

Economic Impact of PG&E Proposed Generation, Distribution & Related Infrastructure Investments

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1

INTRODUCTION & OVERVIEW OF FINDINGS

1.1 Study Objective

Pacific Gas and Electric Company is embarking on a multi-billion dollar plan to expand and upgrade its generation and distribution infrastructure that provides gas and electric service in northern and central California. The proposed capital investments are intended to meet the growing and evolving needs for gas and electric services by households, businesses and public facilities in its service area. And there are also proposed increases in O&M (operations and maintenance) spending that are intended to maintain the functionality and safety of existing, older facilities. Altogether, the proposed capital and O&M spending totals roughly \$7 billion per year over the 2014-2016 period. This proposed spending will have notable effects on the economy of both PG&E's service area and the broader state of California.

There are several reasons for PG&E to provide an assessment of the economic impact of its proposed generation and distribution investments. In general, this type of analysis serves a public information role, as it shows how PG&E's proposed investments will support local jobs and income -- at a time when local jobs are needed. It also supports PG&E's desire to inform the public and address public interest regarding the economic impact of PG&E investments on the economy of communities. And it can also provide information for the Public Utility Commission regarding the public income value associated with PG&E's program of planned generation and distribution system investments. This can be done by demonstrating that the an increase in customer rates to cover the cost of proposed projects will not necessarily lead to a loss of income for the region, as spending on these facilities can generate economic activity that reverts back to ratepayers in the form of additional jobs and income.

1.2 Distinguishing Benefits and Impacts

Key Concepts. It is important to make a critical distinction between "economic benefits" and "economic impacts" because the two are often confused. In the parlance of benefit-cost analysis, *benefit* represents the economic value that proposed investments will provide to society, which can be compared to the anticipated costs of those investments. Economic *impact*, on the other hand, represents the effect that investments will have on jobs and the flow of money in the economy. The two concepts have very different uses, and while this report focuses specifically on economic impacts, it will be better understood by considering the difference.

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Benefits. From the perspective of benefit-cost analysis, the primary *benefit* of the proposed capital investment and increase in annual O&M (operations and maintenance) spending is the service provided to customers. The proposed investments are needed for two reasons: (1) to upgrade electric generation, as well as electricity and gas distribution systems where needed to meet the growing and changing energy needs of households, businesses and government agencies, and (2) to maintain existing infrastructure and services so that service quality can be kept up or enhanced, while risks of equipment performance failure, accidents and injuries are also reduced.

The nature of the proposed capital investments and increased O&M spending, and the need for them, is set forth by PG&E in its rate case application and supporting documents. The benefit of meeting that need can be valued in dollar terms, but only by considering what would be the likely consequence for households and businesses in northern and central California if such investments were not made. The consequences of failing to invest in adequate infrastructure and its maintenance may, over time, include more frequent electricity blackouts and load curtailments, degraded reliability, and increased likelihood of failures in electric transformers, gas lines or other aging equipment. Such scenarios would add to customer costs and inconveniences, increase health risks and have negative consequences for expanding and attracting business investment in the area.

Benefit-cost comparison is sometimes done when considering alternative ways to meet customer demand, but it is typically not done for rate cases in which the alternatives are merely to pay or not pay for needed investments. First of all, the exact scenario of service shortages and equipment failures that would result from failing to fund needed investments is highly speculative. But more fundamentally, few if any people would want to risk those types of outcomes occurring.

Economic Impacts. The analysis of *economic impacts*, in contrast, focuses on the ways that proposed capital and O&M spending will affect the area economy. These effects are generally measured in terms of income and jobs, and they may be calculated at a local, regional or state level. This type of analysis develops profiles of the proposed spending and traces the ways that it will flow through the economy of northern and central California, while also affecting suppliers elsewhere in California, and flows of business orders out of state.

A key reason for conducting economic impact analysis is that it allows ratepayers and regulators to see how authorized utility spending affects the income of area residents and businesses. Specifically, when utility investments increase ratepayer costs, it can be useful to see the extent to which proposed outlays will return money back to area residents and businesses. The proposed outlays by PG&E represent capital investment and operations spending over the 2014 – 2016, which are roughly 7% higher than current levels.

