



**Pacific Gas and
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April 1, 2011

Ms. Julie Fitch
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4004
San Francisco, California 94102

**RE: CAISO Market Redesign & Technology Upgrade Early 2011 Release and
Spring 2011 Release (Projects Operative through May 2011)**

Dear Ms. Fitch:

In continuing compliance with Ordering Paragraph 2 of Resolution E-4093, PG&E hereby submits to the Energy Division, 30 days prior to the next CAISO major release with a go-live of date May 1, 2011, its informational filing for amounts expected to be recorded in the MRTU Memorandum Account (MRTUMA) for releases for which the CAISO or PG&E has identified a go-live date between January 1 and May 1, 2011. These releases are described beginning on page two of this informational letter.

In compliance with Ordering Paragraph 2 of Resolution E-4093, Pacific Gas and Electric Company (PG&E) hereby submits to the Energy Division, 30 days prior to PG&E's Proxy Demand Resource projected operational date of May 1, 2011, its informational filing for amounts expected to be recorded in the MRTUMA for this release. In addition, PG&E is providing amounts incurred for the Early 2011 Convergence Bidding Release with a CAISO go-live date of February 1, 2011, but which has not yet been used by PG&E and therefore is not considered operative from a PG&E perspective.

The CAISO continues to adjust its timelines related to the expected go-live dates of subsequent releases. Some specific examples are the deferral of Load Granularity Refinements from April 1, 2012 to Fourth Quarter, 2014 that the CAISO has sought at the Federal Energy Regulatory Commission (FERC). In addition, the CAISO has not yet confirmed the complete list of initiatives in the Fall 2011 release.

**MRTU Fall / Winter 2010 Releases- Projects Operative TBD
To be Included in PG&E's 2011 ERRR Compliance, To be Filed in February 2012**

Standard Capacity Product Phase II- CAISO go-live: January 1, 2011

The purpose of this initiative is to define and formalize a Standard Resource Adequacy (RA) Capacity Product (SCP) which is intended to simplify and increase the efficiency of the RA program. Phase II extended the SCP standards to certain RA resources which were temporarily exempt in Phase I. The CAISO go-live date has passed; however, PG&E has not yet added this functionality, although that may happen later in 2011. At this time, there is no estimate of how much in total will be spent on this project should it move forward (some spend did occur in 2010 to support market simulation testing).

**MRTU Early 2011 Releases – Projects Operative TBD - 2011
To be Included in PG&E's 2011 ERRR Compliance, To be Filed in February 2012**

Convergence Bidding- CAISO go-live: February 1, 2011

Convergence bidding is a mechanism whereby market participants can make financial sales (or purchases) of energy in the Day Ahead market, with the explicit requirement to buy back (or sell back) that energy in the Real Time Market. The functionality associated with Convergence Bidding has been deployed into the PG&E systems and we expect this functionality to become operative during 2011.

**MRTU Spring 2011 Releases – Projects Operative April and May 2011
To be Included in PG&E's 2011 ERRR Compliance, To be Filed in February 2012**

Proxy Demand Resources Phase 1c – PG&E go-live: May 1, 2011

Proxy Demand Resources (PDR) was included in PG&E's March 1, 2010 informational letter with a CAISO go-live date of May 1, 2010. Following that letter, the CAISO updated its expected go-live date to August 10, 2010, which was reflected in PG&E's September 1, 2010 informational letter. As described in the September 1 letter, PG&E will be implementing the PDR Release in two phases. Phase 1 covers the scenario in which PG&E is the Demand Response Provider (DRP) and the product is Day-Ahead Energy. Phase 2 covers the remaining scenarios including support for Real-Time Energy products and support for external DRPs. Subsequent to the September 1 letter, PG&E further refined the approach for PDR Phase 1 to include three Releases – Release 1a (Registration & Set-up), Release 1b (Bidding and Settlements), and Release 1c (Remaining Functionality). The first release, Release 1a, went operative in September 2010 and was included in PG&E's 2010 ERRR Compliance filing to the CPUC (A.11-02-011). The second and third releases, Release 1b and Release 1c, are scheduled to become operative in May 2011. These Phase 1 releases include the additional functionality needed to bid the PDR resources into

the CAISO market and are the subject of this informational letter. Implementation of the Phase 2 work for Proxy Demand Resources that addresses the remaining scenarios is currently being planned and is not expected to begin until 2012.

Updating CPM and Exception Dispatch Bid Mitigation – CAISO go-live: April 1, 2011

CAISO is replacing the existing Interim Capacity Procurement Mechanism (ICPM), which expires on March 31, 2011, with a similar but enhanced Capacity Procurement Mechanism (CPM). This initiative allows the CAISO to procure supply capacity that is not already designated as Resource Adequacy in order to maintain grid reliability. PG&E participated in the market simulation for this initiative, and had software updates to address the new CAISO settlement charge codes. PG&E expects to deploy this functionality on April 1, 2011 at which time it will become operative.

