



# Memorandum

**Date:** May 18, 2016

**To:** Edward Randolph  
Director of Energy Division

**From:** **Public Utilities Commission—  
San Francisco** Kayode Kajopaiye, Branch Chief  
Division of Water and Audits

**Subject:** Pacific Gas and Electric Company Advice Letter 4731-E  
Quarterly Procurement Plan Compliance Report for the Third Quarter of 2015

A handwritten signature in black ink, appearing to read "Kayode Kajopaiye".

Based on the results of its audit, the Utility Audit, Finance and Compliance Branch (UAFCB), of the Division of Water and Audits, did not find any material reasons for Energy Division (ED) to deny the approval of Pacific Gas and Electric Company's (PG&E) Advice Letter No. (AL) 4731-E. The procurement transactions that PG&E executed during the third quarter of 2015 (Q3), that UAFCB examined, demonstrated, in all material respects, compliance with certain aspects of procurement-related state law and California Public Utilities Commission (Commission or CPUC) directives. The UAFCB assesses compliance in accordance with agreed-upon procedures with ED and does not assess compliance with all aspects of the procurement-related state law or those directives. In addition, PG&E's transactions conducted in the Integrated Forward Market (IFM) and the Residual Unit Commitment Market (RUC) are outside the scope of UAFCB's audits.

## A. Summary of Negative Audit Findings:

UAFCB does not have any negative audit findings with respect to PG&E's Q3 Quarterly Compliance Report (QCR) filing.

## B. Background:

As required by D.02-10-062, Ordering Paragraph (OP) 8 and clarified in D.03-12-062, PG&E, San Diego Gas and Electric (SDG&E), and Southern California Edison (SCE) must each submit a QCR for all transactions of less than five years duration executed in the quarter. ED requested that the UAFCB conduct compliance audits of these utilities' QCR filings.

UAFCB conducts the quarterly procurement audits based on procedures specified by ED. As such these examinations are by design agreed-upon procedures. Per agreement with ED, UAFCB does not test all of the transactions that the utilities include in their QCR. In addition, ED specified which aspects of the utilities' Commission-approved procurement plans, AB 57 procurement rules and several procurement-related rulings and decisions to test for compliance. The decisions and rulings that ED chose directives from to test for compliance include, but are not limited to, D.02-10-062, D.03-06-076, D.03-12-062, D.04-12-048, D.07-12-052, D.08-11-008, and D.12-01-033.

## C. Conclusion:

PG&E's AL 4731-E and its Q3 procurement transactions for electricity and natural gas that the UAFCB examined were, in material respects, in compliance with the aspects of PG&E's Commission-approved procurement plan and relevant Commission decisions that the UAFCB tested compliance with.

PG&E QCR Audit  
Third Quarter of 2015  
May 18, 2016

PG&E's Q3 transactions that the UAFCB examined, in material respects, appear to be complete, accurate and properly authorized by its management.

If you have any questions on UAFCB's audit, please contact Tracy Fok at (415) 703-3122.

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