

Request For Offers

February 14, 2012

Subject: PG&E's Request For Offers ("RFO") for 2012 Resource Adequacy ("RA")

Dear Prospective Participant:

Pacific Gas and Electric Company ("PG&E") is seeking the following:

Offers for PG&E to Buy

- System RA – May – September 2012 strip and/or individual months

Bids for PG&E to Sell

- Bay Area Local RA – May – September 2012 strip and/or individual months
- Other PG&E Areas Local RA – May – September 2012 strip and/or individual months

Offers to sell or bids to buy are referred to herein as "Offers". PG&E will only accept Offers to sell local RA to the extent it has excess resources above its year-ahead local RA requirements. See "*Schedule for RFO*" for more information about when PG&E will make this assessment.

The terms and conditions creating and defining the product sought or to be sold by PG&E are set forth in the accompanying confirmation agreement ("Confirmation"). The Confirmation requires successful participants to comply with the RA requirements as implemented by both the CPUC and CAISO. The Confirmation is specific to transactions executed under an EEI Master Agreement with a PG&E Collateral Annex and as such successful participants must have an EEI Master Agreement with a PG&E Collateral Annex in place with PG&E prior to execution of an unmodified Confirmation in this RFO. Modification of the Confirmation may be necessary for those participants with a WSPP Agreement or an EEI Master Agreement without the PG&E Collateral Annex. Participants with such agreements must include in their mark-up changes to conform the Confirmation with the EEI Master Agreement or a WSPP Master Agreement as applicable (each a "Master Agreement" for purposes of this RFO). The Master Agreement shall govern transactions entered into pursuant to this RFO except to the extent modified by the Confirmation. The Confirmation, when fully executed, shall become a Confirmation subject to the terms of the Master Agreement.

Offer information with firm pricing and a markup of the Confirmation reflecting desired changes should be submitted to PG&E by February 28th, 2012, 2 pm Pacific Prevailing Time ("PPT"). Complete instructions for submitting Offers are set forth herein.

Description of Resource Adequacy Product Sought and for Sale

Through this RFO, PG&E is seeking to buy system RA for May - September 2012. To the extent it has excess local RA position, PG&E will also in this RFO consider Offers to buy from PG&E Bay Area and Other PG&E Areas resources.

Delivery Term

Each offer to sell system RA shall be for delivery during May - September 2012, as a strip and/or as individual months. Offers to buy local RA from PG&E can be for May - September 2012 as a strip and/or individual months.

RA Quantities

Offers to sell must indicate the specific unit providing the RA product and may be for full or partial units. Multiple offers may be submitted. Please explain clearly, which offers, if any, are mutually exclusive. For example, an offer may state that PG&E may select any combination of offers up to a specified quantity. Offers to buy should specify the desired quantity.

Requirement for Review/Confidentiality

PG&E is required to consult with an external review group of non-market participants and CPUC staff (the "Procurement Review Group", or "PRG"). In doing so, PG&E may review the Offers under consideration in this RFO with the PRG. Offer information will be treated as confidential by the PRG pursuant to non-disclosure agreements executed between the PRG members and PG&E. Offer information will be treated as confidential by the CPUC in accordance with Section 583 of the California Public Utilities Code. Successful participants will be required to maintain the confidentiality of their transactions with PG&E in accordance with the terms of the Confirmation and Master Agreement.

Credit Requirements

Credit requirements shall be in accordance with the Master Agreement and Confirmation. A Full Floating Independent Amount shall apply to Buyer or Seller if at any time Buyer or Seller (a) does not maintain Credit Ratings of at least BBB- from S&P and Baa3 from Moody's if it is rated by both S&P and Moody's or (b) a Credit Rating of at least BBB- from S&P or Baa3 from Moody's if it is only rated by one of the two rating agencies. The Full Floating Independent Amount shall be 20% of the sum of the Monthly Payments for the current month and all remaining months of the Delivery Period and shall be posted within five (5) Business Days following the Confirmation Effective Date. PG&E reserves the right to specify additional or different collateral requirements from those set forth herein or the Confirmation for any reason including, but not limited to, the specific characteristics of the Offer or the participant, or further guidance, requirements, regulations, decisions or orders by the CPUC, California Energy Commission, PRG, or other governmental authority.

Schedule for RFO

The table below provides the schedule for this RFO, which is subject to change at PG&E's discretion.

Date/Time	Event
February 14 th , 2012	PG&E issues RFO

February 28 th , 2012, 2:00 pm PPT	Deadline to submit offer(s) to	Redacted
February 28 th – March 30 th 2012	Offer evaluation, PRG review, negotiate definitive terms and Confirmation execution if any	
March 30 th , 2012	RFO Ends	

Submitting Offers and Contact Information

All offers should be emailed to [Redacted] at [Redacted] and [Redacted] at [Redacted]. In addition to firm pricing and the other offer information requested in the offer data form, participants should submit a markup of the Confirmation reflecting any desired changes. A complete offer(s) must be received by 2 pm PPT on February 28th, 2012. PG&E will acknowledge, by email, the receipt of all offers received. PG&E will not be responsible for any unsuccessful transmittal.

Prospective participants may contact [Redacted] by email or by phone [Redacted] or [Redacted] by email or phone [Redacted] with questions concerning this RFO. PG&E reserves the sole and discretionary right to reject any offer received in response to this RFO for any reason. Additionally, PG&E reserves the right, at its election, (a) not to enter into any Confirmations at the culmination of the RFO, and (b) to accept or reject any offers received after February 28th, 2012. PG&E reserves the right to modify the RFO terms and conditions at any time based on changing needs and market feedback. PG&E also reserves the right to rescind the RFO at any time prior to PG&E's execution of binding Confirmations. PG&E will not be liable for any costs the participant incurs in preparing or submitting its offer(s).

Thank you for your consideration of this solicitation.