

ATTACHMENT A
PACIFIC GAS AND ELECTRIC COMPANY
REPRESENTATIVES AND CONTACTS

A. Parties' Representatives:

Utility Representative:

Mr. Kent M. Harvey
Senior Vice President - Treasurer and Chief Financial Officer
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120

Phone: (415) 973-6333
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Email: KMH5@pge.com

DWR Representative:

State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, California 95821

Attn: Viju Patel
Energy Advisor
Telephone: (916) 574-0339
Facsimile: (916) 574-2512
Email: vpatel@water.ca.gov

B. Contact Persons:

The Parties shall make the following contact person(s) available with respect to the operational matters described below:

1. Billing Services:

Utility contacts:

For billing operations:

Mr. Russell E. Jorgensen
Director - Customer Revenue Transactions
Pacific Gas and Electric Company
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San Francisco, CA 94120

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For remittances:

Ms. Melissa K. Wikle
Director - Corporate Accounting
Pacific Gas and Electric Company
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San Francisco, CA 94120

Phone: (415) 973-6236
Facsimile: (415) 973-7463
Email: MKW6@pge.com

DWR contact:

State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, California 95821

Attn: Jim Olson, Deputy Comptroller
Chief of Financial Management and Reporting
Telephone: (916) 574-1297
Facsimile: (916) 574-0301
Email: jolson@water.ca.gov

2. Scheduling, delivery and transmission:

Utility contact:

Mr. Brian E. Thurston
Manager - Power Generation Portfolio Management
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120

Phone: (415) 973-3744
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Email: BET5@pge.com

DWR contact:

State of California
The Resources Agency
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, California 95821

Attn: Susan Lee, Principal HEP Utility Engineer
Chief of Energy Scheduling and Trading
Telephone: (916) 574-1304
Facsimile: (916) 574-0301
Email: slee@water.ca.gov

ATTACHMENT B

REMITTANCES

1. Calculation Of Daily Remittance Amount. As soon as practicable following the Effective Date, and prior to the beginning of each calendar month thereafter during the Term, Utility shall forecast the amount of Power Charges that Utility expects to receive during either (i) the period of time between the Effective Date and the last day of the calendar month in which the Effective Date occurs ("Initial Monthly Period") or (ii) each subsequent calendar month of the Term, as the case may be (each such forecast a "Forecast Collection"). The Forecast Collection shall be equal to the Power Charges expected to be received (based upon the Collections Curve as described in Section 2 below) for the applicable month. As further described in Section 3 below, prior to the beginning of each calendar month, the Utility shall determine the Forecast Collection for the subject month based on the delivery of DWR Power to PG&E's customers (as described in Section 3 below), a forecast of energy billed to Customers, the applicable remittance rate prescribed by the Commission, as may be changed from time to time, and the Collection Curve. The "Daily Remittance Amount" shall be an amount equal to the Forecast Collections for the relevant period, divided by the number of Business Days in the relevant period. Each Daily Remittance Amount shall be accompanied by a written report substantially in the form set forth in Attachment C-1 hereto (the "Daily Remittance Report"). If for any period of six consecutive months, the aggregate Reconciliation Amount (defined below) for such period is a positive or negative number greater than 10% of Estimated DWR Collections (as defined in Section 3 below) for such period, DWR agrees to, and Utility agree to shall, negotiate changes to the Forecast Collection methodology described in this Section 1 that are reasonably designed to reduce the Reconciliation Amount as much as possible for future months. If either Party believes such negotiations to be unsuccessful, either Party may, in addition to any other remedies available to the Party, submit the matter to the Commission or other appropriate forum for resolution.

2. Collections Curve; Interim Collection Curve. To calculate "Estimated DWR Collections," Utility will use a single Collections Curve in the form attached hereto as Annex A. After the Effective Date and at any time during the Term, but no more frequently than once every calendar year, either party may, at its own expense, do a study of payment and collection patterns and develop a new Collections Curve. In the event DWR elects to develop a new Collections Curve, Utility shall cooperate in such development, provided that Utility shall be entitled to collect the reasonable costs of such cooperation as an Additional Charge. A study of payment and collection patterns and the development of a new Collections Curve, if undertaken pursuant to this Section 2, shall be done as follows:

a) a Collections Curve will be developed for all Customers, based upon a random sample of no fewer than 500 Customer bills;

b) to derive the Collections Curve, there shall be recorded, for a given month, the percentage of the billed revenue that is received in each of the following 6 months or until the application of write-offs, whichever is earlier;

c) to the extent that Utility collects late payment interest charges for payments rendered after the due date for the relevant payments, such late payment interest charges will be reflected in the Collections Curve as revenue received on the originally billed amounts.

In addition to the process described above allowing for annual revisions to the Collections Curve, Utility may develop and use in its calculation of Estimated DWR Collections an “Interim Collections Curve,” representing Utility’s determination of anticipated collections from Customers for Charges, if the funds received by Utility from Customers for Charges for any period of 10 consecutive Business Days are less than 80% of the aggregate amount that Utility expected to receive from Customers for Charges for such period (based upon the then operative Collections Curve); provided, however, that the implementation of any Interim Collections Curve shall be subject to the approval of DWR which approval may not be unreasonably withheld or delayed. If Utility so implements an Interim Collections Curve, then Utility shall be entitled to use it instead of the then operative Collections Curve only until such time as the aggregate funds received from Customers for Charges since the first Business Day of the 10 Business Day period triggering the use of the Interim Collections Curve exceed the 80% threshold described above.

3. Allocation of DWR Power. Under Section 2.4 of the [AgreementServicing Order](#), DWR Power will be allocated pursuant to the Act, other Applicable Law, and Applicable Tariffs. The ~~Parties agree that currently, the~~ Act and Applicable Law require Utility to calculate a percentage equal to the ratio of DWR Power to total demand and apply such percentage to energy billed to Customers in determining the percentage of DWR Power consumed by any Customer or class of Customers (the “DWR Percentage”). Except to the extent otherwise agreed by the Parties, the DWR Percentage shall be determined as the ratio of forecasted final Hour-Ahead Schedules for DWR Power provided through the ISO’s Scheduling Coordinator to Scheduling Coordinator (SC to SC) trade mechanism and forecasted Imbalance Energy, relative to forecasted total ~~retail~~ demand. ~~Non-retail load obligations will be deemed supplied by Utility’s utility-retained generation unless otherwise specifically agreed upon between the Parties.~~ For the “Monthly Reconciliation of Forecast Collections” (see Section 4 below), the DWR Percentage will be updated to reflect actual Final Hour-Ahead Schedules as published by the ISO for DWR SC to SC trades, and any changes to forecasted Imbalance Energy and forecasted total ~~retail~~ demand based on information available at the time. For the “Final Monthly Reconciliation” (as described in Section 5 below), the DWR Percentage will be updated to reflect actual Imbalance Energy as reflected in the ISO Final Settlement Statements that underlie the published ISO invoices and actual total ~~retail~~ demand as reported to the ISO by Utility.

4. Monthly Reconciliation of Forecast Collections. Following the Remittance Month, Utility will update the Forecast Collections to reflect the best information that is available; each such updated forecast an “Estimated DWR Collection.” This includes updating the Allocation of DWR Power (as described in Section 3 above), replacing forecasted with actual energy billed to Customers, and making any other adjustments authorized by Applicable Law, mutually agreed to by the Parties, or expressly permitted under the [AgreementServicing Order](#). The Utility will (i) subtract the Forecast Collections in the previous month from the Estimated DWR Collections from the previous month and (ii) make those adjustments, which have not been previously accounted for (the result of such calculation, the “Reconciliation Amount”). If the Reconciliation

Amount is positive, the Reconciliation Amount will be remitted to DWR on the Business Day immediately following the 20th day of the month following the Remittance Month (each a "Reconciliation Date"). If the Reconciliation Amount is negative, the Reconciliation Amount will be deducted from the subsequent Daily Remittance(s) until such amounts are reimbursed. If the [Agreement Servicing Order](#) terminates before a Reconciliation Date for which a Reconciliation Amount has not yet been calculated (which Reconciliation Amount would have been calculated had the [Agreement Servicing Order](#) not been terminated), [DWR agrees, and with respect to PG&E, it is ordered that](#) the Parties' obligations with respect to such Reconciliation Amount shall survive termination. Notwithstanding Section 1.256 of the [Agreement Servicing Order](#), the payment of a Reconciliation Amount to DWR in the manner set forth in this Attachment B shall not constitute a Delinquent Payment.

5. Final Monthly Reconciliation. Seven months after the Remittance Month, Utility will perform the Final Monthly Reconciliation to reflect the actual delivery of DWR Power (as described in Section 3 above). The Final Monthly Reconciliation will also reflect the actual uncollectible factor for revenues billed in the subject month and adjustments authorized by Applicable Law, adjustments mutually agreed to by the Parties or adjustments expressly permitted under the [Agreement Servicing Order](#) or by Applicable Law. The Utility will subtract the total remittances previously sent to DWR from the actual Power Charges collected by Utility on behalf of DWR (the result of such calculation, the "Final Reconciliation Amount"). If the Final Reconciliation Amount is positive, it will be remitted to DWR on the Business Day immediately following the 20th day of the month. If the Final Reconciliation Amount is negative, it will be invoiced to DWR as Additional Charges in the manner set forth in Section 7 of the [Agreement Servicing Order](#).

6. Sample Monthly Reconciliation Reports. A sample Monthly Reconciliation Report is attached to this [Agreement Servicing Order](#) as Attachment C-2. A sample Final Monthly Reconciliation Report is attached to this [Agreement Servicing Order](#) as Attachment C-3. Attachments C-1, C-2 and C-3 are for illustrative purposes only and do not reflect any actual payments or adjustments for any period.

7. (a) Transition Period. On or prior to June 1, 2001, Utility shall transition from use of the interim remittance methodologies described in Decision 01-03-081, adopted by the Commission on March 27, 2001, Decision 01-05-064, adopted by the Commission on May 15, 2001 (collectively the "Interim Remittance Methodologies"), to use of the more precise remittance methodology ("More Precise Remittance Methodology") set forth in this [Agreement Servicing Order](#) and this Attachment B. This transition will include the continuation of the Interim Remittance Methodologies after the Effective Date as long as necessary or appropriate (the "Transition Period") to account for DWR Power provided to Customers prior to the Effective Date. Remittances during the Transition Period using the Interim Remittance Methodologies shall be made in addition to Remittances made in accordance with the More Precise Remittance Methodology set forth herein. As soon as practicable following the last day that the Interim Remittance Methodologies are applied, but not later than 210 days after the Effective Date, Utility will submit to DWR a reconciliation calculation, in form and substance reasonably acceptable to DWR, comparing (i) all amounts remitted to DWR pursuant to the

Interim Remittance Methodologies with (ii) the amounts which would have been remitted to DWR had the More Precise Remittance Methodology been used instead. To assist Utility in making such reconciliation calculation, DWR will cooperate with Utility and supply such data that Utility reasonably requests to perform such reconciliation calculation. The adjustment to the relevant Reconciliation Amount derived from such reconciliation calculation shall be made at the next Reconciliation Date that occurs no earlier than 10 calendar days following submittal of the adjustment calculation to DWR, absent a determination by DWR of error in such calculations.

(b) Imbalance Energy Transition Period. On or prior to the Effective Date of this ~~Agreement~~Servicing Order, Utility will begin using the amended methodology contained in this Attachment B to remit Imbalance Energy remittances. During the six-month period commencing on the date of implementing the remittance principles contained in this Attachment B (the “Imbalance Energy Transition Period”), Imbalance Energy Remittances (as described in the Letter Agreement) that are not collected from customers under the collection curve methodology described in this Attachment B shall be remitted to DWR as a part of the Imbalance Energy Lump Sum Remittances described in Exhibit B of ~~the Letter Agreement attached as~~ Attachment I hereto. However, when PG&E performs its Final Reconciliation, as described in this Attachment B, the total amounts owed to DWR each month for energy delivered in the Transition Period shall be equal to amount remitted for each Remittance Month’s actual DWR energy delivered to PG&E’s customers plus interest on the portion of Imbalance Energy remittances for the Imbalance Energy Transition Period calculated pursuant to Exhibit B of Attachment I.

8. New Utility Systems. If Utility implements a billing, accounting and/or other information system that, in Utility’s reasonable estimation, enables Utility to track, measure, and calculate actual Customer payments of Consolidated Utility Bills on a daily basis, Utility shall notify DWR of the same. Following any such notification, upon DWR’s election to require Utility to remit and adjust DWR Revenues on a daily basis and in a manner generally consistent with that set forth in ~~[Annex B]~~ to this Attachment B, Utility shall make commercially reasonable efforts to comply with any such request as soon as practicable. DWR agrees that Utility shall be entitled to recover its reasonable incremental costs of implementing such changes requested by DWR in remittance and adjustment methodologies as Additional Charges in the manner set forth in Section 7 of this ~~Agreement~~Servicing Order. Any improvements to or replacements of Utility’s systems which are undertaken for reasons which are independent of this provision shall not be considered an incremental cost under this provision.

9. Collections After Termination. Section 5.5 of the ~~Agreement~~Servicing Order notwithstanding, and except to the extent otherwise agreed pursuant to Section 8 of [or Annex B to] this Attachment B, DWR agrees that Utility shall have no obligation to pursue collection of, and no liability for failure to collect and remit, DWR Charges after 180 calendar days following termination of the ~~Agreement~~Servicing Order. Notwithstanding the immediately preceding sentence, Utility shall employ commercially reasonable efforts to remit to DWR any DWR Charges that Utility receives after 180 calendar days following termination of the ~~Agreement~~Servicing Order.

ANNEX A TO ATTACHMENT B
Pacific Gas and Electric Company
Collections Curve Description
May 2, 2001

BACKGROUND

The purpose of the Collections Curve is to display the rate at which billed energy revenues are collected from PG&E's five retail customer classes. Collections performance is expressed as a percentage of the total amount billed to the sample customer population. Collections have been adjusted for write-off using the applicable factor authorized by the California Public Utilities Commission in PG&E's most recent (1999) General Rate Case.

PG&E reads its meters and bills approximately 4.8 million customers once each month on a sequential 21-serial schedule, customers likewise remit payments on a sequential basis.

KEY PARAMETERS AND ASSUMPTIONS

- The tabulation of historical daily collections receipts used to generate the Collections Curve was derived from a sample of customer accounts billed during July 2000.
- Collections performance is assumed not to vary materially over the course of a year.
- Bills are issued on one of PG&E's 21 billing serials.
- The sample customer population represents a revenue-weighted average of PG&E's five customer classes and includes a total of 26,253 accounts. Sample size characteristics:

Customer Class	Sample Size as % of Total Class Size	Number of Accounts in Sample	Revenue Class Contribution as % of Total Revenue
Residential	0.5 %	23,221	46%
Small Commercial	0.5 %	1,803	13%
Medium Commercial	1.0 %	493	28%
Agricultural	1.0 %	470	6%
Large Commercial	25.0 %	266	8%

- The write-off factor (i.e., uncollectibles) as approved in the 1999 General Rate Case is 0.00267.
- In order to produce aggregated monthly collection data, the daily collection pattern is assumed to be the same for each day of the month and that the billed amounts for a given month are spread evenly over each day of the month.
- Credit and collection policies are approved by the CPUC. Generally, customer's charges not collected within 180 days are written off.
- The methodology used to produce the collection curve and the above parameters and assumptions are consistent with the methodology, parameters and assumptions approved for use in remitting the Trust Transfer Amount (TTA) to the Bond Trustee.

ANNEX A TO ATTACHMENT B
Pacific Gas and Electric Company
Collections Curve Description
May 2, 2001

DATA EXTRACTION AND PROCESSING

Applying the foregoing sample sizes, PG&E randomly extracts customer billing and payment data from PG&E's customer information system. A PC-based software application is then used to select customer billing dates and billing amounts for a specific calendar month.

Program logic enables the application to search the record for an exact match between the amount billed and a subsequent payment amount. Where an exact match is found, the number of days between the billing date and payment date is recorded along with the payment amount. If an exact payment match is not found, the application records the number of days between the billing date and the date of each subsequent partial payment along with the partial payment amount. The application will repeat this process until the sum of the partial payments equals or exceeds the original amount billed. The number of days between each the billing date and the date of each partial payment, along with the amount of each partial payment, are recorded separately.

Any difference between the total amount billed and the amount of the accumulative collections on "day 180" is considered uncollected.

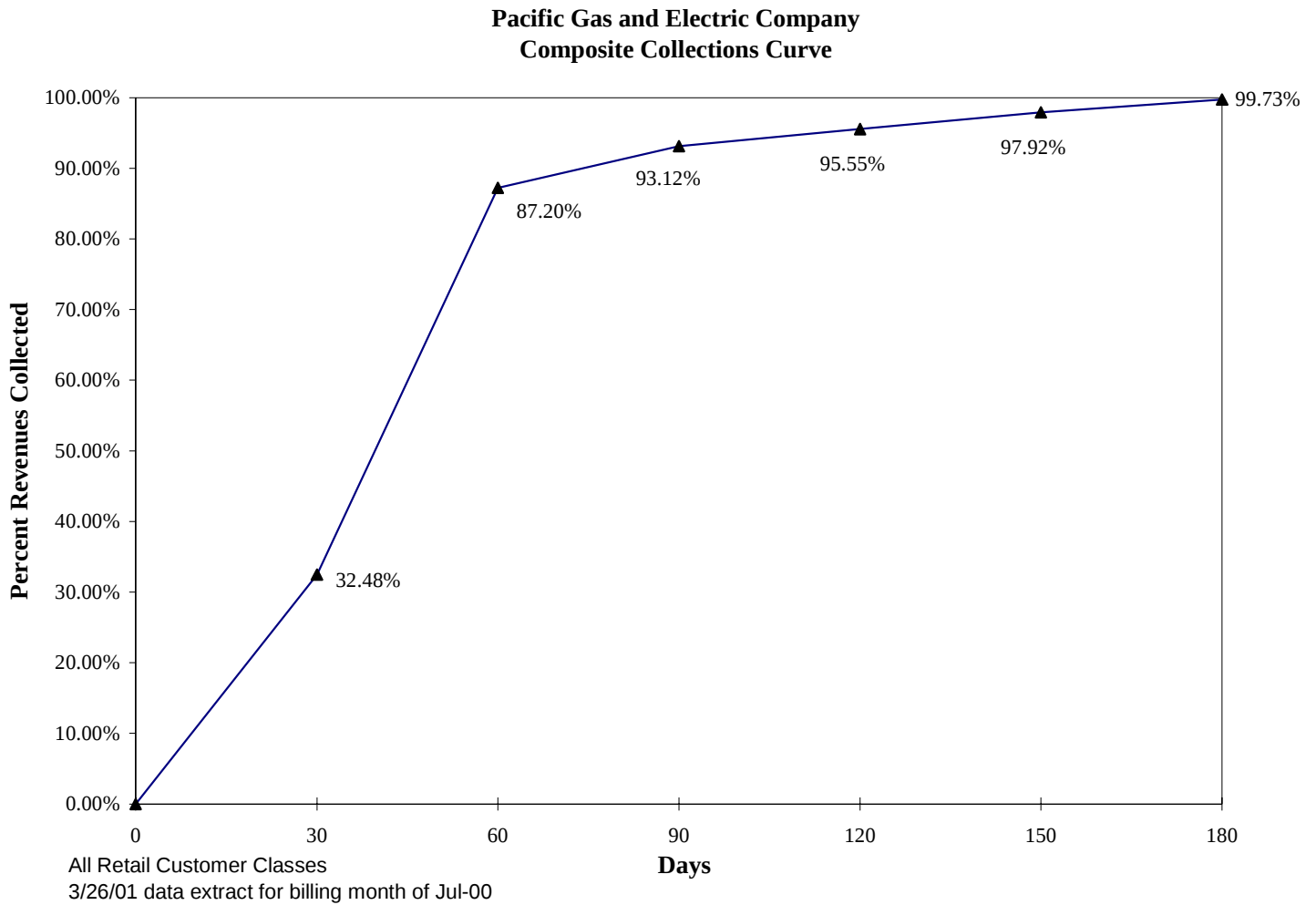
Application output data is written to a text file containing two columns; one lists days 1 through 180, the other shows the sum total of payments collected for each day.

COLLECTIONS CURVE

The Collections Curve plots data points at each of six 30-day intervals. For each day during the collection cycle, the total of daily revenue collections associated with bills issued to customers in the sample size is tabulated. In the sample population, a discrepancy was observed between the level of collections at the conclusion of the 180-day period and the expected level of collections that would result according to the Commission-approved uncollectibles factor. To address this discrepancy, the difference between expected and observed collections has been uniformly distributed over the 180 day period. To reflect PG&E's serial billing process, the percent of the amount billed is divided by 30 to simulate a daily average collection performance.

ANNEX A TO ATTACHMENT B
Pacific Gas and Electric Company
Collections Curve Description
May 2, 2001

Day	Collections Percentage	Net
0	0.00%	
30	32.48%	32.48%
60	87.20%	54.72%
90	93.12%	5.92%
120	95.55%	2.44%
150	97.92%	2.37%
180	99.73%	1.81%



ANNEX A TO ATTACHMENT B
Pacific Gas and Electric Company
Collections Curve Description
May 2, 2001

Elapsed Calendar Days	Daily Collections Percentage	Elapsed Calendar Days	Daily Collections Percentage	Elapsed Calendar Days	Daily Collections Percentage
1	0.03%	61	87.62%	121	95.63%
2	0.07%	62	87.98%	122	95.66%
3	0.14%	63	88.31%	123	95.68%
4	0.21%	64	88.63%	124	95.71%
5	0.30%	65	88.93%	125	95.73%
6	0.40%	66	89.20%	126	95.75%
7	0.52%	67	89.46%	127	95.78%
8	0.69%	68	89.71%	128	95.80%
9	0.90%	69	89.96%	129	95.82%
10	1.13%	70	90.20%	130	95.84%
11	1.44%	71	90.44%	131	95.87%
12	1.80%	72	90.67%	132	95.89%
13	2.27%	73	90.89%	133	95.91%
14	2.87%	74	91.11%	134	96.03%
15	3.68%	75	91.31%	135	96.15%
16	4.62%	76	91.50%	136	96.27%
17	5.74%	77	91.68%	137	96.39%
18	6.97%	78	91.84%	138	96.51%
19	8.31%	79	91.99%	139	96.63%
20	9.82%	80	92.13%	140	96.75%
21	11.58%	81	92.27%	141	96.87%
22	13.53%	82	92.39%	142	96.99%
23	15.54%	83	92.51%	143	97.10%
24	17.70%	84	92.62%	144	97.21%
25	19.97%	85	92.72%	145	97.32%
26	22.31%	86	92.81%	146	97.44%
27	24.75%	87	92.90%	147	97.56%
28	27.26%	88	92.99%	148	97.68%
29	29.85%	89	93.06%	149	97.80%
30	32.48%	90	93.12%	150	97.92%
31	35.11%	91	93.17%	151	98.04%
32	37.78%	92	93.26%	152	98.16%
33	40.46%	93	93.35%	153	98.28%
34	43.15%	94	93.44%	154	98.40%
35	45.86%	95	93.53%	155	98.52%
36	48.58%	96	93.62%	156	98.64%
37	51.28%	97	93.71%	157	98.76%
38	53.95%	98	93.80%	158	98.89%
39	56.60%	99	93.89%	159	99.01%
40	59.21%	100	93.97%	160	99.13%
41	61.77%	101	94.05%	161	99.25%
42	64.28%	102	94.13%	162	99.37%
43	66.70%	103	94.20%	163	99.49%
44	68.98%	104	94.28%	164	99.51%
45	71.08%	105	94.35%	165	99.53%
46	73.06%	106	94.43%	166	99.55%
47	74.87%	107	94.50%	167	99.56%
48	76.58%	108	94.58%	168	99.57%
49	78.21%	109	94.66%	169	99.59%
50	79.66%	110	94.74%	170	99.60%
51	80.89%	111	94.82%	171	99.62%
52	81.93%	112	94.90%	172	99.63%
53	82.91%	113	94.99%	173	99.64%
54	83.75%	114	95.07%	174	99.66%
55	84.49%	115	95.16%	175	99.67%
56	85.18%	116	95.24%	176	99.67%
57	85.77%	117	95.32%	177	99.68%
58	86.30%	118	95.40%	178	99.68%
59	86.76%	119	95.48%	179	99.68%
60	87.20%	120	95.55%	180	99.73%

