

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 23, 2009

Advice Letter 3025-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: Core Procurement Incentive Mechanism Shareholder Award –
November 2007 to October 2008 (Year 15)**

Dear Mr. Cherry:

Advice Letter 3025-G is effective July 16, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

June 16, 2009

Advice 3025-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Core Procurement Incentive Mechanism Shareholder Award -
November 2007 to October 2008 (Year 15)**

Purpose

Pacific Gas & Electric Company (PG&E) hereby submits to the California Public Utilities Commission (Commission) its request for approval of an \$8,376,835 shareholder award achieved through its Core Procurement Incentive Mechanism (CPIM) for the period November 1, 2007, through October 31, 2008 (Year 15).

Background

The purpose of the CPIM, which the Commission adopted in Decision (D.) 97-08-055, is to serve as a performance-based ratemaking mechanism for PG&E's core portfolio gas procurement. Most recently, PG&E's CPIM was modified in the Decision approving PG&E's Long-Term Core Gas Hedging Plan (D.07-06-013), to allocate core gas procurement costs below the tolerance band between shareholders and customers at twenty (20) percent and eighty (80) percent respectively.

PG&E's CPIM Year 15 Performance and Shareholder Award

On March 5, 2009, PG&E submitted its Annual Performance Report for CPIM Year 15 to the Commission's Division of Ratepayer Advocates (DRA) (confidential version) and parties to the Gas Accord IV¹ (non-confidential version). As measured against the market benchmark, PG&E's core gas procurement activities resulted in total customer savings over the November 2007 through October 2008 period of \$54.9 million².

¹ Gas Accord IV was adopted in D.07-09-045.

² Total customer savings after PG&E shareholder award.

As illustrated in Table I below, PG&E's CPIM Year 15 core gas procurement costs were \$2.3 billion. These core gas procurement costs are \$63.3 million below the CPIM benchmark and \$41.9 million below the CPIM tolerance band.

Table I
PG&E's Core Gas Procurement Summary - CPIM Year 15

CPIM Tolerance Band			PG&E's CPIM Performance Evaluation			
Upper Tolerance Limit (Benchmark + 2.0% Commodity Benchmark)	CPIM Benchmark	Lower Tolerance Limit (Benchmark - 1.0% Commodity Benchmark)	Total Core Gas Procurement Costs (Commodity, Transportation, and Storage)	Core Gas Procurement Costs Below CPIM Benchmark	Core Gas Procurement Costs Below CPIM Tolerance Band	Requested PG&E Shareholder Award
\$2,421,975,328	\$2,379,210,822	\$2,357,828,569	\$2,315,944,394	\$63,266,428	\$41,884,175	\$8,376,835

On June 9, 2009, DRA issued its Monitoring and Evaluation Report, which supported PG&E's CPIM calculations and its requested shareholder award. No other party commented on PG&E's CPIM Year 15 Report. Therefore, PG&E's CPIM Year 15 core gas procurement costs are to be deemed reasonable and recoverable from PG&E gas customers as specified by the CPIM³ and by PG&E's gas tariffs⁴. In addition, because PG&E's CPIM Year 15 core gas procurement costs fall below the lower limit of the CPIM tolerance band, PG&E is eligible to receive a shareholder award equal to 20 percent of the savings below the lower tolerance limit (\$8,376,835).⁵

Upon approval of this advice letter, PG&E will record the shareholder incentive award to the Core Sales Subaccount of the Purchased Gas Account (PGA).

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

³ PG&E's Gas Accord Application (A.) 96-08-043, Supplemental Report Describing the Post-1997 Core Procurement Incentive Mechanism (CPIM), Chapter 2, Part III, Incentive Rewards and Penalties, October 18, 1996.

⁴ Gas Preliminary Statement Part C, Gas Accounting Terms & Definitions, Section 14.

⁵ Decision 97-08-055, which adopted the CPIM incentive formula, Part III, b, Sharing Outside the Tolerance Band, and as modified by D.07-06-013 which adopted PG&E's Long-Term Core Gas Hedging Settlement Agreement with DRA, TURN, and Aglet.

Protests

Anyone wishing to protest this filing may do so by sending a letter to the address below by **July 6, 2009**, which is twenty **(20) days** from the date of this filing.

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: ijnj@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. 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:

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 advice filing become effective on regular notice, **July 16, 2009**, 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 and the parties on the service list for R. 04-01-025. 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>

 SH

Vice President, Regulatory Relations

cc: Julie Fitch – Director of 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: San Heng

Phone #: 415-973-2640

E-mail: S1HQ@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) #: 3025-G

Tier: [2]

Subject of AL: Core Procurement Incentive Mechanism Shareholder Award – November 2007 to October 2008 (Year 15)

Keywords (choose from CPUC listing): Procurement

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

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

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: N/A

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: July 16, 2009

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 proposed: 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 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

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

Aglet	Day Carter Murphy	Norris & Wong Associates
Alcantar & Kahl	Defense Energy Support Center	North Coast SolarResources
Anderson & Poole	Department of Water Resources	Occidental Energy Marketing, Inc.
Arizona Public Service Company	Department of the Army	OnGrid Solar
BART	Dept of General Services	Praxair
BP Energy Company	Division of Business Advisory Services	R. W. Beck & Associates
Barkovich & Yap, Inc.	Douglas & Liddell	RCS, Inc.
Bartle Wells Associates	Douglass & Liddell	Recon Research
C & H Sugar Co.	Downey & Brand	SCD Energy Solutions
CA Bldg Industry Association	Duke Energy	SCE
CAISO	Dutcher, John	SMUD
CLECA Law Office	Ellison Schneider & Harris LLP	SPURR
CSC Energy Services	FPL Energy Project Management, Inc.	Santa Fe Jets
California Cotton Ginners & Growers Assn	Foster Farms	Seattle City Light
California Energy Commission	G. A. Krause & Assoc.	Sempra Utilities
California League of Food Processors	GLJ Publications	Sierra Pacific Power Company
California Public Utilities Commission	Goodin, MacBride, Squeri, Schlotz & Ritchie	Silicon Valley Power
Calpine	Green Power Institute	Southern California Edison Company
Cameron McKenna	Hanna & Morton	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Chamberlain, Eric	Intestate Gas Services, Inc.	Tabors Caramanis & Associates
Chevron Company	Los Angeles Dept of Water & Power	Tecogen, Inc.
Chris, King	Luce, Forward, Hamilton & Scripps LLP	Tiger Natural Gas, Inc.
City of Glendale	MBMC, Inc.	Tioga Energy
City of Palo Alto	MRW & Associates	TransCanada
City of San Jose	Manatt Phelps Phillips	Turlock Irrigation District
Clean Energy Fuels	Matthew V. Brady & Associates	U S Borax, Inc.
Coast Economic Consulting	McKenzie & Associates	United Cogen
Commerce Energy	Merced Irrigation District	Utility Cost Management
Commercial Energy	Mirant	Utility Specialists
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
	New United Motor Mfg., Inc.	eMeter Corporation