



Memorandum

Date: October 6, 2017

To: Edward Randolph
Director of Energy Division

From: **Public Utilities Commission—** Kayode Kajopaiye, Branch Chief
San Francisco Utility Audit, Finance and Compliance Branch

Subject: Pacific Gas and Electric Company Advice Letter 5060-E
Quarterly Procurement Plan Compliance Report for the First Quarter of 2017
Summary of Negative Findings

The Utility Audit, Finance and Compliance Branch (UAFCB) issues this memorandum containing its negative findings on Pacific Gas and Electric Company's (PG&E) Quarterly Procurement Plan Compliance Report (QCR) filed by Advice Letter No.(AL) 5060-E. The negative findings are based on the results of UAFCB's performed procedures to assess PG&E's compliance. UAFCB assesses PG&E's compliance in accordance with agreed-upon procedures with Energy Division (ED) and does not assess the compliance with all aspects of the procurement-related state law and procurement-related directives mandated by the California Public Utilities Commission (Commission). In addition, PG&E's transactions conducted in the Integrated Forward Market (IFM) and the Residual Unit Commitment Market (RUC) are outside the scope of the agreed-upon procedures engagement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA).

A. Summary of Negative Findings:

PG&E failed to demonstrate compliance with Decision (D) 02-10-062, Table 1 (pages 37-39), Ordering Paragraph (OP) 8, and Appendix B. PG&E did not provide its monthly California Independent System Operator (CAISO) Day-Ahead (DA) Market Transaction Summaries in its first quarter of 2017 (Q1 2017), third quarter of 2016 (Q3 2016) and fourth quarter of 2016 (Q4 2016) QCR AL filings.

On September 8, 2017, PG&E amended its Q1 2017, Q3 2016, and Q4 2016 QCR AL filings by providing its respective CAISO DA Market Transaction Summaries.

B. Recommendations:

PG&E should implement and enforce its internal review and approval process that ensures complete and accurate reporting of QCR and related attachments.

C. Background:

As required by D.02-10-062, OP 8 and clarified in D.03-12-062, PG&E, San Diego Gas and Electric (SDG&E), and Southern California Edison (SCE) must each submit a QCR for all transactions of less than five years duration executed in the quarter. UAFCB conducts the quarterly procurement

engagements based on the scope specified by ED, using procedures agreed upon between ED and UAFCB. ED specified which aspects of the utilities' Commission-approved procurement plans, Assembly Bill (AB) 57 procurement rules and several procurement-related rulings and decisions to test for compliance. The decisions and rulings that ED chose directives from to test for compliance include, but are not limited to, D.02-10-062, D.03-06-076, D.03-12-062, D.04-12-048, D.07-12-052, D.08-11-008, D.12-01-033, D.15-10-031 and D.16-01-015. Based on our understanding with ED, UAFCB does not test all of the transactions that the utilities include in their QCR.

D. Negative Findings:

PG&E failed to demonstrate compliance with D. 02-10-062, Table 1 (pages 37-39), OP 8 & Appendix B. PG&E did not provide the monthly CAISO DA Market Transaction summaries on Attachment C of its Q1 2017, Q3 2016, and Q4 2016 QCR AL filings.

Criteria: Pursuant to the following parts of D. 02-10-062, utilities are required to report CAISO procurement information in QCR AL filings including, but not limited to monthly CAISO DA Market Transaction Summaries:

- a. Table 1 (pages 37-39), lists the CAISO DA and real-time markets as authorized procurement products to meet procurement needs.
- b. OP 8 of the D.02-10-062 – The respondent utilities shall file each quarter's procurement transactions that conform to their adopted procurement plan by Advice Letter within 15 days of the end of the quarter (which later is revised to within 30 days of the end of the quarter in D.03-12-062).
- c. In Appendix B of D.02-10-062, file each quarter's transactions by advice letter. The advice letter must contain, among other things, information that is complete and accurate, including, but not limited to description of and justification for the procurement processes used to select the transactions.

PG&E's Response:

In its response dated September 8, 2017, PG&E asserts following:

PG&E was not aware of the 2002 decision requirement for CAISO electric procurement information and believed the Monthly CAISO Day Ahead Market Transaction summaries did not demonstrate compliance with the BPP. As such, PG&E decided to exclude the summaries of CAISO Day Ahead Market Transactions from the QCR for efficiency purposes. Going forward, PG&E will include these monthly summaries into its ongoing sign-off review and approval process to ensure that these summaries will be reported as part of Attachment C.

On September 8, 2017, PG&E amended its Q1 2017, Q3 2016, and Q4 2016 QCR AL filings by providing its respective monthly CAISO DA Market Transaction Summaries.

UAFCB's Rebuttal: None.

E. Conclusion:

UAFCB was not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on PG&E's QCR filed in AL 5060-E. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to ED.

This memo is intended solely for the information and use of ED and should not be used by anyone other than ED or for any other purpose.

cc: Maryam Ebke, Deputy Executive Director
Judith Ikle, Energy Division
Michele Kito, Energy Division
Scott Murtishaw, Energy Advisor to President Picker
David Peck, Energy Advisor to President Picker
Yuliya Shmidt, Office of Ratepayer Advocates
Tracy Fok, Utility Audit, Finance and Compliance Branch
