

**PACIFIC GAS AND ELECTRIC COMPANY  
General Rate Case 2011 Phase I  
Application 09-12-020  
Data Response**

PG&E Data Request No.:	DRA_228-01		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_228-Q01		
Request Date:	March 22, 2010	Requester DR No.:	DRA-228-TLG
Date Sent:	April 5, 2010	Requesting Party:	DRA
PG&E Witness:	Redacted	Requester:	Tamera Godfrey

**EXHIBIT REFERENCE: PG&E-6, CHAPTER 16**

**SUBJECT: SHORT-TERM INCENTIVE PLAN (STIP)**

**QUESTION 1**

For 2011 PG&E forecasted \$106.8 million for its Short-Term Incentive Plan (STIP) recorded in FERC Account 920 for the Company and forecasted \$4.9 million in STIP for PG&E Corporation recorded in FERC Account 923. PG&E states that its forecast is based on a three year average (2006, 2007, and 2008) of actual STIP results (Exhibit (PG&E-6) page 16-1).

Note that DRA discovered a discrepancy in PG&E's calculation of its STIP request for PG&E Corporation shown in Exhibit PG&E-6 Chapter 3, page 3-6 of \$5.012 million and \$5.517 million when compared to PG&E's Corporation STIP request above of \$4.9 million. DRA understands that this discrepancy of \$5.012 million and \$5.517 million is also shown in its RO Model. DRA understands that PG&E is in the process of making corrections and will issue an Errata for the corrected STIP request of \$4.9 million.

- (a) Provide the documentation that explains the discrepancy in PG&E's Corporation STIP request in detail.
- (b) Provide the documentation that explains in detail the specific reason(s) (for each year) why PG&E's actual STIP payout to employees have increased between 2004 and 2009 over PG&E's Target STIP, especially when compared to the economic downturn over the last few years and due to this many corporations have reduced employee bonuses/incentives or eliminated them all together.
- (c) DRA notes that PG&E's actual STIP payout for 2009, made in March 2010, of \$161.516 million was over its forecasted STIP of \$106.832 million. Provide the documentation that shows in detail the calculation of the \$161.516 million, all allocations (FERC Account 922) for funding, and that explains in detail this increase in STIP as it relates to PG&E's financial condition.

- (d) DRA notes that PG&E’s actual STIP payout for 2009 (shown in data request response DRA-122-CKT) of \$161.516 million and its “Total Actual Payout” of \$154.2 million (shown in the supplemental data request response DRA-132-TLG) are different. Provide the documentation that explains the discrepancy in PG&E’s 2009 STIP payout for March 2010.
- (e) DRA notes that PG&E Corporation’s actual STIP payout for 2009, made in March 2010, of \$2.161million was less than its forecasted STIP of \$3.325 million. Provide the documentation that shows in detail the calculation of the \$3.225 million, all allocations (FERC Account 923) for funding, and that explains in detail this decrease in STIP.
- (f) DRA notes that PG&E Corporation’s actual STIP payout for 2009 (shown in data request response DRA-122-CKT) of \$2.161 million and its “Total Actual Payout” of \$5.9 (shown in the supplemental data request response DRA-132-TLG) are different. Provide the documentation that explains the discrepancy in PG&E Corporation’s 2009 STIP payout for March 2010.

**ANSWER 1**

- a) The STIP amounts for PG&E Corporation shown on page 3-6 of Exhibit PG&E-6 is incorrect. PG&E will include the correction of these amounts in its errata exhibit to reflect PG&E’s forecast of \$5.4 million in 2011 dollars. This errata will thus eliminate the noted discrepancy.
- b) The table below shows the Utility STIP target and actual award cost for STIP plan years 2003 through 2009, as provided to DRA in previous data requests.

Utility STIP Plan Year	Target Award (in millions)	Actual Award (in millions)	Performance Score
2003	\$53.80	\$88.60	1.647
2004	\$56.2	\$75.4	1.342
2005	\$58.9	\$79.0	1.341
2006	\$60.9	\$85.8	1.354
2007	\$76.0	\$93.7	1.191
2008	\$82.7	\$101.6	1.178
2009	\$91.7	\$154.2	1.648

The actual STIP payout in any given year will be greater than the target amount if the results from the performance measures exceed a score of 1.0, and this was the case for the STIP plan years 2003 through 2009. In addition to variations in performance measure results, the STIP cost varies each year due to the number of STIP participants and participants’ eligible earnings. The number of STIP participants increased by almost 10% for the period 2003 to 2009. Eligible earnings increased by about 35 percent for the same period.

In addition, the target participation rates for professional individual contributors and supervisors increased two percent beginning with the 2007 STIP plan year. The target participation rate is one element of the award calculation that varies for different job types and levels, based on market trends. This change explains the relatively larger increase in costs from 2006 to 2007. The employees who received the two percent increase represent approximately 80 percent of utility employees receiving STIP.

- c) The question misinterprets the information previously provided to DRA. The cash payments to PG&E (utility) employees in March 2010 were \$154.2 million. Under accrual accounting, PG&E recorded an expense of \$167.573 million in calendar 2009. This is the accrual booked in 2009 in Account 920 (before allocation to capital through Account 922) for the 2010 payment (as estimated during 2009) plus the adjustment between the amount accrued in 2008 to be paid in 2009 and the 2009 payment. This is not the amount paid in 2010 for 2009 performance. \$161.516 million is the 2009 recorded amount expressed in 2008 dollars.
- d) See response to part c) above.
- e) The question misinterprets the information previously provided to DRA. The cash payments to PG&E Corporation employees in March 2010 were \$5.9 million. Under accrual accounting, PG&E Corporation recorded an expense of \$2.242 million in calendar 2009. This is the accrual booked in 2009 in Account 923 for the 2010 payment (as estimated during 2009) plus the adjustment between the amount accrued in 2008 to be paid in 2009 and the 2009 payment. This is not the amount paid in 2010 for 2009 performance. \$2.161 million is the 2009 recorded amount expressed in 2008 dollars.
- f) See response to part e) above.