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Exhibit Number	:	ORA-16
Commissioner	:	C. Peterman
ALJ	:	J. Wong
Witness	:	Sabino/Pocta

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 16
Results of Operations

San Francisco, California
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I. INTRODUCTION

This chapter presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding Pacific Gas and Electric Company's (PG&E) forecast of the Summary of Earnings for Test Year (TY) 2015.

The Summary of Base Revenue Requirements tables for PG&E's Gas Transmission and Storage services are presented in this exhibit for Test Tear 2015 and for the Post-Test Years 2016 and 2017. The base revenue requirements are calculated by a computer model developed by PG&E and referred to as the Results of Operations (R.O.) model. The various data inputs to the R.O. model are provided by several ORA witnesses assigned to PG&E's 2015 GT&S rate case. ORA recommends the amount of $1.053 billion in TY 2015 revenue requirements for PG&E's GT&S, including the PG&E PSEP Update (the inclusion of the latter is explained in Section III of this exhibit), $338 million or 47% above PG&E's authorized 2014 revenue requirements of $715 million, including the PG&E PSEP update. PG&E proposes the amount of $1.287 billion in TY 2015 revenue requirements for PG&E's GT&S, including the PG&E PSEP Update,[1] an increase of $572 million or 80%. ORA's recommended increase in revenue requirements in TY 2015 is 59% of the size of PG&E's recommended increase in revenue requirements.

The Base Revenue Requirements presented in this exhibit for the Post-Test Years 2016 and 2017 represent approximations of ORA's alternate post-test year ratemaking recommendations and do not reflect ORA's primary post-test year ratemaking recommendation. ORA's primary and alternate post-test year ratemaking recommendations are both discussed in Exhibit 18.

II. SUMMARY OF RECOMMENDATIONS

The following summarizes ORA's recommendations regarding PG&E's GT&S in Test Year 2015 and the Post-Test Years 2016 and 2017:

[1] As presented in Table 16-1, PG&E Prepared Testimony, Volume 2 (Jones), p.16-2.

- Table 16-1 contains ORA's recommended base revenue requirements for Gas Transmission and Storage in TY 2015, including the PG&E PSEP Update in comparison to PG&E's proposed revenue requirements for Gas Transmission and Storage in TY 2015, including the PG&E PSEP Update.[2]
- Table 16-2 contains ORA's base recommended revenue requirements for Gas Transmission and Storage in TY 2015, excluding the PG&E PSEP Update in comparison to PG&E's proposed revenue requirements for Gas Transmission and Storage in TY 2015, excluding the PG&E PSEP Update.[3]
- Table 16-3 compares ORA's recommendations and PG&E's proposed total capital expenditures for GT&S in Test Year 2015;[4] and
- Table 16-4 compares ORA's recommendations and PG&E's proposed total expenses for GT&S in Test Year 2015.[5]
- Table 16-5 compares ORA's recommendations and PG&E's proposed Base Revenue Requirements in Post-Test Years 2016 and 2017; and
- Table 16-6 compares ORA's recommendations and PG&E's proposed capital expenditures in Post-Test Year 2016 and 2017.

ORA was unable to verify the accuracy of the calculation of deferred taxes and the amount in the R.O. Model may be understated. ORA opposes an adjustment to accumulated deferred taxes associated with a Net Operating Loss (NOL) as proposed by PG&E. Any changes to the existing tax law including new provisions that may allow for bonus depreciation should be reflected in the R.O. Model and final decision in this proceeding.

III. GENERAL OVERVIEW AND DISCUSSION

The PG&E R.O. model has four (4) module components: the Global Inputs, the Expense Module, the Capital Module, and the Tax Module.

[2] As presented in Table 16-4, PG&E Prepared Testimony, Volume 2 (Jones), p.16-23.

[3] As shown in PG&E's R.O. model for the 2015 GT&S.

[4] Table 3-3, PG&E Prepared Testimony, Volume 1 (Krannich), p. 3-12.

[5] Table 3-2, PG&E Prepared Testimony, Volume 1 (Krannich), p. 3-11.

The Global Inputs include data assumptions that apply to the Expense and Capital Modules, including cost of capital structure and rates, taxes not related to income, property, payroll, and other, franchise and uncollected rates, revenues other than operating revenues, and other miscellaneous factors.

