

Docket: : A.09-12-020  
Exhibit Number : DRA-5  
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**

**Electric Distribution**  
**Operation and Maintenance Expenses**  
**(plus Gas & Electric Mapping and Operations Support)**

San Francisco, California  
May 5, 2010

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1 Distribution O&M expenses.<sup>1</sup> The corresponding DRA estimate for PG&E's Electric  
2 Distribution O&M expenses is \$487.307 million.<sup>2</sup> DRA's estimate is \$95.138 million  
3 less than PG&E's forecast.

4 PG&E proposes substantial increases in numerous MWCs and line items  
5 above its 2008 recorded adjusted levels. To make its recommendations, DRA  
6 utilized PG&E's 2008 recorded adjusted expenses as a basis for most of its  
7 estimates. DRA also utilized PG&E's historical expense levels, including its 2009  
8 recorded adjusted expenses. Table 5-1 compares DRA's and PG&E's TY2011  
9 forecasts of Electric Distribution O&M expenses. The following summarizes DRA's  
10 recommendations for TY2011:

11

- 12 • That DRA's estimate of \$1.785 million for PG&E's MWC BK- Maintenance  
13 of Other Equipment be adopted. DRA's estimate of \$1.785 million is  
14 \$0.272 million lower than PG&E's test year forecast.
- 15 • That DRA's estimate of \$33.225 million for PG&E's MWC BF- Patrols and  
16 Inspections be adopted. DRA's estimate of \$33.225 million is \$7.487  
17 million lower than PG&E's test year forecast.
- 18 • That PG&E's proposal to implement mobile hand-held units for  
19 approximately 110 of its field personnel that perform patrols and  
20 inspections be adopted. PG&E is currently using paper based methods  
21 and manual activities. In PG&E's next GRC, PG&E should demonstrate  
22 the efficiency gains (i.e. savings from elimination of paper based and  
23 manual activities, savings for staff for time reductions in completing  
24 projects, etc.).<sup>3</sup>

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<sup>1</sup> PG&E's forecast of \$582.445 million for its Electric Distribution Operations and Maintenance Expenses which DRA shows in its Table 5-1 excludes PG&E's estimates for Technical Training of \$19.083 million and Applied Technology Services of \$1.751 million both recorded in MWC AB.

<sup>2</sup> DRA's estimate for PG&E's Electric Distribution Operations and Maintenance Expenses excludes estimates for PG&E's Technical Training and Applied Technology Services both recorded in MWC AB. These areas are addressed in Exhibit DRA-7, which presents DRA's forecasts for PG&E's Technical Training and Applied Technology Services.

<sup>3</sup> DRA's cost estimates for PG&E's implementation of mobile hand-held units are addressed in Exhibit DRA-15 and DRA-16 for Information Technology.

- 1 • That DRA's estimate of \$61.474 million for PG&E's MWC BG- Preventive  
2 Maintenance and Equipment Repair be adopted. DRA's estimate of  
3 \$61.474 million is \$23.336 million lower than PG&E's test year forecast.
- 4 • That DRA's estimate of \$13.173 million for PG&E's MWC GA- Poles Test  
5 and Treat, Restoration and Joint Utilities Coordination be adopted. DRA's  
6 estimate of \$13.173 million is \$3.289 million lower than PG&E's test year  
7 forecast.
- 8 • That PG&E's request for additional funding for Software Maintenance for  
9 its Test and Treat Program be denied.<sup>4</sup> PG&E did not provide any  
10 supporting documentation or specific line item detail on the derivation of  
11 the individual estimates. PG&E's request appears to be for on-going  
12 maintenance and PG&E's Information Technology Support maintains the  
13 software and should have embedded historical costs to address this on-  
14 going activity.
- 15 • That DRA's estimate of \$160.667 million for PG&E's MWC HN- Vegetation  
16 Management be adopted. DRA's estimate of \$160.67 million is \$19.333  
17 million lower than PG&E's test year forecast and is \$10.47 million more  
18 than PG&E's 2008 recorded adjusted expenses of \$150.2 million.
- 19 • That PG&E's request for continuation of its Vegetation Management one-  
20 way balancing account be adopted.
- 21 • That PG&E's proposal to replace its hand-held computers that are used to  
22 manage its vegetation control and tree trimming work be adopted. The  
23 hand-held computers PG&E's staff is currently using were purchased in  
24 2001-2002 and PG&E encountered problems with maintaining the units  
25 because they are no longer being manufactured.<sup>5</sup>
- 26 • DRA recommends a forecast of \$16.519 million for MWC EV- New  
27 Business. This is based on a revised estimate of \$16.519 million provided  
28 by PG&E to DRA in discovery which is \$0.969 million lower than PG&E's  
29 test year forecast.
- 30 • DRA recommends a forecast of \$21.983 million for MWC EW- Work at the  
31 Request of Others. This is based on a revised estimate of \$21.983 million  
32 provided by PG&E to DRA in discovery which is \$3.313 million lower than  
33 PG&E's test year forecast.
- 34 • DRA recommends that two separate one-way balancing accounts should  
35 be established to track and evaluate PG&E's costs separately for MWC

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<sup>4</sup> PG&E included the \$100,000 costs for the Software Maintenance in its forecast for its Information Technology Support Testimony Exhibit (PG&E-7), Chapter 2, in MWC IM.

<sup>5</sup> DRA's cost estimates for PG&E's replacement of mobile hand-held computers are addressed in Exhibit DRA-15 and DRA-16 for Information Technology.

1 EV- New Business and MWC EW-Work at the Request of Others. There  
2 have been significant variances during the last few years with PG&E's  
3 residential New Business market and the decline in the request for the  
4 residential development of meter sets. The variance was caused by the  
5 slowing of the market and the declining economic conditions.

- 6 • That DRA's estimate of \$30.908 million for PG&E's MWC GC- Operate  
7 and Maintain Substations be adopted. DRA's estimate of \$30.908 million  
8 is \$7.030 million lower than PG&E's test year forecast.
- 9 • That DRA's estimate of \$1.233 million for PG&E's MWC HX- Distribution  
10 Automation and System Protection be adopted. DRA's estimate of \$1.233  
11 million is \$0.667 million lower than PG&E's test year. PG&E's forecast of  
12 \$1.900 million for MWC HX is \$0.791 million or 71.33% higher than its  
13 2008 recorded adjusted expenses.
- 14 • That DRA's estimate of \$0.378 million for PG&E's MWC GB- Underground  
15 Asset Management be adopted. DRA's estimate of \$0.378 million is  
16 \$0.422 million lower than PG&E's test year. PG&E's forecast of \$0.800  
17 million for MWC GB is an increase of \$0.422 million or 111.64% over its  
18 2008 recorded adjusted expenses.
- 19 • That DRA's estimate of \$32.965 million for PG&E's MWC BA- Operate  
20 Electric Distribution be adopted. DRA's estimate of \$32.965 million is  
21 \$6.116 million lower than PG&E's test year forecast.
- 22 • That PG&E's proposal to implement its Distribution Management System  
23 (DMS) to consolidate and automate core functions and eliminate many of  
24 its traditional paper-based and/or manual methods be adopted. DRA had  
25 concerns regarding PG&E's lack of support and justification and cost  
26 detail for the DMS project. In PG&E's next GRC, PG&E should have  
27 sufficient information on its operational records, historical expense data,  
28 and development work on PG&E's DMS that was completed under its  
29 Transform Operations Initiative, etc.<sup>6</sup>
- 30 • That PG&E's proposal to consolidate its Distribution Control Centers be  
31 adopted and proceed in two phases. PG&E's showing is lacking sufficient  
32 support, and there are many uncertainties and unknowns. The first phase  
33 would consolidate eight of its seventeen distribution facilities into two new  
34 locations for this 2011 rate case. PG&E has not provided any  
35 documentation that demonstrates that its current organization of its control  
36 centers have operational problems, the nine remaining facilities should be  
37 efficient enough to continue in operation until its next rate case. In PG&E's  
38 next GRC, PG&E should have sufficient information on the total costs of  
39 the two newly consolidated facilities, associated problems, reduced

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<sup>6</sup> DRA's cost estimates for PG&E's implementation of Distribution Management System are addressed in Exhibit DRA-15 and DRA-16 for Information Technology.

1 staffing/overtime savings, proposed plans for displaced employees,  
2 demonstrated ratepayer savings, benefits and efficiency gains.<sup>7</sup>

- 3 • That PG&E's forecast of \$0.750 million for MWC HG- Electric Distribution  
4 Operations Technology be adopted.
- 5 • That DRA's estimate of \$60.794 million for PG&E's MWC BH- Corrective  
6 Maintenance – Expense be adopted. DRA's estimate of \$60.794 million is  
7 \$7.647 million lower than PG&E's test year forecast.
- 8 • That DRA's estimate of \$18.282 million for PG&E's MWC IF- Major  
9 Emergency – Expense be adopted. DRA's estimate of \$18.282 million is  
10 \$5.917 million lower than PG&E's test year forecast.
- 11 • That PG&E's proposal for a two-way balancing account to recover costs  
12 for major emergencies and catastrophic events that it was not able to  
13 recover in a Catastrophic Event Memorandum Account (CEMA) filing be  
14 denied. The Commission already has a procedure established for PG&E  
15 to make its request for recovery and the CEMA proceeding is the proper  
16 place for PG&E to present its CEMA related costs it believes should be  
17 recovered.
- 18 • That PG&E's proposal to remodel, expand, and consolidate its Operations  
19 Coordination Center (OCC) with its Emergency Operations Center (EOC)  
20 be denied. Consistent with Commission policy relating to ratepayer  
21 benefits and saving on proposed projects, the Commission should allow  
22 no additional funding for this remodeling project. PG&E has not  
23 demonstrated that its current set-up is insufficient to require additional  
24 funding in the test year for this remodeling project and did not provide any  
25 calculated and/or identifiable savings or benefits for ratepayers that it is  
26 requesting to fund this project.
- 27 • That DRA's estimate of \$20.761 million for PG&E's MWC FZ- Operate  
28 Distribution System Electric Engineering be adopted. DRA's estimate of  
29 \$20.761 million is \$4.301 million lower than PG&E's test year forecast.
- 30 • That DRA's estimate of \$5.341 million for PG&E's MWC GE- Operations  
31 Distribution Electric Mapping be adopted. DRA's estimate of \$5.341  
32 million is \$1.773 million lower than PG&E's test year forecast.
- 33 • That DRA's estimate of \$1.445 million for PG&E's MWC GF- Operations  
34 Distribution Gas Mapping be adopted. DRA's estimate of \$1.445 million is  
35 \$0.155 million lower than PG&E's test year forecast.
- 36 • That PG&E's proposal for its Automated Mapping and Facilities  
37 Management (AM/FM) project be adopted. DRA recommends that

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<sup>7</sup> DRA's cost estimates for PG&E's Distribution Control Centers consolidation project are addressed in Exhibit DRA-15 and DRA-16 for Information Technology and DRA-17 Real Estate.

1 consistent with Commission policy, relating to Transmission and  
2 Distribution projects, the costs for this project should be adjusted to reflect  
3 savings and benefits for the ratepayers, to account for historical  
4 embedded costs that were incurred before the project was put on hold and  
5 to account for the lack of specific detail and support for the line item  
6 estimates included in the costs of the project.<sup>8</sup>

- 7 • That DRA’s estimate of \$1.400 million for PG&E’s MWC AT- Electric  
8 Research, Development and Demonstration be adopted. DRA’s estimate  
9 of \$1.400 million is \$1.400 million lower than PG&E’s test year forecast.
- 10 • That PG&E’s proposal for a one-way balancing account for MWC AT-  
11 Electric Research, Development and Demonstration be adopted. PG&E  
12 would be required to return any unspent authorized amounts to  
13 ratepayers.
- 14 • That DRA’s estimate of \$4.224 million for PG&E’s MWC AB- Operations  
15 Support be adopted. DRA’s estimate of \$4.224 million is \$1.711 million  
16 lower than PG&E’s test year forecast.
- 17 • That the Commission require PG&E to include all documentation required  
18 to fully and clearly support its proposed test year projects and cost be in  
19 one specific area of its filing in its next GRC so that all pertinent  
20 information relating to the projects can be reviewed, analyzed and  
21 evaluated thoroughly.
- 22 • That in PG&E’s next GRC the Commission require that PG&E’s filed  
23 Application, workpapers, data request responses, and all other  
24 documentation clearly and accurately show the historical employee  
25 headcounts/FTEs (employees should be counted once), that are included  
26 in its Electric Distribution O&M expenses forecast and that PG&E provides  
27 all supporting information in the same manner as the testimony.

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<sup>8</sup> See D.06-05-016, p.64. See also discussion in Section XI.E. below. DRA’s cost estimates for PG&E’s AM/FM project are addressed in Exhibits DRA-15 and DRA-16 for Information Technology.

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**Table 5-1  
Electric Distribution O&M Expenses for TY2011  
(In Thousands of Dollars)**

| <b>Major Work Category</b> | <b>Description (a)</b>                                   | <b>PG&amp;E Proposed<sup>9</sup> (b)</b> | <b>DRA Recommended (c)</b> | <b>Amount PG&amp;E&gt;DRA (d=b-c)</b> | <b>Percentage PG&amp;E&gt;DRA (e=d/c)</b> |
|----------------------------|----------------------------------------------------------|------------------------------------------|----------------------------|---------------------------------------|-------------------------------------------|
| BF                         | Patrols and Inspections                                  | \$40,712                                 | \$33,225                   | \$7,487                               | 22.53%                                    |
| BG                         | Preventive Maintenance & Equipment Repair                | \$84,810                                 | \$61,474                   | \$23,336                              | 37.96%                                    |
| BK                         | Maintenance of Other Equipment                           | \$2,057                                  | \$1,785                    | \$272                                 | 15.24%                                    |
| GA                         | Poles Test/Treat, Restoration, Joint Utilities Coord     | \$16,462                                 | \$13,173                   | \$3,289                               | 24.97%                                    |
| HN                         | Vegetation Management                                    | \$180,000                                | \$160,667                  | \$19,333                              | 12.03%                                    |
| EV                         | New Business                                             | \$17,488                                 | \$16,519                   | \$969                                 | 5.86%                                     |
| EW                         | Work at the Request of Others                            | \$25,296                                 | \$21,983                   | \$3,313                               | 15.07%                                    |
| GC                         | Operate and Maintain Substations                         | \$37,938                                 | \$30,908                   | \$7,030                               | 22.74%                                    |
| HX                         | Distribution Automation & Protection Support             | \$1,900                                  | \$1,233                    | \$667                                 | 54.09%                                    |
| GB                         | Underground Asset Mgmt. Splice/Connector Replacement Exp | \$800                                    | \$378                      | \$422                                 | 116.64%                                   |
| BA                         | Operate Electric Distribution                            | \$39,081                                 | \$32,965                   | \$6,116                               | 18.55%                                    |
| HG                         | Electric Distribution Operations Tech                    | \$750                                    | \$750                      | \$0                                   | -                                         |
| BH                         | Corrective Maintenance-Exp                               | \$68,441                                 | \$60,794                   | \$7,647                               | 12.58%                                    |
| IF                         | Major Emergency- Exp                                     | \$24,199                                 | \$18,282                   | \$5,917                               | 32.36%                                    |
| FZ                         | Electric Engineering & Planning                          | \$25,062                                 | \$20,761                   | \$4,301                               | 20.72%                                    |
| GE                         | Operations Distrb-Electric Mapping                       | \$7,114                                  | \$5,341                    | \$1,773                               | 33.20%                                    |
| GF                         | Operations Distrb-Gas Mapping                            | \$1,600                                  | \$1,445                    | \$155                                 | 10.73%                                    |
| AT                         | Electric Research Development & Demo                     | \$2,800                                  | \$1,400                    | \$1,400                               | 100%                                      |
| AB                         | Operations Support Exp                                   | \$5,935                                  | \$4,224                    | \$1,711                               | 40.51%                                    |
|                            | <b>Total</b>                                             | <b>\$582,445</b>                         | <b>\$487,307</b>           | <b>\$95,138</b>                       | <b>19.52%</b>                             |

4

<sup>9</sup> Exhibit PG&E-3, Chapter 1, Workpapers Volume 1 of 3 Page WP 1-16.

1 **III. DRA’s ANALYSIS**

2 DRA conducted its analysis by reviewing PG&E’s testimony and workpapers,  
3 and by issuing data requests and analyzing the responses. DRA had telephone  
4 conferences with PG&E witnesses to obtain additional information to clarify forecast  
5 requests, and met with various PG&E witnesses to discuss findings and questions  
6 pertinent to data requests and responses. DRA also went on several field trips to  
7 observe PG&E’s facilities and maintenance operations.

8 **A. DRA’s Discovery Problems with Tracking, Analyzing, and**  
9 **Evaluating PG&E’s Electric Distribution O&M projects**

10 Several of the business units within PG&E’s Electric Distribution O&M area  
11 proposed substantial increases in the test year for major expense and capital  
12 projects. PG&E proposes projects that include implementing mobile hand-held  
13 units, replacing hand-held computers, consolidating seventeen distribution control  
14 centers and building four brand new facilities, re-initiating/revising its Distribution  
15 Management System, re-initiating and renaming its Geographic Information  
16 System/Automated Mapping and Facilities Management program, and  
17 redesigning/consolidating its Operations Coordination Center and the Emergency  
18 Operations Center.<sup>10</sup>

19 Although the proposed projects are supposed to be fully justified and  
20 supported in the Electric Distribution O&M expense direct testimony (Exhibit (PG&E-  
21 3)) for the test year, the specific cost details, were missing. This causes problems  
22 for DRA and ultimately the Commission to fully analyze and evaluate PG&E’s  
23 proposed projects. This also unnecessarily contributes to the volume and  
24 complexity of discovery.  
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<sup>10</sup> Exhibit (PG&E-3) Pages 2-24 to 2-25, 2-52, 5-28, 13-4, 14-15, and 16-7 to 16-10.

1 DRA's attempts to track down the costs of the projects, find the appropriate  
2 PG&E witness to discuss the specific cost detail and source data for the  
3 development of the project costs, and get clarification on the test year request were  
4 met with circular responses. There appeared to be a disconnect between the  
5 various PG&E witnesses regarding the ownership, support and justification for the  
6 projects and the project costs. PG&E's Electric Distribution O&M witnesses referred  
7 DRA's Electric Distribution O&M witnesses to other exhibits (Information Technology  
8 (IT) Exhibit (PG&E-7) Chapter 6 and Real Estate Exhibit (PG&E-7) Chapter 2), and  
9 informed DRA that the projects were IT projects and/or Real Estate projects. When  
10 DRA's Electric Distribution O&M witnesses talked with DRA's witnesses covering  
11 PG&E's IT and Real Estate expenses and capital costs, DRA's Electric Distribution  
12 O&M witnesses were told that the projects were being requested by PG&E's Electric  
13 Distribution O&M area and that PG&E's IT and Real Estate testimony referred DRA  
14 witnesses back to its Electric Distribution O&M testimony for full support and  
15 justification of the projects. DRA will discuss the recommendations for each project  
16 below in this exhibit in the appropriate section. The cost for the projects will be  
17 addressed by DRA's Information Technology (Exhibit DRA-15 and DRA-16) and  
18 Real Estate (Exhibit DRA-17) witnesses.

19 In PG&E's Electric Distribution O&M testimony, PG&E only provided brief  
20 discussions (or no discussion at all) on specific project costs. PG&E did not include  
21 the sources relied upon by PG&E's management to approve the projects, or show  
22 the derivation of each individual line item estimate included in the project total. DRA  
23 learned through discovery that PG&E did not perform any cost benefit analysis on  
24 any of the proposed projects.

25 The limited support and lack of detail PG&E provided on the specific  
26 development of project costs for such large increases is troubling. For PG&E's next  
27 GRC, the Commission should require that PG&E include all documentation required  
28 to fully and clearly support the proposed test year projects and costs in one specific  
29 area of its filing. The line of business that is requesting/proposing the projects

1 should include this information in its testimony so that all pertinent information  
2 relating to proposed projects can be reviewed, analyzed, and evaluated thoroughly.

3 **B. DRA’s Discovery Problems Obtaining PG&E’s Employee**  
4 **Headcounts for its Electric Distribution O&M Expense Area**

5 PG&E made its 2011 labor and non-labor test year request for its Electric  
6 Distribution O&M expenses by MWC. Therefore, DRA issued all of its data requests  
7 relating to PG&E’s Electric Distribution O&M historical and forecasted labor and non-  
8 labor expenses by PG&E’s MWC. DRA discovered that, although PG&E’s test year  
9 request was by specific MWC, PG&E claimed that it was not able to respond to  
10 DRA’s data request for the end of the year headcount because “PG&E does not  
11 track headcount at the MWC level. Headcount is tracked at the provider cost center  
12 level. Provider cost centers are where the employee labor costs and associated  
13 expenses are recorded”.<sup>11</sup> PG&E’s Electric Distribution O&M expense testimony  
14 was not filed or organized by provider cost center and PG&E does not mention  
15 anything in testimony about its “provider cost center” or that the information  
16 regarding employee labor and associated expenses can only be obtained by  
17 “provider cost center”.

18 Because PG&E did not provide responses that tracked its testimony, DRA  
19 had difficulty obtaining and matching historical and forecast data (2004-2008 and  
20 2011) on PG&E’s actual employee headcount and the associated labor dollars for  
21 employees that performed work and recorded labor expenses in its Electric  
22 Distribution O&M expense area. DRA issued data requests, made phone calls to  
23 PG&E, and had meetings with PG&E staff in an attempt to obtain its historical  
24 employee headcounts as of December 31 of each historical year to tie back and  
25 trace employee data and labor expenses and compare them to forecasted labor  
26 expense levels. DRA issued several data requests to PG&E’s Electric Distribution

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<sup>11</sup> PG&E’s response to DRA-084-TLG question 1-a.

1 O&M area that had test year labor and non-labor forecasts and asked specifically  
2 about O&M expenses and PG&E's historical employee headcounts. When PG&E  
3 finally responded, it provided hundreds of pages of spreadsheets that counted its  
4 employees each several times and mixed in capital MWCs, making a thorough  
5 analysis and comparison of PG&E's test year forecast unnecessarily difficult.<sup>12</sup>

6 For PG&E to have such difficulty gathering historical employee data and/or  
7 headcounts which impact its 2011 labor forecast, is problematic. After several  
8 conversations and meetings with PG&E regarding its historical employee headcount,  
9 PG&E created another spreadsheet that calculated employee hours recorded to  
10 various MWCs to "create" employee headcounts/FTEs and associated labor  
11 expenses. DRA has concerns with relying on such data and incorporating these  
12 "created" employee headcount figures and associated labor dollars into test year  
13 estimates. For PG&E's next GRC, the Commission should require that PG&E's filed  
14 Application, workpapers, data request responses, and all other supporting  
15 documentation clearly and accurately show the historical employee  
16 headcounts/FTEs (employees should be counted only once) that are included in its  
17 Electric Distribution O&M expense forecast. The Commission should also require  
18 PG&E to provide all supporting information be in the same manner as the testimony.

19 **IV. DISCUSSION / ANALYSIS OF ELECTRIC DISTRIBUTION**  
20 **MAINTENANCE**

21 PG&E's Electric Distribution Maintenance activities include the on-going and  
22 routine maintenance of its electric distribution facilities which includes patrols,  
23 inspections, testing, and repair of its underground and overhead facilities, poles and  
24 equipment.

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<sup>12</sup> See PG&E's response to DRA-084-TLG question 1-a.

1           **A. Overview of PG&E’s Request**

2           PG&E forecasted \$127.579 million for its Electric Distribution Maintenance  
3 expenses for the test year 2011 which is an increase of \$27.464 million or 27.44%  
4 over 2008 expenses of \$100.111 million.<sup>13</sup> PG&E developed its forecast by utilizing  
5 various methods and by determining the amount of work to be performed in 2011,  
6 based on various assumptions and then multiplied the work units by a calculated unit  
7 cost.<sup>14</sup> The corresponding DRA estimate for PG&E’s Electric Distribution  
8 Maintenance expenses is \$96.484 million (\$1.785 million for MWC BK, \$61.474  
9 million for MWC BG, and \$33.225 million for MWC BF), which is \$31.095 million less  
10 than PG&E’s forecast.

11           PG&E records its Electric Distribution Maintenance expenses in three Major  
12 Work Categories (MWC): BK for Maintenance of Other Equipment with a forecast of  
13 \$2.057 million; BF for Line Patrols and Inspections with a forecast of \$40.712 million;  
14 and BG for Preventative Maintenance and Equipment Repair with a forecast of  
15 \$84.810 million.<sup>15</sup> Table 5-2 below shows PG&E’s recorded adjusted expenses for  
16 2004-2009 and its 2011 forecast.

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<sup>13</sup> PG&E’s 2011 forecast of \$127.579 million is shown in Exhibit (PG&E-3) Table 2-21, page 2-53.

<sup>14</sup> DRA notes that PG&E’s calculation of its unit cost is not fixed. PG&E used one of four unit cost forecast methods to forecast its unit costs as shown in Table 2-2 on page 2-17. PG&E’s calculation of its unit cost is based on time estimates provided by staff, historical spending, and internal benchmarking. PG&E states its unit costs “are modified as new work units are identified and best practice initiatives are implemented” (PG&E Exhibit (PG&E-3) Chapter 2 page 2-16).

<sup>15</sup> Exhibit (PG&E-3) Table 2-21, page 2-53.

