

**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.

Rulemaking 13-11-006
(Filed November 14, 2013)

**OPENING COMMENTS OF THE
ENERGY PRODUCERS AND USERS COALITION
ON POSSIBLE REVISIONS TO THE RATE CASE PLAN**

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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure and the Scoping Memo issued May 15, 2014 in the above-captioned Rulemaking, the Energy Producers and Users Coalition (EPUC)¹ hereby provide opening comments on possible revisions to the rate case plan.

I. INTRODUCTION

The Commission opened Rulemaking 13-11-006 to "*prioritize safety and reliability issues in GRC applications*" and to "*clarify the rate case review process, and more efficiently manage the complexity...of the GRC.*" The Rulemaking so far has focused on safety with less attention paid to the GRC process. Regardless of what changes the Commission adopts to address safety and reliability, certain changes and updates to the Rate Case Plan would result in more efficient and streamlined GRCs.

¹ EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, Chevron U.S.A. Inc., ExxonMobil Power and Gas Services Inc., Phillips 66 Company, Shell Oil Products US, Tesoro Refining & Marketing Company LLC, THUMS Long Beach Company, and Occidental Elk Hills, Inc.

The GRC determines a utility's revenue requirement, cost allocation methodology and rate design. Its outcome drives rates for the utility's customers until the next GRC. The GRC, however, is only one of the many proceedings impacting rates. The Commission should make changes to the Rate Case Plan (RCP) that will provide intervenors additional information on the rate impact of the GRC and other open proceedings impacting rates. This information will not only help intervenors understand the impact of the GRC, shaping their involvement in the case, but also help ratepayers make budget and business decisions. Further, the Commission should limit the rate changes experienced by customers to only once a year.

Intervenor resources are scarce, and participation in GRCs can be costly based on the sheer volume of information provided by the utility. The RCP should be amended to delay the filing of Rate Design and Cost Allocation testimony (Phase 2), increasing the likelihood that parties would have a Proposed Decision on a revenue requirement (Phase 1) when addressing Phase 2 issues. The RCP should also be updated and to include standardized summary reports and other common forms to be used by the utilities when filing rate cases. Due to the varied interests of intervenors, and the limited amount of discussion on these issues so far, the Commission should hold another workshop to develop these documents.

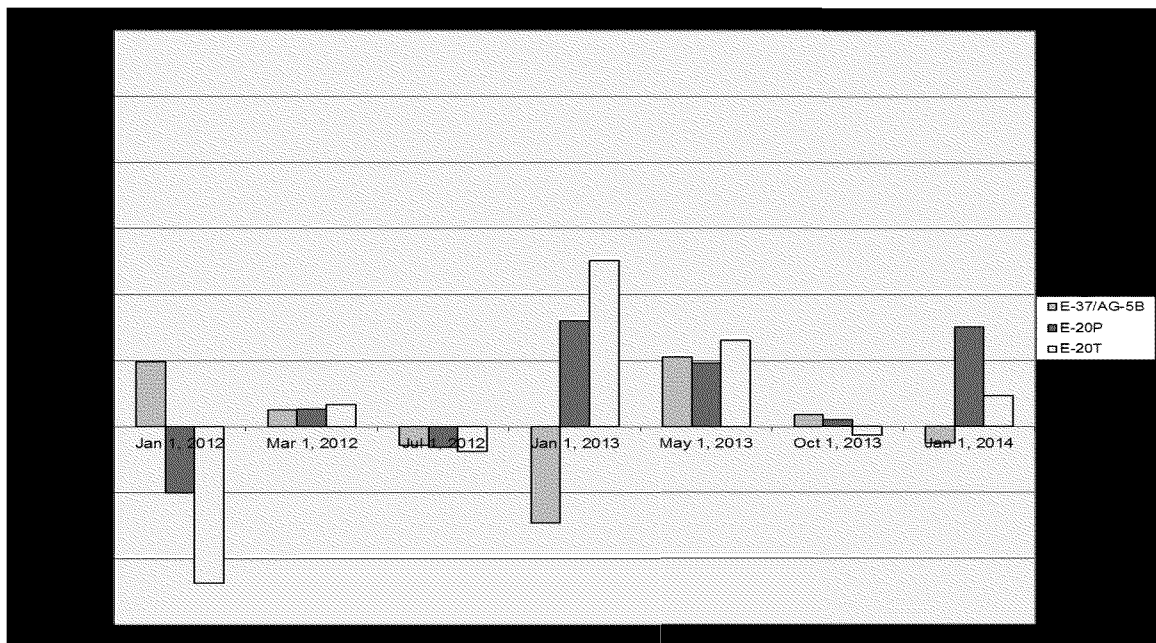
II. THE COMMISSION SHOULD LIMIT RATE CHANGES AND REQUIRE ADDITIONAL INFORMATION ON PROPOSED RATE IMPACTS

