STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

July 27, 2009

Advice Letter 3463-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: Submission of the Thirteenth Gas Supply Plan (GSP-13) for the California Department of Water Resources (CDWR) Tolling Agreements (November 1, 2009 through October 31, 2010)

Dear Mr. Cherry:

Advice Letter 3463-E is effective November 1, 2009.

Sincerely,

Julie A. Fitch, Director
Energy Division

Pacific Gas and Electric Company

Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.7226

June 1, 2009

Advice 3463-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: **Submission of the Thirteenth Gas Supply Plan (GSP-13) for the California Department of Water Resources (CDWR) Tolling Agreements (November 1, 2009 Through October 31, 2010)**

Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utilities Commission (Commission or CPUC) its thirteenth Gas Supply Plan (GSP-13) for the California Department of Water Resources (CDWR) Tolling Agreements for the period November 1, 2009, through October 31, 2010.

Background

Decision (D.) 02-12-069 and D.03-04-029 direct PG&E to consolidate fuel procurement strategies for the CDWR contracts and to submit them to CDWR and the Commission as a "Gas Supply Plan" on a semi-annual basis. Subsequently, D.07-12-052 (the 2006 Long-Term Plan Decision) established an annual utility gas supply plan filing schedule to occur when the annual ERRA filing occurs, i.e., specifically, the forecast filing. The decision also states at page 178, that "If and when DWR agrees to this change, the IOUs should notify the Commission by Advice Letter." On April 11, 2008, PG&E and CDWR signed a letter agreement modifying the Operating Agreement to move the gas supply plan to an annual cycle. PG&E submitted this letter to the CPUC for approval via Advice Letter on May 14, 2008 (Advice 3269-E) and the Commission's Energy Division approved the Advice Letter on June 11, 2008. PG&E submitted its twelfth Gas Supply Plan (GSP-12) on August 1, 2008 (Advice 3309-E). GSP-12 was approved by the Commission's Energy Division on October 1, 2008. As part of the above-mentioned move from semi-annual to annual gas supply plans, GSP-12 covered a period of thirteen months, October 1, 2008, through October 31, 2009. Future gas supply plans will cover the annual period beginning November 1, and will be filed June 1 of each year. Starting with GSP-13, PG&E plans will cover one year from November through October of the following year, the traditional gas year.

Pursuant to Ordering Paragraph (O.P.) 5 of Resolution E-3845, PG&E continues to provide detailed information concerning its analyses, tools and decision making process concerning gas price volatility and its risk management strategies.

Gas Supply Plan 13

GSP-13 follows a format similar to PG&E's previously approved plans and is consistent with PG&E's updated Electric Portfolio Gas Hedging Plan. The Hedging Plan was approved by the CPUC on June 27, 2008, as part of PG&E's conformed 2006 Long-Term Procurement Plan (Resolution E-4177).

PG&E provides a redacted copy of GSP-13 in Attachment C to this Advice Letter. Included in GSP-13 are confidential appendices (Appendices 3A, 3B, 4A, 5A and 5B) that contain volume and cost forecasts, and hedging implementation projections.

Confidential Material

This advice filing contains CONFIDENTIAL PROTECTED material under D.06-06-066 Appendix 1, and pursuant to the May 20, 2003, Modified Protective Order. It is also being submitted under CPUC section 583. Concurrently with this Advice Filing and pursuant to the August 22, 2006, ALJ ruling clarifying interim procedures for complying with D.06-06-066, PG&E is providing the declaration of Michael S. Kowalewski to support confidential treatment for the confidential, market sensitive information in GSP-13, and to designate the specific protected material as required by ordering paragraphs 2 and 3, as applicable, of D.06-06-066. The public version of the body of GSP-13 contained in Attachment C has been partially redacted in accordance with D.06-06-066. Appendices 3A, 3B, 4A, 5A and 5B to this advice letter are fully confidential per D.06-06-066 and therefore have been redacted in full.

Protest Period

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 **June 22, 2009**, which is **21** days after the date of this filing.[*] 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 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests the effective date of this filing be **November 1, 2009**.

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 list for Rulemaking (R.) 06-02-013, 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.

Brian Cherry / Cmt

Vice President – Regulatory Relations

cc: Service List - R.06-02-013, R.04-04-003, w/o confidential attachments

Attachments:

Attachment A – Declaration of Michael S. Kowalewski supporting the confidential treatment of confidential, market-sensitive information

Attachment B – Confidentiality Matrix supporting confidential, market-sensitive information

Confidential Attachment C – Gas Supply Plan (GSP-13) for CDWR Tolling Agreements (redacted copy provided in public version)

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:	Contact Person: Linda Tom-Martinez
☑ ELC ☑ GAS	Phone #: (415) 973-4612
☐ PLC ☐ HEAT ☐ WATER	E-mail: lmt1@pge.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: **3463-E** **Tier: 2**

Subject of AL: **Thirteenth (13th) Gas Supply Plan (GSP-13) for the California Department of Water Resources (CDWR) Tolling Agreements (November 1, 2009 Through October 31, 2010)**

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.012-12-069, D.03-04-029

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[1]: ____________________

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes. See the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: 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: Michael S. Kowalewski (415) 972-5589

Resolution Required? ☐Yes ☑ No

Requested effective date: **November 1, 2009** No. of tariff sheets: N/A

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed[1]: N/A

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

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division **Tariff Files, Room 4005** **DMS Branch** **505 Van Ness Ave.,** **San Francisco, CA 94102** **jnj@cpuc.ca.gov and mas@cpuc.ca.gov**	**Pacific Gas and Electric Company** **Attn: Brian K. Cherry** **Vice President, Regulatory Relations** **77 Beale Street, Mail Code B10C** **P.O. Box 770000** **San Francisco, CA 94177** **E-mail: PGETariffs@pge.com**

Attachment A

Declaration of Michael S. Kowalewski

Supporting the Confidential Treatment of Confidential,

Market-Sensitive Information

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

DECLARATION OF MICHAEL KOWALEWSKI IN SUPPORT OF CONFIDENTIAL TREATMENT FOR INFORMATION IN
GAS SUPPLY PLAN 13 FOR CDWR TOLLING AGREEMENTS ALLOCATED TO PACIFIC GAS AND ELECTRIC COMPANY AS CDWR'S LIMITED AGENT

I, Michael Kowalewski, declare:

1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee since 1992. My current title is senior gas trader. In this position, my responsibilities include planning and procuring gas supply in support of PG&E's electric generation needs. In carrying out these responsibilities, I have acquired knowledge of gas supplies and markets. I am responsible for the development of Gas Supply Plan 13.

