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ALJ	:	Pulsifer
Witness	:	Tang

DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for Pacific Gas and Electric Company General Rate Case Test Year 2014

Executive Summary

San Francisco, California
May 3, 2013

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EXECUTIVE SUMMARY

I. INTRODUCTION – THE DIVISION OF RATEPAYER ADVOCATES RECOMMENDS REDUCTIONS IN PACIFIC GAS AND ELECTRIC COMPANY'S PROPOSED REVENUE INCREASES FOR 2014 thru 2016

> In its November 2012 GRC Application, PG&E requests a 3-year cumulative revenue increase of $5.33 billion, comprising:
> - a $1.28 billion (18.8%) increase beginning in 2014 (for 2014, 2015 and 2016)
> - additional increases of $492 million (6.1%) in 2015 (for 2015 and 2016) and $504 million (5.9%) in 2016
>
> DRA recommends a much more reasonable 3-year cumulative increase of $9 million, comprising:
> - a $162 million (2.4%) decrease in 2014
> - additional increases of $168 million (2.6%) in 2015 and $159 million (2.4%) in 2016

The Division of Ratepayer Advocates (DRA) submits its reports and exhibits in response to Pacific Gas and Electric Company's (PG&E) Application (A.) 12-11-009 for a Test Year (TY) 2014 General Rate Case (GRC). PG&E proposes revenue increases for 2014, and for the 2015 and 2016 post-test years.[1]

PG&E requests authorization from the California Public Utilities Commission (CPUC or Commission) for revenue increases associated with its Electric Distribution, Gas Distribution, and Electric Generation (i.e., Energy Supply) operations which fall within the CPUC's ratemaking jurisdiction.

In the application, PG&E requested revenue increases of $587 million in Electric Distribution, $486 million in Gas Distribution, and $209 million in Electric Generation for the test year. DRA recommends a $146 million decrease in Electric Distribution, an $83 million increase in Gas Distribution, and a $99 million decrease in Electric Generation compared to the most recent authorized revenues.

This exhibit presents DRA's executive summary, addressing PG&E's requests for 2014 through 2016.

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[1] Per PG&E's Proof of Rule 3.2(e) Compliance filed on January 18, 2013, a bill insert provided notice to customers about the utility's requested revenue increase for gas and electric service, effective January 1, 2014.

Table 1-1 compares DRA's and PG&E's forecasts of Test Year 2014 GRC revenues relative to the utility's authorized level of 2014 revenues based on outdated cost of capital parameters.[2, 3, 4]

Table 1-1
PG&E Requests a $1.28 Billion Revenue Requirement Increase in 2014, While DRA Recommends a Decrease in Revenues
(in Millions of Dollars)

Description (a)	PG&E's 2014 Present Revenues[5] (b)	PG&E's 2014 Proposed Revenues (c)	PG&E's Forecasted Increase over 2014 Present Revenues (d=c-b)	DRA's 2014 Proposed Revenues (e)	DRA's Recommended Increase over 2014 Present Revenues (f=e-b)
Electric Distribution	$3,768	$4,355	$587	$3,503	**($265)**
Gas Distribution	$1,324	$1,810	$486	$1,379	$55
Electric Generation	$1,737	$1,946	$209	$1,590	**($147)**
Total	$6,829	$8,111	$1,282	$6,472	**($357)**

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2 These amounts include revenues from: (a) PG&E's 2011 GRC, Decision (D.) 11-05-018, adjusted for 2012 and 2013 attrition; (b) the authorized and pending revenue requirements associated with the Cornerstone Project, Market Redesign and Technology Upgrade (MRTU), Fuel Cell Project, Vaca-Dixon PV Pilot Project, the SmartMeter program and meter reading. These amounts exclude pension costs, as rate recovery of PG&E's pension has been separately provided in D.09-09-020

3 On March 19, 2013, PG&E served Exhibit PG&E-14, Errata to November 15, 2012 GRC Material. DRA's testimony and Results of Operations (RO) model do not reflect changes to PG&E's forecasts if they are impacted by the errata. DRA's testimony and RO model compare DRA's estimates to PG&E's requests from the utility's original November 15, 2012 GRC filing. Some of the errata may have been brought to PG&E's attention due to DRA's discovery efforts.

4 D.12-12-034 authorized the most recent 2013 cost of capital parameters (capital structure, return on common equity, preferred stock cost, and long-term debt costs) for PG&E. DRA has incorporated the most recently Commission adopted cost of capital figures in its Results of Operation model and Summary of Earnings for the Test Year 2014. Based on information contained in Ex. DRA-2 (Summary of Earnings), PG&E's 2014 present (authorized) revenues would be $195 million lower if the updated costs of capital figures are factored into the development of those figures.

5 The "PG&E's 2014 Present Revenues" identified in this exhibit are presented as filed by PG&E in its November 15, 2012 GRC Application. They are based on the cost of capital parameters authorized in D.07-12-049 (where the Commission adopted an 8.79% rate of return on rate base for PG&E), and not on the current parameters authorized in D.12-12-034 (where the Commission adopted an 8.06% rate of return).

As indicated in footnotes 4 and 5 on the previous page, PG&E's as-filed 2014 revenues are based on cost of capital parameters that have since been superseded. If one were to adjust PG&E's 2014 present revenues, to reflect the most current rate of return (ROR), DRA's recommended changes to 2014 revenues appear as follows:

Table 1-2
DRA is Recommending a $162 Million Revenue Decrease in 2014
When Comparing PG&E's Present Revenues With Current Rate of Return Parameters
(in Millions of Dollars)

Description (a)	PG&E's 2014 Present Revenues with Current ROR (b)	DRA's 2014 Proposed Revenues with Current ROR (c)	DRA's Recommended Increase over 2014 Present Revenues with Current ROR (d=c-b)
Electric Distribution	$3,650	$3,503	($146)
Gas Distribution	$1,295	$1,379	$83
Electric Generation	$1,689	$1,590	($99)
Total	$6,634	$6,472	($162)

Note: DRA has not recalculated PG&E's 2014 proposed revenues to reflect the current ROR, but was informed that PG&E's request would have been approximately $242 million lower than currently reflected in its November 12, 2012 GRC filing.

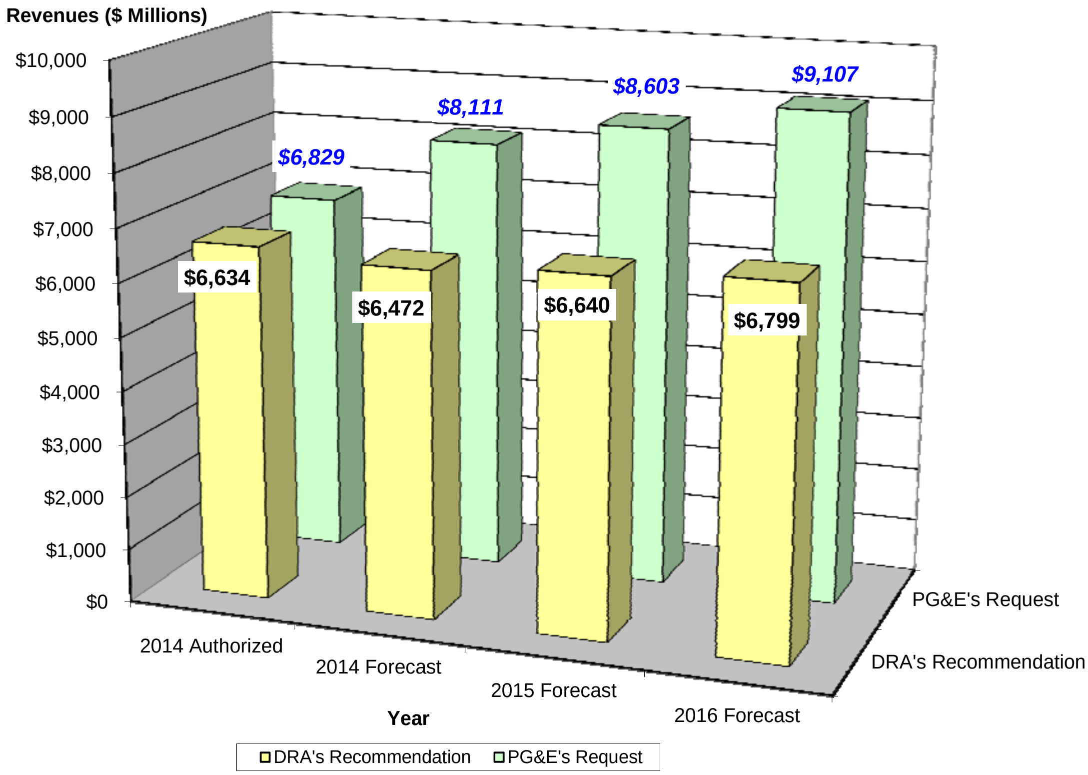
Table 1-3 compares DRA's and PG&E's forecasts of post-test year 2015 and 2016 revenue increases.

Table 1-3
PG&E Requests Post-Test Year Revenue Increases of $492 Million in 2015
and $504 Million in 2016, While DRA Recommends More Modest Increases
of $168 Million and $159 Million, Respectively
(in Millions of Dollars)

Description (a)	PG&E's Requested 2015 Revenue Increase (b)	PG&E's Requested 2016 Revenue Increase (c)	DRA's Recommended 2015 Revenue Increase (d)	DRA's Recommended 2016 Revenue Increase (d)
Electric Distribution	$234	$246	$81	$82
Gas Distribution	$187	$160	$51	$39
Electric Generation	$71	$98	$37	$37
Total	$492	$504	$168	$159

Figure 1-1 illustrates DRA's recommended revenue requirement level for 2014 thru 2016, compared to PG&E's request in its application.

Figure 1-1
PG&E vs. DRA - 2014 thru 2016 GRC Revenues



II. OVERVIEW / SUMMARY – PG&E PROPOSES A 2014 REVENUE REQUIREMENT OF $8.11 BILLION WHILE DRA RECOMMENDS $6.48 BILLION

This section provides an overview and summary of PG&E's requests and DRA's recommendations regarding the utility's 2014 thru 2016 revenue requirement.

A. PG&E Requests a $1.28 Billion (18.8%) Increase in 2014, and Post-Test Year Revenue Increases of $492 Million (6.1%) for 2015 and $504 Million (5.9%) for 2016

On November 15, 2012, PG&E filed an application requesting that the Commission authorize a CPUC-jurisdictional base rate revenue requirement of $8.111 billion for the utility's electric distribution, gas distribution, and electric generation operations, to be effective January 1, 2014. For its CPUC-jurisdictional operations, PG&E seeks a $1.282 billion million increase in GRC base revenues for electric distribution, gas distribution, and electric generation operations.

The table below compares PG&E's forecasts of Test Year 2014 GRC revenues relative to its authorized revenue requirement, as filed in its November 2012 application.[6]

Table 1-4
PG&E Requests a $1.28 Billion Increase in GRC Revenues
Effective January 1, 2014 for CPUC-Jurisdictional Operations
(in Millions of Dollars)

Description (a)	PG&E's 2014 Present Revenues (b)	PG&E's 2014 Proposed Revenues (c)	$ Increase over 2014 Projected Revenues (d=c-b)	% Increase over 2014 Projected Revenues (e=d/b)
Electric Distribution	$3,768	$4,355	$587	15.6%
Gas Distribution	$1,324	$1,810	$486	36.7%
Electric Generation	$1,737	$1,946	$209	12.0%
Total	$6,829	$8,111	$1,282	18.8%

[6] General Rate Case Application of Pacific Gas and Electric Company, p. 3.

PG&E requests additional revenues in 2014 to cover higher costs associated with, among other things: operating and maintaining its electric and gas systems, customer-related expenses (e.g., meter reading, customer records and collection, and responding to customer inquiries), administrative and general expenses (e.g., employee salaries, insurance, and outside contractors), and rate base (e.g., net infrastructure investment).

PG&E requests post-test year revenue increases of $492 million (6.1%) in 2015 and $504 million (5.9%) in 2016:[7]

Table 1-5
PG&E Estimates Post-Test Year Revenue Increases of $492 Million in 2015 and $504 Million in 2016
(in Millions of Dollars)

Description (a)	PG&E's 2014 Proposed Revenues (b)	PG&E's 2015 Proposed Revenue Increase (c)	PG&E's 2015 Proposed Revenues (d=b+c)	% Increase over 2014 Revenues (e=c/b)	PG&E's 2016 Proposed Revenue Increase (f)	PG&E's 2016 Proposed Revenues (g=f+d)	% Increase over 2015 Revenues (h=f/d)
Electric Distribution	$4,355	$234	$4,589	5.4%	$246	$4,835	5.4%
Gas Distribution	$1,810	$187	$1,997	10.3%	$160	$2,157	8.0%
Electric Generation	$1,946	$71	$2,017	3.6%	$98	$2,115	4.9%
Total	$8,111	$492	$8,603	6.1%	$504	$9,107	5.9%

PG&E's proposes a post-test year ratemaking (PTYR) mechanism to account for: (1) escalation of operating expenses, with one exception; and (2) capital revenue requirement growth based on escalating adopted test year plant additions.[8] The expense escalation exception is for gas leak repairs, "…where PG&E expects significant cost increases in 2015 and 2016 due to the implementation of new leak survey technology."[9] PG&E wants the PTYR mechanism to allow revenue

[7] General Rate Case Application of Pacific Gas and Electric Company, p. 4.

[8] General Rate Case Application of Pacific Gas and Electric Company, p. 4.

[9] Ex. PG&E-11, p. 1-1, lines 26-28.

