MAILED 12/19/08

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4213**
December 18, 2008

REDACTED

R E S O L U T I O N

Resolution E-4213. Pacific Gas & Electric Company (PG&E) requests approval of two contracts for procurement of renewable energy resources resulting from PG&E's Power Purchase Agreements with San Joaquin SOLAR 1 LLC and San Joaquin SOLAR 2 LLC.

By Advice Letter 3280-E filed on June 12, 2008.

SUMMARY

PG&E's renewable contracts comply with the Renewable Portfolio Standard (RPS) procurement guidelines and are approved without modification.

PG&E filed advice letter (AL) 3280-E on June 12, 2008, which requests California Public Utilities Commission (Commission) review and approval of two renewable energy power purchase agreements (PPA) with San Joaquin SOLAR 1 LLC and San Joaquin SOLAR 2, LLC (collectively, San Joaquin Solar). PG&E's renewable PPAs concern two new 53.4 megawatt (MW) solar thermal/biofuel facilities to be developed in Coalinga, California. PG&E's execution of the PPAs complies with the RPS procurement guidelines. PG&E's request for approval of the renewable resource procurement contracts is granted pursuant to D.07-02-011, which approved PG&E's 2007 RPS Procurement Plan.

Project	Type	Term Years	Total Capacity (MW)	Total Energy (GWh)	Online Date	Location
San Joaquin Solar 1 and 2	Solar/ Biofuel	20	106.8	700	06/30/2011	Coalinga, CA

Deliveries from these contracts are reasonably priced and fully recoverable in rates over the life of the contract subject to Commission review of PG&E's administration of the contracts. The energy acquired from the PPAs will count towards PG&E's RPS requirements.

Confidential information about the contract should remain confidential

This resolution finds that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583, General Order (G.O.) 66-C, and D.06-06-066 should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

BACKGROUND

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

The California Renewables Portfolio Standard (RPS) Program was established by Senate Bill 1078[1] and codified by California Public Utilities Code Section 399.11, et seq. The statute requires that a retail seller[2] of electricity, such as PG&E, purchase a certain percentage of electricity generated by eligible renewable energy resources (ERR). Originally, each retail seller was required to increase its total procurement of ERRs by at least 1 percent of annual retail sales per year so that 20 percent is reached, subject to the Commission's rules on flexible compliance, no later than 2017.

The State's Energy Action Plan (EAP) called for acceleration of this RPS goal to reach 20 percent by 2010. This was reiterated again in the Order Instituting Rulemaking (R.04-04-026) issued on April 28, 2004[3], which encouraged the utilities to procure cost-effective renewable generation in excess of their RPS annual procurement targets[4] (APTs), in order to make progress towards the goal

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[1] http://www.energy.ca.gov/portfolio/documents/SB1078.PDF

[2] Includes electrical corporations, community choice aggregators and electric service providers

[3] http://www.cpuc.ca.gov/Published/Final_decision/36206.htm

[4] APT - An LSE's APT for a given year is the amount of renewable generation an LSE must procure in order to meet the statutory requirement that it increase its total eligible renewable procurement by at least 1% of retail sales per year.

expressed in the EAP.[5] On September 26, 2006, Governor Schwarzenegger signed Senate Bill 107, which officially accelerates the State's RPS targets to 20 percent by 2010.[6] More recently, Governor Schwarzenegger signed Executive Order S-14-08, which established a 33 percent RPS goal by 2020.[7]

The Commission has established procurement guidelines for the RPS Program

The Commission has issued a series of decisions that describe the regulatory and transactional framework of the RPS program. On June 19, 2003, the Commission issued its "Order Initiating Implementation of the Senate Bill 1078 Renewable Portfolio Standard Program," D.03-06-071. The Commission also adopted standard terms and conditions for RPS power purchase agreements in D.04-06-014 as required by Pub. Util. Code Section 399.14(a)(2)(D). Instructions for evaluating the value of offers made in response to each RPS solicitation were provided in D.04-07-029.

