

Docket:	:	<u>A.09-12-020</u>
Exhibit Number	:	<u>DRA-1</u>
Commissioner	:	<u>Peevey</u>
ALJ	:	<u>Fukutome</u>
Witness	:	<u>Tang</u>



**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**

Executive Summary

San Francisco, California
May 5, 2010

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EXECUTIVE SUMMARY

2 I. INTRODUCTION – THE DIVISION OF RATEPAYER ADVOCATES 3 RECOMMENDS A REDUCTION IN PACIFIC GAS AND ELECTRIC 4 COMPANY’S PROPOSED REVENUE INCREASES FOR 2011 thru 5 2013

6 The Division of Ratepayer Advocates (DRA)
7 submits its reports and exhibits in response to Pacific Gas
8 and Electric Company’s (PG&E) Application (A.) 09-12-
9 020 for a Test Year (TY) 2011 general rate case (GRC),
10 which also includes proposed revenue increases for the
11 2012 and 2013 Post Test Years.

DRA recommends a \$227 million (or 4.1%) revenue increase in 2011, which is \$874 million lower than PG&E’s request for a \$1.1 billion (or 19.7%) increase.

12 This exhibit presents DRA’s executive summary regarding PG&E’s requests
13 for 2011 through 2013.

14 PG&E is requesting authorization from the California Public Utilities
15 Commission (CPUC or Commission) for revenue increases associated with its
16 Electric Distribution, Gas Distribution, and Electric Generation operations which fall
17 within the CPUC’s ratemaking jurisdiction.

18 Table 1-1 compares DRA’s and PG&E’s forecasts of Test Year 2011 GRC
19 revenues relative to the utility’s authorized level of 2011 revenues.^{1, 2, 3}

¹ These amounts include revenues from: (a) PG&E’s 2007 GRC, Decision (D.) 07-03-044, adjusted for 2008 attrition and cost of capital, plus 2009 and 2010 attrition; and (b) the 2011 Diablo Canyon Power Plant Steam Generator Replacement Project, Gateway, Humboldt, and Colusa revenue requirements. These amounts exclude pension costs, which were the subject of a separate application, A.09-03-003, and resolved by the Commission in D.09-09-020.

² PG&E’s bill insert provided notice to customers about the utility’s requested \$1.101 billion increase for gas and electric service, effective January 1, 2011.

³ On April 13, 2010, PG&E served Exhibit PG&E-15, Errata to December 21, 2009 GRC Filing. 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 December 21, 2009 GRC filing.

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**Table 1-1
PG&E Requests a \$1.1 Billion Revenue Requirement Increase in 2011,
While DRA Recommends a Much Lower \$227 Million Increase
for the Utility's CPUC-Jurisdictional Operations
(in Millions of Dollars)**

Description (a)	PG&E 2011 Authorized Revenues (b)	PG&E 2011 Proposed Revenues (c)	PG&E Forecasted Increase over 2011 Authorized Revenues (d=c-b)	DRA 2011 Recommended Revenues (e)	DRA Recommended Increase over 2011 Authorized Revenues (f=e-b)
Electric Distribution	\$3,007	\$3,564	\$557	\$3,183	\$176
Gas Distribution	\$1,084	\$1,297	\$213	\$1,078	(\$6)
Electric Generation	\$1,496	\$1,827	\$331	\$1,553	\$57
Total	\$5,587	\$6,688	\$1,101	\$5,814	\$227

6 Table 1-2 compares DRA's and PG&E's forecasts of Post Test Year (PTY)
7 2012 and 2013 revenue increases.

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**Table 1-2
PG&E Requests Post Test Year Revenue Increases of \$275 Million in 2012
and \$343 Million in 2013, While DRA Recommends More Modest Increases
of \$116 Million and \$107 Million, Respectively
(in Millions of Dollars)**

Description (a)	PG&E Requested 2012 Revenue Increase (b)	PG&E Requested 2013 Revenue Increase (c)	DRA Recommended 2012 Revenue Increase (d)	DRA Recommended 2013 Revenue Increase (d)
Electric Distribution	\$190	\$229	\$64	\$58
Gas Distribution	\$53	\$66	\$22	\$20
Electric Generation	\$32	\$48	\$31	\$29
Total	\$275	\$343	\$116	\$107

1 **II. OVERVIEW / SUMMARY – THE COMMISSION SHOULD ADOPT**
 2 **DRA’s TEST YEAR 2011 and POST TEST YEARS 2012 - 2013**
 3 **RECOMMENDATIONS IN THEIR ENTIRETY**

4 This section provides an overview and summary of PG&E’s requests and
 5 DRA’s recommendations regarding the Test Year 2011 revenue requirement and
 6 Post Test Year 2012 and 2013 revenue increases.

7 **A. PG&E Requests Nearly \$6.7 Billion in GRC Revenues for**
 8 **Test Year 2011 – an Increase of \$1.1 Billion (or 19.7%)**
 9 **over 2011 Authorized Revenues**

10 On December 21, 2009, PG&E filed an application requesting that the
 11 Commission authorize a CPUC-jurisdictional base rate revenue requirement of
 12 \$6.688 billion for the utility’s electric distribution, gas distribution, and electric
 13 generation operations, to be effective January 1, 2011. For its CPUC-jurisdictional
 14 operations, PG&E seeks a \$1.101 billion million increase in GRC base revenues for
 15 electric distribution, gas distribution, and electric generation operations.

