

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

**Application Of PACIFIC GAS AND
ELECTRIC COMPANY For Modification Of
Decision 08-10-013 To Modify The Purposes
For Which A Limited Amount Of The Long-
Term Debt Authorization Granted In
Decision 08-10-013 May Be Used.**

(U 39 M)

**Application No. 10-04-017
(Filed April 9, 2010)**

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
RESPONSE TO INQUIRIES OF THE ADMINISTRATIVE LAW JUDGE**

**DOREEN A. LUDEMANN
SHIRLEY A. WOO**

**Law Department
Pacific Gas and Electric Company
P. O. Box 7442
77 Beale Street, MSB30A
San Francisco, CA 94120
Telephone: (415) 973-2248
Facsimile: (415) 973-5520
E-mail: saw0@pge.com**

**Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY**

May 7, 2010

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Pursuant to the Administrative Law Judge's Ruling Requiring Applicant to File a Response to Request for Information within 10 days dated April 27, 2010 (Ruling), Pacific Gas and Electric Company (PG&E) submits its responses to the inquiries contained in Attachment A to the Ruling. PG&E's responses are contained in Attachment A to this pleading and the accompanying declaration of Nicholas M. Bijur.

Respectfully submitted,

DOREEN A. LUDEMANN
SHIRLEY A. WOO

By: _____ /s/
SHIRLEY A. WOO

Law Department
Pacific Gas and Electric Company
P.O. Box 7442, B30A
San Francisco, CA 94120
Telephone: (415) 973-2248
Facsimile: (415) 973-5520
E-mail: saw0@pge.com

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Attachment A

RESPONSE TO INQUIRIES OF THE ALJ Application No. 10-04-017

INQUIRY 1.

Pursuant to the Commission's Rules of Practice and Procedure, Rule 16.4(d) "Except as provided in this subsection, a petition for modification must be filed and served within one year of the effective date of the decision proposed to be modified. If more than one year has elapsed, the petition must also explain why the petition could not have been presented within one year of the effective date of the decision. If the Commission determines that the late submission has not been justified, it may on that ground issue a summary denial of the petition."

RESPONSE:

PG&E's request has been presented in a new application, and not in a petition to modify. Therefore Rule 16.4 does not apply to this proceeding. Public Utilities Code section 1708 does apply to permit the Commission to change D.08-10-013 in a new application. This code section states "The commission may at any time, upon notice to the parties, and with opportunity to be heard as provided in the case of complaints, rescind, alter or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision."

a. Provide the explanation required pursuant to Rule 16.4(d).

RESPONSE:

PG&E's request was originally filed as a petition to modify in A. 08-05-033. However, the docket office informed PG&E on March 26, 2010 that PG&E's request should be submitted as a new application and not as a petition to modify.

In the original petition to modify, PG&E indicated that the short-term debt and bank lending markets have continued to be weak, with considerable uncertainty about whether lending capacity at reasonable terms and conditions would be available at the times PG&E may need to borrow. However, the longer term debt markets have had greater lending capacity and more reasonable terms and conditions, including more favorable financing costs at times, than the shorter-term debt and bank markets. In the months after D.08-10-013, PG&E anticipated that more normal conditions with greater stability would return to the shorter-term debt and bank markets, which would have obviated the need for the additional flexibility PG&E new requests. The fact that these conditions and potential instability in the short debt and bank markets would persist into 2010, and apparently may continue, was not clear in the year immediately following D.08-10-013. For that

reason, the original petition to modify could not have been presented within one year of the effective date of the decision.

INQUIRY 2.

Provide current documentation from lenders that specifically states that it will not provide short-term debt to PG&E.

RESPONSE:

Please see attached declaration of Nicholas M. Bijur.

INQUIRY 3.

