

Goldman Sachs Commodities Risk Management

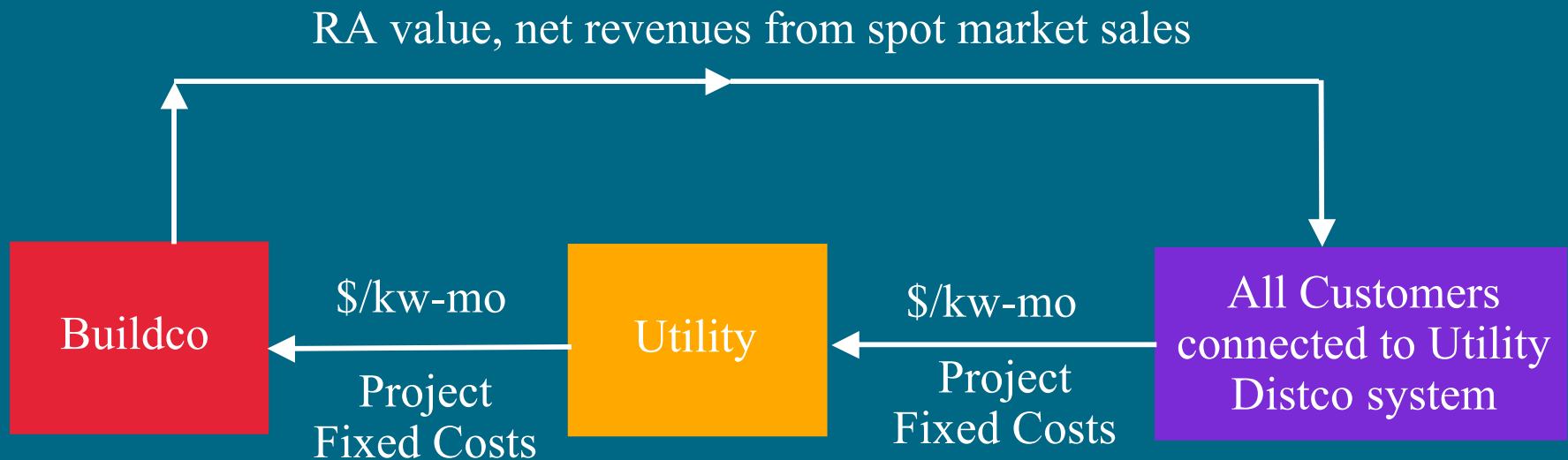
California Energy Commission Workshop Presentation

June 27, 2006

Overview

- The CPUC is considering adoption of transitional procurement mechanisms to ensure generation resource adequacy.
- Several alternative procurement mechanisms have been considered through a CPUC-sponsored workshop and comment process.
- The purpose of this presentation is to provide an overview of these alternative procurement mechanisms and to consider whether they may have application to renewables projects.

Joint Parties Transitional Procurement Proposal



Utility conducts RFO and enters into long-term PPA with Buildco

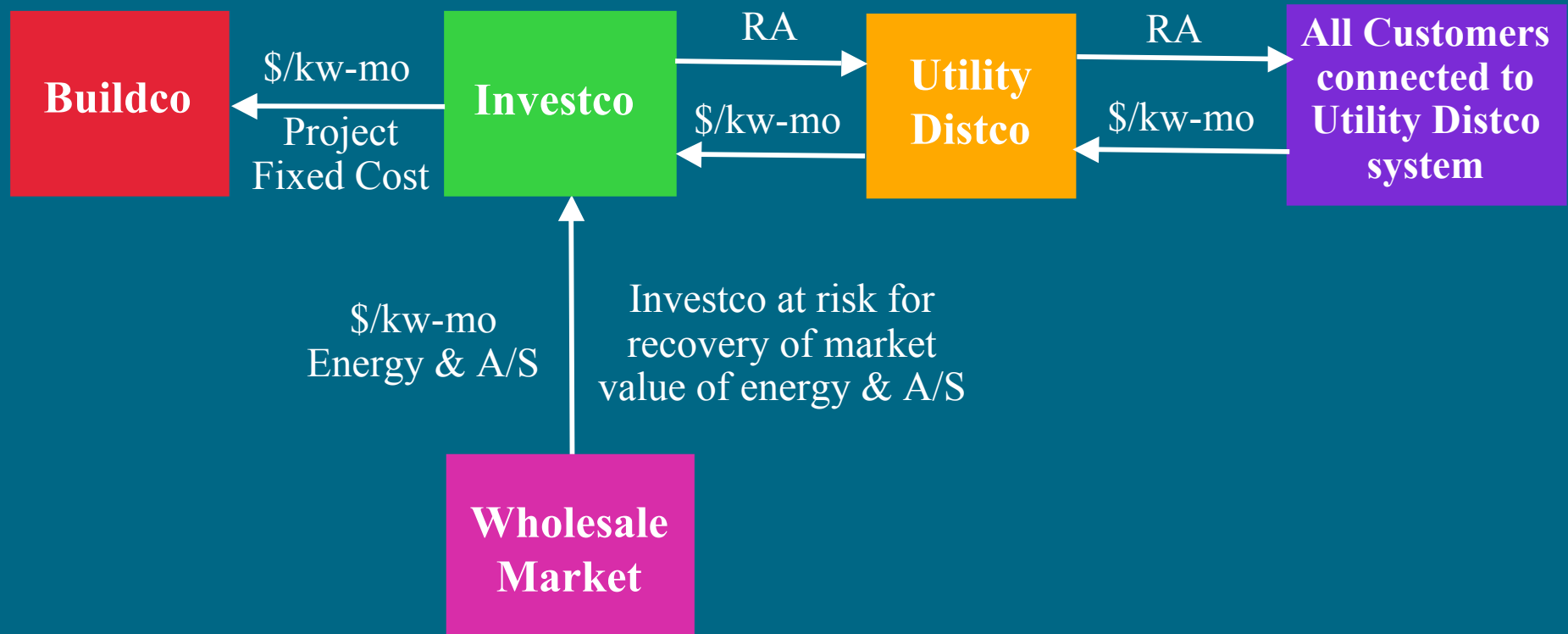
Costs of new generation are allocated to all customers (analogous to wires charge)

