

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID: 19403
RESOLUTION E-5146
May 20, 2021

R E S O L U T I O N

Resolution E-5146. Request by Pacific Gas and Electric Company to Revise Appendix E of its 2014 Conformed Bundled Procurement Plan.

PROPOSED OUTCOME:

- This Resolution approves changes to Appendix E (Electric Portfolio Hedging Plan) of Pacific Gas and Electric Company's (PG&E) 2014 Conformed Bundled Procurement Plan.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this Resolution.

ESTIMATED COST:

- There are no estimated costs associated with this Resolution.

By Advice Letter 6051-E, Filed on January 8, 2021.

SUMMARY

This Resolution approves revisions to Appendix E (Electric Portfolio Hedging Plan) of Pacific Gas and Electric Company's 2014 Conformed Bundled Procurement Plan. The Resolution finds that Pacific Gas and Electric Company's proposed revisions are reasonable and does not modify the request.

BACKGROUND

The Commission approved Pacific Gas and Electric Company's (PG&E) 2014 Bundled Procurement Plan, with modifications, in Decision (D.) 15-10-031. Appendix E of PG&E's 2014 Conformed Bundled Procurement Plan ("2014 BPP")

Pacific Gas and Electric Company AL 6051-E/ND2

governs the procedures PG&E will use to manage commodity price risk in its electric portfolio and, in turn, to mitigate potential financial impacts for PG&E's bundled ratepayers.

On May 1, 2018, PG&E filed Advice Letter (AL) 5282-E, which informed the Commission that PG&E would make certain temporary changes to its hedging activities, considering its then-current long position and regulatory uncertainty regarding the Power Charge Indifference Adjustment proceeding.¹ PG&E intended to operate under these changes "until a date no later than December 31, 2019, at which time PG&E will have filed, if necessary to address pertinent portfolio, market and regulatory conditions, a Tier 3 advice letter with revisions to its Hedging Plan."² As a Tier 1 advice letter, AL 5282-E became effective on May 1, 2018. PG&E subsequently filed AL 5469-E (effective January 16, 2019), AL 5507-E (effective April 1, 2019), and AL 5704-E (effective December 9, 2019), all of which advised the Commission of continued temporary management. AL 5704-E also extended the deadline for an advice letter that would either continue or revise the Hedging Plan until December 31, 2020.³ In AL 6024-E (effective December 11, 2020), PG&E similarly informed the Commission that it "will continue temporarily managing the electric portfolio outside the established targets, limits, constraints, conditions, and rules in Appendix E of the BPP for certain delivery periods"⁴ but noted that it would take certain actions to "allow for a transition to PG&E Hedging Plan proposed revisions, which PG&E will separately submit for approval via a Tier 3 Advice Letter."⁵

PG&E filed Tier 3 AL 6051-E, the subject of this Resolution, on January 8, 2021. In AL 6051-E, PG&E requests modifications to its Hedging Plan that "are designed

¹ AL 5282-E at p. 2.

² *Ibid.* at p. 2.

³ AL 5704-E at Attachment 2, p. 3.

⁴ AL 6024-E at p. 2.

⁵ *Ibid.* at p. 3.

to allow PG&E to manage commodity price risk for customers given current conditions and future portfolio uncertainties.”⁶ PG&E also states that:

PG&E’s future resource portfolio is expected to undergo significant change in the coming years, with the retirement of Diablo Canyon and the end of numerous tolling purchased power agreements. Future resource procurement is envisioned but unknown at this time, creating uncertainty with respect to the future composition of PG&E’s supply portfolio. Potential changes in PG&E’s bundled electric load could significantly alter its hedged position. Additionally, PG&E’s recent emergence from bankruptcy and its non-investment grade credit rating impact the collateral requirements needed to engage in energy procurement, including hedging transactions.⁷

PG&E notes that its proposed modifications are “are consistent with the Commission’s directives” and that in accordance with its AL 5440-E, “any utility hedging costs and benefits would be recorded in the Energy Resource Recovery Account balancing account for allocation only to bundled electric customers.”⁸

NOTICE

Notice of AL 6051-E was made by publication in the Commission’s Daily Calendar. Pacific Gas and Electric Company states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter 6051-E was not protested.

⁶ AL 6051-E at p. 2.

⁷ *Ibid.* at p. 2.

⁸ *Ibid.* at p. 2.

DISCUSSION

The Commission has reviewed the Advice Letter and finds that PG&E's proposed modifications to its 2014 BPP strike an appropriate balance between protecting PG&E's bundled ratepayers through prudent hedging activities and not overpaying for this protection. We note that PG&E's 2014 BPP remains in effect until we undertake a comprehensive revision or replacement of the investor-owned utilities' 2014 Bundled Procurement Plans. We also note that we have authorized the investor-owned utilities to revise their Bundled Procurement Plans between review cycles via the advice letter process.⁹

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review. Please note that comments are due 20 days from the mailing date of this resolution. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. Pacific Gas and Electric Company's proposed modifications to its 2014 Conformed Bundled Procurement Plan strike an appropriate balance between protecting Pacific Gas and Electric Company's bundled ratepayers through prudent hedging activities and not overpaying for this protection.

⁹ See D.04-12-048 at FOF 106, D.07-12-052 at OP 26, D.12-01-033 at 44-45, PG&E's 2014 BPP at Sheet 36, and Resolution E-4828 at OP 1.

2. Pacific Gas and Electric Company's 2014 Conformed Bundled Procurement Plan remains in effect until the Commission undertakes a comprehensive revision or replacement of the investor-owned utilities' 2014 Bundled Procurement Plans.
3. The Commission has authorized the investor-owned utilities to revise their Bundled Procurement Plans between review cycles via the advice letter process.

THEREFORE IT IS ORDERED THAT:

1. The request of the Pacific Gas and Electric Company to modify Appendix E of its 2014 Conformed Bundled Procurement Plan, as requested in Advice Letter 6051-E, is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on May 20, 2021; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director