

**BEFORE THE CALIFORNIA STATE SENATE  
THE SELECT COMMITTEE TO  
INVESTIGATE PRICE MANIPULATION OF  
THE WHOLESALE ENERGY MARKET**

**PACIFIC GAS AND ELECTRIC COMPANY'S  
RESPONSE TO MAY 30, 2002 QUESTIONS**

**I. Introduction**

Pacific Gas and Electric Company (PG&E) respectfully submits to the California State Senate this response to the questions propounded by the Select Committee to Investigate Price Manipulation of the Wholesale Energy Market (the "Committee") on May 30, 2002.

This response is submitted on behalf of PG&E and its corporate parent PG&E Corporation, and its subsidiaries and affiliates, with the sole exception of PG&E's affiliate, PG&E National Energy Group. PG&E's National Energy Group is preparing its own response, and will submit its response to the California State Senate separately.

The Committee has asked for PG&E's responses to the recent data requests served by the Federal Energy Regulatory Commission (FERC) in FERC's *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000. Provided with this response are PG&E's responses (including all attachments) to the data requests served by FERC on May 8, 21, and 22, 2002. These responses are numbered SEN1 to SEN327. Other than the documents provided along

with those responses to FERC, and SEN328 to SEN331 (in response to Question 12), there are no additional documents responsive to the Committee's requests for documents.

These responses represent PG&E's best efforts based on its understanding of the information requested by the Committee. In providing these responses, PG&E does not waive or intend to waive any applicable privilege. Nor does PG&E waive or intend to waive any applicable defenses concerning the jurisdiction of the Committee. PG&E reserves its right to supplement this response if the discovery of additional responsive information makes such supplementation appropriate or the Committee's interpretation of the information requested differs from PG&E's interpretation.

## **II. Responses to Questions**

**QUESTION:** 1. a. Did PG&E engage in the conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load Into The Real Time market, pages 1-3 of the Memorandum? If PG&E's answer this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load Into The Real Time market, pages 1-3 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load Into The Real Time Market, pages 1-3 of the Memorandum.

**RESPONSE:** No. PG&E understands the term "Memorandum" to refer to the Memorandum attached to the Committee Request, a Memorandum from Richard Sanders to Christian Yoder and Stephen Hall, titled "Trader's Strategies in the California Wholesale Power Markets/ISO Sanctions", dated December 6, 2000 ("Enron

Memorandum”). Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section A of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 2. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 1.a. and b. Export of California Power, page 3 of the Memorandum? If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 1.a. and b. Export of California Power, page 3 of the Memorandum? If so, identify the Market Participant(s). IF PG&E’s answer to this question is yes, identify all Documents relating to such other market participants’ conduct acts and strategies set forth in B Representative Trading Strategies. 1.a. and b. Export of California Power, page 3 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests,

*Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices,*  
Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 3. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.a., b., c. and d., “Non-firm Export,” pages 3 and 4 of the Memorandum? If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.a., b., c. and d., “Non-firm Export,” pages 3 and 4 of the Memorandum? If so, identify the Market Participant(s). If PG&E’s answer to this question is yes, identify all Documents relating to such other market participants’ conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.a., b., c. and d., “Non-firm Export,” pages 3 and 4 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices,* Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 4. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.[sic] a., b., c., d. and e., “Death Star,” pages 4 and 5 of the Memorandum? If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies. If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.[sic] a., b., c., d. and e., “Death Star,” pages 4 and 5 of the Memorandum? If so, identify the Market Participant(s). If PG&E’s answer to this question is yes, identify all Documents relating to such other market participants’ conduct, acts and strategies set forth in B, Representative Trading Strategies, 2.[sic] a., b., c., d. and e., “Death Star,” pages 4 and 5 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 5. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 3. a., b., c., d. e. and f., “Load Shift,” page 5 of the Memorandum? If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 3. a., b., c., d., e. and f., “Load Shift,” page 5 of the Memorandum? If so, identify the Market Participant(s). If PG&E’s answer to this question is yes, identify all Documents relating to such other market participants’ conduct, acts and strategies set forth in B. Representative Trading Strategies, 3. a., b., c., d., e. and f., “Load Shift,” page 5 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 6. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 4. a., b., c., d. e. and f., "Get Shorty," pages 5 and 6 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct acts and strategies set forth in B. Representative Trading Strategies, 4. a., b., c., d., e. and f., "Get Shorty," pages 5 and 6 of the Memorandum? If so, identify the Market participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 4. a., b., c, d., e. and f., "Get Shorty," pages 5 and 6 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests,