16 The table below compares PG&E’s forecasts of Test Year 2011 GRC
 17 revenues relative to its 2011 authorized revenue requirement.⁴

18 **Table 1-3**
 19 **PG&E Requests a \$1.1 Billion (or 19.7%) Increase in GRC Revenues**
 20 **Effective January 1, 2011 for CPUC-Jurisdictional Operations**
 21 **(in Millions of Dollars)**

Description (a)	PG&E 2011 Authorized Revenues (b)	PG&E 2011 Proposed Revenues (c)	PG&E Requested \$ Increase over 2011 Authorized Revenues (d=c-b)	PG&E Requested % Increase over 2011 Authorized Revenues (e=d/b)
Electric Distribution	\$3,007	\$3,564	\$557	18.5%
Gas Distribution	\$1,084	\$1,297	\$213	19.7%
Electric Generation	\$1,496	\$1,827	\$331	22.1%
Total	\$5,587	\$6,688	\$1,101	19.7%

⁴ General Rate Case Application of Pacific Gas and Electric Company, p. 3.

1 PG&E requests additional revenues in 2011 to cover higher costs associated
 2 with, among other things: operating and maintaining its electric and gas systems,
 3 customer-related expenses (e.g., meter reading, customer records and collection,
 4 and responding to customer inquiries), administrative and general expenses (e.g.,
 5 employee salaries, insurance, and outside contractors), and rate base (e.g., net
 6 infrastructure investment).

7 **B. PG&E Also Requests Post Test Year Revenue Increases**
 8 **of 4.1% for 2012 and 4.9% for 2013**

9 PG&E proposes a Post Test Year Ratemaking (PTYR) mechanism to cover
 10 increasing costs due to plant investment and inflation.⁵ PG&E also wants the PTYR
 11 mechanism to allow for adjustments due to uncontrollable factors such as postage
 12 rate changes; franchise, payroll, income, and property tax changes; and other new
 13 taxes and fees.

14 PG&E is seeking revenue increases of \$275 million (or 4.1%) in 2012 and
 15 \$343 million (or 4.9%) in 2013,⁶ as shown in Table 1-5:

16 **Table 1-5**
 17 **PG&E Estimates Post Test Year Revenue Increases of**
 18 **\$275 Million in 2012 and \$343 Million in 2013**
 19 **(in Millions of Dollars)**

Year (a)	PG&E Requested Electric Distribution Attrition Increase (b)	PG&E Requested Gas Distribution Attrition Increase (c)	PG&E Requested Electric Generation Attrition Increase (d)	Total Post Test Year Revenue Increase (e=b+c+d)
2012	\$190	\$53	\$32	\$275
2013	\$229	\$66	\$48	\$343

⁵ General Rate Case Application of Pacific Gas and Electric Company, p. 4.

⁶ Ibid.

1 **D. DRA Recommends More Modest Post Test Year Revenue**
 2 **Increases of 2.0% for 2012 and 1.8% for 2013**

3 DRA also recommends revenue increases of \$116 million (or 2.0%) in 2012
 4 and \$107 million (or 1.8%) in 2013, as shown in Table 1-7:

5 **Table 1-7**
 6 **DRA Estimates Post Test Year Revenue Increases of**
 7 **\$116 Million in 2012 and \$107 Million in 2013**
 8 **(in Millions of Dollars)**

Year (a)	DRA Recommended Electric Distribution Attrition Increase (b)	DRA Recommended Gas Distribution Attrition Increase (c)	DRA Recommended Electric Generation Attrition Increase (d)	Total Attrition Increase (e=b+c+d)
2012	\$64	\$22	\$31	\$116
2013	\$58	\$20	\$29	\$107

9 **E. If the Commission Adopts PG&E’s Proposals, Ratepayers**
 10 **Will Experience Much Larger Cumulative Revenue**
 11 **Increases Over the 3-Year Period from 2011-2013 than if the**
 12 **Commission Adopts DRA’s Recommendations**

13 Table 1-8 shows the impact of PG&E’s requested revenue increases during
 14 the 2011 test year and the 2012-2013 post test years. If the Commission adopts
 15 PG&E’s proposals, customers would experience a \$1.72 billion (or 30.8%) increase
 16 in revenue requirement levels by the end of the rate case cycle, over authorized
 17 2011 levels. PG&E’s customers would experience a cumulative revenue increase of
 18 nearly \$4.20 billion over three years.⁷ In contrast, adopting DRA’s
 19 recommendations would result in a lower, more reasonable, \$450 million (or 8.1%)
 20 increase in revenue requirement levels during that same period, with a cumulative
 21 revenue increase of \$1.02 billion over three years.⁸

⁷ (\$1,101 million x 3) + (\$275 million x 2) + (\$343 million x 1) = \$4,196 million. For this 3-year rate case cycle: (a) the \$1.101 billion increase in 2011 would be in effect for three years—2011, 2012 and 2013; (b) the \$275 million increase in 2012 would be in effect for two years—2012 and 2013; and (c) the \$343 million increase in 2013 would be in effect for one year—2013.

