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

Application of Pacific Gas and Electric Company)
for Approval of Agreements Related to the) Application 09-10-022
Novation of the California Department of Water) (Filed October 16, 2009)
Resources Agreement with GWF Energy LLC,)
Power Purchase Agreement with GWF Energy II)
LLC, and Associated Cost Recovery.)
(U 39 E))

Application of Pacific Gas and Electric)
Company for Approval of Novation of the) Application 09-10-034
California Department of Water Resources) (Filed October 30, 2009)
Agreement Related to the Calpine)
Transaction, and Associated Cost Recovery.)
(U 39 E))

NOTICE OF EX PARTE COMMUNICATION

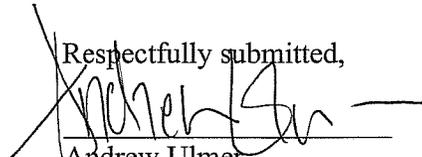
In accordance with Rule 8.3 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, the California Independent System Operator Corporation ("ISO") hereby gives notice of the *ex parte* communication described below. On February 1, 2010, Jim McIntosh, the ISO's Director of Renewable Resource Integration, sent a letter to CPUC President Michael R. Peevey concerning the above-captioned matter. The letter was also addressed to Commissioner John A. Bohn, Commissioner Dian M. Grueneich, Commissioner Timothy Alan Simon and Commissioner Nancy E. Ryan. The ISO sent a copy of Mr. McIntosh's letter to the service list in the above-captioned proceedings on February 1, 2010. The letter provides comments concerning the value of proposed contracts between Pacific Gas and Electric Company (PG&E) and GWF Energy, LLC and Calpine Corporation. The ISO states that these contracts would support the development of generation resources with operational characteristics that will compliment the ISO's efforts to integrate increased number of renewable resources in the ISO balancing authority area.

A copy of Mr. McIntosh's letter is attached to this notice. To obtain a copy of this notice, please contact:

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Respectfully submitted,



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Attorneys for the California Independent
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Dated: February 2, 2010

ATTACHMENT



California Independent
System Operator Corporation
Jim McIntosh
Director of Renewable Resource
Integration
(916) 351-2101

February 1, 2010

The Honorable Michael R. Peevey
President
California Public Utilities Commission
505 Van Ness Avenue
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The Honorable John A. Bohn
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The Honorable Timothy Alan Simon
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The Honorable Dian M. Grueneich
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The Honorable Nancy E. Ryan
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**RE: Application 09-10-022; Application 09-10-034
Pacific Gas and Electric Company Application for approval of contracts with GWF
Energy LLC and Calpine Corporation**

Dear President Peevey and Commissioners:

The California Independent System Operator Corporation (ISO) provides the following comments concerning the applications of Pacific Gas and Electric Company (PG&E) to enter into contracts with GWF Energy, LLC and Calpine Corporation. These contracts would support the development of generation resources with operational characteristics that will compliment the ISO's efforts to integrate increased number of renewable resources in the ISO balancing authority area. Apart from identifying the role these resources can play to support the integration of renewable resources, the ISO takes no position regarding the projected ratepayer value of the proposed contracts.

As the California Public Utilities Commission (CPUC) is aware, the ISO will have to manage the integration of many new renewable resources in the coming years as California moves towards

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Mr. Michael R. Peevey, President
Mr. John A. Bohn, Commissioner
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Ms. Dian M. Grueneich
February 1, 2010
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the goal of obtaining 33% of its electricity from renewable resources.¹ The vast majority of these resources will be intermittent and require support from gas-fired generation. The ISO will need flexible gas-fired generation resources possessing quick start and significant ramping capability to integrate renewable resources and maintain grid reliability.² Consistent with this need, PG&E's proposed contracts with GWF and Calpine support the development of new resources or increased operating capacity from existing resources. By way of example, the Tracy Upgrade Project will result in resources with quick start capability, short minimum run times and the ability to provide ancillary services across a greater operating range than GWF's existing peaker located at Tracy. Once online, the Tracy combined cycle power plant will double its current capacity from 154 MWs to 300 MWs while improving its efficiency by roughly a third. In addition, the facility will provide some 65 MW of duct fired capacity, which increases the operating efficiency of the facility's capacity. The repowered unit will be able to make multiple starts per day and provide valuable ancillary services to the electricity grid. Similarly, the proposed contracts with Calpine will allow for the conversion of Calpine's Los Esteros Critical Energy Facility from combustion turbine units to a combined cycle facility. This repowering will provide the ISO with 106 MWs of additional capacity at Los Esteros. The proposed Calpine contracts also secure greater operating flexibility from existing resources in Calpine's California fleet. This flexibility will permit the ISO to dispatch these units to provide regulation service as well as firm the variable output from renewable resources.

The ISO will shortly be releasing its preliminary Phase I study to determine the amount, type, and location of the required additional generation resources necessary to support the goal of 33% renewable generation. This study examines the integration requirements for four different renewable portfolios and identifies an increased need for regulation and load following resources like the GWF and Calpine Upgrade projects. PG&E's proposed contracts with GWF and Calpine for the output from these projects, if approved by the Commission, would meaningfully contribute to satisfying this growing need. The ISO is willing to provide you and your staff with a briefing of these study results at your convenience.

¹ Executive Order S-21-09 states in part "That the ARB, under its AB 32 authority, shall adopt a regulation consistent with the 33 percent renewable energy target established in Executive Order S-14-08 by July 31, 2010" and "That the ARB shall consult with the [CAISO]... on, among other aspects, impacts on reliability, renewable integration requirements and interactions with wholesale power markets in carrying out the provisions of this Executive Order."

² The CAISO forecasts that a 33% renewable generation requirements will result in the addition of 3,200 MW of PV, 7,300 MW of solar thermal, 11,000 MW of wind, 2,400 MW of geothermal, 800 MW of small hydro and 1,000 MW of biogas.

Mr. Michael R. Peevey, President
Mr. John A. Bohn, Commissioner
Mr. Timothy Alan Simon, Commissioner
Ms. Nancy E. Ryan, Commissioner
Ms. Dian M. Grueneich
February 1, 2010
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Thank you for consideration of these comments. Please let me know if you have any questions.

Sincerely,



Jim McIntosh
Director of Renewable Resource Integration

cc: Service List Application 09-10-022 and Application 09-10-034

CERTIFICATE OF SERVICE

I hereby certify that on February 4, 2010. I served, on the Service List for Proceedings A09-10-022, A09-10-034 by electronic mail, a copy of the foregoing NOTICE OF EX PARTE COMMUNICATION. Notice of Ex Parte Communication was filed with the California Public Utilities Commission on February 2, 2010.

Executed on February 4, 2010 at Folsom, California.

/s/ Jane Ostapovich/

Jane Ostapovich
An employee of the California Independent
System Operator Corporation

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