

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



September 20, 2012

**Advice Letters 4054-E and 4054-E-A**

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

**Subject: Submission of the 16<sup>th</sup> Gas Supply Plan for the California  
Department of Water Resources Tolling Agreements  
November 1, 2012 through October 31, 2013**

Dear Mr. Cherry:

Advice Letters 4054-E and 4054-E-A are effective November 1, 2012.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division



June 1, 2012

**Advice 4054-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Submission of the Sixteenth Gas Supply Plan (GSP-16) for the California Department of Water Resources (CDWR) Tolling Agreements (November 1, 2012, Through October 31, 2013)**

Pacific Gas and Electric Company ("PG&E") hereby submits to the California Public Utilities Commission ("Commission" or "CPUC") its sixteenth Gas Supply Plan ("GSP-16") for the California Department of Water Resources ("CDWR") Tolling Agreements for the period November 1, 2012, through October 31, 2013.

**Background**

Decision ("D.") 02-12-069 and D.03-04-029 direct PG&E to consolidate fuel procurement strategies for the CDWR contracts and to submit them to CDWR and the Commission as a "Gas Supply Plan." These Gas Supply Plans for CDWR Tolling Agreements ("GSPs") were originally submitted on a semi-annual basis. Starting with GSP-13, GSPs covered a period of one year from November through October of the following year, the traditional gas year. The move from a semi-annual to an annual GSP filing process was set forth in PG&E Advice Filing 3269-E and approved by the CPUC on June 11, 2008.

PG&E's GSP-16 follows a format similar to PG&E's previously approved plans and is consistent with PG&E's Electric Portfolio Hedging Plan. PG&E's Electric Portfolio Hedging Plan was last updated in PG&E's Bundled Procurement Plan, which was approved by the CPUC in D.12-01-033 on January 12, 2012.

GSP-16 contains volume and cost forecasts and fuel supply and hedging implementation details for the CDWR tolling agreements. Pursuant to Ordering Paragraph ("O.P.") 5 of Resolution E-3845, PG&E continues to provide detailed information concerning its analyses, tools and decision-making process concerning gas price volatility and its risk management strategies.

**Confidential Material**

This advice filing contains CONFIDENTIAL PROTECTED material under D.06-06-066 Appendix 1. It is also being submitted under California Public Utilities Code section 583. Concurrently with this Advice Filing and pursuant to the August 22, 2006, ALJ ruling clarifying interim procedures for complying with D.06-06-066, PG&E is providing the declaration of Michael Kowalewski to support confidential treatment for the confidential market-sensitive information in GSP-16 and to designate the specific protected material as required by O.P.s 2 and 3, as applicable, of D.06-06-066. The public version of GSP-16 contained in Attachment C has been partially redacted in accordance with D.06-06-066. Appendix A to GSP-16 is fully confidential per D.06-06-066 and therefore have been redacted in full.

**Protest Period**

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 **June 21, 2012**, which is **20** days after the date of this filing. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
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 electronically or by facsimile, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company  
Attention: Brian Cherry  
Vice President, Regulations and Rates  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-6520  
E-mail: PGETariffs@pge.com

**Effective Date**

PG&E requests that this advice filing become effective on **November 1, 2012**. PG&E submits this as a Tier 2 advice 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 service list Rulemaking ("R.") 12-03-014. Address changes to the General Order 96-B service list should be directed to e-mail 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. A public version of this Advice Letter filing can also be accessed electronically at: <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Brian Cherry" with a stylized flourish at the end.

