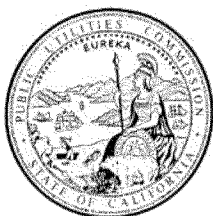


Docket:	:	<u>A.13-12-012</u>
Exhibit Number	:	<u>ORA-01</u>
Commissioner	:	<u>C. Peterman</u>
ALJ	:	<u>J. Wong</u>
Witness	:	<u>N. Skinner</u>



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**Report on the Results of Operations
for
Pacific Gas and Electric Company
Gas Transmission and Storage Case
Test Year 2015**

Chapter 1
Executive Summary

San Francisco, California
August 11, 2014

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EXECUTIVE SUMMARY

I. INTRODUCTION – THE OFFICE OF RATEPAYER ADVOCATES RECOMMENDS REDUCTIONS IN PACIFIC GAS AND ELECTRIC COMPANY’S PROPOSED REVENUE INCREASES FOR 2015 THROUGH 2017

The Office of Ratepayer Advocates (ORA) submits its reports and exhibits in response to Pacific Gas and Electric Company’s (PG&E) Application (A.) 13-12-012 for a Test Year (TY) 2015 Gas Transmission and Storage (GT&S) case. PG&E proposes revenue increases for 2015, and for the 2016 and 2017 post-test years.¹

PG&E requests authorization from the California Public Utilities Commission (CPUC or Commission) for “an unprecedented” revenue increase associated with its Gas Transmission and Storage operations that fall within the CPUC’s ratemaking jurisdiction.²

In the application, PG&E requested revenue requirements of \$1,286 million in Gas Transmission for the test year. ORA recommends revenue requirements of \$1,053 million, a \$338 million increase, in Gas Transmission compared to the most recent authorized revenues.

This exhibit presents ORA’s executive summary, addressing PG&E’s requests for 2015 through 2017.

In its December 2013 GT&S Application, PG&E requests a 3-year cumulative revenue requirement of \$2,006 million, comprising:
\$572 million (80%) increase beginning in 2015 (for 2015, 2016, and 2017)

Additional increases of \$61 million (4.7%) in 2016 (for 2016 and 2017) and \$168 million (12.5%) in 2017

ORA recommends a more reasonable 3-year cumulative increase of \$1,153 million, comprising:

\$338 million (47%) increase in 2015
Additional increases of \$39 million (3.7%) in (for 2016 and 2017) and \$61 million (5.6%) in 2017

¹ PG&E, in accord with its Rule 3.2, provided it would publish notification of the Application within 20 days of filing the application, and would include notice in regular bills mailed to PG&E customers within 45 days.

² PG&E Prepared Testimony, Volume 1 (Stavropolous), p. 1-1.

1 Table 1-1 compares ORA's and PG&E's forecasts of Test Year 2015 GT&S
 2 revenues relative to the utility's authorized level of 2015 revenues.^{3, 4}

**Table 1-1: PG&E Requests a \$572 Million Revenue Requirement Increase in 2015.
 ORA Recommends a \$338 Million Increase in Revenues.**

Description	PG&E's 2014 Present Revenues	PG&E's 2015 Proposed Revenues	PG&E's Forecasted Increase over 2014 Present Revenues	ORA's 2015 Proposed Revenues	ORA's Recommended Increase over 2014 Present Revenues
(a)	(b)	(c)	(d=c-b)	(e)	(f=e-b)
Total	\$ 715	\$ 1,287	\$ 572	\$ 1,053	\$ 338

3
 4 Table 1-2 compares ORA's and PG&E's forecasts of post-test year 2016 and
 5 2017 revenue increases.

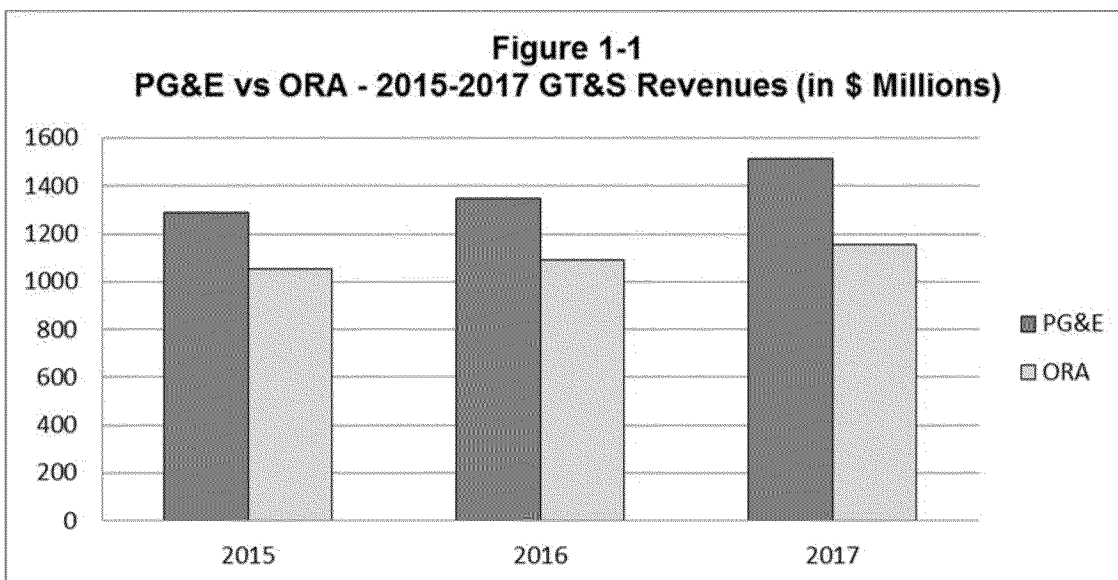
**Table 1-2: PG&E Requests Post-Test Year Revenue Increases of \$61 in 2016 and \$168 Million in 2017.
 ORA Recommends More Modest Increases of \$39 and \$61 Respectively.**

Description	PG&E's Requested 2015 Revenue Increase	PG&E's Requested 2016 Revenue Increase	PG&E's Requested 2017 Revenue Increase	ORA's Recommen ed 2015 Revenue Increase	ORA's Recommended 2016 Revenue Increase	ORA's Recommended 2017 Revenue Increase
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Total	\$ 572	\$ 61	\$ 168	\$ 338	\$ 39	\$ 61

6
 7 Figure 1-1 illustrates ORA's recommended revenue requirement level for
 8 2015 through 2017, compared to PG&E's request in its application.

