

December 20, 2002

ADVICE 2431-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: 2001 Core Procurement Incentive Mechanism Award

Purpose

Pacific Gas & Electric Company (PG&E) hereby requests Commission approval of a shareholder award of \$7,690,297, corresponding to PG&E's portion of the shared savings achieved through the Core Procurement Incentive Mechanism (CPIM) during the period November 1, 2000, through October 31, 2001.¹

Background

PG&E's initial CPIM report was submitted to the Commission's Energy Division and the Office of Ratepayer Advocates (ORA) on March 21, 2002, and distributed to the Commission and all parties on the Gas Accord Service List. ORA performed an audit on the CPIM performance results and issued its report supporting PG&E's revised calculations. No other party commented on PG&E's CPIM Report.

PG&E has since revised its CPIM performance for the record period. PG&E informed the Energy Division and ORA staff of cost revisions affecting the CPIM performance through correspondence and meetings. ORA concurs with PG&E's award calculation, and recommends in its Monitoring and Evaluation Report (2000-2001 Record Period) dated December 17, 2002, that the Commission approve PG&E's request (See p. 1-8.). The monitoring, evaluation, and shareholder award procedures are consistent with the procedures established by

¹ PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

the Commission for review and cost recovery of San Diego Gas and Electric Company's Gas Procurement Performance-Based Ratemaking Mechanism Application (A.) 92-10-017.

CPIM Results

The CPIM performance revisions reflect:

1. The addition of costs that were inadvertently omitted from the initial report,
2. Updated financial and physical settlement cost estimates², and
3. Final resolution through PG&E's bankruptcy process of certain settlement costs.

As a result of these cost revisions, PG&E's shareholder award has been reduced to \$7,690,297, as shown in the table below.

Comparison of Initial Report to Revised Performance

	November 2000 – October 2001 Total Commodity, Transportation and Storage Costs						
	Zone of Reasonableness			Actual Costs			
	Upper Tolerance Limit (Benchmark + 2.0% Commodity Benchmark)	Total Benchmark	Lower Tolerance Limit (Benchmark - 1.0% Commodity Benchmark)	Total Costs Incurred	Amount Under Benchmark	Amount Under Tolerance Band	Accrued Share-holder Award
As Filed	\$2,379,882,261	\$2,336,124,088	\$2,314,245,001	\$2,280,607,087	\$55,517,001	\$33,637,914	\$16,818,957
As Revised	\$2,379,882,261	\$2,336,124,088	\$2,314,245,001	\$2,298,864,407	\$37,259,681	\$15,380,594	\$7,690,297

As shown in the table above, PG&E's revised November 1, 2000, through October 31, 2001, total gas costs are \$2,298,864,407. As measured against the annual CPIM benchmark, PG&E's gas savings are \$37,259,681 below the benchmark, and are \$15,380,594 below the tolerance band lower limit. Therefore, all gas costs are reasonable and are recoverable from ratepayers as specified by the CPIM³, Chapter 2, Part III, Incentive Rewards and Penalties, and by PG&E's Commission-approved tariffs. (See Gas Preliminary Statement, Part C.13.) In addition, PG&E requests Commission approval for PG&E's shareholder award equal to 50 percent of the savings below the lower limit of the tolerance band as prescribed by the incentive formula in the CPIM, Part III, b, Sharing Outside the

² PG&E will adjust future CPIM performance results to reflect any disparity between recorded estimates and final settlement.

³ PG&E's Gas Accord Application 96-08-043, Supplemental Report Describing the Post-1997 Core Procurement Incentive Mechanism (CPIM), October 18, 1996.

Tolerance Band. In accordance with that formula, PG&E's award is \$7,690,297. Ratepayers realized their share of savings in the form of lower gas procurement costs.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule. Upon Commission approval, PG&E will record the incentive awards in the core and core subscription subaccounts of the Purchased Gas Account (PGA).

Effective Date

PG&E requests that this filing be approved on regular notice, **January 29, 2003**, which is forty (40) days after the date of this filing.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **January 9 2003**, 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:

IMC Branch Chief – Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address. A copy of the protest should be sent via e-mail, facsimile and by U.S. mail to:

Pacific Gas and Electric Company
Attention: Les Guliasi
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: RxDd@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. A copy of this request has been served on parties to the Service List in Gas Accord Settlement Application (A.) 01-10-011. 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/customer_services/business/tariffs/

Vice President – Regulatory Relations

Attachments

cc: Administrative Law Judge Andrea K. Minkin
Paul A. Clanon, Director, Energy Division
Don Lafrenz, Energy Division
Jacqueline Greig, Office of Ratepayer Advocates
Ramesh Ramchandani, Office of Ratepayer Advocates
William A. Scott, Office of Ratepayer Advocates
Gas Accord Settlement Service List - A. 01-10-011