2. Pursuant to the requirements in Decision 06-06-066 and the Administrative Law Judge Ruling issued August 22, 2006, Clarifying Interim Procedures for Complying with Decision 06-06-066, I have prepared this declaration to support confidential treatment of market-sensitive, confidential information contained in Gas Supply Plan 13 (GSP-13) (Protected Information). Based on my knowledge and experience with the contents of GSP-13 and the markets for physical and financial products for gas supply and hedging, I make this declaration seeking confidential treatment of the Protected Information contained in GSP-13. The Protected Information is material, market-sensitive, electric procurement related information within the scope of Public Utilities Code section 454.5(g) and is entitled to confidential treatment under the IOU Matrix, Appendix 1 (IOU Matrix) of Decision 06-06-066.

3. The following categories in the IOU Matrix apply to Protected Information in GSP-12:

1. IOU Matrix category I. A. 4, "Long-term fuel (gas) buying and hedging plans"
2. IOU Matrix category I. A. 5, "Monthly California Department of Water Resources gas position updates, including information about hedging activities"
3. IOU Matrix category IV. G, "Forecast of DWR contracts"
4. IOU Matrix category I.A. 2, "Utility gas price forecasts"
5. IOU Matrix category XII, "Monthly Portfolio Risk Assessment"
6. IOU Matrix category IV. B, "Utility Bundled Net Open (Long or Short) Position for Energy"

4. The IOU Matrix categories for the Protected Material in GSP-13 are detailed in the attached Identification of Confidential Information Matrix. GSP-13 Appendices 3A, 3B, 4A, 5A, and 5B are confidential in their entirety and are also noted in the attached Identification of Confidential Information Matrix.

5. GSP-13 and its confidential appendices, like the previous Gas Supply Plans 1 through 12 and their confidential appendices, go into great depth on PG&E's planning, assumptions, strategies, analyses, and implementation for cost-effectively meeting the multi-year gas supply needs of the CDWR tolling agreements. The requirement to file gas supply plans and the scope of the gas supply plan activities and responsibilities for fuel management and hedging for the CDWR tolling agreements are described in the PG&E Operating Agreement with CDWR (Operating Agreement), Exhibit B, Fuel Management Protocols[1]. The gas supply plans are intended to give the Commission and CDWR a meaningful understanding of the fuel needs for CDWR's tolling agreements, what procurement and hedging strategy should be followed to meet those needs, why that

[1] Section IV, Exhibit B to the Operating Agreement requires PG&E to submit the fuel procurement strategies, including risk management, and submit them to the Commission as a "Utility Gas Supply Plan" on a semiannual basis.

strategy is best, what PG&E intends to do in the markets to execute the strategy, and when PG&E intends to be in the markets. Accordingly, the gas supply plans inherently include a large amount of confidential, market sensitive information. GSP-13 is no exception.

6. GSP-13 information is confidential and market sensitive because if other participants in the gas-related markets involved in the GSP were to obtain the information,[2] PG&E's ability to execute the strategy and obtain results cost-effectively could be impaired. If the detailed information in GSP-13 about PG&E's strategy and plans is not kept confidential, PG&E would be de-positioned relative to other market participants who would have PG&E's confidential, market sensitive data, when other market participants' comparable confidential, market sensitive data would not be in the public domain.

7. The Protected Information in GSP-13 is primarily for CDWR tolling agreements. PG&E's role under the Operating Fuel Management Protocols is as CDWR's limited agent. The confidential treatment of Protected Information also should be maintained to avoid adverse impact to CDWR's exposure for transactions undertaken pursuant to GSP-13.

8. The Protected Information in GSP-13 should remain confidential for more than 3 years. The analysis, strategies, assumptions and planning in the gas supply plans are part of a continuum that stretches over multiple years. In addition, the hedging strategy that is effective for CDWR tolling contracts may not change radically from one gas supply plan to the next. Therefore, releasing the Protected Information in GSP-13 or past gas supply

[2] The markets include natural gas, gas-derivative financial contracts, gas transportation, storage, and energy.

plans may amount to releasing the same information as contained in the current gas supply plan. Therefore, Protected Information contained in GSP-13 should continue to be accorded confidential treatment for three years beyond the point in time when PG&E ceases to manage gas supply for the CDWR tolling agreements.

9. I am not aware of any instances where the Protected Information identified in this declaration has been disclosed to the public. The Protected Information cannot be provided in a more aggregated, partially redacted, or summarized form.

10. Attached to my declaration are both a confidential copy of GSP-13 with Protected Information unredacted and a non-confidential copy of GSP-13 with Protected Information removed.

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

Executed this twenty-seventh day of May 2009, at San Francisco, California.

