

# Raising Standards for Safe, Reliable, Affordable and Customer-Centric Gas and Electric Service

2014 General Rate Case







# Raising the Bar for the Future

“We are approaching our business – and this General Rate Case – with the recognition that we must set a new and higher bar for the future... providing safe, reliable, affordable, customer-focused gas and electric service.”

- Chris Johns, President, Pacific Gas and Electric Company



# Safety is the centerpiece of everything we do

- In the past, we have said “safety is part of everything we do.” We’re now making it clear that safety is at the *center* of everything that we do.
- Safety is our overriding priority – personal safety of customers, the general public, our employees and the environment.
- We’ve already made much progress, and we’re looking to keep our momentum going.
- Our goal is to be an industry leader in safety and reliability. The planned improvements covered by our request will be critical to accomplishing this goal.
- The following pages provide an overview to our 2014 General Rate Case.



# PG&E's focus is on investing in safety, reliability and customer service.

## SAFETY IS THE CENTERPIECE

just a part of everything we do; it is the centerpiece of everything we do. Every dollar we invest, we do so considering how it supports safety, reliability,

## INCREASING TRANSPARENCY

level of transparency. We support the CPUC hiring technical experts to review our request. Separately, PG&E will proactively provide regular public

## RAISING THE BAR ON OPERATIONAL PERFORMANCE

• We are incorporating industry best practices for operational performance, and we will continue to measure and publicly report on our progress

## INVESTING IN CALIFORNIA

will assure a sound, modern infrastructure that will enable California's continued economic growth. That's important, as California must have a

## ENSURING AFFORDABILITY

of keeping rates affordable, and in every part of our business the utility makes gaining cost-efficiencies a top priority. Even with this request, our typical

key objectives.

in the 21<sup>st</sup> century.

averages.

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## How are utility rates set?

- PG&E's electric and natural gas rates are the way the utility collects revenues from customers to pay for a wide range of business operations.
  - Electric rates include revenues needed for electric distribution and transmission as well as power purchasing and power plant costs.
  - Natural gas rates include revenues needed for natural gas purchasing and to pay for infrastructure such as pipelines.
  - Both types of rates also include revenues needed to pay for public purpose programs such as low-income and energy efficiency programs and a return for investors' investment in PG&E's infrastructure.





# What is the General Rate Case?

- Whenever PG&E needs to make rate changes, it makes a proposal to the California Public Utilities Commission (CPUC).
- The General Rate Case is the primary regulatory process filed every three years with the CPUC to request funding for electric and gas distribution and utility-owned generation costs.
  - It provides a detailed projection of how PG&E will structure its operations and make investments for the next three years.
  - PG&E's GRC proposal is reviewed in a public process, after which the CPUC then makes a decision on what is reasonable for customers to pay in rates.
  - The GRC is publicly available to ensure transparency and opportunity for public involvement.
  - Funds provided through the GRC account for almost 40% of PG&E's overall cost of providing service.
- PG&E also files a Gas Transmission and Storage Rate Case (GT&S) with the CPUC every four years to request funding for natural gas transmission and storage operations.



