Docket:	:	A.12-11-009
Exhibit Number	:	DRA-14
Commissioner	:	Florio
ALJ	:	Pulsifer
Witness	:	Hunter

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

Human Resources Expenses
Part 1 of 2

San Francisco, California
May 3, 2013

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HUMAN RESOURCES EXPENSES

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 Human Resources (HR) expenses for Test Year (TY) 2014. The Human Resources Department (HR) is charged with developing and implementing programs and services to attract, develop and retain qualified workers who make it possible for PG&E to deliver safe and reliable gas and electric services. This exhibit specifically addresses PG&E's expense forecasts associated with: Workforce Diversity and Inclusion Policy; Total Compensation Study and Results; Benefits, Health and Insurance; Retirement, Disability and Other Benefits, Including Trust Contributions; Workers' Compensation and Workforce Management – Severance Program. PG&E's historical expenses (2007 through 2011) and forecasted estimates (2012 through 2014) are shown in nominal dollars.

The Short-Term Incentive Plan is addressed in Exhibit DRA-15 and Labor Escalation is addressed in Exhibit DRA-4.

II. SUMMARY OF RECOMMENDATIONS

The following summarizes DRA's recommendations:

- An adjustment of ($34.773) million should be made to bring the employee contributions to health care premiums comparable to the rate paid by employees at other companies.
- Service Awards should not be funded by ratepayers.
- Supplemental Pension Plans for executives should not be funded by ratepayers.
- A three-year average should be used to calculate the Tuition Refund expense.
- A three-year average should be used to calculate the Employee Relocation expense.
- A two-year average should be used to calculate the Workforce Management – Severance expense.

- Employee benefits expense amounts should be adjusted to reflect DRA's lower projection of PG&E's labor expense.
- The Commission should direct PG&E to resume including Long Term Incentives in the utility's future Total Compensation Studies.
- The Commission should require Paid Time Off benefits to be included in all future Total Compensation Studies.
- If DRA's adjustments are not adopted, then a "global" adjustment should be made to bring PG&E's overall total compensation and benefits package to within the Commission's long-recognized variance rate of 5%.

Table 14-1 compares DRA's and PG&E's TY2014 forecasts of Human Resources expenses addressed in this exhibit:

Table 14-1
Human Resources Expenses for TY2014
(In Thousands of Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[1] (c)	Amount PG&E>DRA (d=c-b)	Percentage PG&E>DRA (e=d/b)
Benefits, Health & Insurance	$320,950	$396,763	$75,813	23.62%
Retirement, Disability and Other Benefits, including Trust Contributions	$197,703	$211,229	$13,526	6.84%
Workers' Compensation	$41,558	$41,558	$0	0.00%
Workforce Management – Severance Program	$10,816	$14,059	$3,243	29.98%
Total	$571,027	$663,609	$92,582	16.21%

[1] Ex. PG&E-8, pp. WP 6-1, WP 7-1, WP 8-1, and WP 9-1.

III. DISCUSSION / ANALYSIS OF WORKFORCE DIVERSITY AND INCLUSION POLICY

PG&E has a Performance and Inclusion Department with its Talent Management organization that leads the Company's various workforce diversity programs, which include affirmative action in internal hiring and the awarding of consultant contracts, leadership training, employee resource groups, scholarships, and through community partnerships that help the Company attract employees from diverse talent pools.[2] The costs for these programs are included in other areas;[3] DRA's analysis in this section was focused solely on the programs themselves.

PG&E states that its company policy is to provide equal opportunities for jobs, training and promotions regardless of "any... factor that is not related to the job," and that retaliation against employees who raise complaints or who assist investigators will not be tolerated.[4] PG&E offers web-based diversity and inclusion training to all employees, requires a full-day, in-person training for leaders and supervisors, and provides a variety of print materials and DVDs that leaders can use to facilitate workshops.[5]

PG&E says it has received local, regional, and national recognition for its success in maintaining a diverse workforce.[6] The percentage of minority employees, as of May 2012, reached a recent high of 39.5% and this percentage has stayed consistently in the upper-30s since 2006. The percentage of female employees, as of May 2012, is at a recent high of 28.1%, although the percent of women in officer positions has dropped slightly over prior years. PG&E says that the Company is monitoring this area and is "building pipelines" to develop and source female

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[2] Ex. PG&E-8, p. 2-1.

[3] Ex. PG&E-8, p. 2-1.

[4] Ex. PG&E-8, p. 2-4.

[5] Ex. PG&E-8, pp. 2-6 and 2-7.

[6] Ex. PG&E-8, p. 2A-1.

candidates.[7] DRA takes no exception to PG&E's Workforce Diversity and Inclusion Policy as far as parameters and implementation are concerned. DRA addresses the program's costs in Exhibit DRA-16 (Administrative & General Expenses, Part 1 of 2) and Exhibit DRA-18 (Shared Services & Information Technology Costs).

IV. DISCUSSION / ANALYSIS OF TOTAL COMPENSATION STUDY AND RESULTS

DRA participated in the Total Compensation Study (TCS) associated with PG&E's 2014 General Rate Case.[8] DRA and PG&E jointly selected Mercer to conduct the TCS. The purpose of the TCS is to compare the total compensation paid to PG&E's employees (i.e., base pay, short-term incentive bonuses, and employee benefits) to the labor market. The chosen consultant, Mercer, performed the TCS using PG&E's own company demographic and economic assumptions wherever possible; Mercer also used broad-based compensation survey results rather than using a survey of selected industrial and utility companies as was done in the past.

The TCS results revealed that PG&E's total compensation was 9.9% above market, with base salaries 5.5% above market, total cash compensation 0.7% above, and benefits 56.2% above market. PG&E (and Mercer[9]) assert that the total 9.9% is a reasonable variance as it is within +/- 10% of market.[10] PG&E claims that a 10% variance was found to be reasonable in its last fully-litigated GRC, D.00-02-

[7] Ex. PG&E-8, p. 2-1.

[8] In its decision on PG&E's TY 2003 GRC, the Commission directed the Office of Ratepayer Advocates (later, DRA) to participate in utility TCS. (Opinion: Phase 1 Issues (2004) D.04-05-055, mimeo, p. 113).

[9] As part of the study, Mercer was not directed to provide an opinion regarding the variance of PG&E to market, only to calculate what that variance is. Ex. PG&E-8, p. WP 4-4 details Mercer's role and responsibilities.

