

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 24, 2005

Advice Letter 2615-E

Ms Rose de la Torre
Pacific Gas and Electric Company
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: PG&E's Short Term Procurement Plan

Dear Ms de la Torre:

Advice Letter 2615-E is effective January 18, 2005. A copy of the advice letter is sent herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "S. H. Gallagher".

Sean H. Gallagher
Director
Energy Division



Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Internal: 223.4977
Fax: 415.973.7226
Cellular: 415.517.5067
Internet: BKC7@pge.com

January 18, 2005

**Advice 2615-E
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

Subject: Updated 2005 Short-Term Procurement Plan

Pacific Gas and Electric Company (PG&E) hereby submits its updated 2005 short-term plan conforming to Decision (D.) 04-12-048, *Opinion Adopting Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company's Long-Term Procurement Plans*, issued on December 16, 2004.

Purpose

Pursuant to the California Public Utility Commission's (CPUC) instruction to file any updates to the existing Short-Term Procurement Plans (STPPs) via advice letter within 30 days of the issuance of D.04-12-048,¹ PG&E herein provides, in Appendix A, an updated list of products and transaction types, with definitions, that it intends to use in 2005. Additionally, PG&E incorporates all products approved by the CPUC in D.04-12-048. This table is provided in Appendix B.

PG&E will update the capacity and energy balance tables when submitting its longer-term update advice filing on March 25, 2005, as discussed with Energy Division.

Background

On December 16, 2004, the CPUC issued D.04-12-048, adopting the Long Term Procurement Plans (LTTPs) of PG&E and California's other investor-owned utilities (IOUs). The CPUC also addressed when and how the IOUs would provide updates to their STPPs, advising that the STPPs will be ultimately eliminated. Until that time, the STPPs will stay in effect, and the IOUs have been required to file any updates via advice letter by January 18, 2005.

¹ D.03-12-048, p. 156.

January 18, 2005

Protests

Anyone wishing to protest this filing may do so by sending a letter by **February 7, 2005**, which is 21 days from the date of this filing. 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.

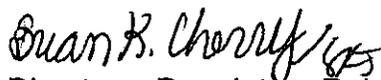
Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice filing become effective on **January 1, 2005**.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for Rulemaking (R.) 04-04-003. Participants of PG&E's Procurement Review Group will also receive the advice letter electronically.


Director – Regulatory Relations

cc: R.04-04-003

Attachments

Appendix A

Updated List Of Products And
Transaction Types, With Definitions

Appendix B

CPUC-Approved Products, As Provided
In D.04-12-048

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APPENDIX A
UPDATED LIST OF PRODUCTS AND TRANSACTION TYPES

New Product Definitions

Resource Adequacy Product – A capacity product intended to meet the resource adequacy obligations created in D.04-01-050 and D.04-10-035. Load Serving Entities (LSEs) are required to achieve a 15-17% Planning Reserve Margin for every month with 90% forward commitment obligation for the May through September period. The forward commitment is to be in place by September 30 of the preceding year. All months require a 100% commitment to be in place one month ahead. A more refined definition of a Resource Adequacy Product will be determined during Phase 2 of the Resource Adequacy (RA) Phase of the Order Instituting Rulemaking to Promote Policy and Program Coordination and Integration in Electric Utility Resource Planning.

PG&E proposes that pending a decision in Phase 2 of RA, the LSEs be authorized to enter into RA-only product transactions, consistent with the requirement that the a Resource Adequacy product be first bid into the Day-Ahead markets (by the seller, not the LSE), and then be subject to Residual Unit Commitment (RUC) if the bid is not dispatched.

The Commission's acceptance of this new RA product should not preclude the LSE's from entering into other transactions where energy and RA requirements are bundled.

Contingent Forward – A contract entered into in advance of delivery time, the performance of which is contingent upon the subsequent occurrence of one or more events agreed upon by the counterparties.

NYMEX Electricity Futures (purchase or sale) – Standardized forward energy contract traded on NYMEX. Futures may be physically or financially settled. Physically settled futures may be unwound if replaced by a forward or spot transaction. This product fixes the price of forward energy.

NYMEX Natural Gas Futures (purchase or sale) – Standardized forward energy contract traded on NYMEX. Futures may be physically or financially settled. Physically settled futures may be unwound if replaced by a forward or spot transaction. Futures may be used in conjunction with basis swaps to hedge gas price exposure. This product fixes the price of forward gas.

