BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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

SUPPLEMENTAL AMENDMENT TO THE COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION OF ALJ PULSIFER

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July 9, 2014

SUPPLEMENTAL AMENDMENT TO THE COMMENTS OF THE UTILITY REFORM NETWORK ON THE PROPOSED DECISION OF ALJ PULSIFER

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) submitted comments on July 8, 2014, on the Proposed Decision (PD) of Administrative Law Judge (ALJ) Pulsifer entitled "*Decision Authorizing Pacific Gas and Electric Company's General Rate Case Revenue Requirement for 2014-2016*." On July 9, 2014, TURN contacted ALJ Pulsifer by telephone to alert him that Appendix A to TURN's comments contained an incomplete listing of TURN's proposed modifications to the Findings of Fact and Conclusions of Law in the PD. ALJ Pulsifer authorized TURN to file this "Supplemental Amendment" containing the complete version of Appendix A, which is attached hereto.

Date: July 9, 2014

Respectfully submitted,

By: __________/s/______________
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Appendix A

Proposed Modifications to Findings of Fact and Conclusions of Law

Findings of Fact

Additions:

New FOF: It is reasonable to reduce PG&E's forecast for Overhead Transformer Labor Reclassification (MWC KA) and Underground Transformer Labor Reclassification (MWC KB) as proposed by TURN.

New FOF: It is reasonable to credit ratepayers with the benefits PG&E forecasts from the Distribution Control Center Consolidation Project in the attrition years by reducing the test year revenue requirement in MWC BA by $1.747 million, as proposed by TURN.

New FOF: It is reasonable to adopt TURN's recommendations regarding PG&E's measurement of electric reliability to improve the value of the information reported by PG&E.

New FOF: It is reasonable to exclude the entire $61,000 paid by PG&E to the California Taxpayers Association because that organization is inherently political.

New FOF: TURN's proposal to allocate the FERC and ISO Relations Department costs to PG&E's generation line of business is reasonable.

New FOF: It is reasonable to exclude $199,999 associated with Clothing and Other PG&E Gear from PG&E's forecast because these expenses are promotional and image building.

Modifications:

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~~ However, PG&E's tripling of program activity is not cost effective or practical. PG&E's forecast is reduced by $8.5 million to be commensurate with 2012 inspection and repair levels. PG&E should conduct additional analysis to improve the targeting of inspection efforts.

29. PG&E's forecast of $4.5 million for DIMP internal management resources is ~~reasonable~~ excessive compared to appropriately escalated federal estimates and is reduced by $1.1 million.

61. Consistent with a five-year leak survey cycle, it is reasonable to reduce

PG&E's forecast for MWC 50 by $2.051 million for 2014, as calculated by TURN, and to further reduce costs by 13.91 million 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.

74. The new CCO tools enhance website capabilities and integration to back end systems to provide customers timely and direct access to service request status. Existing online tools do not adequately meet customer needs for requesting and monitoring service requests. However, PG&E forecasts that only approximately 37,000 of its customers will make use of this service once it is available.

173. PG&E has not reasonably forecast the cost of the two DCPP refueling outages scheduled for 2014. Outage costs should be reduced by $2.7 million to reflect unsupported incremental steam generator inspection costs and by $0.5 million to eliminate reliance on an unsupported and unique escalation rate. PG&E's ratemaking approach should ~~is~~ also be modified to normalize one-time refueling expenditures. ~~reasonable by providing uniform treatment over the GRC cycle and avoiding a larger increase in 2014 followed by a decrease in 2015.~~

182. PG&E unreasonably forecasts $184.18 million for preventive and corrective maintenance and surveillance testing of DCPP's mechanical and electrical equipment, instrumentation and controls. This forecast should be reduced by $16 million to correct unsupported forecasts for expense projects and major maintenance. DRA's proposed reductions do not properly consider the costs of the second refueling outage, the change in accounting for security and facility costs; and excludes labor escalation. DRA's proposal to amortize three projects over three years is not appropriate here since the projects are ongoing and the amounts are relatively small.

186. It is reasonable to reduce PG&E's forecast of NRC regulatory and inspection fees by $1.326 million as proposed by TURN, because PG&E's trend line analysis is unduly biased by escalation during 2007-2010 that has not continued in subsequent years. It is also reasonable to reduce PG&E's forecast of obsolete inventory write-offs by $2.017 million in recognition of the fact that such write-offs are infrequent and irregular.

227. PG&E's 2014 forecast of capital expenditures and expenses for the Telecommunications Network Enhancement project ~~is reasonable~~ should be reduced in view of the projected increase in network bandwidth needs and other identified factors that supported forecasted cost increases.

291. It is reasonable to increase PG&E's 2014 OOR forecast by $2.672 million for the effects of additional revenues PG&E will receive from the Placer County Water Agency (PCWA) under a new agreement increasing revenues. . . .

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. While SP U-16 serves as a guide, it

does not constrain the Commission's discretion to consider the appropriate ratemaking treatment of customer deposits under the circumstances at hand.