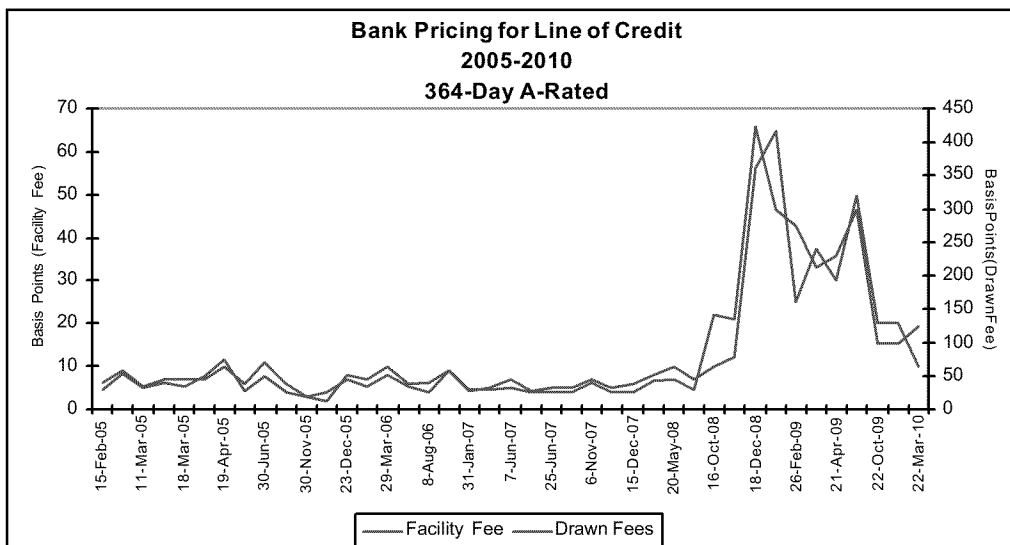
Provide current documentation from lenders of specific terms for short-term debt PG&E would receive that PG&E believes are unreasonable

a. Why does PG&E believe the terms are unreasonable?

RESPONSE:

PG&E believes that bank terms can be unreasonable because pricing in times of severe financial distress can be prohibitively higher than is customary. As demonstrated by the graph below, the price of bank credit rose dramatically in the latter part of 2008 due to the global economic recession and subprime mortgage crisis that hindered the banks. Today, the price of bank credit still remains higher than its recent historical norm.

During May 2009, when the banks were still in difficulty, PG&E sought an additional \$500 million of bank credit to support its energy-procurement hedging activities. However, due to the prohibitively high price, PG&E decided to issue a floating rate note through the capital markets in lieu of pursuing bank credit commitments.



INQUIRY 4.

Provide current documentation that lenders do not have the capacity to lend funds on a short-term basis specifically to PG&E.

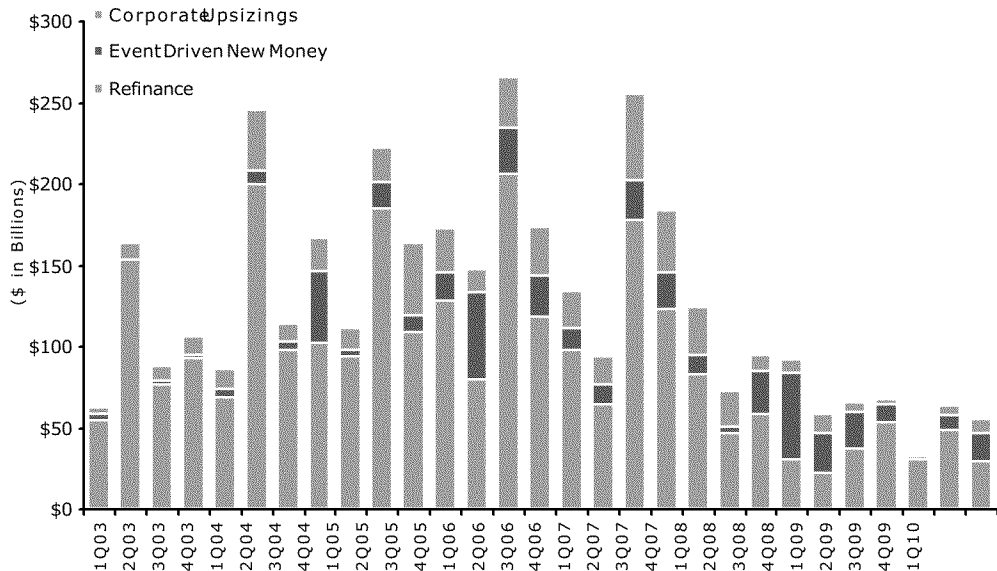
RESPONSE:

PG&E does not have access to any lenders' financial models that would show their lack of capacity to provide bank credit. Also, as part of their relationship management, banks will generally not provide written documentation denying a client's request for credit commitments.

However, as shown in the graph below, banks seem to have been reducing their credit commitments to corporate clients significantly during 2008 and 2009 due to the prevailing financial crisis and severe global economic recession. Anecdotally, banks have been reluctant to lend due to higher reserve requirements for credit losses as well as to plan for prolonged economic weakness.

U.S. Investment Grade Loan Issuance

(BBB- credit rating or higher by Standard & Poor's and Baa3 credit rating or higher by Moody's Investor Service)



INQUIRY 5.

Provide references to Commission decisions in which an energy utility was authorized what PG&E is requesting in the current application (i.e. use of long-term debt authority for payment of expenses and exclusion of that long-term debt from the determination of the long-term debt ratio in the capital structure).

RESPONSE:

On December 21, 2000, the CPUC issued Decision 00-12-064 authorizing Pacific Gas and Electric Company to issue \$2 billion of additional long-term debt to finance a large undercollection in its Transition Revenue Account (TRA) caused by a tremendous increase in the price of wholesale electricity at that time.

On October 28, 2004, the CPUC issued Decision 04-10-037 authorizing Pacific Gas and Electric Company to treat loans from its \$850 million revolving credit facility and \$650 million accounts receivable financing facility as short-term debt because the loan proceeds would be used for short-term purposes. It was possible that debt obtained from these facilities could have been outstanding for longer than one year.

**DECLARATION OF NICHOLAS M. BIJUR
SUBMITTED IN SUPPORT OF PG&E RESPONSE
TO INQUIRIES OF THE ALJ IN A. 10-04-017**

I, Nicholas M. Bijur, state as follows:

1. My business address is PG&E Corporation, One Market, Spear Tower, Suite 2400, San Francisco, CA 94105.

2. I am currently treasurer for Pacific Gas and Electric Company and for PG&E Corporation, responsible for managing the Banking and Money Management Department. In addition to managerial duties, I am responsible for: implementing and executing financings to meet Pacific Gas and Electric Company's (the Utility) and PG&E Corporation's capital requirements; managing new and existing debt, preferred stock and common equity to minimize the long-term cost of capital while maintaining access to capital markets; managing cash flows to ensure sufficient liquidity to meet all corporate obligations; managing short-term borrowings and short-term investments; and assisting client departments in implementing necessary bank services, such as electronic account reconciliation, check fraud detection and prevention and alternative customer payment options.

3. I received a BA degree from Bucknell University and an MBA from the Anderson School at UCLA. Prior to joining PG&E in February 2005, I spent four and a half years as an investment banker at Morgan Stanley, most recently as a vice president. Prior to receiving my MBA, I spent three years as an investment banker at Citigroup (formerly Salomon Smith Barney).

4. I am providing this declaration in response to Administrative Law Judge Seaneen M. Wilson's request for information as specified in item number 2 of Attachment A to "Administrative Law Judge's Ruling Requiring Applicant to File a Response to Request for Information within 10 Days" and to support Pacific Gas and Electric Company's (PG&E or the Company) Application 10-04-017 for Modification ("Application") of Decision 08-10-013 titled "Decision Authorizing Pacific Gas and Electric Company To Issue Up To \$4.0 Billion Of Debt And Preferred Stock" (Decision).

