

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company Proposing Cost of Service and Rates  
for Gas Transmission and Storage Services for  
the Period 2015-2017.

(U 39 G)

Application 13-12-012  
(Filed December 19, 2013)

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And Related Matter.

Investigation 14-06-016

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 G) MOTION TO  
STRIKE PORTIONS OF TURN'S TESTIMONY AND TO PRECLUDE  
TURN FROM INTRODUCING IN BRIEFS REVENUE REQUIREMENT  
RECOMMENDATIONS NOT MADE IN TESTIMONY; REQUEST FOR  
AN ORDER SHORTENING TIME TO RESPOND**

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Dated: August 20, 2014

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RECOMMENDATIONS NOT MADE IN TESTIMONY; REQUEST FOR  
AN ORDER SHORTENING TIME TO RESPOND**

Pursuant to Rule 11.1 of the Commission's Rules of Practice and Procedure, PG&E  
moves for an order:

- Striking the portions of TURN's testimony that leave open the door to additional testimony in opening brief, as set forth in Attachment 1 to this motion, which attaches a redline of the portions of TURN's testimony PG&E moves to strike; and
- Precluding TURN from recommending in its brief revenue requirement adjustments not recommended in its testimony.

Alternatively, if the Commission believes TURN should be given a second opportunity to submit testimony, PG&E moves for an order:

- Striking the portions of TURN's testimony that leave open the door to additional testimony in opening brief, as set forth in Attachment 1 to this motion;
- Compelling TURN to serve supplemental testimony within seven days that identifies with specificity any revenue requirement adjustments TURN proposes; and
- Granting PG&E a seven day extension to rebut TURN's supplemental testimony.

Given that PG&E's rebuttal testimony is due on September 15, PG&E requests that the Commission issue an order shortening TURN's time to respond to this motion to five calendar days, with TURN's response due on Monday, August 25, 2014.

## **I. INTRODUCTION**

In rate cases before the Commission, parties state any recommended reductions to the applicant's requested revenue requirement in their testimony, as ORA did in this case and as The Utility Reform Network (TURN) and other parties have done regularly in prior rate cases.<sup>1/</sup> TURN, however, made a deliberate choice not to disclose its recommended revenue requirement adjustments in its August 11 testimony, instead stating that it is withholding its substantive recommendations until TURN's attorney, who is also TURN's policy witness, submits TURN's opening brief. As an example, TURN witness Long's testimony states:

TURN is not making specific recommendations of the programs and amounts for which shareholders should be assigned cost responsibility at this time. Based on the testimony submitted by ORA and other parties, as well as the evidentiary hearing records, TURN will provide specific recommendations in its opening brief.<sup>2/</sup>

TURN thus proposes, without permission from the assigned Administrative Law Judge or any dispensation in the adopted schedule, to withhold portions of the testimony the Scoping Memo required it to serve on August 11.

What TURN has withheld is not insignificant or immaterial. It is the centerpiece of this proceeding: the level of revenues necessary for PG&E to operate its gas transmission and storage system from 2015 through 2017. Allowing TURN to wait until after evidentiary hearings to disclose its recommended revenue requirement adjustments would deny PG&E a meaningful opportunity to rebut TURN's recommendations. By the time briefs are filed, the

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1/ As a long-term and active participant in CPUC rate cases, TURN is well aware of this practice. In PG&E's recently concluded General Rate Case (A.12-11-009). TURN made specific recommendations regarding adjustments to PG&E's requested revenue requirement in its testimony.

2/ Long Testimony, p. 21, lines 9-12. See also Jones Testimony, p. 1, lines 17-19 and p.6, lines 23-25.

evidentiary record will be closed. At that point, if TURN's recommendations resulted in disallowing funding for mandatory work, or would result in dramatic adverse safety impacts, PG&E would be unable to introduce evidence proving such facts. PG&E would also be precluded from cross-examining TURN's witnesses on the merits of TURN's recommendations.

