



March 25, 2005

**Advice 2643-E
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

Subject: Updated 2005 Long-Term Procurement Plan

Pacific Gas and Electric Company (PG&E) hereby submits its updated 2005 Long-Term Procurement Plan (LTPP) 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*, (the Decision), issued on December 16, 2004.

Purpose

Pursuant to the California Public Utility Commission's (CPUC) instruction to file any updates to the existing LTPPs via advice letter by March 25, 2005,^{1,2} and compliant with D.04-12-048, OP 24, PG&E herein provides a partial update. Today's filing includes a narrative discussion of activities since the original July 9, 2004, IRP filing (Appendix A). In addition, Appendix B contains updated Table 4-10,³ (Appendix B, Table 3) as well as a comparison to the original plan assumptions from the July 9, 2004 filing (Appendix B, Table 4). Due to the discovery of a modeling error, PG&E does not include updated capacity and energy tables. PG&E will supplement this submittal with updates to Tables 4-3 and 4-4 (capacity and energy tables) next week.

Appendix B also contains copies of the confidential S-1 and S-2 forms filed with the California Energy Commission on March 1, 2005, per the CPUC's request.⁴ It should be noted that the CEC filing was based on specified assumptions and it is not PG&E's preferred case.

¹ D.04-12-048, Ordering Paragraph (OP) 1.

² See also FOF 106, p. 202

³ PG&E's opening testimony filed July 9, 2004, page 4-76.

⁴ CPUC letter from Sean Gallagher, Energy Division, dated March 15, 2005.

Background

On December 16, 2004, the CPUC issued D.04-12-048, adopting the LTPPs of PG&E and California's other investor-owned utilities (IOUs). OP 1 instructed PG&E to update its procurement plan to reflect the changes and modifications adopted in D.04-12-048, including:

- a. Annual energy and capacity resource accounting tables, consistent with directions on baseline load forecasts adopted in the decision;
- b. Procurement activities undertaken by PG&E subsequent to its initial filing in this proceeding;
- c. Revised energy efficiency targets as adopted in D.04-09-060;
- d. Demand response programs proposed for 2005 implementation in R.02-06-011;
- e. The effect of resource adequacy and local reliability requirements adopted respectively in D.04-10-035 and D.04-07-028;
- f. Changes occurring as a result of CPUC decisions implementing CCA in R.03-10-033;
- g. Revised forecasts for the price of natural gas if necessary^{5,6,7};
- h. Status of qualifying facilities with soon-to-be-expiring contracts;
- i. Any other material information that may affect PG&E's procurement activities.

On page 60 of D.04-12-048, the CPUC states that PG&E shall verify in this compliance filing that the 450 megawatt (MW) demand response target is consistent with the definition of 'annual system peak' – *the annual system peak for its respective service territory, inclusive of all customers taking service within those boundaries*. In its 2004 LTP filing, PG&E did not use the definition of annual system peak specified in D. 04-12-048. PG&E calculated the target demand response goal using peak load of customers for which PG&E provides electric commodity service. Using the definition specified in the decision, PG&E's 3% demand response target for 2005 will be higher. PG&E's updated 2005 system peak necessary to recalculate this target will appear in the confidential detailed monthly capacity table to be submitted in a supplemental filing.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **April 14, 2005**, which is 20 days from the date of this filing. The protest must state the

⁵ See also D.04-12-048, OP 7, "When filing a subsequent long-term plan, [PG&E] must provide updated gas price forecasts using the same criteria set forth in D.04-01-050 and the June 4, 2004 ACR."

⁶ See also FOF 26 on p. 183.

⁷ See also COL 10, p. 207.

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.

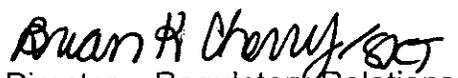
Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice filing become effective on **March 25, 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 R.04-04-003. Participants of PG&E's Procurement Review Group will also receive the advice letter electronically.


Director – Regulatory Relations

Attachments

Appendix A

Pacific Gas and Electric Company
2005 Integrated Resource Plan Update

Appendix B

Table 1: CEC S1 Capacity Balance
Table 2: CEC S2 Energy Balance
Table 3: Annual Gas Price Forecast
Table 4: Plan Assumptions

APPENDIX A

**Pacific Gas and Electric Company
2005 Integrated Resource Plan Update
March 25, 2005**

Introduction:

In compliance with Ordering Paragraph #1 of CPUC Decision No. 04-12-048, attached is PG&E's update to its Integrated Resource Plan (2005-2014), or "Plan." This Plan, originally filed with the Commission on July 9, 2004 as part of R.04-04-003, includes PG&E's projections of loads and supply and demand resources for the next ten years. Pursuant to D.04-12-048, this update reflects changes and modifications ordered in that Decision, changes occurring as a result of decisions in other regulatory proceedings that materially affect the Plan, and incorporates updated load forecast, natural gas and electric price assumptions. Following is a discussion of the specific topics the Decision ordered utilities to update.

