



QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

Pacific Gas and Electric Company
First Quarter of 2024 - Advice Letter 7252-E

Utility Audits, Risk and Compliance Division
Utility Audits Branch
September 27, 2024



PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

September 27, 2024

Marianne Aikawa, Director
Risk, Compliance & Reporting Department
Pacific Gas and Electric Company
300 Lakeside Drive
Oakland, CA 94612

Dear Marianne Aikawa:

Final Report Transmittal Letter – Agreed-Upon Procedures Engagement of Pacific Gas and Electric Company’s Quarterly Energy Procurement Compliance Report for the period of January 1, 2024, through March 31, 2024

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its agreed-upon procedures (AUP) engagement of Pacific Gas and Electric Company’s (PG&E) Quarterly Energy Procurement Compliance Report (QCR) filed for its First Quarter of 2024 in Advice Letter (AL) 7252-E. The final AUP report is enclosed.

PG&E’s responses to the AUP report findings are incorporated into this report. As required by Public Utilities Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. We will post the final redacted audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

A corrective action plan addressing the finding is required. PG&E has already provided the information regarding its corrective actions planned and those responses have been included in the report. However, PG&E is still required to file a supplemental AL 7252-E with amended Attachment B by October 11, 2024. Once PG&E submits the supplemental AL, no further actions will be required.

We appreciate PG&E’s assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Tracy Fok, Program and Project Supervisor, at (415) 703-3122 or tracy.fok@cpuc.ca.gov.

Sincerely,

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division (UARCD)
cc: See next page

Marianne Aikawa, Director
Risk, Compliance & Reporting Department
Pacific Gas and Electric Company
September 27, 2024
Page 2

cc: Christina Honey, Principal Analyst, Risk, Compliance & Reporting, PG&E
Angela Torr, Principal Analyst, Risk, Compliance & Reporting, PG&E
Bill Reinwald, Principal Analyst, Risk, Compliance & Reporting, PG&E
Rachel Peterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC
Pete Skala, Director, Energy Division (ED), CPUC
Meredith “Molly” Sterkel, Program Manager, ED, CPUC
Jaime Gannon, Program & Project Supervisor, ED, CPUC
Eric Dupre, Public Utilities Regulatory Analyst, ED, CPUC
Narissa Jimenez-Petchumrus, Public Utilities Regulatory Analyst, ED, CPUC
Theresa Buckley, Staff Attorney, CPUC
Masha Vorobyova, Assistant Director, UAB, CPUC
Tracy Fok, Program & Project Supervisor, UAB, CPUC
Tim Baumgardner, Senior Management Auditor, UAB, CPUC
Judith Mason, Public Utility Financial Examiner IV, UAB, CPUC
Keen Banh, Associate Management Auditor, UAB, CPUC
Paulina Zepeda Gomez, Associate Management Auditor, UAB, CPUC

MEMBERS OF THE TEAM

Angie Williams, Director

Masha Vorobyova, Assistant Director

Tracy Fok aka Tracy Yeh, CPA, Supervisor

Tim Baumgardner, Lead

Judith Mason, Lead

Keen Banh, Staff

Paulina Zepeda Gomez, Staff

A digital copy of this report can be found at:

[Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/audit-reports-by-industry)

You can contact our office at:

**California Public Utilities Commission
Utility Audits, Risk and Compliance Division
400 R Street, Suite 221
Sacramento, CA 95811**

TABLE OF CONTENTS

I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES.....	1
II. PROCEDURES AND FINDINGS.....	3
A. TRANSACTION RECONCILIATION/ANALYSIS	3
B. QUARTERLY COMPLIANCE REPORT (QCR).....	4
C. STRONG SHOWING JUSTIFICATION.....	6
D. ELECTRONIC SOLICITATION CONTRACTS.....	7
E. BILATERAL AND BROKER CONTRACTS	8
F. REQUEST FOR PROPOSAL (RFP) – OTHER MARKET PARTICIPANTS.....	8
G. CONGESTION REVENUE RIGHTS (CRR) AND LONG TERM CRR (LTCRR).....	9
H. PROCUREMENT REVIEW GROUP.....	10

I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) performed the agreed-upon procedures (AUP) enumerated in Procedures and Findings section of this report for Pacific Gas and Electric Company's (PG&E or the utility) energy procurement compliance reporting period of January 1, 2024, through March 31, 2024 (Q1 2024). These procedures were agreed to between CPUC's Energy Division (ED) and UAB solely to assist ED in determining whether the three large investor-owned electric utilities are in compliance with certain energy procurement-related state laws and CPUC energy procurement directives. PG&E is one of these utilities¹ and is responsible for complying with the energy procurement requirements.

