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

PG&E Data Request No.:	DRA_270-01		
PG&E File Name:	GRC2011-Ph-I_DR_DRA_270-Q01		
Request Date:	June 9, 2010	Requester DR No.:	DRA-270-CKT
Date Sent:	June 22, 2010	Requesting Party:	DRA
PG&E Witness:	David S. Thomason	Requester:	Clayton Tang

EXHIBIT REFERENCE: EXHIBIT PG&E-18, VOLUME 8, CHAPTER 79 ATTACHMENT B

SUBJECT: ATTRITION YEAR CAPITAL EXPENDITURES BASED ON CPI

QUESTION 1

Please provide results (i.e., Table 1, Table 2, Appendix 1, and Appendix 2) from model "runs" using basically the same approach, modeling process, and model assumptions as discussed in Exhibit PG&E-18, Volume 8, Chapter 79 Attachment B but with the following starting points:

a. PG&E's request based on its December 21, 2009 application; and

b. The mid-point between PG&E's request based on its December 21, 2009 application and DRA's starting point.

ANSWER 1

Table 1, Table 2, Appendix 1, and Appendix 2 include results from model "runs" generated using the same approach, modeling process, and model assumptions as discussed in Exhibit PG&E-18, Volume 8, Chapter 79 Attachment B (Chap79B), but using as a starting point PG&E's request based on its December 21, 2009 application.

The following explains the results shown in the tables and appendices:

Applying an escalation factor of 2% to PG&E's requested 2011 test year revenue requirement of $6.688 billion results in an attrition increase of $134 million in 2012. Assuming non-capital expense items also increase by 2%, there would be $65 million of growth in non-capital operating expenses resulting in $69 million available to offset capital-related revenue requirement increases (taxes, depreciation and return).

However, given that there is already 2012 rate base growth driven by: 1) 2011 capital additions (assets in service for all of 2012 and only a portion of 2011) and 2) 2012 capital additions related to pre-2012 capital expenditures, PG&E could not reduce 2012 capital expenditures to a level low enough that would result in only $69 million of capital revenue requirement growth. In other words, if PG&E spent the full amount of its forecasted 2011 capital expenditures and then was provided with only a 2% revenue requirement increase in 2012, it could not earn its authorized rate of return even if it reduced its 2012 capital expenditures to zero. As indicated in Appendix 1, with zero capital expenditures in 2012, PG&E would need an attrition revenue requirement increase of $150 million, or 2.24%, in order to earn the authorized rate of return, assuming again that PG&E spent it's full 2011 capital forecast and its non-capital operating expenses increased by 2%.

Carrying this modeling exercise into 2013, because PG&E removed all capital spending from 2012 in order to try to stay within a 2% revenue requirement increase, there is no rate base growth in 2013 driven by 2012 capital expenditures. That leaves significant room for capital spending in 2013. As indicated in Appendix 1, even with the full amount of PG&E's 2013 capital expenditure forecast, PG&E would only need an attrition revenue requirement increase of $110 million, or 1.6%, in 2013.