A. Annual Energy and Capacity Balance Tables

Updated Tables 4-3 and 4-4 will be provided on a supplemental basis by April 1, 2005.

B. PG&E Procurement Activity since July 9, 2004

Since submitting its long term Integrated Resource Plan on July 9, 2004, PG&E has executed contracts for capacity and energy to meet near- and longer-term procurement requirements. This procurement, and currently planned procurement, are part of PG&E's procurement strategy as presented in the original resource plan testimony. Contracts for capacity and energy executed since July 9, 2004 include:

- Mirant Agreement – As part of a bankruptcy claim settlement (subject to bankruptcy court approval), PG&E has executed agreements with Mirant which provide PG&E the right to dispatch power from certain Northern California RMR units owned by Mirant, through 2012. Additionally, PG&E will receive capacity credit from these resources for purposes of meeting its Resource Adequacy requirements.
- TriDam Contract – PG&E has completed a purchase of hydro capacity and energy through 2009. This capacity and energy is subsumed in the hydro generation in the Capacity and Energy tables.
- November-December Procurement ("RFO6") – PG&E has engaged in contracts to purchase firm energy during the months of November and December for years 2004, 2005 and 2006 to meet anticipated resource requirements during those periods.
- Short-term Procurement (Less than 1-year) - PG&E has executed several contracts to procure capacity and energy during 2005. This procurement is consistent with its procurement diversification strategy whereby it procures capacity in long-, intermediate- and short-term markets.

In addition to these contracts PG&E is in the process of procuring additional capacity and energy from demand-side resources as well as renewable and conventional supply-side resources

implemented in accordance with the State's Energy Action Plan. PG&E is currently conducting several resource solicitations, described below.

- Approved Resources Long-term Solicitation – PG&E received approval from the CPUC in D. 04-12-048 to add capacity of 1200 MW in 2008 and an additional 1000 MW in 2010 with authorization to justify to the Commission why higher levels might be desirable. After revising it to conform to D.04-12-048, PG&E resumed its long-term solicitation on March 17, 2005, with a target date of filing for approval of new contracts by December 2005.
- Intermediate-term Procurement – PG&E has recently announced a contract with Duke Energy for capacity and dispatchable energy from its Morro Bay facility. This contract, currently under review at the CPUC, would add 650 MW of capacity to PG&E's portfolio for the 2005 – 2007 period. This will be added to the portfolio once it is approved by the CPUC.
- Intermediate RFO – PG&E recently conducted a solicitation for additional capacity through 2008. PG&E received many offers and is currently evaluating these to determine additional capacity to be procured during the 2006-2008 period.
- Renewable Resource RFOs – PG&E issued a solicitation in 2004 for renewable resources, which it is currently completing and anticipates signing contracts for resources procured through this solicitation this spring. PG&E anticipates it will issue a 2005 RFO for renewable resources consistent with its Renewable Resource Plan submitted to the Commission on March 7, 2005.

Finally, as part of the Mirant Settlement Agreement to which the Commission was a party, and provided that it reaches a transfer agreement with Mirant, PG&E may file an application to obtain all assets and development rights to Contra Costa 8, a permitted and partially-constructed 530-MW combined cycle generating unit located in Antioch, CA. PG&E is currently evaluating this option.

C. Energy Efficiency Targets

PG&E has updated its energy efficiency assumptions in the Integrated Resource Plan to match the energy efficiency (EE) targets provided in CPUC D.04-09-060. Consequent to the energy efficiency administrative decision, D. 05-01-055, PG&E initiated a planning process with a newly formed EE program advisory group. This process will develop a new EE portfolio to deliver the EE savings targeted in D. 04-09-060. PG&E will present this portfolio to the Commission for approval on June 1, 2005.

D. Demand Response Programs for 2005 Implementation

PG&E has developed Demand Response programs to achieve the targets established by the Commission in D.03-06-062. PG&E's demand response programs for 2005 implementation were filed with the Commission pursuant to CPUC D.05-01-056.

E. Resource Adequacy and Local Reliability Requirements

PG&E has incorporated the resource adequacy and local reliability requirements, as they currently exist, into its planning process. PG&E's plan ensures that PG&E will meet a 15% reserve margin by June 1, 2006 and maintains this level of reserves thereafter. The effective capacity ratings for resources in PG&E's portfolio have been revised to account for the expected availability of these at the time of peak demand, consistent with resource adequacy counting rules. PG&E will comply with all local reliability requirements as they may occur and are required.

