DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ID #10486
RESOLUTION E-4412
July 14, 2011

REDACTED

R E S O L U T I O N

Resolution E-4412. Pacific Gas and Electric Company (PG&E) requests approval of a one-to-two year amendment to an existing Qualifying Facility (QF) contract with Pacific Oroville Power Inc. (POPI), a wholly-owned subsidiary of Covanta Energy Corporation, for delivery of Renewable Portfolio Standard (RPS)-eligible power.

PROPOSED OUTCOME: This Resolution approves with modification the cost recovery of a one-year amendment to the price and performance obligations of an existing QF contract between POPI and PG&E and grants PG&E the option to extend the amendment an additional year. This Resolution does not grant PG&E's request to extend the contract term to reflect the duration of the amendment.

ESTIMATED COST: Actual costs for the capacity and energy delivered under the amendment are confidential at this time. Following the amendment term, costs will revert to standard QF pricing. QF prices are $91.97/kW-yr for firm capacity and energy payments are based on short run avoided costs as defined in D.07-009-040 as updated by the Commission.

By Advice Letter 3770-E filed on December 3, 2010.

SUMMARY

PG&E's Proposed Amendment to the existing Qualifying Facility (QF) contract with Pacific Oroville Power Inc. complies with QF contract extension provisions, and is approved with modification effective September 1, 2010. The proposed all-in price and performance modifications are approved for the term of the Proposed Amendment. However, PG&E's request to extend the

existing contract term to reflect the duration of the Proposed Amendment is denied.

On December 3, 2010, PG&E filed Advice Letter 3770-E requesting Commission approval of a one to two year QF contract amendment between PG&E and Pacific Oroville Power Inc., which operates an 18 megawatt biomass facility. The Proposed Amendment was executed with POPI on August 21, 2010 and will expire on September 1, 2011, with an option for PG&E to extend an additional year. PG&E has agreed to true-up payments made to POPI for the period starting September 1, 2010 to the date of the CPUC approval using the Proposed Amendment price.

In order to prevent the closing of the POPI facility, the Proposed Amendment modifies the existing contract price in exchange for enhanced performance obligations. The Proposed Amendment acts as an interim solution to ensure RPS-eligible power deliveries from the POPI facility while the parties negotiate a proposal for the remaining term of the existing contract.

A detailed discussion of the terms of the Proposed Amendment are included in Confidential Appendix A.

BACKGROUND

Overview of California QF Program

The Public Utilities Regulatory Policy Act of 1978 established provisions whereby qualifying cogeneration and renewable generation facilities (Qualifying Facilities or QFs) are compensated for power delivered to energy utilities at a rate representing the utilities' avoided cost of generation, the price the utility would have paid to procure power but for the existence of the QF. In April of 2004, the Commission opened Rulemakings (R.) 04-04-003/R.04-04-025 to update the avoided cost of energy pricing, develop new long-term standard offer contracts and address various procurement policies associated with QFs.

In September of 2007, the Commission issued D.07-09-040 adopting an updated Short Run Avoided Cost (SRAC) energy price for QFs and setting capacity payment prices for firm and as-available generation. The SRAC, adopted as the Market Index Formula, was further developed and implemented upon Commission approval of Resolution E-4246 in July of 2009, effective in August 2009. For many QFs, however, the new SRAC established in D.07-09-040 does

not apply due to prior Commission approval of fixed energy prices under various settlement agreements. Relevant to this Resolution is D.06-07-032, in which the Commission adopted the PG&E and Independent Energy Producers (IEP) Settlement Agreement, where 121 power projects entered into either a fixed or variable energy price agreement with PG&E. Specifically, the Commission adopted a fixed energy price option equal to $64.50/megawatt-hour (MWh) for the first year of the Fixed Price Period with a one percent annual escalation factor starting on the day one year after the Fixed Period begins.[1] This option was only available to QFs whose fuel source was not natural gas for a term up to five years.

