

From: Sims, Shannon L
Sent: 4/12/2011 11:04:53 AM
To: Armato, John P (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=JPA3);
Lieu, Lisa (/O=PG&E/OU=Corporate/cn=Recipients/cn=LKL1); 'rmp@cpuc.ca.gov'
(rmp@cpuc.ca.gov); 'marcel@turn.org' (marcel@turn.org); Clare, David
(/O=PG&E/OU=Corporate/cn=Recipients/cn=DWC3); 'pzs@cpuc.ca.gov'
(pzs@cpuc.ca.gov); 'ng2@cpuc.ca.gov' (ng2@cpuc.ca.gov)
Wlasenko, Richard
Cc: (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=RGW1); 'Gatti, Belinda'
(BEG@cpuc.ca.gov); Lee, Norman H
(/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=NHL1); Myers, Richard A.
(ram@cpuc.ca.gov); Dowdell, Jennifer
(/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=JKD5); Jacob, Sini
(/O=PG&E/OU=Corporate/cn=Recipients/cn=SAJL1); Pagedar, Sujata
(/O=PG&E/OU=Corporate/cn=Recipients/cn=sxpg); Strauss, Todd
(/O=PG&E/OU=Corporate/cn=Recipients/cn=TxSq); Sampson, Keith (Law)
(/O=PG&E/OU=Corporate/cn=Recipients/cn=KTS1); Elmore, David
(/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=DFE1); Pestana, Harold
(/O=PG&E/OU=Corporate/cn=Recipients/cn=HJP5); Flaith, Rachel A
(/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=RAFL); Tatai, Sharon K.
(/O=PG&E/OU=Corporate/cn=Recipients/cn=SKT2)

Bcc:

Subject: PG&E Quarterly Compliance TeVaR for Q1 2011

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This document contains confidential market sensitive information pursuant to D.07-06-013 and is subject to Public Utilities Code Sections 583, 454.5(g), and General Order 66-C.

CHAG Members and Energy Division:

Pursuant to Section 2.11 of the Long Term Core Hedge Program Settlement Agreement (dated December 15, 2006) adopted by the CPUC in D.07-06-013, attached is the quarterly TeVaR report for the end of the first quarter of 2011 (using March 25 market inputs). This Q1 2011 quarterly TeVaR report contains TeVaR results only for Winter 2011-2012 (i.e., December 1, 2011 through February 29, 2012). This is the only winter period that contains outstanding hedges executed under the Long Term Core Hedge Program Settlement Agreement approved under D.07-06-013, that is, hedges executed outside of the Core Procurement Incentive Mechanism (CPIM). The Quarterly TeVaR Report is required under the Settlement Agreement to the extent that winter hedges outside of CPIM remain outstanding. Our TeVaR calculation does not identify and separate the outside-of-CPIM hedges; thus, the TeVaR results include winter hedges executed both inside and outside of CPIM. Moreover, the TeVaR results include both existing hedges executed under current and prior years' plans in addition to planned hedges for the upcoming winter.

The table below summarizes which winter hedges are contained in the TeVaR report:

Winter 2011-2012 TeVaR Report

	Hedges Outside of CPIM	Hedges Inside of CPIM	Hedges in TeVaR Calculation
2009 Hedge Plan	Yes	No	Yes
2010 Hedge Plan	No	Yes	Yes
2011 Hedge Plan	No	Yes (*)	Yes (*)

(*) – both existing and planned hedges

Please call Harold Pestana (HJP5@pge.com) at (415)973-4523 if you have any questions regarding this report.

Shannon Sims
Energy Proceedings
Phone: (415) 973-2112