, the CAISO or the FERC.

CEC: California Energy Commission or any successor entity.

Conditions Precedent: Those conditions listed in Article 4.

CPUC: The California Public Utilities Commission or any successor entity.

Day-Ahead: As defined and may be modified in the CAISO Tariff.

Delivery Term: Has the meaning set forth in Section 1.2.

Effective Date: Has the meaning set forth in Section 1.1.

Eligible Renewable Energy Resources or ERR: Has the same meaning as that term is used in California Public Utilities Code Section 399.12 and California Public Resources Code Section 25741, as either Law is amended or supplemented from time to time.

Event of Default: For the limited purposes of this Amendment, any representation or warranty by Seller in Section 5.2, which becomes false or misleading in any material respect during the Delivery Term; provided that, if a change in law occurs after the Execution Date that causes the representation and warranty made by Seller in Section 5.2 to be materially false or misleading, such breach of the representation or warranty in Section 5.2 shall not be an Event of Default if Seller has used commercially reasonable efforts to comply with such change in Law during the Delivery Term in order to make the representation and warranty no longer false or misleading.

Execution Date: The date which is the later of the signature dates found at the signature block, below.

FERC: The Federal Energy Regulatory Commission or any successor entity.

Forecast: The hourly forecast of (i) the total electric Energy production of the Facility (in MWh) when the Facility is not PIRP-eligible, or (ii) the available total generation capacity of the Facility (in MW) when the Facility is PIRP-eligible, as defined in the CAISO Tariff, in each case net of the site host load and Station Use.

Green Attributes: “Green Attributes” means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the generation from the Project, and its avoided emission of pollutants. Green Attributes include but are not limited to Renewable Energy Credits, as well as: (1) any avoided emission of pollutants to the air, soil or water such as sulfur oxides (SO_x), nitrogen oxides (NO_x), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth’s climate by trapping heat in the atmosphere;¹ (3) the reporting rights to these avoided emissions, such as Green Tag Reporting Rights. Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser’s discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy. Green Attributes do not include (i) any energy, capacity, reliability or other power attributes from the Project, (ii) production tax credits associated with the construction or operation of the Project and other financial incentives in the form of credits, reductions, or allowances associated with the project that are applicable to a state or federal income taxation obligation, (iii) fuel-related subsidies or “tipping fees” that may be paid to Seller to accept certain fuels, or local subsidies received by the generator for the destruction of particular preexisting pollutants or the promotion of local environmental benefits, or (iv) emission reduction credits encumbered or used by the Project for compliance with local, state, or federal operating and/or air quality permits. If the Project is a biomass or biogas facility and Seller receives any tradable Green Attributes based on the greenhouse gas reduction benefits or other emission offsets attributed to its fuel usage, it

¹ Avoided emissions may or may not have any value for GHG compliance purposes. Although avoided emissions are included in the list of Green Attributes, this inclusion does not create any right to use those avoided emissions to comply with any GHG regulatory program.

shall provide Buyer with sufficient Green Attributes to ensure that there are zero net emissions associated with the production of electricity from the Project.

Green Tag Reporting Rights: Green Tag Reporting Rights are the right of a Green Tag Purchaser to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party at the Green Tag Purchaser's discretion, and include without limitation those Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation or bill, and international or foreign emissions trading program. Green Tags are accumulated on a MWh basis and one Green Tag represents the Green Attributes associated with one (1) MWh of Energy.

Hour-Ahead Scheduling Deadline: Thirty (30) minutes before the deadline established by the CAISO for the submission of Schedules for the applicable hour.

Law: Means any statute, law, treaty, rule, regulation, CEC guidance document, tariff or other legal or regulatory determination or limitation by a court or governmental authority of competent jurisdiction, including any of the foregoing that are enacted, amended, or issued after the Execution Date, and which becomes effective after the Execution Date, or any legally binding interpretation of the foregoing.

Notice or Notification: The communication of generation, Operation, Outage, or other conditions related to the Facility pursuant to Article 3 and as described by Appendix A.

Operate: "Operate" and its variants mean to provide all the operation, engineering, purchasing, repair, supervision, training, inspection, testing, protection, use management, improvement, replacement, refurbishment, retirement, and maintenance activities associated with operating the Facility in order to produce the Product in accordance with Prudent Electrical Practices.

Outage: Means all Forced Outages, Planned Outages, and Prolonged Outages, unless specifically limited to a particular type of outage by the context in which the word "Outage" appears.

Participating Transmission Owner: as defined in the CAISO Tariff.

