

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 25, 2008

Advice Letter 3199-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 (Q4 2007)

Dear Mr. Cherry:

Advice Letter 3199-E is effective August 1, 2008.

Sincerely,

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

Kenneth Lewis, Acting Director
Energy Division



January 30, 2008

**Advice 3199-E
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

Subject: Procurement Transaction Quarterly Compliance Filing (Q4, 2007)

Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utilities Commission (Commission or CPUC) its compliance filing for the fourth 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.¹ 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 fourth 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:

¹ 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 - RFO RA for 2008
- Appendix D - RFO RA for Summer 2007
- Appendix E - Executed Agreements – RFO Gas Storage
- Appendix F - Renewable Letter Agreement
- Appendix G – PG&E's Quarterly Transactions by Type and Quantity
- Appendix H – PG&E's Monthly Transactions by Type and Quantity
- Appendix I – PG&E's Monthly ISO Purchase and Sales Transactions for August, September, and October 2007
- Appendix J – Monthly Reports of Projected Need
- Appendix K – Histogram
- Appendix L - Detailed Congestion Revenue Rights

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 **February 19, 2008**, 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: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail 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 **January 30, 2008**.

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>

A handwritten signature in cursive script that reads "Brian Cherry / mt".

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 L

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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@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) #: **3199-E**

Tier: [2]

Subject of AL: Procurement Transaction Quarterly Compliance Filing (Q4, 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.02-10-062, D.03-06-076, D.03-12-062.

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: 1/30/2008

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

anj@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

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)

**DECLARATION OF SHARON K. TATAI IN SUPPORT OF ADVICE 3199-E,
PROCUREMENT TRANSACTION QUARTERLY COMPLIANCE REPORT
FOR THE FOURTH QUARTER OF 2007**

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 3199-E, submitted to the Energy Division on January 30, 2008.

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 January 30, 2008, at San Francisco, California.

/s/

SHARON K. TATAI

PACIFIC GAS AND ELECTRIC COMPANY

Document: Advice 3199-E

IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

Date: January 30, 2008

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 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume that PG&E purchased, which is protected for three years.	3 years
2	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume that PG&E purchased, which is protected for three years.	3 years
3	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume that PG&E purchased, which is protected for three years.	3 years
4	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume and market position of PG&E, which is protected for three years.	3 years
5	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is time period and PG&E's market position, which is protected for three years.	3 years
6	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is time period and PG&E's market position, which is protected for three years.	3 years

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7	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 years
8	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 years
9	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume that PG&E purchased, which is protected for three years.	3 years
10	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 years
11	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 years
12	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the volume offered in the RFO, which is protected for three years.	3 years
13	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume that PG&E purchased, which is protected for three years.	3 years

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14	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 years
15	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 years
16	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is time period and PG&E's market position, which is protected for three years.	3 years
17	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 yrs
18	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is a specific bid volume offer, which is protected for three years.	3 yrs
19	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is a specific price offer, which is protected for three years.	3 yrs
20	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is a specific price offer, which is protected for three years.	3 yrs

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21	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is a specific time period in the offer, which is protected for three years.	3 yrs
22	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 yrs
23	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 yrs
24	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 yrs
25	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 yrs
26	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 yrs

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27	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume and PG&E's market position, which is protected for three years.	3 yrs
28	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume and PG&E's market position, which is protected for three years.	3 yrs
29	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume and PG&E's market position, which is protected for three years.	3 yrs
30	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is time period and PG&E's market position, which is protected for three years.	3 yrs
31	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is time period and PG&E's market position, which is protected for three years.	3 yrs
32	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the time period offered in the RFO, which is protected for three years.	3 yrs
33	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the product offered in the RFO, which is protected for three years.	3 yrs

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34	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 yrs
35	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 yrs
36	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the product offered in the RFO, which is protected for three years.	3 yrs
37	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 yrs
38	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 yrs
39	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the time period offered in the RFO, which is protected for three years.	3 yrs
40	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of a specific counterparty, which is protected for three years.	3 yrs

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41	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the specific volume by the counterparty, which is protected for three years.	3 yrs
42	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the time period offered by the counterparty, which is protected for three years.	3 yrs
43	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered by the counterparty, which is protected for three years.	3 yrs
44	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the specific volume by the counterparty, which is protected for three years.	3 yrs
45	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the time period offered in the RFO by the counterparty, which is protected for three years.	3 yrs
46	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of market position, which is protected for three years.	3 yrs

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47	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered by the counterparty, which is protected for three years.	3 yrs
48	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered by the counterparty, which is protected for three years.	3 yrs
49	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of a specific counterparty, which is protected for three years.	3 yrs
50	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of a specific counterparty, which is protected for three years.	3 yrs
51	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of a specific counterparty, facility, time period, volume, and price for the executed offer, which is protected for three years.	3 yrs
52	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is volume and market position of PG&E, which is protected for three years.	3 yrs