[10] Ex. PG&E-8, pp. 3-8 and 4-11.

046.[11] Looking closer at that GRC decision, the Commission did find PG&E's 7.23% variance to be reasonable, likely because PG&E offered four reasons[12] why its compensation might be overstated in that TCS. However, none of those reasons exist here because those mistakes in methodology were fixed in subsequent TCS.

The Commission also specified that that finding was "appropriate in this case," meaning that the Commission did not intend to apply that standard to future cases.[13] In many cases since D.00-02-046, the Commission has stated a 5% variance as the basis for reasonable compensation[14], [15] or there has been no dispute because the variance was below 5%.[16], [17], [18]

The Commission stated in D.00-02-046 that it "should not allow above-market employee compensation to be reflected in utility revenue requirement."[19] It is not reasonable to expect ratepayers to fund a total compensation program such as

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[11] Ex. PG&E-8, p. 3-8.

[12] *Application of Pacific Gas and Electric Company* (2000) 4 CPUC 3d 315, 429; D.00-02-046. The four reasons are: California's higher labor costs, degree of unionization, company size, and employee and turnover.

[13] *Application of Pacific Gas and Electric Company* (2000) 4 CPUC 3d 315, 429; D.00-02-046.

[14] D.09-03-025, p. 127. SCE's Total Compensation "…study results indicate that the compensation levels sought by SCE are generally at market, with the overall compensation level 0.9% above market levels, well within the margin of error assumed by the Commission for these studies of + / - 5%."

[15] D.04-07-022, p. 205: "Since SCE's total compensation is shown to be 4.3% above the comparable market total compensation, and the study margin of error is plus or minus 5%, we conclude that SCE's total compensation for all employees is equivalent to the market level."

[16] D.07-03-044, p. 157: "PG&E's total compensation is 4.71% above the survey average… No party disputed the reasonableness of PG&E's total compensation."

[17] A.10-12-005/006, Exh. SDG&E-25, Appendix I, Total Compensation Study, p. 4. SDG&E's total compensation was found to be 3.4% above market.

[18] A.10-12-005/006, Exh. SCG-19, Appendix I, Total Compensation Study, p. 4. SCG's total compensation was found to be 3.2% above market.

[19] *Application of Pacific Gas and Electric Company* (2000) 4 CPUC 3d 315, 429; D.00-02-046.

PG&E's that is well above-market. PG&E should be required to absorb the difference when employees actually earn above-market compensation.

Table 14-2 below summarizes DRA's calculation of the amount of adjustments necessary due to the excessive HR compensation revealed by the TCS. The total compensation of the benchmarked positions and the percentage of benchmarked employees were used to calculate a potential total compensation for all PG&E employees.[20] The percentage by which PG&E is over market was applied to the potential total compensation to calculate an approximate dollar amount by which PG&E's total compensation is over market. DRA recommends $85.527 million of adjustments to the forecasted costs of programs in this exhibit, and $84.634 million of adjustments to PG&E's Short-Term Incentive Program in Exhibit DRA-15. The totality of DRA's adjustments would bring PG&E's total compensation to within the CPUC's acceptable 5% variance. In the event the Commission does not adopt DRA's specific line item adjustments, DRA recommends a "global" adjustment of an amount that would bring PG&E's overall total compensation to within the acceptable 5% variance.

Table 14-2
Human Resources
Calculation of the Amount Total Compensation is Above Market
(In Thousands of Dollars)

Benchmarked total compensation (a)	$1,362,892
Benchmarked percentage of employees (b)	54%
Potential total compensation (c) = (a) / (b) * 100	$2,523,874
Percentage over market, 9.9% less 5% (d)	4.9%
Total adjustments necessary to bring PG&E to within 5% of market (e) = (c) * (d)	$123,670

Source: Total Compensation Study, Ex. PG&E-8, p. 4-11.

[20] This calculation is necessary because the TCS does not include a total compensation figure for any non-benchmarked employees, only for those employees whose compensation was benchmarked.

A. Incentives

In its last GRC, the Commission allowed PG&E to discontinue including long-term incentives[21] in future compensation studies pursuant to a settlement between PG&E and DRA, a settlement which is now expired.[22] In this GRC, DRA requested information about PG&E's Long-Term Incentive Program (LTIP) payouts for recent years,[23] but PG&E has refused to provide this information despite repeated requests.[24]

PG&E suggested that the General Order (GO) 77-M report was a reasonable proxy for the recent payout information that DRA requested.[25] The GO 77-M report may or may not show complete information about LTIP; it includes only "officers," defined as being at the Vice President level and above, and "non-officers with a base salary of $250,000 or more."[26] In discussions during the TCS process, PG&E stated that some employees at the Director and Senior Director levels are eligible for certain executive benefits. At PG&E, Directors and Senior Directors are not officers, but are in leadership positions with responsibility for overseeing the work of a unit of the company.[27] There are 243 employees at the Director and Senior Director

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[21] Long-term incentives include stock options exercised, restricted stock and restricted stock units exercised, and common stock equivalents called Special Incentive Stock Ownership Premiums which are converted to units in the PG&E Corporation Phantom Stock Fund under the Supplemental Retirement Savings Plan.

[22] D.11-05-018, p. 22.

[23] Data Request DRA-114, Q.2.

[24] DRA filed a Motion to Compel on April 5, 2013. As of April 30, the requested information has not been delivered to DRA.

[25] PG&E's response to Data Request DRA-114, Q.2.

[26] "Report of Pacific Gas and Electric Company Pursuant to General Order No. 77-M For the Year Ended December 31, 2011," Attachment A.

[27] Ex. PG&E-8, p. 4-21.

levels,[28] who earn an average base salary of $180,000[29] which is below the $250,000 base salary cut-off of the GO 77-M report, and who may or may not be receiving LTIP. For this reason, the GO 77-M report is not an appropriate proxy for the information requested in Data Request DRA-114, Q.2.

In 2009, the LTIP payout (as recorded in the GO 77-M report) was $16.6 million.[30] In 2011, the first year in which LTIP was not considered in a compensation study, the LTIP payout reported on the GO 77-M report nearly tripled to over $40 million. Incentive pay should be identified in future compensation studies, both for consistency between the large investor-owned utilities within California,[31] and also for transparency. Incentive pay is a component of employees' total compensation package. DRA recommends that the Commission direct PG&E to resume including LTIP payouts in the utility's future Total Compensation Studies, beginning with PG&E's next GRC.

