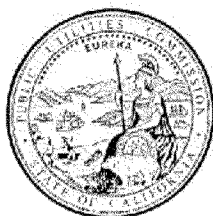


Docket:	:	<u>A.13-12-012</u>
Exhibit Number	:	<u>ORA-12</u>
Commissioner	:	<u>C. Peterman</u>
ALJ	:	<u>J. Wong</u>
Witness	:	<u>M. Sierra</u>



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

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

Chapter 12
Other Gas Transmission and Storage Support Plans

San Francisco, California
August 11, 2014

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CHAPTER 12

OTHER GAS TRANSMISSION AND STORAGE SUPPORT PLANS

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding Pacific Gas and Electric Company's (PG&E) Other Gas Transmission and Storage Support Plans proposals associated with its Test Year (TY) 2015 Gas Transmission and Storage (GT&S) rate case. Specifically, this exhibit addresses PG&E's forecasts of Other GTS Support Plans operation and maintenance (O&M) expenses for 2015 and capital expenditures for 2013 through 2015.

Other GTS Support Plans expenses are for work activities related to Support Costs, Environmental Operations, Habitat and Species Protection, Hazardous Waste Disposal and Transportation, Research and Development, Customer Access Charge Costs, and GT&D Implement Regulatory Change. In addition, PG&E proposes capital expenses for work activities related to constructing new building facilities and Tools and Equipment Expenditures.

PG&E's activities and costs are grouped with similar types of work into a Major Work Category (MWC). PG&E's forecasts for MWC expenses are expressed in SAP nominal dollars. SAP dollars include certain labor-driven adders such as employee benefits and payroll taxes that are charged to separate Federal Energy Regulatory Commission (FERC) accounts. ORA's recommendations are made by MWC and SAP nominal dollars, which are then translated into the appropriate FERC accounts through the Results of Operations (RO) model.

II. SUMMARY OF RECOMMENDATIONS

PG&E forecasts \$20.3 million for its expense in TY 2015 and a capital forecast of \$23.3 million for 2013, \$37.1 million for 2014 and \$24.2 million for 2015. ORA's forecast for PG&E's TY 2015 expense is \$14.4 million and a capital forecast of \$20.6 million for 2013, \$26.2 million for 2014 and \$16.8 million for 2015. As part

1 of its analysis, ORA reviewed PG&E's exhibit and workpapers, data responses and
2 met with PG&E staff.

3 The following summarizes ORA's recommendations regarding Other GTS
4 Support Plans O&M expenses:

- 5 For Environmental Operations, ORA recommends a forecast of \$6.5
6 million for TY 2015 compared to PG&E's request of \$11.1 million.
- 7 ORA does not oppose PG&E's TY2015 expense forecast for Support
8 Costs.
- 9 ORA does not oppose PG&E's TY2015 expense forecast for Habitat and
10 Species Protection.
- 11 ORA does not oppose PG&E's TY2015 expense forecast for Hazardous
12 Waste Disposal and Transportation.
- 13 ORA does not oppose PG&E's TY2015 expense forecast for Research
14 and Development.
- 15 ORA does not oppose PG&E's TY2015 expense forecast for Customer
16 Access Charge Costs.

17 The following summarizes ORA's recommendations regarding Other GTS
18 Support Plans capital expenditures:

- 19 For Building Expenditures, ORA recommends a forecast of \$11.6 million in
20 2013, \$18.4 million in 2014 and \$8.9 million for TY 2015 compared to
21 PG&E's request of \$9.1 million in 2013, \$24.4 million in 2014 and \$13.5
22 million for TY 2015.
- 23 For Tools and Equipment Expenditures, ORA recommends a forecast of
24 \$8.9 million in 2013, \$8.9 million in 2014 and \$8.9 million for TY 2015
25 compared to PG&E's request of \$14.2 million in 2013, \$12.7 million in
26 2014 and \$10.7 million for TY 2015.

27 Table 12-1 compares ORA's and PG&E's TY2015 forecasts of Other GTS
28 Support Plans expenses:

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**Table 12-1
Other GTS Support Plans Expenses for TY2015
(In Thousands of Dollars)**

		b ¹		
d e	qopt l d e	qopt l d e	b d l e	b d n e
M	ndpnl dhhh	ndpnl dhhh	e	hf hT
M	pdol qdonq	i i dhqqdohh	ndons dsom	psf q̄
M M M	l i i dhhh	l i i dhhh	e	hf hT
M M M M	l i i dhhh	l i i dhhh	e	hf hT
M M	l dl i odohh	l dl i odohh	e	hf hT
M M M	i dr spdahq	i dr spdahq	e	hf hT
V M M M	e	e	e	hf hT
I	pt j vor j vts	qoj qtr j vov	sj ts j tr	q ma