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53	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is time period and market position of PG&E, which is protected for three years.	3 yrs
54	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is by identifying market for PG&E, which is protected for three years.	3 yrs
55	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the market position from the RFO for PG&E, which is protected for three years.	3 yrs
56	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the market position from the RFO for PG&E, which is protected for three years.	3 yrs
57	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the volume offered in the RFO, which is protected for three years.	3 yrs
58	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the volume offered in the RFO, which is protected for three years.	3 yrs
59	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 yrs

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IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066

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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
60	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the price offered in the RFO, which is protected for three years.	3 yrs
61	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the volume offered in the RFO, which is protected for three years.	3 yrs
62	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the reference to volume offered in the RFO, which is protected for three years.	3 yrs
63	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of a specific counterparty, which is protected for three years.	3 yrs
64	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	The only information PG&E is redacting is the identification of a specific counterparty, specific time period, specific volume, and specific price, which is protected for three years.	3 yrs
65	Y	Under Public Utilities Code Section 583 and General Order 66-C	Y	N	N	The only information PG&E is redacting are the identification of the number of bids and counterparties, which identifies the market position.	3 yrs

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66	N	Under Public Utilities Code Section 583 and General Order 66-C	N	N	N	The only information PG&E is redacting are the identification of the number of bids and counterparties, which identifies the market position.	3 yrs
67	N	Under Public Utilities Code Section 583 and General Order 66-C	N	N	N	The only information PG&E is redacting are the identification information, which identifies the market position.	3 yrs
68	N	Under Public Utilities Code Section 583 and General Order 66-C	N	N	N	The only information PG&E is redacting are the identification of the specific counterparty with whom PG&E executed an agreement.	3 yrs
69	N	Under Public Utilities Code Section 583 and General Order 66-C	N	N	N	The only information PG&E is redacting are the identification of the result of working with a specific counterparty with whom PG&E executed an agreement.	3 yrs
70	N	Under Public Utilities Code Section 583 and General Order 66-C	N	N	N	The only information PG&E is redacting are the identification of the the specific bids, specific counterparties, specific location, specific volumes, specific products.	3 yrs
71	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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72	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
73	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
74	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
75	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
76	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
77	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
78	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
79	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
80	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
81	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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82	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
83	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
84	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
85	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
86	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
87	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
88	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 specific time period.	3 yrs
89	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 specific volume.	3 yrs

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90	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 specific volume.	3 yrs
91	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 specific strategy.	3 yrs
92	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
93	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
94	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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95	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
96	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
97	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
98	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, specific volumes, specific cost, specific cost per unit.	3 yrs
99	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, specific location, specific volumes, specific cost, specific cost per unit.	3 yrs

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100	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, specific location, specific volumes, specific cost, specific cost per unit.	3 yrs
101	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
102	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, specific location, specific volumes, specific cost, specific cost per unit.	3 yrs
103	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, specific location, specific volumes, specific cost, specific cost per unit.	3 yrs
104	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, specific location, specific volumes, specific cost, specific cost per unit.	3 yrs

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105	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, specific location, specific volumes, specific cost, specific cost per unit.	3 yrs
106	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, specific location, specific volumes, specific cost, specific cost per unit.	3 yrs
107	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
108	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
109	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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110	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
111	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
112	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
113	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
114	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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115	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
116	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
117	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
118	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
119	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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120	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
121	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
122	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
123	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
124	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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125	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
126	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
127	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
128	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
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-C	Y	N	N	Presentations specifically relate to bilateral agreement of settlement reached between PG&E and counterparty	3 yrs

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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 and Public Utilities Code 583 and General Order 66-C	Y	N	N	Presentations specifically relate to bilateral agreement of settlement reached between PG&E and counterparty	3 yrs
Confidential Attachment C	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 and Public Utilities Code 583 and General Order 66-C	Y	N	N	Specific agreements related to price, counterparty, and volumes	3 yrs
Confidential Attachment D	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 and Public Utilities Code 583 and General Order 66-C	Y	N	N	Specific agreements related to price, counterparty, and volumes	3 yrs

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Confidential Attachment E	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 and General Order 66-583 and General Order 66-C	Y	N	N	Specific agreements related to price, counterparty, and volumes	3 yrs
Confidential Attachment F	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 and General Order 66-583 and General Order 66-C	Y	N	N	Specific agreements related to price, counterparty, and volumes	3 yrs
Confidential Attachment G	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
Confidential Attachment H	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
Confidential Attachment I	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

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Confidential Attachment J	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
Confidential Attachment K	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
Confidential Attachment L	Y	Page 18, Item VIII Competitive Solicitation (Bidding) Information - Electric	Y	N	N	Specific information related to price, site, and volumes	3 yrs

PACIFIC GAS AND ELECTRIC COMPANY
Procurement Transaction Quarterly Compliance Report
4th Quarter—2007
January 30, 2008

Introduction

As required by Ordering Paragraph (OP) 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) submits its Procurement Transaction Quarterly Compliance Report for record period October through December 2007 (Q4-2007).

