BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015-2017	Application 13-12-012 (Filed December 19, 2013)

PROTEST OF DYNEGY INC.

Michelle D. Grant
Corporate Counsel - Regulatory
Dynegy Inc.
601 Travis, Suite 1400
Houston, TX 77002
Telephone: 713.767.0387
Facsimile: 713.388.6008
Email: michelle.d.grant@dynegy.com

GOODIN, MACBRIDE, SQUERI, DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com
Attorneys for Dynegy Inc.

Dated: January 31, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015-2017	Application 13-12-012 (Filed December 19, 2013)

PROTEST OF DYNEGY INC.

On December 19, 2013, Pacific Gas and Electric Company (PG&E) filed its request to increase its base rate revenue requirement for gas transportation and storage services by 76%, or $555 million, for 2015, with additional requested increases of $61 million and $168 million in 2016 and 2017. Dynegy Inc. protests PG&E's application.[1]

Dynegy, through its subsidiary Dynegy Moss Landing, LLC, owns and operates the Moss Landing Energy Facility. Units 1 and 2 at the Moss Landing plant were completed in 2002, with a combined capacity of 1060 MW, and as a result Dynegy Moss Landing, LLC is one of the largest customers for PG&E's gas transportation services. Dynegy is directly affected by the outcome of this application.

Dynegy protests PG&E's application on three grounds.

First, the magnitude of PG&E's requested rate increase is enormous, with some customers, including the Moss Landing plant, facing rate increases of over 100%. PG&E's latest rate increase request coincided with a 21% increase for the Moss Landing plant that PG&E

[1] Administrative Law Judge Douglas Long granted PG&E's request to extend the protest period to January 31, 2014, by email ruling issued on January 17.

proposed to take effect on January 1, 2014 as part of its year-end true-up.[2] Dynegy appreciates the need to ensure that PG&E's gas transportation system is safe, and Dynegy has paid PG&E millions of dollars in gas transportation rates in recent years, some portion of which was presumably to be used to ensure the safety of PG&E's gas transportation system. However, the size of PG&E's latest requested rate increase makes it appear as though PG&E is trying to make up for years of neglect and deferred maintenance on its gas transportation system in a single rate case cycle. The Commission should carefully scrutinize both the cost estimates and priorities PG&E proposes for investments and programs that PG&E describes as safety-related. The Commission should not allow PG&E to use the Commission's concern about safety as leverage for approval of programs that are not central to the safe operation of the pipeline system. The Commission must be guided by its obligation under Public Utilities Code sections 451 and 454 to authorize only rates that are just and reasonable.

Second, Dynegy is concerned about the competitive implications of PG&E's proposal. Specifically, PG&E proposes a *102% rate increase* for noncore electric generation customers served by pipelines classified as part of the local transmission system (including the Moss Landing plant), while PG&E proposes a 23% rate *decrease* for noncore electric generation customers served by pipelines classified as part of the backbone system (which include PG&E's Colusa and Gateway plants, and the Oakley plant if it begins operation in 2016 as scheduled). Noncore electric generators, whether served by the local transmission or backbone system, compete in the same wholesale electric markets, and the disparate rate treatment PG&E proposes—a difference of 8.8 cents per therm—could distort that competition and affect the efficiency of the dispatch of electric generation units by the California Independent System Operator. In *Northern California Power Agency v. Public Util. Com.* (1971) 5 Cal.3d 370, 379,

[2] Advice Letter 3447-G, Attachment 3.

the California Supreme Court reminded the Commission of its obligation to consider the effects on competition of its decisions.[3] PG&E's proposals have competitive implications that require the Commission's close scrutiny.

Third, PG&E's proposed schedule is extremely compressed. PG&E allows only five months between the filing of its application and the first day of evidentiary hearings. By contrast, in the last gas transportation and storage proceeding, A.09-09-013, PG&E proposed a schedule that allowed seven months between the filing of the application and the first day of hearing. Apart for the limited time allowed for discovery and the preparation of testimony under PG&E's proposed schedule, the significance of PG&E's compressed schedule is that it allows almost no time for settlement discussions. The last several Gas Accord proceedings have been resolved by multiparty settlements that were approved by the Commission. Multiparty settlements of complex cases like the Gas Accord, with numerous discrete issues, take considerable time and effort to achieve. By eliminating the time required for settlement discussions, PG&E's proposed schedule virtually assures that this proceeding will not be resolved by settlement and will instead go to hearing. The Commission should extend PG&E's proposed schedule by at least two months to allow the parties a reasonable opportunity to pursue the possibility of a settlement.

Dynegy intends to pursue these and other issues as this proceeding develops.

[3] *See also Industrial Communications Systems, Inc. v. Public Utilities Com.* (1978) 22 Cal.3d 572, where the California Supreme Court annulled the Commission's decisions because the Commission "did not consider and make findings on the anticompetitive effect" of a regional plan agreed to between telephone utilities (22 Cal.3d at 583).

Respectfully submitted January 31, 2014 at San Francisco, California.

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

By */s/ Brian T. Cragg*
Brian T. Cragg for Dynegy Inc.

3311/006/X159085.v2