

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 5, 2007

Advice Letter 2916-E

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

Subject: Contracts for Procurement of Capacity Resources Resulting from PG&E's
Agreements for Local Resource Adequacy

Dear Ms. de la Torre:

Advice Letter 2916-E is effective December 14, 2006. A copy of the advice letter and resolution
are returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS	
Tariffs Section	
M Brown	D Poster
R Dela Torre	S Ramaiya
B Lam	
JAN 9 2007	
Records	
Return to	File
cc to	

Brian K. Cherry
Vice President
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: 223.4977
Fax: 415.973.7226
Internet: BKC7@pge.com

October 23, 2006

ADVICE 2916-E
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

**Subject: Contracts for Procurement of Capacity Resources Resulting
from PG&E's Agreements for Local Resource Adequacy.**

I. Purpose and Overview

Pacific Gas and Electric Company (PG&E) seeks the California Public Utilities Commission's (CPUC) approval of two distinct power purchase agreements (Confirmations or PPAs) for Resource Adequacy (RA). The term of each PPA is for the period from 2008 to 2011.¹

The confirmations being presented for approval include the following:

- A Confirmation between PG&E and the Metcalf Energy Center, LLC (MEC), a Calpine subsidiary; and
- A Confirmation between PG&E and the Los Medanos Energy Center, LLC (LMEC), a Calpine subsidiary.

The binding nature of these Confirmations on the parties is contingent on CPUC approval of this advice filing as well as a related Renewables PPA, which was filed with the CPUC on October 16, 2006 in Advice 2915-E, and Federal Energy Regulatory Commission (FERC) approval of a settlement agreement (the settlement) between PG&E and Calpine Corporation (Calpine), which was filed with the FERC on October 19, 2006. Together these three elements represent

¹ Separate RA agreements for the same units were executed for 2007 only, under existing procurement plan authority, in order to allow for their inclusion in PG&E's 2007 Preliminary Local Resource Adequacy filing, which was made on September 22, 2006.

the settlement agreement between PG&E and Calpine that must be approved in its entirety or rejected all together.

PG&E requests that the CPUC issue a final resolution approving the Confirmations for MEC and LMEC no later than December 14, 2006, as this date would be consistent with the requested date for approval of the Renewables PPA already filed. The requested form of approval is described in more detail under the heading "Request for CPUC Approval", below.

In support of this request, the following information is being submitted:

<u>Confidential Attachment A</u>	MEC Confirmation Agreement
<u>Confidential Attachment B</u>	LMEC Confirmation Agreement
<u>Attachment C</u>	2007 Resource Adequacy RFO (Buy Component)

II. Background

These Confirmations result from the above-mentioned settlement between PG&E, the California Independent System Operator (CAISO), the California Energy Oversight Board (CEOB) and Calpine. That settlement would: 1) resolve a number of outstanding disputes at the FERC related to past Reliability Must-Run (RMR) costs and Scheduling Coordinator (SC) credits related to the Geysers system; 2) settle past and current RMR costs at several non-Geysers system² facilities; 3) settle future RMR rate calculations; and 4) provide for a 200 MW Renewable Portfolio Standard (RPS)-eligible PPA with Calpine's Geysers Power Company, LLC (Geysers).

Both the MEC and LMEC Confirmations provide RA of sufficient size to help support PG&E's Bay Area Local RA needs through 2011. These Confirmations would: 1) minimize the need for the ISO to make local area backstop RA purchases; 2) provide a hedge against future procurement uncertainty by covering a significant portion of anticipated future obligations; 3) provide some margin in the event other Bay Area resources relied upon for Local RA are not fully eligible for RA; and 4) provide some margin in the event new local resources scheduled to come on line during the term of these transactions are delayed.

This transaction can be justified from several perspectives. First, it enables PG&E to progress towards achieving future RA and Local RA requirements. Second, the Local RA pricing is competitive, and locks in prices for a portion of PG&E's incremental RA needs in an environment in which future prices for the

² The FERC RMR settlement includes the Delta Energy Center and Los Esteros facilities, as well as the Creed, Goosehaven and Gilroy peakers.