PIRP (Participating Intermittent Resource Program): The CAISO's intermittent resource program initially established pursuant to Amendment 42 of the CAISO Tariff in FERC Docket ER02-922-000, or any successor program that Buyer determines accomplishes a similar purpose.

Planned Outage: Means the removal of equipment from service availability for inspection and/or general overhaul of one or more major equipment groups. To qualify as a Planned Outage, the maintenance (a) must actually be conducted during the Planned Outage, and in Seller's sole discretion must be of the type that is necessary to reliably maintain the Project, (b) cannot be reasonably conducted during Facility operations, and (c) cause the generation level of the Project to be reduced by at least ten percent (10%) of the contract capacity.

Product: The energy, capacity and all ancillary products, services or attributes similar to the foregoing which are or can be produced by or associated with the Project, including without limitation, renewable attributes, Renewable Energy Credits, Capacity Attributes, and Green Attributes.

Project: The Facility.

Prolonged Outage: Any period of more than thirty (30) consecutive days during which the Project is or will be unable, for whatever reason, to provide at least sixty percent (60%) of the Contract Capacity.

Renewable Energy Credits: Has the meaning set forth in California Public Utilities Code Section 299.12(f) and CPUC D.08-08-028, as may be amended from time to time or as further defined or supplemented by law.

RPS Program: The State of California Renewable Portfolio Standard Program, as codified at California Public Utilities Code § 399.11, et seq., or any successor thereto.

Schedule: The action of Buyer, or its designated representatives, of notifying, requesting, and confirming to the CAISO, the CAISO-Approved Quantity of electric energy.

Settlement Agreement: Has the meaning set forth in Recital C.

Settlement Effective Date: The date on which the Settlement Agreement becomes effective pursuant to the terms and conditions set forth therein.

Trading Day: The day in which Day-Ahead trading occurs in accordance with the Western Electricity Coordinating Council's Preschedule Calendar (as found on the Western Electricity Coordinating Council's website).

Web Client: A Buyer provided web based system or an email address designated by Buyer.

Western Renewable Energy Generation Information System or WREGIS: The tracking system established pursuant to California Public Utilities Code section 399.25(c).

ARTICLE 7: GENERAL PROVISIONS

7.1 Agreement Unchanged. Except as expressly set forth in this Amendment, the Agreement remains unchanged and, so modified, the Agreement shall remain in full force and effect.

7.2 No Fault Termination. PG&E shall request CPUC Approval of the Amendment following the Execution Date. If for any reason PG&E has not submitted an application to the CPUC for this purpose within 90 days of the Execution Date, Seller may terminate this Amendment without penalty or liability to PG&E. If the Conditions Precedent are not satisfied or waived in writing by both Parties on or before December 31, 2011, then (a) either Party may terminate this Amendment by providing written notice to the other Party and (b) neither Party shall have any obligation or liability to the other hereunder, including for a termination payment or otherwise, by reason of a termination made pursuant to this provision.

7.3 Severability. If any provision of this Amendment is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Amendment will remain in full force and effect. Any provision of this Amendment held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

7.4 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. TO THE EXTENT ENFORCEABLE AT SUCH TIME EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AMENDMENT.

7.5 Execution in Counterparts. This Amendment may be executed in one or more counterparts, each of which will be deemed to be an original of this Amendment and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Amendment and of signature pages by facsimile transmission or by other electronic means shall constitute effective execution

and delivery of this Amendment as to the Parties and may be used in lieu of the original Amendment for all purposes. Signatures of the Parties transmitted by facsimile or by other electronic means shall be deemed to be their original signatures for all purposes.

7.6 Entire Agreement. This Amendment sets forth the entire agreement of the Parties with respect to the subject matter herein, and supersedes all previous understandings, written or oral, with respect thereto.

7.7 Subsequent Amendment. This Amendment may not be amended, modified, abrogated or superseded by a subsequent agreement unless such subsequent agreement is in the form of a written instrument signed by the Parties.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be duly executed by their respective authorized representatives.

[SELLER'S NAME],
a [Seller's business registration]

**PACIFIC GAS AND ELECTRIC COMPANY, a
California corporation**

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

APPENDIX A

NOTIFICATION REQUIREMENTS FOR AVAILABLE CAPACITY

A. Notification Requirements for Routing Start-Ups and Shutdowns. Prior to paralleling or after disconnecting from the electric system, notify the applicable Participating Transmission Owner's ("PTO") switching center:

- Call the applicable PTO switching center and advise of the intent to parallel.
- Call the applicable PTO switching center after the unit has been paralleled and report the parallel time and intended unit output.
- Call the applicable PTO switching center after any routine separation.