ED engaged UAB to perform this AUP engagement. UAB is required to be independent and to meet other ethical responsibilities in accordance with the relevant ethical requirements related to the AUP engagement. We conducted this engagement in accordance with attestation standards established by the generally accepted government auditing standards (GAGAS). The sufficiency of the AUP procedures is solely the responsibility of ED. ED has agreed to and acknowledged that the procedures performed are appropriate for the intended purpose of the AUP engagement. Consequently, we make no representation regarding the sufficiency of the procedures described herein either for the purpose for which this report has been requested or for any other purpose. The results of the engagement are detailed in Procedures and Findings section of this report.

We were not engaged to, and did not, perform an examination or review of the subject matter, the objective of which would be the expression of an opinion on PG&E's compliance with the energy procurement-related state laws and the CPUC's energy procurement directives. 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.

The purpose of this report is to communicate to ED the utility's compliance and the results of the AUP performed. The report may not be suitable for any other purposes. The procedures performed may not address all the items of interest to users other than ED and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

¹ San Diego Gas and Electric Company and Southern California Edison are the other two electric utilities subject to the agreed-upon procedures engagements.

In accordance with CPUC Decision (D.) 12-04-046, Ordering Paragraph (OP) 13, this report shall be made public. As required by Public Utilities (PU) Code Section 454.5(g), the confidential market sensitive information contained in the AUP report is redacted. The redacted report can be found on the CPUC public website through the following link: [Audit Reports by Industry \(ca.gov\)](#).

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

II. PROCEDURES AND FINDINGS

Below are the results of the AUP performed and associated findings. The sufficiency of these procedures is solely the responsibility of ED. Thus, UAB makes no representation regarding the sufficiency of the following procedures used for this engagement for the purposes for which this report has been requested.

A. Transaction Reconciliation/Analysis

1. Inspected whether the utility's Q1 2024 electric physical and transmission transaction details in Attachment A² contained any electronic solicitation or other competitive solicitation transactions, requiring performance of the audit procedures under Section D – Electronic Solicitation Contracts of this report.

Finding: We found no electronic/competitive solicitation transactions reported in Attachment A as a result of this procedure.

2. Reconciled to determine whether the utility's Q1 2024 electric physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

3. Reconciled to determine whether the utility's Q1 2024 electric financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment C. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

4. Reconciled to determine whether the utility's Q1 2024 gas physical transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

5. Reconciled to determine whether the utility's Q1 2024 gas financial transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D. Performed mathematical re-calculation and an analysis of 100 percent of transactional average prices, volumes, and notional values for the detection of a reporting anomaly.

Finding: We found no exceptions as a result of this procedure.

² All references to attachments in the list of Procedures and Findings are to the attachments filed with the utility's Quarterly Compliance Report subject to this engagement.

6. Reconciled to determine whether the utility's Q1 2024 physical gas transport, storage, park and lend transaction details in Attachment A agreed to the corresponding transaction summary in Attachment D.

Finding: We found no exceptions as a result of this procedure.

7. Compared the utility's spot market (i.e., Day-Ahead, Hour-Ahead, and Real-Time energy) electric physical purchases to its monthly retail energy needs, or energy physical purchase requirement, to determine whether the spot market purchases exceed five percent of the monthly retail energy needs, or energy physical purchase requirement.

Finding: We found no exceptions as a result of this procedure.

B. Quarterly Compliance Report (QCR)

1. Inspected QCR advice letter filing, including the attachments of supporting documentation, to determine whether the filing was accurate and complete.

Finding #1: PG&E failed to demonstrate compliance with D.02-10-062 – Appendix B and PU Code Section 581. PG&E did not include required documents in Attachment F – Key Briefing Packages of its original Q1 2024 QCR advice letter filing in accordance with the filing requirements of QCR advice letter. For additional information about the finding, please see Finding #1 at procedure B.9 listed below.