RA attribute are uncertain and may fluctuate significantly. Third, this transaction is bundled with other Calpine transactions discussed above that help satisfy other regulatory requirements (RPS energy) and, through the FERC settlement, avoid litigation on past and future RMR issues.

Justification of Need for the Local RA Component

These transactions will reduce the need in upcoming years for PG&E to purchase additional local RA. In addition to filling an existing gap for Local RA, these transactions reduce the risk of having to fill any increase in that gap as the CAISO further reduces its dependence on RMR contracts.³

Economic Justification of the Local RA Component

LMEC and MEC are in the local Bay Area and are expected to continue to qualify as Local RA resources. The premium for Local RA is based on offers PG&E received in its recent Request for Offers (RFO) for 2007 RA. These units were offered below the waiver price threshold set by the Commission; in the RA proceedings, the CPUC ruled that market load-serving entities (LSEs) are required to procure RA to meet their Local RA obligations, but may seek a waiver from this requirement when insufficient offers are received below the price level established by the CPUC. The effective price being paid for the RA is also below the cost level provided by the Reliability Capacity Services Tariff (RCST), which resulted from a multi-party settlement that included the CPUC.⁴ Procurement of these units will help satisfy the CAISO's need for local resources in the Bay Area and reduce or eliminate the need for the CAISO to procure additional capacity through the RCST mechanism.

Conclusion

The Commission should approve the Confirmations in their entirety, including payments to be made by PG&E, subject to the CPUC's review of PG&E's administration of the Confirmations. PG&E requests that the CPUC issue a resolution no later than its first meeting in January 2007. The requested form of approval is described in more detail under the heading, "Request for CPUC Approval," in Section VI below.

III. Description of the Procurement Resources

The following table summarizes the substantive features of the Confirmations.

³ The local RA attribute is allocated to LSEs when the CAISO signs RMR contracts.

⁴ A \$40 threshold represents an unbundled, RA-only product that does not include energy. The Commission's local RA decision provides that "if an LSE seeks a waiver on the basis that it could not obtain capacity to meet its local procurement obligation through a bundled capacity and energy contract, a trigger price of \$73 per kW-year would be applicable." (D. 06-06-064, section 3.3.12 Waivers, fn. 20)

Generating Facility	Type	Term Years	MW Capacity	Commercial Operating Date	Project Location ⁵
Metcalf Energy Center	Gas Powered	4	593 MW	January 1, 2008	San Jose Area located in NP-15
Los Medanos Energy Center	Gas Powered	4	560 MW	January 1, 2008	Pittsburg, CA located in NP-15

IV. Contract Analysis

A. Regulatory Background

The CPUC adopted a Local Resource Adequacy requirement for 2007 in Decision (D.) 06-06-064, dated June 29, 2006. This standard is based on the CAISO's Local Capacity Requirements (LCR) study, originally issued in April 2006, and subsequently updated in July 2006. The study sets specific LCR targets in each of the nine transmission constrained areas (or "load pockets") as well as targets in numerous additional sub-areas within each of the three Investor-Owned Utility (IOU) service territories. Seven load pockets are in PG&E's area.⁶ The CPUC's decision⁷ allowed for the aggregation of six PG&E's load pockets into one for purposes of Local RA demonstration requirements, excluding the Greater Bay Area, which retains its own individual requirements. These Confirmations provide for approximately 1,153 MW of Local RA in the Bay Area load pocket through 2011 on behalf of PG&E's electric portfolio.

B. Regulatory Authority

PG&E's existing Long Term Procurement Plan (LTPP) was approved by D. 04-12-048, dated December 20, 2004. Ordering Paragraph (O.P.) 14, authorized utilities "to enter into short-term, mid-term, and long-term contracts, with contract delivery start dates through 2014, provided that the IOUs submit the necessary compliance filings." Pursuant to O.P. 8 of D. 04-12-048, the IOUs are required to "plan to meet all RA requirements as set forth in D. 04-10-035 as they go forward with their LTPPs." D. 04-10-035, dated October 28, 2004, established the initial RA standards.