A. It is Difficult for Ratepayers to Budget in the Face of Frequent and Unpredictable Rate Changes.

Utility rates are a key budget input for every class of ratepayers. While the GRC is one source of rate changes, the Commission also adopts rate changes in annual

Energy Resource Recovery Account (ERRA) proceedings and other proceedings, including balancing account updates. Large ratepayers, like the members of EPUC, generally establish business plans multiple years in advance and this process is complicated by the fact that a key input, electric rates, changes frequently, oftentimes without significant advance notice. The Commission should adopt policies that simplify, minimize and clarify the rate changes experienced not just by the members of EPUC but by all ratepayers.

The graph below illustrates over the course of 2012 and 2013 the rate changes, timing and magnitude, for a particular set of large industrial customers. Notice how the changes vacillate between increases and decreases.



PG&E currently consolidates some rate changes in its Annual Electric True Up (AET), but even with this yearly filing, the impact of different programs are opaque and unpredictable. Resolution E-4620, approving PG&E's most recent AET reflects eight categories of changes, some including more than one balancing account, in addition to

changes to FERC jurisdictional accounts.² While PG&E files the AET in August with forecast rate changes effective January 1, the forecast may change and actual rates are not known until the utility submits an update. Even the August notice provided by the AET, is far too late to be helpful for business planning purposes which, as noted above, occur years in advance. Furthermore, currently only PG&E is using the AET, SCE has proposed a similar process in its 2015 ERRA forecast filing.³

A memo released by the Policy and Planning Division Staff on the Rate Case Plan highlighted similar concerns regarding the difficulty of tracking the rate impact of policy initiatives.⁴ As estimated in the memo, “50 percent of the total costs are reviewed in and authorized in General Rate Cases” and the remainder in “interval proceedings” making it difficult to “track the rate impact of various policy initiatives.”⁵ Additionally, as noted in the memo, certain costs, including fuel and purchased power costs approved in the ERRA are “difficult to predict.”⁶ While it may be difficult to predict these costs, the Commission could take steps, including limiting rate changes or providing additional notice of rate impacts, to moderate the impact of unpredictable changes.

B. The Commission Should Limit Rate Changes.

In order to streamline rate changes and simplify the budget process, the Commission should limit rate changes to once annually. Rather than allowing rate changes from each proceeding to go into rates individually, the Commission should

² See E-4630 at 5-6.

³ SCE Testimony, A.14-06-011 at 80-81.

⁴ See Policy and Planning Division Staff “Rate Case Plan Staff Memo” at 3-5 (May 2012), available at: <http://www.cpuc.ca.gov/NR/rdonlyres/0046EA75-989D-470A-97FE-E34B8F424983/0/RateCasePlanmemoFinal2.pdf>

⁵ *Id.* at 4.

⁶ *Id.* at 4.

identify one date a year when all utilities incorporate rate changes. Calendaring rate changes in this manner would give customers certainty regarding the timing of rate changes. Limiting the number of rate changes in a year will also potentially moderate the magnitude of rate changes, allowing large increases to be offset by decreases. The Commission could address any concerns related to potential undercollection caused by delayed implementation by directing the utilities to track costs and amortize potential undercollections over time. Additionally, the Commission can adopt a trigger that directs the utility to implement an immediate rate change if actual rates are more than 15% out of line with the pending rate.