On December 16, 2010, the Commission adopted the QF/CHP settlement with the issuance of 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. Among other things, it establishes methodologies and formulas for SRAC to be used in Transition Power Purchase Agreements (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 uses solely market heat rates; (2) 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) locational adjustment based on CAISO nodal prices; and (4) pricing options based on whether a cap-and-trade program or other form of 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 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

[1] D.06.07.032 at p.5.

of an advice letter.[2] It is pursuant to these stipulations that PG&E filed AL 3770-E seeking approval of a Proposed Amendment to an existing QF contract.

Overview of the POPI Facility

Pacific Oroville Power Inc. (POPI) operates an 18 megawatt (MW) biomass generating facility (Facility) in the southern part of Oroville, in Butte County. POPI, a wholly-owned subsidiary of Covanta Energy Corporation (Covanta), acquired the Facility more than 10 years ago.

The Facility has historically burned a mix of mill wood waste, wood chips from forest thinning operations, agricultural residue such as shells and pits, and urban wood waste. It has been making deliveries to PG&E for renewable power pursuant to a QF Interim Standard Offer No. 4 Power Purchase Agreement for over 20 years.

In mid-2010, POPI informed PG&E that it had become uneconomic to operate the Facility under its existing PPA, due to a combination of rising operating costs and decreasing revenues. In order to prevent the Facility from shutting down, PG&E and POPI negotiated an amended contract price in exchange for enhanced performance obligations. This Proposed Amendment was executed on August 21, 2010. The Facility has since remained operational in accordance to the modified performance obligations of the Proposed Amendment.

NOTICE

Notice of AL 3770-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 3.14 of General Order 96-B.

PROTESTS

PG&E's Advice Letter AL 3770-E was timely protested by the Division of Ratepayer Advocates (DRA).

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

PG&E responded to the protests of the DRA on December 30, 2010.

In its protest to Advice Letter 3770-E, DRA contested the price modification in the Proposed Amendment on many grounds including: (1) PG&E and the Facility have not provided sufficient information that the Facility would close down if the Proposed Amendment was not approved; (2) the onset of subsidies represents a windfall for the Facility and their phase out does not justify what amounts to ratepayers paying the subsidy; (3) the Commission sends the wrong signal if it increases a contract price for a short-term loss of revenue; (4) no Independent Evaluator (IE) was used in the analysis; and (5) the contract provisions were not compared to other renewable energy options. We address each of these issues in turn.

First, the proposed price increase is based on a PG&E analysis of the Facility's actual and projected costs and revenues. POPI provided PG&E with a financial pro forma including a forecast income statement, cash flow statement and balance sheet. In addition, POPI provided PG&E with its actual costs and revenues for the period 2006 to 2009.

This analysis and the cash flow model were reviewed by Energy Division and we concur that, based on the provided information, absent a temporary price modification, loss of revenue and increase in operating costs would likely result in the Facility ceasing operations.

We were not provided with independently verified financial information from the Facility. However, based on the information provided, we believe PG&E and the Facility have shown sufficient information to support the need for the price increase if the facility is going to continue operating given the operational costs of the Facility. In this regard, we disagree with DRA's protests that there is a lack of information to demonstrate that the Facility would close down if the Proposed Amendment was not approved.

Second, we do not agree with DRA's protest that the Commission "sends the wrong signal" by approving a short-term price modification for loss of Facility revenues. Though in approving this price amendment we have shifted some additional cost risk for this particular project to ratepayers, we have done so only after evaluating the contract on its merits and finding that the price increase is justified and in the interest of ratepayers given the specifics of the request and circumstances.

Third, with regard to the CEC subsidy program, PG&E explains in its response that the purpose of the program is to increase the competitiveness of existing renewable facilities and does not remedy financial difficulties that a facility may face. We agree. As a practical matter, the fact remains that the reductions in revenues from the CEC's renewable energy program combined with other cost and revenue changes identified result in the facility becoming uneconomic and, thus likely to lead to the cessation of operations. While ratepayers are being asked, in a sense, to compensate for the net loss of revenues, including any reduction in monies from the CEC program, we do not find this a sufficient basis to reject the price amendment. For the reasons articulated herein, we believe the additional costs to ratepayers resulting from granting the requested price amendment and allowing the project to continue operating are reasonable given the benefits the project provides.