Vice President – Regulation and Rates

**Attachments:**

Attachment A – Declaration of Michael Kowalewski supporting the confidential treatment of confidential market-sensitive information

Attachment B – Confidentiality Matrix supporting confidential market-sensitive information

Confidential Attachment C – Gas Supply Plan (GSP-16) for CDWR Tolling Agreements (redacted copy provided in public version)

cc: Service List R.12-03-014 (w/o confidential attachments)

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 E)**

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Greg Backens

Phone #: 415-973-4390

E-mail: GAB4@pge.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas        
PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4054-E**

**Tier: 2**

Subject of AL: **Submission of the Sixteenth Gas Supply Plan (GSP-16) for the California Department of Water Resources (CDWR) Tolling Agreements (November 1, 2012, Through October 31, 2013)**

Keywords (choose from CPUC listing): Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.02-12-069 and D.03-04-029

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Is AL requesting confidential treatment? Yes. If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available 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: Michael Kowalewski (415-972-5589)

Resolution Required?  Yes  No

Requested effective date: **November 1, 2012**

No. of tariff sheets: 0

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, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division**

**Tariff Files, Room 4005**

**DMS Branch**

**505 Van Ness Ave., San Francisco, CA 94102**

**EDTariffUnit@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Brian K. Cherry, Vice President, Regulation and Rates**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**

**Attachment A**

**Declaration of Michael Kowalewski**

**Supporting the Confidential Treatment of**

**Confidential Market-Sensitive Information**

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

DECLARATION OF MICHAEL KOWALEWSKI IN SUPPORT OF CONFIDENTIAL  
TREATMENT FOR INFORMATION IN GAS SUPPLY PLAN 16  
FOR CDWR TOLLING AGREEMENTS ALLOCATED TO PACIFIC GAS AND ELECTRIC  
COMPANY AS CDWR'S LIMITED AGENT

I, Michael Kowalewski, declare:

1. I am presently employed by Pacific Gas and Electric Company (PG&E) and have been an employee since 1992. My current title is manager, working in the Electric Gas Supply group. In this position, my responsibilities include planning and procuring gas supply in support of PG&E's electric generation needs. In carrying out these responsibilities, I have acquired knowledge of gas supplies and markets. I am responsible for the development of Gas Supply Plan 16 (GSP-16).
2. Pursuant to the requirements in Decision (D.) 06-06-066 and the Administrative Law Judge Ruling issued August 22, 2006, Clarifying Interim Procedures for Complying with D.06-06-066, I have prepared this declaration to support confidential treatment of market-sensitive, confidential information contained in Gas Supply Plan 16 (Protected Information). Based on my knowledge and experience with the contents of GSP-16 and the markets for physical and financial products for gas supply and hedging, I make this declaration seeking confidential treatment of the Protected Information contained in GSP-16. The Protected Information is material, market-sensitive, electric procurement related information within the scope of Public Utilities Code section 454.5(g) and is entitled to confidential treatment under the IOU Matrix, Appendix 1 (IOU Matrix) of D.06-06-066.

3. The following categories in the IOU Matrix apply to Protected Information in GSP-16:
  1. IOU Matrix category I. A. 4, “Long-term fuel (gas) buying and hedging plans”
  2. IOU Matrix category I. A. 5, “Monthly California Department of Water Resources gas position updates, including information about hedging activities”
  3. IOU Matrix category IV. G, “Forecast of DWR contracts”
  4. IOU Matrix category VII. B, “Contracts and power purchase agreements between utilities and non-affiliated third parties”
4. The IOU Matrix categories for the Protected Material in GSP-16 are detailed in the attached Identification of Confidential Information Matrix. GSP-16 Appendix A is confidential in its entirety and is also noted in the attached Identification of Confidential Information Matrix.
5. GSP-16 and its confidential appendix, like the previous Gas Supply Plans 1 through 15 and their confidential appendices, go into great depth on PG&E’s planning, assumptions, strategies, analyses, and implementation for cost-effectively meeting the multi-year gas supply needs of the CDWR tolling agreements. The requirement to file gas supply plans and the scope of the gas supply plan activities and responsibilities for fuel management and hedging for the CDWR tolling agreements are described in the PG&E Operating Agreement with CDWR (Operating Agreement), Exhibit B, Fuel Management Protocols.<sup>1</sup> The gas supply plans are intended to give the Commission and CDWR a meaningful understanding of the fuel needs for CDWR’s tolling agreements, what procurement and hedging strategy should be followed to meet those needs, why that

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<sup>1</sup> Section IV, Exhibit B to the Operating Agreement requires PG&E to submit the fuel procurement strategies, including risk management, and submit them to the Commission as a “Utility Gas Supply Plan.”

strategy is best, what PG&E intends to do in the markets to execute the strategy, and when PG&E intends to be in the markets. Accordingly, the gas supply plans inherently include a large amount of confidential, market sensitive information. GSP-16 is no exception.