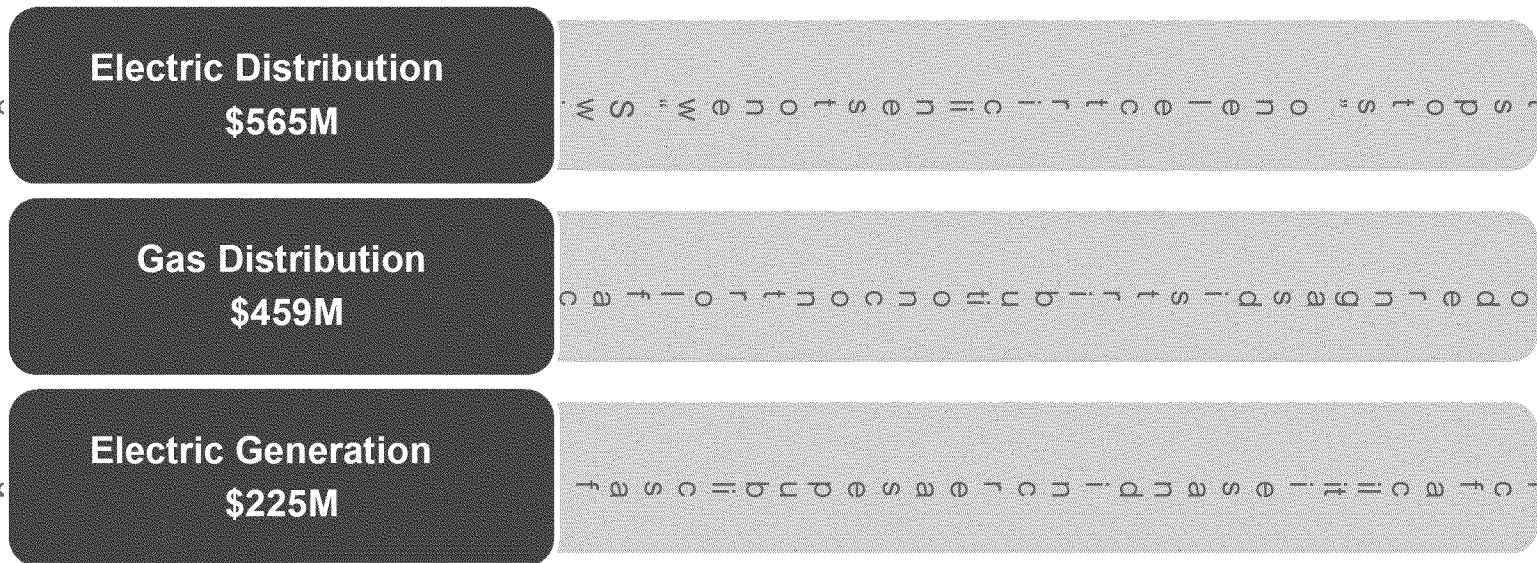
## This GRC is instrumental to PG&E efforts to build for the future.

- PG&E is in the process of turning around the company, an effort that involves the entire business, and this rate case is an important part of our effort.
- “Good enough” is no longer good enough, especially for safety, reliability and customer service.
- The GRC will help ensure that PG&E has the resources to build on the improvements we are making today.
- This funding request reflects PG&E’s commitment to provide its customers with safe, reliable and affordable service, backed by exceptional customer service.
- We’re building a safer and more reliable energy system that our customers and communities can depend on, and that will continue to help California businesses remain competitive on a national and global scale.



# Rate increases are needed to operate, maintain and invest in the new PG&E for our customers.

- PG&E's 2014 request is for an increase in funding of \$1.25 billion in 2014 over currently authorized levels, followed by additional increases of about \$500 million in 2015 and 2016 to account for additional infrastructure improvements and increased costs of labor, materials, supplies and other expenses.
- Summary of proposed 2014 increase by business:



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## PG&E recognizes the importance of affordable service.

Proposed funding would result in improved safety and reliability with minimal increases in residential electric and gas bills:

- **Residential Electric:** If approved, electric bills for the typical residential customer would increase less than \$5 per month, to about \$95 per month.
- **Residential Gas:** If approved, gas bills for the typical residential customer would increase less than \$7 per month, to about \$53 per month.

Even with these increases, PG&E's typical residential electric and gas bills are below national averages of \$108 and \$65 per month, respectively.



## GRC investments will lead to \$9 billion economic impact per year

The proposed infrastructure spending and operations and maintenance spending will support jobs, income and business sales, both in the PG&E service area and elsewhere in California, projected to have a \$9 billion economic impact per year.

