PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4055**
December 14, 2006

R E S O L U T I O N

Resolution E-4055. Pacific Gas & Electric Company (PG&E) request Commission approval of two distinct power purchase agreements with subsidiaries of Calpine Corporation, for Resource Adequacy (RA) for the period from 2008 to 2011. This advice letter is approved with modifications.

By Advice Letter 2916-E Filed on October 23, 2006.

SUMMARY

This Resolution approves PG&E's request for two distinct power purchase agreements (Confirmation or PPAs) for Resource Adequacy (RA). The term of each PPA is for the period from 2008 to 2011. The PPAs being approved today are:

- A Confirmation between PG&E and the Metcalf Energy Center, LLC (MEC), a Calpine subsidiary; and
- A Confirmation between PG&E and the Los Medanos Energy Center, LLC (LMEC), a Calpine subsidiary.

PG&E request that these Confirmations be eligible for recovery through a non-bypassable charge (NBC) will not be addressed in this Resolution.

BACKGROUND

The Commission adopted a Local Resource Adequacy requirement for 2007.

The Commission adopted a Local Resource Adequacy requirement for 2007 in Decision (D.) 06-06-064, dated June 29, 2006. This standard is based on the California Independent System Operator's (CAISO) Local Capacity Requirements (LCR) study, originally issued in April 2006, and subsequently updated in July 2006. The study sets specific LCR targets in each of the nine transmission constrained areas (or "load pockets") as well as targets in numerous

additional sub-areas within each of the three Investor-Owned Utility (IOU) service territories. Seven load pockets are in PG&E's area. D.06-06-064 allows for the aggregation of six of PG&E's load pockets into one for purposes of Local RA demonstration requirements, excluding the Greater Bay Area, which retains its own individual requirements.

PG&E has entered into a settlement agreement

These Confirmations result from a settlement agreement between PG&E, the CAISO, the California Energy Oversight Board (CEOB) and Calpine Corporation (Calpine). The settlement agreement was filed with the Federal Energy Regulatory Commission (FERC) on October 19, 2006.

The settlement agreement would:

1. resolve a number of outstanding disputes at the FERC related to past Reliability Must-Run (RMR) costs and Scheduling Coordinator (SC) credits related to the Geysers Power Company LLC (Geysers),a Calpine subsidiary;
2. settle past and current RMR costs at several non-Geysers system facilities;
3. settle future RMR rate calculations; and
4. provide for a 200 MW Renewable Portfolio Standard (RPS)-eligible PPA with Calpine's Geysers Power Company, LLC.

The binding nature of these Confirmations on the parties is contingent on Commission approval of this advice filing as well as a related Renewable PPA, which was filed on October 16, 2006 in Advice Letter 2915-E, and FERC approval of a settlement agreement between PG&E and Calpine. These three elements represent the settlement agreement between PG&E and Calpine that must be approved in its entirety or rejected all together.

These Confirmations would support Bay Area Local RA need through 2011.

Both the MEC and LMEC Confirmations provide RA of sufficient size to help support PG&E's Bay Area Local RA needs through 2011. These Confirmations would:

1. minimize the need for the ISO to make local area backstop RA purchases;

2. provide a hedge against future procurement uncertainty by covering a significant portion of anticipated future obligations;
3. provide some margin in the event other Bay Area resources relied upon for Local RA are not fully eligible for RA; and
4. provide some margin in the event new local resources scheduled to come on line during the term of these transactions are delayed.

These Confirmations are justified.

PG&E states that these transactions are justified from several perspectives.

1. These transactions enable PG&E to progress toward achieving future RA and Local RA requirements.
2. The Local RA pricing is competitive, and locks in prices for a portion of PG&E's incremental RA needs in an environment in which future prices for the RA attribute are uncertain and may fluctuate significantly.
3. These transactions, bundled with other Calpine transactions, help satisfy other regulatory requirements (RPS energy) and, through the FERC settlement, avoid litigation on past and future RMR issues.

NOTICE

Notice of AL 2916-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 III-G of General Order 96-A.

PROTESTS

Advice Letter AL 2916-E was protested.

PG&E's Advice Letter AL 2916-E was timely protested by Merced Irrigation District and Modesto Irrigation District (Districts) and the CAlifornians for Renewable Energy, Inc. (CARE) on November 2, 2006. CARE submitted an amended protest to Advice Letter 2916-E on November 9, 2006.