6. GSP-16 information is confidential and market sensitive because if other participants in the gas-related markets involved in the GSP were to obtain the information,<sup>2</sup> PG&E's ability to execute the strategy and obtain results cost-effectively could be impaired. If the detailed information in GSP-16 about PG&E's strategy and plans is not kept confidential, PG&E would be de-positioned relative to other market participants who would have PG&E's confidential, market sensitive data, when other market participants' comparable confidential, market sensitive data would not be in the public domain.
7. The Protected Information in GSP-16 is primarily for CDWR tolling agreements. PG&E's role under the Operating Fuel Management Protocols is as CDWR's limited agent. The confidential treatment of Protected Information also should be maintained to avoid adverse impact to CDWR's exposure for transactions undertaken pursuant to GSP-16.
8. The Protected Information in GSP-16 should remain confidential for more than three years. The analysis, strategies, assumptions and planning in the gas supply plans are part of a continuum that stretches over multiple years. In addition, the hedging strategy that is effective for CDWR tolling contracts may not change radically from one gas supply plan to the next. Therefore, releasing the Protected Information in GSP-16 or past gas supply

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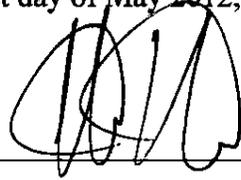
<sup>2</sup> The markets include natural gas, gas-derivative financial contracts, gas transportation, storage, and energy.

plans may amount to releasing the same information as contained in the current gas supply plan. Therefore, Protected Information contained in GSP-16 should continue to be accorded confidential treatment for three years beyond the point in time when PG&E ceases to manage gas supply for the CDWR tolling agreements.

9. I am not aware of any instances where the Protected Information identified in this declaration has been disclosed to the public. The Protected Information cannot be provided in a more aggregated, partially redacted, or summarized form.
10. Attached to my declaration are both a confidential copy of GSP-16 with Protected Information unredacted and a non-confidential copy of GSP-16 with Protected Information removed.

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

Executed this thirty-first day of May 2012, at San Francisco, California.

A handwritten signature in black ink, appearing to be 'MK', written over a horizontal line.

Michael Kowalewski

**Attachment B**  
**Confidentiality Matrix Supporting**  
**Confidential Market-Sensitive Information**

**PACIFIC GAS AND ELECTRIC COMPANY**  
**DOCUMENT: GAS SUPPLY PLAN 16 FOR CDWR TOLLING AGREEMENTS**  
**IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066**  
**DATE: JUNE 1, 2012**

Line No.	Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	2) Data correspond to category in Appendix 1	3) Complies with limitations of D.06-06-066 (Y/N)	4) Data not already public (Y/N)	5) Lead to partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
1	<b>Document: Gas Supply Plan 16 for CDWR Tolling Agreements</b>							
2	Page 1, Section 1	Y	I.A.4 and I.A.5	Y	Y	Y	Long-term fuel (gas) buying and hedging plans and Monthly California Department of Water Resources gas position updates, including information about hedging activities	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
3	Page 2, Table 1	Y	VII.B	Y	Y	Y	Contracts and power purchase agreements between utilities and non-affiliated third parties	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
4	Page 3, Section 3.d	Y	I.A.4, I.A.5 and IV.G	Y	Y	Y	Long-term fuel (gas) buying and hedging plans and Monthly California Department of Water Resources gas position updates, including information about hedging activities and forecasts of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
5	Page 4, Section 4.a	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.

