

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Application of Pacific Gas & Electric Company for
Authority, Among Other Things, to Increase Rates
and Charges for Electric and Gas Service Effective
January 1, 2014.

A. 12-11-009
(Filed November 15, 2012)

And Related Matter.

I. 13-03-007
(Filed March 21, 2013)

**OPENING COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO ON THE
PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE PULSIFER**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the City and County of San Francisco (San Francisco or the City), submits these opening comments on Administrative Law Judge Pulsifer's Proposed Decision. San Francisco is encouraged that the Proposed Decision recognizes the gravity of PG&E's historically poor streetlight maintenance. San Francisco also believes that the Proposed Decision takes sensible steps to require greater accountability regarding the reliability and quality of PG&E's streetlight service, while also imposing some controls to ensure that PG&E spends approved revenue for intended streetlight projects. Below, San Francisco recommends some minor clarifications on streetlight issues and addresses errors in the Proposed Decision related to PG&E's requested revenues for Customer Retention activities. The Proposed Decision's approval of PG&E's funding request for Customer Retention activities in its entirety ignores the record and constitutes bad public policy.

A. Streetlight Issues

San Francisco strongly supports aspects of the Proposed Decision that call for greater transparency and oversight related to streetlight maintenance, repairs, and recordkeeping to improve the safety and reliability of the streetlights that PG&E maintains and to help ensure that the revenue collected for these activities is just and reasonable.

Specifically, San Francisco supports the Proposed Decision's findings that:

- Require PG&E to track actual expenditures incurred for replacement of the San Francisco incandescent streetlights in a memo account (capped at PG&E's proposed 2013 and 2014 capital spending forecasts) and account for progress on the project;¹
- Commit to making the appropriate reductions in the authorized revenue requirement of the next GRC to the extent that the memo account indicates that PG&E failed to spend the money for incandescent streetlight replacement in San Francisco;²

¹ Proposed Decision at pp. 171-172.

² *Id.*

- Adopt CCSF’s proposal that PG&E formally produce in written form its performance goals relating to street lighting maintenance;³
- Require PG&E to: (1) report its performance regularly to the Commission and requesting municipalities; (2) consistently meet its performance goals as a condition of the approval of PG&E’s forecasts; and (3) refund revenue to customers through a mechanism similar to PG&E’s Quality Assurance Program if PG&E fails to meet any performance goal for two consecutive months;⁴ and
- 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, should CCSF desire to do so.⁵

At the same time, San Francisco proposes several modifications to the Proposed Decision to ensure that it is implemented effectively. First, the Proposed Decision makes reference to PG&E’s LED Streetlight Replacement Program. In doing so, the Proposed Decision innocuously states that LED stands for “liquid emitting diode” rather than “light emitting diode.” The Commission should fix this minor clerical error.

Second, the Proposed Decision contains a technical error that must be corrected in order to avoid undue confusion: the Proposed Decision addresses the issue of a performance deficiency charge in two places and comes to two inconsistent results.⁶ In Section 4.5.12, which pertains to “Streetlight Burnouts and Group Replacements (MWC KA),”⁷ the Proposed Decision contains thoughtful consideration of the evidence demonstrating why it is necessary to implement a refund mechanism as part of PG&E’s streetlight maintenance, in order to ensure just and reasonable service.⁸ In that section, the Proposed Decision adopts CCSF’s proposal that PG&E “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.”⁹

³ Proposed Decision at p. 182.

⁴ *Id.*

⁵ Proposed Decision at p. 252.

⁶ Commission Rule of Practice and Procedure 14.3(c) states “Comments shall focus on factual, legal or technical errors in the proposed or alternate decision.”

⁷ Section 4.5.12 of the Common Briefing Outline; See Proposed Decision beginning at p. 180.

⁸ Proposed Decision at pp. 180-182.

⁹ Proposed Decision at p. 182.

The Proposed Decision also, however, inappropriately places additional language regarding PG&E's historically poor service in Section 4.19, which is focused on the "LED Streetlight Replacement Program," and not streetlight maintenance issues.¹⁰ In this section, the Proposed Decision declines to adopt CCSF's proposal for a performance deficiency charge.¹¹

The result is that the Proposed Decision contains inconsistent and repetitive language¹² as well as a misplaced discussion on streetlight maintenance issues.¹³ Thus, San Francisco proposes that the Commission correct this technical error by consolidating the language related to streetlight maintenance into Section 4.5.12. This will help to remove ambiguity regarding the Commission's findings on PG&E's streetlight maintenance and levels of service and be consistent with the Common Briefing Outline. Rather than attempting to describe in narrative form the exact changes, San Francisco provides a redline of these edits as Attachment A, as well as proposed findings of fact and conclusions of law, Attachments B and C, respectively.

¹⁰ Section 4.19 of the Common Briefing Outline, See Proposed Decision beginning at 247. The Proposed Decision titles Section 4.19 "Streetlight Program."

¹¹ Proposed Decision at p. 252 ("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.")

¹² See e.g. "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" (Proposed Decision at p. 181) and "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." (Proposed Decision at p. 252)

¹³ See e.g. "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." (Proposed Decision at p. 250). For clarity, this discussion should follow the paragraph on page 181 beginning "PG&E claims that it has already instituted new performance goals."

