

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop a  
Risk-Based Decision-Making Framework to  
Evaluate Safety and Reliability Improvements  
and Revise the General Rate Case Plan for  
Energy Utilities

R.13-11-006  
(filed November 14, 2013)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)  
OPENING COMMENTS**

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Pacific Gas and Electric Company (PG&E or the Company) submits these opening comments on the California Public Utilities Commission's (Commission or CPUC) above-captioned order instituting rulemaking (OIR) into the Rate Case Plan (RCP).<sup>1/</sup> PG&E welcomes this proceeding and the goals behind the Commission's effort.

These opening comments are divided into two main sections. In the first section, PG&E presents some general comments and overall principles. In the second section, PG&E responds to the specific questions set forth in Sections 4.1 through 4.6 of the OIR.

**I. GENERAL COMMENTS AND OVERALL PRINCIPLES**

**A. General Comments**

As the OIR recognizes, general rate cases (GRCs) are divided between Phase 1 (the revenue requirement phase) and Phase 2 (concerning rate design, revenue allocation and marginal costs). Furthermore, since the 1990s, PG&E's gas transmission and storage (GT&S) costs have been handled in separate proceedings, also known as the Gas Accord proceedings.

In reading the OIR, PG&E understands the Commission's principal focus to be improving the content and process for Phase 1. Accordingly, PG&E's comments focus on Phase

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<sup>1/</sup> On December 20, 2013, PG&E provided responses to the questions set forth in Attachment A to the OIR. These responses are referred to herein as "PG&E's December 20 Responses."

1 and speak to timing and content of Phase 1 at a greater level of detail than Phase 2. While PG&E's comments focus on the content and timing of Phase 1, PG&E's support for more risk-informed decision-making applies equally to its GT&S rate cases and PG&E would seek to apply the same substantive principles there.

In terms of PG&E's rate cases currently before the Commission, PG&E's 2014 GRC Phase 1 is under submission, Phase 2 is pending and PG&E's 2015 GT&S rate case was recently filed. PG&E's next major rate case will be its 2017 GRC Phase 1, for which the notice of intent (NOI) would be due in the summer of 2015. PG&E thus expects that its 2017 GRC could be the first of the major rate cases subjected to any new requirements coming out of this OIR.

Given the evolving nature of risk assessment and management described in PG&E's December 20 Responses, PG&E expects that the Commission's requirements for future rate cases may similarly evolve. In other words, the Commission's expectations for PG&E's next GRC are likely to differ from those that follow. Due to the long lead-time necessary for the development of GRCs, PG&E hopes the Commission will be able to finalize the requirements applicable to PG&E's 2017 GRC by this end of this calendar year in order for PG&E to be able to adequately reflect those requirements.

Of course, the issues raised by the Commission will benefit from dialogue among the interested parties. Many of the issues are interrelated, with substantive issues affecting timing and vice versa. PG&E looks forward to, and would support in whatever way it can, workshops or methods of information exchange that the Commission may deem helpful. Insofar as PG&E previously set forth a proposal for improving its risk showing in its 2017 GRC,<sup>2/</sup> PG&E would be pleased to provide additional information to interested parties through a workshop or other meetings on its existing risk management processes and how PG&E expects to incorporate those processes into its 2017 GRC.

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<sup>2/</sup> PG&E's proposal was set forth in its 2014 GRC and summarized in PG&E's December 20 Responses on page 21-1.

## **B. Overall Principles**

PG&E supports the Commission's initiative to promote better risk-informed decision-making in rate cases. Specifically, PG&E recommends:

- Technical reviews should be undertaken of the operational plans (i.e., for PG&E's Electric Operations, Gas Operations and Energy Supply) reflected in major rate cases.
- The utility should be provided an opportunity to address recommendations made in the technical reviews.
- Commission staff should receive support in order to increase its expertise in risk-assessment and mitigation, and external consultants should be used to supplement Commission staff, as necessary.
- To promote administrative efficiency, external consultants should be hired by the utility after consultation with Commission staff.

PG&E also supports the Commission's goals to ease the administrative burden on all participants from the current rate case approach and to speed the processing of rate cases. To these ends, PG&E recommends:

- The NOI be eliminated. In lieu of the NOI, time would be better spent with the utility identifying and prioritizing safety- and reliability-related projects, and working with Commission staff and/or a technical consultant to review these projects.
- If the NOI is not eliminated, the NOI period should be used more effectively by conducting the technical review during this period and eliminating the current 60-day notice period (after clearance of deficiencies) required by the RCP.
- The time between the utility's filing of the application and initial procedural steps (e.g., the assignment of Commissioners and Administrative Law Judges (ALJs), and the holding of the prehearing conference) should be shortened.
- Two or more ALJs should be assigned to major rate cases.
- The Commission should consider setting expectations (and possibly limits) on ever-escalating evidentiary demands.