B. Submission of Generation and Planned and Prolonged Outages.

1. Submit information by posting to PG&E's Power Procurement Information Center, which is located at www.pge.com under "B2B" at the bottom of the home page. After selecting "B2B" at the bottom of the page, select "Wholesale Power" in the center of the next page. Then select "Electric Procurement" along the left banner of the next page. After selecting the "Power Procurement Information Center" icon in the middle of the page, you will be required to enter a username and password, which will be assigned to you by PG&E's Bilateral Settlements Group.
2. If the website is unavailable, implement the procedures set forth below:
 - a. **For all email correspondence, enter the following in the email subject field: Delivery Date Range, Contract Name, Email Purpose (For example: "dd/mm/yyyy through dd/mm/yyyy XYZ Company Project #2 Daily Forecast of Generation")**
 - b. For Annual Forecasts of Generation, email to DAenergy@pge.com and BilatSettlements@pge.com.
 - c. For Monthly and Daily Forecasts of Generation, email to DAenergy@pge.com.
 - d. For Daily Forecasts of Generation after fourteen (14) hours before the WECC Preschedule Day, but before the CAISO deadline for submitting Day-Ahead Schedules, call primary phone (415) 973-6222 or backup phone (415) 973-4500. Also send email to DAenergy@pge.com.
 - e. For Hourly Forecasts of Generation, call PG&E's Real Time Desk at (415) 973-4500 and email to RealTime@pge.com.
 - f. For Planned Outages and Prolonged Outages, complete the specifics below and submit by email to PGOutageCoordination@pge.com, DAenergy@pge.com and Bilat_Settlements@pge.com.
 - i. **Email subject Field: dd/mm/yyyy through dd/mm/yyyy XYZ Company Project #2 Outage Notification**
 - ii. **Email body:**

1. *Type of Outage: Planned Outage, Forced Outage, Prolonged Outage*
2. *Start Date and Start Time*
3. *Estimated or Actual End Date and End Time*
4. *Date and time when reported to PG&E and name(s) of PG&E representative(s) contacted*
5. *Text description of additional information as needed, including, but not limited to, changes to a Planned Outage, Prolonged Outage or Forced Outage.*

C. Forced Outage Reporting

1. Forced Outages – Seller shall notify PG&E Merchant Generation desk verbally within 10 minutes of event or as soon as reasonably possible, after ensuring the safety of all personnel and securing of all facility equipment.
 - a. Verbal notification shall include time of forced Outage, cause, current availability and estimated return date and time.
 - b. After verbally notifying PG&E Merchant Generation desk of the forced Outage, Seller shall also make commercially reasonable efforts to notify PG&E Settlements via PG&E's electronic website "PPIC".
 - c. If the "PPIC website is unavailable, submit the following information via email to Bilat_Settlements@pge.com.
 - i. *Email subject Field: dd/mm/yyyy through dd/mm/yyyy XYZ Company Project #2 Outage Notification*
 - ii. *Email body:*
 1. *Type of Outage: Planned Outage, Forced Outage, Prolonged Outage*
 2. *Start Date and Start Time*
 3. *Estimated or Actual End Date and End Time*
 4. *Date and time when reported to PG&E and name(s) of PG&E representative(s) contacted*