Expected impacts are as follows:

- **39,000 - 40,000 JOBS IN CALIFORNIA** supported by the proposed program of spending
- **\$3.0 - \$3.1 BILLION PER YEAR IN WAGES** for California workers as a result of proposed program of spending
- **\$685 MILLION PER YEAR IN STATE AND LOCAL TAX REVENUE** generated as a consequence of the added worker income and business sales

*Source: Economic Development Research Group June 2012 report titled "Economic Impact of PG&E Proposed Generation, Distribution and Related Infrastructure Investments"*



## **GRC will fund investments that improve safety, customer service and reliability.**

- Assure a high level of public safety in the operation of its gas and electric facilities
- Upgrade the efficiency of electric and gas distribution to more than 15 million customers, including residences, commercial and industrial facilities, agriculture, public transit districts and local, regional, state and federal government facilities
- Improve electric and gas distribution safety and reliability
- Implement new safety regulations for both hydroelectric and nuclear power generating facilities
- Invest in technology infrastructure, focused on system automation and cyber security
- Improve customer service including increased information about gas and electric safety and reliability programs
- Deploy new technology to detect gas leaks and provide improved customer service response time
- Build and operate a modern gas distribution control facility to monitor and manage the entire gas distribution system



# Independent Audit to Evaluate GRC Merits

- This rate case will set a new standard for transparency. For the very first time, the 2014 General Rate Case will be subject to the technical review and analysis of independent experts hired by the CPUC.
- PG&E believes that the involvement of the independent experts will increase CPUC and public confidence in the merits of the plan presented in the rate case to provide for safe and reliable operations of the system.
- PG&E will also publicly report ongoing progress from 2014-2016 on objectives and commitments so that both the Commission and the public will know how the utility is meeting key objectives.





# Gas Operations

“My plan to improve our gas business... emphasizes the development of clear processes designed to create accountability as well as transparent performance metrics so that PG&E, the Commission and the public can evaluate how we're doing.”

- Nick Stavropoulos, Executive Vice President, Gas Operations

### Investing in our Communities

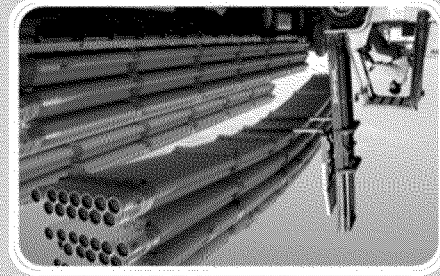
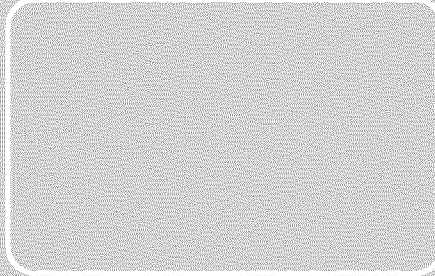
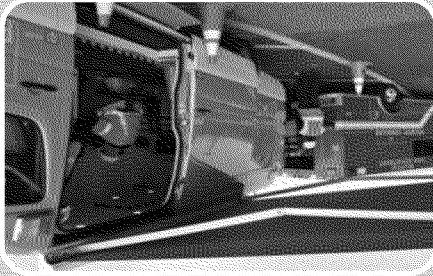
- Enhancing public awareness and providing Emergency Response training to local first responders (police and firefighters).

### Detecting Leaks

- Treating all odor complaints as immediate response calls.
- Surveying all distribution pipelines every three years instead of five years
- Survey high-risk distribution lines for leaks each year
- Launching “Picarro Surveyor” leak-detection technology 1000X more sensitive than previous tools

### Repairing and Replacing Distribution Pipelines

- Increasing replacement rate for older distribution piping systems and the repair of non-hazardous lines by 6X – from 30 miles/year to 180 miles/year.