³ These amounts include revenues from: (a) PG&E's 2011 GT&S, Decision (D.) 11-04-031, adjusted for 2012, 2013, and 2014 attrition; and (b) Pipeline Safety Enhancement Plan (PSEP), D.12-12-030, as modified by PG&E's PSEP Update, A.13-10-017. PG&E has stated it will update the values for the PSEP entries upon resolution of the PSEP Update Application.

⁴ ORA's testimony and RO model compare ORA's estimates to PG&E's requests from the utility's original December 19, 2013 GT&S filing. Corrections have been provided by PG&E, some of which have been brought to PG&E's attention due to ORA's discovery efforts.



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3 **II. OVERVIEW / SUMMARY – PG&E PROPOSES A 2015 REVENUE**
 4 **REQUIREMENT OF \$1.287 BILLION WHILE ORA RECOMMENDS**
 5 **\$1.053 BILLION**

6 This section provides an overview and summary of PG&E’s requests and
 7 ORA’s recommendations regarding the utility’s 2015 through 2017 revenue
 8 requirement.

9 **A. PG&E Requests a \$572 Million (80%) Increase in 2015, and**
 10 **Post-Test Year Revenue Increases of \$61 Million (4.7%) for**
 11 **2016 and \$168 Million (12.5%) for 2017**

12 On December 19, 2013, PG&E filed an application requesting that the
 13 Commission authorize a CPUC-jurisdictional base rate revenue requirement of
 14 \$1,287 million for the utility’s natural gas transmission and storage operations, to be
 15 effective January 1, 2015. For its CPUC-jurisdictional operations, PG&E seeks a
 16 \$572 million increase in base revenues for natural gas transmission and storage
 17 operations.

1 Table 1-3 compares PG&E's forecasts of Test Year 2015 GT&S revenues
 2 relative to its authorized revenue requirement, as filed in its December 2013
 3 application.⁵

Table 1-3: PG&E Requests a \$572 Million Revenue Requirement Increase in GT&S Revenues Effective January 1, 2015 for CPUC-Jurisdictional Operations.

Description	PG&E's 2014 Present Revenues	PG&E's 2015 Proposed Revenues	PG&E's Forecasted \$ Increase over 2014 Present Revenues	PG&E's Forecasted \$ Increase over 2014 Present Revenues
(a)	(b)	(c)	(d=c-b)	(e=d/b)
Total	\$ 715	\$ 1,287	\$ 572	80%

4
 5 PG&E requests additional revenues in 2015 to cover higher costs associated
 6 with, among other things: operating and maintaining gas transmission and storage
 7 systems, investing in assets and people to identify, assess, and mitigate risks to
 8 PG&E's system, and rate base (e.g., net infrastructure investment).

9 PG&E requests post-test year revenue increases of \$61 million (4.7%) in
 10 2016 and \$168 million (12.5%) in 2017:⁶

Table 1-4: PG&E Estimates Post-Test Year Revenue Increases of \$61 Million in 2016 and \$168 in 2017.

Description	2015 Proposed Revenues	2016 Proposed Revenue Increase	2016 Proposed Revenues	% Increase over 2015 Revenues	2017 Proposed Revenue Increase	2017 Proposed Revenues	% Increase over 2016 Revenues
(a)	(b)	(c)	(d=b+c)	(e=c/b)	(f)	(g=d+f)	(h=f/d)
Total	\$ 1,287	\$ 61	\$ 1,348	4.7%	\$ 168	\$ 1,516	12.5%

⁵ PG&E 2015 Gas Transmission and Storage Application, p. 2.

⁶ PG&E 2015 Gas Transmission and Storage Application, p. 4.

1 PG&E's proposes a post-test year ratemaking (PTYR) mechanism to account for:
2 (1) escalation of operating expenses; and (2) capital revenue requirement growth
3 based on escalating adopted test year plant additions. The expense escalation
4 exception is for traditional In-Line Inspection, External and Internal Corrosion Direct
5 Assessment where ORA recommends increases in the same magnitude as PG&E's
6 Post-Test Year forecasts, and a reduction in Hydrostatic Testing for Facilities which
7 better protects ratepayers if federal regulations change from their current
8 requirements. PG&E wants the PTYR mechanism to allow revenue requirement
9 adjustments for uncontrollable factors such as postage rate changes; franchise,
10 payroll, income, and property tax changes; and other new taxes and fees.