- The Commission should promote the use of workshops and other informal measures to exchange data.
- Phases 1 and 2 of the GRC should continue to be separated.

## II. **PG&E'S RESPONSES TO SECTIONS 4.1 THROUGH 4.6**

The OIR set forth several questions in Sections 4.1 through 4.6, to which the Commission asked parties to respond. Accordingly, PG&E has set forth below the Commission's questions in bold text and italics, followed by PG&E's responses.

### 4.1. **Process to Provide Appropriate Analysis and Testimony on Safety and Risk Management**

*Would developing a review process similar to the current CEQA review process, where internal review by the Commission staff is supplemented by technical review conducted by consultants, be effective, adequate, and desirable?*

#### PG&E Response:

- PG&E believes that technical review is necessary and desirable, as long as an opportunity to address any technical recommendations is given to the utility in order to obtain maximum benefits from the technical review.
- PG&E takes no position on whether technical reviews should be done by CPUC staff or by external consultants, as long as the personnel conducting such reviews have the requisite technical expertise.
- Commission staff should receive support and technical training in order to increase its expertise in risk-assessment and mitigation. To the extent that technical expertise is not available at the CPUC, PG&E supports use of external consultants as was done in PG&E's 2014 GRC.
- Instead of modeling a technical review after the CEQA process, PG&E believes that a more efficient model would be similar to that followed in the contracting for the Independent Evaluator for electric procurement, in which the utility would contract directly for the technical review after consultation with Commission staff regarding an appropriate entity to conduct the technical review. As is done with the Independent Evaluator, a list of agreed-upon consultants could be developed for the technical reviews in order to facilitate future contracting.

#### 4.2. Comprehensive Review of Safety, Reliability, Security, and Risk Management in the Utilities' GRC Applications

1. *How should the Commission develop a new RCP for energy utilities in a way that will link strategy and goals to resource allocation? What kind of reporting requirements are needed in order to identify the framework, method, practices and activities used in assessing risk of safety, security, and/or reliability deficiencies and linking it to the requested funding in a GRC?*

##### PG&E Response:

- PG&E supports more risk-informed decision-making in the ratemaking process, which will require utilities to better explain how their forecasts address and, if possible, mitigate known risks. However, no utility can see the future with absolute precision and rate case decisions will always need to allow for changes in resource allocation depending on emerging needs and risks.
- A new RCP should promote more risk-informed decision-making by:
  - Providing common risk-related definitions and principles that can help provide a consistent understanding of such issues among the parties.
  - Requiring utilities to submit testimony on (i) the key operational risks faced by the utility and (ii) the means proposed to mitigate such risks.
  - Providing for persons with relevant technical expertise to review the utilities' operational plans to ensure that they are sufficient to address known risks.
  - Allowing the utilities an opportunity to address any technical issues discovered during the technical review.
  - Articulating the Commission's intent to provide sufficient funding to support the utilities' operational needs.
- Whether or not reporting requirements are necessary depends, in part, on the interval of rate cases. That is, the longer the case cycle, the more likely parties are to seek reporting requirements to keep abreast of utility spending and to compare it to what was authorized or forecasted for various categories. Be that as it may, all parties should understand that the longer the cycle, the less likely it will be that utility spending will correspond closely – by category -- to authorized or forecasted amounts.
- PG&E has been providing, and expects to continue, annual budget reports by various cost categories through 2016. PG&E has received no indication from the Commission or other parties that this level of reporting is insufficient. Therefore, PG&E opposes additional reporting absent a demonstrated need for such additional reporting.

**2. *What criteria should be used by the Commission to evaluate whether a utility has produced an adequate risk-informed GRC filing?***

PG&E Response:

- PG&E has set forth a proposal for improving its risk showing in its 2017 GRC and believes that criteria around that proposal would be appropriate. (Please see PG&E's December 20 Responses, page 21-1.)

