September 30, 2003

Advice 2427-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Procurement Contracts for up to Fifty Percent of PG&E's 2004 Non-Baseload Net Open Position as Authorized in Decision 03-08-066

Pacific Gas and Electric Company (PG&E) hereby submits for California Public Utilities Commission (Commission) review and approval proposed electric procurement transactions for up to fifty percent of PG&E's non-baseload net open position as authorized in Decision (D.) 03-08-066. Included with this filing is a representative confirmation\(^1\) and a detailed methodology for contract evaluation and selection of energy options to enable PG&E to meet a portion of its capacity needs for the summer of 2004.\(^2\) PG&E asks that the Commission issue a resolution no later than November 13, 2003, 1) approving the proposed representative confirmation and resulting contracts, and 2) finding that the contracts entered into pursuant to the bid evaluation and selection process described in Confidential Appendix B are reasonable and prudent for recovery in full in retail rates under the Public Utilities Code for the full term of the contract(s) without further Commission review.

All attachments to this advice letter (with the exception of Appendices A and C) comprise Confidential Protected Material, in accordance with the May 20, 2003, Modified Protective Order issued in Rulemaking (R.) 01-10-024, and pursuant to Public Utilities Code Section 583.

Purpose

Decision 03-08-066 authorized PG&E to begin procuring up to fifty percent of its non-baseload 2004 short-term procurement needs under contracts of up to one year. PG&E submits its proposed representative confirmation in Appendix A. PG&E has conducted a solicitation for the products described in the confirmation,

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\(^1\) Individual negotiations with each party may alter the form of this confirmation.

\(^2\) PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this filing, and nothing in this filing constitutes a waiver of such rights, including its rights to seek relief in federal court for violations of federal law or the U.S. Constitution. See England v. Louisiana State Board of Medical Examiners, 375 U.S. 411 (1964). In addition, PG&E reserves any additional legal rights by reason of its status as a debtor under Chapter 11 of the U.S. Bankruptcy Code, and nothing in this filing constitutes a waiver of such rights.
and has received indicative prices from bidders. Bidders will provide binding bids upon approval of this Advice Letter. In this Advice Letter, PG&E submits a methodology for quantifying the benefits and costs of the binding bids, and a process for selecting the most competitive bids to meet PG&E's resource needs. The selection process includes megawatt (MW) limits on the total MWs procured each month to ensure that PG&E does not procure more than fifty percent of its non-baseload needs and a MW limit on certain product types to ensure portfolio diversity. Since the bids are subject to refresh upon approval of the advice letter, the final cost of the contracts is unknown at this time. Indicative bids received to date would result in a cost of approximately $8 million for 2004. Although market prices at the time of refresh may result in higher priced bids, PG&E will consider only reasonably priced offers with Mark-to-Market values that exceed the threshold described in Confidential Appendices B and E. PG&E has not paid any premiums or fees to keep the selected bids open.

**Background**

On August 21, 2003 the Commission issued D. 03-08-066 which addressed PG&E's May 19, 2003 motion for expedited partial authorization to sign contracts for up to fifty percent of its non-baseload 2004 short-term procurement needs. The Commission granted PG&E early authorization to procure up to fifty percent of its 2004 short-term procurement needs under contracts of up to one year subject to the following conditions:

a. Prior to issuance of a Request for Offers (RFO), PG&E should timely provide its Procurement Review Group (PRG) an analysis of product choices as well as RFO language, bid selection and refresh processes, and schedule.

b. After receiving bids from its RFO, PG&E should provide the Procurement Review Group a bid summary and analysis, as well as its selection process, with a two-week window for Procurement Review Group members to then conduct their own independent analysis and provide written comments to PG&E prior to submission of an Advice Letter.

