

Docket:	:	<u>A.09-12-020</u>
Exhibit Number	:	<u>DRA-5</u>
Commissioner	:	<u>Peevey</u>
ALJ	:	<u>Fukutome</u>
Witness	:	<u>Godfrey</u>



**DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

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

Replacement Pages

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

San Francisco, California
July 2, 2010

Revisions to Exhibit DRA-5:

1. p. 12, line 3, strike \$27.464 and replace with \$27.468
2. p. 13, footnote 16, strike (PG&E-2) and replace with (PG&E-3)
3. p. 16, line 15, strike \$26.608 and replace with \$26.625
4. p. 16, line 15, strike \$29.204 and replace with \$29.233
5. p. 16, Table 5-3 strike \$22,062 for 2004, \$23,365 for 2005 and \$28,218 for 2007 and replace with \$22,067 for 2004, \$23,360 for 2005 and \$28,304 for 2007
6. p. 17, line 2, strike \$5.007, and replace with \$4.921
7. p. 17, line 2, strike 17.74%, and replace with 17.39%
8. p. 40, footnote 66, strike \$12.462 and replace with \$16.462
9. p. 69, Table 5-11 strike \$27,194 for 2004 and \$34,464 for 2008 and replace with \$27,191 for 2004 and \$33,464 for 2008

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 \$27.468 million or 27.44%
4 over 2008 expenses of \$100.111 million.¹³ 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.¹⁴ 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.¹⁵ Table 5-2 below shows PG&E's recorded adjusted expenses for
16 2004-2009 and its 2011 forecast.

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

¹⁴ 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).

¹⁵ 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.¹⁶ PG&E's forecast is based on its plans
9 to increase the units of repairs from 2,146 in 2008 to 2,700 in 2011.¹⁷ 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.

¹⁶ PG&E did not forecast any expenses for 2011 for line item Transformers Scrapped recorded under MWC BK (Exhibit (PG&E-3) page 2-42 Table 2-15).

¹⁷ PG&E Exhibit (PG&E-3) Table 2-12 page 2-41.

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

Description	2004	2005	2006	2007	2008	2009 ²³	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
Total	\$22,067	\$23,360	\$26,169	\$28,304	\$33,225	\$29,268	\$40,712

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 \$26.625 million. PG&E's three year average (2006-2008) is \$29.233 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

²³ 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.²⁴ PG&E's 2008 recorded adjusted expenses of \$33.225 million
2 increased over its 2007 recorded adjusted expenses by \$4.921 million or 17.39%.
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.²⁵
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

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

²⁵ 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 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,⁶⁴ 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.⁶⁵

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.⁶⁶ PG&E
21 developed its forecast based on planned units of work and then multiplied the units

⁶⁴ 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.

⁶⁵ Exhibit (PG&E-3) page 4-3.

⁶⁶ PG&E's 2011 forecast of \$16.462 million is shown in Exhibit (PG&E-3) Table 4-6, page 4-13.

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.¹⁴¹ 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.¹⁴² 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 (Revised)**
 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 Distrib	\$27,064	\$27,671	\$31,647	\$32,246	\$32,965	\$33,937	\$39,081
HG-Elec Distrib Ops Tech	\$127	\$856	\$980	\$683	\$499	\$433	\$750
Total	\$27,191	\$28,527	\$32,627	\$32,929	\$33,464	\$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.

¹⁴¹ 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.

¹⁴² Exhibit (PG&E-3) page 13-7 and 13-8.