**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 No. 12-11-009 (Filed November 15, 2012)
And Related Matter.	Investigation 13-03-007 (Filed July 29, 2010)

**OPENING COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY
ON THE PROPOSED DECISION OF ALJ PULSIFER**

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SUMMARY OF RECOMMENDATIONS

Policy and Legal

- The Proposed Decision (PD) should be revised to give top priority to safety, as required by Senate Bill 705.
- The description of deferred maintenance is out of balance, unlawful, and should be revised.
- The PD should not reject project contingencies, given possible restrictions on reprioritization.
- The PD should correct its references to the record concerning cost-benefit studies.

Gas Distribution

- The PD should be revised to support a three-year gas leak survey cycle.
- The PD should support full funding for the gas distribution control center.
- The PD should correct errors that prevent funding for immediate response to gas leaks.
- The PD should correct the math error in the PD concerning pipeline replacement.
- The PD should clarify aspects of the leak survey and repair balancing account.

Electric Distribution

- The PD should restore funding for projects reduced due to the erroneous findings regarding deferred work.
- The PD should provide full funding for underground oil switch replacement.
- PG&E's entire forecast should be adopted for FLISR systems and recloser revolving stock.
- PG&E's forecast for the network SCADA monitoring project should be adopted in full.
- The PD should adopt PG&E's capital forecast for PEV sales, consistent with the treatment of expense.
- The PD should correct inconsistent language regarding streetlight burnouts.

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Customer Care

- The PD should reduce plant amounts to conform with the SmartMeter™ cost cap.

Energy Supply

- The PD should add an Ordering Paragraph to authorize additional fuel cell funding.

Information Technology

- The PD should restore full funding for projects forecast through the Concept Cost Estimating Tool.
- If the Commission disregards PG&E's recommendation to restore full funding for projects forecast by the tool, the PD should be revised to correctly identify those projects that were forecasted with the tool.

Human Resources

- The PD should be revised to remove its references to limits in ratepayer reimbursement for employee compensation.
- The PD should restore full funding of the Short Term Incentive Plan (STIP) as a necessary element of total compensation.
- The PD should be corrected to make an adjustment for reduced headcount.

Depreciation

- The "gradualism" advocated by the PD for reimbursement of depreciation expense is too gradual and should be increased.

Nuclear Fuel and Customer Deposits

- The PD should treat nuclear fuel at least as favorably as customer deposits.

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REVENUE REQUIREMENT (RRQ) IMPACTS OF RECOMMENDATIONS

Item	Expense/ Other ($M)	Capital 2013 ($M)	Capital 2014 ($M)	2014 RRQ Estimate ($M)[a]	Section in Comments
Gas					
Leak Survey Cycle	24.1		2.1	24.3	III.A
Distribution Control Center	4.3		37.4	7.7	III.B
Field Services Staffing	17.0			17.0	III.C
Pipe Replacement			8.9	0.8	III.D
Electric					
Underground Cable			37.8	3.4	II.B; IV.A
Pole Test and Treat (w/ joint pole credits)	3.5			3.5	II.B; IV.A
Pole Replacement		81.3		14.6	II.B; IV.A
Underground Oil Switches			12.5	1.1	IV.B
FLISR			15.0	1.4	IV.C
Line Recloser		3.0	6.1	1.1	IV.C
Network SCADA		1.3	2.0	0.4	IV.D
Plug-in Electric Vehicle Sales		3.6	5.1	1.1	IV.E
IT					
Concept Cost Estimating Tool	6.1		22.5	8.1	VII.A
HR					
STIP[b]	41.0			26.7	VIII.B
Nuclear Fuel[c]	19.9			19.9	X
SUBTOTAL ADDITIONS	**115.9**	**89.1**	**149.4**	**131.1**	
Offsets					
SmartMeter Capital Adjustment		(3.3)		(0.6)	V
Other IT Tool Reductions	(2.7)		(10.0)	(3.6)	VII.B
Employee Benefits associated with Headcount Adjustments[b]	(8.6)			(5.4)	VIII.C
SUBTOTAL REDUCTIONS	**(11.3)**	**(3.3)**	**(10.0)**	**(9.6)**	
Depreciation	335.0			335.0	IX

[(a)] The 2014 revenue requirement impacts are estimated using general capital conversion methods.

[(b)] The revenue requirement reductions associated with STIP and employee benefits are less than the overall reductions for these items due to allocations to capital and areas outside the GRC.

[(c)] The revenue requirement for nuclear fuel is calculated based on applying the long-term debt equivalent return on the total nuclear fuel carrying cost forecast.

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OPENING COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY
ON THE PROPOSED DECISION OF ALJ PULSIFER

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), Pacific Gas and Electric Company (PG&E or the Company) respectfully submits these comments on the Proposed Decision (PD) of Assigned Administrative Law Judge (ALJ) Thomas R. Pulsifer on PG&E's 2014 General Rate Case (GRC) Application. Appendix A includes PG&E's proposed changes to the findings of fact, conclusions of law and ordering paragraphs. Appendix B includes a list of typographical errors and similar corrections.

I. EXECUTIVE SUMMARY

PG&E respectfully urges several changes to the PD to improve levels of safety and reliability, and promote the development of an electric and gas infrastructure well equipped for the challenges of the 21st century.

The PD should correct its discussion of policy and legal matters, such as (i) how utilities should prioritize safety, (ii) the concept of deferred maintenance, (iii) the use of contingencies, and (iv) when cost/benefit studies are appropriate and useful. The Commission should modify the PD to adopt PG&E's funding proposals to, among other things:

- Improve the level of gas system safety by funding (i) gas leak surveys every three years, not five, (ii) timely build-out and staffing of the gas distribution control center, and (iii) staff to respond to all gas leaks immediately;

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- Build a 21st century electric infrastructure that provides for necessary maintenance, including the replacement of oil-filled switches, and enhances the safety and reliability of the electric distribution system with new Fault Location, Isolation, and Restoration (FLISR) and Supervisory Control and Data Acquisition (SCADA) technology;
- Properly estimate Information Technology (IT) projects;
- Reimburse compensation, including Short-Term Incentive Plan (STIP) payments, at levels that are competitive with the market;
- Increase depreciation rates beyond their current, unsustainable levels; and
- Treat nuclear fuel at least as favorably as customer deposits.

Not including depreciation, PG&E's recommended changes in these areas would increase the 2014 revenue requirement by approximately $131 million (M). This does not include approximately $10M in corrections that would serve to reduce PG&E's 2014 revenue requirement. Effecting these changes will still keep residential customers' bills substantially below the national average.[1/]

These comments are organized as follows: Section II addresses policy and legal issues; Section III addresses gas distribution; Section IV addresses electric distribution; Section V addresses customer care; Section VI addresses energy supply; Section VII addresses information technology; Section VIII addresses human resources; Section IX addresses depreciation; and Section X addresses nuclear fuel and customer deposits.

II. POLICY AND LEGAL ISSUES

A. The PD Fails to Give Full Effect to Senate Bill 705.

Overall, PG&E appreciates the effort shown in the PD to support safety initiatives and minimize risk. The focus in the PD on safety and risk goes well beyond that of prior GRC decisions, but it still could be improved.

The PD declares, "We have previously adopted the Legislature's overall policy statement: 'It is the policy of the state that the commission and each gas corporation place safety of the public and

1/ Exh. 1 (PG&E-1), p. 5-2.

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gas corporation employees as the top priority.'"[2] Yet, almost immediately, the PD wavers from this commitment.

What the legislature directs to be "the top priority," becomes — one page later — "a foundational priority" and, even worse, just "a priority" among others. These words matter. The PD should be revised, as follows, to comply with Public Utilities Code Sections 961 and 963, which were enacted by Senate Bill (SB) 705:

> We expect the utilities to make safety the top ~~a foundational~~ priority. When evaluating the revenue requirements requested by PG&E, the Commission should place top ~~has placed a~~ priority on programs that enhance safety and reliability of the natural gas and electric power infrastructure and operations.[3]

Failure to make these changes would contravene state policy and would constitute legal error.

B. The Description of Deferred Maintenance is Out of Balance and Unlawful.

The concept of deferred maintenance is often debated in rate cases. On one hand, utilities are obligated to reprioritize funds to respond to the most pressing needs. On the other hand, customers want to ensure that funds provided for specific activities are used for those activities.[4]

The relevant language in the PD is unbalanced. It tilts toward bad policy and promotes a skewed incentive for utilities to perform work that was forecasted even when more important work has emerged to take its place. For instance, in denying recovery for pole inspection work, the PD states:

> PG&E offers no satisfactory explanation as to why in GRC cycles before 2011, it couldn't have funded BOTH higher priority projects AND the pole inspections funded by ratepayers. [¶] We recognize that PG&E's earned rate of return may have been lower as a result of spending more money on pole inspections in addition to other higher priority

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2/ PD, p. 17 (emphasis added).

3/ PD, p. 18 (proposed revisions added).

4/ The balance between these two sides of the debate is reflected in the terms of the all-party settlement in PG&E's last GRC, which states, "The fact that Settling Parties set forth specific amounts for certain categories of costs is not intended to limit PG&E's management discretion to spend funds as it sees fit in a manner consistent with its obligation to provide reliable service and consistent with its obligation to maintain the safe operation of its utility systems. Nor does it limit the discretion of other parties to argue in future proceedings that it is unjust or unreasonable to make ratepayers pay a second time for activities explicitly authorized by the Commission in this proceeding or that PG&E has not provided safe and reliable service." (Decision (D.) 11-05-018, *mimeo*, p. 29, and Attachment 1, pp. 1-22 to 1-23.)

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work. The risk of earning a lower return, however, does not justify PG&E's choice to allow a pole inspection backlog to develop at ratepayer expense."[5/]

In actuality, PG&E has provided such an explanation, one that is uncontroverted in the record, as described below.

The record shows that forcing investors to earn less than a fair return "is unsustainable financially and operationally" and "[c]ompelling shareholders to donate toward legitimate business costs would provide customer transitory rate relief at best."[6/] Such "transitory relief would be more than offset by higher long-term costs to finance plant and equipment as well as higher costs to procure electric and gas energy."[7/] The PD's discussion of deferred maintenance heads right down this path.

The PD also runs counter to the United States Supreme Court's *Hope* and *Bluefield* decisions that ensure regulated utilities are given a reasonable opportunity to recover their prudently-incurred costs.[8/] The PD also conflicts with Commission precedent, which, as noted above, conveyed a balance not present in the PD. Previous Commission decisions have not precluded the utility's right to reprioritize,[9/] but have found that the utility must provide an explanation for re-requesting work. In PG&E's last GRC, the Commission stated, "For activities that were deferred and are now being requested, Pacific Gas and Electric Company shall *fully explain why* they are needed now when they were able to be deferred before."[10/] Thus, where a reasonable explanation is given, the utility may re-request work. PG&E has complied with this requirement in this case.[11/]

5/ PD, p. 187 (emphasis original). This language is referenced in the PD's findings on deferred work for Underground Assets: Cable Replacement (Tie, COE, Reliability-Related) and Pole Replacement in 2013. (PD, pp. 192 and 238.)

6/ Exh. 42 (PG&E-10), p. 12-1, lines 13-15 and 18-19; PG&E Reply Brief, pp. 4-2 to 4-3, *citing* Exh. 42 (PG&E-10), p. 12-7, lines 4-12.

7/ Exh. 42 (PG&E-10), p. 12-1, lines 19-21.

8/ *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944); and *Bluefield Water Works v. Public Service Comm'n*, 262 U.S. 679, 690 (1923) (utilities have a right to earn reasonable rate of return on capital investments under the Fourteenth Amendment).

9/ *See* PG&E Opening Brief, Section 4.1.2 and PG&E Reply Brief, Section 4.1.3.

10/ PG&E Reply Brief Section 1.1.2, *citing* D.11-05-018, *mimeo*, pp. 99-100 (Ordering Paragraph (OP) 43) (emphasis added).

11/ PG&E Reply Brief, Section 4.1.3; Exh. 55 (PG&E-19 v1), p. 6-3, line 25 to p. 6-4, line 20 (pole test and treat); p. 7-3, line 1 to p. 7-6, line 7 (pole replacement); and p. 16-6, line 19 to p. 16-9, line 29 (cable replacement).

In the current proceeding, CPUC staff members concede that they generally expect PG&E to incur costs additional to those the Company has forecasted.[12/] It would be unlawful to deny PG&E a reasonable opportunity to recover such unanticipated costs, which would be the effect of the PD's deferred maintenance discussion. The deferred maintenance language should thus be revised to comport with the record, good policy, the Supreme Court's *Hope* and *Bluefield* decisions, and the Commission's own precedent.

