

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 25, 2008

Advice Letter 3144-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: Procurement Transactions Quarterly Compliance Filing (Q3 2007)

Dear Mr. Cherry:

Advice Letter 3144-E is effective August 1, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Lewis".

Kenneth Lewis, Acting Director  
Energy Division



October 30, 2007

**Advice 3144-E  
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

**Subject: Procurement Transaction Quarterly Compliance Filing (Q3, 2007)**

Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utilities Commission (Commission or CPUC) its compliance filing for the third quarter of 2007, in accordance with Decision (D.) 02-10-062, Ordering Paragraph (O.P.) 8, and clarified in D.03-06-076 and D.03-12-062. Decision 03-12-062, O.P. 19, requires that the Quarterly Procurement Plan Compliance Reports be submitted within 30 days of the end of the quarter.

**Background**

In D. 02-10-062, appendix B, *Adopted Master Data Request for Monthly Advice Letters*, outlines the required information for each utility's transaction reporting advice letter. The Energy Division clarified that the compliance items delineated in Appendix B of D.02-10-062 are for the Quarterly Report. The quarterly cycle for Appendix B was formalized in D.03-06-076, Order Modifying Decisions 02-10-062 and 02-12-074 and Denying Rehearing.<sup>1</sup> Subsequently, D. 03-12-062, O.P. 19, granted PG&E and SCE's joint petition to extend the due date of the quarterly filing from within 15 days to within 30 days of the end of the quarter.

In addition, a histogram (graph) of energy purchases and sales during the third quarter of 2007 is also provided in Confidential Appendix G.

**Compliance Items**

A Confidential Attachment (the narrative) with supporting Appendices is being submitted to the Energy Division as follows:

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<sup>1</sup> Ordering Paragraph 8 of the Decision modified the title of Appendix B from D.02-10-062 to read: "Adopted Master Data Request for Quarterly Advice Letters." Also, in the first sentence of Appendix B, the word "month's" was deleted and replaced with "quarter's."

**Confidential Attachment and Related Appendices**

The Confidential Attachment to this filing contains responses to the information requested in Appendix B of D.02-10-062, as clarified by D.03-06-076 and of D.02-12-074, O.P. 10.

The supporting Confidential Appendices are:

- Appendix A – Briefing Package to Decision Makers
- Appendix B - Procurement Review Group - Meeting Minutes, Presentations
- Appendix C – PG&E's Quarterly Transactions by Type and Quantity
- Appendix D – PG&E's Monthly Transactions by Type and Quantity
- Appendix E – PG&E's Monthly ISO Purchase and Sales Transactions for May, June, and July 2007
- Appendix F – Monthly Reports of Projected Need
- Appendix G – Histogram

**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 **November 19, 2007**, which is 20 days after 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:

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](mailto:ijnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto: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 to (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**

In compliance with D.02-10-062, the effective date of this advice letter is **October 30, 2007**.

### **Notice**

In accordance with General Order 96-B, Section IV, 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 Rulemaking (R.)01-10-024 and R.04-04-003. 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 approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:

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



Vice President - Regulatory Relations

cc: Service List - R.01-10-024, R.04-04-003  
PG&E's Procurement Review Group

Attachments

Confidential Attachment and Related Confidential Appendices A through G

# 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) #: **3144-E**

**Tier: [2]**

Subject of AL: Procurement Transaction Quarterly Compliance Filing (Q3, 2007)

Keywords (choose from CPUC listing): Procurement Compliance

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.02-10-026, D.02-12-074, D.03-06-076

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: Yes. See page 2 of advice letter for the complete list of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: All members of PG&E's Procurement Review Group who have signed nondisclosure agreements will receive the confidential information.

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Sharon Tatai. (415)-973-2788.

Resolution Required?  Yes  No

Requested effective date: **10/30/2007**

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 proposed<sup>1</sup>: 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**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**DECLARATION OF SHARON K. TATAI IN SUPPORT OF SPECIFIC  
ATTACHMENTS IN ADVICE 3144-E**

I, Sharon K. Tatai, declare:

1. I am a senior energy compliance and reporting analyst of the Electric Contracts Management and Settlements Department within the Energy Procurement Department at Pacific Gas and Electric Company (PG&E). I am responsible for the coordination of the quarterly procurement transaction compliance report and related data. In carrying out these responsibilities, I have acquired knowledge of the transactions identified, in PG&E's electric portfolio, which are the subject of this advice letter. I have reviewed PG&E's advice filing and was responsible for supervision of the preparation of narrative and related attachments. I am familiar with the information included in this response, and would testify to the facts and representations in this declaration under oath based on personal knowledge, experience, information, and belief.

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 in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for certain information in a specific attachment in Advice Letter -E, submitted on October 30, 2007.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix 1 (the "IOU Matrix") of Decision 06-06-066. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the

limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on October 30, 2007, at San Francisco, California.

