

Attachment A:
Redlined Text of Proposed Decision
Sections 4.5.12 and 4.19

PG&E responds that it should not be penalized for experiencing lower than anticipated costs in the 2011 GRC. PG&E denies knowing at the time of its 2011 GRC application that it would be reducing testing frequencies. Also, when instituting the new testing regime, PG&E did not know there would be cost savings. The new testing procedures were more detailed and required more documentation. PG&E had not assessed whether less frequent but more extensive testing would reduce or increase costs.

Discussion

We conclude that PG&E's 2014 forecast of \$5.405 million for the Overhead Line Equipment Inspected and Tested subprogram is reasonable and adopt it. We conclude that PG&E has provided adequate explanations as to the reasons why its spending in prior years was lower than forecast. PG&E explains that lower-than-forecast spending was due primarily to its decision in 2010 to change the testing frequency for capacitors and reclosers from twice per year to once per year.

4.5.12. Streetlight Burnouts and Group Replacements (MWC KA)

Streetlight Burnouts is a routine maintenance subprogram that replaces burned out streetlight lamps. PG&E's Streetlight Group Replacement proactively replaces streetlight lamps in a particular area before they burn out. PG&E's forecast for 2014 for Streetlight Burnouts is \$8.761 million (excluding escalation), the amount of its 2012 recorded adjusted costs.

For Streetlight Burnouts, DRA recommends a \$2.83 million reduction to PG&E's forecast. DRA claims PG&E's increased investment in group replacements should reduce the number of streetlight burnouts. PG&E responds that while group streetlight replacements can reduce the number of streetlight burnouts, there is no direct correlation between the two programs, and benefits

from group replacement are not realized for several years. PG&E claims its forecast increase in group replacements is not likely to significantly affect the burnout rate.

CCSF recommends the PG&E's forecast for Streetlight Burnouts and Streetlight Group Replacement not be funded until PG&E develops specific reliability goals and performance commitments. CCSF recommends that PG&E be required to: (1) report its performance regularly to the Commission and requesting municipalities; (2) consistently meet its performance goals as a condition of approving PG&E's forecasts; and (3) refund some revenue to customers through a mechanism similar to PG&E's QAP if PG&E fails to meet any performance goal for two consecutive months.

PG&E claims that it has already instituted new performance goals, implemented new tracking tools, and created a dedicated group to address streetlight burnout performance. PG&E has set performance goals to repair 90% of streetlight burnouts within five days, and complete 75% of underground and/or cable repairs related to streetlights within 30 days. PG&E does not believe codification of these goals is necessary given that it has dedicated personnel working on burnout performance. PG&E expresses a willingness to draft and provide a written description of these goals.

However, PG&E fails to inform the Commission that these standards are unwritten (allegedly developed in 2012). PG&E claims its performance in relation to these goals is irrelevant to consideration of whether to fund PG&E's streetlight maintenance activities. PG&E has also failed to identify how it will report ongoing performance transparently, or be held accountable if its performance lags.

CAL-SLA recommends that PG&E's unit costs for Streetlight Burnouts for

2014 be reduced to \$6.08 million, based on 2011 recorded unit costs of \$308. PG&E's 2014 forecast is \$325, based on its 2011 unit cost of \$308, plus a forecast increase. PG&E's 2012 recorded unit cost was \$316, halfway between 2011 recorded and its 2014 forecast costs. PG&E argues this is consistent with the ongoing upward trend in streetlight burnout unit costs, and supports PG&E's 2014 forecast.

Discussion

We adopt PG&E's Street light Burnout expense forecast. We conclude that DRA's proposed funding would not provide for timely replacement. Until the system is replaced, there will be continued lengthy outages, and possible complete failures of portions of the system due to the unavailability of spare parts, including special bulbs used in these types of lights.

CCSF also proposes that PG&E rates for the Streetlight Replacement Program be subject to refund similar to refunds available in PG&E's Quality Assurance Program (QAP). Under the QAP, PG&E provides a credit to residential customers in the event that PG&E's conduct service is deemed substandard. Although the QAP is only available to residential customers, CCSF argues that the principle of customer compensation for substandard service applies to all customers. CCSF argues that when the level of service falls below any performance goal for two consecutive months, PG&E should provide a performance deficiency credit to the affected customer in the next monthly invoice.

PG&E currently tracks streetlight maintenance activities pursuant to a set of internal performance goals developed in 2012. These performance goals call for repair of 90% of streetlight burnouts within 5 days, and completion of 75% of underground and/or cable repairs related to streetlights within 30 days. We

shall formally hold PG&E responsible for adhering to these goals that is has already established on a voluntary basis. We shall require PG&E to publicly report its performance in meeting these goals to the Commission and requesting municipalities on an annual basis.