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**Table 5-2**  
**2004-2009 Recorded Data and 2011 Forecast for MWC BK, BF, and BG**  
**(in Thousands of Dollars)**

| Description                           | 2004     | 2005     | 2006     | 2007     | 2008      | 2009      | 2011 Forecast |
|---------------------------------------|----------|----------|----------|----------|-----------|-----------|---------------|
| BK- Maint of Other Equip              | \$4,536  | \$3,890  | \$3,544  | \$3,031  | \$4,109   | (\$2,706) | \$2,057       |
| BF- Line Patrols & Inspec             | \$22,066 | \$23,362 | \$26,169 | \$28,301 | \$33,225  | \$29,268  | \$40,712      |
| BG- Preventative Maint & Equip Repair | \$52,416 | \$53,810 | \$51,502 | \$62,747 | \$62,777  | \$50,641  | \$84,810      |
| Total                                 | \$79,018 | \$81,062 | \$81,215 | \$94,079 | \$101,111 | \$77,203  | \$127,579     |

4 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 1, Workpapers Volume 1 of 3, Page WP 1-  
5 16. 2009 data from PG&E's response to DRA data request DRA-122-CKT.

6 **B. MWC BK – Maintenance of Other Equipment**

7 PG&E forecasted \$2.057 million for MWC BK, Scrapping and Repair of  
8 Transformers-Single Phase Pole Bolt Units.<sup>16</sup> PG&E's forecast is based on its  
9 plans to increase the units of repairs from 2,146 in 2008 to 2,700 in 2011.<sup>17</sup> DRA's  
10 estimate for PG&E's MWC BK –Scrapping and Repair of Transformers-Single Phase  
11 Pole Bolt Units, is \$1.785 million, which is PG&E's 2008 recorded adjusted  
12 expenses for this line item recorded under MWC BK. DRA's use of PG&E's 2008  
13 recorded adjusted expenses is a reasonable test year estimate and should be  
14 sufficient for PG&E to address its work needs in the test year. PG&E did not provide  
15 support to justify the need for the increase in its work volume.

16 DRA requested additional information from PG&E regarding decreases in its  
17 historical maintenance program on transformers and its expected increase in units  
18 repaired of 554 in the test year.

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<sup>16</sup> PG&E did not forecast any expenses for 2011 for line item Transformers Scrapped recorded under MWC BK (Exhibit (PG&E-2) page 2-42 Table 2-15).

<sup>17</sup> PG&E Exhibit (PG&E-3) Table 2-12 page 2-41.

1 DRA asked:<sup>18</sup>

2 Provide a detailed explanation along with all supporting documentation that  
3 PG&E's management relied upon to determine and demonstrate the need for  
4 why PG&E's work volume would need to be increased over 2008 levels from  
5 2,146 to 2,700.

6 PG&E's response:

7 PG&E's forecast for the number of transformers to be repaired in 2011  
8 compared to 2008 is expected to increase from 2,146 to 2,700 (154 units)  
9 because PG&E is endeavoring to manage costs since repairs are less  
10 expensive than purchases. Specific documentation does not exist to support  
11 the need for the increased work volume, however, one of PG&E's transformer  
12 suppliers indicates that utilities are increasing the number of units they are  
13 repairing.

14 DRA asked:<sup>19</sup>

15 PG&E's expenses recorded in MWC BK for Transformers Repaired-single  
16 phase pole bolt units have been declining each year between 2004 and 2007  
17 from \$4.519 million to \$1.183 million. In 2008 the expenses increased to  
18 \$1.785 million. Provide the documentation that explains the decreases and  
19 increases in expenses for 2004 through 2008.

20 PG&E's response:

21 The historical recorded costs are based on the number and type of units and  
22 their corresponding unit costs. During the period 2004 through 2007, there  
23 was a decline in the number of transformer units repaired due to a lower  
24 demand for transformer units and a higher proportion of transformer units  
25 scrapped as opposed to repaired.

26 PG&E over-estimated the number of transformers when it forecasted repairs  
27 for 2009.<sup>20</sup> PG&E only repaired 1,402 transformers in 2009 compared to its  
28 forecast of 2,511. DRA believes that PG&E's 2011 forecast for transformer repairs

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<sup>18</sup> DRA-186-TLG question 1-c.

<sup>19</sup> DRA-186-TLG question 1-b.

<sup>20</sup> DRA-186-TLG question 1-a.

1 is also overstated. PG&E's 2008 recorded adjusted expenses of \$1.785 million is a  
2 sufficient forecast for 2011 based on recent history.

### 3 **C. MWC BF – Line Patrols and Inspections**

4 PG&E forecasted \$40.712 million for MWC BF- Patrols and Inspections for  
5 the test year. This is an increase of \$7.487 million or 22.53% over 2008 recorded  
6 adjusted expenses of \$33.225 million. PG&E states that its forecasted increases in  
7 the test year are due to increases in planned maintenance work and increases in its  
8 unit costs.<sup>21</sup> PG&E also states that its “system is forecasted to grow 2 percent per  
9 year in overhead facilities and 4 percent per year for underground facilities, which  
10 creates new work units to be addressed in the EDM Program”.<sup>22</sup> PG&E's MWC BF  
11 includes individual forecasts for ten line items/subaccounts. Table 5-3 below shows  
12 PG&E's recorded adjusted expenses for 2004-2008 by the individual line items  
13 included in MWC BF and PG&E's recorded adjusted expenses for 2009 for MWC BF  
14 (no line item detail provided by PG&E for 2009), and PG&E's 2011 forecast.

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<sup>21</sup> Exhibit (PG&E-3) page 2-1 to 2-2 discusses PG&E's reasons for its proposed 2011 increases in expenses. PG&E applied one of four unit cost forecast methods to forecast its unit cost for its electric distribution maintenance program. (Exhibit (PG&E-3) page 2-20 and 2-21, methods are discussed on page 2-17)

<sup>22</sup> PG&E Exhibit (PG&E-3) page 2-2. PG&E states that its growth is based on its equipment counts (equipment inventory) from 2005-2008. (footnote 2 on page 2-2).

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**Table 5-3  
2004-2009 Recorded and 2011 Forecast Data for MWC BF  
(in Thousands of Dollars)**

| Description                                                | 2004            | 2005            | 2006            | 2007            | 2008            | 2009 <sup>23</sup> | 2011            |
|------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|-----------------|
| Poles Patrolled                                            | \$3,652         | \$3,388         | \$3,868         | \$3,848         | \$5,006         |                    | \$4,984         |
| Poles Inspected                                            | \$6,012         | \$5,630         | \$6,715         | \$7,228         | \$6,974         |                    | \$11,122        |
| Enclosures Patrolled                                       | \$1,484         | \$1,589         | \$1,829         | \$1,894         | \$2,318         |                    | \$2,398         |
| Enclosures Inspected                                       | \$6,412         | \$6,658         | \$7,113         | \$7,975         | \$8,586         |                    | \$10,464        |
| Poles Infrared Inspected                                   | \$1,136         | \$1,110         | \$864           | \$1,063         | \$670           |                    | \$857           |
| Overhead Line Equip Inspected & Tested                     | \$2,795         | \$3,171         | \$3,376         | \$3,903         | \$5,309         |                    | \$5,641         |
| Underground Line Equip Inspec & Tested                     | \$571           | \$1,151         | \$495           | \$531           | \$412           |                    | \$1,131         |
| Network Transformers Inspected                             | \$0             | \$668           | \$1,909         | \$1,776         | \$3,630         |                    | \$2,923         |
| Special Patrols                                            | \$0             | \$0             | \$0             | \$0             | \$0             |                    | \$311           |
| Miscellaneous Maint Items/Implement Mobile Hand-held Units | \$0             | \$0             | \$0             | \$0             | \$320           |                    | \$881           |
| <b>Total</b>                                               | <b>\$22,062</b> | <b>\$23,365</b> | <b>\$26,169</b> | <b>\$28,218</b> | <b>\$33,225</b> | <b>\$29,268</b>    | <b>\$40,712</b> |

4 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 2, Workpapers Page WP 2-21. The 2009  
5 data is from PG&E's response to DRA data request DRA-122-CKT. Note that PG&E only provided  
6 2009 recorded expenses by MWC total and did not provide any expense totals broken down by the  
7 individual line items that are included in the MWCs.

8 PG&E's forecast request of \$40.712 million, an additional \$7.487 million or  
9 22.53% over 2008 recorded adjusted expenses of \$33.225 million, is not justified  
10 when compared to historical levels. DRA recommends \$33.225 million, which is  
11 PG&E's 2008 recorded adjusted expense level, for PG&E's MWC BF, which is a  
12 reasonable test year method and is sufficient for PG&E to address its work projects  
13 in the test year. DRA's forecast is the highest annual recorded figure for this MWC  
14 over the 2004 to 2009 time frame. PG&E's five year average (2004-2008) for MWC  
15 BF is \$26.608 million. PG&E's three year average (2006-2008) is \$29.204 million.  
16 PG&E's 2009 recorded adjusted expenses of \$29.268 million (which is comparable  
17 to PG&E's three year average), are \$6.151 million less than PG&E's 2009 forecast  
18 of \$35.419 million and is \$3.957 million less than its 2008 recorded adjusted

<sup>23</sup> In PG&E's response to DRA-122-CKT PG&E provided 2009 recorded expenses by MWC and did not provide its expenses broken down by the individual line items that are included in the MWCs.

1 expenses.<sup>24</sup> PG&E's 2008 recorded adjusted expenses of \$33.225 million  
2 increased over its 2007 recorded adjusted expenses by \$5.007 million or 17.74%.  
3 PG&E's 2008 recorded adjusted expenses is the highest recorded for the six year  
4 (2004-2009) period.

5 PG&E claims that one of the primary drivers for its higher level of forecasted  
6 expenses in the test year is increasing unit costs. DRA notes that PG&E's  
7 methodology utilized to forecast its test year unit cost increases is based on 2%  
8 growth for overhead facilities and 4% growth for underground facilities, which does  
9 not appear to have any correlation with PG&E's historical expense levels. PG&E did  
10 not provide any documentation or studies that demonstrate that its equipment count  
11 or equipment inventory increased maintenance work (i.e. more patrols, inspections  
12 and testing of its facilities) during the five year (2004-2008) historical period or in  
13 2009. DRA notes that PG&E utilized this method to calculate increasing unit costs  
14 and expenses for its 2009 forecast, based on its 2% growth in its overhead facilities  
15 and 4% growth in its underground facilities, and PG&E's recorded adjusted 2009  
16 expenses of \$29.268 million was \$6.151 million less than its 2009 forecast of  
17 \$35.419 million.

18 PG&E claims that it performed less maintenance work or "rescheduled" work  
19 during the historical period when it reallocated resources to perform "higher priority  
20 needs" and at a time when it claimed that its equipment counts were increasing.<sup>25</sup>  
21 PG&E's use of equipment inventory as a basis for forecasting test year increases,  
22 instead of utilizing recorded historical expense levels and data associated with  
23 actual completed work, unreasonably produces higher unit costs to be funded by  
24 ratepayers. DRA asked for additional information on PG&E's equipment inventory

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<sup>24</sup> PG&E's 2009 forecast of \$35.419 million is shown in Exhibit (PG&E-3) Table 2-7, page 2-25.

<sup>25</sup> Regarding the rescheduling or deferring of on-going and routine maintenance work which caused backlogs or work to "accumulate", see Exhibit (PG&E-3) page 1-9.

1 method to get a better understanding of the relationship between increases in its  
2 inventory counts and the increases in proposed work and test year forecasts.

3 DRA asked:<sup>26</sup>

4 PG&E states that its forecast for its overhead distribution line equipment  
5 inspected and tested for “2011 are based on actual equipment counts in 2009  
6 plus a two percent growth factor”. Table 2-33 on page WP 2-62 in the  
7 workpapers shows equipment counts for 2005 through 2008, and PG&E’s  
8 Table 2-16 on page WP 2-21 shows that its recorded units for 2004 through  
9 2008 have fluctuated with the highest units showing of 28,066 in 2007 and  
10 28,028 in 2005. The five year average is 26,593. Provide the documentation  
11 that explains in detail, in particular as it relates to equipment counts or  
12 equipment inventory, exactly how PG&E utilized its equipment  
13 count/inventory to perform maintenance and calculate the units shown for  
14 2004 through 2008 and which demonstrates how the equipment counts are  
15 expected to cause an increase in units of 33.59% in 2011 to fully justify the  
16 increase in units from 25,103 in 2008 to 33,536 in 2011.

17 PG&E’s response:

18 PG&E’s Centralized Electric Distribution System Analysis (CEDSA) System is  
19 the basis for the forecasted unit counts for line equipment inspections and  
20 testing (Exhibit (PG&E-3, Chapter 2, page 2-23, lines 20 and 28). PG&E  
21 division personnel query CEDSA to identify the overhead line equipment  
22 requiring inspection and maintenance.  
23 The recorded unit counts for 2004 through 2008 represent the actual number  
24 of units completed. During this period, due to PG&E’s need to provide  
25 resources to higher priority work such emergency, safety, compliance, new  
26 customer connections and new capacity work (Exhibit (PG&E-3), Chapter 1,  
27 page 1-35, lines 8-17), the operating budget for programs such as Electric  
28 Distribution Maintenance (EDM) were reduced. As a result, within the EDM  
29 program a lower number of inspections and testing units were completed as  
30 opposed to the total number of units needing inspections and testing.  
31 However, please note that a lower number of inspections and unit testing  
32 does not create a backlog of work. That is because S-2302 requires annual  
33 or bi-annual inspection or testing. If a unit is not inspected/tested in one year,  
34 it is simply missed. In other words, a unit that is missed is not  
35 inspected/tested twice the next year. That is why it is reasonable to base the  
36 forecast for the number units on the CEDSA data.

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<sup>26</sup> DRA-186-TLG question 3-f.

1 DRA asked:<sup>27</sup>

2 PG&E states that its forecast for its underground distribution line equipment  
3 inspected and tested for “2011 are based on actual equipment counts in 2009  
4 plus a four percent growth factor”. Table 2-33 on page WP 2-62 in the  
5 workpapers shows equipment counts for 2005 through 2008, and PG&E’s  
6 Table 2-16 on page WP 2-21 shows that its recorded units for 2004 through  
7 2008 have been decreasing between 2006 through 2008. Provide the  
8 documentation that explains in detail, in particular as it relates to equipment  
9 counts or equipment inventory, exactly how PG&E utilized its equipment  
10 count/inventory to perform maintenance and calculate the units shown for  
11 2004 through 2008 and which demonstrates how the equipment counts are  
12 expected to cause an increase in units of 189.66% in 2011 over 2008 units of  
13 1,074 to fully justify the increase in units.

14 PG&E’s response:

15 PG&E’s Centralized Electric Distribution System Analysis (CEDSA) System is  
16 the basis for the forecasted unit counts for line equipment inspections and  
17 testing (Exhibit (PG&E-3, Chapter 2, page 2-23, lines 20 and 28). PG&E  
18 division personnel query CEDSA to identify the underground line equipment  
19 requiring inspection and maintenance.  
20 The recorded unit counts for 2004 through 2008 represent the actual number  
21 of units completed. During this period, due to PG&E’s need to provide  
22 resources to higher priority work such emergency, safety, compliance, new  
23 customer connections and new capacity work (Exhibit (PG&E-3), Chapter 1,  
24 page 1-35, lines 8-17), the operating budget for programs such as Electric  
25 Distribution Maintenance (EDM) were reduced. As a result, within the EDM  
26 program a lower number of inspections and testing units were completed as  
27 opposed to the total number of units needing inspections and testing.  
28 However, please note that a lower number of inspections and unit testing  
29 does not create a backlog of work. That is because S-2302 requires annual  
30 or bi-annual inspection or testing. If a unit is not inspected/tested in one year,  
31 it is simply missed. In other words, a unit that is missed is not  
32 inspected/tested twice the next year. That is why it is reasonable to base the  
33 forecast for the number units on the CEDSA data.  
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<sup>27</sup> DRA-186-TLG question 3-i.

1 DRA asked:<sup>28</sup>

2 PG&E's expenses for poles inspected are forecasted to increase from  
3 \$6.974 million in 2008 to \$11.122 million in 2011 which is a 59.48% increase.  
4 The five year average for PG&E's poles inspected is \$6.512 million. Provide  
5 the documentation that explains in detail and demonstrates why PG&E's  
6 recorded adjusted 2008 expenses of \$6.974 million is insufficient to address  
7 its maintenance program needs in the test year.

8 PG&E's response:

9 The 2008 expense of \$6.974 million is insufficient to address PG&E's  
10 forecasted poles inspected for the test year (2011) because both the number  
11 of units and unit cost are expected to increase.

12 Forecasted units for 2011 are 458,264 units compared to the 2008 recorded  
13 units of 429,237. The 2008 recorded units are 29,027 (6%) short of the  
14 number of poles to be inspected for 2011. PG&E's 2011 forecasted units are  
15 based on the known count of units to be inspected for the specified year  
16 consistent with the requirements of General Order 165 plus a 2% growth  
17 factor based on historical growth factors for overhead facilities (Exhibit  
18 (PG&E-3), Chapter 2, page 2-2, line 1-2 and Workpapers, Table 2-33, page  
19 WP 2-62). For an explanation regarding the increase in unit cost in 2011,  
20 please see PG&E's response to question 2g of this data request.

21 DRA disagrees with PG&E's statement that "a lower number of inspections  
22 and unit testing does not create a backlog of work". If PG&E reduces the number of  
23 planned maintenance inspections over a period of time, which PG&E claims its has  
24 done when it reallocated resources to "higher priority" projects, then the inspection  
25 work and maintenance projects that are deferred accumulate to be done later.  
26 PG&E's proposed increases in its forecasted units of work, due to deferred  
27 maintenance, is evidence that missed inspection and rescheduled maintenance  
28 work creates backlogs. PG&E had 2009 and has 2010 to address its inspections  
29 and maintenance backlogs before the test year 2011.

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<sup>28</sup> DRA-186-TLG question 2-e.

1 Regarding deferred maintenance the Commission has stated the following:<sup>29</sup>

2 For us to authorize Edison's recovery of deferred maintenance expense  
3 would establish an undesirable precedent, whereby the utility is effectively  
4 guaranteed that it can earn (or exceed) its authorized rate of return,  
5 regardless of its operating efficiency or inefficiency, simply by curtailing  
6 current maintenance activities, in the assurance that they could be refinanced  
7 later through recovery of deferred maintenance expenses in a succeeding  
8 rate case. This would create a perverse incentive for the utility to defer  
9 needed maintenance in the future. Consequently, we will disallow recovery of  
10 the \$34.6 million requested for deferred maintenance activities in 1983 and  
11 1984. Our disallowance of this expense for test year ratemaking purposes  
12 dose not relieve Edison of its responsibility to maintain the operating  
13 efficiency of its utility plant in a timely manner. Indeed, we expect Edison to  
14 fulfill that responsibility more conscientiously in the future.

15 In its decision in SCE's TY 2009 GRC, the Commission stated:<sup>30</sup>

16 In the past we have found circumstances, such as the unanticipated scope of  
17 Year 2000 (Y2K) projects, to justify deferral of certain maintenance work. The  
18 circumstances surrounding Y2K and the related Y2K projects were one-time  
19 events and, as such, unique. In contrast, we do not find customer and load  
20 growth, even when unanticipated, to create unique circumstances. Load  
21 growth and customer growth are routine aspects of any rate case. If the  
22 adopted forecast overestimates expenses, we do not ask a utility to return  
23 funds to ratepayers. Similarly, if an adopted forecast underestimates  
24 expenses, we do not go back and give the utility funds to complete projects  
25 that should have been addressed in the prior GRC cycle. In short, errors in  
26 forecasting occur and we do not go back and fix those errors.

27 Consistent with our policy regarding deferred maintenance, in certain  
28 instances in this decision, we adopt reductions to SCE's forecast for operation  
29 and maintenance and capital expenditures to reflect our finding that  
30 unanticipated load and customer growth does not justify SCE's decision to,  
31 among other things, defer maintenance.

32 PG&E's shareholders (not ratepayers) are responsible for additional costs  
33 associated with deferred maintenance and PG&E's request for additional funding  
34 over 2008 levels to address its deferred maintenance work should be denied.

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<sup>29</sup> 10 CPUC 2d 155,186; D.82-12-055.

<sup>30</sup> D.09-03-025, pp 4-5.

1 **1. PG&E's Test Year Request Regarding New Work**

2 PG&E's line item forecast of \$10.464 million for Enclosures Inspected and its  
3 forecast of \$11.122 million for Poles Inspected, which are both included in its  
4 forecast of \$40.712 million, for MWC BF, includes costs for global positing system,  
5 pole numbering, and special field requests. DRA asked PG&E for additional  
6 information regarding its test year increase for its proposed new work regarding  
7 global positions system, pole numbering, and special field requests.

8 DRA asked:<sup>31</sup>

9 PG&E states that another "factor contributing to the unit cost increase is  
10 obtaining a global position system (GPS) location and pole numbering where  
11 an abnormal condition is identified and documented" at a cost of \$0.80 per  
12 total forecasted units. Provide the documentation that explains how this work  
13 was handled during 2004 through 2008. If this work was not done, provide  
14 the documentation that explains in detail why this work was never done  
15 during 2004 through 2008. If this work was performed during 2004 through  
16 2008, provide the recorded expenses for the work performed. Also provide  
17 copies of PG&E's cost benefit analysis performed and all documentation that  
18 PG&E's management relied upon to determine that this work was required in  
19 the test year and other documentation that shows PG&E's step by step  
20 management approval process for each project (i.e. person(s) requesting  
21 project, project preparation, scope, research performed for  
22 need/requirements, design, test, implementation, review and communication  
23 of needs and expectations, defined deliverables, etc.

24 PG&E's response:

25 PG&E did not use a global positioning system (GPS) for locating and  
26 numbering poles with abnormal conditions during 2004 through 2008.  
27 However, during 2004 to 2006, PG&E numbered poles and obtained the GPS  
28 in five divisions in a systematic approach (e.g., division-by-division basis per  
29 pole as opposed to only when an abnormal condition is identified). Recorded  
30 expenses for this activity are shown below and in Exhibit (PG&E-3),  
31 Workpapers, Table 2-17, line 32, page WP 2-22. Work was stopped in 2006  
32 so that PG&E could evaluate other options.

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<sup>31</sup> DRA-186-TLG question 2-k. Also see PG&E's response to question 2-p regarding embedded costs.

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| 2004      | 2005      | 2006      |
|-----------|-----------|-----------|
| \$429,000 | \$583,000 | \$104,000 |

3 Subsequently, in March 2009, PG&E launched an EDM Program process  
4 improvement initiative (Exhibit (PG&E-3), Chapter 2, page 2-7, lines 13-24).  
5 While the initiative is currently conducting a “proof of concept” pilot and  
6 implementing short-term recommendations, one of the long-term  
7 recommendations is to obtain GPS and number poles. A formal cost-benefit  
8 analysis and recommendation has not been submitted, however based on  
9 benchmarking there are several benefits for having the GPS and pole  
10 numbers. The benefits include: 1) provide a GPS location and unique  
11 identifier for field personnel to confirm that they are at the right location to  
12 perform work; 2) provide customers and third parties (such as joint  
13 telecommunication utilities) with an identifying pole number to use when  
14 communicating with PG&E; and 3) enable the Company to better monitor and  
15 analyze its pole assets by having a unique identifier for each pole with  
16 associated electronic asset information.

17 DRA asked:<sup>32</sup>

18 PG&E states that it “projects new work of handling special field requests such  
19 as obtaining asset manufacturer information or facility information” at a cost of  
20 \$5.00 per pole. Provide the documentation that explains how this work was  
21 handled during 2004 through 2008. If this work was not done, provide the  
22 documentation that explains in detail why this work was never done during  
23 2004 through 2008. If this work was performed during 2004 through 2008,  
24 provide the recorded expenses for the work performed.

25 PG&E’s response:

26 There is no documentation regarding this work over the period from 2004-  
27 2008, because during this period such work was not formally tracked and was  
28 performed on a one-off basis. Based on business judgment, PG&E believes  
29 this type of work is likely to increase based on aging infrastructure and it is  
30 more efficient to have this work performed during an inspection, which  
31 reduces the expenditure to an incremental cost.

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<sup>32</sup> DRA-186-TLG question 2-h.

1 PG&E's increase is not justified and should be denied. PG&E has embedded  
2 historical expenses that can be reallocated to address this work in the test year and  
3 no additional funding is needed.<sup>33</sup>

## 4 5 **2. PG&E's Test Year Request for Special Patrols**

6 PG&E's test year forecasts of \$40.712 million, for MWC BF, includes \$0.311  
7 million for Special Patrols. PG&E states "Prior to 2009 this work was charged to  
8 various work categories such as OH Patrols, OH Infrared, or OH Notifications".<sup>34</sup>  
9 PG&E did not provide any historical recorded expenses for its patrols but claims that  
10 "the forecasted units are based on program management judgment of recorded  
11 data".<sup>35</sup> DRA asked PG&E for additional information regarding its test year increase  
12 for Special Patrols.

13 DRA asked:<sup>36</sup>

14 Prior to 2009 PG&E performed the patrols and recorded/charged these  
15 special patrols to OH Patrols, OH Infrared, or to OH Notifications. Provide  
16 the documentation that explains in detail and demonstrates why PG&E's  
17 recorded adjusted 2008 expenses in the above three categories is  
18 insufficient to address its maintenance program needs in the test year to  
19 fully justify the forecast of \$0.311 million.

20 PG&E's response:

21 The 2011 forecast for OH Patrols, OH Infrared, and OH Notifications was  
22 primarily based on using a "bottoms-up" approach taking into account  
23 projected work and forecasted unit costs to forecast for each of the three  
24 above-referenced categories (as opposed to basing the forecasts primarily  
25 on historical costs). While there may have been some special patrol costs

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<sup>33</sup> PG&E's embedded costs for Special Patrols for 2009 are as follows: recorded expenses were \$0.532 million at a unit cost of \$36.50. PG&E performed 14,576 patrols. DRA-186-TLG question 3-p.

<sup>34</sup> Exhibit (PG&E-3) page 2-24.

<sup>35</sup> Exhibit (PG&E-3) page 2-24.

<sup>36</sup> DRA-186-TLG question 3-o.

1 embedded in the historical costs for OH Patrols, OH Infrared, and OH  
2 Notifications, PG&E believes that the amounts would have been  
3 insignificant. Therefore, the 2008 recorded expenses are insufficient to  
4 address PG&E’s maintenance program needs for special patrols in the  
5 test year.

6 PG&E’s increase is not justified and should be denied. PG&E has embedded  
7 historical expenses that can be reallocated to address this work in the test year and  
8 no additional funding is needed.<sup>37</sup>

9 **3. PG&E’s Request to Implement Mobile Hand-Held**  
10 **Units**

11 PG&E forecasts \$0.881 million in MWC BF for “defining the business  
12 requirements and the time it will take for field employees to learn the new  
13 technology”.<sup>38</sup> PG&E proposes to implement mobile hand-held units in the test year  
14 for approximately 110 of its field personnel that perform patrols and inspections.<sup>39</sup>  
15 PG&E is currently using paper based methods and manual activities. PG&E did not  
16 perform a cost benefit analysis for the project. PG&E is requesting the costs for the  
17 application development and hardware for the mobile hand-held units in its forecast  
18 for its Information Technology Exhibit (PG&E-7) Chapter 2.<sup>40</sup>

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<sup>37</sup> PG&E’s embedded costs for Special Patrols for 2009 is as follows: recorded expenses were \$0.532 million at a unit cost of \$36.50. PG&E performed 14,576 patrols. DRA-186-TLG question 3-p.

<sup>38</sup> Exhibit (PG&E-3) page 2-25.

<sup>39</sup> DRA-186-TLG question 3-t.

<sup>40</sup> In PG&E’s response to DRA-186-TLG question 3-r, PG&E states that the “initial forecast amount for the hand held devices is approximately \$4 million. PG&E does not have a detailed estimate supporting this amount” and that “The specific mobile hand-held devices that PG&E will purchase has not yet been determined and, therefore, it is premature for PG&E to provide a detailed cost estimate for the mobile devices. As the program progress and the business needs and functional requirement are more fully understood, PG&E will undergo a selection process to choose the appropriate hand-held mobile devices fro each user groups and, at that time, will be able to develop per unit cost estimate”.

1 DRA does not take issue with PG&E's request to implement mobile hand-held  
2 units. However, DRA does take issue with PG&E's request of \$0.881 million which  
3 is included in its forecast for MWC BF. In PG&E's next GRC PG&E should be able  
4 to demonstrate the efficiency gains (i.e. savings for elimination of paper based and  
5 manual activities, savings for staff for time reductions in completing projects, etc.)

6 DRA notes that because PG&E presented the project costs and justification  
7 for the project separately, this caused problems for DRA in its attempt to fully  
8 analyze and evaluate PG&E's proposed project. DRA discovered that PG&E's costs  
9 associated with implementing its hand-held device are also being requested in its  
10 Information Technology Exhibit (PG&E-7) Chapter 2 (i.e. programming, developing,  
11 testing software applications, employee training, miscellaneous costs, labor hours  
12 for line of business, etc). PG&E's ratepayers should not be forced to pay the  
13 excessive costs associated with this project by being required to fund the same  
14 costs by PG&E's IT and Electric Distribution Maintenance program.

15 DRA was informed in a meeting with PG&E's IT staff<sup>41</sup> that there was no  
16 specific line item detail or support for the derivation of the individual estimates  
17 included in the total for the expense and capital projects. PG&E has not  
18 demonstrated exactly what type of expenses are included in the total of the projects,  
19 which include line items for "training", "Line of Business Labor", and operational  
20 development costs", etc. Basically, PG&E was not able to state the specifics of  
21 these costs or show a breakdown of the calculations. PG&E only provided lump  
22 sum totals that were produced by its model. Based on the above, DRA recommends  
23 that PG&E's request for \$0.881 million be denied since the costs are being  
24 requested in its IT area. DRA recommends \$33.225 million, for PG&E's MWC BF-  
25 Patrols and Inspections, which is PG&E's 2008 recorded adjusted expense level.  
26 This is a reasonable forecast and is sufficient for PG&E to address its work projects

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<sup>41</sup> Meeting on March 9, 2010 at PG&E and March 22, 2010 at the CPUC between PG&E and DRA.

1 in the test year. The DRA forecast reflects the highest annual expense level for this  
2 MWC over the last six years.

### 3 **D. MWC BG – Preventive Maintenance and Equipment Repair**

4 PG&E forecasts \$84.810 million for MWC BG- Preventive Maintenance and  
5 Equipment Repair for the test year. This is an increase of \$22.033 million or 35.10%  
6 over 2008 recorded adjusted expenses of \$62.777 million. PG&E claims that its  
7 forecasted increases in the test year are due to increases in planned maintenance  
8 work and unit costs.<sup>42</sup> PG&E's MWC BG includes individual forecasts for twenty  
9 line items/subaccounts. Table 5-4 below shows PG&E's recorded adjusted  
10 expenses for 2004-2009 by the individual line items included in MWC BG and  
11 PG&E's 2011 forecast.  
12

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<sup>42</sup> Exhibit (PG&E-3) page 2-1 to 2-2 discusses the reason for 2011 increases in expenses. PG&E applied one of four unit cost forecast methods to forecast its unit cost for its electric distribution maintenance program. (Exhibit (PG&E-3) page 2-27 and 2-28, methods are discussed on page 2-17)

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2  
3

**Table 5-4  
2004-2009 Recorded and 2011 Forecast Data for MWC BG  
(in Thousands of Dollars)**

| Description                        | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2011     |
|------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| Overhead Notifications             | \$23,075 | \$21,031 | \$20,297 | \$24,461 | \$17,392 | \$12,741 | \$27,545 |
| Underground Notifications          | \$13,128 | \$12,026 | \$12,145 | \$13,917 | \$11,043 | \$9,582  | \$9,503  |
| Overhead ERR                       | \$0      | \$3,070  | \$3,814  | \$4,622  | \$4,929  | \$5,269  | \$7,313  |
| Underground ERR                    | \$0      | \$879    | \$1,607  | \$1,467  | \$1,717  | \$1,596  | \$2,184  |
| Streetlight Burnouts               | \$3,914  | \$3,590  | \$3,749  | \$3,920  | \$4,159  | \$4,225  | \$4,851  |
| Streetlight Group Replacements     | \$1,751  | \$1,919  | \$1,272  | \$1,284  | \$714    | \$464    | \$3,197  |
| Line Equip Overhauls (Emeryville)  | \$2,259  | \$1,765  | \$1,269  | \$1,495  | \$1,446  | \$756    | \$2,704  |
| Line Equip Overhauls (Division)    | \$1,281  | \$1,193  | \$996    | \$1,209  | \$383    | \$571    | \$1,978  |
| Bird Safe                          | \$1,222  | \$1,233  | \$1,378  | \$1,821  | \$1,660  | \$2,221  | \$1,778  |
| Bird Retrofits                     | \$775    | \$1,141  | \$727    | \$879    | \$976    | \$924    | \$1,295  |
| RTVI Investigations                | \$351    | \$331    | \$265    | \$539    | \$643    | \$629    | \$702    |
| Insulator Washing                  | \$89     | \$88     | \$37     | \$103    | \$177    | \$101    | \$467    |
| Nitrogen Cylinders                 | \$0      | \$274    | \$165    | \$191    | \$147    | \$101    | \$258    |
| Capacitor Controllers              | \$567    | \$442    | \$137    | \$580    | \$316    | \$53     | \$431    |
| Network Work and Projects          | \$773    | \$980    | \$949    | \$3,131  | \$7,537  | \$5,012  | \$11,408 |
| Reassessments                      | \$0      | \$0      | \$0      | \$1      | \$5,139  | \$3,636  | \$4,527  |
| Pole Numbering Project             | \$429    | \$583    | \$104    | \$0      | \$0      | \$0      | \$1,150  |
| Other Projects                     | \$726    | \$2,068  | \$1,658  | \$1,867  | \$2,681  | \$110    | \$386    |
| Transformer Labor Reclassification | \$1,326  | \$1,139  | \$742    | \$495    | \$1,241  | \$2,553  | \$1,701  |
| Miscellaneous Maintenance Items    | \$749    | \$59     | \$191    | \$765    | \$478    | \$98     | \$1,432  |
| Total                              | \$52,415 | \$53,811 | \$51,502 | \$62,747 | \$62,777 | \$50,642 | \$84,810 |

4 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 2, Workpapers Page WP 2-22. 2009 data  
5 from PG&E's response to data request DRA-122-CKT and data request DRA-206-TLG question 1-c.  
6 DRA calculated the line item detail to be comparable with 2008 expenses.

7 DRA notes that PG&E's recorded adjusted 2009 expenses of \$50.642 million  
8 is \$7.937 million less than its 2009 forecasted expenses.<sup>43</sup> PG&E's 2009 recorded  
9 adjusted expenses is also \$12.135 million less than its 2008 recorded adjusted  
10 expenses of \$62.777 million. PG&E's five year average (2004-2008) is \$56.650  
11 million. PG&E's three year average using its most recent recorded data is (2007-  
12 2009) is \$58.722 million and PG&E's three year average using its historical data  
13 (2006-2008) is \$59.009 million.

<sup>43</sup> Exhibit (PG&E-3) Table 2-11, page 2-39.

1 DRA does not take issue with PG&E's test year forecast for the following  
2 MWC BG line items: \$9.503 million for Underground Notifications, \$4.851 million for  
3 Streetlight Burnouts, \$1.778 million for Bird Safe, \$1.295 million for Bird Retrofits,  
4 \$0.702 million for Radio and Television Interference, \$0.258 million for Nitrogen  
5 Cylinders, \$0.431 million for Capacitor Controllers, \$4.527 million for  
6 Reassessments, \$0.386 million for Other Projects, and \$1.701 million for  
7 Transformer Labor Reclassification. DRA reviewed PG&E's testimony, workpapers,  
8 data request responses, and historical expense levels, including 2009 recorded  
9 adjusted expenses, for these line items and the forecasts appear to be reasonable.

10 DRA recommends \$61.474 million in the test year for PG&E's MWC BG-  
11 Preventive Maintenance and Equipment Repair. The DRA forecast is comparable to  
12 2007 and 2008 historical expenses for the MWC and is \$10.832 million more than  
13 PG&E's 2009 recorded adjusted expenses of \$50.642 million. DRA takes issue with  
14 the following: \$27.545 million for Overhead Notifications, \$7.313 million for  
15 Overhead Equipment Requiring Repair (ERR), \$2.184 million for Underground ERR,  
16 \$3.197 million for Streetlight Group Replacement, \$2.704 million for Line Equipment  
17 Overhauls (Emeryville) \$1.978 million for Line Equipment Overhauls (Division),  
18 \$0.467 million for Insulator Washing, \$11.408 million for Network Work and  
19 Projects,<sup>44</sup> \$1.150 million for Pole Numbering,<sup>45</sup> and \$1.432 million for  
20 Miscellaneous Maintenance Items. The forecasts for the above line items are not  
21 justified when compared to historical levels and the information PG&E provided to  
22 support the increases over 2008 expense levels is insufficient.

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<sup>44</sup> PG&E is requesting funding for Network Work and Projects which appear to be the same or similar projects discussed for maintenance expense in MWC BG and capital in MWC 57 (Exhibit (PG&E-3 page 2-52). DRA considers this to be double counting. PG&E's maintenance expenses should be declining in the test year due to PG&E's proposed increases in capital costs for Network Work and Projects from \$4.476 million in 2008 to \$21.517 million in 2011.

<sup>45</sup> PG&E also requested additional funding for pole numbering in MWC BF in its New Work request. PG&E is requesting funding for the exact same activity in two different places. PG&E has embedded historical expenses to address this activity. PG&E also requested funding in its 2007 GRC for pole numbering but did not record any expenses for this activity in 2007 and 2008 (DRA-206-TLG question 6-a and DRA-206-TLG question 6-b).

1 Further, PG&E's requested increases in the test year are to address deferred  
2 maintenance work. This is due to PG&E's rescheduling of routine on-going  
3 maintenance work recorded to MWC BG, which has caused PG&E to have a large  
4 accumulation of maintenance work.<sup>46</sup> The main areas that accumulated the most  
5 work appear to be Overhead Notification, Overhead Equipment Requiring Repair,  
6 Underground Equipment Requiring Repair, Streetlight Group Replacement, Insulator  
7 Washing, and Network Work and Projects.

8 PG&E claims that some of the work has been rescheduled or deferred since  
9 2002.<sup>47</sup> DRA requested additional information from PG&E on its test year forecast.

10 DRA asked:<sup>48</sup>

11 In 2011 PG&E forecasted an increase of 146.69% in units over 2008 for  
12 overhead equipment requiring repair from 876 to 2,161 with a decrease in unit  
13 cost from \$5,627 to \$3,384. Provide the documentation that explains in detail  
14 the specific reasons for the overhead equipment requiring repair increase in  
15 units to 2,161 from 876. PG&E's four year average for the period is 1,354  
16 units.

17 PG&E's response:

18 The recorded 2008 units for overhead equipment requiring repair (ERR)  
19 reflect the number of units completed based on individual division  
20 prioritization of work and available resources.

21 The increase in the number of forecasted units for 2011 units represent  
22 PG&E's change in the ERR program to assign a higher priority to bringing  
23 inoperative equipment on-line to meet operational needs. The forecast  
24 includes units based on a historical find rate plus an amount to work  
25 accumulated ERR units (see Exhibit (PG&E-3), Workpaper, WP 2-46).

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<sup>46</sup> Exhibit (PG&E-3), pp. 2-28, 2-29, 2-30, and 2-33.

<sup>47</sup> DRA-206-TLG question 2-d.

<sup>48</sup> DRA-206-TLG question 2-b.

1 DRA asked:<sup>49</sup>

2 Please state if PG&E's forecasted increase in overhead notifications is not  
3 associated with backlogs during historical years, in particular 2008.

4 PG&E's response:

5 PG&E's forecasted increase in overhead notifications is, at least in part,  
6 associated with rescheduled work from prior years (not just 2008).  
7 As indicated in Exhibit (PG&E-3), Chapter 1, page 1-35, lines 8-17 due to  
8 higher priority T&D work, some electric maintenance work was rescheduled.  
9 Work is rescheduled to allow PG&E to perform higher priority work if the  
10 condition can safely be reprioritized. PG&E's forecast includes addressing  
11 these accumulated units over 6 year period to effectively manage the work  
12 level and ensure the work is addressed. Although rescheduling of lower  
13 priority work for short-term management of resources is necessary and  
14 appropriate, it is necessary to perform the rescheduled work to protect the  
15 long-term safety and reliability of PG&E's facilities.

16 DRA asked:<sup>50</sup>

17 Provide the documentation that explains in detail if PG&E's "accumulated  
18 units that were previously rescheduled" for repair negatively impacted system  
19 safety and reliability or any other operational needs. If so, explain in detail  
20 why this work that negatively impacted system safety and reliability was  
21 deferred.

22 PG&E's response:

23 As indicated in Exhibit (PG&E-3), Chapter 1, page 1-35, lines 8-17, due to  
24 higher priority T&D work, some electric maintenance work was rescheduled.  
25 As a result, PG&E managed this Equipment Requiring Repair (ERR) work on  
26 a short-term basis by rescheduling this work because customers continued to  
27 receive electricity service. However, the equipment still needs to be made  
28 operative to enable improved operational needs.  
29 Shown below are the types and count of ERR that are included PG&E' 2011  
30 forecast for accumulated ERR units that were previously scheduled (or  
31 identified as needing repair) when the GRC Forecast was prepared. These  
32 units have been accumulating since 2002, however, the vast majority of them  
33 fall into the 2005 to 2009 timeframe.

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<sup>49</sup> DRA-206-TLG question 1-k.

<sup>50</sup> DRA-206-TLG question 2-d.

1 Rescheduling of these ERR units did not significantly impact safety or  
2 reliability. Although the equipment was inoperative, PG&E continued to serve  
3 customers via another means (such as customer service rerouted to another  
4 circuit ). In some instances, reliability may have been slightly impacted by the  
5 extended outage restoration times that result from inoperable automatic  
6 protective equipment. (Note, capacitor banks on this list are ERR, but do not  
7 impact safety and reliability, rather they affect power quality.)

8 DRA asked:<sup>51</sup>

9 PG&E's expenses recorded for overhead notifications have been declining  
10 each year between 2004 and 2006 from \$23.075 million to \$20.297 million. In  
11 2007 the expenses increased to \$24.461 million and then decrease further to  
12 \$17.293 million. In 2011 the expenses are forecasted to increase to \$27.545  
13 million or by 58.38%. It appears to DRA that the decreases and increase in  
14 expenses between 2004 and 2008 was partly related to decreases and an  
15 increase in recorded units for the same period. Provide the documentation  
16 that explains the decreases in recorded units/overhead notifications  
17 completed for 2004 through 2008 in detail and the specific impact on system  
18 safety and reliability due to PG&E's management choice to reduce the work  
19 performed.

20 PG&Es response:

21 Below is a summary of the recorded overhead notification units completed for  
22 2004 through 2008 per Exhibit (PG&E-3), Chapter 2, Workpapers 2-22, line 1  
23 and Workpaper 2-45, line 1.

| 2004     | 2005     | 2006     | 2007     | 2008     |
|----------|----------|----------|----------|----------|
| Recorded | Recorded | Recorded | Recorded | Recorded |
| 30,731   | 25,654   | 20,525   | 22,487   | 11,312   |

24

25 As explained in Exhibit (PG&E-3), Chapter 1 (page 1-35, lines 8-17), PG&E,  
26 in an effort to remain within the capital and expense expenditures levels  
27 imputed from the 2007 GRC settlement agree, adjusted work where possible  
28 by focusing on work in higher priority categories. PG&E reduced lower  
29 priority asset replacement work and maintenance work based on the  
30 judgment that such reductions would not affect safety or significantly impact  
31 reliability in the near-term. Consequently, fewer overhead notification units  
32 were completed.

33 PG&E's prioritizes overhead maintenance notification work to ensure the  
34 highest priority of work is addressed. Significant safety issues are addressed

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<sup>51</sup> DRA-206-TLG question 1-e.

1 as a high priority tag and are completed immediately which may entail: 1)  
2 making the condition safe for both employees and the public by making a  
3 temporary repair and creating a new tag for a permanent repair; or 2) fully  
4 completing the work at that time. Following this process allows PG&E to  
5 adjust work while maintaining system safety and reliability.

6 PG&E's ratepayers should not be forced to fund this routine and on-going  
7 maintenance work twice simply because PG&E deferred the work. PG&E had 2009  
8 and has 2010 to "catch-up" on its backlogs before the 2011 test year. Consistent  
9 with Commission policy regarding deferred maintenance, PG&E's shareholders (not  
10 ratepayers) are responsible for additional costs associated with the backlogs.<sup>52</sup>  
11 Ratepayer funding of this activity at the historical expense level represents a  
12 reasonable test year forecast.

### 13 **1. PG&E's Request for Network Work and Projects**

14 PG&E forecasts \$11.408 million in the test year for Network Work and  
15 Projects over 2008 recorded adjusted expenses of \$7.537 million.<sup>53</sup> PG&E's  
16 requested increase is 51.36% over 2008 levels. PG&E has provided insufficient  
17 documentation to support and justify this 51.36% increase.

18 PG&E's recorded expenses were relatively flat between 2005 and 2006 with  
19 an average of \$0.965 million. The expenses increased by \$2.182 million or 229.93%  
20 in 2007 over 2006 recorded adjusted expenses of \$0.949 million. PG&E's expenses  
21 increased in 2008 by \$4.406 million or 140.72% over 2007 recorded adjusted  
22 expenses of \$3.131 million. PG&E did not provide the documentation that explained  
23 the specifics of the increases in historical expenses of \$2.182 million and \$4.406  
24 million. DRA notes that PG&E's 2009 recorded adjusted expense of \$5.012 million

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<sup>52</sup> 10 CPUC 2d 155, 186; D.82-12-055, D.09-03-025, mimeo., pp. 4-5 discussed above in Section IV.C.

<sup>53</sup> Exhibit (PG&E-3) Table 2-11, page 2-39.

1 is \$2.525 million less than its 2008 recorded adjusted expenses. PG&E's 2008  
2 recorded adjusted expense is the highest for the six year period (2004-2009).

3 DRA notes that PG&E's increase is related to deferred maintenance. The  
4 embedded historical expense levels are adequate ratepayer funding to address on-  
5 going and routine corrective maintenance activity in the test year.

## 6 **2. PG&E's Request for Insulator Washing**

7 PG&E forecasts \$0.467 million in the test year for Insulator Washings over  
8 2008 recorded adjusted expenses of \$0.177 million.<sup>54</sup> PG&E's requested increase  
9 is 163.84% over 2008 levels. PG&E has provided insufficient documentation to  
10 support and justify this 163.84% increase. DRA requested additional information  
11 from PG&E on its request.

12 DRA asked:<sup>55</sup>

13 Provide the documentation that demonstrates the number of electric insulator  
14 washes that were performed for 2004 through 2008 and the associated costs  
15 and unit cost, and specifically identify separately the insulator washes  
16 performed near "coastal areas".

17 PG&E's response:

18 PG&E categorizes eleven of its eighteen divisions as "coastal areas".  
19 During the period of 2004 through October 2007, PG&E regularly performed  
20 insulator washing in eight of the eleven divisions categorized as "coastal  
21 areas" based on recorded costs (ranging from \$35,000 to \$100,000 during the  
22 specified years). However, it appears not all divisions appropriately recorded  
23 their completed units where costs are recorded, therefore the units completed  
24 may be understated. In the non-coastal area, it appears that five of the  
25 divisions performed limited insulator washing based on recorded costs  
26 (ranging from \$2,000 to \$3,000 during the same time period). PG&E did not  
27 perform focused or regular insulator washing in non-coastal areas prior to

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<sup>54</sup> Exhibit (PG&E-3) Table 2-11, page 2-39.

<sup>55</sup> DRA-206-TLG question 5-a.

1 2008 because the current electric distribution insulator program focused on  
2 higher risk areas such as coastal areas.  
3 See Attachment GRC2011-Ph-I\_DR\_DRA\_206-Q05aAtch01.xls for the units,  
4 unit cost, and cost for insulator washing performed in the coastal areas and  
5 non-coastal areas for the period of 2004 through October 2007. Note, due to  
6 a change in PG&E's unit reporting system, unit data for 2007 is only available  
7 through October. Also, detailed data at the division level for 2008 is not  
8 available.

9 PG&E's request is excessive and should be denied. The recorded embedded  
10 historical expenses are reasonable to address this activity in the test year.

### 11 **3. PG&E's Request for Streetlight Group** 12 **Replacements**

13 PG&E forecasted \$3.197 million in the test year for Streetlight Group  
14 Replacements<sup>56</sup> over 2008 recorded adjusted expenses of \$0.714 million. PG&E's  
15 requested increase is 347.76% over 2008 levels. PG&E has provided insufficient  
16 documentation to support and justify this 347.76% increase. DRA requested  
17 additional information from PG&E on its request.

18 DRA asked:<sup>57</sup>

19 PG&E states that its 2011 forecasted units of 49,329, which is an increase of  
20 36,035 units or 271.06% over 2008 units of 13,294, and an increase of  
21 \$2.483 million or 347.76% over 2008 recorded expenses of \$0.714 "are  
22 based on re-instituting a preventive maintenance program for replacing lamps  
23 or associated components on a proactive basis where the replacement is  
24 performed over a 5-year basis". DRA is having difficulty understanding  
25 PG&E's 347.76% expense increase request for streetlight group  
26 replacements when DRA compares PG&E's request mentioned on page 2-50  
27 and 2-51 in Exhibit (PG&E-3) for its streetlight LED replacement project which  
28 "PG&E proposes to replace 162,000 existing PG&E-owned, high-pressure  
29 sodium vapor and mercury vapor streetlights with new LED fixtures" which  
30 are "projected to operate without burning out for greater than 10 years which

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<sup>56</sup> Exhibit (PG&E-3) Table 2-11, page 2-39.

<sup>57</sup> DRA-206-TLG question 3-j.

1 is significantly longer than the current estimated life of about four years” and  
2 should “reduce direct maintenance”.  
3 Provide the documentation that explains in detail both requests to fully justify  
4 PG&E’s maintenance request for an increase in expenses of 347.76% in  
5 streetlight group replacements when it is requesting funding of \$20.5 million  
6 per year to install LED lights which PG&E states will last over ten years and  
7 will significantly reduce maintenance costs.

8 PG&E’s response:

9 PG&E is requesting approval and funding from the Commission to replace  
10 162 thousand existing HPSV street lights with new, energy efficient LED  
11 street lights over a 5-year period beginning in 2011. Documentation for that  
12 request can be found in PG&E’s GRC Application testimony.  
13 Documentation that explains in detail PG&E’s request for an increase in  
14 expenses of 347.76% in streetlight group replacements does not exist. For  
15 additional information, see PG&E’s response to question 3h of this data  
16 request.

17 In 2011, assuming a half-year LED replacement benefit, only 16 thousand  
18 HPSV street lights will be removed from the pool of lights that require burnout  
19 and group replacement maintenance dollars, which leaves over 200 thousand  
20 street lights that do require maintenance funding.  
21 After PG&E has most or all the street lights replaced with LED lamps, PG&E  
22 anticipates a reduction in street lights group replacements that need to be  
23 performed, however this will not occur until after the next GRC cycle, because  
24 the proposed plan for the Street Light LED Replacement Project is based on  
25 a 5-year time frame starting in 2011. As a result, PG&E’s 2011 GRC forecast  
26 for Street Light Group Replacements and Street Light LED Replacement  
27 Project are reflected separately and independent of one another.

