

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

Order Instituting Rulemaking to Develop a
Risk-Based Decision-Making Framework to
Evaluate Safety and Reliability Improvements
and Revise the General Rate Case Plan for
Energy Utilities

R.13-11-006
(filed November 14, 2013)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
REPLY COMMENTS ON REVISIONS TO THE RATE
CASE PLAN**

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Dated: August 22, 2014

Pacific Gas and Electric Company (PG&E) submits these reply comments on revisions to the Rate Case Plan (RCP).^{1/} These reply comments respond to second round opening comments to “address proposals to revise the RCP to ‘promote more efficient and effective management of the overall rate case process.’”^{2/}

Opening comments were filed with the California Public Utilities Commission (CPUC) on July 25, 2014 by the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), San Diego Gas & Electric Company and Southern California Gas Company (collectively “Sempra”), Southern California Edison Company (SCE), Communities for a Better Environment (CBE), the Energy Producers and Users Coalition (EPUC), the Utility Consumers’ Action Network (UCAN) and PG&E.^{3/}

PG&E’s reply comments are divided into sections on (i) scheduling, (ii) reducing workload, (iii) reducing complexity and streamlining, and (iv) addressing Phase 2 and rate changes.^{4/} In brief, PG&E recommends the following:

SCHEDULING:

- The Commission should enforce deadlines and reduce intervenor compensation for those parties that cause delays; and
- The Commission should adopt discovery cut-offs.

1/ D.89-01-040 as modified by D.07-07-004.

2/ May 15, 2014 “Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge,” p. 6, citing page 1 of the Order Instituting Rulemaking (OIR).

3/ Unless otherwise stated, all citations herein are to the parties’ second round opening comments.

4/ A number of parties raise issues that were addressed in the Straw Proposal and were the subject of the first round of comments and reply comments filed on May 23, 2014, and June 13, 2014, respectively. These include, for example, CBE’s proposals relating to the Risk Assessment and Mitigation phase (pp. 1 - 4) and parties’ positions on the Notice of Intent (SCE, pp. 5 - 6; Sempra, p. 2; ORA, p. 2). PG&E does not address those issues again here.

REDUCING WORKLOAD:

- The Commission should adopt a rule that revenue requirement changes are to be made effective on January 1 of the test year regardless of the date of the final decision;
- The Commission should promote settlements and stipulations; and
- The Commission should reject ORA's and TURN's calls for "Base Year +1" recorded data as unnecessary.

STREAMLINING AND REDUCING COMPLEXITY:

- The Commission should reject parties' proposals to standardize content as these proposals create as many problems as they solve; and
- The Commission should reject TURN's various proposals intended to reduce complexity and streamline the process, as they do not appear to achieve TURN's stated objectives.

ADDRESSING PHASE 2 AND RATE CHANGES:

- The Commission should not delay the Phase 2 schedule as proposed by EPUC and SCE. Instead, the Commission should adopt PG&E's proposed compromise, with calendar date milestones that achieve certain SCE and EPUC objectives while allowing for a Phase 2 final decision in time for summer rate changes;
- The Commission should adopt SCE's other Phase 2 recommendations; and
- The Commission should not limit the number of rate changes per year.

These issues are discussed further below.

I. SCHEDULING

In this section, PG&E replies to parties' comments about the Rate Case Plan schedule.

A. Enforcement of Deadlines is Needed

Sempra states, "[t]he Rate Case Plan needs enforcement more than it needs redesign."^{5/}

^{5/} Sempra, p. 2.

PG&E agrees. Many of the problems that the RCP OIR intends to address would be solved through effective enforcement of the schedule set forth in the current Rate Case Plan.