**Involvement of the Procurement Review Group (PRG)**

PG&E's PRG met twice prior to the submission of this advice letter. The specific dates and minutes of those meetings are provided in Confidential Appendix D. Pursuant to D. 03-08-066, on August 14, 2003, PG&E met with its PRG and discussed the RFO process (i.e., RFO products, schedules, language, bid selection and refresh process) and sought feedback before issuing the RFO. On August 28th, PG&E issued the RFO. The RFO documents are included in Appendix C. After receiving indicative bids from the RFO on September 10th, PG&E provided the PRG with a bid summary on September 11. The bid summary is included in Confidential Appendix D. The PRG members were then
given a two-week window in which to conduct their own independent analysis and provide written comments to PG&E. PG&E analyzed the indicative bids, evaluated and ranked the indicative bids and determined which bids would be selected if the offers were binding. PG&E reviewed its analysis with the PRG on September 25, 2003. Copies of presentations made to the PRG and the Utility's Risk Management Committee are included in Confidential Appendices E and F, respectively.

Protests

In compliance with General Order No. 96-A, PG&E is requesting that protests to this advice letter be made within twenty days of its filing. Accordingly, protests are due on or before October 20, 2003.

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:

IMC Branch Chief – Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 4th Floor  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: jjr@cpuc.ca.gov

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

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

Pacific Gas and Electric Company  
Attention: Brian K. Cherry  
Director, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177  
Facsimile: (415) 973-7226  
E-mail: RxDd@pge.com

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3 No written comments had been received as of September 30, 2003, the date of filing for the Advice Letter.
Effective Date

PG&E requests that this advice filing become effective on November 13, 2003. The accelerated effective date stems from the size of PG&E's current summer capacity deficit, and not wanting to fill that entire gap in 2004. Covering this exposure over time will reduce the likelihood of prices moving up because of the lack of market depth.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, 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 R.01-10-024. Non-market participants who are members of PG&E's Procurement Review Group and have signed appropriate Non-Disclosure Certificates will also receive the advice letter and accompanying confidential attachments by overnight mail.

The portions of this advice letter so marked Confidential Protected Material are in accordance with the May 20, 2003, Modified Protective Order in R. 01-10-024 Regarding Confidentiality of Pacific Gas and Electric Company (PG&E) Power Procurement Information. As required by that Order, reviewing representatives of Market Participating Parties will not be granted access to Protected Material, but will instead be limited to reviewing redacted versions of documents that contain Protected Material.

Karen A. McAda /07
Vice President – Regulatory Relations

Attachments:

Appendix A - Representative Confirmation
Confidential Appendix B - PG&E's Evaluation Process for the RFO
Appendix C - RFO Transmittal Letter and Related Attachments
Confidential Appendix D - Bid Summary
Confidential Appendix E - Procurement Review Group Minutes and Comments
Confidential Appendix F - Utility Risk Management Committee Presentation
PG&E Electric Advice Filing List
General Order 96-A, Section III(G)

ABAG Power Pool
ACN Energy, Inc.
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Ater & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginters & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
CanAm Energy
Cardinal Cogen
Cellnet Data Systems
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
CPUC
Creative Technology
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
Dept of the Air Force
DGS Natural Gas Services
DMC Customer Services
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Enron Energy Services
Exeter Associates
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlott & Grueneich Resource Advocates
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Meyer, Joseph
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
Occidental Energy Marketing
PG&E National Energy Group
Pinnacle CNG Company
PPL EnergyPlus, LLC
Price, Roy
Product Development Dept
Provost Pritchard
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansey and Associates
Tecogen, Inc
TFS Energy
T. Cross Engineers
Transwestern Pipeline Co
Turlock Irrigation District
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA
Appendix A

Representative Confirmation
for which PG&E seeks Commission Approval
Confirmation – Call Option on (Peak/Superpeak) CAISO Energy

When executed below, this Confirmation Agreement ("Confirmation Agreement") shall document the negotiated transaction (the "Transaction") between [ ] ("Seller"), and Pacific Gas and Electric Company ("PG&E" and "Buyer"), together, the "Parties," in which Seller agrees to provide to PG&E the right to schedule the Product as provided herein. This Transaction is governed by the [choose either Edison Electric Institute ("EEI") Master Agreement or Western Systems Power Pool ("WSPP") Agreement], and any amendments entered into between the Parties effective [ ] ("Master Agreement"). The definitions and provisions contained in the Master Agreement shall apply to this Confirmation Agreement; provided that, to the extent that this Confirmation Agreement is inconsistent with any provision of the Master Agreement, this Confirmation Agreement shall govern the rights and obligations of the Parties hereunder.