Customer rates fund gas operations investments in people, systems and distribution operations





# Gas Operations will build a new Gas Distribution Control Center.

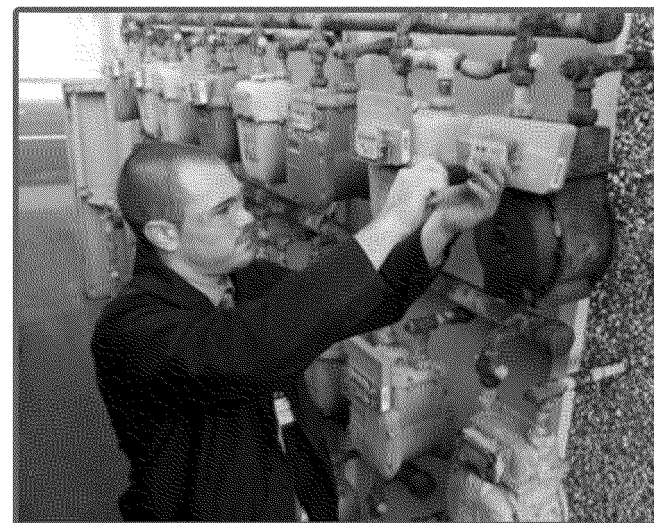
## Gas Distribution Control Center

- Enables proactive monitoring and management of entire gas distribution system
- Co-located with transmission control center and emergency gas dispatch to allow greater visibility into, and control over, the gas distribution center



## Gas Operations will construct a robust distribution asset management system.

- “Pathfinder” gas distribution asset management system will improve the accessibility, quality and type of system data to provide detailed, accurate information about the distribution system
- It will track and monitor location, connectivity, specifications and maintenance and inspection history of materials
- PG&E will seek third-party industry certification of its asset management system, known as PAS 55
- This certification process includes initial assessment and audit followed by recurring annual audits, conducted by third-party experts, as part of a transparent and sustainable process to reduce risk







## GRC is different from PSEP

- PG&E previously requested funding for 2012 through 2014 for a broad program to enhance gas system safety through its Pipeline Safety Enhancement Plan (PSEP), which was submitted earlier this year at the request of the CPUC.
- PSEP would fund improvements to comply with new regulatory standards in the Company's gas transmission business, which are financed separately from the programs for which PG&E is requesting funds in its GRC.
- Revenues generated through the GRC cover PG&E's costs of gas distribution, not gas transmission.
- Gas transmission lines are higher pressure lines that carry larger quantities of gas from the supply source to communities. Gas distribution lines are lower pressure lines that carry gas to homes and businesses. If the Pipeline Safety Enhancement Plan is approved, the typical residential gas customer's bill would increase less than \$2 per month.