ATTACHMENT B

List of Amended QF PPAs

| LIST OF RENEWABLE QF COUNTERPARTIES | | | |
|--|-----------------------|--|------------------|
| | PG&E Log # | QF Name | Nameplate |
| 1 | 16W009 | ALTAMONT MIDWAY LTD. | 48,900 |
| 2 | 13H132 | DIGGER CREEK RANCH | 600 |
| 3 | 15H006 | EIF HAYPRESS LLC (MDL) | 8,700 |
| 4 | 15H005 | EIF HAYPRESS, LLC (LWR) | 6,100 |
| 5 | 13H001 | EL DORADO (MONTGOMERY CK) | 2,600 |
| 6 | 10H007 | ERIC AND DEBBIE WATTENBURG | 275 |
| 7 | 10H010 | FIVE BEARS HYDROELECTRIC | 990 |
| 8 | 25H037 | FRIANT POWER AUTHORITY | 25,000 |
| 9 | 01W146A | GREEN RIDGE POWER LLC (100 MW - A) | 43,100 |
| 10 | 01W146D | GREEN RIDGE POWER LLC (100 MW - D) | 15,000 |
| 11 | 16W011 | GREEN RIDGE POWER LLC (23.8 MW) | 10,800 |
| 12 | 01W018 | GREEN RIDGE POWER LLC (5.9 MW) | 5,900 |
| 13 | 01W035 | GREEN RIDGE POWER LLC (70 MW) | 54,000 |
| 14 | 15H002 | HENWOOD ASSOCIATES | 594 |
| 15 | 25W105 | INTERNATIONAL TURBINE RESEARCH | 34,000 |
| 16 | 25H073 | KERN HYDRO (OLCESE) | 16,000 |
| 17 | 25H150 | KINGS RIVER HYDRO CO. | 1,000 |
| 18 | 10P058 | LANGERWERF DAIRY | 85 |
| 19 | 25H040 | MADERA CANAL (1174 + 84) | 563 |
| 20 | 25H042 | MADERA CANAL (1923) | 925 |
| 21 | 25H041 | MADERA CANAL STATION 1302 | 424 |
| 22 | 25H036 | MADERA-CHOWCHILLA WATER AND POWER AUTHORITY | 2,000 |
| 23 | 13H047 | MALACHA HYDRO L.P. | 26,000 |
| 24 | 18P059 | MONTEREY REGIONAL WASTE MGMT DIST. | 5,000 |
| 25 | 15H059 | PLACER COUNTY WATER AGENCY | 500 |
| 26 | 06H011 | ROCK CREEK L.P. | 3,700 |
| 27 | 16H033 | ROCK CREEK WATER DISTRICT | 700 |
| 28 | 01W011 | SEA WEST ENERGY - ALTECH | 5,760 |
| 29 | 01W007 | SEA WEST ENERGY - CWES | 2,100 |
| 30 | 01W006 | SEA WEST ENERGY - SEAWEST | 65 |
| 31 | 01W015 | SEA WEST ENERGY - TAXVEST | 715 |
| 32 | 01W014 | SEA WEST ENERGY - VIKING | 1,690 |
| 33 | 01W012 | SEA WEST ENERGY - WESTERN | 2,700 |
| 34 | 19H048 | SHAMROCK UTILITIES (CEDAR FLAT) | 300 |
| 35 | 13H012 | SHAMROCK UTILITIES (CLOVER LEAF) | 200 |
| 36 | 13P163EO2 | SIERRA PACIFIC IND. (ANDERSON) | 5,000 |
| 37 | 13C049 | SIERRA PACIFIC IND. (BURNEY) | 20,000 |
| 38 | 12C008 | SIERRA PACIFIC IND. (LINCOLN) | 7,500 |
| 39 | 10C018 | SIERRA PACIFIC IND. (QUINCY) | 20,000 |
| 40 | 10C010 | SIERRA PACIFIC IND.(SONORA) | 7,500 |
| 41 | 13H016 | SNOW MOUNTAIN HYDRO LLC (BURNEY CREEK) | 3,000 |
| 42 | 13H013 | SNOW MOUNTAIN HYDRO LLC (COVE) | 5,000 |
| 43 | 13H035 | SNOW MOUNTAIN HYDRO LLC (PONDEROSA BAILEY CREEK) | 1,100 |
| 44 | 13H130 | STEVE & BONNIE TETRICK | 100 |
| 45 | 12H007 | STS HYDROPOWER LTD. (KANAKA) | 1,100 |
| 46 | 13H006 | SUTTER'S MILL | 150 |
| 47 | 13H040 | TKO POWER (SOUTH BEAR CREEK) | 4,950 |
| 48 | 13H124 | WATER WHEEL RANCH | 975 |
| | | | 403,361 |

ATTACHMENT C

**Declaration of
Hugh M. Merriam
In Support of
Fixed Energy Price Amendment**

**DECLARATION OF HUGH M. MERRIAM
IN SUPPORT OF
THE FIXED ENERGY PRICE AMENDMENT**

August 3, 2011

I, **Hugh M. Merriam**, declare as follows:

1. I am currently employed by Pacific Gas & Electric Company (“PG&E”) as a Manager within PG&E’s Energy Procurement organization. I have been employed by PG&E for twenty-eight years, and during that time, I have acquired knowledge of PG&E’s contracts with numerous counterparties and have also gained knowledge of the operations of electric sellers in general. The purpose of this declaration is to support PG&E’s application (“Application”) for approval of the pro-forma Fixed Energy Price Amendment (“FEPA”) and rate recovery of costs to be incurred under FEPA between PG&E and forty-eight Qualifying Facility (“QF”) sellers (“Amendments”). In this declaration, I explain the terms of the FEPA, particularly the derivation of the fixed SRAC price.

DESCRIPTION OF THE AMENDMENTS

2. PG&E has offered the pro-forma FEPA to QFs using renewable energy resources to generate and deliver electricity (“Renewable QFs”) under a Public Utility Regulatory Policies Act (“PURPA”) power purchase agreement (“PPA”) with PG&E. The pro-forma FEPA is attached as Attachment A to this Application. The FEPA provisions are described in the following paragraphs; capitalized terms have the meanings set forth in the FEPA.

