

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4132  
December 20, 2007

REDACTED

R E S O L U T I O N

Resolution E-4132. Pacific Gas and Electric (PG&E) Company requests approval of three renewable resource procurement contracts resulting from its 2006 RPS solicitation. These contracts are approved without modification.

By Advice Letter (AL) 3074-E filed on June 27, 2007, Supplemental AL 3074-E-A filed on October 9, 2007 and Supplemental AL 3074-E-B filed on November 29, 2007.

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**SUMMARY**

**PG&E’s renewable contracts comply with the Renewable Portfolio Standard (RPS) procurement guidelines and are approved without modification**

PG&E’s renewable contracts comply with the Renewable Portfolio Standard (RPS) procurement guidelines and are approved. PG&E’s request for approval of the renewable resource procurement contracts (Western GeoPower, GreenVolts and CalRenew) are granted pursuant to D.06-05-039. The energy acquired from these contracts will count towards PG&E’s Renewable Portfolio Standard (RPS) requirements.

Generating Facility	Type	Term Years	MW Capacity	Annual Deliveries	Online Date	Project Location
Western GeoPower	Geothermal	20	25.5 MW	212 GWh	4/1/2010	Sonoma County, CA
GreenVolts	Photovoltaic	20	2 MW	4.6 GWh	9/1/ 2008 (phase 1) 9/1/ 2009 (phase 2)	Byron, CA
CalRenew-1	Photovoltaic	20	5 MW	9 GWh	4/30/2009	Mendota, CA

Deliveries from these contracts are reasonably priced and fully recoverable in rates over the life of the contracts; subject to Commission review of PG&E's administration of the contracts.

**Confidential information about the contract should remain confidential**

This resolution finds that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583, General Order (G.O.) 66-C, and D.06-06-066 should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

**BACKGROUND**

**The RPS Program requires each utility to increase the amount of renewable energy in its portfolio**

The California Renewables Portfolio Standard (RPS) Program was established by Senate Bill 1078<sup>1</sup> and codified by California Pub. Util. Code Section 399.11, et seq. The statute required that a retail seller of electricity such as PG&E purchase a certain percentage of electricity generated by Eligible Renewable Energy Resources (ERR). Originally, each utility was required to increase its total procurement of ERRs by at least 1 percent of annual retail sales per year until 20 percent is reached, subject to the Commission's rules on flexible compliance, no later than 2017.

The State's Energy Action Plan (EAP) called for acceleration of this RPS goal to reach 20 percent by 2010.<sup>2</sup> This was reiterated again in the Order Instituting Rulemaking (R.04-04-026) issued on April 28, 2004,<sup>3</sup> which encouraged the utilities to procure cost-effective renewable generation in excess of their RPS annual procurement targets (APTs)<sup>4</sup>, in order to make progress towards the goal expressed in the EAP. On September 26, 2006, Governor Schwarzenegger signed

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<sup>1</sup> Chapter 516, statutes of 2002, effective January 1, 2003 (SB 1078)

<sup>2</sup> The Energy Action Plan was jointly adopted by the Commission, the California Energy Resources Conservation and Development Commission (CEC) and the California Power Authority (CPA). The Commission adopted the EAP on May 8, 2003.

<sup>3</sup> [http://www.cpuc.ca.gov/Published/Final\\_decision/36206.htm](http://www.cpuc.ca.gov/Published/Final_decision/36206.htm)

<sup>4</sup> APT - An LSE's APT for a given year is the amount of renewable generation an LSE must procure in order to meet the statutory requirement that it increase its total eligible renewable procurement by at least 1% of retail sales per year.

Senate Bill (SB) 107,<sup>5</sup> which officially accelerates the State's RPS targets to 20 percent by 2010, subject to the Commission's rules on flexible compliance<sup>6</sup>.

### **CPUC has established procurement guidelines for the RPS Program**

The Commission has issued a series of decisions that establish the regulatory and transactional parameters of the utility renewables procurement program. On June 19, 2003, the Commission issued its "Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program," D.03-06-071. On June 9, 2004, the Commission adopted its Market Price Referent (MPR) methodology<sup>7</sup> for determining the Utility's share of the RPS seller's bid price, as defined in Pub. Util. Code Sections 399.14(a)(2)(A) and 399.15(c). On the same day the Commission adopted standard terms and conditions for RPS power purchase agreements in D.04-06-014 as required by Pub. Util. Code Section 399.14(a)(2)(D). Instructions for evaluating the value of each offer to sell products requested in a RPS solicitation were provided in D.04-07-029.

More recently, on December 15, 2005, the Commission adopted D.05-12-042 which refined the MPR methodology for the 2005 RPS Solicitation.<sup>8</sup> Subsequent resolutions adopted MPR values for the 2005, 2006 and 2007 RPS Solicitations.<sup>9</sup> In addition, D.06-10-050, as modified by D.07-03-046, further refined the RPS reporting and compliance methodologies.<sup>10</sup> In this decision, the Commission established methodologies to calculate an LSE's initial baseline procurement amount, annual procurement target (APT) and incremental procurement amount (IPT).<sup>11</sup>

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<sup>5</sup> Chapter 464, Statutes of 2006 (SB 107)

<sup>6</sup> Pub. Util. Code Section 399.14(a)(2)(C)

<sup>7</sup> D.04-07-015

<sup>8</sup> [http://www.cpuc.ca.gov/word\\_pdf/FINAL\\_DECISION/52178.pdf](http://www.cpuc.ca.gov/word_pdf/FINAL_DECISION/52178.pdf)

<sup>9</sup> Respectively, Resolution E-3980:

[http://www.cpuc.ca.gov/WORD\\_PDF/FINAL\\_RESOLUTION/55465.DOC](http://www.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/55465.DOC), Resolution E-4049: [http://www.cpuc.ca.gov/word\\_pdf/FINAL\\_RESOLUTION/63132.doc](http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/63132.doc), Resolution E-4110: [http://www.cpuc.ca.gov/word\\_pdf/FINAL\\_RESOLUTION/73594.pdf](http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/73594.pdf)

<sup>10</sup> D.06-10-050, Attachment A,

[http://www.cpuc.ca.gov/WORD\\_PDF/FINAL\\_DECISION/61025.PDF](http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/61025.PDF)) as modified by D.07-03-046 ([http://www.cpuc.ca.gov/WORD\\_PDF/FINAL\\_DECISION/65833.PDF](http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/65833.PDF)).

