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Cornerstone Improvement Project

Summary

May 5, 2010



Cornerstone Policy Question

Cornerstone is designed to provide the Commission a choice between two reliability levels for PG&E

Cornerstone
Improvement
Project

Invest to change design
practices to achieve a
new standard of reliability

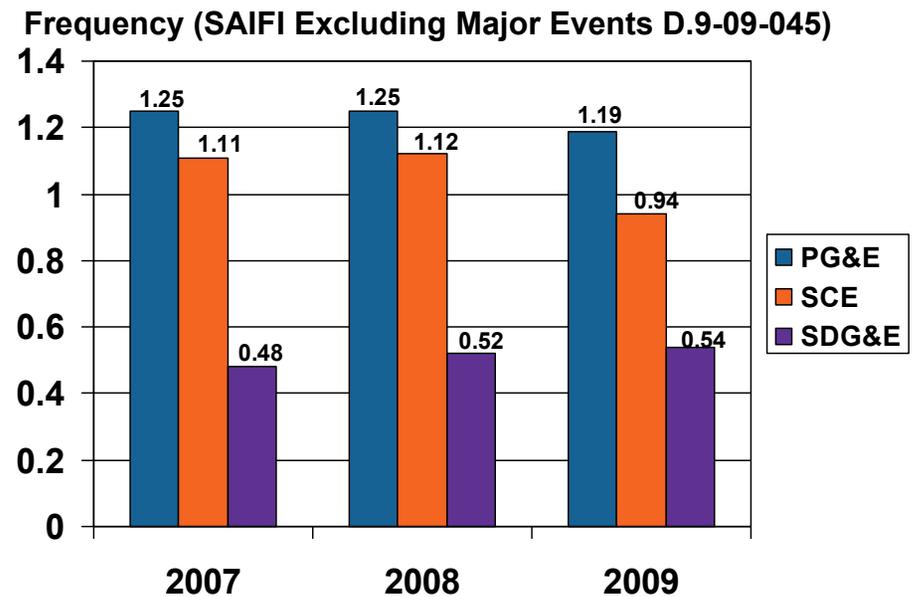
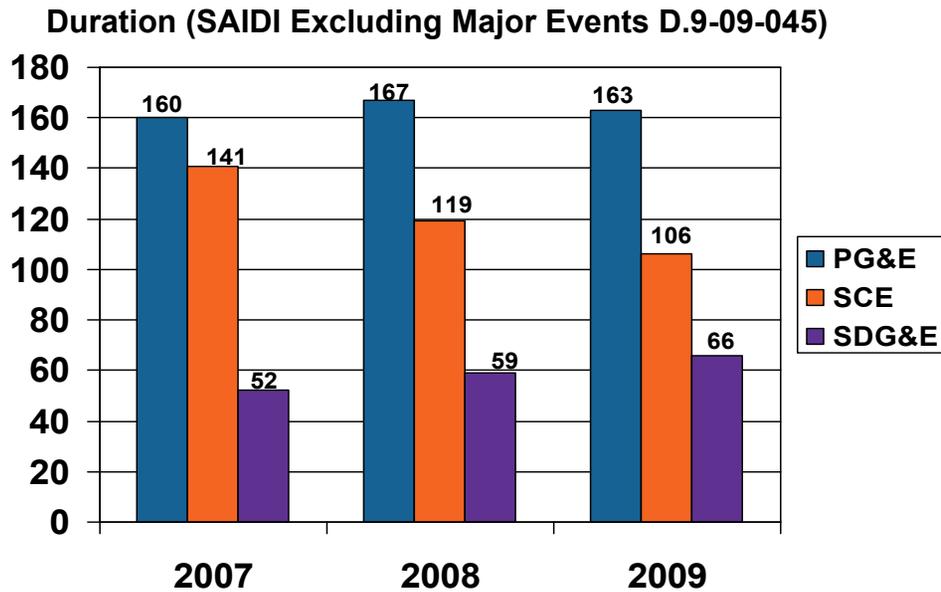
2011
GRC

Continue the current
“adequate service” standard

PG&E has structured Cornerstone so the question can be considered separately from the complexities of the GRC