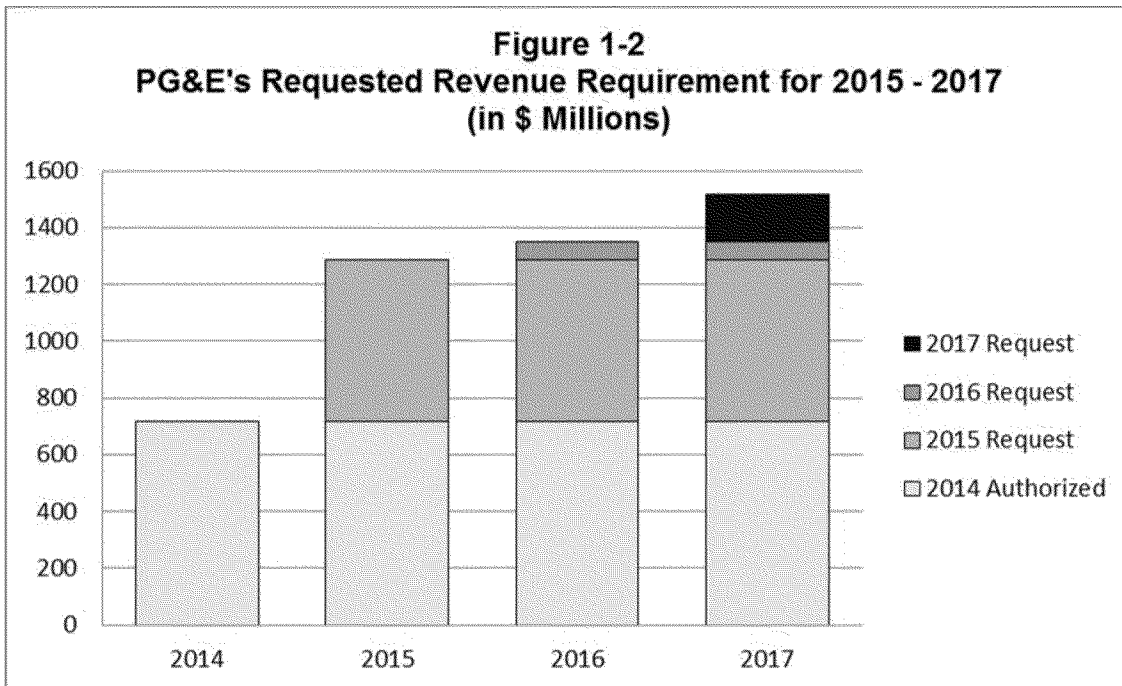
11 **B. PG&E's Proposed Revenue Increases for 2015 through**
12 **2017 Add Up to \$2.006 Billion on a Cumulative Basis**

13 PG&E's proposed change in GT&S base revenues from the present level of
14 \$715 million in 2014 to the proposed level of \$1.516 billion in 2017 represents a
15 112% increase over currently authorized levels.⁷ If adopted, PG&E's proposals
16 would burden its ratepayers with a 3-year cumulative increase of \$2.006 billion.⁸

17 Figure 1-2 illustrates PG&E's requested revenue requirement levels, and their
18 components, for 2015 thru 2017.

⁷ \$1,516 million / \$715 million = 2.12 which represents a 112% increase.

⁸ For this 3-year cycle: (a) the \$572 million increase in 2015 would be in effect for three years—2015, 2016, and 2017; (b) the \$61 million increase in 2016 would be in effect for two years—2016 and 2017; and (c) the \$168 million increase in 2017 would be in effect for one year—2017. Therefore: (\$572 million x 3) + (\$61 million x 2) + (\$168 million x 1) = \$2,006 million.



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C. ORA Recommends Revenue Increases in 2015-2017 of \$338 Million (47%) in 2015, \$39 Million (3.7%) in 2016, and \$61 Million (5.6%) in 2017

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ORA recommends that the Commission authorize \$1,053 million in 2015 GT&S base revenues for PG&E. ORA recommends the following changes in 2015 relative to PG&E's authorized revenues:

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- Increasing PG&E's Gas Transmission and Storage revenue requirement by \$338 million (47%) relative to the most recent 2014 authorized level of \$715 million;

11

12

ORA recommends a 2015 GT&S revenue requirement that is \$338 million higher than the most recent authorized level, as shown below:

Table 1-5: ORA Recommends a \$338 Million Revenue Requirement Increase in GT&S Revenues Effective January 1, 2015 for CPUC-Jurisdictional Operations.

Description	PG&E's 2014 Present Revenues	ORA's 2015 Proposed Revenue Requirement	ORA's Forecasted \$ Increase over 2014 Present Revenues	ORA's Forecasted \$ Increase over 2014 Present Revenues
(a)	(b)	(c)	(d=c-b)	(e=d/b)
Total	\$ 715	\$ 1,053	\$ 338	47%

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ORA recommends revenue increases of \$39 million (3.7%) in 2016 and \$61 million (5.6%) in 2017, as shown on Table 1-6:

Table 1-6: ORA Recommends Post-Test Year Revenue Increases of \$39 Million in 2016 and \$61 in 2017.