⁸ (\$227 million x 3) + (\$116 million x 2) + (\$107 million x 1) = \$1,020 million.

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Table 1-8
DRA Recommends More Modest GRC Revenue Increases
For 2011-2013 Compared to PG&E's Requests
(in Millions of Dollars)

Year	Present Revenues	PG&E's Proposals for 2011-2013 Revenue Requirement			DRA's Recommendations for 2011-2013 Revenue Requirement		
		Current Year Change	Current Year Total	Percent Change	Current Year Change	Current Year Total	Percent Change
2011	\$5,587	\$1,101	\$6,688	19.7%	\$227	\$5,814	4.1%
2012		\$275	\$6,963	4.1%	\$116	\$5,930	2.0%
2013		\$343	\$7,306	4.9%	\$107	\$6,037	1.8%
<i>Total</i>		\$1,719		30.8%	\$450		8.1%

5 The Commission should adopt DRA's test year and post test year
6 recommendations in their entirety.

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

8 PG&E estimates that the bill impact for an electric residential customer using
9 an average of 550 kWh/month would be a 3.2% increase (about \$2.37) per month,
10 while the impact for a customer using an average of 850 kWh/month would be a
11 10.6% increase (about \$17.44) per month.⁹ Similarly, the bill impact for a gas
12 residential customer using an average of 40 therms/month would be a 5.7%
13 increase (about \$3.15) per month.¹⁰

14 In contrast, if the Commission adopts DRA's recommended revenue
15 requirement for 2011, DRA currently estimates¹¹ that PG&E's residential customers
16 would experience approximately a 0.8% (about \$0.62) per month increase to their

⁹ General Rate Case Application of Pacific Gas and Electric Company, p. 2.

¹⁰ Ibid.

¹¹ 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.

1 total electric bills and about a 0.2% (about \$0.10) per month decrease to their total
2 gas bills beginning in 2011.

3 **IV. DRA RECOMMENDS SIGNIFICANT ADJUSTMENTS IN THIS**
4 **RATE CASE**

5 This section highlights areas in which DRA has major issues with the utility's
6 requests or proposals in this rate case:

- 7 • Electric Distribution operation and maintenance (O&M) expenses -
8 DRA's most significant adjustments are associated with Vegetation
9 Management and Preventative Maintenance & Equipment Repair.
10 (See Exhibit DRA-5)
- 11 • Electric Distribution capital expenditures – DRA's most significant
12 adjustments are associated with Preventative Maintenance,
13 Replacing Underground Cables, Replacing/Reinforcing Poles, and
14 Replacing Substation Equipment. (See Exhibit DRA-6)
- 15 • Gas Distribution O&M expenses – DRA's most significant
16 adjustments are associated with Preventative Maintenance,
17 Corrective Maintenance, and Technical Training. (See Exhibit
18 DRA-7)
- 19 • Gas Distribution capital expenditures – DRA's most significant
20 adjustments are associated with the Gas Pipeline Replacement
21 Program. (See Exhibit DRA-8)
- 22 • Electric Generation costs – DRA's most significant adjustments are
23 associated with expenses for Energy Procurement Administration
24 and Hydroelectric O&M. (See Exhibit DRA-9)
- 25 • Customer Care costs – DRA's most significant adjustments are
26 associated with expenses for Meter-to-Cash, Customer
27 Engagement, Customer Inquiry, Field Service & Dispatch, and
28 Install Meters. (See Exhibit DRA-10)
- 29 • Administrative & General expenses – DRA's most significant
30 adjustments are associated with PG&E Corporation costs, benefits
31 costs (e.g., medical and dental plans, retirement savings plan, etc.),
32 Tax Department costs, capitalization factors, and Short-Term
33 Incentive Plan costs. (See Exhibits DRA-11, DRA-12, DRA-13, and
34 DRA-14)

- 1 • Information Technology expenses – DRA’s most significant
2 adjustments are associated with the Baseline portfolio, and
3 Functional Area Information Technology (FAIT) projects. (See
4 Exhibit DRA-15)
- 5 • Information Technology capital expenditures – DRA’s most
6 significant adjustments are associated with Functional Area
7 Information Technology (FAIT) projects. (See Exhibit DRA-16)
- 8 • Shared Services & Other Support Costs – DRA’s most significant
9 adjustments are associated with expenses for Maintaining Buildings
10 and capital expenditure for Fleet, and Managing Buildings. (See
11 Exhibit DRA-17)
- 12 • Rate Base – DRA’s most significant adjustment is associated with
13 the ratemaking treatment of nuclear fuel inventory. (See Exhibit
14 DRA-20)

15 **V. PROCEDURAL BACKGROUND AND SCHEDULE**

16 On July 20, 2009, PG&E tendered its Notice of Intent (NOI) with the
17 Commission to file a GRC application for Test Year 2011, as well as Post Test Years
18 2012 and 2013, for a 3-year rate case cycle. Pursuant to the most recent Rate Case
19 Plan (RCP),¹² DRA advised PG&E of deficiencies.

20 These deficiencies fell into two categories: those which were associated with
21 PG&E’s Results of Operations (RO) computer model, and those which were not. In
22 DRA’s view, PG&E substantially cleared all of the non-RO model deficiencies by
23 October 2009. However, PG&E’s R/O model did not meet the minimum
24 requirements of Public Utilities Code Section 1822(a) and of the Commission as set
25 forth in the Rate Case Plan and in D.00-07-050 for functionality, flexibility and
26 general usability. On October 21, 2009, DRA notified Chief Administrative Law
27 Judge (ALJ) Karen Clopton that DRA accepted PG&E’s NOI only on the condition
28 that PG&E correct the limitations in the computer model, which DRA had identified,
29 by October 30, 2009.

¹² D.07-07-004, modifying D.89-01-040.

1 Although PG&E did attempt to modify its RO model, PG&E did not satisfy the
2 conditions set forth in DRA's October 21, 2009 letter. Therefore, on December 18,
3 2009, DRA recommended to Chief ALJ Clopton that PG&E not be allowed to file its
4 GRC Application.

5 On December 21, 2009, PG&E protested DRA's recommendation and
6 requested that PG&E be allowed to file its case. On that very same day, the
7 Commission's Executive Director granted PG&E's protest, allowing PG&E to file its
8 GRC application immediately, subject to the following condition: PG&E must submit
9 the Results of Operations portion of the application in DRA's preferred Excel-only
10 format no later than January 31, 2010, and any delay in that submission will result in
11 a commensurate extension in the schedule for DRA to file its testimony.

12 On December 21, 2009, PG&E filed its Test Year 2011 GRC Application,
13 A.09-12-020, with the Commission. The Application first appeared on the
14 Commission's Daily Calendar for December 24, 2009. DRA filed a timely Protest to
15 the Application on January 25, 2010.

16 On January 29, 2010, PG&E submitted the RO model portion of the GRC
17 application, in DRA's preferred Excel-only format.

18 A Prehearing Conference (PHC) was held on February 19, 2010. The
19 Assigned Commissioner's Ruling and Scoping Memo was then issued on March 5,
20 2010. An Administrative Law Judge's Ruling, issued on March 30, 2010, established
21 the schedule for eleven joint public participation hearings (PPH)¹³ throughout
22 PG&E's service territory, beginning on May 24, 2010, through June 15, 2010. With
23 those two rulings, the following procedural schedule was established:

¹³ The PPHs are to be held jointly for A.09-12-020 (PG&E GRC) and A.09-09-013 (PG&E natural gas transmission and storage services case).

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Procedural Schedule for Pacific Gas and Electric Company's Test Year 2011 General Rate Case Application No. 09-12-020	
Event	Dates
DRA Testimony served	May 5, 2010
Intervenor Testimony served	May 19, 2010
Public Participation Hearings	Eleven PPHs from May 24 – June 15, 2010
Rebuttal Testimony served	June 4, 2010
Joint Case Management Statement served	June 14, 2010
Evidentiary Hearings begin	June 21, 2010
Evidentiary Hearings end	July 12, 2010
Comparison Exhibit served	July 26, 2010
Opening Briefs filed and served	August 6, 2010
Reply Briefs filed and served	August 20, 2010
Requests for Oral Argument before the Commission	10 days after filing of Reply Briefs
Update Materials served	September 15, 2010
Update Hearings begin	October 6, 2010
Update Hearings end; projected Submission Date	October 7, 2010
Proposed Decision issued	November 16, 2010
Final Decision issued	December 16, 2010

2 The procedural schedule requires DRA to serve its testimony by May 5, 2010.

3 DRA fulfills this requirement by serving its testimony today.

1 **VI. DRA’s ANALYSIS**

2 DRA is responding to PG&E’s TY2011 GRC Application, A.09-12-020, with
3 the issuance of its reports and exhibits.

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

9 DRA submits the following reports in support of its recommendations:

- 10 • Report on the Results of Operations for Pacific Gas and Electric
11 Company General Rate Case Test Year 2011 (Exhibits DRA-1
12 through DRA-21)
- 13 • Report on the Results of Examination for Pacific Gas and Electric
14 Company General Rate Case Test Year 2011 (Exhibit DRA-22)
- 15 • Report on Total Factor Productivity for Pacific Gas and Electric
16 Company General Rate Case Test Year 2011 (Exhibit DRA-23)
- 17 • Qualifications of Witnesses for Pacific Gas and Electric Company
18 General Rate Case Test Year 2011 (Exhibit DRA-24)

