



Memorandum

Date: November 9, 2011

To: Edward Randolph
Director of Energy Division

From: **Public Utilities Commission—** Kayode Kajopaiye, Branch Chief
San Francisco Division of Water and Audits

Subject: Pacific Gas and Electric Company Advice Letter 3880-E
Quarterly Procurement Plan Compliance Report for the Second Quarter 2011

Based on the results of its audit, the Division of Water and Audits' Utility Audit, Finance and Compliance Branch (UAFCB) did not find any material reasons for Energy Division (ED) to deny the approval of Pacific Gas and Electric Company's (PG&E) Advice Letter No. (AL) 3880-E. PG&E's audited procurement transactions during the second quarter of 2011 (Q2) were, in all material respects, in compliance with PG&E's procurement plan, as approved in Decision (D.) 07-12-052, Assembly Bill (AB) 57 procurement rules and several procurement-related Commission directives.

A. Summary of Audit Finding

UAFCB does not have any material audit findings with respect to PG&E's Q2 quarterly compliance report (QCR) filing.

B. Background

As required by D.02-10-062, Ordering Paragraph (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. ED requested that the UAFCB conduct compliance audits of these utilities' quarterly procurement compliance filings.

The objective of these quarterly audits is to determine if the utilities were in compliance with their California Public Utilities Commission's (Commission) approved procurement plans, while complying with all AB 57 procurement rules and several procurement-related regulatory rulings and decisions, including, but not limited to, D.02-10-062, D.03-06-076, D.03-12-062, D.04-12-048, D.07-12-052, and D.08-11-008.

C. Findings

UAFCB does not have any material audit findings with respect to PG&E's Q2 QCR filing. However, PG&E incorrectly reported the term of its contract with Nobles America Energy Solutions in Attachment H. On October 4, 2011, based on a recommendation from UAFCB, PG&E amended its Attachment H to correct the term of this contract.

D. Conclusion

Except for the items noted in Section C above, PG&E's AL 3880-E and its Q2 procurement transactions for electricity and natural gas were, in material respects, in compliance with PG&E's Commission-approved procurement plan and all relevant Commission decisions. PG&E's Q2 transactions, in material respects, appear to be complete, accurate, and properly authorized by its management.

PG&E QCR Audit
Second Quarter of 2011
November 9, 2011

This audit is limited in scope and does not provide full assurance to the reasonableness of PG&E's Q2 QCR filing or its Q2 transactions.

If you have any questions on UAFCB's audit, please contact Tracy Fok at (415) 703-3122.

cc: Rami Kahlon, Director, Division of Water and Audits
Judith Ikle, Energy Division
Sarita Sarvate, Energy Division
Lily Chow, Energy Division
Donna Wagoner, Division of Water and Audits
Tracy Fok, Division of Water and Audits