PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4455**
March 8, 2012

REDACTED

R E S O L U T I O N

Resolution E-4455. Pacific Gas and Electric Company ("PG&E") requests approval of an amendment to five Qualifying Facility ("QF") Standard Offer Power Purchase Agreements (collectively, the "Amendments") that PG&E has executed with Covanta Mendota, L.P. ("Mendota"), Rio Bravo Fresno ("Fresno"), Rio Bravo Rocklin ("Rocklin"), Wheelabrator Shasta Energy Company, Inc. ("Shasta") , and Pacific-Ultrapower Chinese Station ("Chinese Station"), collectively ("the Five Facilities"), for delivery of Renewable Portfolio Standard ("RPS")-eligible power from these five separate Biomass facilities located throughout California. The amendment will take effect on September 1, 2011. All facilities except for the Mendota Facility (namely the Fresno, Rocklin, Shasta and Chinese Station facilities) will have an amendment term of 4 years and 11 months expiring on July 31, 2016. The Mendota facility's PPA will be amended for approximately 3 years and 4 months due to the original ISO4 contract of the facility expiring on January 14, 2015.

PROPOSED OUTCOME: This Resolution approves the Proposed Amendment of the existing QF contracts between Covanta Mendota, L.P.; Rio Bravo Fresno; Rio Bravo Rocklin; Pacific-Ultrapower Chinese Station; and Wheelabrator Shasta Energy Company, Inc.; and PG&E without modifications.

ESTIMATED COST: Actual costs are confidential at this time.

By Advice Letter 3921-E filed on October 6, 2011, as amended by supplemental Advice Letter 3921-E-A filed on October 14, 2011.

SUMMARY

Pacific Gas and Electric Company's ("PG&E's") Proposed Amendments to the existing Qualifying Facility ("QF") contracts with Covanta Mendota, L.P. ("Mendota"), Rio Bravo Fresno ("Fresno"), Rio Bravo Rocklin ("Rocklin"), and Wheelabrator Shasta Energy Company, Inc. ("Shasta"), and Pacific-Ultrapower Chinese Station ("Chinese Station"), collectively ("Five Facilities"), comply with QF contract extension provisions, and is approved without modifications.

On October 6, 2011, PG&E filed Advice Letter ("AL") 3921-E, as amended by supplemental Advice Letter 3921-E-A filed on October 14, 2011, requesting Commission approval of a three-year and four months PPA amendment for the Mendota facility and a four-year eleven month amendment for the remaining four facilities, namely the Fresno, Rocklin, Shasta and Chinese Station facilities with ranging capacities, generation, terms and expiration dates (see table 1 below for detailed information). If approved this resolution would take effect starting September 1, 2011.

Table 1. Basic Information regarding the Five Biomass Facilities

Facility Name	Mendota	Fresno	Rocklin	Shasta	Chinese Station
Generator Charahteristics					
Technology	Biomass	Biomass	Biomass	Biomass	Biomass
Capacity (nameplate MW)	25.0	26.5	25.0	54.9	22.0
Capacity Factor	80%	69%	74%	81%	68%
Expected Generation (GWh/Year)	~175 GWh/yr	~160 GWh/yr	~162 GWh/yr	~391 GWh/yr	~132 GWh/yr
Amendment Effective Date	9/1/2011	9/1/2011	9/1/2011	9/1/2011	9/1/2011
Amendment Term	~3 yr 4 mnth	4 yrs 11 mth	4 yrs 11 mth	4 yrs 11 mth	4 yrs 11 mth
Location (City State)	Mendota, CA	Fresno, CA	Rocklin, CA	Anderson, CA	Unincorporated community of Chinese Camp, CA
Control Area	CAISO	CAISO	CAISO	CAISO	CAISO
Exisiting 30 year ISO 4 Expires On	1/14/2015	2/12/2019	3/16/2020	4/30/2018	1/23/2017

Mendota

The Mendota generating facility is an existing 25-MW biomass-fueled generator located within the city limits of Mendota, in western Fresno County. The facility began operations in 1989 under a prior owner and an ISO 4 QF contract with PG&E. During calendar years 2007, 2008 and 2009, the Mendota facility averaged annual energy deliveries of approximately 177 GWh. In 2010, the facility delivered approximately 174 GWh to PG&E.