PG&E's Response: See B.9.

Finding #2: PG&E failed to demonstrate compliance with D.02-10-062 – Appendix B and PU Code Section 581. PG&E did not properly include the [REDACTED] from [REDACTED] [REDACTED] as its credit mechanism in Attachment B – Non-investment Grade Counterparties, of the QCR for the contract executed with [REDACTED]. For additional information about the finding, please see Finding #2 at procedure D.7 listed below.

PG&E's Response: See D.7.

2. Identified any of the utility's authorized decision-makers that were not listed in QCR.

Finding: We did not find any of the utility's authorized decision-makers that were not listed in QCR.

3. Inspected QCR and associated attachments to determine whether the utility provided its descriptions of and justifications for its procurement processes used to select the transactions.

Finding: We found no exceptions as a result of this procedure.

4. Inspected QCR and associated attachments to determine whether the utility explained or justified the timing of its transactions.

Finding: We found no exceptions as a result of this procedure.

5. Inspected QCR and associated attachments to determine whether the utility discussed the system load requirements/conditions underlying the need for the quarter's transactions.

Finding: We found no exceptions as a result of this procedure.

6. Inspected QCR and associated attachments to determine whether the utility provided a copy of any data of forecasts used by the utility to analyze transactions.

Finding: We found the utility provided a copy of forecast data used to analyze transactions.

7. Inspected QCR and associated attachments to determine whether the utility provided a copy of each of the utility's procurement contracts reported in Attachment H – Contracts Executed/Contracts Amended.

Finding: We found no exceptions as a result of this procedure.

8. Inspected QCR and associated attachments to determine whether the utility provided a reasonable number of analyses, as requested by CPUC or the Procurement Review Group (PRG) and provided the resulting outputs.

Finding: We found no exceptions as a result of this procedure.

9. Inspected QCR and associated attachments to determine whether the utility's QCR included its briefing package provided to the ultimate decision maker.

Finding #1: PG&E failed to demonstrate compliance with D.02-10-062 – Appendix B and PU Code Section 581. PG&E did not include the required key briefing documents in Attachment F of its original Q1 2024 QCR advice letter filing in accordance with the filing requirements of QCR advice letter.

PG&E's Response:

On July 23, 2024, PG&E stated:

PG&E agrees with this finding. The Q1 2024 QCR filed on April 30, 2024 did not include the Confidential Attachment F folder and its documents. Upon discovery of this inadvertent oversight, PG&E sent the Q1 2024 QCR Confidential Attachment F documents to the confidential QCR recipients on May 22, 2024.

PG&E does not agree that the Confidential Attachment F documents need to be in the Q1 2024 QCR Supplemental because the confidential information is not included in the Public Filing and recipients of the confidential documents received this information on May 22, 2024.

This finding has been reported in PG&E's Corrective Action Program (CAP) and additional controls and communication have been put in place between the Risk Compliance and Reporting group, who produces the QCR, and the Regulatory Affairs group, who files the QCR Advice Letter and sends out the confidential information.

10. Inspected QCR and associated attachments to determine whether the utility provided the break-even spot prices equivalent to the contracts.

Finding: We found no exceptions as a result of this procedure.

11. Inspected QCR and associated attachments to determine whether the utility provided average price information for non-standard transactions.

Finding: We found no exceptions as a result of this procedure.

12. Inspected QCR and associated attachments to determine whether the utility provided California Independent System Operator (CAISO) electricity procurement information in the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

C. Strong Showing Justification

1. Inspected Attachment A for any transactions subject to strong showing justification and inspected Attachment M – Transactions Subject to Strong Showing to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

2. Compared the price of bilateral contracts for non-standard products in Attachment A, which are waived from strong showing justification under D. 03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment A to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

3. Inspected Attachment H for any transactions subject to strong showing justification and inspected Attachment M to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

4. Compared the price of bilateral contracts for non-standard products in Attachment H, which are waived from strong showing justification under D. 03-06-067, OP 3(d), to the prices of relevant market supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price in Attachment H to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

5. Inspected other bilateral transactions in QCR for any transactions subject to strong showing justification and inspected Attachment M to determine whether the transactions were properly justified in Attachment M.