IOU Reliability Performance

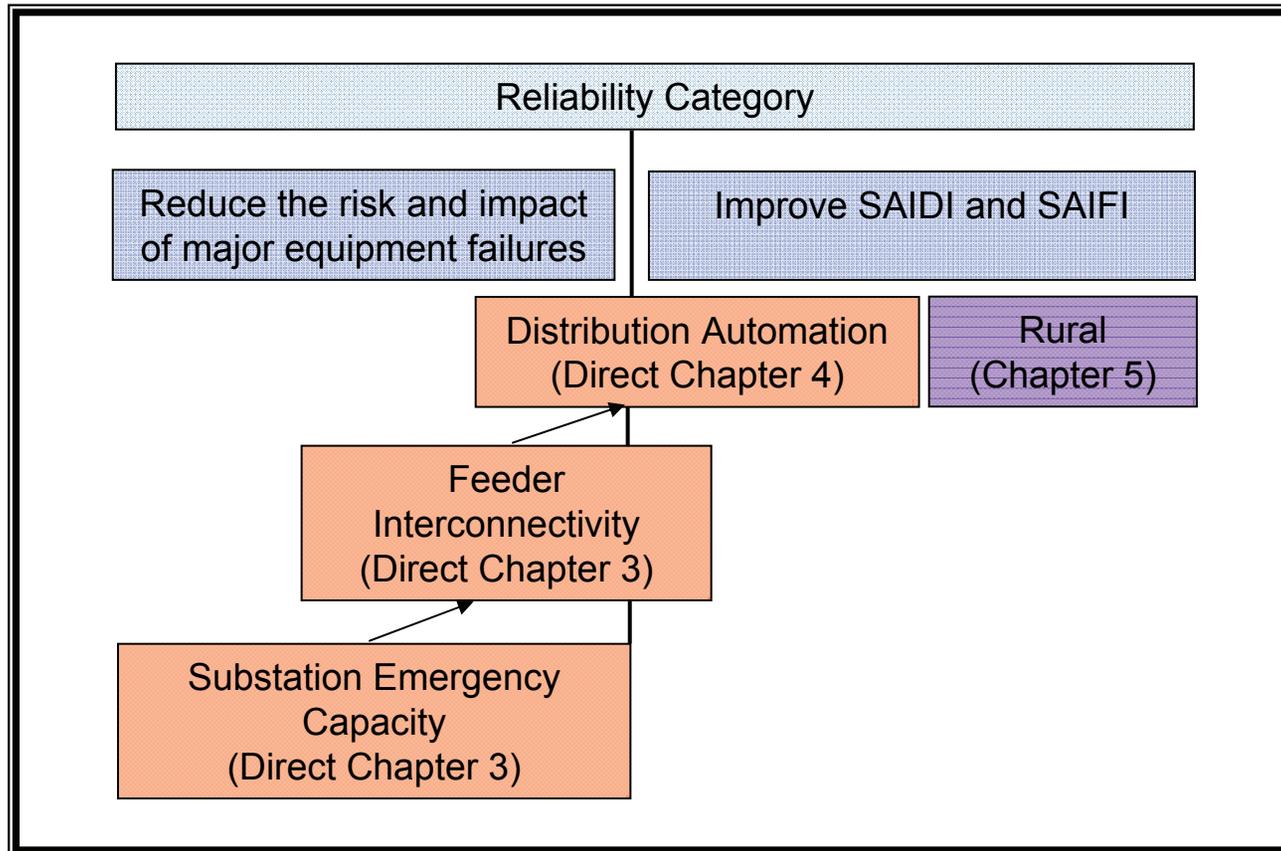


SAIFI – System Average Interruption Frequency Index

SAIDI – System Average Interruption Duration Index



Reliability Is More Than SAIDI and SAIFI



Other benefits from Cornerstone

- Operational Flexibility, Extended Asset Life, Reduced Losses, Buffer for Load Forecast Errors
- Anticipating Changes to the Grid (Smart Grid, Distributed Generation, Electric Vehicles)
- Bring New Job opportunities to Northern California



Cornerstone Funding Levels

POSSIBLE FUNDING LEVELS	SUBSTATION EMERGENCY CAPACITY	INTERCONNECTIVITY AND AUTOMATION	RURAL RELIABILITY
\$300 Million	\$54 Million 13 Transformers	\$184 Million 180-230 Circuits	\$62 Million 500 Reclosers 5,000 Fuse Sets
\$600 Million	\$123 Million 29 Transformers	\$415 Million 400-500 Circuits	\$62 Million 500 Reclosers 5,000 Fuse Sets
\$900 Million	\$192 Million 46 Transformers	\$646 Million 650-800 Circuits	\$62 Million 500 Reclosers 5,000 Fuse Sets



Investment Schedule

Possible Funding Levels	2010	2011	2012	2013
\$300 Million	\$15 Million	\$108 Million	\$99 Million	\$78 Million
Est Revenue Requirement	\$0	\$10.1 Million	\$28.2 Million	\$42.3 Million
\$600 Million	\$27 Million	\$188 Million	\$209 Million	\$176 Million
Est Revenue Requirement	\$0	\$17.6 Million	\$52.2 Million	\$83.1 Million
\$900 Million	\$39 Million	\$269 Million	\$318 Million	\$274 Million
Est Revenue Requirement	\$0	\$25.3 Million	\$76.3 Million	\$123.9 Million



Cornerstone Controls

Cornerstone is designed to keep costs and projects separate from normal course of business expenditures and requires annual reporting of progress

Balancing Account
Treatment of Costs

Specific project costs captured and trued up relative to approved spending

Annual Project
Progress Reporting

- Actual projects compared to identified projects
- Forecast updates for coming year
- Load forecasts, actual escalation rates updated

Based on concerns raised by Parties, PG&E withdrew the Reliability Performance Incentive Mechanism