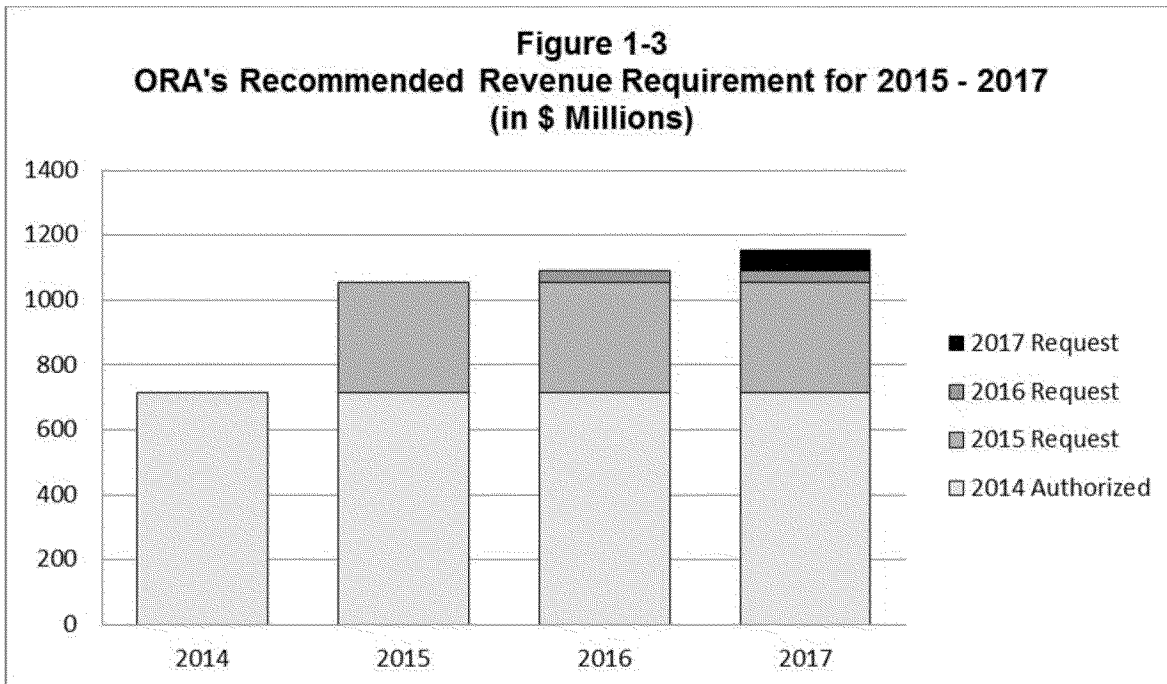
Description	2015 Proposed Revenues	2016 Proposed Revenue Increase	2016 Proposed Revenues	% Increase over 2015 Revenues	2017 Proposed Revenue Increase	2017 Proposed Revenues	% Increase over 2016 Revenues
(a)	(b)	(c)	(d=b+c)	(e=c/b)	(f)	(g=d+f)	(h=f/d)
Total	\$ 1,053	\$ 39	\$ 1,092	3.7%	\$ 61	\$ 1,153	5.6%

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Figure 1-3 illustrates ORA's recommended revenue requirement levels, and their components, for 2015 thru 2017.



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1 **D. ORA’s Recommended Revenue Increases for 2015**
2 **through 2017 are Lower and More Reasonable Than**
3 **PG&E’s Request, and Should be Adopted by the**
4 **Commission**

5 ORA’s recommended changes in GT&S base revenues from \$1,053 million in
6 2015 to \$1,228 million in 2017 represents a 9.5% increase over currently authorized
7 levels.⁹ ORA’s forecasts would result in a 3-year cumulative increase of \$1,153
8 million,¹⁰ which is \$853 million less than PG&E’s request for a \$2,006 million
9 cumulative increase.

10 If the Commission adopts ORA’s forecasts, ratepayers will experience less
11 substantial cumulative revenue increases over the 3-year period from 2015-2017.
12 ORA’s forecast allows for necessary system improvements without negative impact
13 on operations and service. For the reasons set forth in ORA’s exhibits, ORA’s
14 recommended 3-year cumulative revenue increase of \$1,153 million is more
15 reasonable than PG&E’s requested increase of \$2,006 million, and should be
16 adopted by the Commission.

17 As discussed in Exhibit ORA-18, ORA also recommend continuing the GT&S
18 on a 4-year cycle. ORA proposes a further increase of \$34.6 million in 2018 for a
19 total 2018 forecast revenue requirement of \$1.187 billion.

20 **III. ESTIMATED RATE IMPACT ON PG&E’s CUSTOMERS**

21 PG&E estimates that a natural gas residential customer using an average of
22 34 therms/month would experience a \$5.23 bill increase (about 12.6%) per month,
23 from \$41.53 to \$46.76, while a customer using an average of 284 therms/month
24 would experience a \$42.50 increase (about 16%) per month, from \$266.15 to
25 308.65.¹¹

⁹ \$1,153 million / \$1,053 million = 1.095 which represents a 9.5% increase.

¹⁰ (\$338 million x 3) + (\$39 million x 2) + (\$61 million x 1) = \$3,298 million.

¹¹ PG&E Prepared Testimony, Volume 2 (Niemi), p.17-13.

1 In contrast, if the Commission adopts ORA's recommended revenue
2 requirement for 2015, ORA currently estimates that PG&E's residential customers
3 would experience approximately a \$4.73 (about 11.4%) per month increase to their
4 gas bills beginning in 2015. A typical small business customer using 282 therms per
5 month would see an average monthly gas bill increase of \$38.67 (about 14.6%),
6 from \$264.28 to \$302.95.¹²

7 **IV. PROCEDURAL BACKGROUND AND SCHEDULE**

8 On December 19, 2013, PG&E filed with the Commission its Gas
9 Transmission and Storage Application, A.13-12-012, with a 2015 Test Year, as well
10 as post-test years 2016 and 2017, for a 3-year cycle. The Application first appeared
11 on the Commission's Daily Calendar for December 24, 2013. ORA filed a timely
12 Protest to the Application on January 31, 2014. PG&E filed replies to protests on
13 February 10, 2014.