ANNEX B TO ATTACHMENT B

REMITTANCE METHODOLOGY IN EVENT OF NEW UTILITY SYSTEM

A. Daily Remittances

Payments will be collected by Utility as an agent for DWR. Payments shall be allocated and applied using Utility's payment posting priority process (described below). All partial payments to Utility will be prorated based on the payment posting priority. During Utility's nightly processing during any Business Day, payments for DWR Charges that the Utility collects on behalf of DWR will be identified and credited to DWR's account and will be transmitted on the next Business Day, by an electronic funds transfer credit to DWR for settlement. The Parties' first preference for electronic funds transfer will be by Automated Clearing House (ACH) and its secondary preference will be by wire transfer. Utility process timing will dictate which electronic funds transfer will be used. During the first 60 day start-up period, wire transfer will be used exclusively.

B. Proposed Process and Sample Timeline for DWR Automated Daily Remittance

1. Day (-19) - Customer statements are sent out.
2. Business Day 0 - Customer makes payment and payment is allocated per payment posting priority.
3. Business Day 0 - Utility's billing system identifies payments and applies DWR portion based on pre-established payment posting criteria, representing a constructive account for DWR. The parties acknowledge that payments received from Customers consist of payments to Utility and payments to DWR and that until DWR's portion is remitted to DWR, such funds will be held together by Utility. Until remitted to DWR, Utility shall hold DWR's portion of payments in trust for the benefit of DWR (whether or not held with other monies).
4. Business Day 1 - Payment is sent to DWR based on remittance schedule. DWR acknowledges delays of up to 3 Business Days may occur due to errors, system failures and other factors. DWR agrees that such delays shall not constitute a default pursuant to Section 5.2 of the Agreement provided, however, that Utility shall undertake commercially reasonable efforts to rectify any cause for such delay. Utility shall promptly notify DWR when any such delay occurs and the expected date for returning to the normal schedule. In cases where ACH electronic payment is remitted, Utility will remit to its bank on Business Day 1. DWR agrees that this payment meets Utility's remittance schedule requirements pursuant to Section 4.2 and this Attachment B.
5. Adjustments for misapplied payments, returned checks, payment transfers, and miscellaneous adjustments will be reflected in the Remittance as those adjustments are made in Utility's billing system.

C. Collection of DWR Charges

1. As permitted by Applicable Law, Utility will disconnect Customers' electric service for unpaid DWR Charges. Disconnection for DWR charges will be performed in the same manner as Utility disconnects for its own charges and consistent with applicable tariffs.
2. Responsibility for collection of any DWR Charges that remain unpaid 145 calendar days after the final statement was issued shall become the sole responsibility of DWR. However, Customer payments received by Utility after such reversion to DWR will continue to be applied on a pro-rata basis to DWR Charges for a period of no longer than 3 years after the customer's account was closed and final bill rendered by the Utility.
3. Utility may use collection agency services to recover outstanding balances on customer's closed accounts. When DWR receives benefit of such services through recovery of payments to customer accounts, Parties agree that DWR's payment remittances will be adjusted to account for the pro-rata share of collection agency fees associated with DWR's portion of recovered charges

D. Survival of Payment Obligations

1. Utility has the right but not the obligation to pursue collection of DWR Charges after 180 calendar days following the termination of this Agreement pursuant to Section 5. Provided, however, Utility may continue collection services for a period of 3 years after the customer's account was closed if prior to the termination of this Agreement the Parties reach a mutually satisfactory arrangement either to (i) reimburse Utility for its estimated reasonable costs to continue with collection and allocation activities for such period or (ii) estimate the amount of collections that are reasonably likely to be recovered, which amount (including discounts for cash flow impacts) Utility shall promptly remit to DWR in full satisfaction of its collection services.

E. Deposits Securing DWR Charges

1. In accordance with Applicable Tariffs, Utility shall collect security deposits from Customers and return those security deposits to Customers. Such security deposits will be applied pro rata to DWR Charges in the event a Customers billing account is closed with the Utility.

F. Other Operating Revenue Collected by Utility

1. DWR shall have no rights in or entitlements to charges associated with Utility's collection or payment activities, including but not limited to, returned check charge, reconnection of service charge, field assignment charge, and other service charges related to billing, payment or collections. However, pursuant to Section 6 of Service Attachment 1, late payment interest charges will be applied pro-rata to DWR Charges.

G. Payment Posting Priority

1. Priority. Utility payment posting rules will assign equal priority to Utility gas and electric energy and service charges, and DWR Charges. Payments will be prorated among all categories of unpaid disconnectible charges and DWR Charges based on the amount owing in each statement, beginning with the oldest amounts outstanding. Utility's payment posting priority enables Utility to make timely payments to Utility, DWR, and other agencies/Cities where Utility is required to collect surcharges, fees and taxes. Any non-disconnectible charges outstanding, will be paid with any remaining credit balance.

2. Payment Posting Rules.

- a. Payments will be applied to the oldest statements first.
- b. Payments will be applied on a pro-rata basis between Utility gas and electric energy/service charges in the following illustrative manner:

<u>Sample:</u>	<u>Electric</u>	<u>Gas</u>	<u>Total</u>
Bill Date 6/10/01	\$100.00	\$100.00	\$200.00
% of Total	50%	50%	100%
Payment 6/25/01	\$50.00	\$50.00	\$100.00
% of Total	50%	50%	100%

3. Proration. Within the Utility Charges shown on each statement, the payment/credit will be prorated among all unpaid charges based on the amount owing in each category in the following illustrative manner:

<u>Sample:</u>	<u>Utility</u>	<u>DWR</u>	<u>FF/Taxes</u>	<u>Total</u>
Bill Due 6/10/01	\$35.00	\$60.00	\$5.00	\$100.00
% of Total	35%	60%	5%	100%
Payment 6/25/01	\$17.50	\$30.00	\$2.50	\$50.00
% of Total	35%	60%	5%	100%

Pacific Gas Electric Company
CDWR Daily Remittance Report
March 21, 2002 Payment Date
Example for Illustrative Purposes Only

Attachment C-1

<u>Description</u>	<u>Date</u>	<u>Payment Amount</u>
October Billings	3/21/2002	166,698.08
November Billings	3/21/2002	175,120.67
December Billings	3/21/2002	190,702.56
January Billings	3/21/2002	400,802.59
February Billings	3/21/2002	3,249,694.02
March Billings	3/21/2002	1,796,265.75
	Subtotal*	<u>5,979,283.67</u>
February 20 Day True-up		<u>5,043,201.33</u> (see Attachment C2)
	Subtotal	<u>11,022,485.00</u>
Final August Trade Month True-up		<u>(3,751,340.61)</u> (see Attachment C3)
	Total	<u>7,271,144.39</u>

* This amount is remitted pursuant to D.02-02-052 and 02-03-062 and includes payment for real-time deliveries.

Pacific Gas and Electric Company
CDWR February 2002 Collection Month True-up Payments
Monthly Reconciliation Report (D.02-02-052 and D.02-03-062)
Example for Illustrative Purposes Only

<u>Trade Month</u>	<u>Forecasted Feb. Payments</u> A	<u>True Up Feb. Payments</u> B	<u>True Up Less Forecasted</u> C=B-A
September	3,501,101.10	3,501,101.10	0.00
October	4,540,654.56	4,540,654.56	0.00
November	4,079,183.46	4,079,183.46	0.00
December	9,160,892.16	9,160,892.16	0.00
January	66,153,402.00	65,447,765.71	(705,636.29)
February	<u>39,266,493.00</u>	<u>45,115,330.62</u>	<u>5,848,837.62</u>
Subtotal	126,701,726.28	131,844,927.61	5,143,201.33
Less 20/20	<u>0.00</u>	<u>(100,000.00)</u>	<u>(100,000.00)</u>
Total	126,701,726.28	131,744,927.61	5,043,201.33

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Page 2
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Pacific Gas and Electric Company
CDWR February 2002 (Forecast) Collection Month Payments

Initial Calculations (D.02-02-052 and D.02-03-062)

Example for Illustrative Purposes Only

<u>Trade Month</u>	<u>CDWR Volumes/ PG&E Load **</u>	<u>Billed MWH ***</u>	<u>CDWR Billed MWH</u>	<u>DWR Rate \$/MWH</u>	<u>Total DWR Payments for Trade Month (\$)</u>	<u>Collection Curve</u>	<u>February Payment for Trade Month (\$)</u>	<u>Daily Payment Based Upon 19 Billing Days (\$)</u>
	A	B	C=AxB	D	E=CxD	F	G=ExF	H=G/19 Days
September	35.00%	6,000,000	2,100,000	92.11	193,431,000.00	1.81%	3,501,101.10	184,268.48
October	32.00%	6,500,000	2,080,000	92.11	191,588,800.00	2.37%	4,540,654.56	238,981.82
November	33.00%	5,500,000	1,815,000	92.11	167,179,650.00	2.44%	4,079,183.46	214,693.87
December	32.00%	5,250,000	1,680,000	92.11	154,744,800.00	5.92%	9,160,892.16	482,152.22
January*	25.00%	5,250,000	1,312,500	92.11	120,894,375.00	54.72%	66,153,402.00	3,481,758.00
February*	25.00%	5,250,000	1,312,500	92.11	120,894,375.00	32.48%	39,266,493.00	2,066,657.53
Totals							126,701,726.28	6,668,511.92

* Forecast Months

** CDWR Volumes represents CDWR Day-Ahead, Hour-Ahead and Real-Time volumes. Percentages are estimates. Final percentages for respective trade months will be reflected in final trade month true-up calculation.

*** Billed MWH excludes direct access.

Pacific Gas and Electric Company
CDWR February 2002 (Estimated) Collection Month Payments
 Monthly Reconciliation Report True-up Calculations (D.02-02-052 and D.02-03-062)
 Example for Illustrative Purposes Only

<u>Trade Month</u>	<u>CDWR Volumes/ PG&E Load **</u>	<u>Billed MWH ***</u>	<u>CDWR Billed MWH</u>	<u>DWR Rate \$/MWH</u>	<u>Total DWR Payments for Trade Month (\$)</u>	<u>Collection Curve</u>	<u>February Payment for Trade Month (\$)</u>
	A	B	C=AxB	D	E=CxD	F	G=ExF
September	35.00%	6,000,000	2,100,000	92.11	193,431,000.00	1.81%	3,501,101.10
October	32.00%	6,500,000	2,080,000	92.11	191,588,800.00	2.37%	4,540,654.56
November	33.00%	5,500,000	1,815,000	92.11	167,179,650.00	2.44%	4,079,183.46
December	32.00%	5,250,000	1,680,000	92.11	154,744,800.00	5.92%	9,160,892.16
January	26.50%	4,900,000	1,298,500	92.11	119,604,835.00	54.72%	65,447,765.71
February	26.00%	5,800,000	1,508,000	92.11	138,901,880.00	32.48%	45,115,330.62
Totals							131,844,927.61
						Less 20/20	(100,000.00)
						February Payments	131,744,928

** CDWR Volumes represents CDWR Day-Ahead, Hour-Ahead and Real-Time volumes. Percentages are estimates. Final percentages for respective trade months will be reflected in final trade month true-up calculation.