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Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 7. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c., “Wheel Out,” page 6 of the Memorandum? If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c., “Wheel Out,” page 6 of the Memorandum? If so, identify the Market Participant(s). If PG&E’s answer to this question is yes, identify all Documents relating to such other market participants’ conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c., “Wheel Out,” page 6 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices,* Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 8. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. A. and b., “Ricochet,” pages 6 and 7 of the Memorandum? If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. a. and b., “Ricochet,” pages 6 and 7 of the Memorandum? If so, identify the Market Participant(s). If PG&E’s answer to this question is yes, identify all Documents relating to such other market participants’ conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. a. and b., “Ricochet,” pages 6 and 7 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 9. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 8. a., b. and c., Selling Non-firm Energy as Firm Energy, page 7 of the Memorandum? If PG&E’s answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 8. a., b. and c., Selling Non-firm Energy as Firm Energy, page 7 of the Memorandum? If so, identify the Market Participant(s). If PG&E’s answer to this question is yes, identify all Documents relating to such other market participants’ conduct, acts and strategies set forth in B. Representative Trading Strategies, 8. a., b. and c., Selling Non-firm Energy as Firm Energy, page 7 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the

conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** 10. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b., Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

**RESPONSE:** No.

**QUESTION:** b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b., Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b., Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum.

**RESPONSE:** No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests,

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Docket No. PA02-2-000, a copy of which is provided with this response.

**QUESTION:** The Select Committee made public on Tuesday, May 21, 2002, a telephone call between the California Independent System Operator (“CAISO”) and the California Energy Resources Scheduling (“CERS”). I have attached an unofficial transcript of the telephone conversation in which CAISO officials ask CERS officials to submit “fictitious load.” On page five of the transcript, a CAISO representative asserts that CERS often schedules more generation than load. Subsequent conversations with CERS officials have left this question unresolved, though CERS has asserted that PG&E submits different load schedules to CERS than it submits to CAISO.

Last Friday, May 21, 2002, market participants submitted responses to requests for admission by the Federal Energy Regulatory Commission (“FERC”). Some market participants acknowledged that CAISO had requested similar actions of them, including requests that a market participant scheduled load and a corresponding amount of generation even though CAISO knew the actual load would be zero.

11. Has CAISO, CERS or any entity ever requested from PG&E the submission of “fictitious load”? If the answer to this question is yes, has PG&E ever complied with such a request? Is PG&E aware of any other market participant who has engaged in the scheduling of resources against a fictitious load? Does PG&E know of any instance in which a similar request has been made of another market participant? If so, identify the market participant(s). If the answer to any of these questions is yes, please identify all documents relating to this request. Please explain the process by which PG&E submits its load schedule to both CAISO and to CERS.

**RESPONSE:** No. Neither CAISO, CERS, nor any other entity, has ever requested from PG&E the submission of "fictitious load." Nor does PG&E know of any instance in which such a request has been made of a market participant.

In examining utility scheduling and bidding practices, it is first necessary to understand that PG&E's role in providing for its customers' load demand changed dramatically in January 2001 as a result of PG&E's loss of creditworthiness status under the CAISO Tariff and changes to the California markets required by FERC. Until

January 17, 2001, PG&E purchased energy to serve its customers' load, by submitting bids to the California Power Exchange (PX). The PX acted as PG&E's Scheduling Coordinator with the CAISO, and thus submitted schedules to the CAISO on behalf of PG&E based on the results of the PX auction markets. The PX also procured energy from the CAISO in real-time to the extent needed to meet PG&E's unmet load. In its response to the May 8, 2002 Data Requests, PG&E described its load scheduling and bidding practices in response to Request III(A) and provided a copy of testimony that PG&E has submitted to the Public Utilities Commission of the State of California (CPUC) on the subject of PG&E's load scheduling and bidding. That response, provided herewith, contains an accurate description of PG&E's load bidding prior to the time that PG&E ceased to be creditworthy under the CAISO Tariff.

Effective January 17, 2001, CERS became responsible for serving load that could no longer be served by PG&E through procurement as a result of PG&E's inability to meet the creditworthiness requirements of the CAISO Tariff. Under the FERC authorized CAISO Tariff, and as determined by FERC, PG&E presently acts as the Scheduling Coordinator with the CAISO for PG&E loads that PG&E can serve with its owned or contractually committed generation resources ("PG&E resources"). CERS acts as the supplier for loads that PG&E is unable to serve from PG&E resources and for which CERS must acquire as a result of the fact that PG&E does not meet the creditworthiness requirements of the CAISO Tariff. The loads that PG&E is unable to serve from those PG&E resources, and that are instead served by CERS, are often referred to as the "net open". Once PG&E ceased to be creditworthy, it could no longer

buy power through the PX -- so the old mechanisms through which PG&E submitted bids to the PX to procure load, and through which the PX scheduled power for PG&E, were terminated, and replaced with alternative arrangements in which PG&E self-scheduled load with the CAISO.