/s/

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Sharon K. Tatai

**PACIFIC GAS AND ELECTRIC COMPANY**

Document: Advice 3144-E

**IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066**

Date: October 30, 2007

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
1	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y		N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
2	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y		N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
3	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
4	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
5	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
6	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
7	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
8	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
9	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
10	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years

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11	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
12	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
13	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
14	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
15	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
16	Y	Page 22, Item XIII, Energy Division Monthly Data Request	Y	N	N	Identification of amounts that contribute to the Monthly Energy Division Report	3 years
17	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies.	3 yrs

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18	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies.	3 yrs
19	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies.	3 yrs
20	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies.	3 yrs
21	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies.	3 yrs
22	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies.	3 yrs
23	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies.	3 yrs

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24	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
25	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
26	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
27	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
28	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
29	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
30	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs

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31	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
32	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
33	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
34	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
35	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
36	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs

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37	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
38	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategy	3 yrs
39	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
40	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
41	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
42	Y	Page 2, Item I.A.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs

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43	Y	Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans; Page 3, Item II.B.2 Utility recorded gas procurement and cost information	Y	N	N	Identification of hedging strategies, price, volume	3 yrs
44	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
45	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
46	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
47	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
48	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs

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49	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
50	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
51	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
52	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
53	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
54	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs

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55	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
56	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
57	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
58	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
59	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
60	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs

PACIFIC GAS AND ELECTRIC COMPANY

Document: Advice 3144-E

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

Date: October 30, 2007

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
61	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
62	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
63	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
64	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs
65	Y	Page 13, Item VI, Open Net Position; Electric; Page 2, Item IA.4 - Long-term fuel (gas) buying and hedging plans	Y	N	N	Reveals PG&E's position in the energy procurement market. Identification of strategies-leading to transactions that close our net open position.	3 yrs

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66 Confidential Attachment A	Y	Page 15, Section VII - Bilateral Contract Terms and Conditions - Electric, Section B - Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS) and Public Utilities Code 583 and General Order 66-583 and General Order 66-583 C	Y	N	N	Presentations specifically relate to bilateral agreement of settlement reached between PG&E and counterparty	3 yrs
67 Confidential Attachment B	Y	Page 15, Section VII - Bilateral Contract Terms and Conditions - Electric, Section B - Contracts and power purchase agreements between utilities and non-affiliated third parties (except RPS) and Public Utilities Code 583 and General Order 66-583 and General Order 66-583 C	Y	N	N	Presentations specifically relate to bilateral agreement of settlement reached between PG&E and counterparty	3 yrs
68 Confidential Attachment C	Y	Page 13, Item VI.A - Utility Bundled Net Open for Energy (MWh); Page 22, Item XIII - Energy Division Monthly Data Request (AB 57)	Y	N	N	A derivative of the Energy Division Monthly Data Request. The data provided identifies purchases and sales, and thus reveals PG&E's position in the market.	3 yrs
69 Confidential Attachment D	Y	Page 13, Item VI.A - Utility Bundled Net Open for Energy (MWh); Page 22, Item XIII - Energy Division Monthly Data Request (AB 57)	Y	N	N	Identification of purchases and sales, by market with corresponding dollars and thus reveals PG&E's position in the market.	3 yrs
70 Confidential Attachment E	Y	Page 22, Item XI - Monthly Procurement Costs (Energy Resource Recovery Account (ERRA) filings)	Y	N	N	Identification of purchases and sales, by market with corresponding dollars and thus reveals PG&E's position in the market.	3 yrs

PACIFIC GAS AND ELECTRIC COMPANY

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	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data correspond to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
71	Y	Page 13, Item VI.A - Utility Bundled Net Open for Energy (MWh)	Y	N	N	Provides information on calculated net open amounts by month and identifies PG&E strategic direction. Revelation could increase costs for purchases; decrease revenue for sales, and thus detrimental to the ratepayers.	3 yrs
72	Y	Page 13, Item VI.A - Utility Bundled Net Open for Energy (MWh); Page 22, Item XIII - Energy Division Monthly Data Request (AB 57)	Y	N	N	A derivative of the Energy Division Monthly Data Request. The data provided identifies purchases and sales, and thus reveals PG&E's position in the market.	3 yrs

**PACIFIC GAS AND ELECTRIC COMPANY**  
**Procurement Transaction Quarterly Compliance Report**  
**3rd Quarter—2007**  
**October 30, 2007**

**Introduction**

As required by Ordering Paragraph 8 of Decision 02-10-062, and clarified in Decisions 03-06-076, 03-12-062, 04-07-028 and 04-12-048, Pacific Gas and Electric Company (PG&E) hereby submits its Procurement Transaction Quarterly Compliance Report for record period July through September 2007 (Q3-2007).

During Q3-2007, PG&E engaged in competitive solicitations, bilateral contracting and market transactions conducted through brokers, electronic platforms and directly with counterparties to manage its net open (long or short) positions during the quarter and for portions of its future energy and capacity requirements. This report includes energy delivery and price data for transactions executed within Q3-2007.

PG&E's energy transactions in the California Independent System Operator (CAISO) markets are not finalized until after the CAISO settlement period, which occurs approximately 75 days after the close of an operating month. This report includes final quantities of energy in megawatt-hours (MWh) that PG&E procured in the CAISO markets for the months of May, June and July 2007, which are included in Confidential Appendix E. The quarterly report for the Q4-2007 will include final CAISO procurement for the months of August, September and October 2007.

**Data Request Items**

Decision 02-10-062, Appendix B, as clarified by Decision 03-06-076, sets forth specific elements to be addressed in this quarterly report. Each element is identified below, along with PG&E's response.