<sup>11</sup> The IPT represents the amount of RPS-eligible procurement that the LSE must purchase, in a given year, over and above the total amount the LSE was required to procure in the prior year. An LSE's IPT equals at least 1% of the previous year's total retail electrical sales, including power sold to a utility's customers from its DWR contracts.

### **Process for above-market cost recovery has been reformed**

Pursuant to SB 1078 and SB 107, the California Energy Commission (CEC) was authorized to “allocate and award supplemental energy payments” to cover above-market costs<sup>12</sup> of long-term RPS-eligible contracts executed through a competitive solicitation.<sup>13</sup> The CEC required that developers seeking above-market costs apply to the CEC for supplemental energy payments (SEPs); however, the legislature determined that it was inefficient for developers to apply to the CEC for above-market costs while the CPUC reviewed RPS contracts for approval. Additionally, SEPs proved difficult to finance and therefore, SEPs became an impediment to project viability.

Consequently, on October 14, 2007, Governor Schwarzenegger signed SB 1036,<sup>14</sup> which authorizes the CPUC to provide above-market cost recovery through rates. Once implemented, it is expected that SB 1036 will further streamline RPS contract approval and facilitate financing for projects with above-market costs.

Pursuant to SB 1036, Pub. Util. Code §399.15(d)(2) provides that:

The above-market costs of a contract selected by an electrical corporation may be counted toward the cost limitation if all of the following conditions are satisfied:

- (A) The contract has been approved by the commission and was selected through a competitive solicitation pursuant to the requirements of subdivision(d) of Section 399.14.
- (B) The contract covers a duration of no less than 10 years.
- (C) The contracted project is a new or repowered facility commencing commercial operations on or after January 1, 2005.
- (D) No purchases of renewable energy credits may be eligible for consideration as an above-market cost.
- (E) The above-market costs of a contract do not include any indirect expenses including imbalance energy charges, sale of excess energy, decreased generation from existing resources, or transmission upgrades.

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<sup>12</sup> Note: “above-market costs” refers to the portion of the contract price that is greater than the appropriate market price referent (MPR).

<sup>13</sup> Pub. Util. Code 399.15(d)

<sup>14</sup> Chapter 685, Statutes of 2007 (SB 1036)

The CEC and CPUC are working collaboratively to implement SB 1036, which has an effective date of January 1, 2008. CEC Staff notified parties with active SEP applications that they should withdraw their applications and seek above-market cost recovery from the CPUC, consistent with SB 1036. Prior to the CPUC's full implementation of SB 1036, the Commission may approve contracts with above-market costs and cost recovery will be approved through rates. Pursuant to SB 1036, the approved costs above the MPR may be applied toward the cost limitation.

### **PG&E requests approval of three new renewable energy contracts**

On June 27, 2007, PG&E filed AL 3074-E requesting Commission approval of three renewable procurement contracts: Western GeoPower, Inc. (Western GeoPower), GreenVolts, Inc. (GreenVolts), and CalRENEW-1, LLC (CalRenew). The power purchase agreements (PPA) result from PG&E's 2006 RPS solicitation which was authorized by D.06-05-039 on May 25, 2006. The Commission's approval of the PPAs will authorize PG&E to accept future deliveries of incremental supplies of renewable resources and contribute towards the 20 percent renewables procurement goal required by California's RPS statute.<sup>15</sup> PG&E may earmark future deliveries from the GreenVolts and CalRenew contract as a temporary reason for noncompliance with its 2006 APT. On October 9, 2007, PG&E filed Supplemental AL 3074-E-A to change the location of CalRenew's Project Site. On November 29, PG&E filed Supplemental AL 3074-E-B bringing the PPAs' terms and conditions into compliance with D.07-11-025.

### **PG&E requests final "CPUC Approval" of Contract**

PG&E requests the Commission to issue a resolution containing the findings required by the definition of "CPUC Approval" in Attachment A of D.07-11-025. In addition, PG&E requests that the Commission issue a resolution that finds the following:

1. Approves each PPA in its entirety, finds that PG&E's execution of each PPA is reasonable and in the public interest, and finds that PG&E's payments under each PPA are reasonable and are fully recoverable in rates over the life of the contract, subject to CPUC review of PG&E's administration of the PPA.

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<sup>15</sup> California Pub. Util. Code section 399.11 et seq., as interpreted by D.03-07-061, the "Order Initiating Implementation of the Senate Bill 1078 Renewables Portfolio Standard Program", and subsequent CPUC decisions in Rulemaking (R.) 04-04-026, R.06-02-012 and R.06-05-027.

2. Finds that any procurement pursuant to these PPAs 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.), D.03-06-071, or other applicable law;
3. Finds that any procurement pursuant to these PPAs constitutes incremental procurement by PG&E from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation to increase its total procurement of eligible renewable energy resources that it may have pursuant to the California Renewables Portfolio Standard, D.03-06-071 and D.06-10-050, or other applicable law;
4. Finds that there is a risk that deliveries will not occur as described by the PPAs due to factors that are beyond PG&E's control; that PG&E has made reasonable attempts to reduce the risk of non-performance associated with these PPAs without unduly increasing its cost of procurement under the PPAs; and that PG&E shall not be subject to penalties for RPS delivery shortfalls due to non-performance of a seller under any of the PPAs, consistent with previous decisions.
5. Finds that payments made under these PPAs and any indirect costs of renewables procurement identified in Section 399.15(d) shall be fully recoverable in rates over the life of the contract.
6. Finds that any cost of bringing generation from the delivery point to PG&E's load center shall be fully recoverable in rates over the life of the contract.
7. Finds that any stranded costs that may arise from these contracts are subject to the provisions of D.04-12-048 that authorize stranded cost recovery over the life of the contract. Implementation of these provisions will be addressed in Rulemaking 06-02-013.

**PG&E's Procurement Review Group participated in review of the contract**

In D. 02-08-071, the Commission required each utility to establish a "Procurement Review Group" (PRG) whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of:

1. Overall transitional procurement strategy;
2. Proposed procurement processes including, but not limited to, RFO; and

3. Proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.

The PRG for PG&E consists of: California Department of Water Resources (DWR), the Commission's Energy Division, Natural Resources Defense Council (NRDC), Union of Concerned Scientists (UCS), Division of Ratepayer Advocates (DRA), Aglet Consumer Alliance (Aglet), Coalition of California Utility Employees (CUE) and The Utility Reform Network (TURN).