Today, in order to ensure continued reliable electric service to customers, PG&E is in regular communication with both CAISO and CERS, providing forecasts of both PG&E's loads, and PG&E resources, and thus forecasts of the size of the net open which must be supplied by CERS. Each business day, PG&E develops a 7-day forward forecast of hourly loads, by zone, and also develops schedules of planned or estimated generation from the PG&E resources. These estimated load and generation quantities, and the "net open position" for each hour obtained after subtracting supplies from load, are detailed in a spread sheet that is sent to both CERS and CAISO. That is, PG&E provides CERS and CAISO with the same forecast information at the same time.

The current forecasting approach was cooperatively developed with CERS after PG&E ceased to be creditworthy under the CAISO Tariff. The forecasts were initially made once per day on weekday afternoons, so that the information would be available to CERS day-ahead traders and schedulers very early the next morning. Initially, there was no process in place for PG&E to compile and share with CERS and CAISO subsequently updated information, including re-forecasts of load and anticipated PG&E supplies. Later in 2001 PG&E, working with CERS, implemented processes and procedures to prepare forecasts and share them with CERS and CAISO more often. Since late September, 2001, PG&E provides a rolling 7-day forecast at least two times per business

day, and often three or more times if significant changes in forecast conditions occur. The first forecast submitted to CERS and the CAISO is sent at 6:15 am two days before the operating day to provide the most-current guidance to day-ahead procurement efforts at CERS, with updates as necessary. PG&E also now provides CERS and CAISO with “current day” forecasts reflecting scheduled CERS supplies in addition to updated PG&E generation schedules and load forecasts, by zone, to facilitate CERS purchase and sale efforts in hour-ahead markets. In addition, PG&E and CERS staff discuss conditions at conference calls at a set time each weekday afternoon, to address changes that might affect operations.

Pursuant to the FERC-authorized CAISO tariffs and as determined by FERC, it is the responsibility of CERS to procure resources to serve the net open load and then to schedule both the net open load and the resources that will be used to serve that load with the CAISO. Though formal scheduling for the net open is the responsibility of CERS, this has been implemented through CERS submitting its schedule of net open load and associated generation resources to PG&E. PG&E submits these schedules of CERS supplies to CAISO as received from CERS. The CERS schedule reflects CERS efforts to meet the net open load. Together with the CERS supplies, PG&E submits schedules of the PG&E resources to CAISO consistent with current generation plans and conditions. In each case CERS/PG&E supply schedules are balanced against an equal amount of load. The CERS resource/load amounts do not necessarily match the net open forecasts provided by PG&E to CERS and the CAISO because of changes in load or resource

availability since those forecasts were made or CERS decisions to procure different amounts in the day ahead or hour ahead markets.

After the schedules are submitted, the CAISO performs its congestion calculations, and determines if modifications to the schedules are necessary in order to clear congestion. The congestion calculations often show phantom congestion that is not reflective of actual operating conditions. This was less of a problem after the elimination of the PX, but continues to occur. In order to clear congestion if it arises, Scheduling Coordinators submit "adjustment bids" to the CAISO with their initial schedules. If congestion arises, the CAISO uses those adjustment bids to develop a "final schedule" in which congestion is eliminated. Thus, with its combined CERS/PG&E schedules that are submitted to the CAISO, PG&E submits adjustment bids in which PG&E agrees to adjust its loads upward in one zone and downward by an identical amount in another zone in order to clear the congestion. To the extent that the CAISO has insufficient adjustment bids to resolve congestion, it would invoke its administrative congestion management process. Under this process the CAISO adjusts day ahead schedules, including PG&E's load schedules, as needed to resolve congestion at default usage charges. PG&E adjustment bids provide the CAISO with adjustment bid sufficiency needed to facilitate the resolving of day ahead congestion, without the need to invoke the CAISO administrative congestion management process. PG&E submits zero priced adjustment bids for its load, to ensure that its adjustment bids are taken without artificially inflating costs on the system where phantom congestion is present.

The "final" day ahead schedule, which reflects adjustment bids, may have more load in one zone and less load in another zone than PG&E actually forecast. As noted above, PG&E provides CERS and the CAISO with its best forecasts, by zone, so both CERS and the CAISO are aware of the actual expected PG&E loads and net open by zone, even if such loads and net open differ from those in the post-adjustment bid schedule.

**QUESTION:** 12. Has PG&E ever received a request from CAISO, the California Power Exchange ("CalPX"), or a market participant:

a. To raise or lower the price of a bid that PG&E had already submitted?

**RESPONSE:** No.

b. To place a bid in a specified market, at specified time, or at a specified price?