In rate cases, where the fundamental issue for the Commission to decide is how much revenue to allow the utility to recover in rates, it is critical for all parties to have the opportunity to explore and challenge proposed revenue adjustments through testimony and cross-examination. Allowing TURN to disregard the procedural process would prejudice not only PG&E but all parties and the Commission since it would deprive the Commission of a full evidentiary record.

The Commission should grant PG&E's requested relief and not permit TURN to withhold its substantive recommendations until briefing. In the alternative, if the Commission chooses to allow TURN to remedy the situation, it should grant PG&E's request to order supplemental testimony with an opportunity for PG&E to respond.

## **II. TURN'S PROPOSAL IS INCONSISTENT WITH THE ADOPTED SCOPING MEMO IN THIS PROCEEDING.**

The Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge ("Scoping Memo"), filed on April 17, 2014, does not permit TURN to only partially disclose its recommendations in testimony. Rather, included among the Scope of Issues in the Scoping Memo is "whether PG&E's proposed rates for GT&S services for 2015, 2016, 2017 are just and reasonable, and should PG&E's proposed rates be adopted, or should different rates be adopted."<sup>3/</sup> TURN's revenue requirement recommendations fall squarely within the Scope of Issues to be addressed under the schedule set forth in the Scoping memo. The Scoping Memo required ORA and Intervenor's testimony be served on August 11, 2014. Substantive recommendations that go to the heart of a rate case should be set forth in testimony, and while in briefs TURN can cite evidentiary *support* and legal *argument* for its recommendations, it cannot

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3/ Scoping Memo, p. 3.

be allowed to withhold its recommendations on the central issues in this case until briefing. Nowhere does the Scoping Memo indicate that TURN or other parties may withhold testimony on any issue within the scope of this proceeding until after the evidentiary record is closed.

**III. TURN HAS HAD NEARLY NINE MONTHS TO DEVELOP ITS RECOMMENDATIONS AND HAS NO EXCUSE FOR SUBMITTING INCOMPLETE TESTIMONY.**

PG&E described its forecasts in opening testimony, provided a vast amount of data in support of those forecasts via 691 pages of testimony, 3151 pages of workpapers and responses to 4,353 discovery requests from parties, including TURN. In addition, PG&E supplemented its showing twice, timely serving supplemental testimony on historical capital expenditures on March 7, 2014, as well as timely serving supplemental testimony on PG&E's risk register, integrated planning process, and industry best practices, on July 15, 2014.<sup>4/</sup> PG&E also hosted numerous workshops and meetings, many of which TURN attended and at least one of which was held solely for TURN. In short, PG&E has provided more than sufficient – and timely – testimony and discovery responses to allow TURN to make its recommendations on the key issues identified in the Scoping Memo via its testimony due on August 11.

TURN supports its proposal by stating that it expects to have more complete information through ORA's testimony and hearings before it can make its recommendations.<sup>5/</sup> While it is no doubt true that ORA's testimony will shed additional light on certain issues, TURN never requested a schedule that would provide for TURN or other parties to serve their testimony after ORA. The order of testimony set forth in the Scoping Memo – which TURN supported – contemplates ORA and all intervenors submitting their recommendations in testimony on August 11, PG&E and all parties rebutting those recommendations on September 15, and then parties exploring specific issues associated with those recommendations during evidentiary hearings.

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4/ Indeed, PG&E served this supplemental testimony in response to a motion filed by TURN and Indicated Shippers.

5/ Long Testimony, p. 21, lines 9-12.

That process provides all parties equal opportunity to evaluate recommendations. Then, all parties will have an equal opportunity to support their recommendations in briefs.

PG&E cannot fully respond to TURN if TURN has not disclosed its revenue requirement and disallowance recommendations. To allow TURN to withhold such recommendations from its testimony would be to ignore the Scoping Memo as well as CPUC rate case practice.

**IV. OPENING BRIEFS CANNOT INTRODUCE NEW FACTUAL INFORMATION, SUCH AS TURN'S RECOMMENDED REVENUE DISALLOWANCES.**

Under Rule 13.8(a), “Prepared testimony shall constitute the entirety of the witness’s direct testimony....” Under Rule 13.8(b), “Direct testimony in addition to the prepared testimony previously served, other than the correction of minor typographical or wording errors that do not alter the substance of the prepared testimony, will not be accepted into evidence unless the sponsoring party shows good cause why the additional testimony could not have been served with the prepared testimony or should otherwise be admitted.”

