Application	:	A.05-12-002
Exhibit Number	:	DRA-5
Commissioner	:	Bohn
Admin. Law Judges	:	Kenney, Econome
Witness	:	Chia

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

Electric Distribution Operation and Maintenance Expenses

San Francisco, California
April 14, 2006

ELECTRIC DISTRIBUTION
OPERATION AND MAINTENANCE EXPENSES

I. INTRODUCTION

This exhibit presents DRA's analysis and recommendations regarding Pacific Gas and Electric Company's (PG&E's) electric distribution operation and maintenance (O&M) expenses for Test Year 2007. PG&E's testimony for its electric distribution system O&M expense is presented in Exhibit PG&E-4, Volume 1; Exhibit PG&E-4, Volume 2; and Exhibit PG&E-7, Chapters 2, 3, 6, 7, and 8.

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 will be translated into the appropriate FERC accounts through the Results of Operations (RO) model.

II. SUMMARY OF RECOMMENDATIONS

PG&E is requesting a total of $580.591 million for its electric distribution O&M expenses for test year 2007. In Exhibit PG&E-4, PG&E is requesting $515 million in SAP nominal dollars for its electric distribution O&M expense for test year 2007. In Exhibit PG&E-5, PG&E is requesting $26.897 million for its electric distribution O&M expense for test year 2007. In Exhibit PG&E-7, PG&E is requesting $38.391 million for its electric distribution O&M expense.

DRA recommends a total of $532.817 million or $47.774 million less than PG&E's forecast for electric distribution O&M expenses for test year 2007. The following summarizes DRA's recommendations regarding electric distribution O&M expenses appearing in Exhibit PG&E-4:

1. DRA recommends a forecast of $27.642 million which is an adjustment of $1.437 million for MWC BF.

2. DRA recommends a forecast of $57.110 million which is an adjustment of $8.416 million for MWC BG.

3. DRA recommends a forecast of $9.462 million which is an adjustment of $1.993 million for MWC EW.

4. DRA recommends a forecast of $19.914 million which is an adjustment of $2.270 million for MWC GA.

5. DRA recommends a forecast of $16.755 million which is an adjustment of $335,000 for MWC EY.

6. DRA recommends a forecast of $142.0 million which is an adjustment of $12.50 million for MWC HN.

7. DRA recommends the Vegetation Management Balancing Account remain a one-way balancing account.

8. DRA recommends a forecast of $13.780 million which is an adjustment of $3.630 million for MWC DF.

9. DRA recommends a forecast of $20.008 million which is an adjustment of $6.059 million for MWC FM.

The following summarizes DRA's recommendations regarding electric distribution O&M expenses appearing in Exhibit PG&E-5:

10. DRA recommends a forecast of $748,000 which is an adjustment of $321,000 for MWC DC.

11. DRA recommends a forecast of $24.339 million which is an adjustment of $1.489 million for MWC DD.

The following summarizes DRA's recommendations regarding electric distribution O&M expenses appearing in Exhibit PG&E-7:

12. DRA recommends a forecast of $9.019 million which is an adjustment of $9.324 million for MWC BI.

Table 5-1 compares DRA's recommended with PG&E's proposed test year 2007 forecasts for electric distribution O&M expenses:

Table 5-1
Electric Distribution O&M Expense
Comparison of PG&E and DRA Test Year 2007 Forecast
(Thousands of Nominal Dollars)

Description	PG&E Proposed	DRA Recommended	Difference PG&E>DRA	Percentage PG&E>DRA
MWC - Exhibit PG&E-4				
BF-Line Patrols/Inspections	$28,899	$27,462	$1,437	5.23%
BG-Preventive Maintenance	$65,526	$57,110	$8,416	14.74%
BK-Maintenance of Other Equip	$4,207	$4,207	$0	0%
EV-Service Inquiry	$12,896	$12,896	$0	0%
EW-WRO-Maintenance	$11,455	$9,462	$1,993	21.06%
GC-Operate/Maintain Substation	$27,012	$27,012	$0	0%
HX-System Automation Equip Maint.	$3,330	$3,330	$0	0%
GA-Test/Treat & Pole Restore	$22,184	$19,914	$2,270	11.40%
GB-Elbow/Splice Replace & Test	$100	$100	$0	0%
HN-Vegetation Management	$154,500	$142,000	$12,500	8.80%
EY-Install Meters and Devices	$17,090	$16,755	$335	2.00%
BA-Operate Distribution System	$32,396	$32,396	$0	0%
BH-Corrective Maintenance Exp	$50,563	$50,563	$0	0%
IF-Electric Distribution Major Emerg.	$10,857	$10,857	$0	0%
FZ-Electric Engineering and Planning	$19,090	$19,090	$0	0%
GE-Electric Mapping	$10,856	$10,856	$0	0%
GF	$70	$70	$0	0%
DF-Mark & Locate	$17,410	$13,780	$3,630	26.34%
DN-Develop & Provide Training	$795	$795	$0	0%
FM-Manage Info Technology (PG&E-4 and PG&E-7)	$26,067	$20,008	$6,059	30.28%
Subtotal – Exhibit PG&E-4	**$515,303**	**$478,663**	**$36,640**	**7.65%**
MWC-Exhibit PG&E-5				
DC-Dispatch	$1,069	$748	$321	42.91%
DD-Field Service	$25,828	$24,339	$1,489	6.12%
Subtotal – Exhibit PG&E-5	**$26,897**	**$25,087**	**$1,810**	**7.21%**
MWC - Exhibit PG&E-7				
EL-New Product Expense	$855	$855	$0	0%
BI-Maintain Buildings	$18,343	$9,019	$9,324	103.38%
AB-Support	$4,528	$4,528	$0	0%
AK-Environmental Operations	$9,770	$9,770	$0	0%
AY-Habitat & Species Protection	$892	$892	$0	0%
CR-Waste Disposal & Transportation	$1,833	$1,833	$0	0%
ES-Environmental Project & Initiative	$1,583	$1,583	$0	0%
IE-Environmental Remediation, Non-HSM Recovery	$587	$587	$0	0%
Subtotal – Exhibit PG&E-7	**$38,391**	**$29,067**	**$9,324**	**32.08%**
Total – Exhibits PG&E-4, PG&E-5, and PG&E-7	**$580,591**	**$532,817**	**$47,774**	**8.97%**

III. DISCUSSION

A. MWC BF – Line Patrols and Inspections (Preventive Maintenance)

PG&E forecasts $28.899 million for MWC BF for test year 2007 which is discussed in Exhibit PG&E-4, Chapter 2. DRA recommends $27.462 million or $1.437 million less than PG&E's forecast for MWC BF for test year 2007. The work activities that comprise MWC BF are overhead and underground line patrols; overhead and underground line inspections; infrared line inspections; line equipment inspections; and miscellaneous minor work performed at time of inspection. DRA recommends an $864,000 adjustment in the forecast for poles infrared inspected and a $573,000 adjustment in the forecast for distribution line equipment inspected and tested. Table 5-2 presents PG&E's forecast and DRA's recommendation for MWC BG.

Table 5-2
MWC BF - Line Patrols and Inspections
Comparison of PG&E's Forecast and DRA's Recommendation
Test Year 2007 (Thousands of SAP Nominal Dollars)

Description	PG&E	DRA	Difference PG&E>DRA
Overhead Poles Patrolled	$4,468	$4,468	$0
Underground Enclosures Patrolled	$1,690	$1,690	$0
Overhead Poles Inspected	$8,055	$8,055	$0
Underground Enclosures Inspected	$8,082	$8,082	$0
Poles Infrared Inspected	$2,525	$1,661	$864
Distribution Line Equip. Inspected and Tested	$4,079	$3,506	$573
Total Line Patrol/Inspect	$28,899	$27,462	$1,437

1. Poles Infrared Inspected

PG&E anticipates conducting 406,000 units of pole infrared inspections at a unit cost of $6.00 for a total of $2.525 million for test year 2007. DRA recommends a forecast of 406,000 units of pole infrared inspected at a unit cost of $4.09 for a total of $1.661 million or $864,000 less than PG&E's forecast for test year 2007.

PG&E explains that units cost are forecast to increase to $6.00 in 2007 due to the anticipated retirements of two infrared inspectors (thermographer) in 2005 and 2006. PG&E anticipates the cost of on the job training will negatively impact unit costs.[1] PG&E started training the replacements of the two anticipated retirements in 2005.[2] DRA expects the replacements should gain experience and efficiencies by 2007. PG&E explains "The magnitude of the unit cost impact will vary depending on the amount of on the job training the new thermographer has completed. Early in a new thermographer's training, unit costs can increase by approximately 50% based on supervisor estimates. The unit costs will slowly decrease to within approximately 10% of the system average after 6 months to a year."[3] Also, as the two infrared inspectors retire, DRA expects the salaries for these two infrared inspectors to be eliminated. Based on these reasons, it is reasonable to use a three-year average unit cost as the basis for determining the 2007 unit cost.

The historical unit costs of pole infrared inspections are $4.76 (2002), $3.96 (2003), and $3.55 (2004).[4] DRA accepts PG&E's 2007 forecast of 406,000 units of pole infrared inspections. However, DRA recommends using the three-year average unit cost (2002 to 2004) of $4.09 as the 2007 unit cost and 406,000 units of work for pole infrared inspections for a total of $1.661 million for test year 2007.

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[1] Exhibit PG&E-4, Volume 1, page 2-34

[2] Data Request ORA-056, question 10c and 10d

[3] Data Request ORA-056, question 10e

[4] Master Data Request-001, Chapter 1, question 25

2. Distribution Line Equipment Inspected and Tested

PG&E anticipates conducting 37,069 units of distribution line equipment inspections or tests at a unit cost of $110.25 for a total of $4.079 million for test year 2007. DRA recommends a forecast of 31,801 units of distribution line equipment inspections or tests at a unit cost of $110.25 for a total of $3.506 million or $573,000 less than PG&E's forecast for test year 2007.

The historical units of work for distribution line equipment inspections or tests are 34,251 (2002), 33,255 (2003), and 27,896 (2004).[5] DRA accepts PG&E's 2007 unit cost forecast of $110.25. However, DRA recommends using the three year average of 31,801 units at a unit cost of $110.25 for a total of $3.506 million for test year 2007. The historical units of work show a decline in the actual number of units of work completed during 2002 to 2004. The historical units of work are a reasonable basis to forecast the 2007 units of work for distribution line equipment inspected or tested. DRA's recommendation of using the three year average units of work of 31,801 units is also consistent with the actual number of units completed from January 2005 through October 2005 of 26,934 units.[6]

B. MWC BG – Preventive Maintenance

PG&E forecasts $65.526 million for MWC BG for test year 2007 which is discussed in Exhibit PG&E-4, Chapter 2. DRA recommends $57.110 million or $8.416 million less than PG&E's forecast for MWC BG for test year 2007. The work activities that comprise MWC BG are detailed in Table 5-3. DRA recommends adjustments in the forecast for overhead repairs; streetlight burnouts; transformer labor reclassification; BG projects; and Other.

[5] Data Request ORA-056, question 1a and Exhibit PG&E-4, Volume 1, page 2-31

[6] Data Request ORA-056, question 1b

Table 5-3
MWC BG – Preventive Maintenance
Comparison of PG&E's Forecast and DRA's Recommendation
(Thousands of Nominal Dollars)

Work Description	2004 Actual	2007 Forecast PG&E	2007 Forecast DRA	PG&E>DRA 2007 Forecast
Overhead Repairs	$23,075	$28,522	$23,329	$5,193
Underground Repairs	$13,128	$14,000	$14,000	$0
Group Streetlight Replacements	$1,752	$2,486	$2,486	$0
Distribution Line Equipment Overhauls	$2,259	$2,017	$2,017	$0
Streetlight Burnouts	$3,914	$4,367	$3,592	$775
RTVI Investigations & Onsite Repairs	$351	$408	$408	$0
Capacitor Controller	$567	$200	$200	$0
Insulator Washing	$89	$327	$327	$0
Nitrogen Cylinders	$0	$235	$235	$0
Bird Safe	$1,222	$1,135	$1,135	$0
Bird Retrofits	$775	$1,214	$1,214	$0
Equipment Requiring Repair	0	$1,850	$1,850	$0
Asset Management Database	$1,231	$0	$0	$0
Streetlight Process Improvement-System Inventory	$386	$661	$661	$0
Transformer Labor Reclassification	$1,326	$2,096	$1,234	$862
Distribution Line Equip-Field Up/Down Costs	$1,281	$1,759	$1,759	$0
BG Projects	$727	$3,045	$2,230	$815
Other	$472	$1,204	$433	$771
Total	$52,554	$65,526	$57,110	$8,416

1. Overhead Repairs (Overhead EPCM Notifications Completed)

PG&E anticipates conducting 33,555 units of overhead repairs at a unit cost of $850 for a total of $28.522 million for test year 2007. DRA recommends a forecast of 27,446 units of overhead repairs at a unit cost of $850 for a total of $23.329 million for test year 2007 or $5.193 million less than PG&E's forecast.

The historical units of work for overhead repairs are 20,470 (2002), 33,038 (2003), 30,727 (2004), and 25,548 (2005).[7] DRA accepts PG&E's 2007 unit cost forecast of $850 for overhead repairs. However, DRA recommends using the four year average of 27,446 units at a unit cost of $850 for a total of $23.329 million for

[7] Data Request ORA-073, question 1a and Data Request ORA-149, question 1

test year 2007. The historical units of work show fluctuations in the actual number of units of work completed during 2002 to 2005. The historical units of work are a reasonable basis to forecast the 2007 units of work for overhead repairs.

DRA's recommendation is also reasonable since PG&E implemented minor overhead repairs during patrols and inspections recorded under MWC BF instead of MWC BG. PG&E states "In 2006, the inspector is expected to perform a greater amount of minor work during patrols and inspections. Specifically, as the result of recent changes in G.O. 95, an inspector will now be able to install 'High Voltage' signs that are noted to be missing on cross arms or above energized equipment. Now the High Voltage signs can be installed at a level 45" below energized equipment. Previously this work had to be done in closer proximity to energized conductors or energized equipment that could only be performed by a crew. The increase in the completion of minor work during patrols and inspections will reduce the administrative burden and direct costs associated for a crew to return to the site to perform the work that a single inspector can complete."[8]

2. Streetlight Burnouts

PG&E anticipates performing 28,500 units of streetlight burnout work at a unit cost of $150 for a total of $4.367 million for test year 2007. DRA recommends a forecast of 23,949 units of streetlight burnout work at a unit cost of $150 for a total of $3.592 million or $775,000 less than PG&E's forecast for test year 2007.

The historical units of work for streetlight burnouts are 23,661 (2002), 23,089 (2003), 24,247 (2004), and 24,800 (2005). DRA accepts PG&E's 2007 unit cost forecast of $150 for streetlight burnouts. However, DRA recommends using the four year average units of work of 23,949 units for streetlight burnouts at a unit cost of $150 for a total of $3.592 million for test year 2007.