*** Billed MWH excludes direct access.

Pacific Gas and Electric Company
CDWR August 2001 Final Trade Month Payments
 Final Monthly Reconciliation Report (D.02-02-052 and D.02-03-062)
 Example for Illustrative Purposes Only

<u>Trade Month</u>	<u>CDWR Volumes/ PG&E Load **</u>	<u>Billed MWH ***</u>	<u>CDWR Billed MWH</u>	<u>DWR Rate \$/MWH</u>	<u>Uncollectible Percentage</u>	<u>Total CDWR Payment Before 20/20</u>	<u>20/20 Credits</u>	<u>Total CDWR Payment for Trade Month</u>	<u>Previous August Payments</u>	<u>Final True-up Amount</u>
	A	B	C=AxB	D	E	F=CxDx(1-E)	G	H=F+G	I	J=H-I
August	32.00%	7,900,000	2,528,000	92.11	0.26000%	232,248,659.39	(26,000,000.00)	206,248,659.39	210,000,000.00	(3,751,340.61)

** CDWR Supply represents CDWR Day-Ahead, Hour-Ahead and Real-Time volumes.

*** Billed MWH excludes direct access.

ATTACHMENT D

~~PACIFIC GAS AND ELECTRIC COMPANY~~

~~GENERAL TERMS AND CONDITIONS~~

Reserved

~~For purposes of this Attachment D, Utility shall be deemed to be the "Contractor" hereunder. To the extent that Contractor's compliance with any of the terms of this Attachment D results in additional costs and expenses for Contractor (except to the extent the terms of this Attachment D merely require compliance with laws or regulations which apply to the Contractor irrespective of the existence of this Agreement), Contractor will invoice DWR for such additional costs and expenses, and DWR shall pay such invoices as Additional Charges, in the manner contemplated by Section 7 of the Agreement.~~

~~1. — RECYCLING CERTIFICATION: The Contractor shall certify in writing under penalty of perjury, the minimum, if not exact, percentage of recycled content, both post consumer waste and secondary waste as defined in the Public Contract Code, Sections 12161 and 12200, in materials, goods, or supplies offered or products used in the performance of this Agreement, regardless of whether the product meets the required recycled product percentage as defined in the Public Contract Code, Sections 12161 and 12200. Contractor may certify that the product contains zero recycled content. (PCC 10233, 10308.5, 10354)~~

~~2. — NON DISCRIMINATION CLAUSE: During the performance of this Agreement, Contractor and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Contractor and subcontractors shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor and subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code Section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. Contractor and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.~~

~~Contractor shall include the nondiscrimination and compliance provisions of this clause in all contracts with subcontractors to perform work under the Agreement.~~

~~3. CERTIFICATION CLAUSES: The CONTRACTOR CERTIFICATION CLAUSES attached hereto are hereby incorporated by reference and made a part of this Agreement.~~

~~4. CHILD SUPPORT COMPLIANCE ACT: "For any Agreement in excess of \$100,000, the contractor acknowledges that:~~

~~a. the contractor recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and~~

~~b. the contractor, to the best of its knowledge is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department."~~

~~5. UNION ORGANIZING: Contractor by signing this Agreement hereby acknowledges the applicability of Government Code Section 16645 through Section 16649 to this Agreement.~~

~~a. Contractor will not assist, promote or deter union organizing by employees performing work on a state service contract, including a public works contract.~~

~~b. No state funds received under this agreement will be used to assist, promote or deter union organizing.~~

~~c. Contractor will not, for any business conducted under this agreement, use any state property to hold meetings with employees or supervisors, if the purpose of such meetings is to assist, promote or deter union organizing, unless the state property is equally available to the general public for holding meetings.~~

~~d. If Contractor incurs costs, or makes expenditures to assist, promote or deter union organizing, Contractor will maintain records sufficient to show that no reimbursement from state funds has been sought for these costs, and that Contractor shall provide those records to the Attorney General upon request.~~

CERTIFICATION

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY, or EXECUTE THIS CERTIFICATION, in the manner required by Applicable Law, certifying thereby that I am duly authorized to legally bind the entity identified below to the clause(s) listed in the following numbered paragraphs 1-5. This certification is made under the laws of the State of California:

PACIFIC GAS AND ELECTRIC COMPANY

_____By: __

_____Name: _____

_____Title: _

_____Date: _

Federal ID Number__

Executed in the County of__

~~CONTRACTOR CERTIFICATION CLAUSES~~

~~1. STATEMENT OF COMPLIANCE: Contractor has, unless exempted, complied with the nondiscrimination program requirements. (GC 12990 (a-f) and CCR, Title 2, Section 8103).~~

~~2. DRUG-FREE WORKPLACE REQUIREMENTS: Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:~~

~~a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.~~

~~b. Establish a Drug-Free Awareness Program to inform employees about:~~

~~1) the dangers of drug abuse in the workplace;~~

~~2) the person's or organization's policy of maintaining a drug-free workplace;~~

~~3) any available counseling, rehabilitation and employee assistance programs; and,~~

~~4) penalties that may be imposed upon employees for drug abuse violations.~~

~~c. Every employee who works on the proposed Agreement will:~~

~~1) receive a copy of the company's drug-free workplace policy statement; and,~~

~~2) agree to abide by the terms of the company's statement as a condition of employment.~~

~~Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: (1) the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (GC 8350 et seq.)~~

~~3. NATIONAL LABOR RELATIONS BOARD CERTIFICATION: Contractor certifies that no more than one (1) final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a Federal court which orders Contractor to comply with an order of the National Labor Relations Board. (PCC 10296)~~

~~4. RECYCLED MATERIALS: Contractor hereby certifies under penalty of perjury that at least 0% of the materials, goods and supplies offered or products used in the performance~~

~~of this Agreement meet or exceed the minimum percentage of recycled materials as defined in Sections 12161 and 12200 of the Public Contract Code.~~

~~5. UNION ACTIVITIES: In compliance with California Government Code Sections 16645—16649, Contractor hereby certifies that no request for reimbursement, or payment under this agreement, will be made for costs incurred to assist, promote or deter union organizing.~~

~~DOING BUSINESS WITH THE STATE OF CALIFORNIA~~

The following laws apply to persons or entities doing business with the State of California.

1. ~~CONFLICT OF INTEREST: Contractor needs to be aware of the following provisions regarding current or former state employees. If Contractor has any questions on the status of any person rendering services or involved with the Agreement, the awarding agency must be contacted immediately for clarification.~~

~~Current State Employees (PCC 10410):~~

1) ~~No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any state agency, unless the employment, activity or enterprise is required as a condition of regular state employment.~~

2) ~~No officer or employee shall contract on his or her own behalf as an independent contractor with any state agency to provide goods or services.~~

~~Former State Employees (PCC 10411):~~

1) ~~For the two-year period from the date he or she left state employment, no former state officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency.~~

2) ~~For the twelve-month period from the date he or she left state employment, no former state officer or employee may enter into a contract with any state agency if he or she was employed by that state agency in a policy-making position in the same general subject area as the proposed contract within the 12-month period prior to his or her leaving state service.~~

~~If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (PCC 10420)~~

~~Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for per diem. (PCC 10430 (e))~~

2. ~~LABOR CODE/WORKERS' COMPENSATION: Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement. (Labor Code Section 3700)~~

3. ~~AMERICANS WITH DISABILITIES ACT: Contractor assures the State that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits~~

~~discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 et seq.)~~

~~4.—— CONTRACTOR NAME CHANGE: An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.~~

~~5.—— AIR OR WATER POLLUTION VIOLATION: Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.~~

~~6.—— PAYEE DATA RECORD FORM STD. 204: All contractors that are not another state agency or other government entity must complete this form.~~

ATTACHMENT E
PACIFIC GAS AND ELECTRIC COMPANY
ADDITIONAL PROVISIONS

1. ~~Other Agreements~~Attachment I.

~~Letter Agreement~~Attachment I, providing for the assumption of financial obligations relating to ~~the~~ ISO invoiced Imbalance Energy and Ancillary Services (as defined ~~in~~ Exhibit A of ~~the Letter Agreement~~Attachment I) costs by DWR and the remittance of revenues collected from PG&E's customers at the Commission approved rate is attached ~~as Attached I hereto~~to this Servicing Order.

2. [Reserved]

3. [Reserved]

4. ~~Reservation~~Retention of Rights.

Notwithstanding (i) the terms, execution or operation of the ~~Agreement~~Servicing Order, (ii) the approval of, any modification to, or any other action taken with respect to or having an effect on the ~~Agreement~~Servicing Order by the Bankruptcy Court, the Commission or any other Governmental Authority, or (iii) any other action taken by a Governmental Authority, Utility ~~hereby reserves~~retains all rights (if any) in any forum to contest, oppose, appeal, comment on, or otherwise seek to revisit, alter, modify or set aside any present or future decisions, orders, opinions, rulings, or actions or omissions to act by the Commission or any other Governmental Authority, whether in draft, interim or final form, arising out of, relating to, or connected with (x) the calculation of DWR Charges or DWR Revenues and the allocation of costs and amounts of electric capacity and output among the customers of electrical corporations, (y) the interpretation and/or legality of Applicable Law or Applicable Commission Orders, or (z) remittance of such calculated amounts by Utility to DWR or its Assign(s) under Applicable Law or Applicable Commission Orders in a manner inconsistent with this ~~Agreement~~Servicing Order or Utility's ability to perform its utility functions.

5. Orders of the Federal Energy Regulatory Commission.

Nothing in the ~~Agreement~~Servicing Order shall operate to modify any of the requirements of any order of the Federal Energy Regulatory Commission. Without limiting the generality of the foregoing, nothing in the ~~Agreement~~Servicing Order shall obligate Utility to pay for costs that would be inconsistent with any order of the Federal Energy Regulatory Commission or the ISO tariff.

6. Scheduling Practices.

Utility ~~is ordered~~ and DWR ~~agrees to shall~~ work together to assure that any Customer demand served as a result of the ~~Agreement~~Servicing Order is accurately estimated and

scheduled, and that no deviations or imbalances result except to the extent resulting from unforeseeable variations in demand or resources. Where scheduling practices produce deviations and schedules either higher or lower than Customer demand, apart from such unforeseeable variations, DWR agrees and Utility is ordered to ~~shall~~ promptly attempt to revise and cooperate to eliminate such deviations and modify any scheduling practices which produce such deviations.

If, over any rolling seven day period, the aggregate amount of scheduled DWR Power exceeds the aggregate Net Open Position for such period by at least 100,000 MWh (“Overscheduling”), Utility is ordered to, and DWR agrees to ~~shall~~ promptly meet, confer and cooperate in an attempt to modify any scheduling practices which produce such deviations, consistent with commercially reasonable practices. Overscheduling by DWR shall be considered a commercially reasonable practice if DWR has reasonably determined that Utility’s load forecasts are consistently low or if Utility has consistently failed to deliver scheduled utility retained generation. Notwithstanding any commercially reasonable practice for Overscheduling, the Monthly Reconciliation Amount shall be adjusted in order to ensure that Remittances are based solely on the portion of scheduled DWR Power actually delivered to Customers and not for any overscheduled amounts in excess of Customer usage. The Net Open Position, as used in this section, refers to the difference between actual Customer usage and actual Utility-retained generation during the given period.

