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ALJ	:	Pulsifer
Witness	:	Morse

DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for Pacific Gas and Electric Company General Rate Case Test Year 2014

Customer Care Costs

San Francisco, California
May 3, 2013

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SB_GT&S_0050065

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CUSTOMER CARE COSTS

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Division of Ratepayer Advocates (DRA) regarding Pacific Gas and Electric Company's (PG&E) forecasts of Customer Care operation and maintenance (O&M) expenses for Test Year (TY) 2014 and capital expenditures for 2012 through 2014.

Customer-related expenses are for work activities related to meter reading, meter operations and maintenance, customer records and collections expenses, uncollectible accounts expense, uncollectible account expense, factors field services, customer installations, customer outreach, late payment fees, and restoration for non-payment fees (reconnect charge).

PG&E's O&M activities and costs are grouped with similar types of work into a Major Work Category (MWC). PG&E's forecasts for MWC expenses are expressed in SAP nominal dollars. SAP dollars include certain labor-driven adders such as employee benefits and payroll taxes that are charged to separate Federal Energy Regulatory Commission (FERC) accounts. DRA's recommendations are made by MWC and SAP nominal dollars which are then translated into the appropriate FERC accounts through the Results of Operations (RO) model.

II. SUMMARY OF RECOMMENDATIONS

The following summarizes DRA's recommendations regarding Customer Care O&M expenses:

- To adopt DRA's recommendation for Customer Inquiry Assistance expenses of $96.4 million for 2014.
- To adopt DRA's recommendation for Office Services expenses of $31.5 million for 2014.
- To adopt DRA's recommendation that all Smart Meter Opt-Out expenses, revenues, and capital expenditures be booked in a one-way balancing account for the 2014-2016 GRC cycle.
- To adopt DRA's recommendation for Meter To Cash expenses of $108.0 million for 2014.

- To adopt DRA's recommendation for Metering expenses of $24.1 million for 2014.
- To adopt DRA's recommendation for Customer Energy Solutions expenses of $35.6 million for 2014.
- To adopt DRA's recommendation that Customer Retention activities continue to be recorded "below-the-line."
- To adopt DRA's recommendation for Information Technology Programs expenses of $3.5 million for 2014.
- To adopt DRA's recommendation for PG&E's Smart Meter Program to allow PG&E to recover Smart Meter implementation related revenue requirements up to the Commission allocated $2.306 billion through base rates only once PG&E has fully deployed its Smart Meter Program as called out by D. 06-07-027 and D. 09-03-026, and Commission staff has completed an independent audit of PG&E's Smart Meter-related costs as required by D. 11-05-018, Ordering Paragraph 19.

The following summarizes DRA's recommendations regarding Customer Care capital expenditures:

- To adopt DRA's recommendation for Customer Inquiry Assistance capital expenditures of $0 for years 2012-2014
- To adopt DRA's recommendation for Office Services capital expenditures of $0.6 million for 2012, $0 for 2013, and $0 for 2014.
- To adopt DRA's recommendation for Meter To Cash capital expenditures of $0 for years 2012-2014.
- To adopt DRA's recommendation for Metering capital expenditures of $112.1 million for 2012, $106.8 for 2013, and $110.1 for 2014.
- To adopt DRA's recommendation for Customer Energy Solutions capital expenditures of $44,000 in 2012, $112,000 in 2013 and $0 for 2014.
- To adopt DRA's recommendation for Information Technology Programs capital expenditures of $18.3 million for 2012, $11.6 million for 2013, and $10.5 million for 2014.

Table 13-1 compares DRA's and PG&E's TY2014 forecasts of Customer Care expenses:

Table 13-1
Customer Care Expenses by Chapter for TY2014
(In Thousands of Nominal Dollars)

Customer Care Chapter (a)	DRA Recommended (b)	PG&E Proposed[1] (c)	Amount PG&E>DRA (d=c-b)	Percentage PG&E>DRA (e=d/b)
Customer Inquiry Assistance	$96,463	$125,163	$28,700	30%
Office Services	31,560	34,189	$2,629	8%
Meter To Cash	108,013	137,375	$29,362	27%
Metering	24,096	75,022	$50,926	211%
Customer Energy Solutions	35,564	80,446	$44,882	126%
Customer Retention	0	1,500	$1,500	NA
Information Technology	3,464	8,200	$4,736	137%
Total	$299,160	$461,894	$162,734	54%

Table 13-2 compares DRA's and PG&E's 2014 forecasted incremental increases (from 2011 levels) in full time equivalent employees (FTEs):

Table 13-2
PG&E Requested Incremental Increases in Customer Care
Full Time Equivalent Employees (FTEs)

Customer Care Chapter (a)	DRA Recommended (b)	PG&E Proposed[2] (c)
Customer Inquiry Assistance	21	234
Office Services	0.5	11
Meter To Cash	11	182
Metering	5.5	43
Customer Energy Solutions	5	194
Customer Retention	NA	NA
Information Technology	NA	NA
Total	43	664

[1] Ex. PG&E-5, p.1-18.

[2] See PG&E's response to DRA_195-Q09.

Table 13-3
PG&E Estimated Historical Full Time Equivalent Employees for Customer Care

GRC		Estimated Average Headcount						Forecast
Chapter	Title	2007	2008	2009	2010	2011	2012	2014
2	Customer Inquiry Assistance	974	921	927	961	978	1,039	1,040
3	Office Services	296	294	293	283	283	271	296
4	Meter to Cash	721	640	611	621	624	632	722
5	Metering	1,309	1,283	1,184	1,022	324	326	863
7	Customer Energy Solutions	295	245	192	137	154	201	242
10	SmartMeter Program	(0)	0	(0)	(0)	(0)	0	-
	Total	3,595	3,383	3,207	3,023	2,362	2,470	3,163

Source: PG&E's response to DRA-Q08 see supp01.

Table 13-4 compares DRA's and PG&E's 2012-2014 forecasts of Customer Care capital expenditures

Table 13-4
Customer Care Capital Expenditures by Chapter for 2012-2014
(In Thousands of Nominal Dollars)

Chapter	DRA Recommended			PG&E Proposed[3]		
	2012	2013	2014	2012	2013	2014
Customer Inquiry Assistance	$0	$0	$0	$0	$0	$15,500
Office Services	569	0	0	223	0	3,980
Meter To Cash	0	0	0	603	0	9,011
Metering	112,139	106,793	110,077	116,953	127,954	128,209
Customer Energy Solutions	44	112	0	326	840	0
Information Technology Projects	18,310	11,592	10,476	15,978	13,800	33,400
Total	$131,062	$118,497	$120,553	$134,083	$142,594	$190,100

[3] Ex. PG&E-5, p. 1-19, Table 1-4.

III. GENERAL OVERVIEW

A. PG&E's Request

In general, PG&E's estimating method to forecast most of the TY 2014 Customer Care expenses was to use 2011 recorded expenses as the base year (after removing one-time and non-recurring costs), add planned or anticipated cost increases (including labor escalation), and deduct planned 2012 through 2014 cost-savings initiatives. PG&E used this method to forecast TY 2014 expenses for Customer Inquiry Assistance,[4] Office Services,[5] Meter to Cash,[6] Customer Energy Solutions,[7] and Metering.[8] For Information Technology Projects, PG&E proposes individual projects and forecasts expenses (and capital expenditures) with PG&E's concept estimating tool.[9]

PG&E's methodology to develop capital expenditures for 2012, 2013, and 2014 is predominately project based.[10] DRA numbers its workpapers to correspond with Ex. PG&E-5 Chapters.

B. PG&E's Presentation

PG&E's testimony often does not provide recorded 2011 expenses for specific activities where PG&E requests incremental increases for 2014. Rather, PG&E provides 2011 expenses by Chapter and MWC to forecast 2014. For example, PG&Es first incremental request in testimony of $1.6 million for "Training

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[4] Ex. PG&E-5, p. 2-21.

[5] Ex. PGE-5, p. 3-14.

[6] Ex. PG&E-5, p. 4-48.

[7] Ex. PG&E-5, p. 7-42.

[8] Ex. PG&E-5, p. 5-26.

[9] Ex. PG&E-5, p. 9-14.

[10] See Ex. PG&E-5, pp. 2-20 (Customer Inquiry Assistance), 3-14 – 3-15 (Office Services), p. 4-37 (Meter to Cash), p. 7-43 (Customer Energy Solutions), but see p. 5-26 (Metering) and p. 9-14 (Information Technology).

and Communication of CSRs"[11] does not provide 2011 recorded expenses for such activities. Further, DRA requested "average monthly training and training costs (in nominal dollars) for CSRs and team leads for the years 2007-2011 and forecasts for 2012-2014,"[12] PG&E provided only ongoing training, and included Smart Meter related training, which was apparently charged to the non-GRC balancing account MWC – IG.

PG&E's choice to only answer a portion of DRA's question, narrow the scope of the question, and relate the question to non-GRC activities, when not requested by DRA was a reoccurring theme during its discovery in this exhibit. This resulted in an inefficient use of time, and hindered DRA's investigation and evaluation of PG&E's request.

In this GRC, PG&E a made numerous changes to MWCs, Chapters, and Departments since the GRC 2011 filing adding to the complexity of PG&E's request. The table below summarizes PG&E's MWCs for the 2014 GRC compared to the MWCs in the 2011 GRC.

[11] Ex. PG&E-5, p. 2-9.

[12] PG&E's response to DRA_014-Q08

Table 13-5
2011 GRC Chapters and MWCs Compared to 2014 GRC Chapters and MWCs for Customer Care

2014 GRC Customer Care Chapter		2011 GRC Customer Care Chapter		2014 MWC	2011 MWC
1	Customer Care Policy	1	Customer Care Policy	N/A	N/A
2	Customer Inquiry Assistance	2	Customer Inquiry Assistance	DK	DK, FT
3	Office Services	3	Office Services	DK, EZ, IU	FT
4	Meter To Cash	8	Meter To Cash	AR, EZ, IS, IT, IU	DA, DB, FT, EV
5	Metering	5	Field Services and Dispatch and Scheduling	DC, DD	DC, DD
		6	Meter Purchase and Maintenance	EY, HY	EY, HY
		7	Read and Investigate Meters	AR	AR
6	Quality Assurance Program/Safety Net Program	15	Quality Assurance Program/Safety Net Program	N/A	N/A
7	Customer Energy Solutions (CES)	4	Customer Engagement	EZ, IV	EZ
		9	Customer Retention and Economic Development	FK	FK
		10	Demand – Side Management	GM	GM
		11	Clean Air Transportation		GM
		12	Non-Tariffed Products and Services	EL	EL
8	Customer Retention	9	Customer Retention and Economic Development	FK	FK
9	Information Technology Programs		Included in Shared Services Ex. PG&E-7	JV	N/A
10	Smart Meter Program	10	Smart Meter Program	N/A	N/A
		14	Direct Access and Community Choice Aggregation Service Fee	N/A	N/A

Source: 2011 MWCs data from: A. 09-12-020, Ex. PG&E-4, p. 2-14 (MWCs DK, FT), p. 3-11 (MWC FT), p. 4-34 (MWC EZ), p. 5-11 (MWCs DD, DC), p. 6-13 (MWCs EY, HY), p. 7-7 (MWC AR), p. 8-46 (MWCs DA, DB, FT, EV), p. 9-17 (MWC FK), p. 10-12 (MWC GM), 11-11 (MWC GM), 12-18 (MWC EL). 2014 MWCs from: Ex. PG&E-5, p. 2-22 (MWC DK), p. 3-15 (MWCs DK, EZ, IU), p. 4-50 (MWCs IS, IU, IT, EV, EZ, AR), p. 5-27 (MWCs AR, DC, DD, EY, HY), p. 7-43 (MWCs EL, EZ, FK, GM, IV), p. 8-10 (MWC FK), p. 9-14 (MWC JV).

C. Authorized vs. Recorded Expenses/Expenditures

In its decision resolving PG&E's 2011 GRC, the Commission ordered the utility to provide periodic compliance filings showing authorized and recorded expenses and capital expenditures, by Major Work Category (MWC), for electric distribution, electric generation, and gas distribution.[13] DRA provides the following historical comparison of authorized versus recorded capital expenditures for the MWCs addressed in this exhibit.

[13] Decision on Pacific Gas and Electric Company Test Year 2011 General Rate Increase Request (2011) D. 11-05-018, mimeo, Ordering Paragraph 42, at pp. 98-99.

Table 13-6
2007-2011 Authorized vs. Recorded Customer Care Expenses
(In Thousands of Dollars)

MWC		Year				
		2007	2008	2009	2010	2011
AB	Authorized	$315	$324	$324	$343	$0
	Recorded	$0	$0	$0	$0	$0
AR	Authorized	$100,795	$99,735	$92,388	$65,196	$0
	Recorded	$100,995	$100,864	$87,048	$73,632	$0
DC	Authorized	$13,131	$13,525	$13,920	$14,315	$1,376
	Recorded	$13,973	$14,606	$14,216	$15,055	$1,115
DD	Authorized	$10,501	$10,817	$10,336	$7,000	$10,565
	Recorded	$16,382	$17,186	$8,268	$4,739	$9,814
DK	Authorized	$79,655	$81,987	$83,971	$85,546	$101,434
	Recorded	$104,064	$100,871	$93,019	$98,822	$111,554
EL	Authorized	$1,177	$1,212	$1,248	$1,283	$4,004
	Recorded	$2,087	$3,092	$4,347	$3,843	$6,416
EY	Authorized	$15,363	$15,440	$14,773	$12,479	$21,870
	Recorded	$5,184	$5,306	$1,234	$3,934	$11,546
EZ	Authorized	$32,581	$33,560	$34,540	$34,785	$86,519
	Recorded	$17,749	$16,655	$10,722	$9,707	$17,424
FK	Authorized	$1,650	$1,700	$1,749	$1,799	$-
	Recorded	$3,089	$1,834	$1,461	$1,236	$600
GM	Authorized	$11,858	$12,214	$12,571	$12,928	$11,468
	Recorded	$9,797	$6,213	$3,793	$3,932	$3,377
HY	Authorized	$14,825	$15,270	$15,716	$16,162	$11,532
	Recorded	$12,328	$8,999	$2,818	$(2,544)	$9,872
IS	Authorized	$57,519	$59,581	$60,399	$74,569	$71,625
	Recorded	$69,367	$63,373	$56,702	$54,365	$68,172
IT	Authorized	$25,854	$37,879	$38,557	$21,432	$27,157
	Recorded	$32,484	$41,340	$38,851	$25,880	$24,569
IU	Authorized	$37,896	$32,177	$34,154	$39,648	$11,155
	Recorded	$32,064	$34,151	$31,759	$29,914	$32,365
IV	Authorized	$21,678	$17,548	$16,888	$13,307	$0
	Recorded	$24,414	$17,897	$13,386	$8,768	$10,473
EZ	Authorized	$0	$0	$0	$0	($670)
	Recorded	$0	$0	$0	$0	$0
FN	Authorized	$0	$0	$0	$0	($51)
	Recorded	$0	$0	$0	$0	$0
Total	Authorized	$424,796	$432,879	$431,535	$400,792	$357,984
	Recorded	$443,978	$432,387	$367,624	$331,284	$307,297
Recorded Minus Authorized		$19,182	($492)	($63,911)	($69,508)	($50,687)

Source: Authorized 2007-2010 data from Master Data Request 24 Customer Care, authorized 2011 data from Budget Report in Compliance with D. 11-05-018. Recorded 2007-2010 data from Master Data Request 24 Customer Care. Recorded 2011 from Ex. PG&E-5, Chapter 2 p. WP 2-1 (MWC DK), Chapter 3 p. WP 3-1 (MWC DK, EZ, IU), Chapter 4 p. WP 4-1 (MWC AR, EZ, IS, IT, IU), Chapter 5 p. WP 5-1 (MWC AR, DC, DD, EY, HY), Chapter 7 p. WP 7-1 (MWC EL, EZ, FK, GM, IV), Chapter 9 p. WP 9-1 (MWC JV).

Table 13-7
2007-2011 Authorized vs. Recorded Customer Care Capital Expenditures
(In Thousands of Dollars)

MWC	Year					
		2007	2008	2009	2010	2011
01	Authorized	$0	$0	$0	$0	$0
	Recorded	$0	$0	$0	$136	$400
05	Authorized	$0	$0	$0	$0	$1,439
	Recorded	$178	$177	$173	$261	$1,707
21	Authorized	$0	$0	$0	$0	$7,433
	Recorded	$4,172	$460	$218	$28	$4,401
22	Authorized	$0	$0	$0	$0	$0
	Recorded	$0	$0	$0	$0	$0
23	Authorized	$0	$0	$0	$0	$0
	Recorded	$1,246	$5	$4	$101	$112
25	Authorized	$27,723	$22,877	$25,193	$25,203	$20,418
	Recorded	$33,037	$34,256	$23,291	$23,708	$32,120
28	Authorized	$0	$0	$0	$0	$942
	Recorded	$0	$0	$0	$0	$216
74	Authorized	$32,530	$28,009	$30,359	$30,675	$68,264
	Recorded	$29,235	$32,967	$46,685	$63,198	$67,117
31	Authorized	$0	$0	$0	$0	$2,844
	Recorded	$0	$0	$0	$0	$0
Totals	Authorized	$60,253	$50,886	$55,552	$55,878	$101,340
	Recorded	$67,868	$67,865	$70,371	$87,432	$106,073
Recorded Minus Authorized		$7,615	$16,979	$14,819	$31,554	$7,577

Source: Authorized 2007-2010 data from Master Data Request 24 Customer Care, authorized 2011 data from Budget Report in Compliance with D. 11-05-018. Recorded 2007-2010 data from Master Data Request 24 Customer Care, recorded 2011 from Ex. PG&E-5 Chapter 2 p. WP 2-6 (MWC 23), Chapter 3 p. WP 3-5, (MWC 23), Chapter 4 p. WP 4-8 (MWC 21), Chapter 5 p. WP 5-22 (MWCs 01, 05, 25, 74), Chapter 7 p. WP 7-10 (MWC 28), Chapter 9 p. WP 9-28 (MWC 2F).

Table 13-8
Customer Care Recorded Adjusted Expenses
(In Thousands of Nominal Dollars)

	2007	2008	2009	2010	2011	2012	2014
Total Expense (including Meter Reading)	$448,291	$439,116	$374,597	$334,896	$383,866	$405,445	$461,312
Total Expense (excluding Meter Reading)	$347,296	$338,254	$287,548	$266,262	$310,841	$334,989	$426,083[14]

Source: Total expense including Meter Reading, PG&E's response to DRA_195Q03 see Atch01, and total expenses excluding meter reading from Ex. DRA-13 WP 1-1.

Note: PG&E's 2014 Ex. PG&E-5 expense forecast is net of $29.3M[15] incremental 2011 to 2014 Smart Meter benefits (assuming full implementation excluding Meter Reading benefits), and $73.8[16] million incremental 2011 to 2014 for Meter Reading for a total Ex. PG&E-5 incremental 2011 to 2014 of $103.1 million ($29.3 + $73.8), PG&E's 2014 request removing Smart Meter Benefits would be approximately $566.4 million or approximately 48% above 2011 recorded expenses (including meter reading).[17]

Table 13-9
Customer Care Historical and Recommended/Requested Expenses Excluding Meter Reading Expenses
(In Thousands of Nominal Dollars)

Three Year Average (2009-2011) (a)	DRA 2014 Recommendation (b)	PG&E 2014 Request (c)	Percentage DRA>2009-2011 Average (f=b/a)	Percentage PG&E>2009-2011 Average (e=c/a)
$288,217	**$294,348**	**$426,083**	**102%**	**148%**

Source: See Ex. DRA-13 WP 1-1.

14 See Ex. DRA-13, WP 1-1.

15 Ex.PG&E-5, p. 10-7, lines 4,5,7,10,11,12,14,15,17,19.

16 Ex. PG&E-5, p. 10-7, line 3.

17 See Ex. DRA-13, WP 1-1.

Table 13-10
Customer Care Recorded Adjusted Capital Expenditures 2008-2012 Recorded and 2013-2014 Forecasted
(In Thousands of Nominal Dollars)

	2007	2008	2009	2010	2011	2012	2013	2014
Total Capital Expenditures	$280,313	$336,625	$615,240	$622,858	$272,247	$182,086	$176,094	$190,099
Total Capital Expenditures (excluding SmartMeter Implementation)	$66,873	$84,004	$96,227	$114,080	$113,858	$131,679	$142,594	$190,099

Source: 2007-2012 recorded data from PG&E's response to DRA_195-Q04 see Atch01, 2013 and 2014 forecast from Ex. PG&E-5 Chapter 1 p. 1-19, lines 9, 10.

IV. DISCUSSION / ANALYSIS OF CUSTOMER INQUIRY ASSISTANCE

This section discusses PG&E's expense and capital requests for its Customer Inquiry Assistance Program. PG&E's Customer Inquiry Assistance Program consists of PG&E's five contact centers, the Workforce Management (WFM) group, the Escalated Complaints Management (ECM) group, and the Customer Care Compliance group.[18] PG&E says that its Customer Inquiry Assistance Program is "…the Company's primary method of direct communication with its customers enabling PG&E to provide information to customers, listen to customer feedback, respond to customer requests, and improve public safety communications.[19]

The following tables summarize PG&E's request and DRA's recommendation for the MWCs within Customer Inquiry Assistance in PG&E's 2014 forecast.

[18] Costs associated with customer payment and non-payment transactions handled at PG&E's 75 local offices are discussed below, in Section V. Office Services.

[19] Ex. PG&E-5, p. 2-1, lines 25-28.

Table 13-11
Customer Care Expenses for TY2014
Customer Inquiry Assistance
(In Thousands of Nominal Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[20] (c)
MWC DK	$96,439	$125,163
Total	$96,439	$125,163

Table 13-12
Customer Care Capital Expenditures for 2012-2014
Customer Inquiry Assistance
(In Thousands of Dollars)

Description	DRA Recommended			PG&E Proposed[21]		
	2012	2013	2014	2012	2013	2014
MWC 23	$0	$0	$0	$0	$0	$15,500
Total	$0	$0	$0	$0	$0	$15,500

A. Expenses

For 2014, PG&E requests $125.2 million in expenses associated with Customer Inquiry Assistance, while in 2011 the expenses were $102.3 million, which is an incremental expense increase of $22.9 million or 22%.[22] DRA recommends $96.4 million for 2014, $5.8 below 2011 recorded expenses,[23] an adjustment of $28.8 million to PG&E's request. DRA's recommendation is mainly the result of several factors: First, DRA forecasts higher Interactive Voice Response (IVR) take rates than PG&E does in light of PG&E's implementation of the $20.5 million[24]

[20] Ex. PG&E-5, workpapers, p. WP 2-1.

[21] Ex. PG&E-5, p.2-20.

[22] Ex. PG&E-5, p. 2-3.

[23] See Ex. DRA-13, WP 2-4.

[24] See PG&E's response to DRA_171-Q06.

Contact Center Refresh IT project and higher 2012 IVR take rates than forecasted by PG&E. This results in $1.2 million in savings. Second, DRA's forecast does not include PG&E's proposed increase of $1.8 million for increased supervision and support due to PG&E adding no supervisors in this area from 2011-2012.[25] Third, DRA forecasts a reduction in expenses due to PG&E's lack of need for capital related to the Customer Contact projects of $1.2 million. Fourth, DRA rejects PG&E's proposed increase in labor due to increases in average handle time. Fifth, DRA rejects PG&E's request to increase the average speed of answer time at its contact centers. DRA's forecast includes an increase of $7.6 million for escalation in labor and non-labor costs based on its recommendations.[26]

Table 13-13
Customer Care Recorded Adjusted Expenses 2007-2012 and PG&E Forecasted 2014
Customer Inquiry Assistance
(In Thousands of Nominal Dollars)

MWC	2007 (a)	2008 (b)	2009 (c)	2010 (d)	2011 (e)	2012 (f)	2014 (g)	(h)=g-e	(i)=h/e
DK	$93,583	$90,975	$83,288	$88,122	$102,299	$105,153	$125,162	$22,863	% 22
EZ		$410	$1,044						
Total	$93,583	$91,385	$84,332	$88,122	$102,299	$105,153	$125,162	$22,863	% 22

Table 13-14
2007-2012 Recorded Adjusted Data for Manage Customer Inquiries (MWC DK)
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC DK	$93,853	$90,975	$83,822	$88,122	$102,299	$105,133

Source: 2007-2011 data from Ex. PG&E-5, WPs p. 2-1. 2012 data from PG&E's response DRA_108-Q4 see Atch01.

[25] PG&E's response to DRA_125-Q07, see Atch01.

[26] Ex. DRA-13, WP 2-4.

Below, DRA addresses PG&E's forecasts for incremental expenses in Ex. PG&E-5, Chapter 2 on a per increase (or decrease) basis.

Table 13-15
PG&E's Requested Incremental Increases/Decreases, DRA's Recommended Incremental Increases/Decreases and Totals For Customer Inquiry Assistance
(in Thousands of Nominal Dollars)

NO.	PG&E Requested Incremental Increases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incrementa	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5	Reference Ex. DRA-13 Workpapers
	MWC DK - Manage Customer Inquiries	$ 102,299						p. 2-3 Table 2-1	
1	Training		$ 1,586		$ -		$ 1,586	p. 2-9, line 20	
2	Cust Access Improvements		5,941		-		5,941	p. 2-9, line 29	
3	Supervision		1,796		-		1,796	p. 2-10, line 17	
4	Cust Advocacy Team		1,770		1,770		-	p. 2-11, line 5	
5	Average Handle Time		11,241		-		11,241	p. 2-12, line 2	
6	New Hire Wage Rate Savings		(6,471)		(6,471)		-	p. 2-12, line 17	
7	Repeat Call Reduction		(2,040)		(1,706)		(334)	p. 2-12, line 26	
8	Self-Service Option Improve Savings		(3,269)		(4,531)		1,261	p. 2-13, lines 6, 20	WP 2-2, 2-3
9	Peak Day Pricing Costs		278		-		278	p. 2-14, line 30	
10	Peak-Time Rebate Costs		4,596		-		4,596	p. 2-15, line 20	
11	Contact Center Staffing and Facilities		1,218		-		1,218	p. 2-16, line 6	
12	Smart Meter Benefits		(2,442)		(2,442)		-	p. 2-16, line 19	
13	Escalation		8,694		7,555		1,139	p. 2-16, line 31	WP 2-4
	Contact Centers Total	$ 99,829	$ 22,899	$ 122,728	$ (5,825)	$ 96,474	$ 28,724	p. 2-3 Table 2-1	
14	Escalated Complaints Man Reduction	$ 2,037	$ (380)	$ 1,657	$ (380)	$ 1,277	$ -	p. 2-17, line 22	
15	Customer Privacy Risk Management	$ 433	$ 345	$ 778	$ 345	$ 1,123	$ -	p. 2-19, line 20	
	Total Chapter 2 Cust Inquiry Assistance	$ 102,299	$ 22,864	$ 125,163	$ (5,860)	$ 96,439	$ 28,724	p. 2-3 Table 2-1	WP 2-4

1. Training and Communication for Customer Service Representatives (CSRs)

For 2014, PG&E forecasts an incremental increase of $1.6 million over 2011 recorded expenses for increased training for Customer Service Representatives (CSRs.)[27] DRA recommends no incremental ratepayer funding in 2014 for increased training in 2014.

PG&E states that there has been increasing complexity of calls requiring more training for CSRs. Drivers that can increase call complexity include "…new tariffs, the significant increase in customer information associated with the implementation of Smart Meter devices, changes to credit policies that require additional information, topics such as community choice aggregation and other

[27] Ex. PG&E-5, p. 2-9, workpapers, p. 2-32.

complex topics."[28] PG&E's cost estimate is based on implementing training for 1,020 CSRs.[29] PG&E's 2011 yearly average Active Bargaining Unit headcount was 910.[30] PG&E states that "The two additional hours of training for CSRs in 2014 is intended to improve the customer experience and positively contribute to PG&E's repeat call reduction initiative, which is forecasted to save $2M."[31]

PG&E identified increases in training for new hires as contributing to the increased total labor costs.[32] However, a report performed by Boston Consulting Group (BCG) in 2010,[33] which evaluated PG&E's customer contact center performances, identified different approaches to training that could result in overall improvement without requiring increased ratepayer funding. The BCG report noted the following potential initiatives:[34]

- Provide additional soft skill training and increase consistency across agents
- Deliver training in needs-based model
- Provide additional facilitated ongoing training for CSRs
- Shift from initial training or self-paced training and determine whether current level of multi-skilling is optimal
- Develop and utilize training effectiveness measures
- Ingrain common understanding of the perfect call across teams and levels

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[28] Ex. PG&E-5, p. 2-9, lines 9-13.

[29] Ex. PG&E-5, WP 2-33.

[30] See PG&E's response to DRA_014-11.

[31] See PG&E's response to DRA_014-08.

[32] See PG&E's response to DRA_014-05.

[33] See PG&E's response to DRA_014-Q13.

[34] PG&E's response to DRA_14-Q13, see Atch02, p. 29, 30.

- Build learning's from analysis of top-performing agents into training curriculum
- Upgrade staffing system capabilities to allow real time training scheduling during periods of low demand (i.e. removing agents from phone for online training modules delivered on desktop)

BCG has identified several potential improvements through these potential initiatives which could be implemented with a shift in procedures and without incremental funding. BCG states that PG&E's training is "front loaded for new hires."[35] The BCG report identified that in PG&E's initial training was 2.6 times comparable benchmarks and ongoing training was 0.6 times comparable benchmarks.[36] One of BCG's potential initiatives is to develop and utilize training effectiveness measures. Evaluation of the effectiveness of PG&E's training highlights the notion that more refined training could be more effective than simply increasing the hours of training.

BCG noted that PG&E can more efficiently train employees by allowing CSRs to access online training, "allow real time training scheduling during periods of low demand (i.e. removing agents from phone for online training modules delivered on desktop)."[37] Implementing this BCG initiative CSRs would still be available to answer calls if customer demands change, effectively reducing the amount of training hours needed due to process improvements.

BCG recommended that PG&E "deliver training in needs-based model."[38] This is a process change which recognizes that training is not "one size fits all" but rather driven by the needs of the employee. A needs based model could reduce the amount of training hours by shifting training hours to those employees who need more, from those who need less training to be effective.

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[35] PG&E's response to DRA_14-Q13 see Atch02, p. 13.

[36] PG&E's response to DRA_14-Q13 see Atch02, p. 74.

[37] PG&E's response to DRA_14-Q16 see Atch02, p.29.

[38] PG&E's response to DRA_014-Q13 see Atch02, p. 29.

DRA recommends no incremental funding for CSR training. DRA recommends that PG&E use embedded funding for training more effectively such as using and applying the initiatives identified by BCG. These include shifting "front loaded" new hire training to more ongoing training, "allow(ing) real time training scheduling during periods of low demand (i.e. removing agents from phone for online training modules delivered on desktop),"[39] focusing on more effective training, and "deliver(ing) training in needs-based model"[40] Implementing these BCG initiatives effectively offsets the incremental increases in training requested by PG&E in 2014, and allows PG&E to provide increased ongoing training as needed. This, in turn, should contribute positively to PG&E's stated goals of faster call resolution and fewer repeat calls.[41]

2. Customer Access Improvements

For 2014, PG&E forecasts an incremental increase of $5.9 million over 2011 recorded expenses for MWC DK.[42] DRA recommends no incremental ratepayer funding in 2014 for customer access improvements.

PG&E proposes lowering the "2011 average speed of answer (ASA) of 59 seconds to the first quartile performance target of 28 seconds."[43] To do so, PG&E includes in its forecast the costs of "approximately 68 additional CSRs."[44]

In response to a data request, PG&E stated that its actual ASA in 2011 was 32 seconds, a second quartile performance in benchmarking, and 27 seconds faster

[39] PG&E's response to DRA_14-Q16 see Atch02, p.29.

[40] PG&E's response to DRA_014-Q13 see Atch02, p. 29.

[41] See Ex. PG&E-5, p. 2-9.

[42] Ex. PG&E-5, p. 2-9.

[43] Ex. PG&E-5, p. 2-9, lines 26-27.

[44] Ex. PG&E-5, p. 2-9, line 29.

than the 2011 utility average of 59 seconds.[45] To reach its goal of a 28 second ASA in 2014 requires a mere four-second difference. For this four-second difference, PG&E seeks to add 68 employees at an expense of $5.9 million. DRA recommends the Commission reject this request.

First, "The CPUC has not adopted an Average Speed of Answer (ASA) requirement. However, the CPUC has adopted a Telephone Service Level (TSL) standard requiring that PG&E answer 80 percent of calls within 20 seconds."[46] As shown below, PG&E has been in compliance with the Commissions standard TSL and increased the TSL in recent years.

Table 13-16
Yearly Historical Telephone Service Level (TSL) 2007-2012 and Calculations
Customer Inquiry Assistance

	Calls in 20 Seconds			Total Calls Handled			Calls in 20 / Total Calls
Year	CSR Calls in 20 (sec) +	Tech Calls in 20 (sec) =	Total Calls in 20 (sec)	Total CSR Calls Handled +	Total Tech Calls Handled =	Total Calls Handled	Board TSL % Calc
2007	6,741,337	5,782,024	12,523,361	9,722,889	5,782,024	15,504,913	81%
2008	6,341,524	9,058,352	15,399,876	9,924,916	9,118,788	19,043,704	81%
2009	5,727,290	9,119,200	14,846,490	9,205,751	9,119,200	18,324,951	81%
2010	5,735,810	9,866,150	15,601,960	9,182,818	9,866,150	19,048,968	82%
2011	6,469,752	8,992,425	15,462,177	9,505,587	8,992,425	18,498,012	84%
2012	6,610,865	8,468,666	15,079,531	9,384,224	8,472,500	17,856,724	84%

Board TSL % Calculation
(CSR Calls Handled in 20 seconds + Tech Calls Handled in 20 seconds)/ Total calls handled

Source: PG&E's response to DRA_125-Q12 see Atch01.

Second, PG&E already has the capability to use Virtual Hold Technology (VHT).[47] If the customer chooses to use it, this feature dramatically reduces the time a customer actually spends on the phone waiting. Also, the implementation of the Contact Center Refresh (further explained below), forecasted by PG&E to be

[45] See PG&E's response to DRA_232_01.

[46] See PG&E's response to DRA_014-Q09.

[47] VHT is a call-back function that holds caller's place in quene.

operational in Q4 2013,[48] will allow PG&E to better manage the customer queue and increase "…operational efficiencies and Service Level ("SL") attainment due to increases in IVR resolution rate."[49] The increase in interactive voice response (IVR) systems will drive a reduction in CSR handled calls allowing the 2011 level of staffing to answer calls more quickly.

DRA recommends zero incremental funding for PG&E's request for an additional 68 CSRs. At its current staffing level, PG&E is well above the Commission adopted Telephone Service level of 80%, and should be expected to remain at that level or higher with the completion of the Contact Center Refresh in 2013.

3. Increased CSR Supervision and Support

For 2014, PG&E forecasts an incremental increase of $1.8 million over 2011 recorded expenses for increased CSR supervision and support.[50] DRA recommends no incremental ratepayer funding in 2014 for increased customer service representative (CSR) supervision and support.

PG&E forecasts 16 additional supervisors from 2011 to 2014. PG&E asserts that "the added leadership will provide increased coaching and counseling support for CSRs, which will expand CSRs soft skills, enhance employee engagement, and improve CSRs interaction with customers."[51] PG&E says that the added leadership will improve CSR interaction with customers which "…will help increase customer

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[48] See PG&E's response to DRA_171-Q07.

[49] See PG&E's response to DRA_125-Q21 p. 2.

[50] Ex. PG&E-5, p. 2-10.

[51] Ex. PG&E-5, p. 2-10, lines 13-17.

satisfaction."[52] However, "PG&E has not forecasted benefits associated with its request for additional leadership for CSRs."[53]

Table 13-17
Yearly Historical Telephone Service Level (TSL) 2007-2012 and Calculations
Customer Inquiry Assistance
Contact Center - Supervisor to FTE Ratios

Year	FTE*	Average number of Supervisors	Supervisor Ratio
2007**	817	42	19 to 1
2008	767	46	17 to 1
2009	781	49	16 to 1
2010	781	57	14 to 1
(base year) 2011	795	58	14 to 1
2012	895	58	16 to 1

*Data comprised of the following Bargaining Unit job classes: Service Representatives, Utility Clerks, SEL representatives, and team leads
**2007 Supervisor count Imported from previous filing

Source: PG&E's response to DRA_125-Q07 see Atch01.

PG&E improved the "agent (FTE) to supervisor" ratio from 2007 to 2011, and then in 2012 PG&E added 100 FTE CSRs, Utility Clerks, smart energy line (SEL) representatives and team leads, yet added zero supervisors.[54] From data provided by PG&E it appears that "team leads" provide a leadership role.[55] Later in the BCG report "team leads" are referred to as "leadership."[56](In the data presented by PG&E team leads are captured as FTEs supervised).

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[52] Ex. PG&E-5, p. 2-10.

[53] See PG&E's response to DRA_014-Q10.

[54] See, PG&E's response to DRA_125-Q07Atch01.

[55] In the data presented by PG&E in (*PG&E's response to DRA_125-Q07 see Atch01*) team leads are "captured" as "FTEs supervised." BCG referred to "Team Leads" as supporting function personnel (PG&E's response to DRA_014-Q13 see Atch02, p. 48.)

[56] PG&E's response to DRA_014-Q13 see Atch01.

If PG&E is truly committed to "continuously innovating to improve [PG&E's] customer service[57] then it should have acted on this idea in 2011 or 2012, rather than waiting until TY 2014 to act. PG&E's inaction on increasing supervision for CSRs to date, suggests that even PG&E does not consider it to be critical and necessary to providing safe and reliable customer service.

In any event, the implementation of the Contact Center Refresh PG&E will result in "improved caller authentication and improved call targeting"[58] which in turn will result in calls being handled more efficiently, resulting in fewer employees. For these reasons DRA recommends zero incremental funding to support additional supervisor positions for 2014.

4. Customer Advocacy Team

For 2014, PG&E forecasts an incremental increase of $1.8 million over 2011 recorded expenses for the Customer Advocacy Team (CAT).[59] DRA accepts PG&E's request for incremental funding for the Customer Advocacy Team.

In 2011, PG&E created the Customer Advocacy Team (CAT), which is a group of specially trained agents responsible for handling "customer concerns and resolving complex or sensitive issues."[60] CSRs refer cases to the CAT which, since its creation, has intervened on 896 cases…and closed 93% of these cases.[61] PG&E states that the CAT is also responsible for reaching out to customers who rate their Post Call Survey less than 2, on a scale of 1 to 5, yet only 45% of these customers have been contacted due to limited staffing.[62]

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[57] Ex. PG&E-5, p. 1-1, lines 12-13.

[58] Ex. PG&E-5, WP 9-104.

[59] Ex. PG&E-5, p. 2-11.

[60] Ex. PG&E-5, p. 2-10, lines 22-23.

[61] Ex. PG&E-5, p. 2-10, lines 27-30.

[62] Ex. PG&E-5, p. 2-10, lines 28-29.

PG&E's workpaper which contained its forecast for the incremental increases was so "bare bones," DRA requested a more detailed workpaper in during discovery. PG&E's response is provided in the following table.

Table 13-18
Contact Center - Customer Advocacy Team (CAT) Costs
Customer Inquiry Assistance

2014 Assumptions:

	9/2011 - 12/2011
CSR Post Call Surveys (PCS) taken	176,315
Ratings < 2	5,751
Ratings < 3	8,655
CAT headcount	11
CAT outreach	2,066
Outreach rate	36%
Calls per CSR	188

	2014 Estimate
Target Customers	Ratings < 3
Target Outreach rate	65%
Target Outreach	5,626
2014 CAT headcount	30
Incremental headcount required	**19**

Source: PG&E's response to DRA_125-Q08 see Atch01

Although PG&E's request is not strongly supported, DRA accepts PG&E's addition to the CAT as PG&E has included incremental decreases to 2011 expenses for repeat calls associated with its request.[63]

5. Average Handle Time Increases

For 2014, PG&E forecasts an incremental increase beyond 2011 recorded expenses of $11.2 million.[64] DRA recommends no incremental ratepayer funding for PG&E's forecasted average handle time increases (AHT) in 2014.

PG&E says that AHT is trending up and that PG&E "expects AHT to continue to increase in 2014 and beyond."[65] PG&E further states that AHT has increased an

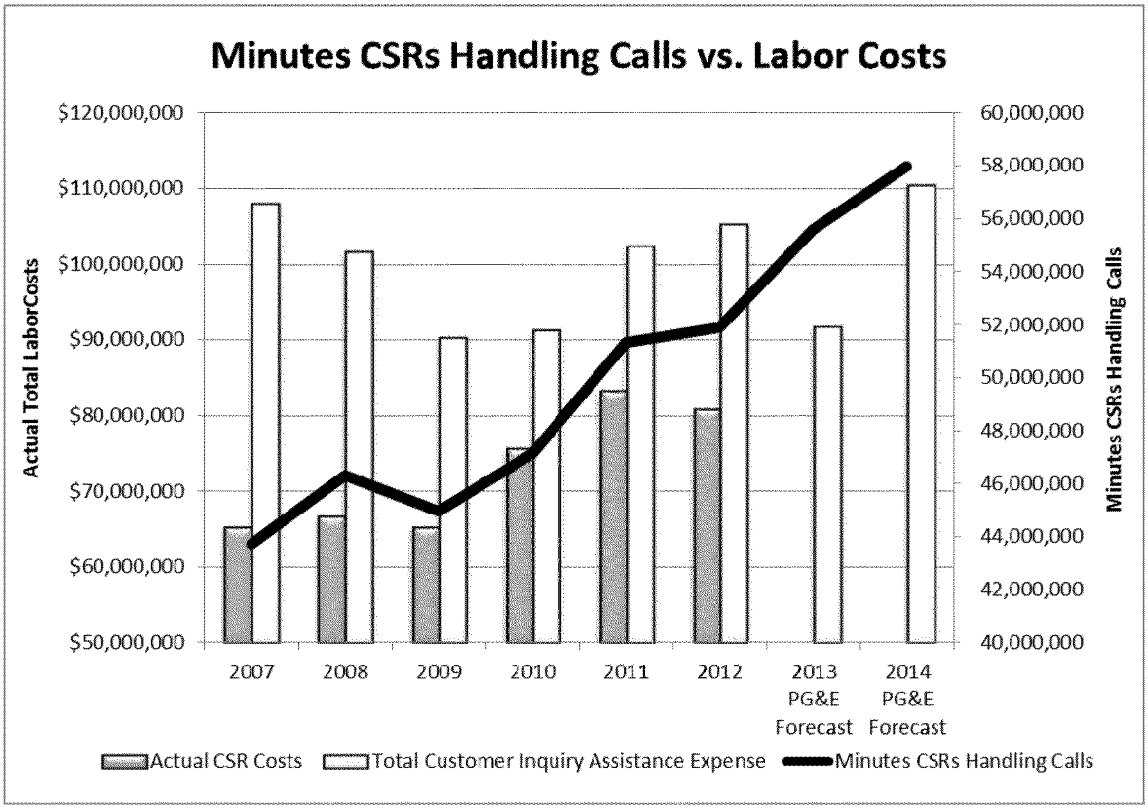
[63] Ex. PG&E-5, workpapers, p. WP 2-25, see "cost savings."

[64] Ex. PG&E-5, p. 2-12.

average of 4.1 percent annually and to maintain the current service levels will require $11.2 million incremental funding for 2014 or approximately 129 incremental CSRs (Full Time Equivalent). DRA recommends that the Commission allocate no additional ratepayer funding for this proposal.

Several historical factors should be considered in order to put PG&E's request in context. First, when looking at historical AHT data, there is not a strong correlation between total yearly recorded expenses and total yearly CSR labor costs (see table below).

Table 13-19
Average Handle Time vs. Total Customer Inquiry Assistance and Total Labor Costs Customer Inquiry Assistance recorded 2007-2012 (and PG&E forecasted 2013-2014 AHT and Total Labor Costs Customer Inquiry Assistance)



Source: Actual total labor costs, Volume Rep Handled Calls from PG&E's response to DRA_125-Q03 see Atch01 (WP 2-15 and WP 2-17), AHT from PG&E's response to DRA_125-Q06 see Atch01, Total Customer Inquiry Assistance Expense 2007-2011 from Ex. PG&E-5 WP 2-1 and 2012 data from DRA_108-Q04 see Atch01 (labor costs include benefits and taxes).

(continued from previous page)
65 Ex. PG&E-5, 2-11, lines 9-10.

As Table 13-19 shows, CSR costs and especially Total Customer Inquiry expenses are not dependent on minutes CSRs handle calls.[66] PG&E forecasted AHT to be at 337[67] seconds in 2012, yet the actual recorded 2012 AHT was 332[68] seconds. Further, PG&E realized a reduction of approximately 120,000[69] CSR handled calls in 2012 compared to 2011. Although AHT in 2012 increased to 332[70] seconds over the average 324 seconds in 2011,[71] this increase was at a lower rate than PG&E's forecast of 337.[72] Moreover, Actual Total CSR Labor Costs decreased from 2011 to 2012,[73] strengthening the point that AHT and Actual CSR Total Labor costs are not directly correlated.

Second, PG&E is currently finalizing a major information technology (IT) project[74] which will replace outdated software. The table below shows the software identified by PG&E that the Contact Center Refresh project "will have replaced"[75] by the end of the fourth quarter, 2013.

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[66] Minutes CSRs handle calls is the amount of time customer service representatives (CSRs) are on the phone with customers and is calculated by taking total yearly CSR handled calls * yearly average handle time (AHT) divided by 60 to convert AHT (which is presented in seconds) into minutes.

[67] Exhibit PG&E-5 p. 2-11.

[68] PG&E's response to DRA_125Q03 see Atch01, WP 2-19.

[69] PG&E's response to DRA_125-Q03 see Atch01, WP 2-15.

[70] PG&E's response to DRA_125-Q03 see Atch01 WP 2-19.

[71] Ex. PG&E-5, WP 2-19.

[72] Ex. PG&E-5, p. 2-11, Table 2-3.

[73] PG&E's response to DRA_125-Q03 see Atch01 WP 2-15.

[74] See PG&E's response to DRA_125-Q07.

[75] See PG&E's response to DRA_171-Q07.

Table 13-20
Software to be Replaced by the Contact Center Refresh Project

Software	Age	Functional Description
Avaya PBX/ACD	17 years	Provides the automatic call distributor (ACD) for each of the contact centers. Processes incoming, outgoing and internal calls and connects them to the most appropriate destination.
Avaya CMS	10 years	Provides the call reports for the ACD (e.g., Calls in Queue, Abandoned Calls, Calls Waiting, % of Calls Handled within a certain threshold, etc).
Nortel Periphonics IVR	12 years	Provides the Integrated Voice Response (IVR) that allows customers to interact with a computer system through the use of voice and touch tones.
Aspect Outbound Dialer	10 years (2 years beyond support date)	Provides the automation of outbound telephone calls for Credit and Collections. Uses statistical algorithms to minimize the time that agents spend waiting between conversations, while minimizing the occurrence of someone answering when no agent is available.
Kana Email	10 years (7 years beyond support date)	The email system used to support the volume of e-mail and web form inquiries received from customers.
Cisco ICM Softphone	5 years	A customizable call-control tool that is used by Customer Service Representatives (CSRs) in the contact centers to receive voice and data information on their desktop.
Cisco Routing	5 years	Provides the ability to virtualize incoming calls and to route calls between the contact centers and the Avaya ACD, ensuring a balance of calls to each of the centers
Virtual Hold	4 years	Provides the ability to manage queued calls in a first in first out order until CSRs become available, without keeping customers waiting on hold.

<u>Source</u>: See PG&E's responses to DRA_171-Q07 and DRA_209-Q01.

Recorded and forecasted spending on the Contact Center Refresh Project is as follows:

Table 13-21
2012 Recorded and 2013 Forecasted Capital Expenditures Contact Center Refresh Project
Customer Inquiry Assistance

MWC	Planning Order	Planning Order Name	Cost Element	2012 Preliminary Recorded	2013 Forecast
2F	Multiple	Contact Center Refresh	LABOR	$ 5,329	$ 4,478
			HARDWARE	$ 1,404	$ 837
			SOFTWARE	$ 1,845	$ 1,000
			OTHER	$ 601	$ 1,279
2F	**Multiple**	**Contact Center Refresh**	**TOTAL**	**$ 9,179**	**$ 7,594**

Source: See PG&E's response to DRA_171-Q06

Table 13-22
2012 Recorded and 2013 Forecasted Expenses Contact Center Refresh Project
Customer Inquiry Assistance

MWC	Planning Order	Planning Order Name	Cost Element	2012 Preliminary Recorded	2013 Forecast
2F	Multiple	Contact Center Refresh	LABOR	$ 990	$ 312
			HARDWARE	$ 28	$ 0
			SOFTWARE	$ 50	$ 2,288
			OTHER	$ 9	$ 0
2F	**Multiple**	**Contact Center Refresh**	**TOTAL**	**$ 1,077**	**$ 2,600**

Source: See PG&E's response to DRA_171-Q06

PG&E's forecasted total cost for the Contact Center Refresh Project is approximately $20.5 million. One of the non-cost benefits of the Contact Center Refresh project, according to PG&E is "Average Handle Time ("AHT") reduction due to high authentication rate and persistence of attached data during transfers."[76] PG&E has not quantified an associated cost benefit for AHT, and as the statement reads, some actual cost benefits for AHT will be realized in 2014 from new

[76] Ex. PG&E-5, WP 9-105 see (bullet 4).

functionalities associated with the implementation of the Contact Center Refresh project.

PG&E has quantified some incremental benefits in its testimony, namely "Soft Phone upgrade savings"[77] of approximately $1.3 million, and "IVR take rate savings"[78] of approximately $2 million. However, PG&E's testimony does not quantify all the benefits into cost savings with the replacement of the outdated and in some cases no longer supported software, which will enable Customer Service Representatives to become more efficient in 2014. Replacement of the outdated software should drive a significant reduction in AHT and CSR handled calls to at or below 2011 recorded levels given the significant amount of software being upgraded and replaced.

The evidence does not support PG&E's inherent assumption that AHT will continue to increase at the yearly 4.1%.[79] Given the implementation of the Contact Center Refresh Project (at the considerable investment of $20.5 million) and the weak correlation between Actual Recorded CSR Costs, Actual Recorded Customer Inquiry Assistance Costs and minutes CRSs handling calls, DRA recommends no incremental ratepayer funding for PG&E's forecasted increase in AHT.

6. New Hire Wage Rate Savings for Contact Center Employees

For 2014, PG&E forecasts an incremental decrease below 2011 recorded expenses in MWC DK of $6.4 million.[80] DRA accepts PG&E's incremental decrease below 2011 recorded expenses in MWC DK of $6.4 million in 2014, but makes several notes.

[77] Ex. PG&E-5, WP 2-41.

[78] Ex. PG&E-5 WP 2-39.

[79] Exhibit PG&E-5, WP 2-20.

[80] See Ex. PG&E-5, p. 2-12. The $6.5 million figure in testimony as later changed.

PG&E identified wage savings with the newly negotiated two-tier wage-progression for new clerical bargaining unit employees. PG&E says this introduces a new, competitive, wage progression for new employees. PG&E's anticipated savings from the new hire wage savings is $6.5 million in incremental savings from 2011 to 2014.[81]

PG&E used a complex model spanning over 3 Excel spreadsheets in developing its forecast. While evaluating the incremental wage savings, PG&E originally included $6.5 million is savings, though later stating that the actual wage savings would be $7.7 million.[82] PG&E later submitted a third savings number of $6.4 million,[83] further adding to DRA's concern that full savings were not being forecasted.

It was brought to DRA's attention[84] that PG&E's model forecasting incremental wage rate savings from 2011 to 2014 was only for "standard time" (meaning that the model did not account for overtime). Overtime pay is a function of standard pay so there should be a wage savings from a reduction in overtime pay in as well as a reduction in standard pay. To clarify if the Commission adopts DRA's recommendation of no incremental CSRs for Contact Center Operations, due to the attrition rates among CSRs PG&E will still realize a reduction in cost per CSR due to the renegotiated new wage rate savings.

The table below demonstrates overtime is a considerable portion of the total hours paid to Customer Service Representatives reaching a five year high of 18% (2011) and a five year low of 7.4% (2009). As a percentage of actual pay (ST Pay + OT Pay/ OT Pay) the five year high was 21% (2011) and five year low was 10% (2009). Overtime is paid "time and a half" for CSRs.

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[81] Ex. PG&E-5, p. 2-12, line 17.

[82] See PG&E's supplemental response to data request DRA_125-Q34.

[83] See PG&E's supplemental 02 response to data request DRA_125-Q34.

[84] Call with Steve Phillips and Chinwe Hilton on March 4, 2013.

Table 13-23
Contact Center Operation CSR Statistics
Customer Inquiry Assistance

Contact Center Operations CSR statistics

	2007	2008	2009	2010	2011	2012
Actual ST Pd Hrs	1,238,751.44	1,224,979.71	1,235,653.46	1,347,627.40	1,347,341.50	1,508,467.00
Actual OT Pd Hrs	187,614.75	175,974.25	91,547.00	149,822.00	242,174.50	199,269.25
Actual Total Hrs Paid	1,426,366.19	1,400,953.96	1,327,200.46	1,497,449.40	1,589,516.00	1,707,736.25
Actual OT Rate	15.15%	14.37%	7.41%	11.12%	17.97%	13.21%
Actual ST Pay	34,869,952	35,017,385	36,627,513	41,295,015	41,571,786	42,045,315
Actual OT Pay	7,979,264	7,697,922	3,991,011	6,710,202	10,956,499	8,202,029
Labor Burden*	11,877,863	11,951,241	12,218,215	13,840,895	14,731,982	14,899,789
Actual Total Labor Costs	54,727,080	54,666,547	52,836,740	61,846,112	67,260,267	65,147,133
Burden Rate of ST Pay	34.1%	34.1%	33.4%	33.5%	35.4%	35.4%
Actual CSR TSL	68.9%	63.9%	62.2%	62.5%	68.0%	70.4%
Actual Board TSL	80.8%	80.9%	81.0%	81.9%	83.6%	84.4%
RecordedCustomerInquiryAssistance Burden Rate of ST Pay	34.1%	34.1%	33.4%	33.5%	35.4%	35.4%

*Note: Actual Labor burden for CSRs is not available. The provided Labor Burden for CSRs is estimated based on the Burden rate of
*Note: Actual Board TSL is the Commission Directed level of telephone service PG&E must comply with which has been set at 80% by t
Commission
PG&E has increased this level of service since 2007 reaching a high of 84.4% in 2012.

Source: PG&E's response to DRA_209-Q02 see Atch01.

7. Repeat Call Reduction

For 2014, PG&E forecasts an incremental decrease of $2.0 million to 2011 recorded expenses in MWC DK due to repeat call reductions. DRA recommends a $1.7 million incremental decrease in 2014 for repeat call reductions.

PG&E anticipates savings from repeat calls due to the expansion of CAT, and "other service level improvements outlined previously in this chapter (See Sections 1, 2, and 3)."[85]

DRA forecasts that the 2 percent reduction in the number of repeat calls in 2014 is still a conservative estimate driven by more focused training and the increase in capabilities for 2014 through the Contact Center Refresh. DRA forecasts this reduction will result in a $1.7 million dollar incremental savings from 2011 to

[85] See Ex. PG&E-5, p. 2-12, lines 22-24.

2014 rather than a $2 million dollar reduction, consistent with DRA's forecasts for 2014.[86]

8. Self-Service Option Improvement Savings

For 2014, PG&E forecasts an incremental decrease of $3.3 million to 2011 recorded expenses for self-service option improvement savings. DRA recommends a $4.5 million incremental decrease below 2011 recorded expenses in 2014 due to self-service option improvements.

PG&E forecasts an increase in the resolution of routine call requests using self-service options at 1/3 of a percent yearly from 2011 to 2014, resulting in a forecasted "True IVR Take Rate" of 43.1% in 2014 and an incremental savings of $2.0 million. In response to DRA discovery, PG&E shows a 2012 "True IVR Take Rate" of 44%,[87] greatly exceeding the forecasted 1/3% (by approximately 1.6%) yearly increase. This healthy increase in the "True IVR Take Rate" also occurs before the Contact Center Refresh is fully operational.

Regarding new capabilities with the implementation of the Contact Center Refresh project, PG&E identified "Improved speech recognition capability driving improved IVR resolution rate, (and) reduction in call transfers."[88] Therefore, DRA forecasts a 1% incremental increase in the "True IVR Take Rate" for 2013 and 2014 (using DRA's forecasts for 2014) due to the new functionalities with the implementation of the Contact Center Refresh Project, for an incremental savings of $3.2 million dollars over 2011 recorded expenses.[89]

PG&E includes incremental savings as part of the self-service option improvement savings of $1.3 million in incremental savings from 2011 to 2014 for

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[86] See Ex. DRA-13, WP 2-3.

[87] PG&E response to DRA_125-Q19 see Atch01.

[88] See PG&E's response to DRA_125-Q21.

[89] See Ex. DRA-13, WP 2-2.

CSRs not currently equipped with softphone capabilities.[90] DRA accepts PG&E's forecast of $1.3 million in incremental savings for a total DRA recommended self-service option improvement savings of $4.5 million below 2011 recorded expenses for 2014.

9. Peak Day Pricing Costs

For 2014, PG&E requests an incremental increase of $0.3 million over 2011 recorded expenses for increased Peak Day Pricing (PDP) costs. DRA recommends no incremental ratepayer funding in 2014 for increased PDP costs.

PG&E asserts that the Customer Contact Centers will experience increases in calls due to small and medium business (SMB) customers calling as a result of PDP events, which a segment of SMB customers will default to on November 1, 2014.

PG&E states "As these events occur (PDP events), customers will likely call with questions about notification issues and PDP hourly costs, and requests to change contact information for future events."[91] PG&E has received funding through the Advanced Metering Infrastructure Decision (D.) 06-07-027 ($3.98 million for marketing and communications in D. 10-02-032), the 2009 Rate Design Window D. 10-02-032 ($30.784 million) and the 2011 GRC D. 11-05-018 ($28 million)[92] to contact customers regarding PDP events and properly educate customers on impacts of PDP events. Due to November 1, 2014 falling out of the summer season and SMB customers are currently forecasted to default to PDP rates outside of the summer season, DRA recommends zero incremental funding for PDP calls to PG&E's Customer Call Centers.

10. Peak-Time Rebate Costs

For 2014, PG&E requests $4.6 million in expenses for increased Peak-Time Rebate Costs. DRA recommends no incremental ratepayer funding in 2014.

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[90] Ex. PG&E-5 workpapers, p. WP 2-41.

[91] Ex. PG&E-5, p. 2-14, lines 17-20.

[92] Ex. PG&E-5, p. 7-30, line 1 notes, funding intended for both PDP and TOU rates.

PG&E asserts that 1 percent of residential customers will call after a Peak-Time Rebate (PTR) event, which will drive an increase in the calls received by PG&E's Customer Contact Centers on such event days. PG&E states "The forecast in this GRC represents only a subset of the necessary PTR dollars, and assumes CPUC authorization of PTR implementation and required funding in the PTR proceeding."[93] Since the Commission has not ruled on the PG&E's PTR application (A. 10-08-005) and no timeline is established for the implementation of default PTR rates for PG&E's residential customers, there is no expectation for it to be effective in 2014. DRA recommends zero incremental funding related PTR event calls.

11. Contact Center Staffing and Facilities

For 2014, PG&E requests an incremental increase of $1.2 million over 2011 recorded expenses for the expansion of Contact Center facilities.[94] DRA recommends zero incremental expenses for the expansion of the contact center facilities in 2014.

PG&E is requesting funding to expand its Sacramento and Fresno Contact Centers by 135 seats each in 2014 at an estimated $1.2 million in expenses and $15.5 million in capital for 2014. Based on DRA's recommendation regarding PG&E's proposed capital expenditure, which appears in the next section, DRA recommends reducing PG&E's 2014 expense forecast by $1.2 million.

12. SmartMeter Benefits

PG&E includes $2.4 million of forecasted Smart Meter related incremental savings from 2011 to 2014, as identified in the 2005 Advanced Metering Infrastructure (AMI)[95] and the 2009 Smart Meter Upgrade[96] filings. From the information reviewed by DRA accepts these savings.

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[93] Ex. PG&E-5, p. 2-15, lines 12-15.

[94] Ex. PG&E-5, p. 2-16.

[95] A. 05-05-028.