**PACIFIC GAS AND ELECTRIC COMPANY**  
**DOCUMENT: GAS SUPPLY PLAN 16 FOR CDWR TOLLING AGREEMENTS**  
**IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066**  
**DATE: JUNE 1, 2012**

<b>Line No.</b>	<b>Redaction Reference</b>	<b>1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)</b>	<b>2) Data correspond to category in Appendix 1</b>	<b>3) Complies with limitations of D.06-06-066 (Y/N)</b>	<b>4) Data not already public (Y/N)</b>	<b>5) Lead to partial disclosure (Y/N)</b>	<b>PG&amp;E's Justification for Confidential Treatment</b>	<b>Length of Time</b>
6	Pages 4-5, Section 5	Y	I.A.4	Y	Y	Y	Long-term fuel (gas) buying and hedging plans	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
7	Page 5, Section 6	Y	I.A.4 and IV.G	Y	Y	Y	Long-term fuel (gas) buying and hedging plans and Forecast of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
8	Appendix A: Table A-1 and Table A-2	Y	I.A.4, I.A.5 and IV.G	Y	Y	Y	Long-term fuel (gas) buying and hedging plans and Monthly California Department of Water Resources gas position updates, including information about hedging activities and forecasts of DWR contracts	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.
9	Appendix A: Figure A-1	Y	I.A.2	Y	N	Y	Utility gas price forecast	3 years after PG&E ceases to manage gas supply for the CDWR tolling agreements.

**Attachment C**  
**Gas Supply Plan (GSP-16) for CDWR Tolling Agreements**  
**(redacted copy provided in public version)**

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**Gas Supply Plan 16  
for  
CDWR Tolling Agreements**

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**November 1, 2012**

**through**

**October 31, 2013**



***Pacific Gas and  
Electric Company***<sup>®</sup>

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**June 1, 2012**

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## 1. Executive Summary

This document represents Pacific Gas and Electric Company's (PG&E) annual Gas Supply Plan (GSP) for California Department of Water Resources (CDWR) Tolling Agreements (GSP-16), covering the period November 1, 2012, through October 31, 2013. This GSP is consistent with PG&E's experience managing these tolling agreements since January 1, 2003, and with PG&E's currently approved Bundled Procurement Plan (BPP).<sup>1</sup> PG&E will adhere to the CDWR Fuels Protocols, which were issued in completed form on December 8, 2003, and modified in August 2004. PG&E requests that the California Public Utilities Commission (CPUC or Commission) approve this GSP effective November 1, 2012.

PG&E's goals for the term of GSP-16 are significantly reduced from past CDWR GSPs because all but one of the CDWR tolling agreements have expired. To manage price risk, PG&E will continue to manage its gas open position consistent with PG&E's Electric Portfolio Gas Hedging Plan, as updated.

[REDACTED]

[REDACTED]

Only the Kings River Conservation District (KRCD or Kings River) tolling agreement remains active in the CDWR portfolio. Because this agreement requires CDWR to provide and manage fuel, a comparison of seller and PG&E fuel supply costs is moot.

## 2. Introduction

On April 3, 2003, the Commission approved the Operating Agreement between CDWR and PG&E (D.03-04-029). The Operating Agreement was subsequently modified on October 28, 2004, in D.04-10-020. The Operating Agreement enables PG&E to perform the operational, dispatch, and administrative functions for

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<sup>1</sup> PG&E's BPP was approved by the California Public Utilities Commission in Decision (D.) 12-01-033 on January 12, 2012. PG&E filed its Conformed BPP in Advice Letter 4026-E on April 11, 2012.

<sup>2</sup> D.11-03-004, Attachment 5 (Exhibit B to Attachment 5), and Attachment 1 modifying Exhibit B to Attachment 5 to D.11-03-004.

<sup>3</sup> PG&E's Electric Portfolio Hedging Plan was last updated with its Conformed BPP.

CDWR's Long-Term Power Purchase Contracts as CDWR's limited agent. The Operating Agreement requires PG&E to submit an annual<sup>4</sup> gas supply plan for these gas-tolling arrangements to CDWR and the Commission for review and approval. These gas supply plans cover the annual period beginning November 1, and are filed June 1 of each year.

This document, GSP-16, covers the period November 1, 2012, through October 30, 2013. PG&E submitted a draft GSP-16 to its Procurement Review Group (PRG) and CDWR on April 30, 2012.<sup>5</sup>

### 3. Needs Assessment

The purpose of this section is to provide a brief description of the CDWR tolling agreements and the fuel supply options available to CDWR; to present PG&E's forecast of the gas required to supply the CDWR tolling agreements allocated to PG&E; and to present a forecast of the cost of supplying physical gas under those agreements.

