

September 16, 2003

ADVICE 2483-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: 2002 Core Procurement Incentive Mechanism Award

Purpose

Pacific Gas & Electric Company (PG&E) hereby requests Commission approval of a shareholder award of \$2,397,649 corresponding to PG&E's portion of the shared savings achieved through the Core Procurement Incentive Mechanism (CPIM) during the period November 1, 2001, through October 31, 2002.¹

Background

PG&E's Annual CPIM Performance Report was submitted to the Commission's Energy Division and the Office of Ratepayer Advocates (ORA) on May 30, 2003, and distributed to the Commission and all parties on the Gas Accord II Service List. ORA performed an audit on the CPIM performance results and issued its Monitoring and Evaluation Report supporting PG&E's calculations. No other party commented on PG&E's CPIM Report.

ORA concurs with PG&E's CPIM award calculation, and recommends in its Monitoring and Evaluation Report (2001-2002 Record Period)², that the Commission approve PG&E's request.

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.

² ORA Monitoring and Evaluation Report, November 1, 2001, through October 31, 2002, on Pacific Gas and Electric's Company's Core Procurement Incentive Mechanism (CPIM Year 9), Year 2002 Performance Results, Application 96-08-043, September 3, 2003.

CPIM Results

As discussed in PG&E's Annual CPIM Performance Report, and shown again below, PG&E's annual gas costs for the period were \$905,747,522. As measured against the annual CPIM benchmark, PG&E's gas costs are \$12,539,643 below the benchmark, and are \$4,795,299 below the tolerance band lower limit. PG&E's costs and performance results were verified by ORA's audit and confirmed in their Monitoring and Evaluation Report.

PG&E's Annual CPIM Performance

November 2001 – October 2002 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	
\$933,775,852	\$918,287,165	\$910,542,821	\$905,747,522	\$12,539,643	\$4,795,299	\$2,397,649	

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 Tolerance Band. In accordance with that formula, PG&E's award is \$2,397,649. Ratepayers realized their share of savings in the form of lower gas procurement costs. Upon Commission approval of this advice letter, PG&E will make a one-time adjustment to the core subaccount of the Purchased Gas Account (PGA) to reflect PG&E's shareholder award.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

Effective Date

PG&E requests that this filing be approved on regular notice, **October 26, 2003**, which is forty (40) days after the date of this filing.

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

Protests

Anyone wishing to protest this filing may do so by sending a letter by **October 6, 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: Brian Cherry
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 Angela K. Minkin
Paul A. Clanon, Director, Energy Division
Don Lafrenz, Energy Division
Ramesh Ramchandani, Office of Ratepayer Advocates
Jacqueline Greig, Office of Ratepayer Advocates
Ester Montgomery, Office of Ratepayer Advocates
William A. Scott, Office of Ratepayer Advocates
Gas Accord II Service List - A.01-10-011