On June 9, 2004, the Commission adopted its Market Price Referent (MPR) methodology[8] for determining the Utility's share of the RPS seller's bid price, as defined in Pub. Util. Code Sections 399.14(a)(2)(A) and 399.15(c). On December 15, 2005, the Commission adopted D.05-12-042 which refined the MPR methodology for the 2005 RPS Solicitation.[9] Subsequent resolutions adopted MPR values for the 2005, 2006 and 2007 RPS Solicitations.[10]

In addition, D.06-10-050, as modified by D.07-03-046, further refined the RPS reporting and compliance methodologies.[11] In this decision, the Commission

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[5] Most recently reaffirmed in D.06-05-039

[6] SB 107, Chapter 464, Statutes of 2006

[7] Executive Order S-14-08: http://gov.ca.gov/index.php?/print-version/executive-order/11072/

[8] D.04-07-015

[9] http://www.cpuc.ca.gov/word_pdf/FINAL_DECISION/52178.pdf

[10] Respectively, Resolution E-3980: http://www.cpuc.ca.gov/WORD_PDF/FINAL_RESOLUTION/55465.DOC, Resolution E-4049: http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/63132.doc, Resolution E-4118: http://www.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/73594.pdf

[11] D.06-10-050, Attachment A, http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/61025.PDF) as modified

Footnote continued on next page

established methodologies to calculate an LSE's initial baseline procurement amount, annual procurement target (APT) and incremental procurement amount (IPT).[12]

Additionally, the Commission has implemented Pub. Util. Code 399.14(b)(2), which states that before the Commission can approve an RPS contract of less than ten years' duration, the Commission must establish "for each retail seller, minimum quantities of eligible renewable energy resources to be procured either through contracts of at least 10 years' duration (long-term contracts) or from new facilities commencing commercial operations on or after January 1, 2005." On May 3, 2007, the Commission approved D.07-05-028, which established a minimum percentage of the prior year's retail sales (0.25%) that must be procured with contracts of at least 10 years' duration or from new facilities in order for short-term contracts to be used towards RPS compliance.

Governor Schwarzenegger's Executive Order encourages bioenergy development

Governor Schwarzenegger's Executive Order S-06-06 encourages bioenergy development in California, stating that "sustained biomass development offers strategic energy, economic, social and environmental benefits to California, creating jobs through increased private investment within the state." The Executive Order encourages the Commission to "initiate a new proceeding or build upon an existing proceeding to encourage sustainable use of biomass and other renewable resources."

PG&E's Procurement Review Group participated in review of the contract

In D.02-08-071, the Commission required each utility to establish a "Procurement Review Group" (PRG) whose members, subject to an appropriate non-disclosure

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by D.07-03-046
(http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/65833.PDF.

[12] The IPT represents the amount of RPS-eligible procurement that the LSE must purchase, in a given year, over and above the total amount the LSE was required to procure in the prior year. An LSE's IPT equals at least 1% of the previous year's total retail electrical sales, including power sold to a utility's customers from its DWR contracts.

agreement, would have the right to consult with the utilities and review the details of:

1. Overall transitional procurement strategy;
2. Proposed procurement processes including, but not limited to, RFO; and
3. Proposed procurement contracts before any of the contracts are submitted to the Commission for expedited review.

The PRG for PG&E consists of: California Department of Water Resources (DWR), the Commission's Energy Division, Natural Resources Defense Council (NRDC), Union of Concerned Scientists (UCS), Division of Ratepayer Advocates (DRA), Coalition of California Utility Employees (CUE) and The Utility Reform Network (TURN).

PG&E informed its PRG of the San Joaquin Solar project on several occasions. The first briefing occurred on September 21, 2007. PG&E provided additional briefings on November 30, 2007, January 9, 2008, and March 14, 2008. These presentations included a general overview of the negotiated terms and conditions, rationale for selection, and assessment of the price of the PPAs.