B. Paid Time Off

Paid time off (PTO) such as vacation, sick leave, holidays, and flex days, has never before been valued as a benefit in a CPUC-ordered TCS. This is because the time off is generally assumed to be included in an employee's base pay. While this is technically correct, it ignores two facts: that PTO is a valuable benefit to the employee and that there can be an actual cost to the company. If two companies offer the same job for the same pay, and one offers two weeks of PTO while the other offers four weeks of PTO, the second company provides a better value to its employees. A company incurs actual costs from needing to replace the employee who is using PTO either with other employees working overtime or with a temporary

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[28] Ex. PG&E-8, p. 4-11.

[29] Ex. PG&E-8, p. 4-82.

[30] "Report of Pacific Gas and Electric Company Pursuant to General Order No. 77-M For the Year Ended December 31, 2011," Attachment A.

[31] Southern California Edison, San Diego Gas and Electric Company, and Southern California Gas Company all include LTIP in their TCS.

replacement, or the company loses money from lost productivity. In California, when an employee leaves a company, the employee must be paid in cash for any unused vacation.[32]

Mercer and PG&E agreed to value PTO in this TCS and present it as additional information in an appendix. The PTO valuation was not presented in the TCS in the way DRA was expecting; the appendix shows a total of all benefits *including PTO*.[33] When the total amount of all benefits including PTO, $500,451,891, is subtracted from the "in-study" benefits amount of $321,197,079,[34] the result shows that the value of the PTO that PG&E is providing to the bench-marked employees is over $179 million. Compared to the total compensation for the bench-marked employees, the PTO amount as a benefit adds 13.15% of additional value for the bench-marked employees.[35] The bench-marked employees comprise 54% of the PG&E employee population[36] so the overall value of PTO provided to all PG&E employees could exceed $330 million above the total compensation paid by the company and, yet, PTO was not valued as a benefit in the TCS. DRA recommends that the Commission require PTO to be included in future TCS as a valued employee benefit.

[32] California Department of Labor Relations, Division of Labor Standards Enforcement, http://www.dir.ca.gov/dlse/faq_vacation.htm

[33] Ex. PG&E-8, p. 4-71.

[34] Ex. PG&E-8, p. 4-11.

[35] Total PTO for bench-marked positions: $179,254,812. Total aggregate compensation for bench-marked positions: $1,362,892,424. $179,254,812 divided by $1,362,892,424 equals 13.15%.

[36] Ex. PG&E-8, p. 4-16.

V. DISCUSSION / ANALYSIS OF BENEFITS, HEALTH AND INSURANCE

This section discusses the employee benefits, health care, and insurance programs that PG&E offers. These programs include medical, dental, and vision care, group life insurance, and service awards. Because most of these programs' costs are driven by the number of employees, PG&E's forecast includes estimates for the company's projected increase in headcount for this Test Year GRC.[37] As discussed in other areas of DRA's testimony and summarized in Exhibit DRA-1, DRA opposes some of PG&E's requested labor cost increases and recommends adjustments, where necessary, in this exhibit to reflect DRA's lower estimate for employee population in the TY.

The following table summarizes PG&E's request and DRA's recommendation regarding Test Year expenses for Benefits, Health and Insurance.

Table 14-3
Human Resources Expenses for TY2014
Benefits, Health and Insurance
(In Thousands of Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[38] (c)
Medical Programs	$350,064	$385,071
Dental Plans	$32,265	$36,591
Vision Plan	$3,372	$3,709
Group Life Insurance	$708	$713
Employee Contributions	($65,459)	($30,686)
Service Awards	$0	$1,300
Total	$320,950	$396,763

A. Medical Programs

PG&E forecasts $385.071 million for TY Medical Programs expense.[39] This includes PG&E's health care and prescription coverage plans, legally-required drug

[37] Ex. PG&E-8, p. WP 6-1.

[38] Ex. PG&E-8, p. WP 6-1.

testing for certain employees, and an Employee Assistance Program; projected employee contributions are netted out from the total health benefits cost and are addressed in section E below. DRA generally accepts PG&E's forecast methodology for Medical Programs but its lower estimate for employee population results in a DRA TY 2014 estimate of $350.064 million, an adjustment of $35.006 million.

1. Plan Changes

PG&E currently offers two self-funded plans and two Health Maintenance Organizations (HMO) plans.[40] Beginning in 2013, PG&E is making several changes to its medical benefits which are designed to improve the quality of care while providing incentives for employees to make healthy choices and lowering PG&E's costs by leveraging buying power and streamlining administration. Most notably, the company is moving to a single self-funded Health Account Plan (HAP) which will be administered by Anthem Blue Cross or Kaiser Permanente Insurance Company, depending on the employee's location. The HAP offers prescription drug coverage and no-cost preventive and primary care services. It has a higher deductible and higher out-of-pocket maximums than the current health plans. It also replaces flat-cost co-payments with co-insurance,[41] which is where employees are responsible for a set percentage of their health care costs after their deductible has been met. To offset the higher costs to employees, PG&E will fund a Health Account with a set dollar amount ($750 individual coverage and $1,500 for family coverage in the first year; lower in future years) and offer incentives for employees who take a voluntary health screening, regardless of outcome, and who pass a tobacco screening or

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(continued from previous page)

[39] Ex. PG&E-8, p. WP 6-1.

[40] Ex. PG&E-8, p. 6-6.

[41] Ex. PG&E-8, p. 6-26.

complete a tobacco cessation program. Some employees will be transferred to the HAP in 2013, and all employees will be covered by it in 2014.[42]

DRA has reviewed these plan changes and has no related adjustment to PG&E's Medical Programs forecast.

Table 8-4
Medical Programs
2007-2012 Recorded Data
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Medical Programs	$192,162	$217,459	$242,631	$254,985	$291,980	$326,193

Source: Ex. PG&E-8, p. WP 6-1.

2. Medical Escalation Rate

PG&E's actuary, Towers Watson, which helped produce PG&E's medical expense projections, publishes an annual survey which found that employers nationwide experienced an average medical trend increase of 6.5% each year from 2007 to 2012. (See Table 14-5 below.) The escalation rates that Towers Watson is projecting for PG&E from 2011 through 2014 are as follows: 5.4% for 2012, 6.4% for 2013, and 5.4% for 2014. DRA accepts these medical escalation rates and has no related adjustment to PG&E's Medical Plans forecast.