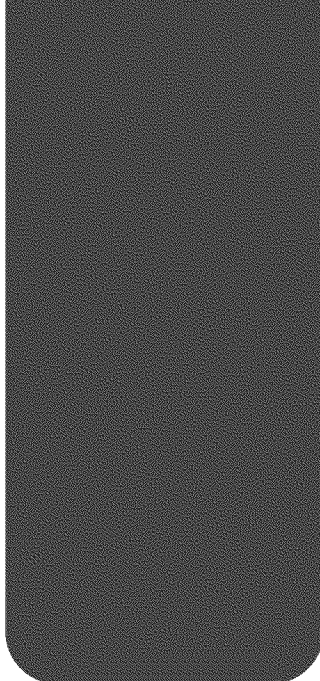
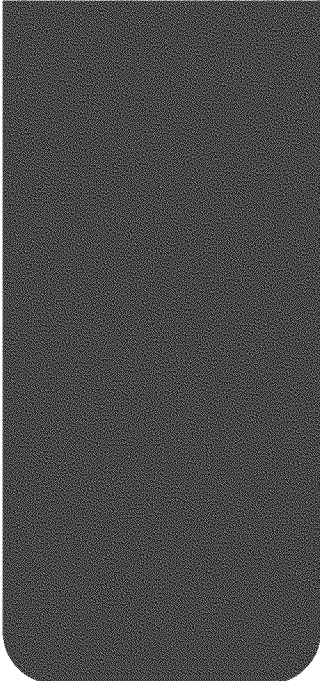
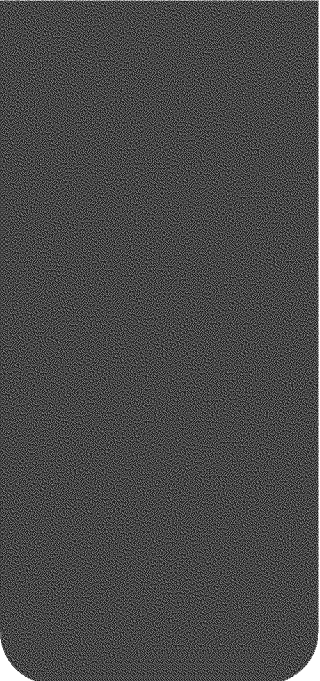
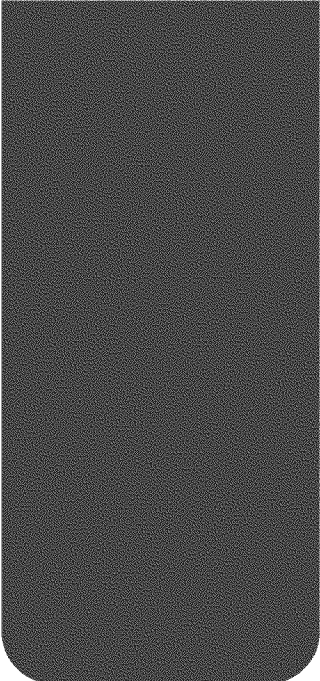
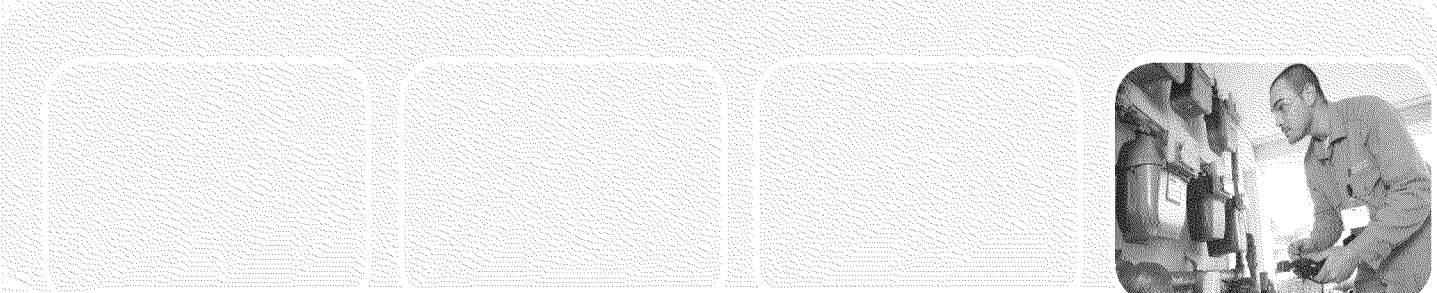
# Electric Operations

“When it comes to safety, the bar must be set high. Electric Operations has renewed its commitment to maintain safety as the primary objective in everything it does.”

- Geisha Williams, Executive Vice President, Electric Operations



# Customer rates fund electric operations investments in safety and reliability.



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# Technology will enable Electric Operations' success.

- **Electric System Operations** ranging from infrared sensors to identify “hot spots” on electric lines before equipment failure, to new “Swiveloc™” manhole covers able to vent smoke and pressure and lock in place
- **Asset and Records Management** digitizing paper records and mapping asset location
- **Design and Work Management** accelerating transition from paper-based work planning and customer service