**RESPONSE:** Yes. On occasion PG&E was requested by the CAISO, for urgent reasons tied to grid reliability, to submit bids into the ancillary services market for certain hydroelectric resources and to manage energy schedules and water flows for these resources accordingly. Provided with this response are emails describing these requests; SEN328-SEN331. PG&E complied with those reliability related requests to the extent possible and prudent, bidding into the ancillary services markets with those resources. The CAISO did not suggest or specify a price for the bid -- PG&E determined its own bid price, and was awarded the market clearing price

established in accordance with normal CAISO Tariff mechanisms. PG&E's compliance with these CAISO requests was based on PG&E's continuing efforts to provide and maintain reliable electric service to its customers. Other than those reliability related requests described in this response, PG&E has not received a request from CAISO or the CalPX, or a market participant, to place a bid in a specified market, at specified time, or at a specified price.

Additionally, as noted in response to question 11, to mitigate the potential for artificial price increases, PG&E always attempts to have adjustment bids in place to modify its loads in response to phantom congestion.

**QUESTION:** 13. Is PG&E aware of any market participant who has received a request from CAISO, CalPX or a market participant:

a. To raise or lower the price of a bid that has already been submitted?

**RESPONSE:** No.

**QUESTION:** b. To place a bid in a specified market, at specified time, or at a specified price?

**RESPONSE:** No.

**QUESTION:** 14. Has PG&E ever intentionally provided CAISO with inaccurate information regarding its energy resources and loads? Is PG&E aware of any other Market Participant who has intentionally provided CAISO with inaccurate information regarding its energy resources and loads? If so, identify the market participant(s). If PG&E's answer to any of these questions is yes, identify all documents relating to such inaccurate reporting.

**RESPONSE:** No. PG&E's load bidding and scheduling practices are described in response to Question 11 above. PG&E has submitted load and resource

forecasts and other data to the CAISO that it believed to be reasonable and accurate at the time such forecasts were submitted. As explained in response to Question 11, PG&E submits adjustment bids in which PG&E agreed to decrease or increase loads in the various CAISO zones in order to allow CAISO to address phantom congestion in the day ahead markets. In real time, the load would be served as originally scheduled, because the phantom congestion was not reflective of actual operating conditions.

Aside from information contained in the Enron Memorandum and in the published responses to the May 8, 2002 FERC Data Requests, PG&E is not aware of any specific market participants who provided intentionally inaccurate load or resource information to the CAISO.

**QUESTION:** 15. Has PG&E ever intentionally reported an inaccurate “net short” position to the CERS? Is PG&E aware of any other Market Participant who has intentionally reported an inaccurate “net short” position to the CERS? If so, identify the Market Participant(s). If PG&E’s answer to any of these questions is yes, identify all documents relating to such inaccurate reporting.

**RESPONSE:** No. PG&E’s process of submitting load information to CERS, as refined over time, is described in PG&E’s response to Question 11 above. PG&E has never intentionally reported an inaccurate "net short" position to the CERS. Nor is PG&E aware of any Market Participant who has intentionally reported an inaccurate "net short" position to the CERS. There are, however, a number of reasons why observed load and net short could differ from forecasts, including direct access load (which is subject to change over time, particularly during 2001), weather, temperature, localized business activity, and changes in resource availability. These differences will

not become apparent for some time because of the lag between forecasting in advance and metered data which only becomes available after the operating day. As discussed in the response to Question 11, there have been a number of refinements in the process of submission of the “net short” to CERS since the initiation of procurement by CERS. Additionally, as explained in response to Question 11, the adjustment bids that are accepted to clear phantom congestion may lead to "final schedules" that are different from PG&E's actual forecasts.

**QUESTION:** 16. Has PG&E ever engaged in an alliance, partnership, or profit sharing arrangement with any other market participant? If so, identify the market participant(s). If PG&E’s answer to this question is yes, identify all documents relating to such alliances, partnerships, or profit sharing arrangements.

**RESPONSE:** No.

## **Declaration of Roy M. Kuga**

1. My name is Roy M. Kuga. I am Director, Gas and Electric Supply, for Pacific Gas and Electric Company (PG&E). I am responsible for electric supply and demand scheduling, short-term and long-term forecasting of the net open position, power contract settlements, wholesale and QF contract administration, and gas procurement for core retail customers. My address is 77 Beale Street, San Francisco, California, 94105.

2. I have reviewed the attached Response of PG&E to the May 30 Requests of the California State Senate Select Committee. I certify that the information and documents provided constitute a response that is true and accurate, based on a diligent search for information responsive to the Committee's requests, as attested below.

3. To the best of my knowledge, information, and belief, on behalf of PG&E, I declare under penalty of perjury that the foregoing is true and accurate.

Executed on June 13, 2002, in San Francisco, California.

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Roy M. Kuga