

**Attachment C-1**

Resolution E-3898  
PG&E AL 2537-E/WSM

November 19, 2004

**A t t a c h m e n t C - 1**

Resolution E-3898. Pacific Gas and Electric Company request for approval of the Settlement Agreements, and in particular the Definitive Agreement and the Amended Power Purchase Agreement (PPA) as reasonable, which would, among other things, shorten the Current PPA, a contract with a Qualifying Facility (QF), by six years to the benefit of ratepayers. Approved.

By Advice Letter (AL) 2537-E Filed on August 4, 2004.

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**Annual Average Capacity Payment Savings  
As A Result of Early Contract Termination in 2013 instead of 2019**

- \$35 Million In Total Nominal Savings Which Equates To \$13.6 Million In Savings On A Net Present Value (NPV) Basis
- Annual Average Savings of \$5.96 Million Or 1.6 Cents/Kwh In Years 2014 Through 2019
- See the enclosed copy of Appendix E to 2537-E which also contains a separate Energy Division summary.

(continued)

Value of Early Termination of POSDEF PPA

Inputs

Firm capacity amount (kW) =	44,000
Firm capacity price (\$/kW-yr) =	120
Firm capacity bonus factor (%) =	14.20%
Capacity loss adjustment factor =	0.989
Discount rate =	8.07%

	(\$K)	2005	2006	2007	2008	2009	2010	2011	2012	2013
NPV 2005 through 2019	\$50,824	5,963	5,963	5,963	5,963	5,963	5,963	5,963	5,963	5,963
NPV 2005 through 2013	\$37,143	5,963	5,963	5,963	5,963	5,963	5,963	5,963	5,963	5,963

2014	2015	2016	2017	2018	2019
5,963	5,963	5,963	5,963	5,963	5,963
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NPV Difference in Payments to POSDEF = \$13,680,339

CLSmith(6/23/04)

Energy Division Summary of Appendix E

Annual Average Capacity Payment Savings  
As A Result of Early Contract Termination in 2013 instead of 2019

\$35 Million In Total Nominal Savings Which Equates To \$13.6 Million In Savings On A Net Present Value (NPV) Basis

Nominal Annual Average Savings of \$5.96 Million Or 1.6 Cents/Kwh In Years 2014 Through 2019

Annual Average Figures	
Energy Production	366,168 MWh
Capacity Cost	\$ 16.29 \$/MWh
Annual Capacity P	\$ 5,963,433 dollars
Conversion factor	0.001 MWh/kWh
Capacity Cost	\$ 0.016 \$/kWh
Capacity Cost	1.6 cents/kWh

44 MW  
8760 hours  
95% estimated capacity factor  
8322 hours

Shareholder Incentive Award = 10% of \$ 13,680,339 = \$ 1,368,034

(WSM, 10/30/2004)