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This process may be understood by considering an example in which there are two scenarios. One scenario is a public policy that encourages greater retail spending; the other is a program to increase investment in local infrastructure construction. Now the first scenario may encourage residents to spend money on cars, television sets and electronic equipment – which will support some jobs for stores and distributors in California, but also end up supporting a larger number of jobs at manufacturing facilities overseas. The second scenario, on the other hand, will largely fund local construction workers, as well as repair and utility service workers, who will also re-spend a share of their added income buying other local goods and services.

While the preceding example involves an over-simplification of outcomes, it does illustrate the usefulness of calculating economic impacts by showing how different types of policies or programs may lead customers to spend similar amounts of money, yet lead to very different impacts on area jobs and income. And this is particularly useful for rate cases, as it can establish the extent to which spending on utility investments is likely to return jobs and income back to area residents.

1.3 Scope of Study

Program of Spending. This study focuses specifically on calculating the expected economic impacts associated with PG&E's proposed program of additional spending on both capital investments and operations and maintenance (O&M) over the 2014-2016 period. The plan provides for:

- Capital – Investing \$11.949 billion (\$3.983 billion average per year) over the three years, to upgrade and expand electric and gas facilities to serve new customers.
- O&M - Increasing operations and maintenance spending to \$8.173 billion over the three year period. This will pay for ongoing efforts to repair and maintain existing power generation, electricity distribution systems, natural gas distribution systems, safety systems, customer care systems and computer systems.

More details of the proposed investments are provided in Section 2.

Study Area. The analysis in this report focuses primarily on calculating economic impacts on the economy of the PG&E service area, and secondarily impacts on the broader California statewide economy.

The PG&E service area covers 33 counties entirely and 14 counties partially. Of the partially covered counties, many of the areas outside the PG&E region are primarily national forests, wilderness, and rural area. There are a few municipal utilities located in these counties, though PG&E still provides gas service in many cases. The analysis that is reported here covers the entire economy of the PG&E service area.

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Coverage of Economic Impact. There are three key aspects of economic impact, all of which are covered by this report. They are:

- **Direct Spending Effect** - The proposed capital investments for construction of facilities will directly generate additional local construction jobs and income for workers living in the service area (as long as there are workers residing in the area who are available to work on such construction activities). The acquisition of additional generation, distribution and support equipment will also directly generate local jobs and income, to the extent that the equipment is made, distributed and/or installed by local workers. And the proposed increase in operations and maintenance activities will also directly generate local jobs for operations, repair and customer service workers.
- **Indirect Effect** – The direct spending effect leads to a second category of impact. That is the class of jobs and income generated as a result of increased orders for materials and supplies needed by the directly affected construction and equipment producers. (This encompasses jobs and income generated at firms that provide construction materials; manufacture parts needed for building and operating gas and electric equipment; provide parts and material distribution and transportation services; provide ancillary supporting services from banking to forestry; or supply furniture, telecommunications and office equipment.) Of course, these suppliers can be located anywhere in the US or abroad, so only the portion of them located in the study area are to be counted for this analysis.
- **Induced Effect** – Finally, there is the effect of spending by workers who are employed because of direct and indirect effects. As those workers re-spend some of their wages on consumer purchases (of food, retail goods, gasoline, recreation and other products and services), they generate additional business sales and (hence jobs and income) throughout broader segments of the economy. A portion of the affected jobs and income are in the study area.

These three aspects of economic impact are calculated for the PG&E study area and for the rest of California, using the IMPLAN economic model. This is a form of multi-regional input-output economic model that is customized to represent the economies of the specific study areas, and the buy/sell interactions between different industries in different parts of the state. IMPLAN is the most widely used and accepted economic impact model in the United States.