None of the PRG members objected to PG&E's execution of the PPAs. Although Energy Division is a member of the PRG, it reserved its conclusions for review and recommendation on the contracts to the resolution process.

The Commission has established requirements for participation of an Independent Evaluator

In D.06-05-039, the Commission required each IOU to employ an independent evaluator (IE) for RPS solicitations. The IE's role is to ensure that the solicitation process is undertaken in a fair, consistent, unbiased, and objective manner. The oversight of an IE during the IOUs' procurement process should increase the likelihood that the best resources are selected and acquired consistent with the solicitation guidelines. The IE also provides additional oversight during contract negotiations.

Commission has requirements on PPA price amendments

The Commission has rigorous requirements on whether or not a price amendment is considered.[13] A Commission approved project requesting a price amendment will only be considered if the request is filed with extensive documentation, e.g. balance of plant, cash flow models and detailed documentation (from manufacturer and/or developer) clearly showing the reason for the price increase. Additionally, the project with its revised price will be compared with bids in the recent RPS solicitation

PG&E requests Commission approval of new renewable energy contracts

On June 12, 2008, PG&E filed AL 3280-E requesting Commission approval of two renewable procurement contracts with San Joaquin SOLAR 1 LLC and San Joaquin SOLAR 2, LLC (San Joaquin Solar). The PPAs result from PG&E's 2007 RPS Solicitation. The Commission's approval of the PPAs will authorize PG&E to accept future delivery of incremental renewable generation.

PG&E requests that the Commission issue a resolution containing the findings necessary for "CPUC Approval" as defined in Appendix A of D.04-06-014. In addition, PG&E requests that the Commission issue a resolution that finds the following:

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

[13] See Resolution E-4150 and E-4176

4. Finds that the PPAs are consistent with PG&E's approved 2007 RPS procurement plan.
5. Finds the terms of the PPAs, including the price of delivered energy, are reasonable.
6. Finds that the utility's cost of procurement under the PPAs shall be recovered through PG&E's Energy Resource Recovery Account.
7. Finds that any stranded costs that may arise from the PPAs are subject to the provisions of D.04-12-048 that authorize recovery of stranded renewables procurement costs over the life of the contract.
8. Finds that PG&E has requested pre-approval of RPS-eligible procurement covered by SB 1368 as required by D.07-01-039.
9. Finds that the generating facilities employ solar thermal electric (with up to 25 percent gas heat input) and biomass that would otherwise be disposed of utilizing open burning, forest accumulation, landfill, spreading or composting.
10. Finds that the renewable resources are pre-approved as compliant with the Interim EPS adopted by D.07-01-039.

NOTICE

Notice of AL 3280-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section IV of General Order 96-B.

PROTESTS

Advice Letter 3280-E was not protested.

DISCUSSION

The following table summarizes the substantive features of the PPAs. See confidential Appendix C for a detailed discussion of contract terms and conditions.

Project	Type	Term Years	Total Capacity (MW)	Total Energy (GWh)	Online Date	Location
San Joaquin Solar	Solar/ Biofuel	20	106.8	700	06/30/2011	Coalinga, CA

Energy Division examined the PPAs on multiple grounds:

- PPAs are consistent with PG&E's Commission adopted 2007 RPS Procurement Plan
- PG&E's Bid evaluation process is consistent with Least-Cost Best-Fit (LCBF) decision
- PPAs conform to Commission adopted Standard Terms and Conditions
- PG&E made a sufficient showing the projects are viable
- PG&E made a sufficient showing the projects' contract prices are reasonable

PPAs are consistent with PG&E's Commission adopted 2007 RPS Plan

California's RPS statute requires that the Commission review the results of a renewable energy resource solicitation submitted for approval by a utility.[14] PG&E's 2007 RPS procurement plan (Plan) was approved by D.07-02-011 on February 15, 2007.[15] Pursuant to statute, PG&E's Plan includes an assessment of supply and demand to determine the optimal mix of renewable generation resources, consideration of flexible compliance mechanisms established by the Commission, and a bid solicitation protocol setting forth the need for renewable generation of various operational characteristics.[16]