4 Source: PG&E Workpapers, Chapter 12, p. WP 12-1.

5 Table 12-2 compares ORA's and PG&E's 2013-2015 forecasts of Other GTS
6 Support Plans capital expenditures:

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**Table 12-2
Other GTS Support Plans Capital Expenditures for 2013-2015
(In Thousands of Dollars)**

	l			b l ²		
	qopr	qops	qopt	qopr	qops	qopt
M	i i doqpdnrhh	i r dns i dr np	i ndompdops	s di hhdhhh	l ndnhpdql h	i ndompdqh
M M M	r dssi di on	r dssi di on	r dssi di on	i ndi ssdsrp	i l dqhhdhhh	i hdqhdhhh
I	qoj tuvj sts	qvj rxaj o	qaj tqj vqr	qr j q j xu	rvj pouj vqo	qsj qr uj tvo

10 Source: PG&E Workpapers, Chapter 12, p. WP 12-1.

¹ PG&E Workpapers, Chapter 12, p. WP 12-1.

² PG&E Workpapers, Chapter 12, p. WP 12-1.

1 **III. GENERAL OVERVIEW**

2 ORA conducted an independent analysis of PG&E expenses estimates and
3 capital expense. ORA analyzed PG&E’s application and exhibits, supporting
4 workpapers, PG&E’s data request responses, information provided in field trips to
5 PG&E site locations, and e-mails. PG&E provided six years of historical data (2008
6 through 2013) as well as projections for future years and TY 2015. PG&E’s forecast
7 methodology is driven by major incremental projects as well as smaller projects,
8 headcount and ongoing maintenance costs.

9 The remainder of this section discusses ORA’s analysis regarding specific
10 expense and capital accounts where ORA recommends adjustments to PG&E TY
11 2015 forecast.

12 ORA has reviewed PG&E request, and does not take issue with the following
13 GTS Support Plans Capital Expenditure for TY 2015: Support Costs, Habitat and
14 Species Protection, Hazardous Waste Disposal and Transportation, Research and
15 Development, Customer Access Charge Costs and GT&D Implement Regulatory
16 Charge. However; ORA made adjustments to PG&E Environmental Operations
17 Expense forecast, Building Expenditures and Tools and Equipment Expenditure.

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1 **IV. DISCUSSION / ANALYSIS OF PG&E ENVIRONMENTAL**
 2 **OPERATIONS EXPENSE**

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The following table summarizes PG&E’s request and ORA’s recommendation for the Environmental Operations

Table 12-3
Other GTS Support Plans Expenses for TY2015
Environmental Operations
(In Thousands of Dollars)

b ³									
	qoo	qopo	qopp	qopq	qopr	qopr	qops	qopt	qopt
	ndl hi dmm	ndoqpnr m	odl pi dnr r	qdnr ndmrr	pdol qdonq	rdnql dhmq	rdnqi ds ss	ppj ovvj t oo	uj tqvj t sv

10 Source: 2009-2013 data from PG&E Response to ORA-DR-022-Q01.

11

12 PG&E forecasted \$11.1 million in 2015 for its Environmental Operations
 13 expenses is an increase of 48% over its 2012 base year expenses of \$7.4 million.
 14 PG&E’s 2015 forecast of Environmental Operations expenses are based on
 15 historical spending, specific remediation estimates and anticipated increases to (1)
 16 environmental permit fees; (2) the cost to comply with additional environmental
 17 regulatory requirements; and (3) the internal PG&E’s labor and expenses to manage
 18 remediation.⁴

19 ORA utilized PG&E’s 2013 most recent data in its TY estimate of \$6.5 million.
 20 ORA estimate of \$6.5 million utilizing 2013 PG&E’s last recorded year expenses is
 21 \$4.5 million less than PG&E’s test year forecast.

22 PG&E’s recorded 2013 spending levels reflect the most current
 23 Environmental costs as stated in its testimony:

³ PG&E Response to ORA-DR-022 Q01.

⁴ PG&E Prepared Testimony, Volume 2 (Krannich), p. 12-6.

1 “In 2012, PG&E expanded its remediation program to include cleanup work at
 2 gas facilities where mercury manometers and other equipment were used and
 3 repaired. In 2013, PG&E expanded its remediation program to include updated
 4 procedures for retiring gas pipelines. PG&E developed sampling and cleaning
 5 protocols after 2011-2012 tests identified mercury in pipeline liquids.”⁵

6 ORA’s estimate is a reasonable method and supported by historical expense.
 7 Furthermore, there is no written settlement agreement between PG&E and the
 8 Commission regarding cost recovery for remediation projects at Hinkley or Topock
 9 compressor stations.

