

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



April 11, 2019

Advice Letter 5507-E

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

SUBJECT: Notification of Pacific Gas and Electric Company's Bundled Procurement Plan, Implementation of its Electric Portfolio Hedging Plan

Dear Mr. Jacobson:

Advice Letter 5507-E is effective as of April 1, 2019.

Sincerely,

A handwritten signature in cursive script that reads 'Edward Randolph'.

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

March 27, 2019

Advice 5507-E

(Pacific Gas and Electric Company – U 39 E)

Public Utilities Commission of the State of California

Subject: Notification of Pacific Gas and Electric Company's Bundled Procurement Plan, Implementation of its Electric Portfolio Hedging Plan

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter to the California Public Utilities Commission (Commission or CPUC) regarding the current state of PG&E's bundled electric energy portfolio¹ and PG&E's actions according to its Electric Portfolio Hedging Plan² (Hedging Plan), as described below and in Confidential Attachment 3 of this advice letter.

PG&E will manage its position as described herein until a date no later than December 31, 2020, at which time PG&E will either return to managing the portfolio pursuant to section C.2 of its Hedging Plan, or PG&E will submit an advice letter update to its Hedging Plan, as needed to account for pertinent portfolio, market, and regulatory conditions. These actions are compliant with PG&E's Hedging Plan and are commercially reasonable.

Background

In Advice Letter 5282-E, effective May 1, 2018, PG&E notified Energy Division regarding the then-current state of its bundled electric energy portfolio and PG&E's actions according to its Hedging Plan, including that its electric portfolio had become

¹ Electric portfolio position in this advice letter relates to the Electric Portfolio Hedging Plan. This position includes energy (electricity and gas) and emissions (GHG compliance). This position and the Electric Portfolio Hedging Plan do not address Resource Adequacy or Renewable Energy Credit positions.

² The CPUC approved PG&E's Bundled Procurement Plan (BPP), including Appendix E, Electric Portfolio Hedging Plan, on October 22, 2015, in D.15-10-031, with further modifications in D.16-01-015. PG&E submitted its Conformed BPP in Advice 4750-E on December 10, 2015, which was approved on June 15, 2016.

long for certain delivery periods. In Advice Letter 5469-E, effective January 16, 2019, PG&E notified Energy Division of continued temporary management of hedging transactions due to PG&E's financial status.

As noted in Advice Letter 5282-E, the outcome of the Power Charge Indifference Adjustment (PCIA) Order Instituting Rulemaking (OIR) has the potential to dramatically change PG&E's energy portfolio position. In particular, the Phase 1 Decision³ in the PCIA OIR adopted a "true-up mechanism for the Brown Power Index."⁴ This true-up to actual net revenues for energy, by vintage and on a pro-rata basis, allows departed load to assume their share of actual values realized on market transactions (i.e., net electric energy costs and revenues). This true-up has changed PG&E's bundled electric customer financial exposure to commodity price risk.

Temporary Management and Corrective Actions

To manage these changes in portfolio position, PG&E will manage its Hedging Plan as described in Confidential Attachment 3. These actions are compliant with PG&E's Hedging Plan and are commercially appropriate for current portfolio conditions. Separately, PG&E has requested authority from the bankruptcy court to continue its Hedging Plan and enter into new transactions and post collateral consistent with the Hedging Plan⁵.

PG&E notes that consistent with its implementation filing for the PCIA OIR Phase 1 Decision,⁶ any utility hedging costs and benefits would be recorded in the ERRA balancing account for allocation only to bundled electric customers. Community Choice Aggregators and other departed load customers will not share in any costs or benefits of any future hedging transactions.

This submittal will not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Attachments

Attachment 1: Declaration of Michael Kowalewski Seeking Confidential Treatment of Certain Data and Information in Advice 5507-E (including "IOU Matrix")

³ D.18-10-019, issued October 19, 2018.

⁴ D.18-10-019 Conclusion of Law 16

⁵ Motion Pursuant To 11 U.S.C. §§ 105, 363, And 364 And Fed. R. Bankruptcy P. 4001 And 6004 Authorizing Utility To (A) Continue Hedging Programs, (B) Enter Into And Perform Under Post petition Hedging Transactions, And (C) Pledge Collateral And Honor Obligations Thereunder" filed March 6, 2019.