The second RA Decision (D. 05-10-042), dated October 27, 2005, signaled the CPUC's intention "to establish a local capacity component" with implementation "beginning with year-ahead compliance filings made in 2006 for compliance year

⁵ Upon implementation of MRTU, the delivery area will be known as the Easy Gen Hub for NP-15.

⁶ PG&E's load pockets include Humboldt, North Coast/North Bay, Sierra, Stockton, Greater Bay Area, Greater Fresno and Kern.

⁷ D. 06-06-064, dated June 29, 2006.

2007.” Subsequently, in December 2005, the CPUC opened Rulemaking 05-12-013 specifically to address RA issues. This Rulemaking to date has resulted in two decisions, the first of which, D. 06-06-064, dated June 29, 2006, established Local RA standards..

C. 2007 RA Request for Offer (RFO)

On July 28, 2006, PG&E issued its 2007 RA RFO in order to meet its regulatory needs for local RA in 2007. This solicitation was structured as two solicitations in order to buy and sell Local RA and/or general (System) RA resources for all load pockets. The RFO resulted in the receipt of competitive bids from numerous counterparties, including Calpine. The 2007 RA RFO is attached as Attachment C. The resulting contract prices in the Confirmations are competitive with bids and offers received in this RFO. Although the RFO was for RA in 2007 only, and these RA Confirmations cover the 2008-2011 timeframe, these Confirmations represent an opportunity to lock in prices for future RA below the price established in the RCST.

D. Settlement Agreement with Calpine

PG&E has entered into a larger settlement agreement with Calpine. This settlement agreement addresses the issues discussed under Section II (Background) above, including the Confirmations for MEC and LMEC. The effectiveness of the Confirmations and PG&E’s settlement with Calpine is conditioned on the occurrence of a “CPUC Approval,” as that term is defined in the Confirmations as well as the RPS PPA submitted under Advice Filing 2915-E, dated October 16, 2006, and approval of the filed settlement agreement by FERC.

E. Quantitative and Qualitative Factors

The pricing for these two Resource Adequacy Confirmations compare favorably to other comparable proxies, including those from the 2007 RA RFO and the price provided by the RCST. More details on pricing are contained in the Confirmation Letters contained in Confidential Attachments A and B.

V. PRG Feedback

PG&E provided its PRG with reports on the transactions on a couple of occasions. The first briefing occurred on August 28, 2006, in which PG&E provided an overview of the RFO results as well as the settlement with Calpine. The PRG members were updated on the progress of the settlement negotiations on September 25, 2006. None of the PRG members objected to the proposed Confirmations.

VI. Request for CPUC Approval

PG&E requests that the CPUC issue a resolution no later than December 14, 2006, that:

1. Approves the Confirmations in their entirety; finds that the cost in the Confirmation Agreements between PG&E and MEC and LMEC are reasonable and in the public interest; and that payments to be made by PG&E are fully recoverable in rates over the life of the project, subject only to CPUC review of PG&E's administration of the PPAs.
2. Finds that the costs associated with these Confirmations are eligible for recovery through a non-bypassable charge over the life of the contracts, consistent with the provisions of D.04-12-048.

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 **November 3, 2006** with replies to protests due **November 7, 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 jinj@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.

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 CPUC.

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, 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 upon approval of the Final Resolution by **December 14, 2006**.

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 lists for R.05-12-013 and R.06-02-013. 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. Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>



Brian K. Cherry
Vice President – Regulatory Relations

cc: Service List for R.05-12-013
Service List for R.06-02-013
Paul Douglass – Energy Division
Donald Brooks, Energy Division

Attachments:

Limited Access to Confidential Material:

The information provided in Attachments A and B is commercially sensitive and confidential protected material and is being submitted subject to the protections of Section 583 of the California Public Utilities Code and pursuant to: i) the "Revised Protective Order Regarding Confidentiality of Market Sensitive Load Data and Information" that ALJ Wetzell issued in his

February 10, 2006, ruling; ii) the California Energy Commission's (CEC) agreement to adhere to that protective order, which the CEC signed on February 14, 2006; and iii) D. 06-06-066, which established Confidentiality standards.

