

PG&E's Recommended Changes to 2014 GRC Proposed Decision

August 4, 2014

**PD Provides a Mixed Message on Safety: Calls it a Priority but Denies Safety Funding
PD Contradicts SB 705 – Ignores Best Practices on Safety**

The Focus on Safety Should Be the Commission's Top Priority

- SB 705 directed that the CPUC make safety its top priority and mandated best practices for gas operations.
- CPUC's own Safety Policy Statement stated, "...CPUC not only will assure compliance...but also challenge itself and the utilities to excellence."
- Better than ever before, the PD recognizes safety as an important consideration, but then cuts safety funding.

PD Directly Contradicts the State's New Safety Direction by Eliminating Funds for More Frequent Leak Detection

- PD funds only a 5-year cycle, disallowing approximately \$24 million in expense and \$2 million in capital for a 3-year survey – ignoring best practices.
- Surveying more frequently will help PG&E to find hazardous leaks sooner and find non-hazardous leaks before they become hazardous.
- Best Practice – Of the 46 companies surveyed in 2012, over 30 percent of gas distribution operators survey on a 3-year cycle - making this an industry "best practice" required by SB 705.
- GHG Benefit – Leak repair resulting from earlier discovery in a 3-year cycle reduces methane release and GHG emissions.

PD Cuts Funding for Additional GSRs – Directly Contradicting Best Practices

- PD disallowance of \$17 million needed to achieve the goal of responding to all gas odor calls as immediate response calls sends a message that these safety improvements can wait until 2018.
- Best Practice – responding immediately to all gas odor calls is a best practice. Of 29 companies surveyed in 2012, 79% immediately respond to all customer calls regarding gas leaks. Disallowance would delay our ability to achieve industry best practices until 2018, at best, instead of 2015.

Cuts Funding for Gas Control Center

- PD cuts full funding for the Gas Control Center for another 3+ years, again sending the message on real time monitoring that these safety improvements can wait.
- Additional monitoring and controls are designed to give us more situational awareness and future ability to respond quickly to emergency situations.
- PD recognized safety benefits and agreed with the forecast cost, but disallowed \$4.3 million for staffing and tech support, and \$37 million of a \$62 million capital request for installing monitoring and control devices.

FLISR and Re-closers Revolving Stock – PD Contradicts its Own Conclusions

- PD states “...even if incremental reliability benefits were only 50% of past levels (taking line reclosers costs into account), . . . FLISR installations would still be one of PG&E’s most cost-effective reliability measures and have terrific benefit-to-cost ratios.” But then the PD disallows 25% of the forecast, reducing \$15M in capital for FLISR and \$6.1M in capital for Line Recloser Revolving Stock.
- ***Outages on FLISR circuits re-route and restore power to customers***, reducing what may have been 1-2 hour outages to less than 5 minutes.
- Benefits - FLISR Systems and Line Recloser programs provide more reliability benefits than almost any other investment. FLISRs benefit to cost ratio is 30X.

Oil Switch Replacement - Under PD it would take 40+ years to Replace Hazardous Switches

- PD disallows \$12.5 million in capital, almost half the entire capital forecast on the basis that PG&E has not demonstrated a need to replace at the forecast rate.
- Pre-1970 oil switches present known safety hazards. Replacement of underground oil switches that have exceeded their operating lives reduces the risk of catastrophic failures.
- Benefits – New, safer switches will increase reliability for customers and prevent extended outages that result from catastrophic failures.

Rate-basing of Nuclear Fuel

- The proposed capital structure for nuclear fuel does not reflect the way fuel is manufactured or used.
- FERC uniform system of accounts treat nuclear fuel as utility plant. Nationwide, all rate-regulated, non-merchant government-owned nuclear power plants -- without exception -- treat nuclear fuel as rate base.
- In the alternative, treat nuclear fuel the same way customer deposits are treated.

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