

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

PG&E Data Request No.:	DRA_172-02a-c, e		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_172-Q02a-c, e		
Request Date:	March 2, 2010	Requester DR No.:	DRA-172-GAW
Date Sent:	April 13, 2010	Requesting Party:	DRA
PG&E Witness:	Redacted	Requester:	Gregory Wilson

SUBJECT: DETAILS ON VARIOUS CAPITAL LOADERS/OVERHEADS

QUESTION 2(A-C, E)

It is DRA's understanding that the capital expenditure forecasts shown in Exhibit PG&E-3 (and also in the RO computer model) are presented in nominal dollars and include estimates for AFUDC. The amount of AFUDC included in a particular capital project would presumably be a function of the AFUDC rate that PG&E is using, as well as an estimate for the amount of time necessary to complete the project. With that assumption in mind, please provide the following:

- a. Please confirm that the capital forecasts contained in Exhibit PG&E-3 include an estimate for AFUDC.
- b. Describe how PG&E calculates the amount of AFUDC that is included in a typical capital forecast.
- c. Provide detailed calculations showing how the included AFUDC amount was calculated for the following typical capital project: Stockdale – Replace Bank #3 (line #28 in the “Project Detail” tab of the “CapEx” workbook in the RO computer model).
- d. PG&E's RO computer model provides a mechanism for adjusting the AFUDC rate. However, DRA is not aware of a similar mechanism for adjusting other aspects of the AFUDC calculation, such as construction durations. In the event that DRA elects to change these other AFUDC components, how would DRA best recalculate the included AFUDC amounts and reflect those changes in the capital forecasts (and the RO model)?
- e. It is certainly possible that PG&E does not derive the included AFUDC amounts using the mechanism described previously (i.e. using an AFUDC rate and construction durations), but instead uses historical averages, historical percentages, or some other type of similar calculation. If PG&E uses some type of “historical-based” mechanism to derive the amount of AFUDC that is added to each

capital forecast, please provide a list (by MWC and sub-MWC) of the dollars and/or percentages that are used.

ANSWER 2 (A-C, E)

- a. The capital forecasts contained in Exhibit PG&E-3 do include an estimate for AFUDC.
- b. PG&E calculates the amount of AFUDC in a typical capital forecast is as follows:
 - (A) = Prior Month's Ending CWIP Balance
 - (B) = Current Month Ending CWIP Balance
 - (C) = (B) - (A) = CWIP activity for the month (C)
 - (D) = (A) + (.5*(C)) = CWIP base (D)
 - (E) = calculated AFUDC is monthly AFUDC rate * (D)
- c. PG&E prepares capital forecasts at a high level and at one total number which includes all capital-related costs, including AFUDC. It is not broken down between the component cost elements.
- e. PG&E does not use an "historical-based" mechanism to derive the amount of AFUDC that is added to each capital forecast as PG&E develops the capital forecasts at a high-level as described in Part c above.