

December 9, 2013

Energy Division Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Comments on Draft Resolution E-4620

Dear Energy Division Tariff Unit:

Pacific Gas and Electric Company (PG&E) submits these comments on Draft Resolution E-4620, approving Advice Letter (AL) 4278-E/4278-E-A with modifications.

PG&E appreciates the Energy Division's thoughtful and timely analysis of PG&E's Annual Electric True-up (AET) advice letter and supports the draft resolution with the following recommended revisions.

A. PG&E's request to continue including in rates the adopted 2013 revenue requirements for the SmartMeter[™] and Cornerstone Projects effective January 1, 2014, as placeholders,¹ should be granted.

PG&E requested including in electric rates, on January 1, 2014, placeholder revenue requirements equal to its currently adopted 2013 revenue requirements for its SmartMeter[™] project, Cornerstone project, and the General Rate Case (GRC) until a final decision is approved by the California Public Utilities Commission (CPUC or Commission) in PG&E's 2014 GRC application.² The 2014 revenue requirements for SmartMeter[™] and Cornerstone are included as part of PG&E's pending GRC application. While the draft resolution properly continues the current GRC revenue requirements, it denies the continuation of the placeholders for the SmartMeter[™] and Cornerstone projects until the final 2014 GRC decision. PG&E disagrees with the draft resolution's treatment of these projects and believes it would unnecessarily cause rate fluctuations in 2014 that should be avoided. Specifically, the consequences of excluding SmartMeter[™] and Cornerstone revenue requirements would be to decrease average rates on January 1, 2014 by approximately 1.5 percent only to increase them mid-year by approximately 3 percent when the ongoing SmartMeter[™] project and Cornerstone project capital revenue requirements are included in rates.

¹ This request was made because PG&E did not anticipate a final decision will be issued for its 2014 General Rate Case (GRC) Application (A.) 12-11-009, by the end of 2013.

² Upon the issuance of its 2014 GRC decision, PG&E would replace its SmartMeter[™] and Cornerstone placeholder revenue requirements recorded in its balancing accounts, with the amounts authorized by the Commission, effective January 1, 2014, pursuant to Decision (D.) 13-05-015.

There is no basis for distinguishing continuing placeholder revenue requirements for SmartMeter™ and Cornerstone on the one hand and the GRC on the other. Like the GRC, the SmartMeter™ and Cornerstone projects are comprised of long-lived assets, the costs of which are recovered over time. They each have revenue requirements in 2014 (and beyond); even though at this point it is not certain precisely what the amounts will be. Keeping their revenue requirements in rates until a final decision in the 2014 GRC is a reasonable approach and one that helps mitigate the rate fluctuations that will occur next year. As a practical matter, taken together, the SmartMeter™ and Cornerstone placeholder amounts included in AL 4278-E are less than the amounts PG&E included in its 2014 GRC for the associated ongoing capital revenue requirements. Were the Commission to reject PG&E's proposal, all cost recovery for both the SmartMeter™ and Cornerstone projects would cease effective January 1, 2014. In turn, PG&E's electric distribution rates would be reduced only to be increased a few months later upon the implementation of the 2014 GRC decision. The draft resolution adopts PG&E's proposal to hold all electric revenues constant subject to later true-up. PG&E's specific recommendations related to SmartMeter™ and Cornerstone are made with the same goal in mind: avoiding unnecessary rate changes for customers.

PG&E's proposed treatment is consistent with current authorizations of cost recovery for these projects. Electric Preliminary Statement Part EI, *SmartMeter Project Balancing Account-Electric (SBA-E)*, provides that the capital-related revenue requirements associated with the SmartMeter™ Project as authorized by the Commission in Decision (D.) 06-07-027 and modified in D.09-03-026 and D.11-05-018 shall be recorded in the SBA-E and that any under- or over-collection in this account will be incorporated into distribution rates as part of the next AET Advice Letter. Preliminary Statement EI does not specify a sunset date for this approved procedure. Because the 2013 electric distribution revenue requirement³ used in this AET filing does not include the SmartMeter™ Project revenue requirement, it should be included as a placeholder to conform with Preliminary Statement EI and the underlying authorizing Commission decisions until the 2014 GRC decision is issued.