PG&E provided its PRG with reports on these transactions on several occasions. On September 25, 2006, PG&E presented the PRG with the results of its 2006 RPS solicitation, and discussed its shortlist on October 26, 2006, and November 6, 2006. Updates on the negotiations with shortlisted projects were provided on December 14, 2006, January 26, 2007, March 30, 2007, and May 30, 2007.

The PRG members have expressed general satisfaction with the manner in which PG&E arrived at its 2006 shortlist and the resulting PPAs. The PRG did not object to PG&E's decision to enter into these contracts and submit them for CPUC approval by advice letter. Although Energy Division is a member of the PRG, it reserved its conclusions for review and recommendation on the contracts to the resolution process.

## **NOTICE**

Notice of AL 3074-E, Supplemental AL 3074-E-A and Supplemental AL 3074-E-B were made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter and Supplemental Advice Letters were mailed and distributed in accordance with Section III-G of General Order 96-A.

## **PROTESTS**

PG&E's Advice Letter 3074-E was timely protested by Merced Irrigation District and Modesto Irrigation District (Districts) on July 17, 2007. While the Districts did not object to the terms of the PPAs, both parties objected to PG&E's request for approval of stranded cost recovery in connection with the PPAs. The Districts state that the issue regarding implementation of stranded cost recovery, pursuant to D.04-12-048,<sup>16</sup> is presently being considered by the Commission.

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<sup>16</sup> [http://www.cpuc.ca.gov/WORD\\_PDF/FINAL\\_DECISION/43224.PDF](http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/43224.PDF)

On July 24, 2007, PG&E responded to the Districts protest by stating that AL 3074 -E requests only that the Commission affirm that above-market costs are eligible for recovery from all customers over the life of the contracts. Specifically, PG&E requested that the Commission find that any above-market costs associated with the GreenVolts and CalRenew PPAs are eligible for cost recovery, pursuant to Commission policy and precedent in previous resolutions approving RPS PPAs.

**DISCUSSION**

**Description of the projects**

The following table summarizes the substantive features of the Contracts. See confidential Appendix A for a detailed discussion of contract terms and conditions:

<b>Generating Facility</b>	<b>Type</b>	<b>Term Years</b>	<b>MW Capacity</b>	<b>Annual Deliveries</b>	<b>Online Date</b>	<b>Project Location</b>
Western GeoPower	Geothermal	20	25.5 MW	212 GWh	4/1/2010	Sonoma County, CA
GreenVolts	Photovoltaic	20	2 MW	4.6 GWh	9/1/ 2008 (phase 1) 9/1/ 2009 (phase 2)	Byron, CA
CalRenew	Photovoltaic	20	5 MW	9 GWh	4/30/2009	Mendota, CA

**Projects represent a milestone for the RPS program**

**GreenVolts and CalRenew**

These two Projects represent the first solar PV facilities shortlisted in an RPS solicitation, and if approved, will be an important step in commercializing utility-scale PV generation in California. To date, only projects that use commercialized technology to generate electricity or produce renewable biogas contribute to the State’s 20% RPS goal; consideration of these projects is a notable milestone for the RPS program.

Approval of these Projects is consistent with the State’s objective of supporting renewable technologies, and will ensure that California continues to increase its supply of Least-Cost Best-Fit renewable resources. Specifically, the development

of these Projects will support the advancement and commercialization of utility scale PV technology, which may lead to future cost reductions for this technology. These projects represent part of PG&E's "Solar Strategy", wherein PG&E seeks to benefit from commercial and next generation solar technologies with a comprehensive, portfolio approach procurement strategy. Because of uncertainty regarding which solar technology will achieve the greatest efficiencies and cost reductions over time, PG&E's Solar Strategy will not rely on one technology, developer or equipment manufacturer. PG&E's has adopted a two pronged approach to achieve its objective; execute PPAs for projects with commercialized proven technologies at sizes that capture economies of scale,<sup>17</sup> and execute PPAs for projects of modest capacity that employ next generation technology, and have the potential to realize lower long-term costs. Approval of these Projects, which will deliver all of their output to the grid, will foster an increasing supply of renewable resources for the future.

**Energy Division examined the contracts on multiple grounds:**

- PPAs are consistent with PG&E's CPUC adopted 2006 RPS Plan and were executed through a competitive solicitation
- PG&E's Bid evaluation process is consistent with CPUC Least-Cost Best-Fit (LCBF) decision
- PPAs conform to CPUC adopted Standard Terms and Conditions
- PG&E made a sufficient showing the projects are viable
- PG&E made a sufficient showing the contract prices are reasonable

**PPAs are consistent with PG&E's CPUC adopted 2006 RPS Plan**

California's RPS statute requires the Commission to review the results of a renewable energy resource solicitation submitted for approval by a utility.<sup>18</sup> PG&E's 2006 RPS procurement plan (Plan) was approved by D.06-05-039 on May 25, 2006. Pursuant to statute, the plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of flexible compliance mechanisms established by the Commission,

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<sup>17</sup> PG&E filed advice letter 3092-E on July 25, 2007, which concerns a PPA with SOLEL-MSP-1, a 553 MW solar thermal facility that will use commercially proven solar trough technology.

<sup>18</sup> Pub. Util. Code, Section §399.14

and a bid solicitation protocol setting forth the need for renewable generation of various operational characteristics.<sup>19</sup>

The stated goal of PG&E's 2006 Plan was to procure approximately 1-2 percent of retail sales volume or between 727 and 1,454 GWh per year, with delivery terms of 10, 15, or 20 years. Participants could submit offers for four specific products - as-available, baseload, peaking and/or dispatchable resources. The PPAs are consistent with PG&E's goal of procuring energy from projects in its service territory with deliveries expected to contribute towards 20% renewables in 2010.

#### PPA selection consistent with RPS Solicitation Protocol

The PPAs are consistent with the RPS plan because they were achieved through PG&E's adherence to its Solicitation Protocol:

1. PG&E generally followed the RPS Solicitation schedule set forth in its Solicitation Protocol, but ultimately, the schedule for concluding negotiations was necessarily extended.<sup>20</sup>
2. Using the approved bid solicitation protocol and forms of power purchase agreements, PG&E commenced its solicitation on June 30, 2006. Bids were received until September 8, 2006, consistent with the published schedule. All of the accepted bids conformed to the RPS protocol; that is, they offered power from eligible renewable energy resources, they were submitted using the standard forms, they executed the bid protocol and confidentiality agreements, and they posted the required bid deposit. One bid was disqualified because of its reliance on natural gas at levels greater than the CEC's eligibility requirements for hybrid projects.
3. These bids were evaluated and scored in the manner prescribed in the Solicitation Protocol. In particular, evaluation of the offer price took into account PG&E's published Time of Delivery factors and imputed the potential cost of transmission adders. PG&E scored the offers pursuant to a methodology that attributed the proper weight to market valuation, portfolio fit, credit and other non-price factors of the Solicitation Protocol.