Finding: We found no exceptions as a result of this procedure.

6. Compared the prices of other bilateral contracts for non-standard products that are waived from strong showing justification under D. 03-06-067, OP 3(d) to the prices of relevant market

supporting documentation to determine whether the bilateral contract prices are reasonable based on available and relevant market data. Compared the buy and sell average price for other transactions to the market high and low prices to ensure a reasonable deal was completed.

Finding: We found no exceptions as a result of this procedure.

D. Electronic Solicitation Contracts

1. Inspected the utility's Q1 2024 electric physical transactions included in Attachment A to determine if there were any electronic solicitation or other competitive solicitation transactions.

Finding: We found no electric physical transactions derived from electronic/competitive solicitation(s) as a result of this procedure.

2. Inspected PRG meeting materials to determine whether the utility consulted with its PRG for any contracts with terms over one calendar quarter before they were executed.

Finding: We found no exceptions as a result of this procedure.

3. Inspected the utility's Independent Evaluator (IE) report to determine whether IE evaluated any contracts executed with affiliate(s) or any contracts with terms greater than two years.

Finding: We found no exceptions as a result of this procedure.

4. Inspected counterparties' credit supporting documentation to validate that the contracts derived from the electronic solicitation selection process were executed with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

5. Inquired with the utility as to whether the contracts had any impact on the overall Time to Expiration Value at Risk (TeVAR).

Finding: We found no contracts had any impact on the overall TeVAR.

6. Identified any contract related to a new fossil-fuel generation or Purchase Power Agreement (PPA) that was less than five years.

Finding: We did not identify any contract related to a new fossil-fuel generation or PPA that was less than five years.

7. Traced and agreed all electronic solicitation contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding #2: PG&E failed to demonstrate compliance with D.02-10-062 – Appendix B and PU Code Section 581. PG&E did not properly include the [REDACTED] from [REDACTED] [REDACTED] as its credit mechanism in Attachment B of the QCR for the contract executed with [REDACTED]. PG&E only indicated [REDACTED] in Attachment B but should

have also included [REDACTED], since it was an additional type of credit mechanism obtained by PG&E.

PG&E's Response:

On July 23, 2024, PG&E stated:

PG&E agrees with this finding. PG&E shared this issue with UAB during the Q1 2024 QCR credit support document review teleconference on June 24, 2024. This finding has been reported in PG&E's CAP and additional controls and processes are being finalized to mitigate similar issues from happening in the future. PG&E will include in its supplemental Advice Letter filing to correct the record.

E. Bilateral and Broker Contracts

1. Inspected PRG meeting materials to determine whether the utility consulted with its PRG for any contracts with terms over one calendar quarter before they were executed.

Finding: We found no exceptions as a result of this procedure.

2. Inspected counterparties' credit supporting documentation to validate that the contracts were executed bilaterally with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

3. Inquired with the utility as to whether the contracts had any impact on the overall TeVAR.

Finding: We found no contracts had any impact on the overall TeVAR.

4. Identified any contract related to a new fossil-fuel generation or PPA that was less than five years.

Finding: We did not identify any contract related to a new fossil-fuel generation or PPA that was less than five years.

5. Traced and agreed all bilateral contracts executed during the quarter to supporting documentation to ensure that they were correctly and completely reported in attachments of the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

F. Request for Proposal (RFP) – Other Market Participants

1. Identified whether the utility participated in any competitive solicitation process of any market participants and whether any contracts were executed between the utility and the market participants who issued the competitive solicitation.

Finding: We found the utility participated in a RFP process of a market participant and executed one contract.

2. Inspected PRG meeting documentation to ascertain that the utility consulted with its PRG for the contracts derived from the RFP issued by other market participants with contract duration longer than one calendar quarter.

Finding: We found no exceptions as a result of this procedure.

3. Inspected counterparties' credit supporting documentation to validate that the contracts executed with investment-grade counterparties or non-investment grade counterparties that were supported with credit protection such as surety bonds, guarantee, collateral, and net provision.

Finding: We found no exceptions as a result of this procedure.

4. Inquired of the utility as to whether the contracts had any impact on the overall TeVAR.

Finding: We found no contracts had any impact on the overall TeVAR.

