

Request for Offers
to Provide
Long Term Natural Gas Storage Services
For PG&E's Electric Fuels Department

Issued November 19, 2008

I. Introduction

Pacific Gas and Electric Company (PG&E), acting through its Electric Fuels Department, hereby invites you (Seller) to submit an Offer meeting the specifications of the following Request for Offers (RFO):

PG&E seeks Offers to provide natural gas storage services (Storage Services) to PG&E's Electric Fuels Department. PG&E's Electric Fuels department procures gas for utility-owned generation and tolling agreements. The RFO is for the following services, capacities, and terms, but PG&E may consider, in its sole discretion, non-conforming offers as well:

| Function | Term | Firm Capacity |
|------------|--|----------------------|
| Inventory | April 1, 2010, through March 31, 2013 | 6,080,000 MMBtu |
| Injection | April 1, 2010, through March 31, 2013 | 100,000 MMBtu/day |
| Withdrawal | April 1, 2010, through March 31, 2013 | 100,000 MMBtu/day |

Offers must be received by PG&E no later than 12:00 Noon, Pacific time, December 1, 2008.

Alternately, Seller may offer PG&E a storage service that does not meet one or more of the precise specifications set forth above (a "Non-Conforming Offer"). PG&E will consider Non-Conforming Offers and may, in its sole discretion, execute such an offer or continue discussions and pursue negotiations for such storage services.

II. General Information

A. *This RFO is managed by PG&E Electric Fuels Department*

This Request for Offers is being managed by PG&E Electric Fuels, a department of PG&E, the regulated utility, acting to supply gas for its owned and contracted electric generation facilities. Neither PG&E's California Gas Transmission (CGT) nor Core Gas Procurement, each a separate department

of PG&E, has participated in the development of this RFO or will be given access to information provided by any Seller responding to this RFO. As a provider of storage services, CGT will be asked to submit offers in this RFO. Evaluation criteria will be applied equally to all offers from CGT or any other storage provider.

B. *Contracting Parties*

Any Contract for storage services resulting from this RFO will be between Seller and Pacific Gas and Electric Company, on behalf of its Electric Fuels function.

C. *Contract Provisions*

The Offer Form, when fully executed, shall constitute the Parties' agreement. That agreement may be supplemented by a Confirmation or other form of agreement if such agreement does not alter the substantive terms of the Offer Form. The services provided in accordance with the Offer Form shall be subject to the filed tariffs of the storage facility, unless Seller and PG&E otherwise agree, and Seller has the authority to provide such non-tariffed services.

D. *Contract Contingent upon CPUC Approval*

Any Offer accepted by PG&E shall be contingent upon approval by the California Public Utilities Commission (CPUC). Following execution of any accepted Offer, PG&E will file an Advice Letter with the CPUC seeking approval of the storage services contract, including recovery of all costs in electric rates. If the CPUC fails to approve the storage contract, including cost recovery acceptable to PG&E, the storage services Offer and agreement will become null and void.

E. *Offers Binding on Seller until 5:00 p.m., Pacific time, December 5, 2008.*

All Offers submitted to PG&E under this RFO are binding on Seller when delivered by Seller to PG&E. PG&E will notify each Seller regarding the status of its offer by the close of business, Pacific time, December 5, 2008, via telephone; however, whether or not such notice is given by the close of business on December 5, 2008, Seller's Offer shall become null and void.

F. *Service Level*

This RFO is for firm storage services.

G. *Transportation*

PG&E will be responsible for transportation to and from Seller's facility at the PG&E Citygate.

H. *Delivery Point*

The Delivery Point for deliveries to and receipts from Seller's storage facility shall be Seller's receipt pool at the PG&E Citygate. PG&E will nominate gas for injection to Seller's receipt pool and gas for withdrawal from Seller's receipt pool.

I. *Offer Price*

Offers must be quoted in U.S. dollars in the following units:

| Function | Demand Rate | Usage Rate |
|--------------|----------------|------------------|
| Inventory | \$/MMBtu/month | n/a |
| Injection | n/a | \$/MMBtu |
| Withdrawal | n/a | \$/MMBtu |
| Fuel charges | n/a | % upon injection |

J. *Contract Term*

The Contract Term solicited in this RFO will begin April 1, 2010, and the term will end March 31, 2013, unless otherwise agreed to by Seller and PG&E (non-conforming offer).