**1. Identification of the ultimate decision maker(s) up to the Board level, approving transactions.**

Electric and gas procurement activities conducted during Q3-2007 included the execution of agreements as a result of the 2005 Renewable Portfolio Standard (RPS); 2006 RPS; CAISO's Market Redesign Technical Update (MRTU) Congestion Revenue Rights (CRR) Tier One Auction; fuel supply for utility-retained generation and contracted resources; gas hedging for both our utility-owned facilities and other contracted facilities; and forward, spot-market, and CAISO real-time transactions. Each of these activities is described in Section 3b. All procurement activity was approved and executed either by or under the direction of Fong Wan (Vice President, Energy Procurement) or Roy Kuga (Vice President, Energy Supply).

**2. The briefing package provided to the ultimate decision maker.**

For Q3-2007, the specific transactions requiring presentation to and approval from PG&E's Utility Risk Management Committee (URMC) and Risk Policy Committee (RPC) are included in Confidential Appendix A.

**3. Description of and justification for the procurement processes used to select the transactions (e.g., Request for Offers, electronic trading exchanges, CAISO spot markets).**

To meet electric energy resource requirements during Q3-2007, PG&E engaged in a variety of procurement activities allowed under Decisions 03-12-062, 04-01-050 and 04-12-048.

PG&E executed broker, voice and electronic exchange transactions, as well as procurement in CAISO markets, as discussed in Section 3b.

PG&E procured fuel for its remaining utility-retained generation (URG) fossil fuel electric generation facility at Humboldt Bay. PG&E also supplied fuel for its contracted resources through the Mirant Second Wraparound Agreement and the Duke Morro Bay Energy Tolling Agreement. Financial hedging transactions were completed to reduce risk associated with the open gas position. Transaction information is discussed further in Section 4.

The pertinent presentations made by PG&E to its Procurement Review Group (PRG), and meeting notes of PRG meetings conducted in Q3-2007 that specifically relate to transactions executed in the quarter, are in Confidential Appendix B.

**3a. For competitive solicitations, describe the process used to rank offers and select winning bids.**

**Electric Procurement**

PG&E did not issue or execute any agreements under a Request for Offer (RFO).

**3b. For other transactional methods, provide documentation supporting the selection of the chosen products.**

**Electric Procurement**

*Congestion Revenue Rights Allocation Participation*

During 3Q-2007, PG&E participated in the CAISO's CRR Tier 1 Allocation for CRRs covering the period from April 1, 2008 to December 31, 2008.

In the MRTU arena (slated to debut on April 1, 2008), PG&E will be exposed to congestion charges for *all* its generation and load sources. The CAISO Tier 1 Allocation allows PG&E to obtain CRRs, at no cost, to hedge the volatility of these congestion charges. In general, a CRR for 1 megawatt (MW) per month during the peak period is a financial obligation that is settled, for every hour of the peak period during the month, based on the day-ahead congestion cost between a sink and a source location. CRRs can result in payments from the CAISO in the case where the congestion is in the direction of the source to the sink, or can result in payments *to* the CAISO in the case where the congestion is in the opposite direction. Therefore the revenues from CRRs directly offset congestion charges—and conversely, the expenses from CRRs offset congestion credits—that arise from scheduling power from PG&E's generation sources to its load, making CRRs an effective hedge against day-ahead congestion.

In the Tier 1 Allocation, CRRs for 2008 were available with quarterly tenor, beginning with the second quarter, separately for the peak and off-peak periods. The sink location for CRRs in the allocation was limited to the PG&E Load Aggregation Point, which is an aggregated

location calculated as the historical load-weighted average of all sinks in PG&E's service territory. PG&E's analysis determined that it should participate in the Allocation. PG&E requested CRRs for a variety of sources to lower the overall portfolio congestion risk. PG&E was awarded the following amounts in the allocation.

**TABLE 1  
PACIFIC GAS AND ELECTRIC COMPANY  
CAISO CONGESTION REVENUE RIGHTS AUCTION RESULTS – TIER 1 (IN MW)**

Region	Off-Peak			On-Peak		
	2Q-2008	3Q-2008	4Q-2008	2Q-2008	3Q-2008	4Q-2008
California/Oregon Border	79	281	2	279	446	307
Sierra Area Resources	454	466	301	636	430	101
Humboldt Area Resources	8	4	4	0	29	15
North Bay Area Resources	84	112	46	18	37	118
Bay Area Resources	275	663	190	74	445	336
Diablo Canyon	1,678	1,678	1,656	1,451	1,497	1,665
Other Thermal Resources	17	199	15	448	975	22

*Other Bilateral Agreements Filed – For Informational Purposes*

PG&E pursued and executed agreements in the RPS RFO 2005, RPS RFO 2006, non-RFO related RPS agreements, and amended a power purchase Qualifying Facilities (QF) Standard Offer (SO) 1 agreement. The RPS-related agreements were submitted to the Energy Division under a separate advice letter. At the end of 2007, the QF agreement will be likewise submitted under a separate advice letter. All of these agreements are identified in Table 2 below for information purposes only.