Attachment B

Confidentiality Matrix Supporting Confidential, Market-Sensitive Information

1	PACIFIC GAS AND ELECTRIC COMPANY							
2	Document: Gas Supply Plan 13 for CDWR Tolling Agreements							
3	IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066							
4	Date: June 1, 2009							
5								
6	**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**
7								
8	**Document: Gas Supply Plan 12 for CDWR Tolling Agreements**							
9	pages 1-2	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
10	page 3	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
11	page 4	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
12	page 5, including Table 3-2	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
13	Figure 3-1	Y	I.A.5	Y	Y	Y	Monthly California Department of Water Resources gas position updates, including information about hedging activities	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
14	Figure 3-1	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
15	page 8	Y	I.A.5	Y	Y	Y	Monthly California Department of Water Resources gas position updates, including information about hedging activities	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
16	page 8	Y	IV.G	Y	Y	Y	Forecast of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
17	page 8	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
18	page 9-10	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR
19	page 9-10	Y	IV.G	Y	Y	Y	Forecast of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
20	Tables 3A-1a, 3A-1b, 3A-2a, 3A-2b, 3A-3a, 3A-3b	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
21	Tables 3A-1a, 3A-1b, 3A-2a, 3A-2b, 3A-3a, 3A-3b	Y	I.A.5	Y	Y	Y	Monthly California Department of Water Resources gas position updates, including information about hedging activities	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
22	Tables 3A-1a, 3A-1b, 3A-2a, 3A-2b, 3A-3a, 3A-3b	Y	IV.G	Y	Y	Y	Forecast of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.

1	**PACIFIC GAS AND ELECTRIC COMPANY**							
2	**Document: Gas Supply Plan 13 for CDWR Tolling Agreements**							
3	**IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066**							
4	**Date: June 1, 2009**							
5								
6	**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**
23	Tables 3B-1a, 3B-1b, 3B-2a, 3B-2b	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
24	Tables 3B-1a, 3B-1b, 3B-2a, 3B-2b	Y	I.A.5	Y	Y	Y	Monthly California Department of Water Resources gas position updates, including information about hedging activities	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
25	Tables 3B-1a, 3B-1b, 3B-2a, 3B-2b	Y	IV.G	Y	Y	Y	Forecast of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
26	page 23, section 4.a	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
27	page 23-24, section 4.b	Y	I.A.2	Y	Y	Y	Utility gas price forecasts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
28	Figures 4A-1, 4A-2, 4A-3, and 4A-4	Y	I.A.2	Y	Y	Y	Utility gas price forecasts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
29	pages 29 - 38, including Figures 5-1, 5-2, and 5-3, Tables 5-1, 5-2, and 5-3	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
30	pages 39-40, including Table 6-1	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
31	pages 39-40, including Table 6-1	Y	IV.G	Y	Y	Y	Forecast of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
32	page 41	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
33	Table 5A-1	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
34	Table 5A-1	Y	I.A.2	Y	Y	Y	Utility gas price forecasts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
35	Tables 5B-1a and 5B-1b	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
36	Tables 5B-1a and 5B-1b	Y	I.A.5	Y	Y	Y	Monthly California Department of Water Resources gas position updates, including information about hedging activities	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
37	Tables 5B-1a and 5B-1b	Y	IV.G	Y	Y	Y	Forecast of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.

Attachment C

Gas Supply Plan (GSP-13) for CDWR Tolling Agreements

(redacted copy provided in public version)

Gas Supply Plan 13

for

CDWR Tolling Agreements

November 1, 2009

through

October 31, 2010

Pacific Gas and Electric Company®

June 1, 2009

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1. Executive Summary

This document represents Pacific Gas and Electric Company's (PG&E's) annual Gas Supply Plan for California Department of Water Resources (CDWR) Tolling Agreements (GSP-13), covering the period November 1, 2009, through October 31, 2010. This Gas Supply Plan is consistent with PG&E's experience managing these tolling agreements since January 1, 2003, and with PG&E's currently approved 2006 Long-Term Procurement Plan.[1] PG&E will adhere to the CDWR Fuels Protocols, which were issued in completed form on December 8, 2003, and modified in August 2004. PG&E requests that the California Public Utilities Commission (CPUC) approve this Gas Supply Plan effective November 1, 2009.

PG&E's goals for the term of GSP-13 include building a flexible gas portfolio to manage the fluctuating gas loads from the tolling agreements. To manage price risk, PG&E will continue to manage the gas open position of the CDWR portfolio according to the gas hedging framework described in prior Gas Supply Plans and consistent with PG&E's Electric Portfolio Gas Hedging Plan, as updated. [redacted]

The last update to PG&E's Electric Portfolio Gas Hedging Plan came on June 27, 2008, when the CPUC approved PG&E's conformed 2006 Long-Term Procurement Plan (LTPP), which included minor revisions to its Gas Hedging Plan.[2] Accordingly, PG&E began implementation of this hedging plan in July 2008 and included this new hedging plan in GSP-12. PG&E will seek to retain a consistent Hedging Plan for PG&E's electric portfolio, which includes the CDWR contracts allocated to PG&E for administrative purposes, by updating the CDWR Gas Supply Plans to include any revisions to its Gas Hedging Plan.

As in previous gas supply plans, PG&E has concluded that it is [redacted] In addition, PG&E concluded that it is cost effective and appropriate for PG&E in its role as CDWR's limited agent to take on Fuel Manager responsibilities for several of these agreements, as allowed by the contracts.

[redacted]

[1] 2006 Long-Term Procurement Plan.(conformed), Resolution E-4177, June 27, 2008.

[2] Resolution E-4177, June 27, 2008.

[redacted]

2. Introduction

On June 27, 2008, the California Public Utilities (Commission or CPUC) approved PG&E's conformed 2006 Long-Term Procurement Plan (Resolution E-4177).[3] PG&E's 2006 Long-Term Procurement Plan explicitly discusses the contribution of fuel (natural gas) to the value and price sensitivity of PG&E's open market position. Fuel management for the CDWR contracts is a part of the strategies discussed in PG&E's procurement plans.

On April 3, 2003, the Commission approved the Operating Agreement between CDWR and PG&E (D.03-04-029). The Operating Agreement was subsequently modified on October 28, 2004, in D.04-10-020. The Operating Agreement enables PG&E to perform the operational, dispatch, and administrative functions for CDWR's Long-Term Power Purchase Contracts as CDWR's limited agent. The Operating Agreement requires PG&E to submit a semiannual gas supply plan for these gas-tolling arrangements to CDWR and the Commission for review and approval.