Financial Swaps – Over-the-counter forward products including fixed-for-floating swaps for gas and electricity, basis swaps for gas, swing-swaps for gas. Swaps are financially settled directly with a counterparty or may be financially cleared through NYMEX or the Intercontinental Exchange (ICE). These products are used to fixed the price of a forward position.

Gas Storage – Includes firm and as-available storage inventory, injection and withdrawal. Also includes parking and lending services. These services support gas reliability, balancing and seasonal hedging.

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APPENDIX A
UPDATED LIST OF PRODUCTS AND TRANSACTION TYPES

Electric Product¹ Exchange – The buyer has an obligation to receive electric products and an obligation to return electric products as part of the same transaction. The transaction may also include an exchange of payments, in fixed or variable terms. This product reduces price risk.

Additional Approved Transaction Processes

Electronic Auction – In D.04-12-048 at p. 104, the Commission clarified that D.03-12-062 authorized IOUs to conduct procurement using an electronic auction format for execution of competitive solicitations, among other transactional methods. The authorized products are for short-, medium-, and long-term procurement.

Generator Requests for Proposals (RFPs) – In D.04-01-050 at pp. 62-63, the Commission clarified that utilities are permitted to bid in open seasons or RFPs held by generation owners. The applicable terms of the contracts being offered in the generator RFPs or open seasons need not match precisely the utility authority to conduct their own RFPs. However, the terms should be reasonably similar. To encourage reasonable bidding practices, the Commission encourages the utilities to consult with their Procurement Review Groups (PRGs) in advance of submitting any bids in generator RFPs or open seasons. Since D.04-12-048 is silent with respect to Generator RFPs, PG&E concludes that Generator RFPs are still an approved transaction process and participation in a Generator RFP is consistent with all source requirements of D.04-12-048.

¹ Electric products include energy, capacity, and ancillary services.

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APPENDIX B
CPUC-APPROVED PRODUCTS, AS PROVIDED IN D.04-12-048

	Authorized by D.02-10-062 and/or D.03-12-062
Transactions	<p>(authorized by D.02-10-062)</p> <p>Ancillary Services</p> <p>Capacity (demand side)</p> <p>Capacity (purchase or sale)</p> <p>Electricity Transmission Products</p> <p>Financial call (or put) option</p> <p>Financial swap</p> <p>Forward Energy (demand side)</p> <p>Forward Energy (purchase or sale)</p> <p>Forward Spot (Day-Ahead & Hour-ahead) purchase, sale, or exchange</p> <p>Gas Purchases (monthly, multi-month, annual block)</p> <p>Gas Storage</p> <p>Gas Transportation Transaction</p> <p>Insurance (Counterparty credit insurance, cross commodity hedges)</p> <p>On-site energy or capacity (self-generation on customer side of the meter)</p> <p>Peak for off-peak exchange</p> <p>Physical call (or put) option</p> <p>Real-time (purchase or sale)</p> <p>Seasonal exchange</p> <p>Tolling Agreement</p>

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CPUC-APPROVED PRODUCTS, AS PROVIDED IN D.04-12-048

	Authorized by D.02-10-062 and/or D.03-12-062
Additional Transactions	<p><i>(authorized by D.03-12-062)</i></p> <ul style="list-style-type: none"> Counterparty Sleeves Emissions Credits futures or forwards Forecast Insurance FTR Locational Swaps Gas Purchases (daily) Non-FTR Locational Swaps Structured Transactions Weather triggered options
Transactional Processes	<p><i>(authorized by D.02-10-062)</i></p> <ul style="list-style-type: none"> Competitive Solicitations (Requests for Offers) Direct bilateral contracting with counterparties for short-term products (i.e., less than 90 days) Inter-Utility Exchanges ISO markets: Imbalance Energy, Hour Ahead, and Day Ahead (when operational) Transparent exchanges, such as Bloomberg and Intercontinental Exchange Utility ownership of generation (interim rules set in D.04-01-50)
Additional Transactional Processes	<p><i>(authorized by D.03-12-062)</i></p> <ul style="list-style-type: none"> Open Access Same-Time Information Systems (OASIS) Negotiated bilateral contracting allowed for Short-term transactions of less than 90 days duration and with delivery beginning less than 90 days forward. Longer-term non-standard products provided that the IOU include a product justification in quarterly compliance filings Standard products in cases where there are 5 or fewer counterparties (for gas storage and pipeline capacity, only) Transparent exchanges to include voice and on-line brokers

**PG&E Electric Advice Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
Cooperative Community Energy
CPUC
Creative Technology
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
DMM Customer Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exeter Associates
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
PG&E National Energy Group
Pinnacle CNG Company
PITCO
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
Transwestern Pipeline Co
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA