

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 10, 2007

Advice Letter 2998-E

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: Corrected Reliability Performance Incentive Mechanism Results for Performance
Year 2005

Dear Ms. de la Torre:

Advice Letter 2998-E is effective March 31, 2007. A copy of the advice letter is returned
herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS
M Brown Tariffs Section D Poster
R Dela Torre M Hughes
B Lam
MAY 17 2007
Return to _____ Records _____
File _____
cc to _____



Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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

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March 1, 2007

Advice 2998-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Corrected Reliability Performance Incentive Mechanism Results
For Performance Year 2005**

Purpose

The purpose of this filing is to correct an error that PG&E has found in its 2005 electric distribution reliability results. The error led to an understatement of PG&E's 2005 SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index) results. In brief, PG&E realizes that since 2000, it has included the multiple residential services beyond a master meter (e.g., mobile home park residents) in the denominator (customer count) of the SAIDI and SAIFI formulas, even though a system upgrade led to them no longer being included in the customer outage data in the numerator of the formulas. This error in turn led to an understatement of the Reliability Performance Incentive Mechanism (RPIM) penalty for 2005, the first year of the RPIM.

On October 19, 2006 the Commission issued Resolution E-4003 approving an RPIM penalty of \$2.8 million. As PG&E explains below, the penalty should have been \$9.2 million, a \$6.4 million difference. By this advice, PG&E is notifying the Commission of the error, and requesting that an additional \$6.4 million adjustment be made to PG&E's Distribution Revenue Adjustment Mechanism (DRAM).

Background

Decision (D.) 96-09-045 adopted recording and reporting requirements related to the frequency and duration of electric system outages. Among other things, this decision requires each electric distribution utility to submit an annual report to the Commission by March 1 with statistics regarding system reliability performance for the previous calendar year, including SAIDI and SAIFI.

SAIDI measures the average duration of outages per customer during a specified time period. It is calculated by dividing the total minutes of sustained customer interruptions by the total number of customers. SAIFI measures the average number of sustained power interruptions for each customer during a specified time period. It is calculated by dividing the total number of sustained customer interruptions by the total number of customers.

Pursuant to D.04-10-034, the Commission adopted a RPIM for PG&E. The RPIM establishes individual annual SAIDI and SAIFI performance targets for the years 2005-2007. The targets and parameters for PG&E's RPIM are provided below.

| | SAIDI excluding Major Events | SAIFI excluding Major Events |
|------------------------------|---|---|
| 2005 | 165 | 1.40 |
| 2006 | 161 | 1.33 |
| 2007 | 157 | 1.24 |
| Deadbands | 10 min/yr | 0.10 outages/yr |
| Livebands | 15.8 min/yr | 0.15 outages/yr |
| Max Annual Reward/Penalty | \$12 million | \$12 million |

For performance year 2005, PG&E's SAIDI target was 165 total minutes and its SAIFI target was 1.40 interruptions per customer. These targets exclude major events as defined in D.96-09-045.

On March 9, 2006, PG&E filed Advice 2800-E, requesting that the RPIM be made a part of PG&E's DRAM and to adopt for 2005 results, an RPIM penalty of \$2,810,128. In Resolution E-4003, the Commission approved PG&E's Advice 2800-E.

In the course of reviewing the data for the Annual Distribution Reliability Report for 2006¹, PG&E uncovered an error in its SAIDI and SAIFI calculations for years 2000-2005. Prior to October 2000, PG&E had included the multiple residential services beyond master meters when calculating the total minutes of sustained customer interruptions (for SAIDI), the total number of sustained customer interruptions (for SAIFI), and the total number of customers (the denominator for both formulas). The formula essentially was as follows:

SAIDI/SAIFI Calculations (Prior to October 2000)

$$\text{SAIDI} = \frac{\text{(Total Customer Minutes)} + \text{(Minutes for multiple Services beyond Master Meter)}}{\text{(Total Customers)} + \text{(Total multiple Services beyond Master Meter)}}$$

$$\text{SAIFI} = \frac{\text{(Total Customer Interruptions)} + \text{(Interruptions for multiple Services beyond Master Meter)}}{\text{(Total Customers)} + \text{(Total multiple Services beyond Master Meter)}}$$

This changed, however, as a result of certain system upgrades. Prior to the Fall of 1999, PG&E utilized a so-called DEDSA system, which consisted of computer hardware physically located in local offices. In the Fall of 1999, PG&E converted to its current CEDSA system (due to Y2K issues), which consists of computer hardware in a central location. This did not have an effect right away, because the outage tool was not ready to be upgraded to use CEDSA at that time and a temporary software solution was adopted to use a modified DEDSA database for preparing the outage statistics through late 2000. Prior to and during this time, the outage database was still calculating the outages for the multiple services beyond the master meters. In October 2000, however, PG&E upgraded to its new OUTAGE reporting program designed specifically to use the newer CEDSA database. From that time on, the OUTAGE database no longer recorded the outages for the multiple services beyond the master meters.