Fourth, while an Independent Evaluator is used for RPS solicitations, it is not, technically, a requirement for a QF contract amendment. Since the Facility opened its books for this review, we find the analysis to be sufficiently transparent and robust to be relied upon. However, going forward PG&E should provide an IE report when seeking to modify existing contracts and pricing terms. The IE plays a valuable role in validating the specific claims made by the developer regarding the reasonableness of the drivers of underlying costs and losses in revenue.

Finally, while PG&E did not provide a comparison of the contract price against the Market Price Referent (MPR), PG&E did include a comparison of the price and net market value of the project against other biomass, wind, solar PV and biogas facilities. In addition, Energy Division staff reviewed the price in comparison to the most recent RPS solicitation. These comparisons offer the most relevant analysis of whether or how the price and value of the facility is reasonable. The MPR is used in the RPS program as a benchmark to assess the above-market costs of RPS contracts, and can serve to contain the total cost of the program. Since this is a QF contract amendment and is outside of the RPS program, while it provides RPS credits, we do not believe that a comparison to the MPR price is necessary.

DISCUSSION

PG&E requests Commission approval of a Proposed Amendment to the existing QF ISO4 contract with POPI.

On December 3, 2010, PG&E filed Advice Letter (AL) 3770-E which seeks approval of a Proposed Amendment to an existing Interim Standard Offer No. 4 (ISO4) Power Purchase Agreement between PG&E and Pacific Oroville Power Inc. The Proposed Amendment modifies performance obligations under the PPA and the contract price for one year. In addition, the Proposed Amendment allows PG&E the option to extend the price modification for an additional year and extends the remaining term of the PPA for either one or two years to reflect the duration of the Proposed Amendment, depending on whether PG&E exercises the option to extend the amendment.

PG&E expects POPI to deliver 117 gigawatt-hour (GWh) of renewable power to PG&E per year during the contract term. Because POPI indicated that the Facility would shut down in September 2010 without a PPA amendment, PG&E and POPI executed the Proposed Amendment on August 21, 2010. However, the Proposed Amendment will become effective when it is approved by the CPUC. PG&E has agreed to true-up payments made to POPI for the period starting September 1, 2010 to the date of the CPUC approval using the Proposed Amendment price. The Proposed Amendment will expire on September 1, 2011, unless extended for an additional year by PG&E.

Specifically, PG&E request that the Commission:

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

2. Determine that all costs associated with the Proposed Amendment, including any costs incurred if PG&E elects to exercise its option to extend the Proposed Amendment for one year, be recovered through PG&E's Energy Resource Revenue Account ("ERRA").

Energy Division evaluated the Proposed PPA Amendment on multiple grounds:

- Consistency with D.06-12-009 and D.07-09-040 (authorizing QF contract extensions)

- Consistency with RPS standard terms and conditions

- Consistency with RPS Resource Eligibility Guidelines

- Consistency with the RPS resource needs identified in PG&E's 2009 RPS Procurement Plan
- Procurement Review Group (PRG) participation
- Cost reasonableness
- Project viability to achieve modified performance obligations
- Contract term reasonableness

The Proposed Amendment filing 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.

The filing of AL 3770-E 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."[3] 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. 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."[4]

Approval of the Proposed Amendment is contingent upon demonstration that it includes 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

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

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

recently in D.10-03-021, as modified by D.11-01-025, the Commission further refined these STCs.
While POPI is currently operating under a QF contract, and will continue to do so under the Proposed Amendment, since the Facility is delivering RPS-eligible power it is prudent to ensure that 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 obligation.

Therefore, Commission approval of the POPI Proposed Amendment is conditioned upon PG&E and POPI modifying the POPI PPA Amendment to include the new non-modifiable standard terms and conditions as required in D.10-03-021, as modified in D.11-01-025. Within 30 days from the effective date of this Resolution, PG&E shall file a Tier 1 advice letter compliance filing demonstrating that the POPI PPA Amendment includes all of the relevant non-modifiable standard terms and conditions.