Fresno

Fresno is an existing 26.5-MW facility located about 5 miles southeast of downtown Fresno, outside the city limits in an industrial area abutting the unincorporated community of Malaga. The plant began operations in July 1988

under an ISO 4 QF contract with PG&E. During calendar years 2007, 2008 and 2009, the Fresno facility averaged annual energy deliveries of approximately 160 GWh. In 2010, the facility delivered approximately 180 GWh to PG&E.

Rocklin

Rio Bravo Rocklin is an existing 25-MW facility located about a half mile west of the city limits of Rocklin in southwestern Placer County, in an industrial area. The plant began operations in June 1989 under an ISO 4 QF contract with PG&E. During calendar years 2007, 2008 and 2009, the Rocklin facility averaged annual energy deliveries of approximately 162 GWh. In 2010, the facility delivered approximately 174 GWh to PG&E.

Shasta

This 54.9-MW facility is located about 2 miles southeast of the city of Anderson in unincorporated land in southern Shasta County. The facility began operation in October 1987 under an ISO 4 QF contract with PG&E. During calendar years 2007, 2008 and 2009, the Shasta facility averaged annual energy deliveries of approximately 391 GWh. In 2010, the facility delivered approximately 398 GWh to PG&E.

Chinese Station

The Chinese Station facility is an existing 22-MW facility located a few miles west of the unincorporated community of Chinese Camp in western Tuolumne County. The facility started operation under prior owners in June 1986 and has been under an ISO 4 QF contract with PG&E. During calendar years 2007, 2008 and 2009, the Chinese Station facility averaged annual energy deliveries of approximately 123 GWh. In 2010, the facility delivered approximately 113 GWh to PG&E.

For each of the Five Facilities, the Proposed Amendment modifies the existing contract price in exchange for stricter performance obligations. This price adjustment allows the Five Biomass Facilities to recover costs for energy deliveries for the period beginning September 1, 2011 until the Proposed Amendment expiration date. The PPA amendment for the Mendota facility would be approximately three-years and four months due to the original ISO4 contract of the facility expiring on January 14, 2015. The PPA amendment for the

remaining four facilities, namely the Fresno, Rocklin, Shasta and Chinese Station facilities would be four-years and eleven months as these four facilities original PPAs do not expire before the amendment expiration date of July 31, 2016- 4 years 11 months from the proposed amendments September 1, 2011 effective date.

The Proposed Amendments to the Five Facilities are intended to preserve the economic viability of each facility over the next several years and in so doing secure renewable energy deliveries that can contribute toward PG&E's near term renewable procurement obligations pursuant to the Renewables Portfolio Standard. As described in more detail in the Confidential Appendix, the price included in the Proposed Amendment appears reasonable when compared to the prices reflected in PG&E 2011 Renewable Shortlist.

BACKGROUND

Recent Decisions related to the California QF Program

On December 16, 2010, the Commission adopted the Qualifying Facilities and Combined Heat and Power (QF/CHP) settlement with the issuance of Decision ("D.")10-12-035. The settlement resolves a number of longstanding issues regarding the contractual obligations and procurement options for facilities operating under legacy and new QF contracts. The Settlement became effective on November 23, 2011.