K. *Qualified Offers*

PG&E reserves the right to deem any Offer with incomplete responses as non-responsive and exclude it from further consideration or to request clarification of incomplete responses to an item. Failure of Seller to provide such clarification in a timely and sufficient manner may result in that Offer being deemed non-responsive.

L. *Credit Requirements*

PG&E will follow current CPUC guidelines in its evaluation of credit and credit assurance requirements. If, pursuant to these guidelines, PG&E requires collateral from Seller, collateral will be due within three days of PG&E's notice to the seller. A failure by Seller to provide collateral as requested will constitute a breach and shall entitle PG&E, at its election, to void this agreement to take storage services from Seller.

M. *Selection Criteria and Approval Process*

PG&E reserves the right, in its sole discretion, to refuse any and all Offers. PG&E will rank acceptable offers primarily based upon a cost-benefit analysis. Benefits of the storage services will be estimated based on the parameters of the offered services and forward price simulation. PG&E may

use other evaluation criteria including project viability, portfolio fit and a preference to contract for the requested services with a minimum number of counterparties.

N. *Information Release*

All Offers and supporting documentation become the sole property of PG&E Electric Fuels. PG&E may share Offers received in this RFO with its Procurement Review Group¹ (PRG) and the California Public Utilities Commission and its staff. PG&E may share Offers with an Independent Evaluator contracted, under a nondisclosure agreement, to review this RFO.

O. *Confidentiality*

PG&E will treat all information provided by Sellers as confidential, protected material. All confidential information provided by PG&E to PG&E's Procurement Review will be provided under a protective order issued by the CPUC on May 20, 2003. All confidential information provided by PG&E to the CPUC and its staff will be provided with a request for confidential treatment under D.06-06-066, Appendix 1, the August 22, 2006, Administrative Law Judge Ruling Clarifying Interim Procedures for Complying with D.06-06-066, the September 7, 2006, Assigned Commissioner's Ruling Requiring Compliance with Confidentiality Procedures in D. 06-06-066, and California Public Utilities Code Section 583.

P. *WMDVBE Participation*

It is PG&E's policy that women, minority, and service-disabled veteran owned business enterprises ("WMDVBEs") shall have the maximum practicable opportunity to provide the products and services PG&E purchases. Verified WMDVBE Sellers/Suppliers are encouraged to submit Offers. Prior to submitting an Offer, a WMDVBE Seller should verify its status with the WMDVBE clearinghouse.

Q. *Offer for Service Using a Field Not Yet In Service*

If Seller is making an offer to provide service from a storage field that is not yet in service, Seller must follow these procedures. First, Seller must indicate clearly in its offer that the offer is for service from an undeveloped field. Second, Seller must, within 30 days of December 5, 2008, execute a binding Precedent Agreement in substantially the form attached hereto. The Precedent Agreement will set forth Project milestone dates to be negotiated by the

¹ The CPUC established "Procurement Review Groups", whose members are CPUC Energy Division staff, the Office of Ratepayer Advocates, The Utility Reform Network, California Energy Commission and other non-market participants as defined in the May 1, 2002, PUC Protective Order and who agree to execute an appropriate non-disclosure agreement. It is intended to act in a consultive fashion regarding utility procurement activities and plans, and has not been given authorizing capability. (D.02-08-071)

parties, which, if missed, will enable PG&E to terminate the Precedent Agreement and void PG&E's acceptance of Seller's offer. If the parties cannot agree on and execute a Precedent Agreement within this time, PG&E's acceptance of Seller's offer is void.

Offers for service using a field not yet in service should also include factual information concerning the progress of their project's development, including supporting documentation. Said information should include 1) the status of all pertinent regulatory hurdles and permits; 2) a construction timeline, including milestones achieved to date, 3) the volume of services already contracted, differentiated by binding and nonbinding commitments received to date, 4) a timeline, including milestones achieved to date, of project financing arrangements, and 5) details of Seller's interconnection(s) with PG&E's gas pipeline system demonstrating Seller's ability to deliver stored gas on a firm basis to the PG&E Citygate. For item 5), Seller should provide a written request to CGT granting Electric Fuels permission to review any interconnect studies and information specific to Seller.