19 **VII. ORGANIZATION OF DRA’s SHOWING / SUMMARY OF**
20 **DIFFERENCES**

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

24 **A. Organization of DRA’s Exhibits**

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

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

<i>Exhibit No.</i>	<i>Subject</i>	<i>Witness</i>
DRA-1	Executive Summary	Clayton Tang
DRA-2	Summary of Earnings	Jean Jarjoura
DRA-3	Sales, Customers, and Other Operating Revenues	Maricela Sierra
DRA-4	Cost Escalation	Thomas Renaghan
DRA-5	Electric Distribution Operation & Maintenance Expenses (plus Gas & Electric Mapping and Operations Support)	Tamera Godfrey
DRA-6	Electric Distribution Capital Expenditures (excluding New Business, Work at the Request of Others, and Rule 20A)	Gregory Wilson
DRA-7	Gas Distribution Operation & Maintenance Expenses (plus Technical Training and Applied Technology Services)	Dao Phan
DRA-8	Gas Distribution Capital Expenditures (plus New Business, Work at the Request of Others, and Rule 20A)	Bernard Ayanruoh
DRA-9	Energy Supply Costs	Truman Burns
DRA-10	Customer Care Costs	Stacey Hunter
DRA-11	Administrative & General Expenses, Part 1 of 4 (Addressing Chapters 3 thru 7, 14 and 17 of Exhibit PG&E-6)	Donna-Fay Bower
DRA-12	Administrative & General Expenses, Part 2 of 4 (Addressing Chapters 8 thru 13 of Exhibit PG&E-6)	Mariana Campbell
DRA-13	Administrative & General Expenses, Part 3 of 4 (Addressing Chapters 2, 15 and 18 of Exhibit PG&E-6)	Marek Kanter
DRA-14	Administrative & General Expenses, Part 4 of 4 (Short-Term Incentive Plan and Other Costs)	Tamera Godfrey
DRA-15	Shared Services & Other Support Costs - Information Technology Expenses	Joel Tolbert
DRA-16	Shared Services & Other Support Costs - Information Technology Capital Expenditures	Godson Ezekwo
DRA-17	Shared Services & Other Support Costs (excluding Information Technology)	Sophie Chia
DRA-18	Depreciation Expenses and Reserve	Paul Chan
DRA-19	Income, Payroll, and Property Tax Expenses	Marek Kanter
DRA-20	Rate Base (including Working Cash)	Paul Chan
DRA-21	Post Test Year Ratemaking	Clayton Tang
DRA-22	Report on Results of Examination	Mark Waterworth
DRA-23	Report on Total Factor Productivity	Thomas Renaghan
DRA-24	Qualifications of Witnesses	Various

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1 **B. Summary of DRA’s Recommendations**

2 The following briefly summarizes the recommendations contained within each
3 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 2011 and Post Test Year 2012-2013 estimates.

4

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 that will be used in PG&E’s next GRC.

5

Exhibit DRA-3 Sales, Customers, and Other Operating Revenues
<p>This exhibit addresses issues regarding Sales and Customers forecasts, and Other Operating Revenues.</p> <ul style="list-style-type: none">• DRA forecasts 88,128 GWh in Electric Department sales compared to PG&E’s forecast of 87,070 GWh in 2011.• For Gas Department sales, DRA recommends the gas demand forecast of 762,629 MDTh for 2011 which was agreed upon in the DRA/PG&E settlement agreement in the PG&E 2009 Biennial Cost Allocation Proceeding (BCAP), Application No. 09-05-026.• For the Electric Department, DRA accepts the actual number of customers (average billings) for 2009, equal to 5.210 million, and forecasts 5.225 million and 5.266 million customers in 2010, and 2011, respectively, compared to PG&E’s forecasts of 5.236 million, 5.264 million, and 5.313 million, respectively.• For the Gas Department, DRA recommends the number of customers agreed upon in PG&E’s current BCAP settlement, equal to 4.288 million, 4.305 million, and 4.338 million customers in 2009, 2010, and 2011, respectively.• For Other Operating Revenues (OOR), DRA recommends that the Commission adopt its forecast of \$133.5 million compared to PG&E’s forecast of \$132.4 million. <p>DRA’s adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate.</p>

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Exhibit DRA-4 Cost Escalation
<p>This exhibit addresses issues regarding PG&E's proposed escalation factors for this rate case.</p> <ul style="list-style-type: none">• DRA recommends that the Commission adopt labor escalation rates of 3.05%, 3.11%, and 3.30% for 2009, 2010, and 2011, respectively, rather than the 3.75% factor which PG&E proposes for those years.• DRA also recommends different non-labor escalation rates and capital-related escalation factors, based on using more recent data. <p>DRA's adjustments are primarily due to differences in methodology for deriving labor escalation rates; rather than apply the union-negotiated wage increases to non-union employees, DRA based its wage increases for the non-union groups from forecasts taken from the IHS Global Insight Power Planner.</p>

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Exhibit DRA-5 Electric Distribution Operation and Maintenance Expenses (plus Gas & Electric Mapping and Operations Support)
<p>This exhibit addresses issues regarding PG&E's Electric Distribution O&M expenses, plus Gas & Electric Mapping and Operations Support, for 2011.</p> <ul style="list-style-type: none">• For Electric Distribution O&M expenses, DRA recommends adjustments of \$93.8 million to PG&E's request for \$567.8 million.• For Gas & Electric Mapping, DRA recommends adjustments of \$1.9 million to PG&E's request for \$8.7 million in expenses.• For Operations Support, DRA recommends adjustments of \$1.7 million to PG&E's request for \$5.9 million in expenses. <p>DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and lower forecasts of unit costs and/or activity levels.</p>

3

Exhibit DRA-6 Electric Distribution Capital Expenditures (excluding New Business, Work at the Request of Others, and Rule 20A)
<p>This exhibit addresses issues regarding PG&E's Electric Distribution capital expenditures, excluding New Business & Work at the Request of Others, and Rule 20A, for the 3-year period from 2009-2011.</p> <ul style="list-style-type: none">• DRA recommends adjustments of \$159.7 million to PG&E's request for \$2.13 billion in capital expenditures from 2009-2011. <p>DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and eliminating unnecessary and/or duplicative projects.</p>

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Exhibit DRA-7
Gas Distribution Operation and Maintenance Expenses
(plus Technical Training and Applied Technology Services)

This exhibit addresses issues regarding PG&E's Gas Distribution O&M expenses, plus Technical Training and Applied Technology Services, for 2011.