Investco Procurement Structure

Investco enters into 10-yr hedge with Buildco; enables Buildco to obtain financing

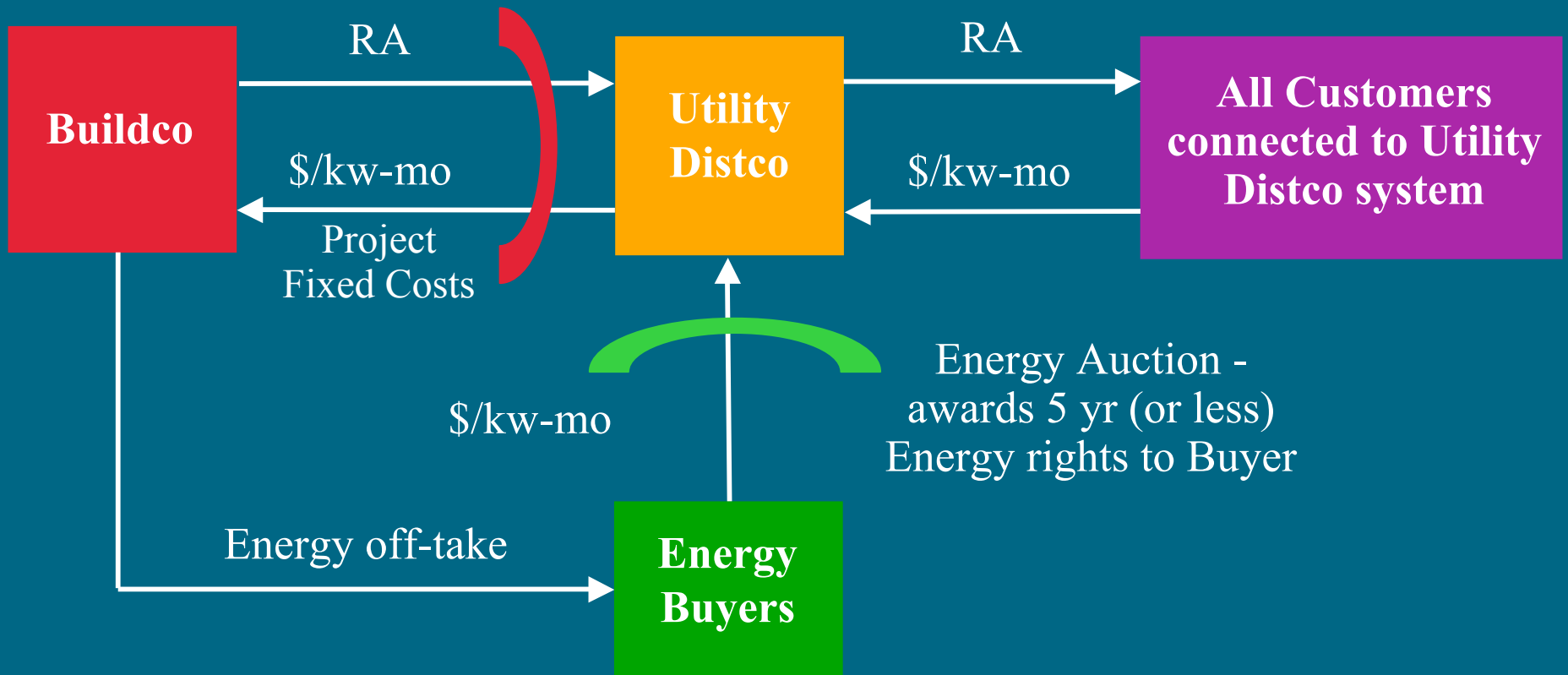
Utility flows-through backstop capacity charge revenues to Investco

Utility collects backstop capacity charge from customers



Distco Procurement Structure

Utility RFO Awards 10 yr Energy Conversion Agreement to Buildco



Conclusions

- Credit quality is key to lower cost of capital
- Conventional utility procurement structures can limit approaches to meeting credit requirements
- Intermediary structures may allow more flexible credit arrangements

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