7. Imbalance Energy Reports.

Subject to the availability of necessary information, DWR agrees to ~~will~~ provide Utility with weekly reports detailing how much electric power and energy DWR purchased or otherwise agreed to pay for in connection with purchases made in the Real Time Market for each day not previously reported, in total and for provision to Customers. For purposes of this Section 7, “Real Time Market” means the market(s) in which electric power and energy is purchased and sold on a real time basis in order to meet demand over and above electric power and energy scheduled in the Day-Ahead Market or Hour-Ahead Market. ~~Utility acknowledges that~~ DWR may expressly identify information provided to Utility under this section as “Confidential Information” subject to Section 6 of the Agreement.

ATTACHMENT F

CALCULATION METHODOLOGY FOR REDUCED REMITTANCES PURSUANT TO 20/20 PROGRAM

1. Reimbursement of 20/20 Program Rebate Costs.

DWR agrees that Utility shall recover the amount of Customer credits under the 20/20 Program as follows:

On the **30th** day after the presentation of credits on Consolidated Utility Bills, Utility shall reduce any Remittances to DWR under the Act or Commission Decision 01-03-081 by the daily amount equal to the total of such Customer credits. If the amount that Utility is entitled to offset on any day exceeds the funds otherwise due to DWR, the balance will be carried over to the next day. If it appears that the amount Utility is entitled to offset will exceed the funds due to DWR for more than three consecutive days, then Utility will invoice DWR with an estimate of the amount due to Utility. DWR will pay such invoice within one Business Day of receipt. For purposes of this Attachment F, the credits or payments shall refer to the 20 % reduction applied to Customers' total net electric power and energy charges (including applicable rate surcharges), and shall include credits or payments made to resolve Customer disputes or reflect corrected Consolidated Utility Bills following the end of the 20/20 Program.

2. Reimbursement of 20/20 Program Implementation Costs.

DWR ~~will agree to~~ pay to Utility the following initial implementation fee and recurring administrative fees associated with the 20/20 Program as provided for in Section 4.3 of the Agreement Servicing Order. The initial implementation fee shall be \$1,563,500 and the recurring administrative fees shall be \$809,000 each month June through September of 2001 (unless extended and then until such later date). The basis for these fees is set forth in Annex A to this Attachment F.

3. Estimated Costs.

The intent is to reimburse the actual, incremental costs incurred by PG&E. PG&E will exercise reasonably commercial efforts in managing their operations to minimize costs and keep within the budgeted costs shown in the table below:

- a. PG&E shall invoice DWR after a 20/20 Program implementation activity described below has been completed and will undertake reasonable commercial efforts to track and keep costs within the estimated costs shown in this Attachment F.

- b. For the majority of PG&E's 20/20 Implementation Costs (Page 1 of Annex A below), PG&E will invoice DWR based on actual costs and provide DWR with an invoice itemizing and documenting such costs.
- c. For costs items: Increased Call Volumes, Increased ~~ds~~ Calls to Language Lines, Increased Field Services and Adjustment/Exception Processing ("Increased Customer Inquiries" listed on Page 2 of Annex A below) PG&E is unable to track, itemize and provide detailed documentation of these ~~M~~monthly ~~R~~recurring costs without undertaking extensive system programming and hardware upgrades. Accordingly, DWR agrees, and PG&E is ordered to shall utilize the PG&E Estimated Costs shown in this Attachment F for PG&E's invoicing purposes without undertaking a true-up to actual costs. DWR agrees that ~~it~~ invoicing for Increased Customer Inquiries will be handled in the following manner:

PG&E shall invoice DWR each month based on the Increased Customer Inquiries cost estimates shown below, with a signed statement from management asserting to an informal review and to their belief that the estimated costs still represent the best estimate for the period being invoiced. If however, PG&E experiences a significantly higher or lower difference in activity levels of customer inquiries, PG&E will notify DWR and provide to DWR documentation reasonably necessary to establish such different activity levels. Promptly thereafter, PG&E is ordered, and DWR agrees to shall negotiate a mutually acceptable adjustment based on an estimate of reasonably foreseeable costs for Increased Customer Inquiries.

4. 20/20 Program Reporting

- a. **Daily** – To the extent reasonably possible, within three Business Days Utility shall provide DWR with a report for a given billing day showing the aggregated dollar amounts of 20/20 Program credits applied to Consolidated Utility Bills and the number of Customers that received credits under the 20/20 Program
- b. **Monthly** – To the extent reasonably possible, Utility shall provide DWR with monthly reports showing the aggregated dollar amount of 20/20 Program credits applied to Consolidated Utility Bills and the number of Customers that received credits under the 20/20 Program. In addition Utility will provide a prior year and current year comparison showing system wide average monthly KWH savings. Monthly reports will be completed and submitted to DWR on the Business Day immediately following the 20th day of each month.
- c. **Other** – To the extent reasonably possible, Utility shall provide DWR with a report at the completion of the 20/20 Program showing the reduction in kWh related to credits provided to Customers under the 20/20 Program.

Annex A to Attachment F

Cost Element	Description	One-Time Implementation Costs	Monthly Recurring Costs
<i>IT Programming</i>	Analysis and design, programming, unit and system testing for multiple billing systems (Genesis, LCIS, WL, ABS and Customer Care Support Systems) Includes modifications to OLBH, TP, EDI Display on Energy Statement and/or Detail of Bill.	\$995,000	
<i>PGE.com website</i>	Modify PGE.com to integrate new web pages (20/20 Rebate Reward Eligibility Rules). Develop graphics and maintain appropriate links to CA website. Includes usability testing. Manage incoming emails from customers, repair broken links, and modify content as appropriate.	\$7,000	\$7,000
<i>Bill Inserts</i>	20/20 Program two panel bill insert for electric residential customers.	\$60,000	
<i>Overprint</i>	Overprint of the bill insert to be used as a mail out for customer service requests. Projected volume 500,000 requests.	\$6,500	
<i>Direct Mailing for CIA customers.</i>	20/20 Program letter to commercial, industrial and agricultural customers (CIA). Assumes \$1.00 per letter including postage and mailing for 400,000 CIA customers.	\$400,000	

<i>CSR Training (includes local office and call center)</i>	Incl. development, delivery and materials. Training 35K Materials/Dev 20K	\$55,000	
<i>Increased Call Volumes</i>	\$4.30 per call with an average call time 3.5 minutes, assuming 10% of customers will call.		\$500,000
<i>Increased calls to language lines</i>	(Chinese, Spanish and Vietnamese) 24,000 calls @ \$7.00		\$168,000
<i>Increased Field Services (Meter rereads, meter tests)</i>	Estimate based on 5% of 200 Account Service Representatives		\$100,000
<i>Adjustment/ Exception Processing</i>	Responds to customer requests to verify or recalculate if eligible for program (This should include Consumer Affairs costs as well) (1M at 10% rate, 625 per FTE. Incr. Volume at end of 4 month period (4 FTE)		\$34,000
<i>Reporting</i>	Performance Reporting		\$10,000

ATTACHMENT G

PACIFIC GAS AND ELECTRIC COMPANY

PG&E FEE SCHEDULE

DWR shall reimburse PG&E for the costs incurred by PG&E in providing Services under this [Agreement Servicing Order](#). PG&E will exercise commercially reasonable efforts in managing its operations to minimize such costs and keep such costs within the estimated amounts referenced below.

1. Charges for Consolidated Utility Billing Service. The Set-Up Fees and Recurring Fees set forth below are PG&E's estimate of its costs of providing Consolidated Utility Billing Service as described in Sections 3 and 4 of the [Agreement Servicing Order](#) and Service Attachment 1; provided, however, that such estimate does not include any Additional Charges contemplated under those provisions. PG&E shall have no obligation to track the actual costs for Recurring Services and items where the cost of tracking is burdensome or requires the development of new cost-accounting procedures. The foregoing sentence notwithstanding, if the responsible manager at PG&E becomes aware that the actual costs of providing such services are 10% greater or less than the estimates set forth below, PG&E shall give DWR written notice of (1) the reason(s) for such greater or lesser costs, and (2) PG&E's revised estimate of the Set-Up Fees and/or Recurring Fees corresponding to such greater or lesser costs. Upon receipt of such notice, DWR may either accept the revised fees or, in cooperation with PG&E, examine alternatives for reducing fees. Upon DWR's agreement, not to be unreasonably delayed or withheld, revised Set-Up Fees and/or Recurring Fees shall be effective. [DWR agrees that](#) Set-Up Fees and Recurring Fees, as set forth below or in a notice given pursuant to this Section 1, shall be due and payable as provided in Section 7 of the [Agreement Servicing Order](#).

a. Set-Up Fees. The Set-Up Fees for programming PG&E's billing and related customer care systems to implement Consolidated Utility Billing Service, for modifying PG&E's electronic data interchange system to implement Consolidated Utility Billing Service, and for implementing facilities and procedures for fielding Customer inquiries regarding DWR Charges pursuant to Section 3.4, will total \$1,756,500. The basis for this fee is set forth in Annex A to this Attachment G.

b. Recurring Fees. The Recurring Fees for processing Remittances and fielding Customer inquiries regarding DWR Charges will total \$79,500 in 2001 and \$115,000 per calendar year in each subsequent year. These Recurring Fees do not include any additional amounts for call center operations relating to DWR Charges, which shall be separately invoiced as Additional Charges, as appropriate.

2. Additional Charges. The Additional Charges set forth below are PG&E's estimate of its costs of providing the relevant services under the [Agreement Servicing Order](#). PG&E shall have no obligation to track the actual costs of such services, other than those specified in subsection c., below. The foregoing sentence notwithstanding, if the responsible manager at PG&E becomes aware that the costs of providing such services are 10% greater or less than the estimates set forth below, PG&E shall give DWR written notice of (1) the reason(s) for such greater or lesser costs, and (2) PG&E's revised estimate of the Additional Charges necessary to cover such greater or lesser costs, which revised Additional Charges shall be effective upon

delivery of such notice. Additional Charges, as set forth below or in a notice given pursuant to this Section 2, shall be due and payable as provided in Section 7 of the [Agreement Servicing Order](#) and Section 2.c below.

a. Specified Additional Charges.

Not Applicable.

b. Other Additional Charges. PG&E ~~agrees to~~[shall](#) provide DWR with estimates of all other Additional Charges as and when such information becomes available.

c. Invoicing; Payment. PG&E will invoice DWR for Additional Charges, and DWR ~~agrees to~~[shall](#) pay such invoiced Additional Charges, in the manner set forth in Section 7 of the [Agreement Servicing Order](#). Subject to the foregoing sentence, each invoice will:

(1) include or enclose documentation showing the basis of Additional Charges, provided, however, that where providing such documentation would be burdensome, the relevant invoice(s) may instead disclose PG&E's reasonable method of approximating the Additional Charges;

(2) specify PG&E's hourly labor rates and estimated total hours for completion of a given task; and

(3) include or enclose invoices/vendor receipts for equipment purchases.

