January 9, 2001

Advice 2072-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Emergency Load Reduction Contingency Plan

Pacific Gas and Electric Company (PG&E) hereby submits for filing its Emergency Load Reduction Contingency Plan (ELRCP) pursuant to paragraph 6 of its electric Rule 14, and Public Utilities Code section 2774. This ELRCP is currently effective pursuant to electric Rule 14, and will remain in effect until such time as the Commission orders or directs PG&E to allocate electric supply otherwise.

Purpose

The purpose of filing the ELRCP is to notify the Commission of PG&E's plan for allocating electric supply resources should a supply shortage occur more severe than those PG&E's Electrical Emergency Plan (EEP) was designed to address. PG&E presents this filing to address potential supply shortages due to a financial crisis of unprecedented proportions facing PG&E and Southern California Edison (SCE). Given this financial crisis, it may not be possible for the Independent System Operator (ISO) to procure enough supply to serve its control area load (which includes PG&E, SCE, San Diego Gas and Electric Company, municipal utilities and other loads in the state), thus potentially triggering implementation of PG&E's ELRCP.

As described at length in testimony presented in recent hearings ordered in Decision (D.) 00-12-057, skyrocketing wholesale power costs have depleted both PG&E and SCE of almost all of their cash and credit. Sometime in the next few weeks PG&E will have seriously depleted, if not exhausted, its cash resources available to pay for current power costs and finance prior uncollected power costs, and meet its currently due costs for providing its remaining utility services. SCE faces the same dire financial situation, and will exhaust its cash resources within the next few weeks. In D. 00-12-067 and D. 01-01-018, the CPUC found that PG&E and SCE are in a financial emergency and unable to pay for their ongoing costs of power.[1] However, the CPUC has not granted

[1] D.00-12-067, mimeo at pp.2- 4; Findings of Fact 3 and 4, p.9; D.01-01-018, mimeo at

PG&E and SCE interim rate relief sufficient to pay for that power or to borrow in capital markets to finance those power payments.[2]

The consequence of this situation is that continued power service reliability will likely be seriously compromised. For these reasons, PG&E is notifying the Commission, pursuant to electric Rule 14--Shortage of Supply and Interruption of Delivery, and Public Utilities Code section 2774, of PG&E's method of allocating electric supplies in the event that there is a supply shortage requiring interruption of firm customer load more severe than addressed by PG&E's current EEP.

It is imperative that PG&E anticipate and plan for a scenario in which it is unable to procure electric supply beyond the electric generation which PG&E owns or controls. PG&E's retained generation is currently sufficient to serve only about 30 to 50 percent of PG&E's retail customer load. Due to PG&E's depleted financial situation, it is increasingly likely that some suppliers may attempt to withhold their generation as a result of the downgrades in PG&E's or SCE's credit rating or because of their own lack of faith regarding PG&E's and SCE's ability to meet their payment obligations. This possibility is made more likely in light of the CPUC's D. 01-01-018, issued January 4, 2001, which provides only a 1 cent/kWh rate increase at a time when PG&E's and SCE's current wholesale power costs exceed total current retail electric rates by 10 to 20 cents/kWh.

PG&E's current EEP was intended as a peak shaving program to relieve supply or capacity shortages for short periods of time. It was not intended to address continuous and large supply shortages. In the event that electric supply shortages become more severe than those PG&E's current EEP was designed to address, PG&E has prepared the ELRCP attached herein to address this contingency. A summary explaining the development and implementation of the ELRCP is also included with this filing. If a worst-case scenario occurs, the ISO will order PG&E to reduce its load. PG&E will then be required to allocate available electric energy among its customers under electric Rule 14. PG&E is notifying the Commission of its allocation scheme contained in the ELRCP. PG&E will use the allocations contained in the ELRCP, unless the Commission orders or directs a different allocation arrangement. If the Commission determines a different allocation arrangement is appropriate, PG&E requests that determination be made expeditiously.

Protests

Anyone wishing to protest this filing may do so by sending a letter within 20 days of the date of this filing. The protest must state the grounds upon which it is based,

---

pp.7- 9, 14, 16, 19- 24.

[2] See A.00-11-038, et al., Robert D. Glynn, Jr., Tr.749- 750, January 3, 2001. PG&E also incorporates by reference herein the entire record in A.00-11-038.

including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Les Guliasi
Director, Regulatory Relations
77 Beale Street, Mailcode B10C
P.O. Box 770000
San Francisco, CA 94177
Facsimile: (415) 973-7226

Effective Date

PG&E requests that this advice filing become effective on regular notice, **February 18, 2001**, which is 40 days after the date of filing.

Notice

In accordance with Section III, Paragraph G, of General Order 96-A, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Nelia Avendano at (415) 973-3529.

Vice President - Regulatory Relations

Attachments