Approval of the Proposed Amendment is contingent upon demonstration that it includes RPS standard contract terms and conditions consistent with RPS Resource Eligibility Guidelines.

Pursuant to Pub. Util. Code § 399.13, 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," 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.[5]

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 for purposes of determining Buyer's

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

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."[6]

Notwithstanding this language, 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 Amendment is consistent with the RPS resource needs identified in PG&E's 2009 RPS Procurement Plan.

The Proposed Amendment is to an existing QF contract; therefore the power generated from this contract meets the must-take power criteria under PURPA guidelines. However, any RPS-eligible renewable energy delivered under this agreement will contribute to PG&E's RPS obligation. Therefore, we evaluate the Proposed Amendment for consistency with PG&E's most recently approved RPS procurement plan, which in part, identifies PG&E's need for RPS-eligible energy.

PG&E's 2009 RPS Procurement Plan (Plan) was approved by D.09-06-018 on June 8, 2009. Pursuant to statute, PG&E's Plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources. While the Proposed Amendment relates to an existing QF contract negotiated 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 POPI Facility will continue to

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

deliver base load RPS-eligible resources in the near-term, and the project is already delivering renewable energy under its current contract.

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.[7]

PG&E's Procurement Review Group (PRG) was notified of the Proposed Amendment.

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

PG&E discussed the Proposed Amendment with its PRG on August 13, 2010.

Pursuant to D.02-08-071, PG&E's Procurement Review Group (PRG) participated in the review of the PPA.

The costs in the Proposed Amendment are reasonable.

POPI provided PG&E with a financial pro forma including a forecast income statement, cash flow statement and balance sheet. In addition, POPI provided PG&E with its actual costs and revenues for the period 2006 to 2009. These work papers and the cash flow model were reviewed by Energy Division.

In addition to analyzing the cash flow model, Energy Division compared the price for capacity and energy under the Proposed Amendment against other biomass and RPS transactions and to bids in the 2009 RSP solicitation, as is standard in the Commission's reasonableness review of RPS PPA prices.

[7] 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 the comparison to RPS projects and the confidential cash flow analysis provided by PG&E, the Commission determines that the price under the Proposed Amendment is reasonable. In its protest to the Advice Letter, DRA contested the price amendment on many grounds. Confidential Appendix A includes a detailed discussion of the contractual pricing terms and conditions and addresses each of DRA's concerns in turn.

The project is viable to meet modified performance obligations under the Proposed Amendment.

POPI is an existing facility so its viability for project development is assumed. However, in this case, we can also evaluate the project's viability to meet the modified performance obligations under the Proposed Amendment. POPI's existing contract is structured in a manner which provides incentives for it to deliver power during on-peak months. As a result, the facility could deliver power during the summer and fulfill its contractual requirements leaving little incentive to deliver throughout the course of the year. The Proposed Amendment would modify the performance requirements in the POPI PPA to incentivize power delivery across three seasonal periods, accounting for the entire 12-month year.

In total, PG&E expects POPI to deliver a minimum of 117 GWh of renewable power per year across the three seasonal periods. This minimum power delivery is roughly equal to the Facility operating at an 80% capacity factor and amounts to 90% of its 2009 generation. Failure to meet minimum performance requirements will result in a reduction of contract price per the Proposed Amendment terms.

Since the contract was executed in August of 2010, POPI has proven able to meet the modified performance requirements. In addition, POPI has attested to its intention to deliver more than the minimum performance requirements outlined in the Proposed Amendment. Given the performance of the facility since August 2010, the attested intention of the Facility for generation targets and the price signal for failing to meet performance obligation, we believe the project is capable of meeting the minimum generation requirements during the Proposed Amendment term. We note, however, that after the term of the Proposed Amendment, the Facility will revert to its original contract terms and pricing. PG&E and POPI have indicated their intention to continuing negotiations during

the term of the Proposed Amendment to develop a longer-term solution for viability of the Facility.

