

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



FILED

01/17/19
04:59 PM

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, 2020. (U39M)

Application 18-12-009
(Filed December 13, 2018)

PROTEST OF THE UTILITY REFORM NETWORK

January 17, 2019

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PROTEST OF THE UTILITY REFORM NETWORK

I. INTRODUCTION

On December 13, 2018, Pacific Gas and Electric Company (“PG&E”) filed Application (A.) 18-12-009, its Test Year 2020 General Rate Case (GRC), seeking to increase its electric and gas revenue requirement and base rates effective on January 1, 2020 and further increase its revenue requirement in each of the following two years, 2021 and 2022. PG&E warns that it makes this GRC request against a background of tremendous uncertainty regarding the work it can complete this year and during the 2020-2022 GRC cycle.¹ This uncertainty stems from the challenges faced by PG&E in accessing capital on reasonable terms, due to wildfire risk, and from the re-assignment of employees throughout the company in 2018-2019 to support restoration activities in Butte County following the Camp Fire.² PG&E anticipates making at least one, if not more, updates to its request in the months ahead to reflect a changed scope of work and PG&E’s evolving financial condition.³

These are indeed dynamic times for PG&E. Earlier this week, PG&E submitted Form 8-K to the United States Security and Exchange Commission, reporting as follows:

PG&E Corporation (the “Corporation”) and its regulated utility subsidiary, Pacific Gas and Electric Company (the “Utility”), are facing extraordinary challenges relating to a series of catastrophic wildfires that occurred in Northern California in 2017 and 2018. Following a comprehensive review with the assistance of outside advisors, the boards of directors of the Corporation and the Utility have determined that commencing

¹ Application, pp. 4-5; PG&E-01, p. 1-13.

² *Id.*

³ PG&E-01, p. 1-13 (“Given the evolving situation, PG&E will keep the Commission and parties updated during this proceeding regarding PG&E’s financial condition and any significant change required to the work plans included in PG&E’s testimony.”).

reorganization cases under Chapter 11 of the U.S. Bankruptcy Code (“Chapter 11”) is appropriate, necessary and in the best interests of all stakeholders, including wildfire claimants, PG&E’s other creditors and shareholders, and is ultimately the only viable option to restore PG&E’s financial stability to fund ongoing operations and provide safe service to customers. The Corporation and the Utility currently expect that they will file for reorganization under Chapter 11 in the U.S. Bankruptcy Court for the Northern District of California on or about January 29, 2019, following the expiration of a 15-day advance notice period mandated under recently enacted California law.⁴

Additionally, last week Judge William Alsup, the United States District Judge overseeing PG&E’s five-year corporate probation period resulting from its six felony convictions,⁵ ordered PG&E to appear on January 30, 2019, because the court “finds there is probable cause to believe there has been a violation of the conditions of supervision.”⁶ If the court finds that PG&E has violated a condition of probation, the court may continue PG&E’s probation with or without extending the term or modifying the conditions, or revoke PG&E’s sentence of probation and re-sentence PG&E.⁷ On the same day, January 9, Judge Alsup also issued an order to show cause why PG&E’s conditions of probation should not be modified to include specific electrical system

⁴ PG&E Corporation and PG&E Form 8-K, dated January 13, 2019, at Items 1.03 and 8.01, available at https://www.pge.com/pge_global/common/pdfs/about-pge/company-information/reorganization/reorganization-8-K.pdf.

⁵ As explained by Judge Alsup on page 1 of his Jan. 9, 2019, *Order to Show Cause Why PG&E’s Conditions of Probation Should Not Be Modified*, “In 2016, a jury convicted PG&E on six felony counts of knowingly and willfully violating safety standards and obstructing an investigation by the National Transportation Security Board arising out of the San Bruno explosion of a PG&E gas pipeline that killed eight and destroyed 38 homes. A corporation cannot go to prison, so the criminal judgment imposed the largest fine allowed by law and several conditions of probation.”

⁶ *Petition for Summons for Offender Under Supervision*, issued Jan. 9, 2019, U.S. District Court, N.D. Cal., Docket No. 0971 3:14CR00175-001 WHA, available at http://sl.q4cdn.com/880135780/files/doc_downloads/2019/Probation-Summons-for-1-30-2019.pdf.

⁷ *Petition for Summons for Offender Under Supervision*, p. 5 (citing 18 U.S.C. § 3565(a)).

operational mandates, which are “intended to reduce to zero the number of wildfires caused by PG&E in the 2019 Wildfire Season.”⁸ Those operational mandates relate, at least in part, to categories of electric distribution system activities included in PG&E’s GRC application.⁹ Judge Alsup ordered PG&E to show cause by Jan. 23 and set the hearing date for Jan. 30, 2019.¹⁰

The Utility Reform Network (“TURN”) is unaware of any other GRC proceeding conducted under such conditions.¹¹ Thus, it already seems evident that this GRC is likely to proceed like no other, and the Commission will be called upon to create a process that will accommodate the current uncertainties.

⁸ *Order to Show Cause Why PG&E’s Conditions of Probation Should Not Be Modified*, issued Jan. 9, 2019, U.S. District Court, N.D. Cal., Docket No. 0971 3:14CR00175-001 WHA, available at http://sl.q4cdn.com/880135780/files/doc_downloads/2019/Alsup-PGE-01.09.19.pdf.

⁹ *Id.*, p. 2 (“In light of PG&E’s history of falsification of inspection reports, PG&E shall, between now and the 2019 Wildfire Season, re-inspect all of its electrical grid and remove or trim all trees that could fall onto its power lines, poles or equipment in high-wind conditions, branches that might bend in high wind and hit power lines, poles or equipment, and branches that could break off in high wind and fall onto power lines, poles or equipment; shall identify and fix all conductors that might swing together and arc due to slack and/or other circumstances under high-wind conditions; shall identify and fix damaged or weakened poles, transformers, fuses and other connectors; and shall identify and fix any other condition anywhere in its grid similar to any condition that contributed to any previous wildfires.”). See PG&E-4, Electric Distribution Testimony, for a discussion of PG&E’s proposed electric distribution O&M and capital spending, which includes routine and enhanced vegetation management, pole inspections, overhead system hardening, maintenance of other system assets, etc.

¹⁰ *Id.*, p. 4.

¹¹ The closest scenario is PG&E’s Test Year 2003 GRC, A.02-11-017 et al.. PG&E filed that application on November 8, 2002, eighteen months after filing for Chapter 11 bankruptcy protection on April 6, 2001. PG&E emerged from bankruptcy on April 12, 2004, a month before the Commission issued its decision on PG&E’s 2003 GRC, D.04-05-055. See D.04-05-055, Section 3 (pp. 12-14 per table of contents – discussion pages are un-numbered), and Section 10.3.3.2, fn. 61 (p. 119). In that GRC, the lag between the bankruptcy filing and PG&E’s service of the GRC application meant that, while the bankruptcy overlay was disruptive of the usual GRC process, at the time the application was served there was less uncertainty regarding PG&E’s financial condition going forward, its operational obligations, the magnitude of costs attributable to the bankruptcy, and the extent of its ability to finance its proposed GRC activities than is known today.

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, TURN submits this protest to PG&E's GRC application.¹² Some elements of TURN's protest focus on the contents of PG&E's request, as filed last month. TURN also addresses procedural issues that arise from PG&E's forewarning of upcoming changes to its request. TURN submits that it makes little sense to go forward as if the requests set forth in PG&E's application and testimony as originally submitted will remain PG&E's requests going forward when the utility has so clearly signaled that this is not the case. Therefore, TURN expects that much of the discussion of the issues and procedural course for this GRC application proceeding in the lead-up to the Scoping Memo will address how best to ensure PG&E has reasonable opportunities to make appropriate changes, and to ensure that intervenors and the Commission itself are not forced to waste precious time and resources addressing the application and initial testimony positions that may well be rendered irrelevant by PG&E's later changes.

II. OVERVIEW OF PG&E'S GRC REQUEST AND THE BROADER CONTEXT IN WHICH THE ASSOCIATED RATE IMPACTS WOULD OCCUR

PG&E is requesting very significant revenue requirement increases in 2020, 2021, and 2022, as summarized in the following table.

¹² Rule 2.6 requires that protests be filed within 30 days of the date the notice of the filing of the application first appeared in the Commission's Daily Calendar. Notice of PG&E's application first appeared on December 18, 2018. TURN's protest is thus timely filed.

PG&E Test Year 2020 GRC Request (2020-2022 Cycle)¹³

Year	Increase (\$000)	GRC Rev. Req. (\$000)	% Increase
2019 (Authorized)		\$8,518,000	
2020	\$1,058,000	\$9,576,000	12.42%
2021	\$454,000	\$10,030,000	4.74%
2021	\$486,000	\$10,516,000	4.85%
Sum of 2020-2022 Increases	\$1,998,000		
% Increase by 2022 (over 2019)	23.46%		
Cumulative Increase in Revenues	\$4,568,000		

Taken together, PG&E asks that its ratepayers pay \$4.6 billion more over the three-year rate case cycle for gas and electric service than ratepayers would pay if 2019 currently authorized base revenue requirements were to remain unchanged.¹⁴

PG&E provides electric and gas bill impacts associated with its request for 2020. PG&E indicates that a “typical” residential customer (not taking service on the California Alternate Rates for Energy (CARE) program), using 500 kWh and 34 terms per month, would face a 7.7% increase in their electric bill compared to 2018 and a 3.5% increase to their gas bill, for a total combined bill impact of 6.4%.¹⁵ PG&E does not provide bill impacts for the 1.372 million households in its service territory that are low income and enrolled in the CARE program.¹⁶ Nor does PG&E provide bill impacts for any customers from the revenue requirement increases it requests in 2021 and 2022. TURN intends to

¹³ See Application, pp. 6, 7.

¹⁴ Calculation: (\$1,058 million) x 3 + (\$454 million) x 2 + (\$486 million) = \$4.568 billion.

¹⁵ Application, p. 5.

¹⁶ “Monthly Report of Pacific Gas and Electric Company on Low Income Assistance Programs for November 2018,” filed by PG&E in A.14-11-007 et al. on 12/21/18, CARE Table 5.

request this information.

In PG&E's most recent GRC, Administrative Law Judge Roscow recognized that the average customer bill varies considerably by climate zone. He directed PG&E to provide bill impacts (by dollar increase and percentage increase) by climate zone for both 500 kwh and the average usage in each climate zone, so that customers in hot climate zones in particular would receive more accurate notice regarding bill impacts associated with PG&E's Test Year 2017 GRC request.¹⁷ Based on an initial review, PG&E appears to have not included this more detailed information in its GRC testimony. TURN recommends the assigned Administrative Law Judges direct the utility to submit such information, consistent with the approach from the test year 2017 GRC.

The Commission must keep in mind that customers would experience the bill impacts from PG&E's 2020, 2021, and 2022 increases *in combination with* revenue requirement and rate increases associated with other non-GRC programs and projects.¹⁸ PG&E suggests "there will be a number of factors that will increase and decrease overall costs" over the course of the next year.¹⁹ This is correct. But more importantly, based on PG&E's pending requests for revenue requirement changes, the net effect of those changes would be an increase in electric and gas bills for residential customers before any

¹⁷ See Attachment 1 (E-Mail from ALJ Roscow to PG&E on 7/12/16).

¹⁸ For example, PG&E's 2018 Catastrophic Event Memorandum Account (CEMA) application, A.18-03-015, appears to be on course to achieve a final decision in late 2019 at the earliest, with a likely impact of hundreds of millions of dollars in the authorized revenue requirement for 2020 and 2021 (assuming the Commission finds reasonable a substantial portion of PG&E's request for \$588 million of revenue requirement for recorded costs from 2016-2017 events, and \$550 million of revenue requirement for 2018 and 2019 activities, and amortizes the rate recovery over a two-year period).

¹⁹ PG&E-01, p. 2-2.

authorized GRC increase takes effect.²⁰

In Senate Bill (SB) 598 (2017, Hueso), the California Legislature added Section 718 to the Public Utilities Code, which directs the Commission to, in pertinent part,

develop policies, rules, or regulations with a goal of reducing, by January 1, 2024, the statewide level of gas and electric service disconnections for nonpayment by residential customers, including policies, rules, or regulations specific to the four gas and electrical corporations that have the greatest number of customers. The commission shall convene stakeholders, including, but not limited to, public health officials, consumer advocates, and organizations representing low-income communities, to assist with the development of the policies, rules, or regulations.²¹

While the Commission cannot address all issues at play in utility bill affordability, there are a number of factors within the Commission's jurisdiction that impact the level of utility disconnections for non-payment. The primary factors are the size of utility bills and utility credit and collection practices. In Rulemaking 18-07-005, *Order Instituting Rulemaking to Consider New Approaches to Disconnections and Reconnections to Improve Energy Access and Contain Costs*, the Commission is considering how to use credit and collections policies to reduce disconnections.²²

²⁰ PG&E Response to TURN Data Request 1, Q1, in R.18-07-006 (Affordability Rulemaking). At TURN's request, PG&E provided TURN a list of all open proceedings (as of November 2018) where the utility has a pending request for ratepayer funds, including the estimated bill impacts for residential customers associated with each request as initially filed by the utility (among other data points). The list provided by PG&E is admittedly under-inclusive; it excludes revenue requirement requests presented in proceedings initiated by the Commission and in advice letters filed in accordance with a Commission decision. The list also excludes previously authorized revenue requirement increases that are not yet in rates but will impact rates during this GRC cycle. Finally, given the timing of PG&E's response, the list excludes PG&E's recently filed 2018 Nuclear Decommissioning Cost Triennial Proceeding Application, A.18-12-008, as well as this GRC.

²¹ Cal. Pub. Util. Code § 718(a).

²² See, e.g. D.18-12-013 (adopting interim rules to reduce residential disconnections for customers of the large California-jurisdictional energy utilities while the Commission considers

In this proceeding, the Commission’s decision will impact customer bills, the other lever in managing disconnections. PG&E acknowledges the correlation between the size of residential bills and the volume of residential service disconnections for non-payment, at least for CARE customers, as shown over the 2010-2017 time period.²³ The Commission must consider bill affordability as it carefully scrutinizes PG&E’s GRC request and only approve those requests that PG&E has demonstrated are just and reasonable. Additional rate increases, such as the substantial increases proposed in these GRCs, will only make bills less affordable, all else being equal.

III. GROUNDS FOR PROTEST

The Commission must ensure that the rates charged by PG&E are just and reasonable. As the Commission explained in D.01-10-031:

We have a regulatory responsibility to ensure PG&E provides adequate service at just and reasonable rates, and we must view the facts accordingly. Our legislative mandate encompasses promoting the “safety, health, comfort, and convenience of PG&E’s patrons, employees, and the public.” See §451.²⁴

TURN protests PG&E’s request for authorization to increase its revenue requirement as presented in its GRC application, as PG&E’s requests are without sufficient support. As the applicant, PG&E bears the burden of proving that it is entitled to the relief being sought here and must affirmatively establish the reasonableness of each

longer term solutions).

²³ PG&E-6, p. 7-24 (explaining the results of its analysis required SB 598, Section 718(b)). PG&E provides the historical data it relied on in its workpapers but not does not show its calculations nor provide the correlation coefficients it found. TURN has not analyzed the raw data provided in PG&E-7, Workpapers 7-37 – 7-41.

²⁴ D.01-10-031, *Order Granting Rehearing of and Modifying Decision 00-02-046*, p. 5.

and every proposal within its application.²⁵ Moreover, the starting point for the Commission's analysis must be that existing rates are reasonable unless a party meets its burden of proving that they are not.²⁶

While TURN is still in the preliminary stage of our investigation, we expect to present evidence in our prepared testimony and through evidentiary hearings showing that PG&E has failed to meet its burden of demonstrating the reasonableness of many aspects of its showing, including but not limited to certain proposals regarding electric distribution costs (such as PG&E's Community Wildfire Safety Program requests²⁷), gas distribution costs, electric generation costs, customer service costs and levels of service (such as PG&E's proposal to close 17 customer service offices²⁸), administrative and general expenses (such as PG&E's request for recovery of the full Short-Term Incentive Plan revenue requirement for non-officer employees²⁹), shared services and other support costs, rate base, post-test year ratemaking, and PG&E's proposals regarding balancing accounts and the Safety Earnings Adjustment Mechanism.³⁰ This list is by no means exhaustive.

TURN has also identified a few specific issue areas that warrant close scrutiny.

²⁵ See, *i.e.*, D.09-03-025, p. 8 (discussing SCE's burden of proof in its Test Year 2009 General Rate Case, A.07-11-011).

²⁶ "[The utility] has the burden of proving that its current authorized revenues are unreasonable and should be adjusted." D.00-02-046, Conclusion of Law 3.

²⁷ Application, pp. 2-3; PG&E-1, p. 1-11.

²⁸ Application, p. 27.

²⁹ Application, p. 22.

³⁰ Application, pp. 16-17; PG&E-12, Ch. 14.

(1) TURN anticipates that there will be several categories of costs for which the Commission will need to ensure PG&E has only included in this GRC request appropriate amounts, where the underlying costs could implicate issues or activities for which rate recovery is either expressly prohibited or highly inappropriate. For example, PG&E's federal criminal conviction would have caused the utility to incur costs associated with complying with the terms of its probation. There is a renewed concern about such costs in light of the recent ruling of Judge Alsup of the federal District Court, mentioned above, indicating that additional conditions of probation might be added that implicate activities very similar to those typically the subject of GRC forecasts.³¹ And the Commission's recently-initiated investigation into PG&E's Locate & Mark activities, occurring in I.18-12-007, will likely implicate costs similar to those included in PG&E's forecast for such activities in this GRC.³²

(2) Another area of necessary scrutiny will be the extent to which some forecasts, particularly those associated with wildfire risk, account for higher costs attributable to PG&E's own actions. For example, PG&E forecasts significant increases in wildfire liability insurance costs, which accounts for more than a quarter of its total requested revenue requirement increase.³³ To the extent that some portion of that increase is

³¹ See, also, D.17-05-013, issued in PG&E's 2017 GRC, pp. 131-132; 231-232 (discussing costs PG&E might incur as a result of its criminal convictions and sentencing, as well as PG&E's proposals for the future ratemaking treatment of such costs).

³² TURN also intends to evaluate whether PG&E has implemented the full extent of the GRC Ratemaking Remedy required by Article II, Section 2.2.C of the Settlement Agreement adopted by the Commission in D.18-04-014, issued in the Ex Parte Violations OII, I.15-11-015. The compliance item identified by PG&E in PG&E-12 regarding this decision is incomplete; it fails to mention the one-time \$10 million adjustment to be amortized over PG&E's 2020 GRC cycle.

³³ Application, pp. 2 (Table 1), 3.

attributable to PG&E's own past negligence, the Commission must take this into account.

That increment of the increased costs should not be recovered from ratepayers.

Similarly, PG&E's forecasts of claims and legal settlements expenses need to be closely scrutinized to assess whether PG&E was arguably negligent for the underlying event, whether or not PG&E settled the claim without any finding on the liability issue.

(3) Third, the issue of deferred work, referring specifically to a utility's request to charge ratepayers a second time for work that was authorized and funded by ratepayers in the prior rate case but deferred by the utility, continues to warrant the Commission's attention in this GRC, as it has in previous rate cases for PG&E and other utilities. Contrary to PG&E's presentation in its testimony, the issue is not whether utilities are permitted to reprioritize work.³⁴ TURN does not dispute that utilities are generally afforded some latitude in this regard. Rather, when a utility elects to reprioritize work and seek funding for the deferred work again in the next case, the issue is whether the utility has a sufficiently good reason for deferring the work to justify charging ratepayers a second time. As the Commission explained in Southern California Edison's (SCE) 2009 GRC:

Utility management is generally provided discretion regarding use of authorized funds and is not bound by the adopted forecast. *However, as we have observed in prior decisions, there are limits to that managerial discretion and when a utility's expense estimate includes the performance of a task it had planned to accomplish with previously authorized funds, the Commission wants to know why the utility did not spend its funds as planned and we will be hesitant to include the same expense twice in adopted forecasts.*³⁵

³⁴ PG&E-2, Chapter 2, Section C.

³⁵ D.09-03-025, p. 3 (emphasis added). This decision cites four previous GRC decisions: D.07-04-044 (PG&E's 2007 GRC), D.04-07-022 (SCE's 2003 GRC), D.04-05-055 (PG&E's 2003 GRC) and D.82-12-055 (a SoCalGas GRC).

This framing of the issue is consistent with and was reinforced in lengthy discussions in PG&E’s 2011 and 2014 GRC decisions.³⁶ All of these decisions reflect the common-sense notion that, if a utility seeks to charge ratepayers a second time for previously funded work, it should have a very good reason for doing so – and that avoiding a reduction in utility profit is not a sufficiently good reason.

This common-sense notion is at the heart of Section 3.2.8.4 of the settlement agreement among PG&E, TURN and other parties that was adopted in the 2017 PG&E GRC Decision, D.17-05-013 (“the Deferred Work Settlement”).³⁷ The Deferred Work Settlement recites six principles derived from CPUC decisions relating to the appropriateness of deferring work and charging ratepayers a second time for such work.

For example, Principle 1 provides:

Where funds are originally collected from ratepayers based on representations that the work is necessary to provide safe and reliable service and, yet, PG&E does not perform all of the designated work, the fact that PG&E must pay for a higher priority activity or program does not nullify or extinguish its responsibilities to fund forecasted and authorized work unless such work is no longer deemed necessary for safe and reliable

³⁶ D.11-05-018, pp. 27-31 (“The Commission will be critical in its evaluation of previously requested activities or projects that were deferred and re-requested keeping in mind that the utility has the obligation to maintain its operations and its plant in the condition to provide efficient, safe and reliable service, even if that condition requires more expenditures than the Commission has authorized.”); D.14-08-032, e.g., pp. 190, 197-198 (“To provide this protection to shareholders, PG&E curtailed implementation of the programs which ratepayers had funded. PG&E now seeks similar funding from ratepayers in this subsequent GRC to pay for a program that was curtailed. Utility spending should not be driven simply by the timing of rate relief by deferring pole replacements at levels based on previously adopted forecasts. Accordingly, although we do not expect PG&E to implement its workload in an inflexible manner, we do not believe that ratemaking should provide an incentive to ration projects based upon the timing of rate cases.”)

³⁷ The Deferred Work Settlement also applied to PG&E’s 2019 GT&S case, A.17-11-009, which has now been submitted for decision. Issues regarding the reasonableness under the Settlement of PG&E’s efforts to charge ratepayers a second time for certain costs were the subject of extensive litigation and briefing.

service.³⁸

The Deferred Work Settlement places the burden on PG&E, “in order to seek ratepayer funding for work that was previously authorized and funded,” of demonstrating *in its direct showing* that each deferral of work and each “specific funding request” resulting from such deferrals is consistent with those principles. The Deferred Work Settlement further requires PG&E to provide a demonstration of the reasonableness of any alternative work, for the purpose of “evaluating the appropriateness of the new funding request.”³⁹ Thus, the clear focus of the Deferred Work Settlement is requiring PG&E to provide a justification for charging ratepayers a second time for the same work – one that comports with the six principles agreed to in the Settlement.

In its testimony, PG&E acknowledges 12 categories of work that are subject to the Deferred Work Settlement.⁴⁰ Although PG&E resists this framing of the issue, this means that, for each of these 12 categories, PG&E must demonstrate in its direct showing that its request to charge ratepayers a second time for the work in question is consistent with the Deferred Work Settlement principles and otherwise just and reasonable. Accordingly, this will be a key issue in this case.

A related issue – one that emerged in the 2019 GT&S case in response to questions from ALJ Roscow – is whether PG&E has identified all of the funding requests to which the Deferred Work Settlement applies. Anticipating this issue, prior to the filing of this application, TURN and PG&E conferred regarding a detailed template that PG&E

³⁸ D.17-05-013, pp. 187-188.

³⁹ *Id.*

⁴⁰ PG&E-2, Chapter 2, Section C and Table 2-5.

would be including in its direct showing in this case to enable parties to determine whether PG&E has identified all of the funding requests to which the Settlement applies.⁴¹ It appears that PG&E has included separate templates for its different lines of business in its workpapers. Reviewing these templates and confirming whether PG&E has properly identified all of the funding requests that are subject to the Settlement will likely be another issue in this case.

IV. EFFECT OF THE APPLICATION ON THE PROTESTANT

TURN is a non-profit consumer advocacy organization, and has a long history of representing the interests of residential and small commercial customers of California's utility companies before this Commission. TURN's articles of incorporation specifically authorize our representation of the interests of residential customers. PG&E's application threatens to harm the interests of PG&E's residential ratepayers, whose interests TURN represents, by seeking authorization to collect from ratepayers charges that are unjust and unreasonable for the provision of safe and reliable electric and natural gas utility service by PG&E during the years 2020, 2021, and 2022.

V. CATEGORIZATION AND NEED FOR EVIDENTIARY HEARINGS

In Resolution ALJ 176-3430 (Jan. 10, 2019), the Commission preliminarily determined that this proceeding should be categorized as "ratesetting" and that evidentiary hearings will be necessary. TURN concurs with this assessment. PG&E has requested a substantial rate increase, and the Commission's disposition of PG&E's application will require the resolution of numerous disputed issues of material fact,

⁴¹ TURN and PG&E did not agree on all of the particulars of the information that should be presented in the template, which may lead to issues for Commission resolution in this case.

including the reasonableness of PG&E's forecasts of test year costs throughout its showing and the reasonableness of PG&E's proposed attrition mechanism. TURN intends to actively participate in evidentiary hearings as necessary to support our recommendations.

VI. SCOPE OF ISSUES TO BE CONSIDERED

Historically, it was customary for the Commission to issue an Order Instituting Investigation (OII) and open a companion docket to the utility's general rate case application. As the Commission explained when it opened I.06-03-003, the companion investigation to A.05-12-002, PG&E's 2007 General Rate Case:

The purpose of this investigation is to allow the Commission to consider proposals other than PG&E's, and to enable the Commission to enter orders on matters for which the utility may not be the proponent. This companion investigation will also afford parties an opportunity and forum to provide evidence on issues of interest to the Commission. These issues may result in directives to PG&E that serve the public interest and that result in just and reasonable rates, services, and facilities.⁴²

More recently, the Commission has declined to open a companion investigation in general rate cases, instead finding that such a proceeding would be unnecessary to allow the Commission to address affirmative recommendations of parties on subjects relevant to GRCs but not covered by the utilities' applications or testimony.⁴³ This is the approach taken in the last three SDG&E/SoCalGas GRCs, for instance.⁴⁴

⁴² Order Instituting Investigation 06-03-003, issued March 7, 2006, p. 1.

⁴³ See, e.g., *Scoping Memo and Ruling of Assigned Commissioner*, issued Mar. 1, 2011 in A.10-11-015 (SCE 2012 GRC), p. 26.

⁴⁴ *Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling*, issued Mar. 2, 2011 in A.10-12-005 / A.10-12-006 (SDG&E/SoCalGas 2012 GRC), p. 12; and *Assigned Commissioner's Scoping Memo and Ruling*, issued Feb. 5, 2015 in A.14-11-003 / A.14-11-004 (SDG&E/SoCalGas 2016 GRC), p. 6; and *Assigned Commissioner's Scoping Memo and Ruling*,

In this case, TURN requests that the Commission either open a companion investigation to PG&E's 2020 General Rate Case or clarify that the Commission will entertain herein the affirmative proposals of parties other than PG&E, even where such proposals are not covered by PG&E's application or testimony, as long as parties' proposals address issues properly within the scope of a general rate case. Either of these approaches would avoid an overly restrictive construction of the matters the Commission may consider in this docket as it evaluates how best to serve the public interest.

VII. PROPOSED SCHEDULE

PG&E proposes a schedule for this proceeding with testimony from the Public Advocates Office on June 3, 2019; other inventor testimony four weeks later, on July 1, 2019; public participation hearings in July/August 2019; concurrent rebuttal testimony on August 13, 2019; evidentiary hearings two weeks thereafter, from August 27 – September 20, 2019; opening briefs four weeks later on October 18, 2019 and reply briefs on November 8, 2019; all of which would result in a proposed date for a final decision in March 2020.⁴⁵

PG&E's schedule has at least two specific short-comings that the Commission should remedy. First, it would provide the Public Advocates Office insufficient time to prepare its testimony.⁴⁶ PG&E would provide 172 days (measured from the date the application and direct testimony were served), which is substantially less than the Public

issued Jan. 29, 2018 in A.17-10-007/A.17-10-008 (SDG&E/SoCalGas 2019 GRC), p. 5.

⁴⁵ Application, p. 30.

⁴⁶ The due date for the Public Advocates Office testimony and reports is typically the basis for all dates that follow in a GRC procedural schedule, including the due date for the direct testimony of TURN and other interested parties.

Advocates Office enjoyed in the last three GRCs, each of which was filed after the Commission updated the Rate Case Plan in D.14-12-025.⁴⁷ TURN understands that the Public Advocates Offices will be recommending a later due date for its testimony. TURN supports providing the Public Advocates Office with the time it needs and intends to coordinate further with the Public Advocates Office on schedule before the prehearing conference.

Second, PG&E's schedule provides only two weeks between rebuttal testimony and the start of evidentiary hearings. The Rate Case Plan does not precisely prescribe this window; it anticipates that rebuttal testimony will be due May 1 and evidentiary hearings will be held in "May/June" if needed.⁴⁸ However, in the three GRCs filed since the issuance of the new rate case plan in D.14-12-025, the Commission's schedule has provided more than two weeks between rebuttal testimony and evidentiary hearings. The schedule in the PG&E 2017 GRC provided 17 days, in the SCE 2018 GRC, 27 days, and in the SDG&E/SoCalGas 2019 GRC, 21 days.⁴⁹ TURN recommends that the Commission adopt a schedule with at least **three weeks** between rebuttal testimony and the start of evidentiary hearings, as opposed to PG&E's two weeks. This extension would permit parties to conduct discovery (with the potential for eliminating issues in

⁴⁷ The schedule adopted in the PG&E 2017 GRC provided 220 days; in the SCE 2018 GRC, 218 days; and in the SG&E/SoCalGas 2019 GRC, 189 days. *Assigned Commissioners Ruling and Scoping Memo*, issued December 1, 2015 in A.15-09-001 (PG&E 2017 GRC), Appendix A; *Scoping Memo and Joint Ruling of Assigned Commissioner and Administrative Law Judges*, issued December 2, 2016 in A.16-09-001 (SCE 2018 GRC), Appendix B; *Assigned Commissioner's Scoping Memo and Ruling*, issued Jan. 29, 2018 in A.17-10-007/A.17-10-008 (SDG&E/SoCalGas 2019 GRC), p. 7.

⁴⁸ D.14-12-025, p. 42.

⁴⁹ See, footnote 47, above.

need of cross-examination) and otherwise more effectively prepare for hearings. TURN notes that the window between rebuttal testimony and evidentiary hearings impacts intervenors most acutely, as the utility customarily puts its own witnesses on the stand first in a GRC.

Last but certainly not least, TURN reiterates the need for some flexibility in the schedule to accommodate the updates PG&E needs to make because of its financial circumstances. As discussed in Section I above, TURN urges the Commission to accommodate both PG&E's need for reasonable opportunities to make appropriate changes to its GRC request and other parties' reasonable desire to avoid devoting resources to examining requests of PG&E that will substantially change in the next few months. TURN intends to work with PG&E before the prehearing conference in an attempt to better ascertain the timing and magnitude of PG&E's forthcoming updates. This information should help us to make a more informed recommendation to the Commission regarding the schedule in this proceeding, given the unusual degree of uncertainty presented here. TURN is hopeful that such an informed recommendation can be presented or developed during the prehearing conference.

VIII. OTHER MATTERS

A. THE ROLE OF 2018 RECORDED EXPENDITURE DATA

Consistent with the Rate Case Plan, the forecasts presented in PG&E's GRC application and supporting testimony include and generally rely on Base Year (BY) 2017 recorded expenditures, along with recorded figures from preceding years. But at the very end of the utility's summary volume of testimony, PG&E includes as a "miscellaneous" issue the assertion that the reasonableness of its forecasts should be judged based on the

information available to the utility as of when the forecasts were prepared in 2018.⁵⁰ The Commission should reject this position out of hand. Prior GRC decisions have acknowledged the appropriateness of relying on recorded data from periods later than the designated base year where doing so achieves a more reasonable Test Year forecast. In particular, the Commission has regularly considered the actual recorded expenditures (both O&M and capital) from the BY+1 (here, 2018) in its determination of the appropriate forecast method for a number of individual cost forecasts.

For instance, in D.12-11-051, issued in SCE's 2012 GRC, the Commission concluded that actual recorded expenditures (both O&M and capital) from the BY+1 can be informative in a GRC.⁵¹ Then in D.13-05-010, issued in the SDG&E/SoCalGas 2012 GRC, the Commission concluded that it was appropriate to consider BY+1 recorded data (2010 data in that case) in determining which methodology should be adopted for individual cost forecasts. The Commission found no limitation on the use of more recent data in the Rate Case Plan, contrary to the Applicants' assertions.⁵² The Commission explained, "Our picking and choosing of what the appropriate methodology to use for the cost forecasts will allow us to develop cost forecasts that we believe are reasonable to both ratepayers and the Applicants, and are as accurate as they can be within our GRC ratemaking framework."⁵³ Next, in D.14-08-032, issued in PG&E's TY 2014 GRC, the

⁵⁰ PG&E-1, p. 2-14.

⁵¹ D.12-11-051, p. 13 (addressing the use of 2010 recorded data in SCE's Test Year 2012 GRC, which had a Base Year of 2009).

⁵² D.13-05-010, p. 19 ("Simply put, the use of more recent data by the parties is not prohibited by the Rate Case Plan.").

⁵³ D.13-05-010, p. 20.

Commission considered BY+1 recorded data (2012 data) in adopting forecasts for some areas.⁵⁴ Likewise, in D.15-11-021, issued in SCE’s TY 2015 GRC, the Commission considered BY+1 recorded data (2013 data) in its analysis of some costs.⁵⁵ Last but not least, in D.16-06-054, issued in the SEU TY 2016 GRC, the Commission relied on BY+1 recorded data (2014 data in that case) to assess the reasonableness of certain forecasts included in the proposed settlement agreement.⁵⁶

To ensure that the Commission and parties have timely access to the most recent recorded data to use in evaluating PG&E’s GRC requests, TURN recommends that PG&E make available to parties its 2018 recorded cost data (O&M and capital) as early as practicable. TURN requests that PG&E indicate in its reply to protests or at the Prehearing Conference approximately when parties should look forward to receiving this data so that we may plan accordingly.

IX. CONCLUSION

For the reasons set forth herein, TURN protests the Test Year 2019 GRC Application of PG&E. TURN additionally agrees that evidentiary hearings will be necessary; asks the Commission to incorporate the issues identified in Section III and clarify that affirmative recommendations of parties on subjects relevant to GRCs but not

⁵⁴ See, e.g., D.14-08-032, p. 75 (setting test year forecast for leak survey and repair expense using TURN’s forecasted leak rate, which was based on the average leak rate for 2011 – 2012); p. 88 (adopting TURN’s forecast for Pilot Relights, which was based in part on recorded 2012 costs).

⁵⁵ See, e.g., D.15-11-021, p. 20 (“However, we agree with TURN that 2013 recorded data is informative for Account 536 and adopt TURN’s proposal for that account.”); p. 26 (“For the McGrath adjustment, we agree with TURN that 2013 is a more appropriate basis than 2012.”).

⁵⁶ See, e.g., D.16-06-054, p. 62 (“Based on the testimony of SDG&E and ORA, and the 2014 recorded expenses, the agreed upon amount of \$0.400 million for the O&M costs associated with Technology Innovation and Development is reasonable and should be adopted.”).

covered by the utility's application or testimony are within the scope; and recommends changes to the proposed schedule. Finally, TURN advocates the timely delivery of recorded 2018 expenditures to interested parties by PG&E.

Date: January 17, 2019

Respectfully submitted,

By: _____/s/_____
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Staff Attorney

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E-Mail: hayley@turn.org

Attachment 1

**E-Mail from ALJ Roscow to PG&E on 7/12/16
Requesting Bill Impacts by Climate Zone**

Subject: A.15-09-001, ALJ request for baseline region-specific residential bill impacts