The Expense Module shows PG&E's recorded expense data for the year 2012, the forecast expenses for 2013 and 2014 and the PG&E proposed expenses for Test Year 2015. The expense estimates are in nominal dollars and assume the escalation rates shown in Table 16-9 of PG&E's Testimony consistent with the method PG&E used in its 2014 GRC Application.[6]

The Capital Module shows PG&E's recorded capital expenditures data for the years 2012 and 2013, the forecast 2014 and the PG&E proposed capital expenditures for Test Year 2015. The Expense and Capital Modules include tabs where adjustments can be made to the amounts proposed by PG&E in this rate case and then to re-run the R.O. model. The capital expenditures are entered into the R.O. model as fully loaded escalated amounts, i.e., direct and indirect costs, and any overheads are all included in the model. The escalation rate assumptions, Allowance for Funds During Construction (AFUDC), and depreciation rates are included in these modules. The modules also include modification screens for the escalation and the AFUDC but there are no modification screens relating to the calculation of depreciation accrual rates such as those shown in Table PGE-15A-1.[7] ORA understands that the calculation of the composite remaining lives shown in column 7 of Table PGE-15A-1 "is a detailed calculation that requires special depreciation software and not readily available in a spreadsheet."[8] In short, the calculations are performed outside of the R.O. model in specialized depreciation software and then manually input into the R.O. model. ORA instead obtained a

[6] PG&E Prepared Testimony, Volume 2 (Jones), p.16-4.

[7] Table PGE-15A-1, PG&E Prepared Testimony, Volume 2 (Marre), p.15A-6.

[8] PG&E Response to ORA-DR-Oral14-Q1.

working excel spreadsheet to assist the ORA witness who was reviewing the depreciation parameters shown in Table PGE-15A-1.[9]

The initial R.O. model provided to ORA with PG&E's December 19, 2013 2015 GT&S filing only showed the PG&E 2012 recorded numbers for expense and capital expenditures and the forecasts for 2013, 2014, and 2015 through 2017. ORA understands that at the time of PG&E's filing, the recorded 2013 data were not yet available.[10] Moreover, PG&E states that the difference between the forecast and recorded 2013 expense data is not at a very significant level.[11] PG&E stated in a data response that because the differences between the forecast and recorded 2013 expenses are small, approximately $4 million in total, PG&E did not intend to make corrections to its filed testimony.[12] On July 30, 2014, ORA obtained an update to the R.O. model that includes the recorded 2013 capital expenditure data.[13] In the interest of time, ORA is using the R.O. model with the forecast 2013 expense data and the recorded 2013 capital expenditures data. After opening testimony is filed by intervenors, ORA expects to update the R.O. to reflect both the recorded 2013 expense data and recorded 2013 capital expenditures and will re-run the R.O.

Lastly, the Tax Module includes all data assumptions on taxes and tax rates, as applicable. PG&E describes the calculations for federal income taxes (FIT), state income taxes or California Corporation Franchise Tax (CCFT) expense and associated deferred taxes. As of the date of filing of this testimony, ORA was unable to verify the PG&E calculations in the R.O. with respect to deferred taxes. ORA further notes inconsistencies in the information on PG&E's recorded full year deferred taxes in the years 2012 and 2013 as provided in the data Response to ORA when compared against the information on deferred taxes shown in PG&E's

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[9] PG&E Response to ORA-DR-Oral14-Q1Atch1.

[10] PG&E Response to ORA-DR-9-Q1d.

[11] PG&E Response to ORA-DR-9-Q1g.

[12] *Id.*

[13] PG&E Response to ORA-DR-107-Q1.