[96] A. 07-12-009.

13. Escalation

PG&E includes labor and non-labor escalation from 2011 to 2014 of $8.7 based on its requests. DRA recommends labor and non-labor escalation of $7.5 million based on its recommendations.

14. Escalated Complaints Management

PG&E forecasts an incremental decrease in escalated complaints management of $0.3 million for 2014 below 2011 recorded expenses.[97] DRA accepts PG&E's forecast for escalated complaints management.

15. Customer Care Compliance

For 2014, PG&E requests an incremental increase over 2011 expenses of $0.4 million for the addition of two auditors.[98] DRA accepts PG&E's request.

B. Capital Expenditures

PG&E requests funding to expand its Sacramento and Fresno Contact Centers by 135 seats each in 2014 at an estimated $1.2 million in expenses and $15.5 million in capital expenditures in 2014.[99] PG&E states three reasons for the expansion of Sacramento and Fresno Contact Centers:

1. Additional staffing increase of 200 net positions for 2014.
2. Increased safety concerns in the Stockton Contact Center area.
3. Expensive/limited parking availability in the San Jose Contact Center area.[100]

PG&E states that items 2 and 3 "have led to a reduction of operation hours both in Stockton and San Jose Contact Centers and increased employee attrition."[101]

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[97] Ex. PG&E-5, p. 2-17, line 22.

[98] Ex. PG&E-5, 2-19, line 20.

[99] Ex. PG&E-5, p. 2-16.

[100] Ex. PG&E-5, p. 2-15, lines 25-29.

PG&E just completed an expansion of the Sacramento Contact Center of nearly 125 CSR workstations in 2011.[102] PG&E's current (as of October 24, 2012) and forecasted number of workstations for 2014 are in Table 13-24 below.

Table 13-24
Contact Center Operation CSR Statistics
Customer Inquiry Assistance

Contact Center	Current			TY2014		
	CSR	SSR	Total	CSR	SSR	Total
Sacramento 2740	233	28	261	-	-	261
Sacramento 2730	91	2	93	135	-	228
San Jose	307	20	327	-	-	327
Stockton	38	6	44	-	-	44
Fresno	320	14	334	135	-	469
Totals	***989***	***70***	***1,059***	***270***	**-**	***1,329***

Source: See PG&E's response to DRA_014-Q18. (SSR is Senior Service Representative).

Table 13-25
Average Number of Customer Service Representatives (CSRs)
Contact Center Operations
2007-2012

	Average number of CSRs		
Year	**Full Time**	**Part Time**	**Total**
2007	701	307	1,008
2008	620	366	986
2009	560	385	945
2010	562	415	977
2011	646	460	1,106

Source: See PG&E's response to DRA_014-Q20.

(continued from previous page)
101 Ex. PG&E-5, p. 2-15, lines 27-29.

102 Ex. PG&E-5, WP 2-45, note 1 (bottom of page).

As identified by PG&E in DRA's October 4, 2012 tour of the Sacramento Contact Center, PG&E CSRs share desks and have several different shifts throughout the day. Therefore, each employee does not necessarily have their own desk and PG&E merely requires the amount of desks to respond to customer calls at peak times. DRA opposes PG&E's requested increase in employees. PG&E did not provide sufficient justification nor does DRA agree that PG&Es has sufficient reasons to support ratepayer funding of $15.2 million in capital and $1.2 million in expenses.

There is not a need in 2014 for additional workstations especially due to the Contact Refresh Project providing "Agent flexibility – Laying the foundation for future at home agent capability (Split days off-occupancy, lower attrition, reduce training, split shifts-occupancy and lower facility costs)."[103] Due to the current number of workstations already available, and the fact that PG&E did not quantify the benefits, (if any) associated with the expansion of 270 CSR workstations. DRA recommends zero capital funding in 2014 for expansions of Customer Contact Centers, DRA's recommendation also reduces PG&E's 2014 expense forecast by $1.2 million, as previously discussed.

V. DISCUSSION / ANALYSIS OF OFFICE SERVICES

This section discusses PG&E's Office Services Program which manages the 75 local offices operated by PG&E employees.

The following tables summarize PG&E's requests and DRA's recommendations for the MWCs within Office Services.

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[103] See PG&E's response to DRA_125-Q21.

Table 13-26
Customer Care Expenses for TY2014
Office Services
(In Thousands of Nominal Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[104] (c)
MWC DK	$10,042	$10,865
MWC EZ	$2,479	$2,799
MWC IU	$19,039	$20,525
Total	$31,560	$34,189

Table 13-27
Customer Care Capital Expenditures for 2012-2014
Office Services
(In Thousands of Nominal Dollars)

Description	DRA Recommended			PG&E Proposed[105]		
	2012	2013	2014	2012	2013	2014
MWC 21	$569	$0	$100	$223	$0	$100
MWC 22	$0	$0	$0	$0	$0	$3,880
Total	$569	$0	$100	$223	$0	$3,980

A. Expenses

PG&E presents forecasted expenses for Office Services in Ex. PG&E-5, Chapter 3. Expenses are for management of customer payments and to a lesser degree, non-payment transactions at the 75 local offices operated and staffed by PG&E employees.[106] PG&E has also made a number of changes to the MWCs since the 2011 GRC. Office Services was previously covered under MWC FT. In the 2014 GRC, Office Services costs are reflected in MWCs DK Manage Customer Inquiries, EZ Manage Various Customer Care Processes, and IU Collect

104 Ex. PG&E-5, p. 3-2.

105 Ex. PG&E-5, p. 3-2.

106 Ex. PG&E-5, p. 3-1, lines 11-13.

Revenue.[107] PG&E's request for 2014 expenses is $34.2 million for Office Services, 18% higher than 2011 recorded expenses.[108] PG&E says it forecasted increases in costs are due to labor escalation, additional customer service representatives and building improvements. DRA recommends a 2014 expense of $31.6 million, an adjustment of $2.6 million to PG&E's 2014 forecast.

PG&E's testimony does not delineate forecasted incremental increases in expenses by MWC, but rather allocates them between MWCs, DK, EZ and IU.[109] Therefore, DRA will address PG&E's increases from a global perspective and allocate adjustments based on percentage of 2011 recorded expenses.

Table 13-28
2007-2012 Recorded Data for Office Expenses, PG&E Forecasted for 2013-2014 and Incremental Increases
(In Thousands of Nominal Dollars)

Chapter 3 Office Services Expenses		Thousands of Nominal Year $								$ Increase	% Increase
MWC	Description	2007	2008	2009	2010	2011	2012	2013	2014	2011 to 2014	2011 to 2014
DK	Manage Customer Inqu	$ 10,482	$ 9,896	$ 9,731	$ 9,029	$ 9,255	$ 10,279	$ 10,219	$ 10,865	$ 1,610	17.40%
EZ	Manage Var Cust Care	1,343	1,404	1,648	1,572	2,285	2,063	2,245	2,799	514	22.49%
IU	Collect Revenue	17,652	17,242	16,684	16,638	17,484	17,821	19,094	20,525	3,041	17.39%
	Total	$ 29,477	$ 28,542	$ 28,063	$ 27,239	$ 29,024	$ 30,163	$ 31,558	$ 34,189	$ 5,165	17.80%

Source: 2007-2011 data from Ex. PG&E-5, WP 2-6. 2012 data from DRA_108-Q4 see Atch01.

[107] Ex. PG&E-5, p. 3-3, footnote 2.

[108] Ex. PG&E-5, p. 3-1, lines 18-22.

[109] Ex. PG&E-5, WP 3-9.

Table 13-29
PG&E's Requested Incremental Increases, DRA's Recommended Incremental Increases and Totals for Office Services
(In Thousands of Nominal Dollars)

NO.	PG&E Requested Incremental Increases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incremental	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5
	MWCs DK, EZ, IU	$ 29,024						p. 3-2, Table 3-1
1	Local Offices Customer Service		$ 1,085		$ -		$ 1,085	p. 3-7, line 24
2	Local Office Operation Review		125		68		58	p. 3-9, line 3
3	Local Office Facilities		1,487		-		1,487	see p. 3-11 to 3-12
4	Escalation		$ 2,468		$ 2,468		$ -	see WP 3-10
	Total Incremental		$ 5,165		$ 2,536		$ 2,630	p. 3-2, Table 3-1
	Total Office Services	$ 29,024	$ 5,165	$ 34,189	$ 2,536	$ 31,560	$ 2,630	p. 3-2, Table 3-1

1. Local Offices Customer Service

For 2014, PG&E requests an increase of $1.1 million beyond 2011 recorded expenses for the addition of an incremental 10 customer service representatives to staff the 75 local offices.[110] DRA recommends zero incremental staffing positions for 2014 an adjustment of $1.1 million to PG&E's forecast.

Table 13-30
2007-2011 Staffing Levels in Office Services

Office Services CSRs by Job 2007-2011

Job	2007	2008	2009	2010	2011
Hiring Hall	24	21	9	21	8
Customer Service Representative	202	201	203	202	201
Senior Service Representative 1	27	27	24	24	23
Senior Service Representative 2	16	14	13	9	5
Utility Clerk	1	3	3	2	3

Note: Headcount is as of December each year.

Source: See PG&E's response to DRA_15-Q15.

As stated by PG&E expenses are for management of customer payments and to a lesser degree, non-payment transactions at the 75 local offices operated and

[110] Ex. PG&E-5, p. 3-7.

staffed by PG&E employees.[111] The above table shows the decline in staffing in years 2007-2011. PG&E asserts that in needs an increase in staffing to reduce customer wait times. PG&E shows Average Longest Wait Times and asserts that customers are waiting at certain local offices to speak to a customer service representative on average of 8 minutes 35 seconds to 10 minutes 16 seconds on selected days between July and December 2011.[112] DRA requested information on staffing levels for days presented in PG&E's workpapers;[113] PG&E provided no evidence to show that offices were, in fact, fully staffed on the days presented in workpapers,[114] so DRA does not rely on that data.

In PG&E's prior GRC, PG&E requested funding for increases in disconnected for non-payment transactions. PG&E stressed "this increase directly affects local offices because, historically, 60 percent of customers looking to restore their power have used the local offices to make their payment. To maintain existing service levels, PG&E estimates that 11 new positions will be required in 2011 to address the increase in walk-in traffic. This cost is estimated at $0.98 million."[115] According to PG&E's recorded staffing levels, PG&E has actually reduced staffing at PG&E's local 75 offices from 2008-2011 by 26 positions: a total difference of 37 between PG&E's forecast and actual recorded.

The below table shows the actual number of payment transactions handled by PG&E from 2007-2012 a reduction of approximately 700,000 payments or an

[111] Ex. PG&E-5, p. 3-1, lines 11-13.

[112] Ex. PG&E-5, WPs 5-16 to 5-17.

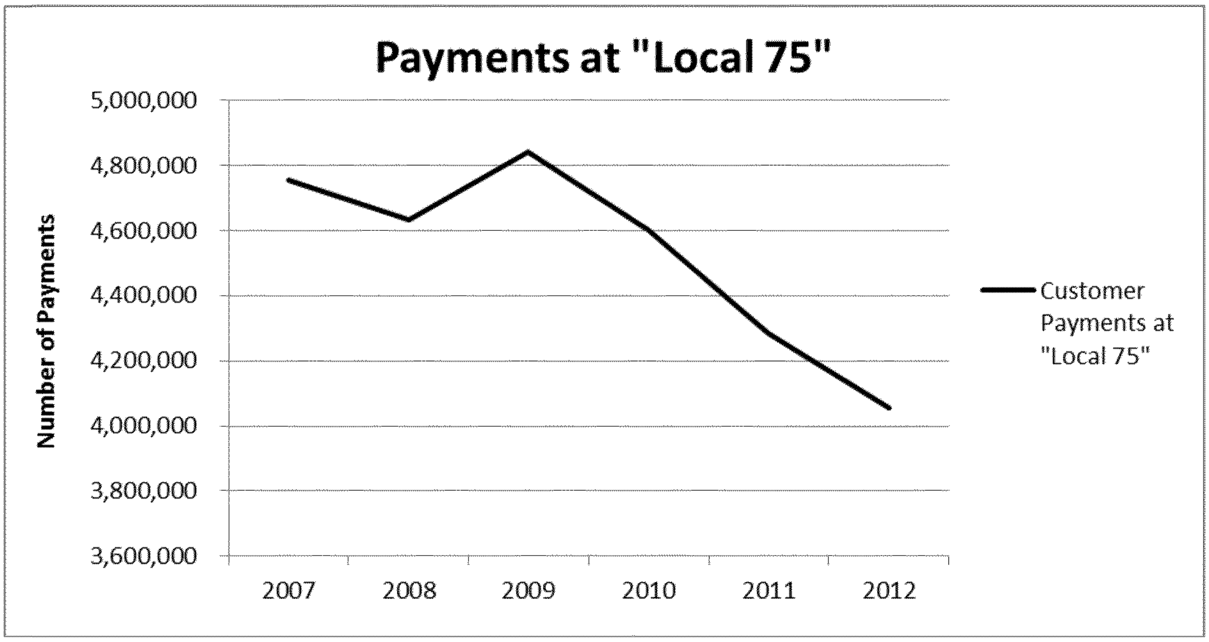
[113] See PG&E's responses to DRA_15-Q16 and DRA_126-Q01.

[114] Ex. PG&E-5, workpapers, p. WP 3-16 – 3-17.

[115] A. 09-12-020, Ex. PG&E-4, p. 3-6, 18-22.

approximately 14.5% decrease from 2007-2012. PG&E does not track the number of non-payment transactions.[116]

Table 13-31
2007-2012 Recorded Number of Payment Transactions at PG&E's "Local 75"

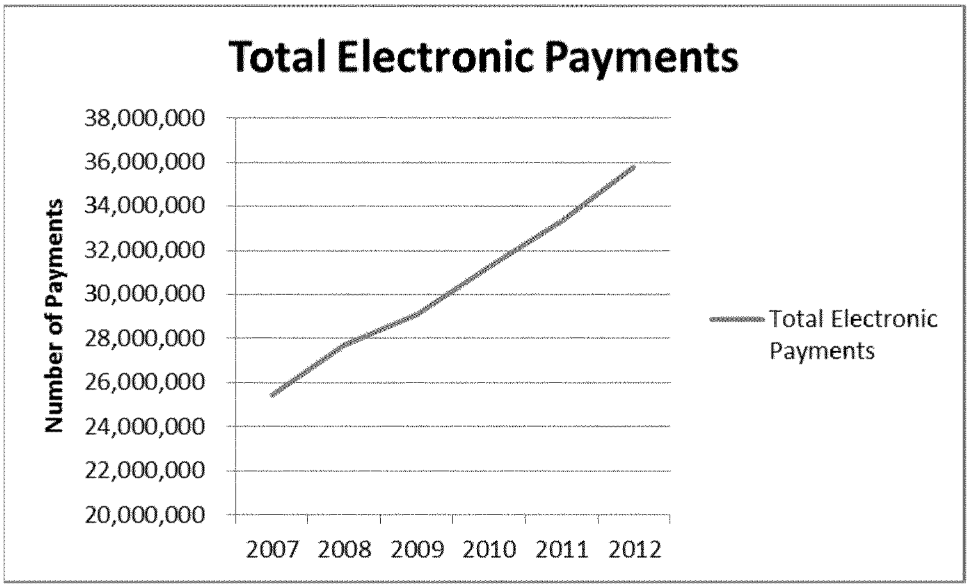


Source: Number of Customer Payments at PG&E's Local 75 Offices from DRA_15-Q13 see Supp01Atch01.

The payment behavior of PG&E's customers is changing and, as shown by the recorded data in Table 13-31, most significantly in the number of payments processed through electronic avenues.

[116] See PG&E's response to DRA_015_Q13.

Table 13-32
2007-2012 Electronic Payment Transactions



Source: PG&E's response to DRA_151-Q6 see Atch01.

In addition to the expansion of electronic payment options for customers, PG&E also increased payment kiosks in its local 75 offices for customers to utilize. PG&E maintained 20 payment kiosks at the end of 2011 and added 10 more for a total of 30 by the end of 2012,[117] driving an approximate increase of kiosk payments of approximately 70,000 from 2011 to 2012.

Due to changing customer behavior, PG&E reducing staffing in years 2007-2012, increasing payment options for customers and adding payment kiosks in PG&E's 75 local offices, DRA recommends no incremental funding for the addition of customer service representatives in its local 75 offices.

2. Local Office Operational Reviews

For 2014, PG&E requests an increase of $0.1 million over 2011 recorded expenses for an additional auditor in order to audit all of PG&E's 75 local offices on

[117] See PG&E's response to DRA_151-Q22.

an annual basis.[118] DRA recommends an incremental increase over 2011 expenses of $0.06 million to support a part-time position in 2014; this is an adjustment of $0.06 million to PG&E's request. PG&E was able to audit 69% of the 75 local offices in 2011 with one auditor and providing PG&E with an additional part-time position should allow PG&E to audit 100% of the 75 local offices.

3. Local Offices Facilities

For 2014, PG&E requests $1.4 million in incremental expenses beyond 2011 recorded for expenses associated with requested capital expenditures. DRA recommends no incremental ratepayer funding for 2014 beyond 2011 recorded as explained in the capital section below.

B. Capital Expenditures

PG&E requests capital expenditures of $0.2 million in 2012, $0 in 2013 $4.0 million in 2014, MWC 21 Miscellaneous Capital and MWC 22 Maintain Buildings.

Table 13-33
2007-2012 Recorded and 2013-2014 Forecasted Capital Expenditures for Office Services (in Thousands of Nominal Dollars)

Chapter 3 Capital Expenditures		Thousands of Nominal $							2014
MWC	Description	2007	2008	2009	2010	2011	2012	2013	Forecasted
21	Misc Capital						$ 569		$ 100
22	MaintainBuildings								3,880
74	Install New Gas Meters						12		
23	ImplementRealEstate	127	5	4	101	112	19		
	Total	$ 127	$ 5	$ 4	$ 101	$ 112	$ 600	$ -	$ 3,980

Source: 2007-2011 and forecasted 2014 data from Ex. PG&E-5, WP 3-5. 2012 data from DRA_108-Q3 see Atch01.

[118] Ex. PG&E-5, p. 3-9, lines 1-3.

1. MWC 22 – Maintain Buildings

PG&E asserts that some of its 75 local offices are in need of major upgrades including remodeling, relocations, workstations, and signage.[119]

PG&E states that it has identified six locations that require remodeling and six that require relocation to improve the Company's ability to serve customers.[120] PG&E requests incremental expenses beyond 2011 recorded of $0.4 million in 2014, and a total of $2.5 million in capital expenditures from 2014-2016, $1.0 in 2014, $1.0 in 2015 and $0.5 in 2016.[121] Further, PG&E requests funding for the installation of ergonomic workstations at incremental expenses beyond 2011 recorded of $1.0 million in 2014, and a total of $7.7 million in capital expenditures from 2014-2016, $2.4 million in 2014, $2.6 million in 2015 and $2.7 million in 2016.[122] Finally, PG&E requests capital expenditures for improved customer signage of $0.4 million in 2014, $0.4 million in 2015 and $0.5 million in 2016.[123] DRA recommends no incremental ratepayer funding for any of PG&E's proposed Office Services capital projects in MWC 22 Maintain Buildings.

PG&E requested, in its previous 2011 GRC, funding through the Shared Services and Other Support Costs Exhibit, to:

> *"…provide ergonomic front counter space furniture, improved lighting and new carpeting and paint as needed to create a consistent level of comfort and convenience for customers…As part of the initiative PG&E plans to relocate three Customer Service Offices to new locations because the existing space is inadequate or not cost effective to refurbish…PG&E's forecasts capital expenditures for CRE's Customer Office Refurbishment Initiative of $0.3 million in 2009, $0.2 million in 2010, $3.5 million in 2011, $3.3 million in 2012 and $4.2 million in*

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[119] Ex. PG&E-5 p. 3-9, lines 5-7.

[120] Ex. PG&E-5, p 3-10 lines 7-10.

[121] Ex. PG&E-5, p. 3-11, lines 5-7.

[122] Ex. PG&E-5, p. 3-11, lines 30-32.

[123] Ex. PG&E-5, p. 3-12 lines 7-9.

2013, and $1.5 million in expenses annually in 2011, 2012 and 2013."[124]

The initiative also included signage costs of an average cost per site of approximately $30,000[125] for every office except Colusa, Napa, Lakeport, and Stockton.[126]

As PG&E seeks ratepayer funding in this 2014 GRC for work previously requested in its last GRC, Ordering Paragraph 43 of the Commission decision resolving that last GRC clearly applies:

> In its next general rate case, as part of its showing, Pacific Gas and Electric Company shall fully describe any reprioritizations and deferrals of costs explicitly identified in the Settlement Agreement or costs that can reasonably be imputed from the Settlement Agreement. Pacific Gas and Electric Company shall fully explain its reprioritization process, justify deferrals of specific activities and projects, and justify the implemented higher reprioritized activities and projects that were not identified in this general rate case. For activities and projects that were deferred and are now being re-requested, Pacific Gas and Electric Company shall fully explain why they are needed now when they were able to be deferred before.[127]

In this GRC showing PG&E has not explained its reprioritization process, justified the deferral of upgrades or explained why the upgrades to the 75 local offices are needed now when they could be deferred before. PG&E has embedded funding to support these projects if PG&E deems they are necessary for the 2014-2016 GRC cycle. For these reasons DRA recommends no incremental ratepayer funding for the refurbishment, relocation, installation of ergonomic workstation or improved customer signage as PG&E's local 75 offices.

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[124] A. 09-12-020, Ex. PG&E-7, p. 6-35, lines 10-26.

[125] A. 09-12-020, Ex. PG&E-7, WP 6-133.

[126] A. 09-12-020, Ex. PG&E-7, WP 6-136.

[127] D. 11-05-018, ordering paragraph, 43.

2. MWC 21 – Miscellaneous Capital

PG&E forecasts $0.2 million in 2012, $0 in 2013 and $0.1 million in capital expenditures in 2014 for equipment needs to be replaced due to normal wear and tear on equipment at the "local 75" offices.[128] DRA uses PG&E's recorded 2012 capital expenditures of $.6 million an increase of $0.4 million to PG&E's forecast, and accepts PG&Es forecast for 2014 of $0.1 million as it appears to be reasonable.

VI. DISCUSSION / ANALYSIS OF METER TO CASH

This section discusses PG&E's Meter To Cash (MTC) programs (previously known as Billing, Revenue and Credit). MTC includes pre-billing activities, issuance of customer bills and credit notices, post-billing maintenance of customer account information, customer payment processing, post-billing credit and collection activities, revenue reporting and customer-owned street light auditing and billing correction.[129]

For 2014, PG&E requests $137.4 million, which is an incremental increase of $26.5 million above 2011 recorded expenses of $110.9 million.[130] DRA recommends a total 2014 Meter To Cash forecast of $108.0 million, $2.9 million below 2011 recorded expenses, an adjustment of $29.4 million to PG&E's request. The following tables summarize PG&E's request and DRA's recommendation for the MWCs within Meter to Cash.

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[128] Ex. PG&E-5, p. 3-12, lines 8-17.

[129] Ex. PG&E-5, p. 4-1, lines 11-17.

[130] Ex. PG&E-5, p. 4-2. PG&E revised the figures that appeared in its November 2012 testimony as in the course of responding to DRA discovery.

Table 13-34
Customer Care Expenses for TY2014
Meter to Cash
(In Thousands of Nominal Dollars)

Description (a)	DRA Recommended[131] (b)	PG&E Proposed[132] (c)
MWC AR	$3,223	$ 3,804
MWC EZ	$1,730	$ 1,730
MWC IS	$67,055	$ 90,095
MWC IT	$19,425	$ 22,327
MWC IU	$16,503	$ 19,418
Total	$107,936	$ 137,375

Table 13-35
Customer Care Capital Expenditures for 2012-2014
Meter to Cash
(In Thousands of Nominal Dollars)

Description	DRA Recommended			PG&E Proposed[133]		
	2012	2013	2014	2012	2013	2014
MWC 21	$0	$0	$0	$0	$0	$0
MWC 23	$0	$0	$0	$0	$0	$9,011
Total	$0	$0	$0	$0	$0	$9,011

For 2012 and 2013 PG&E requests zero capital expenditures within MTC, which is reasonable. For 2014, PG&E requests capital expenditures of $9.011 million, which DRA recommends the Commission reject in its entirety (as explained in the capital section below).

A. Expenses

PG&E's Meter To Cash expense forecast includes pre-billing activities such as meter validation and exception processing bills and credit notices, post-billing maintenance of customer account information, customer payment processing, post-

131 See Ex. DRA-13, WP 4-1.

132 Ex. PG&E-5, p. 4-50.

133 Ex. PG&E-5, p. 4-50.

billing credit and collection operations activities, revenue reporting, and customer owned street light auditing and billing correction. PG&E's Meter To Cash activities are covered in MWCs AR – Read Investigate Meters, IS – Bill Customers, IU – Collect Revenue, IT – Manage Credit, EZ – Manage Various Customer Care Processes.[134] The table below summarizes PG&E's historical and forecasted Meter To Cash activities.

Table 13-36
2007-2012 Recorded Data for Exhibit PG&E-5, Chapter 4 and PG&E Forecasted 2013-2014
Meter To Cash
(in Thousands of Nominal Dollars)

Chapter 4 Meter to Cash Expenses		Thousands of Nominal Year $								$ Increase	% Increase
MWC	Description	2007	2008	2009	2010	2011	2012	2013	2014	2011 to 2014	2011 to 2014
AR	Read & Investigate Meters	$ 2,088	$ 2,061	$ 1,649	$ 972				$ 3,223	$ 3,223	0.00%
EZ	Manage Cust Care Proc	7,641	6,368	5,027	4,115	3,290	8,126	2,641	1,730	(1,560)	-47.42%
IS	Bill Customers	69,367	63,373	56,702	54,315	68,172	66,803	80,120	90,095	21,923	32.16%
IT	Manage Credit	32,484	41,340	38,851	25,880	24,569	28,098	22,966	22,327	(2,242)	-9.13%
IU	Collect Revenue	14,412	16,909	15,075	13,276	14,881	15,612	18,650	19,418	$ 4,537	30.49%
	Total	$ 125,992	$130,051	$117,304	$ 98,558	$110,912	$118,639	$124,377	$136,793	$ 25,881	23.33%

Source: 2007-2011 data from Ex. PG&E-5, WP 4-1, 2012 data from PG&E's response to DRA_108-Q04 see supprt01Atch01. Note: Recorded 2012 data is unadjusted.

1. MWC AR - Read Investigate Meters

The single MTC activity in MWC AR is meter reading functions in the Energy Data Services (EDS) department, responsible for retrieving electric and gas interval meter data for large commercial, industrial, and agriculture customers, via telephony based metering (including hardwire phone line, digital cellular, and paging networks) and field retrieval of interval data.[135] "Meter reading functions performed within EDS for purposes of energy billing are charged to MWC IS, Bill Customers."[136]

[134] Ex. PG&E-5, pages 4-1 to 4-2.

[135] Ex. PG&E-5, p. 4-8, lines 5-13.

[136] Ex. PG&E-5, p. 4-8, lines 21-22.

PG&E states that it is not requesting any increase in cost for EDS beyond labor and non-labor escalation. PG&E made a revised forecast of $3.22 million in response to DRA discovery[137] to its original forecast of $3.8 million.[138] DRA accepts PG&E's forecast of $3.22 million in MWC AR for Meter To Cash.

Table 13-37
2007-2012 Recorded Data for MWC AR – Read Investigate Meters
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC AR	$2,088	$2,061	$1,649	$972	$2,966	$3,203

Source: 2007-2011 data from Ex. PG&E-5, WP 4-1, 2012 data from PG&E's response to DRA_108-Q04 see support01Atch01.

2. MWC IS - Bill Customers

For 2014, PG&E requests $90.1 million, which is an incremental increase of $21.9 million above 2011 recorded expenses of $68.2 million. For 2014, DRA recommends a total 2014 MWC IS expense forecast of $67.1 million, $1.2 million below 2011 recorded expenses, an adjustment of $23.0 to PG&E's request.

MWC IS includes pre-billing including data validation, processing and calculating customer bills including non-energy related services, maintenance of customer records within PG&E's billing system, Bill Print and Mail (BPM) operations, revenue reporting, cash management, and calculation of tax and franchise fee payments, field audit of customer owned streetlights and subsequent billing record corrections, and non-energy billing.[139] In the following sections, DRA presents its review of activities covered by MWC IS for which PG&E seeks an incremental increase from 2011 recorded expenses for 2014.

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[137] See PG&E's response to DRA_151-Q07.

[138] Ex. PG&E-5, p. 4-2.

[139] Ex. PG&E-5, p. 4-9, lines 81-27.

Table 13-38
2007-2012 Recorded Data for MWC IS
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC IS	$69,367	$63,373	$56,702	$54,315	$68,172	$66,803

Source: 2007-2011 data from Ex. PG&E-5, WP 4-1, 2012 data from PG&E's response to DRA_108-Q04 see support01Atch01.

Table 13-39
PG&E's Requested Incremental Increases/Decreases, DRA's Recommended Incremental Increases/Decreases and Totals for MWC IS – Bill Customers
(in Thousands of Nominal Dollars)

NO.	PG&E Requested Incremental Increases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incremental	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5	Reference Ex. DRA-13 Workpapers
	MWC IS Bill Customers	$ 68,172						p. 4-2, Table 4-1	
a	Data Interval Processing		$ 18,815		$ -		$ 18,815	p. 4-18, line 3	
b	Quality Assurance		406		-		406	p. 4-18, line 14	
c	Smart Meter Opt-Out Billing*		792		-		792	p. 4-18, line 17	
d	Relocation of of Billing Ops		805		-		805	p. 4-18, line 29	
e	Net Energy Metering Billing		308		-		308	p. 4-18, line 32	
f	Expand Electronic Bill Presentment		1,652		257		1,395	p. 4-19, line 16	WP 4-3
g	Reduction in Postage, paper, etc.		(2,238)		(2,238)		-	p. 4-19, line 34	
h	Postage Cost Increases		2,765		2,765		-	p. 2-20, line 7	
i	Increase in Annual Maintenance		61		26		35	p. 4-20, line 10	
j	Revenue and Statistics		217		107		110	p. 4-20, line 15	WP 4-5
k	Street Light Inventory Project		374		-		374	p. 4-20, line 31	
l	Exception Processing SM Benefit		(4,069)		(4,069)		-	see WP 4-13, line 4	
m	Automated Interval Billing SM Benefit		(1,083)		(1,083)		-	see WP 4-13, line 5	
n	Escalation		$ 3,118		$ 3,118		$ -	see WP 4-35, line 1	
	Total Incremental		$ 21,923		$ (1,117)		$ 23,040		
	Total Forecast MWC IS Bill Customers	$ 68,172	$ 21,923	$ 90,095	$ (1,117)	$ 67,055	$ 23,040	p. 4-2, Table 4-1	

*Note: DRA recommends $198,000 for Smart Meter Opt-Out billing for 2014 to be recorded in a one-way balancingaccount.

a. Data Interval Processing

In 2014, PG&E requests an increase of $18.8 million for data processing and billing related work which will be offset by $5.2 million in Smart Meter benefits for a total increase of $13.7 million.[140] For 2014, DRA forecasts a decrease of $5.2 million for data and billing related work below 2011 recorded expenses due to the fully realized benefits as identified in PG&E's AMI decision assumed by PG&E to be completed by 2014.[141]

[140] Ex. PG&E-5, pages 4-17 to 4-18.

