

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

PG&E Data Request No.:	DRA_006-15		
PG&E File Name:	GRC2011-NOI_DR_DRA_006-Q15		
Request Date:	August 17, 2009	Requester DR No.:	DRA-006-DFB
Date Sent:	September 10, 2009	Requesting Party:	DRA
PG&E Witness:	Redacted	Requester:	Donna Fay Bower

**SUBJECT: MEDICAL PLAN FORECAST**

**QUESTION 15**

Health Care Fiduciary Compliance and Administration - Please provide a detail explanation for the 2009 forecast of \$3,123,000, which is approximately 150% increase of \$1,875,933.

**ANSWER 15**

Please note that the NOI forecast assumed implementation of plan changes negotiated with the labor unions in 2010. This forecast will be updated in the Application to reflect the timing and provisions of benefit changes actually contained in the labor agreements.

<b>Health Care Fiduciary Compliance and Administration (2008 – 2009)</b>			
	<b>Recorded 2008</b>	<b>Forecast 2009</b>	<b><u>Explanation</u></b>
Ceridian COBRA Admin Fees	\$137,709	\$150,000	Administrative fees paid to COBRA administrator
Implementation of Union Negotiated Plan Changes	-	\$575,000	Implementation and communication of bargained benefit changes with an assumed January 2010 implementation date.
Legally required communications: <i>Summary Plan Descriptions (SPDs), Summary of Material Modifications notifications (SMMs), and HIPAA Privacy requirements</i>	\$151,822	\$555,000	Develop and distribute legally required communications. Forecast includes:  Update SPDs to reflect both union negotiated plan changes and elimination of Flexible Benefits Program.  Prepare and distribute required HIPAA training and communications

<b>Health Care Fiduciary Compliance and Administration (2008 – 2009)</b>			
	<b>Recorded 2008</b>	<b>Forecast 2009</b>	<b><u>Explanation</u></b>
Legally required communications: <i>Open Enrollment</i>	\$276,963	\$475,000	Forecast assumed January 2010 effective date of union negotiated plan changes and elimination of Flexible Benefits Program resulting in a need to update and expand Open Enrollment materials
Forecast, Underwriting and Actuarial Fees	\$51,012	\$120,000	Forecast and underwriting fees were understated in 2008 because forecasts were commingled with planning for union negotiations - an operational expense. The 2009 forecast cost is consistent with Towers Perrin projections for annual forecasting and underwriting costs.
Plan Audits & Reporting (e.g. Anthem Blue Cross Claims Audit)	\$143,342	\$175,000	Forecast assumes an annual Anthem Blue Cross claims audit plus an eligibility process audit.
Prevention & Wellness Activities (e.g. Flu Shot Clinic)	\$12,798	\$150,000	2008 costs reflect cost of standard flu shot administration; 2009 assumes expansion of flu shot clinic and selection of new vendor to administer biometric screenings
Health Management: <i>data warehouse</i>	-	\$300,000	Forecast assumes implementation of data warehouse beginning in 2009. A data warehouse is needed to analyze PG&E medical claims and demographic data for use in designing optimal medical programs.
Health Management: <i>Pacific Business Group on Health (PBGH)</i>	-	\$75,000	Annual membership fee required to participate in PBGH activities including HMO negotiating alliance, and other health management initiatives. The 2008 membership was paid December 2007
Health Management: <i>Self-funded plan renewal negotiations</i>	-	\$25,000	Renegotiation of vendor administrative fees following end of 3-year rate guarantee period (2006-2009)
Health Management: <i>Annual HMO renewal negotiations</i>	\$49,977	\$50,000	Fees for group purchasing alliance and data analysis required for HMO premiums negotiations
Consumer Health Management Tools: <i>MedExpert</i>	\$168,000	\$408,000	MedExpert is a medical information and health care advocacy service provided to eligible employees. 2008 program covered non-union employees only, 2009 budget assumes union participation as of July 1, 2009