C. The PD is Wrong to Reject Project Contingencies Given Its Possible Restrictions on Reprioritization.

The PD wrongly rejects project contingencies in three areas of the case.[13/] PG&E has not historically sought project contingencies in GRCs, partly due to the fact that PG&E had the discretion to reprioritize and redirect funding.[14/] Thus, if one project experienced cost overruns, PG&E could cover those overruns by reallocating funds from other projects that might be delayed.

However, based on the language in the PD on deferred maintenance, it is no longer clear that PG&E will be able to manage its costs that way. If the Commission forces PG&E to complete each of its forecasted projects in the timeframe forecasted in rate cases, then the Commission should award contingencies for projects, just as the Commission does in cases where the utility must see a specific project through to completion.[15/] Accordingly, if the Commission does not revise its deferred maintenance discussion (see Section II.B.), the Commission should restore, at the very least, the requested project contingencies.

D. The PD Mischaracterizes the Record Concerning the Use of Cost-Benefit Studies.

The PD misstates the record when discussing the role of cost-benefit analyses in rate cases:

> PG&E's policy witnesses agreed in principle that, for all proposed programs, even those justified on the basis of safety, PG&E's GRC showing must demonstrate both (1) the need for and reasonableness of PG&E's proposed program, supported in most cases by a well explained cost-benefit analysis; and (2) that the proposed approach is the most cost-effective method available to the utility.[16/]

12/ *See* Tr. Vol. 27, 3653:12 to 3654:2, DRA/Tang; and Tr. Vol. 28, 3808:4-10, DRA/Phan.

13/ PD, p. 42 (removing $1.3M expense for mapping and records); p. 124 (removing $7.2M for the Training Center, which should be corrected to $6.93M of capital and $0.3M expense); and p. 135 (removing 25% of the capital costs for the ED GIS/AM project).

14/ Exh. 51 (PG&E-16), p. 2-23, lines 12-26.

15/ *See e.g.*, D.09-03-026, *mimeo*, p. 88; D.06-07-027, *mimeo*, pp. 12-13.

16/ PD, p. 28.

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This is not accurate, nor is it consistent with historic standards of proof.[17/]

In fact, PG&E's witnesses explained that there are a multitude of reasons why a program might be proposed, very few of which concern cost savings. For instance, programs may be required to comply with laws and requirements for which a cost-benefit analysis is neither relevant, nor a good use of time and resources. Environmental programs and the like also are not suited to cost-benefit analyses.[18/] Nor is the GRC process well-suited for a requirement to provide cost-benefit studies for all programs since many programs must be presented prior to the time when a cost-benefit study may be appropriate or feasible.[19/] Further, Cycla and Liberty explained that cost-benefit studies are not only of limited usefulness in a safety context, but can even be problematic.[20/]

The PD offers no citation for the above-quoted statement but it appears to come from page 9 of TURN's opening brief. PG&E expressly disagreed with TURN's statement in PG&E's reply brief.[21/] Failure to correct the above statement would thus misstate the record.

III. GAS DISTRIBUTION

PG&E appreciates the support of safety initiatives in many aspects of the PD for gas distribution. However, the PD underfunds several key efforts.

A. The PD Should Fund A Three-Year Leak Survey Cycle.

Perhaps the most important gas distribution safety initiative PG&E proposed in this GRC is to move to a three-year leak survey cycle, consistent with industry best practices. As the PD recognizes, "gas leaks pose the most significant source of system safety risk."[22/] The PD notes that, "[a]s a theoretical principle, the longer the interval between surveys, the more leaks may develop and go undetected, thus increasing the number of leaks and related safety risk."[23/] This is not "theoretical." It is a fact.[24/]

17/ PG&E's last GRC prescribed a standard far different than that set out here: "In future general rate cases, [PG&E] shall not add a new type of cost to the revenue requirement without estimating and including in the revenue requirement the cost savings to be achieved by the new type of cost or an explanation of the reasons there will be no cost savings." (D.11-05-018, *mimeo*, p. 97, OP 37).

18/ Exh. 1 (PG&E-1), p. 5-17, lines 27-32.

19/ PG&E Reply Brief, p. 1-4, and pp. 2-4 to 2-6.

20/ Exh. 168 (Liberty), pp. S-11, 28; and Exh. 167 (Cycla), Attachment 4, p. 2.

21/ PG&E Reply Brief, p. 1-4, and pp. 2-4 to 2-6.

22/ PD, p. 74.

23/ PD, p. 75.

24/ *See* Exh. 14 (PG&E-3), p. 6-15, lines 10-21; Exh. 148 (CCUE-Marcus), p. 15, line 13 to p. 16, line 3; Tr. Vol. 25, 3202:21-3204:14, TURN/Sugar; and Tr. Vol. 28, 3815:27-3818:17, DRA/Phan.

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The PD would nonetheless keep PG&E on a five-year leak survey cycle, despite the undisputed evidence that 30% of operators survey their systems for leaks ***at least*** once every three years.[25/] The PD declines to adopt this best practice on the grounds that other operators might not also be implementing comparable programs to PG&E's annual leak cluster surveys and the Picarro Surveyor.[26/] These other programs do not meaningfully affect the analysis. PG&E's annual leak cluster survey addresses only 1.7% of the system.[27/] And while using the Picarro Surveyor finds more leaks than a typical foot survey, the Surveyor only finds leaks as frequently as PG&E looks. Thus, a five-year cycle with the Surveyor still gives leaks up to five years to propagate, rather than only three. Moving to a three-year leak survey cycle is an industry best practice required by SB 705. The Commission should authorize sufficient funding for PG&E to adopt this industry best practice.

B. The Gas Distribution Control Center is Underfunded.

The PD recognizes the Control Center's important safety benefits and agrees with PG&E's forecast cost to build and operate the Control Center.[28/] The PD nonetheless underfunds both construction and operation based on an unsupported conclusion that PG&E will be unable to implement and staff the Control Center on the forecast schedule.[29/]

In terms of capital, PG&E forecast $62.2M for 2014, but based on Cycla's concerns that the construction schedule *may* be optimistic, the PD approves only $24.85M for 2014.[30/] In total, the PD funds less than half the project's cost through 2016.[31/] Cycla's uncertainty[32/] does not justify funding only 39.9 percent of PG&E's forecast, particularly in light of the fact that, as the PD correctly notes, PG&E successfully resolved the issues it encountered in 2012.[33/]

25/ Exh. 53 (PG&E-18 v1), p. 6-12, lines 15-18.

26/ PD, p. 76.

27/ Exh. 53 (PG&E-18 v1), p. 6-17, lines 20-21.

28/ *See* PD, pp. 32 and 38.

29/ PD, pp. 32-33, and 38.

30/ PD, pp. 37-38.

31/ PD, pp. 36 and 38.

32/ Cycla stated that the schedule "may prove optimistic to meet," "may prove difficult to meet," and that "there are many roadblocks that could delay its completion." (Exh. 167, pp. 35, 41 and Attachment 6, p. 3.)

33/ PD, p. 37.

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In terms of expense, the PD makes similar reductions.[34/] These reductions are not supported by the record. Even if rollout of monitoring and control devices is delayed, no evidence supports a conclusion that less staffing is required in 2014, much less a fifty percent cut. The PD correctly notes that the 25 control room positions are to staff the facility 24/7.[35/] Reducing the staffing by half means that either some shifts or some regions would have no staff. By providing only half the staffing, the PD would effectively prevent the control room from functioning in 2014.[36/] Nor is there any evidentiary support for — or logical link between — a possible slower rollout of monitoring and control devices and the need to fully staff system operations and technology support personnel or contractor support.

The Commission should modify the PD to authorize full funding for Control Center capital and expense.[37/]

C. The PD Contains Errors That Underfund Field Services and Emergency Response.

PG&E appreciates the PD's support for PG&E's goal to shorten response times to gas odor complaints by treating all such complaints as "immediate response" calls.[38/] However, the support articulated by the PD falls short of funding the necessary activities. For instance, the PD states,

> Since PG&E's new higher customer response performance standard wouldn't take effect until at least 2015, customers realize no benefit during 2014 from the 80 new GSRs, in any event. . . . Thus, deferring ratepayer funding for 80 new GSRs positions to the next GRC cycle will not change response rate times that PG&E estimates for 2014.[39/]

By this logic, the PD defers PG&E's ability to achieve the supported response time goals until PG&E's 2017 GRC cycle, at which point the same rationale would justify delaying funding until the 2020 GRC.

34/ PD, pp. 33-36.

35/ PD, p. 33.

36/ Moreover, the adopted attrition increases do not provide sufficient additional revenue to double staffing during the attrition years.

37/ If the Commission does not authorize full funding, it should, at a minimum, correct an error in the PD workpapers (see footnote 41) that reduces PG&E's funding by $452,000 relative to what the PD states it authorizes. Specifically, the PD authorizes full funding for PG&E's five clearance personnel (PD, pp. 32-33), but the workpapers apply the 50% reduction adopted by the PD for the remaining personnel to <u>all</u> personnel, including clearance personnel.

38/ PD, p. 87.

39/ PD, p. 89.

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Furthermore, the calculations supporting the PD contain an error in the adopted amount for Major Work Category (MWC) DD, Field Services and Response. The PD intended to adopt PG&E's 2012 recorded costs, adjusted to reflect an annualized cost of 40 GSRs hired in 2012, then escalated to 2014.[40/] However, the PD workpapers[41/] use forecasted (not recorded) costs and fail to make the appropriate adjustments. PG&E's 2012 recorded expense in MWC DD, adjusted as described above, is $104.7M.[42/] PG&E's unadjusted 2012 forecast was $87.7M.[43/] Using the adjusted recorded figure, which would then be reduced by $6.5M based on TURN's pilot relight analysis,[44/] yields a final adopted amount for MWC DD of $98.2M, not the $81.2M shown in the workpapers.

The Commission should support funding of the 80 GSRs for the 2014 test year and, at a minimum, correct the above error.

D. The PD Contains a Math Error Relating to Pipe Replacement that Should Be Corrected.

The PD adopts funding to replace 139 miles of Aldyl-A pipe.[45/] At a unit cost of $314/ft.,[46/] the adopted amount for Aldyl-A should be $230.4M, not the $221.5M shown in the PD workpapers.

E. The PD Should Clarify Technical Aspects of the Leak Survey and Repair Balancing Account.

There are inconsistencies between the discussion of the leak survey and repair balancing account in the PD text and the Ordering Paragraph (OP) that implements the balancing account. First, OP 7 provides for an annual true-up, but pages 56 and 63 provide that costs for tee cap repair and atmospheric corrosion inspection be trued up in the next GRC. All elements of the balancing account should be treated the same. An annual true-up is the most reasonable approach and best

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40/ PD, p. 87 ("For the 2014 test year, we approve funding for the annualized cost of the 40 GSR positions hired in 2012, escalated to 2014 dollars. We acknowledge that 2012 recorded spending does not reflect a full year's cost of GSRs hired to help meet PG&E's 2012 response goals, nor does it reflect wage escalation to 2014." (emphasis added)).

41/ The PD workpapers referenced herein are those mentioned on page 723 of the PD in Ordering Paragraph 41, which are identified as Exhibit ALJ-1.

42/ Exh. 53 (PG&E-18 v1), p. 7-7, lines 6-7 and Table 7-3; PD, p. 85.

43/ Exh. 16 (PG&E-3 WP 07-12), p. WP 7-1, line 1.

44/ PD, pp. 85-86.

45/ PD, p. 97.

46/ PD, p. 97.

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ensures that the customers who benefit from the work pay for the work. The Commission should revise pages 56 and 63 to align with OP 7.

Second, although pages 55-56 include tee cap repairs in the balancing account, OP 7 does not. The Commission should revise either pages 55-56 or OP 7 to remove the ambiguity.

Finally, page 78 states that "[c]osts recoverable through the balancing account will be based on actual units of work, but limited to the adopted per-unit labor and overhead rates for the applicable work activity."[47/] PG&E is concerned that this language could be read to suggest separate limits for each maintenance activity type (MAT). PG&E supports the use of unit costs, but there should be a single limit across all work forecast in unit costs. This way PG&E has incentives to drive deeper efficiencies across all MATs, in order to offset possible higher unit costs in another MAT. Absent the overarching limit, PG&E would not have such incentives.

IV. ELECTRIC DISTRIBUTION

PG&E appreciates the PD's consideration of the issues presented in this proceeding for Electric Distribution and, in particular, those areas of the PD where it adopts PG&E's proposals to improve the safety and reliability of its operations. However, the PD falls short in several areas.