On April 11, 2008, PG&E and CDWR signed a letter agreement modifying the Operating Agreement to move the gas supply plan to an annual cycle. PG&E submitted this letter to the CPUC for approval via Advice Letter on May 14, 2008 (Advice 3269-E) and the Commission's Energy Division approved the Advice Letter on June 11, 2008. PG&E submitted its twelfth Gas Supply Plan (GSP-12) on August 1, 2008 (Advice 3309-E). GSP-12 was approved by the Commission's Energy Division on October 1, 2008. As part of the above-mentioned move from semiannual to annual gas supply plans, GSP-12 covered a period of thirteen months, October 1, 2008, through October 31, 2009. Future gas supply plans will cover the annual period beginning November 1, and will be filed June 1 of each year.

This document, Gas Supply Plan 13, covers the period November 1, 2009, through October 30, 2010. PG&E submitted a draft GSP-13 to its Procurement Review Group (PRG) and CDWR on May 5, 2009.[4]

Of the twelve CDWR contracts allocated to PG&E and active during the period of this plan, eleven, representing seven different counterparties, have unexpired provisions for gas tolling. The seven counterparties include Calpine, CalPeak, Coral, GWF, Kings River, Iberdrola, and Wellhead. These contracts represent

[3] The CPUC did not approve PG&E's proposed gas supply plan as part of the conformed 2006 LTPP.

[4] PG&E's submittal of a draft GSP-13 allows CDWR and PG&E's PRG the required two weeks to review the draft plan prior to the filing date established by the Commission in Resolution E-3845.

1,648 megawatts (MW) of dispatchable contract capacity. The status of CDWR's contract with the City and County of San Francisco is uncertain at this time.

[redacted]

The CDWR tolling agreements have a variety of options for CDWR including the options to supply fuel (tolling) and to manage deliveries to the plants. [redacted] If CDWR does not elect to supply fuel, the generators in most cases will supply and manage fuel under the terms of each contract and under the terms of a CDWR-reviewed fuel plan.

3. Needs Assessment

The purpose of this section is to provide a brief description of the CDWR tolling agreements and the fuel supply options available to CDWR; to present PG&E's forecast of the gas required to supply the CDWR tolling agreements allocated to PG&E; and to present a forecast of the cost of supplying physical gas under those agreements whether that gas is supplied by the generators under the provisions of the tolling agreements or if supplied by CDWR with PG&E acting as CDWR's limited agent.

a. CDWR Tolling Agreements Allocated to PG&E

Table 3-1 lists the CDWR tolling agreements allocated to PG&E. While CDWR's agreement with the City and County of San Francisco is listed here its status is uncertain at this time.

Pacific Gas and Electric Company Table 3-1 CDWR Tolling Agreements Allocated to PG&E					
Counterparty	Agreement	Type	Capacity (MW)*	Heat Rate (MMBtu/MWh)*	Contract End Date
Calpine	Calpine 2	Unit – Peaking	180	10.5	12/31/2012
Calpine	Calpine 3	System – Peaking	495	10.5	7/31/2011
Calpeak	Panoche	Unit – Peaking	52	10.25	12/27/2011
Calpeak	Vaca Dixon	Unit – Peaking	52	10.3	12/31/2007
CCSF	CCSF	Unit – Peaking	TBD	10.0	TBD
Coral (Shell)	Coral	System – Must Take	Var.	7.25	6/30/2012
GWF	Hanford/Henrietta	Unit – Peaking	189	10.35	12/31/2011
GWF	Tracy	Unit – Peaking	189	10.35	10/31/2012
Kings River	Kings River	Unit – Peaking	96	9.8	9/9/2015
Iberdrola	Klamath Falls	Unit – Dispatchable	300	7.2	6/30/2011
Wellhead	Gates	Unit – Peaking	46	10.0	10/31/2011
Wellhead	Fresno	Unit – Peaking	21	13.5	10/31/2011
Wellhead	Panoche	Unit – Peaking	50	13.5	10/31/2011

* Capacities and Heat Rates are nominal values and do not reflect the results of actual performance tests.

b. Fuel Supply Options Under CDWR's Tolling Agreements

Most of the tolling agreements allow CDWR to become the Fuel Supplier, the Fuel Manager, or both. The Fuel Supplier purchases gas and delivers it to the Fuel Manager. CDWR has captured the benefits of managing a large portfolio by becoming the Fuel Supplier for all of its tolling agreements allocated to PG&E except for its Coral contract. Taking such a role for the Coral contract is not recommended at this time, because appreciable savings are not yet evident and Coral requires gas deliveries to match the power delivery schedule, which means volumes for Monday through Saturday are different from Sunday and holiday volumes. Such a delivery schedule adds cost to the portfolio.

The Fuel Manager schedules deliveries to the plant and manages monthly and daily balancing. [redacted]

[redacted]

Fuel Supplier: Purchases gas and delivers it to the Fuel Manager at the PG&E Citygate or a pre-determined location.

Fuel Manager: Receives gas from the Fuel Supplier and manages daily and monthly deliveries from the Citygate (or other point) to the plant.

Table 3-2 summarizes PG&E's role
(as CDWR's Limited Agent) as Fuel Manager and Supplier:

Pacific Gas and Electric Company
Table 3-2
PG&E as CDWR's Limited Agent Role Elections

Generator	Fuel Supplier	Fuel Manager
Calpine 2 (Los Esteros)	Yes	Yes
Calpine 3	[redacted]	[redacted]
Iberdrola	Yes	No (not allowed by contract)
GWF	[redacted]	[redacted]
Kings River	Yes	Yes
Wellhead	[redacted]	[redacted]
CalPeak	Yes	Yes (receive the benefits)
Coral	[redacted]	[redacted]

Table 3-3 summarizes the general fuel supply arrangements offered by each generator under its tolling agreement with CDWR. Most of the tolling agreements require the generator to provide a Fuel Plan to CDWR for its review and approval on a regular basis. Per the Operating Agreement, when CDWR receives a fuel plan proposal from a generator it provides a copy to PG&E for its review. PG&E reviews the proposed plan and recommends to CDWR whether to accept or reject the plan and whether to elect to self-supply fuel under the tolling agreement.

