



## ***2014 GRC NOI Summary***

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2014 GRC RRQ Increase (in millions)	
2014 GRC Request	\$8,079
2014 GRC Authorized and Pending	6,829
Increase over Revenue at Authorized and Pending Level	\$1,250

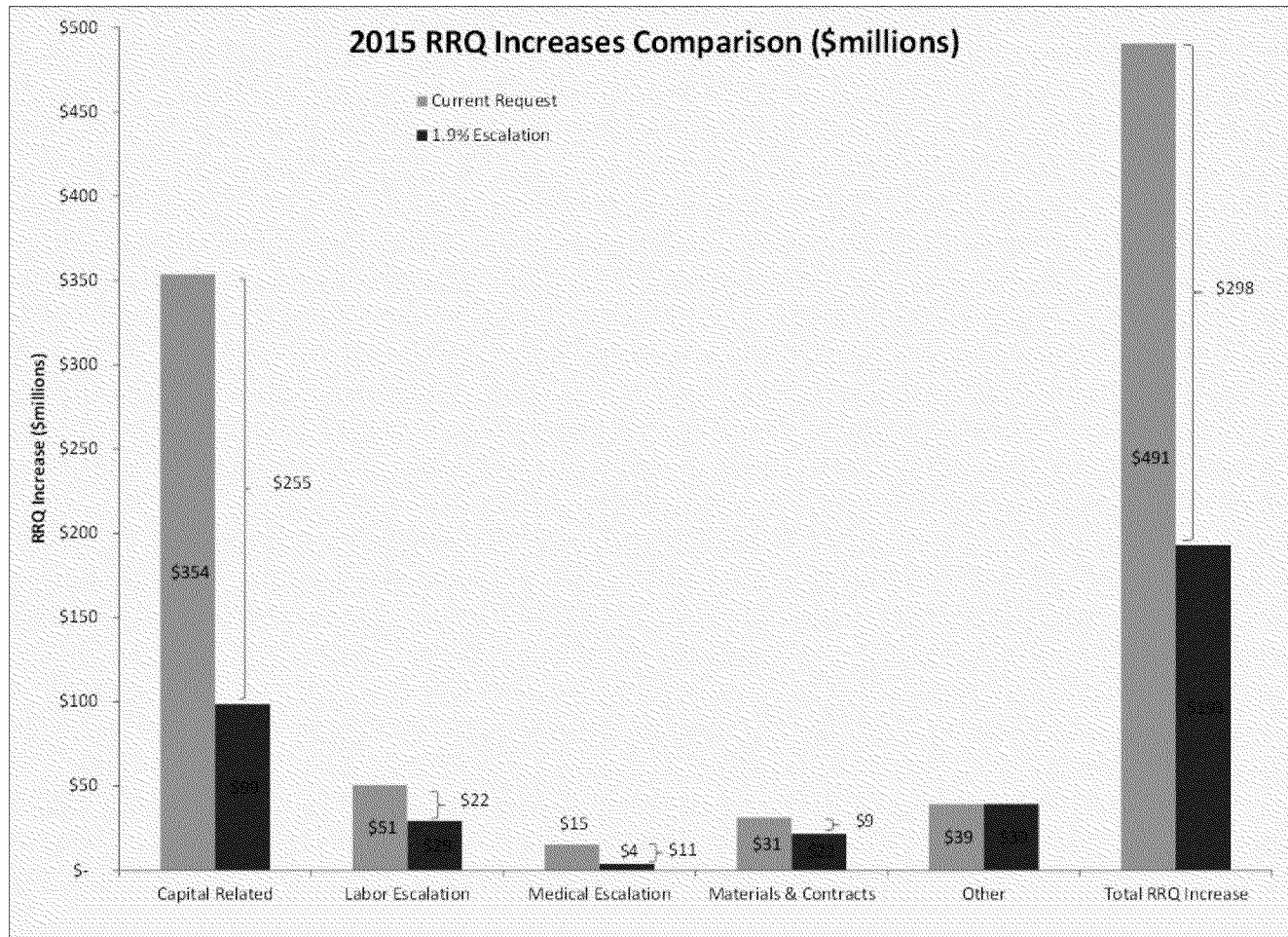
### Key drivers

- Investment to move gas distribution system and performance to industry “best practice” consistent with Senate Bill 705
- Continued investment in electric distribution infrastructure to improve the safety and reliability of the system and address identified risks
- Cost to comply with governmental regulations to address nuclear operations, hydroelectric relicensing conditions and potential risks to public safety
- Need for new customer connections and capacity-driven additions
- Improvements to customer service and education
- Recovery of costs for depreciation associated with PG&E’s plant investments

	GRC Total (millions)	Electric Distribution (millions)	Gas Distribution (millions)	Electric Generation (millions)
2014 GRC Retail Revenues Request	\$ 8,079	\$ 4,333	\$ 1,783	\$ 1,962
2015 Attrition Increase	\$ 491	\$ 220	\$ 201	\$ 69
2015 Attrition Revenues	\$ 8,570	\$ 4,553	\$ 1,984	\$ 2,031
2016 Attrition Increase	\$ 499	\$ 234	\$ 166	\$ 98
2016 Attrition Increase	\$ 9,069	\$ 4,787	\$ 2,150	\$ 2,129

## Mechanism

- Post test year revenue requirement increases are necessary in 2015 and 2016 in order to fund increases in:
  - Capital-related costs due to growth in rate base and depreciation expenses, irrespective of inflation
  - Operating expense cost escalation for labor, medical and materials and supplies
  - Gas leak survey repair costs (subject to balancing account treatment; any unspent funds would be returned to customers)
- PG&E proposes that revenue requirements for the attrition years be estimated using GRC-adopted expenses and capital additions for 2014; expense escalation rates would be set upon final Commission decision in the 2014 GRC proceeding