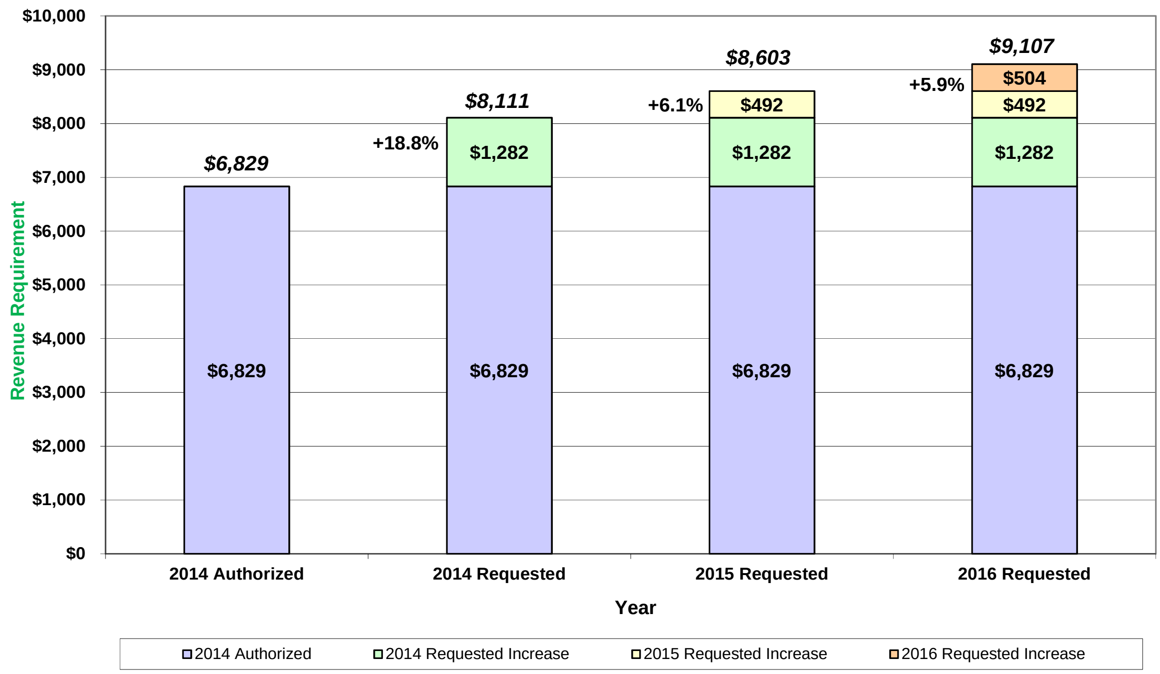
requirement adjustments for uncontrollable factors such as postage rate changes; franchise, payroll, income, and property tax changes; and other new taxes and fees.

B. PG&E's Proposed Revenue Increases for 2014 thru 2016 Add Up to $5.33 Billion on a Cumulative Basis

PG&E's proposed change in GRC base revenues from the present level of $6.829 billion in 2014 to the proposed level of $9.107 billion in 2016 represents a 33.4% increase over currently authorized levels.[10] If adopted, PG&E's proposals would burden its ratepayers with a 3-year cumulative increase of $5.334 billion.[11]

Figure 1-2 illustrates PG&E's requested revenue requirement levels, and their components, for 2014 thru 2016.

Figure 1-2
PG&E's Requested Revenue Requirement for 2014 thru 2016
(in Millions of Dollars)



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10 $9,107 million / $6,829 million = 1.334 which represents a 33.4% increase.

11 For this 3-year rate case cycle: (a) the $1.282 billion increase in 2014 would be in effect for three years—2014, 2015 and 2016; (b) the $492 million increase in 2015 would be in effect for two years—2015 and 2016; and (c) the $504 million increase in 2016 would be in effect for one year—2015. Therefore: ($1,282 million x 3) + ($492 million x 2) + ($504 million x 1) = $5,334 million.

C. DRA Recommends a Revenue Decrease in 2014, and Modest Revenue Increases in 2015 and 2016

DRA recommends that the Commission authorize $6.472 billion in 2014 GRC base revenues for PG&E. DRA recommends the following changes in 2014 relative to PG&E's authorized revenues adjusted for its recently adopted ROR (not relative to authorized revenues as presented in PG&E's GRC application):

- *Decreasing* PG&E's Electric Distribution revenue requirement by $146 million (4.0%) relative to the most recent 2014 authorized level of $3.650 billion;
- Increasing PG&E's Gas Distribution revenue requirement by $83 million (6.4%) relative to the most recent 2014 authorized level of $1.295 billion; and
- *Decreasing* PG&E's Electric Generation revenue requirement by $99 million (5.9%) relative to the most recent 2014 authorized level of $1.689 billion.

DRA recommends a 2014 GRC revenue requirement that is $162 million lower than the most recent authorized level, as shown below:

Table 1-6
DRA Recommends a $162 Million (2.4%) *Decrease* in GRC Revenues Effective January 1, 2014 for CPUC-Jurisdictional Operations
(in Millions of Dollars)

Description (a)	PG&E's 2014 Present Revenues with Current ROR (b)	DRA's 2014 Proposed Revenues with Current ROR (c)	DRA's Recommended $ Increase over 2014 Present Revenues with Current ROR (d=c-b)	DRA's Recommended % Increase over 2014 Present Revenues with Current ROR (e=d/b)
Electric Distribution	$3,650	$3,503	**($146)**	**(4.0%)**
Gas Distribution	$1,295	$1,379	$83	6.4%
Electric Generation	$1,689	$1,590	**($99)**	**(5.8%)**
Total	$6,634	$6,472	**($162)**	**(2.4%)**

DRA recommends revenue increases of $168 million (2.6%) in 2015 and $158 million (2.4%) in 2016, as shown on Table 1-7:

Table 1-7
DRA Estimates Post-Test Year Revenue Increases of
$168 Million (2.6%) in 2015 and $159 Million (2.4%) in 2016
(in Millions of Dollars)

Description (a)	DRA's 2014 Proposed Revenues (b)	DRA's 2015 Proposed Revenue Increase (c)	DRA's 2015 Proposed Revenues (d=b+c)	% Increase over 2014 Revenues (e=c/b)	DRA's 2016 Proposed Revenue Increase (f)	DRA's 2016 Proposed Revenues (g=f+d)	% Increase over 2015 Revenues (h=f/d)
Electric Distribution	$3,503	$81	$3,584	2.3%	$82	$3,666	2.3%
Gas Distribution	$1,379	$51	$1,430	3.7%	$39	$1,469	2.7%
Electric Generation	$1,590	$37	$1,627	2.3%	$37	$1,664	2.3%
Total	$6,472	$168	$6,640	2.6%	$159	$6,799	2.4%

D. DRA's Recommended Revenue Increases for 2014 thru 2016 are Lower and More Reasonable Than PG&E's Request, and Should be Adopted by the Commission

DRA's recommended changes in GRC base revenues from $6.634 billion in 2014 to $6.799 billion in 2016 represents a 2.5% increase over currently authorized levels at the current rate of return.[12] DRA's forecasts would result in a 3-year cumulative increase of $9 million,[13] which is $5.325 billion less than PG&E's request for a $5.334 billion cumulative increase.

If the Commission adopts DRA's forecasts, ratepayers will experience minimal cumulative revenue increases over the 3-year period from 2014-2016, and allows for necessary system improvements without negative impact on operations and service. For the reasons set forth in DRA's exhibits, DRA's recommended 3-year cumulative revenue increase of $9 million is more reasonable than PG&E's requested increase of $5.334 billion, and should be adopted by the Commission.

12 $6,799 million / $6,634 million = 1.025 which represents a 2.5% increase.

13 (-$162 million x 3) + ($168 million x 2) + ($159 million x 1) = $9 million.

III. ESTIMATED RATE IMPACT ON PG&E's CUSTOMERS

PG&E estimates that the bill impact for an electric residential customer using an average of 550 kWh/month would experience a $4.61 increase (about 5.2%) per month, from $89.36 to $93.97, while a customer using an average of 850 kWh/month would experience an $18.34 increase (about 10.0%) per month, from $184.41 to $202.75.[14] PG&E estimates that a gas residential customer using an average of 37 therms/month would experience a $7.06 increase (about 15.3%) per month, from $46.13 to $53.18.[15]

In contrast, if the Commission adopts DRA's recommended revenue requirement for 2014, DRA currently estimates[16] that PG&E's residential customers would experience approximately a $1.31 (about 1.5%) per month *decrease* to their electric bills and approximately a $1.23 (about 2.7%) per month increase to their gas bills beginning in 2014.

IV. OTHER MATTERS

In this section, DRA discusses: (1) how the Commission should not require ratepayers to fund certain types of PG&E expenses: (2) why it is appropriate for parties to have access to and consider PG&E's 2012 recorded data; (3) funding of PG&E's "Lost its Way" advertising campaign; and (4) safety and reliability.

A. The Commission Should Not Require Ratepayers to Fully Fund Certain Types of PG&E Expenses

This section presents testimony regarding why the Commission should not require ratepayers to fund expenses associated with PG&E's rewards and

[14] General Rate Case Application of Pacific Gas and Electric Company, p. 3.

[15] Ibid.

[16] A more precise determination of the rate impact on PG&E's customers will be addressed in the Revenue Allocation and Rate Design phase of the GRC.

recognition program, and why ratepayers should only fund a portion of PG&E's utility fees and membership dues.

1. Rewards and Recognition

In this GRC, PG&E seeks ratepayer funding for cash and non-cash rewards and employee recognition expenses. PG&E indicated that it did not specifically forecast the amount of rewards and recognition expenses embedded in its 2014 revenue requirement request. According to PG&E, it recorded $7.031 million of GRC-related cash and non-cash rewards and recognition expenses in 2011; PG&E escalated its 2011 actual expenses by 3% per year for three years, to estimate that it has included $7.683 million of rewards and recognition expenses in the 2014 GRC forecast.[17]

Upon further discovery, DRA learned that PG&E recorded $8.232 million of GRC-related cash and non-cash rewards and recognition expenses in 2012.[18] Using the 2012 recorded figure as the starting point, and escalating it by 3% per year for two years, yields an estimate of $8.734 million of GRC-related rewards and recognition expenses for 2014.

In prior GRCs, DRA has argued that: (1) employee recognition programs provide no clear or identifiable benefit to ratepayers and are not necessary to operate the utility business; and (2) it is inappropriate for ratepayers to be burdened with the responsibility of subsidizing employee recognition programs that are not necessary or required for utility operations.

DRA's testimony in PG&E's 2011 GRC (A.09-12-020)[19] cites several examples of where the Commission has found that expenses for cash and non-cash employee recognition rewards fit the category of social activities and should not be

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[17] PG&E's response to DRA Oral Data Request 16 is included in Appendix 1 of this exhibit.

[18] The relevant page from PG&E's response to data request DRA-PG&E-145-CKT is included in Appendix 1 of this exhibit.

[19] A.09-12-020, Ex. DRA-14, pp. 17-18. These pages are attached to Appendix 1 of this exhibit.

funded by ratepayers.[20] The Commission has rejected ratepayer funding of these types of expenses in the past, and DRA recommends that the Commission do so in this rate case.

Hence, DRA recommends that $8.734 million in expenses for rewards and recognition be removed from PG&E's 2014 forecast.[21] If PG&E wants to provide these benefits to its employees, it can do so at its shareholders' expense.

2. Utility Fees and Membership Dues

In this GRC, PG&E seeks ratepayer funding for utility fees and membership dues. PG&E indicated that it did not specifically forecast the amount of fees and dues embedded as part of its 2014 revenue requirement request. According to PG&E, it recorded $5.349 million of GRC-related utility fees and membership dues expenses in 2011; PG&E then escalated its 2011 actual expenses by 3% per year for three years, to estimate that it has included $5.845 million of utility fees and membership dues expenses in the 2014 GRC forecast.[22]

Upon further discovery, DRA learned that PG&E recorded $5.961 million of GRC-related utility fees and membership dues expenses in 2012.[23] Using the 2012 recorded figure as the starting point, and escalating it by 3% per year for two years, yields an estimate of $6.324 million of GRC-related expenses for utility dues and membership fees for 2014.

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[20] *See, for example*, D.09-03-025, D.06-05-016, D.05-04-037, D.04-07-022, D.96-01-011, D.93-12-043, and D.89-12-157.

[21] For modeling purposes, this is reflected as an "Other Adjustment" in DRA's Results of Operations model.

[22] PG&E's response to DRA Oral Data Request 18 is included in Appendix 2 of this exhibit.

[23] The relevant page from PG&E's response to data request DRA-PG&E-224-CKT is included in Appendix 2 of this exhibit.

In its decision resolving the Test Year (TY) 2012 GRC Application of Southern California Edison Company (SCE), the Commission addressed the matter of SCE's corporate membership dues and fees, stating that it was the utility's "…burden to establish that requested funds are eligible for rate recovery…" and concluded that SCE did not accurately remove "…all lobbying, advertising, public relations, and other costs excluded from ratepayer recovery."[24] The Commission also stated that "…advancing policies of tax reduction is inherently political and ratepayers should not fund SCE's membership dues in political organizations, regardless of some attenuated potential rate benefit."[25] Ultimately, the Commission authorized $1.284 million (or 81%) of SCE's $1.586 million request for rate recovery.[26]

In response to discovery, PG&E indicated that all lobbying, advertising, public relations, and other costs excluded from ratepayer recovery, were removed from the 2011 GRC-portion of recorded expenses, and therefore not included in its 2014 forecast.[27] PG&E did not provide adequate supporting documentation that would enable DRA to confirm this: PG&E did not list or itemize each of the items and dollar amounts removed from each entity to which PG&E pays utility fees and membership dues, nor did PG&E indicate how much, or what percentage, of the utility fees and membership dues are associated with such activities.[28] Therefore, PG&E has not met its burden to establish that the requested funds are eligible for rate recovery.

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[24] D.12-11-051, *mimeo*., at p. 507.