[5] Per its PPA with CDWR, CalPeak has the right to select the Fuel Manager and to charge a fee to CDWR for Fuel Manager services when CDWR is not Fuel Manager.

Pacific Gas and Electric Company Table 3-3 Generator Fuel Cost Arrangements	
Generator	**Pricing Mechanism Approach**
Calpine 2 (Los Esteros)	No generator fuel option
CalPeak	PG&E Citygate: Monthly, daily, and intraday indexes, adders for market risk (variable), LDC transport, fuel management and the option of risk management
Calpine 3	PG&E Citygate: Daily and intraday indexes, adders for market risk (fixed) and LDC transport
Coral	Starting 1/1/06, Topock into SoCal Gas: Monthly NGI bidweek index only, no adders
GWF	PG&E Citygate: Monthly and daily indexes, adders for market risk (fixed daily, variable monthly), LDC transport, fuel management, taxes & fees
Kings River	No generator fuel option
Iberdrola	Alberta (AECO 'C'): Monthly & daily indexes (C$), adders for pipeline variable charges and shrinkage, and heat rate (based on dispatch levels)
Wellhead	PG&E Citygate: Monthly, daily and intraday indexes, adders for fuel management, the option of risk management, LDC transport, mainline extension, taxes & fees

Figure 3-1 illustrates CDWR's deadlines to notify generators that CDWR will elect to supply gas for a particular tolling agreement. Black lines indicate contracts for which PG&E as CDWR's Limited Agent currently supplies gas. Cross-hatches indicate the gas is supplied per a generator fuel plan.

Pacific Gas and Electric Company
Figure 3-1
CDWR Fuel Supply Timeline

[redacted]

c. Forecast of Gas Demand by Tolling Agreement

i. Projected Monthly and Daily Gas Volume

PG&E forecasted gas volumes for each of the CDWR contracts using FEA @ENERGY/PowerGeneration, a software tool for power generation asset optimization produced by Financial Engineering Associates of Berkeley, California. @ENERGY/PowerGeneration simulates optimal dispatch of all PG&E resources, including the CDWR contracts, based on each resource's specific operating constraints, flexibility and market prices. @ENERGY/PowerGeneration assists PG&E in minimizing generation costs and maximizing the value of generation assets, including CDWR contracts, utility-owned generation and market purchases. PG&E's production simulation currently uses 10,000 trials and represents the expected case outcome.

The key assumptions underlying the forecast include:

- Current electric and gas forward curves.

- Operating characteristics of utility-owned generation including hydro and pumped storage.
- Operating characteristics and contract terms of the CDWR contracts.
- Operating characteristics and contract terms of PG&E contracts.

The forecast results are presented in Tables 3A-1 to 3A-3 in the appendix to this chapter. This forecast is the same whether the gas is provided by the generators or by PG&E as CDWR's limited agent.

Tables 3A-1a and 3A-1b include the total gas volumes for all dispatch of CDWR generation, Tables 3A-2a and 3A-2b include only CDWR gas volumes required for [redacted] and Tables 3A-3a and 3A-3b include only gas volumes required for [redacted][7] Note that PG&E uses [redacted] Delta-equivalent volumes represent expected-case values.

Tables 3A-2a and 3A-2b display [redacted] This is an important representation of the CDWR gas positions because the emphasis of PG&E's Gas Hedging Plan is to [redacted]

d. Forecast of Fuel Cost Under Generator Fuel Plans

PG&E forecasted the cost of fuel under each of CDWR's tolling agreements by applying the fuel supply arrangements in each contract and the latest Generator Fuel Plan provisions to the volumes presented in the previous section. The results of these forecasts are presented in Tables 3B-1a through 3B-1b in Appendix 3B. Detailed supporting calculations for the figures in the tables are available upon request in PG&E's confidential workpapers for GSP-13.

The estimated total gas cost under the generator fuel plans for the term of GSP-13 is presented in the last column of Line 13 in Table 3B-1a and represents [redacted] The average PG&E Citygate gas price from GSP-12 was [redacted] compared with [redacted] for GSP-13.

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[6] [redacted]

[7] [redacted] is in-the-money, that is, the incremental cost of generation is lower than the current market price of power.

[8] Each tolling agreement represents a spark spread option, and for each such spread option the [redacted]

e. Forecast of Fuel Cost under PG&E Fuel Plan

PG&E forecasted the cost of fuel provided by PG&E as CDWR's Limited Agent under GSP-13 and using the same forecast period and pricing date as Section 3d, above. GSP-13 assumes that PG&E [redacted] The remainder of GSP-13 is devoted to presenting the details of how this portfolio would be constructed and managed. The results of these forecasts are presented in Tables 3B-2a through 3B-2b in Appendix 3B. Detailed supporting calculations for the figures in the tables are available upon request in PG&E's confidential workpapers for GSP-13.

The estimated total gas cost under the PG&E's fuel plan[9] for the term of this plan is presented in the last column of Line 13 of Table 3B-2a and represents [redacted]

f. Comparison of Cost Under PG&E's Fuel Plan With Cost Under Generators Fuel Plans

The total cost under the PG&E Gas Supply Plan is [redacted] for the term of GSP-13. These projected savings are based on forward prices as of [redacted] and the actual will be different because market conditions change. The savings result from PG&E as CDWR's Limited Agent [redacted], where applicable. Specifically, the savings result from [redacted] The projected savings are similar to those forecasted under past GSPs.

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[9] Note: this cost does not include PG&E's administrative cost for procuring fuel for the CDWR contracts. Administrative costs are included in PG&E's General Rate Case.

[10] The availability of this capacity was confirmed by a letter agreement between CDWR and Iberdrola on November 10, 2003. [redacted]

APPENDIX 3A

Appendix 3A has been redacted because it contains confidential, protected material.

APPENDIX 3B

Appendix 3B has been redacted because it contains confidential, protected material.