[141] D. 05-06-028, Table 1 "Stipulated AMI Project Costs," p. 29, line 7 and 14.

"In 2011, Billing Operation Support applied automated validation and editing (as required) to all Smart Meter interval data, and only manually worked data exceptions for those customers whose time-varying pricing tariff required interval values for billing."[142] According to PG&E, in order to apply the same quality assurance and exception processing methods to all Smart Meter customers, daily exception processing would need to increase from approximately 500 transactions a day, to 50,000 per day, based on an electric meter population of 4.6 million meters.[143]

To evaluate the validity of PG&E's claim that it needs incremental staffing to manually process such exceptions created through validating interval data, DRA reviewed past funding for such activities. In D. 05-06-028, PG&E was allocated $85 million for "Interval billing system."[144] In addition, PG&E was allocated $6.6 for "Customer exceptions processing."[145] Based on the "PG&E Advanced Metering Assessment Report Commissioned by the CPUC," the Commission allocated funding for PG&E to upgrade its billing system. The upgrade was not fully implemented on the same schedule as Smart Meter deployment.

The consultant preparing the report, "Structure report, PG&E Advanced Metering Assessment Report" states that it "…identified several items of partial or non-compliance related to industry best practices during the assessment."[146] The report further explains:

> The Meter Data Managements (MDMS) Interface best practice to correlate AMI meter events and alarms with Validation, Estimating and Editing (VEE) and Customer Information System (CIS) audits and checks for automated exception handling; and ii. The VEE Best

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[142] Ex. PG&E-5, p. 4-17, lines 11-15.

[143] Ex. PG&E-5, p. 4-17, lines 21-26.

[144] D. 05-06-028, Table 1 "Stipulated AMI Project Costs," p. 29, line 7.

[145] D. 05-06-028, Table 1 "Stipulated AMI Project Costs," p. 29, line 14.

[146] Structure report, PG&E Advanced Metering Assessment Report, A. 07-12-009, p. 10.

> Practice of MDMS must provide an on-line method, with workflow, resolving validation errors rather than reports. These lapses have created a situation where data required manual editing, causing cancel/re-bills and delayed processing of Customer data in a relatively small portion of the bills processed. The cancel/re-bills and delayed processing potentially increased the days within a billing cycle presented in Customer's bills, as reflected in a portion of the High Bill complaints, and furthered Customer perception that Smart Meters may not have been accurate.[147]

This was Structure's finding for September 2010.[148] Funding was provided in D. 05-06-009 for the "interval billing system" and "customer exceptions processing" in order to resolve possible issues with PG&E's validation of interval data processing. PG&E is not following industry best practices, creating a lag between data gathering and data validating resulting in increasing manual exception processing.

D. 05-06-009 noted that the Joint Parties propose hourly and daily electricity and gas usage data collected via the AMI network should be posted to a data server in an open format immediately following retrieval and any necessary pre-processing."[149]

In the Advanced Metering Investigation decision, the Commission states "PG&E should provide free web access to day-after data for individual customers."[150] PG&E has complied by providing residential customers the ability to access hourly interval data via "My Energy" through PG&E's website. Now, through GRC funding, PG&E is requesting to increase the granularity of data to residential customers to every 15 minutes. DRA questions the usefulness of 15 minute data to PG&E's residential customers as opposed to the hour interval data currently available. PG&E has not identified the additional benefit to customers of such

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[147] Structure report, PG&E Advanced Metering Assessment Report, A. 07-12-009, p. 9.

[148] Structure report, PG&E Advanced Metering Assessment Report, A. 07-12-009.

[149] D. 06-07-027, p. 55, beginning of second paragraph.

[150] D. 06-07-027, p. 66, Conclusion of Law, 16.

information or whether customers have requested or have any interest in such granular data. Funding approved in D. 05-06-028 was intended to and should enable PG&E to implement a system which would reduce the amount of time for data exception processing (coinciding with Smart Meter deployment) with the capability to provide data to all customers for web presentment and billing purposes. In response to PG&E's statement that "Future large scale implementation of TOU and DP options means exception processing of interval data needs to be implemented broadly across PG&E's customer base to support customer time-variant pricing education, decision making, and billing."[151] Approving incremental positions to process 15 minute interval data for residential customers before the Commission approves TOU or DP rates is premature.

In D. 07-12-009, the Commission stated "Regarding future costs that may be related to the original AMI project or the Upgrade and which are raised in separate proceedings for the purpose of additional rate recovery, they are only speculative at this time. We can only note that, in order to get such additional rate recovery, PG&E has the burden to show that such costs are neither covered by specific costs adopted in either proceeding nor by risk based allowances adopted in either proceeding."[152] PG&E has not provided any information to show that funding it requests in this GRC proceeding is incremental to the funding approved in D. 05-06-028.

PG&E says its planned Interval Data Processing and Exception Management project should be operational in late 2015, which will reduce the need for manual intervention for exception processing. PG&E has already been allocated funding through the Original AMI and Smart Meter Upgrade decisions to implement the Interval Data Processing and Exception Management project or similar project. Due to delays in implementation, PG&E is now requesting incremental funding for the IT project and ongoing maintenance of manually validating interval customer data.

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[151] Ex. PG&E-5, p. 4-17, lines 17-21.

[152] D. 09-03-026, p. 89, beginning of second paragraph.

DRA accepts the $5.3 million in incremental savings as identified in D. 06-07-027[153] for "exception processing" and "automated interval billing" respectively. DRA recommends no incremental ratepayer funding for 2014 beyond escalation for data processing and billing-related work.

In addition, regarding the four business analyst positions to support Billing Operations "Associated with the interval data processing work described above,"[154] for 2014, DRA recommends no incremental funding beyond 2011 recorded levels. These positions are associated with the interval data processing work for which PG&E has already been allocated funding for the same or similar functions.

b. Smart Meter Opt-Out Program

For 2014, PG&E requests an increase of $0.8 million over 2011 recorded expenses to support the Commission approved Smart Meter Opt-Out program within Billing Operations to respond to Opt-Out requests and process meter-related transactions.[155] DRA recommends a 2014 expense of $0.2 million for Billing Operations support of the Smart Meter Opt-Out program. In addition, DRA recommends that starting in 2014, all Opt-Out expenses, capital expenditures, and revenues, be booked in a one-way balancing account as explained below, resulting in a $0.8 million adjustment to PG&E's 2014 GRC revenue requirement.

In response to a DRA data request about PG&E's Opt Out forecast, PG&E stated:

> The estimated number of CSRs needed to process the Opt-Out Program work in 2012 through 2014 is based on PG&E's best judgment and experience with the Opt-Out Program since its February 1, 2012 inception. No additional detailed analysis is available to support the staffing levels shown on page WP 4-28.[156]

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[153] Ex. PG&E-5, p. 10-7, Table 10-1, lines 7, 15.

[154] Ex. PG&E-5, p. 4-18, lines10-11.

[155] Ex. PG&E-5, p. 4-18, lines 17-22.

[156] See PG&E's response to DRA_151-Q05.

PG&E's Opt-Out program started on February 1, 2012,[157] PG&E states that the 2012 recorded expense of performing such work in 2012 was $1.258 million, or $58,000 above its original 2012 forecast.[158] However, this was a time when customers were first offered the option to Opt-Out, resulting in higher levels of work than is likely for ongoing maintenance of the program. The total enrolment for as of December, 31 2012 was 33,525 customers.[159] For 2014, PG&E has forecasted 70 additional Opt-Out customers[160] (for new residential customers), a fraction of the recorded enrollment in 2012.

With the completion of PG&E's Opt-Out Automation Information Technology (IT) Project in December 2012, "information for customers who enroll or unenroll using PG&E's webpage is automatically uploaded to PG&E's Customer Care and Billing (CC&B) system."[161] In A. 11-03-014 the Smart Meter "Opt-Out" proceeding, PG&E identifies Billing Operations monthly operating expenses forecast of $175,000 in November and $59,536 in December (due to the implementation of the Opt-Out Automation IT Project) and $59,536 monthly for all of 2013,[162] a reduction of $115,464 per month due to the implementation of the Opt-Out Automation IT Project. This forecast assumes monthly Opt-Out enrollment of 1,796 customers or 2,992 meters in 2013.[163] PG&E forecasts the number of "Additional Forecast Opt-

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[157] See PG&E's response to DRA_151-Q05.

[158] See PG&E's response to DRA_151-Q05.

[159] See PG&E's response to DRA_208-Q11.

[160] Ex. PG&E-5, WP 10-12, line 12.

[161] See PG&E's response to DRA_151-Q05, p. 2.

[162] A. 11-03-014, WP 2-3, line 2.

[163] A. 11-03-014, WP 1-3, line 8.

Out Customers in 2014" of 70 for a total additional number of 139 meters in 2014 less than 5% of PG&E's 2013 forecast.[164]

PG&E states in A. 11-03-014, "'After IT Project is operational in December 2012, assumes required incremental labor decreases to a team of seven incremental CSRs who will process exception handling for SOP bills and enroll new SOP customers. This assumes an average annual Billing Operations CSR Salary in 2013 dollars of $102,061."[165]

Although the language used in PG&E's 2014 GRC testimony is slightly different to describe the activities which will be performed by Billing Operations on an ongoing basis due to the Commission approved Opt-Out customer option, the work is essentially the same--to respond to Opt-Out requests and process meter-related transactions. As identified above, in A. 11-03-014, PG&E forecasted seven CSRs to preform opt-out related work in 2013 (book in a balancing account), while in the 2014 GRC, PG&E is requesting eight Business analysts for less than 5% of the "Opt-Out" customer requests of PG&E's 2013 forecast.

Given the drastic reduction in the number of new Opt-Out customers forecast by PG&E for 2014 (reducing the need for processing), and implementation of the Opt-Out Automation, DRA recommends two incremental FTEs in 2014 over 2011 staffing levels to process Opt-Out requests and meter-related transactions at a 2014 expense of $174,728.[166]

DRA recommends the Commission adopt a one-way balancing account for all Opt-Out costs and revenues as the actual costs in 2014 are dependent on the results of A. 11-03-014. The Opt-Out proceeding also impacts several other expenses, small capital additions, and revenues. DRA recommends a one-way balancing account for two reasons:

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[164] Ex. PG&E-5 WP 10-12, line 12.

[165] A. 11-03-014, WP 2-3, note 2.

[166] Ex. PG&E-5, WP 2-26, cost per CSR line 6.

1. The uncertainty of the outcome of A. 11-03-014 and customer's reactions to the decision.
2. The uncertainty of the actual costs and revenues which will be incurred and collected by PG&E for activates such as Billing Operations, Meter Reading, Field Collection Activities, Network Monitoring, Meter Installations, Mesh Network Device Installations, and associated revenues.

DRA proposes a one-way balancing account due to the overstated and sometimes contradictory forecasts between PG&E's A. 11-03-014 and this GRC proceeding. Adoption of DRA's recommendation in this GRC has the added effect of giving PG&E an incentive to control expenses and capital expenditures related to the Opt-Out program.

DRA quantifies the total recommended 2014 Opt-Out expenses of $8.5 ($7.5 million in MWC AR Ex. PG&E-5, Chapter 5, million an adjustment of $22.6 million to PG&E's request and accepts PG&E's revenue forecast of $20.7 million.[167] DRA's recommendation effectively removes all of the below expenses, capital expenditures and revenues from PG&E's 2014 revenue requirement.

[167] Ex. DRA-13, workpapers, p. WP 4-2.

Table 13-40
DRA Forecasted Smart Meter Opt-Out Program Costs and Revenues of 2014 GRC
(in Thousands of Nominal Dollars)

Description	MWC	2014 GRC Exhibit and Chapter Reference	PG&E 2014 Cost Request	2014 GRC WP Reference	DRA 2014 Cost Forecast	DRA 2014 GRC Reference
Expenses						
Meter Reading	AR	Ex 5, Ch 5	$ 27,933	WP 5-34	$ 7,525	$ (20,408)
Billing Operations	IS	Ex 5, Ch 4	792	WP 4-19	198	(594)
Field Collection Activities	IT	Ex 5, Ch 4	2,118	WP 4-17	489	(1,629)
Network Monitoring	JV	EX 7, Ch 8	270		270	0
Total Expenses			$ 31,113		$ 8,483	$ (22,630)
Capital						
Analog Electric Meter Installations	25	Ex 5, Ch 5	$ 5	WP 5-48	$ 5	$ -
Analog Gas Meter Installations	74	Ex 5, Ch 5	4	WP 5-48A	4	
Compensating Mesh Network Device Installations	2F	Ex 7, Ch 8	36		36	
Total Capital Expenditures			$ 45		$ 45	$ -
Revenues From Customer Charges						
Electric Revenues	N/A	Ex 2, Ch 18	$ 11,392		$ 11,392	$ -
Gas Revenues	N/A	Ex 2, Ch 18	9,321		9,321	
Total Revenues			$ 20,713		$ 20,713	$ -

Note: PG&E Forecasts from Ex. PG&E-5, p. 10-9, Table 10-2

c. Relocation of Billing Operations Group

PG&E plans in 2014 to relocate the Billing Operations group, currently based in Stockton, to a new leased facility, in part to accommodate increases in staffing, and requests a $0.8 million dollar incremental increase in expenses over 2011 recorded expenses for Billing Operations.[168]

PG&E has already moved some employees to a building in the city of Fremont. Thus, it appears that the current offices are sufficient as PG&E has already shifted employees to accommodate increases billings operations from 2011-2012. The shift in employees is shown in the table below.

[168] Ex. PG&E-5, p. 4-18, lines 25-30.

Table 13-41
Facility Headcount Summary for 2011 and 2012

Line No	MWC	Organization	Facility	2011 Year End Headcount	2012 Year End Headcount
1	IS	Billing Operations Exceptions	Stockton	166	180
2	IS	Billing Operations Support	Stockton	11	11
3	IT	Credit Operations	Stockton	117	126
4	DK	Call Center Operations	Stockton	88	59
5	DK	Workforce Management	Stockton	2	1
6	IS	Billing Operations Support	Concord	25	34
7		**Total**		**409**	**411**

Source: See PG&E's response to DRA_151-Q39.

DRA recommends no incremental ratepayer funding for a relocation of the Billing Operations group as DRA does not support the incremental staffing PG&E forecasts nor has PG&E convinced DRA that its current facilities are inadequate.

d. Customer Billing

In 2014, PG&E is requesting an additional $0.3 million over 2011 expenses to address growth in the Net Energy Metering (NEM) population by adding three additional business analyst positions within Customer Billing to augment the 12 employees currently performing this work.[169] DRA recommends no incremental ratepayer funding beyond 2011 recorded expenses for 2014.

PG&E states the NEM population has been increasing at a rate of 20 percent per year from 2009-2011.[170] PG&E meanwhile as part of PG&E's Customer Care Technology Projects forecast to be completed in 2013,[171] where PG&E describes the new functionalities of the NEM Billing IT project as:

[169] Ex. PG&E-5, p. 4-18 and 4-19, lines 32-34 and 1-3.

[170] Ex. PG&E-5, p. 4-19, lines 3-5.

[171] Ex. PG&E-5, workpapers, p. WP 9-102.

> Net Energy Metering (NEMs) Billing will mitigate the business continuity risk of overburdening the ABS system, allow for cost savings due to NEMS accounts being worked by CSRs rather than specialized Meter to Cash resources, improve operational efficiencies by reducing the need to provide customers with two billing statements from both ABS and CC&B, provide the capabilities of allowing customers to review consumption, generation and receivable information on a single billing statement instead of performing manual reconciliation across two system generated statements. With the approval of Assembly Bill 920, customers have been given incentives for generation credits, the enrollment rate could increase thereby adding scalability risks to the existing ABS legacy system.[172]

PG&E has not quantified the operational efficiencies, or included them to offset requested incremental increases in funding for 2014. Therefore, DRA recommends no incremental ratepayer funding beyond 2011 recorded in 2014 to support NEMs Billing.

e. Bill Printing and Mailing

PG&E's Bill Print and Mail (BPM) operation prints and mails customer bills, credit notices, checks (payroll, accounts payable and customer refunds).[173] For 2014, PG&E requests two incremental FTEs increases over 2011 funding and one decrease for a total incremental increase over 2011 recorded expenses for 2014 total expenses of $2.2 million.[174] DRA recommends a $0.8 million increase over 2011 recorded expenses for 2014, an adjustment of $1.4 million to PG&E's forecast (explained in items f through i below).

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[172] Ex. PG&E-5, WP 9-103, see fourth bullet point.

[173] Ex. PG&E-5, p. 4-13, lines 8-10.

[174] Ex. PG&E-5, p. 4-20.

f. Electronic Bill Presentment

For 2014, PG&E requests an additional $1.65 million over 2011 expense of $0.7 million[175] to expand electronic bill (e-Bill) to customers[176] for a total 2014 Electronic Bill Presentment expense of $2.4 million. DRA recommends $0.3 million in incremental funding for 2014 beyond 2011 recorded expenses of $0.7 million for a total 2014 Electronic Bill Presentment expense of $1.0 million.

PG&E's 2012 recorded data for electronic bill presentment shows that its actual incremental cost from 2011 to 2012 was $85,063[177] compared with its forecast presented in workpapers of $711,954.[178] The vendor fees will not increase at the rate forecasted by PG&E due to PG&E's 2012 recorded data being about 12% percent of 2012 forecasted. The that Push eBilling, Web eBill Viewing Fees, or Web eBill loading fees, will not increase at rates forecasted by PG&E. DRA recommends a total annual expense of $991,000 an increase of $256,870 above 2011 recorded expenses.[179]

[175] Ex. PG&E-5, WP 4-20, line 6.

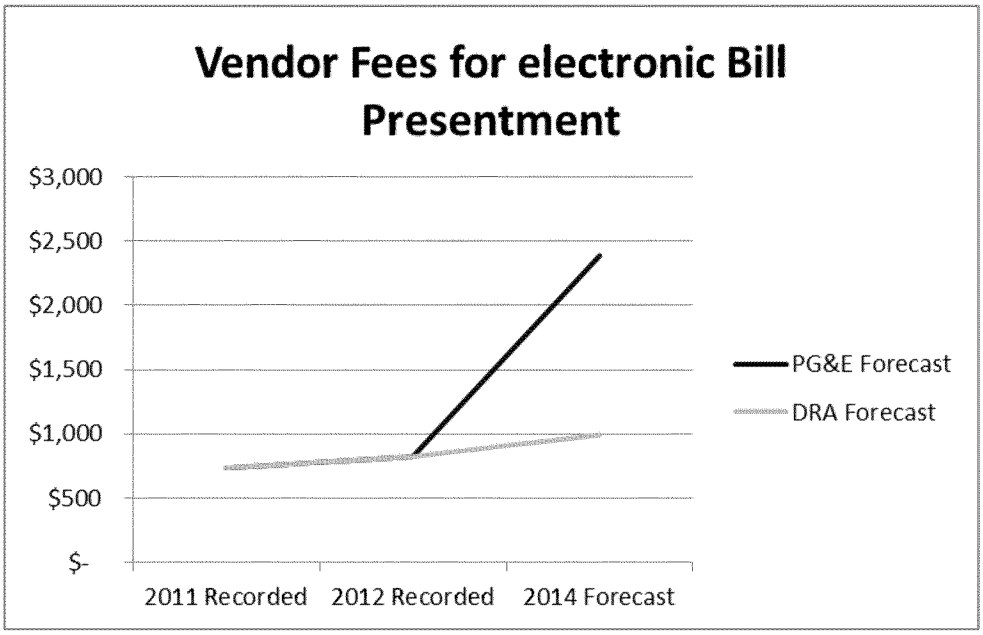
[176] Ex. PG&E-5, p. 4-19, lines 16-18.

[177] PG&E's response to DRA_151-Q21 see Atch01, WP 4-21, line 2, third to last column.

[178] Ex. PG&E-5, WP 4-21, line 2, last column.

[179] Ex. DRA-13, workpapers, p. WP 4-3.

Table 13-42
2011 and 2012 Recorded Expenses Vendor Fees for Electronic Bill Presentment with PG&E and DRA Forecasted 2014
(in Thousands of Nominal Dollars)



Source: 2011 data and 2014 forecast from Ex. PG&E-5, WP 4-20, 2012 data from PG&E's response to DRA_151-Q21, see Atch01, WP 4-21. DRA 2014 forecast see Ex. DRA-13, workpapers, p. WP 4-3.

g. Bill Print Costs

PG&E requests a $2.2 million decrease in 2014 expenses associated with paper bill production in comparison to 2011 expenses, as a result of increasing payments by e-Bills.[180] DRA accepts PG&E's forecasted decrease in paper bill production costs and forecasts, with assumption that the DRA recommended funding level of $991,000 for electronic bill presentment, will provide PG&E with sufficient funding to reach the $2.24 million in savings related to a reduction in mailed bills.

[180] Ex. PG&E-5, p. 4-19 to 4-20, lines 33-34 and 1-2.

h. Postage Cost Increases

In 2014, PG&E forecasts an increase in postage expenses of $2.8 million over 2011 expenses of $24.7[181] million for a total postage expense of $27.5 million.[182] DRA accepts PG&E's forecasted increase in postage of $2.8 million beyond 2011 recorded expenses for 2014.

PG&E's recorded postal costs in 2012 were $25 million[183] an approximately $323,000 recorded increase from 2011 to 2012 compared to PG&E's forecasted $890,000 increase.[184] Postage increases are forecast by PG&E to be offset by increases in electronic bill presentment by $1.875 million in incremental savings from 2011-2014.[185] Increases in postage when savings from electronic bill presentment are included are reasonable.

i. Annual Maintenance Costs

For 2014, PG&E requests a $61,000 dollar increase beyond 2011 recorded expenses for annual maintenance of the mailing inserters and printers used in PG&E's Bill Print Mailing center.[186] PG&E later made ERRATA reducing its request by $35,000. DRA accepts PG&E's revised request of $26,000.

j. Revenue and Statistics

In 2014, PG&E forecasts increased expense of $0.3 million over 2011 expenses of $2.1 million[187] within the Revenue and Statistics (R&S) department[188]

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[181] Ex. PG&E-5, p. 4-20, lines 3-9.

[182] Ex. PG&E-5, WP 4-37.

[183] See PG&E's response to DRA_151-Q29a.

[184] Ex. PG&E-5, WP 4-37, line 1.

[185] Ex. PG&E-5, WP 4-36, line 4.

[186] Ex. PG&E-5, p. 4-20, lines 10-13.

[187] PG&E's response to DRA 151-Q28 see Atch01.

for a 2014 forecasted expense of $2.5 million. DRA recommends an increase of $0.1 million beyond 2011 recorded expenses for a total 2014 expense forecast of $2.2 million for the Revenue and Statistics department an adjustment of $0.2 million to PG&E's forecast.[189]

PG&E's reasons for requesting incremental expenses for 2014 beyond 2011 recorded include: (a) two business analysts for development and testing of new mass transaction procedures for customer refunds, utility users tax and franchise fee processing; (b) the addition of one business analyst to support federal 1099 reporting associated with the processing of customer refunds; and (c) moving to Revenue & Statistics the annual contract costs for the Escheat Compliance Fulfillment Services LLC, an outside vendor used by PG&E to identify and contact customers to inform them of monies they may be entitled to.[190]

PG&E originally forecasted a staffing increase of $260,000 in 2012,[191] yet recorded 2012 data shows an increase in labor (including taxes and burdens) of $102,000. Therefore, DRA recommends an increase of $102,000 (the actual recorded increase in labor) plus escalation for a total incremental expense of $108,000 for Revenue and Statistics over 2011 expenses for 2014. This equals a total of approximately $2.2 million, which is almost exactly the five year average 2008-2012 recorded expenses for the Revenue and Statistics Department.[192]

In addition, PG&E included an incremental increase of $0.2 million for "increase of Business Analysts to perform quality assurance, testing, and training

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(continued from previous page)

[188] Ex. PG&E-5, p. 4-20 lines 15-17.

[189] Ex. DRA-13 workpapers, p. WP 4-5.

[190] Ex. PG&E-5, p 4-20, lines 17-28.

[191] Ex. PG&E-5, WP 4-28, line 9.

[192] Ex. DRA-13, workpapers, p. WP 4-5.

development.[193] PG&E does not explain this increase in its testimony, and it appears these positions come from a workpaper.[194] In testimony PG&E states "Billing Operations will increase supporting Quality Assurance (QA) positions by four business analyst positions…these positions will provide process evaluation and development, training assessment, and other support activities to Billing Operations."[195] DRA recommends zero incremental funding for the aforementioned activities because DRA finds no mention in PG&E's testimony of why current staffing levels are inadequate, resulting in an adjustment of $.2 million to PG&E's request.

k. Street Light Inventory Project

In 2014, PG&E requests an increase in expenses supporting field auditing of streetlights by $374,000[196] over 2011 expenses of $641,689[197] a 58% increase above 2011 recorded expenses. DRA recommends no incremental ratepayer funding for 2014 beyond 2011 recorded expenses of $641,689 for the Street Light Inventory Project.

PG&E requested incremental funding in its prior test year 2011 GRC for Street Light Program Management of $441,000.[198]

> This increase will provide for the customer service and support for both customer-owned and PG&E-owned street lights. In 2011, the program will focus on the significant safety, aesthetic, and energy efficiency benefits offered by street lights…[199]

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[193] Ex. PG&E-5, WP 4-28, line 4.

[194] Ex. PG&E-5, workpapers, p. WP 4-28, line 2.

[195] Ex. PG&E-5, p. 4-18, lines 11-16.

[196] Ex. PG&E-5, p. 4-20, lines 30-32.

[197] See PG&E's response to DRA_028-Q12.

[198] A. 09-12-020, Ex. PG&E-4, p. 4-24, lines 4-7.

[199] A. 09-12-020, Ex. PG&E-4, p. 4-16, Table 4-4, line 5.

These specific Street Light Program Management costs are charged to MWC EZ as identified by PG&E in 2009: "the costs of the Program's customer care work and program management activities are charged to MWC EZ."[200] PG&E's 2014 testimony did not identify any changes to the Street Light Program Management and therefore appears to be booking Street Light Program Management expenses to MWC EZ and the Street Light Inventory Project was charged to MWC IS in 2011.

PG&E has embedded Street Light Program Management expenses recorded in MWC EZ. DRA therefore recommends no incremental funding for the street light inventory project in MWC IS for 2014, other than labor and non-labor escalation.

Table 13-43
PG&E's Requested Incremental Increases/Decreases, DRA's Recommended Incremental Increases/Decreases and Totals for MWC IU – Revenue Collection
(in Thousands of Nominal Dollars)

NO.	PG&E Requested Incremental Increases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incremental	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5	Reference Ex. DRA-13 Workpapers
	MWC IU - Collect Revenue	$ 14,881						p. 4-2, Table 4-1	
a	Increased Electronic Payments		$ 536	$ 536	$ 405		$ 131	p. 4-26, line 21	WP 4-3
b	Increased Pay-by-Phone Activity		1,016	1,016	459		557	p. 4-26, line 23	WP 4-4
c	Increased Staffing Supp Elect Pay		317	317	-		317	p. 4-26, line 28	
d	Marketing of New Payment Options		300	300	-		300	p. 4-27, line 1	
e	Kiosk Maintenance and Operation		104	104	104		-	p. 4-27, line 5	
f	13 Field Representatives		1,336	1,336	-		1,336	p. 4-28, line 23	
g	Revenue and Statistics Staffing Addition*		274	274	-		274	see WP 4-33, line 1-2	
h	Escalation		$ 654	$ 654	$ 654		$ -	see WP 4-35, line 4	
	Total Incremental		$ 4,537		$ 1,622		$ 2,915	p. 4-2, Table 4-1	
	Total Forecast MWC IU - Collect Revenue	$ 14,881	$ 4,537	$ 19,418	$ 1,622	$ 16,503	$ 2,915	p. 4-2, Table 4-1	

3. MWC IU - Collect Revenue

For 2014, PG&E requests an incremental increase of $4.5 million over 2011 recorded expenses of $14.9 million for a total forecasted 2014 expense of $19.4 million.[201] For 2014, DRA recommends an incremental increase of $1.6 million over 2011 recorded expenses for a total forecasted 2014 expense of $16.5 million.

Activities recorded in MWC IU include: (1) payment processing activities related to removing payments from envelopes, capturing payment information, applying payments to individual customer accounts, and completing bank deposits;

[200] A. 09-12-020, Ex. PG&E-4, p. 4-12, lines 22-23.

[201] Ex. PG&E-5, p. 4-2.

(2) operation of Neighborhood Payment Centers; (3) researching and responding to customer payment inquiries; (4) revenue control activities related to reconciling payments deposited with amounts credited to customers' accounts; (5) and Revenue Assurance activities.[202]

Table 13-44
2007-2012 Recorded Data for MWC IU
Meter To Cash
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC IU	$14,412	$16,909	$15,075	$13,276	$14,881	$15,612

Source: Source: 2007-2011 data from Ex. PG&E-5, WP 4-1, 2012 data from PG&E's response to DRA_108-Q04 see support01Atch01.

a. Payment Processing

PG&E requests several increases in 2014 from 2011 recorded expenses for Payment Processing. PG&E says it is making enhancements to its electronic payment options including payment posting for Automated Clearing House/WIRE customer payments; single sign-on for Pay by Phone customers, eliminating the current paper-based process associated with Automatic Payment Service enrollment in favor of an on-line solution, improved internal reporting capabilities, and improved tools for fraud management."[203]

For 2014, PG&E requests five incremental increases in expenses over 2011 recorded for Payment Processing, for a total increase of approximately $2.2 million. The PG&E forecast includes increases for: (i) $0.5 million to increase electronic payment options for customers; (ii) $1.0 million to support increased pay-by-phone activities; (iii) $0.3 million for staffing increase by three business analysts to support the expansion of electronic payment options for customers; (iv) $0.3 million for marketing to make customers aware of new payment options; (v) $0.1 million for

[202] Ex. PG&E-5, p. 4-21, lines 11-18.