<u>PPAs are consistent with identified resource needs</u>

The stated goal of PG&E's 2007 RPS Solicitation Plan was to procure approximately 1-2 percent of PG&E's retail sales volume or between 750 and

[14] Pub. Util. Code, Section §399.14
[15] http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/78817.pdf
[16] Pub. Util. Code, Section §399.14(a)(3)

1,500 GWh per year with delivery terms of 10, 15, or 20 years. Participants could submit offers for four specific products – as-available, baseload, peaking, and dispatchable resources. The two 53.4 MW facilities are expected to deliver 700 GWh per year; approximately equivalent to one percent of PG&E's total retail sales.

PPA selection is consistent with RPS Solicitation Protocol

The IE has verified that the PPAs are consistent with PG&E's RPS Plan because they were achieved through PG&E's adherence to its Solicitation Protocol:

1. PG&E generally followed the RPS Solicitation schedule set forth in its Solicitation Protocol.
2. PG&E used the approved bid solicitation protocol and forms of power purchase agreements. Consistent with the published schedule, the solicitation commenced on March 12, 2007, and bids were received until May 31, 2007. All of the accepted bids conformed to the RPS protocol; that is, they offered power from eligible renewable energy resources, they were submitted using the standard forms, they executed the bid protocol and confidentiality agreements, and they posted the required bid deposit.
3. The San Joaquin Solar bids were evaluated and scored in the manner prescribed in the Solicitation Protocol. In particular, evaluation of the offer price took into account PG&E's published Time of Delivery factors and imputed the potential cost of transmission adders. PG&E scored the offers pursuant to a methodology that attributed the proper weight to market valuation, portfolio fit, credit and other non-price factors described in the Solicitation Protocol.
4. The San Joaquin Solar bids were ranked according to the protocols, and were placed on PG&E's "Short List" and presented to PG&E's PRG on June 29, 2007.[17] PG&E notified short-listed bidders and PG&E negotiations with short-listed bidders began once they submitted the required bid deposit. The interim results of negotiations were presented to the PRG on several occasions between September 21, 2007 and March 14, 2008.

[17] On July 30, 2007, PG&E submitted its 2007 RPS shortlist report to the service list for R.06-05-027 and confidential workpapers to Energy Division staff.

Bid evaluation process is consistent with Least-Cost Best-Fit (LCBF) decision

The LCBF decision directs the utilities to use certain criteria in their bid ranking.[18] The decision offers guidance regarding the process by which the utility ranks bids in order to select or "shortlist" the bids with which it will commence serious negotiations. Much of the bid ranking criteria described in the LCBF decision is incorporated in PG&E's Solicitation Protocol and is discussed below. The IE oversaw the process and concluded in its report that the protocol was followed and the process was conducted fairly.

Market Valuation

In its "mark-to-market analysis," PG&E compares the present value of the bidder's payment stream with the present value of the product's market value to determine the benefit (positive or negative) from the procurement of the resource, irrespective of PG&E's portfolio. A product's benefits are the market value of the energy, capacity, and ancillary services. PG&E evaluates the bid price and indirect costs, such as debt equivalence, and the costs to the utility transmission system caused by interconnection of the resource to the grid or integration of the generation into the system-wide electrical supply. The benefit/cost analysis yields a Net Market Value; a $/MWh comparison of the value of generation from a proposed contract and PG&E's forward curve, i.e., its proxy for firm system energy.

Portfolio Fit

Portfolio fit considers how well an offer variation's features match PG&E's portfolio needs, with special consideration of project online and generation profile. This analysis includes the anticipated transaction costs involved in any energy remarketing (i.e., the bid-ask spread) if the contract adds to PG&E's net long position. Because these deliveries are anticipated to occur at a time when PG&E is experiencing moderate need for on-peak energy, the acceptance of these as-available deliveries should not result in significant remarketing costs.