3. The pro-forma FEPA is based on the Legacy PPA Amendment included in the Qualifying Facility/Combined Heat and Power Settlement (“QF/CHP Settlement”) that was

approved by the Commission in D.10-12-035. The QF/CHP Settlement governs the prospective obligations of California investor-owned utilities (“IOUs”) to purchase power from QFs under PURPA. Under the Legacy PPA Amendment, energy is priced at short run avoided cost (“SRAC”) as defined in the QF/CHP Settlement. The FEPA provides the Renewable QF seller with a fixed price version of SRAC.

4. Article 1: “Amendment Term”

The FEPA becomes effective the first day of the month after all Conditions Precedent have been met. The material Conditions Precedent are: **(i)** CPUC Approval of the Application (*i.e.*, Commission approval of the instant Application without revisions unacceptable to the Parties and such approval has become final and non-appealable,) and **(ii)** the QF/CHP Settlement Agreement is effective (*i.e.*, the utilities’ application to be relieved of their PURPA obligations for QFs larger than 20 MW has been approved by the Federal Energy Regulatory Commission (“FERC”) in a final and non-appealable decision).

The Amendment Term is the lesser of: **(i)** the remainder of the QF’s existing PPA term, or **(ii)** five years after the Effective Date of the Amendment.

5. Article 2: “Fixed Energy Price”.

During the Delivery Term, Seller will be paid a Time-of-Delivery (“TOD”) -adjusted price for energy at the fixed rate of \$53.70 per Megawatt-hour (“MWh”) escalated by two percent (“2%”) every twelve months from the Effective Date. The Fixed Energy Price will be adjusted by TOD factors corresponding to each of the TOD periods during which the energy is delivered. The TOD modifiers are the same as those in the Legacy PPA Amendment. However, because the FEPA TOD factors adjust a fixed energy price, unlike those in the Legacy PPA Amendment, they are not subject to revision each time new TOD factors are promulgated in

PG&E's revised Market Price Referent ("MPR").

6. Article 3: "Generation Forecasting and Outage Notification".

This Article requires Seller to make a good faith effort to forecast its deliveries and notify PG&E of outages. In June each year, Seller must provide a non-binding forecast of its deliveries for every hour in the following calendar year and update its forecast on a monthly basis. Seller must also provide a non-binding day-ahead forecast in accordance with the CAISO schedule for daily forecasts of generation and notify PG&E of any forecast changes of 1 MW or more. Seller will provide PG&E an Annual Forecast of generation and Planned Outage Schedule in August each year. Whenever possible, seller will provide advance notice of any changes to its outage schedule. Finally, Seller agrees not to conduct Planned Outages during peak demand months.

The forecasting and notification requirements are identical to those in the Legacy PPA Amendment. These provisions are intended to provide PG&E with information that it needs to function as the scheduling coordinator for each Renewable QF under the California Independent System Operator ("CAISO") tariff. Although they are non-binding, these provisions provide benefits to PG&E and its customers because the Renewable QFs are not required by their existing PPAs to forecast their generation or to inform PG&E of when they intend to take their plants out of service.

7. Article 4: "Conditions Precedent".

A summary of the Conditions Precedent is provided summarized under the heading, "Amendment Term," above, because the Conditions Precedent determine the start of the Amendment Term.

8. Article 5: "Additional Representations, Warranties, and Covenants".

Section 5.1 makes it explicit that a Renewable QF that has signed a FEPA waives its right

to execute the Legacy PPA Amendment offered by the Settlement Agreement. The FEPA is essentially a Legacy PPA Amendment that provides a fixed price form of SRAC. This term prevents a Seller from switching to a market-based SRAC when natural gas prices exceed the forecast prices embedded in the Fixed Energy Price and ensures that PG&E's customers will not lose the benefit of the FEPA gas price hedge.

The non-modifiable terms that are standard in a Renewables Portfolio Standard ("RPS") PPA appear in this article and in the following article, "Additional Defined Terms."

Section 5.2 addresses the RPS eligibility of the transaction and Seller's conveyance of Green Attributes. In these non-modifiable terms, Seller warrants that it is a California Energy Commission-certified Eligible Renewable Energy Resource; that its output meets the requirements of the RPS; that it conveys all Green Attributes from the Project as part of the Product, that the Renewable Energy Credits ("RECs") transferred to the buyer conform to the requirements of the RPS; and that it has taken the necessary steps to have those RECs tracked in the Western Renewable Energy Generation Information System. This section includes the non-modifiable proviso that, to the extent a change in law occurs after execution of the FEPA that causes any of the foregoing representations to be false and misleading, it is not an event of default if Seller has used commercially reasonable efforts to comply with the change in law.

