BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2014. (U 39 M)	Application 12-11-009 (Filed November 15, 2012)
And Related Matter.	Investigation 13-03-007

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rule 8.4(a) of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby gives notice of the following ex parte communication. The communication occurred on Friday, May 9, 2014, at approximately 2:00 p.m., at the offices of California Public Utilities Commission. The communication was oral and a two page handout was provided and is attached to this notice. [Rule 8.4(a)(c)]

John Hughes, Director, Regulatory Relations, PG&E, initiated the communication with Audrey Lee and Scott Murtishaw, Advisors to Commission President Michael Peevey. [Rule 8.4(b)

The purpose of the meeting was to demonstrate that the use of a Consumer Price Index (CPI) methodology can vastly underestimate the Revenue Requirement necessary to fund the infrastructure needed to provide safe and reliable service to customers in the Post Test years. Mr. Hughes provided copies of the two page handout, the first page of which was a table contained in PG&E's Post Test Year Revenue (PTYR) testimony. (Exhibit PG&E-10, p. 1-3, Figure 1-1.) This page compares the use of a 1.9% CPI to PG&E's 2015 PTYR request to fund its' capital program. As illustrated on the handout, a CPI method would underfund PG&E's capital budget by $261 million for 2015.

The second page of the handout was an example of how net capital additions are factored into rate base. For example, a January 2014 addition to plant has a larger impact on rate base then a December 2014 addition. However, both the January and December 2014 additions, net of depreciation, would be fully reflected in the 2015 rate base. The CPI method would not recognize the increased 2015 rate base and would therefore underfund plant additions.

Mr. Hughes concluded the meeting by discussing the fact that the CPUC approved an almost identical PTYR requested methodology in the last Southern California Edison (SCE) 2012 Test Year GRC. He added that since PG&E's capital spend is on the same order of magnitude as SCE's a similar method is appropriate.

/s/ Brian K. Cherry

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Attachment

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