F. Community Choice Aggregation

On December 17, 2004 the Commission issued D. 04-12-046 in the Community Choice Aggregation proceeding (R.03-10-003), which addressed pricing and cost issues. Implementation issues were left to a Phase 2 of the proceeding, which is currently underway. While PG&E is participating in this proceeding, there have been no substantive changes in CCA policy or implementation rules to cause PG&E to change its assumptions regarding the potential loss of bundled load due to non-core and CCA load migration. PG&E did, however, delay the expected impacts of these programs based on the current implementation plan delays.

G. Natural Gas Prices

PG&E routinely updates the gas prices used in its modeling to reflect current conditions. The gas prices used in this update are current as of December 20, 2004, and are consistent with the prices used in PG&E's supply submittal to the CEC for its Integrated Energy Policy Report information. Table 3 of Appendix B provides the projection of natural gas prices for gas delivery at PG&E City-gate through the forecast period.

H. Status of Qualifying Facilities

In its 2004 Integrated Resource Plan filing of July 9, 2004 PG&E assumed that existing Qualifying Facilities would continue to operate after expiration of their contracts at a 90% level. The QF policy and cost issues are being addressed in Commission proceedings (R.04-04-003 and R.04-04-025), and PG&E will revise its assumptions to conform with decisions made in those proceedings. As there have been no substantive rulings in either of these proceedings since the Plan submittal in July, 2004, PG&E has maintained its original QF assumptions.

I. Additional Material Impacting the Resource Plan

Table 4 of Appendix B provides a comprehensive comparison of the changes in modeling assumptions between the July 9, 2004 Plan submittal and this 2005 IRP Update submittal, including changes in the demand forecast and demand and supply resources.

APPENDIX B

Tables 1 and 2

Confidential -- Full Redacted

Tables 3 and 4

Table 3
Annual Average Gas Price Forecast
(\$/MMBTu)

	NP15	PG&E City Gate	Malin	Topock	AECO	SRAC
2005	XX	XX	XX	XX	XX	XX
2006	XX	XX	XX	XX	XX	XX
2007	XX	XX	XX	XX	XX	XX
2008	52.78	5.81	5.37	5.48	5.01	5.58
2009	51.79	5.47	5.06	5.21	4.76	5.26
2010	50.55	5.30	4.86	5.04	4.56	5.07
2011	49.54	5.21	4.77	4.95	4.48	4.98
2012	49.12	5.17	4.73	4.91	4.45	4.93
2013	49.15	5.16	4.73	4.91	4.44	4.93
2014	49.15	5.17	4.73	4.91	4.45	4.93

**Table 4
Plan Assumptions – 2004 IRP and 2005 IRP Update**

AREA		2004 IRP Medium Case	2005 IRP Update
Global			
	Forward Electric Market Prices	4/19/2004	12/20/2004
	Forward Gas Market Prices	4/19/2004	12/20/2004
	Reserve Requirements	15% in 2008	15% in 2006
	Renewables - 20% requirement	2017	2010
Load / Demand			
	Load Forecast	Vintage TBD	12/1/2004
	Core/Non-core	Existing DA + 50% of 500 KW+ bundled customers begin in '07	<ul style="list-style-type: none"> ➤ Existing DA customers + ➤ 50% of 500 KW+ bundled customers begin in '09 <ul style="list-style-type: none"> ○ 2009 – 20% ○ 2010 – 30% ○ 2011 – 40% ○ 2012 – 50%
	CCA	3% of existing < 500 kW load in 2006, 1% per year to 10% in 2013	4% of existing < 500 kW load in 2007, 1% per year to 10% in 2013
Supply Resources			
	Energy Efficiency		Targets included in D.04-09-060
	Demand Response		Programs included in R. 02-06-035
	Humboldt	Existing Unit through 2014	Existing unit replaced in 2009 with new 150 MW resource
	Hydro / Helms	Projection - June 2004	Projection - Jan. 2005 Based on 12/1/04 load and 12/20/04 price forecasts
	Mirant Wraparound Agreement	N/A	Assumes wraparound 2 (2006-2012) approved
	DWR Contracts	Includes: Clearwood, CCSF, KRCD	Includes KRCD. Clearwood and CCSF not sited, no reliable on-line date; KCRD included probabilistically
	QF Resources	Projection - June 2004	Projection - Jan '05; Diablo Winds restructuring Contract execution expected Q1, 2005

**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.
Hitachi Global Storage Technologies
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