C. The Utilities Should Provide Additional Information on Rate Changes in the GRC Filing and on Their Websites.

The Commission should direct the utilities to include information on the impact of the proposed GRC and any other ongoing proceeding on rates as part of its GRC filing. The Policy and Planning Division Staff Memo recommended that the RCP “*be modified...in order to have utilities submit exhibits showing the rate impact of various policy initiatives.*”⁷ Providing information regarding not only the impact of the GRC proposal and all other open proceedings, at the outset of a GRC, and every other proceeding proposing rate changes, will improve the ability of ratepayers to establish business plans and budget for the future.

The Commission should adopt a specific format for the reporting of GRC rate impact as well as the impact of other ongoing proceedings. Information provided should include the impact on not only each individual rate schedule but also the individual rate components. Rates are often driven by a customer’s specific load characteristics, and

⁷ *Id.* at 5.

information on class averages is insufficient to determine the impact of proposed changes on individual ratepayers. In addition to providing this information as part of the GRC filing, each utility should maintain the form outlining the rate impact of all pending changes on its website. This information should be updated, at a minimum, once a month.

The Commission should adopt the forms that this GRC filing and website information will take in this proceeding. An example of how this information could be presented is included as Attachment A. The format of the filing should be developed with participation by all interested parties at a workshop on Round 2 issues, described further below.

Maintaining and updating rate impact information may not give ratepayers the absolute certainty that would be ideal for business planning purposes, but it at least provides ratepayers additional notice of potential rate changes.

III. THE COMMISSION SHOULD DELAY PHASE 2 FILINGS TO PROVIDE THE OPPORTUNITY FOR A DECISION IN PHASE 1 BEFORE LITIGATING COST ALLOCATION AND RATE DESIGN

The Commission should alter the RCP schedule to enhance the possibility that a Phase 1 Decision will be released before Phase 2 hearings or settlement negotiations begin. Without knowledge of the revenue requirement, a key input determining rate impact, Phase 2 litigation and settlement negotiations are difficult.

Currently, the RCP provides for a PD before Phase 2 hearings, but in practice this has not actually occurred.⁸ As an initial matter, and to the extent possible, all

⁸ D.07-07-004, Rate Case Plan. Currently, the Rate Case Plan provides that the utility should file its Phase 2, Rate Design Application on Day 90, three months after the Phase 1, Revenue Requirement Application is submitted. The Rate Case Plan further directs that

parties should strive to meet the goals outlined in the RCP. Rate cases, however, are complex and require tremendous effort from the Commission, utility and intervenors, and as recent experiences have demonstrated, the RCP schedule is not reasonably attainable. For example, in the PG&E 2014 GRC, Phase 2 negotiations had been underway for almost six months before a Phase 1 PD was available.

The Commission should amend the RCP to direct the utilities to file Phase 2 testimony on Day 180 and adjust other dates accordingly. This short delay may add additional time to the entire rate case cycle, but it may result in parties having a PD on Phase 1 issues before beginning litigation or negotiation of Phase 2. This additional information would likely result in more efficient hearings or settlement negotiations since the parties would have a more clear understanding of the potential rate impacts, mitigating the overall delay.

IV. THE COMMISSION SHOULD HOLD ADDITIONAL WORKSHOPS TO DEVELOP STANDARD RATE CASE PLAN FILING REQUIREMENTS

The Commission held three days of workshops in this proceeding in early 2014. While these workshops touched on changes to the Rate Case Plan, they focused on the incorporation of safety and reliability in GRCs. Additional workshops should be held to further develop filing requirements for each GRC. Each GRC attracts a large number of intervenors, each with specific, and sometimes narrow, interests. Additional workshops would give parties an informal venue within which to discuss data needs and the feasibility limitations of the utilities in providing requested information.

Phase 2 hearings only begin on day 353, a week after the ALJ submits a Phase 1 Proposed Decision on Day 344.

