Date of Issuance – 10/19/09

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4275**
October 15, 2009

REDACTED

R E S O L U T I O N

Resolution E-4275. Pacific Gas and Electric Company (PG&E).

PROPOSED OUTCOME: This Resolution approves cost recovery for a power purchase agreement (PPA) resulting from bilateral negotiations between PG&E and Big Valley Power, LLC., pursuant to California's renewables portfolio standard (RPS) program. Cost recovery for the PPA is approved subject to the parties amending the PPA to eliminate provisions for unbundled renewable energy credit transactions.

ESTIMATED COST: Actual costs are confidential at this time.

By Advice Letter 3488-E filed on July 6, 2009.

SUMMARY

PG&E's proposed power purchase agreement, as modified by this Order, is consistent with the RPS procurement guidelines and is approved with conditions

PG&E filed Advice Letter (AL) 3488-E on July 6, 2009, requesting California Public Utilities Commission (Commission) approval of an RPS PPA to replace an existing Qualifying Facility contract with Big Valley Power, LLC (Big Valley). Pursuant to the proposed PPA, PG&E will procure generation from an existing biomass facility for a 10-year period. The PPA provides PG&E an option to extend the agreement for an additional 10 years.

PG&E's request is granted subject to PG&E filing an amended PPA that eliminates provisions conveying unbundled renewable energy credits (RECs) to PG&E. Except for the provisions relating to unbundled RECs, the PPA is consistent with Decision (D.) 08-02-008, which approved PG&E's 2008 RPS Procurement Plan. The price of PPA is reasonable. Payments made for RPS-eligible deliveries to PG&E under the PPA between PG&E and Big Valley are fully recoverable in rates over the life of the PPA, subject to Commission review of PG&E's administration of the PPA. However, the Commission requires that the PPA be amended to be consistent with the Commission's rules regarding unbundled REC transactions. The energy acquired from Big Valley will count towards PG&E's RPS requirements.

PPA Summary

Generating Facility	Technology	Contract Term	Capacity (MW)	Expected Deliveries (GWh/yr)	Operation Date	Project Location
Big Valley	Biomass	10 years	7.5 MW	40 GWh/yr	2010	Bieber, CA

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.

Pursuant to D.06-06-066 and the decision's Appendix I "IOU Matrix", this Commission adopted a "window of confidentiality" for individual contracts for RPS energy or capacity. Specifically, this Commission determined that RPS contracts should be confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their own affiliates, which should be public.

BACKGROUND

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

The California RPS Program was established by Senate Bill (SB) 1078, and has been subsequently modified by SB 107 and SB 1036.[1] The RPS program is set forth in Public Utilities (Pub. Util.) Code §§ 399.11-399.20. An RPS is a market-based policy mechanism that requires a retail seller of electricity purchase a certain percentage of its electric portfolio from electricity generated by Eligible Renewable Energy Resources (ERR). Under the California RPS, each utility is required to increase its total procurement of ERRs by at least one percent of annual retail sales per year so that twenty percent of its retail sales are supplied by ERRs by 2010.[2]

In response to SB 1078 and SB 107, the Commission has issued a series of decisions that establish the regulatory and transactional parameters of the investor owned utility (IOU) renewables procurement program.[3]

- On June 19, 2003, the Commission issued its "Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program," D.03-06-071.
- In D.02-08-071, the Commission required each utility to establish a Procurement Review Group whose members, subject to an appropriate non-disclosure agreement, would have the right to consult with the utilities and review the details of each utility's: overall interim procurement strategy; proposed procurement processes including, but not limited to, requests for offers and proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.
- Instructions for utility evaluation of each offer to sell ERRs requested in an RPS solicitation were provided in D.04-07-029, as required by Pub. Util.

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[1] SB 1078 (Sher, Chapter 516, Statutes of 2002); SB 107 (Simitian, Chapter 464, Statutes of 2006); SB 1036 (Perata, Chapter 685, Statutes of 2007)

[2] On November 17, 2008, Governor Schwarzenegger signed Executive Order S-14-08, which established a 33 percent PRS target to be met by 2020.