Workpapers for Chapter 16. ORA's review of the accumulated deferred taxes (fixed assets) in 2015 shown in WP 16-734 at $482.216 million compared against the accumulated deferred taxes (fixed assets) shown in WP 16-390 at $404.056 million showed differences in accumulated deferred tax information. This represents a substantial difference of approximately $78 million.[14] For the year 2013, ORA's review revealed accumulated deferred taxes of $524.089 million as shown in WP 16-734 while the accumulated deferred taxes are shown in WP 16-388 at $472.591 million for the same year.[15] ORA was unable to verify these numbers, and questions the decline in accumulated deferred taxes from 2013 to 2015 when the plant net additions were increasing as shown in the net additions line on these same cited Workpapers.[16]

PG&E made an adjustment to reduce the deferred taxes calculated outside the R.O. model in the tax Workpapers to arrive at its figure of $482.216 million, which is further reduced to $404.056 million in the R.O. model. The calculations on the deferred taxes are done outside of the R.O. Although PG&E provided excel Workpapers pertaining to taxes, those Workpapers are not linked to the R.O. model. Income taxes for each UCC are found in Table 16-6 of PG&E's Testimony.[17] Although ORA understands that some of this difference may be associated with the cap for PSEP related investment, ORA is unable to verify the accuracy of the deferred tax calculation and accumulated deferred tax may be understated in the R.O. model.

PG&E also explains in Testimony its treatment of deferred tax benefits and any adjustments to rate base with regard to Gas Transmission:

> For Gas Transmission, PG&E has a Net Operating Loss (NOL) situation for the years 2011 through 2014. Pursuant to Decision 12-11-051[7] (upheld in D.13-05-010),[8] PG&E has included a reduction in the TY to deferred

[14] PG&E Workpapers, Volume 2 (Chapter 16), pp. WP 16-734 and Volume 1 (Chapter 16), pp. WP 16-390.

[15] *Id.*

[16] *Id.*

[17] Table 16-6, PG&E Prepared Testimony, Volume 2 (Jones), p.16-25.

> taxes due to an NOL carry forward. As discussed in Decision 12-11-051, the portion of the deductions resulting in an NOL do not result in a corresponding cash flow associated with tax deferral. Deferred taxes are viewed as a source of interest-free capital and reduce rate base to recognize their cost-free nature. However, to the extent that capital-related expenses (i.e., bonus depreciation) give rise to a "regulatory" NOL carry forward (i.e., a current income tax loss computed on a regulatory basis), the deductions are not generating full current tax savings. Consistent with the normalization requirements in Section 168(f)(2) of the IRC, a rate base reduction cannot be reflected until a cash savings is realized. PG&E has appropriately delayed the offset to rate base until the deferred tax is actually realized.[18]

PG&E proposes to delay the offset to rate base for a portion of deferred taxes related to a Net Operating Loss (NOL) situation for the years 2011 - 2014. The delay of an offset to deferred taxes serves to decrease the deferred taxes that are used to reduce rate base and increases rate base and the return to PG&E. This serves no other purpose other than to increase PG&E's rate base. ORA recommends no adjustment to the forecast of deferred taxes for a NOL carry forward.

PG&E's reasons to support its proposed adjustment related to a NOL carry forward are not persuasive. First, PG&E asserts that it has a Net Operating Loss (NOL) situation for the years 2011 – 2014. It then points to Decision 12-11-051 to support a reduction in the TY to deferred taxes associated with the NOL carry forward. In D.12-11-051 there was no adjustment to rate base modeled in the R.O. similar to the adjustment being proposed by PG&E. As the Commission stated in D.12-11-051, "[w]e find it inappropriate to include the NOL in rate base for ratemaking purposes."[19] Second, PG&E asserts that consistent with the normalization requirements in Section 168(f)(2) of the IRC, a rate base reduction cannot be reflected until a cash savings is realized. The Internal Revenue Code (IRC) has no such explicit provision as suggested by PG&E. The normalization rules according to IRC Section (i)(9) remain clear that the utility "must make

[18] PG&E Prepared Testimony, Volume 2 (Jones), pp.16-9 to 16-10.

[19] D.12-11-051 p. 619.

adjustments to a reserve to reflect the deferral of taxes." The adjustment to deferred taxes due to an NOL carry forward proposed by PG&E is an inappropriate ratemaking adjustment and should be rejected.

From approximately 2002 through 2013, there has been a provision for bonus depreciation that has often been passed through law on a temporary basis. Bonus depreciation allows businesses to write off or depreciate the costs of capital improvement and investments at a faster rate. The majority of the years 2002 through 2013 had provisions allowing for 50% bonus depreciation (there was also a short period of 100% bonus depreciation). In 2014, the provision for bonus deprecation expired and has not been temporarily or permanently extended at this time.