14 A Prehearing Conference (PHC) was held on March 12, 2014, followed by the
15 Assigned Commissioner's Ruling and Scoping Memo, which was issued on April 17,
16 2014. An Administrative Law Judge's (ALJ) Ruling, issued on June 9, 2014,
17 established the schedule for ten public participation hearings (PPH) throughout
18 PG&E's service territory, beginning on August 12, 2014, through September 9, 2014.
19 On July 18, 2014, the Safety and Enforcement Division (SED) sent to the service list
20 their Preliminary Report on PG&E's Application and set July 30, 2014 as the date for
21 a workshop on SED's report. On July 21, 2014 an ALJs Ruling provided the
22 schedule for workshops and a to be determined date for a final report from SED.
23 With those rulings, the following procedural schedule was established:

24

25

¹² Based on ORA's run of the PG&E rate models based on ORA's recommendations.

Procedural Schedule for Pacific Gas and Electric Company's Test Year 2015 Gas Transmission and Storage Application 13-12-012	
Event	Dates
SED Preliminary Report sent to service list	July 18, 2014
SED Workshop on Preliminary Report	July 30, 2014
SED Final Report	TBA
Intervenor Testimony served	August 11, 2014
Public Participation Hearings	August 12 – September 9, 2014
Rebuttal Testimony Served (including testimony responding to SED Report)	September 15, 2014
Evidentiary Hearings begin	October 6, 2014
Evidentiary Hearings end	October 24, 2014
Opening Briefs	~ November 21, 2014
Reply Briefs	~ December 8, 2014
Proposed Decision	Within 90 days of reply briefs
Final Decision	~ March 2015

1 The procedural schedule requires ORA to serve its testimony by August 11,
2 2014. ORA fulfills this requirement by serving its testimony today.

3
4 **V. ORA's ANALYSIS**

5 ORA is responding to PG&E's TY2015 GT&S Application, A.13-12-012, with
6 the issuance of its reports and exhibits.

7 ORA's team for this case consists of approximately 14 persons responsible
8 for the project coordination, support, financial review, and analytical responsibilities
9 needed to process PG&E's GT&S application. ORA's "Qualifications of Witnesses"
10 exhibit provides details on ORA's multi-disciplinary team with backgrounds in
11 engineering, accounting, economics, finance, and policy.

12 ORA submits the following reports in support of its recommendations:

- 13 □ Report on the Results of Operations for Pacific Gas and Electric
14 Company Gas Transmission and Storage Test Year 2015 (Exhibits
15 ORA-1 through ORA-18);

- 1 □ Qualifications of Witnesses for Pacific Gas and Electric Company
- 2 Gas Transmission and Storage Test Year 2015 (Exhibit ORA-19).

3 **VI. ORGANIZATION OF ORA’s SHOWING / SUMMARY OF**
4 **DIFFERENCES**

5 This section briefly: (1) indicates how ORA’s exhibits are organized; and (2)
6 briefly highlights the major differences between ORA and PG&E with respect to the
7 various elements of revenues, operating expenses, and capital expenditures.

8 **A. Organization of ORA’s Exhibits**

9 The following table shows the specific exhibit(s) and subject matter(s) for
10 which each ORA witness is responsible. ORA has generally aligned its exhibits with
11 the chapters provided in PG&E’s testimony. The three main exceptions are:

- 12 □ Core Gas issues (PG&E’s chapter 19) are addressed in ORA-03;
- 13 □ ORA-09 is left vacant since the Program Management Office is
- 14 discussed in ORA-05; and
- 15 □ ORA’s exhibits 04A through 04F address PG&E’s chapters 4, 4A, and
- 16 4B.

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Table 1-9

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ORA Exhibits with Corresponding Subject Matter and Witnesses

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y	ƒ	h		M	M	M			dM						
y	ƒ	i		M	M	M	M		dM						
y	ƒ	ky		M		M	M	M	dM dM						
y	ƒ	k	c	M					dM						
y	ƒ	k		M	M		M	M	dM						
y	ƒ	k		M					dM						
y	ƒ	k		M		M		M	M	M					
y	ƒ	k		M		bM		M	bM	M	M				
y	ƒ	l	y	M	c					dM dM					
y	ƒ	m	y	M	c					dM dM					
y	ƒ	n		M						dM					
y	ƒ	o		MS						dM					
V		M	ƒ	p	M	M	M	dM	M	M	M	M	y		
y	ƒ	f		M									dM		
y	ƒ	g											dM		
y	ƒ	g		M	S	M		M					dM		
y	ƒ	i		M	M								dM		
y	ƒ	k		M									dM		
y	ƒ	l		bM			M		M	M		bM	M	M	dM
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1 **B. Summary of ORA’s Recommendations**

2 The following briefly summarizes the recommendations contained within each
3 of ORA’s report exhibits that address PG&E’s application.

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This exhibit provides a brief overview of PG&E’s request; presents the overall organization of ORA’s exhibits; summarizes the differences between ORA’s and PG&E’s Test Year 2015 and Post Test Year 2016-2017 estimates.

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This exhibit addresses PG&E’s safety and risk management proposal, primarily focusing upon the insufficiency of using PG&E’s Risk Register and associated processes for determining the justness and reasonableness of its programs.

ORA also provides comments on SED’s Preliminary Report pursuant to the July 21, 2014 ALJ’s Ruling. ORA concurs with SED’s position to not comment on the justness or reasonableness of costs. ORA also notes that SED did not review, or find reasonable, PG&E’s mathematical model used to derive its Risk Register.

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This exhibit addresses general policy and core gas issues:

- That consistent with previous decisions, PG&E shareholders should continue to bear cost-responsibility for hydrotesting pipelines installed after 1956. The Commission should reject PG&E’s arguments that shareholders bear responsibility for pipelines installed only after General Order 112 came into effect, in 1961.
- ORA does not oppose PG&E’s change in Baja and Redwood path capacities, reallocation of firm storage capacity during November through March, adjustments to the 1-Day-in-10-year Core Capacity Planning Standard, adding a monthly price index in the Core Procurement Incentive Mechanism, or the proposed Core Procurement Incentive Mechanism modification process.