[3] RPS decisions are available on the Commission's RPS website: http://www.cpuc.ca.gov/PUC/energy/Renewables/decisions.htm

Code §399.14(a)(2)(B). The bid evaluation methodology is known as 'least-cost, best-fit.'

- The Commission adopted standard terms and conditions (STCs) for RPS power purchase agreements in D.04-06-014, as required by Pub. Util. Code §399.14(a)(2)(D). These STCs are compiled in D.08-04-009, as modified by D.08-08-028, and as a result there are now thirteen STCs of which four are non-modifiable.
- In D.06-05-039, the Commission required participation of an Independent Evaluator (IE) in the IOU's competitive RPS procurement process. The IE's role is to ensure that the IOU's RPS solicitation is undertaken in a fair and consistent manner. The IE also provides additional oversight during contract negotiations.
- D.06-10-050, as modified by D.07-03-046, outlined the RPS reporting and compliance methodologies and rules. In this decision, the Commission established methodologies to calculate a load serving entities' (LSE) initial baseline procurement amount, annual procurement target (APT) and incremental procurement amount (IPT).
- The Commission adopted its market price referent (MPR) methodology in D.04-06-015 for determining the utility's share of the RPS seller's bid price (the contract payments at or below the MPR), as defined in Pub. Util. Code §399.14(a)(2)(A) and 399.15(c). The Commission refined the MPR methodology in D.05-12-042 and D.08-10-026. Resolutions adopted MPR values for the 2005, 2006, 2007, and 2008 RPS solicitations.[4]
- In D.07-05-028, the Commission established a minimum quota for contracting with new facilities or executing long-term contracts for RPS-eligible generation. Specifically, in order for an LSE to count for RPS compliance, deliveries from contracts of less than ten years' duration with RPS-eligible facilities that commenced commercial operation prior to January 1, 2005 must in each calendar year enter into contracts of at least ten years' duration and/or short-term contracts with facilities that commenced commercial operation on or after January 1, 2005 for energy deliveries equivalent to at least 0.25% of that LSE's prior year's retail sales.

[4] MPR resolutions are available here: http://www.cpuc.ca.gov/PUC/energy/Renewables/mpr

- The Commission established guidelines for a utility and a generator to enter into bilateral contracts outside of the competitive solicitation process (D.03-06-071 and D.06-10-019). More recently, in D.09-06-050, this Commission determined that bilateral RPS contracts should be evaluated using the same methods and criteria that are used to review contracts that result from a competitive solicitation.

Greenhouse Gas Emissions Performance Standard established emission rate limitations for long-term electricity procurement

A greenhouse gas emissions performance standard (EPS) was established by Senate Bill 1368[5], which requires that the Commission consider emissions costs associated with new long-term (five years or greater) power contracts procured on behalf of California ratepayers.

On January 25, 2007, the Commission approved D.07-01-039 which adopted an EPS that establishes an emission rate quota for obligated facilities to levels no greater than the greenhouse gas (GHG) emissions of a combined-cycle gas turbine powerplant.[6] The EPS applies to all energy contracts for baseload generation that are at least five years in duration.[7] Renewable energy contracts are deemed EPS compliant from the EPS except in cases where intermittent renewable energy is firmed and shaped with generation from non-renewable resources. If the renewable energy contract is shaped and firmed with a specified energy source that is considered baseload generation, then the energy source must individually meet the EPS. If, however, the intermittent energy is firmed and shaped with an unspecified energy source (e.g. system power), then D.07-01-039 specifically requires that the amount of substitute energy purchases

[5] Chapter 464, Statutes of 2006 (SB 1368)

[6] D.07-01-039 adopted an emission rate of 1,100 pounds of carbon dioxide per megawatt-hour for the proxy CCGT (section 1.2, page 8) http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/64072.PDF

[7] "Baseload generation" is electricity generation at a power plant "designed and intended to provide electricity at an annualized plant capacity factor of at least 60%." § 8340 (a)

from unspecified resources do not exceed the total expected output of the specified renewable powerplant over the term of the contract.[8]

PG&E requests Commission approval of a PPA with an existing biomass facility

On July 6, 2009, PG&E filed AL 3488-E requesting approval to replace an existing Qualifying Facility (QF) contract with a long-term RPS PPA with Big Valley Power, LLC., which was negotiated bilaterally. The Commission's approval of the PPA will authorize PG&E to fully recover in rates, payments made pursuant to the PPA.