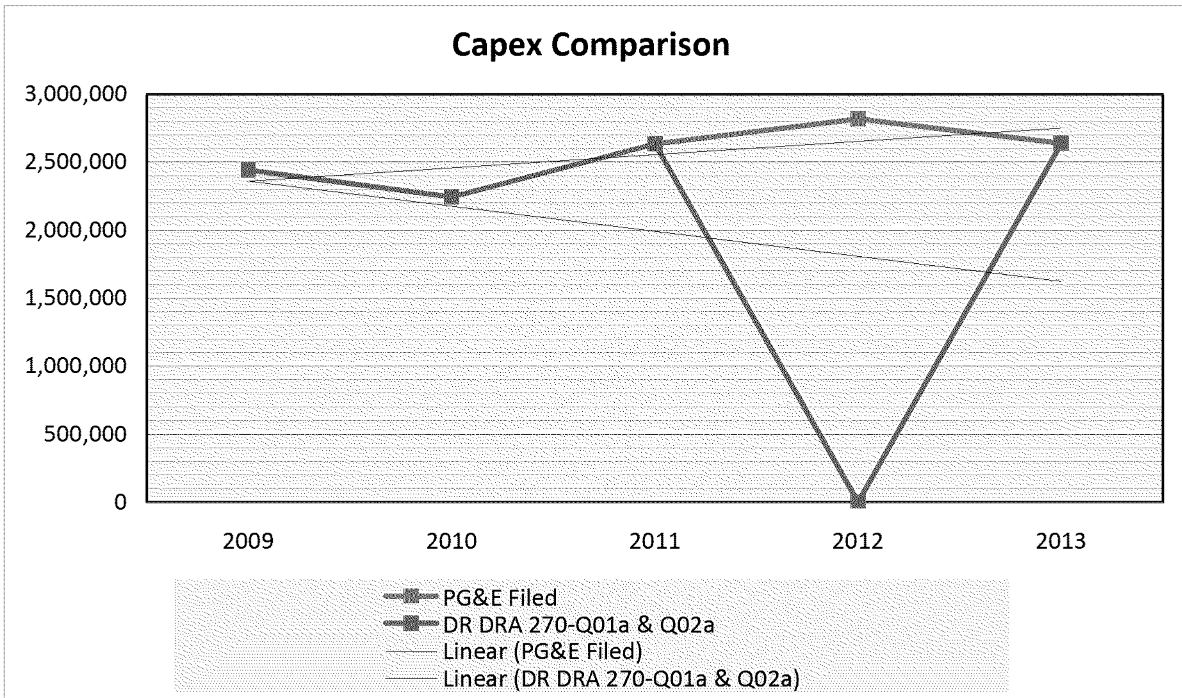
Obviously, this theoretical modeling exercise produces extreme results given the constraints under which we were running it, which required PG&E to assume full spending of its forecasted 2011 capital expenditures (using PG&E's request as the starting point) followed by zero capital expenditures in 2012 (assuming PG&E was trying to live within the 2% attrition increase). In reality, PG&E would likely move some capital expenditures from 2011 into 2012 and spend an amount in 2013 that was similar to the amounts spent in the previous two years. Instead then of the spending pattern shown in Table 2, PG&E would likely levelize capital spending at around $1.8 billion per year, which is the average amount funded over the 2011 through 2013 period under the modeled scenario. This amount is $800 million less than PG&E's 2011 test year capital expenditure forecast and $300 million less than the DRA's recommended test year capital expenditure amount.

Pursuant to a June 11th conversation between David Thomason and Clayton Tang, PG&E's response to part b of this question is pending DRA's review of the results of part a. If necessary, PG&E will supplement this data response with the requested tables and appendices showing model results using the assumptions described in part b.

Table 1 Capital Expenditures funding under PG&E's request and DR DRA 270-Q1a

GRC Capital Expenditure Forecast Comparison					*$000's*
	2009	**2010**	**2011**	**2012**	**2013**
PG&E Filed	2,441,435	2,243,238	**2,634,916**	**2,817,472**	**2,639,724**
DR DRA 270-Q01a & Q02a	2,441,435	2,243,238	**2,634,916**	**0**	**2,639,724**
DRA_270 Reduction from PG&E Filed	0	0	0	2,817,472	0
DRA_270 Attrition Years $ Reduction FromTest Year				2,634,916	-4,808
% of DRA_270 Test Year				0%	100%
$ Reduction From PG&E Test year				2,634,916	-4,808
% of PG&E Test year				0%	100%

Table 2 Capital Expenditures funding under PG&E's request and DR DRA 270-Q1a



Appendix 1

2011 CPUC General Rate Case (DataRequest DRA-270-CKT - 2012 0%, 2013 100%)

Results of Operations at Proposed Rates

TOTAL GRC

(Thousands of Dollars)

Line No.	Description	Test Year 2011	Attrition Year 2012 Increase	Attrition Year 2012 Total	Attrition Year 2013 Increase	Attrition Year 2013 Total	Line No.
		(A)	(B)	(C)	(D)	(E)	
	REVENUE:						
1	Revenue Collected in Rates	6,687,572	**150,086**	6,837,658	**110,003**	6,947,661	1
2	Plus Other Operating Revenue	150,448	-	150,448	-	150,448	2
3	Total Operatir	6,838,020	150,086	6,988,107	110,003	7,098,109	3
	OPERATING EXPENSES:						
4	Energy Costs	-	-	-	-	-	4
5	Production	575,669	11,513	587,182	10,687	597,869	5
6	Storage	3,565	71	3,636	66	3,702	6
7	Transmission	7,438	149	7,587	138	7,725	7
8	Distribution	855,785	17,116	872,900	15,887	888,787	8
9	Customer Accounts	494,655	9,893	504,548	9,183	513,731	9
10	Uncollectibles	19,390	426	19,816	312	20,128	10
11	Customer Services	14,924	298	15,222	277	15,499	11
12	Administrative and General	862,973	24,224	887,197	24,482	911,679	12
13	Franchise Requirements	54,286	1,184	55,470	875	56,345	13
14	Amortization	6,180	-	6,180	-	6,180	14
15	Wage Change Impacts	-	-	-	-	-	15
16	Other Price Change Impacts	-	-	-	-	-	16
17	Other Adjustments	74	8	82	133	215	17
18	Subtotal Expenses:	2,894,939	64,883	2,959,821	62,040	3,021,861	18
	TAXES:						
19	Superfund	-	-	-	-	-	19
20	Property	208,189	1,092	209,281	12,949	222,230	20
21	Payroll	105,918	2,118	108,037	1,966	110,003	21
22	Business	1,011	-	1,011	-	1,011	22
23	Other	4,400	-	4,400	-	4,400	23
24	State Corporation Franchise	116,070	5,848	121,917	(5,522)	116,395	24
25	Federal Income	487,034	9,342	496,376	(24,112)	472,264	25
26	Total Taxes	922,621	18,400	941,022	(14,719)	926,303	26
27	Depreciation	1,452,341	41,330	1,493,672	45,313	1,538,985	27
28	Fossil Decommissioning	40,786	-	40,786	-	40,786	28
29	Nuclear Decommissioning	-	-	-	-	-	29
30	Total Operatir	5,310,687	124,613	5,435,300	92,634	5,527,934	30
31	Net for Return	1,527,333	25,473	1,552,806	17,369	1,570,175	31
32	Rate Base	17,375,801	289,798	17,665,599	197,598	17,863,197	32