In 2014, both the US House of Representatives and the US Senate have been working on various measures that propose to either make permanent and/or provide short-term extensions of the 50% bonus depreciation. The current House version would extend the bonus deprecation on a permanent basis while the recent Senate versions provide for short-term extensions. These measures contemplate making the 50% bonus depreciation effective retroactively for all of 2014. The impact of new legislation which adopts 50% bonus deprecation will serve to increase the deferred income tax of the regulated utility and serve to reduce rate base. Any changes to existing law should be reflected in the final decision in this proceeding.

Several ORA witnesses assigned to the PG&E 2015 GT&S rate case provided the various data inputs for the R.O. model based on their review of PG&E's proposed capital expenditures and expenses for the Test Year 2015 and the Post-Test Years 2016 and 2017, including relevant assumptions regarding escalation and depreciation.

There are certain data inputs for the R.O. model that PG&E proposes treatment as placeholders only. This pertains to costs which are general in nature such as A&G costs and/or are determined in other proceedings before the Commission. For instance, PG&E proposes a placeholder A&G expense amount because total A&G expenses are first estimated in total for the entire PG&E utility and then allocated across the PG&E Unbundled Cost Categories (UCCs) in General

Rate Cases (GRCs).[20] PG&E states, "[t]he amount of A&G expense to be allocated to the GT&S UCCs in 2015 will be based on the result of PG&E's 2014 GRC and any subsequent filings that may alter the allocation."[21] Therefore, PG&E states that the placeholder amount for A&G is based on the A&G expenses in PG&E's 2014 GRC.[22] PG&E notes that the placeholder estimate excludes pensions in Test Year 2015.[23] According to PG&E, the pension forecast for 2015-2017, which is also determined in the outside of this rate case, will be added as a separate line item in Gas Preliminary Statement Part C and implemented as part of its Annual Gas True-Up filing.[24] PG&E proposes the update on the A&G expense in this application will be made after the Commission issues a final decision in PG&E's 2014 GRC.[25] The same approach was adopted in the Commission decision that adopted Gas Accord V.[26]

PG&E proposes to include in this 2015 rate case its Pipeline Safety Enhancement Plan (PSEP) ongoing authorized capital recovery for plant in service as of December 31, 2014.[27] The proposed placeholder for the PG&E PSEP ongoing capital recovery is a new element in the GT&S and was not part of the Gas Accord V. The PG&E PSEP was approved by the Commission in D.12-12-030 but was subject to an update filing.[28] On October 29, 2013, PG&E filed its PSEP

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[20] PG&E Prepared Testimony, Volume 2 (Jones), pp. 16-5 to 16-6.

[21] *Id*.

[22] *Id*.

[23] *Id*.

[24] *Id*.

[25] *Id*. On June 18, 2014, a Proposed Decision by ALJ Pulsifer in PG&E's 2014 GRC in A.12-11-009 was issued which may be taken up at the Commission's Aug.14, 2014 business meeting.

[26] Section 7.5, Appendix A, D.11-04-031, the Commission decision adopting the PG&E Gas Accord V Settlement Agreement.

[27] PG&E Prepared Testimony, Volume 2 (Jones), p.16-7.

[28] Ordering Paragraph #11, D.12-12-030.

Update Application (A.13-10-017).[29] According to PG&E, the Update filing proposed new revenue requirements that are $53 million lower than the revenue requirements authorized in D.12-12-030.[30] On July 25, 2014, PG&E, ORA, and The Utility Reform Network (TURN) submitted a joint motion for settlement agreement, which amongst other things included a $23 million reduction in PSEP expenses.

The inclusion of the authorized PSEP capital for 2012-2014 is accomplished by adding in to the 2015 GT&S R.O. model the results of a separate R.O. model extended out to 2017 as a placeholder.[31] The PG&E PSEP Update revenue requirement amounts for 2015 to 2017 are displayed as output in the R.O. Model and separately shown from the revenue requirements that are the result of running the inputs to the 2015 GT&S PG&E R.O. model. In other words, while PG&E's revenue requirement request of $1.287 billion in TY 2015 is the result of the combined revenue requirement of both the 2015 GT&S and the PG&E Update filing, the PG&E revenue requirements can be viewed separately for each portion in the R.O. model. PG&E proposes to adjust the placeholder amount if the final decision in the PSEP Update results in a different revenue requirement from PG&E's filing in A.13-10-017.[32] In addition, PG&E proposes to true-up the 2015 GT&S R.O. model to reflect actual amounts after the PSEP balancing account is closed at year-end 2014.[33] PG&E adds that if there are any authorized changes to tax and financial parameters, these will be incorporated as part of the true-up. For instance, in case

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[29] PG&E Prepared Testimony, Volume 2 (Jones), p.16-7.