**TABLE 2  
PACIFIC GAS AND ELECTRIC COMPANY  
RENEWABLES**

Advice Letter/Filing Date	Agreement	MW
Advice 2996-E-A (July 12, 2007)	Microgy	Formula Calculation
Advice 3090-E and Advice 3090-E-A (July 20, 2007, August 10, 2007)	Klondike	85
Advice 3092-E (July 25, 2007)	Solel	553
Advice 3107-E (August 20, 2007)	Tres Vaquos	28

**TABLE 3  
PACIFIC GAS AND ELECTRIC COMPANY  
QUALIFYING FACILITIES**

Agreement	Log Number	MW
Monterey County Water Resource	18H034	3.75

*Broker, Voice and Electronic Exchange Transactions*

For electric energy, in addition to competitive procurement and bilateral contracting during the Q3-2007, PG&E engaged in competitive voice and electronic broker market transactions in order to manage its net open position, and traded directly with counterparties via telephone (in accordance with terms of Master Agreements). These transactions were conducted to manage PG&E’s net physical open position and to participate in economic transactions designed to reduce ratepayers’ exposure to market volatility. Pursuant to Decision 04-12-048, transactions include forward transactions with delivery starting within the next quarter and up to one quarter in duration, monthly, balance of month (BOM), day-ahead and hour-ahead transactions. These transactions are included in Table 4.

In Q3-2007, PG&E continued the use of voice and broker market for non-standard products, such as trading in day-ahead markets for individual hours, blocks or strips of hours, on specific days of the week. Where possible, PG&E continues to expand its trading in these markets to promote competitive markets for products that better fit its load-serving obligations and, to the extent practicable, procure only the energy required rather than standard products.

As part of its effort to reduce the forward net open position in order to limit spot market energy transactions, PG&E entered into a series of term and BOM energy purchases and sales during Q3-2007. Table 4 below shows a summary of the strategies that PG&E completed in each month. The aggregate energy volumes are included in Table 5.

**TABLE 4  
PACIFIC GAS AND ELECTRIC COMPANY  
Q3-2007 TERM AND BALANCE OF MONTH AND ENERGY PURCHASES AND (SALES)**

Transaction Month	Delivery Month			
	August	September	October	
July				1
				2
August				3-5
				6
				7
September				8-9
				10

**Electric Procurement Planning**

Near-Term Planning and Procurement

As prescribed by Decision 03-12-062, PG&E’s near-term planning process is designed to reduce the net open position prior to the operating month to within 5 percent of expected requirements. PG&E develops a near-term analysis of its resource position (intra-month through several months forward) using an optimization model, which solves for lowest cost by optimizing a mix of resources to meet requirements, including dispatchable California Department of Water Resources (CDWR) contracts, URG resources (for simplicity, Power Purchase Agreements with dispatchability are included in this category (e.g., Crockett)), Tolling Arrangements with “Merchant Plants” (e.g., Dynegy and Mirant), and market purchases, while accounting for all resource requirements and constraints (must-run, must-take and operating constraints).

Term and BOM purchases and sales are transacted to close the net open position and to reduce PG&E’s reliance on the spot market. PG&E also conducts locational basis spread transactions to manage its position in different zones. After identifying transactions required to meet the must-run, must-take and operating constraints, PG&E considers “economic”

transactions that involve decisions regarding dispatchable units and market purchases/sales. The decision to engage in “economic” transactions is more complex and depends on several quantitative and subjective factors. “Economic” transactions are conducted using information and data regarding system conditions, market prices and options available at the time of the decision. While potentially, attractive, “economic” transactions that reduce ratepayer volatility inherently include risks that must be considered, such as: (a) sharp swings in electric prices; (b) changes in production costs due to market dynamics; or (c) system changes, which may result in these transactions becoming more, or less, valuable, during the operating period or possible losses on hedge transactions. Additionally, changes in load or expected generation may result in having to buy (or sell) energy in the day-ahead or real-time markets at a cost greater than the revenue earned (or a price less than paid) in the forward transaction. Factors that go into the decision to engage in these transactions include (but are not limited to) the forecasted level of short/long energy during the forecasted period, sensitivity to changes in market price, reserve margins and demand volatility.

#### Day-Ahead Planning and Procurement

In day-ahead planning, PG&E strives to balance projected energy requirements with available resources and provide hour-ahead traders and real-time operators with appropriate resources in order to respond to changes that may occur in system requirements subsequent to day-ahead trading. On a daily basis, PG&E conducts a least-cost analysis to determine unit dispatch and market transactions to meet energy and ancillary services requirements. This process integrates all regulatory, environmental, safety and legal requirements.

During Q4-2005, a new requirement was included in PG&E’s least cost dispatch process. The CAISO gained Federal Energy Regulatory Commission (FERC) approval on September 2005, to amend its operating tariffs (i.e., “Amendment No. 72”). This Amendment requires scheduling coordinators to schedule at least 95 percent of its load in the day-ahead time frame. On February 23, 2007, CAISO filed a further amendment to Amendment No. 72 to relax the existing minimum load-scheduling requirement during off-peak hours from 95 to 75 percent

of each Scheduling Coordinator's demand forecast and to establish specific exemptions to account for small or infrequent scheduling deviations. FERC accepted CAISO's filing, effective April 26, 2007.

PG&E's day-ahead planning and procurement incorporates weather-adjusted load forecasts, resource availability, dispatch costs and current electric market prices. The results of this analysis will determine the supply mix of CDWR contracts allocated to PG&E, PG&E-owned or controlled thermal and hydro generation, QFs and existing bilateral contracts, and market purchases. In determining its trading strategy, PG&E will dispatch resources whose variable costs are below market price, purchase the remainder of energy at market price or, alternatively, sell excess energy in the market.