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<sup>19</sup> Pub. Util. Code, Section §399.14(a)(3)

<sup>20</sup> On December 6, 2006, the three large IOUs were granted an extension by letter from the Executive Director (CPUC) on the date by which contracts eligible for earmarking in 2006 must be executed and submitted to the CPUC for approval.

4. The bids were ranked according to the protocols, and were placed on PG&E's "Short List" and presented to PG&E's PRG on October 26, 2006. PG&E notified short-listed bidders and PG&E negotiations with short-listed bidders began once they submitted the required bid deposit. The interim results of negotiations were presented to the PRG on several occasions between December 14, 2006 and May 30, 2007. At those meetings, the PRG had no objection to PG&E proceeding to execute the PPAs presented by this advice letter.
5. PG&E submitted its "Shortlist Report" to the CPUC on December 22, 2006.<sup>21</sup> The Shortlist Report consists of PG&E's Least-Cost Best-Fit Evaluation report, the Independent Evaluator's report and PG&E's confidential Shortlist selection. PG&E's Shortlist Report conformed to the format developed by Energy Division Staff.

### **Bid evaluation process consistent with Least-Cost Best-Fit (LCBF) decision**

The LCBF decision<sup>22</sup> directs the utilities to use certain criteria in their bid evaluation process. It offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence serious negotiations. Much of the bid ranking criteria described in the LCBF decision is incorporated in PG&E's Solicitation Protocol and is discussed below. The Commission has also issued several decisions that require the IOUs to employ an Independent Evaluator (IE) in RPS Solicitations to ensure that the LCBF process is fairly administered.<sup>23</sup>

On December 22, 2006, PG&E submitted its 2006 Shortlist Report, which included a report from the IE employed to oversee PG&E's 2006 RPS Solicitation. The IE report provided an assessment of PG&E's 2006 RPS Solicitation and specifically addressed the design and administration of PG&E's LCBF evaluation process, and the reasonableness of PG&E's shortlist selections. PG&E's IE concluded in its report that PG&E's outreach activities were adequate for its 2006 Solicitation, and provided adequate guidance for potential bidders on its website and at its open pre-solicitation bidder's conference.<sup>24</sup> The IE report also stated

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<sup>21</sup> PG&E's 2006 Renewables Portfolio Standard Short List Report, December 22, 2006 (R.06-05-027).

<sup>22</sup> D.04-07-029

<sup>23</sup> D.04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28) and D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8).

<sup>24</sup> Sedway Consulting, Inc. served as independent evaluator for PG&E's 2006 RPS Solicitation.

that PG&E conducted a fair, consistent and effective evaluation of the offers without bias, and made the appropriate selection decisions in its 2006 RPS Solicitation Shortlist.

### Market Valuation

In its “mark-to-market analysis,” PG&E compares the present value of the bidder’s payment stream 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. A product’s benefits are the market value of the energy, capacity, and ancillary services.<sup>25</sup> PG&E evaluates the bid price and indirect costs, such as debt equivalence, and the costs to the utility transmission system caused by interconnection of the resource to the grid or integration of the generation into the system-wide electrical supply.<sup>26</sup> The benefit/cost analysis yields a Net Market Value; a \$/MWh comparison of the value of generation from a proposed contract and PG&E’s forward curve, or its proxy for firm system energy.

### Portfolio Fit

Portfolio fit considers how well an offer variation’s features match PG&E’s portfolio needs, with special consideration of project online and generation profile. This analysis includes the anticipated transaction costs involved in any energy remarketing (i.e., the bid-ask spread) if the contract adds to PG&E’s net long position. Because these deliveries are anticipated to occur at a time when PG&E is experiencing moderate need for baseload and on-peak energy, the acceptance of these deliveries should not result in significant remarketing costs.

### Consideration of Transmission Adders

The RPS statute requires the “least cost, best fit” eligible renewable resources to be procured. Under the RPS program, the potential cost to ratepayers must be considered when determining a project’s value for bid ranking purposes. PG&E’s 2006 transmission ranking cost report (TRCR)<sup>27</sup> identified the remaining available transmission capacity and upgrade costs for PG&E substations at which renewable resources are expected to interconnect. PG&E determined the TRCR

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<sup>25</sup> PG&E’s 2006 Renewables Portfolio Standard Short List Report, Chapter 2 Least Cost Best Fit Report, p. 17-20. December 22, 2006 (R.06-05-027)

<sup>26</sup> PG&E’s RPS Renewable Energy Procurement Plan, June 30, 2006, section XI, p. 34-35.

<sup>27</sup> Submitted to the CPUC on March 15, 2006 R.06-05-027

cluster at which each shortlisted project would interconnect to the transmission grid. Consistent with Commission decisions, based on the potential transmission congestion, the associated proxy transmission network upgrades and the associated capital costs that may be need to accommodate delivery at this cluster, PG&E assigned a transmission adder to each Offer for evaluation. PG&E then re-ranked the bids; the TRCR values did not have a significant effect on the Projects' ranking.

### Terms and conditions of delivery

Each Project will provide its own scheduling coordinator and the point of delivery will be NP-15. Following the implementation of the California Independent System Operator's (CAISO) Market Redesign Technology Upgrade (MRTU), the Project's delivery points become their interconnection point with the CAISO grid.<sup>28</sup> GreenVolts and CalRenew will participate in the CAISO's Eligible Intermittent Resource Program (EIRP), a component of the Participating Intermittent Resource Program (PIRP), when available.<sup>29 30</sup> Participation in EIRP will allow GreenVolts and CalRenew to schedule their generation in the forward market without incurring imbalance charges, which lowers the financial risk of intermittent generation for the Projects.

### Transmission upgrades

Although the CAISO transmission studies have not been completed, PG&E believes that these Projects, given their size and location, will not require significant transmission upgrades, and therefore, will not incur unexpected congestion costs, or other complications. PG&E's Independent Evaluator agrees with PG&E's assessment.