Table 14-5
Medical Escalation Rates
2007-2012

Description	2008	2009	2010	2011	2012	Average
Towers Watson[43]	6.00%	6.00%	7.00%	7.60%	5.90%	6.50%

[42] Ex. PG&E-8, pp. 6-6 through 6-8.

[43] Towers Watson's "2010 Health Care Cost Survey," p. 5 and Towers Watson's "2012 Health Care Changes Ahead Survey," p. 1. http://www.towerswatson.com/assets/pdf/8139/TW-HealthCare-Trends-Survey-NA-2012.pdf. http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2013/03/Towers-Watson-NBGH-Employer-Survey-on-Value-in-Purchasing-Health-Care

B. Dental Plans

PG&E forecasts $36.591 million for TY Dental Plans expense.[44] PG&E offers a self-funded dental plan administered through Delta Dental of California. Employees who choose a Delta Preferred Provider dentist pay the lowest cost while employees who choose a Delta Premier Network dentist or out-of-network dentist have a higher cost-sharing and higher deductible amounts. DRA analyzed the historical expenses for PG&E's Dental Plans expense and does not oppose them. DRA's lower estimate for employee population results in a DRA TY 2014 Dental Plans estimate of $33.265 million, an adjustment of $3.326 million.

Table 14-6
Dental Plans
2007-2012 Recorded Data
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Dental Plans	$22,972	$23,498	$24,005	$23,648	$26,428	$32,263

Source: Ex. PG&E-8, p. WP 6-1.

C. Vision Plan

PG&E forecasts $3.709 million for TY Vision Plan expense.[45] PG&E offers one vision plan provided by Vision Service Plan (VSP). Employees can use any provider they choose, but their out-of-pocket costs will be lower if they choose an in-network provider. PG&E is switching from the VSP Signature plan to VSP Choice in 2013 for some employees and by 2014 for all employees. There are no changes to the benefits provided, but this switch saves money for employees and the company because VSP Choice network providers have agreed to a lower fee schedule than VSP Signature providers.[46] DRA analyzed the historical expenses for PG&E's

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[44] Ex. PG&E-8, p. WP 6-2.

[45] Ex. PG&E-8, p. WP 6-2.

[46] Ex. PG&E-8, p. 6-23.

Vision Plan expense and reviewed the plan changes. DRA does not oppose the base forecast for TY Vision Plan program cost. DRA's lower estimate for employee population results in a DRA TY 2014 estimate of $3.372 million, an adjustment of $337,000.

Table 14-7
Vision Plan
2007-2012 Recorded Data
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Vision Plan	$3,097	$3,078	$3,156	$3,034	$3,738	$4,121

Source: Ex. PG&E-8, p. WP 6-1.

D. Group Life Insurance

PG&E forecasts $779,000 for TY Group Life Insurance expense.[47] Currently, PG&E offers all employees basic life insurance coverage of $10,000 through Metropolitan Life Insurance Company. Employees also have the option to purchase supplemental life insurance at the employee's expense. Certain management employees and retirees are also eligible for company-paid accidental death and dismemberment (AD&D) insurance coverage, and have the option of purchasing coverage for their spouses at their own expense.[48]

Beginning in 2013 for some employees and taking effect for all employees in 2014, a number of enhancements are being made to the group life program. These include:

* The opportunity for employees to purchase more levels of supplemental life insurance, up to six times their pay or $4 million.
* The opportunity for employees to purchase, at their own expense, life insurance for their spouses, domestic partners, and/or children.

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[47] Ex. PG&E-8, p. WP 6-2.

[48] Ex. PG&E-8, p. 6-24.

* A company-paid AD&D benefit of $10,000 for all non-union employees.
* The opportunity for all employees to purchase additional AD&D coverage up to six times their pay or $4 million.[49]

DRA analyzed the historical expenses for PG&E's Group Life Insurance expense and reviewed the plan changes. DRA does not oppose the base forecast for TY Group Life Insurance program cost, but DRA's lower estimate for employee population results in a DRA TY 2014 estimate of $708,000, an adjustment of $71,000.

Table 14-8
Group Life Insurance
2007-2012 Recorded Data
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Group Life Ins.	$735	$760	$722	$699	$708	$745

Source: Ex. PG&E-8, p. WP 6-1.

E. Employee Contributions

Employees contribute to the cost of their health care through payroll deductions for medical and dental premiums, and through paying co-payments, co-insurance, deductibles, and other out-of-pocket costs. The forecast employee contributions were calculated by Towers Watson, assuming the current cost-sharing percentages for unionized and non-union employees will continue. The current cost-sharing percentage for unionized employees is 7.5% of the premium for medical coverage, and the current cost-sharing percentages for non-union employees is 7.5% of the premium for medical coverage and 7.5% of the premium for dental coverage.[50]

[49] Ex. PG&E-8, p. 6-24.

[50] Ex. PG&E-8, p. 6-27.

Table 14-9
Employee Contributions
2007-2012 Recorded Data
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Employee Contributions	($1,951)	($9,067)	($10,203)	($13,367)	($23,458)	($26,166)

Source: Ex. PG&E-8, p. WP 6-1.

DRA analyzed PG&E's historical Employee Contributions and reviewed the plan changes. The Kaiser Family Foundation, a leader in health policy analysis, health journalism and communication, and Aon Hewitt, a leading global provider of human resources solutions, are both projecting employee medical care premium contributions in the range of 18% to 28%.[51, 52] Towers Watson, the actuarial firm that prepared PG&E's health care forecast, found in its annual employer survey that the average employee share of health care premiums is expected to be 23.8% in 2013.[53] PG&E has offered no explanation as to why its employees should not be sharing medical care costs at a similar rate as employees at other companies. DRA does not have access to Towers Watson's calculations of PG&E's employee contributions based on enrollment and unionization, so DRA used the following method to estimate its proxy for a projected employee contribution amount.

