

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



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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, 2020. (U39M)

Application No. 18-12-009
(Filed December 13, 2018)

PROTEST OF THE NATIONAL DIVERSITY COALITION

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COALITION**

January 17, 2018

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I. INTRODUCTION

Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC” or “Commission”), the National Diversity Coalition¹ (“NDC”) hereby protests the Test Year 2020 General Rate Case Applications of Pacific Gas & Electric Company (“PGE”) filed December 13, 2018.² The Application first appeared on the Commission’s Daily Calendar on December 18, 2018. Thus, this protest is timely.

The National Diversity Coalition is an association of community organizers, faith-based leaders, nonprofit directors, and business owners working collectively for greater financial equality and empowerment for underserved groups. Together, we work with small businesses, Fortune 500 corporations, utility and telecom corporations, international banking and finance organizations, community leaders, and government agencies at the local, state, and federal level to advocate for greater economic opportunities for all people.

¹ National Diversity Coalition members include the National Asian American Coalition (NAAC), Advancing the Seed, Inc., African American Chamber of Commerce, African American Fire Fighter Museum, Asian Business Association, Asian Journal, Boys of Color of Santa Ana, Community Connections LLC, COR Community Development Corporation, El Mundo, Impact Southern California, Instituto de Avance Latino, Island Pacific Supermarkets, The Jesse Miranda Center for Hispanic Leadership, Korean American Coalition LA, Latino Coalition for Community Leadership, Los Angeles Latino Chamber of Commerce, Macedonia Community Development Corporation, Network of Myanmar American Association, Santa Maria Group, OASIS Center International, Templo Calvario CDC, and Youth Business USA. In numerous prior proceedings before this Commission, NDC members have appeared under the name “Joint Minority Parties”. In this proceeding, both NDC and NAAC seek party status.

² A.18-12-009, *Test Year 2020 General Rate Case Application Of Pacific Gas And Electric Company (U 39 M)*, (12/13/2018)(“Application”).

II. BURDEN OF PROOF

Pursuant to California Public Utilities Code Section 451, “All charges demanded or received by any public utility ... shall be just and reasonable”³. Section 454 states that “a public utility shall not change any rate... except upon a showing before the commission and a finding by the commission that the new rate is justified.” The Commission has consistently held that PG&E has the “burden of proving that it is entitled to the relief sought in this [GRC] proceeding, and of affirmatively establishing the reasonableness of all aspects of the application.”⁴ Therefore, it is incumbent upon PGE to provide sufficient evidence and justification to demonstrate that their rate request is reasonable. Given the profound uncertainty and anticipated changes regarding the future operations and organization of the utility⁵, it is important for the Commission to hold PGE to this responsibility, as they are in the best position to both produce or intentionally withhold relevant information.

In order to assist the Commission in conducting a thorough evaluation of PGE’s proposal, NDC has conducted an initial review of the Application, and identified the issues of concern discussed below. Given the voluminous amount of information in these filings, the limited time to submit protests, and the likelihood that new information and circumstances will affect the utility’s forecast, the following is not an exhaustive list, and NDC may identify other concerns following additional analysis, discovery, and discussions.

³ California Public Utilities Code (Cal. P. U. Code) section 451. All statutory citations refer to Cal. P. U. Code unless otherwise noted.

⁴ D.14-08-032, *Decision Authorizing Pacific Gas And Electric Company’s General Rate Case Revenue Requirement For 2014-2016*, (8/20/2014) at 17.

⁵ PGE has announced its intention to file for Chapter 11 bankruptcy on or about 1/29/2019. <https://www.sfchronicle.com/business/article/PG-E-facing-staggering-wildfires-costs-says-13531815.php>.

III. DISCUSSION OF ISSUES

A. PGE Continues to Seek Excessive and Unreasonable Increases to Its Base Revenue Requirement

In GRCs since at least 2011, PGE has received enormous increases to their authorized base revenue. Despite continual safety violations and catastrophes related to improperly maintained utility equipment⁶, PGE still expects to receive financial rewards in the form of higher revenue requirements. In 2011 PGE was authorized a revenue requirement of \$6.032 billion.⁷ In 2014, PGE's revenue requirement increased to \$7.094 billion.⁸ And in 2017, PGE was granted an \$8.004 billion revenue requirement.⁹ This was an average increase of over 15% between GRCs.

Now, for 2020, PGE is requesting a \$9.576 billion base revenue requirement¹⁰, which would be a 19.6% increase since the 2017 GRC. PGE further requests increases for attrition years 2021 of \$454 million and for 2022 of \$486 million¹¹, which would result in a revenue requirement of \$10.516 billion by 2022, a 31.4% increase over 2017 levels.