10 ORA recommends the commission to adopt \$6.5 million for 2013, 2014 and
 11 TY2015.

12 **V. DISCUSSION / ANALYSIS OF PG&E’S BUILDING EXPENDITURES**
 13 **FOR CAPITAL**

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 15 The following tables summarize PG&E’s request and ORA’s recommendation
 16 for the Building Expenditures for capital expense.

17 **Table 12-4**
 18 **Other GTS Support Plans Capital Expenditures for 2013-2015**
 19 **Building Expenditures**
 20 **(In Thousands of Dollars)**

	I			b ⁶		
	qopr	qops	qopt	qopr	qops	qopt
M	i i doqpdn ^h	i r d n s i d r m p	i n d o n p d o p s	s d i h h d h h h	l n d n h p d q l h	i n d o n p d o q h

21 Source: PG&E Workpapers, Chapter 12, p. WP 12-1.

⁵ PG&E Prepared Testimony, Volume 2 (Krannich), p. 12-7.

⁶ PG&E Workpapers, Chapter 12, p. WP 12-1.

1 PG&E forecasted \$9.1 million in 2013, \$24.4 million in 2014 and \$13.5 million
 2 in TY 2015 for its Building Expenditures. PG&E's forecast methodology is based on
 3 specific estimates for known incremental building projects required to meet GT&S
 4 operational needs.

5 ORA forecasted \$11.5 million in 2013, \$18.4 million in 2014 and \$13.5 million
 6 in TY 2015 for PG&E Building Expenditures. For 2013, ORA is recommending 2013
 7 recorded amount instead of forecasted amount because it reflects current spending
 8 levels for capital expense. For 2014 and TY 2015, ORA only difference in forecasted
 9 amounts is due to PG&E cancellation of four capital projects⁷ which ORA subtracted
 10 PG&E's requested amounts for each cancelled project shown in Table 12-5.

11 **Table 12-5**
 12 **Other GTS Support Plans Capital Expenditures for 2013-2015**
 13 **PG&E's⁸ Capital Projects Canceled**
 14 **(In Thousands of Dollars)**
 15

I		qops	qopt
M	g	i dr qhdhhh	
M	g g	l dhhhdhhh	
M	M	npdhhh	
M	g g	i dqqr dr r n	l r qdhr n
		uj ops j xxs	qxvj oxs

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⁷ PG&E Response to ORA-DR-057 Q01.

⁸ *Id.*

1 **VI. DISCUSSION / ANALYSIS OF PG&E TOOLS AND EQUIPMENT**
 2 **EXPENDITURES FOR CAPITAL**

3 The following tables summarize PG&E’s request and ORA’s recommendation for
 4 the Tools and Equipment for capital expense.

5 **Table 12-4**
 6 **Other GTS Support Plans Capital Expenditures for 2013-2015**
 7 **Tools and Equipment Expenditures**
 8 **(In Thousands of Dollars)⁹**

	b										
	qoo	qopo	qopp	qopq	qopr	qopr	qops	qopt	qopr	qops	qopt
l	pi hdqpm	i dhl odno	r ol dhho	qdrpsdoso	r dssi di on	i ndi ssdsr p i l	dqhhhhh	i hdqhhdhhh	r dssi di on	r dssi di on	r dssi di on

9
 10 Source: 2009-2013 data from PG&E Response to ORA-DR-022-Q01.

11 PG&E forecasted \$14.2 million in 2013, \$12.7 million in 2014 and \$10.7
 12 million in TY 2015 for its Tools and Equipment Expenditure. PG&E “used a five year
 13 (2009-2013) average of recorded capital expenditures to establish a baseline
 14 average of new purchases and expected life-cycle replacements of obsolete
 15 equipment.”¹⁰ Furthermore, PG&E “increased this baseline average for 2015-
 16 2017”¹¹ for incremental employees and the cost of additional equipment.

17 ORA forecasted \$8.9 million in 2013, \$8.9 million in 2014 and \$8.9 million in
 18 TY 2015 for PG&E Tools and Equipment Expenditures. ORA recommends using
 19 2013 recorded spending levels instead of PG&E forecasted amount because PG&E
 20 underspent in 2013 recorded year compared to its forecast, so using recorded 2013
 21 as basis for 2014 and 2015 forecast is reasonable. ORA’s estimate is comparable to
 22 PG&E’s 2012 base year and 2013 last recorded.

23
⁹ PG&E Response to ORA-DR-057 Q01.

¹⁰ PG&E Prepared Testimony, Chapter 12, p. 12-11.

¹¹ PG&E Prepared Testimony, Chapter 12, p. 12-11.