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[18] D.04-07-029

Consideration of Transmission Adders and Integration Costs

The RPS statute requires the "least cost, best fit" eligible renewable resources be procured. Under the RPS program, the potential customer cost to accept energy deliveries from a particular project must be considered when determining a project's value for bid ranking purposes. The transmission ranking cost report (TRCR),[19] for short-listing purposes only, assigns the additional costs associated with deliveries from a project, absent transmission upgrades.

PG&E's 2007 TRCR identified the remaining available transmission capacity and upgrade costs for PG&E substations at which renewable resources are expected to interconnect. PG&E determined the TRCR cluster at which each shortlisted project would interconnect to the transmission grid. Consistent with Commission decisions, based on the potential transmission congestion, the associated proxy transmission network upgrades and the associated capital costs that may be needed to accommodate delivery at this cluster, PG&E assigned a transmission adder to each Offer for evaluation.

Transmission upgrades

The necessity and or extent of network upgrades is undetermined at this time because the CAISO transmission studies have not been completed. San Joaquin Solar is responsible for all costs for the interconnection and any transmission upgrades required for the projects. See confidential Appendix C for a detailed description of the projects estimated transmission upgrades.

Qualitative Factors

PG&E considered qualitative factors as required by D.04-07-029 and D.07-02-011 when evaluating the PPAs. Approval of the PPAs will add to the diversity of technologies in PG&E's renewables portfolio.

Consistency with Adopted Standard Terms and Conditions

The Commission set forth Standard Terms and Conditions (STC) to be incorporated into RPS agreements in D.04-06-014 and several subsequent decisions.[20] STCs were identified in Appendix B of D.04-06-014 as "may not be

[19] Submitted to the CPUC on August 22, 2005
[20] D.07-02-011 (as modified by D.07-05-057), D.07-11-025 (Attachment A)

modified". On November 16, 2007, the Commission adopted D.07-11-025, which reduced the number of non-modifiable terms from nine to four, and refined the language of some of these terms in response to an amended petition for modification of D.04-06-014.[21] The Commission compiled the most updated STCs in D.08-04-009[22].

The remaining non-modifiable STCs include "CPUC Approval", "RECs and Green Attributes", "Eligibility" and "Applicable law".

"May Not be Modified" Terms

The PPAs do not deviate from the non-modifiable terms and conditions.

"May be Modified" Terms

During the course of negotiations, the parties identified a need to modify some of the modifiable standard terms in order to reach agreement. The changes were based upon mutual agreement reached during negotiations.

Project Development status

PG&E believes the projects will be developed and operational because:

Project Milestones

The PPAs identify the agreed upon project milestones, including the construction start date and commercial operation date. The Seller's obligations to meet these milestones are supported by performance assurance securities. PG&E believes that the Seller's project development plan allows all milestones to be achieved.

Financeability of resource

PG&E believes that the projects have a reasonable likelihood of being financed and completed as required by the PPAs and will be available to deliver energy by the guaranteed commercial operation date. Specifically, San Joaquin Solar

[21] On February 1, 2007, PG&E and SCE jointly filed a petition for modification of D.04-06-014. On May 22, 2007, a PD was filed and served. Prior to the PD being voted on by the Commission, PG&E and SCE filed an amended petition for modification of D.04-06-014.

[22] http://docs.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/81269.PDF

will utilize the Solar Electric Generating System ("SEGS") technology,[23] which should reduce financing risk.

Sponsor's creditworthiness and experience

PG&E required for its 2007 RPS solicitation that bidders provide credit-related information. PG&E reviewed this information and is satisfied that the Seller possesses the necessary credit and experience to perform as required by the PPAs.

San Joaquin SOLAR is a fully owned subsidiary of Martifer Renewables Electricity LLC. Martifer Renewables Electricity, LLC is the U.S. renewable energy entity of Martifer SGPS, an international company based in Portugal that owns and develops renewable energy projects.