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⁶ PGE fined \$1.6 billion for violations related to the 2010 San Bruno pipe explosion, gas pipeline record keeping and class designations in highly populated areas. D.15-014-024 at 1. PGE equipment found to be the cause of 12 Northern California wildfires in October 2017. https://calfire.ca.gov/communications/downloads/newsreleases/2018/2017_WildfireSiege_Cause.pdf. CPUC investigates SED allegations that PGE falsified records and violated requirement to locate and mark gas pipelines. I.18-12-007.

⁷ (prior authorized \$5,582m) + (approved increase \$450m) = \$6,032m. D.11-05-018 at 2 and Attachment 3, Appendix A.

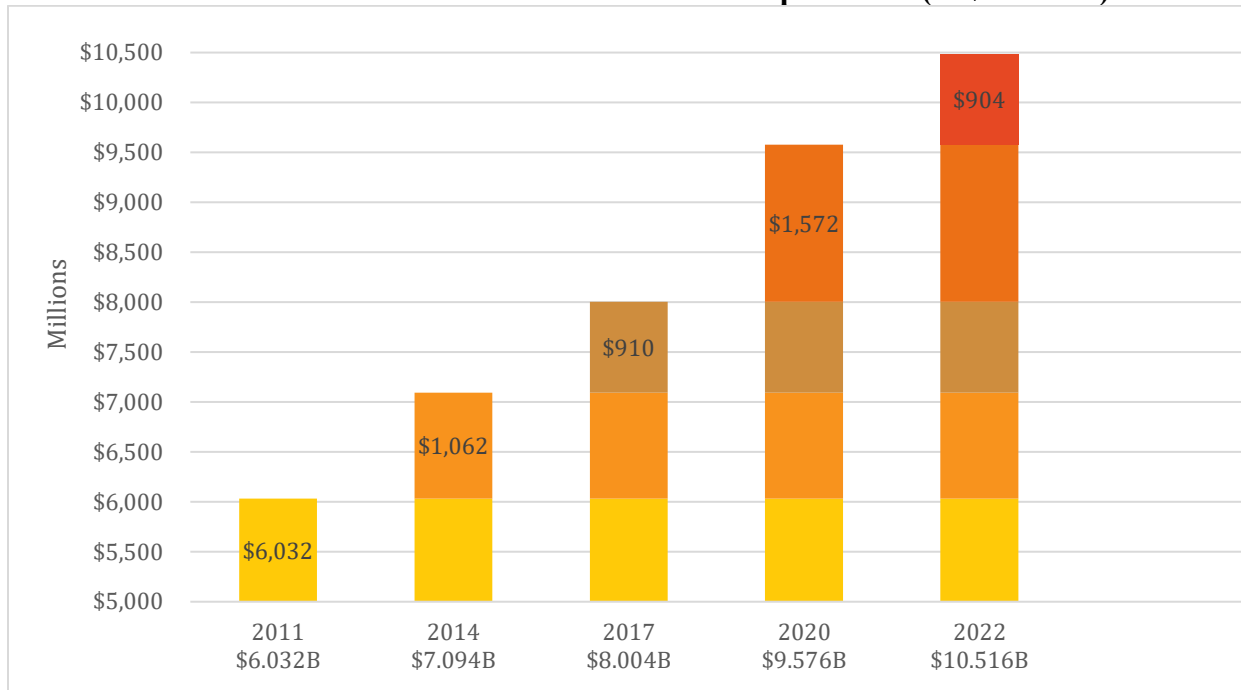
⁸ D.14-08-032 at 5 and Appendix C, Table 1.

⁹ D.17-05-013 at 3.

¹⁰ (2019 revenue \$8.518b) + (2020 increase \$1.058b) = \$9.576b. Application at 1.

¹¹ Application at 7.

Table 1: Growth in PGE's Revenue Requirement (in \$ millions)



Sources: D.11-05-018, D.14-08-032, D.17-05-013, A.18-12-009

By 2022, the 31.4% requested increase will have resulted in more than \$4.5 billion in additional revenue collected by PGE (see Table 2 below).

Table 2: Cumulative Annual Increases of PGE's Request

2020	2021	2022	Totals
\$1,058m	\$1,058m	\$1,058m	\$3,174m
	\$454m	\$454m	\$908m
		\$486m	\$486m
			\$4,568m