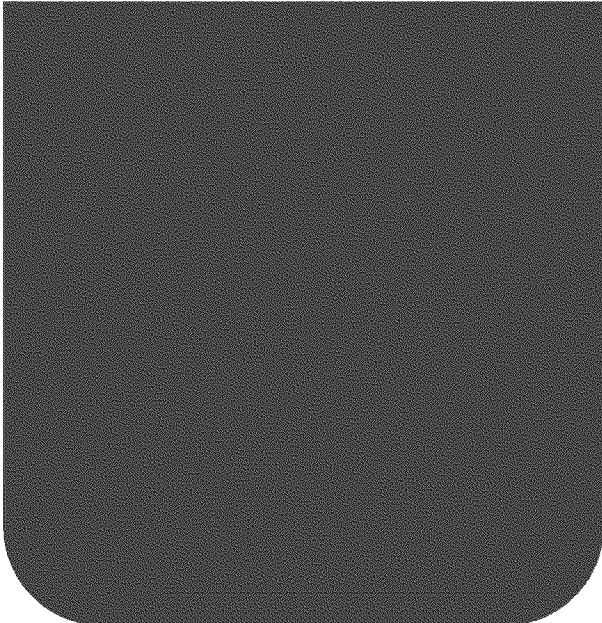
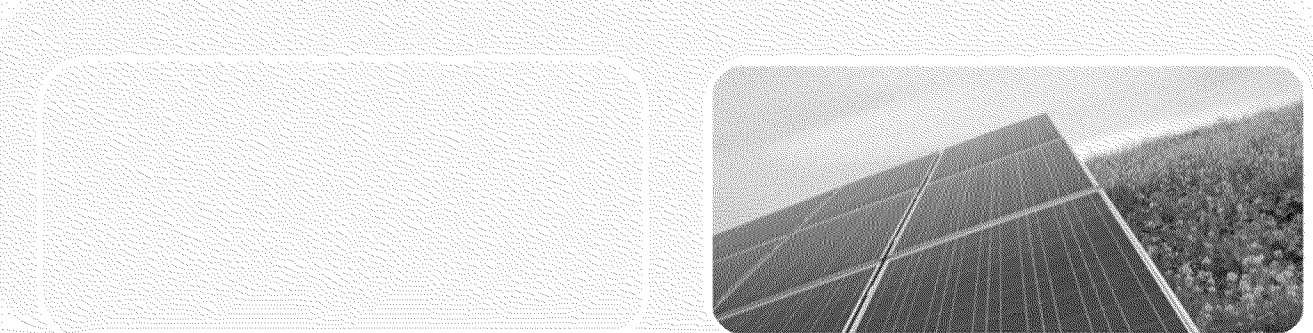
# Energy Supply

“The ES organization’s objective is to...ensure a safe, reliable, affordable, and environmentally sound supply of energy for its customers.”

