

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 14, 2008

Advice Letter 3192-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 Amendments and Modifications Related to the
Implementation of MRTU

Dear Mr. Cherry:

Advice Letter 3192-E is effective February 6, 2008.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division

January 7, 2008

Advice 3192-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Contract amendments and modifications related to the implementation of MRTU

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter requesting that the California Public Utilities Commission (Commission) approve contract amendments related to the California Independent System Operator's (CAISO) implementation of its Market Redesign and Technology Upgrade (MRTU).

Purpose

A number of PG&E's power purchase agreements (PPAs) that were executed prior to MRTU have terms and conditions that were not drafted in anticipation of the implementation of MRTU. PG&E has proposed to the holders of these PPAs that they be amended to clearly reflect the new CAISO market structure that is currently scheduled to be introduced on March 31, 2008 for the April 1, 2008 trade date. In order to prepare for the new CAISO market structure, PG&E is seeking advance approval of amendments to certain PPAs that would clearly reflect the new market rules to be used upon MRTU implementation.

Background

The CAISO is in the process of implementing a new market structure known as MRTU. This new market structure will change the way in which energy is scheduled and settled, and will be based on a nodal, as opposed to zonal, delivery point and pricing structure. As a result of such changes, as described above, PG&E has proposed to amend several existing contracts with electric generators and power marketers where PG&E does not serve as the scheduling coordinator.

The intent of the contract amendments proposed by PG&E for affected PPAs for MRTU implementation is to maintain the benefits and burdens negotiated by the parties under the original agreements, while keeping the Sellers indifferent to revenues and charges associated with MRTU implementation.

PG&E has successfully reached agreement with two counterparties, Sierra Power Corporation and J.Aron and Company on modifications to existing PPA language to align its terms with the new MRTU market structure. These modifications provide clarification to delivery point, scheduling coordinator responsibilities and settlements to comply with the requirements of a MRTU market framework. The amendments themselves do not make material changes to the commercial terms of the PPAs, but rather remove ambiguity on how to operate under the MRTU market structure.

At the same time, PG&E remains engaged in discussions with other counterparties and hopes to reach agreement or an understanding on how such PPAs will be administered upon MRTU implementation. If PG&E is able to reach agreement with these counterparties, its current plan is to file a separate advice letter seeking approval of those PPA amendments.

Contract Amendments

PG&E requests that the Commission approve these amendments to the PPAs. The amendments clarify: 1) the delivery point under the new nodal delivery model to be used by CAISO, and specify that the Sellers will continue to receive the contract pricing for the energy delivered to PG&E 2) the scheduling instructions to be followed by Sellers and 3) how revenues and charges associated with the transaction under MRTU are to be settled. The Sellers also agree to schedule their deliveries with CAISO in accordance with the CAISO Tariff.

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 **January 28, 2008**, which is 21 days after the date of this filing¹. 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

¹ The 20 day protest period concludes on a weekend. PG&E moves it to the following business day.

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

PG&E requests that this advice filing become effective on regular notice, **February 6, 2007**, which is 30 calendar days after the date of filing. PG&E submits this as a Tier 2 filing.

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. Address changes to the General Order 96-B service list should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>



Vice President, Regulatory Relations

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 454.5(g) and 583 of the Public Utilities Code and General Order 96-B. This material is protected from public disclosure because Amendments to Power Purchase Agreements would provide valuable market sensitive information to competitors. Counterparties have an expectation that specific contract language in their PPAs will remain

confidential under the provisions of PG&E's Commission-approved RPS Solicitation Protocol. A separate Declaration for Confidential Treatment regarding the confidential information is filed concurrently herewith.

Confidential Attachments

APPENDIX A – FIRST CONTRACT AMENDMENT BETWEEN PG&E AND SIERRA POWER CORPORATION

APPENDIX B – FIRST CONTRACT AMENDMENT BETWEEN PG&E AND J.ARON AND COMPANY

APPENDIX C – MRTU CONTRACT LANGUAGE TABLE FOR J.ARON AND SIERRA POWER CORPORATION

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) #: **3192-E**

Tier: [2]

Subject of AL: Contract amendments and modifications related to the implementation of MRTU

Keywords (choose from CPUC listing): PPA, MRTU, CAISO

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: Yes. See the attached matrix that identifies all of the confidential information.

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

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Rich Miram (415)-973-1170.

Resolution Required? Yes No

Requested effective date: 02/06/2008

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

jn@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 RICH MIRAM
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN ADVICE LETTER 3192-E
(PACIFIC GAS AND ELECTRIC COMPANY ID U 39 E)**

I, Rich Miram, declare:

1. I am presently employed by Pacific Gas and Electric Company (“PG&E”), and have been an employee at PG&E since 1973. My current title is Principal in PG&E’s Energy Supply Department. In this position, my responsibilities include managing power procurement solicitations and negotiating power purchase agreements with counterparties in the business of producing electric energy. In carrying out these responsibilities, I have acquired knowledge of PG&E’s contracts with such sellers and the negotiation of such transactions. I have also gained knowledge of the operations of such sellers in general and, based on my experience in dealing with facility owners and operators, I am familiar with the types of data and information about their operations that such owners and operators consider confidential and proprietary.

2. Based on my knowledge and experience, and in accordance with the “Administrative Law Judge’s Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066,” issued August 22, 2006, I make this declaration seeking confidential treatment of, “Appendices A through C, to Advice 3192-E,” submitted on January 4, 2008. By this Advice Letter PG&E is seeking this Commission’s approval of the first contract amendment that PG&E has executed with Sierra Power Corporation and J.Aron and Company as a result of the California Independent System Operator’s (CAISO) implementation of its Market Redesign and Technology Upgrade (MRTU).

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 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 January 4, 2008, at San Francisco, California.

/s/
RICH MIRAM

PACIFIC GAS AND ELECTRIC COMPANY
 Advice Letter 3192-E,
 January 4, 2008

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

	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	Document: Advice Letter 3192-E							
2	Appendix A	Y	Item VII B	Y	Y	Y	PPAs would provide valuable market sensitive information to competitors. Counterparties have an expectation that specific contract language in their PPAs will remain confidential under the provisions of PG&E's Commission-approved RPS Solicitation Protocol.	Remain confidential for three years
3	Appendix B	Y	Item VII B	Y	Y	Y	PPAs would provide valuable market sensitive information to competitors. Counterparties have an expectation that specific contract language in their PPAs will remain confidential under the provisions of PG&E's Commission-approved RPS Solicitation Protocol.	Remain confidential for three years
4	Appendix C	Y	Item VII B	Y	Y	Y	If made public, this information could harm counterparties and adversely affect project viability. Counterparties have an expectation that this information remains confidential under the provisions of PG&E's Commission-approved Solicitation Protocol.	Remain confidential for three years

**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	