

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 12, 2007

Advice Letter 3095-E

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Subject: Update to PG&E's Assembly Bill 57 Procurement Plan to
Authorize PG&E's Participation in the Long-Term Congestion
Revenue Rights Allocation Process that will Result in Transmission
Products with a Term of Ten Years

Dear Mr. Cherry:

Advice Letter 3095-E is effective October 18, 2007.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division

July 31, 2007

Advice 3095-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Update to PG&E's Assembly Bill 57 Procurement Plan to Authorize PG&E's Participation In The Long-Term Congestion Revenue Rights Allocation Process That Will Result In Transmission Products With A Term Of Ten Years

Purpose

By this advice letter, Pacific Gas and Electric Company ("PG&E") requests expedited approval of an update to its California Public Utilities Commission ("Commission") approved Assembly Bill ("AB") 57 Procurement Plan ("PP")¹ and its pending 2006 Long-Term Procurement Plan ("LTPP") to clarify that PG&E is authorized to participate in the California Independent System Operator Corporation's ("CAISO") Long-Term Congestion Revenue Rights ("LT-CRRs") allocation process that will result in LT-CRRs being allocated to PG&E for a 10-year term.

Background

As part of the CAISO's Market Redesign and Technology Upgrade ("MRTU"), the current transmission rights mechanism, known as Firm Transmission Rights ("FTRs"), will be replaced by CRRs. The CAISO's CRR process distinguishes LT-CRRs, which have a delivery term of ten years, from other CRRs, which have

¹ PG&E filed its 2004 Short-Term Procurement Plan ("2004 STPP") on May 15, 2003, and it was approved by the Commission in D.03-12-062. PG&E's 2004 STPP has been updated via the Commission-approved Advice Letter 2464-E (submitted January 20, 2004, to update certain tables in PG&E's 2004 STPP and provide a list identifying the brokerages and exchanges). In D.04-12-048, the Commission approved PG&E's 2004 Long-Term Procurement Plan. Subsequently, pursuant to D.04-12-048, PG&E filed an updated STPP via Advice Letter 2615-E, which was approved by the Commission and made effective January 28, 2005. The collective set of PG&E's 2004 STPP, including subsequent modifications and updates, and PG&E's 2004 LTPP constitute PG&E's current AB 57 Procurement Plan. PG&E's 2006 LTPP is currently pending in Rulemaking ("R.") 06-02-013.

delivery terms up to one year. The CAISO intends to allocate LT-CRRs to Load Serving Entities (“LSEs”) based upon their historical load and a demonstration of resources owned or under contract. The CAISO’s LT-CRR proposal and allocation process was recently approved by the Federal Energy Regulatory Commission (“FERC”) in a July 6, 2007 order.²

PG&E’s current PP authority includes a category for transmission products, which would include CRRs,³ and provides authority for PG&E to enter into transactions having a delivery term up to five years without Commission pre-approval. Thus, procurement of most CRRs is already permitted under the PP.⁴ However, the acquisition of LT-CRRs requires additional Commission authority because LT-CRRs have a ten-year term.

Under the CAISO’s process, PG&E can nominate LT-CRRs from its Tier 1 and 2 award of CRRs in the CAISO allocation process. Unfortunately, there is not enough time for PG&E to submit its nominations to the Commission for pre-approval, following PG&E’s receipt of Tier 1 and 2 awards and for the Commission to act on PG&E’s request. Under the CAISO’s current schedule Tier 1 and 2 are to be completed by September 12, 2007, and LSEs nominate LT-CRRs between September 21-25, 2007. The CAISO will then allocate the LT-CRRs among LSEs pursuant to its FERC-approved allocation methodology and will announce the results by October 2, 2007. Thus, PG&E needs pre-approved authority from the Commission to participate in the CAISO’s LT-CRR nomination and allocation process, which will result in LT-CRRs be allocated to PG&E for a term of ten years.

Update Request

Since LT-CRRs are a recent development and are allocated after a nomination process, rather than through a market, PG&E is filing this update request to modify its PP and its 2006 LTPP to specifically include participation in the CAISO’s LT-CRR allocation process as an authorized process for PG&E to participate in, which will result in LT-CRRs with a 10-year term, without the need for Commission pre-approval of specific LT-CRRs.⁵

² *California Independent System Operator*, 120 FERC ¶ 61,023 (2007).

³ D.04-12-048 at 115 (listing approved products for all three utilities).

⁴ PG&E reviewed its policy and analytical approach regarding the annual CRR allocation nominations with its Procurement Review Group (“PRG”) on May 30, 2007 and July 11, 2007. In addition, PG&E plans on reviewing its LT-CRR allocation nomination policy with the PRG on August 24, 2007.

⁵ PG&E identified CRRs and LT-CRRs as products related to MRTU and transmission products in its 2006 LTPP. See Volume 2, Section I at I-8 – I-14, filed March 5, 2007 in R.06-02-013.

PG&E is requesting an effective date for this advice filing of September 6, 2007, and thus is requesting that the Commission act expeditiously on this advice letter filing. PG&E's request for expedited review and approval is reasonable and appropriate since participation in the CAISO's process should be beneficial to customers.

Tier Designation

Pursuant to D.07-01-024, Rule 5.3, this advice letter is submitted with a Tier 3 designation.

Protests

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 **August 20, 2007**, with replies to protests due **August 27, 2007**. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

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

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
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 And Expedited Consideration

PG&E requests that this advice filing become effective on **September 6, 2007**. In accordance with Public Utilities Code § 311(g)(2), PG&E asks for the Commission to reduce the 30 day review period of the draft resolution in order to have this expeditiously approved by September 6, 2007 so that PG&E can have authorization to participate in the CAISO's LT-CRR nomination and allocation process.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for R.06-02-013. Address changes to the General Order 96-B service list should be directed to Rose de la Torre at (415) 973-4716. Send all electronic approval letters to: PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:

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



Vice President, Regulatory Relations

Attachments

cc: Service List R.06-02-013

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 M)**

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) #: **3095-E**

Tier: [3]

Subject of AL: Update to PG&E's Assembly Bill 57 Procurement Plan to Authorize PG&E's Participation In The Long-Term Congestion Revenue Rights Allocation Process That Will Result In Transmission Products With A Term Of Ten Years

Keywords (choose from CPUC listing): CRR's, MRTU

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: No

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

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: **09/06/2007**

No. of tariff sheets: N/A

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

Protests, dispositions, 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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave., San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

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