The workshop should focus on specifying both the information to be provided by the utilities and also the form in which that information is delivered. Topics and potential GRC requirements to be discussed at the workshop should include, but not be limited to:

- Rate Impact Exhibit and Website Form: As discussed above, the utility GRC application should include an exhibit illustrating the impact of the proposed GRC and other open rate proceedings. This exhibit should be posted and maintained on each utility's website.
- Common Non-Disclosure Agreement: The same parties are repeat players to each utility's GRC. Rather than requiring a separate NDA for each proceeding, parties should have one form that will cover all utility proceedings.
- Master Data Request: While the Master Data Request is an ORA document, there may be value in expanding its scope to include common data requests from other intervenors. Responses to the Master Data Request should be available to all parties who have signed to the NDA.
- Summary Reports: The utilities should use a common form to provide high-level summary reports of their testimony. The summary should be included as part of the application.

In an appropriate time after the conclusion of these workshops, the utilities should present a joint exhibit outlining the updated filing requirements and draft forms based on workshop consensus. Intervenors should have an opportunity to comment on the drafts before the Commission adopts final changes.

While adding additional workshops may delay a decision on the second round of comments, the impact of the updated, standardized format will make future GRCs more streamlined and more efficient. For example, by providing up-front the information usually sought by multiple intervenors, parties are saved from making these request and the utility avoids answering the same question multiple times. Summary reports will

help intervenors better understand the utility's request and more easily identify specific programs and proposals of interest.

V. THE RATE CASE PLAN SHOULD REQUIRE EACH UTILITY TO HOLD A WORKSHOP AT THE OUTSET OF THEIR CASE

The Commission should direct each utility to hold a workshop after its GRC application has been filed. At the workshop, each witness, or another knowledgeable party, should present their testimony and answer any initial questions intervenors have on the request. The workshop provides parties an opportunity to seek additional information in an informal manner. Like the summary reports above, workshops will help parties identify areas that require additional attention. Workshops should be held approximately 30 days after testimony is served.

VI. THE COMMISSION SHOULD ADOPT EPUC'S ROUND ONE RECOMMENDATIONS

The Scoping Memo in this proceeding directed parties to file two rounds of comments. The first round of comments focused on issues related to reliability and safety and related procedural changes. EPUC incorporates by reference and reiterates its support for the proposals made in its Round 1 comments. Specifically, EPUC proposed that:

- The Notice of Intent (NOI) should be eliminated. The NOI has limited benefit and its elimination creates time in the schedule for the additional procedure likely to be adopted to address safety and reliability.
- The three year GRC cycle should be maintained. The three year cycle avoids the use of stale data and mitigates the impact of attrition year ratemaking.

EPUC maintains its support for the elimination of the NOI and the maintenance of the three year rate case cycle.

VII. CONCLUSION

For all of the foregoing reasons, EPUC requests that the Commission consider the potential modifications to the Rate Case Plan.

Respectfully submitted,

A handwritten signature in black ink that reads "Katy Morsony". The signature is written in a cursive, slightly slanted style.

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July 25, 2014

Attachment A

Table 1.

Class Schedule (by Service Voltage)	Current Rate	Proposed Rates (Docket, Nature of Proceeding, Anticipated Implementation Date)	Percent Change From Present Rate	Proposed Rates (Docket, Nature of Proceeding, Anticipated Implementation Date)	Percent Change From Present Rate	Percent Change From Present Rate (Cumulative of all potential changes)
System						

In Table 1, the utility would display, by Service Voltage, the impact of all potential rate changes identifying the docket, nature of the proceeding and anticipated implementation date. This information would be included for each outstanding rate change. The utility would also include the cumulative impact on rates if all rate changes were adopted.

Table 2.

Schedule (By Service Voltage)	Rate Components at Proposed Rate Revenues												
	Trans	RS	Distr	PPP	ND	DWR	Bond	CTC	ECRA	NSGC	AB32 Credit	CIA	Gen

Table 2 would be provided separately for each proposed rate change with a greater level of granularity, demonstrating the impact of each proceeding on the rate components identified.