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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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)	Application15-09-001 (Filed September 1, 2015)

JOINT COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES AND PACIFIC GAS AND ELECTRIC COMPANY ON SETTLEMENT AGREEMENT RELATING TO THE FIRST CONTESTED ISSUE

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I. INTRODUCTION

The Office of Ratepayer Advocates ("ORA") and Pacific Gas and Electric Company ("PG&E") hereby submit these comments on the first contested issue in the Settlement Agreement (the Agreement) submitted in this matter on August 3, 2016. These comments are filed pursuant to Rule 12.2 of the California Public Utilities Commission's (Commission or CPUC) Rules of Practice and Procedure, as well as the August 10, 2016 Assigned Commissioner's Ruling and Second Amended Scoping Memo.[1]

Specifically, these comments recommend that the Commission adopt a third post-test year for this General Rate Case (GRC).

II. THE COMMISSION SHOULD ADOPT A THIRD POST-TEST YEAR FOR THIS GRC

A. Background

A third post-test year was first proposed in this GRC by ORA.[2] ORA recommended a "third post-test year, in 2020, where PG&E receives a 3.50% increase in revenues over 2019 levels."[3] In rebuttal, PG&E responded that "PG&E could support a four-year GRC if the fourth year allowed PG&E a reasonable opportunity to earn its rate of return."[4] However, PG&E expressed concern that "[b]y providing only a 3.5% increase, ORA would shortchange what is necessary to finance PG&E's capital needs for 2020, and will require PG&E to significantly reduce operating and maintenance expenses from ORA's recommended funding level for 2017."[5]

No other party provided testimony on this issue.

Section 4.1 of the Agreement states that "ORA and PG&E agree that a third post-test year 2020 should be added and the revenue requirement change should be

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[1] Separately, PG&E is filing joint comments on the second contested issue with the Coalition of California Utility Employees and the Environmental Defense Fund.

[2] Exh. (ORA-1), p. 3, lines 7-10; Exh. (ORA-21), pp. 15-16.

[3] Exh. (ORA-1), p. 3, lines 7-8.

[4] Exh. (PG&E-20), p. 1-9, lines 22-23.

[5] Exh. (PG&E-20), p. 1-9, line 30 to p. 1-10, line 2.

comparable to ORA's alternative recommendation for 2019, resulting in the following amount: $361 million increase for 2020. [¶] TURN, A4NR, CAUSE and CFC oppose the third post-test year."

B. Discussion

The question of how long GRC cycles should be–as a general matter–is not the issue at hand. Unlike the recent Sempra GRC where the parties sought to change the GRC period for all of the major utilities, the issue at hand is whether to grant a four-year cycle for this GRC, and this GRC alone. In that context, and for the reasons explained below, the third post-test year is reasonable in light of the record, is in the public interest, and is consistent with law and prior Commission decisions.

1. The third post-test year award is reasonable in light of the record.

The third post-test year provision in the Agreement reflects a reasonable compromise of the parties' positions. ORA and PG&E have agreed upon an amount–a $361 million increase over 2019–that is comparable to the amount calculated by the methodology supporting ORA's alternative recommendation for 2019. The $361 million increase equates to a 4.1% increase in 2020. That amount is higher than the 3.5% increase originally recommended by ORA, though it is lower–on a percentage basis–than the Agreement's post-test year amounts for 2018 (5.5%) and 2019 (4.3%). PG&E expects the agreed-upon amount for 2020 to allow PG&E to finance its expected capital needs and provide PG&E with a reasonable opportunity to earn its rate of return.

2. The third post-test year is in the public interest.

ORA's testimony explains some of the value in adding another post-test year. For instance, doing so would allow the base year for the next rate case to no longer be the test year.[6] This could be particularly helpful if the final decision does not issue until well into the test year. In such a situation, using 2018 (not 2017) as the base for a 2021 rate case may "reflect a more stable or steady-state level of expenses or expenditures."[7]

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[6] Exh. (ORA-21), p. 15, lines 10-19.

