PACIFIC GAS AND ELECTRIC COMPANY
General Rate Case 2011 Phase I
Application 09-12-020
Data Response

PG&E Data Request No.:	DRA_223-01		
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Date Sent:	April 2, 2010	Requesting Party:	DRA
PG&E Witness:	Hudson Martin	Requester:	Donna Fay Bower

EXHIBIT REFERENCE: PG&E-6, CHAPTER 6

SUBJECT: RISK AND AUDIT DEPARTMENT COSTS – INFORMATION TECHNOLOGY PROJECTS

QUESTION 1

Risk Management Controls Infrastructure Project: PG&E's testimony states: "The Market and Credit Risk Management Department forecast the need for an IT project to effectively measure, monitor, and manage market and credit risks, administer trading controls, and reduce operational risks." What has PG&E been using to measure, monitor, manage market and credit risks, and administer trading controls for the period 2004 through 2009?

ANSWER 1

Market & Credit Risk Management Department is using a combination of third party deal capture systems, risk management data warehouse systems as well as manual ad-hoc Excel spreadsheet models to measure, monitor and manage market and credit risks and administer trading controls since 2004 when it re-entered the Electric Procurement business.

The existing systems are not able to support 1) increased volume of transactions and growing complexity of energy portfolio from MRTU rollout (Congestion Revenue Rights, Converge Bidding, Proxy Demand Resource etc) and 2) new products such as Green House Gas (GHG) and Renewable Energy Credit (REC) resulting in unsustainable daily risk measurement, monitoring and control of trading functions.

In addition, the existing systems do not offer adequate, integrated and scalable functionality resulting in 1) error-prone manual work around involving large volumes of data copy across multiple business processes and analytical models, 2) error-prone processes of reentering data in multiple systems and 3) labor intensive and ineffective controls.

Furthermore, the deal capture systems vendor currently offers limited or no support because of older version of applications, thereby increasing business operational risk.