⁶ AL 5440-E

Attachment 2: Update on PG&E's Implementation of its Electric Portfolio Hedging Plan [Public Version]

Attachment 3: Update on PG&E's Implementation of its Electric Portfolio Hedging Plan [Confidential Version]

Protests

PG&E is not seeking relief through this advice letter and is simply notifying the Commission regarding the current state of its bundled electric energy portfolio and actions according to its Hedging Plan. PG&E respectfully requests a shortened protest period of five (5) days. Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than April 1, 2019, which is 5 days after the date of this submittal. 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:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
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).

Effective Date

PG&E requests that this Tier 1 advice letter become effective on April 1, 2019.

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.16-02-007. 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 submittals can also be accessed electronically at: <http://www.pge.com/tariffs/>.

/S/

Erik Jacobson
Director, Regulatory Relations

Attachments

cc: Service List R.16-02-007

Limited Access to Confidential Material:

The portions of this advice letter marked Confidential Protected Material are submitted under the confidentiality protection of Section 454.5(g) of the Public Utilities Code. This material is protected from public disclosure because it consists of, among other items, detailed descriptions of the Electric Portfolio Hedging Plan, which are protected pursuant to D.06-06-066 and D.08-04-023.

Public Attachments Submitted with the Advice Letter:

- Attachment 1: Declaration of Michael Kowalewski Seeking Confidential Treatment of Certain Data and Information in Advice 5507-E (including "IOU Matrix")
- Attachment 2: Update on PG&E's Implementation of its Electric Portfolio Hedging Plan [Public Version]

Confidential Attachments Submitted with the Advice Letter:

- Attachment 3: Update on PG&E's Implementation of its Electric Portfolio Hedging Plan [Confidential Version]



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39E)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Yvonne Yang

Phone #: (415)973-2094

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: Yvonne.Yang@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 5507-E

Tier Designation: 1

Subject of AL: Notification of Pacific Gas and Electric Company's Bundled Procurement Plan, Implementation of its Electric Portfolio Hedging Plan

Keywords (choose from CPUC listing): Compliance

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

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:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information: Michael Kowalewski, MSK4@pge.com, 415-972-5589

Resolution required? Yes No

Requested effective date: 4/1/19

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:

Service affected and changes proposed¹: N/A

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

¹Discuss in AL if more space is needed.

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

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Erik Jacobson, c/o Megan Lawson
Title: Director, Regulatory Relations
Utility Name: Pacific Gas and Electric Company
Address: 77 Beale Street, Mail Code B13U
City: San Francisco, CA 94177
State: California Zip: 94177
Telephone (xxx) xxx-xxxx: (415)973-2093
Facsimile (xxx) xxx-xxxx: (415)973-3582
Email: PGETariffs@pge.com

Name:
Title:
Utility Name:
Address:
City:
State: District of Columbia Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Attachment 1

**Declaration of Michael Kowalewski Seeking
Confidential Treatment of Certain Data and
Information in Advice 5507-E
(including “IOU Matrix”)**

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

**DECLARATION OF MICHAEL KOWALEWSKI
SEEKING CONFIDENTIAL TREATMENT
FOR CERTAIN DATA AND INFORMATION
CONTAINED IN PG&E'S ADVICE LETTER 5507-E**

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 Portfolio Manager in the Energy Policy and Procurement Department. In this position, my responsibilities include financial portfolio management and trading. In carrying out these responsibilities, I have acquired knowledge of gas supply and hedging, the markets for physical and financial products for hedging, and the various types of transactions involved.

2. Based on my knowledge and experience, and in accordance with the Decisions 06-06-066 (affirmed in 16-08-024), 08-04-023, 14-10-033, and relevant Commission rules, I make this declaration seeking confidential treatment for Advice Letter 5507-E which provides an information-only update on the current status of PG&E's bundled electric energy portfolio and actions consistent with PG&E's Conformed Bundled Procurement Plan.

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 data and information covered by Public Utilities Code Section 454.5(g), which would reveal market sensitive information. The matrix also specifies why confidential protection is justified. Finally, the matrix specifies that: (1) the information is not already public; and (2) 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 that is pertinent to my testimony in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on March 27, 2019 at San Francisco, California.