4. Market Assessment

This section provides an update on market conditions for the term of this plan.

a. Gas Forward Prices

Rather than use a forecast of gas prices based on econometric models, PG&E prefers to use forward price quotes from financial markets. These prices reflect market conditions as of the end of the trading day, [redacted] PG&E's Utility Risk Management department updates these prices on a daily basis. The prices from this date were used for all of the analysis presented in this plan.

The forward gas prices presented in Figures 4A-1 through 4A-4 are based on financial market quotes on the observation dates indicated.

b. Gas Supply Outlook

i. Production Outlook for Gas Basins

Reacting to a global glut of natural gas in the current economic environment, active drilling rigs have fallen nationwide, as supply attempts a retreat to the level of demand. Although reductions in drilling will impact supplies in growth regions such as the Rockies, [redacted] Mature regions such as the San Juan and the Western Canadian Sedimentary Basin (WCSB) basins are expected to continue their gradual declines.

Rockies gas traded at a [redacted] and [redacted] discount to the NYMEX Henry Hub contract last summer (April 2008 through October 2008) and winter (November 2008 through March 2009), respectively. Looking forward, Rockies gas is currently trading at a [redacted] discount to the NYMEX for next summer (April 2010 through October 2010) and at a [redacted] discount for this winter (November 2009 through March 2010).

San Juan production is expected to [redacted] San Juan gas traded at a [redacted] premium to NYMEX for summer 2008 and a [redacted] discount last winter. San Juan gas is currently trading at a [redacted] discount to NYMEX for summer 2009 and at a [redacted] discount for winter 2009/2010.

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11 Wood Mackenzie, North American Gas Long-Term Outlook, December 2008.

Permian Basin

Permian gas traded at a [redacted] premium to NYMEX last summer and a [redacted] discount last winter. The Permian basin is currently trading at a [redacted] discount to NYMEX for the summer 2010 and at a [redacted] discount for winter 2009/2010. Permian supplies are expected to remain a limited source of California supply.

California Production

California's very mature gas production is expected at a rate of approximately 480,000 MMBtu/d in 2008 and is expected to remain at that level through 2030 (2008 Cal Gas Report, p. 15).

Alberta and British Columbia

Western Canada is seeing a decline in conventional gas production as older fields become less productive.[12] Natural gas production from the WCSB is expected to decline from approximately 16.2 Bcf/d in 2007 to approximately 12.7 Bcf/d by 2015.[13] Exacerbating these declines, exports are expected to decline further as a result of local demand, especially from oil sands production. Baker Hughes reports 290 Canadian natural gas rigs in operations during January 2009, down from 352 in January 2008.[14] In April 2008, Canadian exports averaged roughly 9.7 Bcf/d, down from 12.0 Bcf/d in December 2007.[15]

WCSB gas at the AECO 'C' hub gas traded at a [redacted] premium to NYMEX last summer and a [redacted] discount last winter. AECO gas is now trading at a [redacted] to Henry Hub for summer 2010 and at a [redacted] for winter 2009/2010.

ii. Potential Supply Concerns

PG&E has no supply shortage concerns for the term of GSP-13.

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[12] *Canada's Energy Future,* National Energy Board http://www.neb-one.gc.ca/clf-nsi/rthnb/nwsrls/2007/fctsht38ntrlgs-eng.html.

[13] Wood Mackenzie analysis, Pacific Gas and Electric Company Request for Approval of Ruby Pipeline Transportation Arrangements, A.07-12-021, pages 2-3.

[14] Baker Hughes Canadian Oil & Gas Split, April 14, 2009, http://files.shareholder.com/downloads/BHI/612967026x0x286142/06FFBDBE-BDEA-45EA-8E38-B52BEE62D434/US_Rig_Report_040909.xls.

[15] U.S. Department of Energy, Energy Information Administration Web site, http://tonto.eia.doe.gov/dnav/ng/hist/n9102cn2m.htm.

iii. Anticipated Pipeline Outages

PG&E regularly monitors the pipelines’ Web sites for scheduled outages. Monitoring these and other pipeline notices is part of PG&E’s gas scheduler’s duties.

APPENDIX 4A

Appendix 4A has been redacted because it contains confidential, protected material.

5. Procurement Strategy Overview

The purpose of this section is to provide the overarching strategy guiding PG&E's management of gas supply, transportation, storage and price risk management on behalf of CDWR.

a. Management of Physical Supply and Financial Price Risk

[redacted]

b. Physical Supply and Asset Strategy

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[16] To-expiration Value at Risk (TeVaR) is a statistical measure of the variation in cost for PG&E's electric portfolio.

[17] Proposed in PG&E's 2006 Long-term Procurement Plan (filed December 11, 2006). The gas supply plan portion of this plan was not approved in D.07-12-052.

[redacted]

c. Gas Hedging Strategy

i. Electricity and Gas Hedging Operating Targets

[redacted]

[redacted]

[redacted]

[redacted]

PACIFIC GAS AND ELECTRIC COMPANY
Figure 5-1
[redacted]

[redacted]

Pacific Gas and Electric Company
Table 5-1
[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

ii. Gas Basis Operating Targets

[redacted]

18 AL 2775-E, PG&E Electric Portfolio Gas Hedging Plan Update 2006-1, p. 9.

[redacted]

Pacific Gas and Electric Company
Table 5-2
[redacted]

[redacted]

iii. Incremental Product Mix

[redacted]

[redacted]

19 AL 2775-E, PG&E Electric Portfolio Gas Hedging Plan Update 2006-1, Section 5, p. 6.

20 The impact of such events on the portfolio is not captured in the TeVaR analysis.

Pacific Gas And Electric Company
Table 5-3
[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

21 The delta of an option is defined as the change in value of the option (option premium) for a small change in the value of the position underlying the option (natural gas forward swaps). For example, an option on January 2009 gas with a strike price of $9.00 will have a delta of approximately 0.5 if the current forward price for January 2009 gas is $9.00. If the price of January gas should increase to $9.10, the value of the option would increase by $0.05 (0.5 x $0.10). [redacted]

22 At settlement the delta of an in-the-money call option (strike price is below the underlying price) is 1.0. At settlement the delta of an out-of-the-money call option (strike price is above the underlying price) is zero.

