

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 24, 2008

Advice Letter 3168-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: Contract for 2008 – 2009 Demand Response and Approval and
Recovery of Program Costs

Dear Mr. Cherry:

Advice Letter 3168-E is effective April 10, 2008.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division

December 3, 2007

Advice 3168-E

(Pacific Gas and Electric Company U 39 E)

Public Utilities Commission of the State of California

Subject: Contract for 2008 - 2009 Demand Response and Approval and Recovery of Program Costs.

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits for approval a 2008 - 2009 Confirmation Letter (Agreement) executed by PG&E and the State of California Department of Water Resources – State Water Resources Development System (DWR) for up to 200 MW of demand response in 2008 and 2009. This advice letter is filed pursuant to Resolution E-4062, Ordering Paragraph 4.¹ Commission approval of the Agreement will substantially increase PG&E's demand response capacity in 2008 and 2009.

PG&E requests that the Commission consider and approve this Agreement through a resolution that explicitly:

1. Approves the Agreement in its entirety, including payments to be made by PG&E under the Agreement, subject only to PG&E's prudent administration of the Agreement;
2. Finds that the Agreement costs are eligible for recovery in the Energy Resource Recovery Account (ERRA); and
3. Finds that the 200 MW of demand response from DWR count towards PG&E's resource adequacy (RA) requirements.

In support of this request, PG&E submits an unredacted version of this advice letter under seal. The redacted material is protected from public disclosure by

¹ Executive Director Paul Clanon granted PG&E's request to extend the last day to file an advice letter for approval of the Agreement to December 3, 2007 in a letter dated October 25, 2007.

Decision (D.) 06-06-066, as specified in the Declaration Seeking Confidential Treatment accompanying this advice letter.

Background

PG&E seeks approval of this Agreement in order to retain the demand response provided by DWR to PG&E under a similar agreement for summer 2007. This demand reduction was made available by DWR to PG&E prior to the execution of the 2007 agreement as part of the California Power Authority – Demand Reserves Partnership (CPA-DRP) program. As noted in Resolution E-4020, DWR was the largest participant in the CPA-DRP program and “contributes approximately 200 MW of demand response per month.”²

The Commission approved the 2007 agreement in Resolution E-4062, dated February 15, 2007. The Agreement retains most terms of the 2007 agreement, including the pricing terms, notice requirement, delivery months, call hours, maximum amount of delivery, scheduling, and payment terms. The Agreement will terminate if not approved by the Commission by April 30, 2008.

Terms

Under the Agreement, PG&E would pay DWR for up to 200 MW of load reduction for the period of June through September 2008 and June through September 2009, as discussed below.

Program Element	Description
Product	PG&E has the right to call the Contract Capacity, without Ancillary Services, that is or would otherwise be scheduled in the CAISO Day-Ahead market by DWR in order to operate its pumps. Energy must be scheduled for a minimum of four hours.
Contract Capacity	Up to 200 MW, subject to a decrease in contract capacity to 100 MW or 0 MW if required by DWR operational constraints.
Delivery Period	June 1 through September 30, 2008 and 2009
Delivery Point	NP15
DR Call Window	11:00 a.m. through 7:00 p.m., PPT, Monday – Friday, excluding NERC holidays.
Maximum hours DR can be called per month	
Call Notice	Day-ahead or hour-ahead, if notification is given no later

² Resolution E-4020, p.2.

	than 1 hour prior to the close of the respective CAISO market.
Capacity Price	June: [REDACTED] July: [REDACTED] August: [REDACTED] September: [REDACTED] subject to performance adjustments
Energy Price	[REDACTED]
Operations after MRTU	Upon implementation of the CAISO's Market Redesign and Technical Upgrade (MRTU), the transfer will be done through a physical inter-scheduling coordinator (SC) trade instead of through an SC to SC trade. Load uplift obligation credit will be transferred to PG&E. The delivery point is revised to Hyatt-Thermalito Pump-Gen Project in lieu of NP-15. Other revisions necessitated by MRTU shall be subject to further negotiations.

Resource Adequacy

Under the RA counting rules adopted by the Commission in D.03-06-072 and confirmed in D.05-10-042, the demand response obtained by PG&E under the Agreement has and should continue to count towards PG&E's RA requirements. As required by D.04-10-035 (the first Resource Adequacy Decision), the Agreement provides up to 96 hours of DR which exceeds the required 48 hours of demand reduction for the summer season. The Commission approved the 2007 agreement for 200 MW of RA requirements. (Resolution E-4062, Ordering Paragraph 3.)

Cost Recovery

The costs of the 2007 agreement were recovered in the Energy Resource Recovery Account (ERRA). PG&E proposes that the costs of the Agreement also be recovered on an actual cost basis through the ERRA.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **December 24, 2007**, which is 21 days from the date of this filing. Protests should be sent to:

CPUC Energy Division
Tariff Files, Room 4005

DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@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 should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

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

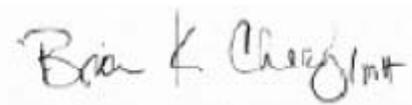
PG&E requests this advice letter be approved in a Commission resolution before April 30, 2008. If the Agreement is not approved by the Commission by April 30, 2008, it terminates by its terms.