### **Consistency with Adopted Standard Terms and Conditions**

The Commission set forth standard terms and conditions to be incorporated into RPS agreements in D.04-06-014, D.07-02-011 as modified by D.07-05-057,<sup>31</sup> and

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<sup>28</sup> <http://www.caiso.com/docs/2001/12/21/2001122108490719681.html>

<sup>29</sup> <http://www.caiso.com/183f/183f8eb8e940.pdf>

<sup>30</sup> <http://www.caiso.com/1817/181783ae9a90.html>

<sup>31</sup> D.07-05-057 Order Modifying Decision 07-02-011 Regarding Definition of Green Attributes [http://www.cpuc.ca.gov/word\\_pdf/FINAL\\_DECISION/68383.pdf](http://www.cpuc.ca.gov/word_pdf/FINAL_DECISION/68383.pdf)

D.07-11-025<sup>32</sup>. Standard Terms and Conditions (STC) were identified in confidential Appendix B of D.04-06-014 as “may not be modified”. On November 16, 2007, the Commission adopted D.07-11-025, which reduced the number of non-modifiable terms from nine to four, and refined the language of some of the terms in response to an amended petition for modification of D.04-06-014.<sup>33</sup> The remaining non-modifiable STCs include “CPUC Approval”, “RECs and Green Attributes”, “Eligibility” and “Applicable law”.

#### “May Not be Modified” Terms

The PPAs do not deviate from the non-modifiable terms and conditions.

#### “May be Modified” Terms

During the course of negotiations, the parties identified a need to modify some of the modifiable standard terms in order to reach agreement. These terms had all been designated as subject to modification upon request of the bidder in Appendix A of D.04-06-014 and in D.07-11-025.

#### **PPAs are viable projects**

PG&E believes the projects are viable because:

##### Project Milestones

The PPAs identify the agreed upon project milestones, including interconnection agreement, project financing, construction start and commercial operation deadlines. The Sellers’ obligations to meet these milestones are supported by performance assurance securities.

##### Financeability of resource

PG&E believes that the projects selected have a reasonable likelihood of being financed and completed as required by the PPAs and will be available to deliver energy by the guaranteed commercial operation date.

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<sup>32</sup> D.07-11-025, Attachment A

[http://docs.cpuc.ca.gov/WORD\\_PDF/FINAL\\_DECISION/75354.PDF](http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/75354.PDF)

<sup>33</sup> On February 1, 2007, PG&E and SCE jointly filed a petition for modification of D.04-06-014. On May 22, 2007, a PD was filed and served. Prior to the PD being voted on by the Commission, PG&E and SCE filed an amended petition for modification of D.04-06-014.

- Western GeoPower
  - Western GeoPower is a publicly owned, Canadian, renewable energy development company whose shares trade on the Toronto Stock Exchange. In June and July 2007, the company raised \$11 million to support the development of its Project.
  - In September, 2007, Western GeoPower raised an additional \$6.25 million when Iceland-based geothermal developer, Geysir Green Energy<sup>34</sup> increased its ownership stake in the company.
  - Western GeoPower has acquired leases to support the development of the Project in a known geothermal resource area, with demonstrated production history and a large database of resource information, which minimizes financing risk.
- GreenVolts
  - On October 30, 2007, GreenVolts announced it had secured \$10 million in Series A funding for its Project.<sup>35</sup>
  - GreenVolts designed its system and partnered with manufacturers<sup>36</sup> so it can scale production quickly and cost effectively, which lowers capital expenditure risk associated with project development.
- CalRenew
  - CalRenew will employ commercialized PV materials with proven efficiencies from experienced manufacturers with strong balance sheets.

#### Sponsor's creditworthiness and experience

The bidders were required to provide credit-related information as part of their bid. PG&E has reviewed this information and is satisfied that the seller possesses the necessary credit and experience to perform as required by the PPAs.

- CalRenew
  - Cleantech America Inc., developer of CalRENEW-1, has established a management team of energy industry experts, specializing in project finance and permitting.

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<sup>34</sup> <http://www.gge.is/>

<sup>35</sup> <http://www.greenvolts.com/category/newsroom/> (Last visited October 30, 2007)

<sup>36</sup> <http://www.ecolite.com/default.htm>

- Tom Baker, CEO of California Construction Authority, will manage the Project design, engineering, construction, operations and maintenance of the facility.<sup>37</sup> Mr. Baker has successfully developed 8MW of solar PV capacity.

### Technology and Fuel

- Western GeoPower
  - Geothermal is a proven resource and the Geysers region in Sonoma County, California has a long history of delivering renewable generation. The Geysers geothermal resource area supplies approximately 40% of the State's geothermal energy generation.<sup>38</sup>
  - The Project site is located where PG&E owned and operated "Unit 15", a 62 MW facility, between 1979 and 1989. Since the mid-1990s, the rate of decline in well productivity at The Geysers has eased substantially and stabilized; third party analysis has confirmed the viability of a 25.5 MW facility.
- GreenVolts
  - Photovoltaics are a proven technology for renewable solar energy generation. GreenVolts' technology has produced energy at half the cost of traditional solar panels without using silicon wafers which are in short supply in the market.
  - GreenVolts will employ first-of-its-kind high concentration photovoltaic (HCPV) technology. The photovoltaic cells used are industry standard and have been in commercial use for over 20 years. However, the solar concentrating method is proprietary and has not been used in other projects. The company's technology, which includes a tracking system, seeks to maximize energy yield from high efficiency solar cells and does not require large remote tracts of land and associated investments in new transmission lines.
  - GreenVolts' proprietary tracking system has begun producing energy at Avista Corp's<sup>39</sup> Clean Energy Test Site, and is on track for deployment for its proposed Project with PG&E.

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<sup>37</sup> <http://www.calconstruction.com/index.html>

<sup>38</sup> [http://www1.eere.energy.gov/geothermal/gpw/profile\\_california.html](http://www1.eere.energy.gov/geothermal/gpw/profile_california.html)

<sup>39</sup> <http://www.avistacorp.com/>

- GreenVolts won first prize at the 2006 California Clean Tech Open. Projects were judged on the following criteria; concept and product, feasibility, market opportunity, financials and profitability, team and environmental and societal impact.<sup>40</sup>
- Initial analysis shows the Project's site in Byron, California to be a viable region for solar photovoltaic generation. GreenVolts collected solar resource data from the NREL Redbook<sup>41</sup> and used the Byrd model to interpret the NREL data into seasonal and hourly data.
- CalRenew
  - Photovoltaics are a proven technology for renewable solar energy generation. CalRenew will employ a combination of commercial flat panel solar panels and advanced concentration photovoltaic technology.<sup>42</sup>
  - The individual equipment components that the Project will use; photovoltaic panels, mirrors, electric motors and steel frames represent proven technology. However, the assembly of these components for collecting and concentrating the sun's rays at the scale proposed for this Project has not been done before.

