

PACIFIC GAS AND ELECTRIC COMPANY
General Rate Case 2011 Phase I
Application 09-12-020
Data Response

PG&E Data Request No.:	DRA_175-10		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_175-Q10		
Request Date:	March 3, 2010	Requester DR No.:	DRA-175-DFB
Date Sent:	March 17, 2010	Requesting Party:	DRA
PG&E Witness:	Steve Leder	Requester:	Donna Fay Bower

SUBJECT: PG&E CORPORATION COSTS

QUESTION 10

On Line 14, Human Resources, PG&E Corp is forecasting \$191,000 in base year dollars. How did PG&E Corporation determine this forecast? In addition, please provide a spreadsheet showing the calculations to derive this forecast.

- a. Please provide a detailed justification for including severance in Test Year 2011.

ANSWER 10

The 2011 Corporation severance forecast of \$210,000 provided in Exhibit (PG&E-6), Chapter 3 is inconsistent with the severance forecast provided in Exhibit (PG&E-6), Chapter 14. Please refer to Exhibit (PG&E-6), Chapter 14 for the correct numbers and explanations. The calculations for severance have also been provided in response to Data Request DRA_072, Question 1.

The method used to determine the severance forecast, including the Corporation forecast, is included below.

The total 2011 severance forecast is \$11.4 million. This forecast is based on the following:

- A preliminary 2009 forecast for the Utility of 80-85 headcount reduction at a cost of \$110,000 to \$120,000 per headcount, for a total of \$9.6 million (80 X \$120,000 = \$9.6 million).
- In addition, \$1 million was forecast for 2009 for Corporation severances, based on a minimal number of severances at the director level and above. This forecast was established before the Corporation to Utility transfer.
- After the Corporation to Utility transfer, 79% of the severance costs set aside for Corporation severance (79% X \$1 million = \$790,000) were transferred to the

Utility forecast. This resulted in a Utility severance forecast of \$10.390 million (i.e., \$9.6 million + \$790,000), and a Corporation severance forecast of \$210,000 (i.e., \$1 million - \$790,000). This results in a total 2009 severance forecast of \$10.6 million.

- For 2010 and 2011, the 2009 forecasts are escalated at 3.75% annually, resulting in the 2011 forecast of \$11.4 million.
- The 2011 Corporation severance forecast is de-escalated at a rate of .908464, which equates to $\$210,000 * 1.0375^2 * .908464 = \$205,354$.

Please see attachment GRC2011-Ph-I_DR_DRA_175-Q10Atch01.xls for the calculations related to severance.