During Q4-2007, 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 Q4-2007.

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 August, September and October 2007, which are included in Confidential Appendix H. The quarterly report for the Q1-2008 will include final CAISO procurement for the months of November and December 2007, and January 2008.

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 Q4-2007 included the execution of agreements as a result of the 2005 Renewable Portfolio Standard (RPS); 2006 RPS; fuel supply for utility-retained generation and contracted resources; gas hedging for both utility-owned facilities and other contracted facilities; and forward, spot-market, and CAISO real-time transactions. PG&E also participated in CAISO's Market Redesign Technical Update (MRTU) Congestion Revenue Rights (CRR) Tier Three, and CRR Long Term Auction. 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 Q4-2007, 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 Q4-2007, PG&E engaged in a variety of procurement activities allowed under Decisions 03-12-062, 04-01-050 and 04-12-048.

PG&E implemented a Request for Offer (RFO) for Resource Adequacy (RA), participated in a Request for Bid (RFB) for Gas Storage and in the CAISO's CRR allocations and auction, and executed broker, voice and electronic exchange transactions. PG&E also procured 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 Q4-2007 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 executed agreements under RFO for Resource Adequacy (RA) and Gas Storage.

Resource Adequacy – RFOs to Purchase and Sell Local and System RA for 2008

PG&E issued an RFO to purchase and sell system and local RA based on a need assessment performed in late July 2007. The RFO was completed on December 6, 2007. The RFO resulted in PG&E purchasing [redacted] megawatts (MW) and [redacted] MW of RA capacity for July and August 2008 respectively. [redacted] offers to purchase RA from PG&E were received in the RFO. The executed agreement is included in Confidential Appendix C.

1-2

3

The July 2007 needs assessment highlighted a need to cover a system RA shortfall of up to about [redacted] MW during [redacted] and [redacted] 2008. The needs assessment indicated that the [redacted] by CAISO reliability-must-run

4-6

7

(RMR) contracting for 2008. As part of the competitive solicitation process, PG&E issued the RFO on August 3, 2007, to over 300 potential bidders. The RFO requested 2008 RA capacity products consistent with the RA capacity product put forward by a multi-party working group in 2006. The RFO also requested offers to purchase system and local RA from PG&E. The transactions were to be made pursuant to an Edison Electric Institute Master or Western States Power Pool Agreement (“Master Agreement”) with credit requirements consistent with other solicitations PG&E has issued.

On August 17, 2007, PG&E received indicative offers from nine bidders offering to [redacted] close to [redacted] MW of local and system RA capacity for 2008. The pricing for local RA ranged

8

9

from \$ [redacted] /kilowatt (kW)-month to \$ [redacted] /kW-month for the [redacted] MW offered by bidders. The system RA volume of [redacted] MW was priced from \$ [redacted] /kW-month to \$ [redacted] /kW-month for the months with system RA need ([redacted] 2008). PG&E received [redacted] indicative offers to purchase system or local RA capacity for 2008. PG&E also received one late offer to sell up to [redacted] MW system RA priced between \$ [redacted] /kW-month and \$ [redacted] /kW-month for [redacted] 2008.

10-12

13-15

16-17

18-21

PG&E discussed its RA needs and the RA capacity RFO with the PRG on July 11, 2007, and updated the PRG concerning the bids received and the proposed RFO short-list on

August 24, 2007. PG&E updated its RA positions in early October 2007 after receiving its allocation of RA from CAISO RMR contracts. As forecasted, [redacted]

22

[redacted] the CAISO RMR contracts. PG&E's

23

[redacted] 2008 [redacted] RA need [redacted] to about [redacted] MW mainly as a result of the RMR

24-27

contracting. As a portion of this need was expected to be filled by other procurement activities and expected load loss, PG&E's forecast system RA need was [redacted] MW and [redacted] MW in [redacted] and

28-30

[redacted]. PG&E then requested refreshed pricing from the RFO short-listed

31

counterparties. PG&E received refreshed indicative pricing on October 17, 2007 with

[redacted] 2008 [redacted] RA pricing ranging from \$ [redacted] /kW-month to \$ [redacted] /kW-month.

32-35

PG&E briefed the PRG of its [redacted] RA needs and status of the RFO on October 24, 2007.

