

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 11, 2007

Advice Letter 2882-G

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: Long Term Hedging, 2007 Annual Plan Compliance  
Advice Letter

Dear Mr. Cherry:

Advice Letter 2882-G is effective December 2, 2007.

Sincerely,

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

Sean H. Gallagher, Director  
Energy Division



**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

415.973.4977  
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November 2, 2007

**Advice 2882-G**

(Pacific Gas and Electric Company ID U39 G)

Public Utilities Commission of the State of California

**Subject: Long Term Hedging, 2007 Annual Plan Compliance Advice Letter**

Pacific Gas and Electric Company (PG&E) hereby submits for filing an Advice Letter in compliance with Decision (D.) 07-06-013.

**Purpose**

The purpose of this advice letter is to comply with Section 5 of the Settlement Agreement adopted in D. 07-06-013, which approved PG&E's Long Term Hedging Program. This advice letter also allows for a Commission review of PG&E's compliance with the approved 2007 Annual Plan submitted in Advice Letter 2841-G.

**Confidential Attachments 1 through 5 of this advice letter contain confidential and market sensitive information. This material is being submitted under General Order 66C and under the provisions of California Public Utilities Code Section 583.**

**Background**

On December 20, 2006 PG&E filed a motion to adopt the Settlement Agreement among PG&E, Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), and Aglet Consumer Alliance (Aglet) under A. 06-05-007. The Commission adopted the Settlement on June 7, 2007, in D. 07-06-013.

The Settlement Agreement specified that twice yearly, PG&E will file a compliance advice letter after full execution of the Annual Plan—once after the annual implementation period, and again at the end of the winter heating season. The advice letter must describe the general parameters of the Annual Plan and include a confidential attachment containing information about each transaction executed

by PG&E during the implementation period, the date the transaction was executed, and the amount paid.

Confidential Attachments 1 through 5 must remain confidential in compliance with Commission D. 07-06-013. Ordering Paragraph 2 of D.07-06-013 states "PG&E's annual gas hedging plans shall be treated as a long-term gas hedging plan in a manner consistent with the confidentiality provisions of D. 06-06-066 as modified by D. 07-05-032." Finding of Fact 8 of D. 07-06-013 further explained that "public disclosure of PG&E's hedging plans would compromise the utility's negotiating leverage."

### **General Parameters of the Annual Plan**

#### **Hedge Coverage Period:**

PG&E is authorized to hedge three years forward.

#### **Budget for Options:**

PG&E is authorized to spend a confidential dollar amount in total on options for each Annual Implementation Plan. Of this annual total, up to a specified amount may be spent during the prompt year for Year 2 (2008-2009) and Year 3 (2009-2010) combined.

#### **Coverage for Swaps:**

PG&E is authorized to hedge with swaps for a level of coverage up to a specified percentage of average daily core gas demand for selected winter months.

#### **Execution Period:**

The Settlement agreement calls for hedges (both options and swaps) to be executed over a specified execution period in each year.

### **Description of Compliance**

In confidential Attachment 1, PG&E summarizes the execution of the 2007 Annual Hedge Plan. This table includes the total funds spent on hedging instruments, the amount of natural gas supplies hedged, and the anticipated impact of the Hedging Plan on customer gas bills. It also includes the hedge parameter targets in order to demonstrate compliance with the approved Annual Plan. A detailed daily list of options and swaps purchased during the 2007 Annual implementation period is provided in confidential Attachments 2, 2A, 3, 3A, and 3B.

The lower portion of confidential Attachment 1 summarizes the Winter 2007-2008 hedges remaining under the 2005 Emergency Gas Hedging Program authorized under D.05-10-015, and confidential Attachment 4 contains a list of transactions for Winter 2007-2008 executed under D. 05-10-015. Including this information

within this advice letter provides a complete summary of hedges executed for Winter 2007-2008 on behalf of PG&E's core gas customers.

Confidential Attachment 5 provides information regarding potential margin call activity associated with the hedging for PG&E's core gas customers under the 2007 Annual Plan. As required by Ordering Paragraph 6 in D.06-11-006, all future gas proceedings authorizing gas hedges should include a discussion of potential margin call activity. Confidential Attachment 5 includes both a probabilistic and a deterministic assessment of the potential for collateral posting.

### **Conclusion**

PG&E's implementation of the 2007 Annual Hedge Plan was successfully accomplished in accordance with the approved Plan. As the confidential Attachments demonstrate, PG&E not only met all the 2007 Annual Plan goals but also complied with all the Settlement Agreement approved in D. 07-06-013 and the 2007 Annual Plan hedge parameters.

### **Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **November 22, 2007** which is 20 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: [ijnj@cpuc.ca.gov](mailto:ijnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

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

The protest also should be sent via U.S. mail (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](mailto:PGETariffs@pge.com)

### **Effective Date**

PG&E requests that this advice filing become effective on regular notice, **December 2, 2007**, which is 30 calendar days after the date of filing.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for A.06-05-007. 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](mailto: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 K. Cherry / dc".

Vice President, Regulatory Relations

### Attachments

Attachment A: Report of PG&E's Hedging Activities for the 2007 Core Hedge Implementation Plan

cc: Service List  
A.06-05-007  
Richard Myers, Energy Division  
Eugene Cadenasso, Energy Division  
Wendy Maria Phelps, Energy Division  
Jonathan Bromson, Legal Division  
Mark Pocta, Division of Ratepayer Advocates  
Jacqueline Greig, Division of Ratepayer Advocates  
Marcel Hawiger, The Utility Reform Network

Mike Florio, The Utility Reform Network  
Jan Reid , Aglet Consumer Alliance  
James Weil, Aglet Consumer Alliance

# 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: Daren Chan

Phone #: (415) 973-5361

E-mail: d1ct@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) #: **2882-G**

**Tier: 2**

Subject of AL: Long Term Hedging, 2007 Annual Plan Compliance Advice Letter

Keywords (choose from CPUC listing): Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.07-06-013

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<sup>1</sup>: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: Yes

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

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: **December 2, 2007**

No. of tariff sheets: 0

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: 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**

# **Report of PG&E's Hedging Activities for the 2007 Core Hedge Implementation Plan**

## **CONFIDENTIAL PROTECTED MATERIAL**

**Confidential Attachments 1 through 5 of this advice letter contain confidential and market sensitive information. This material is being submitted under General Order 66C and under the provisions of California Public Utilities Code Section 583.**

**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	