When preparing the 2000 SAIDI and SAIFI results -- well before the RPIM existed -- the personnel responsible for preparing outage statistics decided to add the multiple services beyond the master meters to the total number of electric customers in order to be consistent with the prior years. In recent years, the personnel preparing SAIDI and SAIFI results had included 242,610 as an estimate of the multiple services beyond the master meters in the denominator of the formula (i.e., counted them as customers). However, they were not able to accurately include, and did not take any special steps to include, outages for the multiple services beyond master meters when totaling the number of customer outages or duration of those outages.

The incorrect formula used from 2001 to 2005 was as follows²:

¹ PG&E is submitting its Annual Distribution Reliability Report for 2006 today, as required by D.96-09-045. In that report PG&E is providing corrected SAIDI and SAIFI results for 2000-2004 as well as 2005, and is submitting its preliminary 2006 SAIDI and SAIFI results. PG&E will file for its 2006 RPIM in early July after PG&E has completed the audit required by Resolution E-4003.

² In 2000, the outage data associated with the multiple services beyond the master meters

Incorrect SAIDI/SAIFI Calculations (2001 – 2005)

$$\text{SAIDI} = \frac{\text{(Total Customer Minutes)}}{\text{(Total Customers) + (Estimated Total multiple Services beyond Master Meter)}}$$

$$\text{SAIFI} = \frac{\text{(Total Customer Interruptions)}}{\text{(Total Customers) + (Estimated Total multiple Services beyond Master Meter)}}$$

When this came to light, PG&E realized that it was erroneously counting the multiple services beyond each master meter in the denominator but not the corresponding outage information in the numerator, skewing the results.

Revised SAIDI/SAIFI Results and Corrected RPIM

PG&E has revised its SAIDI and SAIFI calculations for 2005, removing the estimate of 242,610 multiple services beyond a master meter from the denominator. The revised approach is as follows:

Corrected SAIDI/SAIFI Calculations (2001 and beyond)

$$\text{SAIDI} = \frac{\text{(Total Customer Minutes)}}{\text{(Total Customers)}}$$

$$\text{SAIFI} = \frac{\text{(Total Customer Interruptions)}}{\text{(Total Customers)}}$$

As shown in Attachment A, when the multiple services beyond the master meters are removed from the denominator, the 2005 SAIDI and SAIFI results are 187.1 minutes and 1.41 interruptions per customer, respectively. This is a difference of 8.4 minutes for SAIDI and 0.06 interruptions for SAIFI. Under the RPIM for 2005, SAIDI is in the penalty range but SAIFI remains in the deadband. Based upon the revised 2005 SAIDI of 187.1 minutes, the RPIM penalty for PG&E's 2005 performance should have been \$9,219,137, not \$2,810,129.

Appendix A to D.96-09-045 establishes the basic definitions of SAIDI and SAIFI. However, the Commission has never attempted to define what constitutes a customer for these purposes, and in particular has never indicated whether the multiple services beyond a master meter such as apartment units or residents of a mobile home park should be included in SAIDI and SAIFI statistics. Nevertheless, PG&E readily acknowledges that if they are to be included, they should be in both the numerator and the denominator.

Accordingly, PG&E in these revised calculations is excluding all information for the multiple services beyond the master meters. PG&E believes that this is a simpler and more accurate fix than attempting to accurately calculate outages for the multiple services beyond the master meters, who are no longer identified and

had been included for most of the year (from January through mid October) but not after.

maintained in PG&E's CEDSA system used for outage reporting. In addition, excluding the multiple services beyond the master meters is consistent with the IEEE Guide for Electric Distribution Reliability Indices.³

In preparing these revised calculations, PG&E has made the same adjustments for major event exclusions and for the results of the EPRI Solutions audit previously described in Advice 2800-E and Resolution E-4003. The total customer number (denominator) includes, as in prior years, all meters as of December 31, but the multiple services beyond the master meters are simply no longer included in the customer count. Based on the revised calculations shown in Attachment A, PG&E requests that the Commission increase the RPIM penalty for 2005 from \$2,810,128 to \$9,219,137, an increase of \$6,409,009 with the adjustment to be made to PG&E's DRAM.