PG&E responded to the protests of the Districts and CARE on November 7, 2006. PG&E responded to the amended protest of CARE on November 15, 2006.

The Districts do not object to the Confirmation agreements, but do protest PG&E's request for approval of a non-bypassable charge.

The Districts protest that the proposed non-bypassable charge (NBC) is not consistent with Decision (D.) 04-12-048. The Districts state that PG&E is ignoring Conclusion of Law 33 of D.04-12-048, which provides "[w]e should adopt a policy that all resources (IOU, Turnkey, Buyout, and PPA) must participate in an all source or RPS solicitation." The Districts protest that PG&E is implicitly aware of this requirement, that PG&E acknowledges that the confirmation agreements for which PG&E seeks approval were not the result of an all source solicitation, and that PG&E offers no authority or justification for its proposal to recover the costs through rates and NBC.

The Districts refer to Southern California Edison's (SCE) comment on Draft Resolution E-4031 which authorized SCE to procure up to 250 MW new utility-owned generation "outside of the competitive solicitation process, as a limited exception to the requirements of D. 04-12-048." The Districts argue that while both SCE's utility-owned generation proposal and PG&E's confirmation agreement were not the result of competitive solicitation, SCE did not propose a NBC and Draft Resolution E-4031 did not allow SCE to recover a NBC in connection with the new utility-owned generation resources.

CARE protests that PG&E failed to provide unredacted information.

CARE states that as a non-market participant having signed a Non-disclosure certificates on file with PG&E, CARE requested by email to get a copy of the FERC Settlement and to have a hard copy of Attachment A & B on October 23, 2006. CARE also contacted PG&E's representative by telephone on Monday, but has been unable to receive a copy of the unredacted version of PG&E's filing with the Commission. As such, CARE protests PG&E's need for the expedited protest period and review period as unduly burdensome to CARE's members' meaningful and informed participation, and open decision making by the Commission. CARE states that on the date of the protest filing, November 2nd at 5:44 PM, CARE received an email from PG&E confirming it will serve a copy of the unredacted version of its contracts and the FERC Settlement. CARE requests the Commission extend the Protest period until after CARE has had an opportunity to review the documents that PG&E provided.

CARE protests that the confirmation contracts are presumed to be excessively burdensome because of the highly asymmetrical distribution of burdens and benefits in the contract credit rating terms and conditions.

CARE protests that based on Calpine's lack of creditworthiness[1], while the credit requirement of the contract require the Buyer (PG&E) to maintain a senior unsecured debt rating of at least BBB- from Standard & Poors, the contracts are unduly discriminatory against and excessively burdensome upon PG&E's California customers as there is a highly asymmetrical distribution of burdens and benefits in the contract credit rating terms and conditions. CARE states that PG&E has failed to perform a risk assessment to determine the risk of default on the contracts or provide for any risk containment measures which are necessary to determine the cost effectiveness of the contracts to retail customers.

CARE protests the uncontained risk that the Calpine bankruptcy court will exercise its pre-emptive authority to change the price and non-price terms of the contracts.

CARE understands the bankruptcy law protects an entity from adverse actions being taken by its creditors once an entity enters bankruptcy. The protections do not apply to claims brought prior to Calpine's filing for bankruptcy protection. CARE states that PG&E has failed to offer up any protections for its ratepayers in the contracts and FERC Settlements from Bankruptcy Court changing the price and non-price terms of the contracts. CARE protests the uncontained risk that the Calpine Bankruptcy Court will exercise its pre-emptive authority to change the price and non-price terms of the contracts following approval of the contracts and the FERC Settlement by the CPUC.

CARE protests PG&E's failure to require Calpine's compliance or schedule of compliance to all local, state, and federal, Laws, Ordinances, Regulations, and Standards for all its generation resources covered by the contracts.

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[1] Standard & Poors' August 9, 2006 *Industry Report Card: New Deals In Global Project Finance Sector Should Be Robust in Second Half of 2006*, in "late 2005, Standard & Poor's lowered its ratings on Calpine Corp. and some of its subsidiaries to 'D' after the company filed for Chapter 11 bankruptcy protection."