1. Product: Call option, as provided herein (the "Product").

2. Quantity (minimum 50 MW) and Term:

<table>
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<tr>
<th>Month</th>
<th>MW</th>
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<tr>
<td>June 1 – June 30, 2004</td>
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<td>July 1 – July 31, 2004</td>
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<td>August 1 – August 31, 2004</td>
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<tr>
<td>September 1 – September 30, 2004</td>
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</table>

Offers for individual months, a July-August strip, or for a Q3 (July through September) strip are each a period ("Period").

3. Available Energy Period: If called, Buyer purchases and Seller delivers California Independent System Operator ("CAISO") Energy ("Energy") during the following periods in the MW amount(s) specified in Section 2 [check one]:

- [ ] 5x8: [Monday through Friday, excluding NERC Holidays, Hour Ending ("HE") 13 to HE20]
- [ ] 5x16: [Monday through Friday, excluding NERC Holidays, HE7 to HE22]
- [ ] 6x16: [Monday through Saturday, excluding NERC Holidays, HE7 to HE22]
4. Exercise Frequency:

Subject to any limitations specified in Section 5, Buyer shall have the right to call on the Energy specified in Section 3 as a daily or weekly call.

Daily calls are exercised by 7 am PPT on the industry standard scheduling day for day-ahead Energy, and scheduled in accordance with Western Electricity Coordinating Council (“WECC”) scheduling practices for day-ahead Energy. Weekly calls are exercised by 7 am PPT the business day immediately prior to the first day of a weekly option period. For purposes of the Product, the first day of the week shall be Monday. The first week and last week of a month may not, therefore, include all days of the week.

Buyer shall have the right to call on the Energy specified in Section 3 as [check one]:

[ ] Daily call

[ ] Weekly call (exercise price is for gas index x heat rates of 8,000 and 10,000 Btu/KWh, or a fixed exercise price of $50/MWh only)

5. For Daily calls [check one]:

[ ] Unlimited number of daily strikes

[ ] Limited strikes: 5 per month; 10 per month [circle one]

6. Exercise Price for Energy: If option is exercised per the terms in Section 4, Buyer will pay Seller for each MWh received at the Delivery Point at a [check one]:

[ ] Fixed rate of (check one):

___$50 ___$75 ___$100 ___$125 ___$150 ___$175 ___$200 /MWHr

or

[ ] Indexed rate, to be multiplied by Platt’s Gas Daily Index, of (check one):

___8,000 ___10,000 ___12,000 ___15,000 ___18,000 ___20,000 ___25,000 Btu/KWh

The Parties agree that for the purposes of this Confirmation, the Platt’s Gas Daily Index” shall mean that price, expressed in $/MMBtu as published by Platt’s Gas Daily (in the internet publication currently accessed through www.platts.com) in the table entitled “Daily price survey” under the heading “Midpoint” for: “PG&E city-gate” for the date of delivery where the delivery point is NP15, “SoCal Gas” for the date of delivery where the delivery point is SP15, and [___"PG&E city-gate"] [___"SoCal Gas”] (check one) for the date of delivery where the delivery point is ZP26.
7. Premium, applied to the quantity specified in Section 2, as applicable:

June 2004: __________$/kw-month
July 2004: __________$/kw-month
August 2004: __________$/kw-month
September 2004: __________$/kw-month

Upon its execution of this Confirmation Agreement, PG&E agrees that it shall pay Seller each monthly Premium by no later than five (5) Business Days prior to the beginning of each delivery month identified above.

8. Delivery Point: select delivery point below.
   [ ] NP15  Physical Point (if applicable) ________________
   [ ] SP15
   [ ] ZP26

Seller shall be responsible for electric transmission to the Delivery Point and bears all risks and costs associated therewith. Buyer is responsible for electric transmission from the Delivery Point and bears all risks and costs associated therewith.

9. Scheduling: At Buyer’s call, Seller shall deliver the Product to Buyer at the Delivery Point, in accordance with the operating characteristics defined in Sections 2, 3 and 4. Seller is responsible for any imbalance energy and penalties assessed by any Control Area Operator for Seller’s failure to deliver the defined Product.