The historical units of work are a reasonable basis to forecast the 2007 units of work for streetlight burnouts. In explaining its method for forecasting the units of

work in 2007 for streetlight burnouts, PG&E states, "The 2007 forecast of units of work for streetlight burnouts is based upon PG&E's best judgment regarding system growth, the progress of PG&E's group replacement program, and the extent to which cities have chosen to do their own streetlight maintenance programs. PG&E did not rely on a formula, and there is no supporting documentation."[9] Also, while PG&E's 2005 forecast for streetlight burnouts is 29,716 units of work, PG&E actually performed only 24,800 units of streetlight burnout work for the entire year. PG&E's 2005 forecast for streetlight burnout units of work is 17% over the actual units of work that PG&E performed in 2005. DRA's recommendation for 2007 forecast units is 16% less than PG&E's 2007 forecast of work for streetlight burnouts which is consistent with the difference between PG&E's 2005 forecast units of work and 2005 actual number of units of work.

3. Transformer Labor Reclassification

PG&E forecasts $2.096 million for transformer labor reclassification for test year 2007. DRA recommends a forecast of $1.234 million or $862,000 less than PG&E's forecast for transformer labor reclassification for test year 2007.

Transformer labor reclassification occurs when PG&E reclassifies the labor expense for removing and resetting transformers from a plant (capital) account to an O&M expense account. PG&E forecasts the transformer labor reclassification expense to remain relatively static.[10] The historical recorded expenses for transformer labor reclassification (escalated to 2007 dollars) are $444,000 (2002), $1.806 million (2003), $1.472 million (2004), and $1.215 million (2005). DRA recommends using the historical recorded expense to forecast transformer labor reclassification expenses for test year 2007. The historical recorded expenses have

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[8] Data Request ORA-073, question 3a

[9] Data Request ORA-073, question 5b

[10] Exhibit PG&E-4, Chapter 2, Work Papers, page 2-39

fluctuated from a low of $444,000 in 2002 to a high of $1.806 million in 2003. Therefore, DRA recommends using the four year average (2002 to 2005) of historical recorded expenses of $1.234 million (in 2007 dollars) as the forecast for transformer labor reclassification for test year 2007.

4. BG Projects

PG&E forecasts to $3.045 million for "BG Projects" for test year 2007. DRA recommends $2.230 million or $815,000 less than PG&E's forecast for "BG Projects" for test year 2007.

PG&E states "BG Projects are activities that are over $25,000 and are infrequent, one-time or of limited duration. Though possibly related to other work categories within the maintenance program, their inclusion in a related category would inappropriately skew units and unit costs. These projects may have a life cycle of a few months to a year or more, but do not represent regular work."[11] Table 5-4 provides PG&E's breakdown of its forecast (2007 to 2009) of $3.045 million for "BG Projects" and DRA's recommendation for "BG Projects" for test year 2007.

Table 5-4[12]
BG Projects
PG&E's Forecast for 2007, 2008, and 2009 and DRA's Recommendation
(Thousands of Nominal Dollars)

Activity	PG&E Forecast 2007	PG&E Forecast 2008	PG&E Forecast 2009	DRA Recommends 2007 to 2009
Streetlight Pole Painting	$1,645	$1,645	N/A	$1,097
Fort Ord	$ 400	N/A	N/A	$ 133
Specific Division Projects	$1,000	$1,000	$1,000	$1,000
Future Needs Divisions-System Placeholder	N/A	$400	$2,045	$0
Total	$3,045	$3,045	$3,045	$2,230

PG&E anticipates painting 4,686 streetlight poles per year at a unit cost of $351 or $1.645 million per year for 2007 and 2008.[13] PG&E states "According to

[11] Data Request ORA-073, question 6b
[12] Ibid
[13] Data Request ORA-149, question 3d

PG&E's CorDaptix (customer accounting) records, there are approximately 14,000 poles in the PG&E service territory that require painting. During 2005, PG&E successfully negotiated with the Street Light Association (SLA) and the CPUC to remove the pole painting component from rates. In exchange, PG&E committed to complete the street light pole painting in three years, 2006 to 2008. The forecast methodology is to spread the work evenly over the three-year period."[14] PG&E could not provide any historical data on street light pole painting, as evidenced by the following response to a data request: "The actual units of work, actual unit cost, and recorded total cost to paint streetlight poles in 2000 to 2004 are not available. Prior to 2006, PG&E did not separately track streetlight pole painting costs or units systemwide. To improve the tracking of related units and costs, PG&E is now grouping this similar work together as a project."[15] PG&E anticipates painting streetlight poles only in 2007 and 2008. PG&E should not receive funding to paint streetlight poles in 2009. Therefore, DRA recommends the 2007 and 2008 costs to paint streetlight poles be normalized over three years or $1.097 million per year.

PG&E forecasts $400,000 in 2007 for maintenance costs associated with the privatization of the Fort Ord military base.[16] PG&E does not forecast any maintenance expenses for Fort Ord in 2008 and 2009. PG&E purchased the electric distribution facilities on Fort Ord in September 1996.[17] DRA recommends that the Fort Ord maintenance expenses of $400,000 be normalized over three years or $133,000 per year.

PG&E forecasts "Specific Division Projects" expenses of $1.0 million for 2007 to 2009. PG&E defines "Specific Division Projects" as "Specific projects for the replacement (non-capital) of electric facilities that are not an imminent hazard and

[14] Data Request ORA-149, question 3c
[15] Data Request ORA-149, question 3e
[16] Data Request ORA-073, question 6b
[17] Data Request ORA-191, question 1a

have not caused an outage. They are infrequent, one-of-a-kind, or of limited duration. These are major projects, greater than $25,000, which do not have associated EPCM tags."[18] PG&E's forecast for "Specific Division Projects" was "to take the last three years expenditures, average them, and adjust them based on PG&E's experience and judgment."[19] DRA accepts PG&E's forecast for "Specific Division Projects" expenses of $1.0 million in test year 2007.

PG&E explains "Future Needs Divisions-System Placeholder" as "Estimated resource needs for work in divisions that is yet unspecified. This is typically a large project driven by either the actions of a third party, improvements in data collected, or changes brought about by better information about facility life or condition."[20] PG&E forecasts $400,000 in 2008 and $2.045 million in 2009 for "Future Needs Divisions-System Placeholdler." DRA recommends PG&E's forecast for "Future Needs Divisions-System Placeholder" expenses be denied because PG&E has not provided support or identification of specific projects for its request.

The historical recorded expenses (escalated to 2007 dollars) of "BG Projects" are $2.485 million (2003), $807,000 (2004), and $2.204 million (2005). The three year average of historical recorded expenses of "BG Projects" is $1.832 million. DRA's recommendation of $2.230 million for "BG Projects" for test year 2007 is also reasonable in comparison with the three year average of historical recorded expenses for "BG Projects" of $1.832 million.

[18] Data Request ORA-149, question 5d
[19] Data Request ORA-149, question 5b
[20] Data Request ORA-073, question 6b

5. Other

PG&E forecasts $1.204 million for expenses under the MWC BG category as "Other" for test year 2007. DRA recommends a forecast of $433,000 for MWC BG category "Other" for test year 2007 by using the four year historical recorded expenses in this MWC.