A. The PD States an Erroneous Standard in Support of Its Findings Regarding Deferred Work.

The PD reduces PG&E's revenue requirement based on findings of deferred work in several program areas, including: Underground Assets: Cable Replacement (Tie, COE, Reliability-Related) (-$37.8M in 2014 capital expenditures); Pole Test & Treat Inspections (-$3.5M in 2014 expense);[48/] and Pole Replacement (-$81.3M in 2013 capital expenditures).[49/] As discussed in Section II.B of these comments, certain language in the PD restricts the utility's ability to respond to emerging priorities.

PG&E *has* provided sufficient evidence for performing less pole inspection and replacement and cable replacement than previously forecast in order to perform unanticipated work in other areas, including areas where PG&E has no discretion to delay or not perform work, such as

47/ PD, p. 78.

48/ On a separate issue, the PD adjustment of $0.232 million for joint pole credits on p. 188 is inappropriate, as DRA's calculation using a PG&E-supplied workpaper already included this adjustment. Additionally, PG&E stated in rebuttal that it expects to receive more in joint pole credits as described on page 187 of the PD. This assumption was not included in DRA's adjustment.

49/ PD, pp. 184-187 (Pole Test and Treat); 191-195 (Pole Replacement); and 236-238 (Cable Replacement).

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emergency recovery.[50/] PG&E has also explained that it spent much more than authorized for distribution over the years this work was deferred, demonstrating PG&E's willingness to spend beyond authorized amounts to address high priority issues.[51/]

The PD acknowledges that a utility can re-request work in reasonable situations in approving the Electric Distribution Control Center (DCC) Consolidation Project.[52/] Further, consistent with the Commission's direction and as discussed in this proceeding, PG&E is increasingly moving to risk-based decision making and budgeting.[53/] These risk-based approaches require the utility to dynamically assess and prioritize work under changing circumstances. Inevitably, this process will result in adjustments to resource allocation in response to emerging priorities. Thus, the PD's critical language cannot be reconciled with risk-based prioritization.

Therefore, language in the PD suggesting that utilities should perform all forecast work as well as emergent work at the expense of the earned return is out of line with Commission policy, precedent and risk-based asset allocation. It should be revised.

B. PG&E's Full Forecast Should Be Adopted for Underground Oil Switch Replacement in the Electric Distribution Maintenance Program.

The PD reduces PG&E's Electric Distribution Maintenance Program capital forecast for underground oil switch replacement by 50%, resulting in a $12.5M reduction in 2014 capital expenditures.[54/] The PD finds that "the proposed rate of replacement reflects an unjustified cost burden on ratepayers relative to mitigation of risks."[55/] However, the PD acknowledges that "the

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50/ PG&E Reply Brief, Section 4.1.3. *See also* Exh. 55 (PG&E-19 v1), p. 6-3, line 25 to p. 6-4, line 19 (pole test and treat); p. 7-3, line 1 to p. 7-6, line 7 (pole replacement); and p. 16-6, line 19 to p. 16-9, line 29 (cable replacement).

51/ PG&E Reply Brief, Sections 1.1.2 and 4.1.3.

52/ PD, pp. 214-215 ("As discussed previously, we do not believe ratepayers should fund deferred maintenance based merely on the claim that PG&E diverted authorized funds for other unanticipated work deemed by PG&E to be of higher priority at the time. In this instance, however, we conclude that PG&E has adequately explained its rationale for deferring spending on the DCC consolidation project with the result that ratepayer interests benefitted resulting in a more cost-effective solution. **Given the benefits to ratepayers from the deferral, we will permit PG&E to recover prospective funding to go forward with the DCC consolidation.**" (Emphasis added.)). *See also* PD, p. 673 (Finding of Fact 103) ("PG&E adequately explained its rationale for deferring spending on the DCC consolidation project with the result that [ratepayers] benefitted from a more cost-effective solution.").

53/ PG&E Reply Brief, p. 4-5.

54/ PD, pp. 174-176. The PD adopts PG&E's entire expense forecast for underground oil-filled switches. PD, p. 176.

55/ PD, p. 175.

longer the oil switches remain, the greater the risk of failures, with the associated reliability and *safety risks*."[56/] PG&E urges the Commission to adopt its full forecast.

While it is true that PG&E "did not quantify the risk-adjusted value of its proposed rate of replacement in relation to the cost burden on ratepayers,"[57/] as Liberty noted, such studies are problematic when applied to safety-focused work.[58/] Liberty appears to support this program, as evidenced by its (i) statement that the program "contributes to system safety by reducing explosion and fire risk," and (ii) observation that the pre-1970 vintage switches that are the focus of PG&E's inspection and replacement program "have exceeded their operating lives."[59/] These oil-filled switches reflect a known safety issue, and PG&E carefully considered and presented evidence supporting the forecast rate of removal of these switches.[60/] They should be replaced under PG&E's forecast schedule.

C. PG&E's Entire Forecast Should Be Adopted for FLISR Systems and Recloser Revolving Stock in the Reliability Program.

The PD reduces PG&E's Reliability Program capital forecasts for FLISR and Recloser Revolving Stock by 25%, resulting in reductions of $15.0M and $6.1M in capital expenditures, respectively.[61/] The PD finds that "PG&E fails to justify why it should not be required to address electric distribution reliability matters in an integrated fashion in order to allow prioritization of the programs in the context of reliability and with regard to the overall revenue requirement."[62/] Yet, the PD acknowledges that "Even if incremental reliability benefits were only 50% of past levels (taking line reclosers costs into account) . . . The FLISR installations would still be one of PG&E's most cost-effective reliability measures."[63/] The PD's statement that PG&E has not prioritized its work properly is incorrect. "PG&E consistently uses historical electric reliability performance data to

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56/ PD, p. 175 (emphasis added).

57/ PD, p. 175.

58/ PG&E Opening Brief, pp. 4-77 to 4-78, including fn. 444 *citing* Exh. 55 (PG&E-19 v1), p. 5-46, lines 3-16 and p. 5-49, lines 11-19; Exh. 168 (Liberty), p. S-11.

59/ Exh. 168 (Liberty), p. 131.

60/ *See, e.g.*, Exh. 55 (PG&E-19 v1), p. 5-44, line 14 to p. 5-47, line 11.

61/ PD, p. 228-232. The PD also reduces the Recloser Revolving Stock program's 2013 expenditure forecast by $3.0M.

62/ PD, pp. 230-231.

63/ PD, pp. 231-232.

determine and prioritize its investments in reliability improvement work."[64/] "Each program PG&E has proposed provides a specific solution to a particular reliability issue."[65/] As the PD recognizes, this work offers a high benefit-to-cost ratio.[66/] The work should be fully funded.

D. PG&E's Forecast for the Network SCADA Monitoring Project in the Maintenance Program Is Not Related to Installation of SCADA in Other Programs and Should Be Adopted in Full.

The PD's across-the-board SCADA reduction of 25% results in a $2.0M reduction to PG&E's 2014 capital expenditure[67/] forecast for the Network SCADA Monitoring Project (MWC 2C): "Since we have approved funding for Feeder automation with a 25% reduction (see Section 4.15.4), we will be consistent and approve an approximately 25% reduction for SCADA Safety Monitoring project in both 2013 and 2014."[68/] However, contrary to the PD's suggestion, the Network SCADA work is not related to the SCADA or FLISR installation forecasts in other programs, and therefore the PD should not apply the same reasoning for reducing the forecast. Unlike substation and/or feeder SCADA used in the rest of the system, the Network SCADA is focused on safety and condition assessment of PG&E's network transformers in downtown San Francisco and Oakland.[69/] As described in PG&E's workpapers, "this new system is designed to significantly improve safety on the distribution networks in these dense urban areas."[70/] This program should be fully funded.

E. The PD Should Adopt PG&E's Capital Forecast for PEV Sales, Consistent with the PD's Treatment of Expense.

The PD correctly adopts PG&E's expense forecast for increasing Plug-in Electric Vehicle (PEV) sales, stating, "PG&E's assumption of increasing PEV sales is consistent with reported trends."[71/] The PD should make the corresponding findings for capital amounts in MWC 16.[72/]

64/ Exh. 55 (PG&E-19 v1), p. 15-13, lines 8-9.

65/ Exh. 55 (PG&E-19 v1), p. 15-13, lines 26-27.

66/ PD, pp. 231-232.

67/ The PD also reduces the project's 2013 capital expenditure forecast by $1.3M. (PD, pp. 176-177.)

68/ PD, p. 177.

69/ PG&E Opening Brief, p. 4-79. *See also* Exh. 17 (PG&E-4), p. 5-27, line 16 to p. 5-28 line 16; p. 5-38, lines 4-19; and p. 5-39, line 20 to p. 5-40, line 8.

70/ Exh. 18 (PG&E-4 WP 01-11), WP 5-43.

71/ PD, p. 201.

72/ *Compare* PD, pp. 201 and 672 (Finding of Fact 97) to pp. 206 and 673 (Finding of Fact 100).

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F. The PD Should Correct Inconsistent Language Regarding Streetlight Burnouts.

The PD correctly finds that "The record is not sufficiently developed to adopt CCSF's proposal for payment of a deficiency charge to streetlight customers when PG&E fails to meet performance standards for two consecutive months in a municipality."[73/] Inconsistent language at page 182 of the PD should be stricken.

G. PG&E Can Comply with the Requirement for DPA Information for Large Capacity Projects.

While PG&E questions how the new requirement to provide information by Distribution Planning Area (DPA) promotes safe, reliable, and affordable service to customers, PG&E will provide the requested breakdown for the forecasted expenditures under MWCs 06 and 46 by DPA where this information is available.[74/] For capacity capital project costs less than $1M, PG&E's practice is to forecast such costs generally, not by specific location, and it is not possible for PG&E to identify the precise level of expenditures in each of its DPAs in advance.[75/]

V. CUSTOMER CARE: THE PD OVERSTATES SMARTMETER™ PLANT

PG&E appreciates the PD's treatment of PG&E's proposals closing the SmartMeter™ Project, including the authority granted in OP 18 "to consolidate ongoing cost recovery of the capital-related revenue requirement associated with the SmartMeter™ program up to the authorized cost cap with the 2014 General Rate Case revenue requirement."[76/] Nevertheless, the forecast 2012 and 2013 plant amounts included in the capital-related revenue requirement in the PD workpapers exceed the cost cap by $3.3M. The correct final plant amount of $1,851M, which together with expense equals the total SmartMeter™ Project cost cap of $2,203M set by the Commission,[77/] should be used in the PD workpapers to calculate the GRC revenue requirement.

73/ PD, pp. 253 and 676 (Finding of Fact 121).

74/ PD, pp. 217 and 717 (OP 15). PG&E understands the scope of this requirement to be limited to capital expenditures forecasts for distribution capacity since MID appears to focus on capacity costs in its testimony. Exh. 159 (MMID), p. 29, lines 1-13.

75/ PG&E Opening Brief, p. 4-125.

76/ PD, p. 717.

77/ Exh. 57 (PG&E-20), p. 9-10, fn. 22; D.06-07-027, *mimeo*, pp. 65-66 (Conclusion of Law 3); and D.09-03-026, *mimeo*, p. 2.

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VI. ENERGY SUPPLY

A. An Ordering Paragraph Is Needed To Authorize the Uncontested Modification to Fuel Cell Funding.

The PD approves PG&E's request to increase its cost recovery authorization for the fuel cell project by $1 million in excess of the $20.3 million adopted in D.10-04-028 (for a total of $21.3 million).[78/] This request was uncontested. There are no findings or ordering paragraphs on this topic in the PD. Because this result supplements the ratemaking finding in D.10-04-028, PG&E requests the addition of a new Ordering Paragraph, as shown in Appendix A.

B. The PD Over-Credits the DOE Refund but it will be Trued-Up.

PG&E appreciates the PD's adoption of the Joint Proposal, which credits to ratepayers the preliminary amount of $280.0M in Department of Energy (DOE) litigation proceeds, plus future net proceeds estimated to be $20M per year from 2014-2016.[79/] Although the $280.0M figure translates to $93.3M each year from 2014-2016, the PD workpapers inadvertently adopt a credit of $121.8M per year from 2014-2016, plus $20M in forecasted amounts for each attrition year 2015-2016.

While the PD thus "over-credits" the revenue requirement by $28.8M each year, the error will be trued-up as part of the reconciliation between the forecasted future net proceeds and the refunds actually received. As explained in the Joint Proposal, "PG&E will continue to track actual costs in the DOELBA [Department of Energy Litigation Balancing Account] and will true-up the forecast annually through an adjustment to generation rates in the Annual Electric True-up [AET]."[80/] Accordingly, while the Commission may wish to increase the 2014 revenue requirement by $28.8M, if the Commission does not do so, the amount will be trued-up through the AET.