<b>Health Care Fiduciary Compliance and Administration (2008 – 2009)</b>			
	<b>Recorded 2008</b>	<b>Forecast 2009</b>	<b><u>Explanation</u></b>
Consumer Health Management Tools: <i>Medical Chooser Tool</i>	-	\$65,000	Starting 2010 (Open Enrollment in 2009), provide a new consumer tool for participants to assist them in selecting the appropriate medical coverage.
COBRA adjustments	\$31,350	-	COBRA premium corrections and associated administrative fees
FAS 146 accounting charge	\$181,136	-	Accounting charge related to Severance Program. Not included in forecast.
Miscellaneous Adjustments	\$42,958	-	Accounting adjustments to expense
<b>Total</b>	<b>\$1,247,067</b>	<b>\$3,123,000</b>	



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PG&E Data Request No.:	DRA_006-16		
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**SUBJECT: MEDICAL PLAN FORECAST**

**QUESTION 16**

Please provide a detail explanation for the 2010 forecast of \$2,155,000, which is approximately 31% decrease of \$968,000.

**ANSWER 16**

Please note that the NOI forecast assumed implementation of plan changes negotiated with the labor unions in 2010. This forecast will be updated in the Application to reflect the timing and provisions of benefit changes actually contained in recently negotiated labor agreements.

<b>Health Care Fiduciary Compliance and Administration (2009 – 2010)</b>			
	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b><u>Explanation</u></b>
Ceridian COBRA Admin Fees	\$150,000	\$150,000	Administrative fees paid to COBRA administrator
Implementation of Union Negotiated Plan Changes	\$575,000	\$100,000	Negotiated benefit changes assume a January 2010 implementation date; 2010 costs anticipate activities required to complete the implementation.
Legally required communications: <i>Summary Plan Descriptions (SPDs), Summary of Material Modifications notifications (SMMs), and HIPAA Privacy requirements</i>	\$555,000	\$365,000	Develop and distribute legally required communications:  Complete development and production of updated SPDs (required to reflect benefit plan changes).  Prepare and distribute required HIPAA training and communications.

<b>Health Care Fiduciary Compliance and Administration (2009 – 2010)</b>			
	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b><u>Explanation</u></b>
Legally required communications: <i>Open Enrollment</i>	\$475,000	\$375,000	Forecast cost to produce Open Enrollment materials. The forecast assumes expanded communications will continue to be required given complexity of plan design.
Forecast, Underwriting and Actuarial Fees	\$120,000	\$120,000	The 2010 forecast cost is based on projections for annual forecasting and underwriting costs.
Plan Audits & Reporting (e.g. Anthem Blue Cross Claims Audit)	\$175,000	\$100,000	Forecast assumes only an Anthem Blue Cross claims audit for 2010.
Prevention & Wellness Activities (e.g. Flu Shot Clinic)	\$150,000	\$100,000	2010 assumes annual flu shot clinic plus ongoing biometric screenings
Health Management: <i>data warehouse</i>	\$300,000	\$200,000	Forecast assumes implementation of data warehouse beginning in 2009. Beginning 2010, we forecast annual costs for data analysis. The data warehouse is used to analyze PG&E medical claims and demographic data to better manage medical costs.
Health Management: <i>Pacific Business Group on Health (PBGH)</i>	\$75,000	\$75,000	Annual membership fee required to participate in PBGH activities including the HMO negotiating alliance and other health management initiatives.
Health Management: <i>Self-funded plan renewal negotiations</i>	\$25,000	\$25,000	Forecast assumes annual re-negotiation of vendor administrative fees as part of contract renewal
Health Management: <i>Annual HMO renewal negotiations</i>	\$50,000	\$50,000	Fees for group purchasing alliance and data analysis required for HMO premium negotiations
Consumer Health Management Tools: <i>MedExpert</i>	\$408,000	\$480,000	MedExpert is a medical information and health care advocacy service provided to eligible employees. The program covered non-union employees only from Jan–June 2009; bargaining unit employees begin participating as of July 1, 2009.  2010 reflects annual cost for bargained and nonbargained employee population.

