

June 21, 2002

VIA FACSIMILE & HAND DELIVERY

Senator Joseph L. Dunn
Chair
Select Committee To Investigate Price
Manipulation of Wholesale Energy Market
State Capitol
Room 2080
Sacramento, CA 95814

Re: Pacific Gas and Electric Company

Dear Senator Dunn:

This letter is sent in response to your letter to me, dated June 7, 2002, requesting a detailed written description of “PG&E’s relationship and contacts with Perot Systems”; copies of all documents that relate to, refer to or concern Perot Systems; and a list of all electronic data that in any way relate to, refer to or concern Perot Systems. This letter is submitted on behalf of Pacific Gas and Electric Company (“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 National Energy Group is preparing its own response and will submit its response to the California State Senate separately.

The only responsive information and documents (SEN 333– SEN 2011) located to date are described in the following paragraphs.

PG&E has not contracted with Perot Systems nor has PG&E had any other business relationship with Perot Systems.

During the course of development of the PX and ISO as mandated by the CPUC, PG&E representatives, along with the representatives of the other market participants, investor owned utilities and consultants retained by the California Power Exchange (“PX) and Independent Operator (“ISO”) Trustees, participated in 1996 and 1997 as part of the PX and ISO implementation teams. Among other tasks, one team evaluated proposals for the computer systems necessary to support the PX’s and ISO’s bidding, scheduling, settlements, and other functions. PG&E has located documents connected with the bids of Perot Systems during the

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implementation phase of the PX and the ISO and those documents are produced with this response (SEN 333 – SEN 1974).

Much later, in about January 2001, Perot Systems made a presentation to PG&E employees involved in scheduling activities related to PX markets. The presentation included a series of eight slides, titled: “SchedCo: We Make It Easy to Interface with Control Area Operators.” (SEN 1975 – SEN 1982.) At around the same time, a PG&E employee prepared a two page “Scheduling Coordinator Options,” summarizing three options, including “Perot(PX) as agent.” (SEN 1983 – SEN 1984.) PG&E did not pursue the Perot option and PG&E is not aware of any additional documents on this issue.

Up until approximately March 2001, PG&E had a representative on the California Power Exchange (“PX”) Governing Board. In February 2000, PX management made a presentation to the PX Board of Governors in executive session recommending outsourcing all Information Technology (IT) functions to Perot Systems. As reflected in the accompanying PX Board Minutes, the motion to approve the IT outsourcing contract with Perot Systems was unanimously approved by the PX Board. The Perot Systems presentation, the Governing Board minutes, and the relevant portion of handwritten and typed meeting notes are provided with this response. (SEN 1985 – SEN 2011). No other documents on this issue have been located.

PG&E has had a very limited time to complete its search for responsive information. PG&E reserves the right to supplement this response and will promptly advise the Committee if it locates additional responsive information.

Sincerely,

G. WHITNEY LEIGH

GWL/kxa
Enclosures