[25] Ibid.

[26] Ibid.

[27] PG&E's responses to data request DRA-PG&E-235-CKT, Questions 1 and 2, which are included in Appendix 2 of this exhibit.

[28] PG&E's responses to data request DRA-PG&E-235-CKT, Questions 3 and 4, which are included in Appendix 2 of this exhibit.

Consistent with the SCE 2012 GRC decision, DRA recommends that ratepayers provide funding for no more than 81% of the estimated $6.324 million in PG&E's expenses for utility fees and membership dues, i.e., that *at least* $1.202 million be removed from PG&E's 2014 forecast.[29]

B. It is Appropriate for Parties and the Commission to Request and Consider PG&E's Recorded 2012 Data

In various discovery requests, DRA asked PG&E for 2012 recorded data. In some instances, PG&E responded by saying:

> PG&E objects to this question on the grounds that the question asks for actual 2012 data while PG&E's 2014 GRC forecast uses a base year of 2011 recorded data in accordance with the Commission's Rate Case Plan. Notwithstanding the foregoing, and without waiving PG&E's right to object to the admissibility of the requested information into evidence, PG&E will provide the 2012 data after PG&E publicly releases its 2012 financial statements in February 2013.[30]

Another variation of the response above includes:

> PG&E objects to this question on the grounds that the question asks for actual 2012 data while PG&E's 2014 GRC forecast uses a base year of 2011 recorded data in accordance with the Commission's Rate Case Plan. Notwithstanding the foregoing, and without waiving PG&E's right to object to the admissibility of the requested information into evidence, PG&E responds as follows: …[31]

This same argument was made, and rejected by the Commission in its decision resolving SCE's TY2012 GRC. In that case, the utility used base year 2009

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[29] For modeling purposes, this is reflected as an "Other Adjustment" in DRA's Results of Operations model.

[30] For example, in PG&E's responses to data requests DRA-PG&E-110-DFB and DRA-PG&E-111-DFB, where DRA requested 2012 actual property& liability insurance expenses, and litigation settlements judgments / 3rd party claims, respectively.

[31] For example, in PG&E's response to data request DRA-PG&E-145-CKT, where DRA requested actual cash and non-cash rewards and recognition expenses for 2007-2010 and 2012.

data. SCE took issue with intervenors considering and/or using more recent 2010 recorded data to develop their forecasts. In D.12-11-051, the Commission stated:

> According to the Rate Case Plan, SCE is required to prepare its application based on 2009, not 2010, recorded expenses. However, there is nothing in the Rate Case Plan which limits discovery of 2010 actual recorded expenditures and the Commission finds them informative.[32]

The same policy applies to this rate case; DRA and other parties are free to request PG&E's recorded 2012 data, consider the data, and incorporate the data into their forecasts if they so choose. It would be an unproductive use of the Commission's and every parties' time if PG&E were to challenge this notion in rebuttal testimony or during evidentiary hearings when the Commission has already established that it is appropriate for parties to consider and/or use the most recent recorded data to develop their forecasts, if they so choose.

C. Did Ratepayers Fund any Portion of PG&E's $10 Million "Lost its Way" Advertising Campaign?

On July 17, 2012, a news article entitled "PG&E 'lost its way,' CEO admits in new $10 million ad blitz", appeared in the San Francisco Chronicle and can be found at SFGate.com, http://www.sfgate.com/bayarea/article/PG-E-s-ads-Utility-lost-its-way-3714243.php.[33] Among other things, the article indicated that: (1) in July 2012, PG&E began its first large-scale public relations effort since the San Bruno explosion; (2) this campaign included television ads, radio spots, newspaper ads, and billboard ads; and (3) the estimated $10 million cost of this advertising campaign would be paid with shareholder money.

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[32] D.12-11-051, *mimeo*., at p.13.

[33] A copy of this article is included in Appendix 3 of this exhibit.

On January 16, 2013, a subsequent article entitled "PG&E clarifies 'lost its way' ad campaign", appeared in the San Francisco Chronicle and can be found at SFGate.com, http://www.sfgate.com/bayarea/article/PG-amp-E-clarifies-lost-its-way-ad-campaign-4200006.php?cmpid=emailarticle&cmpid=emailarticle.[34] The article discusses, among other things, how PG&E attempted to "clarify" the ad campaign.

DRA asked PG&E for details about the advertising campaign, such as supporting documentation which showed how all of the costs associated with this advertising campaign would be paid with shareholder money and not ratepayer funds. DRA requested a list of all PG&E employees who were in any way involved in the advertising campaign.[35] DRA's data requests sought records that would allow DRA to assess PG&E's claim that its ratepayers did not pay, and are not paying, for the estimated $10 million cost of this advertising campaign. If information shows that ratepayers are paying costs that are supposed to be charged to shareholders, then the Commission should be aware of that fact.

PG&E initially objected to providing responses, asserting that DRA sought information that was "…not reasonably calculated to lead to the discovery of admissible evidence."[36] PG&E provided some information, but it still is not clear how much PG&E spent on this advertising campaign, since PG&E was unwilling to provide direct answers.[37]

Thus, DRA recommends that the Commission direct PG&E to submit a late-filed exhibit in this GRC which provides a detailed breakdown of the costs and

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[34] A copy of this article is also included in Appendix 3 of this exhibit.

[35] A copy of data request DRA-PG&E-055-CKT is included in Appendix 3 of this exhibit.

[36] Is it even PG&E's *place* to conclude that information sought by DRA would not lead to the discovery of admissible evidence?

[37] In its supplemental response to data request DRA-PG&E-055-CKT, PG&E provided a list of employees (by job title) materially involved in the advertising campaign, Powerpoint slides that generally discussed how PG&E accounted for the advertising campaign costs, and copies of a below-the-line (BTL) audit report, management action plan referenced in the audit report, and a revised BTL accounting standard.

clearly demonstrates that all costs associated with the advertising campaign including, but not limited to, outside services expenses, and internal labor expenses associated with the amount of time PG&E employees were involved in the campaign (or clarifying the intent of the campaign), were removed from the 2012 above-the-line recorded data. Such costs should also be removed from 2012 historical data that is provided in PG&E's next GRC.

In its exhibits, DRA has identified several instances in which PG&E deferred maintenance, expenses, and/or capital investment, and requests ratepayer funding in this GRC. In those instances, DRA proposes that ratepayers not be required to fund those PG&E requests. In this regard, ***why did PG&E choose to spend $10 million (and approximately 1,000 person-hours[38]) on trying to repair its image rather than on improving, maintaining, and/or repairing its system?*** Considering the issue in the context of deferred maintenance, then it is debatable whether shareholders did fund the "Lost its Way" advertising campaign, i.e., one would hope that PG&E did not defer $10 million of ratepayer funding intended for maintenance activities and spend it on the advertising campaign.

D. Safety and Reliability

DRA supports ratepayer funding for necessary and/or cost-effective safety and reliability capital projects and maintenance activities. DRA expects PG&E to implement measures that are necessary to keep its system safe and reliable.

Capital projects and maintenance programs that are intended to improve safety and/or reliability should be necessary and/or cost-effective,[39] and the utility must provide record evidence to justify and support its proposals and requests.

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[38] As indicated in a portion of PG&E's supplemental response to data request DRA-PG&E-055-CKT, and included in Appendix 3 of this exhibit.

[39] DRA's electronic search of the over 3,600 pages of public testimony (Ex. PG&E-1 thru Ex. PG&E-13) filed by PG&E on November 15, 2012, yielded results which showed: (1) the words "safety" and "reliability" appeared about 2,200 times and 790 times, respectively; but (2) terms such as "manage costs," "managing costs," "cost control", "controlling costs," or "cost containment" appeared fewer than 20 times.

In the case of PG&E, when the Commission authorizes funding for safety-related activities, PG&E management has demonstrated that it might not spend the funds in the manner for which it was intended.[40] In various exhibits, DRA demonstrates that PG&E has a pattern of not spending money as intended that the Commission had authorized.[41] To ensure that PG&E's safety-related activities and operations are a top priority and that it appropriately spends the money it receives for safety projects/activities, DRA recommends that certain mechanisms be put in place to protect ratepayers and provide PG&E with the necessary funding to keep it system safe.

For example, in gas distribution, DRA recommends that PG&E:

- Be allowed to spend $288 million in 2014 to replace gas distribution pipelines, which is $102 million (55%) more than the amount PG&E spent in 2011.
- Receive $22 million in 2014 to fund gas leak surveys, which includes funding for leak detection using new technology (i.e., the Picarro Surveyor).
- Receive $36 million in 2014 to fund gas leak repairs, plus additional revenues for leak repairs in 2015 and 2016.

In various areas, DRA recommends ratemaking mechanisms that would allow PG&E to recover additional revenues if it actually spends above the amounts that DRA forecasts. DRA's recommendation ensures that PG&E will not receive excessive amounts of money upfront, and that ratepayers are protected from overpaying in case PG&E does not spend as much as it forecasts. If PG&E actually does more work and spends more money in those areas than DRA forecasts, then PG&E is provided the ability to collect additional revenues to cover those costs. For

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[40] *See* San Francisco Chronicle article entitled "PG&E engineers warned of spending cuts: Engineers warned execs about safety concerns", dated April 15, 2013. A copy of this article is included in Appendix 4 of this exhibit. http://www.sfchronicle.com/bayarea/article/PG-amp-E-engineers-warned-of-spending-cuts-4434079.php?t=bf5423fe1db7bee865

[41] *See*, for example, Ex. DRA-5 (Electric Distribution Expenses), Ex. DRA-7 (Electric Distribution Capital Expenditures, Part 1 of 2), and Ex. DRA-11 (Energy Supply Expenses).

example, if PG&E spends more on its Gas Pipeline Replacement Program in 2014 than DRA forecasts, it has the ability to recover additional revenues associated with its investment.

V. PG&E's REVENUE REQUIREMENT REQUESTS COMPARED TO THE COMMISSION'S AUTHORIZED AMOUNTS

The table below shows PG&E's recent revenue requirement requests and the amounts authorized by the Commission.[42]

Table 1-8
PG&E Requested vs. CPUC Authorized, 2006 thru 2013 Revenue Requirement
(in Millions of Dollars)

Year (a)	PG&E Request (b)	CPUC Authorized (c)	Percent CPUC<PG&E (d=[c-b]/b)	Requested Increase over Prior Year (e)	Authorized Increase over Prior Year (f)	Percent CPUC<PG&E (g=[f-e]/e)
2013	$7,309	$6,397	(12.5%)	$344	$185	(46.2%)
2012	$6,965	$6,212	(10.8%)	$276	$180	(34.8%)
TY2011	$6,689	$6,032	(9.8%)	$1,257	$730	(41.9%)
2010 *	$5,432	$5,302	(2.4%)	$0	$125	n/a
2009	$5,432	$5,177	(4.7%)	$180	$125	(30.6%)
2008	$5,252	$5,052	(3.8%)	$143	$125	(12.6%)
TY2007	$5,109	$4,927	(3.6%)	$450	$268	(40.4%)
2006	$4,659	$4,659	(0.0%)	---	---	---

***** PG&E did not request a 2010 attrition year as part of its 2007 GRC, but the Commission adopted one as part of a settlement agreement between PG&E, DRA, and other parties.

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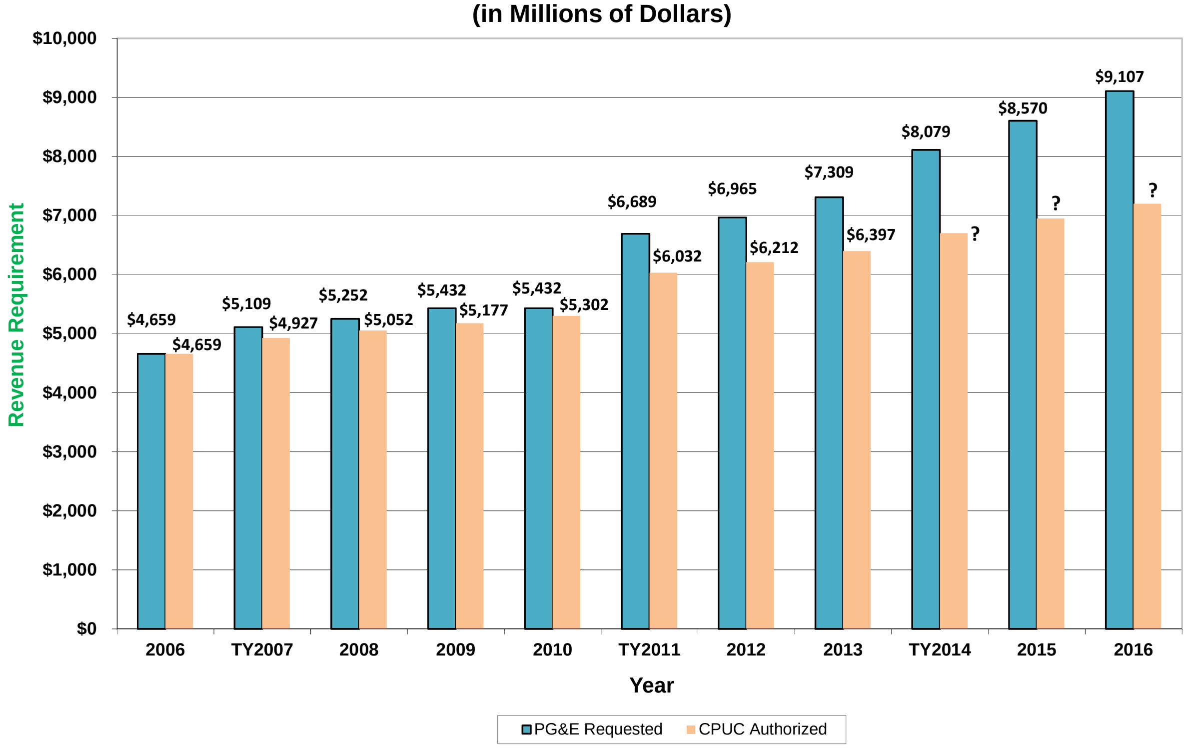
[42] The 2006 requested and authorized revenue requirement figures were obtained from PG&E Advice Letter 2667-G/2722-E. The 2007-2010 requested and authorized revenue requirement figures were obtained from D.07-03-044, p.10. The 2011- 2013 requested and authorized revenue requirement figures were obtained from D.11-05-018, pp. 2-3.