#### Production Tax Credit (PTC)

- Western GeoPower is eligible for the federal PTC currently set to expire on December 31, 2008. The Seller does not have a no-fault termination right if the federal PTC is not extended as provided in Section 45 of the Internal Revenue Code of 1986, as amended; however, the PPA contains terms and conditions that would impact contract price if PTCs are not extended.

#### Investment Tax Credit (ITC)

- GreenVolts is eligible for the federal 30% ITC,<sup>43</sup> which is currently set to expire December 31, 2007. Phase I of the PPA is not contingent upon, nor

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<sup>40</sup> [http://www.cacleantech.com/docs/pdf/CCTO\\_2006\\_CompetitionReport.pdf](http://www.cacleantech.com/docs/pdf/CCTO_2006_CompetitionReport.pdf)

<sup>41</sup> [http://rredc.nrel.gov/solar/old\\_data/nsrdb/1991-2005/](http://rredc.nrel.gov/solar/old_data/nsrdb/1991-2005/)

<sup>42</sup> <http://www.cleantechamerica.com/projects/index.php?article=3-12-07> (last visited October 28, 2007).

<sup>43</sup> Also referred to as the "Corporate Tax Credit"  
[http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive\\_Code=US02F&state=US&CurrentPageID=1&RE=1&EE=0](http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=US02F&state=US&CurrentPageID=1&RE=1&EE=0) (Last visited October 29, 2007).

is the pricing dependent on the extension of the federal ITC. GreenVolts has a no-fault termination right for Phase II if the federal ITC is not extended.

- CalRenew is eligible for the federal 30% ITC. The Seller has a no-fault termination right that may be exercised if the ITC is not extended by December 31, 2007.

### **Contract Price is Reasonable**

#### Western GeoPower

The levelized contract price does not exceed the 2006 MPR<sup>44</sup> and therefore, the PPA is considered *per se* reasonable as measured according to the net present value calculations explained in D.04-06-015, D.04-07-029, and D.05-12-042. The net present value of the sum of payments to be made under the PPA is less than the net present value of payments that would be made at the market price referent for the anticipated delivery. Confidential Appendix B-1 demonstrates that the levelized contract payments, which have been adjusted for the appropriate project on-line date, are below the 2006 MPR, therefore, there are no above-market costs associated with the contract.

#### GreenVolts and CalRenew

While the levelized contract price exceeds the 2006 MPR, Staff believes that these contracts are reasonable. Specifically, both projects represent first-of-its-kind technology that could achieve utility scale generation, and therefore, as pilot projects, they are valued differently than commercialized projects. The price reasonableness evaluation discussed in this resolution does not set a precedent for Commission review of RPS contracts.

Several factors were considered when determining price reasonableness:

- Current average cost of photovoltaic solar installations in California. Specifically, GreenVolts' and CalRenew's contract price is reasonable when compared on a per Watt basis to the current average cost of rooftop solar installations in California.<sup>45</sup>

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<sup>44</sup> 2006 MPR Resolution E-4049

[http://www.cpuc.ca.gov/word\\_pdf/FINAL\\_RESOLUTION/63132.pdf](http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/63132.pdf)

<sup>45</sup> The current average cost of rooftop solar installations in California is approximately \$8.50 per Watt. CIBC World Markets (Canadian Imperial Bank of Commerce) report, January 2007, and BP Solar website "Solar Savings Calculator".

- Contracts capture long-term future benefits for ratepayers. If approved, development of these Projects will advance the commercialization of utility scale PV technology, which ratepayers may benefit from via potential cost reductions associated with the commercialization and the specific advantages this technology offers relative to other central station renewable technologies. Specifically, a key driver for cost reduction is lower cost of capital, which may be achieved by successfully demonstrating commercialization.
- Greater technology diversity may increase overall renewable energy supply and increase competition in the market and RPS solicitations.

Confidential Appendices A-2 and A-3 include a detailed discussion of contract pricing terms. Confidential Appendices B-2 and B-3 demonstrate that the net present value of the sum of payments to be made under the PPAs is slightly greater than the net present value of payments that would be made at the market price referent for the anticipated delivery.

#### **Qualitative factors were considered during bid evaluation**

PG&E considered qualitative factors as required by D.04-07-029 and D.06-05-039, i.e. credit and finance, project status, technology viability and participant experience, and consistency with RPS goals. If approved, GreenVolts and CalRenew, which are the first photovoltaic projects shortlisted in an RPS solicitation, would contribute to the diversification of PG&E's resource mix. Also CalRenew would provide non-polluting generation capacity to the Central Valley, an area that has substantial air quality concerns.

#### **The Commission has adopted minimum quotas of RPS contracting from long-term contract or contracts with new facilities**

Pub. Util. Code 399.14(b)(2) states that before the Commission can approve an RPS contract of less than ten years' duration, the Commission must establish "for each retail seller, minimum quantities of eligible renewable energy resources to be procured either through contracts of at least 10 years' duration or from new facilities commencing commercial operations on or after January 1, 2005." On May 3, 2007, the Commission approved D.07-05-028<sup>46</sup> which established a minimum percentage of the prior year's retail sales that must be contracted with contracts of at least 10 years' duration or from new facilities commencing commercial operations on or after January 1, 2005. As new, long-term Contracts,

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<sup>46</sup> [http://www.cpuc.ca.gov/WORD\\_PDF/FINAL\\_DECISION/67490.PDF](http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/67490.PDF)

deliveries from these Projects will contribute to PG&E's minimum quota requirement.

**Clarification of Commission policy regarding stranded costs and disposition of protest**

The Merced Irrigation District and Modesto Irrigation District (The Districts) filed a joint protest against PG&E's request for stranded cost recovery through a Commission resolution approving AL 3074-E. This protest indicates that there is confusion among some parties regarding the relationship of renewable contracts, stranded costs, stranded cost recovery rules adopted in D.04-12-048, and the scope of Track 3 in R.06-02-013. In this resolution, we will clarify our policy.

