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October 21, 2013

Advice 4220-E-A
(Pacific Gas and Electric Company D U 39 E)

Public Utilities Commission of the State of California

Subject: Supplemental Filing to Pacific Gas and Electric Company's Advice 4220-E (Quarterly Compliance Reports for 2013, Quarter 1) - Financial Gas Transactions not in Compliance with Bundled Procurement Plan

Purpose

The purpose of this advice letter is to provide notice of and information identifying a financial gas transaction that occurred during 2013 that was reported in Pacific Gas and Electric Company's (PG&E) Quarterly Compliance Report (QCR) for Quarter 1 2013, that was not in compliance with PG&E's approved Electric Portfolio Hedging Plan (Hedging Plan). PG&E will describe this transaction and request California Public Utilities Commission (Commission) action in its 2013 Energy Resource Recovery Account (ERRA) Compliance proceeding to be filed on February 28, 2014. Because PG&E will be requesting Commission action in the 2013 ERRA Compliance proceeding, this advice letter is informational in nature and does not seek additional Commission action.

PG&E submitted non-compliant 2013 financial gas transactions to the Commission as part of its Quarter 1 and Quarter 2 2013 QCRs (Advice 4220-E and Advice 4266-E, respectively) for review and approval in compliance with PG&E's Commission-approved Bundled Procurement Plan (BPP). The Quarter 1 and Quarter 2 2013 QCRs are currently under review by the Energy Division.

Although this advice letter summarizes the non-compliant transaction in Quarter 1 2013 and the corrective actions that PG&E has taken to ensure that this issue does not re-occur, PG&E will present testimony in its 2013 ERRA Compliance Proceeding to be filed on February 28, 2014 that requests Commission approval of these non-compliant transactions and associated activity. Specifically, PG&E intends to request that the Commission: (1) approve the non-compliant transactions that occurred during the record period, (2) approve 16 transactions that were executed in September to offset the unexpired, non-compliant 2013 transactions in PG&E's portfolio, and (3) direct that

the net gain from these transactions be retained in PG&E's ERRAbalancing account, which would result in a net benefit for PG&E's customers.

### Summary of Financial Transactions

During a recent internal review of 2013 hedging transactions, PG&E determined that certain transactions that occurred in Quarter 1, Quarter 2, and Quarter 3 2013 were outside one of the operating targets in PG&E's Hedging Plan. Specifically, PG&E discovered one transaction that was executed in Quarter 1 2013 that was not in compliance with PG&E's Hedging Plan because one of the Hedging Plan's limits had been exceeded. This transaction complied with the other BPP and Hedging Plan requirements and limits, including approved products, approved transaction processes, and approved energy markets. However, this transaction did not comply with one of the Hedging Plan operating targets. Confidential Attachment A to this advice letter provides specific details regarding this transaction.

The non-compliant transaction in Quarter 1 2013 occurred because a control for one of the operating targets in the Hedging Plan was not included in PG&E's electronic hedging implementation model. The electronic model guides PG&E's execution of hedges and has embedded controls for Hedging Plan limits and targets that constrain when a transaction can be executed. If the operating target limit had been included in PG&E's electronic model, the non-compliant transaction would not have been executed.

At the time PG&E discovered the non-compliant transactions, none of the 28 transactions executed in Quarter 1, Quarter 2 and Quarter 3 2013 had settled. Since these transactions were still exposed to market risk, PG&E executed offsetting transactions during the first week of September 2013 to close out these positions.