Among other things, D.10-12-035 updates methodologies and formulas for Short Run Avoided Cost (SRAC) energy price for QFs to be used in Transition PPAs, Legacy PPAs, other existing QF PPAs and Optional As-Available PPAs. The SRAC methodology under the QF/CHP settlement includes:

(1) by January 1, 2015, transitioning SRAC pricing from a formula that is based in part on administratively-determined heat rates to a formula that relies entirely on market heat rates;

(2) investor-owned utility ("IOU")-specific time-of-use ("TOU") factors to be applied to energy prices to encourage energy deliveries during the times when the energy is most needed by customers;

(3) a locational adjustment based on California Independent System Operator ("CAISO") nodal prices; and

(4) pricing options based on whether a cap-and-trade program or other form of greenhouse gas ("GHG") regulation is developed in California or nationally.

Approval for QF contract changes was previously addressed in D.98-12-066, which authorized the advice letter process to be used for restructured QF contracts that are supported by the utility, the QF and the Division of Ratepayer Advocates ("DRA"), and the application process to be used for controversial QF contract restructurings. More recently, D.04-12-048 stipulated that contracts with greater than a five-year term require an application, and D.06-12-009 clarifies that modifications and amendments of QF contracts with terms less than five years may be addressed through the filing of an advice letter ("AL").[1]

Pursuant to these stipulations PG&E filed AL 3921-E, as amended by AL 3921-E-A seeking approval of a Proposed Amendment to five existing QF contracts.

Overview of the Five Biomass Facilities

Covanta Mendota, L.P. ("Mendota"), Rio Bravo Fresno ("Fresno"), Rio Bravo Rocklin ("Rocklin"), Wheelabrator Shasta Energy Company, Inc. ("Shasta") and Pacific-Ultrapower Chinese Station ("Chinese Station") with nameplate capacities of 25 MW, 26.5 MW, 25 MW, 54.9 MW and 22MW, respectively, are biomass generating facilities located near Mendota, CA, Fresno, CA, Rocklin, CA, Shasta, CA, and Unincorporated community of Chinese Camp, CA respectively. All five of these facilities have historically burned biomass. Each facility's fuel mix is discussed in more detail in the confidential appendix of this resolution.

The PPA between PG&E and the Mendota Facility was executed in 1985, and initial electricity delivery commenced in 1990. The existing PPA is a thirty-year standard offer contract that expires on January 14, 2015. The PPA between PG&E and the Fresno facility was executed in 1984, and initial electricity delivery commenced in 1989. The existing PPA is a thirty-year standard offer contract that expires on February 19, 2019. The PPA between PG&E and the Rocklin

[1] See D.06-12-009 at p.7.

facility was executed in 1984, and initial electricity delivery commenced in 1990. The existing PPA is a thirty-year standard offer contract that expires on March 16, 2020. The PPA between PG&E and the Shasta facility was executed in 1984, and initial electricity delivery commenced in 1988. The existing PPA is a thirty-year standard offer contract that expires on April 30, 2018. The PPA between PG&E and the Chinese Station facility was executed in 1983, and initial electricity delivery commenced in 1987. The existing PPA is a thirty-year standard offer contract that expires on January 23, 2017.

The Proposed Amendment provides a price increase in exchange for enhanced performance obligations for the five facilities.

NOTICE

Notice of AL 3921-E, as amended by AL 3921-E-A, 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 3.14 of General Order 96-B.

PROTESTS

There were no protests to Advice Letter ("AL") 3921-E, as amended by AL 3921-E-A.

DISCUSSION

PG&E requests Commission approval of a Proposed Amendments to the existing QF contracts with Covanta Mendota, L.P. ("Mendota"), Rio Bravo Fresno ("Fresno"), Rio Bravo Rocklin ("Rocklin"), Wheelabrator Shasta Energy Company, Inc. ("Shasta") ,and Pacific-Ultrapower Chinese Station ("Chinese Station"), collectively ("Five Facilities").

