

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 29, 2006

Advice Letter 2790-E

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

Subject: Planned permanent closure of Hunters Point Power Plant

Dear Ms de la Torre:

Advice Letter Advice Letter 2790-E is effective March 15, 2006. A copy of the advice letter is returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS	
Tariffs Section	
M. Brown	D. Poster
Rose de la Torre (2)	S. Ramalya
B. Linn (1)	
APR 3 2006	
Records	
Return to	File



Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Internal: 223.4877
Fax: 415.973.9572
Internet: BKC7@pge.com

February 23, 2006

Advice 2790-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Planned Permanent Closure of PG&E's Hunters Point Power Plant

Pursuant to the Commission's Consumer Protection and Safety Division recommendation, Pacific Gas and Electric Company (PG&E) hereby submits for filing an advice letter regarding the permanent shut down of Hunters Point Power Plan (HPPP).

Background

In 1998 PG&E entered into an agreement with the City and County of San Francisco (CCSF) in which PG&E agreed to permanently shut down HPPP as soon as the facility was no longer needed to sustain electric reliability in San Francisco and the surrounding area and PG&E was authorized to terminate the facility's Reliability Must Run (RMR) Contract. The CPUC approved this agreement in Decision (D.) 98-10-029.

Effective January 1, 2006, PG&E's RMR Contract with the California Independent System Operator (CAISO) was amended to state that the RMR Contract will terminate ten business days after PG&E provides the CAISO with notice that both the Jefferson-Martin 230 kV Transmission Line Project and the Potrero-Hunters Point 115 kV Transmission Cable Project are in full commercial operation.¹

¹ Section 2.2(f) of the HPPP RMR Contract states: "Notwithstanding Section 2.3, this Agreement shall terminate ten Business Days from the date notice is received by the ISO from the Responsible Utility that the Jefferson-Martin 230kV Line Project and the Potrero-Hunters Point (AP-1) 115 kV Cable Project are in full commercial operation. Upon termination pursuant to this subsection (f), the ISO shall not issue any Dispatch Notice under this Agreement pending FERC authorization to cancel or terminate PG&E Rate Schedule FERC No. 209 and Owner shall immediately reduce the Units' availability to zero through a SLIC log entry thereby precluding the ISO from dispatching the Units for Energy or Ancillary Services under the ISO Tariff. Owner shall promptly remove the Units from Schedule 1 of the Participating Generator Agreement entered into

Attachment 1 lists the steps identified by the CAISO's Action Plan for San Francisco as necessary for the shut down of HPPP and their completion dates, with the forecasted completion dates for the two remaining steps of the Jefferson-Martin 230 kV Transmission Line Project and the Potrero-Hunters Point 115 kV Transmission Cable Project.

PG&E has incorporated the planned shutdown of Hunters Point into its resource planning process; therefore it is no longer needed to meet reliability criteria in PG&E's service area.²

On February 6, 2006, PG&E sent a letter to the Commission providing formal notice pursuant to Operating Standard 23 of General Order (GO) 167 that PG&E plans to permanently shut down all remaining units at HPPP in the second quarter of 2006, pending the Jefferson-Martin and Potrero-Hunters Point transmission upgrades entering full commercial operation.

Discussion of Section 851 and Asset Disposition Issues

Currently, there are no Section 851 issues related to shut-down of the HPPP site. Upon shut down of HPPP, any tools, equipment or other assets that remain useful to PG&E for utility service will be redeployed by PG&E in other areas of the company. Any remaining assets will no longer be necessary or useful and will be disposed of as salvage. The only remaining operational facilities will be a switchyard, which will continue to be used for 115KV electricity transmission. PG&E has no immediate plans to sell, assign or lease any HPPP property to a third party. For the foregoing reasons, there are no Section 851 and asset disposition issues contemplated with the shut down of HPPP.