<b>Health Care Fiduciary Compliance and Administration (2009 – 2010)</b>			
	<b>Forecast 2009</b>	<b>Forecast 2010</b>	<b><u>Explanation</u></b>
Consumer Health Management Tools: <i>Medical Chooser Tool</i>	\$65,000	\$15,000	Starting 2010 (Open Enrollment in 2009), provide a new consumer tool for participants to assist them in selecting the appropriate medical coverage.  2010 costs reflect annual operating costs for the tool.
<b>Total</b>	<b>\$3,123,000</b>	<b>\$2,155,000</b>	





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**SUBJECT: MEDICAL PLAN FORECAST**

**QUESTION 17**

Please provide a detail explanation for the 2011 forecast of \$1,720,000, which is approximately 20% decrease of \$435,000.

**ANSWER 17**

Please note that the NOI forecast assumed implementation of plan changes negotiated with the labor unions in 2010. This forecast will be updated in the Application to reflect the timing and provisions of benefit changes actually contained in recently negotiated labor agreements.

<b>Health Care Fiduciary Compliance and Administration (2010– 2011)</b>			
	<b>Forecast 2010</b>	<b>Forecast 2011</b>	<b><u>Explanation</u></b>
Ceridian COBRA Admin Fees	\$150,000	\$150,000	Administrative fees paid to COBRA administrator
Implementation of Union Negotiated Plan Changes	\$100,000	-	No plan changes are forecast for 2011.
Legally required communications: <i>Summary Plan Descriptions (SPDs), Summary of Material Modifications notifications (SMMs), and HIPAA Privacy requirements</i>	\$365,000	\$30,000	Develop and distribute legally required communications:  No updated SPDs or SMMs are forecast for 2011.  Prepare and distribute required HIPAA training and communications.

<b>Health Care Fiduciary Compliance and Administration (2010– 2011)</b>			
	<b>Forecast 2010</b>	<b>Forecast 2011</b>	<b><u>Explanation</u></b>
Legally required communications: <i>Open Enrollment</i>	\$375,000	\$375,000	Forecast cost to produce Open Enrollment materials. The forecast assumes expanded communications will continue to be required given complexity of plan design.
Forecast, Underwriting and Actuarial Fees	\$120,000	\$120,000	The 2011 forecast cost reflects annual forecasting and underwriting costs.
Plan Audits & Reporting (e.g. Anthem Blue Cross Claims Audit)	\$100,000	\$175,000	2011 forecast assumes an Anthem Blue Cross claims audit and a Medco prescription drug claims audit.
Prevention & Wellness Activities (e.g. Flu Shot Clinic)	\$100,000	\$100,000	2011 assumes annual flu shot clinic plus ongoing biometric screenings
Health Management: <i>data warehouse</i>	\$200,000	\$125,000	Forecast annual costs for data analysis and database maintenance. The data warehouse is needed to analyze PG&E medical claims and demographic data to better manage medical costs. Note: 2011 forecast cost is insufficient; annual costs are expected to be \$200,000 per year.
Health Management: <i>Pacific Business Group on Health (PBGH)</i>	\$75,000	\$75,000	Annual membership fee required to participate in PBGH activities including the HMO negotiating alliance and other health management initiatives.
Health Management: <i>Self-funded plan renewal negotiations</i>	\$25,000	\$25,000	Forecast assumes annual re-negotiation of vendor administrative fees as part of contract renewal
Health Management: <i>Annual HMO renewal negotiations</i>	\$50,000	\$50,000	Fees for group purchasing alliance and data analysis required for HMO premium negotiations
Consumer Health Management Tools: <i>MedExpert</i>	\$480,000	\$480,000	MedExpert is a medical information and health care advocacy service provided to eligible employees.  2011 reflects annual cost for bargained and nonbargained employee population.
Consumer Health Management Tools: <i>Medical Chooser Tool</i>	\$15,000	\$15,000	2011 costs reflect annual operating costs for the tool.
<b>Total</b>	<b>\$2,155,000</b>	<b>\$1,720,000</b>	