[30] *Id.*

[31] *Id.*

[32] *Id.*

[33] *Id.* The PSEP Balancing Accounts for Expense and Capital were for purposes of recording the difference between forecast and recorded expenses and capital costs authorized for the PSEP through December 31, 2014 pursuant to Ordering Paragraph #5, D.12-12-030.

new depreciation rates are authorized in this decision, the true-up will incorporate those accordingly.[34]

ORA notes that PG&E's Supplemental Filing in March 2014 includes 2011 to 2014 capital projects described in Supplemental Workpapers. A random check of the PG&E R.O. model to find the capital projects included in the Supplemental Workpapers showed inconsistent results. For instance, the first three projects shown in lines 1-3 of the Supplemental Workpapers showed no match found in the RO model. The next two projects shown in lines 4 and 5 of the Supplemental Workpapers found a match in the PG&E R.O. model, but the amounts entered for lines 4 and 5 in the column years 2015 through 2017 showed "zero" amounts in the RO model while the Supplemental Workpapers indicate that PG&E is requesting $7.07 million and $3.95 million, for lines 4 & 5 respectively, to be included in the 2015 GT&S rate case.

ORA asked PG&E to explain whether all of the projects identified in PG&E's Supplemental Filing are in the PG&E R.O. Model that ORA was provided on December 19, 2013 and if they are in the model, how ORA can identify them in the RO Model. PG&E explains:

> Yes, the capital projects referenced in PG&E's March 2014 Supplemental Filing are included for recovery in the 2015 GT&S R.O. model as part of recorded rate base. Projects with forecast capital expenditures in 2013 and beyond are in the R.O. model on a planning order basis. This planning order detail is located in the "Capex" tab of the "CapitalModel.xlsb" spreadsheet module in the RO model. For projects with operative capital prior to 2013, the cost data is part of recorded rate base in the R.O. model and is included at an asset class level basis. For example, historical plant and accumulated depreciation are shown on an asset class basis in the "Plant_AC" and the "AccDepr_AC" tabs. The first three projects that were not located in the model are all "operative as installed" projects that went operative on or before the recorded year of 2012. The capital costs of these projects are included in the recorded rate base parameters mentioned above but won't be visible on a project level basis because they were "operative as installed."[35]

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[34] PG&E Prepared Testimony, Volume 2 (Jones), p.16-7.

[35] PG&E Response to ORA-DR-107-Q2a.

For projects with forecast expenditures in 2013 and beyond, ORA found those capital projects in the Capex tab as described by PG&E in the Response. For projects with operative dates prior to 2013, ORA could not verify any of these projects in the "Plant AC" and the "AccDepr AC" tabs because the information is no longer on a project basis, and hence, is unrecognizable compared to the information in PG&E's Supplemental filing.

ORA notes some differences in the information regarding PG&E's recorded full year rate base for Gas Transmission in the years 2012 and 2013 as provided in the data Response to ORA when compared against the rate base information shown in the PG&E Workpapers in several pages of Chapter 16 Workpapers.[36] The data Response showed recorded full year rate base in the amount of $2.033 billion and $2.549 billion in 2012 and 2013, respectively.[37] The PG&E Workpapers showed recorded 2012 rate base of $2.147 billion and estimated 2013 rate base of $2.701 billion.[38] The R.O. model information on rate base for 2012 and 2013 were also different from those shown in the Workpapers. ORA understands from PG&E's witness on the R.O. that there are differences in the way the recorded full year rate base is defined in the Response compared to the rate base in Volumes 1 and 2 of the Workpapers, and further compared to the rate base in the R.O. model.[39]

IV. DISCUSSION/ANALYSIS

A. Description of the PG&E Request

In this Application, PG&E requests GT&S revenue requirements of: $1.287 billion for TY 2015, and in the Post-Test Years 2016 and 2017, $1.349 billion and

[36] PG&E Response to ORA-DR-18-Q2Supp1Atch1 and PG&E Workpapers, Chapter 16, pp. WP16-708, WP 16-726, and WP 16-749.