While the authority for the current Cornerstone project is somewhat different than SmartMeter™, the result should be the same. In D.10-06-048, the Commission approved PG&E's Cornerstone Project and recognized that the revenue requirement associated with Cornerstone plant additions would continue beyond 2013. ("Beginning in 2014, use of a separate balancing account to accumulate revenue requirements will end and project costs should be recovered through the GRC process"; mimeo page 43.) The ongoing revenue requirements for Cornerstone were included in the 2014 "GRC process." Given that the 2013 revenue requirement associated with the GRC is being held constant, the revenue requirement associated with Cornerstone should be as well.

PG&E has proposed various revisions to Draft Resolution E-4620 to conform to this request in Attachment A.

³ Authorized in PG&E's 2011 GRC.

B. Proposed modification to the discussions on SB 695-Related Rate Increases to Tier 1 and 2 California Alternate Rates for Energy (CARE) and Non-CARE Rates.

Page 29 of Draft Resolution E-4620 states that PG&E will file an advice letter, pursuant to D.09-12-048, to implement residential rate changes allowed by Senate Bill (SB) 695. PG&E filed that advice letter (AL 4314-E) on November 13, 2013. Pursuant to SB 695, PG&E filed AL 4314-E proposing three percent increases to both California Alternate Rates for Energy (CARE) and non-CARE Tier 1 and 2 rates using the formulas stipulated in Public Utilities Code Sections 739.9(a) and 739.1(b)(2), respectively. PG&E requests that Draft Resolution E-4620 include a provision that allows PG&E to implement its AL 4314-E proposal in the AET December supplement if the Commission issues a disposition letter to AL 4314-E by December 19, 2013. PG&E also proposes language clarifying the term “revenue neutral” in the last two sentences of the paragraph at the bottom of page 29:

In November 2013, PG&E will file a separate advice letter On November 13, 2013, PG&E filed AL 4314-E, seeking approval of a January 1, 2014 increase to residential rates for usage up to 130% of baseline in accordance with the provisions adopted in D.09-12-048, which implemented P.U. Code Section 739.9. **If ~~that advice letter AL 4314-E~~ is approved by December 19, 2013, PG&E shall reflect those rate changes in its December supplement to AL 4278-E.**

To conform to text in the above discussion, PG&E proposes additional revisions in other sections of Resolution E-4620, as follows:

1. Bottom of Page 22, and continuing to top of Page 23
~~**“An advice filing, anticipated in November 2013 and AL 4314-E filed November 13, 2013, in accordance with Public Utilities Code Sections 739.1 and 739.9 restrictions, seeking approval of a January 1, 2014 increase to residential rates for usage up to 130% of baseline.”**~~
2. Top of Page 35, 4th Bullet Point
~~**“An advice filing seeking AL 4314-E, in which PG&E seeks approval of a January 1, 2014 increase to residential rates for usage up to 130% of baseline”**~~
3. Top of Page 37, No. 24
 PG&E’s proposal to modify residential rates pursuant to Public Utilities Code Section 739.9 in the December 2013 supplement to AL 4278-E is subject to approval of ~~**an advice letter PG&E will file in November 2013 seeking AL 4314-E, in which PG&E seeks**~~ to increase residential rates for usage up to 130% of baseline.
4. Middle of Page 39, Ordering Paragraph (OP) 8
~~**“PG&E shall include revenue neutral residential rate changes for usage of up to 130% of baseline under P.U. Code Section 739.9 in its December supplemental advice filing, if the CPUC approves an advice letter that PG&E anticipates to file in November 2013 AL 4314-E, filed by PG&E on November 13, 2013, in**~~

accordance with D.09-12-048, by December 19, 2013. **Changes to residential rates developed pursuant to AL 4314-E shall be revenue neutral and shall not affect the total revenue allocated to the residential class.**

C. Other Minor Edits.

1. Bottom of Page 19, 5th Bullet Point

The ruling addressing PG&E's estimated 2014 revenue requirement associated with master-metered Mobile Home Park (MHP) should be "R.11-02-018," instead of "R.11-12-018."