The purpose of Table 1-8 is to recap and compare how much PG&E has requested in base revenues and how much the Commission has authorized during the past eight years (2006-2013). The Commission has granted annual increases totaling $1.738 billion to PG&E's GRC revenue requirement *level*, from $4.659 billion in 2006 to $6.397 billion in 2013. The cumulative revenue requirement increase during that period (column f) amounts to $6.486 billion.[43]

Figure 1-3 illustrates PG&E's requested and authorized revenue requirement from 2006 thru 2013, along with PG&E's request for 2014 thru 2016.

Figure 1-3
2006-2016 Revenue Requirement: PG&E Requested vs. CPUC Authorized
(in Millions of Dollars)



PG&E has been granted generous GRC revenue increases to PG&E since 2006. If the Commission adopts DRA's 2014 through 2016 revenue requirement forecasts in their entirety, it will reinforce the notion that PG&E: (1) must better

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[43] ($268 million x 7) + ($125 million x 6) + ($125 million x 5) + ($125 million x 4) + ($730 million x 3) + ($180 million x 2) + ($185 million x 1) = $6,486 million.

manage and control its costs; (2) cannot saddle its ratepayers with unreasonable costs; and (3) should not expect ratepayers to sign a "blank check" for funding utility operations.

VI. PROCEDURAL BACKGROUND AND SCHEDULE

On July 2, 2012, PG&E tendered its Notice of Intent (NOI) with the Commission to file a GRC application for Test Year 2014, as well as post-test years 2015 and 2016, for a 3-year rate case cycle. Pursuant to the most recent Rate Case Plan (RCP),[44] DRA advised PG&E of deficiencies. On September 14, 2012, DRA accepted PG&E's NOI for a 2014 GRC.

On November 15, 2012, PG&E filed its Test Year 2014 GRC Application, A.12-11-009, with the Commission. The Application first appeared on the Commission's Daily Calendar for November 16, 2012. DRA filed a timely Protest to the Application on December 17, 2012. PG&E filed replies to protests on December 21, 2012.

A Prehearing Conference (PHC) was held on January 11, 2013, followed by the Assigned Commissioner's Ruling and Scoping Memo, which was issued on January 22, 2013. An Administrative Law Judge's (ALJ) Ruling, issued on March 11, 2013, established the schedule for eleven joint public participation hearings (PPH) throughout PG&E's service territory, beginning on May 22, 2013, through June 25, 2013. An ALJ Ruling issued on March 22, 2013, revised the location for one of those PPHs. Another ALJ Ruling issued on May 1, 2013, corrected the date on which one of those PPHs is to be held.

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[44] D.07-07-004, modifying D.89-01-040.

With those rulings, the following procedural schedule was established:

Procedural Schedule for Pacific Gas and Electric Company's Test Year 2014 General Rate Case Application No. 12-11-009	
Event	**Dates**
DRA Testimony served	May 3, 2013
Intervenor Testimony and Safety & Enforcement Division (SED) Reports served	May 17, 2013
SED Audit Report served	May 31, 2013
Workshop on SED Reports	June 12, 2013
Rebuttal Testimony Served (including testimony responding to SED Reports)	June 28, 2013
Public Participation Hearings	May 22 – June 25, 2013
Evidentiary Hearings begin	July 15, 2013
Evidentiary Hearings end	August 9, 2013
Mandatory Settlement Conference	August 12-13, 2013
Comparison Exhibit served	August 23, 2013
Opening Briefs	September 6, 2013
Reply Briefs	September 27, 2013
Update Filing	October 4, 2013
Update Hearings	October 14, 2013
Proposed Decision	November 19, 2013
Final Decision	December 19, 2013

The procedural schedule requires DRA to serve its testimony by May 3, 2013. DRA fulfills this requirement by serving its testimony today.

VII. DRA's ANALYSIS

DRA is responding to PG&E's TY2014 GRC Application, A.12-11-009, with the issuance of its reports and exhibits.

DRA's team for this case consists of approximately 20 persons responsible for the project coordination, support, financial review, and analytical responsibilities needed to process PG&E's GRC application. DRA's "Qualifications of Witnesses" exhibit provides details on DRA's multi-disciplinary team with backgrounds in engineering, accounting, economics, finance, and policy.

DRA submits the following reports in support of its recommendations:

- Report on the Results of Operations for Pacific Gas and Electric Company General Rate Case Test Year 2014 (Exhibits DRA-1 through DRA-22)
- Report on the Results of Examination for Pacific Gas and Electric Company General Rate Case Test Year 2014 (Exhibit DRA-23)
- Qualifications of Witnesses for Pacific Gas and Electric Company General Rate Case Test Year 2014 (Exhibit DRA-24)

VIII. ORGANIZATION OF DRA's SHOWING / SUMMARY OF DIFFERENCES

This section briefly: (1) indicates how DRA's exhibits are organized; and (2) briefly highlights the major differences between DRA and PG&E with respect to the various elements of revenues, operating expenses, and capital expenditures.

A. Organization of DRA's Exhibits

Table 1-9 shows the specific exhibit(s) and subject matter(s) for which each DRA witness is responsible.

Table 1-9
DRA Exhibits with Corresponding Subject Matter and Witnesses

Exhibit No.	*Subject*	*Witness*
DRA-1	Executive Summary	Clayton Tang
DRA-2	Summary of Earnings	Jean Jarjoura
DRA-3	Billings, Sales, and Other Operating Revenues	Marek Kanter
DRA-4	Cost Escalation	Marek Kanter
DRA-5	Electric Distribution Expenses (Part 1 of 2)	Eleanor Jaeger
DRA-6	Electric Distribution Expenses (Part 2 of 2)	Tamera Godfrey
DRA-7	Electric Distribution Capital Expenditures (Part 1 of 2)	Gregory Wilson
DRA-8	Electric Distribution Capital Expenditures (Part 2 of 2)	Mark Bumgardner
DRA-9	Gas Distribution Expenses	Dao Phan
DRA-10	Gas Distribution Capital Expenditures	Sophie Chia
DRA-11	Energy Supply Expenses	Tamera Godfrey
DRA-12	Energy Supply Capital Expenditures	Scott Logan
DRA-13	Customer Care Costs	Peter Morse
DRA-14	Human Resources Expenses (Part 1 of 2)	Stacey Hunter
DRA-15	Human Resources Expenses (Part 2 of 2)	Tamera Godfrey
DRA-16	Administrative & General Expenses (Part 1 of 2)	Donna-Fay Bower
DRA-17	Administrative & General Expenses (Part 2 of 2)	Lindsay Laserson
DRA-18	Shared Services & Information Technology Costs	Jerry Oh
DRA-19	Depreciation Expenses and Reserve	Matthew Karle
DRA-20	Tax Expenses and Other Financial Matters	James Wuehler
DRA-21	Rate Base (including Working Cash)	Kelly Lee
DRA-22	Post Test Year Ratemaking	Clayton Tang
DRA-23	Results of Examination	Mark Waterworth, Francis Fok, Joyce Lee
DRA-24	Qualifications of Witnesses	Various

B. Summary of DRA's Recommendations

The following briefly summarizes the recommendations contained within each of DRA's report exhibits that address PG&E's application.

Exhibit DRA-1 Executive Summary
This exhibit provides a brief overview of PG&E's request; presents the overall organization of DRA's exhibits; summarizes the differences between DRA's and PG&E's Test Year 2014 and Post Test Year 2015-2016 estimates. DRA also recommends removing $8.7 million of expenses associated with employee cash and non-cash rewards and recognition, and at least $1.2 million of expenses associated with membership dues and utility fees, from PG&E's 2014 forecast.

Exhibit DRA-2 Summary of Earnings
This exhibit compares DRA's and PG&E's Summary of Earnings, discusses DRA's concerns about PG&E's Results of Operations (RO) model, and makes recommendations regarding the presentation of the RO model to be used in PG&E's next GRC. DRA also discusses PG&E's recently adopted cost of capital parameters and electric distribution productivity savings.

Exhibit DRA-3 Billings, Sales, and Other Operating Revenues
This exhibit addresses Billings (i.e., customers) and Sales forecasts, and Other Operating Revenues. • For the Electric Department, DRA forecasts billings of 5.300 million for 2012, 5.348 million for 2013, and 5.399 million for 2014, compared to PG&E's forecasts of 5.314 million, 5.379 million, and 5.448 million, respectively. • For 2014, DRA forecasts 87,294 GWh in Electric Department sales compared to PG&E's forecast of 86,635 GWh. • Gas demand and billings counts forecasts for 2014 were litigated and adopted in the 2010 Biennial Cost Allocation Proceeding. Total gas sales of 741,665 MDTh were adopted. • For Other Operating Revenues (OOR), DRA's forecast of $158.1 million is $44.0 million higher than PG&E's forecast of $114.1 million.

Exhibit DRA-4
Cost Escalation

This exhibit addresses PG&E's proposed escalation rates and factors for this rate case.

- DRA recommends that the Commission adopt labor escalation rates of 2.61% for 2012, 2013, and 2014, compared to the companywide 2.79% rate which PG&E proposes for those years.

Exhibit DRA-5
Electric Distribution Expenses (Part 1 of 2)

This exhibit addresses PG&E's Electric Distribution expenses for 2014, excluding Electric Mapping & Records Management, Vegetation Management, and Distribution System Operations.

- For Electric Distribution O&M expenses addressed in this exhibit, DRA's forecast of $313.5 million is $51.7 million lower than PG&E's forecast of $365.2 million.

DRA's primary adjustments/recommendations are associated with technology services, overhead equipment maintenance, deferred maintenance on poles, substation operations and maintenance, and information technology applications/infrastructure.

Exhibit DRA-6
Electric Distribution Expenses (Part 2 of 2)

This exhibit addresses PG&E's Electric Distribution expenses for 2014 for Electric Mapping & Records Management, Vegetation Management, and Distribution System Operations.

- For Electric Mapping & Records Management, DRA's forecast of $4.4 million is $26.7 million lower than PG&E's forecast of $31.1 million.
- For Vegetation Management, DRA's forecast of $164.2 million is $25.8 million lower than PG&E's forecast of $190.0 million.
- For Distribution System Operations, DRA's forecast of $49.4 million is $5.6 million lower than PG&E's forecast of $55.0 million.

Exhibit DRA-7
Electric Distribution Capital Expenditures (Part 1 of 2)

This exhibit addresses certain PG&E Electric Distribution capital expenditures for the 3-year period from 2012 thru 2014.

- For the capital projects addressed in this exhibit, DRA forecasts capital expenditures of $1.026 billion in 2012, $0.973 billion in 2013, and $1.024 billion in 2014, compared to PG&E's forecasts of $1.037 billion, $1.106 billion, and $1.220 billion, respectively.

DRA's primary adjustments/recommendations are associated with underground cables, pole replacement backlog, and substation equipment.

Exhibit DRA-8 Electric Distribution Capital Expenditures (Part 2 of 2)
This exhibit addresses certain PG&E Electric Distribution capital expenditures, not addressed in Ex. DRA-7, for the 3-year period from 2012 thru 2014. • For the capital projects addressed in this exhibit, DRA forecasts capital expenditures of $467.4 million in 2012, $388.3 million in 2013, and $400.1 million in 2014, compared to PG&E's forecasts of $428.4 million, $526.1 million, and $594.1 million, respectively. DRA's primary adjustments/recommendations are associated with substations, overhead and underground equipment, automation and protection equipment, and information technology applications/infrastructure.

Exhibit DRA-9 Gas Distribution Expenses
This exhibit addresses PG&E's Gas Distribution expenses for 2014. • DRA's forecast of $274.7 million is $190.7 million lower than PG&E's forecast of $465.4 million. DRA's primary adjustments/recommendations are associated with the Distribution Integrity Management Program, forecasted levels of certain types of work activity (e.g., leak survey and repair), increased staffing, mapping and records, and information technology applications/infrastructure.

Exhibit DRA-10 Gas Distribution Capital Expenditures
This exhibit addresses PG&E's Gas Distribution capital expenditures for the 3-year period from 2012 thru 2014. • DRA forecasts capital expenditures of $368.1 million in 2012, $420.1 million in 2013, and $482.7 million in 2014, compared to PG&E's forecasts of $451.3 million, $555.6 million, and $842.1 million, respectively. DRA's primary adjustments/recommendations are associated with pipeline replacement, a new control center, regulator replacement, system reliability, new facilities, and information technology applications/infrastructure.

Exhibit DRA-11
Energy Supply Expenses

This exhibit addresses PG&E's Energy Supply expenses for 2014.

- For Hydro Operations, DRA's forecast of $143.8 million is $47.4 million lower than PG&E's forecast of $191.1 million.
- For Nuclear Operations, DRA's forecast of $285.4 million is $130.1 million lower than PG&E's forecast of $415.5 million.
- For Fossil and Other Generation Operations, DRA's forecast of $46.6 million is $8.0 million lower than PG&E's forecast of $54.6 million.
- For Energy Procurement Administration, DRA's forecast of $50.6 million is $8.2 million lower than PG&E's forecast of $58.8 million.