1.4 Summary of Findings

The analysis that is described in this document starts with profiles of the proposed level of capital spending and operations and maintenance spending, by year, over the years 2014-2016. It describes the mix of capital and operations and maintenance spending that is proposed, in terms of business lines. That information is combined with detailed information on past PG&E vendors, as well as national profiles of utility spending, to

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provide a profile of the types of products and services that will be purchased. The analysis shows how the proposed spending will directly provide revenue for construction firms and vendors of equipment and services, and it also shows the portion of those vendors that would be expected to be located within the PG&E service area and elsewhere in California (based on past experience). All of that information was input into the economic impact model to calculate total effects on the economy.

The key finding is that the proposed level of capital spending and operations and maintenance spending will support jobs, income and business sales – both in the PG&E service area and elsewhere in California. Expected impacts are as follows:

- Employment – approximately 30,000 jobs per year in the PG&E service area, and approximately 39,000 jobs per year statewide.
- Labor Income – approximately \$2.4 billion per year in the PG&E service area, and approximately \$3.0 billion per year statewide.
- Value Added (Gross Regional Product) – approximately \$4.8 billion per year in the PG&E service area, and approximately \$5.9 billion per year statewide.
- Business Output (Sales) – approximately \$7.4 billion per year in the PG&E service area, and approximately \$9.0 billion per year statewide.
- State & Local Tax Revenues – an average of \$254 million per year of revenue for government agencies in the State of California.

It is important to note two points concerning interpretation of these results. First, the bullet items represent different ways of viewing the same economic impact, and hence they cannot be added together. Second, the job numbers are not cumulative, i.e., they reflect the number of jobs supported by the spending occurring in each year.

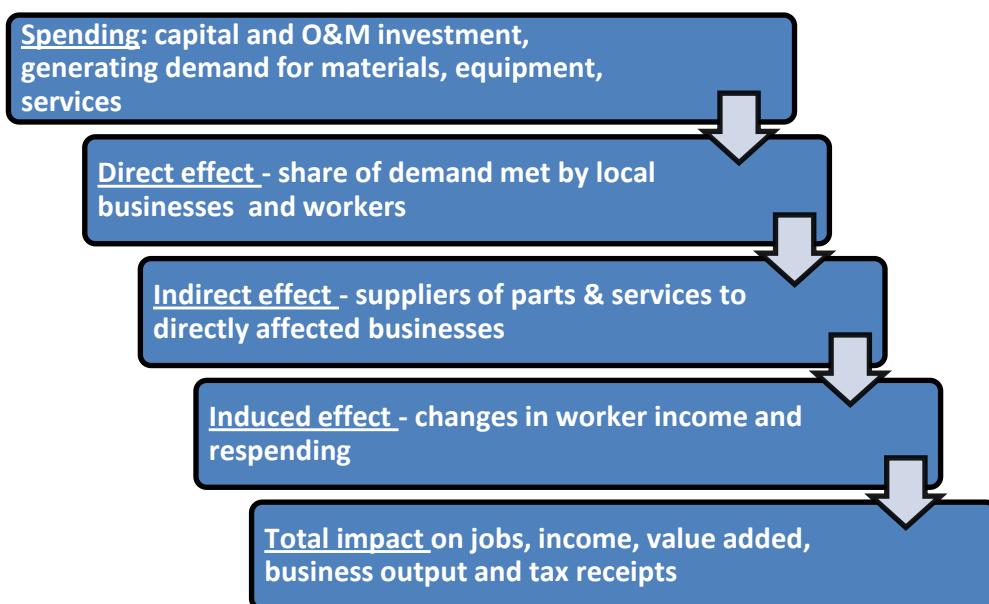
Altogether, the proposed new levels of capital spending and operations and maintenance spending totals \$20.1 billion over three years. The economic analysis indicates it will lead to \$27.0 billion of additional business sales within the state of California, of which \$22.1 billion will occur in the PG&E service area. A portion of that added business sales will represent added worker income and net corporate income. So while money is required from ratepayers to fund these electric and gas system improvements, money will also be flowing back to local businesses, generating local jobs and income. Further discussion of the interpretation of these numbers is provided at the end of this report.