C. The Issues Raised by A4NR Do Not Warrant Changes to the PD.

In its June 30, 2014 Motion, the Alliance for Nuclear Responsibility (A4NR) identified areas it seeks to address in oral argument. In particular, the Motion suggests that A4NR is dissatisfied by the PD's treatment of two issues: (i) A4NR's proposal to impose conditions related to the rate of

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78/ PD, p. 420. The total shown on page 420 of the PD should be corrected. The original authorization in D.10-04-028 was for $20.3 million; increasing this by $1 million brings the total to $21.3 million.

79/ PD, pp. 428-429; and Appendix F-5, pp. 1 and 3.

80/ PD, p. 429.

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spent fuel storage into dry casks,[81/] and (ii) A4NR's proposed disallowance of Senior Seismic Hazard Analysis Committee (SSHAC) costs.[82/]

PG&E intends to issue separately a formal response to A4NR's Motion, although here PG&E would like to confirm that the issues raised by A4NR were correctly determined in the PD. To the extent that A4NR raises points in its comments other than those previously raised in its opening brief, PG&E will address those points in its reply comments.

VII. INFORMATION TECHNOLOGY

A. The PD Errs by Following DRA's Factually Flawed Analysis of the Concept Cost Estimating Tool.

The PD misapplies the record evidence in supporting the recommendation of the Division of Ratepayer Advocates (DRA), now the Office of Ratepayer Advocates, that there should be a 14% deduction from IT application development projects forecasted with the Concept Cost Estimating Tool. A proper analysis of the evidence demonstrates the validity and accuracy of the tool.

The PD acknowledges that (i) the GRC cycle requires most software projects to be forecast years before they are implemented,[83/] and (ii) the Concept Cost Estimating Tool is based upon the standard industry approach for estimating IT application development costs early in a project lifecycle.[84/] The logical deduction from these observations is that this tool is both appropriate and reasonable for estimating IT costs in this GRC.

Unfortunately, the PD incorrectly accepts DRA's arguments that (1) the tool "results in significant forecasting difficulties," and (2) PG&E only spent 86% of the amounts forecasted by the tool for its IT projects in the 2011 GRC.[85/] Though neither of these arguments has merit, the PD nonetheless imposes an across-the-board 14% reduction on IT project costs forecast using the tool.

DRA derives its percentage by comparing two sets of incompatible data from different years. DRA compared forecast data for projects from 2011, 2012 and 2013 to actual cost data from 2010, 2011 and 2012.[86/] The fundamental problem here is that DRA has compared actual costs from years that precede the forecast data, the reverse of what one would expect.

81/ PD, p. 405.

82/ PD, pp. 401-403.

83/ PD, p. 501.

84/ PD, pp. 500-501.

85/ PD, pp. 496-497.

86/ PD, p. 499.

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The PD acknowledges this flaw on page 497, but dispenses with it on page 499 by suggesting that as long as DRA compared three years of forecasted costs with three years of actual costs, the analysis was satisfactory. The PD implies that any three years would do.

However, to test the validity of the tool, the analysis must be project-specific. That is, the analysis must evaluate the tool's forecasted costs for a given project against the actual costs for that same project. Accordingly, PG&E was correct to criticize DRA's analysis, and the PD is technically and factually flawed.

The PD states: "We agree with PG&E that a fair analysis of the accuracy of the Concept Cost Estimating Tool requires that forecast data be compared with recorded cost data on a consistent basis."[87/] By using DRA's flawed analysis, the PD has prevented this from happening.

B. The PD Incompletely Identifies the IT Projects Forecasted Using the Tool.

For the reasons explained above, the Commission should not effect any reductions for the IT projects forecasted by the tool. Nevertheless, if the Commission disagrees, the PD may need to be revised to include about 30 IT projects, which may have mistakenly received no reductions in the PD.[88/] The effect of applying the 14% reduction to these additional projects, and adjusting for where the PD effects a larger reduction than apparently intended,[89/] would be to further reduce PG&E's 2014 forecasts by $2.7M expense and $10.0M capital.

VIII. HUMAN RESOURCES

A. Total Compensation Should Not be Limited by an Arbitrary Value with No Support in the Record.

The PD commits factual error in concluding that "funding employee compensation that exceeds 5% above the market median is excessive."[90/] The factual error arises from a misunderstanding of the content of the Total Compensation Study that was jointly administered by DRA and PG&E.

The PD correctly determines that the Total Compensation Study defined a "+/-10 percent range of competitiveness."[91/] However, this is different from defining a "market median" with a

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87/ PD, p. 499.

88/ *See e.g.*, PD, pp. 495-496 (providing full funding for the Service Management project even though it was forecast using the tool).

89/ PD, p. 110 (the Pathfinder project receives a 29% reduction of expense, not 14%).

90/ PD, p. 507.

91/ PD, p. 507.

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"10% variance," which is the terminology into which the PD quickly lapses.[92/] The former terminology correctly quotes the Study itself and conveys the level of uncertainty in the Study.[93/] The latter terminology wrongly conveys confidence in a specific result, allowing a range of grace for those shooting for the median that may miss for one reason or another.

By adopting the "variance" terminology and defining a 5% limit, the PD makes two errors. First, it misunderstands the meaning of the conclusions of the Total Compensation Study for the reasons explained above. Second, even if the PD understood the difference in meaning but chose to disregard it, there is no factual basis to adopt the 5% threshold adopted by the PD. The PD describes a "5% variance [as] consistent with more recent Commission policy."[94/] PG&E is aware of no Commission decision that adopts a 5% limit where the Study has defined a different range (as here), and the utility's compensation falls within that higher range.

The PD cannot legitimately conclude, "Limiting the test year increase for total employee compensation to a parameter of 5% above market limits the cost burden on ratepayers while still providing compensation sufficient for PG&E to attract and retain a competent labor force."[95/] This conclusion is without record evidence and should be revised to reflect the +/-10% range.

B. STIP Should Not Be Reduced When It is a Necessary Component of Competitive Compensation.

The PD's 32% reduction to PG&E's Short-Term Incentive Plan (STIP) is unsupportable. The PD correctly finds: (i) STIP reflects good compensation policy,[96/] (ii) STIP is a component of overall compensation,[97/] and (iii) PG&E's overall compensation is competitive with the market.[98/]

92/ PD, p. 507.

93/ It is similar to an astronomer defining a location range for a distant comet because, perhaps, the comet is moving too fast or the tools to measure its location are not sufficiently precise.

94/ PD, pp. 507-508.

95/ PD, p. 508.

96/ PD, pp. 512-513 ("We conclude that offering employee compensation in the form of incentive payments is useful for recruiting and retaining skilled professionals and improving work performance. Conditioning a portion of management employees' compensation on achievement of specific company goals is a generally accepted compensation practice.").

97/ PD, p. 506 ("For purposes of the [Total Compensation Study], 'Total Compensation' includes base salary, short-term incentives, and the value of employee benefits.").

98/ PD, p. 506 ("The [Total Compensation Study] concluded that PG&E's Total Compensation was competitive with the market based on aggregate total compensation being within 10% of the market median.").

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Accordingly, denying funding of any portion of STIP is contrary to the record and cost-of-service ratemaking principles.

The PD questions whether ratepayers or shareholders benefit more from certain STIP metrics. As a part of overall compensation, debating who benefits from STIP metrics is no more relevant than debating who benefits from other portions of an employee's compensation, such as base salary, overtime premiums or benefits. Nonetheless, the PD removes reimbursement for two elements of STIP compensation in their entirety as they are "without a clear demonstrable benefit to ratepayers."[99/]

One of the metrics excluded from recovery relates to Customer Satisfaction.[100/] The PD appears to exclude this metric on the premise that the satisfaction of electric and gas customers – whose contact with PG&E has been to pay their bills or the like – is not in the interest of ratepayers.[101/] This is sheer overreaching. The PD is also wrong to suggest that managers are not in positions to impact customer satisfaction.[102/]

In excluding the other earnings-related metric, the PD overlooks record evidence showing that shareholders' and ratepayers' interests are directly aligned in the particular matter at hand: earnings from operations.[103/] Further, ignoring the entire record, the PD is persuaded by TURN's reliance on the Overland Report's return analysis.[104/] This analysis, which concluded that PG&E exceeded its return, is flawed. In calculating return from 2003 to 2010, Overland began with PG&E's reported FERC Form 2 data and then proceeded to make a series of "adjustments" that generally had the effect of excluding recorded spending and increasing the apparent rate of return.[105/] Some of the exclusions involved items Overland believed were not recoverable in rates.[106/] Overland did not get all the policies right,[107/] but, even if it had, its adjustments blur the distinction

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99/ PD, p. 513.
100/ PD, pp. 514-515.
101/ PD, p. 514.
102/ PD, p. 515.
103/ Exh. 42 (PG&E-10), Chapter 12.
104/ PD, p 513; TURN Opening Brief, p. 282.
105/ Exh. 66 (PG&E-27, v1), pp. 1-13 to 1-16.
106/ Exh. 67 (PG&E-27 v2).
107/ Exh. 66 (PG&E-27 v1), p. 1-14, lines 24-27.

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between ratemaking and *ex post* reporting of financial results.[108/] The fact that the Commission did not include certain costs in the adopted forecast used to determine rates does not mean that they were not legitimate operating costs for purposes of calculating rates of return.

The PD also makes a passing reference to Overland's analysis of gas transmission and storage returns.[109/] This casual reference suffers from the same defect as Overland's analysis--it fails to place the returns in the broader context of the ratemaking incentives in place at the time or company-wide returns. Overland's analysis does not support a criticism of the earnings component of PG&E's STIP proposal or an adjustment to PG&E's STIP forecast.

Ultimately, the STIP discussion in the PD is a combination of ideas driven not by logic or evidence, but rather by a desired end-result to have shareholders carry costs. Indeed, the PD seems to acknowledge and understand that this aspect of competitive compensation should, and will, be paid to employees regardless of the outcome here:

> We do not believe that our adopted reductions in ratepayer funding of STIP will necessarily cause PG&E to reduce the overall level of compensation for STIP-eligible employees to 'well below market levels.' . . . [A] reduction of ratepayer funding does not automatically mean that PG&E must [] reduce the underlying STIP benefit to employees. Shareholders may find it in their interest to replace the funds that ratepayers do not cover."[110/]

The suggestion in the PD is correct. This portion of STIP compensation is a necessary component of market compensation and will, in all likelihood, be paid. In depriving PG&E of a reasonable cost of its operations, the PD runs afoul of a long history of cost-of-service ratemaking decisions.[111/] STIP funding should be restored and, at a minimum, the reference to the flawed Overland analysis should be removed from the PD.

C. The PD Should be Corrected to Make an Adjustment for Reduced Headcount.

PG&E proposed a *pro rata* increase to its forecast of benefits costs of $44.7M, based on forecasted headcount growth (full-time equivalents or FTEs) from 22,479 in 2011 to 24,725 in 2014.

108/ Exh. 67 (PG&E-27 v2), p. 48, lines 2-4.

109/ PD, p. 513.

110/ PD, pp. 516-517.

111/ *See e.g.*, D.12-05-004, mimeo, p. 10, discussed in PG&E Opening Brief, pp. 8-4 and 8-26 to 8-28, and PG&E Reply Brief, pp. 8-11 to 8-12.

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The PD appears to have contemplated making a downward adjustment to PG&E's forecast,[112/] but does not implement this adjustment.

PG&E reviewed the PD and identified disallowances of about 430 FTEs or approximately 20% of PG&E's forecasted headcount increases. Assuming the PD intended to reduce PG&E's benefit forecast, it should be reduced (prior to allocation between capital and expense) by approximately 20% of $44.7M, or $8.62M.[113/]

IX. DEPRECIATION: THE "GRADUALISM" ADVOCATED BY THE PD IS JUST TOO GRADUAL

The PD adopts an approach to depreciation that is insufficient and unsustainable. The PD acknowledges a likely shortfall, but adopts an approach called "gradualism" when "*there is a recognized need to revise estimated parameters*, but where the change is allowed to occur incrementally over time rather than all at once."[114/] The PD adopts only 25% of PG&E's requested increases in net salvage parameters.

The PD's approach is too gradual. The result of this approach is almost sure to leave PG&E behind in depreciation expense as compared to levels otherwise justified based on infrastructure investment, increasing removal costs, and Commission Standard Practice. The result will be an inequitable imposition of costs on future customers that should have been borne by today's customers.

Furthermore, the PD's approach will not keep depreciation expense level with the growth in removal costs. There is no question that removal costs *per unit* are increasing as California's population grows, its roadways become more congested, and work on distribution facilities becomes more difficult and time consuming. The PD acknowledges these increases and the factors that are driving them.[115/] It also finds that PG&E's method of determining removal costs is reasonable.[116/]

In the interest of moderating rate impacts, PG&E had greatly reduced its GRC request from levels that would have been justified by Commission Standard Practice U-4 (SP U-4). Yet, by

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112/ See PD, p. 520 ("We determine any applicable adjustments based on overall differences between PG&E's employee headcount and our adopted forecasts.").