PG&E explains that MWC BG category "Other" represents activities that are consolidated and typically consist of smaller ongoing or limited time costs, which if included in other categories of maintenance work, would inappropriately skew units and unit costs.[21] Table 5-5 presents PG&E's breakdown of its 2007 forecast of $1.204 million for "Other."

Table 5-5
PG&E's Forecast for BG – "Other"
Test Year 2007
(Thousands of Nominal Dollars)

Description	PG&E's 2007 Forecast
Network protector data systems (SF & Oakland)	$494
Component testing and evaluation	$310
Change management for handheld maintenance units	$100
Maintenance program alignment (common utility platform)	$300
Total	$1,204

PG&E forecasted $494,000 for network protector data systems work in San Francisco and Oakland for test year 2007; however, PG&E completed the network protector work in San Francisco and the East Bay in 2005.[22]

PG&E forecasted $310,000 for component testing for test year 2007. However, between 2000 and 2005, PG&E only recorded $12,000 in 2004 for component testing and evaluation. PG&E states "In the future, a greater depth of knowledge will be needed, which will be provided through in-depth analysis and testing of component aging, inspection techniques, replacement methods, repair

[21] Data Request ORA-073, question 6c
[22] Data Request ORA-149, question 9a

methods, and their impacts on the infrastructure."[23] PG&E has not identified any future projects that need additional funding. Also, given that one of PG&E's core businesses is electric distribution that requires continuous inspection, replacement, and repair of its infrastructure, the analysis of these components is something PG&E has been in business of evaluating for decades and the cost should be embedded in current costs.

Therefore, based on the analysis presented above, DRA recommends using the four year historical recorded expenses of $433,000 to forecast test year 2007 expenses for "Other." The historical recorded expenses (escalated to 2007 dollars) of "Other" are <$138,000> (2002), $289,000 (2003), $524,000 (2004), and $1.058 million (2005). The historical recorded expenses for "Other" have fluctuated in the past four years. Using the four year average of historical recorded expenses of $433,000 to forecast expenses in the category "Other" is a reasonable method.

C. MWC EW – WRO Maintenance

PG&E forecasts $24.149 million for MWC EW for test year 2007 which is discussed in Exhibit PG&E-4, Chapter 3. MWC EW is allocated 47% or $11.555 million to electric distribution O&M expense and 53% or $12.694 million to gas distribution O&M expense. DRA recommends a forecast of $19.9 million or an adjustment of $4.2 million for MWC EW for test year 2007. DRA's recommended forecast is allocated 47% or $9.462 million to electric distribution O&M expense and 53% or $10.486 million to gas distribution O&M expense. DRA's recommendation is discussed in Exhibit DRA-6.

D. MWC GA – Test and Treat and Pole Restoration

PG&E forecasts $22.184 million for MWC GA for test year 2007 which is discussed in Exhibit PG&E-4, Chapters 5A and 5B. DRA recommends $19.914 million or $2.270 million less than PG&E's forecast for MWC GA for test year 2007.

[23] Data Request ORA-149, question 10a

The three types of expenses under MWC GA are Test and Treat, Pole Restoration, and Pole Engineering. Table 5-6 provides a breakdown of PG&E's forecast and DRA's recommendation for MWC GA for test year 2007.

Table 5-6
PG&E's Forecast and DRA's Recommendation
MWC GA-Poles-Inventory/Test & Treat
Test Year 2007 (Thousands of Nominal Dollars)

Activity	PG&E 2007 Forecast	DRA 2007 Forecast	PG&E>DRA
PG&E-4, Chap. 5A			
Pole Test and Treat	$12,740	$11,900	$840
Pole Restoration	$7,760	$6,330	$1,430
Subtotal-PG&E-4, Chap. 5A	*$20,500*	*$18,230*	*$2,270*
PG&E-4, Chap. 5B			
Pole Engineering	$1,684	$1,684	$0
Total-MWC GA	$22,184	$19,914	$2,270

1. MWC GA - Test and Treat

PG&E forecasts $12.740 million for MWC GA – Test and Treat for test year 2007. DRA recommends a forecast of $11.900 million or $840,000 less than PG&E's forecast for test year 2007. Table 5-7 provides a breakdown of PG&E's forecast and DRA's recommendation for MWC GA - Test and Treat for test year 2007. DRA recommends an adjustment of $840,000 in the forecast for addressing inaccessible poles.

Table 5-7
PG&E's Forecast and DRA's Recommendation
MWC GA-Test and Treat
Test Year 2007 (Thousands of Nominal Dollars)

Activity	PG&E 2007 Forecast	DRA 2007 Forecast	PG&E>DRA
Test and Treat	$10,330	$10,330	$0
Inaccessible Poles	$1,590	$750	$840
Pole Numbering	$820	$820	$0
Total	$12,740	$11,900	$840

PG&E implemented its first 10-year cycle of the Pole Test and Treat Program in 1994. PG&E states "During PG&E's first 10-year test and treat cycle, contractors

identified approximately 35,000 poles. To address these inaccessible poles, PG&E forecasts $0.12 million in 2005, $0.52 million in 2006, and $1.59 million in 2007."[24] PG&E also states "As part of PG&E's new contract, PG&E implemented new procedures in 2005 that address the inaccessible poles. PG&E's contractors record when a pole cannot be inspected due to customer not home, flooded agricultural fields, vegetation, bees or other obstructions so that PG&E can return to these locations when the customer is home, the fields are dry and the vegetation, bees or obstruction have been removed. PG&E will keep track of these inaccessible poles in a database, establish proper timeframe to follow-up, and then return to perform the appropriate test and treat work."[25]

PG&E states "PG&E did not address any inaccessible poles in 1994 to 2003. In 2004, PG&E addressed 510 inaccessible poles, totaling $0.08 million in expenses."[26] DRA finds it disconcerting that PG&E did not test and treat any of the 35,000 poles identified as inaccessible during 1994 to 2003. As of year-to-date November 26, 2005, PG&E resolved about 2,700 poles previously identified as inaccessible.[27] PG&E forecasts to resolve 4,170 inaccessible poles in 2006 and 12,710 inaccessible poles in 2007.[28] PG&E forecasts a unit cost of $125 for test year 2007 to address the inaccessible poles.[29] PG&E forecasts to quadruple the number of inaccessible poles addressed in 2007 compared to the number of inaccessible poles it addressed in 2005.

DRA recommends a forecast of 6,000 poles at a unit cost of $125 or $750,000 to be resolved in test year 2007. DRA accepts PG&E's unit cost of $125 to address

[24] Exhibit PG&E-4, Chapter 5A, page 5A-8, lines 1 to 4
[25] Data Request ORA-080, question 3a
[26] Data Request ORA-195, question 1d
[27] Data Request ORA-080, question 3c
[28] Data Request ORA-080, question 3b
[29] Data Request ORA-080, question 3d

the inaccessible poles. DRA's forecast of 6,000 poles for test year 2007 is a dramatic increase over the 510 inaccessible poles resolved in 2004 and approximately doubles the number of inaccessible poles that PG&E resolved in 2005. Based on PG&E's past performance, DRA's forecast of 6,000 poles to be addressed in 2007 is a more reasonable forecast than PG&E's forecast of 12,710 poles to be addressed.

2. MWC GA – Pole Restoration

PG&E forecasts $7.760 million for MWC GA – Pole Restoration for test year 2007. DRA recommends a forecast of $6.330 million or $1.430 million less than PG&E's forecast for test year 2007.

