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

PG&E Data Request No.:	DRA_272-03		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_272-Q03		
Request Date:	June 10, 2010	Requester DR No.:	DRA-272-DAO
Date Sent:	June 21, 2010	Requesting Party:	DRA
PG&E Witness:	Robert Fassett	Requester:	Dao Phan

EXHIBIT REFERENCE: PG&E-18, VOLUME 3B

SUBJECT: DIMP, GAS DISTRIBUTION O&M EXPENSES

QUESTION 3

On page 27-7 of the Rebuttal, PG&E states, "… in its report, PHMSA assumes the cost per mile for leak survey of mains to be $175 per mile whereas PG&E's historical costs are $599.78 per mile.

> "Another example is how the PHMSA study developed its estimated costs associated with DIMP risk mitigation."

a. Please provide a citation for and a copy of "the PHMSA study."

b. Please provide page citations for all statements on pg. 27-7 attributed to "the PHMSA study."

c. Please identify the source of the PHMSA assumed unit cost of $175 per mile and provide a copy of this source.

d. Please state what time period was utilized "for determining that "PG&E's historical costs are $599.78 per mile."

e. Please explain why that particular time period was utilized.

ANSWER 3

(Question a.): The PHMSA study (Regulatory Impact Analysis: Final Rule), referenced by DRA incorrectly as a FERC estimate (DRA-7, p. 8, fn. 14: 74 Fed. Reg. 63932), is attached (GRC2011-Ph-I_DR_DRA_272-Q03_att01). Please refer to table 7.2.1 (Assumptions Impacting Costs) on page 41 of the PHMSA study for the specific citations.

(Question b.): Please refer to section 7.2 (p. 40 to 61) of the PHSMA study.

(Question c.): Please refer to p. 41 of the PHSMA study; the costs are derived from industry sources.

(Question d.): The $599.57 per mile is PG&E's 2011 forecasted unit cost as stated on pages 17-19, 18-9, and 18-10 of Exhibit (PG&E-3). This forecasted unit cost is based on experience drawn from analysis of historical unit costs in 2008 and 2009, adjusted for atmospheric corrosion inspections and labor cost increases.

(Question e.): As stated on page 18-8 of Exhibit (PG&E-3),"[2008] unit cost was higher than historical costs, because changes in 2008 to improve leak detection increased the time needed to complete a survey." Given these changes in Leak Survey procedures during GEEM in 2008 and 2009, PG&E utilized the leak survey unit cost performance from those years as a basis to set the 2011 forecast. Using unit cost data from years prior to 2008 would be imprudent due to the significant differences in leak survey procedures.