36

Subsequent to the October 24, 2007 PRG briefing, PG&E requested short-listed counterparties to confirm or refresh their October 17, 2007 indicative prices. This pricing ranged

from \$ [redacted] /kW-month to \$ [redacted] /kW-month for [redacted] 2008. Ultimately PG&E negotiated

37-39

with [redacted] to provide [redacted] MW of [redacted] 2008 system RA at a price of \$ [redacted] /kW-month

40-43

and [redacted] MW of [redacted] 2008 [redacted] RA at a price of \$ [redacted] /kW-month. This was \$ [redacted] /kW-

44-48

month below [redacted] original offer. PG&E briefed and received the PRG's support to

49

conclude this transaction pursuant to the RFO on November 19, 2007. PG&E executed the

agreement with [redacted] on December 6, 2007. Table 1 below summaries volumes and

50

price.

**TABLE 1
PACIFIC GAS AND ELECTRIC COMPANY
RESOURCE ADEQUACY REQUEST FOR OFFER**

Counterparty RFO-RA for 2008	Facility	Term	Quantity	Price (\$/kW Per Month)	
██████████	██████████	██████████	██████████	██████████	51

Resource Adequacy – RFOs to Purchase of System RA for Summer 2007

PG&E issued an RFO to purchase and sell system and local RA based on a need assessment. The RFO was completed on May 8, 2007. The RFO resulted in PG&E purchasing ██████ MW of RA capacity for ██████ 2007 respectively. The executed agreement is included in Confidential Appendix D.

52-53

The February needs assessment highlighted a need to cover a system RA shortfall of up to meet our obligations and requirements for summer 2007. As part of the competitive solicitation process, PG&E issued the RFO on May 4, 2007, to over ██████ potential bidders. The RFO requested 2007 RA capacity products consistent with the RA capacity product put forward by a multi-party working group in 2006. An agreement was executed pursuant to an Edison Electric Institute Master or Western States Power Pool Agreement with credit requirements consistent with other solicitations PG&E has issued.

54

On May 8, 2007, PG&E received indicative offers from six bidders offering to ██████ a ██████ of ██████ to ██████ MW of system RA capacity for summer 2007. The pricing ranged from \$ ██████ /kilowatt (kW)-month to \$ ██████ /kW-month for ██████ MW ██████ offered by bidders.

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56-58

59-62

PG&E executed the agreement with ██████ on May 10, 2007. Table 2 below summaries volumes and price.

63

**TABLE 2
PACIFIC GAS AND ELECTRIC COMPANY
RESOURCE ADEQUACY REQUEST FOR OFFER (SUMMER 2007)**

Counterparty	Facility	Term	Quantity	Price (\$/kW Per Month)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

64

RFO for Gas Storage, Parking and Lending

Natural Gas Storage

On October 22, 2007, PG&E issued a RFO for annual or seasonal gas storage services beginning April 1, 2008, with a term of one, two or three years. Adding gas storage to PG&E’s electric generation gas portfolio supports daily and monthly gas balancing, decreases liquidity risks, allows the capture of forward price spreads and increases reliability. PG&E sought 1,000,000 Million British Thermal Units (MMBtu) of inventory with 30,000 to 50,000 MMBtu/day summer injection and withdrawal, and 10,000 MMBtu/day of winter injection and withdrawal. PG&E announced the RFO to over 40 counterparties, including northern California storage providers and PG&E’s physical and financial gas counterparties. Offers were due on November 6, 2007.

PG&E received [REDACTED] offers from [REDACTED] counterparties. Table 2 below summarizes those offers, and ranks them by benefit-cost ratio. In calculating this ratio, the benefit was based on PG&E’s market valuation of the storage terms offered. This valuation used a [REDACTED] [REDACTED] and PG&E’s own market-based forward prices and volatilities. This value is compared to the cost, which is determined by the reservation charges for the offered services.

65-66

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As shown in Table 3, [REDACTED] [REDACTED]. The executed agreements are in Confidential Appendix E.

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

Electric Procurement

Congestion Revenue Rights Allocation Participation

During 4Q-2007, PG&E participated in the CAISO's CRR Tier 2, Tier Long Term, Tier 3 Allocations, and the Annual Auction for CRRs covering the period from April 1, 2008 to December 31, 2008. Confidential Appendix L shows the details relating to the CRRs.

In the MRTU arena, PG&E will be exposed to congestion charges for *all* its generation and load sources. The CAISO allocations allow PG&E to obtain CRRs, at no cost, to hedge the volatility of these congestion charges. In general, a CRR for 1 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 2 & 3 Allocations, 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 Tier 2 allocation was limited to the PG&E Load Aggregation Point (PGE-LAP), 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 both Tier 2 & 3 Allocations. PG&E requested CRRs for a variety of sources to lower the overall portfolio congestion risk. PG&E was awarded the following amounts in Tier 2 as shown in Table 4.