113/ PG&E has not included within this reduction any further adjustment for STIP, because even though PG&E's forecast of STIP included an upward adjustment for PG&E's forecasted increase in headcount, the PD already reduces PG&E's STIP forecast by 32%.

114/ PD, p. 587 (emphasis added).

115/ PD, pp. 585-586.

116/ PD, p. 586.

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further cutting PG&E's request by 75%, the PD risks a growing shortfall that will make it even harder for the Commission to catch-up to levels otherwise justified by SP U-4. Inevitably, the PD will impose removal costs on future generations that should have been borne by customers today.

The PD recognizes that depreciation is a trade-off between current and future customers and that greater depreciation expense today results in a lower rate base for customers tomorrow. However, the PD finds that if it were to increase parameters by more than 25% of the increments proposed by PG&E, current customers would be unfairly burdened by the failure of previous GRCs to properly implement parameter increases. While it is true that PG&E's proposed increases would have been lower if parameters had been increased previously in this decade, it is not true that the PD's 25% limitation is needed to prevent an unfair burden on current customers. When the build-up of rate base benefits from past cost of removal (COR) funding is taken into account, the PD's proposed gradualism would result in current customers funding $40M less than even the current level of removal costs (see table below). This ratemaking recovery is too low. Since removal costs are increasing, current customers should pay *more, not less* than current removal costs. The Commission should increase depreciation expense beyond the 25% level proposed in the PD.

PACIFIC GAS AND ELECTRIC COMPANY
2014 COMPARISON OF GRC COR RRQ TO COR SPENDING
(IN MILLIONS OF DOLLARS)[117/]

Line No.		PD	PG&E	DRA	TURN
1	Revenue Requirement for Cost of Removal (COR)	465	793	502	406
2	Less: Rate Benefit of COR Rate Base Reductions	331	355	337	325
3	Net 2014 COR Revenue Requirement (Line 1 – Line 2)	134	438	165	81
4	Less: Projected COR Expenditures in 2014	174	197	150	176
5	Net 2014 COR Revenue Requirement Compared With 2014 Projected COR Expenditures (Line 3 – Line 4)	(40)	241	15	(95)

117/ PG&E, DRA, and TURN figures are based on data in PG&E's Application. See Exh. 52 (PG&E-17), p. 1-12.

X. NUCLEAR FUEL SHOULD BE TREATED AT LEAST AS FAVORABLY AS CUSTOMER DEPOSITS

The FERC uniform system of accounts treats nuclear fuel as utility plant, not as fuel supply that is classified as a current asset.[118/] This distinguishes nuclear fuel from coal, oil or gas inventory. Like all other utility-owned plant, nuclear fuel should be included in rate base, just as every other regulatory commission in the United States has authorized.[119/] Nuclear fuel cannot be resold and it is not good collateral. Physically, like other plant, nuclear fuel is tangible property that remains tangible after use. It is designed and fabricated (constructed) for PG&E's special needs and would have no use to anyone else. Nuclear fuel lasts five or more years from fabrication through reactor cycling and has an indefinite life in storage after that. Nuclear fuel also requires a continual cash commitment in that it will be continually in the process of fabrication and use, simply to maintain operations at the plant. The Commission can and should, in this GRC, take steps to rationalize the treatment of nuclear fuel and include it in rate base, like all other utility plant. *At the very least, however, as explained below, nuclear fuel should be treated no less favorably than customer deposits.*

Regrettably, the PD leaves the treatment of nuclear fuel unchanged. Yet, on customer deposits, the PD revises PG&E's historical treatment and imputes the difference between embedded long-term and current short-term interest rates to reduce revenue requirements by $7M.[120/] To at least match its treatment of customer deposits, the PD should be revised to impute the difference between the embedded long-term interest rates and the current short-term rates to the financing of nuclear fuel. As a second-best alternative, the PD should be revised to continue PG&E's historical treatment of both customer deposits and nuclear fuel, thereby eliminating the $7M adjustment for customer deposits.[121/]

As written, the PD's findings are based on a misunderstanding of PG&E's position on customer deposits in relation to the ratemaking treatment of nuclear fuel. The PD correctly states that, in the event the treatment of nuclear fuel was not changed, PG&E favored a conventional

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118/ PG&E Opening Brief, p. 11-25.

119/ PG&E Opening Brief, p. 11-23.

120/ PD, pp. 616-617.

121/ *See, e.g.,* D. 07-03-044, *mimeo*, pp. 190-197 (discussing PG&E's historical treatment that makes no ratemaking adjustment for customer deposits).

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analysis of customer deposits.[122/] However, the PD then misunderstood PG&E's position when the PD next states that under a conventional analysis PG&E would then favor treating customer deposits as long-term debt.[123/] In fact, *if there were to be no change in this GRC to the ratemaking treatment of nuclear fuel*, PG&E would then favor the historical treatment of customer deposits.[124/] A key point made throughout PG&E's opening and reply briefs is that permanent uses and sources of cash should be treated consistently and that, in any event, customer deposits should not be treated preferentially to nuclear fuel.[125/]

The PD's current rationale provides ample basis to bring the ratemaking treatment of nuclear fuel into conformity with the PD's current treatment of customer deposits. The PD recognizes PG&E's valid concerns regarding nuclear fuel, including its plant-like characteristics as a long-term asset, and finds that long-term uses of cash should generally be financed with long-term cash sources.[126/] Continually rolling over short-term debt every six to twelve months to finance this kind of long-term asset makes no sense. The PD's logic, therefore, favors matching the financing treatment of nuclear fuel by imputing the difference between the long term and short term rates to nuclear fuel, just as the PD has done for deposits. Customer deposits, having resulted in a decrease in revenue requirements by $7M, would then be offset by an increase in revenue requirements for nuclear fuel of approximately $20M.[127/] This treatment does not require waiting for a cost of capital proceeding.

As a second-best alternative, there is also sufficient rationale within the PD for retaining PG&E's historical treatment for customer deposits, by removing the $7M adjustment for deposits. The PD already includes a rationale for maintaining the status quo for nuclear fuel (*i.e.,* making no rate adjustment) and could do likewise for deposits.[128/] Also, the PD favorably discusses authorities holding customer deposits should bear the same interest rate as balancing accounts and identifies PG&E's ongoing balancing account under-collections exceeding customer deposits that receive only

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122/ PD, p. 615.

123/ PD, p. 615.

124/ *See* PG&E Opening Brief, Section 11.3.2 (pp. 11-28 to 11-29).

125/ See PG&E Opening Brief, p. 11-26 and PG&E Reply Brief, pp. 11-4 to 11-5.

126/ PD, p. 611.

127/ This figure represents the difference between the embedded long-term rate (5.5%) and current short-term rates (0.4%) times $390 million (PG&E's investment in nuclear fuel).

128/ PD, p. 609.

short-term rates.[129/] While this approach would maintain the awkward ratemaking of treating nuclear fuel as being financed with short-term debt, at least this modification would leave the treatment of customer deposits and nuclear fuel, and the position of the parties, level going into the next proceeding.

XI. CONCLUSION

Wherefore, for the foregoing reasons, PG&E respectfully requests that the Commission modify the Proposed Decision as described herein. PG&E's proposed revisions to the findings of fact, conclusions of law and ordering paragraphs are appended hereto as Appendix A. Suggested corrections due to typographical errors and the like are appended hereto as Appendix B.

Respectfully submitted,

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129/ PD, p. 617.

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APPENDIX A

PG&E'S PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS COMPARED AGAINST THOSE FOUND IN THE PROPOSED DECISION

Findings of Fact

* * * * *

2. PG&E proposed a separate methodology based on simplified assumptions to support post-test year revenue requirement increases for 2015 and 2016 to address ~~offset~~ anticipated attrition relating to expenses and capital expenditures.

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5. Pursuant to the Executive Director's letter, PG&E was directed to include in this GRC: (a) a risk assessment of its entire system that underlies its GRC rate requests to satisfy the GRC focus on safety, (b) to provide a comparison to industry best practices, and (c) to provide testimony to identify and prioritize areas of risk and include the underlying rationale for PG&E's assessment.

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17. Several parties and participants at the public participation hearings, raised concerns about the level of PG&E's proposed rate increases, p~~. P~~articularly in light of continued economic challenges faced by many customers.

18. PG&E forecasts expense for 2014 of $461.1 million to: (1) own, operate, and maintain gas distribution plant and a portion of common and general plant; (2) acquire gas supplies for core gas customers; and (3) provide services to gas customers.

* * * * *

21. PG&E forecasts ~~a~~ 2014 ~~increase in~~ capital expenditures for gas distribution of $842 million, primarily due to accelerated pipeline replacement and a new Gas Distribution Control Center, new buildings, new customer connections, work requested by others, and new technology.

22. ~~Although~~ PG&E justifies the need for a new Gas Distribution Control Center and for new positions to staff it~~, it is reasonable to forecast reduced 2014 funding for the new positions based on a more extended schedule for implementation compared to PG&E's forecast~~.

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24. Since PG&E has overcome road blocks encountered in 2012 that delayed spending for remote monitoring and control devices for its gas distribution, PG&E's forecast for these expenditures for 2013 is reasonable. It is reasonable to adopt PG&E's 2014 capital expenditure forecast in MWC 4A of $62.2 million for remote monitoring and control devices. ~~Given the complexities and magnitude of work involved, however, a forecast for these expenditures for 2014 commensurate with the 2013 forecast is more reasonable than PG&E's higher forecast.~~

25. PG&E's proposed time frame and forecasted number of records, which relates to the gas distribution mapping project to collect, transport, standardize, and electronically archive over 15,000 linear feet of gas distribution paper as- built records and service records into its enterprise wide records center, is reasonable. PG&E, however, has not justified ~~the need for $1.3 million contingency funding, or~~ the need for more than 80 mappers.

* * * * *

28. PG&E's cross-bore sewer remediation project mitigates a major safety risk by identifying where cross bores may have occurred and by relocating the line, where necessary. PG&E's cost forecast for the program is reasonable, except for an adjustment based on the $5,000 unit cost calculated by DRA for bell hole excavations.

* * * * *

37. PG&E's 2014 forecast of corrective pipeline maintenance (MWC FI) is reasonable, except for a reduction of $14.1~~27.8~~ million, as proposed by TURN, based on TURN's leak find rate of 2.457%~~, and incorporating a five-year leak survey cycle~~.

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42. Since SB 705 provides no definition of industry best practices, PG&E proposes its own standard. If the top 25% or more of industry operators are doing a particular safety practice, PG&E defines the practice of those safety operators as an industry best practice.

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45. PG&E's claim that a three-year survey cycle is required to meet industry best practice is based on one aspect of other operators' leak survey programs. Operators using a three-year cycle, however, have not implemented use of the Picarro Surveyo~~e~~r~~, and probably have not implemented other measures utilized by PG&E such as cluster surveying~~.

~~46. It is premature to approve increased ratepayer funding to move from a five-year to a three year routine leak survey cycle until PG&E makes further progress in evaluating the results of optimizing all of techniques and strategies PG&E will use to detect and repair leaks.~~

47. If PG&E were to continue ~~Based on continuation of~~ a five-year leak survey cycle, PG&E's leak survey expense forecast for MWC DE, MAT DEA would decline~~s~~ to $11.6 million.

48. PG&E proposes balancing account treatment to adjust for differences between forecasted and actual costs of natural gas distribution leak surveys, leak repair, and atmospheric corrosion inspection costs. Implementation of a two-way balancing account is a reasonable vehicle to deal with the uncertainty as to how many leaks will be found and repaired, particularly due to all the new leak survey techniques to be used.

48A. The two-way balancing account will track and adjust for the difference between authorized and actual expenses incurred relating to MWC DE for natural gas distribution leak surveys, MWC FI for leak repairs, Maintenance Activity Types MAT HY7 for meter set leak repairs, MAT FHK for atmospheric corrosion inspection costs, and tee cap repairs (embedded in MAT JSL).

48B. No party disputed PG&E's average unit cost forecasts for the costs to be recovered through the leak survey and repair balancing account that were forecast based on unit costs. The following average unit cost forecasts applicable to the balancing account are reasonable and adopted: MAT DEA, $15; MAT DED, $230; MAT FIB, $2,492; MAT FIF, $2,994; MAT FIG, $6,453; MAT FIH, $620; MAT FII, $1,895; MAT FIJ, $1,248; MAT FIK, $386; MAT FIP, $3,184; MAT HY7, $131; and tee cap repairs embedded within MAT JS, $7,300.

