



QUARTERLY ENERGY PROCUREMENT COMPLIANCE AGREED-UPON PROCEDURES ENGAGEMENT

Pacific Gas and Electric Company

First Quarter of 2023 – Advice Letter 6927-E

Utility Audits, Risk and Compliance Division
Utility Audits Branch
September 20, 2023



PUBLIC UTILITIES COMMISSION

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Transmitted via e-mail

September 20, 2023

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

Dear Kelly Everidge:

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, 2023, through March 31, 2023

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 2023 in Advice Letter (AL) 6927-E. The final AUP report is enclosed.

We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

The completed audit resulted in no reportable findings relating to PG&E’s First Quarter of 2023 QCR filed in Advice Letter 6927-E.

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 tracy.fok@cpuc.ca.gov.

Sincerely,

Angie Williams

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

Kelly Everidge, Director
Risk, Compliance & Reporting Department
Pacific Gas and Electric Company
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A digital copy of this report can be found at:

[Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry)

**You can contact our office at:
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I. INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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, 2023, through March 31, 2023 (Q1 2023). 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), except for obtaining an external peer review. UAB was unable to obtain an external peer review timely due to delays caused by the COVID19 pandemic. However, this does not affect UAB's adherence to all other GAGAS requirements and the results of procedures performed. 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 Company 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 2023 electric physical (and transmission) transaction details in Attachment A² contained any electronic solicitation or other competitive solicitation transactions, requiring performance of the audit procedures for Electronic Solicitation and Related Contracts.

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 2023 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 2023 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 2023 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 2023 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 to the utility's Quarterly Compliance Report subject to this engagement.

6. Reconciled to determine whether the utility's Q1 2023 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.

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: QCR advice letter filing, including the attachments of supporting documents, was accurate and complete.

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

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 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 of QCR for any transactions subject to strong showing justification and inspected Attachment M – Transactions Subject to Strong Showing of QCR 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 of QCR for any transactions subject to strong showing justification and inspected Attachment M of QCR 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 of QCR 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 2023 electric physical transactions included in Attachment A to find if there were any electronic solicitation or other competitive solicitation transactions.

Finding: We found no electric physical transactions derive 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 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 generation or Purchase Power Agreement (PPA) that was less than five years.

Finding: We did not identify any contract related to a new fossil 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: We found no exceptions as a result of this procedure.

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

Finding: We found that [REDACTED] reported in Attachment A provide fixed price gas in the future, which reduces gas purchases subject to market fluctuations, thus reducing TeVAR. There are [REDACTED] and [REDACTED] [REDACTED] contracts reported in Attachment H which had no impact on TeVAR.

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

Finding: We did not identify any contract related to a new fossil 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. 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 2023.

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 and 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 procurement review group 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.

G. Inspection of QCR Preparation Process

1. Requested the following supporting documentation to obtain an understanding of the utility's QCR preparation process:

- a) The utility's QCR preparation policies, procedures, and guidelines
- b) The utility's response to QCR preparation process questionnaire
- c) The utility's QCR preparation process overview
- d) The utility's quality control processes for QCR preparation
- e) A list of the utility's staff responsible for QCR preparation

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

2. Inspected the aforementioned supporting documentation under Procedure 1 to determine the following:

- a) The utility has policies, procedures, and/or guidelines in place for its QCR preparation process.

- b) The utility has the following quality controls in place for its QCR preparation process.
 - i. Multi-level review of QCR data and information before submission
 - ii. Resolution/Correction process of data discrepancies
 - iii. Implementation of corrective action plans

c) The utility has adequate staffing assigned for QCR preparation.

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

- 3. Requested the utility to provide a walkthrough of its gas physical, gas financial, and other gas data retrieving process including identifying queries/parameters to retrieve such data from its computer information systems and screening such data for QCR reporting.

Finding: We found that the utility's data retrieving and screening process is adequate with legitimate queries and parameters.

- 4. Obtained the raw data generated from the utility's computer information system as a result of the aforementioned walkthrough and reconciled the raw data to the reported data in QCR for gas physical, gas financial, and other gas transactions.

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

- 5. Selected a sample from the utility's gas physical, gas financial, and other gas transaction populations reported in QCR on a judgmental basis covering all product types, various counterparties, purchases/sales, brokers/exchanges, locations, and transaction methods.

Finding: UAB selected a sample size of [REDACTED], [REDACTED] for a total of [REDACTED] transactions, which covered [REDACTED] percent of the total population value. ED approved this sample on July 28, 2023.

- 6. Traced and agreed transaction volumes, prices, notional values, and other related information to invoices for the sampled transactions selected from Procedure 5.

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

- 7. Requested the utility to provide a walkthrough of its contract data retrieving process including identifying queries/parameters to retrieve such data from its computer information systems and screening such data for QCR reporting.

Finding: We found the utility's data retrieving and screening process is adequate with legitimate queries and parameters.

- 8. Obtained energy procurement contract raw data generated from the utility's computer information system as a result of the aforementioned walkthrough and reconciled the raw data to the reported contracts in the utility's QCR.

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