28 DRA notes that PG&E’s increase is related to deferred maintenance. The  
29 embedded historical expense levels are adequate ratepayer funding to address this  
30 routine and on-going activity in the test year.

31 **4. PG&E’s Request for Distribution Line Equipment**  
32 **Overhauls**

33 PG&E forecasts \$2.704 million in the test year for Line Equipment Overhauls  
34 (Emeryville) <sup>58</sup> over 2008 recorded adjusted expenses of \$1.446 million. PG&E’s

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<sup>58</sup> Exhibit (PG&E-3) Table 2-11, page 2-39.

1 requested increase is 87% over 2008 levels. PG&E forecasts \$1.978 million in the  
2 test year for Line Equipment Overhauls (Division)<sup>59</sup> over 2008 recorded adjusted  
3 expenses of \$0.383 million. PG&E's requested increase is 416.45% over 2008  
4 levels. PG&E has provided insufficient documentation to support and justify  
5 increases of 87% and 416.45%. DRA normalized PG&E's incremental request over  
6 the three year rate cycle and recommends an additional \$0.532 million for PG&E's  
7 Line Equipment Overhauls (Division) and recommends an additional \$0.419 million  
8 for PG&E's Line Equipment Overhauls (Emeryville) in the test year. DRA requested  
9 additional information from PG&E on its request.

10 DRA asked:<sup>60</sup>

11 Provide all source documentation PG&E's management relied upon to  
12 determine that it needed to perform "more equipment repairs to make more  
13 units available" for Distribution line equipment overhauls (Emeryville) and that  
14 it needed to take "down more equipment for refurbishment/overhaul" and put  
15 up more refurbished equipment than in 2009 for Distribution line equipment  
16 overhauls (Division Up/Down Labor) in order to fully justify increases of 87%  
17 and 416.45% over 2008 recorded expenses. In the response provide a  
18 breakdown of contract costs and source/basis for estimates, copies of vendor  
19 contracts for studies, annual salary breakdown for new positions and  
20 basis/source for estimated salary, etc., in order to fully justify the request.  
21 Also provide copies of PG&E's cost benefit analysis performed and all  
22 documentation that PG&E's management relied upon to determine that this  
23 change in distribution line equipment work was required in the test year and  
24 other documentation that shows PG&E's step by step management approval  
25 process for each project (i.e. person(s) requesting project, project  
26 preparation, scope, research performed for need/requirements, design, test,  
27 implementation, review and communication of needs and expectations,  
28 defined deliverables, etc.

29 PG&E's response:

30

31 PG&E has no such responsive "source documentation". The decision to  
32 pursue this work was made based on cost effectiveness. PG&E performed  
33 no cost benefit analysis, however, PG&E's 2011 forecast is based upon EDM

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<sup>59</sup> Exhibit (PG&E-3) Table 2-11, page 2-39.

<sup>60</sup> DRA-206-TLG question 4-a.

1 program management judgment to effectively manage costs to repair  
2 distribution line voltage regulators and line reclosers. PG&E believes that  
3 overhauling equipment (when practicable) is cost-effective compared to  
4 purchasing equipment. PG&E's 2011 forecast does not include contract  
5 costs since this overhaul work is performed by Emeryville Repair Facility  
6 personnel (for the overhaul) and Division personnel (for Division Up/Down  
7 Labor). In addition, the 2011 forecast does not include increased positions.  
8 Note, the 2008 recorded expenses are actual costs incurred as opposed to  
9 planned work levels. As indicated in Exhibit (PG&E-3), Chapter 1, page 1-35,  
10 lines 8-17, due to higher priority T&D work, some electric maintenance work  
11 was rescheduled. As a result, relatively lower levels of overhauls were  
12 completed in 2008.

13 PG&E's justification for its proposed increases lack specificity and PG&E has  
14 embedded historical expenses to address this activity in the test year. DRA's  
15 method of normalizing expenses over three years provides PG&E with additional  
16 funding for this activity and is a more reasonable test year estimate. DRA  
17 recommends the Commission adopt a forecast of \$0.915 million for PG&E's Line  
18 Equipment Overhauls (Division) and \$1.865 million for PG&E's Line Equipment  
19 Overhauls (Emeryville).

## 20 **5. PG&E's Request for Miscellaneous Maintenance** 21 **Items**

22 PG&E forecasted \$1.432 million in the test year for Miscellaneous  
23 Maintenance Items<sup>61</sup> over 2008 recorded adjusted expenses of \$0.478 million.  
24 PG&E's requested increase is 199.58% over 2008 levels. PG&E has provided  
25 insufficient documentation to support and justify this increase. DRA normalized  
26 PG&E's incremental request over the three year rate cycle and recommends  
27 additional funding of \$0.318 million over 2008 levels of \$0.478 million for a forecast  
28 of \$0.796 million for Miscellaneous Maintenance Items in the test year. DRA's  
29 method of normalizing over three years is reasonable. DRA requested additional  
30 information from PG&E on its request.

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<sup>61</sup> Exhibit (PG&E-3) Table 2-11, page 2-39.

1 DRA asked:<sup>62</sup>

2 PG&E shows 2008 recorded expenses for Miscellaneous Maintenance of  
3 \$0.478 million. Provide the documentation that demonstrates in detail how  
4 PG&E incorporated the embedded costs of \$0.478 million into its forecast of  
5 \$1.432 million.

6 PG&E's response:

7 The 2011 forecast for Miscellaneous Maintenance was not developed using  
8 historical data therefore the 2008 recorded expenses of \$0.478 million is not  
9 embedded in the 2011 forecast. Rather, for the 2011 forecast PG&E used a  
10 "bottoms-up" approach taking into account projected work and estimated  
11 costs to forecast Miscellaneous Maintenance.

12 PG&E's 2011 forecast for Miscellaneous Maintenance consists of two items:  
13 equipment failure analysis and information technology changes (Exhibit  
14 (PG&E-3), Chapter 2, page 2-38, lines 26-28). For more information  
15 regarding each of the forecasts, see the response to Questions 8d and 8e of  
16 this data request, respectively.

17 DRA asked:<sup>63</sup>

18 Provide the documentation that demonstrates in detail the amount of the  
19 forecast of \$1.108 million (\$3.324 million over a three year period) for  
20 technology changes associated with making programming changes (i.e.  
21 creating reports, making table changes and new interfaces, etc.) is related to  
22 one-time implementation/development costs.

23 PG&E's response:

24 No additional documentation exists regarding technology changes associated  
25 with making programming changes (creating reports, making table changes,  
26 new interfaces, etc. ) that are not covered by PG&E's Information Systems  
27 Technology Services base services other than what is shown in Exhibit  
28 (PG&E-3), Chapter 2, workpaper 2-54.

29 PG&E's forecast is a high-level cost estimate.

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<sup>62</sup> DRA-206-TLG question 8-c.

<sup>63</sup> DRA-206-TLG question 8-e.

1 PG&E notes that DRA's question implies that the technology changes are  
2 "one-time implementation/development costs". PG&E's testimony does not  
3 indicate these activities and forecast as "one-time  
4 implementation/development costs". Rather, PG&E anticipates that in  
5 subsequent years, technology changes will continue to be made.

6 Based on the foregoing, DRA recommends \$61.474 million,<sup>64</sup> for PG&E's  
7 MWC BG- Preventive Maintenance and Equipment Repair, which is \$23.336 million  
8 less than PG&E's test year forecast of \$84.810 million. DRA's test year estimate is  
9 sufficient ratepayer funding for PG&E to address its work projects in the test year.  
10 The DRA estimate is also comparable to the recent recorded three-year average of  
11 historical data.

## 12 **V. DISCUSSION / ANALYSIS OF POLE TEST AND TREAT,** 13 **RESTORATION AND JOINT UTILITIES COORDINATION**

14 PG&E says that its Pole Test and Treat, Restoration and Joint Utilities  
15 Coordination Program maintains and repairs its distribution poles to extend the life  
16 span and in order to avoid non-compliance with regulatory requirements.<sup>65</sup>

### 17 **A. Overview of PG&E's Request**

18 PG&E forecasts \$16.462 million for Pole Test and Treat, Restoration and  
19 Joint Utilities Coordination expenses for the test year 2011, which is an increase of  
20 \$3.948 million or 31.55% over 2008 expenses of \$12.514 million.<sup>66</sup> PG&E  
21 developed its forecast based on planned units of work and then multiplied the units

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<sup>64</sup> DRA's test year estimate of \$61.474 million is less than PG&E's 2008 recorded adjusted expenses of \$62.777 million. This is due to DRA not taking issue with PG&E's forecasts for Underground Notification of \$9.503 million and Other Projects of \$0.386 million, both forecasts are less than PG&E's 2008 recorded adjusted expenses for these line items as shown in Table 5-4.

<sup>65</sup> Exhibit (PG&E-3) page 4-3.

<sup>66</sup> PG&E's 2011 forecast of \$12.462 million is shown in Exhibit (PG&E-3) Table 4-6, page 4-13.

1 of work by a calculated unit cost.<sup>67</sup> The corresponding DRA estimate, based on a  
 2 five year average (2004-2008) for PG&E's Pole Test and Treat, Restoration and  
 3 Joint Utilities Coordination expenses is \$13.173 million, which is \$3.289 million less  
 4 than PG&E's forecast. DRA's test year estimate is \$0.659 million more than PG&E's  
 5 2008 recorded adjusted expenses of \$12.514 million.

6 Table 5-5 below shows PG&E's recorded adjusted expenses for 2004-2009  
 7 and its 2011 forecast.

8 **Table 5-5**  
 9 **2004-2009 Recorded Data and 2011 Forecast for MWC GA**  
 10 **(in Thousands of Dollars)**

| Description                | 2004     | 2005     | 2006     | 2007     | 2008     | 2009    | 2011 Forecast |
|----------------------------|----------|----------|----------|----------|----------|---------|---------------|
| GA-Pole Inven/Test & Treat | \$14,753 | \$15,679 | \$10,159 | \$12,762 | \$12,514 | \$9,508 | \$16,462      |

11 Source: 2004-2008 data from Exhibit (PG&E-3), Volume 1 of 3 Chapter 4, Workpapers page 4-1.  
 12 2009 data from PG&E's response to DRA data request DRA-122-CKT.

13 **B. MWC GA – Test and Treat, Restoration and Joint Utilities**  
 14 **Coordination**

15 PG&E records expenses for its Pole Test and Treat, Restoration and Joint  
 16 Utilities Coordination Program in Major Work Category (MWC) GA. PG&E states  
 17 that its forecasted increase in expenses in MWC GA over 2008 levels is due  
 18 “primarily because the Company plans to do more pole restoration work in 2011 than  
 19 in 2008”. According to PG&E, the Company was “reallocating resources to perform  
 20 higher priority work in 2008” and “PG&E reduced the number of pole restoration  
 21 work planned that year.”<sup>68</sup> DRA asked PG&E to provide a list of the resources that  
 22 was reallocated from MWC GA.

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<sup>67</sup> Exhibit (PG&E-3) page 4-5.

<sup>68</sup> Exhibit (PG&E-3) page 4-1 and 4-2.

1 DRA asked:<sup>69</sup>

2 Provide a detailed and itemized list of the resources (labor and non labor  
3 dollars) that was reallocated from MWC GA to other areas within PG&E due  
4 to PG&E's "prioritization process" for 2004-2008

5 PG&E's response:

6 Please see response to GRC2011-Ph\_DR\_084-Q04c.  
7 PG&E is unable to determine exactly which areas received additional funding  
8 from MWC GA. As the priorities change throughout the year, funding is  
9 subject to shift among MWCs and related work according to the highest  
10 priority need.

11 PG&E's reduction in its pole restoration work, which is the reason for its  
12 requested increase for additional funding to do "catch-up" work, in 2008 is deferred  
13 maintenance of normal routine activities. PG&E's shareholders, not its ratepayers,  
14 are responsible for additional costs associated with deferred maintenance.

### 15 **1. Pole Restoration**

16 DRA concludes that PG&E's plans to stub 7,203 poles, which is 3,521 more  
17 poles stubbed than in 2008 of 3,682 and is an increase of 95.63% over 2008 levels,  
18 to be unreasonable when compared to its recent history.<sup>70</sup> PG&E's three year  
19 average (2006-2008) of poles stubbed is 3,032 poles and the five year average is  
20 5,497 poles. Further PG&E states that its pole restoration work is part of its "on-  
21 going" activities. PG&E should have embedded historical expenses to address  
22 recurring costs for routine "on-going" pole restoration activities.<sup>71</sup> PG&E has not  
23 demonstrated that its 2008 expense levels are insufficient to address its test year  
24 needs.

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<sup>69</sup> DRA-084-TLG question 4-f.

<sup>70</sup> Exhibit (PG&E-3), Volume 1 of 3 Chapter 4, Workpapers page WP 4-55.

<sup>71</sup> Exhibit (PG&E-3) page 4-9.

1 DRA asked:<sup>72</sup>

2 PG&E's 2007 recorded expenses of \$12.762 million increased by  
3 \$2.449 million over 2006 expenses of \$10.263 million. PG&E's recorded  
4 expenses for its most recent years for 2007 and 2008 were relatively flat  
5 with an average for the two years of \$12.638 million. Provide the  
6 documentation that explains in detail and demonstrates why PG&E's  
7 recorded adjusted 2008 expenses are insufficient to address its test year  
8 needs.

9 PG&E's response:

10 PG&E's 2007 recorded expenses of \$12.762 million increased by \$2.498  
11 million (not \$2.449 million) over 2006 expenses of \$10.263 million for  
12 MWC GA. PG&E's 2011 expense forecast is higher than 2008 recorded  
13 adjusted expenses primarily because the Company plans more pole  
14 restoration work in 2011 than was completed in 2008. In addition, the unit  
15 cost for pole restoration increased based on rising contractor costs. For  
16 pole test and treat work, contractor costs increased due to rising health  
17 costs, insurance costs, labor rates and from items that decrease their  
18 productivity like working in environmentally sensitive areas. All these  
19 items continue to increase over 2008 recorded expenses along with the  
20 new environmental restrictions associated with the San Joaquin Valley  
21 Habitat Conservation plan described in the footnote on page 4-8 of the  
22 testimony. There is no further documentation.

23 PG&E's 2009 actual poles stubbed as of October 2009 were 3,306 poles at a  
24 cost of \$1.78 million.<sup>73</sup> Note that PG&E's three year average (2006-2008) of poles  
25 stubbed was 3,032. PG&E's 2009 forecast for poles stubbed were 5,317 at a cost of  
26 \$3.66 million.<sup>74</sup> DRA notes that PG&E's actual 2009 recorded adjusted expenses  
27 for MWC GA was \$9.508 million or \$4.255 million less than its 2009 forecast of  
28 \$13.763 million which was supposed to address stubbing of 5,317 poles. PG&E

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<sup>72</sup> DRA-084-TLG question 4-d.

<sup>73</sup> DRA-084-TLG question 5-c. In response to question 5-h, PG&E provided the number of its wood poles that were tested and treated. As of October 2009, PG&E tested 153,049 poles at a cost of \$8.02 million. PG&E's 2009 forecast for poles tested were 235,000 at a cost of \$12.19 million.

<sup>74</sup> Exhibit (PG&E-3), Volume 1 of 3, Chapter 4, Workpapers page WP 4-55.

1 claimed that its work levels and costs were increasing over 2008 levels, but its 2009  
2 recorded adjusted expenses demonstrate otherwise. PG&E's 2009 recorded  
3 adjusted expenses of \$9.508 million is the lowest expense level during the last six  
4 years (2004-2009).<sup>75</sup>

5 PG&E had 2009 and has 2010 to "catch-up", due to its reallocation of  
6 resources during 2008, with its pole restoration work before 2011 test year.  
7 Consistent with Commission policy, PG&E's shareholders (not ratepayers) are  
8 responsible for additional costs associated with deferred maintenance.<sup>76</sup>

9 DRA's estimate of \$13.173 million based on a five year average (2004-2008)  
10 provides sufficient ratepayer funding for PG&E to address its Pole Restoration work  
11 and other proposed projects (also related to on-going activities) in the test year.

### 12 **C. PG&E's Request for Software Maintenance**

13 PG&E forecasts \$100,000 in the test year for software maintenance for its  
14 Test and Treat Program.<sup>77</sup> PG&E did not provide any supporting documentation or  
15 specific line item detail on the derivation of each individual estimate included in the  
16 \$100,000 forecast. PG&E claims that it included the \$100,000 in its Information  
17 Technology Support testimony (Exhibit (PG&E-7) Chapter 2 in MWC IM.

18 Presenting test year forecasts in this piece meal manner makes it difficult for  
19 DRA and ultimately the Commission to properly analyze and evaluate PG&E test  
20 year proposals. Further, PG&E's request appears to be maintenance for on-going  
21 activities and PG&E's Information Technology Support that maintains this software

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<sup>75</sup> PG&E's 2010 forecast of \$11.509 million was supposed to be less than its 2009 forecast.

<sup>76</sup> 10 CPUC 2d 155,186; D.82-12-055; D.09-03-025, mimeo., pp. 4-5 discussed above in Section IV.C.

<sup>77</sup> Exhibit (PG&E-3) page 4-8.

1 should have embedded historical costs to address the maintenance and upkeep of  
2 PG&E’s Test and Treat software and ratepayers should not be charged twice for this  
3 expense. DRA recommends that PG&E’s request for additional funding of \$100,000  
4 be denied.

5 **VI. DISCUSSION / ANALYSIS OF VEGETATION MANAGEMENT**

6 PG&E’s Vegetation Management Program patrols, inspects and maintains  
7 clearance on trees as required for compliance and removes vegetation (vegetation  
8 control) from around poles that have the potential to cause fires. PG&E also  
9 maintains or removes “hazard trees” or trees that it identifies as structurally unsound  
10 or that have the potential to fall on to power lines.

11 **A. Overview of PG&E’s Request**

12 PG&E forecasts \$180.0 million for Vegetation Management expenses for the  
13 test year 2011 which is an increase of \$29.774 million or 19.82% over 2008  
14 expenses of \$150.2 million.<sup>78</sup> PG&E also requests continuation of its Vegetation  
15 Management one-way balancing account.<sup>79</sup> PG&E developed its forecast based on  
16 planned units of work and then multiplied the units of work by a calculated unit cost.  
17 PG&E also utilized an Excel formula “Growth” non-linear estimation methodology to  
18 determine its forecasted unit cost and its planned units of work for the test year.<sup>80</sup>  
19 DRA recommends the Commission adopt Vegetation Management expenses in the  
20 amount of \$160.67 million, which is \$19.33 million less than PG&E’s forecast.  
21 DRA’s test year estimate of \$160.67 million is \$10.47 million more than PG&E’s

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<sup>78</sup> PG&E’s 2011 forecast of \$180.0 million is shown in Exhibit (PG&E-3) Table 5-10, page 5-29.

<sup>79</sup> Exhibit (PG&E-3) page 5-2.

<sup>80</sup> Exhibit (PG&E-3) page 5-19 and 5-20. PG&E used its Excel formula “Growth to calculate its \$12.5 million increase over 2008 expense levels for Routine Tree Trimming and Removal recorded to MWC HN.

1 recorded adjusted 2008 expenses. Table 5-6 below shows PG&E's recorded  
2 adjusted expenses for 2004-2009 and its 2011 forecast.

3 **Table 5-6**  
4 **2004-2009 Recorded Data and 2011 Forecast for MWC HN**  
5 **(in Thousands of Dollars)**

| Description                         | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      | 2011 Forecast |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|---------------|
| HN-Tree Trimming<br>Balancing Acct. | \$146,953 | \$134,485 | \$139,571 | \$150,143 | \$150,226 | \$146,539 | \$180,000     |

6 Source: 2004-2008 data from Exhibit (PG&E-3), Volume 1 of 3 Chapter 5, Workpapers page 5-1.  
7 2009 data from PG&E's response to DRA data request DRA-122-CKT.

### 8 **B. MWC HN – Tree Trimming Balancing Account**

9 PG&E records expenses for its Vegetation Management Program in Major  
10 Work Category (MWC) HN. PG&E's MWC HN includes individual forecasts for six  
11 line items/subaccounts. PG&E's forecast requests includes additional funding, over  
12 2008 levels, of \$12.5 million for Routine Tree Trimming and Removal, \$0.800 million  
13 for Vegetation Control, \$0.200 million for Quality Assurance, \$3.0 million for  
14 Environmental Implementation, \$0.300 million for Public Education, and \$13.0  
15 million for Fire Risk Reduction Program.<sup>81</sup>

16 DRA does not take issue with PG&E's request for continuation of its  
17 Vegetation Management one-way balancing account. DRA does not take issue with  
18 PG&E's forecast for additional funding of \$0.800 million for Vegetation Control and  
19 \$0.200 million for Quality Assurance. DRA reviewed PG&E's testimony,  
20 workpapers, data request responses and historical expense levels for these two line  
21 items and notes that PG&E's forecasts are comparable to its five year averages and  
22 appear to be reasonable test year estimates. However, DRA does take issue with  
23 PG&E's request for additional funding over 2008 expense levels of \$12.5 million for  
24 Routine Tree Trimming and Removal, \$3.0 million for Environmental

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<sup>81</sup> Exhibit (PG&E-3) Table 5-4 page 5-20.

1 Implementation, \$0.300 million for Public Education, and \$13.0 million for Fire Risk  
2 Reduction Program.

3 PG&E forecasts \$152.5 million for its Routine Tree Trimming and Removal  
4 program which is an increase of \$12.5 million over its 2008 recorded adjusted  
5 expenses of \$140.0 million. PG&E's increase of \$12.5 million over 2008 expense  
6 levels is not justified when compared to historical levels. PG&E was not able to  
7 provide the documentation to demonstrate that its contract costs were increasing by  
8 9% over 2008 levels for "increased labor, contractor insurance, environmental costs  
9 and decreased productivity due to travel time between fewer work locations."<sup>82</sup> DRA  
10 requested additional information from PG&E on its increasing contract costs.

11 DRA asked:<sup>83</sup>

12 PG&E states that its tree trimming contracts are "forecast to increase by  
13 9 percent, from \$140 million to \$152.5 million". Provide all supporting  
14 documentation to substantiate the assertion made above in regards to the  
15 calculated 9 percent increase. Note that the spreadsheet shown on page  
16 WP 5-5 in the workpapers is insufficient and incomplete.

17 PG&E's response:

18 The 2011 forecast for routine tree trimming and removal of \$152.5 million  
19 results from the Growth calculation (see Attachment GRC2011-Ph-  
20 1\_DR\_DRA\_092-Q03b-atc01). The 9 percent increase is the increase over  
21 2008 recorded expense, i.e., \$12.5 million. No other documentation was  
22 used to develop the 2011 forecast.

23 DRA asked:

24 Provide the documentation that demonstrates in detail the calculation for the  
25 specific "increased labor, contractor insurance, environmental costs and  
26 decreased productivity due to increased travel time between fewer work

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<sup>82</sup> Exhibit (PG&E-3) page 5-20. PG&E's 2009 recorded adjusted expenses of \$146.539 million for MWC HN was provided in response to DRA-122-CKT. This is less than PG&E's 2009 forecast of \$150.0 million, and less than PG&E's 2008 recorded adjusted expense of \$150.226 million.

<sup>83</sup> DRA-092-TLG question 3-e.

1 locations” to justify the increase. Also provide the sources for each of the  
2 estimates.

3  
4 PG&E’s response:

5 The 2011 forecast for routine tree trimming and removal of \$152.5 million  
6 results from the Growth calculation, using annual expense and annual units  
7 worked for 2004 through 2009. PG&E did not perform separate, detailed  
8 calculations related to “increased labor, contractor insurance, environmental  
9 costs and decreased productivity due to increased travel time between fewer  
10 work locations” to calculate the increase. Such calculations were  
11 unnecessary to develop the forecast.

12 PG&E’s expenses increased by \$10.572 million or by 7.57% between 2006  
13 and 2007 from \$139.571 million to \$150.143 million. After this increase of \$10.572  
14 million, PG&E’s expenses were relatively stable for 2007 and 2008. PG&E did not  
15 provide a detailed explanation on the specifics that caused the \$10.572 million  
16 increase in its expense. Instead, PG&E referred DRA to a spreadsheet of  
17 approximately 60 pages (with extremely small print) showing lines of historical  
18 expenses arranged by Provider Cost Center(s) (PCC). PG&E did not file its  
19 application by PCC, it filed by MWC, so the \$10.572 million increase for MWC HN in  
20 the spreadsheet does not correspond to the Application or the testimony.

21 In regards to PG&E’s \$10.572 million increase between 2006 and 2007, DRA  
22 asked the following:<sup>84</sup>

23 DRA asked:

24 PG&E’s recorded expenses for MWC HN increased by \$10.572 million  
25 between 2006 and 2007 from \$139.571 million to \$150.143 million.

26  
27 Provide a detailed explanation and identify the specific labor (including  
28 positions, job titles, and annual salary and breakdown for new positions  
29 and basis/source for estimated salary) and non labor expenses  
30 (i.e. breakdown of contract costs and source/basis for estimates, copies of

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<sup>84</sup> DRA-092-TLG question 13-b.

1 vendor contracts for studies, etc.) that caused the \$10.572 million increase  
2 between 2006 and 2007.

3 PG&E's response:

4 Refer to attachment GRC2011-Ph-I\_DR\_DRA\_092-Q01-Atch01 (HN).

5 DRA was not provided the 2009 recorded adjusted expenses for PG&E's line  
6 item Routine Tree Trimming and Removal. However DRA notes that PG&E's 2009  
7 recorded adjusted expenses were \$146.539 million for MWC HN, which is \$3.661  
8 million less than PG&E's 2009 forecasted expenses of \$150.2 million.

9 DRA recommends additional funding of \$4.167 million over 2008 levels based  
10 on normalizing PG&E's request of \$12.5 million over three years. DRA notes that  
11 PG&E has embedded historical costs that can also be reallocated and utilized to  
12 address its test year needs. DRA's estimate of \$144.167 million is a reasonable  
13 estimate for PG&E to address its test year needs for Routine Tree Trimming and  
14 Removal program.

15 PG&E forecasted an additional \$3.0 million for its Environmental  
16 Implementation Costs. PG&E's request for an additional \$3.0 million is not justified.  
17 PG&E's increase includes the costs for "the addition of a full-time PG&E employee  
18 who will coordinate all environmental compliance efforts including the new San  
19 Joaquin Habitat Conservation Plan and all subsequent HCPs".<sup>85</sup> PG&E states that  
20 its implementation costs are for environmental compliance and that these cost are  
21 "recurring costs".<sup>86</sup> PG&E's testimony does not show any recorded expenses for  
22 2007 or 2008 for Environmental costs.<sup>87</sup> The three year average (2004-2006) for

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<sup>85</sup> Exhibit (PG&E-3) page 5-25.

<sup>86</sup> DRA-092-TLG question 9-b.

<sup>87</sup> Exhibit (PG&E-3) Table 5-4 page 5-20.

1 Environmental costs is \$0.6 million. PG&E provided lump some totals for the line  
2 item requests but did not provide the basis or the derivations of each individual  
3 estimate included in the line item totals to justify the \$3.0 million increase.<sup>88</sup> PG&E  
4 did incur costs in 2007 and 2008 for Environmental activity of \$22,000 for 2007 and  
5 \$46,000 for 2008.<sup>89</sup> PG&E's 2009 recorded expenses for its Environmental activity  
6 (including San Joaquin HCP) was \$231,009.<sup>90</sup>

7 DRA considers implementation costs to be one time non-recurring costs and  
8 additional funding is not required each year during the rate cast cycle for this activity.  
9 PG&E's ratepayers should not be required to provide additional funding for recurring  
10 costs that are already embedded in historical expenses. DRA normalized PG&E's  
11 request of \$3.0 million over the three year cycle and recommends an additional \$1.0  
12 million over 2008 levels for the test year. DRA's estimate is higher than PG&E's  
13 recorded historical expenses for its Environmental activities and should be more  
14 than adequate to address its needs in the test year. PG&E also has embedded  
15 costs that can be reallocated to address its test year needs and recurring expenses  
16 for its Environmental Implementation and Compliance activities.

17 PG&E forecasted \$0.6 million for its Public Education program expenses,  
18 which is an increase of \$0.3 million or 100% over its 2008 recorded adjusted  
19 expenses of \$0.3 million. PG&E's increase of \$0.3 million over 2008 expense levels  
20 is not justified when compared to historical levels.

21 PG&E states more "communication is needed to explain the need to remove  
22 hazard trees and fire-risk reduction units as a means to reduce the risk of rural wild

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<sup>88</sup> Exhibit (PG&E-3) Table 5-25.

<sup>89</sup> DRA-092-TLG question 9-a.

<sup>90</sup> DRA-092-TLG question 9-e.

1 land and urban fires”.<sup>91</sup> PG&E states that additional material and “advertising and  
2 outreach efforts need to be created and disseminated”.<sup>92</sup> PG&E does not show any  
3 recorded costs for 2004.<sup>93</sup> PG&E’s four year average (2005-2008) for PG&E’s  
4 Public Education is \$0.225 million. PG&E’s 2007 and 2008 recorded expenses were  
5 \$0.3 million for each year. DRA requested additional information from PG&E on its  
6 forecast.

7 DRA asked:<sup>94</sup>

8 Provide a detailed and itemized listing (line item breakdown of expense  
9 calculation) for all labor and non labor expenses that is included in the  
10 \$300,000 increase and the basis/source for each estimate. Provide  
11 copies of all vendor contracts that are causing this increase in the test  
12 year of \$300,000.

13 PG&E’s response:

14 PG&E does not have a detailed itemization of its \$300,000 increase for  
15 2011. CPUC Decision 07-03-044 authorized PG&E to continue this  
16 program at \$300,000 per year from 2007 to 2010, but at ratepayer  
17 expense, and recorded expense for 2007 and 2008 has been \$0.3 million.  
18 The Public Education Program continues to be very successful in  
19 educating the public about public safety and about the planting “The Right  
20 Tree in the Right Place” message. However, it needs to be expanded  
21 from \$300,000 to \$600,000 to address hazard tree removals and fire risk  
22 reduction work. Customers need to be educated about why overhanging  
23 branches and trees far from power lines must be removed to reduce the  
24 risk of rural and urban fires, for safety and to improve electric system  
25 reliability

26 PG&E did not provide documentation to support the 100% increase in funding  
27 over 2008 expense levels. PG&E notes in its response above that the Commission

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<sup>91</sup> Exhibit (PG&E-3) page 5-26.

<sup>92</sup> Exhibit (PG&E-3) page 5-26.

<sup>93</sup> Exhibit (PG&E-3) Table 5-4 page 5-20.

<sup>94</sup> DRA-092-TLG question 10-b.

1 authorized PG&E to continue its Public Education for 2007-2010 at \$0.3 million at  
2 ratepayers expense. DRA recommends that PG&E continue its Public Education  
3 efforts at \$0.3 as authorized by the Commission for the test year. PG&E states that  
4 its program “continues to be very successful in educating the public about public  
5 safety and about the planting”. PG&E should be able to reallocate funds from that  
6 “successful” program to address its new advertisement campaign.

7 PG&E forecasted an additional \$13.0 million for its proposed Fire Risk  
8 Reduction Program expenses.<sup>95</sup> PG&E’s increase includes its proposal to “expand  
9 the fire risk reduction program from an urban based approach to a more rural wild  
10 land based program”.<sup>96</sup> PG&E states “PG&E began a program in mid-2006 to  
11 reduce the risk of fires by removing overhanging branches in urban areas as part of  
12 its routine tree trimming and removal program. The recorded expenses for the  
13 program were \$7.0 million in 2007 and \$10.4 million in 2008”.<sup>97</sup>

14 PG&E does not show any historical expenses recorded for its Fire Risk  
15 Reduction Program for 2004-2008.<sup>98</sup> However, DRA notes that PG&E’s Routine  
16 Tree Trimming and Removal expenses show an increase of \$11.9 million between  
17 2006 and 2007 where PG&E claims it recorded expenses when it “began a program  
18 in mid-2006 to reduce the risk of fires by removing overhanging branches in urban  
19 areas as part of its routine tree trimming and removal program”.<sup>99</sup> DRA requested  
20 additional information from PG&E on its proposed program.

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<sup>95</sup> Exhibit (PG&E-3) Table 5-4 page 5-20.

<sup>96</sup> Exhibit (PG&E-3) page 5-26.

<sup>97</sup> Exhibit (PG&E-3) page 5-27. PG&E’s Table 5-4 on page 5-20 does not show any recorded historical costs for its Fire Risk Reduction Program.

<sup>98</sup> Exhibit (PG&E-3) Table 5-4 page 5-20.

<sup>99</sup> Exhibit (PG&E-3) page 5-27.

1 DRA asked: <sup>100</sup>

2 Provide the documentation that explains in detail specifically how PG&E  
3 maintained compliance, and reduced the number of vegetation-caused  
4 outages as well as the risk of fires due to overhanging branches prior to  
5 mid-2006.

6 PG&E's response:

7 Prior to 2006, PG&E did not have a separate program solely focused on the  
8 removal of overhanging branches to reduce the number of vegetation-caused  
9 outages as well as the risk of fires; thus, there is no such documentation for  
10 that topic. However, PG&E's routine tree trimming and removal program did  
11 (and still does) reduce the number of outages and the risk of fires as a  
12 byproduct of its overall efforts to maintain compliance with regulatory  
13 requirements.

14 PG&E's request for an additional \$13.0 million is not justified. PG&E has  
15 been performing fire risk reduction work during the historical years. PG&E has  
16 embedded historical expenses to address its proposed Fire Risk Reduction Program  
17 needs and PG&E's request for an additional \$13.0 million, considering it already has  
18 embedded historical cost for this activity, is excessive. DRA does note that PG&E  
19 plans to expand the program and some additional funding may be needed. DRA  
20 normalized the \$13.0 million over the three year rate case cycle and recommends an  
21 additional \$4.3 million for PG&E's Fire Risk Reduction Program in the test year.

22 **C. PG&E's Request to Purchase Replacement Hand-Held**  
23 **Computers.**

24 PG&E's Vegetation Management Program has included in its forecast a  
25 proposal to replace its hand-held computers that are used to manage its vegetation  
26 control and tree trimming work. The hand-held computers PG&E's staff and  
27 contractors are currently using were purchased in 2001 and 2002. PG&E has  
28 encountered problems with maintaining the older hand-held units because they are

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<sup>100</sup> DRA-092-TLG question 6-a.

1 no longer being manufactured. PG&E is requesting the total cost of the hand-held  
2 computers in its Information Technology Exhibit (PG&E-7) Chapter 2.

3 DRA does not take issue with PG&E's request for replacement of its hand-  
4 held computers. DRA had some problems with analyzing and evaluating PG&E's  
5 request due to the fact that PG&E proposed the project in Exhibit (PG&E-3) Chapter  
6 5, Vegetation Management O&M expenses, but excluded the support and detailed  
7 breakdown of all costs for the project.<sup>101</sup> In PG&E's next GRC, the Commission  
8 should require that PG&E include all support and justification, and specific cost detail  
9 on proposed test year projects, in one place so that the project can be fully  
10 reviewed, analyzed and evaluated.

## 11 **VII. DISCUSSION / ANALYSIS OF NEW BUSINESS AND WORK AT** 12 **THE REQUEST OF OTHERS**

13 PG&E's New Business and Work at the Request of Others Program activities  
14 include preparing job cost estimates for installing infrastructure, performing  
15 relocation work for existing PG&E facilities, provides design and engineering  
16 information for customers, and performs construction and inspections.

### 17 **A. Overview of PG&E's Request**

18 PG&E forecasted \$42.784 million for its New Business and Work at the  
19 Request of Others expenses for the test year 2011.<sup>102</sup> PG&E also proposes a  
20 combined one-way balancing account for its New Business and Work at the Request  
21 of Others and for Rule 20A expenditures.

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<sup>101</sup> PG&E's forecast for replacement of its hand-held computers is \$11.6 million. DRA's IT witnesses will provide estimates on the cost of PG&E's proposal since that is where PG&E presented the cost information for the project.

<sup>102</sup> PG&E's 2011 forecast of \$42.784 million is shown in Exhibit (PG&E-3) Table 6-44, page 6-60.

1 PG&E states the “method PG&E is using in this GRC segregates the forecast  
 2 into different segments, which facilitates the use of residential and non-residential  
 3 market data in the available economic forecast”.<sup>103</sup> In regards to the determination  
 4 of its unit cost forecast for New Business, PG&E utilized its 2007 expenses as its  
 5 base to forecast 2011 expenses. The corresponding DRA estimate for PG&E’s New  
 6 Business and Work at the Request of Others expenses is \$38.502 million (\$16.519  
 7 million for MWC EV and \$21.983 million for MWC EW), which is \$4.282 million less  
 8 than PG&E’s forecast of \$42.784 million.<sup>104</sup>

9 PG&E records its expenses in two Major Work Categories (MWC): EV for  
 10 New Business with a forecast of \$17.488 million and EW for Work at the Request of  
 11 Others with a forecast of \$25.296 million. Table 5-7 below shows PG&E’s recorded  
 12 adjusted expenses for 2004-2009 and its 2011 forecast.

13 **Table 5-7**  
 14 **2004-2009 Recorded Data and 2011 Forecast for MWC EV and EW**  
 15 **(in Thousands of Dollars)**

| Description          | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2011 Forecast |
|----------------------|----------|----------|----------|----------|----------|----------|---------------|
| EV- New Business     | \$15,568 | \$10,486 | \$14,927 | \$18,632 | \$20,061 | \$13,174 | \$17,488      |
| EW-WRO – Maintenance | \$10,504 | \$12,010 | \$16,561 | \$17,714 | \$19,942 | \$21,980 | \$25,296      |
| Total                | \$26,072 | \$22,496 | \$31,488 | \$36,347 | \$40,003 | \$35,154 | \$42,784      |

16 Source: 2004-2008 data from Exhibit (PG&E-3), Volume 2 of 3, Chapter 6, Workpapers page 6-49.  
 17 2009 data from PG&E’s response to DRA data request DRA-122-CKT. Note that in PG&E’s  
 18 response to data request DRA-207-TLG, question 2-a, PG&E provided different 2009 numbers of  
 19 \$14.076 million for MWC EV-New Business and \$20.092 million for MWC EW-Work at the Request of  
 20 Others (Total of \$34.168 million) then are included in its response to DRA-122-CKT showing its actual  
 21 2009 recorded numbers for these MWCs which DRA utilized in its Table 5-7.

<sup>103</sup> Exhibit (PG&E-3) page 6-16.

<sup>104</sup> DRA’s estimate of \$38.502 million is PG&E’s revised forecast provided in PG&E’s response to DRA’s data request DRA-207-TLG inquiring if PG&E reviewed or revised its forecast for its residential market segment based on more recent publications (Moody’s Economy.com and HIS Global Insights) than what PG&E relied on for its 2011 forecast included in its testimony. Note that DRA’s original estimate, prior to PG&E revising its forecast in the data request response, was \$36.886 million (\$15.935 million for MWC EV using a five year average (2004-2008) and \$20.961 million for MWC EW using a two year average (2008 and 2009 recorded expenses).

1           **B. MWC EV – New Business and MWC EW – Work at the**  
2           **Request of Others**

3           PG&E’s states that its “Major Work Category (MWC) EV and EW are dual  
4 commodity work categories and cover both gas and electric-related facilities”.<sup>105</sup>  
5 DRA found PG&E’s testimony and forecasting method for its New Business and  
6 Work at the Request of Others confusing and difficult to follow. DRA also had  
7 concerns that the source data that PG&E relied upon to forecast its 2011 forecast  
8 was outdated.<sup>106</sup>

9           In regards to the source documentation PG&E utilized to forecast its 2011  
10 forecast PG&E stated “These services periodically update their economic forecasts,  
11 and PG&E has not incorporated the most recent forecast from Economy.com. The  
12 most recent Economy.com forecast was released after the NOI testimony was  
13 submitted and after PG&E revised its NB/WRO forecast for 2010 based on a  
14 reassessment of 2010 work volumes...”<sup>107</sup> DRA issued a data request to get  
15 clarification on PG&E’s forecast of \$42.784 million and the source documentation  
16 PG&E utilized.

17 DRA asked:<sup>108</sup>

18           PG&E states that for its Residential Market Segment it “used building  
19 permit and housing start forecast data from Moody’s Economy.com and  
20 IHS Global Insights to determine its forecast of new customer connects”  
21 (page 6-20). Provide copies of the specific documents PG&E referred to  
22 above in Moody’s Economy.com and IHS Global Insights. Please state if  
23 PG&E has reviewed and/or revised its forecast for its residential market

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<sup>105</sup> Exhibit (PG&E-3) page 6-2.

<sup>106</sup> DRA notes that PG&E filed its NOI on July 20, 2009 and filed its testimony on December 21, 2009. PG&E had time between July and December to review and revise its testimony, forecast, and sources it relied upon.

<sup>107</sup> Exhibit (PG&E-3) page 6-12, footnote 6.

<sup>108</sup> DRA-207-TLG question 2-a.

1 segment based on the most recent publications of Moody's Economy.com  
2 and IHS Global Insights. Provide copies of that information.

3 PG&E's response:

4 Actual and forecast data for residential building permit activity for Moody's  
5 Economy.com is included in the workpapers for Exhibit (PG&E-3), Chapter  
6 6 in Tables 6-27 and 6-28 starting on page WP 6-32. A copy of the IHS  
7 Global Insights data used in the GRC forecast is included as Attachment  
8 GRC2011-Ph-I\_DR\_DRA\_207-Q02Atch01-CONF.xls. As stated in  
9 Footnote 6 of Exhibit (PG&E-3), Chapter 6 on page 6-12, PG&E did not  
10 incorporate more recent permit data in its forecast since this was released  
11 after the NOI testimony was submitted. While PG&E receives updated  
12 building permit forecasts from these services periodically, PG&E normally  
13 updates its connection related forecast just once annually in preparation  
14 for its planning process. The data provided by Economy.com and IHS  
15 Global Insights can be highly variable and show differing projections to the  
16 timing of an economic recovery. Because of the uncertainty of this data,  
17 including the timing of an economic recovery, PG&E is proposing a one-  
18 way balancing account for treatment of NB/WRO forecasted costs for  
19 2011-2013. More detailed information on the balancing account proposal  
20 can be found in Exhibit (PG&E-8), Chapter 13.

21 Recent publications of both Moody's Economy.com and IHS Global  
22 Insights that PG&E used to recalculate its annual connection forecasts are  
23 included in Attachments GRC2011-Ph-I\_DR\_DRA\_207-Q02Atch02-  
24 CONF.xls and GRC2011-Ph-I\_DR\_DRA\_207-Q02Atch03-CONF.xls.<sup>109</sup>  
25 A summary of capital and expense forecasts, including updated new  
26 business connection forecasts, using this data is shown in the tables  
27 below. The recalculated capital and expense forecasts follow the same  
28 steps and procedures as outlined in the testimony and associated  
29 workpapers for Exhibit (PG&E-3), Chapter 6 using the connection forecast  
30 below. New Business capital indexes for MWCs 16 and 29 used in the  
31 WRO capital forecasts have been updated, as well as associated  
32 components in the New Business and WRO expense forecasts. As  
33 discussed above, there is a high degree of uncertainty regarding the  
34 accuracy of the economic data that these forecasts are based upon.  
35 Exhibit (PG&E-3), Chapter 6, Section 4a demonstrates the rapid changes  
36 (both positive and negative) that have historically impacted the NB/WRO  
37 programs. For this reason PG&E is proposing a one-way balancing  
38 account treatment for the NB/WRO programs.  
39

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<sup>109</sup> PG&E subsequently received more recent reports from these services, which were issued after, and not used in, PG&E's last annual connection forecast.

1

**PACIFIC GAS AND ELECTRIC COMPANY  
2009 TO 2013 RECALCULATED EXPENSE FORECAST  
(THOUSANDS OF NOMINAL SAP DOLLARS)**

|                               | 2009      | 2010      | 2011      |
|-------------------------------|-----------|-----------|-----------|
| MWC EV - New Business Expense | \$ 14,076 | \$ 14,883 | \$ 16,519 |
| MWC EW - WRO Expense          | \$ 20,092 | \$ 20,444 | \$ 21,983 |
| 2 Total                       | \$ 34,168 | \$ 35,327 | \$ 38,502 |

3 DRA reviewed and analyzed PG&E’s response and its revised 2011 forecast  
4 of \$38.502 million for its New Business and Work at the Request by Others recorded  
5 in MWCs EV and EW. DRA agrees with PG&E’s revised 2011 forecasts of \$38.502  
6 million for its 2011 test year forecast.

7 **C. PG&E’s Request for a Combined One-Way Balancing**  
8 **Account for New Business, Work at the Request of**  
9 **Others/Rule 20A Expenditures**

10 PG&E proposes a combined one-way balancing account for its MWC EV -  
11 New Business and MWC EW – Work at the Request of Others. PG&E requests the  
12 one-way balancing account because it claims that “the work is subject to large  
13 variances due to a wide range of other influences”.<sup>110</sup> PG&E’s MWC EV covers  
14 customer inquires for New Business expense work for new services and for  
15 increased connection capacity on existing services.<sup>111</sup> PG&E’s MWC EW covers  
16 work requested by others related to expense work required by tariff and franchise  
17 compliance, relocations of non-plant gas and electric facilities, and right-of-way  
18 record research by third parties.

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<sup>110</sup> Exhibit (PG&E-3) page 6-6.

<sup>111</sup> Exhibit (PG&E-3) page 6-40.

1 DRA does not take issue with PG&E’s proposal for a one-balancing account  
2 to track these costs. However, DRA takes issue with PG&E’s proposal for a  
3 combined one-way balancing account that tracks both New Business and Work at  
4 the Request of Others.

5 DRA recommends that two separate balancing accounts should be  
6 established. Each account should also be tracked and evaluated separately to  
7 determine if refunds should be made to ratepayers at the end of the rate case cycle.  
8 DRA agrees that there have been significant variances during the last few years with  
9 PG&E’s residential New Business market and the decline in the request for the  
10 residential development of meter sets. This variance was caused for the most part  
11 by the slowing of the market and the declining economic conditions. PG&E’s MWC  
12 EW is not impacted by the significant changes in the economy relating to the  
13 residential market and the development of new meter sets. PG&E states “Unlike  
14 NB, however, WRO expenditures are only partially driven by the same economic  
15 trends that drive NB work. WRO work associated with NB development is either  
16 partially or fully reimbursed, and has much less of an impact in total expenditures  
17 when compared with changes in non-reimbursed work generated by government  
18 agencies”.<sup>112</sup>

19 PG&E’s expenses recorded in MWC EW increased slightly each year during  
20 the last six years (2004-2009) as shown in Table 5-7 above, with an average for the  
21 six year period of \$16.452 million. The three year average (2007-2009) was  
22 \$19.879 million. Note that PG&E’s data response shows a reduction to the test year  
23 forecast for MWC EW from \$25.296 million to \$21.983 million which is comparable  
24 to its recent historical record.<sup>113</sup>

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<sup>112</sup> Exhibit (PG&E-3) page 6-45 to 6-46.

<sup>113</sup> DRA-207-TLG question 2-a.

1 DRA reviewed PG&E's testimony, data request responses, and workpapers,  
2 and recommends two separate one-way balancing accounts should be established  
3 to track the costs for MWC EV-New Business and MWC EW-Work at the Request of  
4 Others.

## 5 **VIII. DISCUSSION / ANALYSIS OF SUBSTATION ASSET STRATEGY**

6 PG&E's Substation Asset Strategy program provides operations such as  
7 facility and equipment inspections and switching, and performs preventive and  
8 corrective maintenance such as diagnostic testing, overhauls and repair of failed  
9 equipment within its distribution substations.

### 10 **A. Overview of PG&E's Request**

11 PG&E forecasted \$37.938 million for Substation Asset Strategy expenses for  
12 the test year 2011 which is an increase of \$7.030 million or 22.74% over 2008  
13 expenses of \$30.908 million.<sup>114</sup> PG&E developed its forecast by utilizing a six year  
14 average (2002-2007) of Megavolt-Ampere (MVA) and calculated an average growth  
15 in facilities of 531 MVA per year then utilized a two year average (2007 and 2008) of  
16 MVA to calculate a unit cost of \$1,158.<sup>115</sup> The corresponding DRA estimate for  
17 PG&E's Substation Asset Strategy expenses is \$30.908 million, utilizing PG&E's  
18 2008 recorded adjusted expenses, which is \$7.030 million less than PG&E's  
19 forecast. The DRA forecast is also comparable to the recorded data over the most  
20 recent five years (2005-2009). The 2008 recorded figure used by DRA is the highest  
21 year over this recent five year period. Table 5-8 below shows PG&E's recorded  
22 adjusted expenses for 2004-2009 and its 2011 forecast.

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<sup>114</sup> PG&E's 2011 forecast of \$37.938 million is shown in Exhibit (PG&E-3) Table 8-7, page 8-37.

<sup>115</sup> Exhibit (PG&E-3) page 8-16.

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**Table 5-8**  
**2004-2009 Recorded Data and 2011 Forecast for MWC GC**  
**(in Thousands of Dollars)**

| Description                                   | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2011 Forecast |
|-----------------------------------------------|----------|----------|----------|----------|----------|----------|---------------|
| GC- Operate Maintain Distribution Substations | \$23,963 | \$30,054 | \$28,883 | \$30,789 | \$30,908 | \$29,673 | \$37,938      |

4 Source: 2004-2008 data from Exhibit (PG&E-3), Volume 2 of 3 Chapter 8, Workpapers page 8-6.  
5 2009 data from PG&E's response to DRA data request DRA-122-CKT.

6 **B. MWC GC – Operate and Maintain Substations**

7 PG&E records its expenses for Substation Asset Strategy (SAS) in Major  
8 Work Category (MWC) GC. PG&E's forecast of \$37.938 million is not justified  
9 based on its recent historical expenses and PG&E has not shown that its  
10 complicated method of calculating a growth rate based on a six year average (2002-  
11 2007) of MVA and a two year average (2007 and 2008) is a reasonable test year  
12 forecast.<sup>116</sup> DRA asked PG&E to provide additional information on the relationship  
13 between its forecast method using MVA and its historical expense levels.

14 DRA asked:<sup>117</sup>

15 Provide the documentation that explains in detail the relationship between  
16 MVA and historical expenses recorded under preventative and corrective  
17 maintenance work and expenses incurred for operating substations.

18 PG&E's response:

19 Other than substation related testimony from the 2003 and 2007 GRCs  
20 there is no additional documentation explaining the relationship between  
21 MVA and expenses for substation operations, preventive maintenance

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<sup>116</sup> In response to DRA-093-TLG question 3-a, PG&E states in part "With respect to "how this 'unit costs' calculation relates to the historical expenses incurred for operations, preventive maintenance work, and corrective maintenance work", PG&E notes that the recorded expense amounts used in the unit cost calculation include all work activities associated with MWC GC (i.e. operating substations, preventive maintenance work and corrective maintenance work). However, PG&E cannot use this unit cost methodology to separately forecast expense expenditures associated with operating substations, preventive maintenance work and corrective maintenance work".