[37] *Id.*

[38] PG&E Workpapers, Volume 2 Chapter 16, pp. WP16-708, WP 16-726, and WP 16-749.

[39] Based on ORA witness Sabino meeting with PG&E witness Jones on August 7, 2014 at ORA's offices regarding ORA's remaining questions on the rate base and other R.O. matters in Chapter 16 of PG&E's Testimony.

$1.517 billion, respectively.[40] The total PG&E GT&S revenue requirement request is in the amount of $4.15 billion over the 3-year period 2015-2017.

The above revenue requirement request is based on PG&E's proposed expense of $647 million in TY 2015, and proposed capital expenditures of $787 million in TY 2015, and $886 million and $946 million in the Post-Test Years 2016 and 2017, respectively.[41] The proposed expenses and capital expenditures are the two key drivers of PG&E's proposed revenue requirements.

B. Detailed Discussion/Analysis

As mentioned in the general overview section, PG&E's request for revenue requirements in TY 2015 is the result of the combined revenue requirement of both the 2015 GT&S and the PG&E Update filing. Without the PG&E Update filing, PG&E's 2015 GT&S revenue requirements for TY 2015 is approximately $1.187 billion, or an amount that is lower by approximately 8 percent or $100 million less attributable to the PSEP Update.[42] In the Post-Test Years 2016 and 2017, PG&E's GT&S forecast revenue requirements are approximately $1.347 billion and $1.515 billion, respectively, including the PSEP Update. In both Post-Test Years 2016 and 2017, PG&E's revenue requirements request in the GT&S are lower by approximately 7.7 percent/6.5 percent or $97 million/$94 million attributable to the PSEP Update, respectively.[43]

PG&E's request in the amount of $4.15 billion over the 3-year period, if adopted without any adjustment by this Commission, would further raise the annual growth rate of PG&E's adopted revenue requirements over the period from 2014

[40] PG&E's 2015 Proposed Revenue Requirement shown at Line 1, Table 16-1, PG&E Prepared Testimony, Volume 2 (Jones), p.16-2. PG&E's 2016 and 2017 Proposed Revenue Requirements are shown at Line 1, Tables 18-3 and 18-4, respectively, PG&E Prepared Testimony, Volume 2 (Hoglund), pp.18-17 to 18-18.

[41] Tables 3-2 and 3-3, PG&E Prepared Testimony, Volume 1 (Krannich), pp. 3-11 to 3-12.

[42] As shown in the PG&E R.O. Model in this rate case reflecting PG&E's GT&S requests on expenses and capital expenditures. This does not reflect any other changes that may occur out of the final PSEP Update decision as previously discussed.

[43] *Id.*

through 2017 to an estimated 37.6 percent annual rate. This increase would be unprecedented for PG&E's GT&S service. PG&E itself admits that the revenue request in its Application is a significant increase from past requests.[44] ORA's review of the annual rate of increase in PG&E's revenue requirements during the period from 2005 through 2009 showed it was at 2 percent.[45] During the succeeding period 2010 through 2014, that annual rate of increase rose to 6 percent.[46]

According to PG&E, when the PG&E request for $1.287 billion in TY 2015 is compared to PG&E's adopted revenue requirements in year 2014, there is a 76 percent increase over the adopted level in 2014.[47] The 2014 adopted level is the combined GA V and PSEP adopted revenue requirement amounts.[48] PG&E's calculation of the 76 percent increase is based on line 1 of Table 3-6 of PG&E's Testimony.[49] However, because of various adjustments to revenue requirement for rate design such as those shown at the bottom of the page with Table 3-6, ORA's calculation uses the adjusted revenue requirement for rate design to more accurately capture the revenue requirements being collected in rates.[50] Therefore, ORA's calculation shows an 80 percent increase when the PG&E request for $1.287

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[44] PG&E Prepared Testimony, Volume 1 (Stavropolous), p.1-1.