On October 6, 2011, PG&E filed Advice Letter ("AL") 3921-E, seeking approval of a Proposed Amendment to the existing PPAs between PG&E and five separate biomass facilities. The amendment effective dates for all facilities are set to be September 1, 2011. On October 14, 2011, PG&E filed AL 3921-E-A, amending AL 3921-E. In its AL 3921-E-A supplemental filing PG&E presented a slightly revised Independent Evaluator ("IE") report and updated the Confidential Appendices

for the Five Facilities that reflect the changes contained in the revised IE reports for each respective facility.

The Proposed Amendment modifies performance obligations and the contract price for all five facilities. However, the proposed PPA amendment for the Mendota facility would be approximately three-years and four months due to the original ISO4 contract of the facility expiring in January 14, 2015. The proposed PPA amendment for the remaining four facilities, namely the Fresno, Rocklin, Shasta and Chinese Station facilities, would be four-years and eleven months as these four facilities original PPAs do not expire before the amendment expiration date of July 31, 2016- 4 years 11 months from the proposed amendments September 1, 2011 effective date.

Pacific Gas and Electric Company expect the Five Facilities to annually deliver the following amounts of renewable power to PG&E per year during the term of the Proposed Amendment: 175 gigawatt-hours for the Mendota facility, 160 gigawatt-hours for the Fresno facility, 162 gigawatt-hours for the Rocklin facility, 391 gigawatt-hours for the Shasta facility and 132 gigawatt-hours for the Chinese Station facility. The Proposed Amendment will become effective when it is approved by the CPUC. PG&E has agreed to true-up payments made to the Five Facilities for the period starting September 1, 2011 to the date of the CPUC approval using the Proposed Amendment price. If approved, the Proposed Amendment will expire on January 14, 2015 for the Mendota Facility and July 31, 2016 for the Fresno, Rocklin, Shasta and Chinese Station facilities.

Specifically, PG&E requests that the Commission:

1. Approve the Proposed Amendments without modification as just and reasonable; and,

2. Determine that all costs associated with the Proposed Amendments, may be recovered through PG&E's Energy Resource Revenue Account ("ERRA").

Energy Division evaluated the Proposed PPA Amendment based on the following criteria:

- Consistency with D.06-12-009 and D.07-09-040
- Consistency with D.10-12-035 (QF/CHP Program Settlement)
- Consistency with RPS standard terms and conditions
- Consistency with RPS Resource Eligibility Guidelines
- Consistency with the RPS resource needs identified in PG&E's 2011 RPS Procurement Plan
- Consistency with D.02-08-071, which requires Procurement Review Group (PRG) participation
- Cost reasonableness
- Project viability
- Contract term reasonableness

In considering these factors, we also consider the analysis and recommendations of the Independent Evaluator.

The Proposed Amendments filings are consistent with D.06-12-009 and D.07-09-040 allowing modifications and amendments for QF contracts extensions of less than five years duration.

The filing of AL 3921-E, as amended by AL 3921-E-A, is consistent with Commission procedures for the extension of QF contracts. D.04-12-048, which adopts the IOUs' long-term procurement plans, concludes that "contracts with duration five years or longer [shall] be submitted with an application to the

Commission for preapproval."[2] D.06-12-009 clarifies that based on D.04-12-048, QF contract extensions for less than five years should be authorized through the advice letter process. Because the contractual changes embodied in the Proposed Amendment would, at most, modify either of the existing contracts for 4 years 11 months, we find that filing of the Proposed Amendment via Advice Letter is consistent with D.06-12-009. Furthermore, D.07-09-040 states that "in recognition of the often lengthy process involved in negotiating contract terms… the QF may extend the non-price terms and conditions of the expiring contract and continue service with the pricing set forth in this Decision until the final [QF Standard Offer] contract is available."[3]

Consistency with D.10-12-035 (QF/CHP Program Settlement)

On December 16, 2010, the Commission adopted the QF/Combined Heat and Power (CHP) settlement ("Settlement") with the issuance of D.10-12-035. The Settlement became effective as of November 23, 2011. The Settlement resolves a number of longstanding issues regarding the contractual obligations and procurement options for facilities operating under legacy and new QF contracts. Among other things, it establishes methodologies and formulas for calculating SRAC to be used in Transition Power Purchase Agreements (PPAs), Legacy PPAs, other existing QF PPAs and Optional As-Available PPAs. Furthermore, the Settlement allows for bilaterally negotiated contracts with QFs to determine alternative energy and capacity payments mutually agreeable by relevant parties and subject to CPUC approval. Finally, it establishes specific CHP procurement targets and greenhouse gas (GHG) reduction targets for each named utility.