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 A.05-06-006. 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>

Respectfully submitted,

A handwritten signature in black ink that reads "Brian K. Cheyfitz". The signature is written in a cursive style.

Vice President - Regulatory Relations

cc: Service List – A.05-06-006

Attachments

Limited Access to Confidential Material

The portions of this advice letter so marked Confidential Protected Material are submitted under the confidentiality protection of Section 583 of the Public Utilities Code and General Order 66-C. Pursuant to the Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying with Decision 06-06-066, issued August 22, 2006 in Rulemaking 05-06-040, a separate Declaration of Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments

Appendix A

Agreement

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: Megan Hughes

Phone #: (415) 973-1877

E-mail: mehr@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) #: 3168-E

Tier: 3

Subject of AL: Contract for 2008 - 2009 Demand Response and Approval and Recovery of Program Costs

Keywords (choose from CPUC listing): Demand Side Management, Contracts

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

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

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 AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes. PG&E seeks confidential treatment of its contract with DWR for demand response as well as certain terms of the contract described in the advice letter.

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Mary Gandesbery, Attorney, PG&E, 973-0675

Resolution Required? Yes No

Requested effective date: April 30, 2008

No. of tariff sheets: 0

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

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

Protests, 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

**DECLARATION OF TERRANCE M. ROBERTSON
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN INFORMATION CONTAINED
IN ADVICE LETTER 3168-E FILED BY
PACIFIC GAS AND ELECTRIC COMPANY (U39-E)**

I, Terrance M. Robertson, declare:

1. I have been employed by Pacific Gas and Electric Company (PG&E) since 1989. I am a principal in PG&E's Energy Supply Department. In this position, my responsibilities include negotiating power purchase agreements with sellers and other counter parties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of PG&E's contracts with such sellers, including contract restructurings and amendments, and the negotiation of such transactions and knowledge of how companies seeking to sell power to utilities might determine what prices to offer.

2. Based on my knowledge and experience, I make this declaration seeking confidential treatment of certain prices and terms contained in PG&E's Advice letter 3168-E "Contract for Demand Response and Approval and Recovery of Program Costs" which is being filed concurrently with this declaration pursuant to Resolution E-4062, Ordering Paragraph 4.

3. The Advice Letter seeks Commission approval of an agreement with the State of California Department of Water Resources - State Water Resources Development System (DWR) for up to 200 MW of contract capacity during June through September 2008 and 2009. The data and information for which PG&E is seeking confidential treatment are the prices and certain operational provisions associated with product

specifications and scheduling in the agreement, including the sample payment and penalty calculations included in Appendices A and B.

4. The data for which PG&E seeks confidential treatment corresponds to categories of protected, confidential information specified in Appendix 1 of the Commission's confidentiality decision, D.06-06-066 (Confidentiality Matrix). (Confidentiality Matrix, Appendix 1, VII (B) and (E).) These categories protect confidential terms in bilateral power purchase agreements with non-affiliates, excluding only counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and on-line date. In accordance with the Matrix, PG&E does not seek confidential treatment of these non-confidential terms. This category allows the confidential contract terms to remain confidential for three years from the date of the contract or one year following the expiration of the agreement, whichever comes first. PG&E proposes that the data remain confidential until October 1, 2010, or one (1) year following the expiration of the agreement, consistent with the Confidentiality Matrix.

5. The category in the Matrix that includes "interruptible tariff and other dispatchable demand response programs" should not apply to this agreement. (See Confidentiality Matrix, Appendix 1, VII (D).) This agreement is not part of a tariff or program that would be available to other suppliers or to customers. While the agreement is a type of demand response product, it has many attributes that are typically associated with supply-side power purchase agreements, including specifically negotiated terms (versus a tariff), and the delivery of energy to PG&E in NP-15 as a scheduling coordinator to scheduling coordinator trade. The agreement also includes a capacity commitment with a payment that is subject to adjustment based on DWR's performance.

6. To the best of my knowledge the pricing and other terms PG&E seeks to maintain as confidential are not already public and representatives of DWR have indicated to me that they do not wish or intend to disclose such terms.

7. In my experience, energy suppliers typically attempt to use information about a buyer's other purchase prices or terms to negotiate a more favorable deal with such buyer. Historically, PG&E has attempted to protect the confidentiality of contract-specific pricing information to the extent possible, consistent with this Commission's decisions and orders, in order to procure energy products, on behalf of electric customers, with the most favorable prices and terms.

8. If the Commission orders disclosure of the prices and other key terms, PG&E would be at a disadvantage in future negotiations for other similar non-tariff demand response products

9. The confidential information cannot be meaningfully aggregated, redacted, summarized, masked or otherwise protected in a way that allows additional disclosure.

I declare under penalty, under the laws of the State of California, that the foregoing is true and correct.

Executed on December 3, 2007, at San Francisco, California.


Terrence M. Robertson

**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	