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<p>This exhibit addresses PG&E's programs to automate valves and replace inoperable valves.</p> <ul style="list-style-type: none"> <input type="checkbox"/> ORA does not oppose PG&E's forecast expenditures of \$52.502 million for valve automation in the Transmission Pipe Integrity and Emergency Response Programs category. <input type="checkbox"/> For inoperable and hard to reach valves, ORA's forecast is \$4.0 million, which is approximately \$3 million lower than PG&E's forecast of \$7.1 million. <p>ORA's adjustments are recommended because valves reaching the stage of inoperability should be repaired as part of routine maintenance.</p>			

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<p>This exhibit addresses PG&E's request for capital and expense projects for In-Line Inspection (ILI). These projects are to make lines "piggable", pig the lines, and conduct inspection and repair where any anomalies are found.</p> <ul style="list-style-type: none"> <input type="checkbox"/> ORA does not oppose PG&E's expense forecast of \$31.5 million for traditional and non-traditional ILI, casings, or traditional and non-traditional direct examination and repair. <input type="checkbox"/> ORA does not oppose PG&E's capital forecast of \$74.3 million for traditional and non-traditional ILI.

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<p>This exhibit addresses PG&E's forecasts for Hydrotesting and Vintage Pipeline Replacement Programs.</p> <ul style="list-style-type: none"> <input type="checkbox"/> For capital expenditures on Vintage Pipeline Replacement, ORA's forecast in 2015 is \$110.0 million as compared to PG&E's forecast of \$193.8 million. <input type="checkbox"/> For expenses on Hydrotesting, ORA's 2015 forecast is \$93.2 million, compared to PG&E's forecast of \$179.2 million. <p>ORA's adjustments are based primarily on differences in unit forecast costs based on actual costs from PG&E's PSEP Program.</p>		

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<p>This exhibit addresses certain PG&E expenses for Direct Assessment for 2015 through 2017.</p> <ul style="list-style-type: none"> <input type="checkbox"/> For the expenses addressed in this exhibit, ORA forecasts expenses of \$23.0 million compared to PG&E's forecast of \$46.5 million in 2015. <input type="checkbox"/> ORA does not oppose PG&E's request for \$2.9 million for Stress Corrosion Cracking Direct Assessment. <p>ORA's primary adjustments/recommendations are associated with distribution integrity management programs PG&E has already received funding in the 2014 GRC and the ratio of digs per project.</p>

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<p>This exhibit addresses PG&E expenses for root cause analyses, risk analysis process improvements and public awareness.</p> <ul style="list-style-type: none"> <input type="checkbox"/> For the 2015 expense forecast requested by PG&E, ORA recommends a public awareness forecast of \$2.7 million as compared to PG&E's forecast of \$4.3 million . <input type="checkbox"/> ORA does not oppose PG&E's 2015 forecasts for root cause analysis of \$1.1 million and risk analysis process improvement of \$6.2 million.

3

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<p>This exhibit addresses PG&E's Class Location, Shallow Pipe, and Water Crossing programs for 2013 through 2015.</p> <ul style="list-style-type: none"> <input type="checkbox"/> ORA's expense forecast for class location is \$3.9 million compared to PG&E's forecast of \$6.4 million in 2015. <input type="checkbox"/> ORA's capital expenditure forecast for class location is \$10.8 million in 2015 compared to PG&E's forecast of \$17.1 million. <input type="checkbox"/> ORA does not oppose PG&E's 2015 expense forecasts of \$1.4 million for Water and Levee Crossing or the \$3.1 million for Shallow Pipe programs. <input type="checkbox"/> ORA does not oppose PG&E's capital expenditure forecasts for 2013 -2015 for Water and Levee Crossing or Shallow Pipe programs. PG&E's Water and Levee Crossing forecasts for 2013 through 2015 are \$1.7, \$0, and \$13.4 million respectively. PG&E's Shallow Pipe forecasts are \$0, \$2.0, and \$21.6 million in 2013, 2014, and 2015. <p>ORA's primary adjustment is to the unit costs associated with hydrotesting and a slower pace for replacement projects.</p>

4

This exhibit addresses PG&E's Storage Asset Family and Program Management Office.

- ORA does not oppose PG&E's forecast of \$0.6 million in expenses and \$12.5 million in capital expenditures for the Storage Asset Family.
- ORA does not oppose PG&E's forecast of \$6.3 million in expenses and \$6.4 million in capital expenditures for the Program Management Office.

1

This exhibit addresses PG&E's Facilities forecast for 2015.

- For Engineering Critical Assessment (ECA) Phase 1, Phase 2, and hydrostatic testing, ORA recommends a forecast of \$0 rather than PG&E's forecast of \$30.2 million.
- For Critical Documents, ORA recommends a forecast of \$0, instead of PG&E's forecast of \$11.6 million.
- ORA recommends \$0.6 million for Gas Quality Practice Assessment, which is approximately \$1.5 million lower than PG&E's \$2.1 million forecast.
- For Routine Expense Spending, ORA recommends a forecast of \$12.5 million rather than PG&E's forecast of \$16.8 million.
- For the retrofit of the Hinkley Compressor Units in 2016 and 2017, the Commission should reject PG&E's proposal and provide no ratepayer funding.
- ORA recommends no ratepayer funding for Biomethane Interconnections, compared to PG&E's request for \$4.8 million.

ORA's recommendations are driven mostly by PG&E seeking pre-funding from ratepayers for future regulations that are not yet final; instead PG&E should file for memorandum accounts once the new regulations take effect.