/s/

MICHAEL KOWALEWSKI

PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ADVICE LETTER 5507-E
Submitted on March 27, 2019

IDENTIFICATION OF CONFIDENTIAL INFORMATION

Redaction Reference	Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To	Justification for Confidential Treatment	Length of Time Data To Be Kept Confidential
Advice 5507-E, Attachment 3	D.06-06-066, Appendix 1 (Item I.A.4 – Long Term Fuel (Gas) Buying and Hedging Plans) Pub. Util., Code § 454.5(g)	Information concerning a description of PG&E's long term buying and hedging strategies, which constitutes market sensitive information that could cause harm to PG&E's customers and put PG&E at an unfair business advantage if publicly disclosed.	Indefinite

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Attachment 2

Update on PG&E's Implementation of its Electric Portfolio Hedging Plan [Public Version]

**PACIFIC GAS AND ELECTRIC COMPANY
2014 Bundled Procurement Plan (BPP)**

**March 2019 Update on PG&E's
Implementation of its Electric
Portfolio Hedging Plan**

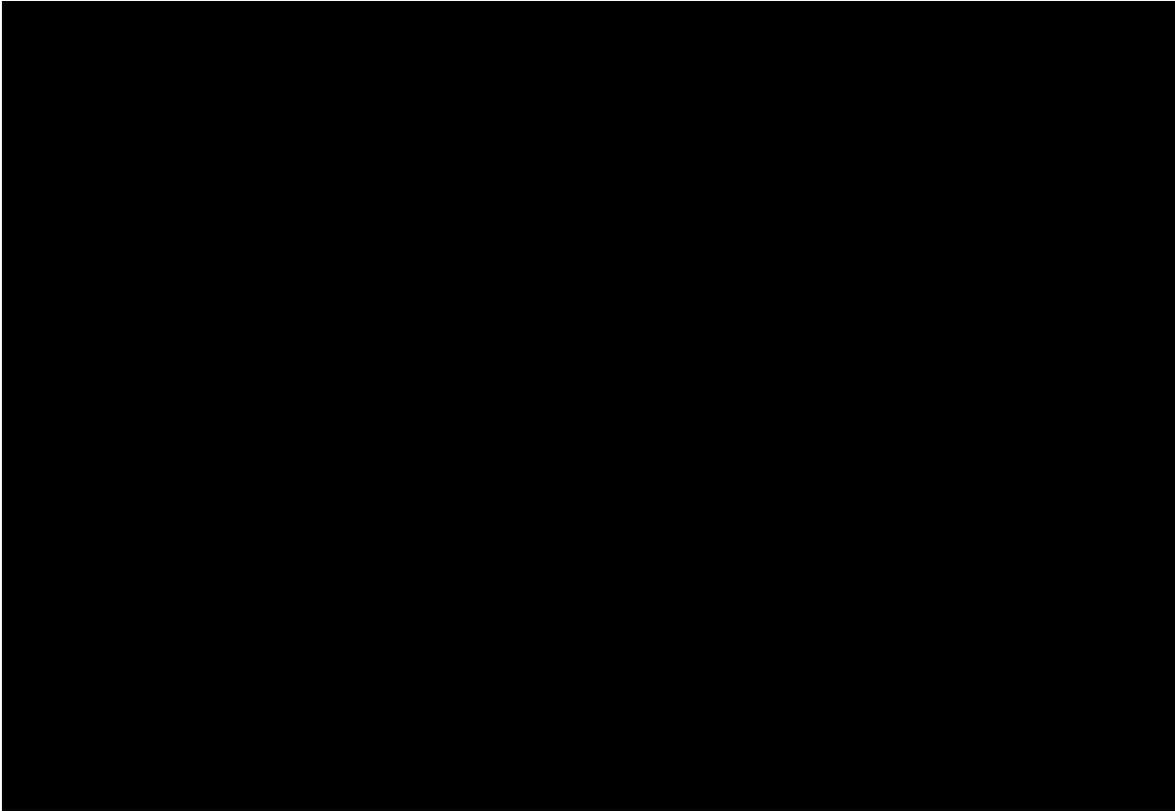
Temporary Management and Corrective Actions – Additional Detail