DRA strove to achieve an employee contribution rate comparable to that recorded by Kaiser Family Foundation, Aon Hewitt, and Towers Watson. This was accomplished by first multiplying the 7.5% employee contribution rate times the 2011 medical plans expense of $291,980, then subtracting that amount ($21,899) from the

51 http://ehbs.kff.org/?page=charts&id=1&sn=12&p=1

52 http://www.prnewswire.com/news-releases-test/average-cost-of-us-health-coverage-per-employee-is-expected-to-cross-the-10000-threshold-for-the-first-time-in-2012-according-to-aon-hewitt-130847468.html

53 "18th Annual Towers Watson/National Business Group on Health Employer Survey on Purchasing Value in Health Care," p. 4. http://www.towerswatson.com/en/Insights/IC-Types/Survey-Research-Results/2013/03/Towers-Watson-NBGH-Employer-Survey-on-Value-in-Purchasing-Health-Care

total employee contribution amount for 2011 ($23,458) to get an estimated dental plans contribution amount of $1,559. This amount divided into the 2011 dental plans expense ($26,428) estimates a percentage to apply to the dental amount, which is 5.9%. DRA then multiplied the 7.5% medical plans contribution rate and the 5.9% dental contribution rate by a factor of 3.25 and applied these new percentages (24.38% for medical and 19.18% for dental) to the TY 2014 base medical plans forecast and base dental plans forecast, respectively. DRA's total estimated employee contribution equals roughly 23.92% of the total forecasted base expense for these two programs, which is an adjustment of ($68.249) million to the base expense. PG&E forecasted an additional $2.790 million in contributions related to increased headcount. DRA subtracted that amount from its adjustment, so DRA's total adjustment to the TY forecast is ($65.459) million.

DRA uses this figure as a proxy for its 2014 test year forecast of employee contributions. If the Commission does not adopt this adjustment, then DRA proposes a commensurate global adjustment to PG&E's revenue requirement as discussed in Section IV.

Table 14-10
Employee Contribution Calculations
(in negative Thousands of Dollars)

2011 medical	$291,980	7.50%	$21,899
2011 dental	$26,428	5.90%	$1,559
2011 employee contribution amount (a)			$23,458
2014 medical	$350,064	24.38%	$ 85,328
2014 dental	$33,265	19.18%	$ 6,379
2014 employee contribution amount (b)	$383,329	23.92%	$ 91,707
DRA adjustment to base expense (b) - (a)			$ 68,249
Decrease related to FTE count			$ (2,790)
DRA adjustment to total TY expense			$ 65,459

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F. Service Awards

PG&E forecasted $1.300 million for TY Service Awards expense.[54] PG&E says it shows appreciation for continuous service in the form of a gift to employees at each 5-year anniversary of their employment and at retirement.[55] The value of these gifts ranges from about $50 for five years of service to over $600 for 55 years of service.[56] PG&E's forecast includes an estimate of the number of employees eligible for gifts, and an assumption that only 82% of the eligible recipients will accept the gift.[57] PG&E claims that the Service Award program is comparable to the 25-Year Service and Retirement Awards Program offered to employees of the State of California.[58] There are at least two key differences: number of awards for which each employee is eligible, and the cost of those awards. State employees are eligible for two awards, at 25 years of service and at retirement, and the cost is limited to $90 each.[59] PG&E employees are eligible for as many as 12 awards (every five years to 55 years, and at retirement) and at much higher costs.

DRA has historically opposed Service Awards as being a supererogatory expense, one that does not provide a clear and identifiable benefit to ratepayers or is not necessary to operate the utility business. If "the Company" wants to express its appreciation, it can do so at the Company's expense, rather than that of its ratepayers. DRA recommends zero funding for the TY Service Awards program. Should the Commission find that PG&E's Service Awards is a reasonable program for ratepayers to support, DRA recommends that a significant adjustment be made

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[54] Ex. PG&E-8, p. WP 6-1.

[55] Ex. PG&E-8, p. 6-28.

[56] Ex. PG&E-8, p. WP 6-25.

[57] Ex. PG&E-8, p. WP 6-25.

[58] Ex. PG&E-8, p. WP 6-25.

[59] California Department of Human Resources, http://www.calhr.ca.gov/state-hr-professionals/Pages/25-year-service-and-retirement-awards.aspx

to bring the cost more in line with the program offered to State employees, or that shareholders contribute to the program.

Table 8-11
Service Awards
2007-2012 Recorded Data
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Service Awards	$927	$1,173	$1,267	$1,349	$1,033	$1,100

Source: Ex. PG&E-8, p. WP 6-1.

VI. DISCUSSION / ANALYSIS OF RETIREMENT, DISABILITY and OTHER BENEFITS, INCLUDING TRUST CONTRIBUTIONS

This section discusses the retirement, disability, and other employee benefits that PG&E offers. These programs include: "pay as you go" (PAYG) and trust contributions for post-retirement medical, post-retirement life insurance, long-term disability (LTD) and leave administration, and supplemental retirement pension benefits; a 401(k) retirement savings plan; tuition refund and employee relocation programs. Rate recovery for the company's tax-qualified pension plan was resolved in D.09-09-020.[60]

Costs referred to as "pay as you go," are generally PG&E's cost for benefits being currently provided to the employee or retiree, and generally include administrative costs associated with the benefit program. Costs can also be pre-funded into a segregated trust for future distribution; there is a tax advantage to this which is passed on to ratepayers.[61] Postretirement benefits other than pensions (PBOP) and long-term disability (LTD) benefits are booked into a one-way PBOP/LTD balancing account. DRA recommends the continuation of this balancing account treatment.

[60] Ex. PG&E-8, p. 7-2.

[61] Ex. PG&E-8, pp. 7-1 and 7-2.

The following table summarizes PG&E's request and DRA's recommendation regarding Test Year expenses for Retirement, Disability and Other Benefits PAYG, including Trust Contributions.

Table 14-12
Human Resources Expenses for TY2014
Retirement, Disability and Other Benefits, including Trust Contributions
(In Thousands of Dollars)

	DRA Recommended (b)	PG&E Proposed[62] (c)
Post-retirement medical (PAYG)	$1,214	$1,214
Post-retirement medical (trust contributions)	$59,229	$59,229
Post-retirement life insurance (PAYG)	$3,007	$3,007
Post-retirement life insurance (trust contributions)	$11,794	$11,794
LTD and leave administration (PAYG)	$1,310	$1,310
LTD (trust contributions)	$35,228	$35,228
Supplemental Pension Plans (PAYG)	$0	$3,485
401(k) Savings Plan	$77,981	$85,779
Tuition Refund	$3,510	$3,861
Employee Relocation	$5,060	$6,322
Total	$198,333	$211,228

A. Post-retirement Medical

PG&E forecasts $1.214 million for TY Post-retirement Medical Programs PAYG expense and $59.229 million for Post-retirement Medical trust contributions.[63] This includes hospital, surgical and medical provider benefits, prescription drug coverage, and mental health and substance abuse services for retirees and their dependents. PG&E has a cost-sharing mechanism by which retirees pay a significant portion of their medical premiums in addition to co-payments, co-insurance, deductibles, and other out-of-pocket costs; the exact cost-sharing formula depends on a number of factors, including date of retirement, years of service, and

[62] Ex. PG&E-8, p. WP 7-1.

