

Pacific Gas and Electric Company

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San Francisco, CA 94177
415/973-7000

July 24, 2001



Mr. Kenneth Adelman
1365 Meadowridge Road
Corralitos, California 95076-0356

Dear Mr. Adelman,

This letter is a follow-up to our conversation earlier this month and yesterday regarding your two pending interconnection applications. The first application, filed by you on March 6, 2001, is for a 10kW solar generating system. The second, filed April 16, 2001, is for a 31kW solar generating system for the same account as your earlier application.

As we discussed, PG&E is prepared to interconnect your 10kW solar generating system as soon as you are ready. There are no modifications required to PG&E's existing distribution system to accommodate the 10kW system. Earlier this month you mentioned that problems with your inverter required attention. During our conversation yesterday, you mentioned that the inverter issue has been resolved and you have obtained the inspection clearance from your local governmental authority. Once PG&E receives a copy of this inspection clearance from your local building authority that confirms that your 10kW system is completely installed and approved, PG&E will be able to inspect the system and install a new meter within two weeks time.

Approval of your 31kW application faces some additional requirements.

First, PG&E is currently awaiting California Public Utilities Commission (CPUC) approval of tariffs and related agreements expanding eligibility for its net metering program from 10kW to one megawatt. This filing was in response to ABX1 29, a new law that expanded Public Utilities Code Section 2827 to include larger capacity systems and additional customer classes in utility net metering programs. Per instructions from the CPUC, PG&E filed its amended tariffs and has requested an effective date retroactive to April 11, 2001.

Second, while there are issues pending in the CPUC filing regarding responsibility for application fees, we are in receipt of your letter that you faxed May 31 regarding your agreement to pay "study costs". At your request both during your conference call with

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PG&E at the end of May and in your letter, PG&E undertook some preliminary steps to evaluate the impact of interconnecting your proposed 31kW system.

As I relayed to you over the phone, our initial findings indicate that significant modifications and additions will be required to maintain the safety and reliability of the existing distribution system serving you and your neighbors.

While in your letter you appear to agree to pay "study costs," PG&E interprets this to mean that you agree to cover the costs of the "Initial Review" when and if the CPUC confirms that these costs apply to you and your 31kW application.

Given our preliminary findings regarding your proposed 31kW system, PG&E believes that "Additional Interconnection Study Steps" are required before this interconnection can move forward. These requirements are described in PG&E's Electric Tariff Rule 21 - *Generating Facility Interconnections*, in section C.1.d., as follows:

"When Required, Applicant and PG&E Commit to Additional Interconnection Study Steps. When an Initial Review reveals that the proposed facility cannot be interconnected to PG&E's system by means of a Simplified Interconnection pursuant to the Rule, Sections D and J, (Testing and Certification Criteria), and that significant PG&E Interconnection Facilities or Distribution System improvements must be installed or made to PG&E's Distribution System to accommodate the interconnection of an Applicant's Generating Facility, PG&E and Applicant shall enter into an agreement that provides for PG&E to perform such additional studies, facility design, and engineering and to provide detailed cost estimates for fixed price or actual cost billing to the Applicant at the Applicant's expense. The Interconnection Study Agreements shall set forth PG&E's schedule for completing such work and the estimated or fixed price costs of such studies and engineering. Upon completion of an Interconnection Study, PG&E shall provide the Applicant with the specific requirements, costs and schedule for interconnecting the Generating Facility to accommodate execution of agreements pursuant to section C.1.e."

PG&E anticipates that the Additional Interconnection study steps described above will cost approximately \$7,250. Given the large expense anticipated, PG&E will not go forward with this additional work without your express written agreement and a deposit

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from you covering substantially all these costs. Upon completion or termination of the study, PG&E shall refund, without interest, any of the deposit funds received by PG&E that exceed the cost of the study.

If at any time PG&E determines that the study is expected to cost more than \$7,250, PG&E shall promptly notify you, providing an account of the work performed to that time and an estimate of the additional costs required to complete the study. Upon receipt of such a notice, you may either request that PG&E terminate the study; or you may agree to pay the additional costs and provide a written request to PG&E to continue the study.

Finally, based on our initial review, PG&E has a number of questions for you regarding your 31kW application. These include:

- Are your inverters approved by UL1741 (required by Rule 21)?
- For the 31 kW system, will there be just one disconnect switch to isolate the three inverters?
- Can you provide PG&E with the net energy output cycle to our distribution lines?
- Will your system deliver the solar energy in excess of 10kW to the grid or do you plan to use it to meet your own load requirement?
- Does your proposed 31 kW system include the 10 kW application, or will your total generation be 41kw?

As part of the Additional Interconnection study process set out above, we would want to schedule a meeting with you and your contractor to go over these items and others to be sure that we proceed appropriately.

We look forward to working with you to resolve all outstanding issues regarding your interconnection applications.

Sincerely,



Francisco Salguero
E-Net Supervisor