DRA's most significant adjustments/recommendations are associated with increased staffing for hydro, nuclear, and energy procurement; deferred maintenance in hydro and nuclear operations; and new programs (e.g., piping integrity, machinery assessment, and material traceability) in fossil operations.

Exhibit DRA-12
Energy Supply Capital Expenditures

This exhibit addresses PG&E's Energy Supply capital expenditures for the 3-year period from 2012 thru 2014.

- For Hydro Operations, DRA forecasts capital expenditures of $293.0 million in 2012, $260.4 million in 2013, and $265.9 million in 2014, compared to PG&E's forecasts of $262.5 million, $261.0 million, and $344.7 million, respectively.
- For Nuclear Operations, DRA forecasts capital expenditures of $267.0 million in 2012, $215.7 million in 2013, and $253.0 million in 2014, compared to PG&E's forecasts of $269.6 million, $216.2 million, and $254.6 million, respectively.
- For Fossil and Other Generation Operations, DRA forecasts capital expenditures of $11.7 million in 2012, $11.6 million in 2013, and $3.4 million in 2014, compared to PG&E's forecasts of $11.3 million, $11.6 million, and $3.4 million, respectively.
- For Energy Procurement Administration, DRA forecasts capital expenditures of $20.5 million in 2012, $24.2 million in 2013, and $29.2 million in 2014, compared to PG&E's forecasts of $38.4 million, $27.7 million, and $33.9 million, respectively.

DRA's adjustments/recommendations are mainly associated with hydro operations (e.g., improvements to generating systems, reservoirs, dams, and waterways).

Exhibit DRA-13
Customer Care Costs

This exhibit addresses issues related to PG&E's Customer Care expenses for 2014 and capital expenditures for the 3-year period from 2012 thru 2014.

- For expenses, DRA's forecast of $299.2 million is $162.7 million lower than PG&E's forecast of $461.9 million.
- For capital expenditures, DRA forecasts $131.1 million in 2012, $118.5 million in 2013, and $120.6 million in 2014, compared to PG&E's forecasts of $134.1 million, $142.6 million, and $190.1 million, respectively.

DRA's most significant adjustments/recommendations are associated with increased staffing, meter maintenance, customer retention, customer education/outreach, office space, and information technology applications/infrastructure.

Exhibit DRA-14
Human Resources Expenses (Part 1 of 2)

This exhibit addresses PG&E's Human Resources-related expenses for 2014, excluding the Short-Term Incentive Plan.

- For Benefits, Health & Insurance, DRA's forecast of $322.4 million is $74.4 million lower than PG&E's forecast of $396.8 million.
- For Retirement, Disability and Other Benefits, including Trust Contributions, DRA's forecast of $197.7 million is $13.5 million lower than PG&E's forecast of $211.1 million.
- For Workers' Compensation, DRA agrees with PG&E's forecast of $41.6 million.
- For Workforce Management – Severance Program, DRA's forecast of $10.8 million is $3.2 million lower than PG&E's forecast of $14.1 million.

DRA's most significant adjustments/recommendations are associated with benefits expense amounts (to reflect DRA's lower projection of PG&E's headcount increase), employee contributions to health care premiums, and Supplemental Pension Plans for executives.

Exhibit DRA-15
Human Resources Expenses (Part 2 of 2)

This exhibit addresses certain PG&E Human Resources-related expenses for 2014, specifically, the Short-Term Incentive Plan expenses for the PG&E Utility and the PG&E Corporation.

- For the PG&E Utility, DRA's forecast of $45.6 million is $84.7 million lower than PG&E's forecast of $130.2 million.
- For the PG&E Corporation, DRA's forecast of $37,000 is $70,000 lower than PG&E's forecast of $107,000.

DRA's adjustments/recommendations are associated with the allocation of costs between ratepayers and shareholders.

Exhibit DRA-16
Administrative and General Expenses (Part 1 of 2)

This exhibit addresses: (1) certain PG&E Departmental and Companywide (i.e., PG&E Corporation or Holding Company) Administrative and General (A&G) expenses for 2014; and (2) Information Technology (IT) costs associated with these A&G departments.

- For the Finance Organization, DRA's forecast of $44.9 million is $0.2 million lower than PG&E's forecast of $45.1 million. DRA agrees with PG&E's forecasts of $5.8 million for bank fees and $5.1 million for remaining vacation.
- For the Risk and Audit Department, DRA's forecast of $18.7 million is $0.5 million lower than PG&E's forecast of $19.2 million. For insurance expenses, DRA's forecast of $50.1 million is $54.4 million lower than PG&E's forecast of $105.2 million.
- For the Law Department, DRA agrees with PG&E's forecast of $51.7 million. For settlements and judgments, DRA's forecast of $19.6 million is $1.5 million lower than PG&E's forecast of $21.1 million. For third-party claims, DRA's forecast of $14.6 million is $0.3 million lower than PG&E's forecast of $14.9 million.
- For the Executive Offices and Corporate Secretary Department, DRA's forecast of $11.9 million is $1.9 million lower than PG&E's forecast of $13.8 million. For Directors Fees and Expenses, DRA's forecast of $1.3 million is $0.3 million lower than PG&E's forecast of $1.6 million.
- Forecasts of the companywide A&G expenses are subsumed in the department forecasts.
- For IT expenses associated with the A&G Departments addressed in this exhibit, DRA's forecast of $6.3 million is $1.0 million lower than PG&E's forecast of $7.3 million for 2014.
- For IT capital expenditures associated with the A&G Departments addressed in this exhibit, DRA forecasts $9.9 million in 2012, $3.6 million in 2013, and $18.3 million in 2014, compared to PG&E's forecasts of $8.3 million, $4.1 million, and $42.9 million, respectively.

DRA's primary adjustments/recommendations are associated with increased staffing, outside counsel, settlements, property and liability insurance, and information technology applications/infrastructure.

Exhibit DRA-17
Administrative and General Expenses (Part 2 of 2)

This exhibit addresses: (1) certain PG&E Departmental A&G expenses for 2014 which were not addressed in Ex. DRA-16; and (2) IT costs associated with these A&G departments.

- For the Human Resources Department and HR Technology, DRA's forecast of $55.6 million is $6.6 million lower than PG&E's forecast of $62.2 million.
- For the Regulatory Relations Department, DRA's forecast of $21.1 million is $1.5 million lower than PG&E's forecast of $22.6 million.
- For the Corporate Affairs – Communications Department, DRA agrees with PG&E's forecast of $19.0 million.
- For the Corporate Affairs – External Affairs Department, agrees with PG&E's forecast of $10.4 million.
- For IT expenses addressed in this exhibit, DRA's forecast of $0.2 million is $5.4 million lower than PG&E's forecast of $5.6 million for 2014.
- For IT capital expenditures addressed in this exhibit, DRA forecasts $12.3 million in 2012, $3.3 million in 2013, and $3.5 million in 2014, compared to PG&E's forecasts of $12.4 million, $3.3 million, and $10.9 million, respectively.

DRA's adjustments/recommendations are mainly associated with increased staffing, and information technology applications/infrastructure.

Exhibit DRA-18
Shared Services and Information Technology Costs

This exhibit addresses issues related to PG&E's Shared Services & Information Technology (IT) expenses for 2014 and capital expenditures for the 3-year period from 2012 thru 2014.

- For Shared Services expenses, DRA's forecast of $64.5 million is $38.8 million lower than PG&E's forecast of $103.2 million.
- For Shared Services capital expenditures, DRA forecasts $230.7 million in 2012, $135.6 million in 2013, and $172.0 million in 2014, compared to PG&E's forecasts of $195.8 million, $194.4 million, and $250.4 million, respectively.
- For Information Technology expenses, DRA's forecast of $231.8 million is $29.8 million lower than PG&E's forecast of $261.6 million.
- For IT capital expenditures, DRA forecasts $163.4 million in 2012, $136.1 million in 2013, and $161.3 million in 2014, compared to PG&E's forecasts of $136.3 million, $142.7 million, and $212.3 million, respectively.

For Shared Services, DRA's primary adjustments/recommendations are associated with increased staffing; building maintenance; seismic upgrades; new vehicles; fuel chargeback expenses; warehouses (for materials and supplies); and real estate (e.g., expansion and/or relocation, facility improvements).

For Information Technology, DRA's adjustments/recommendations are mainly associated with centralized applications/infrastructure and PG&E's Concept Cost Estimating Tool.

Exhibit DRA-19
Depreciation Expenses and Reserve

This exhibit addresses PG&E's depreciation expenses and weighted average depreciation reserve for 2014.

- For Electric Distribution, DRA's forecast of $1.065 billion in depreciation expenses is $286 million lower than PG&E's forecast of $1.351 billion. DRA's forecast of $10.880 billion in weighted average depreciation reserve is $91.5 million lower than PG&E's forecast of $10.971 billion.
- For Gas Distribution, DRA's forecast of $375.6 million in depreciation expenses is $88.4 million lower than PG&E's forecast of $464.0 million. DRA's forecast of $4.868 billion in weighted average depreciation reserve is $741,000 higher than PG&E's forecast.
- For Electric Generation, DRA's forecast of $411.5 million in depreciation expenses is $40.5 million lower than PG&E's forecast of $452.0 million. DRA's forecast of $8.251 billion in weighted average depreciation reserve is $4.4 million higher than PG&E's forecast of $8.246 billion.

DRA's primary adjustments/recommendations are associated with net salvage rates for certain types of assets.

Exhibit DRA-20
Tax Expenses and Other Financial Matters

This exhibit addresses PG&E's tax expenses, as well as other financial matters.

- DRA recommends that the tax deductions for entertainment expenses be eliminated and the associated 2014 revenue requirements be removed.
- DRA recommends that the 50% bonus depreciation rate be included for the years 2013 thru 2016 when calculating deferred taxes.
- DRA recommends an Allowance for Funds Used During Construction (AFUDC) rate of 3.91%, compared to PG&E's proposal to use its full rate of return (ROR) on rate base.

Exhibit DRA-21
Rate Base (including Working Cash)

This exhibit addresses PG&E's weighted-average rate base for 2014.

- For Electric Distribution, DRA's forecast of $11.746 billion is $633 million lower than PG&E's forecast of $12.379 billion.
- For Gas Distribution, DRA's forecast of $3.367 billion is $476 million lower than PG&E's forecast of $3.843 billion.
- For Electric Generation, DRA's forecast of $4.612 billion is $604 million lower than PG&E's forecast of $5.216 billion.

DRA's primary adjustments/recommendations are associated with fuel inventory, operational cash requirements, and lag days in the working cash determination.

Exhibit DRA-22 Post-Test Year Ratemaking
This exhibit addresses PG&E's Post-Test Year Ratemaking (PTYR) proposals for 2015 and 2016. • DRA recommends post-test year revenue increases of $168 million (2.6%) and $159 million (2.4%) in 2015 and 2016, respectively, compared to PG&E's requested increases of $496 million (6.1%) and $504 million (5.9%), respectively. DRA's recommended increases are developed by: ➢ relying on a recent forecast of the All-Urban Consumer Price Index (CPI-U) and the attrition-year percentage increases adopted in PG&E's two prior GRCs; and ➢ additional revenues to cover costs associated with forecasted gas leak repairs. • DRA also presents an alternate recommendation for determining attrition revenue increases should the Commission decide not to adopt DRA's primary recommendation. DRA opposes PG&E's requests for: (1) an exception to the Z-factor criteria previously adopted in D.05-03-023; and (2) Z-factor adjustments applying to the test year.

Exhibit DRA-23 Report on the Results of Examination
This exhibit presents DRA's review of PG&E's financial records and internal controls for the utility's 2014 GRC application. Based on the procedures conducted, DRA recommends: • Adjustments to certain Administrative and General (A&G) expenses. • One adjustment to Electric Distribution expenses, Major Work Category (MWC) IF – Electric Emergency Recovery. • No adjustments to plant / rate base. DRA's most significant adjustments/recommendations are associated with general liability insurance, tax consulting costs, Board of Director costs, and Catastrophic Event Memorandum Account (CEMA) costs in MWC IF that PG&E is already requesting in A.11-09-014.

Exhibit DRA-24 Qualifications of Witnesses
This exhibit presents the qualifications and prepared testimony of DRA's witnesses on the PG&E Test Year 2014 General Rate Case.

APPENDICES

APPENDIX 1

PACIFIC GAS AND ELECTRIC COMPANY
2014 General Rate Case Phase I
Data Response

PG&E Data Request No.:	DRA_Oral016-01		
PG&E File Name:	GRC2014-Ph-I_DR_DRA_Oral016-Q01		
Request Date:	January 23, 2013	Requester DR No.:	016
Date Sent:	February 5, 2013	Requesting Party:	Division of Ratepayer Advocates-Oral
PG&E Witness:	Bruce Fraser	Requester:	Clayton Tang

QUESTION 1

How much employee rewards and recognition is included in PG&E's 2014 GRC forecast?

ANSWER 1

PG&E did not forecast a specific amount for employee rewards and recognition in its 2014 GRC forecast. The cost of employee reward and recognition is included in the 2011 recorded actuals and one can estimate the amounts included in the 2014 forecast by adding escalation to the 2011 recorded amounts.

GRC2014-Ph-I _DR_DRA_Oral016-Q01Atch01 shows the Utility's 2011 recorded employee reward and recognition is $10.282 million. Using the FERC translation functionalities, PG&E estimates the GRC portion of the 2011 employee rewards and recognition is 68 percent which equates to $7.031 million. To estimate the amounts included in the 2014 forecast, PG&E applies a 3 percent escalation year over year and arrives at $7.683 million.

$7.031 million * (1 + 0.03) * (1 + 0.03) * (1 + 0.03) = $7.683 million

The costs shown in attachment GRC2014-Ph-I _DR_DRA_Oral016-Q01Atch01 represent what was recorded to the rewards and recognition cost elements in SAP and vary slightly from the costs by employee that were previously provided in response to the Master Data Request. This is because Human Resources tracks and reports employee rewards and recognition cash and non-cash awards that are processed through the Payroll Department in accordance with program procedures.