Effective Date

PG&E requests that this filing be approved on regular notice, **March 31, 2007**, which is thirty (30) days after the date of this filing.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **March 21, 2007**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. 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: anj@cpuc.ca.gov and mas@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.

³ The IEEE guide suggests only counting active accounts, but PG&E has, since 1996, counted total meters (both active and inactive) for both the outage records of the numerator and the customer counts of the denominator. PG&E has never attempted to identify from its customer information systems those customers considered active at the time of each outage event, and has no reason to think that this issue makes any difference in the reporting statistics, especially since any impact of this approach is embedded in the data used by the Commission in D.04-10-034 to set the RPIM targets.

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:

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

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and on the Service List for PG&E's 2003 GRC Application (A.) 02-11-017. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs/>



Vice President – Regulatory Relations

Attachments

cc: Sean Gallagher, Director, Energy Division
Brian Schumacher, Energy Division
David Lee, Energy Division
Marty Lyons, Division of Ratepayer Advocates
Service List A.02-11-017

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)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Bernard Lam

Phone #: (415) 973-4878

E-mail: bxlc@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) #: **2998-E**

Subject of AL: Corrected Reliability Performance Incentive Mechanism Results For Performance Year 2005

Keywords (choose from CPUC listing): Reliability

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

N/A

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 AL¹: _____

Resolution Required? Yes No

Requested effective date: **March 31, 2007**

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 proposed¹: See advice letter

Pending advice letters that revise the same tariff sheets: N/A

Protests 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

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

¹ Discuss in AL if more space is needed.

Table 4 - Summary of Adjustments to 2005 SAIDI and SAIFI Data (Revised)

| Line # | Description | Division or System | Date | SAIDI | SAIFI |
|--------|---|--------------------|----------------|--------|--------|
| 1 | Step 1: January to April adjustment associated with EPRI Solutions Report | | | | |
| 2 | Starting point: January - April | SYSTEM | Jan - Apr 2005 | 68.10 | 0.470 |
| 3 | Adjustment Factors (+2.0% for SAIDI and -1.7% for SAIFI, from EPRI report) | | | 0.02 | -0.017 |
| 4 | Resulting adjustment (line 2 multiplied by line 3) | | | 1.40 | -0.008 |
| 5 | | | | | |
| 6 | Step 2: Annual Adjustment for EPRI Solutions Report | | | | |
| 7 | Starting point: January - December data | SYSTEM | | 248.00 | 1.557 |
| 8 | Adjustment values (from line 4) | | | 1.40 | -0.008 |
| 9 | Subtotal (line 7 plus line 8) | | | 249.40 | 1.549 |
| 10 | | | | | |
| 11 | Step 3: Subtract excluded days | | | | |
| 12 | Starting point: Excludable December data | DIABLO | 18-Dec | 0.40 | 0.003 |
| 13 | | EAST BAY | 18-Dec | 0.50 | 0.003 |
| 14 | | NORTH BAY | 18-Dec | 0.40 | 0.003 |
| 15 | | NORTH COAST | 18-Dec | 0.79 | 0.003 |
| 16 | | PENINSULA | 18-Dec | 1.07 | 0.005 |
| 17 | | SACRAMENTO | 18-Dec | 0.41 | 0.002 |
| 18 | | STOCKTON | 18-Dec | 0.19 | 0.001 |
| 19 | | NORTH COAST | 19-Dec | 0.28 | 0.001 |
| 20 | | PENINSULA | 19-Dec | 0.06 | 0.001 |
| 21 | | SACRAMENTO | 19-Dec | 0.08 | 0 |
| 22 | | NORTH COAST | 20-Dec | 1.16 | 0.003 |
| 23 | | SYSTEM | 30-Dec | 2.33 | 0.009 |
| 24 | | SYSTEM | 31-Dec | 54.56 | 0.108 |
| 25 | Subtotal (Sum of lines 12 thru 24) | | | 62.23 | 0.142 |
| 26 | | | | | |
| 27 | Step 4: Calculate final value | | | | |
| 28 | 2005 SAIDI & SAIFI excluding major events and adjusted for EPRI Solutions Report (line 9 minus line 25) | | | 187.17 | 1.407 |

