

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

PG&E Data Request No.:	DRA_193-01		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_193-Q01		
Request Date:	March 10, 2010	Requester DR No.:	DRA-193-DFB
Date Sent:	March 24, 2010	Requesting Party:	DRA
PG&E Witness:	Redacted	Requester:	Donna-Fay Bower

SUBJECT: BENEFITS

QUESTION 1

For Table 17-1, page WP 17-1 please provide an electronic spreadsheet, including the formulas in each cell, showing the calculations of the 2009, 2010, 2011, 2012, and 2013 forecast for each line item. In addition, provide all escalation rates used and the supporting source for the escalation rates.

ANSWER 1

A copy of the electronic workbook containing WP 17-1 and supporting workpapers is provided in response to this data request. Please note that forecast costs in Exhibit (PG&E-6), Chapter 17 are complex and many were provided by external actuarial consultants. As a result, many of the cells in the electronic workbook contain absolute numbers rather than formula-based calculations. Consistent with past cases, the focus in this exhibit and workpapers has been to describe the component benefit plans and their respective cost drivers, and the overall process for forecasting cost. Please refer to GRC2011-Ph-I_DR_DRA_193-Q01Atch01.xls.

Similarly, cost forecasts in this chapter are not solely based on escalation rates. Instead, year-to-year cost change reflects applicable cost drivers, including changes in employee counts/enrollments, the estimated effects of plan design changes as well as forecast escalation. Overall year-to-year change in forecast cost for a benefit plan may not be fully attributable to the described escalation rate. Notwithstanding these caveats, PG&E has prepared the following table describing the escalation rates incorporated in the benefit cost forecasts.

Plan	Escalation Description	Annual Escalation Rate	Source / Reference
<p>Medical – Health Care Claims</p> <p>(Self-funded, PPO, HMO, mental health and Rx costs)</p>	<p>Forecast inflation for health care claims and associated administrative fees, and HMO premiums</p>	<p>Varies by forecast year</p>	<p>Towers Watson* / WP 17-3, footnote (d); WP 17-6 through WP 17-11</p> <p>Exhibit (PG&E-6), pages 17-14 through 17-16</p>
<p>Medical Plans - Employee Assistance Program (EAP)</p>	<p>EAP components described on WP 17-3 footnote (f). Forecast 2009 cost is based on expected activities. Forecast assumes constant activities through 2012.</p> <p>Value Options Per Employee Per Month (PEPM) fee constant through 2011 **; renegotiated rates effective 2012.</p> <p>General escalation applies for on-site services, operations and administration.</p>	<p>PEPM forecast to increase by 5% effective 2012 **</p> <p>General escalation of 5.0% for 2010 and 2011, and 4.0% beginning 2012</p>	<p>PG&E / WP 17-3; DRA DR 006-Q11**</p>
<p>Medical Plans - Drug Testing Program</p>	<p>2009 cost forecast based on planned activities.</p> <p>Forecast test activity held flat through forecast period.</p>	<p>N/A</p>	<p>PG&E / WP 17-3, footnote (g)</p>

* Towers Perrin merged with the actuarial consulting firm of Watson Wyatt to become Towers Watson, effective January 1, 2010.

** PG&E's NOI and Application filings assume EAP PEPM fees will increase by general escalation: 5% per year through 2011, and 4% per year thereafter. A Value Options contract renewal holds the 2009 PEPM rate of \$2.48/month constant through 2011. The EAP Manager forecasts a 5% increase in PEPM in the next contract period beginning 2012. An updated forecast based on the Value Options contract renewal will be provided in response to data request DRA-194-DFB (Item 2).

