Application	:	A.05-12-002
Exhibit Number	:	DRA-8
Commissioner	:	Bohn
Admin. Law Judges	:	Kenney, Econome
Witness	:	Phan

DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations Electric and Gas Distribution Electric Generation for Pacific Gas and Electric Company

General Rate Case
Test Year 2007

Customer Accounts Expenses

San Francisco, California
April 14, 2006

CUSTOMER ACCOUNTS EXPENSES

I. INTRODUCTION

This exhibit presents DRA's analysis and recommendations regarding PG&E's customer accounts expenses. Customer accounts expenses are traditionally tracked by FERC accounts 902, 903, 904, and 905 for work activities related to meter reading, customer records and collections expenses, uncollectible accounts expense, and miscellaneous customer accounts expense.

PG&E requests $397 million[1] for electric and gas customer accounts O&M expenses.[2] PG&E's request is 0.2 percent lower that PG&E's 2004 recorded costs. PG&E states that this small decrease is a result of offsetting decreases in costs for setting up new service for customers and information technology costs with increases in meter reading costs. PG&E is requesting an increase above 2004 recorded spending for each of the following Major Work Categories (MWCs): (1) MWC AR, Read and Investigate Meters, (2) MWC DA, Process Customer Bills, (3) MWC DC, Customer Service Dispatch, (4) MWC DK, Customer Inquiry Assistance, (5) MWC EZ, Customer Care, and (6) MWC FM, Manage Information Technology. DRA reviewed all of these MWCs and found many of PG&E's requests to be reasonable. However, PG&E has not provided adequate justification or support for the work activities it forecasts in 2007 for MWCs DC, EZ, and FM. Therefore, DRA recommends a reduction in PG&E's 2007 forecast for each of these specific MWCs. DRA's discussion of these MWCs is presented in Section III.

[1] 2004 FERC dollars

[2] Exhibit PG&E-2, p. 4-1 to 4-2

II. SUMMARY OF RECOMMENDATIONS

The following summarizes DRA's recommendations:

- DRA agrees with PG&E's request for the customer accounts related work activities associated with: (1) MWC AR, Read and Investigate Meters, (2) MWC DA, Process Customer Bills, and (3) MWC DK, Customer Inquiry Assistance.
- DRA recommends a $7.2 million adjustment to MWC DC.
- DRA recommends a $3.3 million adjustment to MWC EZ.
- DRA recommends a $3 million adjustment to MWC FM.

Table 8-1 compares DRA's recommended with PG&E's proposed estimates:

Table 8-1
Customer Accounts
(in Thousands of Nominal Dollars)

Description	DRA Recommended	PG&E Proposed	Difference PG&E>DRA	Percentage PG&E>DRA
MWC DC, Field Service Dispatch	$16,800	$24,000	$7,200	42.9%
MWC EZ, Customer Care	$40,176	$42,941	$2,765	6.9%
MWC FM, Mgmt Info Tech	$7,721	$10,742	$3,021	39.1%
Total	$64,697	$77,642	$12,986	20.1%

III. DISCUSSION

A. MWC DC, Field Service and Dispatch

PG&E requests $24 million[3] in O&M expenses captured under MWC DC to cover work activities associated with field service and dispatch employees who route service requests to the gas service representatives. The 2004 recorded amount for MWC DC was $15.1 million. This translates to an increase of $8.9 million or 58.9% over the 2004 recorded amount.

[3] In nominal SAP dollars

PG&E requests a $5.4 million increase to upgrade its FAS software, implemented in 2002. PG&E claims that the reasons behind the FAS upgrade scheduled for 2007 and 2008 is that the 2002 version is obsolete and PG&E's vendor no longer supports the software. However, in its response to a DRA data request, PG&E states that "While the current version of the FAS software is out-of-date and the software is reaching the end of its functional life-cycle, PG&E expects the vendor supporting FAS to continue supporting the current version of software."[4] PG&E provided no verifiable data to justify adding these costs in this GRC cycle.

Additionally, PG&E was unable to provide a breakdown of the $5.4 million forecast although it lists the cost components such as software licensing, programming, training, and implementation as being necessary. PG&E was also unable to show which cost components were on-going or were one-time. Finally, PG&E states that it has not yet requested quotes from vendors nor developed any formal project documentation.[5] PG&E's descriptions of its proposed upgrade to its FAS software are so vague that DRA has no assurance that this project will occur at all in this rate case cycle. DRA therefore recommends that PG&E's request for $5.4 million for upgrading its FAS software not be granted and recommends the removal of this project from MWC DC.

DRA also recommends the removal of $1.8 million from MWC DC for work activities that PG&E has cancelled. According to PG&E, the company had "…anticipated changing the practice of allocating the FAS wireless communication charges to provider cost centers…Since the NOI filing, PG&E has reversed its decision." [6] Because PG&E is no longer pursuing these changes, this $1.8 million cost should be removed from PG&E's expense forecast.

