

Brian K. Cherry Vice President Regulatory Relations Pacific Gas and Electric Company 77 Beale St., Mail Code B10C P.O. Box 770000 San Francisco, CA 94177

Fax: 415.973.7226

April 11, 2014

Advice 4397-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

<u>Subject</u>: Updated Consumer Risk Tolerance ("CRT") Level in Pacific Gas and Electric Company's Bundled Procurement Plan

Pursuant to pages 23-24 of Decision ("D.") 12-01-033, Pacific Gas and Electric Company ("PG&E") hereby submits to the California Public Utilities Commission ("Commission" or "CPUC") for review and approval its updated Consumer Risk Tolerance ("CRT") level applicable to year 2014. Pursuant to D.12-01-033, this CRT calculation shall be updated every two years from the filing of the previous Long Term Procurement Plan ("LTPP") via either the LTPP filing or a Tier 1 advice letter.

Summary of Update Filing

In accordance with D.12-01-033, all updates proposed to PG&E's approved Bundled Procurement Plan ("BPP") between procurement plan filings are made through the advice letter filing process. An advice letter filing should include redlined pages of PG&E's approved BPP, as well as the corresponding clean pages. Accordingly, Attachments A and B (redlined and clean) include the relevant pages of the changes to the CRT calculation in Section II of the narrative of PG&E's approved BPP.

Below is a description of the updates made to PG&E's approved BPP.

Description of Updates to PG&E's Approved BPP

A. Section II

Section II of PG&E's approved BPP describes how PG&E will implement its BPP. Consistent with the Commission's directive on pages 23-24 of D.12-01-033, PG&E has made the following modification:

 Updated Section II.B.1 ("Portfolio Risk Assessment and Customer Risk Tolerance") to revise the following sentence and footnote regarding PG&E's CRT: Based on PG&E's effective January 2014 bundled system average rate of 16.3 cents/kWh,¹ a 10% risk tolerance factor yields a CRT of 1.63 cents/kWh or \$1,240 million.

<u>Protests</u>

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than May 1, 2014, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division ED Tariff Unit 505 Van Ness Avenue, 4th 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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) 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 advice 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).

¹ PG&E Advice Letter 4278-E-B "Supplemental Filing - Annual Electric True-Up - Consolidated Changes to PG&E Electric Rates on January 1, 2014" http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC 4278-E-B.pdf.

Effective Date

PG&E requests that this Tier 1 advice filing become effective upon filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.12-03-014. 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

Vice President - Regulatory Relations

Brian Cherry /IG

cc: President Michael R. Peevey

Commissioner Michael Picker

Commissioner Catherine J.K. Sandoval

Commissioner Mike Florio

Commissioner Carla Peterman

Karen Clopton, General Counsel

Chief ALJ Timothy Sullivan

Edward Randolph, Director, Energy Division

Energy Division Tariff Unit, Energy Division

Service List for R.12-03-014

Attachments:

Attachment A BPP Sheet 55 (Redlined)
Attachment B BPP Sheet 55 (Clean)

CALIFORNIA UBLICUTILITIES COMMISSION

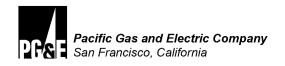
ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUSTBE COMPLETEDY UTILITY (Attach additional pages as needed)	
Companyname/CPU©tility No. Pacific Gas and Electric Company(ID U39 E)	
Utility type: Contact Person: Igor Grinberg	
ELC ffi GAS Phone #: (415	<u>5) 973-8</u> 580
ffi PLC ffi HEAT ffi WATER E-mail: ixg8@pge.comand PGETariffs@pge.com	
EXPLANATIOON UTILITY TYPE	(Date Filed/ Received Stampby CPUC)
ELC= Electric GAS= Gas PLC= Pipeline HEAT= Heat WATER Wa	ter
Advice Letter (AL) #4397-E Subject of ALUpdated Consumer Risk Tolerance ("CRT") Level in Pacific Gas and Electric Company's Bundled Procurement Plan Keywords (choose from CPUGisting): AL filing type: Monthly Quarterly Annual ffi One-Time Other If AL filed in compliance with a Commissionorder, indicate relevant Decision/Resolution #: D.12-01-033 Does AL replace a withdrawn or rejected AL? If so, identify the prior_AL: No Summarizedifferences 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 Confidential information will be madeavailable to those who have executed a nondisclosure agreement: N/A Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the	
confidential information:	
Resolution Required? Yes ffi No Requested effective date:April 11, 2014	No. of tariff sheet <u>s:</u> N/A
Estimated system annual revenue effect (%): N/A	
Estimated system average rate effect (%): N/A	
Whenrates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting). Tariff schedules affected:N/A Service affected and changes proposed: N/A Pending advice letters that revise the sametariff sheets: N/A	
Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the da this filing, unless otherwise authorized by the Commission, and shall be sent to:	
ED Tariff Unit 505 Van Ness Avenue, 4th Floor San Francisco, CA 94102 E-mail: ED Tariff Unit @cpuc.ca.gov S	fic Gas and Electric Company ttn: Brian Cherry ice President, Regulatory Relations 7 Beale Street, Mail Code B10C .O. Box 770000 an Francisco, CA 94177 -mail: PGETariffs@nge.com

Advice 4397-E

Attachment A:

Bundled Procurement Plan Sheet 55 (Redlined)



CRT level was set by the Commission at 10% of PG&E's system average rate. The calculation of the CRT value is derived by multiplying 10% of the adopted bundled system average rate by the bundled forecasted sales for the rolling 12-month period. Based on PG&E's effective January 2012-2014 bundled system average rate of 165.3 cents/kWh, 13 a 10% risk tolerance factor yields a CRT of 1.63 cents/kWh or \$1,240 \text{ million} \text{ 1.53 cents/kWh}. Pursuant to D.12-01-033, this CRT calculation will be updated every two years in each LTPP filing. If the LTPP filing is delayed or not made, the CRT will be updated two years from the filing of the previous LTPP via a Tier 1 advice letter. A description of PG&E's TeVaR methodology is included in Appendix E.