While PG&E strives to go into the hour-ahead trading market and real-time operations with schedules as close to balanced as practicable, PG&E must also anticipate and plan for potential schedule changes. Between the day-ahead and hour-ahead market timeframes, changes in system conditions such as weather, transmission and resource availability are inevitable. Further, resources are "lumpy" when compared to load; hence, it is not always possible to perfectly balance schedules in every hour, which often results in excess energy during some hours while leaving PG&E short during other hours. To address these concerns, PG&E has contracted for resources that provide intra-day flexibility that will help to match changes in electric demand—such as sudden weather variations and other occurrences—that cause loads and resources to vary from day-ahead forecasts. These contracts contribute to system reliability as well as reduce incremental, decremental and other costs associated with the changes between day-ahead and hour-ahead forecasted conditions, and thereby reduces costs overall to consumers. The specific agreements have been addressed in PG&E's Q2-2005 Quarterly Procurement Compliance advice letter (Advice 2693-E).

In addition, PG&E's daily procurement process incorporates opportunities available in the day-ahead market as well as its must-run and must-take resource requirements by purchasing or selling energy for individual hours or small blocks of hours.

PG&E actively participates in the daily energy market using a combination of brokered transactions, exchange-based transactions and direct transactions with counterparties. Day-ahead trading generally occurs between 6 a.m. and 7 a.m. on the day prior to the operating day. The day-ahead market continues to evolve in terms of participants, products and characteristics. In addition to “standard” on-peak and off-peak “packages” of multiples of 25-MW blocks of energy with specified delivery points, the day-ahead market has become more liquid in the trading of non-standard products, with individual-hourly transactions as well as custom packages of hours.

#### Hour-Ahead Planning and Procurement

“Hour-ahead” planning and procurement is somewhat of a misnomer since it effectively begins at the conclusion of day-ahead trading. As day-ahead analysis and trading occurs early in the morning prior to the operating day, there can be substantial changes to operating day requirements. Additionally, PG&E prepares weather-adjusted load forecasts throughout the day in order to determine if changes in generation or system operation are required. Further, unit outages and transmission outages and constraints may also affect resource requirements prior to real-time. In order to balance its portfolio during this time frame, PG&E’s hour-ahead staff has several resources at its disposal. Generation, including hydro, the Helms units, certain QF generators, and certain CDWR contracts, may be adjusted at unique dispatch prices. Hour-ahead personnel will then optimize the portfolio, and based on operating requirements and market opportunity costs will decide if available generating resources should be adjusted to minimize system costs, and whether market transactions are required or beneficial.

The hourly market, while active, is far less transparent and dynamic than that of the day-ahead market. As there are few brokers operating in this market and limited electronic exchange opportunities, the bulk of transactions are bilateral in nature. PG&E constantly participates in the hour-ahead market to optimize its generation and market transactions to reduce costs.

### CAISO Real-Time Markets

There is limited opportunity for planning and analysis in anticipation for real-time operation. PG&E strives to match requirements and resources in its CAISO hour-ahead schedules, and submits supplemental energy bids, as well as ancillary service schedules and bids. Once hour-ahead schedules, supplemental bids and resource adjustment bids are provided to the CAISO, the CAISO integrates the PG&E portfolio with the remainder of the CAISO grid.

The real-time “market” is unlike the bilateral and exchange markets, as real-time market participants have limited discretion to transact. Further, a market participant’s energy purchases and sales in the real-time market may not represent imbalances in a utility’s submitted portfolio. While PG&E and other market participants submit real-time supplemental energy bids to the CAISO, the CAISO optimizes resources to meet system requirements, which may or may not be a result of any individual participant’s activities. For instance, the CAISO may determine certain unscheduled reliability must-run units are required to ensure system reliability and dispatch these units accordingly. To accommodate the over-generation resulting from the dispatch of these units, CAISO will send decremental energy instructions in rank-bid order to certain generating resources to reduce output.

### Locational Spreads

During Q3-2007, PG&E engaged in day-ahead locational spread transactions, authorized by the California Public Utilities Commission (CPUC or Commission) in Decision 04-12-048 and included in PG&E’s 2005 procurement plan, in order to manage its position, reduce risk of congestion pricing, and maximize the value of its purchased firm transmission rights assets. Energy volumes and average prices associated with these spread transactions are listed on quarterly and monthly transaction summaries, respectively, included as Confidential Appendices C and D.

**4. Explanation/justification for the timing of the transactions (i.e., product term and rate of procurement).**

**Electric Transactions**

Table 5 represents PG&E’s executed forward and spot transactions, along with energy volumes, by tenor. Transaction information for energy that was delivered and received within each month, regardless of transaction execution date, has previously been provided to the Energy Division in PG&E’s monthly data request submittals.

**TABLE 5  
PACIFIC GAS AND ELECTRIC COMPANY  
Q3-2007 FORWARD ELECTRIC TRANSACTIONS  
(VOLUME IN GIGAWATT HOURS (GWh))**

	<u>Term</u>	<u>BOM</u>	<u>Day-Ahead</u>	<u>Hour-Ahead</u>	<u>Day-Ahead Options</u>	<u>Other (Non-Standard)</u>	<u>Total</u>	
<u>Purchases and Sales</u>								
Transactions Volumes	■	■	■	■	■	■	■	11
								12
<u>Total Purchases</u>								
Transactions Volumes	■	■	■	■	■	■	■	13
								14
<u>Total Sales</u>								
Transactions Volumes	■	■	■	■	■	■	■	15
								16

In addition to forward market participation, PG&E was a participant in the CAISO real-time “imbalance” and “supplemental” energy markets, purchasing and selling energy. As discussed above, transactions in the real-time market may be unrelated to PG&E’s position, as the CAISO purchases and sells energy in order to balance the control area grid without distinguishing an individual participant’s portfolio position.