- John Conway, Senior Vice President,  
Energy Supply and Chief Nuclear Officer



# Energy Service Goals and Initiatives Focus on Reliable, Clean Energy.



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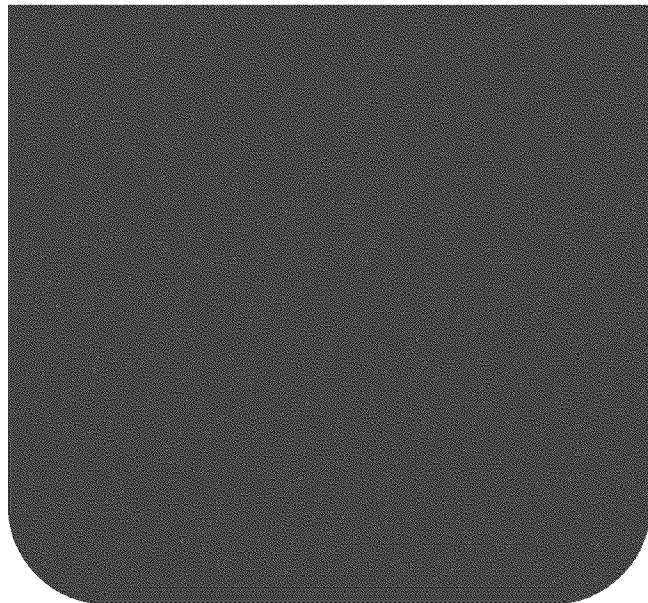
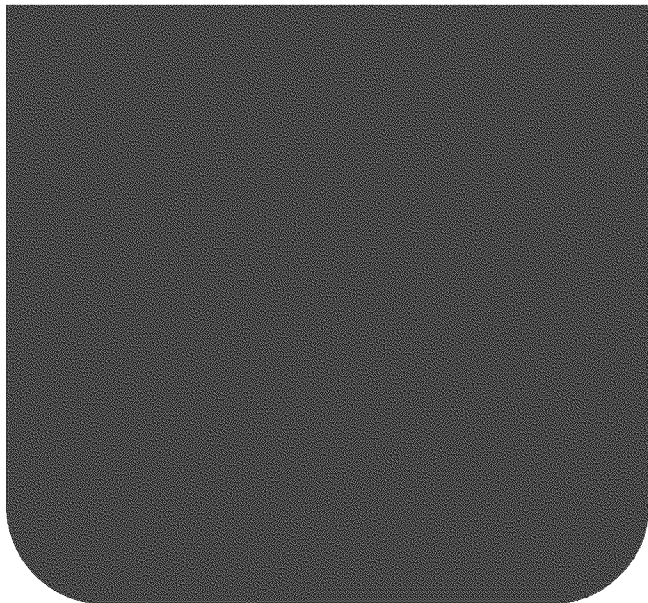
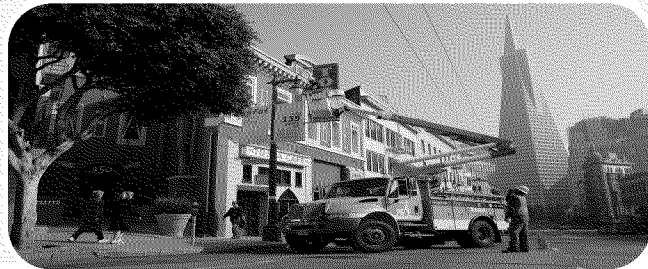
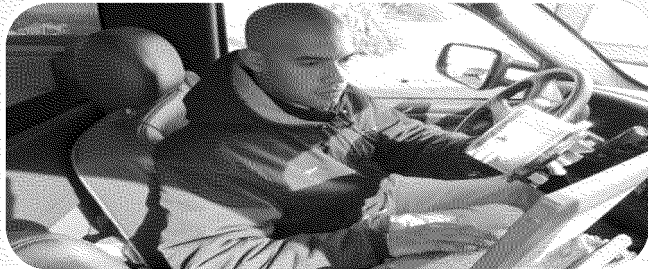
# Customer Service

“PG&E understands that we must earn back the trust of our customers and restore public confidence in the safety and integrity of our system. Both listening to and learning from our customers are essential to earning back that trust.”

- Helen Burt, Senior Vice President and Chief Customer Officer



# Customer Service Initiatives Focus on Safety and Customer Satisfaction.



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# Facts about the GRC



## FACT

The work proposed in this rate case is new and forward-looking. PG&E is not seeking money for safety work that was previously required. The safety proposals in this General Rate Case are intended to raise PG&E's operational standards above previously mandated levels.

Separate from this funding request, we are investing *shareholder* dollars to make sure our operations meet existing safety standards. Separately, we have also responded to a directive from the CPUC to develop a pipeline safety enhancement program (PSEP) to meet new, more stringent standards.



## FACT

PG&E is seeking these revenues not to boost profits, but to improve safety and reliability, expand supply and distribution capacity and maintain and replace existing, older facilities. While PG&E earns a return on its capital investments, the rate of that return is set at a reasonable level by the California Public Utilities Commission.



## FACT

The proposals requested in this rate case go beyond the basics to help PG&E achieve the long-term goal of becoming the safest utility in the country.

The improvements funded by this rate case benefit customers in multiple ways. The proposals requested in this rate case will significantly improve infrastructure, giving PG&E the tools and technology needed to operate a safe and reliable system.



## FACT

These increases are a relatively modest price to pay for safer, more reliable, more modern infrastructure that will serve customers for decades to come.

PG&E has minimized increases in areas that it can control, while still maintaining the safety and reliability of its service.





Thank You