

**March 25, 2003**

**Advice 2359-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Submission of Gas Supply Plan for California Department of Water Resources (CDWR) Tolling Agreements (March 1, 2003 through August 31, 2003)**

Pacific Gas and Electric Company (PG&E) hereby submits for Commission review and expedited approval a Gas Supply Plan for CDWR Tolling Agreements for the period March 1, 2003, through August 31, 2003.<sup>1</sup> The Commission set forth an expedited review and approval process in the Operating Order (OO) issued in December 2002.<sup>2</sup>

**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 will review and the Commission will approve the Gas Supply Plan. Accordingly, PG&E submits its first Gas Supply Plan for CDWR Tolling Agreements for the six-month period March 1, 2003, to August 31, 2003, for the Commission's approval.

The Gas Supply Plan contains confidential protected material and it is submitted under California Public Utilities Code Section 583 and Pursuant to the May 1, 2002, Protective Order. PG&E provides a copy of the Gas Supply Plan in Confidential Attachment A along with related appendices in Confidential Attachment B and Attachment C.

**Background:**

Decision 02-12-069 ordered PG&E to enter into and comply with an (OO) under which PG&E will perform the operation, dispatch, and administrative functions for CDWR's

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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 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.

<sup>2</sup> Decision 02-12-069 dated December 19, 2002, pg. 27.

Long-Term Power Purchase Contracts as of January 1, 2003.<sup>3</sup> Subsequently, on February 24, 2003, ALJ Halligan issued a Proposed Decision with a draft Operating Agreement that would replace the Operating Order, if approved by the Commission and accepted by DWR and PG&E.<sup>4</sup> ALJ Halligan's Proposed Decision was held until the Commission meeting on April 3, 2003. The requirements for the Gas Supply Plan under the draft Operating Agreement are not materially different from the OO, and if the Gas Supply Plan is approved as filed, it would not require changes.

In the OO, Exhibit B – Fuel Management Protocols specifically requires the utility, acting as the limited agent of CDWR, to determine a gas procurement strategy that includes, but is not limited to (i) types of contracts, (ii) length of contracts, (iii) pricing terms, (iv) use of storage, (v) types of gas transportation, (vi) delivery point(s), (vii) whether and how to obtain gas price forecasts, (viii) if and what risk management tools are to be used, and (ix) how to maintain current market intelligence. Currently, certain CDWR contracts provide the option of letting the supplier provide the necessary natural gas for its generating units or CDWR may procure the gas supply and cause that supply to be delivered to the Supplier under a tolling arrangement. Thirteen (13) of the 21 contracts allocated to PG&E in Decision 02-09-053 have tolling provisions.<sup>5</sup>

PG&E shared the Gas Supply Plan with its Procurement Review Group (PRG) on February 24, 2003. On March 3, 2003, the Office of Ratepayer Advocates (ORA), a PRG member, provided preliminary comments on the Gas Supply Plan. On March 10, 2003, PG&E met with ORA and provided responses to their questions. Consequently, PG&E made changes to its Gas Supply Plan. In addition, CDWR has reviewed the proposed Gas Supply Plan.

### **Protests:**

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 **April 1, 2003**. Replies to protests should be filed within three days of the protest, or **April 4, 2003**. Because of the accelerated timeline provided for protests, PG&E asks that all protests be mailed electronically to [RxDd@pge.com](mailto:RxDd@pge.com) and the service list for R. 01-10-024.

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

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<sup>3</sup> Southern California Edison and San Diego Gas and Electric Company were similarly ordered.

<sup>4</sup> On March 20, 2003, President Peevey issued an Alternate to ALJ Halligan's DD. The Peevey Alternate would provide that the Gas Supply Plan be filed by April 25, 2003 and that it be addressed on an expedited basis.

<sup>5</sup> Decision allocating CDWR contracts among PG&E, SDG&E and SCE.

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: 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](mailto:RxDd@pge.com)

### **Effective Date**

PG&E requests that this advice filing become effective on **March 1, 2003**, which is the starting date of the Gas Supply Plan.

### **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/](http://www.pge.com/customer_services/business/tariffs/)

Vice President - Regulatory Relations

cc: Service List R.01-10-024

Attachments

Confidential Attachment A – Gas Supply Plan for CDWR Tolling Agreements

Confidential Attachment B – Gas Supply Plan for CDWR Tolling Agreements  
Appendix A: Generator Fuel Plan Pricing Mechanisms

Confidential Attachment C – Gas Supply Plan for CDWR Tolling Agreements  
Appendix B: Pipeline Storage and Tariffs