CARE states that it brought a civil rights compliant against various parties for the approval of Los Medanos Energy Center that is still pending. Therefore, CARE protests PG&E's failure to require Calpine's compliance or schedule of compliance to all local, state, and federal, Laws, Ordinances, Regulations, and Standards for all its generation resources covered by the contracts for which PG&E seeks Commission approval.

CARE filed amended protest on November 9, 2006 to withdraw its objection to PG&E's failure to provide unredacted information.

CARE protested PG&E's failure to provide unredacted information necessary to determine the price and non-price terms of the contracts and FERC Settlement Agreement until November 3rd, 2006, the day after CARE filed its November 2, 2006 protests and objections. CARE review of the unredacted version of the Advice Letter was unable to ascertain the price for the energy resources purchased under the Confirmation.

Based on the unredacted copy of PG&E's Advice Letter with attachments, CARE withdrew this portion of its objections in the protest, giving PG&E the benefit of the doubt.

PG&E responded to each points raised by the protests filed by the Districts and CARE, including the amended protest by CARE.

PG&E states that the District's argument should be rejected because the Districts reading of D.04-12-048 is not contextually appropriate; that the Commission has authorized a NBC for Contra Costa generating facility; and the District interpretation of SCE's comments on Draft Resolution E-4031 misstates the purpose of SCE's comments.

In response to CARE's protest, PG&E states that PG&E was unable to provide the requested confidential appendices because PG&E was unable to confirm that CARE had previously executed a Non-Disclosures Certificate.

Regarding CARE's protest based on the credit terms, PG&E states that under the terms of the agreement, Calpine is required to post security while it remains rated below investment grade (BBB- by S&P) and the resources backing these contracts are fully constructed and operational facilities that provide valuable products to the market place and to PG&E's customers. Additionally, PG&E

states that certain confidential provisions of the contract also provide protection for PG&E's customers should Calpine fail to perform under the contract.

PG&E states that under bankruptcy rules, contracts in existence at the time of filing for bankruptcy may be subject to rejection and abrogation by the US Bankruptcy Court; such is not the case for contracts executed during the time that the bankrupt entity is subject to the Bankruptcy Court's requirements. In reviewing the Settlement achieved between PG&E and Calpine, the Bankruptcy Court will accept the settlement, modify the settlement, or reject it. Should the Court modify the settlement in a manner that is not acceptable to PG&E, PG&E may choose to terminate the contract or seek other legal remedies.

PG&E concludes in its response to CARE's protest by stating that PG&E is not a law enforcement agency and is not responsible for requiring Calpine to comply with any laws and regulations and that CARE's protest is outside the scope of PG&E's charter and should be rejected.

DISCUSSION

Energy Division recommends approving PG&E's confirmation request to enter into two distinct PPA agreements. The Confirmations should be approved in their entirety as the costs in the Confirmations between PG&E and MEC and LMEC are reasonable and in the public interest. As such, the payments to be made by PG&E are fully recoverable in rates over the life of the project, subject only to Commission review of PG&E's administration of the PPAs.

PG&E's request that the costs associated with these Confirmation Agreements are eligible for recovery through a non-bypassable charge will not be addressed in this Resolution. PG&E may pursue this issue in its Long-Term Procurement Plans in R.06-02-013.

Decision 04-12-048 authorizes utilities to enter into contracts with delivery dates through 2014.

PG&E's existing Long Term Procurement Plan (LTPP) was approved in D.04-12-048, dated December 20, 2004. Ordering Paragraph (O.P.) 14, authorized utilities "to enter into short-term, mid-term, and long-term contracts, with contract delivery start dates through 2014, provided that the IOUs submit the necessary compliance filing." Pursuant to O.P. 8 of D.04-12-048, the IOUs are required to

"plan to meet all RA requirements as set forth in D.04-10-035 as they go forward with their LTPP." D.04-10-035, dated October 28, 2004, established the initial RA standards.

These transactions fill an existing need and will reduce future risk.

Both LMEC and MEC are in the local Bay Area and are expected to continue to qualify as Local RA resources. These transactions will reduce the need in upcoming years for PG&E to purchase additional local RA. In addition to filling an existing gap for Local RA, these transactions reduce the risk of having to fill any increases in that gap as the CAISO further reduces its dependence on RMR contracts[2]. Procurement of these units will help satisfy the CAISO's need for local resources in the Bay Area and reduce or eliminate the need for the CAISO to procure additional capacity through the Reliability Capacity Services Tariff (RCST) mechanism[3].