[203] Ex. PG&E-5, p. 4-26 lines 3-11.

increased maintenance and operation of ten new self-service payment kiosks added in 2011.[204]

For 2014, DRA recommends incremental funding over 2011 recorded expenses of approximately $1.0 million for increased payment processing activities. DRA's forecast includes the following: an adjustment of $1.2 million to PG&E's 2014 forecast for; (i) $0.4 million for increase in vendor fees for electronic payment processing; (ii) $0.55 million to support increased pay-by-phone activities; (iii) no incremental ratepayer funding for staffing increases to support the expansion of electronic payment options for customers; (iv) zero incremental funding for marketing to make customers aware of new payment options; (v) $0.1 million for increased maintenance and operation of ten new self-service payment kiosks added in 2011.[205] DRA's adjustments are mostly based on PG&E's lower 2012 recorded expenses that what PG&E forecasted in its application.

i. Increase in Electronic Payment Options

For 2014, PG&E requests an increase in spending of $0.5 million beyond 2011 recorded expenses of $4.15 million[206] for a total forecasted 2014 Electronic Payment Options expense of $4.65 million. For 2014, DRA recommends an increase in spending of $0.4 million beyond 2011 recorded expenses of $4.15 for a total forecasted 2014 Electronic Payment Options expense of $4.55 million.

PG&E associates its forecasted increase with an increase in vendor fees for electronic payment processing.[207] In 2011, PG&E had a recorded expense of approximately $4.15 million,[208] and in 2012 of approximately $4.0 million.[209]

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[204] Ex. PG&E-5, p. 2-26 and 2-17, lines 21-33 and 1-6.

[205] Ex. DRA-13, workpapers, p. WP 4-3.

[206] Ex. PG&E-5, workpapers, p. WP 4-20, line 1.

[207] Ex. PG&E-5, WP 4-20, line 1.

[208] Ex. PG&E-5, WP 4-20, line 1.

PG&E's actual recorded 2012 data is $89,000 less than what PG&E had originally forecasted. PG&E requests for 2014 an increase in web based payments of approximately 200% of 2012 recorded payments due to the introduction of the one-time payment option.[210] PG&E states that "… based the forecast of Web based payment volumes as essentially flat for enrolled customers with recurring payments,"[211] yet PG&E has forecasted an increase in enrollment of almost 1.6 million payments, or 146%, above 2012 payments.

PG&E's contradictory language does not appear to correspond to its forecast and PG&E's 2012 spending is well below what it forecasted in its application. DRA, therefore, recommends an incremental expense of $0.4 million over 2011 expenses for a total 2014 recommendation of $4.55 million.

ii. Increase in Pay-by-Phone Activities

For 2014, PG&E forecasts an increase in spending of $1.0 million beyond 2011 recorded expenses of $0.2 million for a total forecasted 2014 expense of $1.2 million to support Pay-by-Phone transactions and mobile device payment channels.[212] DRA recommends an increase of $0.65 million beyond 2011 recorded expenses of $0.2 million for a total forecasted 2014 expense of $0.85 million to support Pay-by-Phone transactions and mobile device payment channels.

Although PG&E does not directly state so in testimony, it appears that the increases in Pay-by-Phone transactions are for the customers who try to pay through mobile devices, but experience problems. Once this occurs, the customer is transferred to an agent where the customer's payment is made via a phone call, rather than through an electronic transaction. Based on this understanding, DRA

(continued from previous page)

[209] See PG&E's response to DRA_151-Q21, tab WP 4-20, line 1.

[210] Ex. PG&E-5, WP 4-23, see note for lines 16-17.

[211] Ex. PG&E-5, workpapers p. WP 4-23, see note for lines 16-17.

[212] Ex. PG&E-5, workpapers p. WP 4-22, lines 7-9.

used 2012 data to forecast the level of Customer Service Representative (CSR) payments and inquiries for 2014.

The 2012 recorded data shows that PG&E customers made 579,046 mobile payments and were assisted by a live CSR for payment and inquiries 144,188 times.[213] Using the following formula DRA determined in 2012, 25% of customers utilized the CSR functionality when making a mobile payment:

$$\frac{\text{CSR Assisted Payments}}{\text{Mobile Payments}} = \text{Ratio}$$

For 2012, the ratio is as follows:

Percentage of CSR Assisted Transacitions to Mobile Transacitions in 2012

$$\frac{144{,}188}{579{,}046} = 25\%$$

Therefore, DRA forecasts in 2014, that 864,000 (or 25%) of mobile transactions forecasted by PG&E[214] will be assisted by CSRs rather than PG&E's 40% forecast for 2014,[215] resulting in a reduction of 133,000 pay by phone transactions, or a $0.3 million reduction to PG&E's forecast.

PG&E offers no information regarding the amount of CSR assisted payment transactions in WPs other than in WP 4-22 where it shows a recorded 2011 expense of $72,000 for "Integrated Voice Response Payment Channels."[216] In developing its forecast PG&E does not subtract the recorded expense of $72,000 from the

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[213] See PG&E's response to DRA_151-Q21, tab WP 4-23 lines 8 and 36.

[214] Ex. PG&E-5, WP 4-23, line 12.

[215] Ex. PG&E-5, WP 4-23, line 36.

[216] Ex. PG&E-5, WP 4-22 line 8.

requested incremental increase. DRA uses $72,000 plus $144,000[217] for 2011 recorded expenses to forecast 2014 expenses. Using PG&E's recorded 2011 expenses of $0.2 million; DRA recommends a 2014 expense for mobile transactions of $0.8 million an adjustment of $0.36 million to PG&E's 2014 forecast of $1.2 million.

iii. Staffing Increase to Support Electronic Payment Transactions

In 2014, PG&E requests funding to increase staffing within Payment Processing by three business analysts positions to support the expansion of the electronic payments options for customers at an expense of $0.3 million over 2011 expenses.[218] DRA recommends no incremental funding increased staffing to support electronic payment transactions in 2014.

PG&E stated in response to a DRA data request:

> The Pay Channels department was established in 2011 to consolidate management of PG&E's electronic billing and payments programs. Prior to 2011, this function was dispersed among multiple organizations within PG&E.
>
> In planning staffing for the new department, it was determined that three additional positions would be required to support management of these programs along with the work required to implement the Electronic Pay Channel Consolidation Project currently underway. The determination of the number of new employees needed was based on PG&E's best judgment and experience with project management and product implementation functions. No additional detailed analysis is available to support the staffing levels shown on page WP 4-20.[219]

Based on PG&E's answer to this DRA data request, and specifically PG&E's statement that "this function was dispersed among multiple organizations within PG&E," PG&E has embedded funding to support the Pay Channels function for

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[217] Ex. PG&E-5, WP 4-22 line 7.

[218] Ex. PG&E-5, p. 4-26, lines 25-29.

[219] See PG&E's response to DRA_151-Q. 06, p. 2.

2014. DRA recommends no incremental funding for 2011 for increases to staffing to support the Payment Processing.

iv. Marketing of New Payment Options

For 2014, PG&E requests incremental spending over 2011 recorded expenses of $0.3 million for a marketing effort to make customers aware of new payment options. DRA recommends zero incremental over 2011 recorded expenses for marketing of new payment options in 2014.

PG&E recorded 190,500 recorded mobile payment transactions in 2011[220] and increased that number to 579,026 in 2012.[221] DRA asserts that the mobile payment option is not a new payment option for 2014 and PG&E experienced a more than 300% growth in mobile payments from 2011 to 2012. Other payment options such as home banking and payments through PG&E's website are not new for 2014 either.

In a marketing campaign conducted in 2012 for PG&E's neighbor payment centers (NPC) "the costs for materials, printing, and mailing were paid for entirely by CheckFreePay, PG&E's (NPC) vendor. A follow up mailing to the same customers with similar content is planned for February 2013."[222] This statement highlights that most if the expenses for the NPC marketing campaign were incurred by PG&E's vendor rather than PG&E. PG&E also identified a another initiative currently in the planning/analyze stage the "Channel of Choice Initiative designed to provide customers with the ability to conduct services with PG&E in the manner that the customer chooses as best suited for their unique needs."[223] It appears this marketing campaign will be implemented in 2013.

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[220] Ex. PG&E-5, workpapers p. WP 4-23, line 12.

[221] PG&E's response to DRA_151-Q21see Atch01 WP 4-23, line 12.

[222] See PG&E's response to DRA_126-Q05.

[223] See PG&E's response to DRA_126-Q08.

DRA recommends no incremental ratepayer funding for marketing. If, however, the Commission approves any ratepayer funding for "Marketing for New Payment Options," then DRA recommends that the Commission also establish a mechanism by which it can assess whether PG&E has used ratepayer funds effectively.

v. Kiosk Maintenance and Operation

For 2014, PG&E forecasts an increase in spending over 2011 recorded expenses of $0.3 million, of $0.12 million dollars for the increased maintenance and operation expenses of the additional 10 self-service kiosks.[224] DRA accepts PG&E's 2014 forecast of $0.38 million, for an incremental increase of $0.12 million beyond 2011 recorded expenses.

b. Revenue Assurance

In 2014, PG&E requests an increase of 13 field representatives to perform Revenue Assistance work, at an incremental expense of $1.3 million over 2011 recorded expenses of $3.0 million[225] for a total 2014 forecast of $4.3 million. DRA recommends no incremental ratepayer funding for 2014, for an adjustment of $1.3 million to PG&E's 2014 forecast.

PG&E forecasts an increase in Revenue Assurance staffing "in response to increased workloads in this area."[226] In the course of discovery DRA learned that the number of processed meter tampering cases has declined yearly from 2008 to 2012, and that the cost per case has increased 32% from 2008 to 2012 (in base year 2011 dollars, $823 to $1,084).[227]

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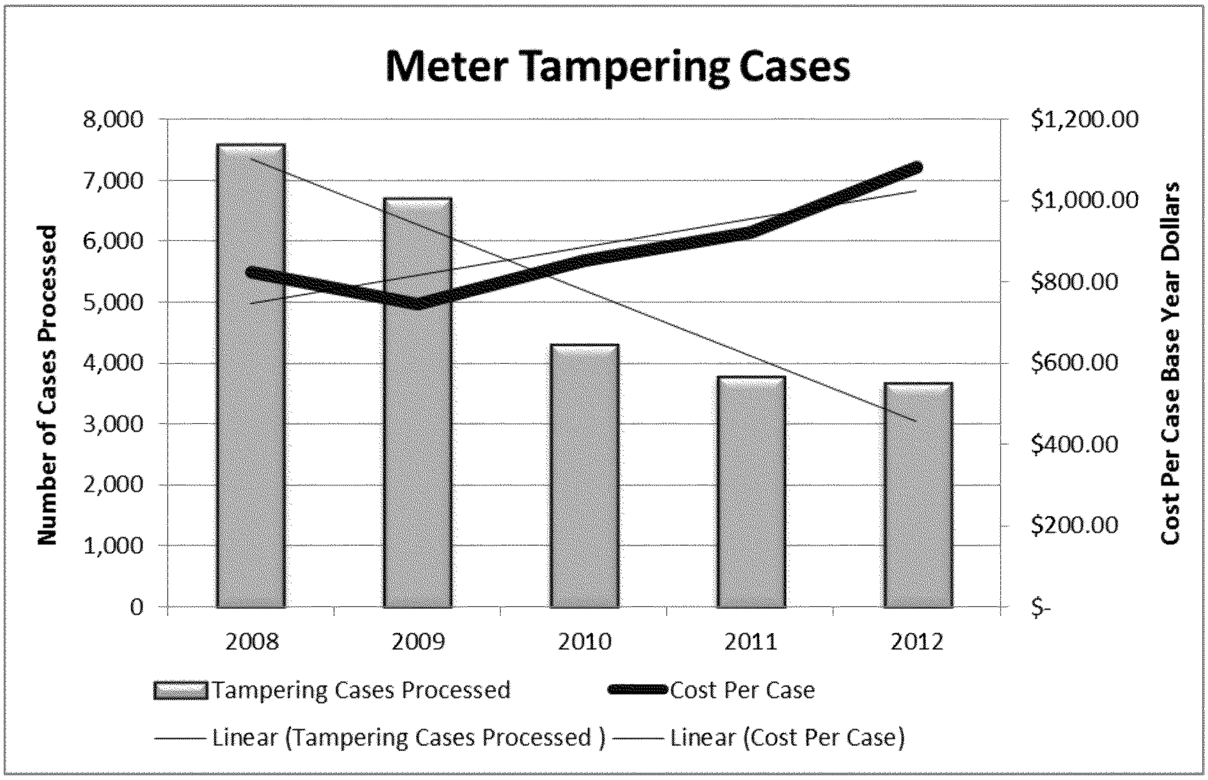
[224] Ex. PG&E-5, p. 4-27, lines 3-6.

[225] PG&E's response to DRA_151-Q16, see atch01, tab 17d.

[226] Ex. PG&E-5, p. 4-27, lines 8-9.

[227] PG&E's response to DRA_151_Q17 see Supp01, tab 17a, b, c.

Table 13-45
2008-2012 Recorded Data Number of Meter Tampering Cases Processed and Cost Per Tampering Case in 2011 Dollars
Meter To Cash



Source: PG&E's response to DRA_151_Q17 see Supp01, tab 17a, b, c. Note: PG&E did not provide 2007 data, although it was requested by DRA.

In PG&E's test year 2011 GRC, PG&E requested an additional four Revenue Assurance representatives for the essentially the same reasons: more data provided by the system leading to more cases as explained below.

> PG&E's SmartMeter™ Program is scheduled to be deployed system wide by 2012 and the company is expecting the data provided by this system will help us to identify more cases of tampering than had previously been identified by manual meter reading. Each of these additional cases will require resources to allow for investigation and resolution. Labor and non-labor escalation. Based on the above factors, PG&E has determined the need for four additional RA

> representatives in 2011 to effectively manage this increasing RA workload.[228]

Recorded data shows the number of cases has actually declined since the implementation of Smart Meters, yet PG&E uses the same argument for 2014. DRA accepted PG&E's forecast in A. 09-12-020.[229] In this GRC, DRA opposes PG&E's request for an increase for Revenue Assurance positions.

With the number of meter tampering cases declining historically and PG&E's unsubstantiated claim of increasing costs DRA recommends no incremental ratepayer funding for 2014 over 2011 recorded expenses of $3.0 million. DRA recognizes that meter tampering can be a safety issue and encourages PG&E's efforts to address it. However, PG&E's request for more ratepayer money without some showing that PG&E will use it effectively should be denied. In the meantime, if the Commission adopts DRA's proposal, it may encourage PG&E to control expenses while investigating possible theft and unsafe situations.

4. MWC IT - Manage Credit

For 2014, PG&E forecasts a decrease of $2.2 million to 2011 recorded expenses of $24.6 million for a 2014 forecasted expenses of $21.6 million.[230] For 2014, DRA forecasts a decrease of $5.1 million to 2011 recorded expenses of $24.6 million for a 2014 forecasted expenses of $19.4 million.

Activities under MWC IT Manage Credit include: (1) management of credit related transactions conducted by the Credit Operations Center; (2) the production of mailing of credit related notices in the Bill Print Mail center; and (3) field collection activities conducted by Customer Field Service on behalf of Credit Operations.[231] For the above activities PG&E forecasts an overall reduction in 2014 expenses

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[228] A. 09-12-020, Ex. PG&E-4, p. 8-24, lines 12-22.

[229] A. 09-12-020, Ex. DRA-10, p. 29, lines 7-12.

[230] Ex. PG&E-5, p. 4-2, Table 4-1, line 4.

[231] Ex. PG&E-5, p. 4-28, lines 27-31.

below 2011 recorded expenses of $2.2 million due mostly to Smart Meter benefits and the inclusion of 15-day credit notices on the subsequent bill[232] (pursuant to the CPUC final decision on Phase 2 of the Disconnect OIR),[233] decreases are offset by various staffing increases, relocation of the Meter To Cash Billing and Credit Operations, and labor escalation.

Table 13-46
PG&E's Requested Incremental Increases/Decreases, DRA's Recommended Incremental Increases/Decreases and Totals for MWC IT – Manage Credit
(in Thousands of Nominal Dollars)

NO.	PG&E Requested IncrementalIncreases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incremental	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5	Reference Ex. DRA-13 Workpapers
	MWC IT - Manage Credit	$ 24,569						p. 4-2, Table 4-1	
1	Credit Operations Staffing		$ 1,028		$ 1,028		$ -	p. 4-32, line 26	
2	Risk Assessment Application		300		300		-	p. 4-33, line 12	
3	Relocation of Credit Operations		667		-		667	p. 4-33, line 19	
4	Savings from 15-Day Credit Notification*		(1,750)		(1,867)		117	p. 4-33, line 31	WP 4-6
5	Field Collection SM Opt-Out Driven*		2,118		-		2,118	p. 4-34, line 2	
6	Remote Electric Shut Off SM Benefit		(2,706)		(2,706)		-	p. 4-37, line 7	
7	Remote Elec Shut Off SM Upgrade Benefit		(2,915)		(2,915)		-	p. 4-37, line 7	
8	Escalation		$ 1,016		$ 1,016		$ -	see WP 4-35	
	Total Incremental		$ (2,242)		$ (5,144)		$ 2,902		
	Total Forecast MWC IT Manage Credit	$ 24,569	$ (2,242)	$ 22,327	$ (5,144)	$ 19,425	$ 2,902	p. 4-2, Table 4-1	

*Notes Line 4 PG&E submitted ERRATA changing its forecast to a reduction of $1.5 million, consistent with WP 4-36, line 14.
Line 5 DRA recommends all SM Opt-Out driven work be recorded in a SM Opt-Out one-way balancing account, at a recommended amount of $489,000 (see DRA-13, WP 4-6)

Table 13-47
2007-2012 Recorded Data for MWC IT
Meter To Cash
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC IT	$32,484	$41,340	$38,851	$25,880	$24,569	$28,098

Source: 2007-2011 data from Ex. PG&E-5, WP 4-1, 2012 data from PG&E's response to DRA_108-Q04 see support01Atch01.

In 2014, PG&E requests an increase in expenses for credit operations for staffing of 10 positions for $1.0 million and new software in the amount of $0.3 million for a total incremental expense for 2014 of $1.3 million. DRA accepts PG&E's incremental increase of $1.3 million as will support revenue collection activities to drive a reduction in uncollectibles.

232 Ex. PG&E-5, p. 4-33, lines 28-29.

233 Ex. PG&E-5, workpapers p. WP 4-46, line 16.

DRA forecasts three adjustments to PG&E's 2014 forecast for MWC IT: (1) an adjustment of $667,000 to PG&E's 2014 forecast, as DRA opposes PG&E's proposal to move the Credit and Billing Operations facility as explained above,[234] and (2) the removal of Smart Meter Opt-Out funding for Field Collection of $2.1 million[235] to a one-way Smart Meter Opt-Out balancing account,[236] (3) a total 15-day credit notice savings of $1.9 million an incremental decrease of $0.1 million from PG&E's forecast, for a total of approximately $2.9 million[237] in adjustments for a total forecast MWC IT for Ex. PG&E-5, Chapter 4 of $19.4 million.

PG&E's 15-day credit notice forecast uses a forecasted quantity of 15 day notices of 3.6 million,[238] while in response to DRA discovery PG&E recorded 4.4 million in 2011 and 4.5 million in 2012.[239] DRA averaged 2011 and 2012 and applied PG&E's forecasted cost per notice savings to forecast a recommended $1.9 million in savings.

5. MWC EZ - Manage Various Customer Care Processes

Activities recorded under MWC EZ in Meter To Cash are: (1) meter data collection associated with load research activities in Energy Data Services; and (2) certain correspondence management functions carried out by the Customer Inquiry Assistance unit in Bill Print Mail.[240] PG&E is seeking only labor and non-labor escalation from 2011 to 2014 for these functions. DRA accepts PG&E's forecast for MWC EZ.

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234 See Section VI, A, 2b, above.

235 Ex. PG&E-5, p. 4-34, lines 2-3.

236 See Section VI, A, 2b, above.

237 Ex. DRA-13, workpapers, p. WP 4-1.

238 See Ex. PG&E-5 workpapers, p. WP 4-36, line 11.

239 PG&E's response to DRA_151-Q27 see atch01.

240 Ex. PG&E-5, p. 4-34, lines 12-15.

Table 13-48
PG&E's Requested Incremental Increases/Decreases, DRA's Recommended Incremental Increases/Decreases and Totals for MWC EZ – Manage Various Customer Care Processes
(in Thousands of Nominal Dollars)

NO.	PG&E Requested Incremental Increases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incremental	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5	
	MWC EZ - Manage Var Cust Care Processes	$ 3,290						p. 4-2, Table 4-1	
1	Load Research Expense SM Benefit		$ (1,761)		$ (1,761)		$ -	p. 4-37, line 5	
2	Escalation		$ 201		$ 201		$ -	p. 4-33, line 12	
	Total Incremental		$ (1,560)		$ (1,560)		$ -		
	Total Forecast MWC EZ - Man Var Cust Care	$ 3,290	$ (1,560)	$ 1,730	$ (1,560)	$ 1,730	$ -	p. 4-2, Table 4-1	

Table 13-49
2007-2012 Recorded Data for MWC EZ
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC EZ	$7,641	$6,368	$5,027	$4,115	$3,290	$8,126

Source: 2007-2011 data from Ex. PG&E-5, WP 4-1, 2012 data from PG&E's response to DRA_108-Q04 see support01Atch01. Note: 2012 data is not adjusted and some functions performed in Energy Data Services are charged to Non-GRC funded accounts.

6. Smart Meter Benefits

Incremental cost savings (2014 over 2011) associated with the deployment of Smart Meter technology for Meter to Cash activities include: $5.2 million in MWC IS associated with reductions in labor for billing exception processing; $1.8 million in MWC EZ related to reductions in Load Research metering and telephony costs; and $5.6 million in savings associated with the operation of Smart Meter remote disconnect/reconnect functionality and the commensurate reduction in electric disconnect/reconnect transactions performed in the field.[241] DRA accepts these Smart Meter savings as they are reasonable based on the information provided to DRA.

B. Capital Expenditures

In 2014, PG&E plans to relocate two departments, Billing Operations and Credit Operations, to a new leased facility in 2014. The departments will relocate to a larger upgraded facility to accommodate staffing growth for a forecasted capital

[241] Ex. PG&E-5, p. 4-37, lines 2-10.

expenditure of $9.0 million in 2014.[242] DRA does not support the staffing increases forecasted by PG&E and therefore recommends no ratepayer funding for the relocation of the Billing and Credit Operations.

C. Uncollectibles

In previous GRC proceedings, PG&E, like other California Investor-Owned Utilities (IOUs), have been allowed recovery for bad debt write-off by way of a CPUC-adopted uncollectibles factor.[243] The uncollectibles factor has historically been adopted for the given GRC cycle, generally based on historical and economic factors. PG&E proposes several changes to the process by which it will be compensated for uncollectibles from 2011 forward. PG&E claims that, "[g]iven the current economic volatility, on a going-forward basis the current uncollectibles factor-based mechanism, in spite of its prior acceptance, will expose customers and the utility to excessively large risks between rate cases and significant future adjustments."[244]

1. Proposed Uncollectibles Mechanism

PG&E requests a 5-year average of uncollectibles factor, with the uncollectibles factor based on a 5-year rolling average that adjusts annually with a one year lag from the current year. PG&E says that, "… as an example, the average uncollectibles for the period of 2007-2011 would be the average used and applied to 2013 performance and rates. In addition, changes in the base factor (up or down) would be built into rates via an annual advice letter filing."[245] PG&E's proposed uncollectibles mechanism results in a 2014 factor of 0.00376, 21% above its current authorized factor of 0.003105.

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[242] Ex. PG&E-5, p. 4-37, lines 12-17.

[243] Ex. PG&E-5, p. 4-37, lines 20-22.

[244] Ex. PG&E-5, p. 4-39, lines 11-15.

[245] Ex. PG&E-5, p. 4-41, lines 1-14.

Table 13-50
Recorded Revenues, Net Write-Off, Factor and Authorized Factor 2003-2012
(in Thousands of Nominal Dollars)

Line No.	Year	Revenue	Net Write-Off	Factor	Authorized Factor
1	2012	$ 14,827,143,097	$ 57,972,524	0.003910	0.003105
2	2011	14,629,492,318	54,258,945	0.003709	0.003105
3	2010	14,741,296,164	37,988,685	0.002577	0.002586
4	2009	14,414,013,463	70,821,246	0.004913	0.002586
5	2008	15,173,862,974	55,803,703	0.003678	0.002586
6	2007	14,645,346,583	41,053,982	0.002803	0.002586
7	2006	14,435,385,419	31,185,872	0.002160	0.002000
8	2005	13,216,767,873	32,287,187	0.002443	0.002000
9	2004	12,699,605,027	40,385,653	0.003180	0.002000
10	2003	12,363,014,689	39,511,784	0.003196	0.002000
Totals		$ 141,145,927,607	$ 461,269,581		

Source: 2003-2011 data from Ex. PG&E-5, workpapers, p. WP 4-15. 2012 data from PG&E's response to DRA_226-Q13 see Atch01.

DRA recommends an average of years 2003-2012 recorded uncollectibles factor removing the lowest and highest recorded years to account for the abnormally high and low years of 2009 and 2006 respectively, for a 2014 uncollectible factor of 0.003187. DRA's forecast is a slight increase above PG&E's authorized 2011 write-off of factor of 0.003105. DRA also recommends that the Commission continue to address uncollectibles through the GRC, rather than allowing PG&E to change its base factor via an annual advice letter filing. DRA's forecast uses more historical data to smooth the variable of economic conditions, while PG&E's proposal places greater weight on the economic downturn experienced by California from 2008-2011.

PG&E's current uncollectibles factor is substantially higher than SCE's current authorized write-off factor of 0.00205.[246] DRA has accepted PG&E's request for new software and an incremental 10 positions for Revenue Assurance, an apparent problem area for PG&E as highlighted by its historical uncollectibles rate. DRA's

[246] D. 12-11-051, p. 337.

proposal is supported by historical experience and will give PG&E an incentive to implement new strategies and policies to reduce under-collection.

D. Fees

1. Reconnection Fee

In 2014, PG&E proposes to reduce the customer fees for restorations following service disconnections due to delinquent payments, or Shut-Off for Non-Payment (SONPs).[247] PG&E currently charges non-CARE customers the 2011 GRC approved amount of $25.00 reconnect fee per commodity for service restoration during regular business hours, and $37.50 for after-hours, while CARE customers are charged $20.00 (regular business hours), and $30.00 (after-hours).[248] DRA accepts PG&E's proposal. PG&E's current and proposed reconnection fees are shown in the table below:

Table 13-51
Current Restoration Fees and PG&E Proposed 2014 Fees
Meter to Cash

PACIFIC GAS AND ELECTRIC COMPANY
RECONNECTION FEES PER COMMODITY

Line No.		Current Core Hours	Current After Hours	Proposed Core Hours	Proposed After Hours
1	Non-CARE Rate	$25.00	$37.50	$24.50	$26.00
2	CARE Rate	$20.00	$30.00	$19.50	$21.00

Source: Ex. PG&E-5, p. 4-45.

2. Non-Sufficient Funds Fee

PG&E currently charges a single fixed fee of $9.00 for Non-Sufficient Funds (NSFs), and due to the increase in working capital cost PG&E proposes to increase the fee to a new fixed fee of $11.00. In 2008, the average NSF amount was $315.40 and in 2011 NSF payment was $732.91, an increase of 132%. As a result PG&E

[247] Ex. PG&E-5, p. 4-44, lines 7-11.

[248] Ex. PG&E-5, p. 4-44 lines 12-18.

forecasts a new fixed fee for NSF items of $11.00, a 22% increase over the current fee of $9.00.[249] DRA accepts PG&E's increase in NSFs fee for 2014 of $11.00.

VII. DISCUSSION / ANALYSIS OF METERING

This section discusses PG&E's meter related expenses and capital expenditures which are the metering aspects of:

1) Field Services and Dispatch and Scheduling

2) Meter Purchase and Maintenance

3) Read and Investigate Meters[250]

In 2014, PG&E requests $75 million for Metering Programs, a 123% increase above the 2011 recorded expense of $32.3 million.[251] The following tables summarize PG&E's request and DRA's recommendation for the MWCs within Metering.

Table 13-52
Customer Care Expenses for TY2014
Metering
(In Thousands of Nominal Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[252] (c)
MWC AR	$1,012	$32,582
MWC DC	$0	$0
MWC DD	$4,676	$4,963
MWC EY	$7,826	$26,048
MWC HY	$10,542	$12,431
Total	$24,096	$75,022

[249] Ex. PG&E-5, pages 4-45 to 4-46.

[250] Ex. PG&E-5, p. 5-1.

[251] Ex. PG&E-5, p. 5-2, lines 8-11.

[252] Ex. PG&E-5, p. 5-3.

Table 13-53
Customer Care Capital Expenditures for 2012-2014
Metering
(In Thousands of Dollars)

Description	DRA Recommended[253]			PG&E Proposed[254]		
	2012	2013	2014	2012	2013	2014
MWC 01	$507	$1,000	$0	$1,056	$1,000	$0
MWC 05	$1,253	$1,212	$1,220	$1,200	$1,212	$1,220
MWC 25	$48,537	$35,706	$37,990	$38,649	$44,392	$42,598
MWC 74	$61,842	$68,875	$70,867	$76,048	$81,350	$84,391
Total	$112,139	$106,793	$110,077	$116,953	$127,954	$128,209

A. Expenses

PG&E presents its 2014 request for Metering Programs for activities within the Field Meter Operation and Meter Asset Management organizations. Expenses for these activities are recorded in MWCs: AR Read Investigate Meters, DC Dispatch Customer Service, DD Provide Field Service, EY Change/Maintain Used Electric Meters, and HY Change/Maintain Used Gas Meters.[255] PG&E forecasts total 2014 expenses of $75.0 million, which is an increase of $42.7 million beyond 2011 recorded expenses of $32.3 million, or a 132% increase.[256] DRA recommends $24.1 million, a decrease of $8.3 million below 2011 recorded expenses of $32.3 million, an adjustment of $50.9 million to PG&E's request.

