

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



June 26, 2019

Advice Letter 4100-G

Erik Jacobson
Director, 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 2016 to October 2017 (Year 24).

Dear Mr. Jacobson:

Advice Letter 4100-G is effective as of June 21, 2019.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division



Erik Jacobson
Director
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B13U
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-3582

May 22, 2019

Advice 4100-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 2016 to October 2017 (Year 24)**

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utilities Commission (Commission or CPUC) its request for approval of a shareholder award of \$2,563,084 under its Core Procurement Incentive Mechanism (CPIM) for the period November 1, 2016 through October 31, 2017 (Year 24).

Background

The CPIM, which the Commission adopted in Decision (D.) 97-08-055, serves as a performance-based ratemaking mechanism for PG&E's core gas procurement portfolio. It compares PG&E's annual gas costs to an aggregate market-based benchmark, formed from a weighted average of published natural gas price indices at PG&E's purchase points, plus other costs such as pipeline transportation and storage. Total gas costs within a tolerance band of 99% to 102% of the commodity benchmark are considered reasonable and are fully recovered in customers' rates. Costs above the tolerance band are shared equally between customers and shareholders. To the extent actual costs fall below the tolerance band, PG&E's customers and shareholders share in the savings, with customers receiving 80% of the benefit and shareholders receiving an award equal to 20% of the benefit.

PG&E's CPIM Year 24 Performance and Shareholder Award

On October 12, 2018, PG&E submitted its Annual Performance Report for CPIM Year 24 to the Public Advocates Office (Cal PA) and the Energy Division (confidential version). On May 10, 2019, Cal PA issued its Monitoring and Evaluation Report, which supported PG&E's CPIM calculations and its requested shareholder award for Year 24. The figures from the Cal PA Monitoring and Evaluation Report are used in this Advice Letter submittal. As measured against the market benchmark, PG&E's core gas

procurement activities resulted in total customer and shareholder savings over the November 2016 through October 2017 period of \$18.9 million.¹ As measured against the lower limit of the tolerance band (benchmark less 1.0% of commodity benchmark), total CPIM savings were \$18.9 million, resulting in a shareholder award of \$2.6 million.²

Table 1 below illustrates PG&E's CPIM Year 24 core gas procurement costs compared to the benchmark.

Table 1
CPIM Performance Summary Year 24

Total Commodity, Transportation and Storage Costs ³						
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 (total savings)	Amount Under Tolerance Band	Shareholder Award
\$ 863,892,891	\$ 851,735,859	\$ 845,657,343	\$ 832,841,922	\$ 18,893,937	\$ 12,815,421	\$ 2,563,084

No other parties commented on PG&E's CPIM Year 24 Report. Therefore, PG&E's CPIM Year 24 core gas procurement costs are to be deemed reasonable and recoverable from PG&E gas customers as specified by the CPIM⁴ and by PG&E's gas tariffs.⁵ In addition, because PG&E's CPIM Year 24 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 limit of the tolerance band which equals \$2,563,084.

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).

The submittal would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

¹ See *Public Advocates Office, Monitoring and Evaluation Report, November 1, 2016 through October 31, 2017, Pacific Gas and Electric Company's Core Procurement Incentive Mechanism Performance Results (CPIM Year 24)* ("Cal PA Monitoring and Evaluation Report"), Table 1-1.

² Cal PA Monitoring and Evaluation Report, Table 2-1.

³ Cal PA Monitoring and Evaluation Report, Table 2-1.

⁴ 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.

⁵ Gas Preliminary Statement Part C, Gas Accounting Terms and Definitions, Section 14.

Protests

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than June 11, 2019, which is 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this Tier 2 advice submittal become effective on regular notice, June 21, 2019, which is 30 calendar days after the date of submittal.

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 A.17-11-009. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter submittal can also be accessed electronically at: <http://www.pge.com/tariffs/>.