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

316. The capital attrition allowance, as derived in Appendix D, Table 2, reflects average capital additions from ~~2008-2014~~ 2005-2011, as escalated using CPI-~~and is based on capital escalation factors for 2015 and 2016 in the Update Exhibit (Exh. 375)~~. This methodology yields the rate base adjustments for 2015-16 as shown in Appendix D, Tables 5 through 5C.

316-318 ALTERNATIVE #1

316. The capital attrition allowance, as derived in Appendix D, Table 2, reflects average capital additions from ~~2008-2014~~ 2005-2011, as escalated using CPI-~~and is based on capital escalation factors for 2015 and 2016 in the Update Exhibit (Exh. 375)~~. This methodology yields the rate base adjustments for 2015-16 as shown in Appendix D, Tables 5 through 5C.

318. Since PG&E's claims about capital requirements for 2015 and 2016 have not been independently evaluated, there no basis to conclude that use of ~~2008-2014~~ 2005-2011 capital averages is an unreasonable basis for attrition allowances for 2015-2016 capital additions.

~~319. Use of the more recent seven-year average of 2008-2014 data (as developed in Appendix D, Table 2, incorporating adopted forecast figures for 2012-2014) offers a more robust basis relative to TURN's use of 2005-2011 data for deriving a 2015-2016 capital attrition allowance.~~

316-318 ALTERNATIVE #2

316. The capital attrition allowance, as derived in Appendix D, Table 2, reflects average capital additions from ~~2008-2014~~ 2006-2012, as escalated using CPI-~~and is based on capital escalation factors for 2015 and 2016 in the Update Exhibit (Exh. 375)~~. This methodology yields the rate base adjustments for 2015-16 as shown in Appendix D, Tables 5 through 5C.

318. Since PG&E's claims about capital requirements for 2015 and 2016 have not been independently evaluated, there no basis to conclude that use of ~~2008-2014~~ 2006-2012 capital averages is an unreasonable basis for attrition allowances for 2015-2016 capital additions.

319. Use of the more recent seven-year average of ~~2008-2014~~ 2006-2012 data (as developed in Appendix D, Table 2, incorporating adopted forecast figures for 2012-2014) offers a more robust basis relative to TURN's use of 2005-2011 data for deriving a 2015-2016 capital attrition allowance.

Conclusions of Law

~~25. Since PG&E's proposed labor escalation factor is based on wage levels currently provided under existing collective bargaining agreements and developed based on benchmark data, an attrition allowance based on PG&E's proposed factor of 2.79% per year and non-labor escalation factors found in PG&E's update exhibit (Exh. 375/(PG&E-32)) offers a reasonable basis for 2015 and 2016 attrition allowances.~~

26. In the interests of promoting the incentive for PG&E to contain ~~health plan~~ cost increases through the attrition period, it is reasonable to rely on <u>CPI to escalate operating and maintenance and administrative expenses for setting attrition allowances for 2015 and 2016</u> ~~forecasts offered by DRA for setting attrition allowances for employee health plan costs based on IHS Global Insight's Group Health Insurance index of 6.4% for 2015 and 6.3% for 2016~~.

~~33. PG&E's proposed wage escalation factor of 2.79% per year, based on a weighted average of wage increases of 2.75% for union employees and 2.97% for non-union employees, is reasonable for setting 2015 and 2016 attrition rates.~~

~~34. DRA's recommended medical cost escalation, based on IHS Global Insight's Group Health Insurance index, yields increases of 6.4% for 2015 and 6.3% for 2016, and is a reasonable basis for setting attrition allowances.~~

~~35. PG&E's proposed ARA escalation allowance for adopted 2014 non-labor operating and maintenance and administrative expenses, based on IHS Global Insight data, is reasonable.~~

ALTERNATIVE #1

37. Given the lack of a comprehensive record concerning 2015 and 2016 spending forecasts, the use of a seven-year average of capital expenditures from ~~2008-2014~~ <u>2005-2011</u> offers a reasonable methodology to derive attrition adjustments for capital spending in 2015 and 2016 as derived in Appendix D.

ALTERNATIVE #2

37. Given the lack of a comprehensive record concerning 2015 and 2016 spending forecasts, the use of a seven-year average of capital expenditures from ~~2008-2014~~ <u>2006-2012</u> offers a reasonable methodology to derive attrition adjustments for capital spending in 2015 and 2016 as derived in Appendix D.

~~38. Although the CPI may reasonably measure price inflation faced by consumers, it does not measure price escalation for goods and services procured by an energy utility. The capital escalation factors based on category of plant, as proposed by PG&E in its Update Exhibit (Exh. 375), offers a more suitable basis to escalate expenditures for attrition year purposes.~~

Ordering Paragraphs

14. ~~The Utility Reform Network's proposal is denied to charge Pacific Gas and Electric Company's website users with a new online administrative fee for Customer Connections Online.~~ TURN's proposal to have PG&E recover the reasonable costs for Customer Connections Online through a service fee charged to those customers who use the service is adopted.

21. The Utility Reform Network's proposal ~~to open an additional phase of the 2014 General Rate Case to evaluate the results of Commission Staff's~~ for an independent audit of SmartMeter™ costs and benefits is ~~denied~~ granted.