2

ANALYSIS METHODOLOGY

2.1 Steps in the Analysis Process

Elements of Dollar Flow. The analysis of economic impacts traces the flow of dollars from PG&E capital and operations spending to various types of business activity that provide jobs and income for area residents. The flow of money includes the following elements



Analysis Steps. To trace these dollar flows, the project team conducted the following analysis steps:

- 1) Develop a profile of the level of proposed capital investment by year.
- 2) Segment the capital investments (by year) into PG&E lines of business (generation, electric distribution, gas distribution, customer care and misc./common activities).
- 3) Distinguish different patterns of spending by lines of business. To accomplish this, leverage available data on the top 200 projects to extract more detailed patterns of spending on different types of equipment, materials, construction, and contractor services.
- 4) Apply a “bridge” translating data on spending budget categories into the corresponding industry purchase sectors of the IMPLAN economic model (aggregated to the 3-digit NAICS scheme, representing 86 sectors).

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- 5) Develop estimates of the portions of PG&E contractor and supplier purchases that typically go to businesses located in the PG&E service area, in rest of California, and out of state. Utilize data on prior and recent PG&E purchasing patterns and vendors to make these distinctions. Apply this data as input to each of two IMPLAN models: one for the 47-county PG&E territory, and another for the balance of California economy. Repeat the process for each year.
- 6) For operations and maintenance budgets (O&M), they are input into the IMPLAN model by assuming that it follows the same purchasing pattern as would be achieved from additional electric and gas utility production.

2.2 Profile of Capital Investments

PG&E's plans for capital investment calls for nearly \$12 billion of spending to expand and enhance its gas and electric generation, distribution and related infrastructure systems. (The O&M spending is discussed later, in Section 2.3.) This capital spending is to be distributed by year, as shown below.

PROPOSED LEVEL OF CAPITAL SPENDING BY YEAR

Year	Capital Budget
Year 2014	\$ 3.963 billion
Year 2015	\$ 4.024 billion
Year 2016	\$ 3.962 billion
Total: Three Years	\$ 11.949 billion

Source: PG&E

These levels of capital investment will fund the start of some new projects and the continuation and completion of some previously started projects. Altogether, the capital spending will be distributed among PG&E's major business lines as in the table that follows.

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ALLOCATION OF PROPOSED CAPITAL SPENDING BY BUSINESS LINE

Types of Capital Investment	2014	2015	2016
Electric Distribution	44.6%	45.4%	48.2%
Gas Distribution	21.2%	21.3%	19.7%
Energy Generation and Procurement	17.7%	17.8%	17.5%
Customer Care	4.8%	4.2%	4.1%
Common (IT, shared services)	11.7%	11.3%	10.4%
Total	100%	100%	100%

Source: PG&E

These business lines include the following types of purchases:

- Electric Distribution – lines (wires), poles, insulators, substations, transformers, regulators, control equipment and consulting specialists;
- Gas Distribution – structures, pipes, controls, construction supplies, building management systems;
- Energy Generation and Procurement – hydropower dams, waterways, generating turbines & other equipment, nuclear power generation equipment, fossil fuel power plants and parts; also energy procurement from other generators;
- Customer Care – communications, signals, computer systems, office equipment;
- Common (IT, shared services) – computers, communications, electronics, telecom.

To appropriately represent the mix of various labor, materials and services purchased, the research team obtained a detailed profile of budgets for PG&E's top 200 planned projects, which spanned all lines of business and included: 101 generation projects, 53 major electric distribution projects and 17 major gas distribution projects, along with 7 projects to enhance customer care facilities and 22 for various common needs (mostly information technology and corporate service facilities). The table that follows shows the spending elements that account for 90% of the cost for generation and distribution facilities.

