

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



April 1, 2008

Advice Letter 2908-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: Annual Core Hedge Implementation Plan for 2008 in  
Compliance with Long Term Hedging Plan D.07-06-013

Dear Mr. Cherry:

Advice Letter 2908-G is effective March 24, 2008.

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  
Fax: 415.973.7226

March 3, 2008

**Advice 2908-G**

(Pacific Gas and Electric Company ID U39 G)

Public Utilities Commission of the State of California

**Subject: Annual Core Hedge Implementation Plan for 2008 in Compliance with Long Term Hedging Plan Decision 07-06-013**

**Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits for California Public Utilities Commission (Commission or CPUC) review and expedited approval its confidential Annual Core Hedging Implementation Plan for 2008 (2008 Annual Plan or Plan). PG&E is submitting the Annual Plan in accordance with the Long Term Core Hedge Program Settlement Agreement (Settlement) that the Commission adopted on June 7, 2007, in Decision (D.) 07-06-013. When approved by the California Public Utilities Commission this plan will authorize PG&E to buy call options and swaps for a three year horizon in compliance with the Settlement.

**The 2008 Annual Plan contains confidential and market sensitive information and therefore is being filed under seal and under the provisions of California Public Utilities Code Sections 583 and 545.5(g). PG&E provides a copy of the 2008 Annual Plan in Confidential Attachment I.**

**Background**

The Commission adopted the Settlement between PG&E and consumer advocates, the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), and Aglet Consumer Alliance (Aglet) on June 7, 2007, in D.07-06-013. As stated in the decision, the Settlement proposed a total budget for hedges that will result in approximately the same dollar impact on PG&E's core procurement customers as previously authorized hedge plans. The Annual Plan should be treated as a long-term gas hedge plan in a manner consistent with the confidentiality provisions of D.06-06-066 as modified by D.07-05-032.

The Settlement Agreement also created a Core Hedging Advisory Group (Advisory Group) made up of non-market participants who represent the interest of PG&E's

core gas customers. The current members are TURN and DRA. In compliance with the Settlement Agreement, PG&E has developed the 2008 Annual Plan in consultation with the Advisory Group.

Once the 2008 Annual Plan is executed, PG&E will submit the following confidential documents as required by the Settlement Agreement:

- Two compliance advice letters will be filed with the Commission detailing the transactions executed under the 2008 Annual Plan. The first advice letter will be filed shortly after the annual implementation period, and the second after the end of the 2008/2009 winter heating season.
- A report of the financial results of the execution of the 2008 Annual Plan will be submitted to the Advisory Group and Energy Division, on a confidential basis, on or before April 1, 2009. This report will include, but not limited to, the following information: total funds spent on hedging instruments, total losses and gains for each category of hedging instrument, amount of natural gas supplies hedged monthly, and impact of the Plan on utility rates.
- Monthly summaries of hedging activities and mark-to-market values of the hedges will also be provided to the Advisory Group and the Energy Division.

### **Effective Date**

In accordance with the expedited protest period approved in D.07-06-013, and discussion above, PG&E requests that this advice filing become effective on **March 24, 2008**, which is 21 days after the date of this filing.

### **Protests – Ten Day Expedited Period**

Anyone wishing to protest this filing may do so by sending a letter by **March 13, 2008**, which is 10 days from the date of this filing. The expedited protest period is in accordance with the Settlement Agreement (section 2.7) adopted in D.07-06-013 which allows for a 10 day protest period and a 3 day response, instead of the normal 20 day protest period and 5 day response. 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  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [ijn@cpuc.ca.gov](mailto:ijn@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

Protests also should be sent by e-mail and facsimile to Mr. Honesto Gatchalian, Energy Division, as shown above, and by U.S. mail to Mr. Gatchalian at the above address.

The protest should be sent via both e-mail and facsimile to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Pacific Gas and Electric Company  
Attention: Brian K. Cherry  
Vice President, Regulatory Relations  
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)

### **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>**



Vice President, Regulatory Relations

Attachments

CC: Service List for A.06-05-007

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Megan Hughes

Phone #: (415) 973-1877

E-mail: mehr@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas  
PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2908-G

**Tier: 2**

Subject of AL: Annual Core Hedge Implementation Plan for 2008 in Compliance with Long Term Hedging Plan Decision 07-06-013

Keywords (choose from CPUC listing): Compliance, Gas

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: No

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: March 24, 2008

No. of tariff sheets: 0

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

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

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

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets:

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**

**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               |                                       |