Confidential Appendices C and D detail PG&E’s quarterly and related monthly energy transactions delivered and received during the quarter (by type, cost and quantity).<sup>1</sup> Confidential

<sup>1</sup> The attached transaction reports reflect delivered energy from transactions during the period, including transactions executed in prior periods with deliveries in the current period. Energy quantities will differ between executed transaction energy and delivered energy for any given period.

Appendix E details PG&E's monthly CAISO purchase and sales transactions for May, June and July 2007.<sup>2</sup>

### **Electric Fuels Section – Gas Transactions for Utility-Owned and Contracted Generation**

#### *Natural Gas Supply*

During Q3-2007, PG&E continued to supply gas for its utility-owned generation plant and for several tolling agreements. PG&E-owned generation includes just Humboldt Bay Power Plant. PG&E tolling arrangements include an agreement with Dynegy (formerly LS Power) for Morro Bay and Moss Landing Power Plants and an agreement with Mirant for Contra Costa and Pittsburg Power Plants. PG&E also began using natural gas storage capacity, which was contracted for in the first quarter of 2007, in addition to natural gas [REDACTED] and interstate pipeline capacity, which were contracted for in the second quarter. PG&E purchases gas for these obligations as a single portfolio.

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On February 15, 2007, PG&E presented its summer gas purchasing plan to the PRG. This plan outlined PG&E's strategy to purchase a variety of gas supply, storage and transportation products to meet its expected gas demand during the summer months. The plan included the addition of two new products to PG&E's electric portfolio: interstate gas pipeline capacity and natural gas [REDACTED] [REDACTED]. Interstate pipeline capacity was added to the portfolio to diversify PG&E's physical gas purchases away from California trading points and the [REDACTED] were added to reduce the impact of sudden increases in gas demand on PG&E Citygate market prices.

18-19

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Table 6 summarizes the daily and term gas purchases PG&E transacted during the Q3-2007 for the portfolio. For reporting purposes, gas deliveries during the quarter are allocated between PG&E-owned generation, tolling arrangements and gas storage based on the volumes delivered to each facility. Local transportation costs are based on actual deliveries in the calendar month gas was delivered. Table 6 includes all gas purchased in Q3-2007 regardless of

<sup>2</sup> Effective October 1, 2004, the CAISO implemented its Phase 1B market changes. The impact on this appendix is the inclusion of an additional charge type that provides for real time purchases and sales related to Generation Meter Multipliers.

term, whereas Table 9 includes gas delivered in the third quarter regardless of when it was purchased.

As discussed above, PG&E also purchased a [REDACTED] or the third quarter.

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22

[REDACTED]. Table 7 provides the details of PG&E's use of this product during Q3-2007.

On April 10, 2007, PG&E issued an RFO for the third quarter (July 1 through September 30) pipeline capacity. This RFO sought 50,000 Million British Thermal Unit (MMBtu) per day of firm capacity on any of the five interstate pipeline systems delivering gas to PG&E. PG&E also solicited accompanying intrastate capacity rights. PG&E issued the RFO to 40 counterparties and firm capacity holders. On April 23, PG&E received offers from four counterparties. Using current forward prices, Transwestern and TransCanada capacity offered by Sempra Energy Trading represented the lowest delivered cost of gas at the PG&E Citygate. PG&E used this capacity to deliver gas for the portfolio daily throughout Q3-2007. The total usage and cost of this capacity is summarized in Table 8.

PG&E also acquired matching firm intrastate capacity on PG&E's California Gas Transmission (CGT) system. The Transwestern capacity was matched with seasonal firm Baja capacity at the tariff straight fixed variable rate. PG&E acquired matching Redwood capacity at a discounted rate by participating in [REDACTED] capacity release auction for Q3-2007. Table 8 provides the total cost of this capacity for Q3-2007.

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Table 9 details the disposition of the gas from the supply portfolio to PG&E's generating facility, tolling agreements and gas storage. The totals in this table do not match those in Table 6 because Table 6 includes gas purchases whereas Table 9 includes gas deliveries.

**TABLE 6  
PACIFIC GAS AND ELECTRIC COMPANY  
SUMMARY OF Q3-2007 PORTFOLIO GAS SUPPLY PURCHASES**

<u>Term</u>	<u>Purchase Location</u>	<u>Volume (Million MMBtu)</u>	<u>Total Cost (Million \$)</u>	<u>Unit Cost (\$/MMBtu)</u>	
██████████	██████████	██████████	██████████	██████████	24
██████████	██████████	██████████	██████████	██████████	25
██████████		██████████	██████████		26
Note: Spot gas listed is net of sales. ██████████					27

**TABLE 7  
PACIFIC GAS AND ELECTRIC COMPANY  
SUMMARY OF Q3-2007 GAS ██████████ EXERCISES**

<u>Product</u>	<u>Number of Days Exercised</u>	<u>Purchase Location</u>	<u>Total Volume</u>	<u>Total Cost</u>	
██████████	██████████	██████████	██████████	██████████	28