PG&E requests that the Commission issue a resolution containing the findings necessary for "CPUC Approval" as defined by this Commission in D.08-04-009. In addition, PG&E requests that the Commission issue a resolution that does the following:

1. Approves the PPA in its entirety, including payments to be made by PG&E pursuant to the PPA, subject to the Commission's review of PG&E's administration of the PPA.
2. Finds that any procurement pursuant to the PPA is procurement from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.) ("RPS"), Decision ("D.") 03-06-071 and D.06-10-050, or other applicable law.
3. Finds that all procurement and administrative costs, as provided by Public Utilities Code section 399.14(g), associated with the PPA shall be recovered in rates.
4. Adopts the following finding of fact and conclusion of law in support of CPUC Approval:
    a. The PPA is consistent with PG&E's 2008 RPS procurement plan.

[8] See D.07-01-039, Section 1.4.

b. The terms of the PPA, including the price of delivered energy and the term of up to 20 years, are reasonable.

5. Adopts the following finding of fact and conclusion of law in support of cost recovery for the PPAs:

   a. The utility's cost of under the PPA shall be recovered through PG&E's Energy Resource Recovery Account.

   b. Any stranded costs that may arise from the PPA are subject to the provisions of D.04-12-048 that authorize recovery of stranded renewables procurement costs over the life of the contract. The implementation of the D.04-12-048 stranded cost recovery mechanism is addressed in D.08-09-012.

6. Adopts the following findings with respect to resource compliance with the Emissions Performance Standard ("EPS") adopted in R.06-04-009:

   a. The PPA is not a covered procurement subject to the EPS because it's for an existing biomass facility.

NOTICE

Notice of AL 3488-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section IV of General Order 96-B.

PROTESTS

AL 3488-E was not protested.

DISCUSSION

The following table summarizes the substantive features of the PPA. See Confidential Appendix A for a detailed discussion of PPA terms and conditions.

Generating Facility	Technology	Contract Term	Capacity (MW)	Expected Deliveries (GWh/yr)	Expected Operation Date	Project Location
Big Valley	Biomass	10 years	7.5 MW	40 GWh/yr	4th Quarter 2009	Bieber, CA

PG&E requests approval of a bilaterally negotiated PPA with Big Valley. The proposed PPA would replace the parties' existing "pioneer" Qualifying Facility contract (QF contract), which is set to expire in 2013. The PPA provides for PG&E to purchase power from an existing biomass facility (Facility) for a 10-year period commencing in 2009. The PPA includes an option for PG&E to extend the agreement for an additional 10 years under the same price terms and conditions.

The Big Valley facility began delivering to PG&E in 1983. Big Valley acquired the Facility in 2004 and made significant capital improvements to the Facility at that time. The Big Valley facility has a total capacity of 7.5 megawatts (MW) with an approximate capacity factor of 70 percent. The expected deliveries to PG&E are approximately 40 gigawatts (GWh) per year.

PG&E explains in AL 3488-E that Big Valley notified PG&E that operation of the Facility was not economically feasible under the pricing terms of their existing QF contract. PG&E represents that the PPA will enable Big Valley to resume operation of its facility and to deliver cost-effective RPS-eligible generation to its customers. In AL 3488-E, PG&E claims that Commission approval of the proposed PPA will have additional external benefits to the local community. Specifically, enabling the Facility to resume operation will allow Big Valley to also resume production at the associated saw mill providing local jobs, local expenditures for plant operations and increases to the property tax base. If approved, the proposed PPA will replace the existing QF contract.

Energy Division has reviewed the proposed PPA pursuant to Commission decisions

Specifically, Energy Division evaluated the PPA for the following criteria:

- Consistency with PG&E's 2008 RPS procurement plan
- Consistency with bilateral contracting guidelines
- Consistency with RPS standard terms and conditions
- Reasonableness of the levelized all-in price
- Project viability assessment
- Compliance with Emissions Performance Standard

PPA is consistent with PG&E's Commission adopted 2008 RPS Plan, provided PG&E amends the PPA

California's RPS statute requires that the Commission review the results of a renewable energy resource solicitation submitted for approval by a utility.[9] The Commission reviews the results to verify that the utility conducted its solicitation according to its Commission approved procurement plan. PG&E's 2008 RPS procurement plan (Plan) was approved by D.08-02-008 on February 14, 2008.