DWR shall not unreasonably withhold or delay approval or payment of any invoiced Additional Charges.

d. Contact for Invoices. Invoices shall be addressed to:

Attn: Jim Olson, Deputy Comptroller
Chief of Financial Management and Reporting
Department of Water Resources
California Energy Resources Scheduling Division
3310 El Camino Avenue, Suite 120
Sacramento, California 95821

Telephone: (916) 574-1297
Facsimile: (916) 574-0301
Email: jolson@water.ca.gov

ANNEX A TO ATTACHMENT G

<u>Items</u>	SETUP	RECURRING			
	2001	2001	2002	2003	2004
Billing Systems Programming: Analysis and design, programming, unit and system testing for multiple billing systems and programming to display DWR Charges on Energy Statement and Detail of Bill.	\$1,650,000				
EDI Modification: Programming and testing of EDI. Communication with trading partners.	\$5,500				
Revenue Reporting and Remittance Processes: Following initial modifications to revenue reporting processes and development of new reports, ongoing costs include monthly revenue reporting and invoice processing.	\$46,000	\$79,500	\$115,000	\$115,000	\$115,000
Call Center Training: Development and delivery of training materials for Customer contact personnel. Training labor - \$35K Development and Materials \$20K	\$55,000				
Total Costs	\$1,756,500	\$79,500	\$115,000	\$115,000	\$115,000

ATTACHMENT H

~~PACIFIC GAS AND ELECTRIC COMPANY~~

~~ADJUSTMENTS TO DWR CHARGES FOR VARIANCES IN DWR POWER DELIVERED~~

Not applicable. ~~The Parties intend that this Agreement contain~~This Servicing Order contains no Attachment H.

ATTACHMENT I

~~LETTER AGREEMENT~~ REAL-TIME ENERGY AND ISO INVOICED CHARGES

_____, 2002

~~Pacific Gas and Electric Company
77 Beale Street
San Francisco, California 94120
Attention: Mr. Kent M. Harvey~~

~~Dear Mr. Harvey:~~

~~This Letter Agreement (this "Letter Agreement") is being entered into by~~
~~and Attachment I governs certain aspects of the relationship~~ between the California Energy Resources Scheduling ("CERS") division of the California Department of Water Resources ("CDWR"), acting solely under the authority and powers granted by AB1-X, codified as Sections 80000 through 80270 of the California Water Code, as amended (the "Act"), including but not limited to its authority to make payments from amounts in the Department of Water Resources Electric Power Fund (the "Electric Power Fund") available for the purposes set forth in ~~this Letter Agreement~~ Attachment I, but not under its powers and responsibilities with respect to the State Water Resources Development System, and Pacific Gas and Electric Company, a corporation organized and existing under the laws of the State of California ("PG&E"). The Act, together with any subsequent legislation which extends such authorization, is referred to herein collectively as the "Extended Act."

~~This Letter Agreement~~ Attachment I addresses CDWR's and PG&E's respective rights and obligations with respect to (a) real-time electric energy procured by the California Independent System Operator Corporation ("ISO") used to serve PG&E's retail load that has not been, and, is not, served by PG&E generation resources beginning on 10:00 p.m. (the "last PG&E charge responsibility hour") on January 17, 2001 ("Imbalance Energy") and (b) a portion of certain other costs relating specifically to PG&E invoiced to CDWR ("Other ISO Invoiced Charges" and collectively with Imbalance Energy costs, the "ISO Invoiced Charges") which ISO charges were invoiced to CDWR by the ISO pursuant to that certain Federal Energy Regulatory Commission ("FERC") order dated November 7, 2001 (Docket Nos. ER01-3013 and ER01-889).

~~This Letter Agreement Attachment I~~ specifically does not address the financial responsibilities as to certain transmission, distribution and administrative costs also included in the ISO invoices submitted to CDWR.

CDWR agrees, and with respect to PG&E it is ordered (each a "Party" and collectively the "Parties") ~~are entering into this Letter Agreement with the principal understanding~~ that (a) each Party will have the ability to recover revenues necessary through appropriate regulatory or judicial proceedings from PG&E's retail customers to assume financial responsibility as provided in ~~this Letter Agreement Attachment I~~ and (b) the designation of financial responsibility as set forth in Exhibit A of this ~~Letter Agreement Attachment I~~ will not cause double-billing of PG&E retail customers for the ISO Invoiced Charges.

As authorized under the Act and other authorizing acts, commencing on the last PG&E charge responsibility hour on January 17, 2001, CDWR has procured, or caused to be procured through the ISO, electric energy to serve PG&E's retail load that has not been, and is not, served by PG&E generation resources. ~~The Parties wish to clarify the allocation of~~ This Attachment I allocates financial responsibility for the cost of a portion of such procured electric energy constituting Imbalance Energy and allocates financial responsibility for the Other ISO Invoiced Charges. In addition, this ~~Letter Agreement Attachment I clarifies sets forth~~ the remittance obligations of PG&E from its ratepayers on behalf of CDWR for Imbalance Energy used to serve PG&E's retail load.

~~In consideration of the mutual promises and undertakings of the Parties set forth herein, the Parties hereby agree as follows:~~

SECTION 1. CDWR Payment of Imbalance Energy Costs and PG&E Remittance of Related Revenues to CDWR. Pursuant to the November 7, 2001 FERC order, CDWR has received invoices from the ISO for ISO Invoiced Charges, including costs related to Imbalance Energy. Upon effectiveness of this ~~Letter Agreement Attachment I~~ and during the term of this ~~Letter Agreement Attachment I~~ as provided in Section 13 hereof, after the last PG&E charge responsibility hour, CDWR shall agrees to be responsible for the procurement cost for Imbalance Energy delivered to PG&E's retail customers and associated costs and charges for which financial responsibility has been accepted by CDWR as set forth in Exhibit A.

During the term of this ~~Letter Agreement Attachment I~~, after the last PG&E charge responsibility hour, PG&E shall have no financial responsibility related to the procurement of such Imbalance Energy and any associated costs and charges for which financial responsibility has been accepted by CDWR as set forth in Exhibit A while the Extended Act was in effect. CDWR ~~hereby~~ agrees to indemnify PG&E and hold it harmless from any claims for payment by the ISO for ISO Invoiced Charges, for which CDWR has assumed responsibility, to the extent permitted by law.

~~PG&E and CDWR acknowledge Ordering Paragraph 7 of Decision 02-02-052, as clarified in Decisions 02-03-003 and 02-03-62.~~ In accordance with such Decisions¹ related to Imbalance Energy, PG&E ~~hereby agreed to~~shall make remittances ("Imbalance Energy Remittances") to CDWR at the appropriate rate determined by the CPUC pursuant to the methodology for payment described in Exhibit B attached hereto, as further provided in Attachment B of the ~~First Amended and Restated Servicing Agreement~~Order, by and between the Parties ~~(the "Amended and Restated Servicing Agreement")~~, and relevant CPUC orders and decisions. The term Imbalance Energy Remittances, however, shall not include remittances described as IE Transition Lump Sum described below. ~~The Parties further~~CDWR agrees to, and PG&E shall comply with acknowledge any subsequent CPUC decisions affecting the rate paid to CDWR for power deliveries to PG&E's retail customers.

In addition to Imbalance Energy Remittances, ~~the Parties further~~CDWR agrees, and PG&E is ordered to implement the following adjustments: (i) as of the date ("Collection Curve Implementation Date") of implementing the Collection Curve remittance methodology ("Collection Curve Methodology") and for the period six ~~months~~ prior to such date, determine the remittances payable in accordance with the methodology described in Exhibit B attached hereto ("IE Transition Lump Sum," and together with Imbalance Energy Remittances, "Imbalance Energy Lump Sum Remittances"), all as further provided in Exhibit B hereto; (ii) Total Offsets during the Adjustment Period, as provided in Exhibit C hereto; (iii) franchise fee remittance adjustment, as provided in Exhibit D hereto; and (iv) adjustments due to changes in methodology, as provided in Exhibit E hereto ~~; and (v) adjustments due to changes in CPUC approved CDWR rates, as provided in Exhibit F hereto.~~ Imbalance Energy Lump Sum Remittances, together with the other adjustments described in clauses (i) through (iv) is are referred to in this ~~Letter Agreement~~Attachment I collectively as "Lump Sum Remittances." In addition, the period between January 17, 2001 through the later of the (A) Collection Curve Implementation Date or (B) another date on which PG&E implemented the new CPUC rate, is referred in this ~~Letter Agreement~~Attachment I as the "Lump Sum Period."

Unless otherwise ordered by the CPUC, PG&E shall make Lump Sum Remittances in monthly installments by September 3, 2002. The ~~Parties further acknowledge that the~~ first two such installment payments ~~have been was~~ made on March 29, 2002 and April 30, 2002, each in the amount of \$97,059,294.86. PG&E shall continue to make such installment payments on the first business day of each succeeding month, commencing June 3, May 1, 2002, as follows:

PG&E shall pay the remaining balance due under this Attachment I in four approximately equal installments on the first business day of each such month beginning June 3, 2002, provided that the final payment due on September 3, 2002

¹ Ordering Paragraph 7 of Decision 02-02-052, as clarified in Decisions 02-03-003 and 02-03-062.

shall include all amounts that then remain owing as Lump Sum Remittances under this Attachment I.

March 29, 2002	\$97,059,294.86
May 1, 2002	\$97,059,294.86

June 3, 2002	\$97,059,294.86
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July 1, 2002	\$97,059,294.86
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August 1, 2002	\$97,059,294.86
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September 3, 2002	Remaining amount owing as Lump Sum Remittances
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In the event the remittances for the IE Lump Sum Transition Period extend past September 3, 2002 due to unavailability of the ISO settlement statements necessary to determine the amount of Imbalance Energy to be included in the IE Transition Lump Sum, the Parties agree to meet and develop an expeditious payment schedule for any remaining payments. Each installment payment by PG&E of the Lump Sum Remittances as set forth in this Section shall reduce proportionately the principal amount due for each of the components of the Lump Sum Remittances described in Exhibit B, C, D, and E and F. PG&E may pay any remaining balance ahead of the schedule indicated above without penalty.

PG&E agrees to shall comply with all provisions related to collection and segregation requirements as set forth in the Act and in accordance with the remittance methodology contained in the ~~Amended and Restated~~ Servicing Agreement Order. In addition, PG&E agrees to shall provide any necessary work papers to CDWR to substantiate each component of the Lump Sum Remittances upon CDWR's request.

Subject to the last paragraph of Section 1 and Section 8 below, either Party shall be entitled, ~~absent mutual agreement to any change,~~ to seek enforcement of any changed rate adopted in any appropriate judicial or regulatory forum to the extent provided by law.

SECTION 2. Other ISO Invoiced Charges. During the term of this ~~Letter Agreement~~ Attachment I, CDWR shall agrees to be responsible for the charges set forth in Exhibit A as they relate to PG&E's retail load obligations. In the event that the ISO provides separate invoices to CDWR and PG&E for ISO charges that are inconsistent with the financial responsibility designation contained in Exhibit A, ~~the Parties~~ CDWR agrees, and PG&E is ordered to coordinate in the payment of such invoices and to make any payment adjustments between themselves that are necessary to implement the financial responsibility designations contained in Exhibit A, to the extent allowed by applicable law. ~~CDWR does not assume~~ CDWR does not assume responsibility for any ISO charges invoiced relating to or with respect to the ISO Scheduling Coordinator IDs PGAE or PGAB.

SECTION 3. Settlement Information. Pursuant to the November 7, 2001 FERC order, ~~the Parties agree that~~ CDWR has received (a) Final Settlement Statements for the period beginning January 17 through September 30, 2001 from the ISO relating to the ISO Scheduling Coordinator identification PXC3, PCG1 and PCGB, (b) Preliminary and Final Settlement Statements for dates on and after October 1, 2001 from the ISO relating to ISO Scheduling Coordinator identification PXC3, PCG1 and PCGB and (c) certain Settlement Statements related to ISO Scheduling Coordinator identification PGAE and PGAB (collectively, the "Settlement Information"). ~~The Parties~~ CDWR agrees, and PG&E is ordered to treat the Settlement Information as Confidential Information, as defined in the ~~original~~ Servicing Agreement Order, in accordance with Section 6.1 ~~of the original Servicing Agreement~~.