Confidential Attachment A	MEC Confirmation Agreement
Confidential Attachment B	LMEC Confirmation Agreement
Attachment C	2007 RA RFO (Buy Component)

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 U39M

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: David Poster

Phone #: (415) 973-1082

E-mail: dxpu@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) #: 2916-E

Subject of AL: Contracts for Procurement of Capacity Resources Resulting from PG&E's Agreements for Local Resource Adequacy.

Keywords (choose from CPUC listing): PPA

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

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

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

Resolution Required? Yes No

Requested effective date: 12-14-2006

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:

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

Utility Info (including e-mail)

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

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

**DECLARATION OF GARRETT P. JEUNG
SEEKING CONFIDENTIAL TREATMENT
OF CERTAIN DATA AND INFORMATION CONTAINED
IN ADVICE LETTER 2916-E
(PACIFIC GAS AND ELECTRIC COMPANY ID U 39 E)**

I, Garrett P. Jeung, declare:

1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee since 2003. I am currently a Director within PG&E's Energy Procurement organization. In this position, my responsibilities include managing a department that negotiates power purchase agreements and manages electric portfolio risk. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with numerous counterparties and have also gained knowledge of the operations of electricity sellers in general. Through this experience, I have become familiar with the type of information that would affect the negotiating positions of electricity sellers with respect to price and other terms.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued August 22, 2006, I make this declaration to obtain confidential treatment of certain documents and information contained in PG&E's Advice 2916-E, submitted on October 23, 2006, requesting the Commission's approval of two Confirmation Agreements: the first between PG&E and Metcalf Energy Center (MEC), LLC, and the second between Los Medanos Energy Center (LMEC), LLC, that will enable PG&E to purchase up to 1153 MW of Local Resource Adequacy -eligible capacity.

3. This information corresponds to a category of protected, confidential information specified in Appendix 1 of the Commission's recent confidentiality decision, D.06-06-066 (Investor Owned Utility (IOU) Confidentiality Matrix), and, in addition, should be kept confidential because it concerns confidential and proprietary trade secret information. The parties seek confidentiality protection for a category of information recognized under IOU matrix Section VII. "Bilateral Contract Terms and Conditions – Electric," Item B, "Contracts and PPAs Between Utilities and Non-affiliated Third Parties (except RPS)." Since the MEC and LMEC Confirmation Agreements and associated Exhibits fall squarely within this protected category of the IOU Confidentiality Matrix, only certain items are required by the IOU Confidentiality Matrix to be disclosed, that is, contract summaries, counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date. The unprotected information has been provided in the publicly-filed Advice Letter.¹

4. The MEC and LMEC Confirmation Agreements concern capacity from facilities that have unique operational characteristics and a seller with very specific business objectives, which are further complicated by the issues involved in the overall settlement currently pending at FERC. The terms of the PPA and the price stabilization mechanism constitute trade secrets known only to the contracting parties and their authorized agents. The disclosure of any of the terms of these Confirmation Agreements may reveal a party's bargained-for position and subject either or both parties to a commercial disadvantage. Confidential trade secret data must be protected from public disclosure in order to avoid discouraging Sellers from entering into

¹ The Advice Letter provides the contract summary information, including counterparty (AL p. 2), resource type (table on AL p. 4), location (table on AL p. 4), capacity (table on AL p. 4), the length of the contracts (table on AL p. 4) (which is also specified in Resolution E-3877). The expected delivery point is NP-15.

agreements with PG&E, and to avoid unnecessarily draconian terms for PG&E's customers that could result if all terms were made public.

