



# Cornerstone Improvement Project

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## Summary

May 5, 2010



## Cornerstone Policy Question

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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

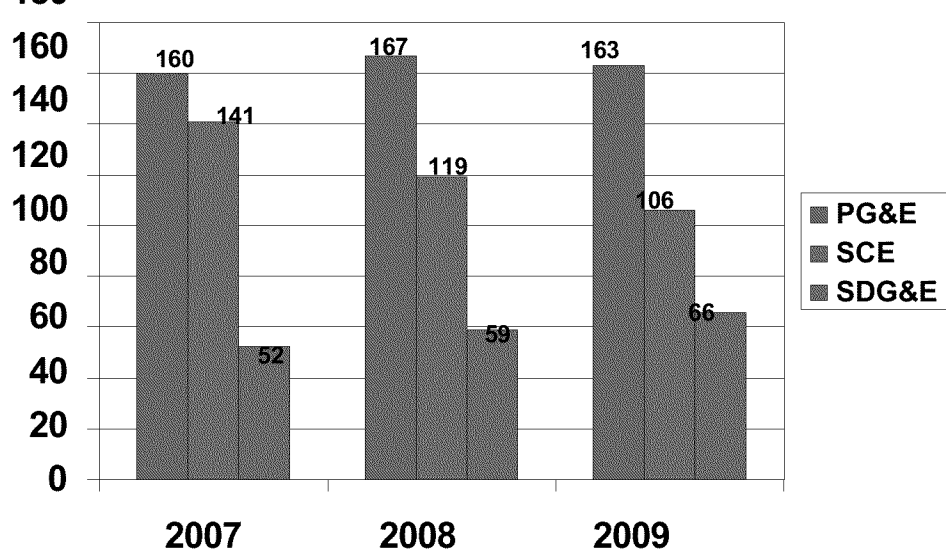
Continue the current  
“adequate service” standard

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

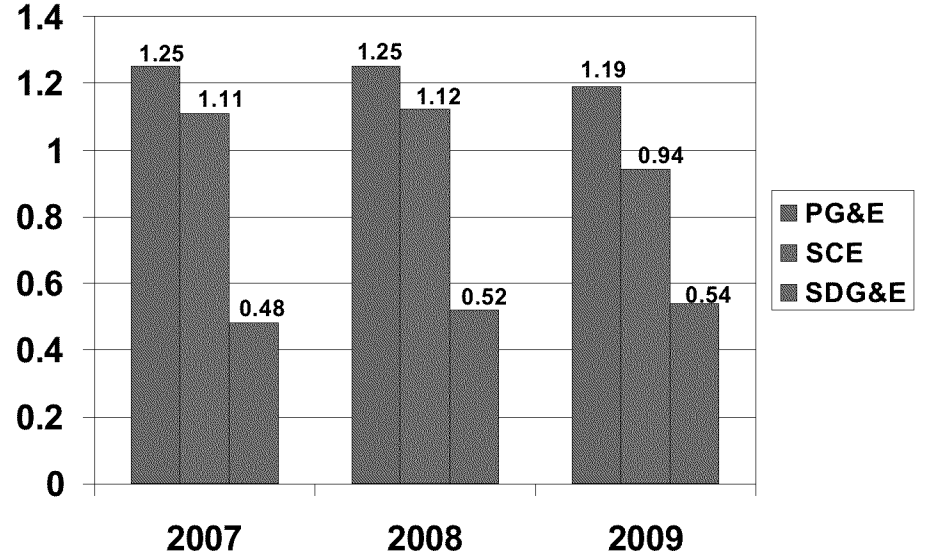


# IOU Reliability Performance

Duration (SAIDI Excluding Major Events D.9-09-045)



Frequency (SAIFI Excluding Major Events D.9-09-045)

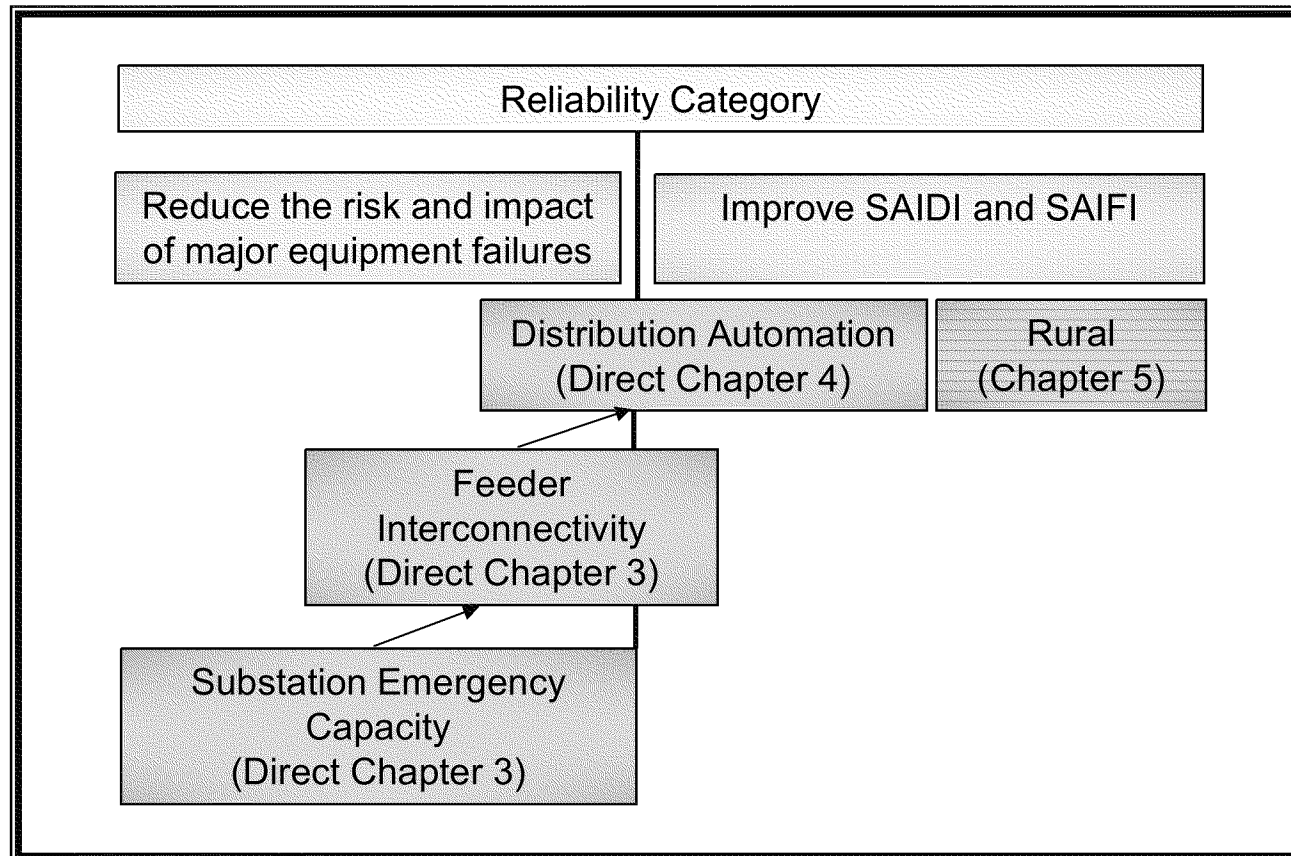


SAIFI – System Average Interruption Frequency Index

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

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



# 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

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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