These Confirmations provide for approximately 1,153 MW of Local RA in the Bay Area load pocket through 2011 on behalf of PG&E's electric portfolio.

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[2] The local RA attribute is allocated to Load Serving Entities (LSE) when the CAISO signs RMR contracts.

[3] The RCST resulted from a multi-party settlement, including the Commission. A $40 threshold represents an unbundled, RA-only product that does not include energy. The Commission's local RA decision provides that "if an LSE seeks a waiver on the basis that it could not obtain capacity to meet its local procurement obligation through a bundled capacity and energy contract, a trigger price of $73 per kW-year would be applicable." (D.06-06-064)

Generating Facility	Type	Term Years	MW Capacity	Commercial Operating Date	Project Location
Metcalf Energy Center	Gas Powered	4	593 MW	January 1, 2008	San Jose Area located in NP-15
Los Medanos Energy Center	Gas Powered	4	560 MW	January 1, 2008	Pittsburg, CA located in NP-15

The Confirmation pricing is favorable.

These two Confirmations compare favorably to other comparable proxies, including those from the 2007 RA Request for Offer (RFO) and the price provided by the RCST.

On July 28, 2006, PG&E issued its 2007 RA RFO in order to meet its regulatory needs for local RA in 2007. This solicitation was structured as two solicitations in order to buy and sell Local RA and/or general (System) RA resources for all load pockets. The RFO resulted in the receipt of competitive bids from numerous counterparties, including Calpine. The contract prices in the Confirmations are competitive with bids and offers received in the 2007 RA RFO. Although the RFO was for RA in 2007 only, and these RA Confirmations cover the 2008-2011 timeframe, these Confirmations represent an opportunity to lock in prices for future RA below the price established in the RCST.

The Procurement Review Group was consulted.

PG&E provided its Procurement Review Group (PRG) with reports on the transactions on two separate occasions. The first briefing occurred on August 28, 2006, in which PG&E provided an overview of the RFO results as well as the settlement with Calpine. The PRG members were updated on the progress of the settlement negotiations on September 25, 2006. PG&E states that none of the PRG members objected to the proposed Confirmations.

PG&E's request for a non-bypassable charge will not be addressed in this Resolution.

Decision 04-12-048 describes the Commission's current policy on stranded cost recovery for procurement for a variety of different types of resources. PG&E requests approval of the use of a non-bypassable charge to implement the Commission's stranded cost policy for procurement.

Conclusion of Law 16 of this decision states: "The utilities should be allowed to recover stranded costs for their non-RPS resource commitments from departing load over either the life of the contract or 10 years, whichever is less. The ten-year recovery period should also apply to any utility-owned generation acquired as a result of the procurement process, commencing once the resource begins commercial operation. … The utilities should be allowed the opportunity to justify in their applications, on a case-by-case basis, the desirability of adopting a cost recovery period of longer than ten years for their non-RPS resource commitments. Cost recovery for portion of a resource acquired by the utilities to meet local reliability needs should be recovered from all customers."

This Resolution does not further interpret or develop Commission policy regarding the use of non-bypassable charges as a mechanism to recover stranded costs. While D.04-12-048 describes the general policy of stranded cost recovery, it did not identify the implementation mechanism. If PG&E wishes to pursue the approval of non-bypassable charges for its procurement contracts, we recommend the issue be addressed through its Long-Term Procurement Plans in R.06-02-013. The Long-Term Procurement Proceeding is the appropriate procedural forum for addressing issues that apply to multiple contracts and multiple utilities. On December 11, 2006, the IOUs will file their Long-Term Procurement Plans in R.06-02-013. As part of those plans, the IOUs have been instructed to file plans that include procurement implementation plans, including any relevant cost recovery issues[4].

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[4] See R.06-02-013, Phase 2 Scoping Memo, Issued September 25, 2006, Volume 1, Attachment A, Section VII, page 21.

The protest of Merced Irrigation District and Modesto Irrigation District is misguided.