Whether a disallowance is recommended based on purported imprudence, deferred maintenance, to mitigate rate impacts, or for some other reason, the appropriateness of such disallowance is a question of fact, and rebutting such arguments requires evidence, not just argument. TURN has not, and cannot, show good cause for why it should be allowed to provide additional testimony on revenue requirement adjustments or disallowances in briefing.

**V. PG&E CANNOT MEANINGFULLY RESPONSE TO RECOMMENDED REVENUE REQUIREMENT ADJUSTMENTS WITHOUT INTRODUCING EVIDENCE AND CROSS-EXAMINING WITNESSES.**

Allowing TURN to make recommendations that PG&E cannot rebut with evidence and explore with cross-examination would severely prejudice PG&E.<sup>6/</sup> TURN might, for example, recommend disallowances that would leave PG&E insufficient revenue to perform mandatory compliance work. Without an opportunity to provide rebuttal evidence, PG&E would not be able to prove this to the Commission. Alternatively, TURN might recommend that the

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<sup>6/</sup> “The fundamental requirement of due process is the opportunity to be heard and it is ‘an opportunity which must be granted at a meaningful time and in a meaningful manner.’” *Parratt v. Taylor*, 451 U.S. 527, 540 (1981) (quoting *Armstrong v. Manzo*, 380 U.S. 545, 552 (1965)).

Commission direct PG&E to perform work at a slower pace that would unreasonably endanger the public health and safety. Again, without an opportunity to provide rebuttal evidence, PG&E would not be able to prove the adverse safety impacts to the Commission. PG&E cannot possibly anticipate every possible recommendation TURN might make and preemptively rebut them all. Allowing TURN to wait until its brief to disclose its recommended reductions and disallowances would thus prejudice PG&E as well as the Commission's ability to reach a just and reasonable result in this case.

## **VI. REQUESTED RELIEF**

TURN has appeared before the Commission in rate cases for years and is well versed in Commission practice. TURN's decision not to disclose its revenue requirement recommendations in testimony in accordance with the procedural schedule to which TURN agreed was not inadvertent or for lack of opportunity. This was a conscious choice – the consequence of which is to prejudice PG&E's ability to meaningfully respond. The Commission should not allow TURN to skirt the Scoping Memo and procedural schedule and disclose its revenue requirement recommendations for the first time in its brief. Accordingly, PG&E requests that the Commission issue an order striking the following portions of TURN's testimony:

- “...TURN is not making a final shareholder recommendation on this and other programs at this time, TURN anticipates recommending that shareholders be held responsible for most of these costs to rectify PG&E's imprudent failure to mitigate contacted casings.” (Long Testimony, p. 21, lines 5-8)
- “TURN is not making specific recommendations of the programs and amounts for which shareholders should be assigned cost responsibility at this time. Based on the testimony submitted by ORA and other parties, as well as the evidentiary hearing records, TURN will provide specific recommendations in its opening brief.” (Long Testimony, p. 21, lines 9-12)

- “(TURN intends to present its recommended reduction to those forecasts in post-hearing briefing, so the recommendation might better reflect the full evidentiary record developed here.)” (Jones Testimony, p. 1, lines 17-19)
- “TURN intends to present its recommended reduction to those forecasts in post-hearing briefing, so the recommendation might better reflect the full evidentiary record developed here.” (Jones Testimony, p. 6, lines 23-25)

In addition, the Commission should issue an order precluding TURN from making revenue requirement recommendations in its briefs that it did not disclose in its August 11, 2014 testimony.

