

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



FILED

11/17/20
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)

**REPLY COMMENTS OF THE UTILITY REFORM NETWORK
ON THE PROPOSED DECISION**

November 17, 2020

Robert Finkelstein, General Counsel
Hayley Goodson, Staff Attorney

THE UTILITY REFORM NETWORK

785 Market Street, Suite 1400

San Francisco, CA 94103

Phone: (415) 929-8876

Fax: (415) 929-1132

E-mail: bfinkelstein@turn.org

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REPLY COMMENTS OF THE UTILITY REFORM NETWORK

Pursuant to Rule 14.3(d) of the Commission's Rules of Practice and Procedure, The Utility Reform Network ("TURN") respectfully submits these reply comments on the Proposed Decision of ALJs Rafael Lirag and Elaine Lau ("Proposed Decision" or "PD"). The Proposed Decision would adopt, with modifications, the proposed Settlement Agreement ("Settlement") supported by the applicant Pacific Gas and Electric Company ("PG&E"), TURN, and a number of other active parties in this general rate case ("GRC") proceeding. The parties supporting the settlement filed joint opening comments on the Proposed Decision. As permitted by the ALJs, PG&E also submitted separate comments. These reply comments of TURN address several points PG&E made in its separate comments. TURN believes the supporting arguments presented in the Motion for Approval of the Settlement Agreement and the settling parties' joint reply on that motion, as well as the record evidence and other materials cited therein, provide ample support for the Commission's adoption of the Settlement as proposed, without modification. To the extent PG&E's separate comments set forth arguments and contentions that are not adequately supported by the evidentiary record or lack logical support, TURN submits those arguments and contentions are unnecessary; the Commission already has what it needs to approve the settlement as submitted, and should do so without relying on these elements of PG&E's separate comments.

I. The Commission Should Not Modify The Proposed Decision Regarding The Correlation Between Customer Bills and Disconnections, As PG&E Relies On A Revised Analysis That Was Firmly Debunked During Evidentiary Hearings.

PG&E argues that the PD should be revised to "clarify that there is no correlation between monthly residential bills and disconnections."¹ PG&E explains that the PD incorrectly relies on PG&E's "*initial*" analysis that it provided in a data response to TURN, which was based on a linear

¹ PG&E Comments, p. 17.

regression analysis that uses *annual* averages.”² PG&E argues that the PD should instead rely on the revised analysis it presented in rebuttal testimony, which the utility claims demonstrated no correlation between monthly bill and disconnections.³ The Commission should reject PG&E’s proposed modification, as the PD correctly ignores the results of PG&E’s revised analysis.

The analysis PG&E presented in rebuttal testimony was based on its linear regression analysis of the *monthly* rather than *annual* relationship between average bills and total disconnections.⁴ However, the results of PG&E’s analysis were fatally flawed because PG&E compared bills for a particular month with disconnections in that same month.⁵ As PG&E witness Travis Browne acknowledged during cross-examination, a customer cannot be disconnected for nonpayment of a bill until PG&E completes the disconnection notification process, which takes nearly two months.⁶ As a result, if a customer failed to pay their July bill, they could not possibly be disconnected in July, unless the disconnection process was already underway because of nonpayment of an earlier bill.⁷ Rather, it would be the nonpayment of the May bill that could potentially result in a disconnection in July.⁸ Given this lag, PG&E’s revised regression analysis compared the wrong data sets and produced meaningless results. The Commission should not modify the PD as suggested by PG&E.⁹

² PG&E Comments, p. 17 (emphasis in original).

³ PG&E Comments, p. 18.

⁴ PG&E Comments, p. 18.

⁵ PG&E Comments, p. 18.

⁶ 17 RT 1871: 18 – 1872: 5 (PG&E/T. Browne).

⁷ 17 RT 1872: 8 – 25 (PG&E/T. Browne).

⁸ 17 RT 1873: 12 – 23 (PG&E/T. Browne).

⁹ PG&E proposed to re-write Finding of Fact 195 and the associated text at page 190 of the Proposed Decision. PG&E Comments, Appendix A, p. A-5, and Appendix B, p. 6.

