



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CAL

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Application of Pacific Gas and Electric
Company for Authority, Among Other
Things, to Increase Rates and Charges for
Electric and Gas Service Effective on
January 1, 2017. (U39M)

Application 15-09-001
(Filed September 1, 2015)

PREHEARING CONFERENCE STATEMENT OF
ENVIRONMENTAL DEFENSE FUND

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PREHEARING CONFERENCE STATEMENT OF ENVIRONMENTAL DEFENSE FUND

I. INTRODUCTION

Pursuant to Rule 7.2 of the California Public Utilities Commission's ("CPUC" or "the Commission") Rules of Practice and Procedure and in accordance with "Administrative Law Judge's Ruling Setting of the Pre-Hearing Conference" ("ALJ Ruling"), dated October 13, 2015, the Environmental Defense Fund, Inc. ("EDF")¹ respectfully submits its Prehearing Conference Statement addressing the rate application of Pacific Gas and Electric Company ("PG&E").²

II. DISCUSSION

EDF addresses the some of the issues listed in the ALJ Ruling setting the Prehearing Conference in turn below.

¹ EDF is a leading non-profit organization representing more than 350,000 members across the country, including over 58,000 in California. Since 1967, EDF has linked science, economics, law, and innovative private-sector partnerships to create breakthrough solutions to the most serious environmental problems. EDF has been active in California on environmental issues since the 1970's, and has participated in proceedings on natural gas and energy-related topics at the CPUC since 1976. EDF has interest and expertise in the role that market-based approaches can play in achieving positive environmental outcomes, an approach that is particularly salient in the field of natural gas and energy regulation.

² Initial Application, *Pacific Gas and Electric Company (U39M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2017*, A. 15-09-001, filed September 1, 2015.

A. Scope of Issues to Be Included in the Proceeding

1. Gas Distribution Scope

Concurrent with this ratemaking proceeding, the Commission and the California Air Resources Board (“CARB”) are in the process of evaluating current practices and adopting “rules and procedures governing the operation, maintenance, repair, and replacement of those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines ... [to] [m]inimize leaks.”³ Methane, the primary component of natural gas and a potent greenhouse gas when it escapes unburned, is approximately eighty-four times more powerful than carbon dioxide over the first twenty years after it is released.

EDF is greatly concerned about addressing leaks in the natural gas distribution system through issues relevant to this proceeding, such as leak detection and repair. EDF therefore strives for the effective and efficient implementation of practices and procedures by the natural gas industry to detect and remediate existing leaks and prevent the occurrence of future leaks. Not only do improved leak monitoring practices save money and energy, they also directly reduce greenhouse gases, of which methane is responsible for twenty percent of temperature increases currently experienced.⁴

EDF strongly supports the review of the revenue requests for gas distribution through a lens of cost-effective and efficient methane emission mitigation. Furthermore, as the decisions are made in R. 15-01-008 over the next year, those decisions should influence whether expenses for methane mitigation are just and reasonable.

³ Cal. Pub. Utilities Code §975(b).

⁴ California Air Resources Board, *Draft Short-Lived Climate Pollutant Reduction Strategy* at ES-7 (Sep. 2015).

2. Distribution Resources Plan Scope

As a party to the Distribution Resources Plan applications (“DRPs”) filed by the investor-owned utilities currently before the Commission,⁵ EDF is endeavoring to ensure that utilities are fulfilling their obligations in a manner most beneficial to customers, the environment, and the grid. In this General Rate Case, PG&E requested nearly \$100 million to finance their Distributed Energy Resources Integration Capacity Program, as well as nearly \$84 million to finance their new Volt-Var Optimization Program – both programs related to their DRPs.⁶ The issues associated with both programs are ripe for consideration in this proceeding and the Commission should explore whether these programs are cost-effective. While the DRP proceeding is still on-going, PG&E has rightfully included costs that will be associated during this rate period. However, rather than using the increased use of distributed energy resources as a way to increase costs to ratepayers, PG&E should be required to explore how these resources can avoid infrastructure investments. In addition, because PG&E is requesting funding for the DRP programs before they have been approved, the Commission should explore having PG&E establish an off-ramp, such as a two-way balancing account, in order to ensure that ratepayers are not being charged for programs that are ultimately not approved by the Commission.

B. Need for Evidentiary Hearings

EDF believes that evidentiary hearings will likely be necessary to resolve issues in this proceeding.

⁵ *Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769 and Related Matters*, R. 14-08-013, *et al.*, (Aug. 14, 2014).

⁶ *Pacific Gas & Electric Company 2017 General Rate Case Prepared Testimony Exhibit PG&E-4*, A. 15-09-001 at 13-30, 13-37.

C. Appropriate Category of the Proceeding

EDF agrees with the Commission Resolution ALJ 176-3363 categorization of this proceeding as ratesetting.⁷

D. Discovery Issues

EDF does not anticipate any issues with the discovery process at this time.

III. CONCLUSION

For the reasons stated above, EDF respectfully submits this Prehearing Conference statement and requests the Commission consider the issues addressed above.

Respectfully signed and submitted on October 23, 2015

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⁷ Preliminary determinations of category and need for hearing for proceedings initiated by application pursuant to Rule 7.1 of the Commission's Rules of Practice and Procedure, Resolution ALJ 176-3363 (Sep. 17, 2015).