[4] PG&E's response to Data Request ORA-049, Question 1

[5] PG&E's response to Data Request ORA-048, Question 4

[6] PG&E's response to Data Request ORA-045, Question 2

DRA's overall recommendation is a reduction of $5.4 million and $1.8 million for a total of $7.2 million from PG&E's 2007 forecast of $24 million. DRA recommends $16.8 million as its 2007 forecast for MWC DC compared to PG&E's request for $24.0 million.

B. MWC EZ, Customer Care

PG&E requests $42.9 million in O&M expenses associated with MWC EZ. This represents an increase of 23% above PG&E's 2004 recorded adjusted expense of $35 million.[7]

PG&E's requested increase is divided into 8 incremental cost items: (1) Increased Customer Choice Aggregation activities, (2) Transfer of demand response – related ILPMA activities, (3) PG&E's "InterAct" program, (4) anticipated peak pricing activities, (5) internet enhancements, (6) expanded tariff activities, (7) transfer of tariff-related ILPMA activities, and (8) increased customer satisfaction surveys.

DRA recommends a $1.1 million increase above the 2004 recorded spending as opposed to PG&E's requested $3.9 million increase because either PG&E does not justify some of the cost elements or the costs should be included in other proceedings. DRA's recommendation is $40.2 million in total for MWC EZ. This represents a reduction of $2.8 million from PG&E's 2007 request of $42.9 million for MWC EZ. See Table 8-2 below for a breakdown of the incremental costs that PG&E is requesting above the 2004 recorded level and DRA's recommendation for these incremental costs.

[7] Exhibit PG&E-5, p.3-1. The increase also includes $7.9 million in payroll taxes and pensions and benefits cost.

Table 8-2
MWC EZ Expenses
Incremental Costs Above 2004 Recorded Adjusted

MWC EZ, Incremental Costs	**PG&E's 2007 Request**	**DRA's 2007 Recommendation**	**Difference Between PG&E and DRA**
TOTAL FOR EZ	**$42,941,000**	**$40,176,318**	**$2,764,682**
2007 Forecast--Incremental Costs Above 2004 Recorded Adjusted Expenses			
1. Increased Customer Choice Aggregation Activities	$260,000	$0	$260,000
2. Transfer of Demand Response-Related ILPMA Activities	$44,789	$0	$44,789
3. PG&E's "InterAct" Program	$1,450,000	$0	$1,450,000
4. Anticipated Critical Peak Pricing Activities	$520,000	$520,000	$0
5. Internet Enhancements	$340,000	$0	$340,000
6. Expanded Tariff Activities	$600,000	$600,000	$0
7. Transfer of Tariff-Related ILPMA Activities	$169,893	$0	$169,893
8. Increased Customer Satisfaction Surveys	$500,000	$0	$500,000
Incremental Costs TOTAL	$3,884,000	$1,120,000	$2,764,682

DRA discusses each of these cost elements below.

1. Increased Customer Choice Aggregation

PG&E does not provide adequate support to justify its expenses associated with Customer Choice Aggregation activities. PG&E is asking for $260,000 above 2004 recorded adjusted expenses. It simply states that "…Account Services continues to respond to inquiries from potential Community Choice Aggregators (CCA) and plans to continue coordinating these inquiries…"[8] PG&E claims that this is expected new work but provides no documentation. In its response to DRA's data request for PG&E's calculations, PG&E referenced a blank line item in its workpapers. Because PG&E did not support its request, DRA recommends the removal of this cost.

[8] PG&E's response to Data Request ORA-199, Question 2a

2. Demand Response-Related ILPMA Activities

PG&E requests $44,789 in expenses associated with the Interruptible Load Program Memorandum Account (ILPMA) that it may be seeking recovery of in another proceeding.[9] According to PG&E, the company has historically sought cost recovery of these expenses in the Annual Earnings Assessment Proceeding (AEAP).[10] PG&E does not offer any meritorious reasons for seeking recovery of these expenses in this GRC. PG&E simply states, "At this time, PG&E anticipates that the non-firm interruptible will continue indefinitely."[11] There is no assurance that PG&E is not seeking recovery for these same expenses in another proceeding. DRA recommends that PG&E continue to seek such cost recovery in the AEAP proceeding, which has historically been the appropriate forum for expenses associated with the ILPMA. DRA therefore recommends that the $195,259 be removed from PG&E's request.

3. "InterAct" Program

DRA requested PG&E to provide justification for the $1.45 million associated with the "InterAct" project that PG&E is including in this GRC. According to PG&E, "InterAct" costs are currently charged to the Advanced Metering Infrastructure and Demand Response Account (AMDRA), which is outside of the GRC proceeding. DRA opposes including this cost in the GRC because there is no assurance that PG&E is not seeking recovery for these same expenses in another proceedings. DRA recommends that PG&E continue to seek recovery of this project in the AMDRA proceeding, which has historically been the appropriate forum for expenses associated

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[9] PG&E's response to Data Request ORA-199, 2b, states that PG&E requested and received recovery of $195,259 in the 2004 AEAP proceeding.