[7] Exh. (ORA-21), p. 15, lines 15-16.

An additional benefit relates to the evolving schedule for identifying the requirements for PG&E's upcoming Risk Assessment and Mitigation Phase (RAMP) showing. Today, August 18, the Commission is scheduled to vote on a proposed decision in the Safety Model Assessment Proceeding (S-MAP) that is designed to identify the requirements for the utilities' RAMP filings. However, the proposed decision would defer the identification of the requirements for PG&E's upcoming RAMP filing "pending the outcome of a Phase Two decision" in the S-MAP.

Unless an additional post-test year is authorized in this rate case, PG&E's RAMP would be due in November 2017. Such timing may not allow for the resolution of the many pending issues foreseen in the S-MAP Phase Two decision. In contrast, adding a post-test year would cause PG&E's next RAMP to be due in November 2018, which would better allow for the resolution of the many issues outstanding in the S-MAP Phase Two proceeding.

3. The Commission has regularly authorized an additional post-test year in major rate cases.

Although the Rate Case Plan calls for a three-year rate case period,[8] it is common for the Commission to authorize an additional post-test year. The Commission explained:

> On the three-or four-year cycle, we will retain the three-year cycle. The three year cycle will minimize overlapping GRCs so long as the RCP schedule is followed. We recognize, however, that there are oftentimes other circumstances or events that interfere with the timely processing of GRCs. The assigned Commissioner and Administrative Law Judge shall have the discretion to alter the schedule as may be needed. Should the S-MAP, RAMP, and GRC processes pose scheduling conflicts, we may need to revisit the need for a four-year cycle.[9]

Exercising its discretion to vary from the three-year cycle, just a couple of months ago, the Commission authorized an additional post-test year in PG&E's Gas Transmission and

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[8] D.14-12-025, *mimeo*, p. 40.

[9] D.14-12-025, *mimeo*, p. 40.

Storage Rate Case.[10] This flexibility to add an additional post-test year is rooted in historic practice. Several times in PG&E's recent GRCs, the Commission has authorized additional post-test years.[11]

These instances where additional post-test years have been authorized for *individual* rate cases are distinguishable from Sempra's and ORA's recent request for a four-year rate case cycle for *all* rate cases. In Commission Rulemaking 13-11-006, the Commission denied, for now, a request to adopt a four-year cycle for all utilities, but the Commission called upon the Energy Division to convene a workshop to consider whether moving to a four-year GRC cycle would be advisable. The Commission stated:

> [W]e think it is appropriate to explore the GRC cycle length further in the context of timely processing all of the recurring major rate-related proceedings, such as the GRCs, cost allocation proceedings, and PG&E's gas transmission and storage proceeding, in addition to the added processes of the S-MAP and RAMP. All of these proceedings require extensive effort and resources by Commission staff and the parties. Due to the number of recurring proceedings, and the limited resources, it is important to examine this issue in light of the need to process these proceedings in a manner that results in a smoother workload flow, and the processing all of these proceedings in an efficient and timely manner. [¶] To that end, the Energy Division will be directed to hold a workshop within six months to address the pertinent issues that are involved in moving to a longer GRC cycle, and to provide a workshop report on whether a longer GRC cycle is worth pursuing.[12]

Thus, it remains to be seen whether the Commission will move to a longer cycle for all of the major utilities. Regardless, granting an additional post-test year in this rate case does not prejudge the Commission's determination of what the general period should be for the future.

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[10] D.16-06-056, *mimeo*, pp. 409-413.

[11] D.07-03-044, *mimeo*, pp. 241-249; D.04-05-055, *mimeo*, pp. 25-28. See also, D.00-02-046, *mimeo*, p. 475-477.

[12] D.16-06-005, *mimeo*, p. 6

III. CONCLUSION

For all the foregoing reasons, ORA and PG&E respectfully request that the Commission adopt a third post-test year for this GRC.

Pursuant to Commission Rule 1.8(d), counsel for PG&E has authorized ORA to submit these comments on its behalf.

Respectfully submitted,

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