Pursuant to statute, PG&E's 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, and a bid solicitation protocol setting forth the need for renewable generation of various operational characteristics.[10]

<u>The Big Valley PPA conflicts with Commission rules and must be amended</u>

Under the proposed PPA, PG&E would receive RPS-eligible energy from the biomass facility and would also acquire the Green Attributes, including the renewable energy credits (RECs), associated with the RPS-eligible generation used to operate the biomass facility and used at a saw mill adjacent to the Facility.[11] Because PG&E would only receive the Green Attributes associated with this generation, while the underlying energy is used onsite or at the saw mill, this constitutes an unbundled REC transaction. Under the current RPS rules, PG&E is not authorized to enter into an unbundled REC transaction for the purposes of RPS compliance.[12]

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[9] Pub. Util. Code, Section §399.14

[10] Pub. Util. Code, Section §399.14(a)(3)

[11] The Commission defined the attributes of a REC for compliance with the RPS program in D.08-08-028.

[12] D.06-10-019, Ordering Paragraph 23. "Transactions using unbundled energy credits, as defined in today's decision, for RPS compliance should not be allowed at this time."

In AL 3488-E, PG&E requests[13] that this Commission adopt a Resolution that: approves the PPA in its entirety, including payment made under the PPA; determines that procurement under the PPA is eligible towards PG&E's RPS compliance; and that the terms of the PPA are reasonable. Because the PPA conflicts with our RPS procurement rules, the Commission cannot approve the PPA in its entirety. PG&E must amend the PPA to eliminate provisions that concern an unbundled REC transaction and file the amended PPA with the Commission by Advice Letter.

Big Valley PPA compares favorably to PG&E's 2008 solicitation

Although the PPA was negotiated bilaterally, PG&E conducted a least-cost, best-fit (LCBF) bid evaluation of the PPA to compare it to their 2008 solicitation bids. PG&E's bid evaluation includes a quantitative and qualitative analysis, which focuses on four primary areas: 1) determination of a bid's market value; 2) calculation of transmission adders and integration costs; 3) evaluation of portfolio fit; and 4) consideration of non-price factors. The LCBF evaluation is generally used to establish a shortlist of proposals from PG&E's solicitation with whom PG&E will engage in contract negotiations but was conducted for this PPA in order to evaluate its value relative to PG&E's other RPS options.

PG&E determined that the Big Valley PPA is reasonable relative to proposals received in response to PG&E's 2008 solicitation. Based on the information provided in confidential appendices to AL 3488-E, the Big Valley PPA compares favorably to other RPS procurement options PG&E received in its 2008 RPS solicitation.

PPA is consistent with RPS bilateral contracting guidelines

The Big Valley PPA is consistent with the bilateral contracting guidelines in D.06-10-019.

1. The PPA will not be applied to PG&E's cost limitation.[14]

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[13] A complete list of PG&E's requests made in AL 3488-E can be found on pages 6-7 of this Resolution.

[14] The PPAs are ineligible for the cost limitation because it did not result from a competitive solicitation. (PU Code §399.15(d)(2))

2. Pursuant to D.06-10-019, the PPA was submitted by advice letter.[15]
3. The PPA is at least one month in duration.[16]
4. The PPA is reasonably priced.[17]

Also, in D.09-06-050, this Commission determined that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. Accordingly, the Big Valley PPA was compared to PG&E's other RPS opportunities received in its 2008 RPS solicitation and the proposed agreement was reviewed by PG&E's PRG and Independent Evaluator.

PG&E's Procurement Review Group (PRG) participated in review of the PPA

The PRG for PG&E consists of: California Department of Water Resources, Union of Concerned Scientists, Division of Ratepayer Advocates, Coalition of California Utility Employees, The Utility Reform Network, Jan Reid as a PG&E ratepayer, and the Commission's Energy Division.

