

# PG&E's Recommended Changes to 2014 GRC Proposed Decision

August 4, 2014

**PD Provides a Mixed Message on Safety: Calls it a Priority but Denies Safety Funding  
PD Contradicts SB 705 – Ignores Best Practices on Safety**

## The Focus on Safety Should Be the Commission's Top Priority

- SB 705 directed that the CPUC make safety its top priority and mandated best practices for gas operations.
- CPUC's own Safety Policy Statement stated, "...CPUC not only will assure compliance...but also challenge itself and the utilities to excellence."
- Better than ever before, the PD recognizes safety as an important consideration, but then cuts safety funding.

## PD Directly Contradicts the State's New Safety Direction by Eliminating Funds for More Frequent Leak Detection

- PD funds only a 5-year cycle, disallowing approximately \$24 million in expense and \$2 million in capital for a 3-year survey – ignoring best practices.
- Surveying more frequently will help PG&E to find hazardous leaks sooner and find non-hazardous leaks before they become hazardous.
- Best Practice – Of the 46 companies surveyed in 2012, over 30 percent of gas distribution operators survey on a 3-year cycle - making this an industry "best practice" required by SB 705.
- GHG Benefit – Leak repair resulting from earlier discovery in a 3-year cycle reduces methane release and GHG emissions.

## PD Cuts Funding for Additional GSRs – Directly Contradicting Best Practices

- PD disallowance of \$17 million needed to achieve the goal of responding to all gas odor calls as immediate response calls sends a message that these safety improvements can wait until 2018.
- Best Practice – responding immediately to all gas odor calls is a best practice. Of 29 companies surveyed in 2012, 79% immediately respond to all customer calls regarding gas leaks. Disallowance would delay our ability to achieve industry best practices until 2018, at best, instead of 2015.

### Cuts Funding for Gas Control Center

- PD cuts full funding for the Gas Control Center for another 3+ years, again sending the message on real time monitoring that these safety improvements can wait.
- Additional monitoring and controls are designed to give us more situational awareness and future ability to respond quickly to emergency situations.
- PD recognized safety benefits and agreed with the forecast cost, but disallowed \$4.3 million for staffing and tech support, and \$37 million of a \$62 million capital request for installing monitoring and control devices.

### FLISR and Re-closers Revolving Stock – PD Contradicts its Own Conclusions

- PD states “...even if incremental reliability benefits were only 50% of past levels (taking line reclosers costs into account), . . . FLISR installations would still be one of PG&E’s most cost-effective reliability measures and have terrific benefit-to-cost ratios.” But then the PD disallows 25% of the forecast, reducing \$15M in capital for FLISR and \$6.1M in capital for Line Recloser Revolving Stock.
- ***Outages on FLISR circuits re-route and restore power to customers***, reducing what may have been 1-2 hour outages to less than 5 minutes.
- Benefits - FLISR Systems and Line Recloser programs provide more reliability benefits than almost any other investment. FLISRs benefit to cost ratio is 30X.

### Oil Switch Replacement - Under PD it would take 40+ years to Replace Hazardous Switches

- PD disallows \$12.5 million in capital, almost half the entire capital forecast on the basis that PG&E has not demonstrated a need to replace at the forecast rate.
- Pre-1970 oil switches present known safety hazards. Replacement of underground oil switches that have exceeded their operating lives reduces the risk of catastrophic failures.
- Benefits – New, safer switches will increase reliability for customers and prevent extended outages that result from catastrophic failures.

### Rate-basing of Nuclear Fuel

- The proposed capital structure for nuclear fuel does not reflect the way fuel is manufactured or used.
- FERC uniform system of accounts treat nuclear fuel as utility plant. Nationwide, all rate-regulated, non-merchant government-owned nuclear power plants -- without exception -- treat nuclear fuel as rate base.
- In the alternative, treat nuclear fuel the same way customer deposits are treated.

**REVENUE REQUIREMENT (RRQ) IMPACTS OF RECOMMENDATIONS**

Item	Expense/ Other (\$M)	Capital 2013 (\$M)	Capital 2014 (\$M)	2014 RRQ Estimate (\$M) <sup>(a)</sup>	Section in Comments
<b>Gas</b>					
Leak Survey Cycle	24.1		2.1	24.3	III.A
Distribution Control Center	4.3		37.4	7.7	III.B
Field Services Staffing	17.0			17.0	III.C
Pipe Replacement			8.9	0.8	III.D
<b>Electric</b>					
Underground Cable			37.8	3.4	II.B; IV.A
Pole Test and Treat (w/ joint pole credits)	3.5			3.5	II.B; IV.A
Pole Replacement		81.3		14.6	II.B; IV.A
Underground Oil Switches			12.5	1.1	IV.B
FLISR			15.0	1.4	IV.C
Line Recloser		3.0	6.1	1.1	IV.C
Network SCADA		1.3	2.0	0.4	IV.D
Plug-in Electric Vehicle Sales		3.6	5.1	1.1	IV.E
<b>IT</b>					
Concept Cost Estimating Tool	6.1		22.5	8.1	VII.A
<b>HR</b>					
STIP <sup>(b)</sup>	41.0			26.7	VIII.B
Nuclear Fuel <sup>(c)</sup>	19.9			19.9	X
<b>SUBTOTAL ADDITIONS</b>	<b>115.9</b>	<b>89.1</b>	<b>149.4</b>	<b>131.1</b>	
<b>Offsets</b>					
SmartMeter Capital Adjustment		(3.3)		(0.6)	V
Other IT Tool Reductions	(2.7)		(10.0)	(3.6)	VII.B
Employee Benefits associated with Headcount Adjustments <sup>(b)</sup>	(8.6)			(5.4)	VIII.C
<b>SUBTOTAL REDUCTIONS</b>	<b>(11.3)</b>	<b>(3.3)</b>	<b>(10.0)</b>	<b>(9.6)</b>	
<b>Depreciation</b>	<b>335.0</b>			<b>335.0</b>	<b>IX</b>