The ~~Parties contemplate that the~~ State Controller, Bureau of State Audits, or other entities authorized under State law to verify expenditure of public funds relating to the activities authorized under the Extended Act may need to have access to confidential Settlement Information received by CDWR. Upon receipt of such request, CDWR will provide a written notice of such request to PG&E, and PG&E ~~agrees that~~ [in the exercise of its reasonable discretion], it will provide CDWR with written consent to make available all or a portion of the confidential Settlement Information related to PG&E to such State entities as soon as reasonably practicable, provided that any such State entity agrees to be bound by the terms and conditions and the intent set forth in this Section 3 or another agreement mutually acceptable to PG&E and such State entity regarding the treatment of confidential Settlement Information related to PG&E.

To the fullest extent permitted by law, CDWR expressly agrees to maintain confidential treatment of all Settlement Information related to PG&E provided under this Letter Agreement Attachment I when requested to produce any such information pursuant to the California Public Records Act. Upon receipt of any request for such Settlement Information related to PG&E under the California Public Records Act, CDWR will agrees to notify PG&E in a timely manner and as far as reasonably practicable in advance of disclosure if CDWR determines that it must release such Settlement Information related to PG&E provided to CDWR under this Agreement. The Parties will then endeavor to reach agreement as to the intended disclosure, including appropriate redaction of Settlement Information related to PG&E so that the document may be disclosed. If the Parties cannot reach a mutually acceptable agreement to allow the disclosure of requested Settlement Information related to PG&E, then CDWR will agrees to provide PG&E with sufficient time to take appropriate action to protect its interests prior to disclosing any such Settlement Information related to PG&E.

SECTION 4. Financial Responsibility. Pursuant to this Letter Agreement Attachment I, CDWR agrees, and PG&E is ordered to will notify the ISO that CDWR has assumed financial responsibility for ISO Invoiced Charges as provided in Exhibit A of this Letter Agreement Attachment I. To that end, the Parties will request that the ISO designate CDWR as the financially responsible party for the charges listed on Exhibit A related to retail load obligations for all future purposes of disputes,

adjustments or refunds or other modifications to payments permitted under the ISO Tariff, FERC orders or other governmental or regulatory authorities.

~~The Parties~~CDWR agrees, and PG&E is ordered ~~–agree~~ to coordinate their settlement and payment activities hereunder and exchange relevant information to prevent the double payment of any ISO charge. Although the Parties have no responsibility for the ISO's remittance of revenue to third parties, ~~each Party~~CDWR agrees, and PG&E is ordered to advise the other if it becomes aware of any ISO overpayment or duplicate payment to third parties. ~~The Parties~~CDWR agrees, and PG&E is ordered to work together to promptly reverse any such overpayment or duplicate payment by the ISO.

~~The Parties acknowledge that this~~This Letter AgreementAttachment I specifically does not address the financial responsibilities as to certain transmission, distribution and administrative costs also included in the ISO invoices submitted to CDWR. The Parties ~~agreed to~~should continue to meet and confer in good faith to finalize the allocation of such remaining financial responsibilities as soon as practicable.

SECTION 5. Amendment to the Servicing AgreementOrder. ~~This Attachment I shall become effective S~~simultaneously with the effectiveness of the ~~Amended and Restated Servicing AgreementOrder.~~, the Parties agree to the effectiveness of this Letter Agreement. The Parties acknowledge that the CPUC may order amendments to this Letter AgreementAttachment I or the ~~Amended and Restated Servicing Agreement Order~~as part of its approval process. ~~The Parties agree to amend this Letter Agreement or the Amended and Restated Servicing Agreement as may be ordered by the CPUC.~~

SECTION 6. Conditions to Effectiveness. Effectiveness of this Letter AgreementAttachment I as to other payments shall be conditioned upon the effectiveness of the ~~Amended and Restated Servicing Agreement Order.~~ The condition set forth in this Section may be waived by written agreement of PG&E.

SECTION 7. Filing of Letter AgreementAttachment I. CDWR at its discretion may file this Letter AgreementAttachment I with CPUC so as to update its revenue requirement which filing by CDWR shall not constitute a waiver by PG&E of any of its rights or reservations under this Letter AgreementAttachment I. To the extent CDWR receives interest payments from PG&E at the PG&E Average Investment Return Rate as provided in this Letter AgreementAttachment I, CDWR shall ensure that such accrued interest payments are included in updates to CDWR's revenue requirements.

Upon payment of the Lump Sum Remittances as provided in this Letter AgreementAttachment I, CDWR also agrees to withdraw or amend with respect to partial payments, as appropriate, its claims from PG&E's bankruptcy proceedings to reflect such payments.

SECTION 8. No Waiver. ~~Neither the execution and delivery by PG&E of this Letter Agreement nor~~The remittance by PG&E to CDWR of any amounts hereunder shall not constitute or be deemed a waiver of the right of either party to contest, stay, enforce or otherwise litigate in any appropriate forum the level of any such retail rate component to be paid to CDWR for any and all periods, including past periods. Moreover nothing herein shall limit PG&E's rights to challenge the enforceability of any CPUC ruling, decision or order concerning such matters or jurisdiction of the CPUC with respect to the subject matter hereof or any issue raised hereby.

The failure to object to a breach of a provision in this ~~Letter Agreement~~Attachment I by either Party shall not be deemed to be a waiver any other rights of such Party contained in this ~~Letter Agreement~~Attachment I.

SECTION 9. Good Faith Negotiations Upon Amendment. Upon the effective date of this ~~Letter Agreement~~Attachment I, if there is any amendment or modification of a related condition required by any governmental body having jurisdiction, the Parties will enter into good faith negotiations as soon as practicable to develop and enter into a new arrangement which preserves the respective rights, obligations and benefits under this ~~Letter Agreement~~Attachment I as nearly as possible, and submit such amendment or modification to the CPUC for approval.

SECTION 10. Dispute Resolution. Should any dispute arise between the Parties as to the specific amounts to be remitted under Section 1 hereof, or should any dispute between the Parties arise from the exercise of either Party's audit rights contained in Section 12 hereof, the Parties shall remit any undisputed amounts and agree to enter into good faith negotiations as soon as practicable to resolve such disputes within (10) business days so as to fully allocate and pay appropriate amounts to each other or to the ISO as appropriate within the timeframes provided under this ~~Letter Agreement~~Attachment I, or as soon as possible thereafter.

SECTION 11. ISO Disputes. Nothing in this ~~Letter Agreement~~Attachment I is intended to ~~release or~~ extinguish any rights of CDWR or PG&E to file disputes with the ISO related to the ISO invoices or the related settlement data which do not relate to the charges set forth in Exhibit A attached hereto. Furthermore, PG&E ~~agrees to~~may review all ISO settlement statements pertaining to the Scheduling Coordinator identification PGX3, PCG1, PCGB, PGAE and PGAB and file disputes as necessary.

SECTION 12. Audit Rights. ~~Each Party~~CDWR agrees, and with respect to PG&E it is ordered that each shall have the right to undertake, or request the undertaking by a competent independent party of an audit of the ISO invoices relating to this ~~Letter Agreement~~Attachment I, final settlement data concerning such ISO invoices and related settlement information with regard to any allocation, cost or financial obligation of either Party resulting from this ~~Letter Agreement~~ Attachment I, the cost of which audit shall be paid by the Party requesting such audit. In addition, CDWR's audit rights as described in Section 8.2 of the ~~Amended and Restated Servicing Agreement~~ Order shall apply to any information required for implementing this

~~Letter Agreement Attachment I~~, including the right to audit PG&E records and procedures containing information bearing upon PG&E's performance of its obligations under this ~~Letter Agreement Attachment I~~. The audit rights provided in this paragraph shall extend one year beyond the date of termination of this ~~Letter Agreement Attachment I~~.

SECTION 13. Term. Upon the earlier of (a) PG&E becoming creditworthy (as defined by the ISO tariff) and obtaining CPUC approval of PG&E's resumption of the procurement function for its retail customers or (b) expiration of CDWR's authority under the Extended Act to enter into contracts for the cost of electric power and transmission, scheduling, and other related expenses incurred by CDWR from amounts in the Electric Power Fund available for purposes set forth herein, this ~~Letter Agreement Attachment I~~ and the rights and obligations of each Party hereunder shall automatically terminate. Upon such event, nothing in this ~~Letter Agreement Attachment I~~ shall establish, bind or allocate financial responsibility to either Party for ISO Invoiced Charges from such time forward. ~~In addition, this Letter Agreement may be terminated by mutual agreement of the Parties in writing.~~

SECTION 14. Governing Law. This ~~Letter Agreement Attachment I~~ shall be governed by and construed in accordance with the laws of the State of California. ~~Nothing herein shall be deemed an admission of, or consent to, the jurisdiction of any court or administrative body by either party with respect to any issue arising under or related to this Letter Agreement, nor as a waiver of any objection either party may have to the exercise of jurisdiction by, submission to or consideration by any court or administrative body of any such issues, including but not limited to on the basis of the Eleventh Amendment of the United States Constitution, Johnson Act (28 U.S.C. Section 1343) or the United States Bankruptcy Code.~~

SECTION 15. Assignment. ~~DWR agrees, and with respect to PG&E it is ordered that N~~neither ~~Party~~ shall assign this ~~Letter Agreement Attachment I~~ or its rights or obligations hereunder without the prior written consent of the other ~~Party~~, which consent may be withheld in the exercise of its sole discretion.

SECTION 16. Severability. In the event that any of the terms, covenants or conditions of this ~~Letter Agreement Attachment I~~, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court, regulatory agency, or other regulatory body having jurisdiction, all other terms, covenants, or conditions of this ~~Letter Agreement Attachment I~~ and their application shall not be affected thereby, but shall remain in full force and effect, unless a court, regulatory agency, or other regulatory body holds that the provisions are not separable from all other provisions of this ~~Letter Agreement Attachment I~~.

SECTION 17. Limited Liability. Any liability of CDWR arising in connection with this ~~Letter Agreement Attachment I~~ or any claim based thereon or with respect thereto arising as the result of any breach or default hereunder, and any other payment

obligation or liability of or judgment against CDWR hereunder, shall be satisfied solely from the Electric Power Fund. Neither the full faith and credit nor the taxing power of the State of California are or may be pledged for any payment hereunder. Revenues and assets of the State Water Resources Development System shall not be liable for or available to make any payments or satisfy any obligation arising hereunder.