PG&E informed its PRG of the Big Valley agreement on May 15, 2009. The PRG feedback, as described in the confidential information provided with the advice letter, did not provide a basis for disapproval of the PPA.

Independent Evaluator validated PG&E's evaluation of the PPA

PG&E included a report by its Independent Evaluator, Arroyo Seco Consulting (Arroyo), with AL 3488-E. The role of the Independent Evaluator for bilaterally negotiated PPAs is to validate that PG&E's LCBF analysis of the proposal is done in a consistent manner to proposals received in a competitive solicitation and to

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[15] "For now, utilities' bilateral RPS contracts, of any length, must be submitted for approval by advice letter." (D.06-10-019, p.31)

[16] "All RPS-obligated LSEs are also free to enter into bilateral contracts of any length with RPS-eligible generators, as long as the contracts are at least one month in duration, to enable the CEC to verify RPS procurement claims." (D.06-10-019 p. 29)

[17] The contract price of bilaterals must be deemed reasonable by the Commission. (D.06-10-019, p. 31)

validate that the PPA is a good value to PG&E's ratepayers, relative to other RPS procurement options.

Arroyo concluded that PG&E's LCBF assessment of the Big Valley PPA was conducted in a "fair and reasonable" manner. Specifically, Arroyo determined that the proposed PPA merits CPUC Approval because it will enable a renewable facility to return to operation that will "advance PG&E towards its overall RPS goals in 2010" and will also contribute towards the state's goal to meet 20 percent of the RPS goal with bioenergy resources. Arroyo found that the price for Big Valley is reasonable.

PPA is consistent with RPS standard terms and conditions (STCs)

The proposed PPA conforms to the Commission's decisions requiring STCs for RPS contracts.

The PPA does not deviate from the non-modifiable standard terms and conditions. During the course of negotiations, the parties identified a need to modify some of the modifiable standard terms in order to reach agreement. The changes were based upon mutual agreement reached during negotiations.

PPA price is reasonable and recoverable in rates

The levelized price provided by PPA, under a 10-year term or 20-year term, does not exceed the 2008 MPR.[18] The MPR is used by the Commission to evaluate the reasonableness of prices of long-term PPAs for RPS-eligible generation. The Commission's reasonableness review for RPS PPA prices also includes a comparison of the proposed PPA to other proposed RPS projects from recent RPS solicitations, as well as, Commission approved projects. Using this analysis, we determine that the PPA price is reasonable. (See Confidential Appendix A for a detailed discussion of PPA pricing terms and conditions)

PPA concerns an existing facility, so project viability risk is minor.

PG&E states that Big Valley is required to update its interconnection and metering agreements with the California Independent System Operator (CAISO),

[18] See Resolution E-4214.

but should otherwise be able to resume operations shortly after receiving CPUC Approval of the proposed PPA.

Technical feasibility

Generating electricity with biomass resources is a proven technology and the Facility has been in commercial operation since 1983. PG&E explains that Big Valley acquired the Facility in 2004, at which time they installed a new fuel yard, upgraded equipment, installed Continuous Emissions Monitoring System and improved the temperature control of the combustors and cooling tower.

Fuel source availability

PG&E provided detailed information in AL 3488-E about Big Valley's access to fuel. PG&E explains that Big Valley's fuel is primarily obtained from federal and private forest lands near the Facility, which is located at Bieber, California on the southwest boundary of the Modoc National Forest and is just north of the Lassen National Forest. This area is referred to as the Big Valley Federal Sustained Yield Unit and it has a Federal mandate to manage for a continuous and ample supply of forest products for the benefit of the local community. The Facility participates in a United States Department of Agriculture Forest Service program to provide saw timber to local industry for the manufacture of lumber. In addition, Big Valley is well situated to access timber and biomass fuel from several private timberland ownerships.

PG&E represents that Big Valley believes it will have access to adequate fuel supplies at reasonable prices that will allow it to perform under the terms of the PPA. See Confidential Appendix A for a detailed fuel resource analysis.

Permitting and site control

As an existing facility, which has temporarily ceased operating for economic reasons, permitting and site control are not an issue. All permits to operate the Facility appear to be in full force and effect.