As such, PG&E proposed below changes to the sentence:

"R.11-12-018 R.11-02-018, addressing PG&E's estimated 2014 revenue requirement of \$12.8 million associated with the conversion of master-metered MHP utility systems to direct utility service from electric and gas corporations."

2. Bottom of Page 18, Footnote 7

To better reflect PG&E's response to Energy Division's October 15, 2013 Data Request Question 4, PG&E propose the following revision to footnote 7:

*"⁷ As described in its response to Question 4 of an Energy Division Data Request dated October 15, 2013, PG&E intends to update the PEERAM balance in the December supplement to AL 4728-E to reflect D.13-09-004, the final decision approved in A.12-07-001, **which removes the annualized portion of the two-year, \$3.825 million BayREN credit from the 2014 PEERAM balance proposed in the PD to credit the return of the electric portion of the two-year \$3.825 million BayRen denied funds through the PEERAM balancing account balance rather than reduce the 2014 PEERAM revenue requirement for the annualized electric portion of the BayREN credit based on the PD.** PG&E also intends to credit the return of **2010-2012 pre-2010** unspent, uncommitted EE funds in the PEERAM balance in the December 2013 supplement to AL 4278-E, as discussed below."*

D. Conclusion

PG&E appreciates the Energy Division's care in reviewing and approving PG&E's AET advice letter and requests that the Commission adopt Resolution E-4620 with the changes described in these comments.

Sincerely,



Brian K. Cherry
Vice President – Regulatory Relations

cc: Commissioner President Michael R. Peevey
Commissioner Carla Peterman
Commissioner Catherine Sandoval
Commissioner Mark Ferron
Commissioner Michel Florio
Edward Randolph, Director, Energy Division
Karen Clopton, Chief Administrative Law Judge
Frank Lindh, General Counsel
Don Lafrenz, Energy Division
Marc Monbouquette, Energy Division
James Weil, Director, Aglet Consumer Alliance
Gurbux Kahlon, Energy Division

Attachment A (Section A): PG&E's Proposed Changes to Draft Resolution E-4620 regarding SmartMeter™ and Cornerstone revenue requirements

Attachment A (See Section A of PG&E's Comments)

PG&E's Proposed Changes to Draft Resolution E-4620 regarding SmartMeter™ and Cornerstone revenue requirements

1. Page 1: Estimated Cost

The estimated net increase in annual electric revenue requirements is approximately ~~\$82.5~~**\$295.3** million for Pacific Gas and Electric Company (PG&E) customers if the California Public Utilities Commission (CPUC or Commission) and Federal Energy Regulatory Commission (FERC) approve revenue requirements changes by December 19, 2013 in the proceedings identified herein.
2. Bottom of Page 1 and Top of Page 2

PG&E proposes to revise electric rates effective January 1, 2014 to reflect revenue requirement changes authorized in various proceedings by the CPUC and the FERC by December 19, 2013. This Resolution estimates an ~~\$82.5~~**\$295.3** million increase in PG&E's systemwide electric revenues, which is ~~\$196.1~~**\$16.7** million **less more** than PG&E's estimate of \$278.6 million. For revenue requirements that are not yet approved by the CPUC and the FERC, PG&E is using an estimated amount. PG&E will file a supplemental advice letter in late December 2013 to reflect amounts actually approved by the CPUC by December 19, 2012. PG&E's proposal is approved with modifications.
3. Top of Page 2, 2nd Bullet Point

PG&E's estimate of a \$278.6 million net revenue increase has been **reduced increased by \$196.1**~~\$16.7~~ million to reflect **the removal of the Cornerstone Improvement Project and SmartMeter™ Project revenue requirement placeholders and** the approval of PG&E's Transmission Owner 15 rate filing at the FERC.
4. Sections of Draft Resolution E-4620-E that addresses the SmartMeter™ and Cornerstone revenue requirements issues

PG&E respectfully requests that the Commission modify the following sections to grant PG&E the authorization to continue consolidating its placeholder SmartMeter™ and Cornerstone revenue requirements in PG&E's December 2013 supplement to Advice Letter 4278-E until PG&E's 2014 General Rate Case final decision is issued:

 - a) Top of Page 26, Discussion
 - b) Top of Page 36, Findings of Fact No. 16
 - c) Bottom of Page 38, Ordering Paragraph No. 4