**3. *Is the development of safety, reliability, and security assessment and review tools that could be used internally or externally desirable and sufficient for investment review purposes?***

PG&E Response:

- PG&E believes that such tools are important for internal use by the utility. Currently, PG&E uses a computer model called the Risk Evaluation Tool (RET) to assess risk and inform its integrated planning process.
- PG&E would be pleased to share more information with the Commission and interested parties about its RET in order to educate others regarding how PG&E evaluates risk, as well as to allow greater visibility into PG&E's planning process. At present, PG&E is doubtful that this type of tool could be effectively used by external parties given the purpose and design of the tool.

**4. *Who should bear the cost of developing safety assessment and review tools that the Commission might be using?***

PG&E Response:

- As an accommodation to the Commission, PG&E agreed to shareholder funding of the consultant reviews of its safety and risk programs in its 2014 GRC. This was intended as a one-time accommodation. Going forward, PG&E expects that the Commission's costs incurred in reviewing rate case applications will be covered by the Commission's own budget. Should the utility hire technical consultants to review aspects of its filings prior to, or after, submission (as PG&E proposes), PG&E expects that such costs would be eligible for ratepayer recovery (as is currently the case with the Independent Evaluator costs) as would any other such cost incurred in conjunction with regulatory filings.

**4.3. *Timing of the GRC Applications***

**1. *What should be the interval between GRCs for energy utilities? Should all energy utilities be treated uniformly? What should the schedule look like in the coming years?***

PG&E Response:

- PG&E is willing to consider a longer interval between GRCs as a way of reducing administrative costs, however PG&E is concerned that a lengthened interval will exacerbate the existing difficulty of developing accurate forecasts for post-test years.
- Therefore, PG&E would support a lengthened interval for setting the revenue requirement only if it were to include (i) an attrition mechanism sufficient to cover

expected costs and (ii) an ability to file a new rate case if the mechanism appeared unable to cover expected costs.

- PG&E takes no position on whether all utilities should follow the same interval or not, although PG&E is cognizant of the resource-drain on Commission staff where the large utilities (Southern California Edison, Sempra and PG&E) file overlapping GRCs.

**2. *How can we determine the timing of the incoming NOIs as well as the attrition years in order to reduce pressure on workload and allow adequate time for careful analysis?***

PG&E Response:

- PG&E takes no position on this issue given that the effect of GRC timing impacts mainly the workload of Commission staff and intervenors, not the utilities.

**3. *Under any of these scenarios, what consequence(s) should follow from utility's failure to meet its filing deadline under the plan?***

PG&E Response:

- PG&E's experience is that the utilities meet the deadlines under the rate case plan. PG&E is committed to continuing to meet such deadlines.

**4. *Under any of these scenarios, what review of utility spending should occur in the intervening years?***

PG&E Response:

- As mentioned above, PG&E believes that its current level of reporting is appropriate and PG&E has proposed to continue such reporting through 2016. Absent a demonstrated need for additional reporting, PG&E believes that the costs associated with additional reporting would not be justified.

#### **4.4. RCP Schedule**

**1. *Aside from the interval between cases, how prescriptive should the RCP be regarding the schedule for the case itself?***

PG&E Response:

- PG&E supports a prescriptive schedule that is expected to be followed by all parties. Presiding officers should have the ability to adjust the schedule, but only upon a finding that the adjustment shall facilitate the effective processing of the case and shall not materially affect the timeliness of a final decision.

**2. *In what ways can the Commission improve the schedule such that all parties are provided with adequate time for meaningful contributions to the case?***

PG&E Response:

- PG&E is committed to devoting whatever resources are necessary to work with, and within, whatever schedule the Commission may develop for rate cases.

- In terms of supporting others to make meaningful contributions, PG&E is open to participating in additional workshops and informal data exchange to make others' contributions most meaningful.

**3. *Are there any stress points where all parties need extra time or any interval which is not spent efficiently?***

PG&E Response:

- As mentioned above, PG&E is committed to working with, and within, whatever schedule the Commission may develop for rate cases.
- PG&E believes that the following periods can be used more efficiently:
  - The NOI period, which is currently focused on the Office of Ratepayer Advocates' (ORA) review for deficiencies, is not as productively used as other periods of the case.
  - The NOI process currently includes an unnecessary and lengthy 60-day delay between clearance of deficiencies and the filing of the application.
  - Given the predictable nature of GRC filings, PG&E believes that the time required to appoint an ALJ/Assigned Commissioner and schedule a prehearing conference can be reduced.
- As mentioned above, PG&E is willing to engage in workshops (as it has done in the 2014 GRC and will do in the recently filed GT&S rate case) or other informal measures to facilitate improved transparency and faster processing of these cases.