- Exogenous Adjustments - Revenue requirement changes associated with approved “Z-factor” events, defined as significant events that are beyond the utility’s ability to control and cause large changes in its cost structure



- **Additional Policy Testimony:** Safety, Risk, Human Resources
- **New Two-Way Balancing Accounts:**
  - Gas Leak Survey and Repair (\$151M)
  - Major Emergencies (\$56M)
  - FERC Relicensing for Hydro Facilities (\$20M)
  - Nuclear Regulatory Commission Mandated Measures on Nuclear Safety (\$18M)
- **SmartMeter:** Deployment is forecasted to be completed in 2012. SmartMeter benefits are included in LOBs' 2014 forecasts
- **Short-Term Incentive Program (STIP):** Non-officer level employees only
- **Depreciation:** Updated study. Increase in RRQ due to change in depreciation rates is \$499M



# O&M, Customer Service, and Other Expense Cost Driver Summary

LOB	Increase from 2014 Authorized & Pending (Millions of FERC Dollars)	Key Drivers
Electric Distribution	\$5	Vegetation Management, infrared inspection, improved records management and other technology improvements; increase is partially offset by efficiency improvement initiatives
Gas Distribution	171	Transition from a 5-year leak survey cycle to a 3-year leak survey cycle, improved gas odor response, improved preventive maintenance, training, Gas Ops technology improvements, etc.
Electric Generation	76	Nuclear dual refueling outage, Enterprise Risk Management measures, Fukushima-related regulatory requirements, FERC license conditions, etc.
<b>Sub-total O&amp;M</b>	<b>\$253</b>	
Customer Care	25	Account Services staffing increase to improve services for SMB customers, Contact Center enhancements, rate education and outreach
Other (Other Operating Revenues (OOR), FF&U, Taxes other than Income, Other Adjustments)	(30)	Increases in costs related to OOR programs, Franchise Fees, Uncollectibles, and Taxes Other Than Income is offset by revenue credits of \$125 million associated with DOE litigation and PG&E's Utility-Owned Generation PV Program.
<b>Total</b>	<b>\$291</b>	