[10] Ibid.

[11] Ibid.

with the "InterAct" project. Therefore, this project should be removed from PG&E's forecast.[12]

4. Anticipated Critical Peak Pricing Activities

DRA does not have any recommended adjustments in this area.

5. Internet Enhancements

With respect to costs associated with internet enhancements, PG&E has now requested that they be eliminated.[13] Therefore, DRA recommends a $340,000 adjustment in this area.

6. Expanded Tariff Activities

DRA does not have any recommended adjustments in this area.

7. Transfer of Tariff-Related ILPMA Activities

PG&E includes $169,893 in expenses for the transfer of tariff-related ILPMA activities that the company may be seeking recovery of in the AEAP proceeding. The same reasoning discussed for Item 2 (Transfer of Demand Response-Related ILPMA Activities), above, applies here. Therefore, DRA recommends a $169,893 adjustment in this area.

8. Increased Customer Satisfaction Surveys

As for the $500,000 associated with the increase in customer satisfaction surveys, PG&E has not demonstrated why the increase above 2004 spending level is necessary. PG&E did not show why additional surveys are needed. Additionally, PG&E cannot identify or describe any program or process changes to address any issues or dissatisfaction revealed in surveys conducted previously. Although PG&E claims it has instituted program and process changes as a result of issues revealed in

[12] However, if the Commission decides that PG&E should be allowed to recover costs associated with the "InterAct" project in this GRC proceeding, DRA recommends that expenses for this project be $217,950 in 2007 because only this amount was supported by PG&E's contracts. PG&E was unable to support the requested $1.45 million level of funding. PG&E provided a copy of the purchase agreements along with other associated contracts that do not add up to $1.45 million. (See PG&E's response to Data Request ORA-198, question 5)

the results of customer satisfaction surveys, PG&E does not provide support for such program or process changes or recommendations of follow-up actions for any of the surveys the company performed from 2001-2004. PG&E identified the surveys and provided the results for 2005.[14] However, DRA notes that 2004 is the base year and without the base year's surveys and recommended actions, it is not possible to gauge what additional surveys are necessary in the future. In 2004, PG&E spent $5.6 million, with the 5-year average 2001-2005 expenditure on customer surveys being $5.3 million. DRA finds the 2004 recorded expenses to be reasonable and consistent with historical spending and recommends that PG&E maintains customer satisfaction surveys at the 2004 level. Therefore an increase of $500,000 for 2007 is not necessary and should be removed from PG&E's forecast.

C. MWC FM, Manage Information Technology, Customer Inquiry Related Expenses (FERC Account 903)

PG&E requests $10.7 million in expenses for MWC FM (FERC Account 903) in 2007. PG&E's 2004 recorded spending for this MWC was $8.2 million. PG&E's 2007 forecast is derived by removing and adding certain incremental costs to the 2004 recorded expenses and the 2005 and 2006 forecasts. PG&E attributes the increases that lead up to the 2007 forecast to "website management costs and new functionality."[15] According to PG&E's workpapers, the requested increase is comprised of $1 million for "dollars moved to Transformation" and $2.021 million for "Increase in Website Management."[16] DRA requested a detailed explanation of the increases and a copy of all cost calculations and supporting documents used to derive these two amounts. For the $1 million in expenses, PG&E states, "After

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(continued from previous page)

13 PG&E's response to Data Request ORA-199, Question 2e

14 PG&E's response to Data Request ORA-198, questions 2(b) and (c)

15 Exhibit PG&E-5, page 2-18.

16 Exhibit PG&E-5 Workpapers, Chapter 2, page 2-6.

reviewing the relative priorities of the projects planned for the year, a number of Internet application enhancements in 2005 were postponed…and the budgets were transferred to the Transformation program. Detailed cost calculations do not exist for this budget transfer of $1 million. These deferred projects were then included in the 2006 Internet Services forecast."[17] PG&E does not have any supporting documents to show how the $1 million in cost is derived.

Similarly, PG&E provided no justification is provided for the $2.021 million increase. When DRA questioned how PG&E developed this forecast, PG&E states, "The $2.021 million is derived by first calculating the difference in expenses from 2006 and 2007. This difference is $2.260 million. An escalation factor is applied to this difference and then subtracted to equal $2.021 million."[18] Although in its workpapers PG&E shows a listing of internet related projects, no actual itemization of the $2.021 or any supporting documents was provided.[19]

Due to the vagueness nature of PG&E's forecast for the increase in expenses for MWC FM, DRA recommends the removal of the $3.021 million ($1 million + $2.021 million) from PG&E's forecast. DRA's recommendation is $7.7 million compared to PG&E's request of $10.7 million for MWC FM (FERC Account 903) in 2007.

[17] PG&E's response to Data Request ORA-172, question 1.
[18] PG&E's response to Data Request ORA-172, question 2.
[19] Ibid.