

January 24, 2003

**Advice 2341-E  
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

**Subject: Clarification of the Procurement Selection Process Used to Select Among Different Procurement Products to Hedge in 2003 and Update on Gas Supply Activities**

Pacific Gas and Electric Company (PG&E) hereby submits an addendum to its November 12, 2002, Procurement Plan, as modified by Decision (D.) 02-12-074, to clarify the procurement selection process used to select among different procurement products to hedge in 2003. Additionally, in response to a memo from the California Department of Water Resources (DWR) dated January 16, PG&E provides a copy of its letter to Paul Clanon, Director, Energy Division, on Gas Supply Activities under the DWR Operating Order.<sup>1</sup>

**Purpose:**

PG&E is filing this advice letter to comply with D. 02-12-074, *Interim Opinion for the Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development*, from Rulemaking (R.) 01-10-024. Specifically, in compliance with Ordering Paragraph (O.P.) 7, PG&E provides an addendum to its short-term procurement plan, as filed on November 12, 2002, as subsequently modified in D. 02-12-074, to provide clarification on how it will select among different procurement products to hedge in 2003.<sup>2</sup>

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<sup>1</sup> PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

<sup>2</sup> Ordering Paragraph 7 of Decision 02-12-074 required PG&E to file this addendum on January 6, 2003. In order to first meet with its PRG, as instructed by the Commission on page 15 of that decision, PG&E sought an extension of time to comply with the Commission's Order. On

Due to the confidential nature of this information, PG&E is submitting the attachments to this advice letter under seal, pursuant to the May 1, 2002, Protective Order in this proceeding and subject to Section 583 of the Public Utilities Code. PG&E will provide hard copies of the update to members of its Procurement Review Group (PRG).

Additionally, PG&E provides an update to the Commission on its Gas Supply Activities, absent a specific procedural vehicle to so provide that update.

**Background:**

In O.P. 7 of D. 02-12-074, the Commission directed PG&E to file an addendum to its short-term procurement plan clarifying how it will select from different procurement products for hedging in 2003.

The Commission instructed PG&E to first confer with its PRG to elaborate on the clarification of the product selection process. PG&E met with its PRG on January 16, 2003. A description of the procurement product selection process is provided in Confidential Appendix A and an updated Confidential Table C-3 is provided in Confidential Appendix B.

PG&E also includes a letter that it sent to Paul Clanon on January 24, 2003, in response to a January 16, 2003, DWR memorandum sent by Mr. Peter Garris regarding gas supply activities relating to the Fuel Management Protocols of the Operating Order attached as Exhibit B to D.02-12-074. DWR's memorandum stated that DWR made certain forward hedges for gas supply for the month of January 2003 and identified the need "to continue to appropriately manage such gas tolling provisions, [and] forward hedges for gas supply for the month of February 2003." The PG&E response discusses DWR and PG&E activity for managing the fuel supply for the DWR long-term contracts in the first two months of 2003 and generally reports on PG&E's ongoing work to prepare a Gas Supply Plan as required in D.02-12-074, Exhibit B. Copies of the January 16, 2003 DWR memorandum and PG&E's response are provided in non-confidential Attachment C to this advice letter.

**Protests:**

Anyone wishing to protest this filing may do so by sending a letter by **February 13, 2003**, which is 20 days from the date of this filing. The protest must state the grounds upon which it based, including such items as financial and service impact, and should be submitted expeditiously. Protest should be mailed to:

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December 24, 2002, the Commission granted that request, extending the date for filing the hedging product addendum to January 24, 2003.

IMC Branch Chief – Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)

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, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177  
Facsimile: (415) 973-7226  
E-mail: [RxDd@pge.com](mailto:RxDd@pge.com)

### **Effective Date**

In compliance with D. 02-12-074, the effective date of this advice letter is **January 24, 2003**, the date of filing.

### **Notice**

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter excluding the confidential appendices is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.01-10-024. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the advice letter and accompanying confidential attachments by overnight mail.

The portions of this advice letter so marked Confidential Protected Material are in accordance with the May 1, 2002, Protective Order in R. 01-10-024 Regarding Confidentiality of Pacific Gas and Electric Company (PG&E) Power Procurement Information. As required by that Order, reviewing representatives of Market Participating Parties will not be granted access to Protected Material, but will instead be limited to reviewing redacted versions of documents that contain Protected Material.

Address change requests should be directed to Rose De La Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

[http://www.pge.com/customer\\_services/business/tariffs/](http://www.pge.com/customer_services/business/tariffs/)

Vice President - Regulatory Relations

cc: Service List R.01-10-024

Attachments

Confidential Attachment A – Description of Procurement Product Selection Process

Confidential Attachment B – Updated Table C-3

Attachment C (non-confidential) – DWR January 16, 2003 Memo on Gas Supply Plan and PG&E's Letter to Paul Clanon, dated January 24, 2003.