Item	Increase from 2014 Authorized & Pending (Millions of FERC Dollars)	Key Drivers
Insurance	\$56	Increase in insurance costs driven by a variety of factors, including continued concerns about wildfire risk in California, the age of infrastructure following the San Bruno accident, and the major catastrophic losses that have occurred worldwide. (Net of capitalization)
Health Care Plan	52	Medical Cost increases due to medical cost inflation, and adjusted for incremental headcount. Increase is partially offset by increased employee medical contribution increase. (Net of capitalization)
Short Term Incentive Plan	27	Forecast escalation and increase in the number of employees participating in plan due to headcount growth. Zero STIP recovery requested for officer-level employees. (Net of capitalization)
IT, Shared Services, Corporate Services, Other	89	Primarily driven by cost escalation and Corporate Services increases to support additional headcount and the Company's Enterprise Risk Management Program.
<b>Total</b>	<b>\$224</b>	

Lines of Business	Total 2014 Forecast (In Millions)	Key Drivers
Electric Distribution	\$1,769	Replacement of aging infrastructure, customer growth and demand, enhanced electric system automation, asset management programs
Gas Distribution	840	Replacement of aging infrastructure, customer growth and demand, enhanced Gas Ops technology, valve monitoring and controlling functionality
Customer Care	189	Enhancement of customer education IT functionality, build out of Sacramento and Fresno Contact Centers, local office enhancements, electric and gas meter costs
Energy Supply	636	Replacement of aging infrastructure, hydro relicensing requirements, regulatory required work related to Fukushima review, Emergency Plan modifications, and new National Fire Protection standard
Shared Service/IT/Corporate Services	528	Replacing technology, data center life-cycle replacements, aging fleet, buildings; meeting new environmental standards; establishing an alternative emergency operation center outside of SF bay area
Total	\$3,963	





# Illustrative Electric Revenue Allocation By Customer Class

<b>Customer Class Bundled</b>	<b>Total Revenue at 3/1/12 Rates (000)</b>	<b>Proposed Illustrative Class Revenue (000)</b>	<b>Revenue Change (000)</b>	<b>Percentage Change</b>
Residential	\$5,152,860	\$5,475,133	\$322,272	6.3%
Small Light and Power	1,470,249	1,580,369	110,120	7.5%
Medium Light and Power	1,284,389	1,364,875	80,486	6.3%
E-19 Total	1,551,902	1,646,741	94,838	6.1%
Streetlights	69,889	73,133	3,244	4.6%
Standby	57,808	60,831	3,023	5.2%
Agriculture	870,309	930,310	60,000	6.9%
E-20 Total	<u>1,122,193</u>	<u>1,182,491</u>	<u>60,298</u>	<u>5.4%</u>
<b>Total Bundled</b>	<b>\$11,579,599</b>	<b>\$12,313,882</b>	<b>\$734,283</b>	<b>6.3%</b>