5. I am informed and believe that the MEC and LMEC Confirmation Agreements qualify for confidentiality protection pursuant to paragraphs 2.2 and 2.8 of General Order No. 66-C. In order to preserve the commercial advantage of the parties' trade secrets and the confidentiality of the PPAs, the information should be protected from public disclosure for three years from date of Advice Letter filing.

6. This information is not already public.

7. The terms and information contained in the PPAs cannot be summarized or otherwise masked to allow meaningful disclosure in a way that protects the value of the information.

I declare under penalty, under the laws of the State of California, that the foregoing is true and correct. Executed on October 23, 2006, at San Francisco, California.

GARRETT P. JEUNG

PG&E Advice Letter 2916-E

Attachment C

REQUEST FOR OFFERS

July 28, 2006

Subject: PG&E's Request for Offers ("RFO") for Resource Adequacy ("RA"): 2007

Dear Prospective Bidder:

Pacific Gas and Electric Company ("PG&E") is seeking offers from sellers ("Bidders") pursuant to which PG&E would enter into agreements to purchase RA from resources located within specific Local Transmission-constrained Areas (LTAs) for the entire year 2007 and RA from resources located anywhere in the California Independent System Operator ("CAISO") control area ("Products") for all or a portion of the year 2007. The terms and conditions creating and defining the Products sought by PG&E are set forth in the accompanying confirmation agreement ("Confirmation Agreement") which requires successful Bidders to comply with the RA requirements as implemented by both California Public Utilities Commission ("CPUC") and the CAISO. For those Bidders who already have an EEI Master Agreement or a WSPP Agreement with PG&E (each a "Master Agreement" for purposes of this RFO), such Master Agreement shall govern Transactions between the Parties entered into pursuant to this RFO, and the Confirmation Agreement, when fully executed, shall become a Confirmation Agreement under the applicable Master Agreement. If there is any conflict between the Confirmation Agreement and the Master Agreement, the Confirmation Agreement shall govern. If a Bidder does not already have a Master Agreement with PG&E, that Bidder and PG&E must, by the time indicated in the schedule set forth below, enter into such Master Agreement. The Confirmation Agreement is based upon the current status of a Resource Adequacy product definition and confirmation agreement being drafted by multiple industry participants in California for approval by the CPUC. As such, the Confirmation Agreement is subject to alteration pending such final CPUC approval. Further, the draft Confirmation Agreement is specific to EEI-based (with EEI Collateral Annex) transactions and will require modification in order to function as a transaction under a WSPP Master Agreement or an EEI Master Agreement without the Collateral Annex.

Bidder information with indicative pricing for the Products should be submitted to PG&E in the attached table ("Attachment 1") ("Offer") by August 11, 2006, 3 p.m. Pacific Prevailing Time ("PPT"). Complete instructions for submitting Offers are set forth herein.

Description of Resource Adequacy Products Solicited

Through this RFO, PG&E is seeking RA products to satisfy a portion of its RA needs for 2007 as required for PG&E's year-ahead RA requirements showing of October 31, 2006. Bidders may submit multiple Offers. All Offers and/or combinations of Offers must be submitted to PG&E in the form provided in Attachment 1. For more detailed guidelines on the eligibility of capacity resources to

provide RA (or “Qualifying Capacity”) the Bidders should review the CPUC Workshop Report on Resource Adequacy Issues (<http://www.cpuc.ca.gov/Published/Report/37456.htm>), D.04-10-035, and D.05-10-042.

Bidders are required to identify unit(s) for RA purposes. PG&E is seeking units within one of the following seven LTAs as defined by the CASIO: Bay Area, North Coast – North Bay, Fresno, Sierra, Stockton and Kern. Offers for such units must be for the entire calendar year 2007. PG&E will consider offers that provide RA from units outside of the listed LTAs, which may be offered for a portion or all of the year 2007. PG&E’s preference is to receive such offers with monthly pricing and that allow for the selection of individual months. For more information on the units that are eligible to provide RA in LTAs, please see the following CAISO publication, List of Generation Units by Local Capacity Area, available at the following location on the CAISO’s website (<http://www.caiso.com/docs/2005/06/29/2005062908572429098ex.html>).