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CAPITAL SPENDING PROFILES (Top 200 Projects)

Electric Generation	Electric Distribution	Gas Distribution
Contract: Facilities Installation	Contract: Facilities Installation	Applicant Installed Facilities
Engineering & Design	Electric Construction Contract	Contract: Facilities Installation
Consulting Services – Misc.	Software Licenses	Gas & Water Specialties
Power Plant Specialties	Conductors, Wires, Connectors	Paving Contracts
Software Licenses	Communication & Signaling Eq	Electrical Specialties
Transformers, Switches	Electrical Specialties	Measuring Instruments
Measuring Instruments	Transformers, Switches	Communication & Signaling
Consulting: Engineering	Engineering & Design	Pipes, Connectors
Communication & Signaling	Telecom Equipment	Construction Supplies
Generators, Motors, Controls	Consulting: Engineering	Gas Construction Contract
Electrical Specialties	Fabricated Structures	Consulting Services
Engines, Turbines	Computers & Parts	Fabricated Structures
Construction Supplies	Poles, Insulators & Hardware	Engineering & Design
Conductors, Wire, Connectors	Elect & Electronic Equipment	Project Management Fees
Regulators, Capacitors	Generators, Motors & Controls	Pump, Compr, Cooling Tower

2.3 Profile of O&M Spending

PG&E's plans also call for additions to its operations and maintenance (O&M) spending over the 2014-2016 period. That amount is to be spent over time, as shown below.

PROPOSED O&M SPENDING BY YEAR

Year	Total Revised O&M Budget
Year 2014	\$ 2.652 billion
Year 2015	\$ 2.727 billion
Year 2016	\$ 2.794 billion
Total: Three Years	\$ 8.173 billion

Source: PG&E

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These levels of O&M spending will fund the start of some new projects and the continuation and completion of some previously started O&M projects. Altogether, the O&M spending will be distributed among PG&E's major business lines as shown below.

ALLOCATION OF PROPOSED O&M SPENDING, BY BUSINESS LINE

O&M Spending by Line of Business	Share
Electric Distribution	23.6%
Gas Distribution	17.6%
Power Generation and Procurement	27.8%
Customer Care	17.4%
Common (IT, Shared Services)	13.6%
Total	100%

Source: PG&E

The profile for electric and gas utility operations reflects the national average labor mix of utility staff and contractors, as well as the national average mix of purchases for repair and replacement parts and services. That profile, embedded in input-output economic tables, was assumed to also hold for this study.

2.4 Translation of Spending to Economic Purchases

The specific business lines and spending profiles that were identified in Sections 2.2 and 2.3 represent various forms of spending (e.g. equipment, part and materials, contracted installations, staff augmentation, consultants, licenses, management fees) as well as various types of products purchased (e.g., turbines, poles, wires, pipes, transformers). All have to be translated into industries (or economic sectors). Key economic sectors that were input to the IMPLAN model are shown in the table that follows, sorted by relative magnitude of dollar flow (largest on top).

While construction (for both new facilities and upgrading of existing facilities) is typically carried out by 100% by workers living in the region, suppliers of parts and materials (vendors) may be located anywhere. Accordingly, the research team analyzed PG&E's past vendor purchasing patterns. The analysis showed that 61% of vendor purchases were from suppliers located in California. Economic profiles contained in the IMPLAN model were further used to estimate that, of the California suppliers, it is likely that approximately 43% would be located within the 47-county PG&E service area and 57% located elsewhere in California. Combining the wage and vendor spending, roughly 70% of the total direct spending is expected to flow to recipients in the PG&E service area.

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ECONOMIC SECTORS RECEIVING INCOME FROM DIRECT CAPITAL INVESTMENT

BEA Sector	NAICS Sector	INDUSTRY
34	230	Infrastructure Facilities Construction: Electric & Gas
367	541	Professional scientific & tech services
259	335	Electrical equipment & components
234	334	Computer & other electronic equipment
353	519	Communications & other info technologies
203	333	Machinery manufacturing
305	339	Miscellaneous specialty products manufacturing
411	562	Waste management & remediation services
323	444	Building materials
31	221	Utilities – licenses, permits, mgmt operations
382	561	Administration of facilities & construction
1381	551	Management of land
341	511	Publishing & information dissemination
351	517	Telecommunications
352	518	Internet & data process services
414	811	Repair & maintenance
319	42	Wholesale trade
340	493	Warehousing & storage
320	441	Motor vehicle & parts dealers
335	484	Truck transportation
362	532	Rental & leasing services
113	323	Printing & related services
295	337	Furniture & related prod
120	325	Chemical manufacturing
19	115	Forestry services
259	335	Electrical equipment & components