9. Article 6, "Additional Defined Terms".

The meanings of defined terms are provided in this article. Defined terms that are essential to the effectiveness of the RPS non-modifiable terms, such as "Green Attributes", "Product", and "Renewable Energy Credits" are set out in this article.

10. Article 7: "General Provisions".

Section 7.1 states that except as expressly modified by the Amendment, the QF's original

PPA is unchanged. Section 7.2 specifies that Seller may terminate the Amendment without incurring any liability if PG&E has failed to apply for CPUC Approval of the Amendment within ninety days of the date of execution, and that either Party may terminate the Amendment by providing written notice to the other Party if the Conditions Precedent have not been satisfied or waived in writing by both Parties on or before December 31, 2011. The remaining provisions in this article (*i.e.*, “Severability”, “Execution in Counterparts”, “Entire Agreement”, and “Subsequent Amendment”) are intrinsic to most commercial agreements. The non-modifiable RPS version of “Governing Law” is included at Section 7.4.

REASONABLENESS OF A FIXED ENERGY PRICE FOR QFs

11. History of QF Fixed Energy Prices.

The avoided cost pricing adopted by the Commission in its implementation of PURPA included fixed energy prices from the beginning of California’s PURPA program. The Standard Offer 4 (“ISO 4”) Power Purchase Agreements (“PPAs”) provided sellers with the option to select fixed energy pricing for ten years. After the fixed energy price period expired, sellers and customers experienced SRAC that varied with each month’s gas prices. The Commission addressed the high energy prices that erupted during the energy crisis by authorizing investor-owned utilities to offer sellers a five year fixed energy price of \$53.70/MWh.¹ Near the end of this fixed-price period, PG&E and QF representative Independent Energy Producers (“IEP”) negotiated and obtained Commission approval of a subsequent SRAC to settle of various PURPA-related claims.² Under this settlement, a five year fixed energy price of \$64.50/MWh, escalating at one percent (1%) per year, was made available to non-fossil fuel QFs; this pricing

¹ CPUC Decision (“D.”) 01-06-015.

² D. 06-07-032

expires in August 2011 for most QFs.³

12. PG&E's Fixed Energy Price Offer Provides Public Benefits.

There are two reasons for PG&E's offer. First, PG&E offered the Fixed Energy Price in response to requests for fixed pricing by IEP and individual Renewable QFs, some of whom have been on fixed pricing for approximately twenty years. Second, a fixed price provides a hedge against variations in monthly SRAC prices and provides Sellers revenue certainty for their procurement of fuel, the price of which is not tied to the price of natural gas (i.e. biomass, geothermal, wind, and hydro.)

The SRAC paid under the Legacy PPA Amendment will be calculated monthly as the product of a CPUC-adopted heat rate and the bidweek market price⁴ of gas supplied to PG&E, plus variable operations and management costs and hourly locational adder. The Fixed Energy Price uses a current forward price of gas instead of the bidweek market price of gas. This alleviates the risk that differences between the cost of SRAC fuel and the Renewable QF's own fuel may jeopardize the economic viability of the QF.

The FEPA should provide Renewable QFs more financial stability, leading to more consistent deliveries of RPS-eligible electricity. This means that existing supplies of renewable energy will be preserved for PG&E's customers at a reasonable cost and customers can avoid the potentially greater expense of replacement renewable energy during the term of the FEPA. Sellers will have the benefit of a fixed price at no additional cost to customers. Although gas prices over the next five years are expected to deviate from the current forward prices of gas, and the rate of inflation most likely will differ from 2%, these deviations do not unnecessarily burden

³ Due to timing issues, the fixed energy pricing term expires in November 2011 for one particular QF.

⁴ Bidweek price means the average price of gas during the last week of the month for delivery of gas for the upcoming month

PG&E's customers; the FEPA will act as a hedge against deviations from PG&E's forecasts.

13. Derivation of the SRAC-Based Fixed Energy Price.

The Fixed Energy Price was based upon a forecast of the SRAC price under Option A of the Legacy QF PPA. The Fixed Energy Price is \$53.70/MWh during the first year and is subject to annual escalation at a rate of 2%. A single, fixed price for all five years would include compound escalation for all four of the succeeding years. The FEPA does not use such a price; instead, the FEPA price is escalated each year of the individual QF's Amendment Term. This avoids a windfall to QFs with terms of less than five years.