<sup>117</sup> DRA-093-TLG question 4-c.

1 and corrective maintenance activities. However, the substation asset  
2 strategy program has used this relationship for several years and  
3 considers it a reasonable high-level method for forecasting substation  
4 expenses.

5 Although PG&E claims that the “amount of work by the SAS Program is  
6 continually increasing due to additional installed equipment, equipment aging faster  
7 than it is replaced, new safety requirements...”<sup>118</sup>, PG&E’s recorded adjusted  
8 expenses have only fluctuated slightly over the last five years (2004-2008) with an  
9 average for the period of \$28.915 million. PG&E’s 2009 recorded adjusted  
10 expenses of \$29.673 million were comparable to its five year average. DRA notes  
11 that PG&E’s 2009 forecast was based on the same method PG&E used to forecast  
12 its 2011 expenses, and it is \$2.102 million less than its forecast. PG&E’s 2008  
13 recorded adjusted expenses of \$30.908 million were the highest recorded for the six  
14 year period (2004-2009).

15 PG&E’s forecast of \$37.938 million includes additional funding of \$3.9 million  
16 for the following:<sup>119</sup> Animal Abatement program with a forecast of \$0.700 million,  
17 Insulator Wash with a forecast of \$0.500 million, Switch Maintenance with a forecast  
18 of \$0.800 million,<sup>120</sup> and Corrective maintenance with a forecast of \$1.9 million.  
19 DRA notes that these activities are not new and PG&E should have embedded  
20 expenses for these recurring costs for routine and on-going maintenance activities.

21 In regards to PG&E’s \$1.9 million forecast for Corrective maintenance, which  
22 is due to deferred maintenance, PG&E had 2009 and has 2010 to “catch-up” on its

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<sup>118</sup> Exhibit (PG&E-3) page 8-16.

<sup>119</sup> Exhibit (PG&E-3) page 8-16 to 8-17.

<sup>120</sup> PG&E has forecasted \$6.75 million in capital costs for 2011, 2012 and 2013 for its Switch Replacement program. PG&E’s maintenance on expenses for switches should be decreasing in the test year due to new equipment being installed which requires less maintenance than older equipment. Exhibit (PG&E-3) page 8-24 to 8-25.

1 backlogs before 2011 test year. Consistent with the Commission’s policy on  
2 deferred maintenance, PG&E’s shareholders (not ratepayers) are responsible for  
3 additional costs associated with the backlogs.<sup>121</sup>

4 DRA’s estimate of \$30.908 million utilizing PG&E’s 2008 recorded adjusted  
5 expenses is a reasonable method to forecast PG&E’s Substation Asset Strategy  
6 expenses for the test year.

7 **IX. DISCUSSION / ANALYSIS OF DISTRIBUTION AUTOMATION**  
8 **AND SYSTEM PROTECTION**

9 PG&E’s Distribution Automation and System Protection Program provides  
10 support to its Enhanced Outage Notification subprogram, and supports, maintains  
11 and operates its automation and protection equipment.

12 **A. Overview of PG&E’s Request**

13 PG&E forecasted \$1.900 million for Distribution Automation and System  
14 Protection expenses for the test year 2011 which is an increase of \$0.791 million or  
15 71.33% over 2008 expenses of \$1.109 million.<sup>122</sup> PG&E developed its forecast by  
16 utilizing its historical levels of expenses.<sup>123</sup> The corresponding DRA estimate for  
17 PG&E’s Distribution Automation and System Protection expenses is \$1.233 million,  
18 utilizing a three year average (2006-2008) which is \$0.667 million less than PG&E’s  
19 forecast. Table 5-9 below shows PG&E’s recorded adjusted expenses for 2004-  
20 2009 and its 2011 forecast.

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<sup>121</sup> 10 CPUC 2d 155,186; D.82-12-055; D.09-03-025, mimeo pp. 4-5, as discussed above in Section IV. C.

<sup>122</sup> PG&E’s 2011 forecast of \$1.900 million is shown in Exhibit (PG&E-3) Table 11-7, page 11-18.

<sup>123</sup> Exhibit (PG&E-3) page 11-3.

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**Table 5-9**  
**2004-2009 Recorded Data and 2011 Forecast for MWC HX**  
**(in Thousands of Dollars)**

| Description           | 2004    | 2005    | 2006    | 2007    | 2008    | 2009    | 2011 Forecast |
|-----------------------|---------|---------|---------|---------|---------|---------|---------------|
| HX- DAP Engin Support | \$3,228 | \$3,325 | \$1,189 | \$1,402 | \$1,109 | \$1,276 | \$1,900       |

4 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 11, Workpapers page 11-33. 2009 data  
5 from PG&E’s response to DRA data request DRA-122-CKT.

6 **B. MWC HX – Distribution Automation and Protection**

7 PG&E records its expenses for Distribution Automation and System  
8 Protection in Major work Category (MWC) HX. PG&E’s increase of 71.33% over  
9 2008 expense levels is not justified. PG&E claims that its increase in expenses is  
10 “due to the increase in number of automation and protection equipment being  
11 installed that requires engineering support”.<sup>124</sup> DRA notes that PG&E’s  
12 maintenance and repair expenses should be decreasing due to efficiency gains and  
13 based on its proposed test year increases in capital projects for its Distribution  
14 Automation and System Protection program (new equipment requires less  
15 maintenance than older equipment). Moreover, PG&E should have embedded  
16 historical expenses to address its maintenance needs in the test year.<sup>125</sup> PG&E  
17 does not show any calculated saving or benefits that have been incorporated into its  
18 test year expense forecast of \$1.9 million.

19 PG&E’s MWC HX records expenses in three line items: Distribution  
20 Automation Engineering Support with a forecast of \$0.800 million; Distribution  
21 Protection Engineering Support with a forecast of \$0.700 million; and Enhanced  
22 Outage Notification (EON) subprogram with a forecast of \$0.400 million.<sup>126</sup> PG&E’s

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<sup>124</sup> Exhibit (PG&E-3) page 11-2.

<sup>125</sup> Exhibit (PG&E-3) page 11-14 to 11-15.

<sup>126</sup> Exhibit (PG&E-3) page 11-17.

1 test year forecast of \$0.800 million for its Distribution Automation Engineering  
2 Support program is an increase of 166.2% over 2008 recorded expense levels of  
3 \$0.331 million. PG&E's test year forecast of \$0.700 million for its Distribution  
4 Protection Engineering Support program is an increase of 75% over 2008 recorded  
5 expense levels of \$0.400 million. PG&E has provided insufficient support to justify  
6 test year increases of 166.2% and 75%. DRA notes that PG&E's EON subprogram  
7 is "gradually being phased out and replaced by the SmartMeter Program Upgrade"  
8 therefore the test year maintenance expenses should be decreasing for this  
9 program.<sup>127</sup>

10 PG&E's 2009 forecast of \$1.350 million was higher than its actual recorded  
11 adjusted 2009 expenses of \$1.276 million but its 2009 actual recorded adjusted  
12 expenses were comparable to DRA's test year estimate of \$1.233 million utilizing a  
13 three year average (2006-2008).<sup>128</sup> DRA's method is reasonable and its test year  
14 estimate is comparable to PG&E's recent historical levels.

15 **X. DISCUSSION / ANALYSIS OF UNDERGROUND ASSET**  
16 **MANAGEMENT**

17 PG&E's Underground Asset Management Program maintains, repairs and  
18 replaces its underground facilities, such as tie-cable circuits, in order to avoid non-  
19 compliance with regulatory requirements.

20 **A. Overview of PG&E's Request**

21 PG&E forecasted \$0.800 million for Underground Asset Management  
22 expenses for the test year 2011 which is an increase of \$0.422 million or 111.64%  
23 over 2008 recorded adjusted expenses of \$0.378 million.<sup>129</sup> PG&E developed its

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<sup>127</sup> Exhibit (PG&E-3) page 11-16.

<sup>128</sup> PG&E's 2009 data was provided in PG&E's response to DRA data request DRA-122-CKT.

<sup>129</sup> PG&E's 2011 forecast of \$0.800 million is shown in Exhibit (PG&E-3) Table 12-4, page 12-14.

1 forecast based on the proposed work on replacing splices and terminations and  
 2 calculating a unit cost.<sup>130</sup> The corresponding DRA estimate, utilizing PG&E's 2008  
 3 recorded adjusted expenses, is \$0.378 million, which is \$0.422 million less than  
 4 PG&E's forecast. Table 5-10 below shows PG&E's recorded adjusted expenses for  
 5 2004-2009 and its 2011 forecast.

6 **Table 5-10**  
 7 **2004-2009 Recorded Data and 2011 Forecast for MWC GB**  
 8 **(in Thousands of Dollars)**

| Description                            | 2004 | 2005 | 2006 | 2007  | 2008  | 2009  | 2011 Forecast |
|----------------------------------------|------|------|------|-------|-------|-------|---------------|
| GB- Splice/Elbow Connector Replacement | \$98 | \$45 | \$79 | \$229 | \$378 | \$271 | \$800         |

9 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 12, Workpapers page 12-38. 2009 data  
 10 from PG&E's response to DRA data request DRA-122-CKT.

11 **B. MWC GB – Splice/Elbow Connector Replacement**

12 PG&E records expenses for its Underground Asset Management Program in  
 13 MWC GB. PG&E proposes an increase of 111.64% over 2008 expense levels for  
 14 replacing underground terminations and splices.<sup>131</sup> PG&E claims that this work  
 15 was limited during 2004 through 2008 and the focus during that time period was on  
 16 other projects.<sup>132</sup> PG&E's five year average (2004-2008) is \$0.166 million and its  
 17 two year average (2007 and 2008) is \$0.304 million. Since PG&E has changed its  
 18 spending focus, it should have embedded historical expenses to reallocate to these  
 19 new proposed projects. DRA notes that although PG&E's forecasted 2009

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<sup>130</sup> Exhibit (PG&E-3) page 12-13.

<sup>131</sup> Exhibit (PG&E-3) page 12-12.

<sup>132</sup> PG&E claims that its spending was limited on replacing splices and terminations during 2004 through 2008 and its spending instead focused on evaluating diagnostic tools, development of a network transformer monitoring system, monitoring gas consumption of low-pressure gas filled tie-cables, and purchasing and testing underground fault indicators (Exhibit (PG&E-3) page 12-12 and 12-13).

1 expenses for MWC GB of \$0.760 million<sup>133</sup> was supposed to address replacing  
2 underground terminations and splices, the recorded adjusted 2009 expenses were  
3 only \$0.271 million,<sup>134</sup> which is lower than its 2008 recorded adjusted expenses of  
4 \$0.378 million.<sup>135</sup> PG&E's 2008 expenses were the highest recorded for the six  
5 year period (2004-2009).

6 PG&E claims that "this work will help maintain current levels of reliability by  
7 preventing future unplanned outages due to failures of these components",<sup>136</sup> if this  
8 is true then DRA is concerned as to why PG&E would state there "is no routine  
9 maintenance associated with Type 152 and 154 elbows and pin-and-socket splices.  
10 These components remain in operation until they fail or are replaced..."<sup>137</sup> PG&E  
11 states that when its underground facilities fail or need replacement its Emergency  
12 Recovery Program addresses the problem, and when its underground facilities need  
13 to be replaced to increase capacity, its Electric Distribution Capacity Program  
14 addresses the work.<sup>138</sup> There appears to be three different areas within PG&E's  
15 Electric Distribution O&M area that perform the task of replacing underground  
16 terminations and splices, so no additional ratepayer funding should be required for

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<sup>133</sup> Exhibit (PG&E-3) Table 12-4 page 12-14.

<sup>134</sup> PG&E's response to DRA data request DRA-122-CKT.

<sup>135</sup> In PG&E's response to DRA-082-TLG question 3-c, PG&E states "While Chapter 12 included language regarding PG&E redirecting resources originally targeted for underground assets to other higher priority areas, this language is primarily related to capital work (MWC 56), not expense work (MWC GB). In fact, PG&E spent more in MWC GB in 2007 and 2008 (\$229k and \$378k, respectively) than the Company forecasted in the 2007 GRC (\$100k). PG&E's expenditure forecasts for 2009 and 2010 (\$760k and 259k, respectively) are also more than what PG&E forecasted in the 2007 GRC for MWC GB".

<sup>136</sup> Exhibit (PG&E-3) page 12-12.

<sup>137</sup> PG&E's response to DRA-082-TLG question 3-b.

<sup>138</sup> Exhibit (PG&E-3) page 12-6.

1 this activity. DRA notes that PG&E's test year expense increase of 111.64% over  
2 2008 recorded expense levels is due to maintenance backlogs.

3 DRA asked:<sup>139</sup>

4 Please state if PG&E's forecasted increase in work volume is not  
5 associated with backlogs during historical years, in particular 2008.

6 PG&E's response:

7 Yes, PG&E's forecasted increase in work for MWC GB is associated with  
8 the current backlog as described earlier in this response.

9 PG&E had 2009 and has 2010 to address its backlogs before the test year.  
10 Consistent with the Commission's policy, PG&E's shareholders (not ratepayers) are  
11 responsible for additional costs associated with deferred maintenance.<sup>140</sup>

12 Based on PG&E's historical expense levels and its data request responses,  
13 PG&E's 2011 forecast of \$0.800 million is excessive. DRA's estimate of \$0.378  
14 million utilizing PG&E's 2008 recorded adjusted expenses provides sufficient  
15 ratepayer funding for PG&E to address its underground terminations and splices in  
16 the test year.

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<sup>139</sup> PG&E's response to DRA-082-TLG question 3-e.

<sup>140</sup> 10 CPUC 2d 155,186; D.82-12-055; D.09-03-025, mimeo. pp 4-5, as discussed above in Section IV. C.

1 **XI. DISCUSSION / ANALYSIS OF ELECTRIC DISTRIBUTION**  
 2 **OPERATIONS**

3 PG&E’s Electric Distribution Operations Program monitors its electric  
 4 distribution system, manages daily switching of circuits and responds to outages.

5 **A. Overview of PG&E’s Request**

6 PG&E forecasted \$39.831 million for Electric Distribution Operations Program  
 7 expenses for the test year 2011, which is an increase of 19.03% over 2008 recorded  
 8 adjusted expenses of \$33.464 million.<sup>141</sup> PG&E proposes to consolidate its  
 9 seventeen Distribution Control Centers into four new locations. PG&E also  
 10 proposes to implement its Distribution Management System as part of its  
 11 consolidation project. PG&E developed its forecast by utilizing its 2008 recorded  
 12 expenses as a base and adjusted for escalation, wage increases, additional staff,  
 13 contracts, and proposed training.<sup>142</sup> The corresponding DRA estimate for PG&E’s  
 14 Electric Distribution Operations expenses is \$33.715 million (\$32.965 million for  
 15 MWC BA and \$0.750 million for MWC HG), which is \$6.116 million less than PG&E’s  
 16 forecast. Table 5-11 below shows PG&E’s recorded adjusted expenses for 2004-  
 17 2009 and its 2011 forecast.

18 **Table 5-11**  
 19 **2004-2009 Recorded Data and 2011 Forecast for MWC BA and HG**  
 20 **(in Thousands of Dollars)**

| Description             | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2011 Forecast |
|-------------------------|----------|----------|----------|----------|----------|----------|---------------|
| BA- Operate Elec Distrb | \$27,064 | \$27,671 | \$31,647 | \$32,246 | \$32,965 | \$33,937 | \$39,081      |
| HG-Elec Distrb Ops Tech | \$127    | \$856    | \$980    | \$683    | \$499    | \$433    | \$750         |
| Total                   | \$27,194 | \$28,527 | \$32,627 | \$32,929 | \$34,464 | \$34,370 | \$39,831      |

21 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 13, Workpapers page 13-6. 2009 data from  
 22 PG&E’s response to DRA data request DRA-122-CKT.

<sup>141</sup> PG&E’s 2011 forecast of \$39.831 million is shown in Exhibit (PG&E-3) Table 13-6, page 13-21. Note that PG&E’s 2011 forecast shown on page 13-1 of \$39.867 million differs from the forecast shown on page 13-21 of \$39.831 million. It appears to DRA that the forecast of \$39.867 million is an error.

<sup>142</sup> Exhibit (PG&E-3) page 13-7 and 13-8.

1 PG&E records expenses for its Electric Distribution Operations Program in  
2 two Major Work Categories (MWC): BA for Operate Electric Distribution with a  
3 forecast of \$39.081 million and HG for Electric Distribution Operations Technology  
4 with a forecast of \$0.750 million.

### 5 **B. MWC HG – Electric Distribution Operations Technology**

6 PG&E forecasted \$0.750 million in the test year for its MWC HG. PG&E  
7 records expenses in MWC HG for technical support, operational and development  
8 work for its control centers and for costs to support its emergency preparedness  
9 applications and tools. PG&E proposes to add one additional position in the test  
10 year. DRA does not take issue with PG&E’s forecast of \$0.750 million for MWC HG,  
11 and the forecast is comparable to PG&E’s four year average (2005-2008).

### 12 **C. MWC BA – Operation Electric Distribution**

13 PG&E forecasted a \$6.116 million or 18.55% increase in MWC BA over 2008  
14 expense levels of \$32.965 million. PG&E’s increase is not justified based on its  
15 recent historical expenses. PG&E claims that its forecast is “based on 2008  
16 recorded expenditures plus an increase in escalation and an adjustment for a wage  
17 increase” and “includes \$1.6 million for training”.<sup>143</sup> DRA notes that PG&E’s 2009  
18 recorded adjusted expenses of \$33.937 million was less than its 2009 forecast of  
19 \$35.081 million. PG&E states that its forecasted increase in 2011 is “for the routine  
20 work in MWC BA”.<sup>144</sup> PG&E should have embedded historical expenses to  
21 address recurring costs for “routine” on-going activities and ratepayers should not be  
22 charged twice for these activities.

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<sup>143</sup> Exhibit (PG&E-3) page 13-7.

<sup>144</sup> Exhibit (PG&E-3) page 13-7.

1 PG&E's recorded expenses increased slightly each year during the last five  
2 years (2004-2008) with an average for the period of \$30.319 million. PG&E's three  
3 year average (2007-2009) of \$33.049 million is comparable to its 2008 recorded  
4 adjusted expenses of \$32.965 million. DRA's test year estimate of \$32.965 million  
5 for PG&E's MWC BA, utilizing PG&E's 2008 recorded adjusted expenses, is a  
6 reasonable method to address PG&E's test year needs.

7 **1. PG&E's Employee Training Related to the**  
8 **Consolidation Project**

9 PG&E forecasts \$1.6 million (\$4.8 million over the 3-year rate case cycle) for  
10 training. PG&E's training forecast includes costs for the following: operational  
11 development, technical writers, trainers, employee labor, and overtime.<sup>145</sup> DRA  
12 discovered that PG&E's Information Technology (IT)<sup>146</sup> Support testimony also  
13 includes costs for operational development, trainers, labor costs for PG&E's Electric  
14 Distribution Operations staff, costs to provide training, and miscellaneous costs as  
15 part of the IT test year forecast associated with PG&E's Distribution Control Center  
16 Consolidation project and implementation of its Distribution Management System  
17 (DMS). DRA considers this to be double counting. PG&E's ratepayers should not  
18 be required to pay excessive training costs by being required to fund the same costs  
19 being requested by PG&E's IT and Electric Distribution Operations business  
20 units.<sup>147</sup>

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<sup>145</sup> Exhibit (PG&E-3), page 13-15 and Exhibit (PG&E-3), Volume 3 of 3, Chapter 13, Workpapers page 13-10.

<sup>146</sup> Exhibit (PG&E-7) Chapter 2.

<sup>147</sup> PG&E also has embedded historical costs for various training programs that can be reallocated to address its training needs in the test year. PG&E's response to DRA-078-TLG question 5 shows historical training costs fluctuated during the five year period (2004-2008).

1 DRA was informed in a meeting with PG&E's IT staff<sup>148</sup> that there was no  
2 specific line item detail or support for the derivation of the individual estimates  
3 included in the total for the expense and capital projects. PG&E is not able to  
4 demonstrate exactly what type of expenses are included in the total of the projects  
5 which include line items for "training", "Line of Business Labor", and operational  
6 development costs", etc. PG&E was not able to state the specifics of these costs or  
7 show a breakdown of the calculations. PG&E could only provide lump sum totals  
8 that were produced by its model. The same is true for the number of days required  
9 for the training that is used in the calculation of the \$1.6 million forecast. The days  
10 were calculated by PG&E's model, with no basis or support provided.<sup>149</sup> PG&E  
11 was not able to demonstrate that it was not double counting proposed costs included  
12 in its forecast. For all these reasons, DRA recommends that PG&E's request for  
13 \$1.6 million in training cost be denied since the costs are being requested in its IT  
14 area.

## 15 2. PG&E's Distribution Control Center Consolidation 16 Proposal

17 PG&E proposes to consolidate seventeen Electric Distribution Control  
18 Centers down to four newly built facilities.<sup>150</sup> PG&E's forecast for the total cost of  
19 the project is \$159.585 million. PG&E provided brief discussions on the project  
20 costs in Exhibit (PG&E-3) where the project request and justification was supposed  
21 to be demonstrated. PG&E referred DRA's Electric Distribution O&M expense  
22 witness to other exhibits for the costs of the project. This piece meal presentation of  
23 cost detail caused problems for DRA in its attempt to fully analyze and evaluate

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<sup>148</sup> Meeting on March 9, 2010 at PG&E and March 22, 2010 at the CPUC between PG&E and DRA.

<sup>149</sup> PG&E claims that it used its "resources, training program and costs associated with the transmission consolidation" but DRA was not able to verify this based on the fact that PG&E's IT was not able to provide detailed line item calculations included in its total project costs for DRA to compare, evaluate and analyze. (Exhibit (PG&E-3) page 13-15.)

<sup>150</sup> Exhibit (PG&E-3) page 13-12. PG&E plans to have the consolidation completed by December 2013.

1 PG&E's proposed distribution consolidation project which unnecessarily contributed  
2 to the volume of DRA's discovery.

3 PG&E proposed test year forecast for the implementation of its DMS  
4 associated with the consolidation project is \$24.985 million, and \$133 million<sup>151</sup> for  
5 the facility costs. PG&E provided only limited and outdated support for these  
6 forecasts. For example, PG&E provided a document with budgets for 2006 and a  
7 project cost of \$97.90 million, which is different from its forecast being requested in  
8 this 2011 GRC.<sup>152</sup> DRA requested additional information from PG&E regarding its  
9 cost benefit analysis performed by PG&E management and for documentation which  
10 demonstrated all recorded problems and issues with the current set-up of the 17  
11 distribution control centers.

12 DRA asked:<sup>153</sup>

13 PG&E's forecast includes a proposal to consolidate its electric distribution  
14 control centers from 17 down to 4. PG&E's forecast includes \$1.6 million  
15 for training costs. The associated capital cost for the consolidation project  
16 is \$133 million and the costs are being requested in Exhibit (PG&E-7)  
17 Chapter 6 Real Estate. There is an additional capital and O&M expense  
18 forecast of \$24.985 million which is being requested in Exhibit (PG&E-7)  
19 Chapter 2 Information Technology. Provide the cost benefit analysis  
20 performed by PG&E management to determine that this ratepayer funded  
21 consolidation is required. Also provide the cost benefit analysis performed  
22 and other documentation that shows PG&E's step by step management  
23 approval process for this consolidation (i.e. person(s) requesting project,  
24 project preparation, scope, research performed for need/requirements,  
25 design, test, implementation, review and communication of needs and  
26 expectations, defined deliverables, etc.)

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<sup>151</sup> Exhibit (PG&E-3) page 13-17.

<sup>152</sup> PG&E is requesting the project in Exhibit (PG&E-3) Chapter 13 however it is requesting the costs for its distribution consolidation project in its Information Systems Technology Services Exhibit (PG&E-7) Chapter 2 and its Real Estate Exhibit (PG&E-7) Chapter 6. PG&E provided the dated materials with a budget for 2006 for a proposed project of \$97.90 million in response to DRA-078-TLG question 11.

<sup>153</sup> DRA-078-TLG question 11.

1 PG&E's response:

2 As part of PG&E Business Transformation project, PG&E's President and  
3 CEO approved expenditures of \$97.9M for the Electric Operations  
4 Optimization (EEO) project. The EEO project proposed the consolidation  
5 of both the transmission and distribution control centers. Attachment 1  
6 (GRC2011-Ph-I\_DR\_DRA\_078-Q11-Atch01) is the Electric Operations  
7 Optimization Initiative submitted for approval and attachment 2  
8 (GRC2011-Ph-I\_DR\_DRA\_078-Q11-Atch01.doc and GRC2011-Ph-  
9 I\_DR\_DRA\_078-Q11Atch02.xls) is the financial business case.  
10 As noted, in PG&E Exhibit 3, Chapter 13, page 13-9, lines 7-11, PG&E  
11 postponed the consolidation of the distribution control centers as proposed  
12 in the EEO project. In this GRC, PG&E proposes to move forward with  
13 the distribution consolidation project. PG&E expects to complete the  
14 consolidation during the fourth quarter of 2013.

15 PG&E will create new documents for management approval of the  
16 distribution control center consolidation project during 2010. Based on the  
17 analysis previously performed as part of the EEO project the Company is  
18 confident that consolidating its distribution control centers is viable project.  
19 To the extent that consolidating distribution control centers result in cost  
20 savings (whether due to reductions in staffing or other means), PG&E will  
21 reflect the savings in a future GRC filing.

22 Please note that many other factors were considered in the Distribution  
23 Control Center consolidation besides cost savings. These factors include  
24 increasing efficiency, productivity, consistency and training. In addition,  
25 the consolidation will include new state-of-the-art facilities that incorporate  
26 an integrated electronic mapping system, an integrated phone/radio  
27 system and a consistently applied SCADA strategy.