1. MWC AR – Read and Investigate Meters

For 2014, PG&E forecasts $32.6 million in meter reading expenses, comprising $27.9 million due to residential Smart Meter Opt-Out (SMO)

[253] Ex. DRA-13, workpapers, p. WP 4-9.

[254] Ex. PG&E-5, workpapers, p. WP 5-22.

[255] Ex. PG&E-5, p. 5-2 to 5-3.

[256] Ex. PG&E-5, p. 5-3.

customers[257] and $4.7 million due to non-communicating devices needing to be manually read.[258] For 2014, DRA forecasts SMO expenses of $7.5 million,[259] an adjustment of $20.4 million to PG&E's forecast of $27.9 million, which DRA recommends be recorded in a SMO one-way balancing account.[260] For the remaining meter reading expenses for non-communicating Smart Meters and locations which require manual reads, DRA forecasts $1.6 million, an adjustment, of $3.1 million to PG&E's forecast of $4.6 million.[261] DRA subtracts from its $1.6 forecast PG&E's forecasted revenues from Customer Access Charges of $0.6[262] million for a total recommendation of $1.0 million.

The field meter reading expenses for the Read and Investigate Meters Program are charged to MWC AR – Read and Investigate Meters, which includes senior meter readers, clerical support and management team who work to manually read meters each month.[263] Pursuant to D. 11-05-018, meter costs are being recorded in a balancing account throughout the 2011 GRC cycle (2011-2013). PG&E's meter reading balancing account (MWC IG) recorded amount was $73 million in 2011.[264]

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[257] See PG&E's response to DRA_167-Q01.

[258] Ex. DRA-13, workpapers, p. WP 5-2.

[259] Ex. DRA-13, workpapers, p WP 5-2.

[260] See Section, VI, A, 2b, above.

[261] Ex. DRA-13, workpapers, p. WP 5-2.

[262] Ex. PG&E-5, workpapers, p. WP 5-50, line 2.

[263] Ex. PG&E-5, p. 5-12, lines 5-10.

[264] Ex. PG&E-5, p. 5-14.

To forecast 2014 meter reading expenses, DRA used PG&E's cost per meter read forecast of $11.60 and forecasted Opt-Out population at the end of 2013 from the PG&E Smart Meter Opt-Out program proceeding,[265] plus the 70 incremental Opt-Out premises forecasted by PG&E[266] in 2014 to reach DRA's recommended expense of $1.6 million.[267]

PG&E's 2014 request for non-Opt-Out meters requiring manual reads identifies two causes for manual reads: (1) Locations Where Conditions Require Manual Reads, and (2) Smart Meter Maintenance.[268]

DRA recommends the Commission reject PG&E's assumption that Smart Meter maintenance meters will need to be read manually for three months. DRA recommends using one month per meter, as one month should be sufficient time for PG&E to remediate communication errors. In addition, DRA uses PG&E's 2012 "recorded Electric meters and Gas modules replaced" due to corrective maintenance number of 64,565[269] with an adder of 500 meters (to account for increased number of installed meters and new residential customers) for a total of 65,065 reads per year due to non-communicating devices. DRA's forecast of 65,065 is a reduction of 148,475 to PG&E's 2014 forecast of 213,540 reads which PG&E says "is for a small number of Smart Meters/modules that are expected to fail for various reasons that will need to be replaced or repaired."[270]

For Locations Where Conditions Require Manual Reads, DRA accepts PG&E's assertion that these meters will required manual reading each month, but

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[265] A. 11-03-014, workpapers, p. WP 1-3, line 7.

[266] Ex. PG&E-5, workpapers, p. WP 10-12.

[267] Ex. DRA-13, workpapers, p. 5-2.

[268] Ex. PG&E-5, workpapers, WP 5-34, lines 6, 7.

[269] See PG&E's response to DRA_208_Q15, p. 2.

[270] Ex. PG&E-5, WP 5-34, footnote 3.

questions PG&E's forecasted meters of 15,600.[271] PG&E identified the current number of "technically challenged meter premises is at least 5,978."[272] DRA uses this number for forecasting "Locations Where Conditions Require Manual Reads" as it is the only data PG&E provided other than its forecast PG&E says that its estimate of approximately 16,000 premises is the best estimate today by the end of deployment.[273]

DRA expects that PG&E's current "technically challenged meter premises" will decrease as PG&E reaches full deployment and remediates communication issues due to Smart Meter Opt-Out customers. "Customers' opt-out or delay in accepting an electronic Smart Meter has, in some cases, reduced connectivity (i.e., degraded the RF-network) requiring network compensation."[274] PG&E has requested $10.35 million for IT expenses in the Smart Meter Opt-Out proceeding which, in part, is for remediating Smart Meter network communication issues.[275] DRA forecasts a total non-Opt-Out meter reading expense for 2014 of $1.6 million an adjustment of $3.1 million to PG&E's forecast.

Table 3-47, below, summarizes PG&E's requested, and DRA's recommended meter reading expenses, with DRA recommending Smart Meter Opt-Out driven work be recorded in a one-way balancing account.

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[271] Ex. PG&E-5, WP 5-34, line 6.

[272] See PG&E's response to DRA_208-Q14, p. 2.

[273] See PG&E's response to DRA_208-Q14, p. 2.

[274] Ex. PG&E-5, p. 10-3, see footnote 3.

[275] A. 11-03-014, workpapers, p. WP 4-1.

Table 13-54
PG&Es Requested and DRAs Recommended Meter Reading Expenses for 2014
(in Thousands of Nominal Dollars)

Description	DRA Recommended (A)	PG&E Requested (B)	PG&E Exceeds DRA
SMO Driven Work	$7,525	$27,933	$20,408
Non-Communicating Device Work	$1,587	$4,649	$3,062

Source: See PG&E's response to DRA_167-Q01 and see Ex. DRA-13, workpapers, p. WP 5-2.

Table 13-55
2007-2012 Recorded Data for MWC AR – Read Investigate Meters
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC AR	$98,907	$98,803	$85,398	$72,660	$73,025	$59,132

Source: 2007-2011 data from: WP 5-1 line 1, and 2012 data from PG&E's response to DRA_195-Q03 see Atch01.

2. MWC DD – Provide Field Service

For 2014, PG&E forecasts expenses of $4.96 million, a reduction of $4.85 million to 2011 recorded expenses of $9.81 million. DRA accepts PG&E's forecast of million for electric turn-ons and shut-offs under MWC DD for 2014, but due to its allocation of escalation DRA recommends $4.7 million an adjustment of $0.15 million to PG&E's request.[276]

Since the last GRC, PG&E has reorganized and relocated the gas service personnel to Gas Operations.[277] Due to the reorganization, MWC DD will be split into three separate organizations: Electric Operations, Gas Operations and Customer Care, the Customer Care Portion of Field Meter Operations (FMO) under MWC DD includes electric turn-ons and shut-offs and will be completed by electric

[276] Ex. DRA-13, workpapers, p. WP 4-1.

[277] Ex. PG&E-5, p. 5-14, lines 21-23.

meter technicians and meter maintenance personnel. FMO employees are not responsible for gas turn-ons and shut-offs.[278]

Table 13-56
2007-2012 Recorded Data for MWC DD – Provide Field Service
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC DD	$16,382	$17,186	$8,268	$4,739	$9,814	$4,824

Source: 2007-2011 data from: WP 5-1 line 3, and 2012 data from PG&E's response to DRA_195-Q03 see Atch01.

3. MWC EY, Change/Maintain Used Electric Meters

PG&E requests a 2014 expense of $26.0 million for Change/Maintain Used Electric meters, or a 126% increase over 2011 recorded expenses of $11.5 million. DRA recommends a 2014 expense of $7.8 million, a reduction of $3.7 million to 2011 recorded expenses and a total adjustment of $18.2 million to PG&E's request.

Starting in 2011 the management of the MWC EY budget includes the incremental cost of operating and maintaining Smart Meter devices. The four activities covered in MWC EY are: (1) installation of electric meters returned through the warranty process; (2) electric meter preventative maintenance; (3) electric meter corrective maintenance; and (4) staff support for electric metering work and activates.[279]

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278 Ex. PG&E-5, p 5-14 and 5-15, lines 26-30 and 1-3.

279 Ex. PG&E-5, p. 5-15, lines 13-20.

Table 13-57
PG&E's Requested Incremental Increases/Decreases, DRA's Recommended Incremental Increases/Decreases and Totals for MWC EY– Change/Maintain Used Electric Meters
(in thousands of nominal dollars)

NO.	PG&E Requested IncrementalIncreases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incremental	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5	Reference Ex. DRA-13 Workpapers
	MWC EY - Change/Maintain Used Elec Meters	$ 11,546						p. 5-3, Table 5-1	
1	R-Testing Meters		$ 5,196		$ -		$ 5,196	p. 5-16, line 29	
2	Electri cSM Maintenance		6,395		-		6,395	p. 5-17, line 3	
3	FMO AdditionalMangement		1,451		-		1,451	p. 5-17, line 17	
4	Additional Training Expense		2,059		2,059		-	p. 5-18, line 12	
5	MAME Additional Management		1,396		-		1,396	p. 5-18, lines 19-20	
6	Electri cMeter Service Improvements		2,992		836		2,156	p. 5-20, line 21	WP 5-4
7	Avoided TOU MaintenanceSM Benefit		(5,949)		(5,949)		-	p. 5-23, line 8	
8	Deffered Meter Testing SM Benefit		(342)		(342)		-	p. 5-23, line 8	
7	Imporved TOU Rate Changes SM Benefit		(998)		(998)		-	p. 5-23, line 8	
8	Escalation		$ 903		$ 674		$ 229	WP 4-33, line 1-2	WP 5-5
9	Total Incremental*		$ 13,103		$ (3,720)		$ 16,823	p. 5-3, Table 5-1	
10	Total ForecastMWC IU - Collect Revenue*	$ 11,546	$ 13,103	$ 24,649	$ (3,720)	$ 7,826	$ 16,823	p. 5-3, Table 5-1	

Note: Total and Incrementaldifferencedue to PG&E'sallocation of SM benefits, SM Maintaince,MAME incremental, which is alocated differentlyin expense walk explained in Ex. PG&E-5 testimony.
SM Benefits: See WP 5-26, total MWC DD lines 3, 16,25 (-$5,754) as opposed to WP 5-39, line 1 (-$5,711)
SM Maintaince:See WP 5-26, total MWC EY lines 5,16,25 ($7,071) as opposed to p. 5-17 states expense of $6.4 million.
MAME Incremental:See WP 5-26, total MWC EY lines 9, (un-numbered below line 17 MAME Incremental),28 ($2,075)

a. R-Testing Meters

For 2014, PG&E requests incremental expenses of $4.9 million over 2011 recorded expense of $0.3 million for a total 2014 R-test expense of $5.2 million.[280] For 2014, DRA recommends $0.3 million in expenses for R-testing plus escalation.

In 2014, PG&E plans to test 15,000 meters at a forecasted expense of $5.2 million. DRA recommends zero incremental funding beyond 2011 recorded expenses for R-testing for a number of reasons. First, there is no customer benefit to test meters when more than 99% are testing accurately. Second, customers have the option to have their meters tested if they believe the meters are inaccurate;[281] Third, increased information transmitted by Smart Meters gives PG&E greater ability to identify and remediate inaccurate meters.

The table below shows recorded history 2007-2012 of the number of R-tests performed by PG&E delineated by Smart Meters and Analog meters, including the percentage of meters tested measuring usage outside the Commission-mandated

[280] Ex. PG&E-5, WP 5-37.
[281] State of California Public Utilities Code, 394.4 (f).

accuracy bands, total recorded cost per test, total hours per test, dollar per hour, and total expenses.

Table 13-58
2007-2012 Recorded R-Tests Performed by PG&E and R-Test Costs
(in Thousands of Nominal Dollars)

Technology	Test Frequency	2007	% Passed	2008	% Passed	2009	% Passed	2010	% Passed	2011	% Passed	2012	% Passed
SmartMeters with phone and SSN technology	Annual Testing	867	100%	1,011	100%	185	98%	161	100%	440	99%	3,017	99%
	Bi-Annual Testing	677	100%	535	100%	115	100%	111	100%	528	99%	2,555	99%
	Sample Testing	0	0%	0	0%	0	0%	0	0%	0	0%	5,949	100%
	Sub Total	**1,544**	**100%**	**1,546**	**100%**	**300**	**99%**	**272**	**100%**	**968**	**99%**	**11,521**	**99%**
Analog Meters	Annual Testing	2	100%	1	100%	0	0%	0	0%	0	0%	31	97%
	Bi-Annual Testing	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
	Sample Testing	0	0%	0	0%	0	0%	0	0%	0	0%	119	96%
	Sub Total	**2**	**100%**	**1**	**100%**	**0**	**0%**	**0**	**0%**	**0**	**0%**	**150**	**96%**
Grand Total	**Grand Total**	**1,546**	**100%**	**1,547**	**100%**	**300**	**99%**	**272**	**100%**	**968**	**99%**	**11,671**	**99%**

Notes:
1. Sample tested within 5 years and based on 12 months usage.
2. No data available for Analog R-tests in 2009 - 2011. Analog meters were not selected as part of 2009 - 2011 R-Test program.
3. 2007 - 2011 includes SmartMeters with phone technology.
4. 2012 includes SmartMeters with phone technology and Silver Springs Network (SSN) technology.
5. Grand Total Percentage calculation includes both SmartMeters and Analog meters.

DRA_DR_167_Metering Question13:

Electric Metering R-Test Financials - 2007 - 2012:

Year	2007	2008	2009	2010	2011	2012	
Cost per Test	$494.67	$323.51	$269.18	$789.19	$344.14	$275.41	
Hours per Unit	3.15	2.12	1.76	4.98	2.16	1.58	
Actual dollar per Hour	$157.27	$152.65	$152.73	$158.62	$159.49	$174.12	
Total Expense Tests times Cost per Test	$243,136.55	$500,463.62	$80,754.38	$214,658.37	$333,129.40	$3,214,257.33	Note: Inserted by DRA

Source: Data from PG&E's response to DRA_167-Q13 see Supp01Atch01, DRA calculated total cost.

The data shows that:

1. Although PG&E seeks to drastically increase R-testing for 2014 above 2011 recorded levels, PG&E still has embedded expenses of at least $338,000, and
2. Smart Meters are passing at a rate of at least 99% from 2007-2012, which is a much higher pass rate than the 2003-2006 data where 6.4% of meters were removed.[282]

[282] Ex. PG&E-5, p. 5-16, footnote 10.

As P.U. Code §374.4 provides as follows: "Meter integrity: An electric customer shall have a reasonable opportunity to have its meter tested to ensure the reasonable accuracy of the meter."[283] PG&E's R-testing proposals do not appear to be driven by the above statute. The below table shows the number and percentage of meters tested at the request of customers.

Table 13-59
Number and Percentage of Advanced Meters Field Tested at the Request of Customers

Number and Percentage of Advanced Meters Field Tested at the Request of Customers Pursuant to Utility Tariffs Providing for Such Field Tests, and the Number of Advance Meters Tested Measuring Usage Outside the Commission-mandated Accuracy Bands		
Metric	Number	Percentage
Advanced meters field tested	6,069	0.13%
Advance meters tested measuring usage outside the Commission-mandated accuracy bands	4	NA
Note: Percentage is defined as the number of advanced meters field tested divided by the number of advanced meters installed, with that resulting number multiplied by 100.		

Source: Smart Grid Annual Report 2012 October 1, 2012, OIR 08-12-009, see p. 74, metric 8.

Based on the 2007-2012 meter accuracy, customers have the option to have their meter tested if they believe their meter is inaccurate, and increasing information transmitted by Smart Meters gives PG&E greater ability to identify inaccurate meters, PG&E does not provide a customer benefit to test meters at the rate proposed. For 2014, DRA recommends funding of $0.3 million for R-testing to test a similar amount of meters as tested in 2011.

b. Electric and Gas Smart Meter Maintenance

For 2014, PG&E forecasts an increase in expenses of $6.4 million for electronic Smart Meter maintenance over 2011 recorded expenses of $9.0 million, for a total forecasted 2014 expense of $15.4 million.[284] DRA recommends $9.0 million in ratepayer funding for 2014, equal to PG&E's 2011 recorded expenses for electric Smart Meter maintenance, plus escalation.

[283] State of Califorina Public Utilites Code, 374.4 (f).

[284] Ex. PG&E-5, WP 5-31.

PG&E asserts that electronic Smart Meter maintenance work will increase by 25,000 units and gas Smart Meter maintenance by 6,000 units in 2014 over 2011, due to several factors. These are: an increased number of deployed Smart Meter devices, an increase in the amount of meters that can be remediated in lieu of replacement when error codes are signaled and, management of additional non-critical error codes beyond those which are currently addressed. PG&E has also included in its 2014 forecast an increase of 5 minutes per job for answering customer questions as a result of engaging in additional customer outreach.[285]

PG&E states that the "Smart Meter maintenance work is necessary to resolve communication/network issues, flags and alerts being generated from installed Smart Meters that have transitioned to billing utilizing remotely read data. Resolving communication issues that affect billing (delayed/estimated) will not only result in improved billing accuracy and timeliness, -but also allow customers to take advantage of the full array of benefits offered with the technology."[286]

As of January 2013, PG&E has deployed 94.1 percent of the Smart Meters,[287] making the increased number of deployed Smart Meter devices incremental to the end of 2014 about 500,000. DRA expects that the relatively small increase in Smart Meter population will be offset by PG&E employees becoming more familiar with this new type of work, thereby increasing efficiency. DRA's forecast assumes that the network is fully implemented overall, thereby increasing reliability. DRA, therefore, forecasts that Smart Meter Maintenance expenses will in 2014 remain consistent with 2011 levels.

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285 Ex. PG&E-5, p. 5-17, lines 1-15.

286 Ex. PG&E-5, WP 5-31.

287 See PG&E's response to DRA_103-Q01.

c. Field Metering Operations Additional Management

In 2014, PG&E forecasts an additional 8 management personnel between 2011 and 2014 at an expense of $1.5 million in MWC EY. This request is due to the organizational split between Gas and Electric Operations, and the fact that additional work has been assigned to Field Metering that included gas module changes and maintenance.[288] DRA recommends no incremental ratepayer funding beyond escalation for 2014.

Although these expenses may be new to the Customer Care Organization, PG&E has embedded funding for providing oversight to employees performing gas module changes and maintenance. PG&E's numerous re-organizations appear to be increase the costs of supervision and management, as shown in response to DRA discovery where the supervision and management portion of the Gas Service Representatives (GSRs) went from $6.2 million in 2011 to $24 million in 2012.[289]

d. Field Metering Operations Training Expense

For 2014, PG&E requests funding for incremental training of 67 Meter maintenance Personnel (a new classification of worker started in 2012) for an additional expense of $2.1 million over 2011 expenses in MWC EY. DRA accepts PG&E's 2014 forecast for increased training of $2.1 million incremental expenses beyond 2011 recorded.

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[288] Ex. PG&E-5, p. 5-17, lines 16-21.

[289] PG&E's response to DRA_208-Q04 see Atch01, line 7.

e. Meter Asset Management and Engineering

For 2014, PG&E is forecasting an additional 18 management personnel between 2011 and 2014 at an expense of $2.1 million, which will be distributed between MWCs EY ($1.4 million) and MWC HY ($0.7 million).[290] For 2014, DRA forecasts no incremental funding for MWC EY and no incremental funding for MWC HY.

PG&E's overtime rate in 2011 for MWC EY was 8.11%, well above the 4.67% 2007-2010 average. For MWC HY, the 2011 recorded overtime rate was 15.08%, up from the four year (2007-2010) average of 9.70%.[291] DRA forecasts a reduction in expenses for reduced overtime for 2014. The reductions in overtime will offset any increases incremental increases in oversight. The work described in Exhibit PG&E-5, pages 5-18 to 5-19 is not new work and PG&E has embedded funding to cover the expenses for providing the same or similar oversight.

PG&E states "The improved efficiencies and streamlined metering asset operations will result in cost avoidances in the following areas…"[292] and lists five areas. DRA asked PG&E to quantify the "cost avoidances" and in response PG&E stated: "Due to the limited information currently available, PG&E is unable to quantify cost avoidances at this time."[293] PG&E has identified no new regulations that are driving PG&E's request for increased ratepayer funding. PG&E has, historically, been assuring meter safety, accuracy, and reliability. Therefore, DRA forecasts no incremental ratepayer funding beyond escalation for incremental management personnel in MWCs EY in 2014 beyond recorded expenses of $11.5 million and HY recorded expenses of $9.9 million.

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[290] Ex. PG&E-5, p. 5-18, lines 17-20.

[291] PG&E's response to DRA_195-Q01 see (a-f)Atch01, tab Ch 5.

[292] Ex. PG&E-5, p. 5-19, lines 16-17.

[293] See PG&E's response to DRA_167-Q26.

f. Gas and Electric Meter Services Improvements (GEMS)

For 2014, PG&E requests an incremental increase of $3.7 million distributed between MWCs EY ($3.0 million) and HY ($0.7 million)[294] in expenses above 2011 recorded expenses of $0.9 million, for a total 2014 forecast of $4.6 million. For 2014, DRA recommends an incremental increase of $1.0 million distributed between MWCs EY ($0.8 million) and HY ($0.2 million)[295] over 2011 recorded expenses of $0.9 million, for a total 2014 recommendation of $1.9 million for GEMS.

To forecast 2014 expenses DRA used PG&E's model which used 2012 funding (a forecast) and then escalated labor expenses by 2.75%. DRA used recorded 2012 labor expenses and escalated to 2014 adding 2.75% for 2013 and 2014 to account for escalation, and averaged operations expenses from 2007-2011 for an operations expense of $0.2 million ($150,000 above PG&E's operations forecast). DRA's forecast of $1.9 million is comparable to the five-year average (2007-2011) and $0.7 million above a three-year average (2009-2011) for work performed by GEMS.[296]

Table 13-60
2007-2012 Recorded Data for MWC EY
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC EY	$5,184	$5,306	$1,234	$3,934	$11,546	$18,457

Source: Source: 2007-2011 data from: WP 5-1 line 4, and 2012 data from PG&E's response to DRA_208-Q01 see Atch01. Note: 2012 data is unadjusted.

[294] Ex. PG&E-5, p. 5-20, lines 19-20.

[295] Ex. DRA-13, workpapers, p. WP 5-4.

[296] PG&E's response to DRA_167-Q09 see Atch01.

4. MWC HY, Change/Maintain Used Gas Meters

For 2014, PG&E requests incremental expenses of $2.1 million beyond 2011 recorded expenses of $9.9 million, for a total of $12.0 million in 2014.[297] For 2014, DRA recommends $10.4 million for Change/Maintain Used Gas Meters, an increase of $0.5 million to PG&E's 2011 recorded expenses, and an adjustment to PG&E's 2014 forecasted expenses of $1.6 million[298] Activities charged to MWC HY are: (1) installation of gas meters or gas modules returned though the warranty process; (2) gas meter preventative maintenance; (3) gas meter corrective maintenance; and (4) staff support for gas metering work and activities.[299]

Table 13-61
PG&E's Requested Incremental Increases/Decreases, DRA's Recommended Incremental Increases/Decreases and Totals for MWC HY– Change/Maintain Used Gas Meters
(in thousands of nominal dollars)

NO.	PG&E Requested Incremental Increases	2011 Recorded	PG&E Incremental	PG&E 2014 Forecast	DRA Incremental	DRA 2014 Forecast	PG&E>DRA	Reference Ex. PG&E-5	Reference Ex. DRA-13 Workpapers
	MWC HY - Change/Maintain Used Gas Meters	$ 9,872						p. 5-3, Table 5-1	
1	Gas SM Maintenance		$ 1,227		$ -		$ 1,227	p. 5-21, line 23	
2	MAME Additional Management		679		-		679	p. 5-18, lines 19-20	
4	Gas Meter Service Improvements		708		164		544	p. 5-20, line 21	
5	Customer Access Charges		(30)		(30)		-	WP 5-50, line 2	
6	Escalation		$ 903		$ 576		$ 327	WP 4-33, line 1-2	WP 5-5
	Total Incremental		$ 3,487		$ 710		$ 2,777	p. 5-3, Table 5-1	
	Total Forecast MWC IU - Collect Revenue	$ 9,872	$ 3,487	$ 13,359	$ 710	$ 10,582		p. 5-3, Table 5-1	

Note: Total and Incremental difference due to PG&E's allocation of SM benefits, SM Maintaince, MAME incremental, which is alocated differently in expense walk explained in Ex. PG&E-5 testimony.
SM Benefits: See WP 5-26, total MWC DD lines 3, 16,25 (-$5,754) as opposed to WP 5-39, line 1 (-$5,711)
SM Maintaince See WP 5-26, total MWC EY lines 5,16,25 ($7,071) as opposed to p. 5-17 states expense of $6.4 million.
MAME Incremental See WP 5-26, total MWC EY lines 9, (un-numbered below line 17 MAME Incremental),28 ($2,075)

a. Smart Meter Gas Maintenance

PG&E requests incremental funding of $1.2 million for Gas Smart Meter Maintenance over the 2011 recorded expense of $4.1 million dollars, for a total 2014

[297] Ex. PG&E-5, workpapers, p. WP 5-1, line 5.

[298] DRA's adjustments are explained above in Section 3, a, above.

[299] Ex. PG&E-5, p. 5-20, lines 25-32.

expense of $5.4 million.[300] For 2014, DRA recommends 2011 recorded expenses of $4.1 million plus escalation, an adjustment of $1.2 million to PG&E's 2014 forecast.[301]

b. Meter Asset Management and Engineering

For 2014, PG&E forecasts incremental funding of $0.7 million above 2011 recorded expense for additional management personnel.[302] DRA recommends no incremental ratepayer funding for Meter Asset Management and Engineering activities.[303]

c. Gas and Electric Meter Services Improvements (GEMS)

For 2014, PG&E requests incremental expenses of $0.7 million above 2011 recorded expenses $0.7 million for a total 2014 expense of $1.4 million.[304] DRA recommends an incremental increase of $0.2 million for a total 2014 recommendation of $0.9 million, resulting in an adjustment of $0.5 million to PG&E's 2014 request.[305]

Table 13-62
2007-2012 Recorded Data for MWC HY Change/Maintain Gas Meters
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC HY	$12,328	$8,999	$2,818	$(2,545)	$9,872	$13,121

Source: 2007-2011 data from: WP 5-1 line 5, and 2012 data from PG&E's response to DRA_208-Q01 see Atch01.

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[300] Ex. PG&E-5, WP 5-31.

[301] *See* Section 3, b, above.

[302] Ex. PG&E-5, WP 5-30.

[303] *See* Section 3, e, above.

[304] Ex. PG&E-5 WP 5-42.

[305] *See* Section 3, f, above, and Ex. DRA-13, workpapers, p. WP 5-4.

5. Smart Meter Benefits

PG&E includes forecasted Smart Meter related savings for MWCs DD and EY in 2012-2014 as identified in the 2005 AMI (D.06-07-027)[306] and 2009 Smart Meter Upgrade (D.09-03-026)[307] decisions. The savings are the result of the remote electronic connect/disconnect capabilities (MWC DD incremental savings for 2014 of $5.7 million)[308] and avoided TOU meter maintenance costs (MWC EY incremental savings for 2014 of ($7.3 million),[309] and are achieved as upgraded meters are installed and then activated system wide. The current forecast of the incremental savings from 2011 to 2014 totals $13.0 million, and is based on the current Smart Meter deployment schedule.[310] DRA accepts PG&E's forecasted incremental Smart Meter related savings.

B. Capital Expenditures

PG&E forecasts total Metering capital expenditures of $117.0 million for 2012, $128.0 million for 2013, and $128.2 million for 2014. DRA recommends 2012 recorded Metering expenses of $112.1 million, with forecasts for 2013 of $106.8 million and 2014 $110.0 million. Total DRA adjustments to PG&E's forecast are $4.9 million for 2012, $21.2 million for 2013 and $18.1 million for 2014.

PG&E's Metering Capital expenditures include MWCs 01 – IT – Desktop Computers, 05 – Tools and Equipment, 25 – Install New Electric Meters, and 74 – Install New Gas Meters. PG&E explains its forecasting methods in Ex. PG&E-5, p. 5-26, lines 10-26.

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[306] D.06-07-027, mimeo, p. 30, line 12, pp. 50-52; *see* Ex. PG&E-5, WP 5-46.

[307] D.09-03-026, pp. 92-95, see Ex. PG&E-5, WP 5-46.

[308] Ex. PG&E-5, WP 5-39, line 1.

[309] Ex. PG&E-5, WP 5-39, lines 2-4.

[310] Ex. PG&E-5, p. 5-23, lines 2-10.

DRA forecasts capital expenditures for PG&E's Metering Programs for MWCs 25 and 74 by: (1) using PG&E's 2011 unit cost forecast and escalating using PG&E's escalation factors to derive 2013 and 2014 unit costs to estimate each unit cost; (2) multiplying derived yearly unit forecasts by a three year average (2010-2012) of recorded unit volumes; and (3) for expenditures without units, taking a three-year average (2010-2012) of recorded expenditures and escalating to derive 2013 and 2014 forecasts.

PG&E includes special projects for regulator replacements and rotary meter replacements in MWC 25, in years 2012-2014.[311] Although PG&E did not commence this work in 2012, DRA accepts these forecasts for 2013 and 2014, and expects that the work will commence in 2013.

PG&E includes capital expenditures for Metering in MWC 01 – IT Desktop Computers, for $1.1 million in 2012 which DRA has reduced to the actual recorded expenditure of $.5 million in 2012 and $1.0 million in 2013.

Finally, PG&E forecasts Metering capital expenditures in MWC 05 – Tools for $1.2 million yearly 2012-2014, which DRA accepts as PG&E spent $1.25 million in 2012.