We also adopt the proposal of CCSF that PG&E formally produce in written form its performance goals relating to street lighting replacements. PG&E shall also be required to: (1) report its performance regularly to the Commission and requesting municipalities; (2) consistently meet its performance goals as a condition of our approval of PG&E's forecasts; and (3) refund revenue to customers through a mechanism similar to PG&E's QAP if PG&E fails to meet any performance goal for two consecutive months.

disagree that PG&E's forecast of increased levels of Rule 20A project activity have been shown to be reliable in this instance. As noted by DRA, PG&E has repeatedly presented forecasts in prior GRCs with the intention of reducing the backlog in Rule 20A projects, but has also repeatedly spent less than the forecast. We are not persuaded that PG&E's forecasts for Rule 20A project activity is reliable in this instance.

4.19. LED Streetlight Replacement Program

PG&E's 2014 forecast for liquidlight-emitting diode (LED) Streetlight Replacement in MWC 2A is \$18.6 million. This is a new program so there were no 2011 recorded costs. PG&E's LED Streetlight Program involves replacement of PG&E-owned High Pressure Sodium Vapor (HPSV) streetlights with "liquidlight-emitting diode" streetlights. LED streetlights are more energy efficient and longer lasting than HPSV streetlights. Due to the energy savings associated with LED streetlights, which offset the facility cost of LED replacement, PG&E claims the replacement ultimately will be cost-free to customers. According to PG&E, replacing conventional streetlights with LEDs will improve safety and increase energy efficiency, reliability and customer satisfaction. With a few exceptions, PG&E's forecast is for the replacement of all PG&E owned non-decorative streetlights by the end of 2016, and assumes total participation from PG&E's customers.

DRA and TURN recommend implementing streetlight replacement over two years, rather than the three years forecast by PG&E, resulting in 2014 funding of \$2.468 million, a \$16.132 million reduction from PG&E's forecast.

CAL-SLA advocates the widespread implementation of LED technology. CAL-SLA also recommends that PG&E's proposal include decorative street lights, and that CAL-SLA's proposed cost of "\$6.08 million for HPSV street light

burnouts and unit cost of \$308” be adopted. CAL-SLA further recommends that “LED program annual revenue requirement should reflect the Commission approved HPSV burnout unit cost.”

CCSF made no financial recommendation for the LED Streetlight Program, but requested that streetlights in CCSF’s jurisdiction be included in the program. CCSF also recommends that the Commission should extend the capital cost recovery period over a period of time that better matches the expected lifetime of the LED lights

PG&E argues that extending the program to three years would needlessly defer participating customers’ energy savings. The program has the potential to reduce streetlight energy consumption by 52.8 million kilowatt-hours (kWh) annually at program completion, which will result in lower costs to customers. DRA and TURN’s recommendation would defer more than 86% of light replacements beyond 2017. The energy savings described above will also provide significant environmental benefits. Using Environmental Protection Agency equivalencies for greenhouse gas (GHG) reductions, 52.8 million kWh annually is comparable to the carbon dioxide emissions from more than 86,000 barrels of oil consumed. DRA and TURN’s recommendation results in deferring nearly the entire environmental benefit of this program beyond the 2014 GRC cycle.

PG&E’s proposed three-year program also takes advantage of pricing discounts associated with bulk purchases of materials and program efficiencies gained through application of dedicated resources for construction and program oversight. PG&E estimates that the approach proposed by DRA and TURN would result in increased per unit construction labor and material costs.

CCSF requests that CCSF streetlight classes should be included in PG&E's proposed LED Streetlight Program. PG&E indicates that if its proposed LED Streetlight Program is approved for other LS-1 customers, PG&E is willing to apply similar options to PG&E-owned lights serving CCSF, but CCSF must determine if the program offers sufficient benefits to make it worth pursuing replacements.

~~CCSF recommends that the Commission condition any approval of PG&E's spending requests related to streetlight maintenance, repairs and improvements on PG&E establishing specific written reliability and performance standards for its streetlight customers, publicly reporting on its performance to the Commission and requesting municipalities, and committing to pay a performance deficiency charge to its streetlight customers when it fails to meet the performance standards for two consecutive months in that municipality.~~

CCSF shares the view expressed by other parties that PG&E's schedule and anticipated participation level for LED conversions may be overly ambitious. TURN and DRA recommend that PG&E extend the program over a longer period given PG&E past requests for LED Streetlight funding. As TURN notes "the Commission approved a 2011 capital spending forecast of \$18.5 million, yet PG&E spent nothing on the program in 2011 through 2013." Rather than lengthening the schedule for the program, CCSF recommends that approval of PG&E's LED Streetlight Program be tied to measures ensuring that the revenue approved for the LED conversion work is actually used for implementing the program. CCSF also agrees with CAL-SLA that PG&E must provide assurances that LED conversions can occur quickly following customer requests.