PG&E anticipates conducting 12,000 lower pole restorations at a unit cost of $525. PG&E also forecasts $28,000 to perform upper pole restorations. However, PG&E made a calculation error in Exhibit PG&E-4, Chapter 5A, page 5A-9, Table 5A-3 for its lower pole restoration forecast. PG&E used a unit cost of $644 instead of the correct unit cost of $525 for its lower pole restoration forecast.[30] PG&E corrected the calculation error made in its pole restoration forecast in Exhibit PG&E-16, Errata to December 2, 2005, GRC Filing. PG&E corrects Table 5A-3 as follows:[31]

[30] Data Request ORA-147, question 1a

[31] Ibid

PG&E
Pole Restoration Unit Costs (Expense-MWC GA)
(Nominal SAP Dollars)

Pole Restoration (MWC GA)	**Metric**	**2004 Recorded**	**2005 Forecast**	**2006 Forecast**	**2007 Forecast**
Lower Pole Restoration (Stub)					
Units	Poles	9,100	12,000	5,855	12,000
Gross Cost	$ Millions	4.30	6.88	2.98	6.30
Gross Unit Cost	$ per Pole	473	573	509	525
Less Joint Pole Credits	$ Millions	0.0	1.34	0.70	1.43
Net Cost	$ Millions	4.30	5.54	2.28	4.87
Upper Restoration Cost	$ Millions	0.01	0.03	0.03	0.03
Total Gross Cost Pole Restoration-Expense-MWC GA	$ Millions	4.31	6.91	3.01	6.33

DRA accepts PG&E's corrected forecast of 12,000 lower pole restorations at a unit cost of $525 or $6.30 million and PG&E's forecast of $28,000 for upper pole restorations for a total of $6.330 million for MWC GA – Pole Restoration for test year 2007.

E. MWC HN – Vegetation Management

PG&E forecasts $154.5 million for test year 2007 for MWC HN which is discussed in Exhibit PG&E-4, Chapter 9. MWC HN is PG&E's vegetation management program. Of the $154.5 million, PG&E forecasts $149.8 million for its current base program and $4.7 million to expand the program beyond the current base program. DRA recommends a forecast of $142 million or $12.5 million less than PG&E's forecast for MWC HN for test year 2007. Of the $142 million, DRA recommends $137.3 million for PG&E's current base program and $4.7 million for PG&E's expanded program request.

Currently, PG&E's vegetation management program operates through a one-way balancing account (Vegetation Management Balancing Account). PG&E is requesting to change the one-way balancing account to a two-way balancing account. DRA recommends that the Vegetation Management Balancing Account remain a one-

way balancing account. However, if PG&E's expenditures for MWC HN significantly increase due to the California Department of Forestry's (CDF) push for increased hazard tree inspections and removals, DRA recommends that PG&E be allowed to file an application requesting additional incremental funding for its vegetation management program associated with the implementation of any expanded requirements.

Table 5-8 provides PG&E's forecast and DRA's recommendation for MWC HN for test year 2007.

Table 5-8
PG&E's Forecast and DRA's Recommendation
MWC HN – Vegetation Management
Test Year 2007 (Millions of Nominal Dollars)

Activity	**PG&E 2007 Forecast**	**DRA 2007 Forecast**	**PG&E>DRA**
Current Base Program			
Routine Tree Trimming/Removal	$136.7	$124.6	$12.1
Vegetation Control	$10.4	$10.4	$0
Environmental Studies & Mitigation	$0.3	$0.2	$0.1
Quality Assurance	$1.1	$1.1	$0
Increased Staffing	$0.7	$0.4	$0.3
Increased QC	$0.3	$0.3	$0
Public Education	$0.3	$0.3	$0
Subtotal – Current Base Program	***$149.8***	***$137.3***	***$12.5***
Expanded Program			
Reliability	$4.0	$4.0	$0
Insulator Installations	$0.5	$0.5	$0
VC Equipment Change-out	$0.2	$0.2	$0
Subtotal – Expanded Program	***$4.7***	***$4.7***	***$0***
Total MWC HN	**$154.5**	**$142.0**	**$12.5**

1. Routine Tree Trimming/Removal

PG&E anticipates performing 1,580,191 units of routine tree trimming/removal at a unit cost of $86.51 for a total of $136.7 million for test year 2007. PG&E forecasts the average tree trimming/removal unit cost to increase from $68.38 in 2004 to $86.51 in 2007, which is equivalent to an 8.87% per year increase during 2004 to

2007.[32] PG&E attributed the unit cost increase to rising contractor costs, costly diseased trees, environmental constraints, endangered species protection, refusals, drop in tree volume, and added overhead line miles.[33] However, the actual unit cost went from $68.32 in 2004 to $71.83 in 2005, which is an increase of 5.1% during that one year.

DRA accepts PG&E's forecast of 1,580,191 units of routine tree trimming/removal for test year 2007. However, DRA recommends a unit cost of $78.83 for routine tree trimming/removal based on the weighted average of unit cost increase during 2000 to 2005. The weighted average of unit cost increase during 2000 to 2005 shows that the unit cost for routine tree trimming/removal increased an average of $3.50 per year. DRA applied an increase of $3.50 per year to the 2005 actual unit cost of $71.83 for 2006 and 2007. Using the weighted average of historical unit cost increases is a reasonable method to forecast future unit cost. Also, PG&E's forecast of unit cost increase of 8.87% from 2004 to 2005 is high compared to the actual unit cost increase of 5.1%. DRA recommends a total of $124.6 million or $12.1 million less than PG&E's forecast for routine tree trimming/removal for test year 2007.[34]

Table 5-9 presents PG&E's actual and forecast units of work and unit costs for routine tree trimming/removal.

[32] Data Request ORA-034, question 4b

[33] Ibid

[34] 1,580,191 units x $78.82 unit cost = $124.6 million

Table 5-9
PG&E's Actual and Forecast Units of Work and Unit Costs
Routine Tree Trimming/Removal

Year	Units of Routine Tree Trimming/Removal[35]	Unit Costs of Routine Tree Trimming/Removal [36]
2000 Actual		$54.74
2001 Actual		$57.66
2002 Actual	1,914,788	$63.04
2003 Actual	1,826,886	$65.30
2004 Actual	1,791,454	$68.32
2005 Actual	1,705,529	$71.83
2006 Forecast	1,629,935	$77.61
2007 Forecast	1,580,191	$86.51

2. Environmental Studies & Mitigation

PG&E forecasts $300,000 for environmental mitigation and inspection payments for test year 2007. Table 5-10 presents PG&E's forecast of environmental mitigation and inspection payments for 2007 to 2009.

Table 5-10
PG&E Vegetation Management Environmental Spending Forecast[37]
Years 2007 to 2009

Description	2007	2008	2009
Valley Elderberry Longhorn Beetle	$271,900	$39,492	$43,546
Other Habitat Conservation Plans	$3,000	$2,500	$7,000
National Forest Inspections & Biologist	$25,000	$25,000	$25,000
Total	$299,900	$66,992	$75,546

Table 5-10 shows that PG&E's forecast for environmental mitigation and inspection spending decreases from $299,900 in 2007 to $66,992 and $75,546 in 2008 and 2009, respectively. Therefore, DRA recommends using the three year average

[35] Exhibit PG&E-4, Chapter 9, p. 9-21

[36] MDR-001, question 25; Data Request ORA-153, question 2b; and Exhibit PG&E-4, p. 9-4 and 9-21

[37] Exhibit PG&E-4, Chapter 9, p. 9-25

(2007 to 2009) of PG&E's estimated environmental mitigation and inspection spending for the period to derive a forecast of $200,000 for test year 2007.