#### a. CDWR Tolling Agreements Allocated to PG&E

Table 1 lists the CDWR tolling agreements allocated to PG&E.

Pacific Gas and Electric Company Table 1 CDWR Tolling Agreements Allocated to PG&E					
Counterparty	Agreement	Type	Capacity (MW)*	Heat Rate (MMBtu/MWh)*	Contract End Date
Kings River	Kings River	Unit – Peaking	96		
* Capacities and Heat Rates are contracted quantities. Contracted quantities reflect the results of annual performance tests.					

#### b. Fuel Supply Options Under CDWR's Tolling Agreements

CDWR is contractually obligated to supply and manage the fuel deliveries to Kings River; there is no contractual option for the generator to supply the fuel. The Fuel Supplier purchases gas and delivers it to the Fuel Manager.

<sup>4</sup> Prior to GSP-12, GSPs were submitted on a semiannual basis. Following PG&E and CDWR's letter agreement modifying the Operating Agreement dated April 11, 2008, and Energy Division's June 11, 2008, approval of Advice 3269-E, GSPs are now submitted on an annual rather than semiannual basis.

<sup>5</sup> PG&E's submittal of a draft allows CDWR and PG&E's PRG the required two weeks to review the draft plan prior to the filing date established by the Commission in Resolution E-3845.

The Fuel Manager schedules deliveries to the plant and manages monthly and daily balancing.

PG&E as CDWR's Limited Agent now serves as Fuel Supplier and Fuel Manager for Kings River.

**Fuel Supplier:** Purchases gas and delivers it to the Fuel Manager at the PG&E Citygate or a pre-determined location.

**Fuel Manager:** Receives gas from the Fuel Supplier and manages daily and monthly deliveries from the Citygate (or other point) to the plant.

**c. Forecast of Gas Demand**

PG&E forecasted gas volumes for the CDWR contract using Procurement Portfolio Planner (P3) a software tool for power generation asset optimization produced by PGE's Energy Procurement Quantitative Analysis group with peer review and vetting by PGE's Middle Office Quantitative Risk Management group. P3 simulates optimal dispatch of all PG&E resources, including the CDWR contracts, based on each resource's specific operating constraints, flexibility and market prices. PG&E's production simulation currently uses 10,000 trials and represents the expected case outcome.

The key assumptions underlying the forecast include:

- Current electric and gas forward curves.
- Operating characteristics and contract terms of the CDWR contracts.

The forecast results are presented in Tables A-1 and A-2 in Appendix A.

**d. Forecast of Fuel Cost**

PG&E forecasted the cost of fuel provided by PG&E as CDWR's Limited Agent for the GSP-16 forecast period and beyond. The results of these forecasts are presented in Tables A-1 and A-2 in Appendix A.

The estimated total gas cost under the PG&E fuel plan<sup>6</sup> for the term of this plan is presented in the Total column of Table A-1 and represents [REDACTED]

[REDACTED] The average PG&E Citygate gas price from GSP-15 was [REDACTED] compared with [REDACTED] for GSP-16.

**4. Market Assessment**

This section provides an update on relevant market conditions for the term of this plan.

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<sup>6</sup> This cost does not include PG&E's administrative cost for procuring fuel for the CDWR contracts. Administrative costs are included in PG&E's General Rate Case.

**a. Gas Forward Prices**

Rather than use a forecast of gas prices based on econometric models, PG&E prefers to use forward price quotes from financial markets. These prices reflect market conditions as of the end of the trading day [REDACTED] PG&E's Utility Risk Management department updates these prices on a daily basis. The prices from this date were used for all of the analysis presented in this plan.

The forward gas prices presented in Figure A-1, in Appendix A, are based on financial market quotes on the observation dates indicated.

