

From: Thomason, David S
Sent: 6/20/2011 6:41:34 PM
To: 'gurbux.kahlon@cpuc.ca.gov' (gurbux.kahlon@cpuc.ca.gov)
Cc: Horner, Trina (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TNHC);
'julie.fitch@cpuc.ca.gov' (julie.fitch@cpuc.ca.gov);
'eugene.cadenasso@cpuc.ca.gov' (eugene.cadenasso@cpuc.ca.gov);
'Donald.Lafrenz@cpuc.ca.gov' (Donald.Lafrenz@cpuc.ca.gov); Smith, Bruce T
(/O=PG&E/OU=Corporate/cn=Recipients/cn=BTS1); Fraser, Bruce
(/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BPF2); Redacted
Redacted; Redacted
Redacted

Bcc:

Subject: Energy Division Update

Gurbux,

In October 2010 PG&E was asked to provide information on requested, imputed, and recorded costs for each CPUC jurisdictional line of business for the period 2003-2009. In response, PG&E provided a series of schedules that showed requested funding levels, recorded costs and variances between these amounts at the *major work category level* for Gas Transmission, Gas Distribution, Electric Distribution, Generation and Customer Care. In addition, PG&E provided summary reports showing requested, settled (or imputed adopted amounts), and recorded costs at *the line of business levels* for the period 2003-2009.

As discussed at our meeting on May 20, 2011, subsequent to sending the original response PG&E has been reviewing and updating the information provided. Accordingly, attached is an updated version of those schedules incorporating several changes including the following:

- 1) Expanded the scope of the analysis to include 2000-2010
- 2) Adjusted the allocation of A&G costs from the GRC only portion to total Utility
- 3) Added imputed adopted funding amounts at the major work category level
- 4) Removed costs for projects funded outside of PG&E's General Rate Cases and Gas Accord cases
- 5) Corrected formula and typographical errors
- 6) Re-aligned data to ensure consistency across lines of business and major work categories

For the 2003-2009 period, PG&E had previously reported that it spent \$1,009 million more than the imputed adopted expense funding level and \$1,612 million more than the imputed adopted capital funding level. The updated analysis increases the expense over-spending amount by \$32 million and the capital over-spending amount by \$104 million. Including the additional years 2000-2002 and 2010, the analysis now indicates that over the 2000-2010 period PG&E spent \$1,439 billion more than imputed adopted expense funding levels and \$2,705 million more than imputed adopted capital funding levels.

Please feel free to contact me with any questions or requests related to this update. At your convenience, we would also be happy to sit down with your team again and walk through the changes and additional data points.

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Regards,

David Thomason

Pacific Gas & Electric Company

Director, Revenue Requirements and Analysis

Regulation and Rates

(415) 973-1720