PG&E supports Sempra's comments on the subject of enforcement.^{6/} As Sempra acknowledges, the regulated entities are subject to sanctions, but enforcement of deadlines is less straightforward with respect to intervenors. Sempra suggests that intervenor compensation could be reduced for inefficient participation in rate cases.^{7/} PG&E supports this concept and urges the Commission to require an affirmative showing from intervenors – as part of their formal intervenor compensation requests – that their participation in the matter did not cause any delays, inefficient or unnecessary efforts on the part of other parties, or inefficient use of hearing time in the matter. Such a showing would be consistent with Section 1808 of the Public Utilities Code, which states, “[t]he commission shall deny any award to any customer who attempts to delay or obstruct the orderly and timely fulfillment of the commission’s responsibilities.”^{8/}

Not only is it within the Commission’s discretion to deny intervenor compensation for delaying a case, arguably the Commission is required to do so.

B. Discovery Cut-offs Should be Adopted

SCE and Sempra propose that the Commission adopt discovery cut-offs.^{9/} Specifically, SCE proposes cut-offs for four periods:

- Discovery on utility’s RAMP – 90 days;
- Discovery on utility’s GRC application direct showing – 90 days;
- Discovery on ORA’s and intervenors’ testimony – 30 days; and
- Discovery on rebuttal testimony – 20 days.^{10/}

Far too often, intervenors wait to propound discovery that could have been conducted much

6/ Sempra, pp. 3-4.

7/ Sempra, p. 4.

8/ Public Utilities Code Section 1808.

9/ SCE, p. 10; Sempra, p. 3.

10/ SCE, p. 10.

earlier in the case. SCE has proposed reasonable amounts of time to address that problem. PG&E supports SCE's proposal.

II. REDUCING WORK

In this section, PG&E addresses parties' comments that speak to measures that could reduce the amount of workload in GRCs.

A. As a Rule, Revenue Requirements Should be Effective January 1 of the Test Year

SCE and Sempra urge the adoption of a rule that all GRC revenue requirement changes are to be made effective on January 1 of the test year regardless of the date of the final decision.^{11/} PG&E agrees that this is a wise step to reduce workload.

Recently, it has become the norm that one or more parties must file a motion to make the revenue requirement effective on January 1 of the test year, regardless of the date of the final decision. Expending parties' and Commission resources on this task is unnecessary. Elimination of this activity will help to ease the administrative strain of GRCs. PG&E is optimistic that a new Rate Case Plan schedule will minimize the need for such motions by issuing final decisions prior to the test years. Nonetheless, it would be wise to eliminate this unnecessary step.

B. Stipulations and Settlements Should be Promoted

ORA and UCAN comment that stipulations and settlements can lessen the administrative burden of GRCs.^{12/} PG&E agrees.

PG&E is proud of its record settling major portions of its 2003, 2007 and 2011 GRCs. Because these settlements occurred after testimony and hearings, much of the work of the proceeding had already been done by the time the settlements were reached. Many parties have been unwilling or unable to settle issues prior to the completion of testimony and hearings, partly

11/ SCE, p. 16; Sempra, p. 3.

12/ ORA, p. 3; UCAN, p. 5.

due to the press of work required to complete intervenor testimony and get prepared for hearings. For settlements to have a greater effect in lessening the administrative burden on parties, they should come earlier in the process. Therefore, the Commission should consider mandatory settlement conferences early on (e.g., after submission of the application, but well before ORA and intervenor testimony), perhaps to be administered through the Commission's Alternative Dispute Resolution Program.

C. ORA's and TURN's Requests for "Base Year Data +1" are Unnecessary

ORA's argument about ensuring that the schedule accommodates time for the submission of recorded data from the "Base Year +1" is a red herring.^{13/} Recorded data from the base year is not finalized and available until late first quarter the following year.^{14/} Under a revised Rate Case Plan that works toward a final decision before the test year, ORA and intervenor testimony would need to be submitted prior to the close of the first quarter of the base year, plus one.^{15/} Accordingly, by keeping to a reasonable schedule that calls for ORA and intervenor testimony in the first quarter of the litigation year, the need for "freshened" data will disappear and the work required by the utilities and intervenors will be lightened.

Similarly, TURN proposes that the record be updated to include an additional year of recorded data as part of its stated objective of "streamlining the processing of GRCs."^{16/} Under a rate case plan that delivers a decision prior to the test year as proposed by PG&E, it is unclear how data presented after ORA and intervenors have already filed testimony would streamline the process.

13/ ORA, p. 3.

14/ Note that PG&E does not object to providing this data to ORA and other parties. In fact, PG&E already does so in budget reports that include recorded data by major work category.

15/ See PG&E's proposed schedule at "Pacific Gas and Electric Company's Opening Comments on the Refined Straw Proposal," Attachment 1, p. 10 (May 23, 2014) and "Pacific Gas and Electric Company's Opening Comments on Revisions to the Rate Case Plan," Appendix A, pp. A-1 to A-2 (July 25, 2014).

16/ TURN, p. 4-5.

III. STREAMLINING AND REDUCING COMPLEXITY

In this section, PG&E replies to parties' comments about the content of utility filings.

A. **Parties' Requests for Standardized Information Create More Problems than They Solve.**

EPUC requests a standardized format for reporting the impact of all potential rate changes from different dockets.^{17/} EPUC's proposal is too simplistic. First, EPUC neglects to acknowledge that proposed rates are rarely those that get adopted. For instance, in PG&E's recent GRC, the Commission adopted only 39 percent of PG&E's requested increase for the test year. Second, EPUC's proposed table in its Attachment A would be unwieldy. Implementation dates from different proceedings often do not overlap, which would make EPUC's requested "cumulative" changes column misleading.

UCAN also calls for greater standardization among the utilities.^{18/} PG&E has already expressed its concerns about standardized formats among the utilities and will not repeat them here.^{19/} Parties that desire certain information to be provided in a certain way can seek it through discovery or the Master Data Request. These tools address parties' specific needs without forcing utilities to present their showings in a manner that distorts or does not best reflect that utility's management and operations.

B. **TURN's Various Proposals to Reduce the Complexity of Utility GRC Filings and Streamline the Processing of GRCs Appear Contradictory and Do Not Achieve its Stated Objectives**

TURN proposes to simplify the forecasting of operations and maintenance (O&M) expense by having the utilities present forecasts based on base year recorded cost data escalated for inflation. First, this approach is problematic because it does not reflect how PG&E typically forecasts O&M, which generally relies on a "bottom up" forecast that considers changing

17/ EPUC, pp. 5-6 and Attachment A.

18/ UCAN, pp. 3-4.

19/ "Pacific Gas and Electric Company's Reply Comments on the Refined Straw Proposal," pp. 8-9 (July 13, 2014).

circumstances such as new compliance requirements and customer growth. In addition, as any party can take issue with the development of this forecast and propound discovery, it is not clear how this is an improvement over the status quo.

Then, in seeming contradiction to its recommendation to streamline O&M expense forecasting, TURN's proposals to increase transparency and streamline the process would result in even greater volumes of data in an already overwhelming record. For example, TURN would have the Commission require the utilities to provide multiple updates to reflect additional recorded cost data and updates to various assumptions. This would essentially result in the utilities being required to refile their entire forecasts. It is difficult to see how a proposal to refile much of the GRC forecast would meet TURN's stated goal to "reduce the time intensity of intervenor review."

While PG&E does not address all of the recommendations in TURN's comments, nor would it support many of those recommendations, there may be value in workshops to discuss various improvements, including modifications to the Master Data Request.

IV. PHASE 2 AND RATE CHANGES

In this section, PG&E replies to parties' comments about the timing of Phase 2 of the GRC.

A. The Commission Should Not Adopt SCE's or EPUC's Proposals to Delay the Phase 2 Filing

The Commission should not adopt changes to the Phase 2 schedule as proposed by SCE and EPUC.^{20/} SCE and EPUC would have the Commission push out the filing date by over four months and three months, respectively. PG&E opposes these delays, which would unnecessarily delay the proceeding and implementation of the Phase 2 rate proposals. Instead, PG&E presents a proposal that we believe accommodates EPUC's and SCE's concerns by pushing the filing of the Phase 1 Application up by three months and proposing a three-month delay in the timing for

^{20/} SCE, pp. 15-16; EPUC, pp. 6-7.

the Phase 2 Application.