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52. ~~Although~~ PG&E claims it~~s~~ needs an additional 80 gas service representatives during 2014 to meet faster response time goals planned to take effect in 2015~~, there is uncertainty as to whether PG&E has adequately reflected appropriate efficiencies in adding such a staffing increase~~.

53. Cycla believes that inefficiencies related to adding field service response personnel during 2011 may have occurred, given cost escalations between 2010 and 2011. ~~Cycla does not find that the impacts of increasing GSR staff as forecast by PG&E have been demonstrated.~~

* * * * *

58. TURN's pipeline replacement funding proposal provides a reasonable balance between containing cost increases while mitigating pipeline safety risk. TURN's proposed funding keeps current steel pipe replacement at 27~~30~~ miles per year while redirecting more funding to plastic pipe replacement at 139 miles per year.

58A. TURN recommends replacing 27 miles of steel pipe at an average forecast $516 per foot and replacing 139 miles of plastic pipe at an average forecast cost of $314 per foot.

59. TURN's proposed funding is sufficient to replace high priority steel pipe within three years, and results in 2014 capital spending 230% above 2011 levels, while reducing PG&E's 2014 forecast by $32.4 million.

59A. It is reasonable to adopt a 2014 capital forecast for MWC 14 of $305.858 million, based on TURN's proposed pipeline replacement proposal.

* * * * *

61. ~~Consistent with a five-year leak survey cycle, i~~It is reasonable to reduce PG&E's forecast of $128.055 million for MWC 50 by $13.909~~2.051~~ million for 2014, as calculated by TURN, and to reflect planned installation of emergency shut-down valves over six years, rather than three. Extending installation over six years mitigates impacts on customers of such a large cost increase, and alleviates pressure on PG&E's ability to fund competing resources and high-priority programs.

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62. PG&E reasonably forecasts $42.0 million in 2012, $50.0 million in 2013, and $51.2 million in 2014 for Gas Distribution Leak Replacement/High Pressure Regulator (HPR) Replacement.

63. PG&E reasonably forecasts 2014 capital expenditures of $83 million to cover installation of infrastructure to connect new customers to the gas system and to accommodate increased load from existing customers.

64. PG&E reasonably forecasts technical training development expense of $12.69 million and $2.5 million for R&D and Innovation activities to identify new or improved means of enhancing operation, safety and efficiency.

65. PG&E reasonably forecasts $16.69 million in 2014 capital expenditures and $10.3 million expense for the Pathfinder Project to convert gas distribution asset and maintenance information from legacy and paper-based systems to SAP and GIS systems.

66. PG&E forecasts capital expenditures for 2012-2014 of $37.89~~36.828~~ million, $53.499 million, and $70.67 million, respectively for Electric Operations Technology and $12.07 million in 2014 expense to enhance technology applications and deploy new technologies.

67. PG&E's Electric Distribution Geographic Information System (GIS)/Asset Management capital forecast is $20.6~~22.2~~ million for 2012, $32.3 million in 2013, $27.8 million in 2014, and $1.8 million in 2014 expenses. This project is to validate, enhance, and convert legacy mapping and connectivity data to a single GIS to maintain geospatial and other asset attributes.

* * * * *

69. While the Workforce Mobilization projects offer prospects for cost savings and qualitative benefits, PG&E's proposed spending levels are excessive in relation to potential benefits, and certain ~~the~~ funding reductions, as proposed by TURN, are appropriate.

* * * * *

73. PG&E forecasts $3.9 million in 2014 expense and $3.8 million in 2014 capital for the Customer Connection Online (CCO) project which builds upon SAP Work Management enhancements to improve work order management and tracking.

* * * * *

80. PG&E's requested funding for overhead conductor replacement forecast in ~~both~~ MWC 2A is not duplicative of forecast costs in MWC 08.

81. It is reasonable to approve ~~reduce~~ PG&E's forecast for Tie-Cable Replacement~~,~~ and COE Cable Replacement ~~to exclude previously deferred maintenance on Tie Cable and COE Cable Replacements. Adopting a 2014 forecast equal to PG&E's 2013 forecast reduces the forecast for 2014 by $37.8 million~~.

* * * * *

91. ~~Although some level of proactive replacement is warranted,~~ PG&E's proposed rate of replacement of oil switches is a justified mitigation of safety risk. ~~reflects an unjustified cost burden on ratepayers relative to mitigation of risks. Funding replacement of 250 oil switches per year provides some momentum to move forward with proactive replacement, while moderating cost burdens on ratepayers.~~

92. PG&E's planned installation of upgraded Network SCADA capability on its distribution system in San Francisco and Oakland will allow for detection and response to equipment overloads to prevent failures before they occur, improving network safety and reliability.

93. Network SCADA monitoring capital cost funding is warranted because the project is critical for safety. ~~Reducing PG&E's funding forecast by 25% is consistent with the 25% reduction for Fault Location, Isolation, and Restoration (FLISR)/Feeder SCADA automation funding.~~

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* * * * *

97. PG&E forecasts $10.78 million in 2014 for expenses related to processing of new customer connections. PG&E's assumption of increasing Plug-in Electric Vehicles (PEV) sales is consistent with reported trends.

98. PG&E forecasts capital expenditures in MWC 16 ~~10~~ for installation of electric infrastructure to connect new customers to PG&E's distribution system and to accommodate increased load from existing customers, and in MWC 10 for relocation of electric distribution and service facilities at the request of a governmental agency or other third party.

* * * * *

~~100. There is insufficient evidence to indicate that PEV sales will increase significantly over this GRC cycle, considering the findings in the "Joint IOU Electric Load Research Final Report," filed pursuant to D.11-07-029.~~

101. PG&E's Electric Emergency Recovery Program (ERP) expense forecast of $113.7 million is for electric emergency recovery work. An immediate response is necessary when an outage occurs, a situation is unsafe, or potential for an imminent hazard exists.

102. PG&E's forecast of $54.7 million for Distribution System Operations (DSO) expense covers the monitoring of 720 distribution substations and 140,000 miles of distribution lines.

103. PG&E adequately explained its rationale for deferring spending on the Distribution Control Centers (DCC) consolidation project with the result that ratepayer~~'~~s benefitted from a more cost effective solution.

104. PG&E is not able to accurately forecast extraordinary incremental costs related to catastrophic events. PG&E's proposal for a balancing account for recovery of costs ~~expenses~~ associated with major emergencies that do not qualify for Catastrophic Event Memorandum Account (CEMA) cost recovery is a reasonable way to address this forecasting uncertainty.

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105. To meet demand growth and to address equipment overload and voltage issues, PG&E forecasts capital ~~capacity~~ costs for Substation Capacity and Distribution Line and Equipment Capacity for 2013 of $143.8 million and for 2014 of $182.8 million.

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109. PG&E has justified its $18.743 million expense forecast for MAT FZA to proactively identify problems and mitigate safety risks relating to conductor, connectors, and/or design issues that may contribute to downed wires.

110. PG&E's Electric Distribution Reliability Program addresses overall reliability performance, and includes costs for electronic control equipment installation or upgrade, and replacement of deteriorated sections of overhead conductors.

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112. PG&E forecasts $24.42 million in MWC 08 for line recloser ~~reclosure~~ revolving stock. Each new Fault Location, Isolation, and Restoration (FLISR) circuit requires, on average, the installation of three line reclosers. ~~It is reasonable to reduce funding for line reclosure revolving stock by 25% to be consistent with the 25% reduction of funding for FLISR/Feeder automation.~~

113. Funding for FLISR installations is warranted at the level of PG&E's forecast. ~~, but with a reduction in 2014 capital funding by approximately 25%, due to the fact that PG&E failed to justify why it could not address electric reliability matters in an integrated fashion.~~

114. To fund underground primary distribution cable covering 27,900 circuit miles and other aspects of its Underground Asset Management Program,

~~115.~~ PG&E forecasts capital costs of $72.0 million in 2012, $68.9 million in 2013, and $140.1 million in 2014, primarily to replace underground cables to address aging infrastructure and improve safety.

116. PG&E's capital forecast for Distribution Automation and System Protection is $73.421 million in 2014 and $47.240 million in 2013, to cover installation, upgrade, and

replacement of remotely controlled automation and protection equipment, including Supervisory Control and Data Acquisition equipment, also known as SCADA.

117. PG&E has a substantial accumulation of unfunded Rule 20A projects, which allow a city or county to convert existing overhead lines to underground at PG&E’s expense. PG&E’s forecast for this GRC anticipates eliminating the accumulation of unfunded Rule 20A projects by the end of 2017, while maintaining the current average project duration of seven years.

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119. PG&E’s light~~liquid~~ emitting diode (LED) Streetlight Replacement forecast of $18.6 million in capital costs for 2014 involves replacement of PG&E-owned High Pressure Sodium Vapor (HPSV) streetlights with LED streetlights.

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~~122. PG&E’s forecasts of $72.0 million in 2012, $68.9 million in 2013, and$140.1 million in 2014 for MWC 56, primarily consist of replacing underground cables to address aging infrastructure and improve safety.~~ [Note: Repeats Finding 114/115.]

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125. PG&E~~’s~~ forecasts Customer Care expenses for 2014 of $454.6~~461.9~~ million, to cover a range of services and programs to meet retail customers’ needs, including responding to customer inquiries and preparing customer bills, notices, and payment processing, and to raise customer service standards.

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135. P~~-~~G&E reasonably forecasts $74.7 million in 2014 meter expenses and related capital expenditures of $117.0 million for 2012, $128.0 million for 2013, and $128.2 million for 2014 to provide safe and efficient responses to meter-related customer service requests and compliance work.

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156. In the 2011 GRC, PG&E requested funding to build an IT records management environment around a tool called Documentum® as the foundation for an enterprise-wide data

archival and records management program. PG&E is now building the Documentum tool, and forecasts data conversion from various documents to Documentum.

157. PG&E forecasts Hydro capital expenditures of $293 million for 2012, $261 million for 2013, and $345 million for 2014 due to: (a) upgrades and modifications to dams, penstocks and waterways due to changing FERC and Division of Safety of Dams guidelines, as well as PG&E's assessments; and (b) turbine and generator projects to ensure safety and reliability.

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162. EPUC's proposed level of hydro capital spending reductions for MWCs 2M, 2N, and 2P goes too far in potentially impacting PG&E's ability to provide safe and reliable service.

* * * * *

166. TURN's proposed reductions in MWC 11 ~~of~~ reflect more accurate in-service dates for various projects for which FERC relicensing has been delayed. Because of uncertainty regarding the duration and timing of issuance of FERC licenses, it is difficult for PG&E to forecast when FERC will issue new licenses for hydroelectric projects or to forecast the related costs.

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179. PG&E~~'s~~ forecasts $107.34 million for DCPP operating expenses in MWC BR which includes: Operations Services, Chemistry Department, and Radiation Protection, and includes labor costs for licensed and non-licensed nuclear operators and support staff.

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185. PG&E's 2014 forecast for Nuclear Operations IT project expenses in MWC JV is reasonable.

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187. There is no evidentiary basis to adopt the A4NR proposal to disallow 50% of ~~of~~ PG&E's funding request for the Senior Seismic Hazard Analysis Committee (SSHAC) as "advocacy" expenditures. The SSHAC process covers consultant costs associated with technical seismic studies and peer reviews, and include no lobbying, advertising or other advocacy costs.

* * * * *

217. PG&E has generally justified the benefits of funding most of the programs proposed for MWC 23, but has not justified funding the consolidations of the Canyon Dam and Quincy Service Centers to a new location in Greenville ($55,000 expense and $6.2 million capital) and the Clearlake and Lakeport service centers to a central location ($92,000 ~~million~~ expense; $6.3 million capital).

* * * * *

233. ~~Although~~ DRA did not include 2013 data in its calculation of the accuracy of the Concept Cost Estimating Tool.~~,~~ DRA did make comparison of three years of forecasted and recorded capital costs, using 2010 to 2012 costs combined with forecasted and recorded expense from 2010 to 2011. By comparing costs and forecasts for different ~~a~~ three-year periods, DRA's calculation was not accurate~~unfairly inflated~~.

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238. PG&E and DRA jointly administered a study of total employee compensation in this GRC, selecting Mercer (US) Inc., an independent consulting firm, to perform the study. Mercer concluded that PG&E's total compensation was competitive with the market based on aggregate total compensation being within 10% of the market median.