[63] Ex. PG&E-8, p. WP 7-1.

the retiree's choice of health plan.[64] PAYG costs are based on 2011 actual costs and escalated by a post-retirement medical trend rate.[65] Trust contributions are calculated by Towers Watson using PG&E's actual retiree demographics.[66]

DRA has reviewed the historical expense and trust contributions, the plan changes, and the actuarial reports to support the TY trust contribution, and does not oppose PG&E's forecasts for Post-retirement Medical.

Table 14-13
2007-2012 Recorded Data
Post-retirement Medical
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Post-retirement medical (PAYG)	$918	$614	$731	$752	$1,014	$1,332
Post-retirement medical (trust)	$29,698	$37,030	$77,898	$87,100	$114,543	$108,811

Source: Ex. PG&E-8, p. WP 7-1.

B. Post-retirement Life Insurance

PG&E forecasts $3.007 million for TY Post-retirement Life Insurance PAYG expense and $11.794 million for Post-retirement Life trust contributions.[67] This program offers continued life insurance coverage for retirees and their dependents. The amount of insurance available varies by position held in the company before retirement and, in some cases, years of service. The Internal Revenue Service limits the amount of coverage that can be pre-funded so amounts over $50,000 are paid through a separate policy; the premiums for this policy are recorded as PAYG

[64] Ex. PG&E-8, pp. 7-6 through 7-9.

[65] Ex. PG&E-8, pp. WP 7-9 and 7-10.

[66] Ex. PG&E-8, pp. WP 7-21 through 7-24.

[67] Ex. PG&E-8, p. WP 7-1.

costs.[68] Other PAYG costs include administrative costs and costs related to some management employees who elected a one-time cash equivalent payout. PAYG costs are expected to remain at the 2011 level.[69] Trust contributions are calculated by Towers Watson using PG&E's actual retiree demographics.[70] DRA has reviewed the historical expense and trust contributions, the plan changes, and the actuarial reports to support the TY trust contribution, and does not oppose PG&E's forecasts for Post-retirement Medical.

Table 14-14
2007-2012 Recorded Data
Post-retirement Life Insurance
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Post-retirement life (PAYG)	$1,251	$1,499	$3,249	$3,128	$3,077	$3,077
Post-retirement life (trust contributions)	$0	$4,436	$0	$0	$14,590	$15,791

Source: Ex. PG&E-8, p. WP 7-1.

C. Long Term Disability

PG&E forecasts $1.310 million for TY Long Term Disability (LTD) PAYG expense and $35.228 million for LTD trust contributions.[71] Employees are eligible for LTD benefits when they have been ill or injured and unable to work for at least five months. PG&E contracts with third parties to provide administration of the various aspects of the LTD program. For example, LTD usually involves medical leaves of absence, which must adhere to federal and state requirements, and it

[68] Ex. PG&E-8, pp. 7-10 and 7-11.

[69] Ex. PG&E-8, pp. WP 7-9 and 7-10.

[70] Ex. PG&E-8, pp. WP 7-21 through 7-24.

[71] Ex. PG&E-8, p. WP 7-1.

requires a coordinated effort to return employees back to work when they have recovered sufficiently. Some disabled employees may be able to return to work with reasonable accommodations, which reduce the need for costly LTD benefits, and some may be eligible for Social Security Disability Insurance (SSDI) or Medicare benefits, which need to be coordinated with PG&E's LTD program. All LTD benefits and third-party administrative fees associated with providing these benefits are paid from the pre-funded Voluntary Employee Benefits Association (VEBA) trust.[72] PAYG costs include actuarial fees, return-to-work consulting fees, and leave of absence administration and coordination fees.[73]

Trust contributions are calculated by Towers Watson and include the disability payroll and medical and insurance coverage costs for current disabled employees, as well as any increase in the actuarial liability; earnings on trust assets reduce the revenue requirement associated with future costs.[74] While the LTD PAYG administrative expense has nearly tripled in recent years, from $473,000 in 2008 to $1.280 million in the base year of 2011, the related trust contributions to provide these LTD benefits has also dropped significantly, from $79.237 million in 2008 to $34.117 million in the base year of 2011.

DRA has reviewed the historical expense and trust contributions and the actuarial reports to support the TY trust contribution, and does not oppose PG&E's forecasts for Long Term Disability programs.

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[72] Ex. PG&E-8, p. 7-13.

[73] Ex. PG&E-8, p. 7-13.

[74] Ex. PG&E-8, p. 7-24.

Table 14-15
2007-2012 Recorded Data
Long Term Disability
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
LTD (PAYG)	$170	$473	$646	$1,138	$1,280	$1,355
LTD (trust contributions)	$94,602	$79,237	$50,000	$37,200	$34,117	$38,649

Source: Ex. PG&E-8, p. WP 7-1.

D. Supplemental Pension Plans

PG&E forecasts $3.485 million for TY Supplemental Pension Plans PAYG expense.[75] PG&E has two Supplemental Pension Plans – the Supplemental Executive Retirement Plan (SERP) and the Retirement Excess Benefit Plant – which provide benefits to certain highly-paid management employees who are subject to federal compensation and contribution limits in the retirement plans which are offered to all PG&E employees.[76] PG&E offers two frozen plans – SERP and a plan for non-employee members of the Board of Directors – which continue to pay benefits to employees who retired when those plans were active. All of these plans provide benefits to covered employees on the same basis as the retirement plans offered to all other PG&E employees, but without any income and contribution limits. There is no pre-funded trust for Supplemental Pension Plans; PAYG costs include all benefits, actuarial fees, and administrative fees.[77]

DRA recommends that the Commission not allow any costs of the Supplemental Pension Plans to be included in TY expenses for rate recovery. DRA opposes having ratepayers bear the costs of benefits programs in excess of federal

[75] Ex. PG&E-8, p. WP 7-1.