10. Payment for Energy: In accordance with the terms of the Master Agreement, Seller shall provide an invoice, in the format specified by Buyer, covering the Energy provided in the preceding month, and Buyer shall pay the undisputed amount of all such invoices on or before ten (10) calendar days of receipt; provided that, the invoice is complete, properly formatted, and sent to the correct address. Any dispute regarding invoicing and payment shall be settled in accordance with the Master Agreement.

11. Remedies and Default: Remedies for nonperformance and default are strictly in accordance with the Master Agreement.

PACIFIC GAS AND ELECTRIC COMPANY  SELLER

By: ________________________________  By: ________________________________
Name: ________________________________  Name: ________________________________
Title: ________________________________  Title: ________________________________
Date: November __, 2003  Date: November __, 2003
Appendix C

RFO Transmittal Letter and Related Attachments
REQUEST FOR OFFERS TRANSMITTAL LETTER

August 28, 2003

Re: PG&E’s August 28, 2003 Request for Offers (“RFO”) for Summer 2004 Capacity

Dear Prospective Bidder:

Pacific Gas and Electric Company (“PG&E” or “Buyer”) is seeking offers from sellers (“Bidders” or “Sellers”) pursuant to which PG&E would enter into agreements to purchase energy options to meet a portion of its capacity needs for the summer of 2004.

The Request for Offer (“RFO”) will be conducted in two stages. Indicative responses to this RFO must be received by PG&E no later than 5:00 p.m. Pacific Time on September 10, 2003. Bidders should submit the bid table (Attachment 1) containing their offer information. After review and approval of the preliminary results by the California Public Utility Commission (“CPUC”), selected Bidders will be asked to refresh their prices with firm offers on or about November 17. PG&E will decide among those offers within 24 hours, with execution of the confirmations (“Confirmations”) occurring immediately thereafter. All terms and definitions set forth in the Confirmation (Attachment 2) shall apply to this RFO.

For those Bidders who already have an EEI Master Agreement or a WSPP Agreement with PG&E (each a “Master Agreement” for purposes of this RFO), such Master Agreement shall govern transactions between the Parties entered into pursuant to this RFO. The Confirmation, when fully executed, shall become a confirmation under the applicable Master Agreement. If any Bidder does not already have a Master Agreement with PG&E, that Bidder and PG&E must, by the time indicated in the schedule set forth below, enter into a Master Agreement, supplemented by a signed Confirmation for each transaction, as discussed below. PG&E will provide an amendment to the EEI Master Agreement or the WSPP Agreement for consideration by such Bidders upon request.

Description of Electricity Product Solicited

PG&E is seeking offers for the following product, which is described further in the Confirmation:

Energy Option Product: Seller (Bidder) offers a daily or weekly strike (weekly strike for indexed rates of 8,000 and 10,000 Btu/KWh, or $50/MWHR strikes only) option for Buyer (PG&E) to purchase California Independent System Operator (“CAISO”) Energy (“Energy”) for any of the following periods:

(a) 5x8, Monday through Friday, excluding NERC holidays, Hour Ending (“HE”) 13 through HE20 (Preferred),
(b) 5x16, Monday through Friday, excluding NERC holidays, HE7 through HE22, or
(c) 6x16, Monday through Saturday, excluding NERC holidays, HE7 through HE22.

Bidders may indicate a fixed strike price ($/MWhR) or a strike price consisting of a heat rate multiplied by a gas index, as described further below.
Term

PG&E is seeking offers for June, July, August and September of 2004. PG&E strongly prefers offers for individual months but will consider offers for a July-August strip, or for a full Q3 strip (much less desirable) for each “Period”. Bidders are encouraged to submit multiple offers.

Delivery Point

PG&E prefers the Delivery Point to be CAISO zone North of Path 15 (“NP15”). PG&E also will consider South of Path 15 (“SP15”), Zonal Path 26 (“ZP26”), and physical delivery points within NP15 (e.g., a substation or generating plant busbar).