~~PG&E argues that it is not necessary to develop specific reliability and performance commitments because it has “already set performance goals for streetlight maintenance – to repair 90% of streetlight burnouts within five days, and complete 75% of underground and/or cable repairs related to streetlights within 30 days.” However, PG&E fails to inform the Commission that these standards are unwritten (allegedly developed in 2012). PG&E claims its performance in relation to these goals is irrelevant to consideration of whether to fund PG&E’s streetlight maintenance activities. PG&E has also failed to identify how it will report ongoing performance transparently, or be held accountable if its performance lags.~~

CAL-SLA recommends that PG&E include decorative streetlights in the LED Replacement program. However, the high cost of replacing decorative streetlight fixtures with LEDs makes it impossible for PG&E to include them in its LED Streetlight Program as currently constituted. The LED Streetlight Program as proposed is effectively “self-funding,” i.e., customers’ estimated energy cost savings will more than offset the estimated increase in revenue requirement to support the program. PG&E’s ability to offset the increased revenue requirement is based on estimated replacement fixture capital unit costs ranging from \$150 to \$543, with most replacements being near the lower end of this range.

PG&E’s calculates that including the higher priced replacements for the approximately 25,000 PG&E-owned decorative streetlights in this program would result in an annual revenue requirement to fund the replacements that would exceed the projected annual energy savings from the program. Thus, including decorative fixtures would make the program no longer capable of “self-funding” and would result in cost shifting to non-participating customers.

Discussion

We approve PG&E's 2014 forecast of \$18.6 million for LED Streetlight Replacement in MWC 2A. We decline to reduce funding for the LED Streetlighting replacement program as proposed by DRA and TURN. Such reduced funding would significantly delay program implementation and preclude customers from realizing most of the program's cost savings until after 2017. PG&E's funding forecast is responsive to customer requests for assistance in reducing energy costs by addressing streetlight replacements promptly. PG&E's LED Street lighting program is effectively self-funding, where customers' energy cost savings will more than offset revenue requirement increases to support the program.⁴²

Although PG&E did not previously implement spending for this program in the 2011 GRC cycle, as PG&E explains, the 2011 GRC settlement specifically removed funding to cover LED streetlight replacements. Since we are expressly adopting funding for the program in this GRC, however, we expect PG&E to move forward with prompt implementation of the LED streetlight replacements.

We decline to adopt the CAL-SLA proposal that PG&E include decorative streetlights in the LED Replacement program. As PG&E notes, the cost of decorative LED fixtures, ranging from \$724 to \$1,223 per unit, would eliminate

⁴² The cost offset for the program is based on replacement fixture capital costs ranging from \$150 to \$450 per unit, with most replacements being at the lower end of the range. (See Exh. 308 (PG&E Cross Exhibit). PG&E's breakeven analysis for the program is shown at PG&E-4, WP 19-12, line 32.

the cost-effectiveness of the program, and result in cost shifting to nonparticipating customers.

We recognize that all local jurisdictions, including CCSF, should have the opportunity to participate in the LED Streetlight Program. CCSF is not yet included in the program because CCSF is not a LS-1 customer. CCSF will need to negotiate a different payment mechanism from the one designed for other customers. If the LED Streetlight Program is approved for other LS-1 customers, however, PG&E agrees to apply similar options to PG&E-owned lights serving CCSF. Accordingly, we direct PG&E to promptly enter into negotiations with CCSF to develop an appropriate payment mechanism so that CCSF may participate in the benefits of LED Streetlight replacements.

~~CCSF asks that the revenues approved for PG&E's streetlight maintenance be attached to some specified level of service that includes an enforcement mechanism for local municipalities. CCSF seeks a commitment that PG&E reduce the frequency and duration of streetlight outages in those parts of the service territory that currently experience the lowest levels of service, or report regularly on its performance to the Commission and requesting municipalities.~~

~~CCSF also proposes that PG&E rates for the Streetlight Replacement Program be subject to refund similar to refunds available in PG&E's Quality Assurance Program (QAP). Under the QAP, PG&E provides a credit to residential customers in the event that PG&E's conduct is deemed substandard. Although the QAP is only available to residential customers, CCSF argues that the principle of customer compensation for substandard service applies all customers. CCSF argues that when the level of service falls below any performance goal for two consecutive months, PG&E should provide a~~

~~performance deficiency credit to the affected customer in the next monthly invoice.~~

~~PG&E currently tracks streetlight maintenance activities pursuant to a set of internal performance goals developed in 2012. These performance goals call for repair of 90% of streetlight burnouts within 5 days, and completion of 75% of underground and/or cable repairs related to streetlights within 30 days. We shall formally hold PG&E responsible for adhering to these goals that is has already established on a voluntary basis. We shall require PG&E to publicly report its performance in meeting these goals to the Commission and requesting municipalities on an annual basis.~~

At this time, we do not believe the record is 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. Depending on the results of PG&E's public performance reports prescribed above, however, we may further consider imposing such a deficiency charge in the next GRC.