[76] Ex. PG&E-8, p. 7-16.

[77] Ex. PG&E-8, pp. 7-16 and 7-17.

limits and which serve to further enhance benefits to already highly-compensated employees. PG&E has not shown that these are essential benefits necessary to attract executives. PG&E's executive benefits, which include the two plans offered to current executives, are 74% above market, according to the TCS, clearly indicating that PG&E is already providing more than generous benefits to its executives.[78] Ratepayers already contribute the appropriate pension plan contributions required under U.S. pension law for all employees, and ratepayers already fund 401(k) matching for all employees to the legal income and contribution limits. There is no basis for ratepayers to fund the costs associated with supplemental benefits above and beyond the legal limitations to which the company's rank and file employees are subjected. Ratepayers should not be required to bear the costs of exclusive executive benefits that exceed either what is authorized by the federal tax code and other pertinent laws and regulations, or what is offered as part of the company's normal employee coverage. Accordingly, DRA recommends that the Commission deny ratepayer funding for all Supplemental Pension Plans in TY 2014.

This approach has been used by Commissions in other jurisdictions. For example, in 2008, the Arizona Public Utilities Commission held that, if Southwest Gas Company wished to provide SERP, then shareholders, not ratepayers, should be responsible for these benefits.[79] In 2009, the Connecticut Department of Utility Control held that, "ratepayers should not have to fund excessive benefits that are over and above the IRS code."[80] In 2010, the Washington Utilities and Transportation Commission in a Puget Sound Energy rate case, recommended removal of supplemental retirement costs for executives who "already are highly

[78] Ex. PG&E-8, p. 4-11.

[79] *In the Matter of the Application of Southwest Gas Corporation* (2008) D.70665; 2008 Ariz PUC LEXIS 237 *30.

[80] *Application of Connecticut Natural Gas Corporation* (2009) Docket No. 08-12-06; 2009 Conn. PUC LEXIS 117* 130.

compensated and entitled to the same levels of qualified retirement plan benefits as other employees, within the limits of what the IRS allows."[81]

Table 14-16
2007-2012 Recorded Data
Supplemental Pension Plans
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Supplemental Pensions (PAYG)	$3,765	$4,061	$3,954	$3,827	$3,485	$3,485

Source: Ex. PG&E-8, p. WP 7-1.

E. 401(K) Retirement Savings Plan

PG&E forecasts $85.779 million for TY 401(k) Retirement Savings Plan (RSP) expense.[82] PG&E's forecast was calculated by Towers Watson which used PG&E's actual 2011 demographics for match rate, opt-out rate, and contribution rate.[83]

PG&E projects a significant increase to this program expense due to major changes in the overall retirement income program offered to new employees. Beginning in 2013, the traditional defined-benefit pension plan will be phased out. New employees will be automatically enrolled in a cash balance plan with higher contribution limits and higher employee matching. The prior company match was $0.60 on the dollar for unionized employees and $0.75 on the dollar for non-union employees, to a maximum of 6% of pay. The new company match is $0.75 on the dollar for all employees, to a maximum of 8% of pay.[84] PG&E also expects some

[81] *Washington Utilities and Transportation v Puget Sound Energy, Inc.* (2010), Dockets UE-090704 and UG-090705 (consolidated), Order 11; 2010 Wash. UTC LEXIS 279* 64.

[82] Ex. PG&E-8, p. WP 7-1.

[83] Ex. PG&E-8, p. WP 7-13.

[84] Ex. PG&E-8, pp. 7-17 through 7-19.

current employees will choose to maximize their RSP contributions due to a lower expected payout from the pension plan.

DRA analyzed the historical expenses for PG&E's RSP expense and reviewed the plan changes and actuarial reports. DRA does not oppose the base forecast for TY RSP program cost, but its lower estimate for employee population results in a DRA TY 2014 estimate of $77.981 million, an adjustment of $7.798 million.

Table 14-17
2007-2012 Recorded Data
401(k) Retirement Savings Plan
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012
401(k) Plan	$46,645	$47,228	$52,539	$55,125	$64,123	$68,781

Source: Ex. PG&E-8, p. WP 7-1.

F. Tuition Refund

PG&E forecasts $3.861 million for TY Tuition Refund expense.[85] This program reimburses employees for the successful completion of job-related courses at accredited institutions. Approved courses can add effectiveness to an employee's current job or prepare an employee to assume new duties. The amount of potential annual reimbursement ranges from $2,500 to $8,000 depending on the type of employee and course of study. In 2011 PG&E outsourced administration for this program to a third party, edLink. PG&E claims that the contract fee is expected to be fully offset by savings in tuition with edLink's network of featured providers. Despite this, PG&E is forecasting projected increased costs due to expected higher enrollment under the preferred tuition rates.[86] PG&E is also projecting increases related to program expansion to cover the Power Pathway Program in city colleges

[85] Ex. PG&E-8, p. WP 7-1.

[86] Ex. PG&E-8, pp. 7-19 and 7-20.

and to help retrain employees on LTD for a different job that is within their redefined capabilities.[87]

PG&E provided no substantiation to support its claims that costs in this expense category would rise as projected. DRA recommends using a three-year average of expense from 2009 through 2011. DRA's TY 2014 estimate is $2.880 million, an adjustment of $981,000.

Table 14-18
2007-2012 Recorded Data
Tuition Refund
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Tuition Refund	$2,365	$2,608	$3,004	$3,077	$2,558	$3,113

Source: Ex. PG&E-8, p. WP 7-1.

G. Employee Relocation

PG&E forecasts $6.322 million for TY Employee Relocation expense.[88] PG&E's TY expense is based on a five-year average of historical expense, plus a projected increase in headcount.[89] The expense in this category was at its second-highest point in 2007, it was at its highest point in 2008, and has dropped every year since then. DRA recommends using a three-year average of expense from 2009 through 2011. DRA's TY 2014 estimate is $5.060 million, a total adjustment of $1.262 million.

[87] Ex. PG&E-8, p. WP 7-17.

[88] Ex. PG&E-8, p. WP 7-1.

[89] Ex. PG&E-8, p. WP 7-19.

Table 14-19
2007-2012 Recorded Data
Employee Relocation
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Employee Relocation	$6,588	$7,644	$5,464	$5,205	$4,512	$6,961

Source: Ex. PG&E-8, p. WP 7-1.