**4. *How much latitude should parties have to adjust the timing in particular rate cases, for example, to build in time for settlement efforts?***

PG&E Response:

- As a general matter, parties should not have the latitude to adjust timing in rate cases without the concurrence of the ALJ.
- With respect to settlements, PG&E supports settlements and has a strong record of GRC and GT&S rate case settlements without formal accommodation of time in the schedule for such settlements. With respect to Phase 1 of the GRC, comprehensive settlements of revenue requirement issues typically occur after hearings, so if time is to be allocated for settlement it should be allocated then.

**5. *How may additional safety review by the Commission and by other parties affect the RCP schedule?***

PG&E Response:

- PG&E is confident that safety reviews need not meaningfully delay rate cases. For instance, in PG&E's 2014 GRC, the Commission undertook safety reviews without any material delays to the submission of the case.

- With the goal of speeding future cases, PG&E believes that safety reviews should either be undertaken in advance of the filing of the application or during the NOI period if the NOI is to be retained.

#### **4.5. Uniform Application of the Provisions of the RCP**

**1. *Are these or other differences relevant for purposes of the RCP? If there are material differences, should they be reflected in the plan itself or addressed case-by-case?***

PG&E Response:

- PG&E believes that the types of differences cited in the RCP are not material for purposes of the development of the RCP, but the differences are material for how the different utilities are operated.

**2. *How much variation (if any) should be allowed between different utilities, between the gas and electric industries, or on any other basis?***

PG&E Response:

- PG&E believes that the RCP should allow for differences among the utilities in terms of how operations are conducted and managed. Additionally, the RCP should allow for differences in how the utilities plan and budget their work and how the forecasts are prepared and presented.

#### **4.6. Reducing Complexity**

**1. *Should particular features of the current RCP for energy utilities be updated, or even discarded? How could the Commission reduce complexity of the filings?***

PG&E Response:

- In terms of reducing complexity and speeding the processing of applications, PG&E recommends:
  - The elimination of the NOI period or updating that period, as explained elsewhere in these comments.
  - Two ALJs be assigned to GRCs, perhaps one dedicated to safety and operational issues.
  - Expanded use of workshops and informal data exchange.
  - Continued separation of Phases 1 and 2.
- The Commission should consider setting expectations (and possibly limits) on intervenors' escalating evidentiary demands.

**2. *What kind of process changes might be helpful for stakeholders to enable them to review the application in an expedited manner? For example, would a presentation by the utility filing the application right after the submittal be helpful to familiarize the stakeholders with the application early in the process?***

PG&E Response:

- PG&E supports the idea of presentations to familiarize stakeholders with the contents of rate cases. Indeed, PG&E conducted such workshops in its 2014 GRC and will do so for its recently filed GT&S rate case. From PG&E's perspective, these workshops were well-attended and productive and PG&E expects to continue to do them.

**3. *What kind of process changes would be helpful for the general public to better understand the impact of rate case[s] and participate in the proceeding?***

PG&E Response:

- PG&E believes that the current intervenors, which represent a wide variety of interests and constituents, do a commendable job of ensuring that the interests of the public are considered.
- PG&E has not historically given substantive presentations at the Public Participation Hearings, but PG&E is willing to provide overviews of the case at such events.

**4. *How effective is the NOI? Would the Commission and the parties be better served by simply having the utility file its application earlier than it does now?***

PG&E Response:

- PG&E appreciates ORA's role in reviewing the adequacy of the NOI and PG&E believes that it has been effective in identifying deficiencies. Nonetheless, PG&E does not believe that the value in identifying these deficiencies warrants the amount of time the process currently takes. Therefore, PG&E supports elimination of the NOI as a way of trimming months off the process.
- If the NOI period is eliminated, the utility could file its application earlier, giving the Commission and parties additional time to review it.

**5. *Whether or not the NOI is retained, should the "master data request" be reviewed and possibly updated? How can we modify the "master data request" in order to streamline the data requests and reduce the amount of unused data?***

PG&E Response:

- The master data request should be reviewed and updated. Currently, the master data request is voluminous and costly to address and it is not obvious to PG&E how useful the currently requested data is to ORA. PG&E would be pleased to work with Commission staff to streamline this process.

**6. *Even more fundamental, does the current division of GRCs between a "Phase 1" (results of operations/revenue requirement) and a "Phase 2" (rate design) [or Cost Allocation Proceeding for major gas utilities] need to be reconsidered and reformulated?***