TABLE 4
PACIFIC GAS AND ELECTRIC COMPANY
CAISO CONGESTION REVENUE RIGHTS ALLOCATION RESULTS – TIER 2 (IN MW)

Region	Off-Peak			On-Peak		
	2Q-2008	3Q-2008	4Q-2008	2Q-2008	3Q-2008	4Q-2008
California/Oregon Border	36.7		192.6		3.8	
Sierra Area Resources	282.9	236	179.6	328.4636	433.5	192.8
Humboldt Area Resources	21.1	25.6	20	28.6	0.4	11.2
North Bay Area Resources	93.1	71.7	10.9	164.4	138.1	0.5
Bay Area Resources	256	285.4	460.8	627.7	1038.8	428.2
Diablo Canyon	1.8	1.8	8	198.9	47	7.6
Other Thermal Resources	147.7	298.7	351.8	51	148.1	314.3
Other Hydro	71.4	53	206.6	268.1	469.9	484.5
NP-15 Trading Hub						
Stockton Area Resources	82	72.5	35.5	83.2	68.7	84.1
Fresno Area Resources	333.8	302.8	180.6	472.6	748.1	328.7
Kern Area Resources	173.3	32.9	20.8	169.5	0.1	41.6
Other QFs	217.8	223.9	228.1	405.2	286	168.1
DWR Coral SP-15			19.3			15.2
Grand Total	1,717.6	1,604.3	1,914.6	2,797.6	3,382.5	2,076.8

CAISO Congestion Revenue Rights Allocation

In the long-term allocation process, CRRs for 2009 through 2017 were available with quarterly tenor, for the second through fourth quarters of each year and separately for the peak and off-peak periods (first quarter CRRs were not allocated for any year). The sink location for the long-term CRRs sought in the allocation was the PG&E LAP, 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 long-term CRR allocation. The California Public Utilities Commission (CPUC or Commission) authorized PG&E's participation in the long-term CRR allocation process in Resolution E-4122 approving PG&E's Advice Letter 3095-E. PG&E nominated long-term CRRs for a variety of sources to lower the overall longer-term portfolio congestion risk consistent with its longer-term congestion position and the nomination limits specified by the CAISO process. PG&E was awarded the following amounts in the long-term CRR allocation as shown in Table 5.

TABLE 5
PACIFIC GAS AND ELECTRIC COMPANY
CAISO LONG-TERM CONGESTION REVENUE RIGHTS ALLOCATION RESULTS (IN MW)

Region	Off-Peak			On-Peak		
	2Q	3Q	4Q	2Q	3Q	4Q
California/Oregon Border	0	160	0	0	225	0
Sierra Area Resources	0	428	185	248	518	27
Humboldt Area Resources	28	29	24	28	29	26
North Bay Area Resources	6	7	6	12	12	9
Bay Area Resources	70	289	90	108	191	94
Diablo Canyon	1,337	1,376	1,405	1,614	1,512	1,654
Other QFs and Renewables	140	291	139	170	258	133
Stockton Area Resources	48	0	43	62	0	67
Other Hydro	295	468	211	536	623	145
Kern Area Resources	32	68	31	15	20	34
Fresno Area Resources	169	100	35	439	353	259

CAISO Congestion Revenue Rights Allocation – Tier 3

For Tier 3, Sub-LAPs were available as sinks as well, but were not requested by PG&E.

PG&E was awarded the following amounts in Tier 3 as shown in Table 6.

TABLE 6
PACIFIC GAS AND ELECTRIC COMPANY
CAISO CONGESTION REVENUE RIGHTS ALLOCATION RESULTS – TIER 3 (IN MW)

Region	Off-Peak			On-Peak		
	2Q-2008	3Q-2008	4Q-2008	2Q-2008	3Q-2008	4Q-2008
California/Oregon Border	0	0	0	0	0	49.4
Sierra Area Resources	0.1	23	103.5	32.4	70.6	200.1
Humboldt Area Resources	1.8	1.6	4.2	0	0	3
North Bay Area Resources	0	5.2	184.5	23.5	0	125.6
Bay Area Resources	0		23.2	18.2	39	121.9
Diablo Canyon	0	560	289.7	296.7	0	558
Other Thermal Resources		0.1	2.4		3.6	16
Other Hydro	0.5	6.9	9.6	0	19.9	0.2
NP-15 Trading Hub	106.1	343.4	155.9	455.8	213.5	274.4
Stockton Area Resources			23.2	0.2	13.8	4.4
Fresno Area Resources	1.8	2.4		0.9	7.4	12.4
Kern Area Resources	0	73.6	0	71.6	41.7	1.9
Other QFs	0.3	18	48.8	15.6	20.4	41.9
DWR Coral SP-15	17.8	1.3	34.1	0	0	0
Grand Total	128.4	1,035.5	879.1	914.9	429.9	1,410

