

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

PG&E Data Request No.:	DRA_206-07a		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_206-Q07a		
Request Date:	March 12, 2010	Requester DR No.:	DRA-206-TLG
Date Sent:	April 1, 2010	Requesting Party:	DRA
PG&E Witness:	Redacted	Requester:	Tamera Godfrey

SUBJECT: ELECTRIC DISTRIBUTION OPERATIONS AND MAINTENANCE EXPENSES FOR MWC BF, BG, AND BK.

QUESTION 7A

PG&E forecasted \$1.701 million for Transformer Labor Reclassification in 2011 which is an increase of \$0.460 million or 37.07% over 2008 expenses of \$1.241 million.

- a) PG&E states that it “periodically reclassifies from capital to expense the labor required from removing and resetting transformers” from FERC account 368 (capital) to accounts 583 or 584 (expense) and applies the credit to MWC 16 and the debit portion to MWC BG. Provide the documentation that demonstrates this reclassification (i.e. provide the historical entries and specific dates the capital was recorded, the removal of the labor portion from the non labor portion of the capital project and from all related accounts/rate base, the credit to MWC 16, the debit of the expenses into MWC BG, and all references in testimony regarding this reclassification).

ANSWER 7A

PG&E periodically reclassifies from capital to expense the labor required for removing and resetting transformers. The amount of the reclassification depends upon two pieces of information:

- 1) The number of repaired transformers (by type of transformer, for example, single phase overhead, three phase subsurface, etc.); and
- 2) An average labor cost to install a transformer (the average labor cost is based on a 2004 PG&E study which estimates the average labor cost of installing a transformer by transformer type).

On a monthly basis, PG&E reviews the number of repaired transformers by type that are returned to stock for the prior month and assumes that 100% of the repaired transformers are installed. PG&E then prepares a journal entry to transfer labor costs

from capital (MWC 16, capital account 368) to expense (MWC BG, expense accounts 583 and 584) based upon a calculation of the number of repaired transformers (by type) multiplied by the applicable labor cost from the study. PG&E adjusts the average labor cost to reflect the labor wage increase for that year.

As discussed in Exhibit (PG&E-2), Chapter 14), plant in service is a component of rate base. As there are increases or decreases (in this case, a reduction to capital for the transformer labor reclassification) to plant in service, this also impacts rate base by the same net amount. The reduction to plant in service for this transformer labor reclassification (average of \$988 thousand per year for 2004 through 2008) is insignificant compared to the total rate base amount.

See the following attachments for the September 2008 journal entry and supporting detail for a demonstration of this transformer labor reclassification.

- GRC2011-Ph-I_DR_DRA_206-Q07aAtch01 – journal entry

GRC2011-Ph-I_DR_DRA_206-Q07aAtch02 – email request to process the journal entry and the supporting detail (count of transformers repaired by type and calculation of the reclassification amount)

References in the testimony regarding the transformer labor reclassification include:

- Exhibit (PG&E-3), Chapter 2, pages 2-38 and 2-39