3. Increased Staffing

PG&E is requesting additional funding of $700,000 for test year 2007 to increase its vegetation management staff by seven, from 51 to 58 full-time PG&E employees. PG&E is requesting one additional quality assurance specialist and six additional tree trimming foresters at a salary of $100,000 for each incremental employee. PG&E is requesting an increase of fifty percent in tree trimming forester positions from 12 positions in 2004 to 18 positions in 2007. Table 5-11 presents the actual number of PG&E forester positions from 2000 to 2005 and PG&E's forecast of forester positions in 2007.

Table 5-11
PG&E Forester Positions[38]
Actual 2000 to 2005 and Forecast 2007

Year	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2007 Forecast
Number of Foresters	4	8	9	9	10	12	18

DRA accepts PG&E's request for one additional quality assurance specialist. DRA recommends an increase of three additional tree trimming foresters to PG&E's full-time staff, as discussed below, for a total of 15 tree trimming foresters. Therefore, DRA recommends an increase of $400,000 for one additional quality assurance specialist and three additional tree trimming foresters for test year 2007.

First, DRA's recommendation of three additional tree trimming foresters is based on a review of PG&E tree trimming foresters since 2000. Second, PG&E did not provide support for increases of workload and responsibilities in 2007 that cannot be completed by the current number of tree trimming foresters. PG&E states "The workload is increasing for PG&E's program managers and foresters as PG&E: (1)

[38] Data Request ORA-034, question 7c

puts continued emphasis on quality and compliance with General Order 95, Rule 35 and Public Resources Codes 4292 & 4293; (2) achieves higher levels of customer satisfaction with the services we provide; and (3) and interacts more frequently with agencies to achieve environmental and stewardship compliance."[39] PG&E's statement does not demonstrate any new or additional workload or responsibilities that PG&E's program manager and tree trimming foresters are not currently performing. Finally, PG&E states "One measure of the program's effectiveness is the overall compliance percentage measured by PG&E's Vegetation Management Quality Assurance group. Through May, 2005 PG&E's overall compliance stands at 99.67 percent...Figure 9-1 below shows that PG&E has stayed well above 99 percent for the past two years indicating the overall quality of the Vegetation Management Program."[40] PG&E has exceeded its goal of 99.50% aggregate compliance of its Vegetation Management Program.[41] Given that the unit of routine tree trimming/removal is forecast in 2007 to be below the work units in prior years (see Table 5-9), there is no indication that compliance should be impacted under the reduced workload. PG&E did not provide sufficient support to show that PG&E needs a fifty percent increase in the number of tree trimming foresters. DRA's recommendation of three additional tree trimming foresters for test year 2007 is consistent with the historical increases of three tree trimming foresters during 2003 to 2005.

4. Vegetation Management Balancing Account

PG&E's vegetation management program currently operates through a one-way balancing account (Vegetation Management Balancing Account). PG&E is requesting to change the one-way balancing account to a two-way balancing account.

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[39] Data Request ORA-034, question 7c

[40] Exhibit PG&E-4, Chapter 9, page 9-5, lines 3 to 11

[41] Exhibit PG&E-4, Chapter 9, page 9-5, Figure 9-1

PG&E believes its Vegetation Management Program fully complies with GO 95, Rule 35 and Public Resources Code Sections 4292 and 4293. PG&E states that while CDF has praised the utility's existing vegetation management program, CDF has indicated a desire to have PG&E substantially increase its inspection, assessment, and removal of potential hazard trees and limbs. PG&E believes the added inspection and the associated tree removals caused by increasing the program to address the CDF's concerns would dramatically increase the overall cost of its vegetation management program. PG&E does not believe that such an increase is warranted, and has suggested to various vegetation-related industry associations and organizations that an ad hoc industry stakeholder group be convened to review industry best practices. PG&E hopes to convince the CDF to adopt a position that takes into consideration the high costs of a substantially increased inspection program when compared to the benefits. PG&E will not know for at least a year whether it will be successful. PG&E did not include any projected increased cost of any potential modification to its vegetation management program by CDF. PG&E estimates that the cost to perform the additional work potentially required by the CDF could be between $10 million to $55 million or more per year. But if the CDF reconsiders its position, the amount could be negligible. Therefore, PG&E is requesting to change to a two-way balancing account for the Vegetation Management Program.[42]

PG&E is still communicating with the CDF regarding the hazard tree identification process, major woody stem exemption contained in GO 95, Rule 35, and healthy overhanging branches. As of February 2006, PG&E was in the beginning stages of discussions with the Utility Arborists Association regarding the development of an industry best practice or formal industry standards for hazard tree inspection and identification. As PG&E states, "Even with the future development of formal standards the technology to accurately predict all tree failures does not exist and it

[42] Exhibit PG&E-4, Chapter 9, pp. 9-1 to 9-2

will still be impossible to eliminate all hazard trees from falling into high voltage power lines."[43]

A resolution between PG&E and the CDF regarding the inspection, assessment and removal of potential hazard trees and limbs is still being discussed. Also, the time frame to develop an industry best practice or formal industry standards for hazard tree inspection and identification by the Utility Arborists Association has not been established. Currently, PG&E's vegetation management program fully complies with GO 95, Rule 35 and Public Resources Code Sections 4292 and 4293.

The uncertainty of the cost for the vegetation management program caused by the CDF should not affect the operation of the one-way Vegetation Management Balancing Account. The one-way balancing account is the appropriate treatment for PG&E's Vegetation Management Balancing Account. A one-way balancing account encourages PG&E to operate its vegetation management program in an efficient cost and operational manner.

If the Commission adopts PG&E's request to change to a two-way balancing account for its Vegetation Management Program, there will be no review of any changes to PG&E's vegetation management program and expenditures of possibly $10 million to $55 million or more depending on the outcome with the CDF. Essentially, a two-way balancing account would allow PG&E to spend $10 million to $55 million or more of ratepayers' funds on the vegetation management program without any Commission review.

DRA recommends that the Vegetation Management Balancing Account remain a one-way balancing account. However, if PG&E's expenditures for MWC HN significantly increase due to the CDF's push for increased hazard tree inspections and removals, DRA recommends PG&E be allowed to file an application requesting additional incremental funding for its vegetation management program associated with the expanded requirements.

[43] Exhibit PG&E-4, Chapter 9, p. 9-28, lines 14 to 16

F. MWC EY – Install Electric Meters & Devices

PG&E forecasts $17.090 million for MWC EY for test year 2007 which is discussed in Exhibit PG&E-4, Chapter 10. DRA recommends a forecast of $16.755 million or $335,000 less than PG&E's forecast for test year 2007.

PG&E is requesting increased funding of $503,000 in 2007 for an "Analog Cell Phone Replacement" program.[44] The "Analog Cell Phone Replacement" is a two-year program for 2006 and 2007. [45] The increased funding of $503,000 for the "Analog Cell Phone Replacement" program is a one-time expense for 2007. DRA recommends that the $503,000 be normalized over three years for an increase of $168,000 for test year 2007. DRA recommends an adjustment of $335,000 for the "Analog Cell Phone Replacement" program for test year 2007.

G. MWC FM: Manage Information Technology

PG&E forecasts $29.680 million for MWC FM-O&M for test year 2007. In Exhibit PG&E-4, Chapter 14, page 14-11, PG&E requests $28.914 million for MWC FM-O&M. In Exhibit PG&E-7, Chapter 2, page 2-18, PG&E requests $766,000 for MWC FM-O&M. MWC FM expenses are allocated 88% to Electric Distribution O&M expenses and 12% to Gas Distribution O&M expenses. PG&E requests $26.067 million for MWC FM – Electric Distribution O&M expense and $3.613 million for MWC FM – Gas Distribution O&M expense.