Transmission

No new transmission facilities or network upgrades are required for PG&E to accept deliveries under the PPA.

PPA contributes to PG&E's minimum quota requirement for long-term/new facility contracts

As an existing facility delivering pursuant to a long-term PPA, deliveries from Big Valley will contribute to PG&E's minimum quota requirement under D.07-05-028, as described above.

PPA complies with the Emissions Performance Standard

In D.07-01-039, this Commission adopted an Emissions Performance Standard (EPS) that applies to contracts with a term of five years or more for baseload generation with an annualized capacity factor of at least 60 percent. D.07-01-039 defined the conditions under which an upfront determination of EPS compliance may be made for long-term renewable energy contracts with baseload facilities (i.e., facilities with a capacity factor greater than or equal to 60 percent).[19]

PG&E states that while the Big Valley PPA is largely an as-available agreement, the Facility will likely generate at a capacity factor greater than 60 percent, hence, PG&E requests upfront determination that the contract complies with the EPS. Because the Big Valley facility will be fueled by biomass that would otherwise be disposed of by open burning, forest accumulation, landfill, spreading or composting, the PPA meets the conditions for EPS compliance established in D.07-01-039.[20]

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.

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[19] D.07-01-039, COL #35

[20] *Ibid*, page 18

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on September 15, 2009.

No comments were filed.

FINDINGS

1. PG&E filed Advice Letter (AL) 3488-E on July 6, 2009 requesting Commission review and approval a renewable energy resource power purchase agreement (PPA) with Big Valley Power, LLC.
2. 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.
3. On November 17, 2008, Governor Schwarzenegger issued Executive Order S-14-08, which sets a target for energy retailers to deliver 33 percent of electrical energy from renewable resources by 2020.
4. The Commission requires each utility to establish a Procurement Review Group to review the utilities' procurement process and selected contracts.
5. The provisions of the PPA conveying Green Attributes, including the renewable energy credits (RECs) associated with generation used at the biomass facility and associated saw mill to PG&E constitute an unbundled REC transaction.
6. Pursuant to D.06-10-019, PG&E is not authorized to enter into unbundled REC transactions for the purposes of RPS compliance.
7. The PPA should be amended to eliminate provisions that convey unbundled RECs to PG&E and the amended PPA should be filed by Advice Letter.
8. The PPA, if amended, is consistent with PG&E's approved 2008 RPS Procurement Plan, which was approved by D.08-02-008.
9. D.04-06-014 and D.07-11-025 set forth standard terms and conditions to be incorporated into each RPS PPA. Those terms were compiled and published by D.08-04-009, as modified by D.08-08-028.
10. The PPA includes the Commission adopted RPS standard terms and conditions deemed "non-modifiable".

11. The PPA complies with the Emission Performance Standard because the facility meets the conditions established in D.07-01-039.
12. Any stranded costs that may arise from the PPA are subject to the provisions of D.08-09-012 that authorize recovery of stranded renewables procurement costs over the life of the contract.
13. Procurement pursuant to the PPA, if amended, between PG&E and Big Valley Power, LLC., 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 and D.06-10-050, or other applicable law.
14. The payments made under the PPA, if amended, between PG&E and Big Valley Power, LLC. 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, subject to Commission review of PG&E's administration of the PPAs.
15. 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.
16. The PPA, if amended, is reasonable and should be approved.
17. AL 3488-E should be approved effective today, with the condition that PG&E will amend the PPA as outlined above.

THEREFORE IT IS ORDERED:

1. Pacific Gas and Electric Company's Advice Letter 3488-E, requesting Commission review and approval of a renewable energy resource power purchase agreement with Big Valley Power, LLC., is approved with the condition that Pacific Gas and Electric Company amend its power purchase agreement with Big Valley Power, LLC.
2. Within 30 days of the effective date of this Resolution, Pacific Gas and Electric Company shall file an Advice Letter with the Energy Division containing an amended power purchase agreement between Pacific Gas and

Electric Company and Big Valley Power, LLC that eliminates provisions that concern an unbundled renewable energy credit transaction.

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 October 15, 2009; 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

Confidential Appendix A

PPA Terms and Conditions

[REDACTED]