In its protest to AL 3770-E, DRA raised concerns about the modified performance requirements under the Proposed Amendment. A detailed discussion of DRA's concerns and analysis of the proposed modified performance requirements are included in Confidential Appendix A.

The option for PG&E to extend the modified price for up to two years is reasonable, however the option to extend the contract term for up to two years is denied.

We find that the term of the Proposed Amendment, starting September 1, 2010 through August 31, 2011, with a Buyer option to extend for an additional year, is reasonable. Both parties have agreed that a longer-term solution is needed to enable Seller to perform for the remainder of its contract term. With its maximum term of two years, the Proposed Amendment provides Seller with immediate relief so it can remain in business while a solution is negotiated. PG&E will provide true-up payments to the Seller for the period starting September 1, 2010 to the date of the CPUC approval.

However, we see no reason why the temporary price and performance obligation amendment should impact the original term of the contract and PG&E does not provide any rationale in this regard. Extending the contract term will only serve to extend the amount of time the Facility needs to remain on a contract with pricing that is not economical for its operations. Therefore, the request to extend the contract term to reflect the duration of the Proposed Amendment is denied.

More details of the contract term and request for extension are included in Confidential Appendix A.

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. Such 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.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS AND CONCLUSIONS

1. Pacific Oroville Power Inc., a wholly-owned subsidiary of Covanta Energy Corporation, operates an 18 megawatt biomass generating facility.

2. Pacific Oroville Power Inc. 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.
3. On August 21, 2010, Pacific Gas and Electric Company executed the Proposed Amendment with Pacific Oroville Power Inc. to modify the existing contract price in exchange for enhanced performance obligation.

4. Pacific Gas and Electric Company expects Pacific Oroville Power Inc. to deliver 117 gigawatt-hour (GWh) of renewable power to PG&E per year during the term of the Proposed Amendment.

5. Pacific Gas and Electric Company's Proposed Amendment to the existing QF PPA with Pacific Oroville Power Inc. 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.

6. Approval of Pacific Gas and Electric Company's Proposed Amendment is contingent upon demonstration that it includes all relevant RPS non-modifiable standard terms and conditions.

7. Approval of Pacific Gas and Electric Company's Proposed Amendment is contingent upon demonstration that it includes RPS standard contract terms and conditions consistent with RPS Resource Eligibility Guidelines.

8. Pacific Gas and Electric Company's Proposed Amendment is consistent with the RPS resource needs identified in PG&E's 2009 RPS Procurement Plan.

9. Pacific Gas and Electric Company's Procurement Review Group (PRG) was notified of the Proposed Amendment to the existing QF PPA with Pacific Oroville Power Inc.

10. The costs in Pacific Gas and Electric Company's Proposed Amendment are reasonable.

11. The facility operated by Pacific Oroville Power Inc. is found viable to meet modified performance obligations under Pacific Gas and Electric Company's Proposed Amendment.

12. The option for Pacific Gas and Electric Company to extend the modified price for up to two years is reasonable, however the option to extend the contract term for up to two years is denied.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's Advice Letter 3770-E requesting Commission approval of a one-to-two year amendment to an existing Qualifying Facility (QF) contract with Pacific Oroville Power Inc. is approved with modification and conditions.

2. Pacific Gas and Electric Company's request to extend the term of the existing Power Purchase Agreement with Pacific Oroville Power Inc. to reflect the duration of the amendment is denied.

3. Within 30 days from the effective date of this resolution, Pacific Gas and Electric Company shall file a Tier 1 Advice Letter compliance filing to

demonstrate that the Pacific Oroville Power Inc. Power Purchase Agreement has been amended to include all relevant non-modifiable standard terms and conditions currently required by the Commission.

4. 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 July 14, 2011; the following Commissioners voting favorably thereon:

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PAUL CLANON
Executive Director

Confidential Appendix A

[REDACTED]