# Illustrative Gas Revenue Allocation By Customer Class

<b>Gas Customer Class</b>	<b>Revenues At Present (4/1/12) Rates (000)</b>	<b>Proposed Illustrative Revenue Allocation (000)</b>	<b>Revenue Change (000)</b>	<b>Percentage Change</b>
<b>Core Retail - Bundled Service</b>				
Residential	\$2,342,313	\$2,684,875	\$342,562	14.6%
Small Commercial	646,342	730,574	84,232	13.0%
Large Commercial	42,204	45,236	3,032	7.2%
Natural Gas Vehicle (Uncompressed Service)	11,080	11,261	182	1.6%
Natural Gas Vehicle (Compressed Service)	4,533	4,484	(48)	-1.1%
<b>Total Core Retail Bundled</b>	<b>\$3,046,472</b>	<b>\$3,476,431</b>	<b>\$429,958</b>	<b>14.1%</b>
<b>Noncore Retail - Transport-Only Service</b>				
Industrial Distribution	\$50,911	\$65,287	14,375	28.2%
Industrial Transmission	109,583	121,388	11,805	10.8%
Industrial Backbone	555	616	61	10.9%
Electric Generation - D/T	38,763	40,474	1,710	4.4%
Electric Generation - Backbone	26,858	28,043	1,185	4.4%
Natural Gas Vehicle (Uncompressed Service)	334	362	\$29	8.6%
<b>Total Noncore Retail</b>	<b>\$227,005</b>	<b>\$256,170</b>	<b>\$29,165</b>	<b>12.8%</b>

## Appendix



# Request Summary – Results of Operations View

**PACIFIC GAS AND ELECTRIC COMPANY**  
**SUMMARY OF PROPOSED INCREASE**  
**(MILLIONS OF NOMINAL DOLLARS)**

Line No.		1/1/2014 Authorized and Pending(a)	2014 Proposed	Difference
1	<u>Electric Distribution</u>			
2	Operation and Maintenance (O&M)	\$624	\$630	\$5
3	Customer Services	188	203	15
4	Administrative & General (A&G)	410	490	80
5	Less: Revenue Credits (Other Operating Revenues (OOR) & Wheeling)	(115)	(100)	14
6	Franchise Fees & Uncollectibles (FF&U), Other Adjs, Taxes Other than Income	70	116	46
7	Return, Taxes, Depreciation & Amortization	2,589	2,994	405
8	Retail Revenue Requirement	\$3,768	\$4,333	\$565
9	<u>Gas Distribution</u>			
10	O&M	\$241	\$412	\$171
11	Customer Services	146	156	10
12	A&G	199	263	64
13	Less: Revenue Credits (OORs)	(23)	(27)	(4)
14	FF&U, Other Adjs, Taxes Other Than Income	42	66	25
15	Return, Taxes, Depreciation & Amortization	719	912	193
16	Retail Revenue Requirement	\$1,324	\$1,783	\$459
17	<u>Electric Generation</u>			
18	O&M	\$558	\$635	\$76
19	Customer Services	—	—	—
20	A&G	197	277	80
21	Less: Revenue Credits (OORs & Resale)	(12)	(14)	(3)
22	FF&U, Other Adjs, Taxes Other than Income	43	(65)	(108)
23	Return, Taxes, Depreciation & Amortization	951	1,131	180
24	Retail Revenue Requirement	\$1,737	\$1,962	\$225
25	<u>Total</u>			
26	O&M	\$1,424	\$1,677	\$253
27	Customer Services	334	359	25
28	A&G	806	1,030	224
29	Less: Revenue Credits (OORs & Resale)	(149)	(142)	8
30	FF&U, Other Adjs, Taxes Other Than Income	155	117	(38)
31	Return, Taxes, Depreciation & Amortization	<u>4,259</u>	<u>5,037</u>	<u>778</u>
32	Subtotal Retail Revenue Requirement	<b>\$6,829</b>	<b>\$8,079</b>	<b>\$1,250</b>

These amounts include revenues from PG&E's 2011 GRC Decision 11-05-018, adjusted for 2012 and 2013 attrition. These amounts also include the 2014 revenue requirements associated with the Cornerstone Project (\$54M), Market Redesign and Technology Upgrade (\$16M), Fuel Cell Project (\$6M), Vaca Dixon PV Project (\$1M), the SmartMeter™ program (\$238M) and meter reading(\$76M). These amounts exclude pension costs.