5. Identified any contract related to a new fossil-fuel generation or PPA that was less than five years.

Finding: We did not identify any contract related to a new fossil-fuel generation or PPA that was less than five years.

6. Traced and agreed the contract to contract or trade confirmations and/or other supporting documents to determine whether the contract executed from the competitive solicitation issued by other market participants during the quarter are correctly and completely reported in attachments of the utility's QCR.

Finding: We found no exceptions as a result of this procedure.

G. Congestion Revenue Rights (CRR) and Long Term CRR (LTCRR)

1. Inquired with the utility and inspected relevant evidence to determine whether it consulted with ED and its PRG regarding its' annual CRR nominations prior to submitting those nominations and participating in the CAISO's CRR nomination process.

Finding: We found no exceptions as a result of this procedure.

2. Inquired with the utility and inspected relevant evidence to determine whether it consulted with ED and its PRG regarding any CRRs having a term greater than one calendar quarter prior to execution of such CRR.

Finding: We found no exceptions as a result of this procedure.

3. Inquired with the utility and inspected relevant evidence to determine whether the utility, prior to the PRG meeting, provided a list of proposed annual CRR and LTCRR nominations for allocation and auction, showing source (generation), sink (load), Megawatt (MW) quantity, term, expected value, past performance (if applicable), bid price, and a description the underlying arrangement that the CRR will hedge.

Finding: We found no exceptions as a result of this procedure.

4. Inquired with the utility and inspected relevant evidence to determine whether it consulted with ED and its PRG to review its' CRR position during the periodic position update discussions and provided the PRG with information regarding the CRR, including but not limited to source, sink, MW quantity, term, expected value, past performance (if applicable), price and a description of the underlying arrangement that the CRR will hedge (or in the case of a CRR sale, no longer hedge).

Finding: We found no exceptions as a result of this procedure.

5. Inquired with the utility whether it limits candidate CRRs to those CRRs with a source at which the utility reasonably expects to procure power.

Finding: We found no exceptions as a result of this procedure.

6. Inspected QCR to determine whether utility reports CRRs, which contains, at minimum, for each CRR, source, sink, MW quantity, term, expected value, past performance (if applicable), bid price (for CRR auctions or secondary market transactions), and a description of the underlying energy supply arrangement that the CRR will hedge.

Finding: We found no exceptions as a result of this procedure.

7. Inquired with the utility and inspected relevant evidence to determine whether it consulted with ED and its PRG regarding its LTCRR nominations prior to submitting those nominations and participating in the CAISO's LTCRR nomination process.

Finding: We found no exceptions as a result of this procedure.

8. Inquired with the utility and inspected relevant evidence to determine whether it provided periodic updates at least quarterly to the PRG on how its previously obtained LTCRRs were performing. The PRG update should contain, at minimum, for each LTCRR, the term, source and sink, relation to grid use, expected value, and past performance.

Finding: We found no exceptions as a result of this procedure.

9. Inspected QCR to determine whether the utility reported LTCRRs, which contained, at minimum, for each LTCRR, the term, source and sink, relation to grid use, expected value, and past performance.

Finding: We found no exceptions as a result of this procedure.

H. Procurement Review Group

1. Inspected the utility's PRG meeting calendar to ascertain that the utility held a regular PRG meeting at least once in Q1 2024.

Finding: We found no exceptions as a result of this procedure.

2. Inspected the utility's PRG supporting documentation to validate that the utility implemented the requirements indicated in D.07-12-052, OP 7.

Finding: We found no exceptions as a result of this procedure.

3. Inspected PRG meeting agendas to ascertain that the utility made a list of non-confidential discussion topics of the regular PRG meetings publicly available.

Finding: We found no exceptions as a result of this procedure.

4. Inspected PRG meeting summary distribution information to validate that the utility's PRG meeting summaries were distributed (or made publicly available) on the earlier of a) 14 days after the PRG meeting, or b) 48 hours before the next regularly scheduled PRG meeting.

Finding: We found no exceptions as a result of this procedure.

5. Inspected relevant supporting documentation to determine whether the utility's 95 percent TeVAR metric exceeded the established Customer Risk Tolerance (CRT). If yes, inspected PRG meeting material to determine whether the utility informed its PRG in a timely manner.

Finding: We found no exceptions as a result of this procedure.