~~SECTION 18. Counterparts. This Letter Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument.~~

~~Section 19. Entire Agreement. This Letter Agreement (including the exhibits hereto) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.~~

Very truly yours,

~~CALIFORNIA DEPARTMENT OF WATER RESOURCES, acting solely under the authority and powers granted by AB1-X, codified as Sections 80000 through 80270 of the California Water Code, as amended, and not under its powers and responsibilities with respect to the State Water Resources Development System~~

By: _____

~~Peter S. Garris
Deputy Director~~

~~ACCEPTED AND AGREED TO
-AS ABOVE WRITTEN:~~

~~PACIFIC GAS AND ELECTRIC COMPANY~~

By: _____

~~Kent M. Harvey~~

~~Title: Sr. Vice President, Treasurer, and Chief Financial Officer~~

~~Date:~~

EXHIBIT A

Charge	Responsible Party
1. Ancillary Services: From January 17, 2001 forward, CERS will assume financial responsibility for Ancillary Services (currently CT (Charge Type) 111-Spinning Reserve due ISO; 112-Non-Spinning Reserve due ISO; 114-Replacement Reserve due ISO; 115-Regulation Up due ISO; 116-Regulation Down due ISO). A. Net of Ancillary Service revenue derived from utility retained generation (<i>i.e.</i>, currently CT 1-Day Ahead Spinning Reserve due SC; 2-Day Ahead Non-Spinning Reserve due SC; 4-Day Ahead Replacement Reserve due SC; 5-Hour Ahead Regulation Up due SC; 6-Day Ahead Regulation Down due SC; 51-Hour Ahead Spinning Reserve due SC; 52-Hour Ahead Non-Spinning Reserve due SC; 54-Hour Ahead Replacement Reserve due SC; 55-Hour Ahead Regulation Up due SC; 56-Hour Ahead Regulation Down due SC); 24-Dispatched Replacement Reserve (Bid-In) Capacity Withhold; 124-Dispatched Replacement Reserve (Self-Provided) Capacity Withhold. B. As adjusted by Rational Buyer, RMR Preemption, <i>i.e.</i>, CT 1011-Ancillary Service Rational Buyer Adjustment; 1061-Distribution of Preempted Spinning Reserve; 1062-Distribution of Preempted Non-Spinning Reserve; 1064-Distribution of Preempted Replacement Reserve; 1065-Distribution of Preempted Regulation Up; 1066-Distribution of Preempted Regulation Down; 1012-RMR Preemption Revenue Allocation; 61- Hour Ahead RMR Preemption of Spinning Reserve; 62- Hour Ahead RMR Preemption of Non-Spinning Reserve; 64- Hour Ahead RMR Preemption of Replacement Reserve; 65- Hour Ahead RMR Preemption of Regulation Up; 66- Hour Ahead RMR Preemption of Regulation Down; 71- Real Time RMR Preemption of Spinning Reserve; 72- Real Time RMR Preemption of Non-Spinning Reserve; 74- Real Time RMR Preemption of Replacement Reserve; 75- Real Time RMR Preemption of Regulation Up; 76- Real Time RMR Preemption of Regulation	CERS

Charge	Responsible Party
Down; 81- Real Time RMR Preemption of Spinning Reserve; 82- Real Time RMR Preemption of Non-Spinning Reserve; 84- Real Time RMR Preemption of Replacement Reserve; 85- Real Time RMR Preemption of Regulation Up; 86-Real Time RMR Preemption of Regulation Down. C. As further adjusted by No Pay and Noncompliance, <i>i.e.</i>, CT 141-No Pay Charge Spinning Reserve; 142-No Pay Charge-Non-Spinning Reserve; 144-No Pay Charge-Replacement Reserve; 145-Non Compliance Charge for Regulation Up; 146-Non Compliance Charge for Regulation Down; 1030-No Pay Provision Market Refund	
2. Imbalance Energy and Unaccounted For Energy (UFE): From January 17, 2001 forward, with respect to PG&E's retail customer load, CERS will assume financial responsibility for Imbalance Energy, <i>i.e.</i>, currently CT 406-SC Unaccounted for Energy; 407-Uninstructed Energy; 487-Allocation of Excess Cost for Uninstructed Energy; 591-Emissions Cost Recovery; and 592-Start-Up Cost Recovery—as netted against current CT 401-Instructed Energy; 481-Excess Cost for Instructed Energy; 593-Emissions Cost Due Trustee; and 594-Start-Up Cost due Trustee revenues received by the IOUs from their utility retained generation.	CERS
3. Neutrality: From January 17, 2001 forward, with respect to PG&E's retail customer load, CERS will assume responsibility for CT 1010-Neutrality; 1210-Existing Contracts Cash Neutrality Charge/Refund.	CERS
4. Interest: CERS will assume responsibility for CT 3999 Interest and Penalty Charges for those charges set forth in Exhibit A and with respect to such charges related to PG&E's retail customer load that CERS has assumed responsibility as set forth in Exhibit A-2. CERS will not pay interest accrued on past due principal amounts prior to January 17, 2001.	CERS

EXHIBIT B

Imbalance Energy Remittances for the Lump Sum Period

DWR and PG&E shall agree on the kilowatt-hours of Imbalance Energy bought or sold for PG&E's retail customers by the ISO for each hour of the Lump Sum Period, including each hour of the IE Lump Sum Transition Period. The term "IE Lump Sum Transition Period" shall mean the remittances accrued during the six-month period prior to the Curve Collection Implementation Date but not collected during the six-month period after the Curve Collection Implementation Date.

For the purposes of this ~~Letter Agreement~~Attachment I, Imbalance Energy shall include Uninstructed Energy (ISO Charge Type 407) quantities and Instructed Energy (ISO Charge Type 401) quantities. Notwithstanding the foregoing, Imbalance Energy bought or sold by PG&E in connection with its non-retail obligations shall not be considered Imbalance Energy hereunder, unless expressly agreed to between the Parties. During the IE Lump Sum Transition Period, the kilowatt-hours of Imbalance Energy shall be the portion of Imbalance Energy each hour which is not recovered using the Collection Curve Methodology as described in Attachment B of the ~~First Amended and Restated~~ Servicing Agreement Order for the six months prior to the Collection Curve Implementation Date.

PG&E shall determine the weighted-average Distribution Loss Factor for each hour of the Lump Sum Period, including the IE Lump Sum Transition Period ("Hourly DLF"), as follows: subtract (a) PG&E's aggregated retail usage from (b) PG&E's retail usage reported to the ISO and divide this total by (b) PG&E's retail usage reported to the ISO.

PG&E shall multiply the kilowatt-hours of Imbalance Energy bought or sold for PG&E's retail customers by the ISO by the factor of one minus the Hourly DLF to determine the "Hourly Imbalance Energy Purchases/Sales At Retail." For each day of the Lump Sum Period, including the IE Lump Sum Transition Period, PG&E shall net the Hourly Imbalance Energy Purchases/Sales At Retail to determine the "Daily Imbalance Energy Purchases/Sales At Retail."

PG&E shall multiply the Daily Imbalance Energy Purchases/Sales At Retail by the rate that PG&E paid CDWR for scheduled energy delivered that day and the resulting dollar amount shall be multiplied by a factor of one minus the applicable CPUC authorized uncollectibles factor to determine the "Daily Imbalance Energy Payable/Receivable." PG&E shall net the Daily Imbalance Energy Payable/Receivable for each day of the Lump Sum Period, including the IE Lump Sum Transition Period to determine the Imbalance Energy Lump Sum Remittances due to CDWR. Even if otherwise not expressly provided for under this Servicing Order, PG&E may make whatever further adjustments are necessary to reflect uncollectibles in calculating its Energy Lump Sum Remittances.

Interest shall be applied to all Imbalance Energy Lump Sum Remittances less Total Offsets as calculated in Exhibit C attached hereto. Interest shall be due to CDWR beginning 45 days from the date the energy was delivered to PG&E's customers until the date paid. The interest shall accrue daily at the PG&E Average Investment Return Rate.

PG&E shall provide CDWR with work papers to validate PG&E calculations of Hourly DLFs and uncollectibles.

The Parties acknowledge that as of the effective date of ~~the execution of this Letter Agreement~~Attachment I, ISO settlement statements will not be available for all days of the IE Lump Sum Transition Period. ~~The Parties agree, therefore, that~~ the above calculations will be tried-up and revised as necessary as ISO settlement statements become available for the entire

Lump Sum Period. Such true-up payments described in this provision shall be made on or before September 3, 2002.

EXHIBIT C

Total Offsets

Offsets for the period January 17, 2001 through May 31, 2001 ("Adjustment Period").

PG&E shall calculate the following offsets and provide CDWR with appropriate work papers to validate PG&E's calculations:

C.1 Loss Adjustment For Scheduled Energy for the Adjustment Period.

Prior to June 1, 2001, remittances to CDWR by PG&E were based on the total quantity of scheduled energy without adjustments for distribution losses. The Loss Adjustment For Scheduled Energy is intended to compensate PG&E for payments that PG&E previously made to CDWR for scheduled energy that was not delivered to PG&E's retail customers as a result of distribution losses.

The "Hourly Loss Adjustment For Scheduled Energy" shall be determined by multiplying the scheduled energy for which CDWR was paid by PG&E for each hour of the Adjustment Period by the Hourly DLF and by the rate (in dollars per megawatt-hours) CDWR was paid for such scheduled energy.

The "Loss Adjustment For Scheduled Energy" shall be the summation of the Hourly Loss Adjustment For Scheduled Energy over all hours of the Adjustment Period.

C.2 Uncollectibles Adjustment For Scheduled Energy for the Adjustment Period.

Prior to June 1, 2001, remittances to CDWR by PG&E for scheduled energy deliveries to retail customers were not adjusted for amounts that were not collectible from retail customers. The Uncollectibles Adjustment For Scheduled Energy is intended to compensate PG&E for payments that PG&E previously made to CDWR for scheduled energy, but did not collect from its retail customers.

The "Hourly Adjusted Scheduled Energy Payable" shall be determined by multiplying the scheduled energy for which CDWR was paid by PG&E for each hour of the Adjustment Period by a factor of one minus the Hourly DLF and by the rate (in dollars per megawatt-hours) that CDWR was paid for such Scheduled Energy.

The "Hourly Uncollectibles Adjustment For Scheduled Energy" shall be determined by multiplying the Hourly Adjusted Scheduled Energy Payable by a factor of one minus the applicable CPUC authorized uncollectibles factor.

The "Uncollectibles Adjustment For Scheduled Energy" shall be the sum of the Hourly Uncollectibles Adjustment For Scheduled Energy over all hours of the Adjustment Period.

C.3 Total Offsets.

The sum of the Loss Adjustment For Scheduled Energy and the Uncollectibles Adjustment For Scheduled Energy shall be defined as the "Total Offsets." The Total Offsets shall reduce the principal amount due in Exhibit B, attached hereto.

EXHIBIT D

Franchise Fee Remittance Adjustments

For the period beginning January 17, 2001 through the appropriate end date of the franchise fee offset, PG&E shall remit to CDWR all amounts previously offset by PG&E to pay franchise fees. Amounts previously withheld shall be remitted to CDWR with interest accrued at the ~~PG&E Average Investment Return Rate, accrued daily rate~~ PG&E earned on these funds from the first date of offsets made to pay the franchise fees. The interest shall accrue until paid as Lump Sum Remittances. Even if otherwise not expressly provided for under this Servicing Order, PG&E may make whatever further adjustments are necessary to reflect uncollectibles in calculating its Franchise Fee Remittance.

EXHIBIT E

Adjustments Due to Changes in Methodology

From time to time, PG&E and CDWR may agree that Methodology Adjustments are needed to conform any previously remittance methodology used by PG&E to the methodology described in Attachment B of the ~~First Amended and Restated~~ Servicing ~~Agreement~~Order. The Parties agree to meet and confer so as to agree upon any other adjustments necessary to correct errors or discrepancies or to adjust or amend existing methodologies, including the methodologies provided in this ~~Letter Agreement~~Attachment I and in the ~~First Amended and Restated~~ Servicing ~~Agreement~~Order or to implement new methodologies as mutually agreeable to the Parties.

EXHIBIT F

~~Adjustments due to changes in CPUC Approved CDWR Rates~~

~~PG&E and CDWR will calculate the difference between (i) the CPUC's retroactive rate for the same period as provided in CPUC Decision 02-03-062, times the quantity of actual energy delivered as determined by the DWR Percentage (as provided in Attachment B of the First Amended and Restated Servicing Agreement) and applying such percentage to all energy billed to Customers for the same period and (ii) the actual total CDWR remittances by PG&E for DWR Power delivered to customers commencing January 17, 2001 through the later of (A) March 15, 2002 or (B) the date PG&E began billing its Customers based on the applicable CPUC rate as ordered pursuant to D.02-03-062. In determining the actual total CDWR remittances as described in (ii) above, CDWR shall aggregate the actual remittance for the same period, as adjusted by offsets and adjustments provided in Exhibits B, C, D and E of this Letter Agreement.~~