

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



May 15, 2012

**Advice Letter 3288-G**

Brian K. Cherry  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

**Subject: Long-Term Core Hedge Program 2011 Compliance  
Advice Letter**

Dear Mr. Cherry:

Advice Letter 3288-G is effective April 27, 2012.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division



**Brian K. Cherry**  
Vice President  
Regulation and Rates

*Mailing Address*  
Mail Code B10C  
Pacific Gas and Electric Company  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415.973.6520

March 28, 2012

**Advice 3288-G**

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Long-Term Core Hedge Program 2011 Compliance Advice Letter**

**Purpose**

Pacific Gas and Electric Company ("PG&E") hereby submits for filing an Advice Letter in compliance with Section 5 of the December 15, 2006, Settlement Agreement approved in Decision (D.) 07-06-013, as modified by Section B of the Settlement Agreement approved in D.10-01-023.

**Confidential Attachments 1 through 3 of this advice letter contain confidential and market-sensitive information and therefore are being submitted pursuant to General Order 66-C, Public Utilities Code Section 454.5(g), 583 and the provisions of PG&E's Settlement Agreement under D.07-06-013.**

**Background**

On June 7, 2007, the CPUC issued D.07-06-013 adopting a Settlement Agreement between PG&E, the Division of Ratepayer Advocates ("DRA"), The Utility Reform Network ("TURN"), and Aglet Consumer Alliance ("Aglet") for approval of a long-term core hedge program for PG&E's core natural gas supplies (A.06-05-007).

Section 5.2 of the December 15, 2006, Settlement Agreement specified that on or about April 1 of each year, PG&E will provide a report of the financial results of the long-term core hedge program to the CPUC's Energy Division, on a confidential basis. These financial results are associated with hedges that settled in the 2011-2012 winter period and are contained within the confidential attachments.<sup>1</sup>

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<sup>1</sup> The financial results contained within the confidential attachments relate to hedges executed for Winter 2011-2012 that were entered into in 2009 in accordance with PG&E's 2009 annual core gas

On January 25, 2010, the CPUC issued D.10-01-023, *Decision for an Incentive Framework to Motivate Optimal Use of Natural Gas Hedging*. D.10-01-023 approved a Settlement Agreement between PG&E, DRA, and TURN that incorporates winter hedging transactions executed by PG&E on or after November 1, 2009 for Core Procurement Incentive Mechanism (“CPIM”) years beginning on or after November 1, 2010 into PG&E’s CPIM. Accordingly, winter hedges executed in 2010 are excluded from this report. Additionally, D.10-01-023 discontinued the requirement for PG&E to seek formal CPUC authority for annual hedge plans.<sup>2</sup>

Confidential Attachments 1 through 3 of this advice letter are to remain confidential in compliance with D.07-06-013. Finding of Fact 8 of D.07-06-013 provides that “the public disclosure of PG&E’s hedging plans would compromise the utility’s negotiating leverage.” In addition, Ordering Paragraph 2 provides that “PG&E’s annual gas hedging plans shall be treated as a long-term gas hedging plan in a manner consistent with the confidentiality provisions of D.06-06-066, as modified by D.07-05-032.”

### **Compliance Documentation**

The financial results for all hedges executed and settled for Winter 2011-2012 are summarized in confidential Attachment 1. Attachment 2 provides a detailed list of swap transactions executed under the 2009 Annual Hedge Plan. Confidential Attachment 3 shows the gas price indices used to settle the financial hedges for Winter 2011-2012.

This will be the final Long-Term Hedging Annual Plan Compliance Advice Letter filed by PG&E because, in accordance with Section A.1.a.iii. of the Settlement Agreement approved by D.10-01-023, “all future winter hedging transacted on or after November 1, 2009, shall be subject to DRA monitoring and review within the CPIM mechanism through the same process applied to the physical gas transactions under CPIM, consistent with existing DRA audit and report procedures intended to replace retrospective reasonableness reviews...With the integration of Hedging into the CPIM, hedging activities will not be subject to reasonableness review or compliance review and approval outside the normal CPIM review and approval process.”

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hedging implementation plan. The general parameters of this hedging plan were described previously in advice letter 3105-G.

<sup>2</sup> D.10-01-023, Ordering Paragraph 3.

**Conclusion**

As the confidential Attachments demonstrate, PG&E has complied with Section 5.2 of the Settlement Agreement by reporting the financial results of Winter 2011-2012 hedges executed under D.07-06-013.

**Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **April 17, 2012**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division  
Tariff Files, Room 4005  
DMS Branch  
505 Van Ness Avenue  
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 also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company  
Attention: Brian Cherry  
Vice President, Regulation and Rates  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-6520  
E-mail: PGETariffs@pge.com

**Effective Date**

PG&E requests that this Tier 1 advice filing become effective on regular notice, **April 27, 2012**, which is 30 calendar days after the date of 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 service list A.06-05-007. Address changes to the General Order 96-B service list and all electronic approvals should be directed to e-mail [PGETariffs@pge.com](mailto:PGETariffs@pge.com). Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

A handwritten signature in blue ink that reads "Brian Cherry". To the right of the signature is a small circular stamp containing the initials "B.S."

Vice President - Regulation and Rates

cc: Service List A.06-05-007 (public version only)  
DRA (with confidential attachments): Robert M. Pocta, David Peck, Nancy Gonzales  
TURN (with confidential attachments): Marcel Hawiger

Attachments

# 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 G)**

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Britta Brown

Phone #: (415) 973-8584

E-mail: B2Bn@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) #: **3288-G**

**Tier: 1**

Subject of AL: **Long-Term Core Hedge Program 2011 Compliance Advice Letter**

Keywords (choose from CPUC listing): **Compliance**

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: **D. 07-06-013**

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: N/A

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:  
**Yes, Long-term fuel (gas) buying and hedging plans**

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: **April 27, 2012**

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: N/A

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

**CPUC, Energy Division**

**Tariff Files, Room 4005**

**DMS Branch**

**505 Van Ness Ave., San Francisco, CA 94102**

**EDTariffUnit@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Jane Yura, Vice President, Regulation and Rates**

**77 Beale Street, Mail Code B10B**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**

**Attachment 1**

Core Gas Supply Options and Swaps Hedging Under D.07-06-13  
(Redacted In Its Entirety)

**Attachment 2**

Report on PG&E's Hedging Activities for the Long Term Core  
Hedge Program (D.07-06-013)  
(Redacted In Its Entirety)



**Attachment 3**

Report on PG&E's Hedging Activities for the Long Term Core  
Hedge Program (D.07-06-013)  
(Redacted In Its Entirety)

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

**DECLARATION OF CRAIG LOUITTIT IN SUPPORT OF  
THE CONFIDENTIAL TREATMENT OF PG&E'S ADVICE LETTER FILING 3288-G**

I, Craig Louttit, declare:

1. I am a Manager in the Core Gas Supply organization at Pacific Gas and Electric Company (PG&E). I am responsible for management of PG&E's core gas portfolio. This declaration is based on my personal knowledge of PG&E's core gas portfolio and my understanding of the Commission's decisions protecting the confidentiality of market-sensitive information concerning fuels management of an investor- owned utility.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for certain information contained in PG&E's Advice Letter 3288-G.

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 the particular type of data and information listed in Appendix 1 (the "IOU Matrix") of Decision 06-06-066 or constitutes information that should be protected under General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) 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 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 28, 2012 at San Francisco, California.

  
CRAIG LOUITTIT

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 G)  
PG&E'S ADVICE LETTER 3288-G  
March 28, 2012**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

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
<b>Document: Attachments 1-3</b>							
Attachments 1-3	Y	I.A.4 – Long-term fuel (gas) buying and hedging plans  General Order 66-C	Y	Y	Y	Attachments 1-3 include summary and detailed information about PG&E's gas hedges, which should be confidential by analogy to the protections for gas hedging plans in Item I.A.4 of the D.06-06-066 Matrix. Disclosure of this information would compromise PG&E's negotiating leverage. This material is also protected as confidential material under General Order 66-C.	3 years following expiration of the last trade executed under the Hedging Plan

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

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Alcantar & Kahl LLP	Douglass & Liddell	Occidental Energy Marketing, Inc.
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Anderson & Poole	Duke Energy	Praxair
BART	Economic Sciences Corporation	R. W. Beck & Associates
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Chris, King	MRW & Associates	Sutherland, Asbill & Brennan
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Commercial Energy	Morrison & Foerster LLP	Utility Cost Management
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Crossborder Energy	NRG West	Verizon
Davis Wright Tremaine LLP	NaturEner	Wellhead Electric Company
Day Carter Murphy	Navigant Consulting	Western Manufactured Housing Communities Association (WMA)
Defense Energy Support Center	Norris & Wong Associates	eMeter Corporation
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