28 DRA asked: 154

29 Provide all supporting documentation and related expenses incurred that  
30 demonstrates/shows all recorded problems and issues with the current  
31 set-up of the 17 distribution control centers for 2004-2008 to justify the  
32 closure.

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154 DRA-078-TLG question 12.

1 PG&E's response:

2 PG&E does not have a list of recorded problems/issues and associated  
3 expenses with the current set-up on the 17 distribution control centers.  
4 The following is a list of the driving factors behind the proposed  
5 consolidation:

6

7 • Streamlining and standardizing processes will increase the operating  
8 efficiencies, thus enabling the consolidation of the control centers to a  
9 much fewer number. Jurisdictional processes and procedures vary  
10 significantly across the service territory and contribute to less efficient  
11 operations.

12 • Improving the operational toolsets will provide operators with better  
13 information to allow for improved situational awareness,  
14 communications and operations response and reduced duplicative  
15 work efforts.

16 • Work Flow Redesign within an operating center is critical to improved  
17 operational effectiveness and customer satisfaction by reducing the  
18 extensive system operator multitasking requirements. Work Flow  
19 redesign will allow for a more focused approach during both normal  
20 and emergency situations. Work Flow Redesign requires consolidation  
21 of control centers to allow for the minimum number of operators  
22 needed to implement Work flow Redesign.

23 • Consolidation of operator functions into 4 control sites will reduce the  
24 number of operating jurisdictions to align PG&E as a leader in the  
25 industry. Reduced operating jurisdictions will result in increased  
26 operator productivity, standard processes and improved operator  
27 training.

28 • Operator attrition is high which is more difficult to manage with 17  
29 control centers as compared to fewer control centers. Apprentice  
30 hiring will be reduced as compared to remaining status quo.

31 • Control centers have a limited ability to assume operating control of  
32 another operating jurisdiction in a disaster situation.

33 • Some control centers have reached maximum capacity (maps and  
34 consoles) and it is difficult keep-up with growth within their areas of  
35 responsibility.

36 • Some of the existing facilities require future facility upgrades (e.g.,  
37 Martin Service Center seismic retrofits).

1           Although PG&E appeared to have no problem calculating costs, PG&E did  
2 not provide a cost benefit analysis for this proposed consolidation project and did not  
3 provide any calculated and identifiable savings and benefits for ratepayers who  
4 would have to fund this project. Further PG&E did not provide the following in order  
5 to fully support and justify the project: updated management documentation on cost  
6 detail and the project, management plans for staff reductions/overtime/savings,  
7 demonstrated efficiency gains in operations, savings from 17 vacated facilities,  
8 building permits, environmental studies, locations for new sites, line item detail  
9 showing the derivation of each individual estimate included in the project total along  
10 with support, etc. PG&E also did not provide documentation that demonstrate how  
11 the proposed savings and benefits from the consolidation project were incorporated  
12 into the test year forecast.

13           Regarding ratepayer benefits and savings, on proposed projects, the  
14 Commission has stated the following:<sup>155</sup>

15           The descriptions of the potential benefits of the projects provide  
16 general information but there is not sufficient information to determine  
17 whether the costs are justified in either the short or long term. With  
18 this type of analysis and showing it is possible to explicitly include  
19 associated costs in rates but it is not possible to explicitly reflect any of  
20 the associated benefits or savings, whatever they may ultimately be, in  
21 rates for this rate case cycle. This imbalance is troubling. In general, it  
22 is our obligation to consider both the costs and, if applicable, the  
23 benefits/savings of utility proposals. If the benefits/savings are  
24 ultimately small when compared to costs, the proposal should probably  
25 not be implemented or included in rates. If the benefits/savings are  
26 substantial, it would be reasonable to include both the costs and  
27 benefits/savings in determining rates. For the advanced technology  
28 programs/projects, the lack of information regarding benefits/savings  
29 precludes us from making such determinations. In this decision, we  
30 are authorizing significant increases in T&D O&M and capital  
31 expenditures. How the potential benefits of the advanced technology  
32 programs/projects relate to SCE's proposals for increased spending is  
33 not clear. Whether the advanced technology spending results in the

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<sup>155</sup> D.06-05-016 page 64.

1 modification of any future spending related to T&D costs has not been  
2 shown.

3 As discussed above, DRA has serious concerns with PG&E's lack of support  
4 and justification for the project. However DRA believes that there is value and  
5 potential benefits for PG&E and the ratepayers in the consolidation project.  
6 Because PG&E's showing is problematic and there are many uncertainties and  
7 unknowns, DRA recommends that PG&E's project proceed in two phases. The first  
8 phase would consolidate eight of its distribution facilities into two new locations for  
9 this 2011 rate case cycle. Since PG&E has not provided any documentation that  
10 demonstrates that its current organization of its Distributions Control Centers have  
11 operational problems, the nine remaining facilities should be efficient enough to  
12 continue in operation until its next rate case.

13 In PG&E's next GRC, and in preparation for the second phase, PG&E should  
14 have sufficient information on the total costs of the two newly consolidated facilities  
15 (including permits, environmental studies, location, etc.), information on the steps  
16 involved in the consolidation of the eight facilities and associated problems, reduced  
17 staffing/overtime savings, proposed plans for displaced employees, demonstrated  
18 ratepayer savings, benefits and efficiency gains, etc.

19 **3. PG&E's Implementation of its Distribution**  
20 **Management System**

21 PG&E proposes to implement its Distribution Management System (DMS) in  
22 the test year.<sup>156</sup> PG&E states that the "DMS element of the distribution control  
23 center consolidation project will consist of two phases over a 3-year timeframe".<sup>157</sup>

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<sup>156</sup> In regards to PG&E's implementation of its DMS, PG&E states "PG&E began work on the project and some of the project costs were capitalized, as appropriate. Specifically, PG&E placed the cost of the Distribution Management System (DMS) into rate base. To the extent possible, PG&E will leverage the development work on DMS that was completed under Transform Operations initiative and use components from that initiative in the new DMS system..." (Exhibit (PG&E-3) page 13-9)

<sup>157</sup> Exhibit (PG&E-3) page 13-13.

1 PG&E states that its DMS “will eliminate many of the traditional paper-based and/or  
2 manual approaches currently used and facilitate the exchange of information  
3 between core operating systems”.<sup>158</sup> PG&E states further that the “DMS program  
4 will consolidate and automate core functions within electric distribution  
5 operations”.<sup>159</sup> DRA has the same concerns regarding lack of support and  
6 justification and cost detail with PG&E’s showing for its proposal for its DMS that it  
7 has with PG&E’s consolidation project described in section D above.<sup>160</sup>

8 However because the DMS project “will consolidate and automate core  
9 functions within electric distribution operations”<sup>161</sup> and is supposed to “eliminate  
10 many of the traditional paper-based and/or manual approaches currently used” DRA  
11 does not take issue with PG&E’s DMS request. In PG&E’s next GRC, PG&E should  
12 have sufficient information on its operational records, historical expense data,  
13 demonstrated efficiency gains, ratepayer savings/benefits, and leveraged  
14 development work on PG&E’s DMS that was completed under its Transform  
15 Operations initiative, etc.

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<sup>158</sup> Exhibit (PG&E-3) page 13-13.

<sup>159</sup> DRA-148-GAW question 1-a.

<sup>160</sup> PG&E is requesting the project in Exhibit (PG&E-3) Chapter 13 however it is requesting the costs for its DMS in its Information Systems Technology Services Exhibit (PG&E-7) Chapter 2.

<sup>161</sup> DRA-148-GAW question 1-a.

1 **XII. DISCUSSION / ANALYSIS OF ELECTRIC EMERGENCY**  
2 **RECOVERY**

3 PG&E's Electric Emergency Recovery Program responds to electric  
4 distribution emergencies (i.e. routine outages and major disasters such as storms  
5 and earthquakes) resulting from service interruptions.<sup>162</sup>

6 **A. Overview of PG&E's Request**

7 PG&E forecasts \$92.640 million for Electric Emergency Recovery expenses  
8 for the test year 2011.<sup>163</sup> PG&E developed its forecast by utilizing various  
9 methodologies (i.e. trending, rolling average, unit and unit costs, etc.)<sup>164</sup> PG&E is  
10 proposing a two-way balancing account to recover costs for responding to major  
11 emergencies and catastrophic events.<sup>165</sup> PG&E is also proposing to remodel and  
12 expand its Operations Coordination Center (OCC).<sup>166</sup> The corresponding DRA  
13 estimate for PG&E's Electric Emergency Recovery expenses is \$79.076 million,  
14 (\$60.794 million for MWC BH and \$18.282 million for MWC IF), which is \$13.564  
15 million less than PG&E's forecast of \$92.640 million.

16 PG&E records its expenses in two Major Work Categories (MWC): BH for  
17 Corrective Maintenance - Expense with a forecast of \$68.441 million and IF for  
18 Major Emergency - Expense with a forecast of \$24.199 million. Table 5-12 below  
19 shows PG&E's recorded adjusted expenses for 2004-2009 and its 2011 forecast.

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<sup>162</sup> PG&E has four levels of emergencies: Level 1-Local Emergency, Level 2-Area Wide Emergency, Level 3-Multi-Area Emergency, and Level 4-Companywide Emergency. PG&E plans to eliminate Level 4 Emergencies (Exhibit (PG&E-3) page 14-8 and 14-16).

<sup>163</sup> PG&E's 2011 forecast of \$92.640 million is shown in Exhibit (PG&E-3) Table 14-9, page 14-27.

<sup>164</sup> Exhibit (PG&E-3) page 14-20.

<sup>165</sup> Exhibit (PG&E-3) page 14-18.

<sup>166</sup> Exhibit (PG&E-3) page 14-15.

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**Table 5-12**  
**2004-2009 Recorded Data and 2011 Forecast for MWC BH and IF**  
**(in Thousands of Dollars)**

| Description              | 2004     | 2005     | 2006     | 2007     | 2008      | 2009      | 2011<br>Forecast |
|--------------------------|----------|----------|----------|----------|-----------|-----------|------------------|
| BH- Corrective Maint Exp | \$52,143 | \$51,119 | \$55,834 | \$55,576 | \$60,794  | \$70,710  | \$68,441         |
| IF-Major Emergency Exp   | \$13,687 | \$11,134 | \$19,329 | \$8,712  | \$38,547  | \$30,196  | \$24,199         |
| Total                    | \$65,830 | \$62,253 | \$84,770 | \$64,288 | \$105,483 | \$100,906 | \$92,640         |

4 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 14, Workpapers page 14-20. 2009 data  
5 from PG&E's response to DRA data request DRA-122-CKT. PG&E has not yet made a filing to  
6 recover cost for 2009 emergencies in a Catastrophic Event Memorandum Account (CEMA).

7 PG&E records normal emergencies (Level 1 Emergency) in MWC BH -  
8 Corrective Maintenance Expense and records major emergencies (Level 2-4  
9 Emergency) in MWC IF- Major Emergency Expense. Emergencies that involve a  
10 small number of PG&E customers are classified as a Level 1 emergency per  
11 PG&E's Emergency Operations Plan. If the emergency requires additional  
12 resources beyond those provided by the local area, then the emergency will  
13 increase to a Level 2 emergency. PG&E's Level 3 emergencies (i.e. winter storms)  
14 are when multiple areas are affected throughout PG&E's territory and PG&E will  
15 activate its Operations Coordination Center (OCC). PG&E's OCC is responsible for  
16 coordinating the appropriate personnel to address the emergency. When PG&E has  
17 a Level 4 emergency (i.e. earthquakes), and customers and PG&E are not able to  
18 address normal daily business, PG&E stops all normal operation and all resources  
19 are dedicated to addressing the emergency. PG&E activates its Emergency  
20 Operations Center (EOC) during a Level 4 emergency.

21 **B. MWC IF – Major Emergency – Expense**

22 PG&E forecasted \$24.199 million for its MWC IF - Major Emergency  
23 Expense. PG&E utilized various methodologies (i.e. trending, rolling average, unit  
24 and unit costs), to calculate its test year forecast for MWC IF. PG&E's forecasting  
25 method is complicated and difficult to independently verify. PG&E has the  
26 opportunity to recover costs recorded in MWC IF for responding to major  
27 emergencies through the Catastrophic Event Memorandum Account (CEMA)

1 mechanism.<sup>167</sup> When PG&E files its CEMA, it is supposed to remove all costs  
2 associated with the emergency from MWC IF.<sup>168</sup> The CEMA proceeding  
3 determines the amount that PG&E will be able to recover under the specific  
4 requirements of P.U. Code Section 454.9. For the GRC filing, PG&E is supposed to  
5 remove all specific one time major emergency costs related to CEMA events (i.e.  
6 January 2008 Storm) from its test year forecast. DRA still has concerns that PG&E  
7 did not remove all its CEMA related 2008 costs from its recorded expenses, and that  
8 these are still included in PG&E's 2011 forecast.<sup>169</sup> PG&E's MWC recorded  
9 expenses have fluctuated during the historical period. DRA recommends \$18.282  
10 million, utilizing a five year average, for PG&E's MWC IF- Major Emergency  
11 Expense and is more reasonable when compared to PG&E's method.<sup>170</sup>

### 12 **C. MWC BH – Corrective Maintenance-Expense**

13 PG&E forecasted \$68.441 million for MWC BH for Corrective Maintenance –  
14 Expense, which is an increase of \$7.647 million over 2008 recorded adjusted  
15 expenses of \$60.794 million. PG&E's forecast is based on “a unit multiplied by unit  
16 cost methodology, utilizing a calculation of the average annual increase in unit

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<sup>167</sup> The Governor of California or the President of the United States must declare a disaster or state emergency in order for CEMA recovery. Note that PG&E is proposing a two-way balancing account to recover costs it is denied in a CEMA filing.

<sup>168</sup> PG&E's major emergencies are considered specific one time events and the associated expenses should be removed from its GRC filing or ratepayers will be paying multiple times during the rate case cycle for the one time event in addition to new major events that may happen later.

<sup>169</sup> Although PG&E's Table 14-4 on page 14-24 for MWC IF shows PG&E removing \$7.480 million for CEMA recorded costs in 2008, with a new expense total of \$44.689 million, DRA learned that there were still CEMA related costs in the total. PG&E removed additional costs, and the recorded expense dropped to \$38.547 million. DRA notes that this amount is still high when compared to historical levels, and DRA believes that there may still be additional 2008 CEMA related costs included in that total in which PG&E did not remove.

<sup>170</sup> On April 8, 2010 DRA had a phone discussion with PG&E regarding PG&E's forecast methods utilized for MWC IF, and CEMA related costs, and to get clarification on PG&E's historical expenses. PG&E referred DRA to its workpapers in Exhibit (PG&E-3) Volume 3 of 3, Chapter 14, page 14-20, Table 14-16. DRA's estimate of \$18.282 million for MWC IF utilizing a five year average is based on the 2004-2008 amounts shown in Table 14-16.

1 volume for each Maintenance Activity Type (MAT).<sup>171</sup> PG&E's increase of \$7.647  
2 million is not justified when compared to historical expense levels.

3 PG&E's expenses were relatively stable between 2006 with recorded  
4 expenses of \$55.834 million, and 2007 with recorded expenses of \$55.576 million.  
5 In 2008, PG&E's expenses increased by \$5.218 million over 2007 expenses. PG&E  
6 states it "completed more units of work (EC tags) in 2008 than in 2007".<sup>172</sup> PG&E  
7 did not provide documentation that explained the specific reason why it "completed  
8 more units of work" in 2008 than in 2007 (i.e. deferred maintenance work being  
9 addressed, etc.) The five year average (2004-2008) for its recorded expenses were  
10 \$55.093 million. PG&E's three year average (2006-2008) was \$57.402 million.  
11 PG&E's 2008 recorded adjusted expenses of \$60.794 million were the highest  
12 recorded for the five year period. In addition, PG&E has embedded historical  
13 expenses that can be reallocated to address its test year needs.

14 DRA recommends \$60.794 million for PG&E's MWC BH Corrective  
15 Maintenance –Expense, utilizing PG&E's 2008 recorded adjusted expenses as its  
16 basis. DRA's method is reasonable to forecast PG&E's test year expenses.

17 **1. PG&E's Proposal to Remodel and Expand its**  
18 **Operations Coordination Center**

19 PG&E is requesting funding in the test year to remodel, expand, and  
20 consolidate its Operations Coordination Center (OCC) with its Emergency  
21 Operations Center (EOC) located at 245 Market Street in San Francisco.<sup>173</sup> DRA  
22 recommends that PG&E's request be denied.

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<sup>171</sup> Exhibit (PG&E-3) page 14-22.

<sup>172</sup> DRA-079-TLG question 4.

<sup>173</sup> PG&E is requesting the costs of this project in its Real Estate Exhibit (PG&E-7) Chapter 6.

1 PG&E states that its “expansion is based on building 125-seat EOC”. DRA  
2 notes that PG&E’s EOC is only utilized during a Level 4 emergency, and until a  
3 Level 4 emergency is activated, PG&E’s “second facility” or the equipment set up for  
4 use in Level 4 emergencies, “is kept in a storage area at 245 Market Street”.<sup>174</sup>  
5 PG&E states that while “both the OCC and the conference room are located at 245  
6 Market Street, they are not adjacent to each other. Because they are not adjacent,  
7 the flow of information and communication is less effective”.<sup>175</sup> DRA requested  
8 additional information from PG&E on its remodeling project.

9 DRA asked:<sup>176</sup>

10 PG&E’s Emergency Operations Center (EOC) was “designed in 1989, for  
11 Emergency Management Operations personnel use during major  
12 emergencies such as terrorist events and significant floods, considered as  
13 Level 4 events”. It is currently inventoried in a closet and set-up in a large  
14 conference room when needed”. (pg. 14-15 Exhibit (PG&E-3). Provide  
15 the documentation that explains in detail and shows the number of times  
16 the equipment that is “inventoried in a closet” was pulled out of the “closet”  
17 and was set-up for Level 4 emergencies for each year during 2004-2008.

18 PG&E’s response:

19 The equipment for the existing EOC is set-up annually to make sure that  
20 all of the computing and phone connections work. Attached (GRC2011-  
21 Ph-I\_DR\_DRA\_079-Q11-Atch01) is a diagram detailing the set-up in  
22 2004, when the EOC was used to host the company’s annual exercise,  
23 held in accordance with CPUC General Order 166. The Company did not  
24 experience a Level 4 emergency between 2004 and 2008.

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<sup>174</sup> Exhibit (PG&E-3) page 14-15.

<sup>175</sup> Exhibit (PG&E-3) page 14-15.

<sup>176</sup> DRA-079-TLG question 11.

1 DRA asked:<sup>177</sup>

2 Identify the event and provide the total number of “major natural disasters”  
3 and the associated expenses that occurred each year (2004-2008) that  
4 was recorded as a level 4 emergency.

5 PG&E’s response:

6 PG&E has never operated in a level 4 response to a major natural  
7 disaster; therefore, there are no such expenses or events to report for  
8 2004-2008.

9 DRA asked:<sup>178</sup>

10 Provide the documentation that specifically identifies in detail all the  
11 problems that took place with communication. Note that PG&E states that  
12 since the rooms are not “adjacent, the flow of information and  
13 communication is less effective” (Deficiency e-mail response on October  
14 6, 2009). Provide documentation that shows in detail how the EOC  
15 operations were negatively impacted during emergency operations, due to  
16 location, and prevented PG&E from successfully addressing the level 3  
17 and level 4 emergencies during 2004-2008. Also provide the associated  
18 costs for the negatively impacted and “less effective” communications in  
19 the EOC during 2004-2008. If costs are not tracked, provide the  
20 documentation that explains in detail why PG&E did not and does not  
21 track EOC costs.

22 PG&E’s response:

23 As explained in response to DRA\_079-13, PG&E has not had a level 4  
24 emergency activation from 2004 to 2008, and therefore PG&E’s only  
25 experiences with its EOC are from the annual Company exercises.  
26 Consequently, there is no list of recorded problems, issues and expenses  
27 associated with the current EOC arrangement based on activation  
28 response, only those identified during exercises.  
29 There have been several level 3 emergencies during this time period.  
30 While PG&E successfully managed all of these events through its  
31 Operational Control Center, PG&E believes an expanded EOC is  
32 warranted for the reasons described in response to DRA\_079-12.

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<sup>177</sup> DRA-079-TLG question 10.

<sup>178</sup> DRA-079-TLG question 15.

1 PG&E has not demonstrated that its current set-up is insufficient to require  
2 additional funding in the test year for this remodeling project. Further, PG&E  
3 provided no cost benefit analysis for this proposed test year remodeling project and  
4 did not provide any calculated and/or identifiable savings or benefits for ratepayers  
5 that it is requesting to fund this project.<sup>179</sup> Consistent with Commission policy  
6 relating to ratepayer benefits and savings on proposed projects, the Commission  
7 should allow no additional funding for this remodeling project.<sup>180</sup>

8 PG&E has an alternate EOC located in San Ramon that it utilizes for  
9 emergencies and for emergency exercises and PG&E has been able to address its  
10 emergencies sufficiently and successfully during the historical period (2004-2008).  
11 PG&E did not provide any documentation on recorded problems with its current set-  
12 up or otherwise justify funding for this remodeling project.

## 13 **2. PG&E's Request for a Two Way Balancing** 14 **Account**

15 PG&E is proposing a two-way balancing account to recover costs for major  
16 emergencies and catastrophic events that it was not able to recover in a  
17 Catastrophic Event Memorandum Account (CEMA) filing.<sup>181</sup> PG&E claims that  
18 "PG&E would put controls in place to make sure there was no double recovery of  
19 any costs."<sup>182</sup> PG&E provided no supporting documentation to substantiate its  
20 claim that "PG&E would put controls in place to make sure there was no double  
21 recovery of any costs." PG&E states further that if "PG&E spends less than the  
22 Company's GRC forecasts for these MWCs, the unspent amount will be returned to  
23 customers. If PG&E spends more than what was forecast for these MWCs, the

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<sup>179</sup> DRA-079-TLG question 12.

<sup>180</sup> D.06-05-016 page 64, as discussed above in Section XI. E.

<sup>181</sup> Exhibit (PG&E-3) page 14-18.

<sup>182</sup> Exhibit (PG&E-3) page 14-20.

1 Company would seek cost recovery for the additional amount in the two-way  
2 balancing account through the procedure explained in Exhibit (PG&E-8), Chapter  
3 13.”<sup>183</sup>

4  
5 DRA recommends that PG&E’s request for a two way balancing account, to  
6 recover non-CEMA related emergency costs be denied. The Commission already  
7 has a procedure established for PG&E to make its request for recovery of  
8 extraordinary incremental costs related to catastrophic events and the CEMA  
9 proceeding is the proper place for PG&E to present its CEMA related costs it  
10 believes should be recovered. CEMA related costs are considered by DRA to be  
11 one time major events. There is no reason to establish yet another balancing  
12 account for recovery of expenses associated with events that do not qualify for  
13 CEMA recovery. There would likely be some level of subjectivity and controversy  
14 associated with these costs and what constitutes a major emergency  
15 notwithstanding day controls that PG&E attempts to establish. At this time, DRA  
16 recommends that the Commission reject PG&E’s proposal.

17 **XIII. DISCUSSION / ANALYSIS OF ELECTRIC ENGINEERING AND**  
18 **PLANNING**

19 PG&E’s Electric Engineering and Planning program supports other programs  
20 charging to MWCs within the Electric Distribution O&M area that require engineering  
21 and planning services.

22 **A. Overview of PG&E’s Request**

23 PG&E forecasted \$25.062 million for Electric Engineering and Planning  
24 expenses for the test year 2011 which is an increase of \$4.301 million or 20.72%  
25 over 2008 expenses of \$20.761 million.<sup>184</sup> PG&E developed its forecast by utilizing

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<sup>183</sup> Exhibit (PG&E-3) page 14-20.

<sup>184</sup> PG&E’s 2011 forecast of \$25.062 million is shown in Exhibit (PG&E-3) Table 15-1, page 15-5.

1 a five year average (2004-2008) of actual 2008 expenses adjusted for escalation  
 2 and wage increases.<sup>185</sup> The corresponding DRA estimate for PG&E's Electric  
 3 Engineering and Planning expenses is \$20.761 million, utilizing PG&E's 2008  
 4 recorded adjusted expenses. DRA's forecast is \$4.301 million less than PG&E's  
 5 forecast. Table 5-13 below shows PG&E's recorded adjusted expenses for 2004-  
 6 2009 and its 2011 forecast.

7 **Table 5-13**  
 8 **2004-2009 Recorded Data and 2011 Forecast for MWC FZ**  
 9 **(in Thousands of Dollars)**

| Description                         | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2011<br>Forecast |
|-------------------------------------|----------|----------|----------|----------|----------|----------|------------------|
| FZ- Electric Engineering & Planning | \$16,493 | \$17,585 | \$17,893 | \$17,946 | \$20,761 | \$21,111 | \$25,062         |

10 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 15, Workpapers page 15-1. 2009 data from  
 11 PG&E's response to DRA data request DRA-122-CKT.

12 **B. MWC FZ – Operation Distribution System Electric**  
 13 **Engineering**

14 PG&E records its Electric Engineering and Planning expenses in Major Work  
 15 Category (MWC) FZ. PG&E claims that it developed its forecast by utilizing a five  
 16 year average (2004-2008) of actual expenditures and adjusted for escalation and  
 17 wage increases. PG&E's forecast of \$25.062 million, an increase of 20.72%, is not  
 18 justified. PG&E is claiming to have adjusted only for escalation and a wage  
 19 increase, however PG&E has not demonstrated how wage increases and escalation  
 20 alone lead to a 20.72% increase over a five year average.