**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

| | | |
|------------------------------------|--|---------------------------------------|
| ABAG Power Pool | Douglass & Liddell | PG&E National Energy Group |
| Accent Energy | Downey, Brand, Seymour & Rohwer | Pinnacle CNG Company |
| Aglet Consumer Alliance | Duke Energy | PITCO |
| Agnews Developmental Center | Duke Energy North America | Plurimi, Inc. |
| Ahmed, Ali | Duncan, Virgil E. | PPL EnergyPlus, LLC |
| Alcantar & Kahl | Dutcher, John | Praxair, Inc. |
| Ancillary Services Coalition | Dynegy Inc. | Price, Roy |
| Anderson Donovan & Poole P.C. | Ellison Schneider | Product Development Dept |
| Applied Power Technologies | Energy Law Group LLP | R. M. Hairston & Company |
| APS Energy Services Co Inc | Energy Management Services, LLC | R. W. Beck & Associates |
| Arter & Hadden LLP | Exelon Energy Ohio, Inc | Recon Research |
| Avista Corp | Exeter Associates | Regional Cogeneration Service |
| Barkovich & Yap, Inc. | Foster Farms | RMC Lonestar |
| BART | Foster, Wheeler, Martinez | Sacramento Municipal Utility District |
| Bartle Wells Associates | Franciscan Mobilehome | SCD Energy Solutions |
| Blue Ridge Gas | Future Resources Associates, Inc | Seattle City Light |
| Bohannon Development Co | G. A. Krause & Assoc | Sempra |
| BP Energy Company | Gas Transmission Northwest Corporation | Sempra Energy |
| Braun & Associates | GLJ Energy Publications | Sequoia Union HS Dist |
| C & H Sugar Co. | Goodin, MacBride, Squeri, Schlotz & | SESCO |
| CA Bldg Industry Association | Hanna & Morton | Sierra Pacific Power Company |
| CA Cotton Ginners & Growers Assoc. | Heeg, Peggy A. | Silicon Valley Power |
| CA League of Food Processors | Hitachi Global Storage Technologies | Smurfit Stone Container Corp |
| CA Water Service Group | Hogan Manufacturing, Inc | Southern California Edison |
| California Energy Commission | House, Lon | SPURR |
| California Farm Bureau Federation | Imperial Irrigation District | St. Paul Assoc |
| California Gas Acquisition Svcs | Integrated Utility Consulting Group | Sutherland, Asbill & Brennan |
| California ISO | International Power Technology | Tabors Caramanis & Associates |
| Calpine | Interstate Gas Services, Inc. | Tecogen, Inc |
| Calpine Corp | IUCG/Sunshine Design LLC | TFS Energy |
| Calpine Gilroy Cogen | J. R. Wood, Inc | Transcanada |
| Cambridge Energy Research Assoc | JTM, Inc | Turlock Irrigation District |
| Cameron McKenna | Luce, Forward, Hamilton & Scripps | U S Borax, Inc |
| Cardinal Cogen | Manatt, Phelps & Phillips | United Cogen Inc. |
| Cellnet Data Systems | Marcus, David | URM Groups |
| Chevron Texaco | Matthew V. Brady & Associates | Utility Cost Management LLC |
| Chevron USA Production Co. | Maynor, Donald H. | Utility Resource Network |
| City of Glendale | MBMC, Inc. | Wellhead Electric Company |
| City of Healdsburg | McKenzie & Assoc | Western Hub Properties, LLC |
| City of Palo Alto | McKenzie & Associates | White & Case |
| City of Redding | Meek, Daniel W. | WMA |
| CLECA Law Office | Mirant California, LLC | |
| Commerce Energy | Modesto Irrigation Dist | |
| Constellation New Energy | Morrison & Foerster | |
| CPUC | Morse Richard Weisenmiller & Assoc. | |
| Cross Border Inc | Navigant Consulting | |
| Crossborder Inc | New United Motor Mfg, Inc | |
| CSC Energy Services | Norris & Wong Associates | |
| Davis, Wright, Tremaine LLP | North Coast Solar Resources | |
| Defense Fuel Support Center | Northern California Power Agency | |
| Department of the Army | Office of Energy Assessments | |
| Department of Water & Power City | OnGrid Solar | |
| DGS Natural Gas Services | Palo Alto Muni Utilities | |