- For Gas Distribution O&M expenses, DRA recommends adjustments of \$69.5 million to PG&E's request for \$160.2 million. This includes costs associated with the Distribution Integrity Management Program (DIMP).
- For Technical Training, DRA recommends adjustments of \$18.6 million to PG&E's request for \$19.1 million in expenses.
- For Applied Technology Services, DRA recommends adjustments of \$965,000 to PG&E's request for \$1.8 million in expenses.

DRA's adjustments are primarily due to differences regarding forecasting methodology, and using more recent data where appropriate, and lower forecasts of unit costs and/or activity levels.

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Exhibit DRA-8
Gas Distribution Capital Expenditures
(plus New Business, Work at the Request of Others, and Rule 20A)

This exhibit addresses issues regarding PG&E's Gas Distribution capital expenditures, plus New Business and Work at the Request of Others, for the 3-year period from 2009-2011.

- For Gas Distribution, DRA recommends adjustments of \$41.3 million to PG&E's request for \$428.2 million in capital expenditures from 2009-2011.
- For New Business and Work at the Request of Others, DRA recommends adjustments of \$231.6 million to PG&E's request for \$1.3 billion in capital expenditures from 2009-2011.
- DRA recommends that a 10-year moratorium be placed on the Rule 20A program to prevent any further accumulation of work credits to the existing balance until the existing balance has been significantly worked down.

DRA's adjustments are primarily due to differences regarding forecasting methodology, and using more recent data where appropriate.

DRA takes issue with PG&E's proposal to establish a single one-way balancing account for capital expenditures associated with both New Business (NB) and Work at the Request of Others (WRO). Instead, DRA recommends two separate one-way balancing accounts—one used exclusively for NB and the other used exclusively for WRO including the Rule 20A program.

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**Exhibit DRA-9
Energy Supply Costs**

This exhibit addresses issues related to PG&E's Energy Supply costs, i.e., electric generation O&M expenses for 2011 and capital expenditures for the 3-year period from 2009-2011.

- For Hydro Operations, DRA recommends adjustments of \$44.2 million to PG&E's request for \$159.7 million in expenses. DRA also recommends adjustments of \$48.3 million to PG&E's request for \$547.0 million in capital expenditures from 2009-2011.
- For Nuclear Operations, DRA recommends adjustments of \$3.5 million to PG&E's request for \$331.6 million in expenses. For the 3-year period from 2009-2011, DRA's forecast of capital expenditures is essentially the same as PG&E's request for \$620.4 million.
- For Fossil and Other Generation Operations, DRA recommends adjustments of \$7.2 million to PG&E's request for \$47.7 million in expenses. DRA also recommends that PG&E reduce its fossil decommissioning contingency to 10%. Lastly, DRA also recommends adjustments of \$22.0 million to PG&E's request for \$675.0 million in capital expenditures from 2009-2011.
- For Energy Procurement Administration, DRA recommends adjustments of \$47.9 million to PG&E's request for \$96.0 million in expenses.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and rejecting various projects that are not cost-effective.

2

**Exhibit DRA-10
Customer Care Costs**

This exhibit addresses issues related to PG&E's Customer Care expenses for 2011 and capital expenditures for the 3-year period from 2009-2011.

- DRA recommends adjustments of \$123.4 million to PG&E's request for \$630.4 million in expenses.
- DRA's forecast of total capital expenditures for the 3-year period from 2009-2011 is essentially the same as PG&E's request for \$213.9 million.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, removing costs that should be addressed elsewhere, and reflecting the impact due to lower customer forecasts as recommended in Exhibit DRA-3.

3

Exhibit DRA-11
Administrative and General Expenses, Part 1 of 4
(Addressing Chapters 3 thru 7, 14 and 17 of Exhibit PG&E-6)

This exhibit addresses issues regarding certain PG&E Administrative and General (A&G) expenses for 2011.

- DRA recommends adjustments of \$22.9 million to PG&E's request for \$24.7 million for the cost of services provided by PG&E Corporation to the utility.
- For the PG&E Company President's Office and Corporate Secretary Department, DRA recommends adjustments of \$390,000 to PG&E's request for \$6.3 million.
- For the Law Department, DRA recommends adjustments of \$2.8 million to PG&E's request for \$44.6 million. For settlements and judgments, DRA recommends adjustments of \$1.4 million to PG&E's request for \$16.0 million. For third-party claims, DRA recommends adjustments of \$2.3 million to PG&E's request for \$17.3 million.
- For the Risk and Audit Department, DRA recommends adjustments of \$660,000 to PG&E's request for \$16.6 million. For insurance expenses, DRA recommends adjustments of \$1.9 million to PG&E's request for \$41.6 million.
- For the Safety, Health and Claims Department, DRA recommends adjustments of \$3.4 million to PG&E's request for \$23.3 million in expenses. For workers' compensation benefits and related costs, DRA recommends no adjustments to PG&E's request for \$47.7 million in expenses.
- For the Human Resources Department, DRA recommends no adjustments to PG&E's request for \$37.1 million. For severance costs, DRA recommends adjustments of \$1.6 million to PG&E's request for \$11.4 million.
- For Benefits Costs, DRA recommends adjustments of \$135.5 million to PG&E's request for \$375.9 million.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and removing expenses that do not provide ratepayer benefits.