The proposed amendments are consistent with the Settlement allowing for bilaterally negotiated contracts. We note that since neither of the five facilities are a CHP resource, they do not count towards PG&E's megawatt and GHG reduction targets under the Settlement. Upon expiration of their respective price amendments, the energy price paid to these QFs will revert to SRACVAR, as defined by the Settlement or updated by the CPUC, for any remaining term of the contracts.

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[2] D.04-12.048 at p.108.

[3] D.07-09-040 at p.126.

Approvals of the Proposed Amendments are contingent upon demonstration that the five facilities include all relevant RPS non-modifiable standard terms and conditions.

The Commission adopted a set of standard terms and conditions (STCs) required in RPS contracts, four of which are considered "non-modifiable." The STCs were compiled in D.08-04-009 and subsequently amended in D.08-08-028. More recently, the Commission further refined these STCs in D.10-03-021, as modified by D.11-01-025.

While all five facilities are currently operating under QF contracts, and will continue to do so under the Proposed Amendments, since the five facilities are delivering RPS-eligible power, it is prudent to ensure the contract includes the most recent RPS non-modifiable terms and conditions. This will help ensure consistency in managing renewable power generated to meet the utility's RPS obligations.

Under the proposed amendments, the PPAs for the Five Facilities include the Commission adopted RPS "non-modifiable" standard terms and conditions, as set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

Approvals of the Proposed Amendments are contingent upon demonstration that the Facility meets the RPS Resource Eligibility Guidelines.

Pursuant to Pub. Util. Code § 399.25, the CEC certifies eligible renewable energy resources. Generation from a resource that is not CEC-certified cannot be used to meet RPS requirements. To ensure that only CEC-certified energy is procured under a Commission-approved RPS contract, the Commission has required standard and non-modifiable "eligibility" language in all RPS contracts. That language requires a seller to warrant that the project qualifies and is certified by the CEC as an "Eligible Renewable Energy Resource," and that the project's output delivered to the buyer qualifies under the requirements of the California RPS, and that the seller uses commercially reasonable efforts to maintain eligibility should there be a change in law affecting eligibility.[4]

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[4] *See, e.g.* D. 08-04-009 at Appendix A, STC 6, Eligibility.

The Commission requires a standard and non-modifiable clause in all RPS contracts that requires "CPUC Approval" of a PPA to include an explicit finding that "any procurement pursuant to this Agreement is procurement from an eligible renewable energy resource as certified by the California Energy Commission for purposes of determining Buyer's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.), Decision 03-06-071, or other applicable law."[5]

The Commission has no jurisdiction to determine whether a project is an eligible renewable energy resource, nor can the Commission determine prior to final CEC certification of a project, that "any procurement" pursuant to a specific contract will be "procurement from an eligible renewable energy resource."

Therefore, while we include the required finding here, this finding has never been intended, and shall not be read now, to allow the generation from a non-RPS-eligible resource to count towards an RPS compliance obligation. Nor shall such finding absolve the seller of its obligation to obtain CEC certification, or the utility of its obligation to pursue remedies for breach of contract. Such contract enforcement activities shall be reviewed pursuant to the Commission's authority to review the utilities' administration of contracts.

The Proposed Amendments are consistent with the RPS resource needs identified in PG&E's 2011 RPS Procurement Plan.