3

OVERALL RESULTS

3.1 Impact on the Economy

The IMPLAN model calculates the effect of spending on each of the three rounds of economic impact: direct, indirect and induced. The calculation of total impacts is shown below. The total impact can be viewed in several different ways:

- In terms of business “output” -- the dollars of business orders or business sales that are generated in the PG&E service area (or rest of state) as a consequence of the PG&E spending. It is expressed in nominal terms, which means that values in different years are not adjusted for inflation.
- In terms of “value added” -- the portion of business output that is paid as worker income, or else retained as net business income to be reinvested in business growth or distributed to owners. (This also represents “gross regional product.”)
- In terms of “labor income” -- the portion of value added that is paid as wages to workers.
- In terms of jobs supported by the value added and worker income.

All four measures represent different perspectives for viewing the same economic impacts. The output, value added and income dollar values cannot be added together because they are all portions of each other.

The pages which follow show the total economic impacts of capital and O&M spending (part A) and then the impacts for just capital investment (part B) and O&M spending (part C). Each table shows impacts for the PG&E service area, for the rest of California, and for the state as a whole for the period of 2014 – 2016. Altogether, these results indicate that the proposed program of spending will support:

- Employment – approximately 30,000 jobs per year in the PG&E service area, and approximately 39,000 jobs per year statewide.
- Labor Income – approximately \$2.4 billion per year in the PG&E service area, and approximately \$3.0 billion per year statewide.
- Value Added (Gross Regional Product) – approximately \$4.8 billion per year in the PG&E service area, and approximately \$5.9 billion per year statewide.
- Business Output (Sales) – approximately \$7.4 billion per year in the PG&E service area, and approximately \$9.0 billion per year statewide.

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ECONOMIC IMPACTS OF PROPOSED PG&E SPENDING, 2014-2016

(A). Impact of Combined Capital Investment and O&M Spending (\$ millions)

Jobs	2014	2015	2016
PGE Territory	30,600	29,873	29,060
rest of California	9,309	9,541	9,639
State-wide	39,909	39,414	38,699
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Labor Income (\$mil)	2014	2015	2016
PGE Territory	\$2,441	\$2,424	\$2,426
rest of California	\$587	\$614	\$651
State-wide	\$3,028	\$3,039	\$3,077
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Value Added (GRP, \$mil)	2014	2015	2016
PGE Territory	\$4,953	\$4,889	\$4,932
rest of California	\$965	\$1,014	\$1,053
State-wide	\$5,918	\$5,903	\$5,984
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Output (\$mil)	2014	2015	2016
PGE Territory	\$7,458	\$7,358	\$7,369
rest of California	\$1,543	\$1,635	\$1,697
State-wide	\$9,000	\$8,993	\$9,066

Source: Calculations by EDR Group, based on IMPLAN model and PG&E planned spending

(B). Impact of Capital Investments only (\$ millions)

Jobs	2014	2015	2016
PGE Territory	21,711	21,443	20,658
rest of California	9,050	9,307	9,447
State-wide	30,761	30,750	30,105
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Labor Income (\$mil)	2014	2015	2016
PGE Territory	\$1,479	\$1,494	\$1,476
rest of California	\$571	\$603	\$627
State-wide	\$2,050	\$2,097	\$2,103
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Value Added (GRP, \$mil)	2014	2015	2016
PGE Territory	\$2,210	\$2,234	\$2,216
rest of California	\$937	\$987	\$1,025
State-wide	\$3,147	\$3,221	\$3,241
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Output (\$mil)	2014	2015	2016
PGE Territory	\$3,810	\$3,861	\$3,824
rest of California	\$1,494	\$1,588	\$1,649
State-wide	\$5,303	\$5,449	\$5,473

Source: Calculations by EDR Group, based on IMPLAN model and PG&E planned spending

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(C). Impact of O&M Spending only (\$ millions)

