

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



May 29, 2009

Advice Letter 3015-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: Revised Annual Core Gas Hedging Implementation Plan for 2009

Dear Mr. Cherry:

Advice Letter 3015-G is effective May 25, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, 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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May 4, 2009

Advice 3015-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Revised Annual Core Gas Hedging Implementation Plan for 2009

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits for California Public Utilities Commission (Commission or CPUC) review and expedited approval of its confidential Revised Annual Core Gas Hedging Implementation Plan for 2009 (2009 Annual Plan), which is a replacement of the Annual Plan submitted in withdrawn Advice Letter 3014-G. PG&E is submitting its 2009 Annual Plan in accordance with the Long Term Core Gas Hedge Program Settlement Agreement (Settlement Agreement) that the Commission adopted in Decision (D.) 07-06-013. Commission approval of this Annual Plan will authorize PG&E to purchase call options and swaps for a three-year horizon in compliance with the Settlement Agreement.

The 2009 Annual Plan, as provided in Attachment 1, contains confidential and market sensitive information pursuant to D.07-06-013, and is being submitted under the provisions of California Public Utilities Code Section 583.

Background

The Commission adopted the Settlement Agreement between PG&E, the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), and Aglet Consumer Alliance (Aglet) in D.07-06-013, which establishes a long-term gas hedging program for PG&E's core gas procurement customers. Under the terms of the Settlement Agreement, PG&E is authorized to purchase gas hedges following CPUC Energy Division pre-approval of its annual plan via an annual expedited advice letter process. The Settlement Agreement includes a collaborative review process with non-market participants to review the annual hedging purchasing plan. In addition, the Settlement Agreement establishes an annual budget for options and the authority to hedge with swaps for a specified level of coverage.

In D.07-06-013, the Commission stated that “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.” (Ordering Paragraph 2).

The Settlement Agreement also created a Core Hedging Advisory Group (CHAG), which is made up of non-market participants who represent the interest of PG&E’s core gas customers. The current members of the CHAG are DRA and TURN. In compliance with the Settlement Agreement, PG&E has developed the 2009 Annual Plan in consultation with the CHAG.

Once the 2009 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 2009 Annual Plan. The first advice letter will be filed shortly after the annual implementation period, and the second after the end of the 2009-2010 winter heating season.
- A report of the financial results of the execution of the 2009 Annual Plan will be submitted to the Advisory Group and the Energy Division, on a confidential basis, on or before April 1, 2010. This report will include, but is not limited to, the following information: total funds spent on hedging instruments, total losses and gains for each category of hedging instrument, the amount of natural gas supplies hedged monthly, and the impact of the Annual Plan on PG&E’s core gas procurement rates.
- Monthly summaries of hedging activities and mark-to-market values of the hedges will also be provided to the CHAG and the Energy Division.
- Quarterly reports to the Advisory Group that detail PG&E core customers total risk over the next three-year period as measured by TeVar (time to expiration value at risk) at the 95% confidence level. TeVar results shall be provided for each month in the prompt year and by hedge month for Years 2 and 3.

2009 Annual Hedging Plan

The purpose of PG&E’s annual hedging plan is to protect PG&E’s core gas procurement customers against severe winter gas bill run-ups by hedging the price of the wholesale gas that PG&E will procure on their behalf. The 2009 Plan covers gas hedging for three forward winter periods: the prompt winter (2009-2010), Winter 2010-2011, and Winter 2011-2012.

Protests – Ten Day Expedited 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 **May 14, 2009** which is 10 days after 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
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: inj@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 (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 accordance with the expedited protest period approved in D.07-06-013, and in the discussion above, PG&E requests that this advice filing become effective on regular notice, **May 25, 2009**, which is 21 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. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at ProcessOffice@cpuc.ca.gov. 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, reading "Brian K. Cherry".

Vice President, Regulatory Relations

Confidential Attachment: 2009 Core Gas Hedging Plan

cc: Service List for A.06-05-007 (public version only)
DRA (with confidential attachment): Robert M. Pocta, Ramesh Ramchandani,
Jacqueline Greig
TURN (with confidential attachment): Mike Florio, Marcel Hawiger

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: Rose de la Torre

Phone #: (415) 973-4716

E-mail: rxdd@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) #: **3015-G**

Tier: 2

Subject of AL: Annual Core Hedging Implementation Plan for 2009

Keywords (choose from CPUC listing): **CORE, PROCUREMENT**

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: N/A

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: 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: **May 25, 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 proposed¹: 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 Avenue
San Francisco, CA 94102
E-mail: ijnj@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**

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