

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE



January 10, 2020

**Advice Letter 5704-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 5704-E is effective as of December 9, 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

December 2, 2019

**Advice 5704-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 portfolio<sup>1</sup> and PG&E's actions according to its Electric Portfolio Hedging Plan<sup>2</sup> (Hedging Plan), as described below and in Confidential Attachment 3 of this advice letter.

**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 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) had the potential to dramatically

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<sup>1</sup> 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.

<sup>2</sup> 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.

change PG&E's energy portfolio position. In particular, the Phase 1 Decision<sup>3</sup> in the PCIA OIR adopted a "true-up mechanism for the Brown Power Index."<sup>4</sup> 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 changed PG&E's bundled electric customer financial exposure to commodity price risk. In Advice Letter 5507-E, effective April 1, 2019, PG&E notified Energy Division regarding the then-current state of PG&E's electric portfolio and PG&E's actions according to its Hedging Plan.

### **Temporary Management and Corrective Actions**

To manage updated conditions in PG&E's electric 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 received authority from the bankruptcy court to continue its Hedging Plan and enter into new transactions and post collateral consistent with the Hedging Plan<sup>5</sup>.

PG&E notes that consistent with its implementation filing for the PCIA OIR Phase 1 Decision,<sup>6</sup> 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 5704-E (including "IOU Matrix")
- 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]

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<sup>3</sup> D.18-10-019, issued October 19, 2018.

<sup>4</sup> D.18-10-019 Conclusion of Law 16

<sup>5</sup> "Order 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" issued April 8, 2019.

<sup>6</sup> AL 5440-E

**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) business days. Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than December 9, 2019, which is 5 business days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> 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 December 9, 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/>.

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/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 5704-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: Kimberly Loo

Phone #: (415) 973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: KELM@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) #: 5704-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: See attached Confidentiality Declaration and Matrix  
 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: 12/9/19

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<sup>1</sup>: N/A

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

<sup>1</sup>Discuss 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](mailto: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](mailto:PGETariffs@pge.com)

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

**PACIFIC GAS AND ELECTRIC COMPANY**

**Attachment 1**

**Declaration of Michael Kowalewski  
Seeking Confidential Treatment of  
Certain Data and Information in Advice 5704-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 5704-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 5704-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 December 2, 2019 at San Francisco, California.

/s/

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MICHAEL KOWALEWSKI

**PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**  
**ADVICE LETTER 5704-E**  
**Submitted on December 2, 2019**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

<b>Redaction Reference</b>	<b>Category from D.06-06-066, Appendix 1, or Separate Confidentiality Order That Data Corresponds To</b>	<b>Justification for Confidential Treatment</b>	<b>Length of Time Data To Be Kept Confidential</b>
Advice 5704-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

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **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)**