2. PG&E's Current Risk Management Practices

PG&E hedges to keep the portfolio's risk within the CRT level established by the Commission. PG&E uses the electric TeVaR measure to assess portfolio risk. While hedging reduces the risk of adverse price movements and leads to more stable portfolio costs, hedging does not reduce the expected (that is, average or mean) portfolio cost.

PG&E hedges the price risk of its portfolio in accordance with its Commission-approved electricity and gas hedging plan. Under the hedging plan, PG&E is authorized to utilize financial instruments in addition to physical contracts to hedge its price risk. This hedging plan provides PG&E with an approved guideline for volume, term and tenor, and permitted product type. The hedging plan also establishes the credit liquidity

Decision No. 12-01-033, 12-04-046

Issued by **Brian K. Cherry**Vice President
Regulatory Relations

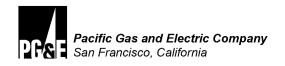
Date Filed April 11, 2014
Effective
Resolution No.

¹³ PG&E Advice Letter 38964278-E-B "Supplemental Filing – Annual Electric True-Up – Consolidated Changes to PG&E Electric Rates on January 1, 20142" http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC_3896-E-B.pdf http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC_4278-E-B.pdf.

Advice 4397-E

Attachment B:

Bundled Procurement Plan Sheet 55 (Clean)



CRT level was set by the Commission at 10% of PG&E's system average rate. The calculation of the CRT value is derived by multiplying 10% of the adopted bundled system average rate by the bundled forecasted sales for the rolling 12-month period. Based on PG&E's effective January 2014 bundled system average rate of 16.3 cents/kWh, 13 a 10% risk tolerance factor yields a CRT of 1.63 cents/kWh or \$1,240 million. Pursuant to D.12-01-033, this CRT calculation will be updated every two years in each LTPP filing. If the LTPP filing is delayed or not made, the CRT will be updated two years from the filing of the previous LTPP via a Tier 1 advice letter. A description of PG&E's TeVaR methodology is included in Appendix E.

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Issued by **Brian K. Cherry** Vice President Regulatory Relations Date Filed _____ April 11, 2014
Effective ____
Resolution No.____

¹³ PG&E Advice Letter 4278-E-B "Supplemental Filing – Annual Electric True-Up – Consolidated Changes to PG&E Electric Rates on January 1, 2014" http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC 4278-E-B.pdf.

PG&EGas and Electric Advice Filing List

General Order 96-B, Section IV

1st Light Energy

AT&T

Alcantar & Kahl LLP Anderson & Poole

BART

Barkovich & Yap, Inc.

Bartle Wells Associates

Braun Blaising McLaughlin, P.C. **CENERGY POWER**

California Cotton Ginners & Growers Assn California Energy Commission

California Public Utilities Commission California State Association of Counties

Calpine

Casner, Steve

Center for Biological Diversity

City of Palo Alto City of San Jose Clean Power

Coast Economic Consulting

Commercial Energy

County of Tehama - Department of Public

Works

Crossborder Energy

Davis Wright Tremaine LLP

Day Carter Murphy

Defense Energy Support Center

Dept of General Services

Division of Ratepayer Advocates

Douglass & Liddell Downey & Brand

Ellison Schneider & Harris LLP

G. A. Krause & Assoc.

GenOn Energy Inc.

GenOn Energy, Inc.

Goodin, MacBride, Squeri, Schlotz &

Ritchie

Green Power Institute

Hanna & Morton

In House Energy

International Power Technology Intestate Gas Services, Inc.

K&L Gates LLP

Kelly Group

Linde

Los Angeles County Integrated Waste Sun Light & Power

Management Task Force

Los Angeles Dept of Water & Power

MRW & Associates Manatt Phelps Phillips Marin Energy Authority

McKenna Long & Aldridge LLP

McKenzie & Associates

Modesto Irrigation District

Morgan Stanley NLine Energy, Inc. NRG Solar

Nexant, Inc.

North America Power Partners

Occidental Energy Marketing, Inc.

OnGrid Solar

Pacific Gas and Electric Company

Praxair

Regulatory & Cogeneration Service, Inc.

SCD Energy Solutions

SCE

SPURR

SDG&E and SoCalGas

San Francisco Public Utilities Commission

Seattle City Light Sempra Utilities

SoCalGas

Southern California Edison Company

Spark Energy

Sunshine Design

Tecogen, Inc. Tiger Natural Gas, Inc.

TransCanada

Utility Cost Management **Utility Power Solutions**

Utility Specialists

Water and Energy Consulting Wellhead Electric Company

Western Manufactured Housing

Communities Association (WMA)