Following the Annual Allocations, the CAISO conducted an auction for 2008 CRRs with quarterly tenor, beginning with the second quarter, separately for the peak and off-peak periods

(similar to the products available in the Allocation tiers). Participants could buy (or sell) any source/sink pair and submit to the CAISO bid curves for each source/sink pair CRR representing the amount of CRRs that they would be willing to procure at different prices. PG&E participated in the Annual Auction in order to procure the remaining CRRs that it needed but did not receive in the Allocation Tiers. The determination of which CRRs to obtain and their corresponding quantities was based on PG&E's portfolio position, assessment of the CRR's availability in the up-coming Monthly Allocations, expected CRR value and the CRR's portfolio risk-reduction benefit.

Table 7 shows the CRRs that PG&E successfully procured in the Auction.

**TABLE 7
PACIFIC GAS AND ELECTRIC COMPANY
CAISO CONGESTION REVENUE RIGHTS AUCTION RESULTS (IN MW)**

Region	Off-Peak			On-Peak		
	2Q-2008	3Q-2008	4Q-2008	2Q-2008	3Q-2008	4Q-2008
California/Oregon Border	42.4			47.5	40.2	
Sierra Area Resources	7.2			6.2	7.3	
Humboldt Area Resources					2.9	
North Bay Area Resources	2.7			2.7	3.6	
Bay Area Resources	6.5				13.7	
Diablo Canyon	46.4		72.2		209.1	
Other Thermal Resources		3.5			23.4	
Other Hydro	2.4			0.5		
Stockton Area Resources				12.9		
Fresno Area Resources				1.7		
Kern Area Resources	11.2		7.5		167.6	
Other QFs	2.2	1.2		0.1	3.2	
PG&E Load Area	17.8		15.9			0.3
DWR Coral SP-15				0.5	0.4	35.8
Grand Total	138.8	4.7	95.6	72.1	471.4	37.1

PG&E spent \$1.829 million in the auction to procure these CRRs.

Transaction with PPM Klondike

On July 20, 2007, PG&E submitted Advice 3090-E, *Contract for Procurement of Renewable Energy Resources Resulting from PG&E's 2006 Renewables Portfolio Standard Solicitation* – Klondike III Wind Power, LLC. At the time of submission, it was anticipated that

the CPUC would approve this agreement within 120-days from the submission date, and that would have provided sufficient time to meet the Condition Precedent, in which this agreement is final and non-appealable, 30-days after the CPUC approval, before it could become effective and deliveries could commence.

However, the CPUC decision approving this agreement occurred on November 16, 2007, which was beyond 120 days. This Order would become final and unappealable on December 16, 2007, and then deliveries could commence on January 1, 2008. However, since the Klondike project was online and was in a position to start deliveries before January 1, 2008, PG&E and Klondike signed a letter of agreement, waiving only the Condition Precedent and deliveries commenced on December 1, 2007. (No protests on this Power Purchase Agreement (PPA) and Firming Agreement have been received through the review process to date.) The letter of agreement was governed by the original terms of the agreement with an effective date of December 16, 2007. The letter of agreement covered deliveries for the period of December 1, 2007 to December 31, 2007. The letter of agreement is in Confidential Appendix F.

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, amended a power purchase Qualifying Facilities (QF) Standard Offer 1 (SO1) agreement, and California Department of Water Resources (CDWR) demand response (DR) agreements.

The RPS-related agreements were submitted to the Energy Division under a separate advice letter and are identified in Table 8.

The QF agreement will likewise be submitted under a separate advice letter and are identified in Table 9.

The CDWR DR agreements were submitted under a separate advice letter and are identified in Table 10. These agreements are in compliance with Resolution E-4062, OP 4, which approves PG&E increase of demand response capacity for 2008 and 2009.