[45] D.03-12-061 Gas Accord II decision adopted $436.397 million for year 2004 adopted revenue requirements. D.04-12-050 Gas Accord III decision adopted $428.5 million for 2005, $436.6 million for 2006, and $444.9 million for 2007. Although D.04-12-050 showed a higher amount for 2007 adopted, the next succeeding decision in D.07-09-045 showed year 2007 adopted amount was slightly lower at $443.688 million. D.07-09-045 Gas Accord IV decision adopted $446.493 million for 2008, $458.875 million for 2009, and $471.299 million for 2010. The amount adopted for 2010 included $23.963 million of Local Transmission Adder but only $14.424 million of this was actually put into rates.

[46] Section 7.1, Appendix A, D.11-04-031 adopted $514 million in 2011, $541 million in 2012, $565 million in 2013, and $582 million in 2014.

[47] PG&E Prepared Testimony, Volume 1 (Stavropolous), p.1-1.

[48] Id., fn. 1.

[49] PG&E Prepared Testimony, Volume 1 (Krannich), p. 3-16, Table 3-6,.

[50] *Id.*

billion in TY 2015 is compared to PG&E's adopted revenue requirements in year 2014.[51]

In contrast, ORA's recommended revenue requirement in the amount of $1.053 billion in TY 2015 will result in a more modest increase of approximately 47 percent over the adopted level in 2014.

PG&E's recorded 2013 expenses exceeded forecast 2013 expenses by approximately $3.8 million, or by 0.8 percent more.[52] PG&E's proposed expenses in TY 2015 in the amount of $647 million will be in excess of the recorded 2013 expense of approximately $478 million by an estimated total of $169 million, or by 35 percent more. In order for the recorded 2013 expense amount of $478 million to grow to $647 million in 2015, the rate of annual increase would have to be more than 16 percent a year.

PG&E's proposed capital expenditures in TY 2015 in the amount of $787 million is only slightly above its forecast 2013 capital expenditures in the amount of $785.2 million, or by only $1.8 million.[53] ORA notes that the PG&E forecast 2013 capital expenditures of $785.2 million exceeds its recorded 2013 capital expenditures of approximately $713 million by an estimated total of $72 million, or by 10 percent more than the PG&E forecast for 2013.[54]

The Tables below summarize ORA recommendations on PG&E's Proposed Revenue Requirements for TY 2015 (Including and Excluding the PSEP Update) and ORA's Recommendations on PG&E's Proposed Expenses and Capital Expenditures for TY 2015.

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[51] *Id*. The 80 percent is calculated from the difference of the adjusted revenue requirements for rate design in the 2015 GT&S Proposed TY 2015 of $1,286,895 (in thousands) and the 2014 adjusted authorized of $715,380 (in thousands).

[52] PG&E Response to ORA-DR-9-Q1gAtch1.

[53] Table 3-3, PG&E Prepared Testimony, Volume 2 (Krannich), p. 3-12.

[54] Forecast 2013 Capital expenditures as shown in Table 3-3 of PG&E Prepared Testimony and recorded 2013 capital expenditures shown in PG&E's Update of the R.O, Model provided in PG&E Response to ORA-DR-107-Q1.

Table 16-1 shows that PG&E's proposed base revenue requirements in TY 2015 (including the PSEP Update), exceeds ORA's recommended base revenue requirements by $233.2 million, or by 18.1 percent.

Table 16-1
ORA Recommended and PG&E Proposed GT&S Base Revenue Requirement for TY 2015, Including PG&E PSEP UPDATE
(In Thousands of Dollars)

Description	ORA Recommended	PG&E Proposed[55]	Amount PG&E > ORA (in $)	Percentage PG&E > ORA (in %)
	(a)	(b)	(c)=(b)-(a)	(d)=(c)/(b)
Grand Total	$1,053,101	$1,286,329	$233,228	18.1%

Table 16-2 shows that PG&E's proposed base revenue requirement in TY 2015 exceed ORA's recommended base revenue requirements (excluding the PSEP Update) by $233.2 million, or by 19.6 percent.

Table 16-2
ORA Recommended and PG&E Proposed GT&S Base Revenue Requirement for TY 2015, Excluding PG&E PSEP UPDATE
(In Thousands of Dollars)

Description	ORA Recommended	PG&E Proposed[56]	Amount PG&E > ORA (in $)	Percentage PG&E > ORA (in %)
	(a)	(b)	(c)=(b)-(a)	(d)=(c)/(b)
Grand Total	$954,127	$1,187,355	$233,228	19.6%

Table 16-3 shows that PG&E's proposed expenses in TY 2015 exceed ORA's recommended expenses in TY 2015 by $235.8 million, or by 36.5 percent more.