* * * * *

243. Adopting a sharing of STIP costs between ratepayers and shareholders is inconsistent with (i) our finding that offering such compensation is useful for recruiting and retaining professionals and improving work performance, as well as (ii) Mercer's finding that PG&E's total compensation was competitive with the market. ~~prior Commission decisions where ratepayer funding of employee incentive compensation was authorized but where ratepayers did not bear the entire burden of such costs.~~

~~244. Two elements of STIP compensation essentially benefit shareholders, but without a clear demonstrable benefit to ratepayers. These are: (a) the measure of Earnings from Operations (EFO) and (b) the Customer Satisfaction metric.~~

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~~245. Ratepayer expense funding of $89 million of the STIP program for test year 2014 incorporates exclusion of the EFO and Customer Satisfaction metrics, as proposed by TURN, and incorporates a 10% reduction to provide sharing of cost responsibility between ratepayers and shareholders.~~

* * * * *

297. Based on PG&E's proposal to change the current treatment and include nuclear fuel inventory in rate base, PG&E would earn a full rate of return on nuclear fuel inventory, instead of recovering only short-term commercial paper interest currently set at a 0.4% annual rate.

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301. Although PG&E has raised valid concerns regarding the long-term viability of limiting recovery of nuclear fuel carrying costs to a short-term interest rate, it would be premature to include nuclear fuel in rate base ~~change the current ratemaking treatment of nuclear fuel~~ at least until all relevant implications for PG&E's adopted cost of capital can be fully considered.

302. Although GRC treatment relating to carrying costs of assets such as nuclear fuel cannot be easily divorced from issues relating to cost of capital, PG&E's cost of capital is reviewed and its authorized rate of return is set in a separate proceeding.

302A. For purposes of this proceeding, it is reasonable in determining the financing cost of nuclear fuel to impute the difference between PG&E's embedded long term debt in its capital structure and short term debt, resulting in an interest rate difference of 5.5% - 0.4%, thereby yielding a $20 million increase in revenue requirement.

303. TURN's proposed treatment of customer deposits is inconsistent with Commission Standard Practice U-16 (SP U-16) which excludes interest bearing customer deposits from working cash, and only includes non-interest-bearing customer deposits.

304. For purposes of this proceeding, it is reasonable to reflect customer deposits in the capital structure as a form of low-cost debt, resulting in an interest rate difference of 5.5% -

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0.4%, and thereby yielding a $7 million reduction in revenue requirement. [Note: Finding 304 should be deleted if Proposed Finding 302A is not added.]

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315. The expense escalation shown in Appendix D, Tables 3A-3~~4~~C, reflects annual wage escalation of 2.79% and health plan escalation of 6.4% for 2015 and 6.3% for 2016.

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320. The Settlement Agreement among The National Asian American Coalition ~~Association~~, the Ecumenical Center for Black Church Studies, The Chinese American Institute for Empowerment, The National Hmong American Farmers, The Burmese American Institute for Corporate Responsibility, and Pacific Gas and Electric Company (PG&E), (collectively, the "settling parties") as set forth in Appendix F-1, (Settlement Agreement), including the additional amendments agreed to by the settling parties in comments filed on July 8, 2013, results in a resolution of issues relating to PG&E's proposals for customer outreach and education that is reasonable in light of the whole record, consistent with the law and in the public interest.

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323. The resolution of issues in the partial Settlement Agreement, as amended, among PG&E, TURN and MEA set forth at Appendix F-3 is reasonable in light of the record, consistent with the law and is in the public interest.

Conclusions of Law

1. Pursuant to Pub. Util. Code § 963(b)(3), in setting rates in this proceeding, the Commission places ~~takes all reasonable and appropriate actions to ensure~~ the safety of the public and gas corporation employees as its top priority, consistent with the principle of just and reasonable cost-based rates.

2. The Commission's duty and obligation under Pub. Util. Code § 451 is to establish just and reasonable rates to enable the utility to provide safe and reliable service, while allowing an opportunity to earn a fair return on the property used and useful in providing utility services.

3. In adopting the revenue requirements as set forth in Appendix C and Appendix D, and consistent with the obligations under Pub. Util. Code § 451 ~~is~~ to establish just and reasonable rates, the Commission places top priority on ensuring that PG&E will have ongoing resources in terms of infrastructure and operations to provide safe and reliable natural gas and electric power service.

* * * * *

6. In evaluating whether to approve PG&E's GRC forecasts, the Commission has considered whether PG&E's showing justifies: (1) the need for and reasonableness of the proposed programs, supported to the extent feasible by a cost-benefit analysis; and, as applicable, (2) that the proposed program or project is the most cost-effective alternative available.

* * * * *

29. The Joint Motions separately filed to adopt each of the Settlements and joint proposals set forth in Appendix F-1 through Appendix F-5 should be granted since each of the respective settlements and joint proposals meet the criteria under Commission Rule 12.1, and the terms set forth therein as specified in the respective appendices should be approved and adopted.

* * * * *

O R D E R

IT IS ORDERED that:

* * * * *

7. Pacific Gas and Electric Company (PG&E) is authorized to establish a two-way balancing account to track and adjust for the difference between authorized and actual expenses incurred relating to Major Work Categories (MWC) DE natural gas distribution leak survey~~,~~ and FI leak repair~~,~~; Maintenance Activity Types (MAT) HY7 meter set leak repair and FHK atmospheric corrosion inspection costs; and tee cap repair embedded in MAT JSL. PG&E shall file a Tier 1 Advice Letter within 45 days of the effective date of this decision to establish this balancing account. The balance in the account (including interest) shall be transferred to the appropriate accounts (Core Fixed Costs Account and Non-core Customer Charge Account) for

refund to or recovery from customers in the following year through the Annual Gas True up advice letter filing. FF&U expense shall be added as appropriate to the CFCA and NCA. For work for which an average unit cost has been adopted, costs recoverable through the balancing account will be based on actual units of work, but limited on an overall basis to the adopted average unit costs. For work that was not forecast based on unit costs, costs recoverable through the balancing account will be based on actual recorded costs.

* * * * *

10. Pacific Gas and Electric Company's proposed rate design for light~~liquid~~-emitting diode street lights is adopted.

11. The Center for Electrosmog Prevention ~~Protection~~ request to open investigations into Pacific Gas and Electric Company's records management practices and requests related to wireless infrastructure are denied.

* * * * *

15. The Modesto and Merced Irrigation Districts' proposal is granted that Pacific Gas and Electric Company be required to provide cost information regarding all planned electric capacity distribution expenses by distribution planning area (DPA) and that the Commission evaluates PG&E's proposed revenue requirement for such ~~distribution~~ projects and upgrades by DPA. PG&E is directed to comply with this requirement.

16. The California City-County Street Light Association proposal is denied that Pacific Gas and Electric Company include decorative streetlights in the light~~liquid~~-emitting diode ~~R~~replacement program.

* * * * *

38. The Partial Settlement Agreement among Pacific Gas and Electric Company, The Utility Reform Network, and Marin Energy Authority, regarding allocation of certain administrative and general costs from distribution to Customer Program revenues, as set forth in Appendix F-3 is approved and adopted. ~~Public Purpose Program labor costs is adopted.~~ In accordance with the settlement, as amended, costs associated with applicable employee benefits

~~and payroll taxes~~ that are currently allocated to Distribution and recovered in the General Rate Case (GRC) revenue requirement shall be reallocated to Customer Programs and the balancing accounts attributable to the Customer Programs as prescribed in Appendix F-3. This reallocation reduces the GRC revenue requirement by $27 million and increases the revenue requirements for the Customer Programs in an equal amount.

* * * * *

44. Pacific Gas and Electric Company ~~(PG&E)~~ is authorized to discontinue complying with the requirement previously instituted in Decision 04-05-055 to file an ~~on~~ annual report with the Commission and the Division of Ratepayer Advocates (now the Office of Ratepayer Advocates) describing and evaluation efforts to improve PG&E's web site.

45. Because there are no contested issues regarding Pacific Gas and Electric Company's request to increase its cost recovery authorization for the fuel cell projects, Pacific Gas and Electric Company is authorized to recover $21.3 million, which is $1 million above the cost recovery amount adopted in D.10-04-028.

APPENDIX B

TYPOGRAPHICAL ERRORS AND SIMILAR CORRECTIONS

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TYPOGRAPHICAL ERRORS AND SIMILAR CORRECTIONS

PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
ii	Missing Section 4.0		Insert: "4.0 Electric Distribution……..132"	Missing heading.
iv	Section 4.10.1	"Recover"	"Recovery"	Typographical error.
iv	Below Section 4.10.1		Missing section numbers for "Balancing Account" and "Discussion"	Formatting error.
7	Line 7		Insert bullet format	Missing bullet.
7	Line 10	"factor for based"	"factor ~~for~~ based"	Typographical error.
p. 5	Bullet #3	"meter set leak repair and atmospheric corrosion inspections to adjust"	"meter set leak repair, ~~and~~ atmospheric corrosion inspections, and tee cap repair to adjust"	Missing tee cap repair added to the balancing account per Section 3.4.5.
8	Line 1	"Electric Distribution"	"Energy Supply"	Typographical error.
30	Line 10	"PG&E's forecast represents a 100% increase in gas department operations expense compared to 2011."	"PG&E's forecast represents a ~~100%~~ 97% increase in gas department operations expense compared to 2011."	See PG&E Opening Brief, p. 3-2.
30	Line 11	"PG&E forecasts 2014 expenses of $20.017 million and capital expenditures of $62.2 million, $63 million, and $64.9 million for 2014-2016, respectively."	"~~PG&E forecasts 2014 expenses of $20.017 million and capital expenditures of $62.2 million, $63 million, and $64.9 million for 2014-2016, respectively.~~"	This discussion is out of place. The preceding language talks to total expense request for 2014.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
30	Section 3.1 Paragraph 3	"PG&E forecasts a 2014-2016 increase in capital expenditures for gas distribution of $843 million, $856 million, and $782 million, respectively. This increase represents 174% more than 2011 levels…"	"PG&E forecasts a 2014-2016 increase in capital expenditures for gas distribution of $~~843~~831.3 million, $856 million, and $782 million, respectively. This increase represents ~~174~~170% more than 2011 levels…"	PD cites 2014 forecast before PG&E's concessions. See PG&E's Opening Brief, p. 3-2.
40	Line 2	"between 2013 and 2016"	"between 2013 and 2016."	Typographical error.
42	Line 5	"as-built,"	"as-builts,"	Typographical error.
58	Line 2	"Geographic Information System (CIS)"	"Geographic Information System (~~CIS~~ GIS)"	Typographical error.
74	Line 9	"PG&E's leak survey forecast"	"PG&E's routine leak survey forecast"	Needs clarification as reduction was specific to routine leak survey (MAT DEA) as discussed in bullet 2 on p. 5 under Gas Distribution summary.
76	Line 22	"enhanced techniques"	"enhanced techniques."	Typographical error.
77	Line 15	"The adjusted adopted leak survey forecast"	"The adjusted adopted routine leak survey forecast"	See explanation above.
77	Line 19	"meter set leak repair costs (MWC HY), AC inspection costs (MWC FH)."	"meter set leak repair costs (~~MWC~~ MAT HY7), AC inspection costs (~~MWC~~ MAT FHK)."	Warrants clarification.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
78	Line 3	"PG&E's proposal accounts for $172.3 million, or 37%, of its total 2014 forecast."	"PG&E's proposal accounts for $~~172.3~~ 147.1 million, or ~~37~~ 32%, of its total 2014 forecast."	Incorrectly includes all of MWC HY/FH in the calculation. Needs correction to match language on p. 30 of the PD, which accurately shows the $147.1M.
78	Line 9	"meter set leak repair (MWC HY) and AC (MWC FH)."	"meter set leak repair (~~MWC~~ MAT HY7) and AC inspections (~~MWC~~ MAT FHK)."	Warrants clarification.
78	Section 3.6.1.1, Line 6	"on use of the Picarro surveyor"	"on the use of the Picarro surveyor"	Typographical error.
80	Line 22	"as high as 10.72% ."	"as high as 10.72%."	Typographical error (extra spaces before period).
84	Line 13	"Section 3.6.2."	"Section ~~3.6.2~~3.6.1."	Typographical error.
86	Line 17	"reports of gas order"	"reports of gas ~~order~~odor"	Typographical error.
86	Line 19	"gas order calls"	"gas ~~order~~odor calls"	Typographical error.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
90	Line 9	"PG&E's 2014 forecast includes $6.3 million allocated to the historical backlog of leaks. The remaining $1.4 million of PG&E's forecast is based on historical leak find rates, as opposed to leak repair rates, adjusted for a three-year leak survey cycle."	"PG&E's 2014 forecast includes $6.3 million ~~allocated to the historical backlog of leaks~~ that is based on historical leak find rates, as opposed to leak repair rates, adjusted for a three-year leak survey cycle. The remaining $1.4 million ~~of PG&E's forecast is based on historical leak find rates, as opposed to leak repair rates, adjusted for a three-year leak survey cycle.~~ is allocated to atmospheric corrosion work."	Incorrectly identifies $6.3 million allocated to the historical backlog of leaks and the remaining $1.4 million based on historical leak find rates and adjusted for a three year leak cycle.
91	Line 10	"replacement at is necessary"	"replacement ~~at~~ is necessary"	Typographical error.
97	Line 11	"Our adopted forecast thus provides for keeping current steel pipe replacement levels at 30 miles per year and redirecting more money to plastic pipe replacement."	"Our adopted forecast thus provides for ~~keeping current~~ steel pipe replacement levels at ~~30~~ 27 miles per year and redirecting more money to plastic pipe replacement."	Correction of error of 30 miles per year with the adopted 27 miles per year of steel pipe replacement. PD, p. 97, line 23; Exh. 127 (TURN/Sugar), pp. 38 and 40 ($74.454 million ÷ 5280 ÷ 516 ($/foot) = 27.3 miles)
98	Line 4	"By maintaining the existing rate of steel pipe replacement…"	"By maintaining ~~the existing~~ a comparable rate of steel pipe replacement…"	Correction of error. The rate is reduced from 30 miles per year to 27 miles per year. (See above.)
125	Line 12	"PG&E argues"	"~~PG&E~~TURN argues"	Statement was made by TURN in rebuttal testimony, not PG&E. TURN Opening Brief, p. 82.
131	Line 11	"PG&E does not have 2007-012 data"	"PG&E does not have 2007-2012 data"	Typographical error.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
133	Line 8	"PG&E forecasts capital expenditures for 2012-14 of $36.828 million,"	"PG&E forecasts capital expenditures for 2012-14 of $37.89 ~~36.828~~ million,"	PG&E's Opening Brief (p. 4-14) adopted 2012 actual expenditures for the 2012 forecast for MWC 2F.
133	Line 19	"PG&E forecasts capital costs in MWC 2F of $22.2 million for 2012"	"PG&E forecasts capital costs in MWC 2F of $20.6 ~~22.2~~ million for 2012"	See explanation above.
135	Line 7	For the capital expenses in MWC 2F, we approve $16.7M for 2012	For the capital expenses in MWC 2F, we approve $15.45 ~~16.7~~ M for 2012	75% of $20.6 million is $15.45 million
146	Line 8	PG&E forecasts $3.9 million in 2014 expense and $14.3 million in capital for 2012-2016 for the CCO project.	PG&E forecasts $3.9 million in 2014 expense, ~~and $14.3 million in capital for 2012-2016~~ had actual capital costs of $2.8 million in 2012, and forecasts $11.1 million in capital for 2013-2016 for the CCO project.	PG&E's Opening Brief (p. 4-31) adopted 2012 actual expenditures for the 2012 forecast for MWC 2F.
153	Line 21	"G&E's"	"PG&E's"	Typographical error.
162	Line 14	"PG&E's forecast for MWC ZA is $108.68 million for 2013 and $108.64 million for 2014."	"PG&E's forecast for MWC 2A is $108.68 million for 2013 and $108.67 million for 2014."	Typographical error for MWC 2A; 2014 forecast corrected to include correct forecast for permit updates. PG&E Reply Brief, p. 4-30.
172	Line 10	"PG&E forecasts $200,000 in 2013 and $354,000 in 2014 in MWC 2Afor capital work"	"PG&E forecasts $200,000 in 2013 and $388,000 in 2014 in MWC 2A for capital work"	Correct forecast value for MWC 2A permit updates (see above); Add space after MWC 2A.