DRA recommends a forecast of $22.778 million or $6.902 million less than PG&E's forecast for test year 2007. DRA accepts PG&E's request of $776,000 for MWC FM-O&M in Chapter 2 of Exhibit PG&E-7. However, DRA recommends adjustments for incremental funding requested by PG&E in Chapter 14 of Exhibit PG&E-4. DRA recommends $20.008 million for MWC FM - Electric Distribution O&M expense and $2.770 million for MWC FM – Gas Distribution O&M expense

[44] Exhibit PG&E-4, Chapter 10, Work Papers, page 10-25, line 17

[45] Data Request ORA-091, question 7

for test year 2007, which corresponds to recommended adjustments of $6.059 million and $843,000, respectively.

Table 5-12 presents PG&E's forecast and DRA's recommendation for MWC FM - O&M for test year 2007.

Table 5-12
PG&E's Forecast and DRA's Recommendation
MWC FM (O&M) – Manage Information Technology
Test Year 2007 (Thousands of Nominal Dollars)

Applications	**PG&E 2007 Forecast**	**DRA 2007 Forecast**	**PG&E>DRA**
Exhibit PG&E-4, Chapter 14			
C-EDSA/DART	$1,611	$1,611	$0
GEMS	$1,816	$1,816	$0
OIS Suite	$4,090	$4,090	$0
Work Mgmt.	$2,155	$2,155	$0
JET Suite	$4,842	$4,842	$0
Project Mgmt.	$66	$66	$0
Performance Mgr.	$86	$86	$0
Tech Doc Mgmt.	$300	$300	$0
Subtotal Base O&M	***$14,966***	***$14,966***	***$0***
JET Set Electric	$265	$88	$177
JET WM Modules	$250	$83	$167
ET&DM PMTI	$455	$455	$0
MIP2, Steps 1 & 2	$8,774	$2,925	$5,849
GPCM	$3,000	$3,000	$0
OIS Mgmt of Plan Outages	$200	$200	$0
Convert DOD/ILIS to New Web Portal Platform	$754	$295	$459
Subtotal	***$28,664***	***$22,012***	***$6,652***
PG&E's Calculation Error	$250		$250
Total-Exhibit PG&E-4	**$28,914**	**$22,012**	**$6,902**
Exhibit PG&E-7, Chapter 2			
Manage Info Tech	$766	$766	$0
Total-Exhibits PG&E-4 and 7	$29,680	$22,778	$6,902
Electric Distrib. O&M Allocation	$26,067	$20,008	$6,059
Gas Distrib. O&M Allocation	$3,613	$2,770	$843

PG&E forecasts $28.914 million for MWC FM for test year 2007. However, PG&E made a calculation error in its 2007 forecast for MWC FM. PG&E removed a

project that it forecasted to cost $250,000 in 2007 from MWC FM but neglected to deduct the removed project amount of $250,000 from the 2007 forecast total.[46] The "2007 Forecast Amount Total" in Exhibit PG&E-4, Volume 2, Chapter 14, and Table 14-2 should be corrected to $28.664 million. DRA recommends an adjustment of $250,000 from MWC FM to correct the calculation error.

PG&E's 2007 forecast for MWC FM contains one-time expenses in the forecast for four MWC FM projects. The MWC FM projects with one-time expenses are JET Set Electric, JET WM Modules, MIP2 (Steps 1 & 2), and Convert DOD/ILIS to New Web Portal Platform. The one-time expenses will occur only in 2007 and not in 2008 or 2009. DRA recommends that the one-time expenses be normalized over three years.

1. JET Set Electric

PG&E forecasts $265,000 for the "JET Set Electric" project in 2007. PG&E states "The $265,000 is a one time expense in 2007 to consolidate gas and electric estimating into one common system. There will be no additional expenses in 2008 and 2009."[47] The one-time expense will occur only in 2007 and not in 2008 or 2009. DRA recommends that the one-time expenses be normalized over three years. DRA recommends a forecast of $88,000 and an adjustment of $177,000 for the "JET Set Electric" project for test year 2007.

2. JET WM Modules

PG&E forecasts $250,000 for the "JET WM Modules" project for test year 2007. PG&E states "The $250,000 is a one time expense in 2007 to integrate portions of JET with the materials management modules in Work Management. There will be no additional expenses in 2008 and 2009."[48] The one-time expense will occur only in 2007 and not in 2008 or 2009. DRA recommends that the one-time expenses be

[46] DRA's telephone conversation with PG&E on March 8, 2006.
[47] Data Request ORA-022, question 7a
[48] Data Request ORA-022, question 7b

normalized over three years. DRA recommends a forecast of $83,000 and an adjustment of $167,000 for the "JET WM Modules" project for test year 2007.

3. MIP2, Steps 1 & 2

PG&E forecasts $8.774 million for "MIP2, Steps 1 & 2" project for test year 2007. The "MIP, Steps 1 & 2" project is a 5-year Mapping Improvement Project that began in 2003 to convert older electronic and manual maps to GEMS. The funding request in 2007 is for the second step of the "MIP, Steps 1 & 2" project which will begin in 2006 to correct and geo-reference the converted maps. PG&E states "The step is the most expensive phase of the project because each map has to be re-aligned in relation to the surrounding maps to ensure a seamless, edge-matched grid throughout the service territory. This includes reviewing and adjusting the coordinates for each individual map and moving any facility information off the map borders so that it does not get lost in the conversion. For 2007, PG&E expects to finalize the project by correcting and geo-referencing the remaining 40,086 maps, at a cost of $215 a map, for an increase of $8.8 million in MWC FM."[49]

PG&E also states "PG&E does not expect to correct and geo-reference maps in 2008 or 2009. PG&E expects to complete the correcting and geo-referencing of all map by year end 2007."[50] The one-time expense will occur only in 2007 and not in 2008 or 2009. DRA recommends that the one-time expenses be normalized over three years. DRA recommends a forecast of $2.925 million and an adjustment of $5.849 million for the "MIP, Steps 1 & 2" project for test year 2007.

4. Convert DOD/ILIS to New Web Portal Platform

PG&E forecasts $754,000 for the "Convert DOD/ILIS to New Web Portal Platform" project for test year 2007. PG&E states "The rollout coordination and performance testing components of the $754,000 are one-time expenses of $688,000. The software license fee of $66,000 is a recurring expense for 2008 and 2009.

[49] Exhibit PG&E-4, Volume 2, Chapter 14, page 14-15, lines 2 to 13

[50] Data Request ORA-022, question 2h

License fees are paid annually."[51] DRA recommends the one-time expense of $688,000 in 2007 be normalized over the three years of 2007 to 2009. Therefore, DRA recommends a forecast of $295,000 and an adjustment of $459,000 for the "Convert DOD/ILIS to New Web Portal Platform" project for test year 2007.

H. MWC DF – Mark and Locate

PG&E forecasts $31.203 million for MWC DF for test year 2007 which is discussed in Exhibit PG&E-4, Chapter 15. MWC DF is allocated to electric distribution O&M expense at 56% and to gas distribution O&M expense at 44%. PG&E's MWC DF forecast allocates $17.410 million to electric distribution O&M expense. DRA recommends a forecast of $24.7 million or an adjustment of $6.50 million for MWC DF for test year 2007. DRA's MWC DF recommendation allocates $13.780 million or an adjustment of $3.630 million to electric distribution O&M expense. DRA's recommendation for MWC DF is discussed in Exhibit DRA-6.