PG&E is opposed to any change in the RCP that would result in a final Phase 2 decision effective date that does not allow for a decision in time to be implemented before the hottest months of summer for PG&E. The RCP currently provides for a decision in mid-April of the test year. A final decision in Phase 2 should be issued in time for the summer season to ensure that the RCP does not preclude implementation of rate design changes thought to be critical for implementation in the summer.

In its first round comments, PG&E called for filing the Phase 1 application on September 1 and proposed a Phase 1 schedule based on adherence to specific calendar date milestones, as opposed to RCP time intervals from the date of the filing.^{21/} PG&E presents in Table 1 below its primary proposal for amending the Phase 2 schedule, building off its earlier Phase 1 “calendar date” proposal. PG&E’s proposed schedule calls for filing the Phase 2 Application on March 1 and would lead to a final decision by May 23.

This proposal addresses two key issues of Phase 2 timing. First, EPUC states that the reason for its requested 90-day delay in all dates in the RCP schedule is to provide an opportunity for a decision in Phase 1 before litigating cost allocation and rate design, as EPUC believes it is difficult to litigate or settle Phase 2 without knowledge of the revenue requirement and its effect as a determinant of rate impacts.^{22/} PG&E would note that numerous Phase 2 proceedings have been successfully settled without having a final Phase 1 decision. In fact, the RCP calls for a Phase 1 final decision after the Phase 2 record already would be closed. Clearly the two were never linked. Nonetheless PG&E’s proposed “calendar day” schedule, below, addresses EPUC’s concern by making the GRC Phase 1 filing three months earlier than the

21/ See PG&E’s proposed schedule at “Pacific Gas and Electric Company’s Opening Comments on the Refined Straw Proposal,” Attachment 1, p. 10 (May 23, 2014) and “Pacific Gas and Electric Company’s Opening Comments on Revisions to the Rate Case Plan,” Appendix A, pp. A-1 to A-2 (July 25, 2014).

22/ EPUC, pp. 6-7.

current RCP, which places the issuance of the Phase 1 proposed decision prior to the deadline for Phase 2 intervenor testimony and settlement discussions. While doing so, PG&E's primary proposed schedule also allows for a final decision to be issued in time for summer implementation.

If the Commission does not adopt PG&E's calendar date approach for both Phases 1 and 2, and instead decides to retain the current RCP "day interval" approach for both the Application filing date and subsequent schedule for Phase 2, PG&E's alternative proposal (*see* Table 1 below, second column from the right) would nonetheless propose that PG&E's Phase 2 Update Testimony be moved from day 190 (approximately June 10) to day 220 (approximately July 14). This change is necessary to provide PG&E an adequate opportunity to include in its Phase 2 Update the revised forecast from the Energy Resource Recovery Account (ERRA) proceeding, which is filed on June 1. This change would also put PG&E's update on the same RCP milestone (Day 220) as is now used for SCE.

If, however, the Commission decides to retain the "day interval" approach but wishes to *delay* the initial Application and testimony for Phase 2, PG&E recommends a delay of 130 days (from Day 90 to Day 220), instead of 90 days as recommended by EPUC. EPUC's 90-day filing delay would appear to cause PG&E's Phase 2 to be filed nearly the same day as its ERRA Application (on June 1). The Commission should allow time after the ERRA forecast Application is filed so that this forecast can be incorporated into the required Update of its GRC Phase 2 showing.