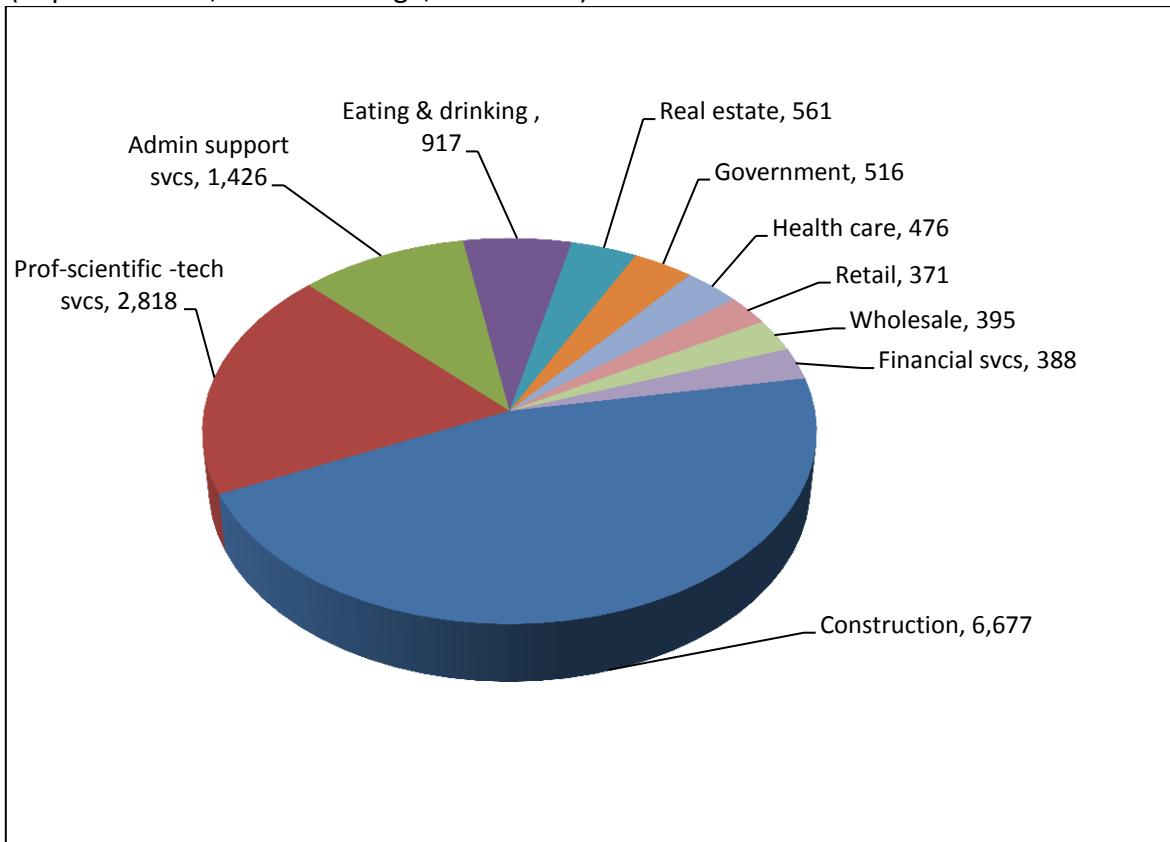
Jobs	2014	2015	2016
PGE Territory	8,889	8,430	8,402
rest of California	259	234	192
State-wide	9,148	8,664	8,594
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Labor Income (\$mil)	2014	2015	2016
PGE Territory	\$962	\$930	\$950
rest of California	\$16	\$12	\$24
State-wide	\$978	\$942	\$975
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Value Added (GRP, \$mil)	2014	2015	2016
PGE Territory	\$2,743	\$2,654	\$2,716
rest of California	\$28	\$27	\$28
State-wide	\$2,771	\$2,682	\$2,743
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Output (\$mil)	2014	2015	2016
PGE Territory	\$3,648	\$3,498	\$3,545
rest of California	\$49	\$47	\$48
State-wide	\$3,697	\$3,544	\$3,593

Source: Calculations by EDR Group, based on IMPLAN model and PG&E planned spending

The overall job impacts span all sectors of the California economy, as shown in the pie chart which follows. The largest shares of local jobs are in construction and professional, technical and scientific occupations. There are also various jobs in support services, wholesale, finance, retail and food services as a result of indirect (supplier) and induced (consumer re-spending) effects.