The Districts have protested PG&E's "broad request for approval of stranded costs" in several of PG&E's advice letters because the Commission is currently considering stranded cost recovery issues in R. 06-02-013, and should not prejudge such issues in advice letters. The Districts state in the instant protest that, "...recovery of any stranded costs that may arise from the PPAs is subject to any Commission determination(s) in Rulemaking 06-02-013 (or any other proceeding) regarding implementation of the cost recovery provisions of D.04-12-048."<sup>47</sup>

The Districts' statement is consistent with recent Commission-approved resolutions. For example, in Resolution E-4110, approved September 6, 2007, the Commission stated in Conclusions of Law 8, "PG&E's request to recover payments for stranded costs or above-market costs associated with these contracts should be addressed in R.06-02-013" and in Ordering Paragraph 3, "To the extent that PG&E requests the recovery from its customers of stranded costs or above-market costs associated with these contracts, that request will be addressed in R.06-02-013."

PG&E, in its advice letter, requests cost recovery pursuant to D.04-12-048 for stranded costs associated with the particular contract submitted for Commission approval. In response to the District's protest of PG&E's request to recover above-market costs of the PPAs, PG&E references D.04-12-048, page 57:<sup>48</sup>

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<sup>47</sup> Merced Irrigation District and Modesto Irrigation District protest to Advice 3074-E, filed July 17, 2007.

<sup>48</sup> PG&E response to Protest of Merced Irrigation District and Modesto Irrigation District to Advice 3074-E, filed July 24, 2007. In its response, PG&E incorrectly references the text from D.04-12-048, page 57 as page 52.

In general we agree that the utilities should be allowed to recover their stranded costs from all customers, including a surcharge. Such an approach best meets the Commission's goals of providing "the need for reasonable certainty of rate recovery" (as required under AB 57 and noted in the June 4<sup>th</sup> ACR) as well as best ensuring that California meets its energy needs.

Requiring departing customers to assume a fair share of their costs is also consistent with the Commission's policy of holding captive ratepayers harmless as required by state law.

PG&E makes the distinction in its response that its request is limited to a Commission determination that the costs associated with the PPAs are eligible for cost recovery from all customers, including departing customers; consistent with Commission decisions.

In effect, both parties are correct. We clarify our intent here. When we approve individual contracts by resolution, we make no determination whether any stranded costs would in fact be incurred during the life of these contracts. As a result, in these resolutions, we declined to approve the recovery of stranded costs in connection with these contracts. Instead, we deferred this issue to R. 06-02-013 where the Commission could consider, if in fact stranded costs arise from a particular contract, the methodology to determine such "costs", the methodology of assigning those "costs", and other associated implementation details. Our intent was to make clear that we were not prejudging, in this or any other Resolution, whether the particular contract in question would result in stranded costs. We were not, and do not, in any way change or modify the Commission's ruling in D.04-12-048, as referenced above. In addition, we were not prescribing the manner in which stranded costs are determined or the potential impacts of implementation details, as R.06-02-013 is the appropriate proceeding for addressing these issues.

In light of the above, we clarify the following: by this resolution we make no determination of whether stranded costs will in fact be incurred during the life of these contracts. However, to the extent that such costs should occur, such costs will be eligible for stranded cost recovery subject to any determination in R.06-02-013 or any other proceeding regarding the implementation of cost recovery provisions of D.04-12-048. Although styled as a protest, we consider the

Districts' position as a restatement of existing Commission policy. We therefore dispose of this "protest" through our further clarification of Commission policy.

**PG&E's request for rate recovery of its transmission costs is not addressed in this resolution.**

PG&E requests that the Commission make a finding related to undefined transmission costs, specifically requesting that the Commission:<sup>49</sup>

Finds that any cost of bringing generation from the delivery point to PG&E's load center shall be fully recoverable in rates over the life of the contract.

PG&E makes its request without providing sufficient information and/or citing relevant Commission Decisions. Moreover, the issue of cost recovery should be addressed using the appropriate process provided by the Commission, and not by resolution.

**Confidential information about the contracts should remain confidential**

Certain contract details were filed by PG&E under confidential seal. Energy Division recommends that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, and considered for possible disclosure, should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

**COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for this resolution has been reduced in accordance with the provisions of Rule 14.6 (c)(9). Rule 14.6 (c)(9) provides that the Commission may waive or reduce the comment period for a decision when the

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<sup>49</sup> Advice Letter 3074-E, June 27, 2007, page 12

Commission determines that public necessity requires reduction or waiver of the 30-day period for public review and comment. For purposes of Rule 14.6 (c)(9), “public necessity” refers to circumstances in which the public interest in the Commission’s adopting a decision before expiration of the 30-day review and comment period clearly outweighs the public interest in having the full 30-day period for review and comment, and includes circumstances where failure to adopt a decision before expiration of the 30-day review and comment period would cause significant harm to public health or welfare.

The public necessity in this case is that the renewable facilities associated with Advice Letter 3074-E have near-term milestones; the shortened comment period allowed the Parties to amend their PPAs pursuant to D.07-11-025, which modified standard terms and conditions required for RPS contracts, and will allow the Sellers to proceed with the development of their Projects without further delay. Shortening the comment period for the draft resolution will enable PG&E to receive renewable energy deliveries at the nearest opportunity and ensure that the RPS program moves successfully towards the 20% by 2010 goal, and therefore, clearly serves the public interest. Any harm caused by shortening the comment period by seven days is de minimis compared to the benefits of allowing parties’ immediate review of the draft resolution.

This matter will be placed on the first Commission agenda 20 days following the mailing of this draft resolution. Comments shall be filed no later than 13 days following the mailing of this draft resolution, reply comments shall be filed no later than 17 days following the mailing of this draft resolution.

Comments were filed on December 13, 2007 by Merced Irrigation District and Modesto Irrigation District, addressing the issue of stranded cost recovery. PG&E filed reply comments on the same issue on December 17, 2007.

### **FINDINGS OF FACT**

1. The RPS Program requires each utility, including PG&E, to increase the amount of renewable energy in its portfolio to 20 percent by 2010, increasing by a minimum of one percent per year.
2. D.04-06-014 and D.07-11-025 set forth standard terms and conditions to be incorporated into RPS Power Purchase Agreements.

