

The Bullard Energy Center (BEC) is a planned simple-cycle power generation project that has been designed and developed to conform to the needs of the Pacific Gas and Electric Company (PG&E) toward its mission to supply customers with reliable electrical power. Ultimately, the objective of the BEC project is to assist PG&E toward this mission by increasing the electrical capacity and distribution efficiency of the PG&E electrical grid system via BEC's use of an advanced technology that is energy efficient and environmentally effective. BEC is legally bound to meet this objective under the terms of a Power Purchase Agreement (PPA) with PG&E. This section provides the background and general terms pertinent to this PPA.

2.1 PG&E REQUEST FOR OFFERS

The California Public Utilities Commission (CPUC) approved the PG&E long-term resource plan on December 20, 2004. In Decision 12-04-048, the CPUC authorized PG&E to “plan for and procure the resources necessary to provide reliable service to their customer loads for the planning period 2005 through 2014.” In Finding 1 of this proceeding, PG&E submitted their long-term resource needs and increments of generation required to meet projected electrical loads for this time period. PG&E indicated that most of the required new generation would be acquired through outside energy providers, rather than built and owned internally to satisfy peaking and intermediate loads associated with future load growth. In Finding 19, the CPUC stated, “We find that PG&E's Long-Term Procurement Plan (LTPP) is reasonable and we approve PG&E's strategy of adding 1,200 megawatts (MW) of capacity and new peaking generation in 2008 and an additional 1,000 MW of new peaking and dispatchable generation in 2010 through the RFO.” Thus, PG&E was authorized and encouraged to seek new peaking generation through a bidding process to satisfy system load increases beginning near the end of this decade.

In response to this CPUC decision, PG&E re-issued its “2004 Long Term RFO – Power Purchase” on March 18, 2005. PG&E also indicated that, in accordance with the CPUC decision, they would utilize an “Independent Evaluator” to oversee the Request for Offers (RFO) process. To this end, PG&E solicited prospective bidders, and informed them that their bids would be evaluated utilizing a number of factors. These factors included market valuation, portfolio fit, transmission impact, environmental characteristics, and conformance with PG&E's non-price terms and conditions. Finally, the projects were to be in the area designated as NP-15.

2.2 RESPONSE TO REQUEST FOR OFFERS

In response to the PG&E RFO, BEC investigated potential sites and technologies. Potential sites were assessed for the following attributes and drivers:

- Potential environmental impacts
- Proximity, connection, capacity, and reliability of existing electrical and natural gas transmission lines
- PG&E growth needs on a regional and California Independent System Operator (CAISO) basis (grid stability and capacity)

Potential energy technologies were assessed based on the following needs and attributes:

- Energy conversion efficiency (at various loads and ambient conditions)

- Reliability
- Air emissions, water effluents, and solid wastes control and management (cost, reliability and regulatory effects)
- Electrical production flexibility (quick start-ups, broad load curve)

The BEC site, located at 5829 North Golden State Boulevard in the City of Fresno, California, was chosen because it met the best balance amongst the siting and technology needs and attributes identified above. It is BEC's aim in this Application for Certification (AFC) to present sufficient data, information, insight, and projections that support this site and technology selection toward its overall project objective to meet the terms of the PG&E RFO, as well as the compliance needs of the City of Fresno, Fresno County, and the State of California.

2.3 PG&E POWER PURCHASE AGREEMENT

BEC believes that a relatively large number of offers were submitted to PG&E in response to its RFO on April 27, 2004. PG&E evaluated the offers and created a short list of potential projects. Following the submittal of additional information to PG&E by the bidders, the list of projects was further shortened. Finally, in January 2006, PG&E informed BEC, and other projects, that its project had been promoted to a final list. This began negotiations between PG&E and BEC over PPA terms and conditions. Rigorous negotiation between the parties culminated in a contract signed in March 2006 for generation services pursuant to the RFO.

Salient PPA terms and conditions include:

- Power supply contract term of 20 years.
- The BEC shall be responsible for meeting all governmental requirements, including obtaining an Authority to Construct approval from the California Energy Commission (CEC).
- The BEC would be constructed on a specified parcel of land at 5829 North Golden State Boulevard in the City of Fresno, California.
- The BEC would have two General Electric (GE) LMS100 combustion turbine generators. These turbines are able to ramp from 50 to 100 percent load in a fairly short time and they maintain an attractive heat rate over all operating load levels.
- Each of these combustion turbines is to provide approximately 100 MW of capacity in summer peak conditions.
- Turbine efficiency (heat rate) will be less than of 9,500 British thermal units per kilowatt hour (Btu/kWh) at 100 percent rated capacity, summer peak conditions.
- PG&E has the ability to dispatch each of the units, as system conditions require.
- The entire two-turbine project is to be on-line and available for PG&E to dispatch into the grid on or before September 1, 2009.
- Each unit shall be available for up to 5,000 hours and 365 start-ups per year.