Table 1

PG&E's Comparison of RCP to Proposals of EPUC, SCE, and PG&E

RCP Action Item	RCP "Day" From D.89-01-040	EPUC Proposal (+90 days for all)	SCE Proposal (File App on Update deadline)	PG&E <i>Alternative</i> Proposal (move PG&E/SDG&E Update to Day 220: consol Hearing days)	PG&E <i>Primary</i> Fixed Calendar Dates Approach
Ph 1 Application	0				Sept 1
Ph 2 Application	90	180	220	90	March 1 [6 months after Application]
Ph 2 Update Testimony	190/220 ^{23/}	280/300	220	220	July 9 [130 days post-Ph 2 App]
Ph 1 Proposed Decision	344	434/464		344 [Would fall during settlement; pre-rebuttal testimony]	Aug 11 [Would fall before Staff testimony, well before settlement]
Ph 2 Staff Testimony	250/280	340/370		280	September 7 [190 Days after Ph 2 App]
Ph 1 Final Decision	384	384		384	Sept. 20 [Would fall before intervenor testimony, during Ph 2 settlement talks]
Ph 2 Intervenor Testimony	290/320	380/410		320	October 17 [230 Days after Ph 2 App]
Ph 2 Hearings (Set 1) start	311/341	401/431	Delete	Delete	Delete
Ph 2 Hearings	322/352	412/442	Delete	Delete	Delete

23/ The RCP schedule for Phase 2 intervals are the same for PG&E and SDG&E, but all dates on and after the Update Testimony for SCE currently fall 30 days later. (See RCP p. B-2, footnote.).

RCP Action Item	RCP “Day” From D.89-01-040	EPUC Proposal (+90 days for all)	SCE Proposal (File App on Update deadline)	PG&E <i>Alternative</i> Proposal (move PG&E/SDG&E Update to Day 220: consol Hearing days)	PG&E <i>Primary</i> Fixed Calendar Dates Approach
<i>(Set 1) end</i>					
Ph 2 Rebuttal Testimony	329/359	419/449		359	Nov 25 <i>[269 Days after Ph 2 App]</i>
Ph 2 Hearings start	339/369	429/459		369	December 5 <i>[279 Days after Ph 2 App]</i>
Ph 2 Hearings end	343/373	433/463		381 <i>[10 weekdays of hearings]</i>	December 17 <i>[291 Days after Ph 2 App]</i>
Ph 2 Opening Briefs	361/391	451/481		391	January 10 <i>[315 Days after Ph 2 App]</i>
Ph 2 Reply Briefs	375/405	465/495		405	January 24 <i>[329 Days after Ph 2 App]</i>
Ph 2 Proposed Decision	459/489	549/579		489	April 23 <i>[419 Days after Ph 2 App]</i>
Ph 2 Final Decision	502/532	592/622		532	May 23 <i>[449 Days after Ph 2 App]</i>

B. The Commission Should Adopt SCE’s Other Phase 2 Recommendations

SCE proposes two other modifications to the Phase 2 schedule: (1) eliminate one set of hearings and (2) change the effective date of rate changes from the first Sunday in June to the first day of June.^{24/} PG&E supports these proposals. Like SCE, PG&E recommends holding the hearings after rebuttal testimony has been served. Both PG&E’s Primary and Alternative proposals adjust the RCP intervals to include ten total weekdays of hearings after rebuttal testimony, which PG&E believes is prudent given the number and complexity of Phase 2 issues.

C. The Commission Should Not Limit Rate Changes to Once a Year

EPUC recommends that the Commission should limit rate changes to once annually.^{25/} EPUC argues that this would “give customers certainty” and “potentially moderate the magnitude of rate changes, allowing increases to be offset by decreases.”^{26/} While PG&E is sympathetic to customers’ desire for certainty, PG&E is concerned that EPUC’s proposed limit could exacerbate, not moderate, rate changes. Therefore, PG&E opposes EPUC’s proposal.

Currently, PG&E works closely with the Energy Division to coordinate rate changes, combining changes whenever practicable to moderate the number of changes and their impacts on customers. PG&E believes that this process should continue and not be replaced by the limit advocated by EPUC.

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24/ SCE, p. 16.
25/ EPUC, pp. 4-5.
26/ EPUC, p. 5.

V. CONCLUSION

For the foregoing reasons, PG&E respectfully requests that the Commission adopt the recommendations set forth above, as well as those set forth in PG&E's opening comments.

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