3. On October 14, 2007, Governor Schwarzenegger signed Senate Bill 1036, which has an effective date of January 1, 2008.
4. Senate Bill 1036 will be effective prior to when the proposed contracts commence initial deliveries.
5. Senate Bill 1036 authorizes the Commission to provide above-market cost recovery through rates.
6. Pursuant to SB 1036, the approved costs above the MPR may be applied toward the cost limitation.
7. On June 27, 2007, PG&E filed Advice Letter (AL) 3074-E requesting Commission approval of three renewable procurement contracts: Western GeoPower, Inc. (Western GeoPower), GreenVolts, Inc. (GreenVolts), and CalRENEW-1, LLC (CalRenew).
8. On October 9, 2007, PG&E filed Supplemental AL 3074-E-A to amend the description of CalRenew's Project Site and on November 29, 2007, PG&E filed Supplemental AL 3074-E-B bringing the PPAs' terms and conditions into compliance with D.07-11-025.
9. A protest to AL 3074-E was filed by the Merced Irrigation District and Modesto Irrigation District on July 17, 2007.
10. PG&E responded to the protest on July 24, 2007.
11. The protest by Merced Irrigation District and Modesto Irrigation District is disposed of through further clarification of Commission policy.
12. PG&E's request to recover payments for stranded costs associated with these contracts is not appropriate to address by resolution and should be addressed in R.06-02-013.
13. PG&E's request concerning the costs of bringing generation from the delivery point to PG&E's load center is not appropriate to address by resolution.
14. D.06-05-039 directed the utilities to issue their 2006 renewable RFOs, consistent with their renewable procurement plans.
15. The Commission required each utility to establish a Procurement Review Group (PRG) to review the utilities' interim procurement needs and strategy, proposed procurement process, and selected contracts.
16. PG&E provided its PRG with reports on these transactions on several occasions between September 25, 2006 and May 30, 2007.
17. D.07-05-028 established conditions for counting deliveries from contracts of less than 10 years' duration for RPS compliance.

18. The Commission has reviewed the proposed contracts and finds them to be consistent with PG&E's approved 2006 renewable procurement plan.
19. Energy Division reviewed the PPAs and finds them reasonable.
20. Western GeoPower's proposed all-in contract price is below the 2006 MPR released in Resolution E-4049.
21. GreenVolts' and CalRenew's proposed all-in contract price is above the 2006 MPR released in Resolution E-4049.
22. The price reasonableness evaluation discussed in this resolution does not set a precedent for Commission review of RPS contracts.
23. Comments to the Draft Resolution were filed by Merced Irrigation District and Modesto Irrigation District on December 13, 2007.
24. Reply comments were filed by PG&E on December 17, 2007.

### **CONCLUSIONS OF LAW**

1. The RPS Program requires each utility, including PG&E, to increase the amount of renewable energy in its portfolio to 20 percent by 2010, increasing by a minimum of one percent per year.
2. The Commission requires each utility to establish a Procurement Review Group (PRG) to review the utilities' interim procurement needs and strategy, proposed procurement process, and selected contracts.
3. D.04-06-014 and D.07-11-025 set forth standard terms and conditions to be incorporated into RPS PPAs.
4. On October 14, 2007, Governor Schwarzenegger signed Senate Bill 1036, which has an effective date of January 1, 2008.
5. Pursuant to Senate Bill 1036, the Commission is authorized to provide above-market cost recovery through rates.
6. The Commission has reviewed the proposed contracts and finds them to be consistent with PG&E's approved 2006 renewable procurement plan.
7. These PPAs are reasonable and should be approved in their entirety.
8. The price reasonableness evaluation discussed in this resolution does not set a precedent for Commission review of RPS contracts.

9. Levelized contract price below the 2006 MPR is considered *per se* reasonable as measured according to the net present value calculations explained in D.04-06-015, D.04-07-029, and D.05-12-048.
10. The costs of the contracts between PG&E and Sellers are reasonable and in the public interest; accordingly, the payments to be made by PG&E are fully recoverable in rates over the life of the projects, pursuant to SB 1036 and subject to CPUC review of PG&E's administration of the contracts.
11. Pursuant to SB 1036, the approved costs above the MPR may be applied toward the cost limitation.
12. PG&E's request to recover payments for stranded costs associated with these contracts should be addressed in R.06-02-013.
13. PG&E's request concerning the costs of bringing generation from the delivery point to PG&E's load center should be addressed using the appropriate process provided by the Commission and not by resolution.
14. Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, and considered for possible disclosure, should not be disclosed. Accordingly, the confidential appendices, marked "[REDACTED]" in the redacted copy, should not be made public upon Commission approval of this resolution.
15. Procurement pursuant to these PPAs constitutes procurement from eligible renewable energy resources for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law.
16. Procurement pursuant to these PPAs constitutes incremental procurement by PG&E from eligible renewable energy resources for purposes of determining PG&E's compliance with any obligation to increase its total procurement of eligible renewable energy resources that it may have pursuant to the California Renewables Portfolio Standard, CPUC Decision 03-06-071, or other applicable law;
17. AL 3074-E, Supplemental AL 3074-E-A, and Supplemental AL 3074-E-B should be approved.

**THEREFORE IT IS ORDERED THAT:**

1. AL 3074-E, Supplemental AL 3074-E-A, and Supplemental AL 3074-E-B are approved.
2. The costs of the contract between PG&E and Western GeoPower are reasonable and in the public interest; accordingly, the payments to be made by PG&E, at or below the MPR, are fully recoverable in rates over the life of the project, subject to CPUC review of PG&E's administration of the contract.
3. The costs of the contracts between PG&E and GreenVolts and PG&E and CalRenew are reasonable and in the public interest; accordingly, the payments to be made by PG&E are fully recoverable in rates over the life of the projects, pursuant to SB 1036 and subject to CPUC review of PG&E's administration of the contracts.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 20, 2007; the following Commissioners voting favorably thereon:

/s/PAUL CLANON  
PAUL CLANON  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners

REDACTED

## **Confidential Appendix A-1**

### **Contract Summary: Western GeoPower**

**REDACTED**

## **Confidential Appendix A-2**

### **Contract Summary: GreenVolts**

**REDACTED**

## **Confidential Appendix A-3**

### **Contract Summary: CalRENEW-1**

REDACTED

## **Confidential Appendix B-1**

### **Western GeoPower MPR - SEP Worksheet**

REDACTED

## Confidential Appendix B-2

### **GreenVolts MPR - SEP Worksheet**

REDACTED

**Confidential Appendix B-3**

**CalRenew  
MPR - SEP Worksheet**

REDACTED

## **Confidential Appendix C**

### **Overview of 2004 - 2006 Solicitation Bids**

REDACTED

## **Confidential Appendix D**

### **Contribution to RPS Goals**