

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 30, 2014

Advice Letter: 4432-E

Brian Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

SUBJECT: SUBMISSION OF THE 18TH GAS SUPPLY PLAN FOR THE CDWR TOLLING AGREEMENTS (11/1/14 - 9/18/15).

Dear Mr. Cherry:

Advice Letter 4432-E is effective as of November 1, 2014.

Sincerely,

Edward Randolph
Director, Energy Division



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

June 2, 2014

Advice 4432-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Submission of the Eighteenth Gas Supply Plan (GSP-18) for the California Department of Water Resources (CDWR) Tolling Agreements (November 1, 2014, Through September 18, 2015)

Pacific Gas and Electric Company ("PG&E") hereby submits to the California Public Utilities Commission ("Commission" or "CPUC") its eighteenth Gas Supply Plan ("GSP-18") for the California Department of Water Resources ("CDWR") Tolling Agreements for the period November 1, 2014, through September 18, 2015.

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 Commission on June 11, 2008.

PG&E's GSP-18 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 Advice Filing 4155-E, which was approved by the Commission in Resolution E-4585 on August 15, 2013.

GSP-18 contains volume and cost forecasts and fuel supply and hedging implementation details for the CDWR tolling agreements. Pursuant to Ordering Paragraph ("OP") 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 Peter E. Koszalka to support confidential treatment for the confidential market-sensitive information in GSP-18 and to designate the specific protected material as required by OPs 2 and 3, as applicable, of D.06-06-066. The public version of GSP-18 contained in Attachment C has been partially redacted in accordance with D.06-06-066. Appendix A to GSP-18 is fully confidential per D.06-06-066 and therefore has been redacted in full.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than June 23, 2014, which is 21 days after the date of this filing.¹ 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

¹ The 20-day protest period concludes on a weekend, therefore, PG&E is moving this date to the following business day.

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).

Effective Date

PG&E requests that this advice filing become effective on November 1, 2014. 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 the parties on 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>

 Brian Cherry /KAC

Vice President, Regulatory Relations

Attachments:

Attachment A – Declaration of Peter E. Koszalka supporting the confidential treatment of confidential market-sensitive information

Attachment B – Confidentiality Matrix supporting confidential market-sensitive information

Public Attachment C - Gas Supply Plan (GSP-18) for CDWR Tolling Agreements (redacted copy provided in public version)

Confidential Attachment C – Gas Supply Plan (GSP-18) for CDWR Tolling Agreements (redacted copy provided in public version)

cc: Service List R.12-03-014

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: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@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) #: **4432-E**

Tier: **2**

Subject of AL: **Submission of the Eighteenth Gas Supply Plan (GSP-18) for the California Department of Water Resources (CDWR) Tolling Agreements (November 1, 2014, Through September 18, 2015)**

Keywords (choose from CPUC listing): Compliance, Agreements

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: No

Summarize 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: Yes. See the attached matrix that identifies all of the confidential information.

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

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: **November 1, 2014**

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, 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 same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 21 days¹ after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

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

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

Attachment A

**Declaration of Peter E. Koszalka Supporting the
Confidential Treatment of Confidential Market-Sensitive
Information**

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

DECLARATION OF PETER E. KOSZALKA IN SUPPORT OF CONFIDENTIAL
TREATMENT FOR INFORMATION IN GAS SUPPLY PLAN 18
FOR CDWR TOLLING AGREEMENTS ALLOCATED TO PACIFIC GAS AND ELECTRIC
COMPANY AS CDWR'S LIMITED AGENT

I, Peter E. Koszalka, declare:

1. I am the director of electric gas supply in the Energy Supply Management Department at Pacific Gas and Electric Company (PG&E). I am responsible for 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 18 (GSP-18).
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 GSP-18 (Protected Information). Based on my knowledge and experience with the contents of GSP-18 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-18. 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-18:
 1. IOU Matrix category I.A. 2, “Utility gas price forecasts”
 2. IOU Matrix category I. A. 4, “Long-term fuel (gas) buying and hedging plans”
 3. IOU Matrix category I. A. 5, “Monthly California Department of Water Resources gas position updates, including information about hedging activities”
 4. IOU Matrix category IV. G, “Forecast of DWR contracts”
 5. 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-18 are detailed in the attached Identification of Confidential Information Matrix. GSP-18 Appendix A is confidential in its entirety and is also noted in the attached Identification of Confidential Information Matrix.
5. GSP-18 and its confidential appendix, like the previous Gas Supply Plans 1 through 17 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.¹ 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

¹ 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.”

procurement and hedging strategy should be followed to meet those needs, why that 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-18 is no exception.

6. GSP-18 information is confidential and market sensitive because if other participants in the gas-related markets involved in the GSP were to obtain the information,² PG&E's ability to execute the strategy and obtain results cost-effectively could be impaired. If the detailed information in GSP-18 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-18 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-18.
8. The Protected Information in GSP-18 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

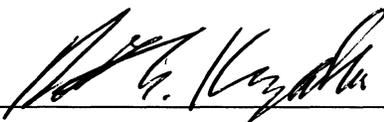
² The markets include natural gas, gas-derivative financial contracts, gas transportation, storage, and energy.

to the next. Therefore, releasing the Protected Information in GSP-18 or past gas supply plans may amount to releasing the same information as contained in the current gas supply plan. Therefore, Protected Information contained in GSP-18 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-18 with Protected Information unredacted and a non-confidential copy of GSP-18 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 27th day of May 2014, at San Francisco, California.