Quantity

PG&E will consider offers of 50 MW or more. As noted above, multiple offers are welcomed. Please explain clearly which, if any, offers are mutually exclusive. For example, a Bidder may state that PG&E may select any combination of offers up to a specified quantity per Period.

Strike Price

Bidders may select among the following strike price points:

(a) Fixed Strike Price of $50 to $200 per MWhr, in $25 increments; or

(b) Indexed Strike Price of the following Heat Rates multiplied by the Platt’s Gas Daily Index corresponding to the requested Delivery Points:

Heat Rates: 8,000; 10,000; 12,000; 15,000; 18,000; 20,000 or 25,000 Btu/kwh

Gas Index:

- NP15: PG&E City-gate, Midpoint
- ZP26: PG&E City-gate or SoCal Gas (Bidder’s choice), Midpoint
- SP15: SoCal Gas, Midpoint

PG&E is primarily seeking to meet its summer, 2004 capacity needs in this RFO. Therefore, PG&E is most interested in higher, out-of-the-money strike price products. PG&E may select a combination of both higher and lower strikes, so encourages Bidders to offer both; PG&E’s first priority is to obtain cost-effective capacity.

Exercise Frequency and Limitations

PG&E will consider options with unlimited daily call rights (i.e., Buyer may exercise the option each day of the Period), or with limited strike frequency, such as 5 or 10 times per month. PG&E will also consider options for weekly call rights, but only for those with an exercise price indexed to gas with heat rates of 8,000 and 10,000 Btu/KWh, or a fixed exercise price of $50/MWhr.
Payments

Payments will be in accordance with the payment provisions of the Master Agreement and the Confirmation.

Scheduling Provisions

Energy deliveries will be scheduled pursuant to protocols and tariffs of the CAISO and NERC. Alternate scheduling methods may include inter-scheduling coordinator ("SC") trades between SCs or any other agreed-upon method.

Requirement for CPUC Review/Confidentiality

The transactions under consideration will be reviewed by an external review group of non-market participants (the "Procurement Review Group", or "PRG") prior to PG&E submitting contending offers to the CPUC for approval. This review and approval process will take approximately seven weeks between September 25 and November 17. Offers will be treated as confidential by PG&E and by the PRG, pursuant to non-disclosure agreements executed between the PRG and PG&E, and by the CPUC, in accordance with section 583 of the California Public Utilities Code. Successful Bidders will be required to maintain the confidentiality of their transactions with PG&E in accordance with the terms of the applicable Master Agreement.

Credit Requirements

Each successful Bidder must be investment grade or must provide credit support in the form of cash, a guaranty provided on a form acceptable to PG&E by an investment grade third party, or a letter of credit. For rated counterparties and/or their credit support providers, only the unsecured credit rating or implied credit rating shall be used in the credit evaluation process. In the event of split rating, the lower rating will be used.

Bidders or their guarantors must provide to PG&E audited financial statements and other information that may be required to perform a credit analysis.
Schedule and Procedure for RFO

The schedule and procedure for this RFO are shown below. The times are in Pacific Prevailing Time (PPT).

<table>
<thead>
<tr>
<th>Date/Time</th>
<th>Event</th>
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<tbody>
<tr>
<td>August 28, 2003</td>
<td>PG&amp;E issues RFO</td>
</tr>
<tr>
<td>September 10, 2003, 5:00 p.m.</td>
<td>Deadline for Bidders to submit indicative offers</td>
</tr>
<tr>
<td>September 25, 2003, 3:00 p.m.</td>
<td>PG&amp;E notifies Bidders whose bids are still in contention, subject to repricing</td>
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<tr>
<td>November 17, 2003, 3:00 p.m.</td>
<td>Bidders submit revised pricing to the capacity price; bids are binding</td>
</tr>
<tr>
<td>November 18, 2003, 3:00 p.m.</td>
<td>PG&amp;E notifies Bidders if bids are accepted or rejected; confirmations executed</td>
</tr>
<tr>
<td>November 18, 2003, 3:00 p.m.</td>
<td>Deadline for all Master Agreements to be executed</td>
</tr>
</tbody>
</table>

Contact Information

Any questions relating to this RFO should be addressed to:

Richard A. Miram  
e-mail: ramk@pge.com

All completed bid packages should be delivered or sent by courier service, fax or email to:

Richard A. Miram  
Manager – Power Contracts  
Pacific Gas and Electric Company  
245 Market Street, Room 1268 (MC-N12E)  
San Francisco, CA 94105  
Phone: 415.973.1170  
Fax: 415.973.9176, or 415.973.0585

Offers must be received by PG&E, at this address, prior to the dates and times specified in the table above. PG&E will not be responsible for any unsuccessful transmittal by fax or email. Offers must include the following:

1. The bid table attached to this RFO (Attachment 1), with any explanatory notes;
2. If no Master Agreement is in effect, one will have to be negotiated by the time PG&E selects winning Bidders.
3. Additionally, within three business days after a final bid is accepted by PG&E, each successful Bidder, if necessary, must submit credit support. Failure to provide such credit support within this three-day period shall nullify the Bidder's offer and PG&E's acceptance thereof. Each Bidder should initiate credit review by PG&E at the time its offer is delivered in order to assure compliance with this requirement.

Page 4 of 5
PG&E reserves the sole and discretionary right to reject any response received in this RFO for any reason. Additionally, PG&E reserves the right, at its election, (a) not to enter into any binding agreements at the culmination of the RFO process, and (b) to accept additional bids after September 10, 2003. PG&E reserves the right to rescind the RFO process at any time prior to PG&E's execution of binding Confirmations.

During the RFO process, should revisions to a Confirmation be required, PG&E will provide prospective Bidders with such necessary changes. PG&E will not be liable for any costs the Bidder incurs in preparing or submitting its offers.

Thank you for your consideration of this solicitation.

Attachments
### PG&E’s AUGUST 28, 2003 REQUEST FOR OFFER

**BIDDER TABLE**

<table>
<thead>
<tr>
<th>Bid No.</th>
<th>Term (Jun, Jul, Aug, Sept, Jul-Aug strip, or Q3 strip)</th>
<th>Product (5x8, 5x16 or 6x16)</th>
<th>Quantity (MW)</th>
<th>Delivery Point (NP15, SP15 or ZP26)</th>
<th>Strike Frequency and Limitation (Unlimited, 5 or 10 times/mo.; daily or weekly)</th>
<th>Strike Price ($/MWh or HR x Index)</th>
<th>Capacity Premium ($/kW-month)</th>
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**Notes**

1. Bidders may propose specific NP 15 delivery points
2. Indices are PG&E City-gate daily midpoint for NP15, SoCal Gas daily midpoint for SP15 and either PG&E City-gate or SoCal Gas daily midpoint for ZP26 (on day gas flows)
Confirmation – Call Option on (Peak/Superpeak) CAISO Energy

When executed below, this Confirmation Agreement ("Confirmation Agreement") shall document the negotiated transaction (the "Transaction") between ______________ ("Seller"), and Pacific Gas and Electric Company ("PG&E" and "Buyer"), together, the "Parties," in which Seller agrees to provide to PG&E the right to schedule the Product as provided herein. This Transaction is governed by the [choose either Edison Electric Institute ("EEI") Master Agreement or Western Systems Power Pool ("WSPP") Agreement], and any amendments entered into between the Parties effective ______________ ("Master Agreement"). The definitions and provisions contained in the Master Agreement shall apply to this Confirmation Agreement; provided that, to the extent that this Confirmation Agreement is inconsistent with any provision of the Master Agreement, this Confirmation Agreement shall govern the rights and obligations of the Parties hereunder.

1. Product: Call option, as provided herein (the "Product").

2. Quantity (minimum 50 MW) and Term:
   - June 1 – June 30, 2004 _______ MW
   - July 1 – July 31, 2004 _______ MW
   - August 1 – August 31, 2004 _______ MW
   - September 1 – September 30, 2004 _______ MW

   Offers for individual months, a July-August strip, or for a Q3 (July through September) strip are each a period ("Period").