2012 Utility Rewards & Recognition (R&R) Actuals*

In Nominal Year Dollars

				Based on FERC Translation**						
Line of Business	**Cash**	**Non-Cash**	**Total**	**Non-GRC**	**GRC Capital**	**GRC Expense**	**GRC NE**	**GRC Total**	**Utility Total**	
Chief Financial Officer	664,456	124,460	788,916	21,025	5,510	762,253	128	767,891	788,916	AG
Corporate Affairs	276,591	7,661	284,252	61,240	37	222,975	-	223,012	284,252	AG
Customer Care	1,249,566	771,794	2,021,359	805,454	47,662	960,105	208,139	1,215,906	2,021,359	AG
Electric Operations	1,120,036	1,960,424	3,080,460	1,220,018	1,276,631	551,368	32,443	1,860,442	3,080,460	ED
Energy Procurement	351,886	19,823	371,708	14,510	-	357,198	-	357,198	371,708	AG
Gas Operations	655,885	742,934	1,398,819	666,042	226,673	420,493	85,610	732,776	1,398,819	GD
Human Resources	527,596	41,977	569,573	6,584	12,405	546,594	3,990	562,989	569,573	AG
IT	808,198	144,394	952,592	213,613	256,218	473,247	9,514	738,979	952,592	AG
Nuclear Generation	263,720	138,981	402,701	45,681	140,476	216,544	-	357,020	402,701	NG
Power Gen	131,197	140,274	271,471	11,323	70,554	189,593	1	260,148	271,471	HG
Pres & CEO Utility	28,160	3,307	31,467	7,971	221	22,132	1,143	23,496	31,467	AG
Regulation	269,125	2,619	271,744	48,238	1	223,505	-	223,506	271,744	AG
General Counsel	42,724	265	42,989	135	-	42,854	-	42,854	42,989	AG
Shared Services	727,224	465,654	1,192,878	304,114	398,358	486,940	3,465	888,764	1,192,879	AG
Other	1,721	(970)	751	23,352	816	(23,417)	-	(22,601)	751	AG
Total Company	7,118,084	4,563,595	11,681,679	3,449,301	2,435,562	5,452,384	344,433	8,232,379	11,681,680	

* Amount recorded in SAP to cost elements 5200703 (Non-Cash R&Rs) and 5200704 (Cash R&Rs) for the Utility

** FERC Translation a combination of looking at the accounts directly, supervision and management clearing costs by LOB and chargeback clearing.

In Base Year Dollars

				Based on FERC Translation**					
Line of Business	**Cash**	**Non-Cash**	**Total**	**Non-GRC**	**GRC Capital**	**GRC Expense**	**GRC NE**	**GRC Total**	**Utility Total**
Chief Financial Officer	647,205	121,229	768,433	20,479	5,367	742,463	125	747,954	768,433
Corporate Affairs	269,410	7,462	276,872	59,650	36	217,186	-	217,222	276,872
Customer Care	1,217,124	751,756	1,968,880	784,542	46,425	935,178	202,735	1,184,338	1,968,880
Electric Operations	1,093,781	1,914,468	3,008,248	1,191,418	1,246,704	538,443	31,683	1,816,830	3,008,248
Energy Procurement	342,750	19,308	362,058	14,133	-	347,924	-	347,924	362,058
Gas Operations	640,029	724,974	1,365,003	649,941	221,194	410,328	83,540	715,062	1,365,003
Human Resources	513,898	40,887	554,786	6,413	12,083	532,403	3,886	548,372	554,786
IT	787,215	140,645	927,861	208,067	249,566	460,961	9,267	719,793	927,861
Nuclear Generation	257,331	135,613	392,944	44,574	137,073	211,297	-	348,370	392,944
Power Gen	127,856	136,702	264,558	11,035	68,757	184,765	1	253,523	264,558
Pres & CEO Utility	27,429	3,221	30,650	7,764	215	21,557	1,113	22,886	30,650
Regulation	262,138	2,551	264,689	46,986	1	217,702	-	217,703	264,689
General Counsel	41,615	258	41,873	131	-	41,741	-	41,741	41,873
Shared Services	708,343	453,564	1,161,908	296,219	388,016	474,298	3,376	865,690	1,161,909
Other	1,676	(945)	731	22,746	795	(22,809)	-	(22,015)	731
Total Company	6,937,800	4,451,693	11,389,493	3,364,099	2,376,231	5,313,438	335,726	8,025,394	11,389,494

Docket:	:	A.09-12-020
Exhibit Number	:	DRA-14
Commissioner	:	Peevey
ALJ	:	Fukutome
Witness	:	Godfrey

DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for Pacific Gas and Electric Company General Rate Case Test Year 2011

Administrative and General Expenses, Part 4 of 4
(Short-Term Incentive Plan and Other Costs)

San Francisco, California
May 5, 2010

V. DISCUSSION / ANALYSIS OF NORMALIZED ADJUSTMENTS FOR EMPLOYEE-RELATED EXPENSES

In various MWCs, PG&E included in its forecasts (utilizing 2008 recorded adjusted expenses as its basis) costs for employee related expenses or supererogatory expenses.[39] DRA made normalized adjustments of $7.276 million[40] to PG&E's 2008 recorded adjusted expenses for ratemaking purposes for costs incurred for employee non-cash rewards and recognition, cash rewards and recognition, various entertainment expenses, club dues, memberships and association dues and payments.[41] DRA removed these expenses[42] because they are not necessary to operate the utility business, are social, cultural and charitable in nature, and are inappropriately charged to ratepayers.

The supererogatory employee recognition programs mentioned above provide no clear or identifiable benefit to ratepayers and are not necessary to operate the utility business. It is inappropriate for ratepayers to be burdened with the responsibility of subsidizing PG&E's supererogatory employee recognition programs that are not necessary or required for utility operations. PG&E can continue to provide these benefits to its employees at its shareholders' expense.

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[39] "Supererogatory: Performed or observed beyond the required or expected degree". American Heritage Dictionary.

[40] DRA calculated its estimate of $7.276 million from 2008 recorded adjusted data PG&E provided in response to an e-mail dated January 13, 2010 which included 2004-2008 recorded expenses for the following Cost Centers: ISTS, Shared Services, Transmission and Distribution, Energy & Procurement, Customer Care, Power Generation, and Nuclear Generation. The 2008 recorded adjusted expenses were removed for ratemaking purposes for Membership dues, Association dues, Company memberships, Club dues, Entertainment Expenses, Non-Cash Rewards & Recognition, and Cash Rewards & Recognition.

[41] PG&E did not demonstrate that the membership and association dues/payments for the various organizations related to utility business and provided identifiable benefits to ratepayers.

[42] For modeling purposes, the expenses were removed from fuel chargeback costs in the Results of Operations computer model.

The Commission has found that expenses such as the above mentioned, fit the category of social activities and should not be funded by ratepayers. In D.09-03-025, D.06-05-016, and D.04-07-022, the Commission did not provide funding for Spot Cash Awards.

The Commission stated the following in D.93-12-043 (at page 75):

> SoCalGas seeks $1.505 million for Disneyland trips, Christmas turkey checks, employee volunteer program information and retiree gift checks and luncheons. DRA opposes all of this funding on the basis that Commission policy does not allow ratepayer funding for social activities and charitable donations. SoCalGas argues that these expenses are not charitable and argues that its last general rate case decision, which allowed such expenses, is precedential. We are not as concerned as DRA or SoCalGas with the precedent associated with funding employee social activities. We are more concerned with current economic circumstances. SoCalGas' employees have generous benefits included in their employment contracts. Disneyland trips and Christmas turkey checks may be reasonable employee benefits but ratepayers should not be required to pay for them. SoCalGas, of course, may continue to offer these benefits at shareholder expense. We deny funding in this account for employee social activities.

In regards to employee lunches and recognition awards, the Commission stated:

> Although SCE removed some of the disputed expenses for Shared Services Support, SCE contends that expenses for food vendor services, mentor luncheons, and employee awards are appropriate because they support valid business purposes. The disputed expenses support working lunches for the Vice President and managers, which, SCE contends, results in greater organizational effectiveness. They also support lunches for mentor programs that, according to SCE, strengthen the organization, provide for career enhancement, professional growth, and job effectiveness. Finally, SCE maintains that employee awards and recognition programs foster continuous improvement and achievement of long-term objectives, and create an environment of valued contribution that promotes employee retention. We find SCE's justification for the disputed expenses unconvincing. In particular, SCE has not adequately demonstrated that ratepayer funded lunches for executives and managers and for mentor program participants is necessary or appropriate. ORA's

> proposed reduction of $83,507 will be adopted. The adopted non-labor expenses for Shared Services' Support Group in Account 921 are $177,364. (D.05-04-037, page 173)

In regards to memberships and association dues, the Commission stated the following:

> We have a long-standing policy not to allow recovery in rates of dues to chambers of commerce and service clubs. In Pacific Tel. & Tel. Co. v. Public Util. Comm. (1965) 62 Cal.2d 634, 669, the California Supreme Court upheld this policy. We apply this policy here and grant DRA's recommendation not to fund $82,000 for chamber of commerce dues. We also concur with DRA's second recommendation [not to fund $19,000 for certain membership dues] because Edison did not meet its burden of proof in demonstrating how these organizations relate to the utility's business and offer ratepayer benefits. (D.96-01-011, 64 CPUC2d 241, 316.)

The Commission has a lengthy history of denying utility requests for employee social activities and DRA recommends that the Commission continue to adhere to that precedent and deny PG&E's request for ratepayer funding of these costs. (D.67369, 62 CPUC 851-854; D.89-12-157, 34 CPUC 2d 265-266; and D.93-12-043, 52 CPUC 2d, 513-514).

APPENDIX 2

PACIFIC GAS AND ELECTRIC COMPANY
2014 General Rate Case Phase I
Application 12-11-009
Data Response

PG&E Data Request No.:	DRA_Oral018		
PG&E File Name:	GRC2014-Ph-I_DR_DRA_Oral018		
Request Date:	February 21, 2013	Requester DR No.:	DRA_Oral018
Date Sent:	March 12, 2013	Requesting Party:	Division of Ratepayer Advocates
PG&E Witness:	Bruce Fraser	Requester:	Clayton Tang

SUBJECT:

QUESTION 1

Please confirm whether PG&E has included dues, donations, charitable contributions costs in the 2014 forecast, or the 2007-2011 recorded numbers?

ANSWER 1

Donations and charitable contributions are all booked below-the-line and not included in the 2014 GRC forecast.

PG&E did not forecast a specific amount for membership fees and dues in its 2014 GRC forecast. The GRC portion of membership dues is included in the 2011 recorded actuals and one can estimate the amounts included in the 2014 forecast by adding escalation to the 2011 recorded amounts.

Attachment GRC2014-Ph-I_DR_DRA_Oral018Atch01 includes the total and GRC portion of the membership fees and dues for 2007 to 2011. PG&E uses the same methodology as discussed in DRA_145-01 to develop the GRC portion of the recorded expenses on membership fees and dues. The GRC portion of membership fees and dues recorded in 2011 is $5,349,451. To estimate the amounts included in the 2014 GRC forecast, PG&E applies a 3 percent escalation (average non-labor escalation rate) year over year and arrives at $5,845,489:

$5,349,451 * (1+0.03) * (1+0.03) * (1+0.03) = $5,845,489

2012 Utility Dues & Membership Fees[a]
(In Whole Nominal Dollars)

			Based on FERC Translation[b]					
Line of Business	**Total**		**Non-GRC**	**GRC Capital**	**GRC Expense**	**GRC Non-Earnings Expense**	**GRC Total**	**Total**
Shared Services	$ 208,839		$ 75,043	$ 64,808	$ 68,347	$ 641	$ 133,796	$ 208,839
Customer Care	1,443,920		1,049,205	2,988	388,003	3,724	394,715	1,443,920
IT	265,467		7,618	5,718	252,075	56	257,849	265,467
Nuclear Generation	1,760,002		17,281	151,747	1,590,974	-	1,742,721	1,760,002
Power Gen	302,378		8,151	65,063	229,164	-	294,226	302,378
Energy Procurement	76,185		95	-	76,090	-	76,090	76,185
Electric Operations	2,132,934		881,168	67,165	1,178,212	6,389	1,251,766	2,132,934
Gas Operations	1,819,425		645,722	10,175	1,128,087	35,440	1,173,703	1,819,425
Pres & CEO Utility	61,887		-	-	61,887	-	61,887	61,887
Regulation	3,001		273	-	2,728	-	2,728	3,001
Chief Financial Officer	150,458		912	113	149,432	1	149,546	150,458
Human Resources	176,113		2,116	1,111	172,831	55	173,997	176,113
Corporate Affairs	1,373,460		1,195,520	26	177,914	-	177,940	1,373,460
General Counsel	70,016		344	-	69,672	-	69,672	70,016
Other	633		-	-	633	-	633	633
Total Company	$ 9,844,718		$ 3,883,448	$ 368,916	$ 5,546,048	$ 46,306	$ 5,961,270	$ 9,844,718

Non-Labor Escalation Factors

Line of Business	**GRC Capital**	**GRC Expense**	**GRC Non-Earnings Expense**
Shared Services	0.985	0.974	0.974
Customer Care	0.980	0.974	0.974
IT	0.980	0.974	0.974
Nuclear Generation	0.975	0.976	0.976
Power Gen	0.984	0.976	0.976
Energy Procurement	0.980	0.974	0.974
Electric Operations	0.956	0.977	0.977
Gas Operations	0.971	0.976	0.976
Pres & CEO Utility	0.980	0.974	0.974
Regulation	0.980	0.974	0.974
Chief Financial Officer	0.980	0.974	0.974
Human Resources	0.980	0.974	0.974
Corporate Affairs	0.980	0.974	0.974
General Counsel	0.980	0.974	0.974
Other	0.980	0.974	0.974

2012 Utility Dues & Membership Fees[a]
(In Whole 2011 Base Year Dollars)

			Based on FERC Translation[b]				
Line of Business	**Total**		**Non-GRC**	**GRC Capital**	**GRC Expense**	**GRC Non-Earnings Expense**	**GRC Total**
Shared Services				$ 63,837	$ 66,573	$ 624	$ 131,033
Customer Care				2,930	377,929	3,628	384,486
IT				5,606	245,531	55	251,191
Nuclear Generation				147,883	1,552,428	-	1,700,311
Power Gen				64,051	223,765	-	287,816
Energy Procurement				-	74,114	-	74,114
Electric Operations				64,239	1,150,592	6,239	1,221,070
Gas Operations				9,881	1,100,816	34,583	1,145,281
Pres & CEO Utility				-	60,280	-	60,280
Regulation				-	2,657	-	2,657
Chief Financial Officer				111	145,552	1	145,664
Human Resources				1,089	168,344	54	169,487
Corporate Affairs				25	173,295	-	173,320
General Counsel				-	67,863	-	67,863
Other				-	617	-	617
Total Company				$ 359,651	$ 5,410,357	$ 45,183	$ 5,815,191

(a) Amounts recorded in SAP to cost elements 5006060 (Association Dues), 5006070 (Club Dues) and 5001150 (Membership Fees) for the Utility
(b) FERC Translation a combination of looking at the accounts directly, supervision and management clearing costs by LOB and chargeback clearing.