Since discovering the non-compliant transactions, PG&E has implemented additional procedural controls that will prevent the recurrence of this issue and is updating its electronic model to include provisions (constraints and limits) in the Hedging Plan. This model has already been modified to include the limit that would have prevented the execution of the non-compliant trades discussed here and was modified to correct a minor calculation error. In addition to updating the electronic model, PG&E has developed a compliance report that will demonstrate that each of PG&E's gas financial trades complied with all provisions of its Hedging Plan.<sup>1</sup>

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<sup>1</sup> PG&E will include copies of these reports for all financial trades executed in 2013 as confidential workpapers to its 2013 ERRACompliance Proceeding to be filed on February 28, 2014 and will begin providing them with its Quarterly Compliance Reports beginning Q4-2013.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than November 12, 2013, which is 22 days<sup>2</sup> after the date of this filing. Protests should be mailed to:

CPUC Energy Division  
 ED Tariff Unit  
 505 Van Ness Avenue, 4<sup>th</sup> Floor  
 San Francisco, California 94102  
 Facsimile: (415) 703-2200  
 E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian K. Cherry  
 Vice President, Regulatory Relations  
 Pacific Gas and Electric Company  
 77 Beale Street, Mail Code B10C  
 P.O. Box 770000  
 San Francisco, California 94177  
  
 Facsimile: (415) 973-7226  
 E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

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<sup>2</sup> The 20-day protest period includes on a weekend and the following day is a holiday. PG&E's hereby moving this date to the following business day.

Effective Date

In accordance with D.02-10-062, the requested effective date of this Tier 2 advice letter is October 21, 2013.

Notice

In accordance with General Order 96-B, Section 4, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service lists for R.12-03-014 and A.13-02-023. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>

*Brian Cherry /IG*

Vice President, Regulatory Relations

cc: Service List for R.12-03-014 and A.13-02-023  
PG&E's Procurement Review Group

Public Attachment: Attachment 1 – Confidentiality Declaration and Matrix

Limited Access to Confidential Material:

A portion of this Advice Letter marked Confidential Protected Material is submitted under the confidentiality protection of Section 583 and 454.5(g) of the Public Utilities Code and General Order 66-C. A declaration seeking confidential treatment of the following attachments is being submitted with advice letter in accordance with D.08-04-023. This material is protected from public disclosure pursuant to D.06-06-066 because it consists of, among other things, the contracts themselves, price information, and analysis of the proposed energy procurement contracts, which include the following documents:

- Confidential Attachment A: Advice 4220-E (Q1-2013)-Atch A Excerpt-CONF.xls

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPU Utility: Northern Pacific Gas and Electric Company (ID: U39E)

Utility type:

ELC  ffi GAS

ffi PLC  ffi HEAT  ffi WATER

Contact Person: Igor Grinberg

Phone#: (415) 973-8580

E-mail: ixg8@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC= Electric  
PLC= Pipeline

GAS= Gas  
HEAT= Heat

WATER= Water

Advice Letter (AL) ~~4220-E-A~~

Tier: 2

Subject of AL: Supplemental Filing to Pacific Gas and Electric Company's Advice 4220-E (Quarterly Compliance Reports for 2013, Quarter 1) – Financial Gas Transactions not in Compliance with Bundled Procurement Plan

Keywords (choose from CPU listing): Compliance, Procurement

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision ~~Res 10-06-033~~ and D.03-12-062

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarized differences between the AL and the prior withdrawn or rejected AL: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: attached Declaration and Matrix

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: Peter E. Koszalka, (415) 973-3818

Resolution Required?  Yes  No

Requested effective date: October 21, 2013

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due ~~10~~ 12 calendar days after the date of filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission  
Energy Division  
ED Tariff Unit  
505 Van Ness Ave., 4th Fl.  
San Francisco, CA 94102  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Pacific Gas and Electric Company  
Attn: Brian Cherry  
Vice President, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

<sup>1</sup> The 20-day protest period concludes on a weekend and the following day is a holiday. PG&E is hereby moving this date to the business day.

**Attachment 1**

**Confidentiality Declaration and Matrix**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**DECLARATION OF PETER E. KOSZALKA  
SEEKING CONFIDENTIAL TREATMENT OF PG&E'S ADVICE 4220-E-A  
REGARDING 2013 QUARTERLY COMPLIANCE REPORT FOR QUARTER 1  
(ADVICE 4220-E) – FINANCIAL GAS TRANSACTIONS NOT IN COMPLIANCE  
WITH BUNDLED PROCUREMENT PLAN**

I, Peter E. Koszalka, declare:

1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee since 2003 (and was previously employed by PG&E from 1983 to 1998). My current title is Director, Electric Gas Supply. In this position, my responsibilities include physical and financial trading of gas in support of PG&E's allocated DWR contracts, PG&E's company-owned generating facilities, and PG&E's tolling agreements. In carrying out these responsibilities, I have acquired knowledge of gas supply and gas hedging for electric generation, the markets for physical and financial products for gas supply and hedging, and the various types of transactions involved.