1

Exhibit DRA-12
Administrative and General Expenses, Part 2 of 4
(Addressing Chapters 8 thru 13 of Exhibit PG&E-6)

This exhibit addresses issues regarding certain PG&E Administrative and General (A&G) expenses (excluding those related to PG&E Corporation) for 2011.

- For the Finance Organization, DRA recommends adjustments of \$1.5 million to PG&E's request for \$19.7 million.
- For the Controller's Department, DRA has no adjustments to PG&E's request for \$21.9 million.
- For the Tax Department, DRA recommends adjustments of \$6.0 million to PG&E's request for \$6.0 million.
- For the Public Affairs Department, DRA recommends adjustments of \$2.5 million to PG&E's request for \$10.0 million.
- For the Corporate Relations Department, DRA recommends adjustments of \$3.8 million to PG&E's request for \$17.9 million.
- For the Regulatory Relations Department, DRA recommends adjustments of \$1.6 million to PG&E's request for \$15.2 million.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and removing expenses that do not provide ratepayer benefits.

2

Exhibit DRA-13
Administrative and General Expenses, Part 3 of 4
(Addressing Chapters 2, 15 and 18 of Exhibit PG&E-6)

This exhibit addresses issues regarding various Administrative and General (A&G) capitalization factors as well as certain PG&E A&G expenses (excluding those related to PG&E Corporation) for 2011.

- DRA recommends that the A&G capitalization factors used in this rate case should be the same as those adopted by the Commission in PG&E's 2007 GRC.
- For the Diversity and Inclusion Department, DRA recommends adjustments of about \$100,000 to PG&E's request for \$2.9 million.
- For the Investments and Benefit Finance Department, DRA recommends no adjustments to PG&E's request for \$343,591 in administrative costs. For benefit plan trust contributions, DRA recommends no adjustments to PG&E's forecast of \$163.2 million in contributions.

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Exhibit DRA-14 Administrative and General Expenses, Part 4 of 4 (Short-Term Incentive Plan and Other Costs)
<p>This exhibit addresses issues regarding PG&E's Short-Term Incentive Plan (STIP) expenses and other costs for 2011.</p> <ul style="list-style-type: none">• DRA recommends adjustments of \$63.4 million to the PG&E utility's request for \$106.8 million.• DRA recommends adjustments of \$7.3 million for costs associated with employee non-cash rewards and recognition, cash rewards and recognition, various entertainment expenses, club dues, memberships and associations. <p>DRA's STIP adjustments are primarily due to the removal of performance measures that do not benefit ratepayers and should be excluded from the STIP calculation.</p>

2

Exhibit DRA-15 Shared Services and Other Support Costs - Information Technology Expenses
<p>This exhibit addresses issues related to PG&E's Information Technology expenses for 2011.</p> <ul style="list-style-type: none">• DRA recommends adjustments of \$82.0 million to PG&E's request for \$311.5 million. <p>DRA's adjustments are primarily due to differences regarding forecasting methodology, cost estimates for Functional Area IT projects, and using more recent data where appropriate.</p>

3

Exhibit DRA-16 Shared Services and Other Support Costs - Information Technology Capital Expenditures
<p>This exhibit addresses issues related to PG&E's Information Technology capital expenditures for the 3-year period from 2009-2011.</p> <ul style="list-style-type: none">• DRA recommends adjustments of \$231.2 million to PG&E's request for \$721.8 million in capital expenditures from 2009-2011. <p>DRA's adjustments are primarily due to differences regarding forecasting methodology, cost estimates for Functional Area IT projects, and using more recent data where appropriate.</p>

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Exhibit DRA-17
Shared Services and Other Support Costs
(excluding Information Technology)

This exhibit addresses issues related to PG&E's Shared Services and Other Support expenses for 2011 and capital expenditures for the 3-year period from 2009-2011.

- DRA recommends adjustments of \$20.4 million to PG&E's request for \$64.9 million in O&M expenses.
- DRA recommends no adjustments to PG&E's request for \$8.0 million in A&G expenses.
- DRA recommends adjustments of \$111.5 million to PG&E's request for \$473.8 million in capital expenditures from 2009-2011.

DRA's adjustments are primarily due to differences regarding forecasting methodology, using more recent data where appropriate, and lower forecasts of unit costs and/or activity levels.

2

Exhibit DRA-18
Depreciation Expenses and Reserve

This exhibit addresses issues regarding PG&E's depreciation expenses and weighted average depreciation reserve for 2011.