Alternatively, if the Commission denies PG&E’s primary requested relief, the Commission should order TURN to serve supplemental testimony that discloses TURN’s revenue requirement adjustments no later than Wednesday, August 27, 2014. The Commission’s order should be clear that TURN’s supplemental testimony may not include any new facts not set forth in TURN’s August 11 testimony, other than TURN’s revenue requirement and disallowance recommendations. The Commission should then grant PG&E until September 22 to respond to TURN’s supplemental testimony.

PG&E urges the Commission not to resolve this issue by delaying evidentiary hearings. Any delay in the schedule would prevent the Commission from issuing a timely decision. The decision in this case will not only inform PG&E as to how much it should be spending in 2015, but it will inform PG&E as to how the Commission wants PG&E to spend that money. Delay in the schedule will prevent PG&E from obtaining that guidance before it is too late to plan the work.

**VII. THE COMMISSION SHOULD SHORTEN TURN’S TIME TO RESPONSE TO THIS MOTION.**

PG&E’s rebuttal testimony must be served on September 15, and evidentiary hearings are scheduled to begin on October 6. If the Commission elects to order the alternative relief requested by PG&E, and to allow TURN another opportunity to disclose its revenue requirement





# **ATTACHMENT 1**

**PREPARED TESTIMONY OF THOMAS J. LONG ON  
CUSTOMER IMPACTS, COST RESPONSIBILITY,  
2011-2014 CAPITAL COSTS AND OTHER POLICY ISSUES**

**Pacific Gas and Electric Company  
2015 Gas Transmission and Storage Rate Case  
A.13-12-012**

**SUBMITTED ON BEHALF OF  
THE UTILITY REFORM NETWORK**

**THE UTILITY REFORM NETWORK**  
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August 11, 2014

1 expected to be required based on routine annual testing. Similarly, of the 117 expense projects,  
2 only 6 fall in the routine category.<sup>54</sup> To comply with applicable regulations, PG&E could and  
3 should have previously mitigated the backlogged contacted casings. PG&E's rates funded  
4 PG&E's work to comply with these and other regulations, yet PG&E failed to do so with respect  
5 to contacted casings. Although, as discussed below, ~~TURN is not making a final shareholder~~  
6 ~~recommendation on this and other programs at this time, TURN anticipates recommending that~~  
7 ~~shareholders be held responsible for most of these costs to rectify PG&E's imprudent failure to~~  
8 ~~mitigate contacted casings.~~

9 ~~TURN is not making specific recommendations of the programs and amounts for which~~  
10 ~~shareholders should be assigned cost responsibility at this time. Based on the testimony~~  
11 ~~submitted by ORA<sup>55</sup> and other parties, as well as the evidentiary hearing record, TURN will~~  
12 ~~provide specific recommendations in its opening brief.~~

13 **V. PG&E's Supplemental Testimony Fails To Establish The Reasonableness Of The**  
14 **Utility's 2011-14 Capital Expenditures**  
15

16 PG&E's application asks the Commission to permit the utility to "roll into rate base" its  
17 2011-2014 capital expenditures.<sup>56</sup> TURN's protest questioned the sufficiency of the utility's  
18 showing in support of the reasonableness of the capital expenditures recorded for 2011 and 2012,  
19 and forecasted for 2013 and 2014.<sup>57</sup>

20 In supplemental testimony served March 7, 2014, PG&E sought to support "the nearly  
21 \$700 million in actual and forecast capital expenditures for 2011-2014 above what was adopted

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<sup>54</sup> Berger Testimony, p. 22.

<sup>55</sup> Ordinarily in a rate case of this magnitude, TURN and other intervenors would have a few weeks to review ORA's testimony before submitting their testimony.

<sup>56</sup> PG&E Application, p. 26.

<sup>57</sup> TURN Protest, pp. 6-9.