B. Net Salvage Value

The Proposed Decision increases negative net salvage rates “over current rates but at a reduced level relative to PG&E’s forecasts to mitigate ratepayer impacts and to reflect the principle of gradualism.”¹⁴ San Francisco supports the Proposed Decision’s controls on sudden negative increases in net salvage values for streetlights in order to help reduce the abrupt impact on streetlight facility charges. San Francisco believes that the Proposed Decision’s proposal to set the negative net salvage rate at -20% better reflects these principles, as compared to the dramatic increase in negative net salvage proposed by PG&E.

C. Customer Retention

The Proposed Decision adopts PG&E’s forecast for Customer Retention activities of \$1.5 million.¹⁵ By approving the use of ratepayer funds to market against proposed municipal utility projects, the Proposed Decision threatens to undermine the rights of municipal entities under the California Constitution, which gives a municipality the right to “to furnish its inhabitants with light, water, power, heat, transportation, or means of communication.”¹⁶ Allowing PG&E to spend ratepayer funds in an effort to prevent municipal entities from exercising rights guaranteed to them by law is bad public policy, at best. Requiring ratepayers to fund such activities is not just and reasonable.

The Proposed Decision incorrectly concludes that PG&E’s customer retention activities demonstrate ratepayer benefits.¹⁷ To the contrary, PG&E does not even track its customer retention costs (by activity, location, requesting entity or otherwise), and therefore, PG&E cannot provide the Commission with any sense of exactly how the funds have historically been spent.¹⁸

¹⁴ Proposed Decision at p. 10.

¹⁵ Proposed Decision at p. 328-329.

¹⁶ Cal. Const. Article XI, § 9.

¹⁷ Proposed Decision at p. 328-329.

¹⁸ RT pp. 3454:2-28 and 3488:17-3489:26 (“We don’t track the costs according to the specific type of activity, nor do we specifically track it according to whether the information is provided to a governmental agency or a customer.”) (Rubin/PG&E).

Because it lacks such rudimentary accounting, PG&E admits that it “cannot calculate the net benefit to shareholders or ratepayers resulting from these specific activities.”¹⁹ If PG&E cannot demonstrate the net benefits of customer retention activities to ratepayers, it is impossible for PG&E to demonstrate that it is just and reasonable for it to receive *any ratepayer funding* for these activities. PG&E has failed to carry its burden in this regard and the Proposed Decision should deny PG&E’s requested revenues for these activities.

Finally, the Proposed Decision states that “We also find no basis to conclude that PG&E’s Customer Retention forecast includes activities designed to block or oppose municipal utility projects.”²⁰ This statement, however, mischaracterizes the import of the record. Because PG&E has historically failed to track how it spends any of its customer retention funds, PG&E has failed to carry its burden of demonstrating that rates based on these requested revenues are just and reasonable. As such, there is no basis for approving any revenues for customer retention activities. On the other hand, there is substantial evidence in the record demonstrating PG&E’s hostile attitude and motivation towards municipal utility projects. PG&E has historically spent lavishly to block and oppose municipal utility projects.²¹ Official documents reflecting facts of such common knowledge not subject to reasonable dispute in the Commission’s territorial jurisdiction demonstrate that:

- in 2001, PG&E spent more than \$1 million to defeat two local public power measures on San Francisco’s ballot;
- in 2002, PG&E spent more than \$2 million to defeat one local public power measure on San Francisco’s ballot;

¹⁹ RT p. 3454:17-24 (PG&E/Rubin).

²⁰ Proposed Decision at p. 329.

²¹ Proposed Decision at p. 328, fn 54 (“We grant the motion of CCSF, dated September 19, 2013, for official notice of the documents set forth in its motion (listed therein as Exhibits A through M). As noted in the CCSF motion, Exhibits A through C are excerpts from San Francisco general election voter pamphlets containing public power measures put to the electorate in 2001, 2002 and 2008. Exhibits D through F are campaign disclosure forms filed by PG&E with the San Francisco Ethics Commission as required by state law. Exhibits G through M are documents regarding relating [sic] to PG&E’s spending on initiatives relating to public power.”).

- in 2006, PG&E spent approximately \$12.6 million to defeat four ballot measures in Yolo and Sacramento counties;
- in 2008, PG&E spent more than \$10 million to defeat one local measure in San Francisco; and
- in 2010, PG&E spent more than \$48 million in a failed effort to pass Proposition 16, an amendment to the State constitution.

These documents provide the best evidence of how PG&E will use revenues approved for customer retention. In addition, the record demonstrates that PG&E's analyses are also biased. PG&E admits that the utility has an interest in retaining customers²² and that its analyses always show that its customers will be harmed by receiving power from public entities rather than PG&E.²³

For these reasons, it is unreasonable to approve the requested revenues for customer retention activities. There is no basis in the record for the Commission to assume that PG&E will not spend those funds on “activities designed to block or oppose municipal utility projects.”²⁴ The Commission should deny PG&E's requested funding. If the Commission does not do so, it should at least require PG&E to track its expenditures in a memorandum account to ensure that customer retention funds are not spent on “activities designed to block or oppose municipal utility projects.”²⁵

²² RT at p. 2620:4-9 (Rubin/PG&E).

²³ RT at 3500:20-3501:1 (Rubin/PG&E).

²⁴ Proposed Decision at p. 329.

²⁵ *Id.*

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Respectfully submitted,

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