<p>(PG&amp;E□1) Summary of PG&amp;E's 2014 General Rate Case</p>	<ul style="list-style-type: none"> <li>• Includes overall policy testimony on PG&amp;E's request, including testimony on PG&amp;E's safety and risk management programs.</li> <li>• Provides an executive summary of the case and revenue requirement forecast.</li> <li>• Explains the structure of the remaining exhibits.</li> </ul>
<p>(PG&amp;E□2) Results of Operations</p>	<ul style="list-style-type: none"> <li>• Presents the electric and gas distribution, and generation results of operations.</li> <li>• Translates the SAP view of costs presented in Exhibits (PG&amp;E□3) through (PG&amp;E□7) and (PG&amp;E-9) to the Federal Energy Regulatory Commission (FERC) account view required by the Rate Case Plan.</li> <li>• Presents the other technical cost chapters (e.g., taxes, rate base).</li> </ul>
<p>(PG&amp;E□3) Gas Distribution</p>	<ul style="list-style-type: none"> <li>• Describes PG&amp;E's policy on managing its gas distribution operations.</li> <li>• Describes the activities and costs incurred in operating, maintaining and constructing gas distribution assets.</li> <li>• Describes how proposed spending addresses safety-related risks.</li> </ul>
<p>(PG&amp;E□4) Electric Distribution</p>	<ul style="list-style-type: none"> <li>• Describes PG&amp;E's policy on managing its electric distribution operations.</li> <li>• Describes the activities and costs incurred in operating, maintaining and constructing electric distribution assets.</li> <li>• Describes how proposed spending addresses safety-related risks.</li> </ul>
<p>(PG&amp;E□5) Customer Care</p>	<ul style="list-style-type: none"> <li>• Describes PG&amp;E's policy on managing its distribution customer service functions.</li> <li>• Describes the activities and costs incurred in providing customer services to distribution customers.</li> </ul>
<p>(PG&amp;E□6) Energy Supply</p>	<ul style="list-style-type: none"> <li>• Describes PG&amp;E's policy on managing its energy supply operations.</li> <li>• Describes the activities and costs incurred in operating, maintaining and constructing generation assets.</li> <li>• Describes the activities and costs incurred to procure electricity and gas.</li> <li>• Describes how proposed spending addresses safety-related risks.</li> </ul>
<p>(PG&amp;E□7) Shared Services and Information Technology</p>	<ul style="list-style-type: none"> <li>• Describes PG&amp;E's policies on, and costs relating to, common support costs, such as fleet, materials, and building costs.</li> <li>• Describes PG&amp;E's policy on, and costs relating to, managing its information technology (IT) assets and processes, including cybersecurity.</li> </ul>
<p>(PG&amp;E□8) Human Resources Policies</p>	<ul style="list-style-type: none"> <li>• Describes PG&amp;E's HR policies, including those related to executive and non-executive compensation, benefits, diversity, training and hiring.</li> <li>• Includes the methodology relating to, and results of, the Total Compensation Study.</li> <li>• Describes PG&amp;E's costs relating to the Short-Term Incentive Plan and benefits.</li> </ul>
<p>(PG&amp;E□9) Administrative and General Expenses</p>	<ul style="list-style-type: none"> <li>• Describes PG&amp;E's Administrative and General (A&amp;G) costs, including Corporate Services department costs, costs of services provided by PG&amp;E Corporation, insurance, claims and other A&amp;G costs.</li> </ul>
<p>(PG&amp;E□10) General Report</p>	<ul style="list-style-type: none"> <li>• Presents general information supporting the cost exhibits (e.g., escalation rates).</li> <li>• Presents other information required by the Rate Case Plan including a summary of compliance requirements from various CPUC decisions.</li> <li>• Presents a master list of acronyms used throughout the case.</li> </ul>
<p>(PG&amp;E□11) Post-Test Year Ratemaking</p>	<ul style="list-style-type: none"> <li>• Presents PG&amp;E's proposed mechanism for cost recovery during the attrition years 2015 and 2016.</li> <li>• Presents the forecast of rate base growth for the attrition years.</li> </ul>