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**Testimony of Garrick Jones in Pacific Gas &  
Electric's  
2015 Test Year Gas Transmission & Storage  
Rate Case**

Prepared testimony of  
**Garrick F. Jones**

**JBS Energy, Inc.**  
311 D Street  
West Sacramento  
California, USA 95605  
916.372.0534

on behalf of  
*The Utility Reform Network*

**California Public Utilities Commission  
Application A.13-12-012**

August 11, 2014

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1 **I. Introduction**

2 This testimony is presented by Garrick F. Jones, Economist with JBS Energy, Inc. on  
3 behalf of The Utility Reform Network (TURN). Mr. Jones has seven years of experience  
4 in energy issues, has provided analytical and testimony-writing support in rate cases in  
5 11 jurisdictions, and has sponsored testimony before this Commission, the Arkansas  
6 Public Service Commission, and the Nevada Public Utilities Commission. Mr. Jones’s  
7 qualifications are attached.

8 This testimony addresses several expense and capital-related issues within the  
9 Transmission Pipe asset family section and Information Technology section of PG&E’s  
10 2015 Gas Transmission and Storage (GT&S) Rate Case application.

11 This testimony recommends that the Commission:

- 12 1. Reduce the 2015 overall expense forecast by \$12 million (i.e., two thirds of the  
13 incremental \$18 million expense forecast resulting from the reclassification) to  
14 remove the possibility of double-collection for 2015 and 2016, the two  
15 overlapping years for this proceeding and the 2015 test year GRC.
- 16 2. Find that the forecasts for the In-Line Inspection (ILI) Upgrade program are  
17 unreasonably high. ~~(TURN intends to present its recommended reduction to~~  
18 ~~those forecasts in post-hearing briefing, so the recommendation might better~~  
19 ~~reflect the full evidentiary record developed here.)~~
- 20 3. Reduce the 2015 forecast for strength testing from \$164.9 million to no more than  
21 \$142.3 million, a \$22.6 million reduction. This is based on PG&E having used the  
22 2013 forecast as a proxy for the 2015 forecast, and the 2013 recorded unit cost  
23 (\$0.84MM/mile) was lower than the 2013 forecast (\$0.97MM/mile). The  
24 Commission should consider adopting an even lower level of unit cost, based on  
25 PG&E’s statements regarding its ongoing efforts to find efficiencies.
- 26 4. Disallow the Automated Upload of Design Pipeline Features Lists Information  
27 Technology (IT) project, which indicates reductions of \$422,000 for expense  
28 (MWC JV) in 2015 and \$2,523,000 for capital (MWC 2F) in 2016.

1 utility could pursue, given that the identification was made concurrent with the  
2 forecasts.

### 3 **Contingency**

4 The Willbros Piggability Study states,

5 ...budgetary costs [for the “Traditional ILI” sections were] determined  
6 with a margin of error of +/- 20% using the unit cost sheets.<sup>7</sup>

7 TURN asked PG&E, based on this statement, to identify and justify which point estimate  
8 within the margin of error it used to make the forecast (e.g., -20%, midpoint, 20%, etc.).

9 PG&E stated the following in response:

10 PG&E’s final forecast for its Traditional ILI program were not done in this  
11 manner. Instead the Willbros work was further evaluated using the study  
12 shown in workpapers on pages WP 4A-444 through WP 4A-454 and  
13 associated individual project adjustments were made and shown in the  
14 results of this study.<sup>8</sup>

15 In other words, PG&E claims to have refined the forecast from the one that was within  
16 “+/- 20%”. However, the “further evaluation” was “limited to a review [of] the initial  
17 cost estimate prepared by Willbros Engineering and the identification of work that has  
18 been completed or I planned in the vicinity of the GT&S ILI Capital upgrade projects.”<sup>9</sup>

19 In other words, PG&E does NOT point to any modification to the actual cost estimate  
20 that Willbros provided. Therefore, the Commission should conclude that PG&E’s  
21 estimate is based on work whose accuracy is +/- 20%.

### 22 **Recommendation**

23 There are clearly reasons to be convinced that PG&E’s forecasts are too high. ~~TURN~~  
24 ~~intends to present its recommended reduction to those forecasts in post-hearing briefing,~~  
25 ~~so the recommendation might better reflect the full evidentiary record developed here.~~

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<sup>7</sup> PG&E Workpapers Volume 1, p. WP 4A-161,

<sup>8</sup> TURN DR 29-8b.

<sup>9</sup> Id., p. 4A-448.