I. MWC DC – Field Service Dispatch

PG&E forecasts $24.015 million for MWC DC for test year 2007 which is discussed in Exhibit PG&E-5, Chapter 4. MWC DC is allocated to electric distribution O&M expense at 4.46%; to gas distribution O&M expense at 9.67%; and to customer accounts at 85.88%. PG&E's MWC DC forecast allocates $1.069 million to electric distribution O&M expense. DRA recommends a forecast of $16.8 million or an adjustment of $7.2 million for MWC DC for test year 2007. DRA's MWC DC recommendation allocates $748,000 or an adjustment of $321,000 to electric distribution O&M expense. DRA's recommendation for MWC DC is discussed in Exhibit DRA-6.

J. MWC DD – Provide Field Service

PG&E forecasts $78.1 million for MWC DD for test year 2007 which is discussed in Exhibit PG&E-5, Chapter 4. MWC DD is allocated to electric

[51] Data Request ORA-022, question 6b

distribution O&M expense at 33% and to customer accounts expense at 67%. PG&E's MWC DD forecast allocates $25.8 million to electric distribution O&M expense. DRA recommends a forecast of $73.6 million or an adjustment of $4.5 million for MWC DD for test year 2007. DRA's MWC DC recommendation allocates $24.339 million or an adjustment of $1.489 million to electric distribution O&M expense. DRA's recommendation for MWC DD is discussed in Exhibit DRA-6.

K. MWC BI – Maintain Building

PG&E forecasts $27.398 million for MWC BI for test year 2007 which is allocated to electric distribution O&M expense, gas distribution O&M expense, and customer accounts. MWC BI is discussed in Exhibit PG&E-7, Chapter 7. Of the $27.398 million for MWC BI, $18.343 million is allocated to electric distribution O&M expense. DRA recommends a forecast of $9.019 million or $9.324 million less than PG&E's forecast for MWC BI – Electric Distribution O&M expense for test year 2007. Tables 5-13 and 5-14 present PG&E's forecast and DRA's recommendation for MWC BI in two ways - by work activity and by functional area. DRA recommends the time frame to complete PG&E's proposed MWC BI-O&M projects be extended thereby reducing PG&E's annual request by fifty percent.

Table 5-13
MWC BI – O&M - Maintain Building
Comparison of PG&E's Forecast and DRA's Recommendation
Test Year 2007 (Thousands of Nominal Dollars)

Work Activity	PG&E Forecast	DRA Recommendation	PG&E>ORA
Building & Yard Maintenance	$7,447	$3,512	$3,935
Redevelopment/New Construction	$3,625	$838	$2,787
Building Seismic Safety	$3,380	$1,690	$1,690
Americans with Disabilities Act Initiative	$4,717	$2,358	$2,359
Building Permit Initiative	$503	$251	$252
Green Building Initiative	$7,686	$3,843	$3,843
Ergonomic and Replacement Furniture	$40	$20	$20
Total-MWC-BI-O&M	$27,398	$12,512	$14,886

Table 5-14
MWC BI – O&M - Maintain Building
Allocation of PG&E's Forecast and DRA's Recommendation
Test Year 2007 (Thousands of Nominal Dollars)

Work Activity	PG&E Forecast	DRA Recommendation	PG&E>ORA
MWC BI-Electric Distribution O&M Allocation	$18,343	$9,019	$9,324
MWC BI-Gas Distribution O&M Allocation	$7,105	$3,493	$3,612
MWC BI-Customer Accounts	$1,950	$0	$1,950
Total-MWC-BI-O&M	$27,398	$12,512	$14,886

PG&E is requesting $27.398 million in test year 2007 for MWC BI-O&M. The 2004 recorded expense for MWC BI-O&M is $2.361 million. PG&E's 2007 request for incremental funding for MWC BI-O&M is a dramatic increase over 2004 recorded expense. The DRA recommendation is a five-fold increase over the 2004 recorded figure.

The Building and Yard Maintenance category includes project expenses to repair roofs, pavements, building systems, building interiors, building exteriors, fencing, security, landscaping, and an emergency/discretionary fund. Of the $7.447 million for Building and Yard Maintenance, PG&E is requesting $424,000 for an emergency/discretionary fund for unplanned building maintenance. DRA recommends that PG&E's request for the emergency/discretionary fund be denied. PG&E's request for an emergency/discretionary fund is speculative and unsupported.

The Redevelopment/ New Construction category includes project expenses to modify or expand buildings and yards and to construct or lease new buildings and yards to accommodate changing business needs and customer growth. Of the $3.625 million for Redevelopment/ New Construction, PG&E is requesting $1.950 million to improve its dispatch facilities. In Exhibit PG&E-5, Chapter 4, under Gas Field Services and Dispatch Operations, PG&E states "Over the course of the next several years, PG&E anticipates closing the remaining six limited-hour dispatch centers and

reassigning their resources and operational areas of responsibility to Sacramento and Fresno centers."[52] DRA requested that PG&E identify the six dispatch centers that it plans to close during the 2005 through 2009 GRC time frame. PG&E did not provide this information. PG&E responded by stating that "…the information requested by this question is speculative."[53] PG&E does not know which dispatch centers will be closed during the rate case time frame. PG&E has not provided any information to show that the six dispatch centers will be closed between 2007 and 2009. Therefore, DRA questions the funding request for the consolidation effort. DRA is not confident that it will happen before the end of 2009. As such, DRA recommends a reduction of the $1.950 million for MWC BI-O&M-Customer Accounts.

PG&E is requesting $3.38 million to improve the seismic safety of its buildings and $4.717 million to improve disabled access to its buildings. PG&E's efforts to perform seismic work and Americans with Disabilities Act (ADA) work on its buildings are voluntary. PG&E has completed seismic work on over 80 percent of buildings with higher risks of sustaining substantial damage in the event of an earthquake and on over 60 percent of all building that PG&E's Corporate Real Estate manages. Since the effective date of the ADA in 1992, PG&E has taken steps to perform additional ADA compliance work on an ongoing basis in the course of constructing new building or modifying existing buildings. PG&E plans to complete its building seismic safety work and ADA compliance work by 2010.

PG&E is requesting $7.686 million for a "green building initiative." PG&E is responding to California Governor's Executive Order (S-20-04) which encourages business owners to reduce energy consumption 20 percent by 2015. DRA finds this voluntary. PG&E is requesting funds to invest in additional energy and water conservation measures in Company buildings, implementing enhanced recycling,

[52] Exhibit PG&E-5, Chapter 4, p. 4-5, lines 20 to 23
[53] Data Request ORA-048, question 2

waste reduction and environmental stewardship programs, and implementing LEED certification for all new Company buildings and selected existing building.

DRA finds PG&E schedule to complete numerous MWC BI-O&M projects by 2010 too ambitious. Many of these projects are voluntary. PG&E's 2007 request for MWC BI-O&M is a dramatic increase over historical spending. DRA recommends that the time frame to complete these MWC BI-O&M projects be extended to 2014. DRA's recommendation will effectively reduce PG&E's annual request for MWC BI-O&M by 50 percent. In addition, DRA recommends the disallowance of the emergency/discretionary fund of $424,000 and the funds to improve the dispatch facilities of $1.950 million. Even with these adjustments, the DRA forecast represents a very significant increase above past recorded expenses. The adjustments made for MWC BI-O&M are similar to DRA adjustments made in Exhibit DRA-10 under MWC BI-A&G (Corporate Real Estate).