From: "Roscow, Stephen C." <Stephen.Roscow@cpuc.ca.gov>

Date: 7/12/16, 12:29 PM

To: "james@utilityadvocates.org" <james@utilityadvocates.org>, "JMauldin@AdamsBroadwell.com" <JMauldin@AdamsBroadwell.com>, "klr@a-klaw.com" <klr@a-klaw.com>, "VidhyaPrabhakaran@dwtd.com" <VidhyaPrabhakaran@dwtd.com>, "JPong@SempraUtilities.com" <JPong@SempraUtilities.com>, "Douglass@EnergyAttorney.com" <Douglass@EnergyAttorney.com>, "McNultFA@sce.com" <McNultFA@sce.com>, "Apak@AIPakLaw.com" <Apak@AIPakLaw.com>, "jpacheco@semprautilities.com" <jpacheco@SempraUtilities.com>, "RobertGnaizda@gmail.com" <RobertGnaizda@gmail.com>, "folk@smwlaw.com" <folk@smwlaw.com>, "Tudisco, Laura J." <laura.tudisco@cpuc.ca.gov>, "william.sanders@sfgov.org" <william.sanders@sfgov.org>, "hayley@turn.org" <hayley@turn.org>, "ajohnson@edf.org" <ajohnson@edf.org>, "NJohnson@Consumercal.org" <NJohnson@Consumercal.org>, "rafferty@gmail.com" <rafferty@gmail.com>, "jwiedman@kfwlaw.com" <jwiedman@kfwlaw.com>, "TLindl@kfwlaw.com" <TLindl@kfwlaw.com>, "service@cforat.org" <service@cforat.org>, "blaising@braunlegal.com" <blaising@braunlegal.com>, "smn@dwgp.com" <smn@dwgp.com>, "RL@eslawfirm.com" <RL@eslawfirm.com>, "atrowbridge@daycartermurphy.com" <atrowbridge@daycartermurphy.com>, "fwahl@solarcity.com" <fwahl@solarcity.com>, "barbara@barkovichandyap.com" <barbara@barkovichandyap.com>, "RegRelCPUCCases@pge.com" <RegRelCPUCCases@pge.com>, "Cathy@BarkovichAndYap.com" <Cathy@BarkovichAndYap.com>, "csong@mcecleanenergy.org" <csong@mcecleanenergy.org>, "CManzuk@semprautilities.com" <CManzuk@SempraUtilities.com>, "cjgf@pge.com" <cjgf@pge.com>, "DDDR@pge.com" <DDDR@pge.com>, "DMarcus2@sbcglobal.net" <DMarcus2@sbcglobal.net>, "dpaz@wolfereasearch.com" <dpaz@wolfereasearch.com>, "David@a4nr.org" <David@a4nr.org>, "EAHC@pge.com" <EAHC@pge.com>, "EmilySangi@dwtd.com" <EmilySangi@dwtd.com>, "grc2017@pge.com" <grc2017@pge.com>, "gregg.orrill@barclays.com" <gregg.orrill@barclays.com>, "gdj@dwgp.com" <gdj@dwgp.com>, "jimross@r-c-s-inc.com" <jimross@r-c-s-inc.com>, "Rahman, Junaid" 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"SSM3@pge.com" <SSM3@pge.com>, "troberts@consumercal.org" <troberts@Consumercal.org>, "egilfenbaum@solarcity.com" <egilfenbaum@solarcity.com>, "nusbaum@pacbell.net" <nusbaum@pacbell.net>, "epoole@adplaw.com" <epoole@adplaw.com>, "nextgridstrategies@gmail.com" <nextgridstrategies@gmail.com>, "CEM@newsdata.com" <CEM@newsdata.com>, "jleesq@yahoo.com" <jleesq@yahoo.com>, "dwooley@kfwlaw.com" <dwooley@kfwlaw.com>, "John@DicksonGeesman.com" <John@DicksonGeesman.com>, "JWaeen@mceCleanEnergy.org" <JWaeen@mcecleanenergy.org>, "PhilM@SCDenenergy.com" <PhilM@SCDenenergy.com>, "DEmerson@SonomaCleanPower.org" <DEmerson@SonomaCleanPower.org>, "GSyphers@SonomaCleanPower.org" <GSyphers@SonomaCleanPower.org>, "garrick@jbsenergy.com" <garrick@jbsenergy.com>, "jeff@jbsenergy.com" <jeff@jbsenergy.com>, "Rmccann@umich.edu" <Rmccann@umich.edu>, "kmills@cfbf.com" <kmills@cfbf.com>, "wmc@a-klaw.com" <wmc@a-klaw.com>, "dcohen@navigant.com" <dcohen@navigant.com>, "dng6@pge.com" <dng6@pge.com>, "Kane, Hal" 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"Lynn.Marshall@Energy.Ca.Gov" <Lynn.Marshall@Energy.Ca.Gov>

Mr. Frank,

Yesterday I conducted two Public Participation Hearings in Bakersfield, and several attendees noted that the bill insert that PG&E sent after filing this application used 500 kWh/month as the basis for calculating the "typical" bill impact of

PG&E's proposal. These attendees noted that the average usage in a place like Bakersfield is, of course, much higher than 500 kWh/month.

I request that PG&E prepare and distribute to the Service List a version of the residential bill impact calculation that shows average usage in each of PG&E's baseline regions, and calculates the "bill today" and the "bill if PG&E's request is approved", in addition to the difference between the two bills. Please do this for the 500 kWh scenario as well.

Please distribute the results using an Excel spreadsheet, with working formulas (average usage x average rate = average bill).

Today's PPH is in Fresno, and I'd appreciate it if PG&E can distribute the Fresno baseline region before 5 pm today. I'd like to have all regions by 5 pm tomorrow, but at the least, the Stockton region.

At a later time I expect to ask PG&E to prepare these calculations on a monthly basis for each baseline region, so if you can accomplish this on my tight deadline, great, but that is not required for today and tomorrow.

This information is important to the ratepayers who attend these hearings, so I very much appreciate PG&E's quick work on this request.

Thank you,

Stephen C. Roscow
Administrative Law Judge
California Public Utilities Commission
415-703-1053