

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the
Commission's Own Motion to Adopt
New Safety and Reliability Regulations
for Natural Gas Transmission and
Distribution Pipelines and Related
Ratemaking Mechanisms.

R.11-02-019
(Filed February 24, 2011)

**NOTICE OF EX PARTE COMMUNICATIONS
OF THE DIVISION OF RATEPAYER ADVOCATES**

Pursuant to Article 8 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) files this Notice of *ex parte* communications that occurred on December 14, 2012 at the Commission's headquarters in San Francisco. There were two meetings, both initiated by DRA.

At approximately 11:15 a.m. DRA representatives Linda Serizawa, Tom Roberts, and Karen Paull met with Bishu Chatterjee, Energy Advisor to Commissioner Simon. Commissioner Simon joined the meeting at approximately 11:30, and the meeting continued until noon. During the meeting, DRA discussed the proposed decision issued on October 12, 2012 in the above-captioned proceeding (PD). The PD approves PG&E's proposed Pipeline Safety Enhancement Plan (PSEP) and is on the agenda of the December 20th Commission meeting.

DRA stated that it generally supports the PD, with certain changes recommended in DRA's comments on the PD. DRA explained that it supports the disallowances in the PD and urged the Commissioner to support those disallowances. DRA stated that it is appropriate for the Commission to determine in this ratesetting proceeding what operational and capital PSEP expenditures ratepayers should and should not pay for,

regardless of the fact that there are separate enforcement proceedings regarding PG&E's compliance with safety requirements.

DRA then explained some of the changes it recommended in its Opening Comments. First, the modeling performed to support the budget authorized by the PD and the allocation of costs between ratepayers and shareholders included errors inconsistent with the language of the PD. DRA stated that it had explained these errors to the Assigned Commissioner and believed that the calculations were being reviewed. DRA also stated that up-to-date information about PG&E's pipelines should be used in running the model, to determine accurately the scope of work that should be prioritized for Phase I of the PSEP.

Finally, DRA explained that in the interest of safety PG&E's Decision Tree should be revised to eliminate Decision Tree point 2F to ensure that certain defective pipeline segments are prioritized for replacement.

At 3:30 p.m., the same DRA representatives, with the addition of Mark Pocta, met with Commissioner Ferron, his Chief of Staff Charlotte TerKeurst, and his Advisors Charlyn Hook and Michael Colvin. Commissioner Sandoval's advisor, Colette Kersten, was also present.¹

DRA made the same points it made in the earlier meeting with Commissioner Simon, except that there was a more extended discussion of the disallowances in the PD. Regarding the disallowance of the contingency PG&E had requested, DRA summarized the analysis presented in the prepared testimony of Tom Roberts on this issue. Regarding the temporary reduction of the Return on Equity (ROE) for the capital investments in Phase 1 of the PSEP, DRA explained that the record supports this disallowance and that it is lawful and not unprecedented. Regarding the disallowance of 2012 expenditures, DRA clarified that the PD authorizes recovery (from ratepayers) of most of the authorized *capital* investment for 2012. That capital investment would be recovered from ratepayers, with an authorized return on equity, over the life of the assets, beginning after

¹ Commissioners Ferron and Sandoval have formed a "Bagley-Keene partnership" for this proceeding.

the effective date of the final decision. The temporary reduction of the ROE would reduce that recovery by only \$130 million (approximately).

The meeting lasted approximately 30 minutes.

Copies of this notice may be obtained by contacting Sue Muniz by telephone at (415) 703-1858, or by e-mail at sam@cpuc.ca.gov.

Respectfully submitted,

/s/ KAREN PAULL

Karen Paull

Interim Chief Counsel for the Division of
Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102
Phone: (415) 703-2630
Fax: (415) 703-4432
E-mail:kare,paull@cpuc.ca.gov

December 19, 2012