Plan	Escalation Description	Annual Escalation Rate	Source / Reference
Dental Plan	<p>Forecast inflation for dental claims and associated administrative fees</p> <p>2009 cost forecast separately developed by Towers Watson* based on recent claims experience and enrollment. Escalation rates apply beginning 2010.</p>	<p>6.0%</p> <p>(beginning forecast 2010)</p>	<p>Towers Watson* / Exhibit (PG&E-6) page 17-18;</p> <p>WP 17-24, footnote (a)</p>
Vision Plan	<p>Forecast inflation for vision claims and associated administrative fees</p> <p>2009 cost forecast separately developed by Towers Watson* based on recent claims experience and enrollment. Escalation rates apply beginning 2010.</p>	<p>1.0% (2009 included in the Towers Watson forecast)</p> <p>0.5% (2010 and after)</p>	<p>Towers Watson* / Exhibit (PG&E-6), page 17-19;</p> <p>WP 17-25, footnote (a)</p>
Group Life Insurance Benefits	<p>2009 costs forecast based on covered lives and premium rates as of January 1, 2009.</p> <p>Costs held flat for remainder of forecast period.</p>	N/A	<p>PG&E /</p> <p>WP 17-26, footnote (a)</p>

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Plan	Escalation Description	Annual Escalation Rate	Source / Reference
Employee Health Care Contributions	<p>Employee contributions for medical, dental and vision coverage. Contributions increase with health care cost increases.</p> <p>2009 contributions forecast by PG&E based on YTD actual contributions (net of Flex Dollars) as of NOI.</p> <p>Employee contributions beginning 2010 are forecast by Towers Watson* and reflect the elimination of Flex Program credits plus health/dental escalation.</p>	Escalation based on health care and dental escalation rates and varies by forecast year	<p>Towers Watson* / WP 17-27, footnotes (d) and (f);</p> <p>Exhibit (PG&E-6), page 17-21.</p> <p>See also escalation references for health care claims and dental plan above.</p>
Postretirement Medical (pay-as-you-go costs)	<p>Escalation for self-funded health care claims plus administrative fees, and HMO premiums for retired officers.</p> <p>Active health care escalation rate used for 2009 forecast; subsequent forecast years apply long-term retiree medical escalation assumptions used in the actuarial valuation of the plan.</p>	<p>2009 = 9.5% (2008RA x 1.095)</p> <p>2010 = 7.0% [(2008RA x 1.08) x 1.07] (using long-term retiree medical assumptions)</p> <p>2011 = 2010 forecast x 1.06</p>	<p>Towers Watson* / WP 17-28, footnote (d);</p> <p>Exhibit (PG&E-6), page 17-25</p>

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Plan	Escalation Description	Annual Escalation Rate	Source / Reference
Postretirement Life Insurance (pay-as-you-go costs)	Forecast 2009 costs based monthly premium payment as of December 2008. 2009 forecast held flat through 2011.	N/A	PG&E / WP 17-29, footnote (d)
Disability Plans	2009 costs forecast based on planned activities and current Hewitt (DMA) contract terms. Costs held flat for remainder of forecast period.	N/A	PG&E / WP 17-30, footnotes (c) and (d)
Retirement – Nonqualified Pension and Administrative Fees	Forecast costs based on 2008RA held flat (except where fixed term annuities will end during the forecast period)	N/A	PG&E / WP 17-31, footnotes (c) and (d)
Retirement Savings Plan (401k)	Forecast costs assume wage growth including expected general wage increase (GWI) / salary increase of 3.75% plus 0.25% wage growth due to promotions and wage progression increases for bargaining unit employees.	4%	PG&E / WP 17-32, footnote (a)

Plan	Escalation Description	Annual Escalation Rate	Source / Reference
Tuition Refund Plan	<p>Forecast costs for 2009 through 2011 assume</p> <p>(1) future tuition and fee increases based on past plan cost experience and external indicators of continued cost increases, and</p> <p>(2) increase in reimbursement rates for certain union-represented employees</p>	3.5%	<p>PG&E / WP 17-33</p> <p>Also - California Postsecondary Education Commission (CPEC) Study on Fees at California Public Colleges and Universities, March 2010 cites 2008-2009 increases of 16% to 30%; and forecast increases of up to 15% for 2010-2011.</p>
Employee Relocation Program	Inflation increases applied to components of forecast by the PG&E Relocation Program Director.	4%	PG&E / WP 17-34
Service Awards Program	Forecast costs are not escalated for inflation	N/A	PG&E / WP 17-35
Retirement – Nonqualified Pension and Administration (holding company)	Forecast costs based on 2008 payments held flat	N/A	PG&E / WP 17-36
Employee Relocation Program (holding company)	Inflation increases applied to components of the forecast by the PG&E Relocation Program Director.	4%	PG&E / WP 17-37