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# **Ratemaking Issues Relating to Pacific Gas and Electric Company's Pipeline Safety Enhancement Plan**

**Rebuttal testimony of  
William B. Marcus**

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**California Public Utilities Commission  
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**CALIFORNIA PUBLIC UTILITIES COMMISSION  
RULEMAKING 11-02-019  
REBUTTAL TESTIMONY OF WILLIAM B. MARCUS**

**Q Have you previously filed testimony in this case, Mr. Marcus?**

A Yes.

**Q What is the purpose of your rebuttal testimony?**

A I respond to testimony of Mr. Beach on behalf of the Northern California Indicated Producers on cost allocation.

**Q What did Mr. Beach propose?**

A He proposed an allocation methodology similar to that of SoCal Gas, based on equal percentage of authorized transportation margin (“EPAM” the sum of transmission and distribution rates) – thereby charging the preponderance of the transmission system safety costs to the core. He claims that safety benefits “all customers equally,” and that most of the actual structures close to transmission pipelines likely belong to core customer, so that users of the transmission system should not pay to make their own system safe.

**Q What is your evaluation of this proposal?**

A If PG&E had kept proper records and done proper tests in the first place and done the work on system replacement that was forecast under previous Gas Accord cases, any capitalized costs of these activities would clearly be part of PG&E’s transmission rates today and any expensed costs since Gas Accord I would have been part of PG&E’s past transmission rates. There could have been no complaining by non-core customers that it is somehow unfair to have the original costs of a proper past maintenance program included in Gas Accord transmission rates.

The only difference now is that we have a proposed crash program to get the transmission system up to standard. But the work still involves transmission pipelines. It doesn’t involve any low pressure distribution lines on city streets, service mains for small customers, or meters. The costs are related solely to transmission and should be



**Q What is your conclusion on this issue?**

A The assignment of all transmission safety costs to transmission users is completely appropriate. Any attempt to assign these costs using a metric like EPAM that includes distribution is contrary to the unbundling of transmission that has been in place since Gas Accord I. The Commission should therefore adopt PG&E's cost functionalization and allocation method, with the one modification proposed by TURN - to functionalize computer hardware and software asset management costs by total miles of line.

**Q Does this complete your reply testimony, Mr. Marcus?**

A Yes, it does. Thank you.