2. Based on my knowledge and experience, and in accordance with Decision ("D.") 08-04-023 and the August 22, 2006 "Administrative Law Judge's Ruling Clarifying Interim Procedures for Complying with Decision 06-06-066," I make this declaration seeking confidential treatment of Confidential Attachment A of Advice 4220-E-A regarding financial gas transactions not in compliance with bundled procurement plan appearing in the 2012 Quarterly Compliance Reports for Quarter 1 (Advice 4220-E).

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix I of D.06-06-066 and Appendix D.08-04-023 (the "IOU Matrix"), and/or constitutes information that

should be protected under General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text in the attached matrix that is pertinent to this submittal.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

Executed on October 21, 2013 at San Francisco, California.

/s/

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PETER E. KOSZALKA



**PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

**ADVICE 4220-E-A**

**FINANCIAL GAS TRANSACTIONS NOT IN COMPLIANCE WITH BUNDLED PROCUREMENT PLAN  
AS REPORTED IN THE QUARTERLY COMPLIANCE REPORT FOR 2013, QUARTER 1 (ADVICE 4220-E)**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

Redaction Reference	1) The material submitted constitutes a particular type of data listed in the Matrix, appended as Appendix 1 to D.06-06-066 (Y/N)	2) Which category or categories in the Matrix the data corresponds to:	3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data (Y/N)	4) That the information is not already public (Y/N)	5) The data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
<b>Document: Confidential Attachment A</b>							
Entire Document	Y	Item I) A) 4) Long-term fuel (gas) buying and hedging plans	Y	N	Y	Transactions conducted under PG&E's hedging Plan. This information reveals monthly procurement costs and is market sensitive information with regard to hedging transactions.	Confidential for three years past expiration of the last trade executed under the hedging plan. (Resolution E-4276, Finding 8) This date is January 1, 2019.

PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV

1st Light Energy	Douglass & Liddell	OnGrid Solar
AT&T	Downey & Brand	Pacific Gas and Electric Company
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Praxair
Anderson & Poole	G. A. Krause & Assoc.	Regulatory & Cogeneration Service, Inc.
BART	GenOn Energy Inc.	SCD Energy Solutions
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCE
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Braun Blasing McLaughlin, P.C.	Green Power Institute	SPURR
CENERGY POWER	Hanna & Morton	San Francisco Public Utilities Commission
California Cotton Ginners & Growers Assn	In House Energy	Seattle City Light
California Energy Commission	International Power Technology	Sempra Utilities
California Public Utilities Commission	Intestate Gas Services, Inc.	SoCalGas
California State Association of Counties	Kelly Group	Southern California Edison Company
Calpine	Linde	Spark Energy
Casner, Steve	Los Angeles Dept of Water & Power	Sun Light & Power
Center for Biological Diversity	MAC Lighting Consulting	Sunshine Design
City of Palo Alto	MRW & Associates	Tecogen, Inc.
City of San Jose	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Clean Power	Marin Energy Authority	TransCanada
Coast Economic Consulting	McKenna Long & Aldridge LLP	Utility Cost Management
Commercial Energy	McKenzie & Associates	Utility Power Solutions
County of Tehama - Department of Public Works	Modesto Irrigation District	Utility Specialists
Crossborder Energy	Morgan Stanley	Verizon
Davis Wright Tremaine LLP	NLine Energy, Inc.	Water and Energy Consulting
Day Carter Murphy	NRG Solar	Wellhead Electric Company
Defense Energy Support Center	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)
Dept of General Services	North America Power Partners	
Division of Ratepayer Advocates	Occidental Energy Marketing, Inc.	