For Biomethane Interconnections, PG&E's proposed tariffs clearly require the party who is applying to provide biomethane bears the cost of interconnection, and PG&E's comments in the biomethane proceeding explained PG&E was going to correct its GT&S filing.

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This exhibit addresses PG&E's expense and capital forecasts for corrosion control programs, including casings and cathodic protection.

- For mitigating Contacted Casings, ORA recommends a cost cap of \$4.9 million in expense, compared to PG&E's forecast of \$48.5 million in 2015. ORA's cost cap provides ratepayer funding equal to 2013 spending plus the additional 6 casings PG&E expects to find contacted in 2015.
- For capital expenditures on Contacted Casings, ORA recommends a cost cap of \$1.9 million, which is equal to PG&E's 2013 capital expenditures plus the funding equal to the 1.33 additional capitalized casings PG&E expects to find in 2015. PG&E's 2015 forecast is \$21.1 million.
- Direct Current mitigation is forecast by PG&E to have \$2.6 million in expense for 2015. ORA recommends \$2.0 million. ORA's capital expenditure forecast is \$0.4 million compared to PG&E's \$0.8 million forecast.
- Alternating Current mitigation is forecast by ORA to have \$5.8 million in capital expenditures compared to PG&E's 2015 forecast of \$10.3 million.
- For Atmospheric Corrosion, ORA's 2015 expense forecast is \$16.1 million compared to PG&E's \$20.4 million forecast.

ORA's adjustments and cost caps are primarily based on PG&E's deferred maintenance in meeting long-standing federal regulations. ORA in these cases provides funding for investigation and to maintain PG&E's 2013 work levels plus new areas of work anticipated for 2015.

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<p>This exhibit addresses issues related to PG&E's Gas Transmission Operations and Maintenance, which covers routine day-to-day work such as leak surveys, repairs, maintenance, and locate and mark programs.</p> <ul style="list-style-type: none"><input type="checkbox"/> ORA does not oppose PG&E's forecast expenses on the Stanpac Pipeline System, Mark and Locate, Operate Transmission Pipeline, Right-of-Way Support, Station Preventative and Corrective Maintenance, Station Projects, Permits and Fees Project O&M.<input type="checkbox"/> ORA recommends a Leak Management forecast of \$4.0 million as compared to PG&E's forecast of \$6.1 million.<input type="checkbox"/> For Pipeline Patrol, ORA recommends a forecast of \$4.2 million as compared to PG&E's forecast of \$8.6 million.<input type="checkbox"/> For Pipeline Maintenance and Repair, ORA recommends a forecast of \$4.4 million as compared to PG&E's \$11.2 million forecast.<input type="checkbox"/> For Pipeline Projects, ORA recommends a forecast of \$8.8 million as compared to PG&E's \$30.6 million forecast.			

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<p>ORA does not provide an exhibit ORA-09, in order to better maintain alignment with PG&E's chapter numbers. ORA's analysis and recommendations of the Program Management Office are discussed in ORA-05.</p>			

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<p>This exhibit addresses PG&E's routine Gas Operations' capital expenditures and expenses .</p> <ul style="list-style-type: none"><input type="checkbox"/> For the 2015 expense forecast, ORA recommends a forecast of \$46.1 million compared to PG&E's forecast of \$47.7 million.<input type="checkbox"/> For 2015 forecasts of capital expenditures, ORA recommends using recorded values for 2013 of \$0.7 million, a 2014 forecast of \$16.8 million, and a 2015 forecast of \$15.1 million. This compares to PG&E's forecasts of \$53.8 million, \$28.0 million, and \$79.5 million respectively.<input type="checkbox"/> ORA does not oppose PG&E's Normal Operating Pressure and Overpressure Protection policies, but recommends a forecast of \$2.3 million for 2015 capital expenditures as compared to PG&E's \$10.9 million forecast.<input type="checkbox"/> ORA recommends denying PG&E's request to equalize the Redwood and Baja rates for Core and Noncore customers, and instead retaining the traditional cost-differentiated rate design.<input type="checkbox"/> ORA supports the proposal to maintain the existing traditional Gas Accord cost allocation methodologies for its backbone transmission, local transmission, gas storage facilities, and transmission-level customer access charges.<input type="checkbox"/> ORA recommends denying PG&E's proposal to allocate additional storage capacity to load balancing for injection and withdrawal.<input type="checkbox"/> ORA agrees with PG&E that regardless of how the Commission decides to address PG&E's proposal for 100% full balancing account treatment of revenues, core customers should not be allocated any over- or under-collection of noncore revenues. <p>ORA's capital expenditure forecast differences with PG&E are driven largely by New Capacity Project forecast differences.</p>	

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<p>This exhibit addresses PG&E's capital and expense forecasts for IT projects over the 2015-2017 period.</p> <ul style="list-style-type: none"><input type="checkbox"/> For expenses, ORA recommends \$10.5 million in 2015 compared to PG&E's forecast of \$16.3 million.<input type="checkbox"/> ORA does not oppose PG&E's forecast for system maintenance and enhancement of the Mariner program.<input type="checkbox"/> ORA recommends the adoption of PG&E's recorded capital spending in 2013 of \$5.6 million, and ORA's forecast of \$12.9 million in 2014 and \$21.0 million in 2015 compared to PG&E's forecast of \$15.0 million in 2014 and \$24.5 million in 2015. <p>ORA's primary adjustments are due to lowering PG&E's consistently high forecasts of IT projects compared to the actual expenditures and variances in PG&E's IT Concept Cost Estimating Tool between forecast and actual costs.</p>	