Pacific Gas and Electric Company
Figure 5-2
[redacted]

[redacted]

iv. Execution Strategy

[redacted]

23 [redacted]

Pacific Gas and Electric Company
Figure 5-3
[redacted]

[redacted]

v. Contribution of Coral Contract to Hedging Volumes

On January 28, 2009, the CPUC approved Advice Letter 3384-E, jointly filed by PG&E, Southern California Edison and San Diego Gas and Electric Company. This approval means that Edison and San Diego's contributions towards the fixed cost of the Coral contract are now fixed. PG&E need not make any adjustments to its hedging in order to hedge Coral costs according to its current hedging plan.

vi. Operating Outside of the Operating Targets

[redacted]

24 [redacted]

vii. Electricity and Gas Hedging in the Long Term

[redacted]

viii. Electricity and Gas Hedging Plan Implementation

Because the electricity and gas hedging plan involves a number of elements and transactions, PG&E will not be able to immediately, upon Commission and CDWR approval, achieve all of the targets specified in the plan. PG&E will implement the electricity and gas hedging plan in a manner that ensures the proposed targets are met within an appropriate period of time.

ix. Hedging Gas Associated With Economic Surplus

[redacted]

6. Implementation Plan

This section describes, in detail, the portfolio that PG&E as CDWR's Limited Agent proposes to build to supply fuel for the CDWR contracts.

a. Recommended Gas Supply Portfolio

i. Physical Gas Supply

PG&E as CDWR's Limited Agent will build its supply portfolio for the term of GSP-13 to match the generation forecast shown in Section 3.c. Table 8 provides a brief description of each contract and its typical contribution to the supply portfolio.

Pacific Gas and Electric Company Table 6-1 PG&E as CDWR's Limited Agent Supply Portfolio				
Supplier	**Term**	**Volume (MMBtu/day)**	**Location**	**Pricing**
Calpine 3	[redacted]	[redacted]	[redacted]	[redacted]
Calpine Los Esteros	[redacted]	[redacted]	[redacted]	[redacted]
Iberdrola	[redacted]	[redacted]	[redacted]	[redacted]
Coral	[redacted]	[redacted]	[redacted]	[redacted]
Kings River	[redacted]	[redacted]	[redacted]	[redacted]
Wellhead	[redacted]	[redacted]	[redacted]	[redacted]
CalPeak	[redacted]	[redacted]	[redacted]	[redacted]
GWF	[redacted]	[redacted]	[redacted]	[redacted]
Balancing	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

[redacted]

[redacted]

ii. Supply Basin Mix

[redacted]

- [redacted] [redacted]

- [redacted]
- [redacted] [redacted]

iii. Interstate Pipeline Mix

[redacted]

[redacted]

[redacted]

The Iberdrola contract includes 51,840 MMBtu/day of firm capacity on TransCanada's Nova Gas Transmission (Alberta), TransCanada's Foothills BC (British Columbia) and Gas Transmission Northwest (GTN) pipelines. The full reservation charges for each pipeline are included in the fixed capacity charge under CDWR's Power Purchase Agreement with Iberdrola. If Iberdrola supplies fuel under the contract, it has the benefit of the pipeline capacity when the plant is not dispatched. If CDWR supplies fuel, it has the option to receive the benefit of the capacity when the plant is not dispatched. This is the main benefit of supplying fuel under this contract. PG&E as CDWR's Limited Agent continues to capture the value of this pipeline capacity for CDWR by selling the gas (or supplying another CDWR contract) when the PPM plant is not running. Note that Iberdrola is the shipper of record on GTN and will not release the capacity to CDWR, per CDWR's letter agreement with Iberdrola. PPM delivers CDWR gas to the plant when it is dispatched or to CDWR at Malin when the plant is not dispatched.

iv. In-State Pipeline Capacity

[redacted]

v. Distribution Pipeline Capacity

Each of the facilities under contract with CDWR and allocated to PG&E has existing transportation contracts with their local distribution companies (LDCs). The generators will continue to contract for distribution capacity with their LDC.

vi. Storage Capacity

[redacted]

b. Proposed Hedge Transactions

Based on the hedging strategies described in Section 4.B, PG&E proposes a set of representative transactions listed in Tables 5B-1a for the term of GSP-13. PG&E proposes hedge transactions for delivery periods beyond the term of GSP-13 in Table 5B-1b. Note that these representative transactions will be updated based on current market conditions prior to execution.

c. CDWR Prior Review and Consent

In the past, some of CDWR's counterparties for financial transactions have required CDWR to consent to and execute each transaction. If these counterparties maintain this requirement, PG&E will submit all financial transactions with these counterparties to CDWR for review, approval and execution, as described in CDWR's Fuels Protocols.

APPENDIX 5A

Appendix 5A has been redacted because it contains confidential, protected material.

APPENDIX 5B

Appendix 5B has been redacted because it contains confidential, protected material.

7. Miscellaneous Items

This section contains items not covered in any other section.

a. CDWR-Approved Suppliers

The list of gas suppliers approved by CDWR for use by PG&E, Southern California Edison (SCE) and San Diego Gas & Electric Company (SDG&E) is now part of CDWR's Fuel Protocols. CDWR continues to add additional approved suppliers to the list.

PG&E will work closely with CDWR to ensure that CDWR remains within its credit limits and, if necessary, will request that CDWR increase credit limits.