**TABLE 8
PACIFIC GAS AND ELECTRIC COMPANY
RENEWABLES**

Advice Letter/Filing Date	Facility/Site	MW
Advice 3131-E (October 9, 2007) (2005 RPS RFO Amendment to Signed Agreement with Bottle Rock Power, LLC)	Bottle Rock	10
Advice 3132-E (October 9, 2007) (Amendment to Signed Agreement with Microgy)	Microgy	
Advices 3074-E-A (October 9, 2007), 3074-E-B (November 29, 2007) (2006 RPS RFO Amendment to CalRENEW-1, Western GeoPower, Inc., Greenvolts, Inc.)	CalRENEW	5
	Western GeoPower	2
	Greenvolts	25.5
Advice 3143-E (Shiloh Wind Partners, LLC) (October 29, 2007)	Shiloh II	150
Advice 3150-E (November 5, 2007) (Asura, LLC)	Asura)	177
Advice 3092-E-A (November 30, 2007) (2005 RPS RFO Amendment to Solel-MSP 1, LLC)	Solel	553.5
Advice 3181-E (December 18, 2007) (2006 RPS RFO	Finavera	2
Advice 3183-E (December 21, 2007) (Public Utility District No. 1 of Klickitat County)	White Creeks	50

**TABLE 9
PACIFIC GAS AND ELECTRIC COMPANY
AMENDMENTS TO EXISTING POWER PURCHASE AGREEMENTS WITH QUALIFYING FACILITIES**

Agreement	Log Number	MW
Crockett Cogen	01C045	240
Stockton Cogen	16C036	
PALCO (Pacific Lumber Company)-Letter of Agreement and Amendment to Agreement	19C010	28.8

**TABLE 10
PACIFIC GAS AND ELECTRIC COMPANY
DWR DEMAND RESPONSE AGREEMENT**

Advice Letter/Filing Date	Delivery Period	MW
Advice 3168-E (December 3, 2007)	June through September 30, 2008 and 2009	Up to 200, subject to decrease in contract capacity to 100 MW or 0 MW if required by DRW Operational constraints

Broker, Voice and Electronic Exchange Transactions

For electric energy, in addition to competitive procurement and bilateral contracting during the Q4-2007, 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 Tables 10A and 10B.

In Q4-2007, 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 Q4-2007. Tables 11A and 11B below show a summary of the strategies and the aggregate energy volumes that PG&E completed in each month.

**TABLE 11A
PACIFIC GAS AND ELECTRIC COMPANY
Q4-2007 TERM AND BALANCE OF MONTH AND ENERGY PURCHASES AND (SALES)**

Transaction Month	Delivery Month			
	October	November	December	
October	■ MW ■■■■■	■ MW ■■■■■ ■ MW ■■■■■		71-72
November		■ MW ■■■■■ ■ MW ■■■■■	■ MW ■■■■■ ■ MW ■■■■■	73-74
December			■ MW ■■■■■ ■ MW ■■■■■	75-76

**TABLE 11B
PACIFIC GAS AND ELECTRIC COMPANY
Q4-2007 TERM AND BALANCE OF MONTH AND ENERGY PURCHASES AND (SALES)**

Transaction Month	Delivery Month		
	Q1-2008	January 2008	
October	■ MW ■■■■■		77
November	■ MW ■■■■■		78
December	■ MW ■■■■■ ■■■■■ ■ MW ■■■■■ ■■■■■	■ MW ■■■■■ ■■■■■ ■ MW ■■■■■ ■■■■■	79-80

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 CDWR contracts, URG resources (for simplicity, PPAs 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 (SC) 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 SC 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.

In the real-time market, unlike the bilateral and exchange markets, 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 Q4-2007, PG&E engaged in day-ahead locational spread transactions, authorized by the CPUC 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 G and H.

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

Electric Transactions

Table 12 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 12
PACIFIC GAS AND ELECTRIC COMPANY
Q4-2007 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	█	█	█	█	█	█	█	81
								82
<u>Total Purchases</u>								
Transactions Volumes	█	█	█	█	█	█	█	83
								84
<u>Total Sales</u>								
Transactions Volumes	█	█	█	█	█	█	█	85
								86

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 G and H detail PG&E’s quarterly and related monthly energy transactions delivered and received during the quarter (by type, cost and quantity).¹ Confidential

¹ 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 H details PG&E's monthly CAISO purchase and sales transactions for August, September and October 2007.²

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

Natural Gas Supply

During Q4-2007, 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. PG&E purchases gas for these obligations as a single portfolio.

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 [REDACTED] which ended on [REDACTED].

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On October 23, 2007, PG&E presented its winter gas purchasing plan to the PRG. Since the portfolio had nearly [REDACTED] billion cubic foot (Bcf) of gas in storage and expected daily demand was [REDACTED] MMBtu/day, PG&E [REDACTED] for the [REDACTED]. [REDACTED] and [REDACTED] were [REDACTED] to meet the expected daily [REDACTED].

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Table 13 summarizes the daily- and term-gas purchases PG&E transacted during the Q4-2007 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 13 includes all gas purchased in Q4-2007 regardless of

² 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.

Gas Parking and Lending

PG&E uses gas parking and lending services⁴ to balance its portfolio for operational purposes. A summary of these transactions in 2007 is included in Table 15.