3. Available Energy Period: If called, Buyer purchases and Seller delivers California Independent System Operator ("CAISO") Energy ("Energy") during the following periods in the MW amount(s) specified in Section 2 [check one]:
   - [ ] 5x8: [Monday through Friday, excluding NERC Holidays, Hour Ending ("HE")13 to HE20]
   - [ ] 5x16: [Monday through Friday, excluding NERC Holidays, HE7 to HE22]
   - [ ] 6x16: [Monday through Saturday, excluding NERC Holidays, HE7 to HE22]
4. Exercise Frequency:

Subject to any limitations specified in Section 5, Buyer shall have the right to call on the Energy specified in Section 3 as a daily or weekly call.

Daily calls are exercised by 7 am PPT on the industry standard scheduling day for day-ahead Energy, and scheduled in accordance with Western Electricity Coordinating Council ("WECC") scheduling practices for day-ahead Energy. Weekly calls are exercised by 7 am PPT the business day immediately prior to the first day of a weekly option period. For purposes of the Product, the first day of the week shall be Monday. The first week and last week of a month may not, therefore, include all days of the week.

Buyer shall have the right to call on the Energy specified in Section 3 as [check one]:

[ ] Daily call
[ ] Weekly call (exercise price is for gas index x heat rates of 8,000 and 10,000 Btu/KWh, or a fixed exercise price of $50/MWh only)

5. For Daily calls [check one]:

[ ] Unlimited number of daily strikes
[ ] Limited strikes: 5 per month; 10 per month [circle one]

6. Exercise Price for Energy: If option is exercised per the terms in Section 4, Buyer will pay Seller for each MWh received at the Delivery Point at a [check one]:

[ ] Fixed rate of (check one):

$50 $75 $100 $125 $150 $175 $200 /MWHr

or

[ ] Indexed rate, to be multiplied by Platt’s Gas Daily Index, of (check one):

8,000 10,000 12,000 15,000 18,000 20,000 25,000 Btu/KWh

The Parties agree that for the purposes of this Confirmation, the Platt’s Gas Daily Index shall mean that price, expressed in $/MMBtu as published by Platt’s Gas Daily (in the internet publication currently accessed through www.platts.com) in the table entitled "Daily price survey" under the heading "Midpoint" for: "PG&E city-gate" for the date of delivery where the delivery point is NP15, "SoCal Gas" for the date of delivery where the delivery point is SP15, and [___"PG&E city-gate"] [___"SoCal Gas"] (check one) for the date of delivery where the delivery point is ZP26.
7. Premium, applied to the quantity specified in Section 2, as applicable:

   June 2004: _________$/kw-month
   July 2004: _________$/kw-month
   August 2004: _________$/kw-month
   September 2004: _________$/kw-month

Upon its execution of this Confirmation Agreement, PG&E agrees that it shall pay Seller each monthly Premium by no later than five (5) Business Days prior to the beginning of each delivery month identified above.

8. Delivery Point: select delivery point below.
   [ ] NP15     Physical Point (if applicable) ________________
   [ ] SP15
   [ ] ZP26

Seller shall be responsible for electric transmission to the Delivery Point and bears all risks and costs associated therewith. Buyer is responsible for electric transmission from the Delivery Point and bears all risks and costs associated therewith.

9. Scheduling: At Buyer’s call, Seller shall deliver the Product to Buyer at the Delivery Point, in accordance with the operating characteristics defined in Sections 2, 3 and 4. Seller is responsible for any imbalance energy and penalties assessed by any Control Area Operator for Seller’s failure to deliver the defined Product.

10. Payment for Energy: In accordance with the terms of the Master Agreement, Seller shall provide an invoice, in the format specified by Buyer, covering the Energy provided in the preceding month, and Buyer shall pay the undisputed amount of all such invoices on or before ten (10) calendar days of receipt; provided that, the invoice is complete, properly formatted, and sent to the correct address. Any dispute regarding invoicing and payment shall be settled in accordance with the Master Agreement.

11. Remedies and Default: Remedies for nonperformance and default are strictly in accordance with the Master Agreement.

PACIFIC GAS AND ELECTRIC COMPANY

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: November __, 2003

SELLER

By: ______________________________
Name: ______________________________
Title: ______________________________
Date: November __, 2003