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

**Temporary Management and Corrective Actions – Additional Detail**

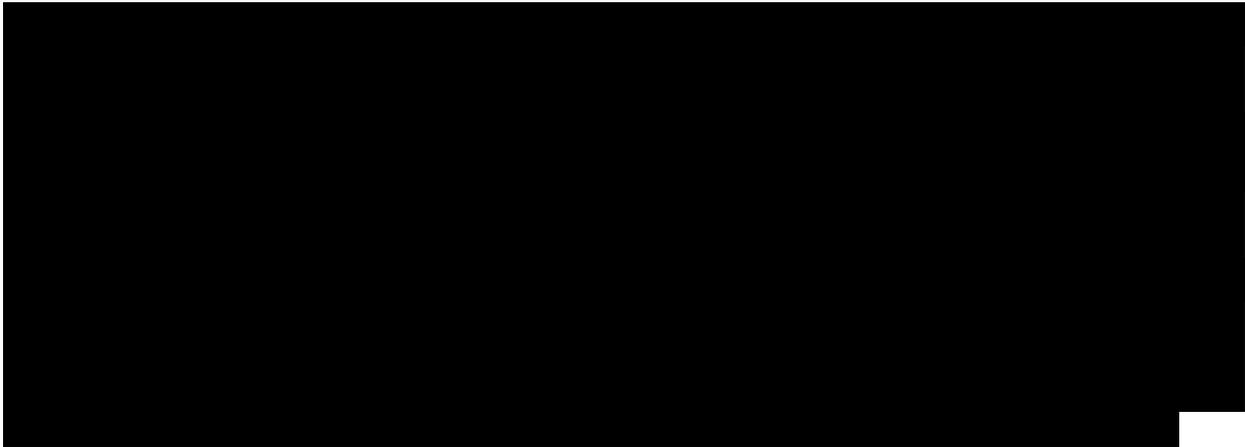
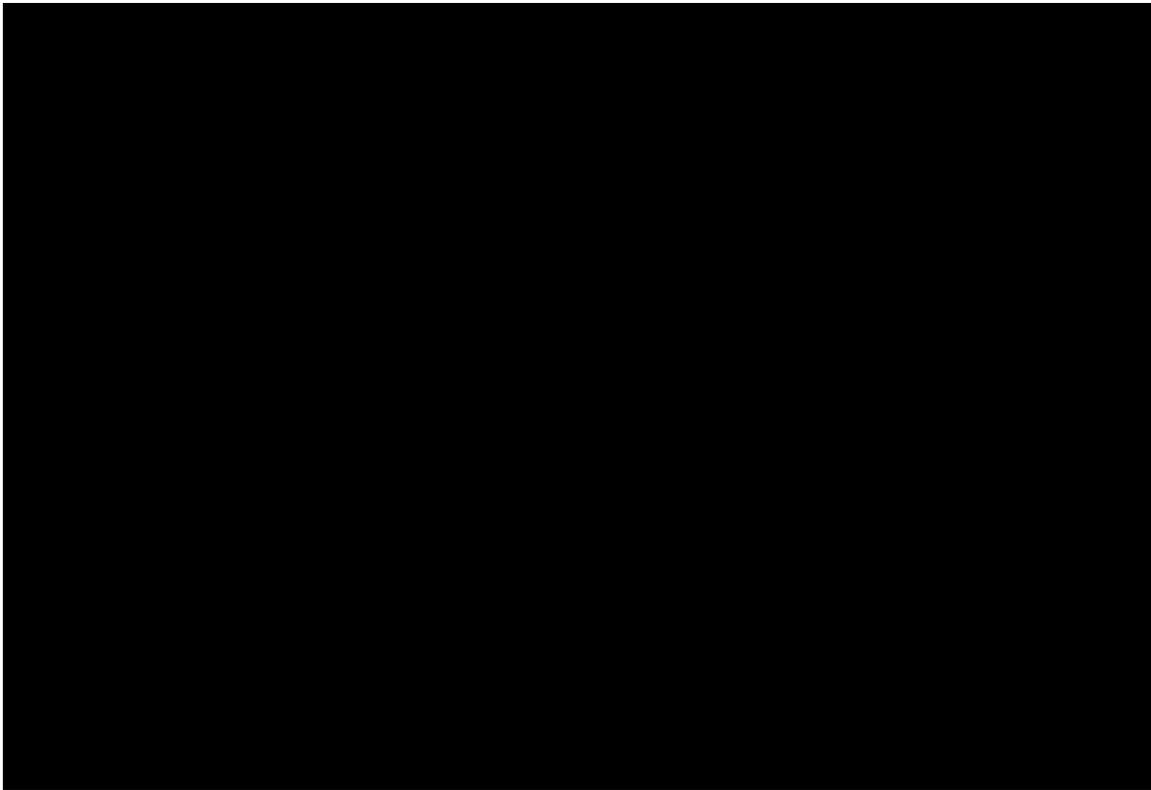
The Phase 1 Decision<sup>1</sup> in the Power Charge Indifference Adjustment (PCIA) Order Instituting Rulemaking (OIR), adopted a “true-up mechanism for the Brown Power Index.”<sup>2</sup> This true-up to actual net revenues for energy, by vintage and on a prorata basis, allows departed load to assume 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.

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<sup>1</sup> D.18-10-019 adopted October 19, 2018

<sup>2</sup> D.18-10-019 Conclusion of Law 16

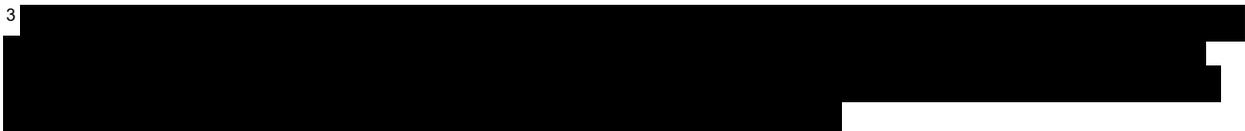


PG&E will now



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3





PG&E will utilize BPP-approved products and procurement processes in executing any hedging transactions. PG&E consulted with its Procurement Review Group as required, on November 19, 2019.

PG&E will manage its position as described herein until a date no later than December 31, 2020, at which time PG&E will submit an advice letter to either continue or update 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. PG&E notes that the outcome of Phase 2 of the PCIA OIR may impact PG&E's PCIA-eligible portfolio.

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<sup>4</sup> BPP Hedging Plan, Section C.3.a, Product Mix.

# **PACIFIC GAS AND ELECTRIC COMPANY**

## **Attachment 3**

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

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