PG&E Pipeline Safety Enhancement Plan (PSEP) Proposed Decision

CPUC ordered PSEP rulemaking to apply to all gas utilities as safety-focused path forward; PD is riddled with disallowances that are being addressed in the punitive OIIs.

PD Key Points	PG&E Comments
Reduced Return on Equity of 5.52%[1] Damaging, Not Just to PG&E	• Unprecedented and dangerous action as it provides a perverse incentive for safety investments. • Per SCE, impacts more than PG&E as may cause investors to include higher risk premiums in their required return for CA. • ROEs are set in COC proceeding, should not be piecemeal.
Zero Contingency Not Supported by Record and Other Cases	• No party suggested a wholesale disallowance. Zero contingency allowance is unprecedented and inconsistent with DOE, industry, CPUC precedent (AMI 8%; nuclear decommissioning 25%.) • Lowest recommended was DRA's 8% contingency factor. • PG&E proposed a 10-28% range (21% average). SoCalGas proposes 20% for projects greater than $2M, and 30% for projects less than $2M and 8% for valve program. • PG&E costs already much higher than expected for hydrotesting (66% higher in 2011). Requirement to clean to drinking water standards unanticipated.
Disallowance of 2012 Costs is Punitive, Discriminatory, and Illegal	• Purely punitive. PD's reliance on Overland Report (part of SB OII) violates due process as PG&E has not yet been able to respond to allegations. • Discriminatory treatment; Sempra was granted memo account to record 2011 and 2012 costs for potential recovery. • Further punishes PG&E for procedural delays out of its control. • PG&E shareholders already contributed significant 2011 expenses and removed remedial work from PSEP request. • PUC Section 957(b) <u>orders</u> the CPUC to authorize recovery for valves.
Asset Management System Misunderstood in PD	• Not remedial and not previously requested or recovered. Not for creation of pipeline records. • PD errs in confusing MAOP Validation (which PG&E has not opposed shareholder responsibility for) with Asset Management system. • New system needed to handle new raw data that will be collected because of PSEP in integrated way. • SoCalGas similarly requested Enterprise Asset Management System which integrates historical and current transmission data.

[1] Based on current Cost of Capital PD. The current rate is 6.05%.

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	Disallowance is punishment for recordkeeping issues in OIIs; potential double counting
Escalation Rate **Inconsistent with Precedent**	• No precedent for adopting the CPI as an escalation rate. DRA used national level of 1.5%, not California or regional level . • 3.12% from Global Insights specific to transmission industry and • adopted in three past GRCs and used by other IOUs.
Depreciation Life in PD Not Supported in Record	• No study or facts behind PD's adoption of 65 year service life. TURN proposed both 65 and 60 years in record. • New depreciation study and life assessment based on safety perspective should be done before arbitrarily dismissing 45 years adopted in Gas Accord V.

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PD Disallowances	[illegible]	[illegible] Expense Disallowance (2012-2014; $ in Millions)
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
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