PACIFIC GAS AND ELECTRIC COMPANY
2014 General Rate Case Phase I
Application 12-11-009
Data Response

PG&E Data Request No.:	DRA_235-01		
PG&E File Name:	GRC2014-Ph-I_DR_DRA_235-Q01		
Request Date:	March 19, 2013	Requester DR No.:	DRA-PG&E-235-CKT
Date Sent:	April 2, 2013	Requesting Party:	Division of Ratepayer Advocates
PG&E Witness:	Shelly J. Sharp	Requester:	Clayton Tang

SUBJECT: UTILITY DUES AND MEMBERSHIP FEES

QUESTION 1

In response to DRA Data Request Oral 18, PG&E indicates that "…the GRC portion of membership fees and dues recorded in 2011 is $5,349,451. To estimate the amounts included in the 2014 GRC forecast, PG&E applies a 3 percent escalation (average non-labor escalation rate) year over year and arrives at $5,845,489."

a. Have all lobbying, advertising, public relations, and other costs excluded from ratepayer recovery, been removed from the 2011 recorded expense (either total or GRC portion)?

b. Have all lobbying, advertising, public relations, and other costs excluded from ratepayer recovery, been removed from the 2014 expense forecast (either total or GRC portion)?

c. If PG&E has removed all lobbying, advertising, public relations, and other costs excluded from ratepayer recovery, from the 2011 recorded and/or 2014 forecast expenses, please provide supporting documentation which confirms this and lists/itemizes each of the items and dollar amounts removed, from each entity to which PG&E pays utility fees and membership dues.

d. If PG&E has not removed all lobbying, advertising, public relations, and other costs excluded from ratepayer recovery, from the 2011 recorded and/or 2014 forecast expenses, please indicate how much, or what percentage, of the utility fees and membership dues are associated with such activities. If possible, provide a breakdown of this information for each entity to which PG&E pays utility fees and membership dues.

ANSWER 1

a. Yes, PG&E has removed all such material costs from ratepayer recovery from the 2011 recorded expense (GRC portion).

b. PG&E has not included such costs in its forecast. PG&E's 2014 GRC forecast for membership fees and dues is embedded in the forecasts of PG&E operating organizations. These GRC forecasts are based on 2011 recorded expenses, which, as explained in item (a), do not include lobbying, advertising, public relations, and other costs.

c. PG&E objects to this question to the extent it seeks information that is beyond the scope of this proceeding and not reasonably calculated to lead to the discovery of admissible evidence. Specifically, this question seeks detailed information regarding advertising activities that are booked below-the-line and paid for by PG&E's shareholders. PG&E does not seek recovery of such costs in the GRC.

   Subject to and without waiving this objection, please refer to attachment GRC2014-Ph-I_DR_DRA_235-Q01Atch01 for a listing of associations that were excluded from the 2011 recorded costs. PG&E notes that its membership fees and dues are allocated to various FERC Accounts, depending on the nature of each association's work – only those membership fees and dues allocated to FERC Accounts applicable to the GRC proceeding have been included in the GRC's presentation of 2011 recorded expenses and 2014 forecast.

d. Please refer to Answer 1c.

APPENDIX 3

PG&E's ads: Utility 'lost its way'

Jaxon Van Derbeken
Updated 11:02 pm, Tuesday, July 17, 2012

Pacific Gas and Electric Co.'s chief executive officer acknowledges that the company "lost its way" before the San Bruno explosion in a new, $10 million multimedia advertising blitz being paid for by its shareholders.

The campaign, launched last week on television and this week on radio, marks the company's first large-scale public relations foray since a gas-transmission pipeline ruptured and exploded in September 2010, killing eight people and destroying 38 homes. PG&E apologized for the disaster in June 2011 ads in major newspapers, including The Chronicle.

The main television ad features CEO Tony Earley admitting that he saw PG&E had "lost its way" before he took over the company last summer after running a utility in Detroit. "But I came here because the people clearly haven't," Earley says.

He said he is one of 20,000 employees dedicated to "bringing PG&E back" by providing safe, reliable and affordable service.

The campaign coincides with a criminal investigation into the San Bruno disaster by federal, state and local prosecutors. PG&E is also facing potentially hundreds of millions of dollars in regulatory fines related to the blast and operation of its natural-gas system, as well as millions more in 300 lawsuits filed by San Bruno victims and their families.

TV ads run 1 month

The television ads are expected to run a full month, while radio spots will begin Friday and air through the end of the year. The company will run newspaper and billboard ads next month.

Joe Molica, a PG&E spokesman, said the company had surveyed customers and that the vast majority "want to hear more from us."

"They want to hear what we are doing, about the work we are doing every day about safety and reliability," Molica said. He said half those surveyed specifically wanted to know about "what we are doing to make our pipelines safe and reliable."

Molica said the people appearing in the ads are all PG&E managers and workers. "These communications show the pride our employees have in their work," he said.

PG&E says the cost of the blitz will be paid with shareholder money, not from money it gets from customers to operate its system.

The ads come as the company is arguing in court that although it installed a defective pipeline with flawed welds in San Bruno, its conduct was not so "despicable" as to merit punitive damages to victims in the civil court fight over the blast.

'Why?' lawyer asks

Mike Danko, one of the attorneys in the case representing survivors and their families, said he can see no reason for the effort except to influence the jury pool in the case, which is set for trial in October.

"PG&E has complained about adverse press and publicity and the effect it would have on the jury pool," Danko said. "But then they are going and spending ratepayers' and customers' money - money that could go into safety - on public relations. Why?"

Danko said any money the company spends comes first from customers, regardless of whether it is used for expenses or earmarked for shareholders.

"I don't know why they aren't spending this money on improving the system or compensating the victims," Danko said.

Jaxon Van Derbeken is a San Francisco Chronicle staff writer. E-mail: jvanderbeken@sfchronicle.com

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PG&E clarifies 'lost its way' ad campaign

Jaxon Van Derbeken
Updated 6:55 pm, Wednesday, January 16, 2013

A top Pacific Gas and Electric Co. executive told regulators that the company's ad-campaign acknowledgment that it had "lost its way" before the San Bruno disaster referred to a loss of focus on "basic operations," but not specifically to safety problems.

Jane Yura, PG&E vice president for gas operations standards and policies, is the highest-ranking company official to testify at state Public Utilities Commission hearings into allegations that the utility violated safety laws leading up to the September 2010 explosion of a natural-gas pipeline. The blast and subsequent fire killed eight people and destroyed 38 homes.

The company could face more than $500 million in fines. In the hearings in San Francisco before two administrative law judges, PG&E has defended its pre-explosion safety record as having measured up to industry standards and said the hearings amounted to a pointless search "for someone to blame."

Ad effort

Several parties are involved in the case, including the customer-advocate group The Utility Reform Network. Its attorney, Tom Long, questioned Yura during her testimony Monday about the $10 million ad campaign last summer that featured CEO Tony Earley saying PG&E "lost its way" before he took over in 2011, but stressing its employees "clearly haven't."

"Do you agree based on what you observed that PG&E had lost its way?" Long asked.

Yura replied that the company had been "pursuing many things on many avenues" before the explosion. What Earley was referring to in the ad, she said, "really was about the fact that we need to focus on the core operations and basics of the business, and that is where we had lost our way, that we had really begun to pursue many policy and other energy objectives, and perhaps along that we had lost focus essentially on the basic operations."

Long asked if Earley's statement referred to PG&E having lost its focus on safety.

"I don't believe we lost focus on safety," Yura said. "But I believe we lost focus in terms of keeping up with the changes in the industry and improving our practices and our processes. And we had been a little static as a result."

Long also asked Yura about PG&E's reaction to the findings of a blue-ribbon panel that the utilities commission created to look into the disaster. The panel concluded that PG&E had been more concerned about profits than safety.

"I would say I personally don't know that we disagree or agree," Yura said. "We have accepted it."

The panel also concluded that PG&E had a "dysfunctional" corporate culture that placed safety far down the priority list. Yura, who has been with the utility for 35 years and assumed her current position last year, disputed that.

'We could improve'

"I believe we had goals and we have objectives in that area," she said. "We were focused. But again, we could improve."

Based on industry performance scales, she said, PG&E was in the "middle of the road" in its gas-safety efforts before the explosion. Now, she said, the company wants to be an industry leader.

Yura would not say, however, whether any of the company's new efforts were aimed at addressing problems that federal and state regulators cited in investigations of the 2010 disaster. Those problems included record-keeping gaps that led, among other things, to PG&E not knowing the construction quality of its San Bruno pipeline.

Britt Strottman, an attorney for the city of San Bruno, asked Yura if PG&E has created its new quality-assurance department because of the "many errors and omissions" in its records.

'Permanent' changes

"I would say it (the creation of the department) stems from a lot of the lessons learned through the San Bruno incident," Yura said. But she stressed that PG&E's main goal in forming the department was to make sure safety efforts were sustained and "very permanent."

"So the answer (to) my question is that 'yes,' that you have this new department because of the many errors and omissions in PG&E's gas operations leading up to the explosion?" Strottman asked.

"No," Yura said, without elaborating.

Jaxon Van Derbeken is a San Francisco Chronicle staff writer. E-mail: jvanderbeken@sfchronicle.com

DRA

Division of Ratepayer Advocates
California Public Utilities Commission

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DATA REQUEST
Pacific Gas and Electric Company Test Year 2014 General Rate Case
A.12-11-009

Date: December 6, 2012

Responses Due: December 20, 2012

To: Shelly Sharp
SSM3@pge.com
415-973-2636

Minci Han
M2H9@pge.com
415-973-1140

From: Clayton Tang, Project Coordinator
James Wuehler, Assistant Project Coordinator
Division of Ratepayer Advocates
505 Van Ness Avenue, Room 4205
San Francisco, CA 94102

Originated by: Clayton Tang
Phone: 415-703-2728
Email: ckt@cpuc.ca.gov

Data Request No: DRA-PG&E-055-CKT

Exhibit Reference:

Subject: PG&E advertising campaign

Please provide the following:

Background: The Wednesday, July 18, 2012 edition of the San Francisco Chronicle contained an article (on page C1 and continuing on page C7) entitled "PG&E 'lost its way,' CEO admits in new $10 million ad blitz", written by Jaxon Van Derbeken. Among other things, the article indicates that: (a) in July 2012, PG&E began its first large-scale public relations effort since the San Bruno explosion; (b) this campaign included, for example, television ads, radio spots, newspaper ads, and billboard ads; and (c) the estimated $10 million cost of this advertising campaign will be paid with shareholder money. The article also appears on SFGate.com: http://www.sfgate.com/bayarea/article/PG-E-s-ads-Utility-lost-its-way-3714243.php, but dated July 17, 2012.

1. Identify every type of medium used in this campaign (e.g., television, radio, newspaper, billboards, etc.), as well as the start and end dates associated with each.

2. For each medium, provide a monthly breakdown of the total costs associated with this advertising campaign. As part of this breakdown, identify and describe every type of cost incurred, and the vendors/parties involved.

3. Provide supporting documentation which shows how all of the costs associated with this advertising campaign will be paid with shareholder money and not ratepayer funds.

4. Provide a list which identifies all PG&E employees which were in any way involved in the advertising campaign, their job titles, the extent to which they were involved, and the number of hours they spent doing so.

END OF REQUEST

INSTRUCTIONS

You are instructed to answer the following Data Requests in the above-captioned proceeding, with written, verified responses per Public Utilities Code §§ 309.5 and 314, and Rules 1.1 and 10.1 of the California Public Utilities Commission's Rules of Practice and Procedure. Restate the text of each request prior to providing the response. If you have any questions regarding this data request, please contact the Originator at the email address or phone number above.

Each Data Request is continuing in nature. Provide your response as it becomes available, but no later than the due date noted above. If you are unable to provide a response by this date, notify the Originator and DRA Project Coordinator(s) as soon as possible, with a written explanation as to why the response date cannot be met and a best estimate of when the information can be provided. If you acquire additional information after providing an answer to any request, you must supplement your response following the receipt of such additional information.