**b. Gas Supply Outlook**

i. Potential Supply Concerns

PG&E has no supply shortage concerns for the term of GSP-16.

ii. Anticipated Pipeline Outages

PG&E regularly monitors the pipelines' Web sites for scheduled outages. Monitoring these and other pipeline notices is part of PG&E's gas scheduler's duties.

**5. Procurement Strategy Overview**

The purpose of this section is to provide the overarching strategy guiding PG&E's management of gas supply, transportation, storage and price risk management on behalf of CDWR.

**a. Management of Physical Supply and Financial Price Risk**

[REDACTED]

**b. Physical Supply Strategy**

[REDACTED]

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<sup>7</sup> To-expiration Value at Risk (TeVaR) is a statistical measure of the variation in cost for PG&E's electric portfolio.

**c. Gas Hedging Strategy**

[REDACTED]

**6. Implementation Plan**

This section describes, in detail, the portfolio that PG&E as CDWR’s Limited Agent proposes to build to supply fuel for the CDWR contracts.

**a. Recommended Gas Supply Portfolio**

**i. Physical Gas Supply**

[REDACTED]

**ii. Distribution Pipeline Capacity**

The facilities under contract with CDWR and allocated to PG&E have existing transportation contracts with their local distribution companies (LDC). The generators will continue to contract for distribution capacity with their LDC.

**iii. Storage Capacity**

[REDACTED]

**b. Proposed Hedge Transactions**

Based on the hedging strategies described in Section 5.C, PG&E proposes

[REDACTED]

**7. Miscellaneous Items**

This section contains items not covered in any other section.

**a. CDWR-Approved Suppliers**

The list of gas suppliers approved by CDWR for use by PG&E, SCE and SDG&E is now part of CDWR’s Fuel Protocols. CDWR continues to add additional approved suppliers to the list.

PG&E will work closely with CDWR to ensure that CDWR remains within its credit limits and, if necessary, will request that CDWR increase credit limits.

**b. Transactions for Use of Utility-Owned Facilities**

PG&E will transact for utility-owned facilities or services subject to this presumption of reasonableness standard per Commission Resolution E-3825:

- i. In cases where a Request for Offers is issued and offers are received, it is presumed that a reasonable price is paid if PG&E's charge to CDWR for the use of the utility's facilities or services is the same as or lower than the bid(s) received.
- ii. In cases where there are no competitive alternatives for comparison, it is presumed that a reasonable price is paid if PG&E's charge to CDWR for the use of the utility's facilities or services is either: (1) the tariff recourse rate for the service; or (2) if the price is negotiated, no higher than the volume weighted average of the price the utility negotiated (except for CDWR) for each similar service in the same month and for the same period the service is provided. In addition, negotiated prices above this weighted average are not per se unreasonable, but require PG&E to show the Commission why they were reasonable.

**c. Transactions Outside the Scope of the Gas Supply Plan**

As authorized by the Commission in Resolution E-3825, PG&E may pursue activities outside the scope of the approved GSP, subject to Commission reasonableness review, in the event extraordinary circumstances arise and it is necessary for PG&E to meet its administrative and operational responsibilities consistent with Commission decisions and with the CDWR Fuels Protocols. PG&E shall document and describe these occurrences including an explanation of resulting ratepayer benefits. Additionally, PG&E is required to notify CDWR and the Commission's Energy Division when contemplating taking such actions via a letter and obtain CDWR's prior consent where such consent is required by CDWR's Fuels Protocols.

**d. Additional Information**

As directed by the Commission in Resolution E-3825, PG&E will provide additional information regarding this plan to CDWR upon CDWR's request. Also, as directed by the Commission in Resolution E-3845, PG&E will make available: "all pertinent information (e.g., prices, quantities, etc.) and supporting documentation concerning transactions as well as analyses, forecasts and related data used for decision making purposes pursuant to its approved GSPs to the Commission staff upon request."

**e. Physical Gas Trading Between PG&E and CDWR**

From time to time PG&E finds itself trading opposite positions for its own portfolio and the CDWR portfolio. That is, one portfolio is short and the other is

long. Balancing both portfolios requires two physical trades in which each portfolio incurs the cost of the bid-ask spread.