Technology

San Joaquin Solar will be employing solar thermal hybrid technology similar to the technology in operation at the SEGS VIII and IX facilities in Kramer Junction and Harper Lake, California**.** San Joaquin Solar will complement the original SEGS design with enhancements to systems, components, and materials. San Joaquin Solar will make additional enhancements based on lessons learned from the construction, operation, and maintenance of the SEGS facilities.

A biofuel component will be integrated with the operation of the solar thermal system, essentially replacing the natural gas component of the original SEGS hybrid solar thermal design, which will increase the production of renewable power.[24] A biomass fired heater will provide supplementary heat into the hot thermal fluid (HTF) used in the solar field. The biomass component of the facilities is expected to produce up to 40 MW of generation as a supplement to solar radiation when the steam cycle is not fully charged by solar input. Thus, the hybrid combination allows for a renewable power plant capable of 24-hour generation, unlike non-hybridized solar thermal facilities.

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[23] SEGS technology was originally developed by LUZ International.

[24] Natural gas will still be used for system startup and stabilization functions, and as a backup to the biomass fuel supply. It is not expected, however, that gas fired generation will contribute substantially to the total non-solar generation.

Solar thermal hybrid technology combining solar and natural gas has been in successful operation for over 20 years at the SEGS power plants. While biomass is also a proven technology, solar thermal hybrid with biomass has not been commercially demonstrated.

Site Control

San Joaquin Solar has an option agreement for the project site and pursuant to the PPAs San Joaquin Solar is required to exercise this agreement following final Commission approval. Therefore, PG&E does not expect site control to be a barrier to project development.

Resource and Fuel Availability

The area in which the project is being developed has adequate solar radiation for energy production with an estimated solar resource of 6 kWhr/m^2/day.[25]

The project is located in Fresno County, which ranks third out of all California counties for biomass fuel resource availability.[26] San Joaquin Solar is currently negotiating contracts for supplies of biofuels (agricultural wastes, green wastes, and manure) with a number of aggregators in the San Joaquin Valley.

Given that water resources are constrained in California, San Joaquin Solar has obtained some water resources for the project with additional nearby water resources identified.

Production Tax Credit and Investment Tax Credit (ITC)

On October 3, 2008, President Bush signed the Emergency Economic Stabilization Act of 2008, House Resolution (H.R.) 1424 (2008) that, in part, extended renewable energy tax credits.[27] San Joaquin Solar is eligible for the 30% federal investment tax credit (ITC). The production tax credit (PTC), which provides a credit of 2 cents/kWh for biomass fueled generation, was extended until the

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[25] National Renewable Energy Laboratory's website is available at http://www.nrel.gov/

[26] Biomass Resource Assessment in California (2005) estimates annual resources of 3,165,295 bone dry tons (BDT) of gross biomass.

[27] http://thomas.loc.gov/cgi-bin/bdquery/z?d110:H.R.1424:http://thomas.loc.gov/cgi-bin/bdquery/z?d110:H.R.1424: (Last visited October 6, 2008)

January 1, 2011.[28] As the PTC is currently enacted, San Joaquin Solar with a COD of June 30, 2011 would not be eligible for the PTC for the biomass portion of the projects. See confidential Appendix C, for terms and conditions related to the PTC and ITC.

Contract Price is Reasonable

The levelized contract prices are below the 2007 MPR.[29] Additionally, the projects' contract prices are reasonable when compared to other concentrating solar thermal bids in PG&E's 2007 RPS solicitation. Confidential Appendix D includes a detailed discussion of the PPAs' pricing terms.

Commission has adopted minimum quotas for long-term RPS contracting

On May 3, 2007, the Commission approved D.07-05-028[30] which established a minimum percentage of the prior year's retail sales that must be contracted with contracts of at least 10 years' duration or from new facilities commencing commercial operations on or after January 1, 2005. As new, long-term contracts, deliveries from these projects will contribute to PG&E's minimum quota requirement.