Because the pricing under the Proposed Amendments is justified on the basis of the contribution that deliveries from the Five Facilities will make toward PG&E's RPS goals, we evaluate the Proposed Amendments for consistency with PG&E's most recently approved RPS procurement plan, which in part, identifies PG&E's need for RPS-eligible energy.

On May 11, 2011 the Commission approved the 2011 Renewable Portfolio Standard (RPS) Procurement Plan that was filed on May 4, in response to D.11-04-030. Pursuant to statute, PG&E's Plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources. While

[5] See id. at Appendix A, STC 1, CPUC Approval.

the Proposed Amendment relates to an existing QF contract negotiated bilaterally outside of the competitive RPS solicitation process, we find that it is consistent with the RPS resource needs identified in PG&E's Plan. The five biomass facilities will deliver the following: 175 gigawatt-year ("GWh/yr") for the Mendota facility, 160GWh/yr for the Fresno facility, 162GWh/yr for the Rocklin facility, 391GWh/yr for the Shasta facility and 132GWh/yr for the Chinese Station facility, of RPS-eligible resources in the near-term, and the projects are already delivering renewable energy under their existing contracts. As described in more detail in the Confidential Appendix, the deliveries anticipated under this contract will help PG&E fulfill near term (2011-2016) RPS obligations.

We also note that approval of the Proposed Amendment supports California Executive Order S-06-06, establishing targets for the use and production of biofuels and biopower and directing state agencies to work together to advance biomass programs in California while providing environmental protection and mitigation.[6]

Consistency with D.02-08-071

PG&E's Procurement Review Group (PRG) was notified of the Proposed Amendment. PG&E discussed the Proposed Amendment with its PRG on June 14, 2011.

The costs in the Proposed Amendments are reasonable.

All Five Facilities filed an Attestation of need, stating they cannot economically operate at the current SRAC price and need a price increase in order to continue current operations.

The Energy Division compared the price for capacity and energy under the Proposed Amendment against other biomass and RPS transactions as well as to bids in the 2011 RPS solicitation, as is standard in the Commission's reasonableness review of RPS PPA prices.

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[6] Executive Order S-06-06 by the Governor of the State of California (April 2006). http://www.dot.ca.gov/hq/energy/Exec%20Order%20S-06-06.pdf

Using these comparisons and the other confidential analysis provided by the report from the facilities as well as the Independent Evaluator, the Commission determines that the prices under the Proposed Amendments are reasonable.

We also note that the five facilities' existing contracts are structured in a manner which provides incentives for them to deliver power only during on-peak months and provides little incentive to deliver throughout the course of the year.

The Proposed Amendment would modify the performance requirements to which the five facilities are subject to and promote more reliable deliveries as compared to their respective existing PPAs.

The projects are viable

The five facilities are all existing facilities and as such, from a project development standpoint, viability is not in question. We do have concerns regarding the longer term operational viability of these projects. These concerns do not rise to the level of rejecting the Proposed Amendment, but are important considerations.

The Proposed Amendment is Reasonable

We find that the term of the Proposed Amendments, starting September 1, 2011 for all five facilities and expiring in January 14, 2015 for the Mendota facility and the expiration date of July 31, 2016 for the Fresno, Rocklin, Shasta and Chinese Station facilities as reasonable. The Proposed Amendments provide each of the facilities with immediate price increase so they can continue operating economically, and provide PG&E near-term deliveries of renewable energy at reasonable cost. PG&E will provide true-up payments to the Sellers for the period agreed to by the Sellers and Buyer.