The Fixed Energy Price relies on the price formula under Option A but uses gas forward prices and power forward prices from March 28, 2011 to establish gas prices and the market heat rate for the years 2015 onward and a GHG Allowance Cost consistent with current market and regulatory expectations. This calculation resulted in an energy price of approximately \$53.80/MWh escalating at 2% per year.⁵ PG&E decreased the initial price to \$53.70/MWh to correspond to the fixed energy price authorized by D.01-06-015.

In assuming a certain GHG emissions price, PG&E considered a number of factors, including costs imputed from forward curves, consultant reports, market data provided by IEP and the California Air Resources Board's ("ARB") Proposed Cap and Trade Regulation's market floor price. Under the regulations proposed by ARB at the time PG&E discussed this issue with IEP, the ARB-specified allowance market price floor (minimum) was \$10 per MT in 2012, escalating at 5% + CPI each year. This was used as guidance for the GHG Allowance Costs included in the calculation of the Fixed Energy Price even though ARB has postponed the initiation of the cap and trade market until 2013.

⁵ The average price during the five-year forecast period is \$56.03/MWh.

CONCLUSION

14. Based on the foregoing, I conclude that the terms of the FEPA are reasonable; PG&E's execution of the FEPA with the 48 QFs should be approved; and PG&E should be authorized to recover its costs incurred under the 48 Fixed Energy Price Amendments in rates.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct, and if called to testify on these matters, could and would competently do so.

Executed on August 3, 2011 in San Francisco, California.

HUGH M. MERRIAM

ATTACHMENT D

Balance Sheet and Income Statement Of Pacific Gas and Electric Company

**PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

| (in millions) | (Unaudited) | |
|---|---------------------------|---------------|
| | Three Months Ended | |
| | March 31, | |
| | 2011 | 2010 |
| Operating Revenues | | |
| Electric | \$ 2,616 | \$ 2,510 |
| Natural gas | 980 | 965 |
| Total operating revenues | 3,596 | 3,475 |
| Operating Expenses | | |
| Cost of electricity | 888 | 920 |
| Cost of natural gas | 508 | 495 |
| Operating and maintenance | 1,226 | 990 |
| Depreciation, amortization, and decommissioning | 490 | 451 |
| Total operating expenses | 3,112 | 2,856 |
| Operating Income | 484 | 619 |
| Interest income | 2 | 2 |
| Interest expense | (171) | (156) |
| Other income (expense), net | 17 | (6) |
| Income Before Income Taxes | 332 | 459 |
| Income tax provision | 131 | 195 |
| Net Income | 201 | 264 |
| Preferred stock dividend requirement | 3 | 3 |
| Income Available for Common Stock | \$ 198 | \$ 261 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

**PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS**

| (in millions) | (Unaudited) | |
|--|-------------------|----------------------|
| | Balance At | |
| | March 31, 2011 | December 31, 2010 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 52 | \$ 51 |
| Restricted cash (\$35 and \$38 related to energy recovery bonds at March 31, 2011 and December 31, 2010, respectively) | 431 | 563 |
| Accounts receivable | | |
| Customers (net of allowance for doubtful accounts of \$85 and \$81 at March 31, 2011 and December 31, 2010, respectively) | 922 | 944 |
| Accrued unbilled revenue | 616 | 649 |
| Regulatory balancing accounts | 1,293 | 1,105 |
| Other | 842 | 856 |
| Regulatory assets | 580 | 599 |
| Inventories | | |
| Gas stored underground and fuel oil | 78 | 152 |
| Materials and supplies | 214 | 205 |
| Income taxes receivable | 43 | 48 |
| Other | 243 | 190 |
| Total current assets | 5,314 | 5,362 |
| Property, Plant, and Equipment | | |
| Electric | 34,068 | 33,508 |
| Gas | 11,482 | 11,382 |
| Construction work in progress | 1,369 | 1,384 |
| Total property, plant, and equipment | 46,919 | 46,274 |
| Accumulated depreciation | (15,047) | (14,826) |
| Net property, plant, and equipment | 31,872 | 31,448 |
| Other Noncurrent Assets | | |
| Regulatory assets (\$645 and \$735 related to energy recovery bonds at March 31, 2011 and December 31, 2010, respectively) | 5,655 | 5,846 |
| Nuclear decommissioning trusts | 2,054 | 2,009 |
| Income taxes receivable | 614 | 614 |
| Other | 364 | 400 |
| Total other noncurrent assets | 8,687 | 8,869 |
| TOTAL ASSETS | \$ 45,873 | \$ 45,679 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