5. Item number 2 of the Attachment A requests that PG&E provide current documentation from lenders that specifically states that it will not provide short-term debt to PG&E.

6. As part of their relationship management, lenders (commercial and investment banks) generally do not provide written notice informing commercial clients of their refusal to provide credit commitments. The process for obtaining bank credit typically begins verbally between PG&E and its relationship banks in order to discuss PG&E's request for bank credit. PG&E is then able to gauge each bank's willingness and/or ability to provide credit commitments to PG&E. At that time, the banks either decline, or accept PG&E's request for bank credit with an indicative size commitment as well as expected lending terms.

7. During 2008 and 2009, there have been several instances in which banks have refused or been unable to provide credit to PG&E, due primarily to the severe global economic recession coupled with financial distress within the banking industry. Some examples are:

- a. In October 2008, several banks in PG&E's bank group, including a money-centered bank and bulge-bracket investment bank declined to participate in PG&E's letter of credit facility that was needed to support the issuance of pollution-control bonds.
- b. In April/May of 2009, a majority of banks in PG&E's bank group refused to participate in a \$500 million bank revolver, a bank credit facility that was required to support PG&E's liquidity needs associated with energy procurement hedging activities. This, along with the prohibitive cost of a new bank facility, resulted in PG&E issuing 364-day floating rate notes through the capital markets in lieu of pursuing bank credit commitments.

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

Executed at San Francisco, California, this 6th day of May, 2010.

_____/s/
NICHOLAS M. BIJUR
Treasurer
PACIFIC GAS AND ELECTRIC COMPANY

CERTIFICATE OF SERVICE

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is 77 Beale Street, San Francisco, California 94105.

On May 7, 2010, I served a true copy of:

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
RESPONSE TO INQUIRIES OF THE ADMINISTRATIVE LAW JUDGE**

- [XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for A.10-04-017 with an e-mail address.
- [XX] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official service list for A.10-04-017, without an e-mail address and the following parties:

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

Executed on this 7th day of May 2010, at San Francisco, California.

/s/
PAMELA J. DAWSON-SMITH

**THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
EMAIL SERVICE LIST**

Last Updated: April 27, 2010

CPUC DOCKET NO. A1004017

dala@pge.com;J8HS@pge.com;jwwd@pge.com;KMMj@pge.com;RAP5@pge.com;Reg
RelCPUCCases@pge.com;saw0@pge.com;smw@cpuc.ca.gov

THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA SERVICE LIST

Last Updated: April 27, 2010

CPUC DOCKET NO. A1004017

Total number of addressees: 8

KRISTINA CASTRENCE
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST, MC B10A
SAN FRANCISCO CA 94105
Email: KMMj@pge.com
Status: INFORMATION

JOHN HUGHES
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST, MC B10C
SAN FRANCISCO CA 94105
Email: J8HS@pge.com
Status: INFORMATION

DICK PATTERSON
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST, MC B27A
SAN FRANCISCO CA 94120
Email: RAP5@pge.com
Status: INFORMATION

SHIRLEY WOO ATTORNEY
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST, B30A
SAN FRANCISCO CA 94105
FOR: Pacific Gas & Electric Company
Email: saw0@pge.com
Status: PARTY

CASE COORDINATION
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST., PO BOX 770000 MC B9A
SAN FRANCISCO CA 94177
Email: RegRelCPUCcases@pge.com
Status: INFORMATION

DOREEN LUDEMANN
PACIFIC GAS AND ELECTRIC COMPANY
ONE MARKET PLAZA
SAN FRANCISCO CA 94105
Email: dala@pge.com
Status: INFORMATION

JOSEPHINE WU
PACIFIC GAS AND ELECTRIC COMPANY
77 BEALE ST, MC B9A
SAN FRANCISCO CA 94105
Email: jwwd@pge.com
Status: INFORMATION

Sean Wilson
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
505 VAN NESS AVE RM 5022
SAN FRANCISCO CA 94102-3214
Email: smw@cpuc.ca.gov
Status: STATE-SERVICE