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<sup>185</sup> Exhibit (PG&E-3) page 15-2.

1 DRA asked: <sup>186</sup>

2 Provide the documentation that explains in detail and demonstrates why  
3 PG&E's recorded adjusted 2008 expenses, which includes an increase of  
4 \$2.815 million over 2007 expenses, are insufficient to address its test year  
5 needs. Note that PG&E's recorded expenses for 2004 through 2007 were  
6 relatively flat.

7 PG&E's response:

8 PG&E's 2008 recorded expenses are insufficient to address the  
9 Company's test year needs because the 2008 recorded expenses do not  
10 include 1) normal labor and non-labor escalation that will occur between  
11 2008 and 2011; and 2) the additional labor escalation that is part of the  
12 PG&E-ESC labor agreement (see PG&E's response to question 1 of this  
13 data request).

14 PG&E's expenses were relatively flat between 2005 and 2007 and then  
15 increased by \$2.815 million or 15.68% in 2008. PG&E has embedded historical  
16 expenses and funds for one-time non-recurring projects that have ended that can be  
17 reallocated to address its proposed projects and activities in 2011.

18 DRA notes that PG&E's five year average (2004-2008) is \$18.136 million and  
19 its three year average using its most recent recorded adjusted expenses (2007-  
20 2009) is \$19.939 million. DRA's use of PG&E's 2008 recorded adjusted expenses of  
21 \$20.761 million, which is the highest recorded level of expenses for the five year  
22 period (2004-2008) should be sufficient for PG&E to address its test year needs.

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<sup>186</sup> DRA-085-TLG question 5-b.

1 **XIV. DISCUSSION / ANALYSIS OF GAS AND ELECTRIC MAPPING**

2 PG&E’s Gas and Electric Mapping Program provides mapping information for  
3 planning new services, analyzing existing services, forecasting work and  
4 maintenance of PG&E’s facilities.

5 **A. Overview of PG&E’s Request**

6 PG&E forecasted \$8.714 million for Gas and Electric Mapping expenses for  
7 the test year 2011 which is an increase of \$1.928 million or 28.41% over 2008  
8 expenses of \$6.786 million.<sup>187</sup> PG&E developed its forecast by utilizing its 2008  
9 recorded expenses as a base and adjusted for increases in labor escalation and  
10 project work.<sup>188</sup> The corresponding DRA estimate for PG&E’s Gas and Electric  
11 Mapping is \$6.786 million (\$5.341 million for MWC GE and \$1.445 million for MWC  
12 GF) utilizing PG&E’s 2008 recorded adjusted expenses. DRA’s forecast is \$1.928  
13 million less than PG&E’s forecast.

14 PG&E records its expenses in two Major Work Categories (MWC): GE for  
15 Electric Mapping with a forecast of \$7.114 million and GF for Gas Mapping with a  
16 forecast of \$1.6 million. Table 5-14 below shows PG&E’s recorded adjusted  
17 expenses for 2004-2009 and its 2011 forecast.

18 **Table 5-14**  
19 **2004-2009 Recorded Data and 2011 Forecast for MWC GE and GF**  
20 **(in Thousands of Dollars)**

| Description          | 2004     | 2005     | 2006    | 2007    | 2008    | 2009    | 2011 Forecast |
|----------------------|----------|----------|---------|---------|---------|---------|---------------|
| GE- Electric Mapping | \$8,614  | \$7,828  | \$6,872 | \$5,133 | \$5,341 | \$4,256 | \$7,114       |
| GF- Gas Mapping      | \$2,654  | \$2,176  | \$1,747 | \$1,174 | \$1,445 | \$1,021 | \$1,600       |
| Total                | \$11,268 | \$10,004 | \$8,619 | \$6,307 | \$6,786 | \$5,277 | \$8,714       |

21 Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 16, Workpapers page 16-1. 2009 data from  
22 PG&E’s response to DRA data request DRA-122-CKT.

<sup>187</sup> PG&E’s 2011 forecast of \$8.714 million is shown in Exhibit (PG&E-3) Table 16-2, page 16-10.

<sup>188</sup> Exhibit (PG&E-3) page 16-3.

1 **B. MWC GE – Electric Mapping and MWC GF – Gas Mapping**

2 As shown in the Table 5-14 above, PG&E’s recorded adjusted expenses  
3 recorded in MWCs GE and GF have been declining each year between 2004 and  
4 2007 due to the implementation and completion of PG&E’s Mapping and  
5 Improvement Project Phase 2 (MIP2) which converted PG&E’s older electronic and  
6 manual maps to an electronic mapping platform. PG&E’s expenses continued to  
7 decline in 2009. DRA notes that PG&E’s 2009 recorded adjusted expenses of  
8 \$4.256 million for MWC GE is \$1.224 million less than its 2009 forecast of \$5.480  
9 million and its 2009 recorded adjusted expenses of \$1.021 million for MWC GF is  
10 \$0.579 million less than its 2009 forecast of \$1.6 million.

11 PG&E’s staffing level in its Gas and Electric Mapping Program is expected to  
12 remain the same as its 2008 levels and the 2008 recorded adjusted expenses reflect  
13 PG&E’s normal and routine operations.<sup>189</sup> PG&E states that its test year increases  
14 for MWC GE and GF are due to “labor escalation and project work required to  
15 improve the quality of the data on the maps and in PG&E’s databases”.<sup>190</sup>

16 Although PG&E claims that its staffing level will remain the same as 2008  
17 levels and already includes embedded labor and associated costs, DRA notes that  
18 PG&E’s forecast includes calculated labor expenses as if PG&E were adding  
19 additional staffing. PG&E states “These expenses are recurring costs and have  
20 been included in prior year recorded costs and will continue to be included in future  
21 year forecasts”.<sup>191</sup> In PG&E’s response to Deficiency DEF-070-TLG dated  
22 September 30, 2009, PG&E states “To arrive at the \$100k salary I used the average  
23 hourly pay rate for all mapping classifications plus the average overtime percentage,  
24 however I failed to include the overheads such as benefits, facilities, fleet, etc.,

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<sup>189</sup> Exhibit (PG&E-3) page 16-3.

<sup>190</sup> Exhibit (PG&E-3) page 16-3.

<sup>191</sup> DRA-089-TLG question 2-b.

1 basically all the other costs needed for the FTE to perform his/her job”. PG&E has  
2 revised its forecasted annual salary from “\$100k” to “\$205.8k”.<sup>192</sup>

3 PG&E has included costs in its forecast that are already embedded in its  
4 historical expenses. This results in double counting and it is inappropriate for PG&E  
5 to charge ratepayers twice for these embedded costs. DRA also notes that PG&E’s  
6 test year forecast for increases in work activities for “redrawing illegible areas of  
7 maps, ensuring system-wide consistency of mapping standards and symbols and  
8 ensuring facilities location matches PG&E’s system of record, SAP” are recurring  
9 costs for routine on-going activities.<sup>193</sup> PG&E’s Gas and Electric Mapping Program  
10 have embedded costs in its historical expenses to address these activities and no  
11 additional funding is required.

12 DRA’s estimate for PG&E’s Gas and Electric Mapping of \$6.786 million,  
13 utilizing PG&E’s 2008 recorded adjusted expense is a reasonable test year estimate  
14 and is comparable to its recent historical expense levels.

### 15 **C. Automated Mapping and Facilities Management (AM/FM)** 16 **Project**

17 PG&E’s Gas and Electric Mapping Program has included in its forecast a  
18 proposal for its AM/FM Project.<sup>194</sup> PG&E provided limited support and justification  
19 for this project. PG&E provided no cost benefit analysis for this proposed project  
20 and did not provide any calculated and/or identifiable savings or benefits for

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<sup>192</sup> PG&E’s average 2011 yearly salary for its Gas and Electric Mapping employees is \$40.210 before “benefits, facilities, fleet, etc.” Exhibit (PG&E-3), Volume 3 of 3, Chapter 16 Workpapers Page WP 16-12.

<sup>193</sup> PG&E’s job duties and responsibilities for its Mapping staff are discussed in Exhibit (PG&E-3) page 16-4 to 16-6.

<sup>194</sup> In 2006 PG&E’s MIP2 was later incorporated into its Business Transformation (BT) GIS Project which was closed in December 2007 and all spending for the project stopped. In 2008 PG&E re-initiated the GIS project and renamed it AM/FM. Exhibit (PG&E-3) page 16-7 to 16-10.

1 ratepayers due to efficiencies gained from elimination of paper based and manual  
2 activities or from savings for consolidating PG&E’s “multiple platforms” into one.<sup>195</sup>

3 PG&E’s discussion on the cost of this project of \$62.8 million was limited to  
4 one line of testimony.<sup>196</sup> PG&E referred DRA’s Electric Distribution O&M expense  
5 witness to PG&E’s Information Technology (IT) Exhibit (PG&E-7) Chapter 6 for the  
6 AM/FM cost information for its AM/FM project. In PG&E’s Information Technology  
7 (IT) Exhibit (PG&E-7) Chapter 6, PG&E does not justify or support the project  
8 although the costs of the project are being requested in that exhibit for the AM/FM.  
9 Instead PG&E referred DRA’s IT witness back to PG&E’s Exhibit (PG&E-3) Chapter  
10 16. PG&E’s piece meal presentation has made it unnecessarily difficult to analyze  
11 and evaluate this project.

12 Although DRA has concerns with PG&E’s showing, DRA does not take issue  
13 with the project. However, consistent with Commission policy relating to such  
14 Transmission and Distribution projects, the costs should be adjusted to reflect  
15 savings and benefits to ratepayers, to account for historical embedded costs that  
16 were incurred before the project was put on hold, and to account for the lack of  
17 specific detail and support for the line item estimates included in the costs of the  
18 project.<sup>197</sup>

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<sup>195</sup> In regards to costs incurred for PG&E’s Business Transformation (BT) GIS Project that was closed in December 2007, PG&E states “To the extent possible, PG&E will leverage the software application development that was completed under the BT GIS initiative. It is unclear at this time whether and how much work from the Land Base, GIS Software, and/or Data Conversion phases can be leveraged, but PG&E anticipates being able to leverage some of this work”. Exhibit (PG&E-3) page 16-10.

<sup>196</sup> Exhibit (PG&E-3) page 16-9 to 16-10.

<sup>197</sup> See D.06-05-016, p.64. Also see discussion above in Section XI. E. DRA’s costs estimates for PG&E’s AM/FM project will be addresses by DRA’s IT witnesses in Exhibit DRA-15 and DRA-16.

1 In PG&E's next GRC, the Commission should require that PG&E include all  
2 support and justification, and specific cost detail on proposed test year projects in  
3 one place so that the projects can be fully reviewed, analyzed and evaluated.

4 **XV. DISCUSSION / ANALYSIS OF ELECTRIC RESEARCH,**  
5 **DEVELOPMENT AND DEMONSTRATIONS**

6 PG&E's Electric Research, Development and Demonstration Program  
7 objectives are to "increase the operating life and improve the operating efficiency  
8 and safety of PG&E's electric distribution system, and reduce costs by developing,  
9 demonstrating, and evaluating new or improved technologies or operating  
10 concepts".<sup>198</sup>

11 **A. Overview of PG&E's Request**

12 PG&E forecasted \$2.8 million for its Electric Research, Development and  
13 Demonstration Program (RD&D) expenses for the test year 2011.<sup>199</sup> PG&E claims  
14 that this is a new expense category so "there are no previous actual costs available  
15 for comparison".<sup>200</sup> It is not clear to DRA what method PG&E utilized to forecast its  
16 test year RD&D expenses (i.e. bottoms-up, top-down, etc.). PG&E is also  
17 requesting that expenses be recorded in a one-way balancing account.<sup>201</sup> The  
18 corresponding DRA estimate for PG&E's RD&D Program expenses is \$1.4 million,  
19 which is 50% or \$1.4 million less than PG&E's forecast. Table 5-15 below shows  
20 PG&E's recorded adjusted expenses for 2004-2008 and its 2011 forecast.

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<sup>198</sup> Exhibit (PG&E-3) page 21-2.

<sup>199</sup> PG&E's 2011 forecast of \$2.8 million is shown in Exhibit (PG&E-3) Table 21-2, page 21-17.

<sup>200</sup> Exhibit (PG&E-3) page 21-1.

<sup>201</sup> Exhibit (PG&E-3) page 21-14.

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**Table 5-15**  
**2004-2009 Recorded Data and 2011 Forecast for MWC AT**  
**(in Thousands of Dollars)**

| Description       | 2004 | 2005 | 2006 | 2007 | 2008 | 2011 Forecast |
|-------------------|------|------|------|------|------|---------------|
| AT – RD&D Program | \$0  | \$0  | \$0  | \$0  | \$0  | \$2,800       |

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Source: Exhibit (PG&E-3), Chapter 21 page 21-17.

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**B. MWC AT – Electric Research, Development and Demonstration Program**

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PG&E plans to record its “RD&D project expenses in Major Work Category (MWC) AT. PG&E states that the “RD&D projects PG&E is proposing were identified and the associated costs estimated based on the required PG&E labor, contract labor, materials, and travel costs required to complete the identified tasks”.<sup>202</sup> PG&E also states that the costs estimates for each of the proposed projects were developed at a high level based on PG&E’s professional judgment.<sup>203</sup>

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DRA notes that PG&E’s projects have not been approved. PG&E states “projects discussed above were approved for inclusion in the GRC by the Director, Applied Technology Services. Formal project approvals will occur in the future when project schedules are finalized”.<sup>204</sup> PG&E’s testimony lists costs estimates for its nine proposed test year RD&D projects and provides general descriptions and several assertions, which lack sufficient support for the “Potential Benefits”.<sup>205</sup>

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<sup>202</sup> Exhibit (PG&E-3) page 21-4.

<sup>203</sup> PG&E’s e-mail response to Deficiency DEF-070 on October 7, 2009.

<sup>204</sup> DRA-080-TLG question 1-b.

<sup>205</sup> PG&E’s nine proposed RD&D projects are as follows: \$1.0 million for Distribution System Technology Integration, \$0.575 million for Energy Storage Research, \$0.200 million for Improved Monitoring, Diagnostic and Condition Assessment, \$0.100 million for Risk-Based Remediation Goals for Mineral Oil Clean-up from Transformer Spills, \$0.150 million for Endangered Species Impacts, \$0.300 million for Greenhouse Gas Opportunities, \$0.200 million for Climate Change Science, \$0.150 million for Climate Change Adaptation Pilot Projects, and \$0.125 million for WaveConnect Resource  
(continued on next page)

1 PG&E’s testimony, workpapers and data request responses do not include any  
2 calculated or identifiable dollars associated with ratepayer savings and benefits for  
3 any of the nine proposed projects.

4 DRA requested additional information from PG&E regarding its RD&D test  
5 year estimates.

6 DRA asked: 206

7 In PG&E’s e-mail response to Deficiency DEF-070 on October 7, 2009,  
8 PG&E stated “With regard to Chapter 21, due to the fact the projects  
9 under the RD&D program are newly proposed projects, the cost estimates  
10 for each of the projects were developed at a high level based on PG&E’s  
11 best professional judgment on the resources and associated costs needed  
12 to complete the projects”. This response is incomplete and insufficient  
13 and does not fully substantiate or justify the forecast of \$2.8 million.  
14 Provide all source documentation PG&E’s management relied upon for  
15 “the cost estimates for each of the projects” that were “developed at a high  
16 level” (i.e. where did the numbers come from in the estimates, what are  
17 the sources used when PG&E utilized its best professional judgment”).

18 PG&E’s response:

19 Source documentation PG&E’s management relied upon for “the cost  
20 estimates for each of the projects” that were “developed at a high level” is  
21 summarized in attached files entitled “GRC2011-Ph-I\_DR\_DRA\_080-Q01-  
22 Atch01.xls” and GRC2011-Ph-I\_DR\_DRA\_080-Q01-Atch02.pdf”. This  
23 information was utilized when PG&E exercised its best Professional  
24 judgment.

25 PG&E’s response was lacking in detail and is insufficient to justify the \$2.8  
26 million forecast. PG&E’s summary sheet included the nine proposed projects and  
27 line items for materials, labor, employee expenses, contract costs, and other

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(continued from previous page)  
Assessment.

206 DRA-080-TLG question 1-f.

1 miscellaneous costs but did not provide the basis/support for the specific estimates  
2 or the derivations of each individual line item estimate.

3 In its testimony, PG&E states that the “planned work will be performed by a  
4 combination of PG&E and contractor resources (where specialized expertise is  
5 required). The Company plans to add two new RD&D Program management  
6 positions, as well as utilize existing PG&E technical resources currently in the  
7 operating departments for subject matter expertise and technical oversight”. DRA  
8 asked PG&E about its current staffing in order to determine if PG&E’s current  
9 staffing level was sufficient to address its proposed work.

10 DRA asked: <sup>207</sup>

11 Provide the documentation that explains in detail why PG&E’s current  
12 staffing level is insufficient to address its RD&D projects in the test year in  
13 order to fully justify the additional positions.

14 PG&E’s response:

15 The testimony does not state that PG&E’s current staffing level is  
16 insufficient. The request is not based on proposed positions. It is based  
17 on the performance of new work as represented by the nine new projects  
18 identified, the scope of each of those projects and the labor skill sets and  
19 other resources required to perform each project. That information was  
20 used to develop the projected costs for each of the projects as presented  
21 in Chapter 21, Tables 21-2 and 21-3 of the testimony as well as the  
22 attached file entitled “GRC2011-Ph-I\_DR\_DRA\_080-Q01-Atch01.xls”.  
23 PG&E anticipates that it will need two new positions in the ATS  
24 organization to manage the nine proposed projects in this Chapter, but  
25 these new positions have not yet been approved. If two new positions are  
26 approved in the future, these positions may or may not be filled by existing  
27 ATS employees or existing PG&E employees outside of ATS.

28 PG&E’s response did not address DRA’s question. PG&E also compares its  
29 test year request to Southern California Edison’s (SCE) RD&D authorized funding  
30 since PG&E has no historical expenses for its RD&D program. DRA notes that

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<sup>207</sup> DRA-080-TLG question 1-i.

1 SCE's RD&D program is not new and there are completed projects and expenses  
2 that can be reviewed and analyzed and therefore should not be compared to  
3 PG&E's proposed new program. SCE had historical expenses and past authorized  
4 funding that the Commission and DRA analyzed and evaluated and used as a basis  
5 for recommending test year estimates. 208

6 DRA recommends \$1.4 million, which is 50% of PG&E's request due to the  
7 fact that this is a new program and PG&E has no reliable historical data to evaluate,  
8 analyze, and compare to its test year forecast. PG&E's support for the proposed  
9 projects is also lacking in detail. In PG&E's next GRC, it should have completed  
10 RD&D projects that can be evaluated, calculated and identifiable ratepayer benefits  
11 and savings, and recorded expense levels that can be reviewed and analyzed.  
12 DRA's recommendation is consistent with Commission policy relating to such  
13 Transmission and Distribution projects. 209

#### 14 **C. PG&E's RD&D Proposal for a One-Way Balancing Account**

15 PG&E proposes that its RD&D costs be subject to a one-way balancing  
16 account. 210 PG&E would be required to return any unspent authorized amounts to  
17 ratepayers. DRA does not take issue with PG&E's request for one-way balancing  
18 account treatment for its RD&D expenses in the test year.

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208 In 2003 SCE had recorded expenses of \$1.169 million for its RD&D program. In SCE's 2006 GRC SCE was authorized \$1.6 million (D.06-05-016). In SCE's 2009 GRC, although SCE requested \$5.8 million for its RD&D program expenses, it was authorized \$2.229 million, which were its last recorded RD&D expenses (D.09-03-025). In all instances, SCE's historical expenses were analyzed, evaluated and used in the calculation of its authorized RD&D funding in the test year. Unlike SCE, PG&E does not have any recorded RD&D expenses to be analyzed or evaluated for estimating its test year forecast.

209 D.06-05-016, p.64. See also discussion above in Section XI. E.

210 Exhibit (PG&E-3) page 21-14.

1 **XVI. DISCUSSION / ANALYSIS OF OPERATIONS SUPPORT**

2 PG&E’s Operations Support departments, which includes its Senior Vice  
3 President and Chief Operation Officer’s Immediate Office, its Utility Performance  
4 Improvement Department and its Project Governance Department, was created in  
5 2008 to provide centralized and coordinated guidance and direction to its operations  
6 lines of business.

7

8 **A. Overview of PG&E’s Request**

9 PG&E forecasted \$5.935 million for its Operations Support expenses for the  
10 test year 2011 which is an increase of \$2.384 million or 67.14% over 2008 expenses  
11 of \$3.551 million.<sup>211</sup> PG&E developed its forecast by utilizing 2008 recorded  
12 expenses as its base and adjusted for expected increases in the test year.<sup>212</sup> The  
13 corresponding DRA estimate, utilizing a two year average (2008 and 2009) for  
14 PG&E’s Operations Support expenses is \$4.224 million, which is \$1.711 million less  
15 than PG&E’s forecast. Table 5-16 below shows PG&E’s recorded adjusted  
16 expenses for 2004-2009 and its 2011 forecast.

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**Table 5-16**  
**2004-2009 Recorded Data and 2011 Forecast for MWC AB**  
**(in Thousands of Dollars)**

| Description             | 2004 | 2005 | 2006 | 2007 | 2008    | 2009    | 2011 Forecast |
|-------------------------|------|------|------|------|---------|---------|---------------|
| AB – Operations Support | \$0  | \$0  | \$0  | \$0  | \$3,551 | \$4,897 | \$5,935       |

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Source: 2004-2008 data from Exhibit (PG&E-3), Chapter 22 Workpapers Page WP 22-1. 2009 data from PG&E’s response to DRA data request DRA-122-CKT.

22 **B. MWC AB – Operations Support**

23 Operations Support expenses are recorded in Major Work Category (MWC)  
24 AB. Prior to the creation of PG&E’s Operations Support department that record to  
25 MWC AB, the activities were being performed by various lines of business within

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<sup>211</sup> PG&E’s 2011 forecast of \$5.935 million is shown in Exhibit (PG&E-3) Table 22-3, page 22-8.

<sup>212</sup> Exhibit (PG&E-3) page 22-2.

1 PG&E. However PG&E shows no recorded historical expenses for 2004 through  
2 2007. PG&E should have embedded labor and non-labor (i.e. contractor costs  
3 incurred for training, studies, and benchmarking relating to Operations Support  
4 activities, etc.)<sup>213</sup> expenses incorporated into its test year forecast and/or  
5 reallocated expenses to address its test year projects. DRA is also concerned that  
6 there may be duplication of efforts and the ratepayers should not be charged twice.  
7 PG&E states “While the different lines of business within the Company have been  
8 engaged in improving performance in these Operations Metrics in the past, the  
9 Company realized that a centralized function is required in order to provide better  
10 guidance and direction as well as prioritize performance improvement efforts within  
11 the Company’s lines of business”.<sup>214</sup>

12 DRA asked PG&E for its recorded expenses incurred by other business units  
13 during the historical years in an attempt to get a better understanding of the costs  
14 required for these activities, and to see how PG&E incorporated the historical  
15 expenses into its test year forecast.

16 DRA asked:<sup>215</sup>

17 PG&E states in its response to Deficiency DEF-070-TLG dated September  
18 23, 2009 that “Prior to this department being created as a centralized  
19 function, efficiency efforts, human performance efforts and quality  
20 assurance efforts were part of individual departments plans and workload,  
21 without consistent measurable results and benchmarking of best practices  
22 being applied across the organization”. Provide the detailed  
23 documentation that shows the labor and non labor expenses incurred for  
24 2004 through 2008 (expenses incurred prior to the establishments of  
25 these newly created departments) for the “efficiency efforts, human

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<sup>213</sup> PG&E mentioned that it hired contractors in 2007 for training employees on work tools, to perform studies for management and oversight on projects, and benchmarking activities in its response to DRA-088-TLG response to question 1-a and 1-g.

<sup>214</sup> Exhibit (PG&E-3) page 22-1 to 22-2.

<sup>215</sup> DRA-88-TLG question 1-f.

1 performance efforts and quality assurance efforts” that “were part of  
2 individual departments plans and workload”.

3 PG&E’s response:

4 Departments did not track expenses to this level of detail. Efficiency,  
5 human performance, and quality assurance efforts were typically collateral  
6 duties, and not tracked as separate budget line items.

7 DRA asked: <sup>216</sup>

8 Provide the documentation that demonstrates how the historical labor and  
9 non labor expenses for the “efficiency efforts, human performance efforts  
10 and quality assurance efforts” that “were part of individual departments  
11 plans and workload” were incorporated into the forecast of \$7.1 million for  
12 MWC AB.

13 PG&E’s response:

14 As explained in response to item (f), above, departments did not track  
15 expenses related to efficiency, human performance, and quality assurance  
16 efforts because these efforts were typically collateral duties.  
17 Consequently, these expenses are not incorporated into the PG&E’s  
18 forecast of \$5.9 million (note that PG&E has revised its forecast for the  
19 application).

20 Since there are no historical expenses shown by PG&E, and PG&E has not  
21 shown that it has taken into account expenses from other business units, PG&E’s  
22 test year requested increase of 67.14% over 2008 recorded expenses should be  
23 denied. DRA utilized a two year average to calculate its estimate of \$4.224 million  
24 for PG&E’s Operations Support departments by using PG&E’s recorded adjusted  
25 2008 expenses of \$3.551 million and its 2009 recorded adjusted expenses of \$4.897  
26 million. <sup>217</sup> This is a reasonable method to forecast PG&E’s test year expenses.

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<sup>216</sup> DRA-88-TLG question 1-j.

<sup>217</sup> DRA notes that PG&E forecasted \$7.552 million for its Operations Support Department for 2009 however its recorded adjusted 2009 expenses were only \$4.897 million.