A handwritten signature in black ink, appearing to read "Peter E. Koszalka", is written over a horizontal line.

PETER E. KOSZALKA

Attachment B
Confidentiality Matrix Supporting
Confidential Market-Sensitive Information

PACIFIC GAS AND ELECTRIC COMPANY
DOCUMENT: GAS SUPPLY PLAN 18 FOR CDWR TOLLING AGREEMENTS
IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066
DATE: JUNE 2, 2014

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	Document: Gas Supply Plan 18 for CDWR Tolling Agreements							
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	Pages 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 18 FOR CDWR TOLLING AGREEMENTS
IDENTIFICATION OF CONFIDENTIAL INFORMATION PER DECISION 06-06-066
DATE: JUNE 2, 2014

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
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	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	Y	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-18) for CDWR Tolling Agreements
PUBLIC VERSION
(redacted copy provided in public version)

**Gas Supply Plan 18
for
CDWR Tolling Agreements**

November 1, 2014

through

September 18, 2015



***Pacific Gas and
Electric Company***[®]

June 2, 2014

TABLE OF CONTENTS

1. Executive Summary	1
2. Introduction	1
3. Needs Assessment	2
a. CDWR Tolling Agreements Allocated to PG&E	2
b. Fuel Supply Options Under CDWR's Tolling Agreements	2
c. Forecast of Gas Demand	3
d. Forecast of Fuel Cost	3
4. Market Assessment	3
a. Gas Forward Prices	4
b. Gas Supply Outlook.....	4
i. Potential Supply Concerns	4
ii. Anticipated Pipeline Outages	4
5. Procurement Strategy Overview	4
a. Management of Physical Supply and Financial Price Risk	4
b. Physical Supply Strategy.....	4
c. Gas Hedging Strategy	5
6. Implementation Plan	5
a. Recommended Gas Supply Portfolio.....	5
i. Physical Gas Supply	5
ii. Distribution Pipeline Capacity.....	5
iii. Storage Capacity.....	5
b. Proposed Hedge Transactions	5
7. Miscellaneous Items	5
a. CDWR-Approved Suppliers	5
b. Transactions for Use of Utility-Owned Facilities	6

TABLE OF CONTENTS
(CONTINUED)

c. Transactions Outside the Scope of the GSP 6

d. Additional Information 6

e. Physical Gas Trading Between PG&E and CDWR..... 7

f. Gas Operations Plan 7

8. Conclusion 7

Appendix A..... 8

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-18), covering the period November 1, 2014, through September 18, 2015. 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).¹ 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 CPUC approve this GSP effective November 1, 2014.

PG&E's goal for the term of GSP-18 is similar to the last CDWR GSP because all but one of the CDWR tolling agreements have expired. Additionally, since this tolling agreement will expire on September 18, 2015, this will be the last GSP that PG&E will file for CDWR. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ² [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ³ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[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

¹ PG&E's BPP was approved by the California Public Utilities Commission (CPUC or 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. PG&E's Conformed BPP was approved by the Commission on October 11, 2012 in Resolution E-4544.

² 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.

³ PG&E's Electric Portfolio Hedging Plan was last updated in PG&E Advice Filing 4155-E, which was approved by the CPUC in Resolution E-4585 on August 15, 2013.

modified on October 28, 2004, in D.04-10-020, and again on March 10, 2011, in D.11-03-004. The Operating Agreement enables PG&E to perform the operational, dispatch, and administrative functions for CDWR's Long-Term Power Purchase Contracts as CDWR's limited agent. The Operating Agreement requires PG&E to submit an annual⁴ GSP for these gas-tolling arrangements to CDWR and the Commission for review and approval. These GSPs cover the annual period beginning November 1, and are filed June 1 of each year.

This document, GSP-18, covers the period November 1, 2014, through September 30, 2015. PG&E submitted a draft GSP-18 to its Procurement Review Group (PRG) and CDWR on April 28, 2014.⁵

3. Needs Assessment

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

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		9/18/2015
* 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.

⁴ 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 (ED) June 11, 2008, approval of Advice Letter 3269-E, GSPs are now submitted on an annual rather than semiannual basis.

⁵ 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 PG&E's Energy Procurement Quantitative Analysis group with peer review and vetting by PG&E's Middle Office. 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, reflecting the cost of greenhouse gas allowances.
- Operating characteristics and contract terms of the CDWR contracts.

The forecast results are presented in Table A-1 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-18 forecast period and beyond. The results of these forecasts are presented in Table A-1 in Appendix A.

The estimated total gas cost under the PG&E fuel plan⁶ 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-17 was [REDACTED], compared with [REDACTED] for GSP-18.

4. Market Assessment

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

⁶ 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-18.

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]

⁷ 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 facility under contract with CDWR and allocated to PG&E has an existing transportation contract with its local distribution companies (LDC). The generators will continue to contract for distribution capacity with its 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 is part of CDWR’s Fuel Protocols. 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

In the event PG&E transacts for utility-owned facilities or services, the transactions will be subject to the 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 GSP

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 ED 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

Direct physical gas trading between PG&E and CDWR would require a North American Energy Standards Board Master Agreement between PG&E and CDWR, and would be subject to other limitations, as discussed in GSP-7. No such direct trades are planned.

f. Gas Operations Plan

CDWR's tolling agreement with Kings River will expire on September 18, 2015. Therefore, this will be the last GSP PG&E will file for CDWR.

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 GSP effective November 1, 2014.

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