Appendix 2

2011 CPUC General Rate Case (DataRequest DRA-270-CKT - 2012 0%, 2013 100%)

TOTAL GRC

Rate Base - Attrition

(Thousands of Dollars)

		2011		2012			2013			
Line No.		Full Year	WAVG Year	Full Year	WAVG Year	WAVG Increase	Full Year	WAVG Year	WAVG Increase	Line No.
	PLANT IN SERVICE									
1	Beginning of Year	38,992,219	38,992,219	40,673,895	40,673,895	1,681,676	40,912,777	40,912,777	238,882	1
2	Net Additions	1,681,676	681,658	**238,882**	**74,151**	(607,507)	**2,387,800**	**981,446**	907,295	2
3	Total	40,673,895	39,673,878	40,912,777	40,748,046	1,074,169	43,300,577	41,894,223	1,146,176	3
	WORKING CAPITAL									
4	Material & Supplies - Fuel	379,680	379,680	379,680	379,680	-	379,680	379,680	-	4
5	Material & Supplies	173,002	173,002	173,002	173,002	-	173,002	173,002	-	5
6	Working Cash	57,371	57,371	57,371	57,371	-	57,371	57,371	-	6
7	Total	610,054	610,054	610,054	610,054	-	610,054	610,054	-	7
	TRA ADJUSTMENTS									
8	Capitalized Interest	4,862	3,872	4,862	4,862	990	4,862	4,862	-	8
9	Deferred Vacation	38,710	38,071	38,710	38,710	638	38,710	38,710	-	9
10	CIAC Deferral	444,291	430,789	444,291	444,291	13,502	444,291	444,291	-	10
11	Total	487,863	472,732	487,863	487,863	15,130	487,863	487,863	-	11
12	CUSTOMER ADVANCES	128,652	128,652	128,652	128,652	-	128,652	128,652	-	12
	DEFERRED TAXES									
13	Accum Def Taxes - Reg Asset	(33,037)	(36,427)	(33,037)	(33,037)	3,390	(33,037)	(33,037)	-	13
14	Accum Def Taxes - Fixed Assets	2,553,444	2,569,872	2,566,037	2,559,740	(10,131)	2,729,442	2,647,739	87,999	14
15	Accum Def Taxes - Other	-	-	-	-	-	-	-	-	15
16	Accum Def ITC	73,846	75,594	73,846	73,846	(1,748)	73,846	73,846	-	16
17	Deferred Taxes-Other	-	-	-	-	-	-	-	-	17
18	Total Deferred Taxes	2,594,253	2,609,038	2,606,846	2,600,549	(8,489)	2,770,250	2,688,548	87,999	18
	DEPRECIATION RESERVE									
19	Beginning of Year	20,200,860	20,200,860	21,026,955	21,026,955	826,094	21,875,371	21,875,371	848,416	19
20	Depreciation Expense	1,493,127	746,564	1,534,458	767,229	20,665	1,579,771	789,885	22,657	20
21	Net Salvage/Retirements	(667,033)	(304,252)	(686,042)	(343,021)	(38,769)	(707,028)	(353,514)	(10,493)	21
22	Total	21,026,955	20,643,172	21,875,371	21,451,163	807,991	22,748,113	22,311,742	860,579	22
23	RATE BASE	18,021,952	17,375,801	17,399,825	17,665,599	289,798	18,751,478	17,863,197	197,598	23