The District's protest that PG&E's proposed non-bypassable charge is not consistent with D.04-12-048 because the Confirmations were not the result of an all source solicitation. The Districts also state that under current Commission decisions, all resources must participate in a competitive solicitation.

The Districts have interpreted the Commission's decision incorrectly. While D.04-12-048 states in Conclusion of Law 33 that the Commission *should* adopt a policy that all resources participate in solicitations, this Decision does not order the Commission to do so. And while the Commission prefers competitive solicitation whenever possible, the Commission cannot ignore events that necessitate an exception.

CAlifornians for Renewable Energy's protest is without merit and is denied.

CARE protest that PG&E failed to provide confidential appendices in a timely manner; that the contracts are excessively burdensome due to credit terms; that there is risk with Calpine Bankruptcy Court exercising pre-emptive authority; and that PG&E fails to require that Calpine comply with laws and regulations are without merit and is denied.

PG&E provided the requested information once it was satisfied that a non-disclosure agreement was in place. A review of the confidential appendices collateral requirement shows that the credit terms are not asymmetrical or excessively burdensome. PG&E retains ability to terminate the contracts should the Bankruptcy Court modify the contracts. Finally, PG&E is not a law enforcement agency to require any other party to comply with laws and regulations.

CARE's protest is without merit and denied.

COMMENTS

Public Utilities Code section 311(g)(1) requires that draft resolutions be served on all parties and be subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.

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 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 Commission needs to address PG&E's AL 2916-E at the earliest possible meeting so that adequate local Bay Area resources are available for PG&E ratepayer.

CARE filed comments to the draft resolution on December 6, 2006. The Districts and PG&E filed their comments on December 7, 2006. PG&E filed reply comments on December 8, 2006.

In their comments to the draft resolution, CARE states that PG&E has not demonstrated that Calpine is offering up sufficient protection for PG&E's customers should Calpine fail to perform under the contract; that should the Bankruptcy Court modify the contract, PG&E will decide on its own, without public participation in an open decision making process, whether or not to terminate the contract or seek other legal remedies; and that CARE's member rights under Title VI of the Civil Rights Act of 1964 are not being protected by PG&E and the CPUC. CARE also alleges that the Commission failed to provide proper notice that a hearing on Draft Resolution E-4055 will be conducted at a business meeting held on December 14, 2006.

The Districts provided comments to the draft resolution that supported the denial of PG&E's request for a non-bypassable charge. The Districts state in their comments that D.04-12-048 does not authorize the use of non-bypassable charge, and that the Commission has never considered the mechanism for a utility to recover stranded costs. The Districts also urges the Commission to adopt a requirement that all resources participate in competitive solicitation.

In their comments, PG&E states that the Draft Decision must be modified as it pertains to the non-bypassable charge. PG&E's comments provide a general definition of non-bypassable charge as a charge which recovers costs from all customers. PG&E states that the Draft Decision fails to recognize that stranded costs are generally recovered through non-bypassable charges. PG&E provides that D. 04-12-048 authorized stranded cost recovery from all customers and that D. 06-06-035 elaborated that stranded cost recovery is a non-bypassable charge. PG&E states that an actual methodology is not needed in the Draft Resolution, but that the Resolution contain language acknowledging that PG&E is authorized to recover stranded costs in the future and that such costs are recovered through a non-bypassable charge.

PG&E provided a reply to the comments by the Districts and CARE. PG&E disputed the Districts assertion regarding the authority for a non-bypassable charge. PG&E also addressed the Districts recommendation regarding competitive solicitation by stating that it would be inapplicable to this situation as the contracts are a part of a multi-party settlement. PG&E's reply to CARE's comments addressed Calpine's failure to perform, ability to recover stranded costs, and the regulatory mechanism for contract approval.

The draft resolution has been modified to incorporate the comments and reply comments and is reflected throughout herein.

FINDINGS

1. The Commission adopted a Local Resource Adequacy requirement for 2007 in D.06-06-064.
2. The Local Resource Adequacy requirement is based on the California Independent System Operator's (CAISO) Local Capacity Requirements (LCR) study, originally issued in April 2006, and subsequently updated in July 2006 that set specific LCR targets in each of the nine transmission constrained areas (or "load pockets")
3. Pacific Gas and Electric Company (PG&E) entered into a settlement agreement with the CAISO, the California Energy Oversight Board (CEOB) and Calpine Corporation (Calpine).
4. The settlement agreement was filed with the Federal Energy Regulatory Commission (FERC) on October 19, 2006.
5. The settlement agreement would resolve a number of outstanding disputes.