_____/S/

Erik Jacobson
Director, Regulatory Relations

Attachments**cc:**

Jean Spencer, Energy Division
Eugene Cadenasso, Energy Division
Belinda Gatti, Energy Division
Kelly C. Lee, Public Advocates Office
R. Mark Pocta, Public Advocates Office
Nika Kjensli, Public Advocates Office
Pearlie Sabino, Public Advocates Office
Michael Tan, Public Advocates Office
Crystal Yeh, Public Advocates Office
Service List A.17-11-009



ADVICE LETTER 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 E/G/M)

Utility type:

- ELC GAS WATER
 PLC HEAT

Contact Person: Annie Ho

Phone #: (415) 973-8794

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: AMHP@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
 PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4100-G

Tier Designation: 2

Subject of AL: Core Procurement Incentive Mechanism Shareholder Award - November 2016 to October 2017 (Year 24)

Keywords (choose from CPUC listing): Core

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.97-08-055

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:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date: 6/21/19

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

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Erik Jacobson, c/o Megan Lawson
Title: Director, Regulatory Relations
Utility Name: Pacific Gas and Electric Company
Address: 77 Beale Street, Mail Code B13U
City: San Francisco, CA 94177
State: California Zip: 94177
Telephone (xxx) xxx-xxxx: (415)973-2093
Facsimile (xxx) xxx-xxxx: (415)973-3582
Email: PGETariffs@pge.com

Name:
Title:
Utility Name:
Address:
City:
State: District of Columbia Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

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

AT&T	Downey & Brand	Pioneer Community Energy
Albion Power Company	East Bay Community Energy	Praxair
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Regulatory & Cogeneration Service, Inc.
	Energy Management Service	SCD Energy Solutions
Alta Power Group, LLC	Evaluation + Strategy for Social	
Anderson & Poole	Innovation	SCE
	GenOn Energy, Inc.	SDG&E and SoCalGas
Atlas ReFuel	Goodin, MacBride, Squeri, Schlotz &	
BART	Ritchie	SPURR
	Green Charge Networks	San Francisco Water Power and Sewer
Barkovich & Yap, Inc.	Green Power Institute	Seattle City Light
P.C. CalCom Solar	Hanna & Morton	Sempra Utilities
California Cotton Ginners & Growers Assn	ICF	Southern California Edison Company
California Energy Commission	International Power Technology	Southern California Gas Company
California Public Utilities Commission	Intestate Gas Services, Inc.	Spark Energy
California State Association of Counties	Kelly Group	Sun Light & Power
Calpine	Ken Bohn Consulting	Sunshine Design
	Keyes & Fox LLP	Tecogen, Inc.
Cameron-Daniel, P.C.	Leviton Manufacturing Co., Inc.	TerraVerde Renewable Partners
Casner, Steve	Linde	Tiger Natural Gas, Inc.
Cenergy Power	Los Angeles County Integrated Waste	
Center for Biological Diversity	Management Task Force	TransCanada
City of Palo Alto	Los Angeles Dept of Water & Power	Troutman Sanders LLP
	MRW & Associates	Utility Cost Management
City of San Jose	Manatt Phelps Phillips	Utility Power Solutions
Clean Power Research	Marin Energy Authority	Utility Specialists
Coast Economic Consulting	McKenzie & Associates	
Commercial Energy	Modesto Irrigation District	Verizon
County of Tehama - Department of Public	Morgan Stanley	Water and Energy Consulting
Works	NLine Energy, Inc.	Wellhead Electric Company
Crossborder Energy	NRG Solar	Western Manufactured Housing
Crown Road Energy, LLC		Communities Association (WMA)
Davis Wright Tremaine LLP		Yep Energy
Day Carter Murphy	Office of Ratepayer Advocates	
	OnGrid Solar	
Dept of General Services	Pacific Gas and Electric Company	
Don Pickett & Associates, Inc.		
Douglass & Liddell		