VII. DISCUSSION / ANALYSIS OF WORKERS' COMPENSATION COSTS

PG&E is self-insured to provide its workers with Workers' Compensation benefits required under state law. Program costs in this section include Workers' Compensation Benefits and Related Costs, the Light Duty Payroll Program, and the Alternative Security Deposit Program fees.[90]

Table 14-20 below summarizes PG&E's request and DRA's recommendation regarding Test Year expenses for Workers' Compensation.

Table 14-20
Human Resources Expenses for TY2014
Workers' Compensation
(In Thousands of Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[91] (c)
Workers' Compensation and related costs	$35,710	$35,710
Light Duty Payroll Program	$4,162	$4,162
Alternative Security Deposit Program	$1,686	$1,686
Total	$41,558	$41,558

[90] Ex. PG&E-8, p. 8-1.

[91] Ex. PG&E-8, p. 8-1.

A. Workers' Compensation Benefits and related costs

PG&E forecasts $35.710 million for TY Workers' Compensation Benefits and related costs.[92] This forecast includes costs for hospital, surgical and medical services provided by a Preferred Provider Organization (PPO) network, necessary prescription drugs, indemnity payments to employees including temporary and permanent disability, vocational rehabilitation, bill review by an outside vendor, and regulatory fees. The bill review process has saved PG&E $23 million from 2009 to 2011; these avoided costs have been reflected in PG&E's forecast.[93] Also included in PG&E's forecast is a small increase related to California's increased weekly claim amount.[94] DRA analyzed the historical expenses for PG&E's Workers' Compensation expense and does not oppose PG&E's forecast.

Table 8-21
2007-2012 Recorded Data
Workers' Compensation Benefits and related costs
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012 forecast
Workers' Compensation Benefits and related costs	$40,649	$39,387	$37,402	$36,796	$34,161	$36,670

Source: Ex. PG&E-8, p. WP 8-1, sum of lines 1, 2, and 5.

B. Light Duty Payroll Program

PG&E forecasts $4.162 million for TY Light Duty Payroll Program costs.[95] This Light Duty Payroll Program encourages employees to return to work as soon as they are medically released, even if they are unable to return to their regular jobs.

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[92] Ex. PG&E-8, p. 8-4.

[93] Ex. PG&E-8, pp. 8-2 and 8-3.

[94] Ex. PG&E-8, p. WP 8-4.

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

With their doctors' permission, employees can be placed into transitional positions, which enable them to move off of disability. Salaries and wages are charged to the Light Duty Payroll Program instead of to the employees' base departments. PG&E is expanding this program in 2012 to allow transitional assignments for up to six months; these costs will be offset by reduced temporary disability payments.[96] DRA analyzed the historical expenses for PG&E's Light Duty Payroll Program expense and does not oppose PG&E's forecast.

Table 14-22
2007-2012 Recorded Data
Light Duty Payroll Program
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012
Light Duty Payroll Program	$7,310	$4,724	$3,822	$3,427	$3,241	$4,057

Source: Ex. PG&E-8, p. WP 8-1, line 6.

C. Alternative Security Deposit Program Fees

PG&E forecasts $1.700 million for TY Alternative Security Deposit Program fees.[97] As a Workers' Compensation self-insurer, PG&E is required by California's Department of Industrial Relations to participate in the Alternative Security Deposit Program. This program collects fees from self-insured companies in lieu of the self-insurers providing their own security deposits. The fees are based on: the overall cost of financing the security deposit; the participant company's share of the composite portfolio; and the participant company's credit rating.[98] DRA analyzed the historical expenses for PG&E's Alternative Security Deposit Program fees and does not oppose PG&E's forecast.

[96] Ex. PG&E-8, pp. 8-3 and 8-4.

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

[98] Ex. PG&E-8, p. 8-4.

Table 14-23
2007-2012 Recorded Data
Alternative Security Deposit Program
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012
Alternative Security Deposit Program	$1,956	$1,580	$1,401	$1,644	$1,717	$1,686

Source: Ex. PG&E-8, p. WP 8-1, line 3.

VIII. DISCUSSION / ANALYSIS OF WORKFORCE MANAGEMENT - SEVERANCE PROGRAM COSTS

Changes in technology, organization, and process can lead to PG&E employees finding that they are no longer needed in their current role, even in a time of company growth. PG&E's Workforce Management Program is designed to provide impacted employees with time to transition into a new position at PG&E or, alternatively, with the financial and support resources to pursue employment opportunities outside PG&E.[99] PG&E encourages displaced employees to apply for open positions for which they might be qualified, and provides outplacement assistance for those employees that need to find a job outside PG&E. PG&E also offers severance payments for employees who sign a legally-binding contract to release PG&E from all claims, to return any company-owned materials, and to protect the company's confidential and proprietary information.[100]

PG&E's forecast is based on an average of five years of historical expense. DRA analyzed the historical expenses (in base year dollars) and discovered that the years 2007 through 2009 have the highest expenses, with 2009 being double the expense of 2011, $18.1 million compared to $9.0 million. DRA recommends a two-year average of 2010 and 2011, as these years are the most recent expense history since that high-expense year, which is an anomaly compared to the years prior. This

[99] Ex. PG&E-8, p. 9-1.

[100] Ex. PG&E-8, pp. 9-1 and 9-2.

two-year average results in a DRA adjustment of $3.243 million, and a DRA TY forecast of $10.816 million. Furthermore, PG&E should make every effort to minimize this expense and the ratepayer funding associated with it.

The following tables summarize PG&E's request and DRA's recommendation regarding Test Year expenses, and the historical expenses, for Workforce Management - Severance Program.

Table 14-24
Human Resources Expenses for TY2014
Workforce Management - Severance Program
(In Thousands of Dollars)

Description (a)	DRA Recommended (b)	PG&E Proposed[101] (c)
Workforce Management - Severance Program	$10,816	$14,059

Table 14-25
2007-2012 Recorded Data
Workforce Management - Severance Program
(in Thousands of Dollars)

Description	2007	2008	2009	2010	2011	2012
Workforce Management - Severance Program	$12,255	$13,912	$18,100	$10,623	$9,014	$41,099

Source: Ex. PG&E-8, p. WP 9-1.

[101] Ex. PG&E-8, p. 9-2.