6. PG&E filed Advice Letter 2916-E on October 23, 2006.
7. Advice Letter 2916-E seeks Commission approval of two distinct power purchase agreements for Resource Adequacy (RA).
8. The binding nature of these power purchase agreements (Confirmations) on the parties is contingent on Commission approval of this advice filing as well as a related Renewable PPA, which was filed on October 16, 2006 in Advice Letter 2915-E, and FERC approval of a settlement agreement between PG&E and Calpine.
9. These two Confirmations provide RA of sufficient size to help support PG&E's Bay Area Local RA needs through 2011.
10. Advice Letter AL 2916-E was timely protested by Merced Irrigation District and Modesto Irrigation District (Districts) and the CAlifornians for Renewable Energy, Inc. (CARE).
11. CARE submitted an amended protest to Advice Letter 2916-E on November 9, 2006.
12. PG&E responded to the protests of the Districts and CARE on November 7, 2006.
13. PG&E responded to the amended protest of CARE on November 15, 2006.
14. The Districts do not object to the Confirmation agreements, but do protest PG&E's request for approval of a non-bypassable charge.
15. CARE protest that PG&E failed to provide confidential appendices in a timely manner; that the contracts are excessively burdensome due to credit terms; that there is risk with Calpine Bankruptcy Court exercising pre-emptive authority; and that PG&E fails to require that Calpine comply with laws and regulations.
16. PG&E responded to the protests filed by the Districts and CARE, including the amended protest of CARE.
17. Decision (D.) 04-12-048 authorizes utilities to enter into contracts with delivery dates through 2014.
18. These Confirmations provide for approximately 1,153 MW of Local RA in the Bay Area load pocket through 2011.
19. Both Confirmations fill an existing need and will reduce future risk.
20. These two Confirmations compare favorably to other comparable proxies, including those from the 2007 RA Request for Offer (RFO) and the price provided by the Reliability Capacity Services Tariff (RCST).
21. PG&E consulted with its Procurement Review Group (PRG).
22. Decision 04-12-048 describes the Commission's current policy on stranded cost recovery for procurement for a variety of different types of procurement.

23. This Resolution does not further interpret or develop Commission policy regarding the use of non-bypassable charges as a mechanism to recover stranded costs.
24. D.04-12-048 did not identify the implementation mechanism for stranded costs recovery.
25. The Long-Term Procurement Proceeding is the appropriate forum for addressing issues that apply to multiple contracts and multiple utilities.
26. IOUs have been instructed to file Long-Term Procurement Plans that include procurement implementation plans, including any relevant cost recovery issues.
27. Section 311(g)(3) provides that this 30-day period may be reduced or waived pursuant to Commission adopted rule.
28. The 30-day comment period for this resolution has been reduced in accordance with the provisions of Rule 14.6(c)(9).
29. CARE provided comments to the Draft Resolution on December 6, 2006.
30. The Districts and PG&E filed comments on December 7, 2006.
31. PG&E filed reply comments on December 8, 2006.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company (PG&E) for approval of two power purchase agreements (Confirmations or PPAs) for Resource Adequacy as requested in Advice Letter AL 2916-E is approved as modified.
2. The confirmations being approved are a Confirmation between PG&E and the Metcalf Energy Center, LLC, (MET) a Calpine subsidiary and a Confirmation between PG&E and the Los Medanos Energy Center, LLC, (LMET) a Calpine subsidiary.
3. The Confirmations are approved in their entirety.
4. The costs in the Confirmation Agreements between PG&E and MEC and LMEC are reasonable and in the public interest.
5. Payments to be made by PG&E are fully recoverable in rates over the life of the project, subject only to Commission review of PG&E's administration of the PPAs.
6. PG&E's request of a non-bypassable charge should be addressed through its Long-Term Procurement Plans in R.06-02-013.
7. The protests of Merced Irrigation District and Modesto Irrigation District are denied.
8. The protest of CAlifornians for Renewable Energy, Inc. is denied.

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 14, 2006; the following Commissioners voting favorably thereon:

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STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners