

July 21, 2003

Advice 2359-E-A

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Supplemental Filing for the Revised Gas Supply Plan for the California Department of Water Resources (CDWR) Tolling Agreements (March 25, 2003 through September 30, 2003)

Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utility Commission (CPUC) a supplemental filing for Advice 2359-E, as required by Resolution E-3825, dated July 10, 2003.¹ The Resolution orders PG&E, among other things, to file, a *revised* Gas Supply Plan (GSP) within 10 days of the effective date of the Resolution.² This supplemental filing includes the updated Gas Supply Plan (GSP-1) for CDWR Tolling Agreements.

Purpose

Decision (D.) 02-12-069 directed PG&E to consolidate fuel procurement strategies for the CDWR contracts and to submit them to CDWR and the Commission as a "Gas Supply Plan" on a semi-annual basis. CDWR and the Commission have reviewed and the Commission will approve the Gas Supply Plan. Accordingly, PG&E submits GSP-1, revised per CPUC Resolution E-3825, for CDWR Tolling Agreements for the period March 25, 2003, to September 30, 2003 (or the CPUC-approved start date for PG&E's second Gas Supply Plan (GSP-2)), for the Commission's approval.

PG&E provides a copy of the revised confidential GSP-1 in Attachment A. Confidential Attachments B and C containing Appendix A (Generator Fuel Plan Pricing Mechanisms) and Appendix B (Pipeline Storage and Tariffs), respectively are incorporated by reference from the original Advice 2359-E filed on March 25, 2003.

¹ PG&E reserves all legal rights to challenge the decisions or statues under which it has been required to make this filing, and nothing in this filing constitutes a waiver of such rights, including its rights to seek relief in federal court for violations of federal law or the U.S. Constitution. *See England v. Louisiana State Board of Medical Examiners*, 375 U.S. 411 (1964). In addition, PG&E reserves any additional legal rights by reason of its status as a debtor under Chapter 11 of the U.S. Bankruptcy Code, and nothing in this filing constitutes a waiver of such rights.

² OP 5 of the Resolution enumerates items (a through f) for update in the Gas Supply Plan. OP 6 requires that the supplemental advice letter be filed within 10 days (by July 20, 2003).

Background

Decision 03-04-029 approved the Operating Agreement (OA) between PG&E and CDWR. Under the OA, PG&E will perform the operation, dispatch, and administrative functions for CDWR's Long-Term Power Purchase Contracts as of January 1, 2003. The requirements for the Gas Supply Plan under the OA are not materially different from the preceding Operating Order, established by D. 02-12-069.

OP 5 of the Resolution directs PG&E to revise its GSP-1 as follows: (a) remove references to submitting gas transportation and storage deals exceeding terms of three months or value of \$10 million for DWR review and approval; (b) include procedures for forwarding negotiated agreements to DWR for execution as contemplated in the Operating Order and Operating Agreement; (c) specify the addition of financial risk management tools are subject to Commission approval; (d) assume the role of Fuel Manager for the Calpeak contract; (e) include the approved recommendations of DWR identified in OP 11; and, (f) [incorporate] the presumption of reasonableness standard discussed in OP 3.

Accelerated Protest Period

Appendix B of D. 02-08-071 (issued in Rulemaking (R.) 01-10-024) requires that protests to this advice letter be made within seven days of its filing. Accordingly, protests are due on or before **July 28, 2003**. Replies to protests should be filed within three days of the protest, or **July 31, 2003**. Because of the accelerated timeline provided for protests, PG&E asks that all protests be mailed electronically to RxDd@pge.com.

The protest must state the grounds upon which it is based, 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, 4th Floor
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: 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: Brian Cherry
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

Effective Date

Per Resolution E-3825, the effective date of GSP-1 is **March 25, 2003**, the date the original Advice 2359-E was filed with the Commission.

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 Sandra Ciach at (415) 973-7572. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

cc: Service List - R. 01-10-024

Attachments

Confidential Attachment A – Updated Gas Supply Plan (GSP-1) for CDWR Tolling Agreements incorporating Resolution E-3825