Because the pricing under the proposed amendment for the five facilities compares favorably to other similar resources, staff finds these projects to be reasonable from a pricing perspective. Since the amendments require stricter performance obligations in exchange for the price increase for each of the five facilities staff also finds the operational adjustments reasonable. However, we do have some concerns regarding the duration for which the price increase is in

effect for; in the case of several other biomass ("Category 3"[7]) facilities, PG&E sought, and the Commission approved pricing amendments for an initial three year period and the option to extend for a year and then subsequently for another 11 months. Given uncertainties regarding PG&E's future RPS procurement need and other potential procurement options that may emerge, we found this approach reasonable. Here the Commission is presented with similar circumstances, but is being asked to approve a price amendment that would run for a 4-year 11 month period for four biomass facilities, and a 3-year, 4 month period for one biomass facility, rather than approving an initial period and then an option to extend.[8] Although we do not believe this concern rises to the level of justifying denial of the proposed amendment, given the more aggressive pricing we are seeing in the renewable market and PG&E's procurement position, an approach that preserves optionality is, in our view, generally preferred.

More details of the contract terms are included in Confidential Appendix A.

Independent Evaluator Review

Although it was not required, PG&E elected to have an Independent Evaluator ("IE") review the amendment. Arroyo Seco Consulting evaluated the Amendment and concluded that the Amendment merits CPUC approval. The IE noted some concerns about the amendments that PG&E addressed in their Confidential Appendices.

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[7] PG&E has been seeking to amend a number of existing renewable qualifying facility contracts through different contract amendment options, each featuring specific amendment terms and pricing. Category 1 refers to a 5 year fixed priced amendment that was made available to all renewable QFs; Category 2 refers to a 4 year 11 month amendment that was made available to all biomass QFs, and Category 3 refers to a 3 year amendment for wood-burning biomass QFs that also included an option for PG&E to extend the amendment for an additional year, and subsequently for another 11 months upon CPUC Approval.

CONFIDENTIAL INFORMATION

The Commission, in implementing Pub. Utils. Code § 454.5(g), has determined in D.06-06-066, as modified by D.07-05-032, that certain material submitted to the Commission as confidential should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations. D.06-06-066 adopted a time limit on the confidentiality of specific terms in RPS contracts. Specified information, such as price, is confidential for three years from the date the contract states that energy deliveries begin, except contracts between IOUs and their affiliates, which are public.

The confidential appendices, marked "[REDACTED]" in the public copy of this resolution, as well as the confidential portions of the advice letter, should remain confidential at this time.

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.

On February 21, 2012 PG&E filed comments on the draft resolution. PG&E noted that the draft resolution mischaracterized the term of the proposed amendment for which it was requesting approval. Specifically, the proposed amendment did not consist of an initial three year term with the option to extend the amendment term for an additional year and then subsequently for an additional 11 months as the draft resolution indicated. Rather the proposed amendment consists of a term of 4 years and 11 months for four of the five facilities and a term of 3 years and 4 months for one of the five facilities. Staff reviewed these comments and the advice letter and agrees that the draft resolution's characterization was incorrect. Staff has modified the resolution to correct this error.

On Wednesday 29, 2012 Energy Division issued a revised draft resolution to the service list. As a courtesy, owing to substantive changes made in response to comments, we gave parties an opportunity to file an additional round of comments. No additional comments were received.

FINDINGS AND CONCLUSIONS

1. Covanta Mendota, L.P. ("Mendota"), Rio Bravo Fresno ("Fresno"), Rio Bravo Rocklin ("Rocklin"), Wheelabrator Shasta Energy Company, Inc. ("Shasta") , and Pacific-Ultrapower Chinese Station ("Chinese Station") collectively ("Five Facilities") with Nameplate capacities of 25 MW, 26.5 MW, 25 MW, 54.9 MW and 22MW respectively are biomass generating facilities located near Mendota, CA, Fresno, CA, Rocklin, CA, Shasta, CA, and Unincorporated community of Chinese Camp, CA respectively.