**TABLE 8  
PACIFIC GAS AND ELECTRIC COMPANY  
SUMMARY OF Q3-2007 INTERSTATE PIPELINE CAPACITY PURCHASES**

<u>Pipeline</u>	<u>Term</u>	<u>Receipt Point</u>	<u>Delivery Point</u>	<u>Total Volume (MMBtu)</u>	<u>Total Cost (\$)</u>	
TransCanada (Nova, BC and GTN)	July 1 to Sep. 30, 2007	Alberta, Canada	Malin	27,000	\$573,832.40	
Transwestern	July 1 to Sep. 30, 2007	San Juan Basin	Topock	23,000	559,001.92	
PG&E CGT	July 1 to Sep. 30, 2007	Malin and Topock	PG&E Citygate	50,000	██████████	29
Total				100,000	██████████	30

**TABLE 9  
PACIFIC GAS AND ELECTRIC COMPANY  
SUMMARY OF Q3-2007 GAS DELIVERIES BY FACILITY OR TOLLING AGREEMENT**

PG&E Facility or Tolling Agreement	Volume (MMBtu)	Commodity Cost (\$/millions)	Transportation Cost (\$/millions)	Total Unit Cost (\$/MMBtu)	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	31
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	32
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	33
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	34
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	35
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	36
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	37

Note: Commodity costs are included in other tables.

*Financial Gas Hedging*

On January 31, 2006, PG&E filed an updated Electric Portfolio Gas Hedging Plan (GHP) Update 2006-1 with the Commission. The plan provided minor modifications to the framework that PG&E uses to manage the price risk associated with the gas open position in its electric portfolio. The updated plan augments and is consistent with PG&E’s then current Commission-approved electric procurement plans and Gas Supply Plans for CDWR Tolling Agreements. GHP Update 2006-1 was approved by the CPUC’s Energy Division on April 4, 2006, with an effective date of March 17, 2006. In December 2006, PG&E reviewed the gas hedging strategy in GHP Update 2006-1 and determined that it was still an appropriate gas hedging strategy to implement in 2007. Thus, on December 14, 2006, PG&E presented to its PRG this strategy to “roll” the gas hedging strategy in GHP Update 2006-1 into 2007 for implementation beginning January GHP Update 2007-1.

PG&E began implementation of GHP Update 2007-1 in January and continued implementation through the end of the third quarter. Pursuant to the plan, PG&E will complete implementation of GHP 2007-1 by [REDACTED].

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The hedge transactions that PG&E executed in the third quarter of 2007 under GHP 2007-1 are summarized in Table 10.

**TABLE 10  
PACIFIC GAS AND ELECTRIC COMPANY  
SUMMARY OF PG&E ELECTRIC PORTFOLIO GAS HEDGES FOR PLAN 2007-1**

Product	Location	Product Term (Month/Year)	Option Premium (\$/MMBtu)	Price or Strike Price (\$/MMBtu)	Notional Volume (MMBtu)	Notional Value (\$/millions)	
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	39
							40
							41
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	42
[REDACTED]			[REDACTED]	N/A	[REDACTED]	[REDACTED]	43

**5. Discussion of the system load requirements/conditions underlying the need for the month's transactions.**

Due to dry conditions in California, PG&E was unable to fill all storage reservoirs prior to entering Q3-2007. Dry conditions continued throughout the quarter with only 2.9 inches of precipitation (93 percent of normal) for the entire quarter.

With lower than normal reservoir storage entering Q3, PG&E's conventional total hydroelectric generation was lower than normal. Conventional hydroelectric resources were used to meet narrow peak daily loads and to provide ancillary service reserves.

Helms Pumped Storage Project was used to meet peak daily loads and provide ancillary service reserves. Helms pumped throughout the quarter as system conditions and economics allowed. Pumping was limited by transmission work and unit maintenance. Annual maintenance was performed on Helms Units 1, 2 and 3 in late September.

Significant planned maintenance on conventional hydro in the quarter included work on Chicago Park (42.5 MW), Colgate #1 (175 MW), Cresta #1 (35 MW), Middle Fork Units 1 and 2 (68 MW each), Pit 1 Units 1 and 2 (31.5 MW each), Pit 5 Units 2 and 4 (40 MW each), and Salt Springs Unit 2 (34 MW).

Significant forced outages on conventional hydro during the quarter, and the cause of the outage included: Balch 1 Unit 1 (34 MW) – deflector, Butt Valley (40 MW) – pressure relief

valve, Drum Unit 5 (49.5 MW) – transformer bushing, Helms 1 (404 MW) – governor, and Pit 5 Unit 4 (40 MW) – turbine bearing.

The conventional steam units at Humboldt (Unit 1, 52 MW and Unit 2, 53 MW) were 99.1 percent available with only minor maintenance issues.

Diablo Canyon #2 was 100 percent available during Q3. Diablo Canyon #1 was out forced out of service for four days due to a turbine main stop valve trouble.

During July 2007, PG&E was a [REDACTED] in the off-peak and on-peak hours in the day-ahead market. PG&E was a [REDACTED] in the off-peak and in the on-peak hour-ahead market. Market prices for day-ahead on-peak North of Path 15 (NP-15) delivery ranged from approximately \$ [REDACTED]/MWh to \$ [REDACTED]/MWh. Day-ahead off-peak electric prices in NP-15 ranged from approximately \$ [REDACTED]/MWh to \$ [REDACTED]/MWh. Daily gas prices during the month at PG&E Citygate traded in a range between \$ [REDACTED]/MMBtu and \$ [REDACTED]/MMBtu. Loads came up rapidly as a fairly strong summer heat wave occurred in early July. On July 5, when day-ahead heavy load market prices rose to \$296/MWh, the CAISO load was 44,672 MW. Peak temperatures that day averaged 104 degrees, which is based on an average of six cities (specifically San Jose, Redding, Sacramento, Stockton, Fresno and Bakersfield).