Confidential information about the contract should remain confidential

Certain contract details were filed by PG&E under confidential seal. Energy Division recommends that certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, and considered for possible disclosure, should be kept confidential to ensure that market sensitive data does not influence the behavior of bidders in future RPS solicitations.

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[28] http://www.dsireusa.org/library/includes/GenericIncentive.cfm?Incentive_Code=US13F&currentpageid=3&EE=1&RE=1

[29] 2007 MPR, Resolution E-4118 http://docs.cpuc.ca.gov/word_pdf/FINAL_RESOLUTION/73594.pdf

[30] http://www.cpuc.ca.gov/WORD_PDF/FINAL_DECISION/67490.PDF

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 on November 18, 2008.

No comments were filed.

FINDINGS

1. PG&E filed Advice Letter (AL) 3280-E on June 12, 2008 requesting Commission review and approval of two renewable energy resource power purchase agreements (PPA) with San Joaquin SOLAR 1, LLC and San Joaquin SOLAR 2 LLC.
2. The RPS Program requires each utility, including PG&E, to increase the amount of renewable energy in its portfolio to 20 percent by 2010, increasing by a minimum of one percent per year.
3. D.04-06-014 and D.07-11-025 set forth standard terms and conditions to be incorporated into each RPS PPA. Those terms were compiled and published by D.08-04-009.
4. The PPAs include the Commission adopted RPS Standard Terms and Conditions deemed “non-modifiable”.
5. Any stranded costs that may arise from the PPA are subject to the provisions of D.08-09-012 that authorize recovery of stranded renewables procurement costs over the life of the contract.
6. D.06-05-039 requires participation of an independent evaluator (IE) in RPS solictations.
7. The Commission requires each utility to establish a Procurement Review Group (PRG) to review the utilities’ interim procurement needs and strategy, proposed procurement process, and selected contracts.

8. The Commission has rigorous requirements on whether or not a price amendment will be considered.
9. Procurement pursuant to the PPAs is procurement from an eligible renewable energy resource for purposes of determining PG&E's compliance with any obligation that it may have to procure eligible renewable energy resources pursuant to the California Renewables Portfolio Standard (Public Utilities Code Section 399.11 et seq.) ("RPS"), Decision ("D.") 03-06-071 and D.06-10-050, or other applicable law.
10. The payments made under these PPAs between PG&E and San Joaquin SOLAR 1 LLC and San Joaquin SOLAR 2 LLC are reasonable and in the public interest; accordingly, the payments to be made by PG&E are fully recoverable in rates over the life of the project, subject to Commission review of PG&E's administration of the PPAs.
11. Certain material filed under seal pursuant to Public Utilities (Pub. Util.) Code Section 583 and General Order (G.O.) 66-C, and considered for possible disclosure, should not be disclosed. Accordingly, the confidential appendices, marked "**[REDACTED]**" in the redacted copy, should not be made public upon Commission approval of this resolution.
12. The PPAs are reasonable and should be approved.
13. The payments made under the PPAs, including all renewable procurement and administrative costs identified in Section 399.14(g) shall be recovered in rates.
14. AL 3280-E should be approved effective today.

<u>THEREFORE IT IS ORDERED</u>:

1. AL 3280-E is approved without modification.
2. The payments made under these PPAs between PG&E and San Joaquin SOLAR 1 LLC and San Joaquin SOLAR 2 LLC are reasonable and in the public interest, accordingly, the payments to be made by PG&E are fully recoverable in rates over the life of the project, subject to Commission review of PG&E's administration of the PPAs.

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 18, 2008; the following Commissioners voting favorably thereon:

/s/ <u>PAUL CLANON</u>
PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Confidential Appendix A

Overview of 2004 – 2007 Solicitation Bids

[REDACTED]

Confidential Appendix B

Ranking of 2007 Bids

[REDACTED]

Confidential Appendix C

Contract Summary

[REDACTED]

Confidential Appendix D

Contract Price

[REDACTED]

Confidential Appendix E

Contribution to RPS Goals

[REDACTED]