2. The PPA between PG&E and the Mendota Facility was executed in 1985, and initial electricity delivery commenced in 1990; the existing PPA is a thirty-year standard offer contract that expires on January 14, 2015. The PPA between PG&E and the Fresno facility was executed in 1984, and initial electricity delivery commenced in 1989; the existing PPA is a thirty-year standard offer contract that expires on February 19, 2019. The PPA between PG&E and the Rocklin facility was executed in 1984, and initial electricity delivery commenced in 1990; the existing PPA is a thirty-year standard offer contract that expires on March 16, 2020. The PPA between PG&E and the Shasta facility was executed in 1984, and initial electricity delivery commenced in 1988; the existing PPA is a thirty-year standard offer contract that expires on April 30, 2018. The PPA between PG&E and the Chinese Station facility was executed in 1983, and initial electricity delivery commenced in 1987; the existing PPA is a thirty-year standard offer contract that expires on January 23, 2017.

3. The Proposed Amendments provide a price increase in exchange for enhanced performance obligations for all five facilities.

4. All of the Five Facilities have historically burned biomass. Each facilities' fuel mix is discussed in more detail in the confidential appendix of this resolution.

5. Each of the Five Facilities has been making deliveries to Pacific Gas and Electric Company for renewable power pursuant to a QF Interim Standard Offer No. 4 Power Purchase Agreement for over 20 years.

6. Pacific Gas and Electric Company executed the final Proposed fifth amendment with Mendota facility on July 20, 2011; the proposed fourth amendment with the Fresno Facility on August 21, 2011; the proposed third amendment with the Rocklin Facility on August 22, 2011; the proposed

amendment with the Shasta facility on September 6, 2011; and proposed fifth amendment with the Chinese Station facility on September 21, 2011 to modify their existing contract prices in exchange for enhanced performance obligations.

7. Pacific Gas and Electric Company expects the Five Facilities to deliver the following amounts of renewable power to PG&E per year during the term of the Proposed Amendment: 175 gigawatt-hours for the Mendota facility, 160 gigawatt-hours for the Fresno facility, 162 gigawatt-hours for the Rocklin facility, 391 gigawatt-hours for the Shasta facility and 132 gigawatt-hours for the Chinese Station facility,.

8. Pacific Gas and Electric Company's Proposed Amendment to the existing QF PPA with the Five Facilities is consistent with D.06-12-009 and D.07-09-040 allowing modifications and amendments for QF contract extensions of less than five years duration.

9. The Proposed Amendments are consistent with the bilateral contracting provisions allowed in D.10-12-035, the QF/CHP Settlement.

10. Pacific Gas and Electric Company's Proposed Amendment is consistent with the RPS resource needs identified in PG&E's 2011 RPS Procurement Plan.

11. Pacific Gas and Electric Company's Procurement Review Group (PRG) was notified of the Proposed Amendments to the existing QF PPAs with the Five Facilities on June 14, 2011.

12. The costs in Pacific Gas and Electric Company's Proposed Amendments are reasonable.

13. The Five Facilities are viable.

14. The modified performance obligations under Pacific Gas and Electric Company's Proposed Amendments provide stronger incentives relative to the existing contracts to provide more reliable deliveries throughout the year for each of the Five Facilities.

15. Under the proposed amendments, the PPAs for the Five Facilities include the Commission adopted RPS "non-modifiable" standard terms and conditions, as

set forth in D.08-04-009, D.08-08-028, and D.10-03-021, as modified by D.11-01-025.

16. Deliveries from the Five Facilities will help fulfill PG&E's near term RPS obligations, however, the need for the energy from these projects in future years is uncertain given the contracting PG&E has done to date and potential future contracting opportunities.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's Advice Letter 3921-E, as amended by Advice Letter 3921-E-A, requesting Commission approval of five facilities PPA amendment; three-years and four months in duration for the Mendota Facility PPA amendment; and four-years and eleven months for the remaining four facilities, namely the Fresno, Rocklin, Shasta and Chinese Station facilities PPA amendments are approved without modifications.

2. 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 March 8, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

Confidential Appendix A

Summary and Analysis of Proposed Amendment

[REDACTED]