II. PG&E's Arguments Regarding The Potential Impact That Delays In Cost Recovery Might Have On The Utility's Credit Rating And Financial Health Are Inadequately Supported Here.

The Proposed Decision would modify the Settlement by requiring PG&E to file an application rather than an advice letter in order to achieve rate recovery of recorded spending in excess of 130% of the authorized amount for the Vegetation Management Balancing Account (VMBA) and the Wildfire Mitigation Balancing Account (WMBA). In arguing against this modification, PG&E asserts that such an approach would require the utility to carry “large balances” and in this way “would negatively impact PG&E’s financial health.”¹⁰ The Commission should ignore the utility’s argument here, as there is insufficient evidence that the different ratemaking treatment will cause PG&E to carry balances of such large amounts as to have a material impact on the utility’s financial health. Furthermore, there is ample support for adopting the Settlement as presented on these issues without relying on such financial health arguments.

PG&E cites its own rebuttal testimony for the proposition that “delays in cost recovery of undercollected balances can detrimentally impact PG&E’s credit rating, which will ultimately impact PG&E customers.”¹¹ However, that rebuttal testimony was discussing the need for timely recovery of capital expenditures of \$2.6 billion, a figure the utility described as “large enough to have a material adverse impact on PG&E’s cash flows and credit ratings.”¹² There is no basis for assuming that the “costs in excess of 130 percent of the authorized amount” for Vegetation Management, the Community Wildfire Safety Program (CWSP), or General Liability insurance¹³ would be comparable to the \$2.6 billion figure PG&E analyzed in its rebuttal testimony.

¹⁰ PG&E Comments, p. 10.

¹¹ *Id.*, citing HE-5: Exhibit (PG&E-15), pp. 2-15 to 2-18.

¹² HE-5: Exhibit (PG&E-15), p. 2-16, ll. 31-34.

¹³ Proposed Decision, Ordering Paragraphs 1.a., 1.c., and 1.g.

The Commission has of late considered a number of requests from energy utilities seeking more expeditious rate recovery of incurred costs. One of the arguments typically included in such requests is the potential harm to the requesting utility's cash flows and credit ratings should rate recovery not occur within its desired time frame. TURN is concerned that the utilities' requests and supporting argument are evolving into something of a one-size-fits-all approach, such that any "delay" in rate recovery of any amount of incurred costs is likely to be characterized as potentially jeopardizing the utility's financial standing. The Commission must be diligent about requiring an adequately-supported showing in each instance where a utility presents such a request or argument.

Here, PG&E cites record evidence that addressed the potential impacts the utility perceived from a delay in recovering the revenue requirement associated with \$2.6 billion of capital expenditures. PG&E's rebuttal testimony was responding to a proposal to remove the entirety of forecasted capital expenditures on its Wildfire Mitigation Plan (WMP) from the GRC-authorized revenue requirement, and instead record such spending in a memorandum account subject to after-the-fact reasonableness review before rate recovery is permitted.¹⁴ Such evidence of the potential impact of a multi-year rate recovery delay of up to \$2.6 billion of capital expenditures does not support the implication that any incremental delay in cost recovery due to the Proposed Decision's requirement of an application rather than an advice letter for amounts in excess of 130% of the authorized figure would have similar impacts on PG&E's financial condition.

Again, TURN fully supports adoption of the Settlement as proposed with regard to the ratemaking mechanism for review and rate recovery of above-authorized spending in the identified areas. However, that adoption should be for the reasons set forth in the Motion for Approval of the

¹⁴ HE-5: Exhibit (PG&E-15), pp. 2-9 to 2-10 and 2-15.

Settlement Agreement, and must not rely on the potential impacts on PG&E's financial condition as set forth in PG&E's comments on the Proposed Decision.

Date: November 17, 2020

Respectfully submitted,

By: _____/s/_____
Robert Finkelstein

Robert Finkelstein, General Counsel
Hayley Goodson, Staff Attorney

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785 Market Street, Suite 1400

San Francisco, CA 94103

Phone: (415) 929-8876

Fax: (415) 929-1132

E-mail: bfinkelstein@turn.org