Table 13-63
Customer Care Capital Expenditures for 2012-2014
(In Thousands of Nominal Dollars)

Description	DRA Recommended[312]			PG&E Proposed[313]		
	2012	2013	2014	2012	2013	2014
MWC 01	$507	$1,000	$0	$1,100	$1,000	$0
MWC 05	$1,253	$1,212	$1,220	$1,200	$1,212	$1,220
MWC 25	$48,537	$35,706	$37,990	$38,700	$44,400	$42,600
MWC 74	$61,842	$68,875	$70,867	$76,000	$81,400	$84,400
Total	$112,139	$106,781	$110,077	$117,000	$128,000	$128,200

[311] Ex. PG&E-5, WP 5-48 and 5-48A, lines 24-25.

[312] Ex. DRA-13, workpapers, p. WP 5-6.

[313] Ex. PG&E-5, p. 5-27.

II. DISCUSSION / ANALYSIS OF CUSTOMER ENERGY SOLUTIONS

This section discusses PG&E's activities for develop, plan and deliver customer products (rate options, energy tools, and customer resources) to industrial and agriculture (LCI & Ag), small and medium business (SMB) and residential customers. PG&E says that Customer Energy Solutions (CES) provides support for community services and economic development within local communities.[314]

The following table summarizes PG&E's request and DRA's recommendation for the MWCs within Customer Energy Solutions.

Table 13-64
Customer Care Expenses for TY2014
Customer Energy Solutions
(In Thousands of Nominal Dollars)

Line NO.	Description (a)	DRA Recommended (b)	PG&E Proposed[315] (c)	Difference between PG&E and DRA (c-b)
1	MWC EL Develop New Revenue	$7,076	$7,076	$0
2	MWC EZ Manage Various Customer Care Processes	$11,791	$31,554	$19,763
3	MWC FK Retain & Grow Customers	$827	$3,420	$2,593
4	MWC GM Manage Energy Efficiency-NonBA	$3,800	$3,800	$0
5	MWC IV Provide Account Services	$12,070	$34,596	$22,526
6	Total	$35,564	$80,446	$44,882

A. Expenses

For 2014, PG&E requests a total Customer Energy Solutions expense of $80.4 million, an increase of $47.7 million over 2011 recorded expenses, equal to a 146% increase. For 2014, DRA recommends a total Customer Energy Solutions expense of $35.6 million, an increase of $2.9 million over 2011 recorded adjusted

[314] Ex. PG&E-5. P. 7-1.

[315] Ex. PG&E-5, see WP 7-1.

expenses, equal to a 9% increase. DRA's recommendation is an adjustment of $44.9 million to PG&E's request.

1. MWC IV – Provide Account Services

PG&E requests a 2014 expense of $34.6 million for MWC IV equal to a $24.1 million increase over 2011 recorded expenses of $10.5 million, or a 230% increase. DRA recommends $150,000 incremental funding beyond 2011 recorded expense for a total 2014 forecast of $12.0 million an adjustment of $22.56 million to PG&E's 2014 forecast.

MWC IV was a new MWC developed for the 2011-2013 General Rate Case period, to distinguish Customer Account Services from more general MWC EZ – Manage Various Customer Care Processes. According to PG&E, "MWC IV covers the cost of labor, materials and other expenses incurred in responding to customer inquiries, primarily of non-residential customers, regarding contracts, credit, billing and accounting, collections and complaints."[316] Employees who charge their time to MWC IV are within the Energy Solutions and Services (ES&S) Department, which is primarily responsible for meeting the needs of PG&E's Large Commercial and Industrial (LCI), Agricultural (Ag), and Small and Medium Business (SMB) customers as well as local communities served by PG&E.[317]

The ES&S Customer Account Managers generally provide business customers with the following types of service: advise customers on rates, rules and contracts; provide and interpret tariff information; resolve billing, credit and collection issues; facilitate distribution service needs; provide reliability and outage information; coordinate planned outages; provide retail interconnection information; promote EE, DR, and reliability programs; and provide information to customers on conservation and various utility industry issues.[318]

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[316] See PG&E's response to DRA_082-Q02.

[317] Ex. PG&E-5, p. 7-12.

[318] Ex. PG&E-5, p. 7-12, lines 16-24.

PG&E identified that Customer Account Managers now have iPads. PG&E states "Updating checklist audit product for use on iPad so field representatives can conduct a quick energy survey for our SMB customers and send the customer a report – all from the iPad. Pilot is going well with users reporting decreased time to complete an audit; usage reporting available in 2013 (Launched Pilot 9/30/12; full launch 12/1/12)."[319] PG&E purchased iPads through funding approved through the Energy Efficiency proceeding (D. 09-09-047).[320]

PG&E says that LCI, Ag and SMB customers now have access to new tools online. "Customer-facing online self-assessment tool on pge.com provides customized energy-saving recommendations that can lower operating costs, and programs that offer financial incentives to implement them."[321]

Customer Account Managers work activities are charged to GRC and Non-GRC sources. Sources of funding are summarized below.

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[319] PG&E's response to DRA_183-Q13 see Atch08 (TVP Quarterly Report – Dec. 17, 2012, p.35).

[320] DRA meeting with PG&E March 13, 2013.

[321] PG&E's response to DRA_183-Q13 see Atch08 (TVP Quarterly Report – Dec. 17, 2012, p.35).

Table 13-65
Approved Sources of Funding for Marketing Education and Outreach 2006-2014
(in Millions of Dollars)

MWC/ Program	Years Funding Approved	Commission Decision/ Citation	Total Funding Authorized	Total Funding Spent Through 2012	GRC or Non-GRC Funded
EJ – Energy Efficiency	2006-2008	D. 05-09-043 p. 185-198	$91.7	N/A	Non-GRC
ID – AMI (Smart Meter)	2006-funds spent	D. 06-07-027 p. 29, lines 14,15	$72.1	$65.7	Non-GRC
IG – Climate Smart	2007-2012	D. 06-12-032 Order p. 50-56	$12.0	N/A	Non-GRC
EJ – Energy Efficiency	2009	D. 08-10-027 p. 18	$32.9	$26.5	Non-GRC
IW – Demand Response	2009-2011	D. 09-09-047 p. 200-201	$20.7	$11.3	Non-GRC
EJ – Energy Efficiency	2010-2012	D. 09-09-047 p. 365-392	$112.8	$68.9	Non-GRC
IG – RDW 2009 PDP	2008-2014	D. 10-02-032 p. 70-79	$30.0	$11.2	Non-GRC
EZ – 2011 GRC	2011-2013	D. 11-05-018 p. N/A	N/A	$11.8	GRC
IW – Demand Response	2012-2014	D. 12-04-045 p. 192-193	$17.7	$7.0	Non-GRC
EJ – Energy Efficiency	2013-2014	D. 12-11-015	$43.4	$0	Non-GRC

Source: PG&E's response to DRA_183-Q15a see Atch01, PG&E's response to DRA_183-Q14 see Atch01.

Table 13-66
Requested Sources of Funding for Marketing Education and Outreach 2012-2017
(in Millions of Dollars)

MWC/ Program	Years Funding Requested	Commission Application/ Citation	Total Funding Requested	GRC or Non-GRC Funded
IG – RDW 2010 (PTR)	2012-2014	A. 10-02-028	$9.0	Non-GRC
Default Res Rate Program (DRRP)	2012-2016	A.10-08-005	$98.4	Non-GRC
EZ – 2014 GRC	2014-2017	A. 12-11-009	$69.9	GRC
Statewide ME&O	2013-2014	A. 12-08-007	$24.6	Non-GRC

Source: PG&E's response to DRA_183-Q14 see Atch01.

PG&E reports the default/enrollment statistics for its Small and Medium Sized Businesses as set forth below:

Table 13-67
Default/Enrollment Statistics of Small and Medium Business Customers

Default/Enrollment Statistics (all data as of 12/3/2012)

Service Agreement Status	Medium # SAs	Small # SAs	Total # SAs
Identified for Default to PDP	818	272	1,090
Enrolled in PDP	49	4,014	4,063
Total	**867**	**4,286**	**5,153**
Active on PDP	243	4,099	4,342
Voluntary Service Agreements on TOU rate schedules	6,769	36,530	43,299
Default Service Agreements on TOU rate schedules	1,462	209,370	210,832
Total	8,231	245,900	254,131

Customer class (C&I: Large, Medium and Small, AG: Large, Medium and Small) is determined using the customer size flag that denotes Large as 200KW, Medium as 75KW and Small as 10 or 20KW. Where size is not recorded, rate schedule is used where Small = A1, A6 and Ag1 and Medium = A10 or Ag4. All others = Large. Where rate schedule is also blank, customer is assumed Large.

Source: PG&E's response to DRA_183-Q13 see Atch01 (TVP Quarterly Report – Dec. 17, 2012, p. 56).

Table 13-68
Default/Enrollment Statistics of Small and Medium Business Customers Outreach Efforts

Key Tracking Statistics (all data as of 12/3/2012)

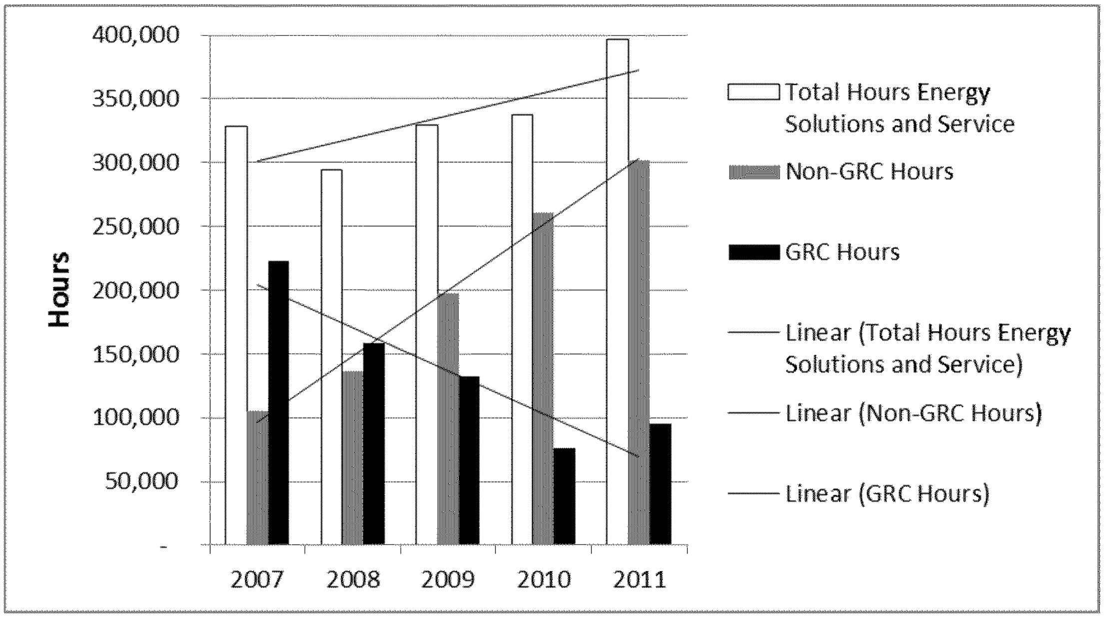
Statistic Description	Medium % SAs	Small % SAs	Total % SAs
Percent of Service Agreements sent a pre-default communication about rate change	100%	100%	100%
Percent of Service Agreements that had an educational contact with PG&E*	99%	88%	97%
Percent of Service Agreements that were provided a customized bill analysis prior to the start of their PDP event season	99%	88%	97%
Percent of Service Agreements sent a Welcome Kit	99%	99%	99%

*Educational contact is defined as having received an in-depth presentation (webinar, 1:1 meeting, workshop, educational kit).

Source: PG&E's response to DRA_183-Q13 see Atch01 (TVP Quarterly Report – Dec. 17, 2012, p. 57).

The sources of funding in Tables 13-65 and 13-66 have been used historically to fund the Customer Account Managers to communicate with predominately, LC&I, Ag and SMB customers. The graph below shows total recorded hours by the ES&S Department, delineated by GRC funded, Non-GRC funded, and total hours.

Table 13-69
Recorded Hours Worked for Customer Energy Solutions and Service Department Years 2007-2011



Source: PG&E's response to DRA_170-Q01 see Atch01 tab FTE summary.

For 2014, PG&E is requesting an increase of approximately of 146 equivalent full-time employees.[322] The above graph represents all recorded hours for ES&S which "is primarily responsible for meeting the diverse needs of PG&E's LCI & Ag customers, SMB customers and the local communities served by PG&E."[323]

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[322] Ex. PG&E-5, p. 7-15, lines 1-2.

[323] Ex. PG&E-5, p. 7-6, lines 2-5.

The graph shows that although GRC hours have decreased for providing customers with "basic customer service,"[324] Non-GRC hours in ES&S have almost tripled in five years, as PG&E has chosen to increasingly charge time spent with such customers to Non-GRC accounts. DRA is not convinced that PG&E requires an increase in the amount of Customer Account Representatives funded through the GRC.

In PG&E's 2011 GRC, it requested incremental funding beyond 2008 recorded expense for Account Services:[325] "for service improvements within the account services function, PG&E forecasts an increase of $3.30 million over 2008 recorded adjusted expenses. This increase will support the development of: (1) regional energy strategies; (2) innovative customer portfolio offerings; and (3) broader response to service issues of business customers."[326] It appears from the recorded hours spent by ES&S that the level of service forecasted by PG&E for 2011 was not attained.

PG&E has made numerous organizational changes and department name changes within the Customer Energy Solutions department (including a change of the department name formally Customer Engagement), which makes it difficult to track PG&E's actual spending.[327] PG&E forecasted $32.2 million[328] in 2011 for Account Services and spent about one-third of that amount[329] in 2011 for what PG&E now calls Provide Account Services.

[324] Ex. PG&E-5, p. 7-14, line 17.

[325] PG&E now *records expenses for Account Services in MWC IV, rather than MWC EZ.*

[326] A. 09-12-020, Ex. PG&E-4, p. 4-22, lines 6-11.

[327] See PG&E's response to DRA_083-Q3.

[328] PG&E's response to DRA_083-Q26 see Atch02, tab 4-6, line 1.

[329] Ex. PG&E-5, WP 7-1, line 5.

PG&E continues to request, and has been approved,[330] funding for Customer Account Managers through the Demand Response, Energy Efficiency, and Rate Design Window (RDW) proceedings. In this GRC, PG&E seeks even more incremental funding in the amount of $24.1 million dollars.

DRA recommends the Commission approve no incremental ratepayer funding for Provide Account Services in this GRC. PG&E has embedded funding from D. 11-05-018 (2011GRC), approved funding from D. 12-04-045 (EE), D. 12-11-015 (DR), and has requested funding through A.10-02-028 (2010 RDW) for 2014.

PG&E forecasts an incremental increase of $1.2 million in MWC IV, to support PG&E's anticipated expansion of customers participating in a Community Choice Aggregation (CCA) program.[331] DRA forecasts one incremental position at an increase of $150,000 to support increasing participation in CCA programs, an adjustment of $1.05 million to PG&E's 2014 forecast.

In September 2002, the California Legislature passed Assembly Bill (AB) 117, enabling Community Choice Aggregation (CCA) programs. Since the passage of AB 117, one CCA, Marin Energy Authority, has started providing generation service to customers. Marin Energy Authority (MEA), currently serves approximately 90,000 customers, and expects to expand to Richmond in 2013, to serve approximately another 100,000 customers.[332]

Within PG&E's service territory, Clean Power SF is seeking to provide generation services to current PG&E customers. Clean Power SF is scheduled to start in October 2013, with participating customers paying extra monthly rates of $10.24-$29.78.[333] Clean Power SF is expecting a participation rate of 90,000 customers in the initial roll out.[334]

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[330] D. 12-04-045, p. 192-193; D. 12-11-015; A. 10-02-028.

[331] Ex. PG&E-5, WP 7-24, line 5.

[332] https://mcecleanenergy.com/, accessed 4/2/2013.

[333] Roberts, Chris. Debate Over Rates Stalls SF Clean Power Plans, March 26, 2013.

(continued on next page)

PG&E requested two positions for Account Services in its last GRC application. As PG&E stated then, "The 2 FTEs proposed for 2011 are required to manage the process and work the forecasted exceptions and data synchronization problems that are typical and expected to arise because of this kind of ongoing data exchange between PG&E and the city/county or designated third party. The number of FTEs needed could change depending on the number of communities that ultimately choose this option."[335] Although the last GRC was settled and no exact expense for CCA participation identified, PG&E should have sufficient embedded funding to provide CCA customer service.

PG&E forecasts a total CCA population of between 625,991 to 855,702, but offers no factual support for this assumed range.[336] PG&E then uses a baseline, 1 position for every 90,000 service agreements to claim it needs an increase of 8 full time employees.[337]

DRA forecasts a total CCA population of approximately 280,000, with the assumptions that there are 90,000 current customers in MEA, additional 100,000 Richmond customers joining MEA in 2013, and 90,000 Clean Power SF customers in 2013. DRA also uses the assumption that PG&E has embedded funding for two positions to support CCA customers, resulting in an incremental one position at the expense of $150,000 to provide service to the forecasted 280,000 customers.

(continued from previous page)
http://www.nbcbayarea.com/news/green/Debate-Over-Rates-Stalls-SF-Clean-Power-Plan-200124881.html, accessed 4/2/2013.

334 California Energy Markets, Feb. 15, 2013. No. 1219, p. 11.

335 A. 09-12-020, Ex. PG&E-4, p. 8-8, lines 27-34.

336 Ex. PG&E-5, p. 7-16; workpapers, p. WP-7-24.

337 Ex. PG&E-5, WP 7-24, line 5.

Table 13-70
2007-2012 Recorded Data for MWC IV Provide Account Services
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC IV	$24,414	$17,879	$13,386	$8,768	$10,473	$11,920

Source: 2007-2011 data from Ex. PG&E-5, WP 7-1. 2012 data from DRA_108-Q04 see supp01atch01. Note: 2012 recorded data is unadjusted.

2. MWC FK – Retain and Grow Customers

For 2014, PG&E requests an increase in MWC FK expenses of $2.8 million relative to 2011 recorded expenses of $0.6 million, for a total 2014 forecast of $3.2 million, or a 470% increase.[338] DRA recommends using a five-year average of 2007-2011 recorded expenses for a 2014 forecast of $0.8 million, which is $0.2 million above 2011 recorded, and a $2.6 million adjustment to PG&E's forecast.

PG&E states that the requested level of funding is to provide an increased level of economic development project and support services, which will support the equivalent of 12 full-time employees and $1.5 million of economic development organization (EDO) membership dues.[339] PG&E asserts that state cutbacks and local revenue shortfalls have reduced local government budgets including funds for local economic activities, and as a result there is a "…greater demand from communities for PG&E to provide a higher level of economic development services helping to drive business investment and job retention and creation in some areas in California most impacted by a slower economy."[340]

PG&E has already been allocated funding for Local Government Partnerships and Statewide Institutional Partnerships through Energy Efficiency proceedings as set forth in Table 13-71, below.

[338] Ex. PG&E-5, p. 7-21.

[339] Ex. PG&E-5, p. 7-21, lines 16-20.

[340] Ex. PG&E-5, p. 7-20 and 7-21, lines 29-31 and 6-8.

Table 13-71
2007-2012 Authorized Budget for Government Partnerships
(in Thousands of Nominal Dollars)

Year	Authorized Budget	Authorizing Decision/Advice Letter (AL)
2007	$ 41,207,443	AL 2704-G/2786-E, Attachment III - Program Summary Tables, D.05-09-043
2008	$ 41,207,443	AL 2704-G/2786-E, Attachment III - Program Summary Tables, D.05-09-043
2009	$ 47,087,824	AL 2967-G-A/3356-E-A - Attachment 1, D.08-10-027 (p. 18)
2010	$ 57,409,184	AL 3065-G-A/3562-E-A (p. 6, Table 2, p. 12, Table 12), D.09-09-047 (Appendix 1)
2011	$ 57,409,184	AL 3065-G-A/3562-E-A (p. 6, Table 2, p. 12, Table 12), D.09-09-047 (Appendix 1)
2012	$ 57,409,184	AL 3065-G-A/3562-E-A (p. 6, Table 2, p. 12, Table 12), D.09-09-047 (Appendix 1)

Source: See PG&E's response to DRA_082-07.

In addition, PG&E has been allocated funding through the most recent Energy Efficiency decision for Local Government Partnerships of approximately $50 million yearly for 2013 and 2014.[341]

PG&E refers to the Ratepayer Impact Measurement (RIM) which it says shows the success of its GRC-funded Economic Development Program. According to PG&E, a "RIM test shows a positive Net Present Value result based on assumptions of successful attraction and retention of a minimum of two large customers (over 500 kW) and for medium-size customers (under 500 kW) per year based on forecast expenses for economic development …" PG&E points to its experience from 1996 to 2007 when it "helped to successfully attract and retain an average of 10 large customers and five medium-size customers per year."[342]

[341] D. 12-11-015, p. 104.

[342] Ex. PG&E-5, p. 7-23, lines 16-21.

The table below shows PG&E's more recent customer retention levels.

Table 13-72
2007-2012 Recorded Data for MWC FK and Recorded Large and Medium Customers Retained by PG&E's Economic Development Program

Year	Large Customers	Medium Customers	Recorded Expenses (Thousands of Base Year Dollars)
2008	0	0	$787
2009	4	0	$705
2010	3	1	$670
2011	0	0	$600
2012	1	0	$1,685

Source: Number of customers: See PG&E's response to DRA_082-21, p. 2. Recorded expenses from Ex.PG&E-5, p. 7-1, line 4 and 2012 data DRA_108-Q04 see supp01atch01.

The table above shows that: (1) PG&E was able to attract and retain more than two large customers in 2009-2010, but only 1 medium customer in 2010 at about 1/6th PG&E's forecasted expense of $3.8 million for 2014; and (2) the amount of funding is not directly proportional to the number of customers retained.

DRA therefore recommends using a five year average (2007-2012) of recorded expenses for a 2014 forecast of $0.8 million, or an adjustment of $2.8 million to PG&E's 2014 forecast.

Table 13-73
2007-2012 Recorded Data for MWC FK Retain Grow Customers
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC FK	$1,183	$716	$662	$668	$600	$1,389

Source: 2007-2011 data from Ex. PG&E-5, WP 7-1. 2012 data from DRA_108-Q04 see supp01atch01.

3. MWC EZ – Manage Various Customer Care Processes

For MWC EZ PG&E requests an increase in expenses of $19.7 million over 2011 recorded expenses of $11.8 million, for a total 2014 forecast of $31.6 million or a 166% increase. DRA recommends $11.8 million for MWC EZ expenses in 2014 a total adjustment of $12.3 million to PG&E's 2014 forecast.

PG&E's says its forecasted increase is due to several factors: (1) Electric and Gas Safety and Reliability Outreach; (2) Customer Rate Education; and (3) Customer Research, Planning and Product Development. Also included are Customer Access Charges which PG&E forecasts for 2014 to be a negative $0.8 million[343] an incremental decrease of $0.05 million beyond 2011 recorded of $0.75 million, which DRA accepts as it appears to be reasonable. Lastly, PG&E includes miscellaneous reductions of $1.4 million in MWC's EZ and GM[344] which DRA recommends be reallocated to Customer Rate Education MWC EZ.

1. Electric and Gas Safety and Reliability Outreach

PG&E requests $5.4 million in 2014 for electric and gas safety and reliability outreach.[345] PG&E says that its request has not previously been requested within the Customer Care Organization, and has historically been charged to the operational lines of business.[346] DRA recommends no incremental ratepayer funding for PG&E's request.

PG&E says it plans to expand community-oriented and local outreach that will focus on general gas and electric safety and awareness and education. PG&E asserts that the activities discussed in this section are separate and distinct from the customer outreach activities associated with utility infrastructure upgrade projects, which are charged to the operational lines of business. PG&E says it plans to focus

[343] Ex. PG&E-5, p. 7-11, Table 7-3, line 12.

[344] Ex. PG&E-5, p. 7-11, Table 7-3, line 11.

[345] Ex. PG&E-5, p. 7-26.

[346] Ex. PG&E-5, p. 7-26.

outreach activities in schools, community events and other customer interactions in the field in order to increase general understanding of electric and gas safety practices.[347] Examples of the type of situations PG&E forecasts for its expanded outreach are what to do in the event of downed power lines in areas with heavy vegetation, digging safely in agricultural areas, how to safely handle electricity and gas, and avoid hazards and deal with dangerous situations.[348]

PG&E is currently, and has historically, provided education for these types of situations. As identified by PG&E in response to DRA discovery, "While CES (Customer Energy Solutions) has not historically funded electric and gas safety and reliability outreach, CES collaborates with other lines of business to educate the public about proper procedures to prevent unsafe situations such as fallen power lines and outage impacts by utilizing safety board demonstrations at various customer and community events. This type of outreach is funded by the other operational lines of business." Further PG&E states, "CES's request for Electric and Gas Safety Reliability Outreach supports the Company's renewed focus on delivering a higher level of safe and reliable service to its customers."[349]

PG&E currently has educational resources available at PGE.com for teachers and children regarding electricity and gas including hazardous situations,[350] and uses bill inserts to inform customers about hazardous situations[351] Thus, PG&E has embedded funding to educate customers on hazardous situations and, to DRA's knowledge, has not reduced requested funding in the operational lines of business to offset its proposed increase for 2014 in Customer Energy Solutions. DRA

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347 Ex. PG&E-5 p. 7-26.

348 Ex. PG&E-5, p. 7-27, Table 7-4, lines 2-3.

349 See PG&E's response to DRA_082-Q12.

350 http://www.pge.com/myhome/edusafety/teach/educationalresources/. Accessed April 8, 2013.

351 http://www.pge.com/en/myhome/myaccount/explanationofbill/billinserts/previous/index.page?. Accessed April 8, 2013.

recommends no incremental ratepayer funding for increased electric and gas safety and reliability outreach.

2. Customer Rate Education

For 2014, PG&E is requesting $18 million in funding through for rate education and outreach.[352] DRA recommends $7.0 million in expenses for 2014, equal to PG&E's recorded Peak Day Pricing (PDP) expenses charged to MWC EZ, resulting in an $11 million adjustment to PG&E's forecast plus escalation.

PG&E says that, at present, tariffed program outreach and education is funded through multiple means including, but not limited to the 2011 GRC, the Advanced Metering Infrastructure (AMI) decision, and the 2009 RDW.[353] PG&E was allocated $32.8 million in the 2009 RDW for implementation of PDP and, as of the end of 2012, $13.7 million was still unspent.[354] PG&E also requested $23.7 million yearly for 2011-2013 for "Ongoing Support of PDP Program" in the 2011 GRC.[355] Since the 2011 GRC was a "black box" settlement no specific amount was earmarked for the ongoing support of PDP program, yet PG&E has received funding and has embedded expenses in its 2011 recorded expenses for PDP in MWC EZ of at least $7.0 million.[356] Further, PG&E has been allocated funding and requested funding through several other proceedings for marketing education and outreach.

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[352] Ex. PG&E-5, p. 7-33.

[353] Ex. PG&E-5, p. 7-27, lines 3-5.

[354] PG&E's response to DRA_183-Q15a see Atch01.

[355] A. 09-12-020, Ex. PG&E-4, p. 4-2, Table 4-1, line 5.

[356] Ex. PG&E-5, p. 7-11, Table 7-3, line 7.

The following funding has been approved by the Commission for marketing, education and outreach activities for 2014, in addition to the 2009 RDW and test year 2011 GRC:

- Demand Response $17.7 million for all customer classes both ongoing and implementation[357] of DR programs for years 2012-2014.[358]
- Energy Efficiency $43.3 million[359] for all customer classes both ongoing and for the implementation of EE programs 2013-2014.[360]

The following funding has be requested by PG&E for marketing, education and outreach activities for 2014 in addition to requested funding in the 2014 GRC:

- 2010 RDW $8.1 million for 2014, directed to all customers for implementation[361] of Peak Time Rebate programs.[362]
- Default Residential Rate Program 2012-2016 ($38.5 million for 2014),[363] directed to residential customers for residential default PDP implantation.[364]
- Statewide Marketing, Education and Outreach (SW ME&O) $12.3 million for 2014, directed towards residential and small commercial customers program implementation.[365]

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[357] PG&E's response to DRA_183-Q14 see Atch01.

[358] D. 12-04-045, p. 192-193.

[359] PG&E's response to DRA_183-Q14 see Atch01.

[360] See PG&E's response to DRA_183-Q14c.

[361] PG&E's response to DRA_183-Q14 see Atch01.

[362] A. 10-02-028, p. 5A-1.

[363] PG&E's response to DRA_183-Q14 see Atch01.

[364] A. 10-02-028, p. 5A-1.

[365] A. 12-08-007.

Finally, PG&E was allocated $72.8 million through the original AMI decision to fund education and outreach activities of a critical peak pricing (CPP) rate or SmartRate. In the AMI decision, the Commission stated:

> We believe that PG&E conducted a comprehensive study of demand response using the statistical model developed in the SPP. With the aggressive and comprehensive educational advertising component in PG&E's CPP proposal, the customer participation level is likely to achieve the levels supported by PG&E's testimony. This CPP rate is a precursor of more accurate and timely rate designs that will be possible following the full implementation of AMI. A voluntary program will allow PG&E to build trust with the first eligible customers (those with AMI deployed) and subsequent rate design proceedings can build on the experience we derive from the voluntary CPP as we achieve full deployment. We have no record to consider either a mandatory or an opt-out program at this time.[366]

As of the end of 2012, PG&E still had $7.1 million dollars unspent which were allocated for education of CPP customer rate enrollment. [367]As defined by PG&E, "The SmartRate program is a form of CPP (critical peak pricing) that originated from the Statewide Pricing Pilot (SPP), where it was found to be an effective method of inducing customers to reduce their energy consumption during peak-load periods."[368] In this 2014 GRC, PG&E seeks $8.0 million[369] to attract and retain customers to the SmartRate pricing plan, yet, as stated above, PG&E has already been allocated $72.8 million to attract customers in order to build trust and design future through only D. 06-06-027. DRA recommends PG&E use unused funding from the authorized AMI funding of $7.1 million, and use embedded, unspent funding authorized in the 2011 GRC, 2009 RDW and the EE, and DR decisions to reach out to residential customers.

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[366] D. 06-07-027, p. 46.

[367] PG&E's response to DRA_083-Q15a see Supp01Atch01.

[368] A. 09-02-022, p. 1-7, lines 1-4.

[369] Ex. PG&E-5, p. 7-31, line 2.

In 2014, PG&E's requests $6.65 million for ongoing maintenance and PDP customer support and retention activities for LCI, Ag and SMB customers[370] and $3.05 million for general rate communication and education for all customers.[371] PG&E has embedded funding for implementation and ongoing support through the 2011 GRC, and funding allocated through the 2009 RDW, EE, and DR proceedings.