[55] As shown in the PG&E R.O. Model 2015 GT&S and Line 1 of Table 16-4, PG&E Prepared Testimony, Volume 2 (Jones), p..16-23.

[56] As shown in the PG&E R.O. Model 2015 GT&S.

Table 16-3

ORA Recommended and PG&E Proposed Total Expenses for Test Year 2015 (In Thousands of Dollars)

Description	ORA Recommended[57]	PG&E Proposed[58]	Amount PG&E > ORA (in $)	Percentage PG&E > ORA (in %)
	(a)	(b)	(c)=(b)-(a)	(d)=(c)/(b)
Grand Total	$411,030	$646,860	$235,830	36.5%

Table 16-4 shows that PG&E's proposed capital expenditures for Test Tear 2015 exceed ORA's recommended capital expenditures by $140.5 million, or by 17.9 percent more.

Table 16-4

ORA Recommended and PG&E Proposed Total Capital Expenditures for Test Year 2015 (In Thousands of Dollars)

Description	ORA Recommended[59]	PG&E Proposed[60]	Amount PG&E > ORA (in $)	Percentage PG&E > ORA (in %)
	(a)	(b)	(c)=(b)-(a)	(d)=(c)/(b)
Grand Total	$646,676	$787,218	$140,542	17.9%

Table 16-5 shows that PG&E's proposed Base Revenue Requirements exceed ORA's recommended Revenue Requirements in the Post-Test Years 2016 and 2017 by $253.7 million and $287.1 million, respectively. These amounts represent 18.8 percent and 19.0 percent more than ORA's in 2016 and 2017, respectively. As mentioned, the ORA Revenue Requirements presented in this exhibit for the Post-Test Years 2016 and 2017 represent approximations of ORA's

[57] Based on ORA's recommended expenses and adjustments in the R.O. Model.

[58] As shown in the PG&E R.O. Model 2015 GT&S.

[59] Based on ORA's recommended capital expenditures and adjustments in the R.O. Model.

[60] As shown in the PG&E R.O. Model 2015 GT&S.

alternate post-test year ratemaking recommendations and do not reflect ORA's primary post-test year ratemaking recommendation. ORA's primary and alternate post-test year ratemaking recommendations are both discussed in ORA's Exhibit 18.

Table 16-5

ORA Recommended and PG&E Proposed GT&S Base Revenue Requirements for Post-Test Years, 2016 & 2017, Including PG&E PSEP UPDATE (In Thousands of Dollars)

Year	ORA Recommended[61]	PG&E Proposed[62]	Amount PG&E > ORA (in $)	Percentage PG&E > ORA (in %)
	(a)	(b)	(c)=(b)-(a)	(d)=(c)/(b)
2016	$1,093,646	$1,347,368	$253,722	18.8%
2017	$1,227,786	$1,514,942	$287,156	19.0%

Table 16-6 shows that PG&E's proposed capital expenditures exceed ORA's recommended capital expenditures in the Post-Test Years 2016 and 2017 by $224.3 million and $267.2 million, respectively. These amounts represent 25.3 percent and 28.3 percent more than ORA's in 2016 and 2017, respectively.

Table 16-6

ORA Recommended and PG&E Proposed GT&S Total Capital Expenditures for Post-Test Years, 2016 & 2017 (In Thousands of Dollars)

Year	ORA Recommended[63]	PG&E Proposed[64]	Amount PG&E > ORA (in $)	Percentage PG&E > ORA (in %)
	(a)	(b)	(c)=(b)-(a)	(d)=(c)/(b)
2016	$661,550	$885,889	$224,339	25.3%
2017	$678,750	$945,953	$267,203	28.3%

[61] ORA's Alternate Recommendation.

[62] As shown in the PG&E R.O. Model 2015 GT&S.

[63] Represents ORA Alternate Recommendation.

[64] As shown in the PG&E R.O. Model 2015 GT&S and Tables 18-3 and 18-4, PG&E Prepared Testimony, Volume 2 (Hoglund), pp.18-17 to 18-18.