**TABLE 15
PACIFIC GAS AND ELECTRIC COMPANY
SUMMARY OF Q4-2007 GAS PARKING AND LENDING**

Line No.	Number of Transactions	Transaction Type	Purchase Location	Volume (MMBtu)	Total Cost	Unit Cost (\$/MMBtu)
1	█	█	█	█	█	█

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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 fourth quarter. Pursuant to the plan, PG&E completed the implementation of GHP 2007-1 in █.

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⁴ Parking services allow a party with physical gas to store it with the service provider for one day or longer. It is similar to non-firm storage service. Lending services allow a party to borrow physical gas for one day or longer. The party must repay the lend with physical gas.

The hedge transactions that PG&E executed in the Q4-2007 under GHP 2007-1 are summarized in Table 16.

TABLE 16
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)	
██████████	██████████	██████████	██████████	██████████	██████████	██████████	102
██████████	██████████	██████████	██████████	██████████	██████████	██████████	103
██████████	██████████	██████████	██████████	██████████	██████████	██████████	104
██████████	██████████	██████████	██████████	██████████	██████████	██████████	105
██████████	██████████	██████████	██████████	N/A	██████████	██████████	106

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

PG&E entered Q4 with low reservoirs due to high summer use and low Q4 rainfall. Dry conditions continued in Q4 with only 62 percent of normal precipitation. Given these dry conditions, PG&E's 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. Unit three was out of service for three days for a stator inspection and minor reports. Otherwise, no significant maintenance or forced outages took place at Helms in Q4.

Significant planned maintenance on conventional hydro in the quarter included work on Balch 2 (53 MW ea.), Balch 3 (53 MW ea.), Chicago Park (42.5), Colgate Units 1 and 2 (175 MW ea.), Cresta Units 1 and 2 (35 MW ea.), Donnells (67.5 MW), Drum 5 (49.5 MW), Electra Unit 1 (31 MW), Exchequer (89 MW), Kerckhoff 2 (155 MW), Middle Fork Units 1 and 2 (68 MW ea.), Narrows 1 (55 MW), Pit 1 Unit 2 (31.5 MW), Pit 4 Units 1 and 2 (47 MW

ea.), Pit 5 Units 1 and 3 (40 MW ea.), Pit 7 Unit 1 (56 MW), Poe Units 1 and 2 (60 MW ea.), Ralston (88 MW), Rock Creek Units 1 and 2 (56 MW ea.), Salt Springs Unit 2 (34 MW), Stanislaus (91 MW), Woodleaf (62 MW).

Significant forced outages on conventional hydro during the quarter included: Bucks Unit 1 (33 MW) due to trip on neutral over/under voltage and fire water discharge, Caribou 13 (25 MW) due to governor trouble. Pit 3 Unit 2 (23 MW) due to relay failure and field ground trouble, and Woodleaf (62 MW) due to relay trouble.

For PG&E's retained fossil generation, Humboldt Unit 1 (conventional steam, 52 MW) was forced out for just under five days due to fan speed switch failure. Humboldt Unit 2 (conventional steam, 53 MW) was briefly out on maintenance for forced draft fan inspection and repair.

Diablo Canyon #1 ramped down to 24 percent power briefly in December due to a high ocean swells and possible cooling water intake fouling. Otherwise the unit operated at full power. Diablo Canyon #2 was ramped down to 24 percent briefly due to the high swell event mentioned above. Unit 2 then ramped up to 55 percent power and held for several days for circulating water system cleaning. Otherwise Unit 2 operated at full power.

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

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During November 2007, PG&E was a [REDACTED] in the on-peak and off-peak hours in the day-ahead market and 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

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during the month at PG&E Citygate traded in the range between \$ [REDACTED] /MMBtu and \$ [REDACTED] /MMBtu.

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During December 2007, PG&E was a [REDACTED] in the on-peak and off-peak hours in the day-ahead and in the hour-ahead markets. 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 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 Q4-2007, 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 GHP 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 Q4-2007.

In addition, further actions were taken to reduce TeVaR. PG&E made recommendations to CDWR per Gas Supply Plan 10 (Advice 3097-E, approved by the Director of the Energy

Division on October 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 (ERRA) compliance review application to be filed February 2008.

7. Copy of each contract.

As discussed in Section 3b, during Q4-2007, PG&E executed contractual documents for this Procurement Transaction Quarterly Compliance advice filing, which are included as Confidential Appendices C, D and E.

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 J: 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 submitted by PG&E in separate advice letters and thus included in them.

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

Confidential Appendix K is a histogram (graph) of energy purchases and sales by price and volume (GWh) for Q4-2007, 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 Q4-2007.

PG&E does not have any agreements to disclose for Q4-2007 applicable to this decision.

**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	