III. Offer Procedures

A. *Deadlines*

All Offers must be received by PG&E no later than 12:00 Noon, Pacific time, December 1, 2008. Offers received after these times may be deemed non-responsive and may be excluded from further consideration.

B. *Offer Form*

Offers shall be in writing and must be entered on the attached Offer Form (only one service per form).

C. *Signature by authorized representative, only*

The Offer form or the proposal package must be signed by the Seller's authorized representative.

D. *Offer Submittal*

Offers Transmitted by Facsimile:

Offers transmitted by fax must be identified with the Seller's name, address, telephone number, the Offer due date and the words "**PG&E Electric Fuels Gas Storage RFO.**" Faxed Offers should be sent to the following number:

Fax number: (415) 973-0400
Attention: Michael Kowalewski

Offer facsimiles may also be submitted in Adobe portable document file (.pdf) format via e-mail to: msk4@pge.com.

All pages of an Offer must be received in full on this fax machine. **Any faxed Final Offer not received in full by 12:00 Noon Pacific time December 1, 2008, may not be accepted.** To confirm Offer receipt, please call Michael Kowalewski at (415) 972-5589. All faxed or e-mailed offers must be signed and will have the same legal effect as an original.

In addition, please mail or send original executed Offers to:

Pacific Gas and Electric Company
Electric Fuels
77 Beale Street
Mail Code: N13C
San Francisco, CA 94105
Attention: Michael Kowalewski

E. *Notification*

PG&E will notify each Seller regarding the status of its offer by 5:00 Pacific time, December 5, 2008, via telephone. If Seller's offer is accepted by PG&E, PG&E will fax a fully-executed Offer Form to Seller on December 5, 2008. Seller may elect to supplement the Offer Form with a confirmation, which PG&E may execute if the confirmation does not alter or modify the agreed-upon terms set forth in the Offer Form.

IV. PG&E Electric Fuels Contact Person:

For questions regarding any aspect of this RFO, please telephone Michael Kowalewski at (415) 972-5589.

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OFFER FORM

SELLER INFORMATION

Company ("Seller"): _____

Address: _____

Contact Name: _____

Telephone Number: _____ Fax Number: _____

E-mail Address: _____

U.S. WMDVE: ___Yes ___No California Disabled Veteran: ___Yes ___No

Storage provided from a storage field currently in service? ___Yes ___No

STORAGE FACILITY Name: _____

_____ Location: _____

TERM: Commencing April 1, 2010, and through March 31, 2013.

FORM OF OFFER: Offer is (check one):

___ Conforming Offer

___ Non-conforming Offer

For non-conforming offers, please include detail of product offered below or on an attached page, which shall become a part of this Offer upon submission to PG&E.

CONTRACT QUANTITY: Seller offers each of the following quantities, indicated with a check mark. PG&E accepts the quantity indicated with a check mark.

| Seller Offers (check all offered) | Inventory MMBtu | Injection and Withdrawal MMBtu/d | PG&E Accepts (only one) |
|---|---------------------------------|---|---------------------------------------|
| | 1,520,000 | 25,000 | |
| | 3,040,000 | 50,000 | |
| | 4,560,000 | 75,000 | |
| | 6,080,000 (conforming offer) | 100,000 | |

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OFFER FORM

PRICES:

| Function | Demand Price | Usage Price |
|------------|--------------|------------------|
| Inventory | \$ | |
| | /MMBtu/month | |
| Injection | | \$ /MMBtu |
| Withdrawal | | \$ /MMBtu |
| Fuel | | % upon injection |

For Seller (By the signature of its authorized representative in the space provided below, Seller represents and warrants that its Offer shall remain open until close of business Pacific time, December 5, 2008, and that, once counter-signed by PG&E, this Offer shall become a binding obligation of Seller to PG&E), subject to approval by the California Public Utilities Commission as discussed herein:

By: _____

Title: _____

Date: _____

For PG&E:

By: _____

Title: _____

Date: _____