

From: Steingass, Joyce
Sent: 4/24/2012 11:31:49 AM
To: Yura, Jane (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=JKY1);
Steingass, Joyce (joyce.steingass@cpuc.ca.gov)
Cc:
Bcc:
Subject: RE: TIRF mechanism from Massachusetts

P.S., I forgot to mention that typically the ratepayer advocate would expect a corresponding DECREASE in the gas corporation cost of capital, due to the below mechanism, because of the reduction in business risk granted to the Utility.

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From: Steingass, Joyce
Sent: Tuesday, April 24, 2012 11:29 AM
To: Yura, Jane
Subject: TIRF mechanism from Massachusetts

Jane,

Because I need to include descriptions of how other states evaluate safety performance in my Assembly Bill AB-1456 analysis (due tomorrow), I looked up the Massachusetts examples from yesterday.

I think New York and Massachusetts each have some form of evaluation of safety performance during their General Rate Cases.

I found the Decision that deals with the Targeted Infrastructure Recovery Factor TIRF (Lisa Hurley pronounced it as "TURF") see page 61 of this huge 600 page decision.

<http://www.env.state.ma.us/dpu/docs/gas/10-55/11310dpuord.pdf>

When I was a ratepayer advocate, I was successful in persuading the Judge that this type of regulatory mechanism is not appropriate for a future Test Year water utility, however, California decided to “pilot” a Distribution Infrastructure surcharge (DSIC) anyway. We loaded it up with excessively administratively burdensome consumer protections, and as a result, no water utility wants to have a DSIC in California presently.

However, it could be possible that some formulation of a TIRF-like mechanism COULD be helpful in the natural gas utilities in California if specially designed to fix some of the practices that don’t work effectively, or, as protective measures to ensure gas corporations spend as allocated, or, alternatively, to allow recovery for costs above and beyond the authorized revenue requirement, for specific types of safety related issues.

This is my personal opinion and not that of the CPUC. I think parties to the R.11-02-019 ought to collaboratively do “pros and cons” on these types of regulatory mechanisms and develop a unified exhibit with a recommendation to Judge Bushey. But, that is just one idea...

Thanks,

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