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<p>This exhibit addresses work activities related to other support operations such as Tools and Equipment and Environmental Activities.</p> <ul style="list-style-type: none"> <input type="checkbox"/> For Environmental Operations expenses, ORA recommends a 2015 forecast of \$6.5 million compared to PG&E's request of \$11.1 million. <input type="checkbox"/> ORA does not oppose PG&E's 2015 forecasts for Support Costs (\$4.6 million million), Habitat and Species Protection (\$0.2 million), Hazardous Waste Disposal and Transportation (\$0.2 million), Research and Development (\$2.2 million), or Customer Access Charge Costs (\$1.9 million). <input type="checkbox"/> For capital expenditures, ORA recommends a forecast of \$11.6 million in 2013, \$18.4 million in 2014, and \$8.9 million in 2015. This compares to PG&E's forecasts of \$9.1 million, \$24.4 million, and \$13.5 million in 2013-2015. <input type="checkbox"/> For Tools and Equipment expenditures, ORA recommends a forecast of \$8.9 million in 2013, \$8.9 million in 2014, and \$8.9 million in 2015. This compares to PG&E's forecasts of \$14.2 million in 2013, \$12.7 million in 2014, and \$10.7 million in 2015. 	

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<p>This exhibit addresses PG&E's proposal to streamline their reporting and communication requirements. ORA generally agrees with PG&E's concept of holding workshops to align and consolidate reports, but ORA recommends that PG&E should be required to file an advice letter for approval before any reporting requirements change.</p>	

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<p>This exhibit addresses PG&E's throughput forecasts for 2015-2017. Econometric models are used to forecast gas demand for residential, small commercial, large commercial, and industrial distribution, transmission, and backbone. Forecasts for electric generation, cogeneration, and resale are developed with non-econometric models.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Total Core Throughput for 2015 is forecast to be lower by ORA than PG&E. ORA recommends 759 Mdth/D, whereas PG&E recommends 767 Mdth/D. <input type="checkbox"/> ORA's forecast of Total Non-Core Throughput for 2015 is 1,170 Mdth/D compared to PG&E's forecast of 1,150 Mdth/D. <input type="checkbox"/> Under average and cold weather forecasts, ORA's and PG&E's forecasts of Total Throughput differ by less than one percent. In 2015, ORA's average forecast is 1,938 Mdth/D and PG&E's forecast is 1,927 Mdth/D. 	

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<p>This exhibit addresses PG&E's plant, depreciation, and rate base. Depreciation expense is related to the magnitude of the company's plant-in-service.</p> <ul style="list-style-type: none"> <input type="checkbox"/> ORA recommends a slower rate of increase in net salvage for three FERC accounts (353, 367, and 369). <input type="checkbox"/> ORA does not make any recommendations regarding PG&E's proposed average service lives or mortality curves, except to note that PG&E's current average service lives are much shorter than their industry peers, and that in some cases PG&E's proposals to lengthen service lives are still shorter than industry averages. 						

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<p>This exhibit addresses PG&E's Results of Operations model.</p> <ul style="list-style-type: none"> <input type="checkbox"/> For overall revenue requirements, ORA recommends \$1.053 billion for the 2015 Test Year, \$1.092 billion in 2016, and \$1.152 billion in 2017 as discussed in Exhibit ORA-18. This compares with PG&E's forecasts of \$1.287 billion in the 2015 Test Year, \$1.349 billion in 2016, and \$1.517 billion in 2017. <input type="checkbox"/> ORA also presents an alternate recommendation for determining attrition revenue increases should the Commission decide not to adopt ORA's primary recommendation discussed in Exhibit ORA-18. <input type="checkbox"/> ORA identified issues related to the modeling of deferred income taxes and that they are understated. <input type="checkbox"/> Additionally, ORA recommends that if bonus depreciation is implemented, it should be reflected in the calculation of deferred taxes. 			

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<p>This exhibit addresses issues related to Cost Allocation and Rate Design.</p> <ul style="list-style-type: none"> <input type="checkbox"/> ORA recommends to keep the current existing path-based rate differences for the Baja and Redwood backbone transmission paths. <input type="checkbox"/> ORA opposes PG&E's reallocation of additional storage capacity for load balancing. <input type="checkbox"/> ORA recommends lower revenue requirements in 2015, 2016, and 2017 in contrast to PG&E's proposed revenues in those years. 				

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<p>This exhibit addresses PG&E's Post-Test Year Ratemaking (PTYR) proposals for 2016 and 2017.</p> <ul style="list-style-type: none">□ ORA recommends post-test year revenue increases of \$39 million (3.7%) and \$61 million (5.6%) in 2016 and 2017, respectively, compared to PG&E's requested increases of \$61 million (4.7%) and \$168 million (12.5%), respectively. ORA's recommended increases are developed by:<ul style="list-style-type: none">relying on a recent forecast of the All-Urban Consumer Price Index (CPI-U) and the attrition-year percentage increases adopted in PG&E's two prior GRCs; andan additional \$35 million of revenues to cover costs associated with higher priority inspections and assessments.□ ORA also presents an alternate recommendation for determining attrition revenue increases should the Commission decide not to adopt ORA's primary recommendation. <p>ORA opposes PG&E's requests for: (1) a two-way Transmission Integrity Balancing Account; (2) including Line 407 project costs in the 2017 revenue requirement; and (3) recommends requiring PG&E to make appropriate revenue adjustments if bonus depreciation is extended into any years covered by this GT&S rate case cycle.</p>				

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<p>This exhibit presents the qualifications and prepared testimony of ORA's witnesses on the PG&E Test Year 2015 Gas Transmission and Storage Application.</p>				

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