During August 2007, PG&E was a [REDACTED] in the on-peak and off-peak hours in the day-ahead market and in the on-peak hours in the hour-ahead market. Market prices for day-ahead on-peak NP-15 delivery ranged from approximately \$ [REDACTED]/MWh to \$ [REDACTED]/MWh. Day-ahead off-peak electric prices in NP-15 ranged from approximately \$ [REDACTED]/MWh to \$ [REDACTED]/MWh. Daily gas prices during the month at PG&E Citygate traded in the range between \$ [REDACTED]/MMBtu and \$ [REDACTED]/MMBtu. On August 29, the CAISO called a Stage 1 alert, given the high temperatures over consecutive days in California. As a result, PG&E did call on its Demand Response Program HE 13 through HE 19, for August 28 through August 31. Hour-ahead prices were also high during this time period.

During September 2007, PG&E was a [REDACTED] in the on peak and off peak hours in the day-ahead and a [REDACTED] in the off peak and on peak hours in the hour-ahead markets. Market

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prices for day-ahead on-peak NP-15 delivery ranged from approximately \$ [REDACTED] /MWh to \$ [REDACTED] /MWh. Day-ahead off-peak electric prices in NP-15 ranged from approximately \$ [REDACTED] /MWh to \$ [REDACTED] /MWh. Daily gas prices during the month at PG&E Citygate traded in a range between \$ [REDACTED] /MMBtu and \$ [REDACTED] /MMBtu.

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**6. Discussion of how the quarter’s transactions meet the goals of the risk management strategy reflected in the Commission-approved procurement plan.**

Decision 03-12-062 maintained the interim consumer risk tolerance (CRT) level of one-cent per kilowatt-hour (kWh) adopted by the Commission in Decision 02-12-074 for the “net open position” on a rolling 12 months basis. The decision specified the methodology for reporting the CRT should be based on To Expiration Value at Risk (TeVAr) at the 99 percent confidence level. Finally, the decision requires PG&E to notify the PRG when the portfolio reaches 125 percent of the one-cent per kWh level to determine if remedial action or revised plans should be filed in order to manage this risk.

During Q3-2007, PG&E’s position did not exceed the CRT level of one-cent per kWh nor the 125 percent of the one-cent per kWh notification level. However, PG&E filed a comprehensive gas hedging plan update on January 31, 2006 (Advice 2775-E) to address anticipated increases in TeVaR for 2006 and 2007. On March 17, 2006, the Director of the Energy Division approved this update. PG&E began implementing that plan update throughout the remainder of 2006. On December 14, 2006, PG&E presented to its PRG a recommendation to continue this strategy in 2007 (extending the hedging delivery period to the end of 2011). PG&E received no objections and began implementation of this strategy in January 2007. PG&E continued implementing this strategy in Q3-2007.

In addition, further actions were taken to reduce TeVaR. PG&E made recommendations to CDWR per Gas Supply Plan 7 (Advice 2978-E, approved by the Director of the Energy Division on April 1, 2007) regarding forward gas hedging for certain contracts allocated to PG&E. The results will be further discussed in PG&E’s 2007 Energy Resource Recovery Account compliance review application to be filed February 2008.

**7. Copy of each contract.**

As discussed in Section 3b, during Q3-2007, PG&E did not execute any contractual documents for this Procurement Transaction Quarterly Compliance advice filing.

**8. The break-even spot price equivalent to the contract(s).**

There is no applicable analysis required for this quarter's executed agreements.

**9. Electronic copy of any data or forecasts used to analyze the transactions.**

Confidential Appendix F: This information is also provided to the Commission as part of PG&E's monthly report of Residual Net Open.

**10. Utilities should provide a reasonable number of analyses requested by the Commission or the PRG and provide the resulting outputs. Utilities should also provide documentation on the model and how it operates.**

PG&E performed the appropriate number of analyses within the needs assessment process associated with its procurement activities during the quarter. However, these procurement activities were filed under separate advice filings and thus included in them.

**11. Histogram of energy purchases and sales ("buy and sells").**

Confidential Appendix G is a histogram (graph) of energy purchases and sales by price and volume (GWh) for Q3-2007, as requested by the CPUC Energy Division. These purchases and sales represent energy purchased and sold through competitive exchange markets during the quarter and bilateral contracts executed since January 1, 2003.

**12. Compliance with Decision 07-01-039, Greenhouse Gas and related agreements executed in Q3-2007.**

PG&E does not have any agreements to disclose for Q3-2007 applicable to this decision.

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

ABAG Power Pool  
Accent Energy  
Aglet Consumer Alliance  
Agnews Developmental Center  
Ahmed, Ali  
Alcantar & Kahl  
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  
Sutherland, Asbill & Brennan  
Tabors Caramanis & Associates  
Tecogen, Inc  
TFS Energy  
Transcanada  
Turlock Irrigation District  
U S Borax, Inc  
United Cogen Inc.  
URM Groups  
Utility Resource Network  
Wellhead Electric Company  
White & Case  
WMA