PACIFIC GAS AND ELECTRIC COMPANY
General Rate Case 2011 Phase I
Division of Ratepayer Advocates
Data Response

PG&E Data Request No.:	DRA_091-07		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_091-Q07		
Request Date:	November 24, 2009	Requester DR No.:	DRA-091-SWC
Date Sent:	January 22, 2010	Requesting Party:	DRA
PG&E Witness:	Steve T. Coleman	Requester:	Sophie Chia

SUBJECT: SUPPLY CHAIN – SOURCING OPERATIONS

QUESTION 7

In response to data request DRA-055, questions 6(c) and 6(d), PG&E provided the sourcing costs that are direct-charged to other departments for recorded 2004 to 2008 and the 2011 forecast. The 2011 forecast is approximately $4.4 million greater than 2008 recorded.

a. Please explain fully if the direct-charged sourcing costs for each Lines of Business increased in 2011 due to the increased capital and/or expenses requested in electric transmission and generation as part of the 2011 GRC.

b. Please explain fully if the DRA witnesses on electric transmission and generation were to make a recommendation to decrease the capital and/or expenses requested in the 2011 GRC, will there be a corresponding decrease in the direct-charged sourcing costs for these Lines of Business. Please explain fully how the recommended adjustment works in the RO Model.

ANSWER 7

a. As PG&E explained in response to data request DRA-055, question 6(b), "Subsequent to the NOI submittal, it was determined that the Sourcing organization would move towards a fully direct charge organization in 2010 and 2011. The benefit of going to a direct charge organization is to provide a direct relationship between services provided and cost incurred." As a result of this change, there is an increase in direct charges forecasted for 2011. The increase in the forecast is not a result of increased capital and/or expenses requested in electric transmission and generation. Rather the forecast of these direct-charged costs supports a baseline of work using 2009 support as the model.

   As a point of clarification and as mentioned also in question (b) below, transmission related work is not reflected in the General Rate Case.

b. As with question (a) above, any reduction in transmission-related work would not be reflected in the General Rate Case. With that clarification in mind, if the Commission were to reduce the capital and/or expenses PG&E has requested in the 2011 GRC, there would not necessarily be a corresponding decrease in the direct-charged sourcing costs for these Lines of Business. Since PG&E's forecast of direct-charged costs supports baseline work (see PG&E response to question (a)), there would have to be a significant decrease in project and/or contracted work in order to result in a decrease below the level of forecasted direct-charged costs.

   With respect to the portion of this question about the RO model, any adjustments to the forecast could be implemented through the use of high-level expense and capital orders as with other chargebacks such as fleet and corporate real estate. Based on November YTD 2009 recorded charges from Sourcing to power generation, approximately 61% of their costs are allocated to capital and 26% are allocated to expense. The remaining portion is allocated to other balance sheet.