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JOB IMPACTS OF PG&E CAPITAL SPENDING ON THE PG&E SERVICE AREA, BY SECTOR (Top 10 Sectors, annual average, 2014-2016)



3.2 Impact on Tax Revenues

The IMPLAN also calculates the state and local tax revenues that follow from the changes in business sales and household income levels. Results are summarized in terms of four categories:

- Personal income tax revenues – which occur as a result of changes in labor income;
- Sales tax revenues – which occur as a result of changes in sales (output) of taxable products;
- Corporate tax revenues – reflecting net business income (profit) which occur as a result of changes in total business sales (output);
- Other taxes – including local property taxes and state social insurance payments, as well as a variety of licenses and fees paid by households and businesses.

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The table which follows shows the added tax revenues that flow as a consequence of the projected PG&E capital spending. (Other levels of tax revenues would result if the money is spent in other ways.) Overall, the proposed increases in PG&E budgets would be expected to generate in the range of \$250 to \$257 million of revenues flowing to state and local governments in California.

**State and Local Tax Revenues Flowing as a Consequence of the
Proposed Change in PG&E Capital Spending (\$ millions)**
(Statewide total including PG&E Area and Rest of State)

Category of Tax	2014	2015	2016
Personal Income Tax	\$ 75.8	\$ 77.5	\$ 77.7
Sales Tax	\$ 61.7	\$ 63.3	\$ 63.4
Corporate Income Tax	\$ 17.2	\$ 17.6	\$ 17.9
Other Taxes	\$ 95.2	\$ 97.6	\$ 97.8
Total State & Local Taxes	\$ 250.0	\$ 256.0	\$ 256.9

3.3 Interpretation of Results

The findings of this study have several implications.

Total State Impact (Gross Effect). While PG&E's proposed capital investment and O&M spending is based on customer and broader public need for energy, there will also be notable effects on the state economy. This will occur because essentially all of the workers and over half of the suppliers will be based in California. And some of this money will recirculate within the state, as the workers re-spend a share of their income on local purchases of consumer goods and services. So while roughly \$20.1 billion of spending is proposed over the three-year period, the economic analysis indicates that \$27.0 billion of additional business output (sales) will ultimately result within the state of California.

Relationship of PG&E Regional Impact to Statewide Impact. Of the \$27.0 billion of impact on statewide business output, roughly \$22.1 billion of it will result within the PG&E service area. This means that money is coming out of the pockets of ratepayers to fund these electric and gas system improvements, though money will also be coming back into their pockets. While a portion of the PG&E spending ends up supporting businesses located elsewhere in the state, it is also important to note that this flow of money works both ways. In other words, while some of the PG&E spending goes to suppliers located in the service area of Southern California Edison and other California utilities, it is also likely that some of the spending by those utilities ends up supporting specialized suppliers based in the PG&E service area.

Economic Impact of PG&E Proposed Generation & Distribution Investments

Incremental Impacts. PG&E has proposed to increase its capital investment and operations spending over the 2014 – 2016 to levels that are roughly 7% higher than current levels. The analysis reported in this document shows how the proposed spending affects the regional and state economy. Those effects do not necessarily indicate new jobs, insofar as other ways of spending the money will also have some economic impact. However, not all forms of spending have equal impacts. In general, those forms of spending that rely largely on local workers (such as utility operations and facilities construction) or that rely on locally-provided products or services (such as equipment repair and installation) tend to have the largest effects on local economies because a high share of the workers and suppliers are local. And in this respect, it is reasonable to conclude that the PG&E spending program achieves a higher rate of positive economic impact than forms of consumer spending that go to purchase goods manufactured elsewhere in the US or abroad.