- For Electric Distribution, DRA recommends adjustments of \$29.2 million in depreciation expenses, and **(\$39.9)** million in weighted average depreciation reserve, to PG&E's request for \$857.2 million and \$8.697 billion, respectively, for 2011.
- For Gas Distribution, DRA recommends adjustments of \$19.9 million in depreciation expenses, and \$27.3 million in weighted average depreciation reserve, to PG&E's request for \$288.6 million and \$4.259 billion, respectively, for 2011.
- For Electric Generation, DRA recommends adjustments of \$58.1 million in depreciation expenses, and \$87.2 million in weighted average depreciation reserve, to PG&E's request for \$347.4 million and \$7.693 billion, respectively, for 2011.

DRA's adjustments are primarily due to differences with regarding net salvage ratios, but also because of differences in plant-in-service.

3

Exhibit DRA-19
Income, Payroll, and Property Tax Expenses

This exhibit addresses issues regarding PG&E's Income, Payroll, and Property tax expenses for 2011.

- DRA takes issue with PG&E's proposed tax deductions and associated revenue requirements for expenses related to meals and entertainment.
- DRA recommends that any changes in federal and/or state tax law enacted before the close of the record in this proceeding be incorporated into the tax estimate for the test year, after review of the new law by DRA.

1

Exhibit DRA-20 Rate Base (including Working Cash)
<p>This exhibit addresses issues regarding PG&E's weighted-average rate base for 2011.</p> <ul style="list-style-type: none">• For Electric Distribution, DRA recommends adjustments of \$263.3 million to PG&E's request for \$10.32 billion.• For Gas Distribution, DRA recommends adjustments of \$60.3 million to PG&E's request for \$2.47 billion.• For Electric Generation, DRA recommends adjustments of \$546.6 million to PG&E's request for \$4.58 billion. <p>DRA's adjustments are primarily due differences in how fuel inventory (nuclear and fuel oil) is treated, and the level of other Materials & Supplies inventory. Other differences in rate base are due to capital expenditures and accumulated depreciation reserve, which are addressed in other DRA exhibits.</p>

2

Exhibit DRA-21 Post Test Year Ratemaking
<p>This exhibit addresses issues regarding PG&E's Post Test Year Ratemaking (PTYR) proposals for 2012 and 2013.</p> <p>DRA recommends a PTYR mechanism whereby attrition revenue increases for PG&E be set at 2.0% for 2012 and 1.8% for 2013, based on a recent forecast of the Consumer Price Index (CPI). This results in forecasted revenue increases of \$116 million (or 2.0%) and \$107 million (or 1.8%) in 2012 and 2013, respectively, compared to PG&E's requested increases of \$275 million (or 4.1%) and \$343 million (or 4.9%), respectively.</p> <p>In addition:</p> <ul style="list-style-type: none">• DRA does not take issue with PG&E's request to file for 2012 and 2013 attrition requests by Advice Letter in October of 2011 and 2012, respectively.• DRA does not take issue with PG&E's request that the adopted PTYR mechanism allow for adjustments due to changes in attrition-year financial costs to reflect currently adopted debt costs, equity costs, and related financial ratios which are determined in the generic Cost of Capital proceedings.• DRA takes issue with PG&E's proposal to automatically pass through to ratepayers the revenue requirement adjustments due to exogenous, uncontrollable factors. DRA, instead, recommends a Z-Factor mechanism for 2012 and 2013, with a \$12 million deductible for each Z-Factor event. <p>DRA also presents an alternate recommendation for determining Post Test Year revenue increases should the Commission decide not to adopt DRA's recommended method of increasing prior-year revenues by CPI.</p>

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Exhibit DRA-22 Report on the Results of Examination
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This exhibit addresses issues regarding DRA's review of PG&E's financial records and internal controls for the utility's 2011 GRC application. DRA recommends the following:

- The Allowance for Funds Used During Construction (AFUDC) rate be set at 3.17%.
- No changes to the currently authorized Post-Retirement Benefits Other Than Pension (PBOPs) and Long-Term Disability balancing account.

2

Exhibit DRA-23 Report on Total Factor Productivity

This exhibit analyzes PG&E's productivity performance for its electric and gas departments over the period 1987 through 2011. Total Factor Productivity (TFP) is measured as the ratio of a firm's output to its entire set of inputs. DRA replicated PG&E's TFP analysis and concludes that PG&E's estimates of TFP growth for its electric and gas departments are reasonable.

3

Exhibit DRA-24 Qualifications of Witnesses

This exhibit presents the qualifications and prepared testimony of DRA's witnesses on the PG&E Test Year 2011 General Rate Case.

4 **VIII. OTHER MATTERS**

5 In Exhibit DRA-14, DRA recommends a \$7.3 million adjustment associated
6 with employee non-cash rewards and recognition, cash rewards and recognition,
7 various entertainment expenses, club dues, memberships, and association dues and
8 payments. The adjustment was only for expenses booked to electric and gas
9 distribution O&M accounts.

10 DRA believes that a similar adjustment may be warranted for expenses
11 booked to Administrative & General (A&G) accounts. Therefore, DRA may amend
12 one of its A&G exhibits (and others, such as the Summary of Earnings exhibit, if
13 necessary) at a later date to reflect such an adjustment.