PACIFIC GAS AND ELECTRIC COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

| (in millions, except share amounts) | (Unaudited) | |
|--|-------------------|----------------------|
| | Balance At | |
| | March 31, 2011 | December 31, 2010 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings | \$ 1,288 | \$ 853 |
| Long-term debt, classified as current | 922 | 809 |
| Energy recovery bonds, classified as current | 409 | 404 |
| Accounts payable | | |
| Trade creditors | 974 | 1,129 |
| Disputed claims and customer refunds | 691 | 745 |
| Regulatory balancing accounts | 531 | 256 |
| Other | 539 | 390 |
| Interest payable | 774 | 857 |
| Income taxes payable | 137 | 116 |
| Deferred income taxes | 87 | 118 |
| Other | 1,249 | 1,349 |
| Total current liabilities | 7,601 | 7,026 |
| Noncurrent Liabilities | | |
| Long-term debt | 9,945 | 10,557 |
| Energy recovery bonds | 321 | 423 |
| Regulatory liabilities | 4,584 | 4,525 |
| Pension and other postretirement benefits | 2,227 | 2,174 |
| Asset retirement obligations | 1,583 | 1,586 |
| Deferred income taxes | 5,833 | 5,659 |
| Other | 1,965 | 2,008 |
| Total noncurrent liabilities | 26,458 | 26,932 |
| Commitments and Contingencies (Note 10) | | |
| Shareholders' Equity | | |
| Preferred stock | 258 | 258 |
| Common stock, \$5 par value, authorized 800,000,000 shares, 264,374,809 shares outstanding at March 31, 2011 and December 31, 2010 | 1,322 | 1,322 |
| Additional paid-in capital | 3,306 | 3,241 |
| Reinvested earnings | 7,114 | 7,095 |
| Accumulated other comprehensive loss | (186) | (195) |
| Total shareholders' equity | 11,814 | 11,721 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 45,873 | \$ 45,679 |

See accompanying Notes to the Condensed Consolidated Financial Statements.

ATTACHMENT E

Summary of Earnings Of Pacific Gas and Electric Company

PACIFIC GAS AND ELECTRIC COMPANY
 ALL OPERATING DEPARTMENTS
 REVENUES, EXPENSES, RATE BASES AND RATES OF RETURN
 YEAR 2009 RECORDED
 ADJUSTED FOR RATEMAKING
 (000\$)

| Line No. | | Electric Operations | Gas Operations | Total Utility Operations |
|-------------|---|------------------------|-------------------|-----------------------------|
| 1 | Operating Revenue | 10,095,743 | 3,273,991 | 13,369,734 |
| 2 | Operation Expenses | 6,117,502 | 2,192,173 | 8,309,675 |
| 3 | Maintenance Expenses | 611,429 | 168,158 | 779,586 |
| 4 | Depreciation Expense | 917,938 | 317,514 | 1,235,452 |
| 5 | Amortization & Depletion of Utility Plant | 123,406 | 29,663 | 153,069 |
| 6 | Regulatory Debits and Credits | 195,773 | 0 | 195,773 |
| 7 | Taxes Other Than Income Taxes | 277,589 | 80,047 | 357,636 |
| 8 | Income Taxes | 472,953 | 130,386 | 603,339 |
| 9 | Gains from Disposition of Utility Plant | (448) | 0 | (448) |
| 10 | Subtotal | 8,716,142 | 2,917,941 | 11,634,082 |
| 11 | Operating Income | 1,379,601 | 356,051 | 1,735,652 |
| 12 | Weighted Average Rate Base | 15,694,208 | 4,316,216 | 20,010,424 |
| 13 | Rate of Return | 8.79% | 8.25% | 8.67% |

**CERTIFICATE OF SERVICE
BY ELECTRONIC AND U. S. MAIL**

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, 77 Beale St., B30A, San Francisco, CA 94105-1814.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 3rd day of August, 2011, I served a true copy of:

**APPLICATION OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
FOR APPROVAL OF
FIXED ENERGY PRICE AMENDMENTS
WITH EXISTING RENEWABLE
QUALIFYING FACILITIES**

- [XX] Electronic Mail:** By serving the enclosed document, via electronic mail transmission, to each of the parties with electronic mail address listed on each of the official CPUC Service Lists for Docket No's. R.11-05-005, A.08-11-001, R.06-02-013, R.04-04-003, R.04-04-025, and R.99-11-022.
- [XX] By U. S. Mail:** By serving the enclosed document, via U. S. Mail, to each of the parties listed on the Official Service Lists for CPUC Docket No's. R.11-05-005, A.08-11-001, R.06-02-013, R.04-04-003, R.04-04-025, and R.99-11-022 without electronic mail addresses.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 3rd day of August, 2011 at San Francisco, California.

/S/
ELIZABETH J. DIAMOND