

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 23, 2008

Advice Letter 2917-G

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

Subject: Year 14 Core Procurement Incentive Mechanism Award

Dear Mr. Cherry:

Advice Letter 2917-G is effective May 3, 2008.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Fax: 415.973.7226

April 3, 2008

Advice 2917-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Year 14 Core Procurement Incentive Mechanism Award

Pacific Gas & Electric Company (PG&E) requests Commission approval of an incentive shareholder award of \$10,138,931 corresponding to the Division of Ratepayer Advocates (DRA) verification of PG&E's portion of the shared savings achieved through the Core Procurement Incentive Mechanism (CPIM) Year 14, during the period November 1, 2006, through October 31, 2007.

Purpose

This advice letter requests approval for PG&E's incentive shareholder award, as calculated by PG&E and confirmed by DRA. PG&E's Annual CPIM Year 14 Performance Report was submitted to DRA on January 9, 2008, and distributed to the Commission and all parties on the Gas Transmission and Storage 2008 Rate Case or Gas Accord IV Service List (A. 07-03-012). DRA conducted a comprehensive review, audit and evaluation of the CPIM data submitted by PG&E and issued its Monitoring and Evaluation Report supporting PG&E's calculations and verifying a reward of \$10,138,931 for PG&E shareholders. No other party commented on PG&E's CPIM Year 14 Report.

Year 14 CPIM Results

As described in PG&E's CPIM Year 14 Performance Report and shown in Table I, below, PG&E's annual gas costs for the period were \$2,083,355,380. As measured against the annual CPIM benchmark, PG&E's gas costs are \$59,288,900 below the benchmark, and are \$40,555,722 below the tolerance band lower limit. On page 2-3 of its report, the DRA confirmed the following costs and savings:

Table I
PG&E's CPIM Year 14 Performance

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	Shareholder Award
\$2,180,110,637	\$2,142,644,280	\$2,123,911,102	\$2,083,355,380	\$59,288,900	\$40,555,722	\$10,138,931

Therefore, all core portfolio gas costs during CPIM Year 14 period are reasonable and are recoverable from PG&E gas customers as specified by the CPIM¹, Chapter 2, Part III, Incentive Rewards and Penalties, and by PG&E's tariffs. (See Gas Preliminary Statement of PG&E's Gas Tariffs, Part C.14.) In addition, PG&E requests Commission approval of PG&E's shareholder award equal to 25 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, as modified by the DRA – PG&E Stipulation, adopted by D. 04-01-047. In accordance with that formula, PG&E's award is \$10,138,931. Upon approval of this advice letter, PG&E will adjust the core subaccount of the Purchased Gas Account to reflect the incentive shareholder award. PG&E's gas customers already realized their share of savings in the form of lower gas procurement costs.²

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

Protests

Anyone wishing to protest this filing may do so by sending a letter to the address below by **April 23, 2008**, 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:

¹ PG&E's Gas Accord Application 96-08-043, Supplemental Report Describing the Post-1997 Core Procurement Incentive Mechanism (CPIM), October 18, 1996.

² Page 2-3 of DRA's Monitoring and Evaluation Report concludes customer savings of \$49,149,970.

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue,
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: inj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests should also be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest should also be sent via U.S. mail (and 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:

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

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

Effective Date

PG&E requests that this filing be approved on regular notice, **May 3, 2008**, which is thirty (30) days after the date of this filing.

Notice

In accordance with General Order 96-B, Section IV, 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 for A.07-03-012. 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

cc: Sean Gallagher, Director, Energy Division
Eugene Cadenasso, Energy Division
Donald J. Lafrenz, Energy Division
Richard A. Myers, Energy Division
Wendy Al-Mukdad, Energy Division
Thomas A. Doub, Division of Ratepayer Advocates
Jacqueline Greig, Division of Ratepayer Advocates
R. Mark Pocta, Division of Ratepayer Advocates
Ramesh Ramchandani, Division of Ratepayer Advocates
William A. Scott, Division of Ratepayer Advocates
Gas Transmission and Storage 2008 Rate Case (A.07-03-012) Service List

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 M)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Megan Hughes

Phone #: (415) 973-1877

E-mail: mehr@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) #: 2917-G

Tier: 2

Subject of AL: Year 14 Core Procurement Incentive Mechanism Award

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: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No
Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: May 3, 2008

No. of tariff sheets: N/A

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: N/A

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

Protests, dispositions, 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 Avenue

San Francisco, CA 94102

E-mail: jjj@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

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

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	Dynergy 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 Resource Network
Chevron USA Production Co.	Maynor, Donald H.	Wellhead Electric Company
City of Glendale	MBMC, Inc.	White & Case
City of Healdsburg	McKenzie & Assoc	WMA
City of Palo Alto	McKenzie & Associates	
City of Redding	Meek, Daniel W.	
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	