Due to the several sources of non-GRC funding PG&E has already been allocated for 2014, the pending applications where PG&E has requested funding and the embedded GRC funding for marketing, education and outreach, DRA strongly recommends the Commission allocate no incremental funding for Customer Rate Education and adopt DRA's forecast of $7.0 million for these activities plus escalation.

3. Customer Research, Planning and Product Development

For 2014, PG&E requests incremental increases beyond 2011 recorded expenses of: (a) $1.1 million for the Customer Insight and Strategy Department to continue customer research, strategic planning and database management,[372] beyond 2011 recorded expenses of $2.0 million[373] for a total 2014 expense of $3.1; (b) $1.7 million for the Pricing Products Department to evaluate, manage and improve self-service energy usage and rate tools for customers[374] beyond 2011 recorded expenses of $1.2 million[375] for a total 2014 expense of $2.8 million; and (c) $1.2 for the Policy and Integrated Planning Department, for expanded regulatory and policy role, customer service, education and outreach strategies, increased

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370 Ex. PG&E-5, p. 7-30, line 1.

371 Ex. PG&E-5, p. 7-31, line 3.

372 Ex. PG&E-5, p. 7-36.

373 PG&E's response to DRA_082-Q31 see Supp01Atch01.

374 Ex. PG&E-5, p. 7-37.

375 PG&E's response to DRA_082-Q31 see Supp01Atch01.

support for AB 32 and GHG implementation issues, and new program and policy developments including home area network (HAN)[376] beyond 2011 recorded expenses of $1.4 million[377] for a total 2014 expense of $2.6 million.

In recent history, PG&E has been increasing funding towards the above departments from non-GRC allocated sources of funding, while reducing GRC funding, as shown in Table 13-74, below.

Table 13-74
Customer Energy Solutions Posted Hours

Departments		2007	2008	2009	2010	2011
GRC Hours						
Customer Insight and Strategy		4,065	8,819	5,700	5,956	6,035
Policy and Integrated Planning		5,472	1,284	771	4,674	6,205
Pricing Products		5,126	7,198	1,687	321	4,658
	Total	14,663	17,301	8,157	10,951	16,897
Non-GRC Hours						
Customer Insight and Strategy		633	1,674	3,414	7,341	9,020
Policy and Integrated Planning		28,119	55,990	77,169	70,301	81,283
Pricing Products		-	14	258	17,438	7,345
	Total	28,752	57,677	80,840	95,080	97,648

Manager level positions and above do not bill out their time and therefore their hours may not be captured.
The hours reflected here do not account for any jounal entry adjustments that may have occurred to correct time charges.

Source: 2007-2011 data from PG&E's response to DRA_170_Q01 see Atch01 tab FTE Summary.

As Table 13-75 (on the next page) shows, PG&E has increased the amount of hours funded by non-GRC funding sources and reduced the amount of labor funding from GRC funding sources.

376 Ex. PG&E-5, p. 7-39 to 7-40.

377 PG&E's response to DRA_082-Q31 see Supp01Atch01.

Table 13-75
2007-2012 Recorded Labor Expenses for Customer Insight and Strategy, Policy and Integrated Planning and Pricing Products
(in Thousands of Nominal Dollars)

Line No.	Departments	2007 Recorded Adjusted	2008 Recorded Adjusted	2009 Recorded Adjusted	2010 Recorded Adjusted	2011 Recorded Adjusted
GRC Recorded Adjusted Expenses						
1	Customer Insight and Strategy	4,392	4,316	2,124	2,407	1,954
2	Policy and Integrated Planning	900	403	360	789	1,419
3	Pricing Products	3,385	2,009	182	68	1,212
4	**Total Labor Expenses**	**8,676**	**6,728**	**2,666**	**3,263**	**4,584**
Non-GRC Recorded Adjusted Expenses						
5	Customer Insight and Strategy	71	202	468	804	973
6	Policy and Integrated Planning	3,528	5,760	8,260	7,043	8,401
7	Pricing Products	-	2	37	2,397	913
8	**Total Labor Expenses**	**3,599**	**5,965**	**8,765**	**10,244**	**10,287**

Source: 2007-2011 data from PG&E's response to DRA_082-31 see Atch01, tabs, nominal by dept GRC and dept non-GRC.

In its 2011 GRC, PG&E requested an increase in funding for incremental staffing in the Customer Insight and Strategy Department saying that; "PG&E proposes to expand its data management staff by adding 2.5 FTE employees to manage the database, conduct statistical data analyses, and design statistical models of PG&E's customer data."[378] Further PG&E requested funding for the purchase of data and an additional information analyst; "PG&E proposes to use direct outreach and to purchase external classification data (such as InfoUSA/Experian) to confirm the NAICS codes for these customers. In addition, PG&E proposes to hire one additional information analyst to record the new NAICS codes."[379]

[378] A. 09-12-020, Ex. PG&E-4, p. 4-18, lines 2-6.

[379] A. 09-12-020, Ex. PG&E-4, p. 4-17, lines 19-24.

Now, in the 2014 GRC, PG&E forecasts an increase of $1.1 million over 2011 recorded expenses, "…for an additional database management position and costs to purchase external classification data to refresh customer information, in order to improve North American Industry Classification System coding of our business customers."[380]

PG&E did not ask for incremental funding to support these positions due to certain expenses incurred in 2008 that will not be incurred in 2011,[381] yet PG&E's recorded GRC labor expenses for the Customer Insight and Strategy Department in 2011 are less than half of the 2008 recorded expense. PG&E's duplicative ask for the same type of funding has not been substantiated in this GRC, and DRA recommends no incremental ratepayer funding beyond 2011 recorded expenses plus escalation of $2.0 million for the Customer Insight and Department.

PG&E's incremental expense requests for the Pricing Products Department and the Policy and Integrated Planning Departments have been increasingly funded through non-GRC sources of funding as Table 13-75 shows. PG&E continues to be allocated funding through the EE and DR proceedings which it chooses to use to fund the Pricing Products and Policy and Integrated Planning Departments. Therefore, DRA recommends no incremental ratepayer funding for the Pricing Products and Integrated Planning Departments beyond 2011 recorded expense of $1.4 million plus escalation.

Table 13-76
2007-2012 Recorded Data for MWC EZ – Manage Various Customer Care Processes
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC EZ	$8,765	$6,152	$2,555	$2,699	$11,849	$21,868

Source: 2007-2011 data from Ex. PG&E-5, WP 7-1. 2012 data from DRA_108-Q04 see supp01atch01. Note: 2012 recorded data is unadjusted.

[380] Ex. PG&E-5, p. 7-36, p. 7-36, lines 28-31.

[381] A. 09-12-020, Ex. PG&E-4, 4-18, lines 19-26.

4. MWC EL – Non-Tariffed Products and Services

For 2014, PG&E requests incremental expenses of $0.7 million over 2011 recorded expenses of $6.4 million, for 2014 a total 2014 forecast of $7.1 million.[382] DRA accepts PG&E's 2014 forecast of $7.1 million for Non-Tariffed Products and Services.

Table 13-77
2007-2012 Recorded Data for MWC – EL Develop New Revenue
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC	$2,087	$3,092	$4,347	$3,843	$6,416	$11,211

Source: 2007-2011 data from Ex. PG&E-5, WP 7-1. 2012 data from DRA_108-Q04 see supp01atch01. Note: 2012 recorded data is unadjusted.

5. MWC GM – Manage Energy Efficiency – Non BA

For 2014, PG&E requests an incremental increase of $0.4 million over in expenses of $3.4 million, for a total 2014 forecast of $3.8 million, for increased calibration costs for carbon monoxide testing devices.[383] DRA accepts PG&E's request.

Table 13-78
2007-2012 Recorded Data MWC GM – Manage Energy Efficiency – Non BA
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC GM	$9,797	$6,213	$3,793	$3,932	$3,377	$2,956

Source: 2007-2011 data from Ex. PG&E-5, WP 7-1. 2012 data from DRA_108-Q04 see supp01atch01. Note: 2012 recorded data is unadjusted.

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[382] Ex. PG&E-5, p. 7-11, Table 7-3, line 9.

[383] Ex. PG&E-5, p. 7-41, lines 15-21.

B. Capital Expenditures

For 2012 and 2013 PG&E includes the capital forecast for MWC 29 - EV – station infrastructure of $0.3 million in 2012 and $0.8 for 2013.[384] PG&E goes on to state that in 2014, EV – station infrastructure work will be transitioned to Transportation Services (Ex. PG&E-7), Chapter 3.[385] DRA recommends using PG&E's recorded expenditure of $44 thousand for 2012, and forecasts $112 thousand for 2013, adjustments of $0.3 million for 2012 and $0.7 for 2013.

DRA's forecast is derived using the percentage of PG&E's 2012 forecast which it actually spent (13.5%) , and applying that (13.5%) to PG&E's 2013 forecast of $0.8 million to reach DRA's forecast of $0.1 million. PG&E provides no explanation of planned projects or how it forecasted 2012 or 2013 capital expenditures.

In addition, as shown in Table 13-79, PG&E has previously requested funding for EV projects and has underspent in 2011 and 2012 by approximately $1.0 million dollars.

[384] Ex. PG&E-5, p. 7-43, Table 7-9.

[385] Ex. PG&E-5, p. 7-43, lines 2-7.

Table 13-79
Clean Air Transportation Program Capital Expenditures
(Millions of Nominal Dollars)

Line No.	Program Category	Recorded 2008	Forecast 2009	2010	2011	2012	2013
1	Natural Gas Compliance and Safety Infrastructure						
2	Gas	4.30	3.30	1.34	3.02	2.31	1.86
3	Electric Vehicle Infrastructure to Support Services						
4	Electric	–	–	–	0.20(a)	0.68(b)	0.20(c)
5	Customer Care Community Electric Infrastructure Investment						
6	Electric	–	–	–	.80	1.18	2.32
7	Total Capital	4.30	3.30	1.34	4.02	4.17	4.38

(a) 2011 install 43 Level 2 Chargers and one Level 3 Charger.
(b) 2012 install 151 Level 2 Chargers and three Level 3 Chargers.
(c) 2013 install 41 Level 2 Chargers and one Level 3 Charger.
Cost assumption: $3,000 per Level 2 Charger, $75,000 per Level 3 Charger.

Source: A. 09-12-020, Ex. PG&E-4, p. 11-4.

Table 13-80
2007-2012 Recorded Data MWC 28 – EV – Station Infrastructure
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC 28	$0	$0	$0	$0	$216	$2,956

Source: 2007-2011 data from Ex. PG&E-5, WP 7-10. 2012 data from DRA_108-Q03 see supp01atch01. Note: 2012 recorded data is unadjusted.

Table 13-81
Customer Care Capital Expenditures for 2012-2014
MWC – 28, EV Station Infrastructure
(In Thousands of Nominal Dollars)

Description	DRA Recommended			PG&E Proposed[386]		
	2012	2013	2014	2012	2013	2014
MWC 28	$44	$112	$0	$326	$840	$0
Total	$44	$112	$0	$326	$840	$0

386 Ex. PG&E-5, p. 7-43.

III. DISCUSSION / ANALYSIS OF CUSTOMER RETENTION

This section discusses PG&E's expense forecast for the Customer Retention Program. PG&E was directed to book Customer Retention Program expenses "below- the-line."[387]

A. Expenses

PG&E requests authorization to book Customer Retention Program expenses above-the-line starting in 2014, in MWC FK – Retain and Grow Customers. PG&E forecasts $1.5 million of expenses in 2014, while DRA recommends no ratepayer funding.

Table 13-82
Customer Care Expenses for TY2014
MWC FK - Customer Retention
(In Thousands of Nominal Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[388] (c)
MWC FK	$0	$1,500
Total	$0	$1,500

DRA has historically approved the concept of municipalization and stresses that ratepayers should not have to fund utilities' efforts to block or oppose reasonable municipal utility projects. While PG&E's recorded expenses in MWC FK are fairly small, PG&E's parent corporation has spent far more money on its efforts to fight publicly-owned power. In 2006, PG&E Corp. spent more than $11 million to convince ratepayers in Yolo and Sacramento Counties to vote down an annexation proposal that would have extended the Sacramento Municipal Utility District's

[387] D. 11-05-018, p. 1-10.

[388] Ex. PG&E-5, p. 8-1.

(SMUD) service territory to include the Yolo County cities of West Sacramento, Davis and Woodland.[389]

In 2010, PG&E Corp. spent $43 million on a state proposition that would require two-thirds voter approval for local municipalization, which failed to pass by a small margin.[390] While PG&E Corp. is free to pursue such expensive efforts, these activities should not have to be funded by its ratepayers. DRA therefore recommends denying all costs for customer retention.

Table 13-83
2007-2012 Recorded Data for MWC FK – Retain and Grow Customers
(in Thousands of Nominal Dollars)

Description	2007	2008	2009	2010	2011
MWC FK	$1,906	$1,118	$799	$568	$0

Source: 2007-2011 data from Ex. PG&E-5, WP 8-1. Note: 2011 recorded is $0 due to D. 11-05-018 where PG&E was directed to book Customer Retention costs below-the-line.

IV. DISCUSSION / ANALYSIS OF INFORMATION TECHNOLOGY PROJECTS

This section discusses PG&E's requests for capital and expense forecasts for its Information Technology (IT) Projects in support of Customer Care.

The following tables summarize PG&E's request and DRA's recommendation for PG&E's Customer Care IT Projects.

[389] http://www.newsreview.com/sacramento/content?oid=1040018. Accessed, April 9, 2013.

[390] http://venturebeat.com/2010/06/09/pge-loses-its-46m-prop-16-battle-in-california-a-win-for-grid-innovation/. Accessed, April 9, 2013.

Table 13-84
Customer Care Expenses for TY2014
Information Technology
(In Thousands of Nominal Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[391] (c)
MWC JV	$3,464	$8,200
Total	$3,464	$8,200

Table 13-85
Customer Care Capital Expenditures for 2012-2014
MWC 2F – Build Maintain Applications and Infrastructure
(In Thousands of Nominal Dollars)

Description	DRA Recommended			PG&E Proposed[392]		
	2012	2013	2014	2012	2013	2014
MWC 2F	$18,310	$11,592	$10,476	$15,987	$13,800	$33,400
Total	$18,310	$11,592	$10,476	$15,987	$13,800	$33,400

A. Expenses

PG&E forecasts, in MWC JV, $8.2 million in expenses for 2014, which were derived using PG&E's concept estimation tool to support its forecasted Customer Care IT projects.[393]

For 2014, PG&E forecasts $8.2 million in expenses to support PG&E's forecasted Customer Care IT projects.[394] DRA recommends $3.5 million in expenses for 2014, an adjustment of $4.7 million to PG&E's 2014 forecast.

[391] Ex. PG&E-5, p. 9-1, line 17.

[392] Ex. PG&E-5, p. 9-2.

[393] Ex. PG&E-5, p. 9-14.

[394] Ex. PG&E-5, p. 9-14.

1. Customer interaction and Relationship Management

PG&E forecasts $3.0 million total expenses of $9.0 million, $3.0 million in 2014, $3.0 million in 2015 and $3.0 million in 2016,[395] for the implementation of the Customer Interaction and Relationship Management Project. DRA recommends no ratepayer funding for the Customer Interaction and Relationship Management Project (as explained below in the capital expenditures portion of DRA's testimony), an adjustment of $3.0 million to PG&E's 2014 forecast.

2. Customer Self-Service and Energy Management Enhancements

PG&E forecasts total expenses for 2014-2016 of $3.0 million, $0.8 million in 2014, $1.2 million in 2015 and $1.0 million in 2014.[396] DRA reviewed PG&E's Customer Self-Service and Energy Management Enhancements Project. DRA accepts the project is reasonable, but recommends the expense level be reduced based on DRA's global recommendation to reduce PG&E's forecasts of IT projects which are calculated using the "Concept Estimate Tool" by 14 percent[397] for a 2014 recommendation of $0.67 million, a decrease of $0.23 million to PG&E's 2014 forecast.

3. Interval Data Processing and Exceptions Management

PG&E forecasts total expenses of $4.8 million for years 2014-2016, $1.8 million in 2014, $1.5 million in 2015 and $1.5 million in 2016.[398] DRA has reviewed PG&E's Interval Data Processing and Exceptions Management Project and accepts the project is reasonable with the exception that: 1) yearly capital expenditures be normalized for a 2014 expense forecast of $1.6 million; and (2) the expense level

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[395] Ex. PG&E-5, WP 9-34.

[396] Ex. PG&E-5, WP 9-40.

[397] See Customer Self-Service and Energy Management Enhancements capital section for further explanation.

[398] Ex. PG&E-5, WP 9-45.

should be reduced based on DRA's global recommendation to reduce PG&E's forecasts of IT projects which are calculated using the "Concept Estimate Tool" by 14 percent, resulting in an adjustment of $0.44 million adjustment for a total 2014 expense level of $1.36 million.

4. Optimizing Time to Market for Rates

PG&E forecasts total expenses of $2.0 million dollars for years 2015-2016, $1.0 million in 2015 and $1.0 million in 2016.[399] This project is not part of PG&E's request for the 2014 revenue requirement and therefore DRA has not included any expenses for its 2014 forecast.

5. Meter Management

PG&E forecasts total expenses of $1.6 million all to be spent in 2014.[400] DRA has reviewed PG&E's Interval Data Processing and Exceptions Management Project and accepts the project the exception that; 1) yearly capital expenditures be normalized for the 2014-2016 GRC cycle, for a 2014 expense forecast of $0.53 million; and (2) based on DRA's global recommendation to reduce PG&E's forecasts of IT projects which are calculated using the "Concept Estimate Tool" by 14 percent as discussed in Exhibit DRA-18 for a 2014 recommendation of $0.45 million an adjustment of $1.15 million to PG&E's 2014 forecast.

6. Miscellaneous Other Technology Projects

PG&E forecasts total expenses of $3.0 million for years 2014-2016, $1.0 million in 2014, $1.0 million in 2015 and $1.0 million in 2016.[401] DRA accepts PG&E's forecast for Miscellaneous Other Technology Projects of $0.5 million in 2014 as it appears to be reasonable.

[399] Ex. PG&E-5, p. 9-12, lines 27-28.

[400] Ex. PG&E-5, p. 9-13, lines 13-14.

[401] Ex. PG&E-5, p. 9-14, line 2.

Table 13-86
2007-2012 Recorded Data for MWC JV Maintain IT Apps and Infrastructure
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012
MWC JV	$4,313	$9,052	$7,420	$6,654	$3,544	$4,685

Source: 2007-2011 data from Ex. PG&E-5, WP 9-1. 2012 data from DRA_108-Q04 see supp01atch01. Note: 2012 recorded data is unadjusted.

B. Capital Expenditures

PG&E requests $16.0 million in 2012, $13.8 million in 2013 and $33.4 million in 2014 for its Customer Care IT Programs. Customer Care IT capital expenditures in 2012 and 2013 include Contact Center Refresh and Meter to Cash Enhancements. PG&E's 2014 capital expenditure forecast is 329% greater than the 2011 recorded amount of $7.8 million.[402] DRA recommends: (1) for 2012, to accept PG&E's recorded capital expenditures of $18.3 million, an increase of $2.3 million to PG&E's request; (2) for 2013, $11.6 million, an adjustment of $2.2 million to PG&E's request; and (3) for 2014, $10.5 million, an adjustment of $22.8 million to PG&E's requests.

1. Customer Care Technology Projects

For 2013, PG&E requests $13.8 million for the completion of several smaller scale projects and the Contact Center Refresh. DRA accepts PG&E's forecast with the inclusion of DRA's global recommendation to reduce PG&E's forecasts of IT projects which are calculated using the "Concept Estimate Tool" by 14 percent as discussed in Exhibit DRA-18, for a 2013 recommendation of $11.7 million, an adjustment of $2.1 million to PG&E's 2013 forecast. All projects included in PG&E Customer Care Technology Projects are forecast to be completed in 2013; therefore PG&E does not include capital expenditures beyond 2013.

[402] Ex. PG&E-5, p. 9-1 and 9-2, lines 20-25 and 1-2.

2. Customer Interaction and Relationship Management

PG&E requests capital expenditures for the implementation of the Customer Interaction and Relationship Management project of $12.0 million in 2014, $15.0 in 2015 and $10.0 million in 2016 for a total project capital forecast of $37.0 million. DRA recommends zero funding for the Customer Interaction and Relationship Management project an adjustment of $12.0 million to PG&E's 2014 forecast.

PG&E's testimony and workpapers provided DRA with little insight into how forecasts were derived and the current planning status of the project, which led DRA to request the following information during Discovery:

- (e) Copies of all analyses, studies, (and) assessments in determining the need for the proposed IT project.
- (f) Copies of all supporting documents and calculations in determining the forecasted capital expenditures and expenses.[403]

PG&E responded to question (e), regarding the Customer Interaction and Relationship Management Project by providing DRA with a five slide PowerPoint presentation, including a high level identification the project with no numbers, or vendor quotes.[404] The lack of substantial analysis, no identified vendors or software, leads DRA unable to verify or accept PG&E's $37.0 million forecast.

PG&E responded to question (f), regarding the Customer Interaction and Relationship Management Project by referring DRA to the Concept Estimating tool which it states "application development projects are initially estimated using the concept estimating tool which uses an industry standard approach to generate costs for IT application projects in the early planning stages."[405]

The information provided in the Concept Estimating Tool provides little if any information as to the validity of PG&E's estimates. PG&E does include cost benefits

[403] See PG&E's response to DRA_096_Q01e and Q01f.

[404] See PG&E's response to DRA_096_Q01(e)_Atch01.

[405] See PG&E's response to DRA_096_Q01(f).

for the implementation of the Customer Interaction and Relationship Management Project. But in response to DRA discovery regarding realization of benefits PG&E stated:

> PG&E tracks project benefits on an on-going basis against certain Company-wide metrics, such as safety and reliability, customer satisfaction and affordability. In addition, PG&E implemented a new project delivery methodology in August 2011 to ensure that (1) IT projects are closely aligned to both line of business and IT goals; (2) the project is set up for success; and (3) the benefits of the project are well defined and will be realized when the project is deployed. Prior to approval, each technology project proceeds through the IT governance stage-gates. As part of the initial stage-gate, the IT Business Technology Lead must present the project benefits. The Business Technology Lead then confirms that the expected benefits will be achieved during stage-gate 4 (deploy phase).[406]

Although PG&E's forecasted benefits appear good on paper, PG&E offers no assurance that ratepayers funding IT projects will provide cost benefits, resulting in an empty promise to ratepayers.

Due to the Customer Interaction and Relationship Management Project being in the very early planning stage and the lack of information validating the project, DRA recommends no ratepayer funding.

3. Customer Self-Service and Energy Management Enhancements

PG&E requests a total of $15.0 million in capital expenditures, $4.0 million in 2014, $6.0 million in 2015, and $5.0 million in 2016.[407] DRA reviewed PG&E's Customer Self-Service and Energy Management Enhancements Project and accepts the project with the inclusion of DRA's global recommendation to reduce PG&E's IT forecasts which are calculated using the "Concept Estimate Tool." DRA's 14 percent reduction leads to a 2014 expense level of $3.36 million an adjustment of $0.64 to PG&E's 2014 forecast.

[406] See PG&E's response to DRA_096_Q12.

[407] Ex. PG&E-5, p. 9-8, lines 29-32.

4. Interval Data Processing and Exception Management

PG&E forecasts total capital expenditures of $22.2 million, $16.0 million in 2014, $4.2 million in 2015 and $2.0 million in 2016.[408] DRA accepts the project as reasonable with the exception that; (1) yearly capital expenditures should be normalized for a yearly capital forecast from 2014-2016 of $7.4 million. DRA also recommends a reduction of 14% consistent with DRA's global recommendation to reduce PG&E's forecasts of IT projects which are calculated using the "Concept Estimate Tool." This leads to a 2014 expense level of $6.36 million, an adjustment of $9.64 million to PG&E's 2014 forecast.

PG&E asserts that the Interval Data Processing and Exception Management Project is needed to process prebilling exceptions (data that needs to be validated, edited, and estimated). PG&E states the it has incurred increasing incremental operational costs to stay current with its existing vendors and includes these expenses and capital expenditures are included within the overall Baseline and IT Lifecycle program requests under Major Work Categories (MWCs) JV (expense) and 2F (capital), and regarding operation costs PG&E states: "it is not possible to isolate the specific system work required to support MDMS, VEE, and Interval Data Processing."[409]

In response to DRA discovery PG&E provided cost estimates derived by vendors, which validate PG&E seriousness in implementing the Interval Data Processing and Exception Management Project. PG&E has determined real needs and the actual benefits from new IT capabilities.

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[408] Ex. PG&E-5, p. 9-10, lines 29-32.

[409] See PG&E's response to DRA_096_Q11. In this 2014 GRC, IT Baseline and Lifecycle program expenses are forecast and recorded in MWC JV and are shown in Exhibit (PG&E-7), Chapter 8, WP 8-146, line 6 and line 12.

5. Optimizing Time to Market for Rates

PG&E forecasts total capital expenditures of $12 million, $0 in 2014, $6.0 million in 2015, and $6.0 million in 2016.[410] This project is not part of PG&E's request for the 2014 revenue requirement.

6. Miscellaneous Other Technology Projects

PG&E requests a total of $1.5 million, $0.5 million in 2014, $0.5 million in 2015 and $0.5 in 2015.[411] DRA accepts PG&E's forecast for Miscellaneous Other Technology Projects of $0.5 million in 2014 as it appears to be reasonable.

Table 13-87
Customer Care Capital Expenditures for 2012-2014
MWC – 2F Build IT Apps and Infrastructure
(In Thousands of Nominal Dollars)

Description	DRA Recommended			PG&E Proposed[412]		
	2012	2013	2014	2012	2013	2014
MWC 2F	$18,310	$11,592	$10,476	$15,978	$13,800	$33,400
Total	$18,310	$11,592	$10,476	$15,978	$13,800	$33,400

410 Ex. PG&E-5, p. 9-12, lines 27-29.

411 Ex. PG&E-5, p. 9-14, lines 1-3.

412 Ex. PG&E-5, p. 9-2.

V. DISCUSSION / ANALYSIS OF SMARTMETER PROGRAM

PG&E requests to:

- Close SM balancing accounts, benefits realization mechanism, and Meter Reading BA on Dec. 31, 2013.
- Incorporate in the 2014 GRC forecast SM program benefits.
- Recover of ongoing SM operating costs.
- Eliminate and/or replace SM reporting requirements.[413]

PG&E states:

> With the closure of the Smart Meter Balancing Accounts, recovery of the ongoing capital-related revenue requirements associated with past Smart Meter Program deployment capital costs will now occur in PG&E's GRCs.[414] In this 2014 GRC, the beginning-of-year 2014 plant, depreciation reserve, and base rate amounts include the amounts associated with Smart Meter Program deployments capital costs incurred since the Program's inception through 2011 and forecast to be incurred in 2012 and 2013. Such costs are thereby consolidated with the 2014 GRC capital request.[415]

DRA recommends the Commission: (1) allow PG&E to recover capital-related revenue requirements associated with the deployment of the Smart Meter Program up to the authorized amount of $2.306 billion less $10 million in shareholder funding (as adopted in D.06-07-027); (2) allow PG&E to recover such capital-related revenue requirements in base rates not before it has completed the deployment of Smart Meter Program as identified in Decision 06-07-027 and Decision 09-03-026; (3) that reporting requirements be required by PG&E until PG&E has fully deployed its Smart Meter Program;[416] and (4) allow PG&E to recover capital-related revenue

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[413] Ex. PG&E-5, p. 10-4.

[414] Ex. PG&E-5, p. 10-3 to 10-4, lines 26-27 and line1.

[415] Ex. PG&E-5, p. 10-4, lines 3-8.

[416] Ex. PG&E-5, p. 10-4, lines 9-14.

requirements only once the Commission staff has completed an independent audit of PG&E's Smart Meter-related costs at PG&E's expense as ordered in by the Commission.[417]

In response to DRA discovery PG&E states: "At this time, PG&E has no plans to update the record in this 2014 GRC to replace the forecast SmartMeter™ Program 2012 and 2013 plant amounts (shown in the workpapers supporting Chapter 9, Electric, Gas, and Common Plant, in the Results of Operations Exhibit (PG&E-2)) with the actual recorded amounts. Nevertheless, to the extent that parties address this issue in their reports, PG&E will respond in its rebuttal testimony."[418]

DRA's recommendation seeks, in part, to ensure PG&E does not recover in this GRC capital-related revenue requirements associated with the deployment of the Smart Meter Program beyond the Commission authorized amounts. PG&E states "As of January 31, 2013, PG&E's total SmartMeter™ Program expenditures exceed(ed) the authorized amount. Although Decision 06-07-027 would allow PG&E to seek recovery of excess costs, PG&E does not at this time seek to recover these additional costs."[419] To approve capital-related revenue requirements associated with the deployment of the Smart Meter Program above the current authorized amount would be premature, as PG&E has not requested or been approved recovery of additional costs.

Related to the current recorded amounts charged to Smart Meter Program deployment, DRA is concerned that an independent audit has yet to be conducted as ordered by the Commission[420] and recommends the Commission require the

[417] Decision 11-05-018, Ordering Paragraph (OP) 19.

[418] See PG&E's response to DRA_Oral031-01.

[419] See PG&E's response to DRA_Oral031-01.

[420] Decision 11-05-018, Ordering Paragraph (OP) 19.

completion of an audit before Smart Meter Program revenue requirements are included in base rates.

Once PG&E's Smart Meter Program has been fully deployed DRA accepts PG&E's proposal to cease providing annual reports on the AMI-enabled DR till 2019 as ordered by the Commission.[421] DRA recommends that the Commission require PG&E to include information, to the extent it is pertinent, in PG&E's annual load impact filings and in future requests for Demand Response program approval and cost recovery. DRA's proposal seeks to consolidate the DR reporting requirements once Smart Meters are fully deployed.

PG&E requests that ongoing costs related to the Smart Meter Opt-Out Program be recovered in base rates in the 2014 GRC.[422] As previously noted DRA recommends that the Commission adopt a one-way balancing account for all of PG&E's requested Opt-Out related expenses, capital expenditures, and revenues.

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[421] D.09-03-026, OP 10.

[422] Ex. PG&E-5, p. 10-2, lines 5-9.