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APPENDIX B
TYPOGRAPHICAL ERRORS AND SIMILAR CORRECTIONS

PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
173	Line 4	"We adopt PG&E's forecasted capital and expense amounts of $354,000"	"We adopt PG&E's forecasted capital and expense amounts of $388,000"	See explanation above.
195	Line 2	"We thus reduce PG&E's 2013 revenue requirement"	"We thus reduce PG&E's 2014 revenue requirement"	The PD should address the impact on the test year 2014 revenue requirement as opposed to 2013, a forecast year.
202	Line 13	"2011levels"	"2011 levels"	Typographical error.
202	Table	"$96.42 5"	"$96.465"	Typographical error. Exh. 17 (PG&E-4), p. 9-37, line 1.
210	4.11, Paragraph 1	PG&E forecasts $54.985 million for its DSO expenses	PG&E forecasts $54.7 million for its DSO expenses	Incorrect value for PG&E's 2014 forecast. PG&E Opening Brief, p. 4-113; Exh. 374 (PG&E-31), pp. 2-120 to 2-125.
211	4.11 Table	Total $54,985	Total $54,741	Incorrect value for PG&E's 2014 forecast. (See above.)
217	Discussion, Line 2	"PGE"	"PG&E"	Typographical error.
228	4.15.3 Header	"FSLISR"	"FLISR"	Typographical error.
233	4.16.2 Header	"TGRM/TGRAL"	"TGRAM/TGRAL"	Typographical error.
235	Line 2	"GRAM/TGRAL"	"TGRAM/TGRAL"	Typographical error.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
247	4.19, Lines 1 and 5	"liquid-emitting diode"	"light-emitting diode"	Typographical errors.
247	Line 22	DRA and TURN recommend implementing streetlight replacement over two years,	DRA and TURN recommend implementing streetlight replacement over twenty-four years,	Incorrect number of years. See Exh. 76 (DRA-8), p. 25, line 13; Exh. 114 (TURN/Jones), p. 48, lines 18-19.
248	4.19, Second Paragraph, Line 1	PG&E argues that extending the program to three years	PG&E argues that extending the program ~~to~~ beyond three years	Incorrect characterization of PG&E's testimony. PG&E Opening Brief, p. 4-187.
297	Line 21	"Section 5.5.1.3."	"Section 5.5.1.1."	Typographical error.
347	6.2.1.5 Header	"MWC KJ (Maintain Hydro Structures, Roadways, and Infrastructure)"	"MWC KJ (License Compliance Hydro Generation)"	Incorrect MWC title.
356	Table	"Tools and Equipment 0.5"	"Tools and Equipment 05"	Typographical error.
374	Line 6	"capital expenditures"	"2014 end-of-year plant"	The reduction is made to plant in service, not to capital expenditures. This is properly stated on page 373 of the PD.
418	6.4.1.4 Header	"MWC KS – Alternative Generation Buildings, Grounds and Infrastructure"	"MWC KS – Maintain Alternative Generation Buildings, Grounds and Infrastructure"	Correction of MWC title.
420	6.4.4	"$20.3 million"	"$21.3 million"	Correction to the total. Exh. 24 (PG&E-6), p. 4-52, lines 3-5.
420	6.5, line 2	"$61 million"	"$61.8 million"	Missing significant digit.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
436	Line 8	"PG&E proposes to five"	"PG&E proposes five"	Typographical error.
440	Line 5	"Disputed elements of the TS capital forecast"	"Disputed elements of the TS 2014 capital forecast"	The material that follows references 2014.
444	Line 14	"2012,;"	"2012;"	Typographical error
445	Line 1	"ZDRA"	"DRA"	Typographical error
445	Line 3	"stations-necessary"	"stations necessary"	Typographical error
445	Line 8		Insert: **"7.3.3.4. MWC 2F – Build IT Applications and Infrastructure"**	Missing heading.
446	Line 1	Consistent with our prior discussion and approval of MWC JV expenses, we also approve PG&E's capital forecast of $3.05 million relating to the five IT initiatives for MWC 2F.	Consistent with our prior discussion and approval of MWC JV expenses, we also approve PG&E's capital forecast of $3.05 million relating to the five IT initiatives for MWC 2F, but reduce PG&E's forecast by 14% because the forecast was developed using PG&E's Concept Cost Estimating Tool.	In the expense discussion, the PD reduces the IT forecast by 14 %. To be consistent, this capital holding should be reduced by 14 percent.
470	Line 8	"$92,00 million expense"	"$92,000 expense"	Typographical error.
483	Line 21	"G&E's"	"PG&E's"	Typographical error.
485	Line 6	"all line of business"	"all lines of business"	Typographical error.
492	Line 13	"will significantly reduce"	"will not significantly reduce"	Correction. PG&E Opening Brief, p. 7-73.
498	Line 20	"of relying of forecast"	"of relying on forecast"	Typographical error.
500	Line 16	"relying of the Concept"	"relying on the Concept"	Typographical error.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
501	Line 14	"Based the experience"	"Based on the experience"	Typographical error.
501	Line 23	"spiral of costs escalation"	"spiral of cost~~s~~ escalation"	Typographical error.
502	Line 5	"experience during"	"experienced during"	Typographical error.
506	Line 8	"The TCS did account for…"	"The TCS did not account for…"	Correction that conforms with acknowledgment in the next paragraph.
523	Line 13	"PG&E forecasts 433.3 million"	"PG&E forecasts $33.3 million"	Typographical error.
526	Line 5	"In contrast, the 960…"	"In contrast, the ASC 960…"	Typographical error.
533	Line 17	"PG&E's forecasts"	"PG&E forecasts"	Typographical error
538	Line 15	"9.3.2.1. Corporation Property and Liability"	"9.3.2.1. Corporation Property and Liability Insurance"	Correction to heading.
542	Line 13	"it's D&O insurance"	"it~~'~~s D&O insurance"	Typographical error.
544	Line 2	"…and (3 excluding costs for…"	"…and (3) excluding costs for…"	Typographical error.
522	Line 22	"DRA believes such national and state-wide data…"	"PG&E ~~DRA~~ believes such national and state-wide data…"	See PG&E Opening Brief pp. 8-49 to 8-50.
553	Line 14	"PG&E does propose to reduce project funding to 10%..."	"PG&E also proposes to reduce the Workforce Health and Productivity Service Delivery project to 10%..."	See PG&E Opening Brief pg. 9-36. As written, the PD combines discussion of two projects in such a way that the description is not correct.
554	Line 17	"DRA proposes to reductions of $1.353 million"	"DRA proposes ~~to~~ a reduction~~s~~ of $1.353 million"	Typographical error.
568	Line 13	"Washington D.D."	"Washington D.C."	Typographical error.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
569	Line 5	"filed a motion on September 6, 2013, to approve."	"filed a motion on September 6, 2013, and a subsequent correction in a Motion to Reopen Record on March 18, 2014 to approve."	Adds missing reference.
569	Line 9	"costs associated with certain employee benefits and payroll taxes that are currently allocated"	"costs associated with certain employee benefits that are currently allocated"	Correction to strike reference to payroll taxes, consistent with amendment included with March 18, 2014 Motion.
569	Line 13	"by approximately $31,716,000"	"by approximately $28.8 million"	Correction to conform with amendment included with March 18, 2014 Motion.
574	Line 22	retained earnings"	retained earnings	Typographical error (remove stray quotation marks).
576	Line 14	"December 31, 2012"	"December 31, 2011"	Corrected date.
582	Line 11	"nothing"	"noting"	Typographical error.
615	Line 19	"On this basis, PG&E thus argues that customer deposits should be treated as long-term debt."	"On this basis, PG&E argues there should be no rate adjustment for customer deposits."	Correction to reflect PG&E's argument in PG&E Opening Brief (see Table 11-1, p. 11-2; Heading 11.3.2, p. 11-28).
633	Line 15	"does seek"	"does not seek"	Correction. PG&E Opening Brief, pp. 12-12 to 12-13.
650	Line 22	"$20,000"	"$20,000,000"	Typographical error.

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PD Page Number	Area or Line Number	Current Text	Proposed Correction/Clarification	Explanation
Appendix				
B-1	Line 21	"CAL-SLA: City-County Street Light Association"	"CAL-SLA: California City-County Street Light Association"	Corrected title.
B-2	Line 5	"CEMA: California Emergency Management Agency"	"CEMA: Catastrophic Event Memorandum Account"	See p. 6 of the PD.
B-2	Line 11	"CP: Cathodic Protection"	Delete one line	Entry is duplicated below "Change of Party".
B-2	Line 26		Insert: "DRA: Division of Ratepayer Advocates"	Missing entry.
B-3	Lines 17-18	"GIS: Geographic Information System"	Delete one line	Entry is duplicated.
B-4	Line 4	"IRP: Review Panel of Experts"	"IRP: Independent Review Panel"	See p. 20 of the PD.
B-4	Line 12	"Liquid-Emitting Diode"	"Light-Emitting Diode"	Typographical error.
B-5	Line 17	"PTE - Full-Time Equivalent"	"FTE - Full-Time Equivalent"	Typographical error
B-6	Line 11	"TGRM"	"TGRAM"	Typographical error.
F-3	End of Section		Add copy of amendment, included with March 18, 2014 Motion to Reopen Record.	Missing amendment to settlement.

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