Identify the person providing the answer to each data request and his/her contact information. All data responses need to have each page numbered, referenced, and indexed so worksheets can be followed. If any numbers are calculated, include a copy of all supporting electronic files, with data and formulas intact and functioning, so that the formula and their sources can be reviewed. Responses should be provided both in the original electronic format, if available, and in hard copy. (If available in Word or Excel format, send the Word document or Excel file and do not send the information only as a PDF file.) All electronic documents submitted in response to this data request should be in readable, downloadable, printable, and searchable formats, unless use of such formats is infeasible.

Documents produced in response to the data requests should be numbered, and indexed if voluminous. Responses to data requests that refer to or incorporate documents should identify the particular documents referenced by page numbers.

If a request, definition, or an instruction, is unclear, notify DRA as soon as possible. In any event, answer the request to the fullest extent possible, specifying the reason for your inability to answer the remaining portion of the Data Request.

Provide two copies of the above information as it becomes available but no later than the due date identified above. Provide electronic responses if possible, and set of hard copy responses with your submittal to the data request Originator and the DRA Project Coordinator(s).

PACIFIC GAS AND ELECTRIC COMPANY
2014 General Rate Case Phase I
Application 12-11-009
Data Response

PG&E Data Request No.:	DRA_055-01-04		
PG&E File Name:	GRC2014-Ph-I_DR_DRA_055-Q01-04Supp01		
Request Date:	December 6, 2012 (Original)	Requester DR No.:	DRA-PG&E-055-CKT
Date Sent:	April 12, 2013	Requesting Party:	Division of Ratepayer Advocates
PG&E Witness:	Susie Martinez/Shelly Sharp	Requester:	Clayton Tang

SUBJECT: PG&E ADVERTISING CAMPAIGN

QUESTION 1

Identify every type of medium used in this campaign (e.g., television, radio, newspaper, billboards, etc.), as well as the start and end dates associated with each.

QUESTION 2

For each medium, provide a monthly breakdown of the total costs associated with this advertising campaign. As part of this breakdown, identify and describe every type of cost incurred, and the vendors/parties involved.

QUESTION 3

Provide supporting documentation which shows how all of the costs associated with this advertising campaign will be paid with shareholder money and not ratepayer funds.

QUESTION 4

Provide a list which identifies all PG&E employees which were in any way involved in the advertising campaign, their job titles, the extent to which they were involved, and the number of hours they spent doing so.

ANSWER 1-4 – SUPPLEMENTAL 01

Attachments 02 and 03 of this response contain confidential information provided pursuant to California Public Utilities Code Section 583 and GO 66-C.

Subject to the objections set forth in PG&E's original response and without waiving its right to object to the admissibility of the following materials as evidence in the General Rate Case, PG&E provides the following attachments to this supplemental response:

- GRC2014-Ph-I_DR_DRA_055-Q01-04Supp01Atch01: The revised Below the Line Accounting Standard.

- GRC2014-Ph-I_DR_DRA_055-Q01-04Supp01Atch02CONF: The report of the 2012 audit for compliance with the Below the Line Accounting Standard. This document is marked confidential and provided pursuant to PU Code Section 583.

- GRC2014-Ph-I_DR_DRA_055-Q01-04Supp01Atch03CONF: The management action plan referenced in the audit report. This document is marked confidential and provided pursuant to PU Code Section 583.

- GRC2014-Ph-I_DR_DRA_055-Q01-04Supp01Atch04: A PowerPoint presentation responsive to DRA-055 Question 3.

- GRC2014-Ph-I_DR_DRA_055-Q01-04Supp01Atch05: An employee list related to the 2012 Advertising Campaign. Please note that:

    - Employees 1-39 charged their time directly to the Campaign order referenced in the presentation, and the list presents the hours they spent on the Campaign.

    - Employees 40-50 are Corporate Affairs employees who charged their time to a single BTL order in the Advertising department. PG&E did not maintain a record of the hours that they worked on the Campaign (because all of their hours are booked BTL), but – based on interviews – PG&E was able to determine that each of these individuals spent more than 8 hours on the Campaign.

    - Employee 51 is the VP-Corporate Relations who charged all of his time to his PCC. The officer spent approximately 80 hours on the Campaign.

(PG&E previously provided this information on February 1 and 22, 2013 in email transmittals from PG&E counsel to DRA counsel.)

ANSWER 1-4 – ORIGINAL

PG&E objects to these questions on the grounds that they seek information that is beyond the scope of this proceeding and not reasonably calculated to lead to the discovery of admissible evidence. Specifically, as the question acknowledges, this question seeks detailed information regarding advertising activities that are booked below-the-line and paid for by PG&E's shareholders. PG&E does not seek recovery of such costs in the GRC.

Subject to and without waiving this objection, PG&E notes that its Advertising Department costs are allocated 100% below the line. In addition, in accordance with PG&E's below-the-line policy, PG&E has set up a separate below-the-line account in which PG&E books costs associated with these activities.

Employees Materially Involved in 2012 Advertising Campaign

Employee	Job Title	Department	Line of Business	Hours
1	Subforeman A - Station/Hydro	Elec Transm Tower Constr - Bay	Electric Operations	36
2	Fieldperson - Tower	Elec Transm Tower Constr - Bay	Electric Operations	33
3	First Field Clerk	Elec Transm Tower Constr - Bay	Electric Operations	33
4	Towerman	Elec Transm Tower Constr - Bay	Electric Operations	31
5	Backhoe Operator - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	30
6	Miscellaneous Equipment Operator-Gas	M&C - GC Gas Constr - Fresno	Gas Operations	30
7	Fieldperson - GC - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	30
8	Working Foreman B - Gas T&D	M&C - GC Gas Constr - Fresno	Gas Operations	28
9	Backhoe Operator - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	26
10	Working Foreman C - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	26
11	Backhoe Operator - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	25
12	Apprentice Welder - GC - Gas	GC Gas Testing & Maintenance CV Region	Gas Operations	24
13	Working Foreman B - Gas T&D	M&C - GC Gas Constr - Kern	Gas Operations	23
14	Working Foreman A - Gas T&D	M&C - GC Gas Constr - Kern	Gas Operations	23
15	Backhoe Operator - Gas	M&C - GC Gas Constr - Kern	Gas Operations	23
16	Fieldperson	M&C - Gas Compliance - Bakersfield	Gas Operations	23
17	Computer Systems Programmer, Senior	Vendor and Employee Portal	Information Technology	23
18	Utility Worker - GC	M&C - GC Gas Constr - Kern	Gas Operations	23
19	Field Engineering Technician	M&C - GC Gas - CVR Construction Engg	Gas Operations	22
20	Towerman	Elec Transm Tower Constr - Bay	Electric Operations	21
21	First Field Clerk	M&C - GC Gas Constr - Fresno	Gas Operations	20
22	Hiring Hall Operating Clerk - Exper	M&C - GC Gas Constr - Fresno	Gas Operations	20
23	Welder - GC - Gas	M&C - GC Gas Constr - Kern	Gas Operations	19
24	Apprentice Welder - GC - Gas	GC Gas Testing & Maintenance CV Region	Gas Operations	15
25	Engineering Technician II	Welding & NDE Services	Electric Operations	15
26	Welder-GC Gas (In-Service Welding)	M&C - GC Gas Constr - Fresno	Gas Operations	15
27	Apprentice Welder - GC - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	15
28	Apprentice Welder - GC - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	15
29	Welder-GC Gas (In-Service Welding)	GC Gas Testing & Maintenance CV Region	Gas Operations	15
30	Apprentice Welder - GC - Gas	M&C - GC Gas Constr - Fresno	Gas Operations	15
31	Apprentice Welder - GC - Gas	M&C - GC Gas Constr - North Coast	Gas Operations	15
32	Apprentice Welder - GC - Gas	M&C Area 5 GC Gas Constr - Yosemite	Gas Operations	15
33	Traveling Certified Welder - DCPP	DCPP Mech. Maintenance 07	Energy Supply	15
34	Senior Engineering Technician	Welding & NDE Services	Electric Operations	13
35	Transm & Dsbn Equipment Opr - Transm	Elec Transm Line Mtce - Bay	Electric Operations	11
36	Working Foreman C-Not Gas	Elec Transm Tower Constr - Bay	Electric Operations	11
37	Lineman	M&C Area 4 EL Cons Bkrsf 01	Electric Operations	11
38	Field Engineering Technician	M&C - GC Gas Constr - Fresno	Gas Operations	9
39	Administrative Clerk, Senior	Business Process	Electric Operations	9
40	Senior Director	Brand & Advertising	Corporate Affairs	Over 8
41	Director	Advertising	Corporate Affairs	Over 8
42	Senior Manager	Advertising	Corporate Affairs	Over 8
43	Principal Advertising Rep	Advertising	Corporate Affairs	Over 8
44	Principal Communications Rep	Internal Communications	Corporate Affairs	Over 8
45	Directors Assistant	Advertising	Corporate Affairs	Over 8
46	Principal Communications Rep	Internal Communications	Corporate Affairs	Over 8
47	External Communications Rep	External Communications	Corporate Affairs	Over 8
48	Senior External Communications Rep	External Communications	Corporate Affairs	Over 8
49	Manager	Online Communications	Corporate Affairs	Over 8
50	Manager	Editorial Communications	Corporate Affairs	Over 8
51	Vice President	Corporate Relations	Corporate Affairs	80

APPENDIX 4

Jaxon Van Derbeken

Police/Courts Reporter

PG&E engineers warned of spending cuts

Engineers warned execs about safety concerns

By Jaxon Van Derbeken

April 15, 2013

Pacific Gas and Electric Co. management slashed spending for inspections and gas pipeline maintenance so deeply in the three years before the 2010 San Bruno explosion that company engineers warned executives they were possibly endangering the public and risking state fines, newly released documents show.

The previously confidential PG&E memos and e-mails were made public as part of legal hearings into whether the company will be fined as much as $2.5 billion for state regulatory violations connected to the Sept. 9, 2010, explosion of a gas-transmission pipeline that killed eight people and destroyed 38 homes.

Lawyers for the California Public Utilities Commission told two administrative law judges overseeing the hearings that the documents paint a "stark and disturbing portrait" of how PG&E "ignored the professional recommendations of its own engineers and systematically reduced" the engineers' spending proposals for gas-line inspections and maintenance.

The lawyers for the commission's ratepayer watchdog arm said the documents showed that "PG&E top management repeatedly and inexplicably reduced" spending and "expressed no concern for the actual safety of PG&E's gas transmission system."

PG&E lawyers have responded that although it's possible the company should have spent more on its gas system, executives' budget decisions didn't amount to wrongdoing.

From 2007 through 2010, the documents show, PG&E executives slashed more than $50 million from company engineers' spending proposals. In most cases, the authors of the confidential documents about the spending were not identified or their names were redacted.

In one planning document, engineers objected to cuts in training and staffing for gas transmission system operators and controllers. The performance and training of those operators were faulted in the federal investigation into the San Bruno disaster.

Planned cuts in training, PG&E gas system engineers warned in 2009, could lead to "operator errors, which can impact system reliability and safety."

'Spending reduction'

Another document, a PG&E report on gas transmission expenses in July 2009, laid out the challenges to the company's "2010 spending reduction plan." Among them was managing "pipeline reliability while not doing preventative and corrective projects," according to the report, written by engineers with PG&E's gas transmission and distribution division.

PG&E began its cost-cutting campaign in 2007, overriding gas engineers' warnings that the reductions would undermine "many high-priority reliability projects."

Over the next three years, PG&E executives steadily cut proposed budgets for inspection and maintenance of gas lines - even dropping membership in gas trade organizations. In 2008 alone, the company reduced by half the spending levels for maintenance that gas transmission engineers had proposed.

PG&E had begun cutting the workforce assigned to gas transmission lines long before 2007, the documents show. From 1998 to 2010, staffing levels went from 302 employees to about 220.

In 2007, PG&E management budgeted $13.4 million for maintenance projects for 2008, just over half of the $25.2 million that gas transmission engineers sought.

Safety warnings

The engineers warned PG&E executives that such cuts would mean killing important projects, which they said would "likely lead to poor pipeline and storage reliability" and risk "potential fines. "

"In some cases, not completing projects may lead to employee and public safety issues," the document concluded.

When PG&E's gas engineers went $6.3 million over budget in 2009 to deal with gas-line emergencies, the company responded by ordering more cuts the next year.

PG&E was so understaffed in the three year period that it wasn't repairing 40 percent of leaks that inspectors found in gas-transmission lines, company documents show. And in emergency surveys done after the San Bruno disaster, PG&E found dozens of

Folk remedy doesn't let the bedbugs bite

More in Local

leaks that had to be repaired.

PG&E's campaign culminated in November 2009, when it outlined its "Reduce Pipeline Project Work" program for 2010. The stated goal was to delay any work not required by law or by contractual obligation until "2011 or beyond."

The plan carried some risk of pipeline failure, the authors noted, but they downplayed that possibility.

2010 blast

That was less than a year before a 30-inch transmission line under San Bruno's Crestmoor neighborhood ruptured at a flawed weld and exploded. Investigators later found that PG&E had not conducted the type of inspections that might have discovered the problem weld.

PG&E has also acknowledged that it lacked records and accurate information on hundreds of miles of its gas system. The company has embarked on a $2.5 billion program to test with high pressure water or replace nearly 1,000 miles of pipeline it can't prove are safe.

In filings with the administrative law judges considering the potential fines, PG&E has denied any wrongdoing in cutting inspection and maintenance budgets before the San Bruno blast.

"While in hindsight one might argue that PG&E ought to have invested more in the gas transmission system, that does not mean that PG&E's officers and managers at the time were more concerned about financial performance than safety," the company said.

Jaxon Van Derbeken is a San Francisco Chronicle staff writer. E-mail: **jvanderbeken@sfchronicle.com**