Bidding and Mitigation of Commitment Costs Phase 1 – CAISO go-live: April 1, 2011

This initiative allows market participants to independently elect the Proxy Cost option or the Registered Cost option for their Start-Up and Minimum Load costs, and also enable market participants to submit bids on a daily basis for Start-Up and Minimum Load values when they have elected the Proxy Cost option. PG&E modified its systems to accommodate this feature, and participated in the market simulation testing. PG&E expects to deploy this functionality on April 1, 2011 at which time it will become operative.

MRTU costs expected to be incurred and included in the MRTUMA as a result of the above releases represent incremental costs that are above and beyond (1) what has been approved and included in rates as a result of PG&E's 2007 General Rate Case (GRC), (2) what has been approved and included in rates in PG&E's 2009-2011 Demand Response Program Application, and (3) what has been requested in PG&E's 2011 GRC.

FERC has required the CAISO to implement additional market changes into 2011. Incremental MRTU costs related to the CAISO's next release of market enhancements, known as the Fall 2011 and Spring 2012 (additional initiatives not described above), are not included in this informational filing. Any costs arising from PG&E's efforts to comply with those releases will be presented to the Energy Division in an informational letter 30 days prior to the go-live of each major release before being incorporated into a future cost recovery filing, subject to Commission review.

Table 1 below represents both PG&E's actual recorded and estimated (where known) incremental project capital and expense costs related to the Releases described above. These releases are expected to become operative in 2011 and therefore will be presented to the Commission in PG&E's 2011 ERRR Compliance proceeding for reasonableness review, to be filed in February 2012.

Also included in Table 1 below are actual recorded business expenses from January 2011 to February 2011 (the most current recorded month as of the date of this letter). The business expenses represent MRTU costs related to PG&E's Energy Procurement organization, Demand Response department, and Information Systems Technology Services organization for on-going maintenance costs related to systems that have already gone operative. Except for the demand response expenses, these expenses are included in PG&E's 2011 GRC request. To the extent that this component of PG&E's request is approved in the Commission's decision addressing PG&E's 2011 GRC, PG&E will remove these costs from the MRTUMA. PG&E will continue to track these expenses in the MRTUMA until receipt of a final 2011 GRC decision.

The estimated costs presented in Table 1 may change by the time PG&E's application is filed. In the application, PG&E will provide justification that the entries to the MRTUMA are incremental and can be verified.

**TABLE 1
MRTU MAP PHASE RELEASES
OPERATIVE IN 2010
INCREMENTAL COSTS
(IN THOUSANDS OF DOLLARS)**

Year	2010	2011	Total
Fall/Winter 2010 Capital Expenditures¹			
Standard Capacity Product Phase II	15	TBD	TBD
Fall/Winter 2010 Project Expenses			
Standard Capacity Product Phase II	-	-	-
Early 2011 Capital Expenditures¹			
Convergence Bidding	1,100	800	1,900
Early 2011 Project Expenses			
Convergence Bidding	-	-	-
Spring 2011 Capital Expenditures¹			
Proxy Demand Resource (PDR) Phase 1 Release 1b and Release 1c	4,000	3,500	7,500
Capacity Procurement Mechanism (CPM)		20	20
Bidding and Mitigation of Commitment Cost Phase 1		50	50
Spring 2011 Project Expenses			
Proxy Demand Resource (PDR) Phase 1 Release 1b and Release 1c	-	-	-
Capacity Procurement Mechanism (CPM)	-	-	-
Bidding and Mitigation of Commitment Cost Phase 1	-	-	-
2011 Recorded Business Expenses ²	-	892	892
Total Incremental MAP Costs to be included in PG&E's 2011 ERRRA Compliance proceeding³	5,115	5,262	10,377

¹ Capital Expenditures are translated into annual revenue requirements and recorded to the MRTUMA beginning on the operative date of the project.

² 2011 Recorded Business Expenses reflect actual costs for the period January 2011 through February 2011, the latest available recorded month as of the date of this letter.

³ Interest is not presented in Table 1; however, interest is recorded to the MRTUMA in accordance with Preliminary Statement Part EP, paragraph 5.a.3.

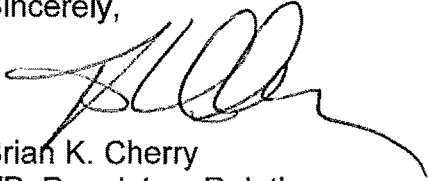
Ms. Julie Fitch

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April 1, 2011

Should you have any questions regarding this informational filing, please contact Sujata Pagedar at (415) 973-9801 or sxpg@pge.com.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Cherry", with a long, sweeping underline that extends to the right.

Brian K. Cherry
VP, Regulatory Relations

cc: Eric Greene, CPUC, Energy Division