The Phase 1 Decision¹ in the Power Charge Indifference Adjustment (PCIA) Order Instituting Rulemaking (OIR), adopted a “true-up mechanism for the Brown Power Index.”² This true-up to actual net revenues for energy, by vintage and on a prorata basis, allows departed load to assume their share of actual values realized on market transactions (i.e., net electric energy costs and revenues). With bundled and departed load customers paying equitably for PCIA-eligible resource energy costs and revenues, PG&E’s bundled electric customers will [REDACTED]. In effect, bundled electric customers only bear the net energy costs associated with their share of electric portfolio resources. With the re-sized financial responsibility for this portion of electric resources, [REDACTED].

Chart 1 below illustrates this situation conceptually. [*chart also to be redacted*]

¹ D.18-10-019 adopted October 19, 2018

² D.18-10-019 Conclusion of Law 16



[Redacted text block]

PG&E will now [Redacted]
[Redacted]³ [Redacted]
[Redacted]
[Redacted]
[Redacted]

³ [Redacted]
[Redacted]
[Redacted]
[Redacted]

[Redacted text block]

[Redacted text block]

PG&E will utilize BPP-approved products and procurement processes in executing any hedging transactions and will consult its Procurement Review Group as required.

PG&E may provide further updates with respect to future delivery periods to address changes in its bundled electric portfolio position or to address uncertainty. PG&E notes that the outcome of Phase 2 of the PCIA OIR may impact PG&E's PCIA-eligible portfolio.

⁴ BPP Hedging Plan, Section C.3.a, Product Mix.

Advice 5507-E
March 27, 2019

Attachment 3

Update on PG&E's Implementation of its Electric Portfolio Hedging Plan [Confidential Version]

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

AT&T	Downey & Brand	Pioneer Community Energy
Albion Power Company	East Bay Community Energy	Praxair
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Regulatory & Cogeneration Service, Inc.
	Energy Management Service	SCD Energy Solutions
Alta Power Group, LLC	Evaluation + Strategy for Social	
Anderson & Poole	Innovation	
	GenOn Energy, Inc.	SCE
Atlas ReFuel	Goodin, MacBride, Squeri, Schlotz &	SDG&E and SoCalGas
BART	Ritchie	
	Green Charge Networks	SPURR
Barkovich & Yap, Inc.	Green Power Institute	San Francisco Water Power and Sewer
P.C. CalCom Solar	Hanna & Morton	Seattle City Light
California Cotton Ginners & Growers Assn	ICF	Sempra Utilities
California Energy Commission	International Power Technology	Southern California Edison Company
California Public Utilities Commission	Intestate Gas Services, Inc.	Southern California Gas Company
California State Association of Counties	Kelly Group	Spark Energy
Calpine	Ken Bohn Consulting	Sun Light & Power
	Keyes & Fox LLP	Sunshine Design
Cameron-Daniel, P.C.	Leviton Manufacturing Co., Inc.	Tecogen, Inc.
Casner, Steve	Linde	TerraVerde Renewable Partners
Cenergy Power	Los Angeles County Integrated Waste	Tiger Natural Gas, Inc.
Center for Biological Diversity	Management Task Force	
City of Palo Alto	Los Angeles Dept of Water & Power	TransCanada
	MRW & Associates	Troutman Sanders LLP
City of San Jose	Manatt Phelps Phillips	Utility Cost Management
Clean Power Research	Marin Energy Authority	Utility Power Solutions
Coast Economic Consulting	McKenzie & Associates	Utility Specialists
Commercial Energy		
County of Tehama - Department of Public	Modesto Irrigation District	Verizon
Works	Morgan Stanley	Water and Energy Consulting
Crossborder Energy	NLine Energy, Inc.	Wellhead Electric Company
Crown Road Energy, LLC	NRG Solar	Western Manufactured Housing
Davis Wright Tremaine LLP		Communities Association (WMA)
Day Carter Murphy	Office of Ratepayer Advocates	Yep Energy
	OnGrid Solar	
Dept of General Services	Pacific Gas and Electric Company	
Don Pickett & Associates, Inc.		
Douglass & Liddell		