To reduce such costs, PG&E, with CDWR's concurrence, requested in GSP-7 the authority to trade physical gas with CDWR under certain limited circumstances, such as the following:

- Trades are for portfolio balancing.
- Trades are limited to terms of one month or less, including imbalance gas.
- All trades will be priced at the Gas Daily index price for the date in question, with no adders.
- The CDWR side of the trade will be executed by an authorized CDWR employee.
- Trades will be executed under a North American Energy Standards Board (NAESB) Master Agreement between PG&E and CDWR.
- Such trades will be specifically identified in PG&E's quarterly Energy Resource Recovery Account transaction filings.

This request was approved with GSP-7. If PG&E and CDWR agree on a NAESB Master Agreement specifying the limitations of trading between the two parties, PG&E will file that Agreement for CPUC approval prior to implementing physical gas trading between PG&E and CDWR.

**f. Gas Operations Plan**

Should the substance of PG&E's operations change in the future, PG&E will include a revised Gas Operations Plan in future GSPs.

**8. Conclusion**

This GSP describes PG&E's plans to manage gas supply and gas price risk for the CDWR tolling agreements allocated to PG&E. PG&E requests the CPUC approve this Gas Supply Plan effective November 1, 2012.

## **APPENDIX A**

Appendix A has been redacted because it contains confidential, protected material.

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

AT&T	Department of Water Resources	North America Power Partners
Alcantar & Kahl LLP	Dept of General Services	North Coast SolarResources
Ameresco	Douglass & Liddell	Northern California Power Association
Anderson & Poole	Downey & Brand	Occidental Energy Marketing, Inc.
BART	Duke Energy	OnGrid Solar
Barkovich & Yap, Inc.	Economic Sciences Corporation	Praxair
Bartle Wells Associates	Ellison Schneider & Harris LLP	R. W. Beck & Associates
Bloomberg	Foster Farms	RCS, Inc.
Bloomberg New Energy Finance	G. A. Krause & Assoc.	Recurrent Energy
Boston Properties	GLJ Publications	SCD Energy Solutions
Braun Blaising McLaughlin, P.C.	GenOn Energy, Inc.	SCE
Brookfield Renewable Power	Goodin, MacBride, Squeri, Schlotz & Ritchie	SMUD
CA Bldg Industry Association	Green Power Institute	SPURR
CLECA Law Office	Hanna & Morton	San Francisco Public Utilities Commission
CSC Energy Services	Hitachi	Seattle City Light
California Cotton Ginners & Growers Assn	In House Energy	Sempra Utilities
California Energy Commission	International Power Technology	Sierra Pacific Power Company
California League of Food Processors	Intestate Gas Services, Inc.	Silicon Valley Power
California Public Utilities Commission	Lawrence Berkeley National Lab	Silo Energy LLC
Calpine	Los Angeles Dept of Water & Power	Southern California Edison Company
Cardinal Cogen	Luce, Forward, Hamilton & Scripps LLP	Spark Energy, L.P.
Casner, Steve	MAC Lighting Consulting	Sun Light & Power
Center for Biological Diversity	MBMC, Inc.	Sunrun Inc.
Chris, King	MRW & Associates	Sunshine Design
City of Palo Alto	Manatt Phelps Phillips	Sutherland, Asbill & Brennan
City of Palo Alto Utilities	Marin Energy Authority	Tecogen, Inc.
City of San Jose	McKenzie & Associates	Tiger Natural Gas, Inc.
City of Santa Rosa	Merced Irrigation District	TransCanada
Clean Energy Fuels	Modesto Irrigation District	Turlock Irrigation District
Coast Economic Consulting	Morgan Stanley	United Cogen
Commercial Energy	Morrison & Foerster	Utility Cost Management
Consumer Federation of California	Morrison & Foerster LLP	Utility Specialists
Crossborder Energy	NLine Energy, Inc.	Verizon
Davis Wright Tremaine LLP	NRG West	Wellhead Electric Company
Day Carter Murphy	NaturEner	Western Manufactured Housing Communities Association (WMA)
Defense Energy Support Center	Norris & Wong Associates	eMeter Corporation