Delivery Term

Each Offer shall comply with the following Delivery Term parameters:

RA Products from resources in a LTA: the entire year 2007 (beginning January 1, 2007 and ending December 31, 2007) only.

RA Products from resources outside of the listed LTAs: entire year 2007 or portions of the year 2007 (i.e. seasonal or monthly)

RA Quantities

PG&E will only consider Offers of 1 MW or more. Please explain clearly, which, if any, Offers are mutually exclusive. For example, a Bidder may state that PG&E may select any combination of Offers up to a specified quantity.

Requirement for CPUC Review/Confidentiality

An external review group of non-market participants (the “Procurement Review Group”, or “PRG”) will review the Offers under consideration. Offers will be treated as confidential by PG&E and by the PRG pursuant to non-disclosure agreements executed between the PRG and PG&E, and by the CPUC in accordance with Section 583 of the California Public Utilities Code. Successful Bidders will be required to maintain the confidentiality of their transactions with PG&E in accordance with the terms of the applicable Master Agreement.

Credit Requirements

Credit requirements shall be in accordance with the Master Agreement and Confirmation Agreement. An Independent Amount shall apply to Buyer if at any time Buyer does not maintain a senior unsecured debt rating at of at least BBB- from S&P and at least Baa3 from Moody’s. Such Independent Amount will be comprised as follows: 25% of the sum of the Monthly RA Capacity Payments for the current month and all remaining months of the Delivery Period. Bidders will be notified by PG&E regarding the total dollar amount of the Independent Amount for the applicable Bid at least five business days prior to executing a Confirmation Agreement.

Schedule and Procedure for RFO

The table below provides the current schedule and procedure for this RFO, which is subject to change.

Date/Time	Event
July 28, 2006	PG&E issues RFO.
August 11, 2006 3:00 PM PPT	Deadline for Bidders to submit Offer(s) (via Attachment 1).
August 18	PG&E announces the short-listed bidders.
August 14, 2006 through September 22, 2006	PG&E evaluates Offers consults with PRG and begins negotiation of definitive terms.
Prior to October 22, 2006	Deadline for Execution of Master and Confirmation Agreements.

Contact Information

All completed Offers should be submitted to:

Jeff Henderson
Principal – Structured Transactions
Pacific Gas and Electric Company
Mail Code N13C
P.O. Box 770000
San Francisco, CA 94177-0001
Phone: 415.972.5779
Fax: 415.973.0400
e-mail: j2h0@pge.com

All Offers must be received by PG&E, at this address, prior to the date and time specified in the table above. Bidders are to specify all relevant information necessary for PG&E to evaluate its Offer. PG&E will not be responsible for any unsuccessful transmittal via email.

Prospective Bidders may contact Mr. Henderson by email or phone with questions. PG&E reserves the sole and discretionary right to reject any Offer received in response to this RFO for any reason. Additionally, PG&E reserves the right, at its election, (a) to not to enter into any binding Confirmation Agreements at the culmination of the RFO, and (b) to accept or reject any Offers received after August 11, 2006. PG&E reserves the right to modify the RFO terms and conditions at any time based on changing need and market feedback. PG&E also reserves the right to rescind the RFO at any time prior to PG&E's execution of binding Confirmation Agreements. PG&E will not be liable for any costs the Bidder incurs in preparing or submitting its Offer(s).

Thank you for your consideration of this solicitation.

Attachment

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

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Ancillary Services Coalition
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 Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Commerce Energy
Constellation New Energy
CPUC
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright, Tremaine LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynergy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
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
Interstate Gas Services, Inc.
IUCG/Sunshine Design LLC
J. R. Wood, Inc
JTM, Inc
Luce, Forward, Hamilton & Scripps
Manatt, Phelps & Phillips
Marcus, David
Matthew V. Brady & Associates
Maynor, Donald H.
MBMC, Inc.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
Office of Energy Assessments
OnGrid Solar
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
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
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc
TFS Energy
Transcanada
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