Ratemaking

In the 2007 General Rate Case (GRC), PG&E anticipated that HPPP would cease operation in mid-2006 after the completion of the Jefferson Martin Transmission Project and AP1. PG&E forecast that it would retire the facility from its accounting records by removing the original cost of the facilities from both the plant account and the depreciation reserve in 2006. This will result in a net book value of HPPP of zero. The operation and maintenance (O&M) forecast in the 2007 GRC reflects a partial year operation for Hunters Point in 2006 and that the plant will not be in operation in 2007 and beyond.

Decision 03-10-013 adopted a cost estimate for decommissioning HPPP. PG&E included this estimate in its fossil decommissioning request in the 2003 GRC. By

between ISO and Owner. The preceding sentence shall survive termination until its obligations have been satisfied." *(Footnote omitted)*

² See CAISO documents: "Action Plan for San Francisco, Options and Risks" September 10, 2004; and "Approval of the Reliability Must Run (RMR) Designations for 2006" September 2, 2005.

the end of 2006, PG&E estimates that it will have recovered the cost of decommissioning HPPP. In the 2007 GRC, PG&E has included a forecast of decommissioning cost for HPPP starting in 2006, with decommissioning completed in 2009.

Protests

Due to the timeline described above, PG&E requests an expedited protest period and review period pursuant to General Order 96-A, Section IV-B Effective Date and Section XV-Exceptions. Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **March 2, 2006** with replies to protests due **March 3, 2006**. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jjj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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: PGETariffs@pge.com

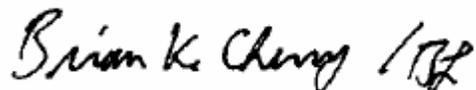
Effective Date

PG&E requests that this advice filing become effective on the date of filing, **February 23, 2006**.

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. Address changes 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/tariffs>

Handwritten signature of Brian K. Cheng in black ink.

Director, Regulatory Relations

Attachments

cc: Grant Rosenblum - CAISO
Gary Deshazo - CAISO
Charlyn Hook - CPSD
Mark Ziering - CPSD

Project	Estimated Completion Date/Status	Issue	Resolution of Issue	
Release Hunters Point Units 2 and 3 From Their RMR Agreements				
1	Potrero Static Var Compensator	Completed in December 2004	NERC/WECC/CAISO Planning Standards	This project allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 2 and 3 released from their RMR Agreement
Release Hunters Point Units 1 and 4 From Their RMR Agreements				
2	San Mateo-Martin No. 4 Line Voltage Conversion	Completed in June 2004	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
3	Ravenswood 2 nd 230/115kV Transformer Project	Completed in May 2004	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
4	San Francisco Internal Cable Higher Emergency Rating	Completed in April 2004	NERC/WECC/CAISO Planning Standards	These ratings are an interim solution that in combination with the other listed projects allows PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement. In 2007, a third Martin-Hunters Point 115 kV cable will replace the emergency ratings.
5	Tesla-Newark No. 2 230 kV Line Reconductoring	Completed in February 2005	RMR Criteria	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
6	Ravenswood-Ames 115 kV Lines Reinforcement	Completed in April 2005	RMR Criteria	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
7	San Mateo 230 kV Bus Insulator Replacement	Completed in March 2005	Operations Requirement During	Eliminate bus wash at San Mateo 230 kV Bus will reduce the 400 MW generation operational requirement down to

			San Mateo Bus Wash	less than 200 MW
8	Potrero-Hunters Point (AP-1) 115 kV Cable	March 2006, Under Construction	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement
9	Jefferson-Martin 230 kV Line	April 2006, Under Construction	NERC/WECC/CAISO Planning Standards	This project in combination with the other listed projects allows ISO/PG&E to meet planning requirements with Hunters Point Power Plant Units 1 and 4 released from their RMR Agreement

Updated on February 21, 2006
Pacific Gas and Electric Company

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Bernard Lam

Phone #: (415) 973-4878

E-mail: bxlc@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2790-E**

Subject of AL: Planned Permanent Closure of PG&E's Hunters Point Power Plant

Keywords (choose from CPUC listing): Compliance, Utility Electric Generation

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

In addition to notice letter provided under Operating Standard 23 of General Order 167

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: **February 23, 2006**

No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Director, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

¹ Discuss in AL if more space is needed.

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

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