PG&E will use CDWR-approved counterparties for financial trading per Resolution E-3825. In addition, CDWR is using NYMEX Over-the-Counter (OTC) clearing services through a brokerage account to reduce counter-party credit risk and to reduce collateral requirements.

b. Transactions for Use of Utility-Owned Facilities

PG&E will transact for utility-owned facilities or services subject to this presumption of reasonableness standard per Commission Resolution E-3825:

i. In cases where an RFO is issued and offers are received, it is presumed that a reasonable price is paid if PG&E's charge to CDWR for the use of the utility's facilities or services is the same as or lower than the bid(s) received.

ii. In cases where there are no competitive alternatives for comparison, it is presumed that a reasonable price is paid if PG&E's charge to CDWR for the use of the utility's facilities or services is either: (1) the tariff recourse rate for the service; or (2) if the price is negotiated, no higher than the volume weighted average of the price the utility negotiated (except for CDWR) for each similar service in the same month and for the same period the service is provided. In addition, negotiated prices above this weighted average are not per se unreasonable, but require PG&E to show the Commission why they were reasonable.

c. Transactions Outside the Scope of the Gas Supply Plan

As authorized by the Commission in Resolution E-3825, PG&E may pursue activities outside the scope of the approved Gas Supply Plan, subject to Commission reasonableness review, in the event extraordinary circumstances arise and it is necessary for PG&E to meet its administrative and operational responsibilities consistent with Commission decisions and with the CDWR Fuels Protocols. PG&E shall document and describe these occurrences including an explanation of resulting ratepayer benefits. Additionally, PG&E is required to notify CDWR and the Commission's Energy Division when contemplating taking such actions via a letter and obtain CDWR's prior consent where such consent is required by CDWR's Fuels Protocols.

d. Additional Information

As directed by the Commission in Resolution E-3825, PG&E will provide additional information regarding this plan to CDWR upon CDWR's request. Also, as directed by the Commission in Resolution E-3845, PG&E will make available: "all pertinent information (e.g., prices, quantities, etc.) and supporting documentation concerning transactions as well as analyses, forecasts and related data used for decision making purposes pursuant to its approved Gas Supply Plans to the Commission staff upon request."

e. Physical Gas Trading Between PG&E and CDWR

From time to time PG&E finds itself trading opposite positions for its own portfolio and the CDWR portfolio. That is, one portfolio is short and the other is long. Balancing both portfolios requires two physical trades in which each portfolio incurs the cost of the bid-ask spread.

To reduce such costs, PG&E, with CDWR's concurrence, requested in GSP-7 the authority to trade physical gas with CDWR under certain limited circumstances, such as the following:

- Trades are for portfolio balancing.
- Trades are limited to terms of one month or less, including imbalance gas.
- All trades will be priced at the Gas Daily index price for the date in question, with no adders.
- The CDWR side of the trade will be executed by an authorized CDWR employee.
- Trades will be executed under a North American Energy Standards Board (NAESB) Master Agreement between PG&E and CDWR.
- Such trades will be specifically identified in PG&E's quarterly ERRA transaction filings.

This request was approved with GSP-7. If PG&E and CDWR agree on a NAESB Master Agreement specifying the limitations of trading between the two parties, PG&E will file that Agreement for CPUC approval prior to implementing physical gas trading between PG&E and CDWR.

f. Gas Operations Plan

Should the substance of PG&E's operations change in the future, PG&E will include a revised Gas Operations Plan in future Gas Supply Plans.

8. Conclusion

This Gas Supply Plan describes PG&E's plans to manage gas supply and gas price risk for the CDWR tolling agreements allocated to PG&E. PG&E requests the CPUC approve this Gas Plan effective November 1, 2009.

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

Aglet
Agnews Developmental Center
Alcantar & Kahl
Ancillary Services Coalition
Anderson & Poole
Arizona Public Service Company
BART
BP Energy Company
Barkovich & Yap, Inc.
Bartle Wells Associates
Blue Ridge Gas
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CAISO
CLECA Law Office
CSC Energy Services
California Cotton Ginners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Cameron McKenna
Cardinal Cogen
Casner, Steve
Cerox
Chamberlain, Eric
Chevron Company
Chris, King
City of Glendale
City of Palo Alto
City of San Jose
Clean Energy Fuels
Coast Economic Consulting
Commerce Energy
Commercial Energy
Constellation
Constellation New Energy
Consumer Federation of California
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Department of Water Resources
Department of the Army
Dept of General Services
Division of Business Advisory Services
Douglas & Liddell
Douglass & Liddell
Downey & Brand
Duke Energy
Duncan, Virgil E.
Dutcher, John
Ellison Schneider & Harris LLP
Energy Management Services, LLC
FPL Energy Project Management, Inc.
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
G. A. Krause & Assoc.
GLJ Publications
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
Heeg, Peggy A.
Hitachi
Hogan Manufacturing, Inc.
Imperial Irrigation District
Innercite
International Power Technology
Intestate Gas Services, Inc.
J. R. Wood, Inc.
JTM, Inc.
Los Angeles Dept of Water & Power
Luce, Forward, Hamilton & Scripps LLP
MBMC, Inc.
MRW & Associates
Manatt Phelps Phillips
Matthew V. Brady & Associates
McKenzie & Associates
Meek, Daniel W.
Merced Irrigation District
Mirant
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
New United Motor Mfg., Inc.
Norris & Wong Associates
North Coast SolarResources
Northern California Power Association
Occidental Energy Marketing, Inc.
OnGrid Solar
PPL EnergyPlus, LLC
Pinnacle CNG Company
Praxair
R. W. Beck & Associates
RCS, Inc.
RMC Lonestar
Recon Research
SCD Energy Solutions
SCE
SESCO
SMUD
SPURR
Santa Fe Jets
Seattle City Light
Sempra Utilities
Sequoia Union HS Dist
Sierra Pacific Power Company
Silicon Valley Power
Smurfit Stone Container Corp
Southern California Edison Company
St. Paul Assoc.
Sunshine Design
Sutherland, Asbill & Brennan
TFS Energy
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
Tioga Energy
TransCanada
Turlock Irrigation District
U S Borax, Inc.
United Cogen
Utility Cost Management
Utility Resource Network
Utility Specialists
Vandenberg Air Force
Verizon
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
White & Case
eMeter Corporation