Sources: PGE Application at 1, 7

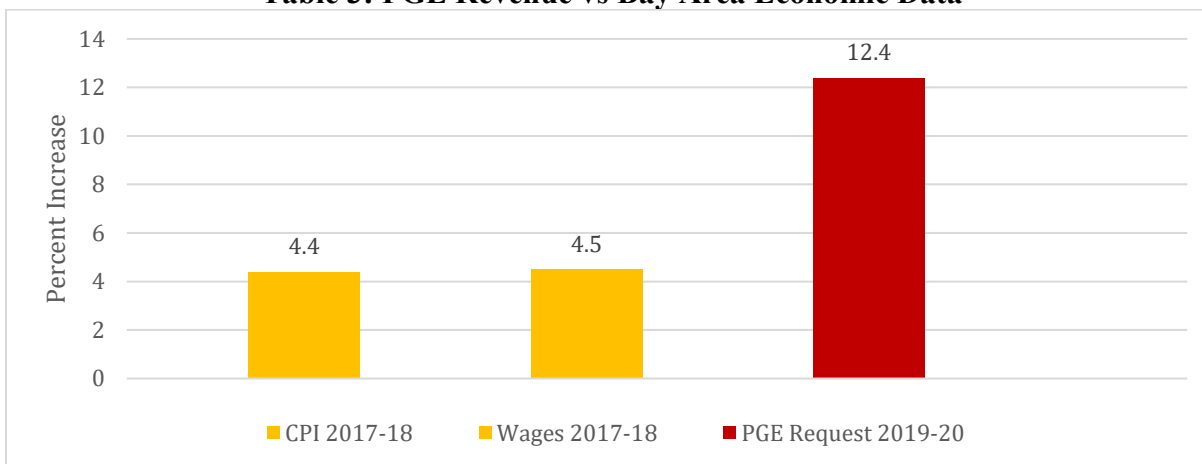
B. PGE Revenue Increases Outpace Changes to Other Financial Metrics and Far Exceed Ratepayers' Ability to Afford

According to the U.S. Bureau of Labor Statistics' Employment Cost Index, wages and salaries in the San Jose-San Francisco-Oakland area increased 4.5% for the 12-month period ending September 2018.¹² The Consumer Price Index shows that prices in the San Francisco area

¹² https://www.bls.gov/regions/west/news-release/employmentcostindex_sanjose.htm.

increased by 4.4% during the 12-month period ending October 2018.¹³ In comparison, PGE’s 12.4% requested increase between 2019 and 2020 is almost triple the size of wage or other cost increases experienced by ratepayers in their service territory.

Table 3: PGE Revenue vs Bay Area Economic Data



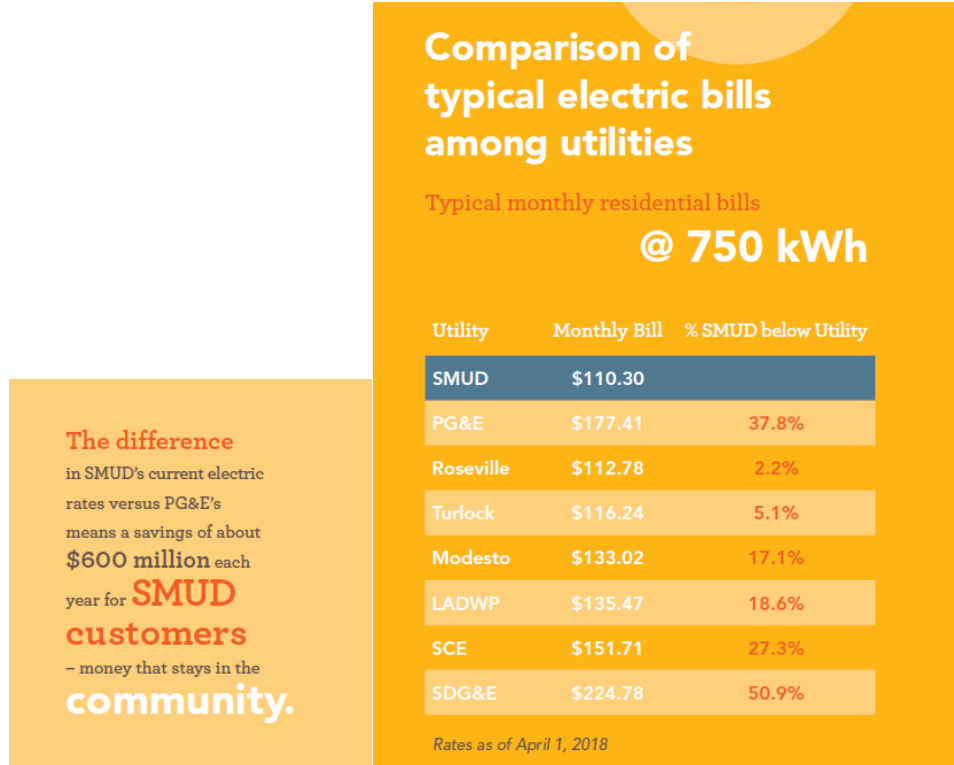
Source: US Dept of Labor-Bureau of Labor Statistics, PGE Application

In addition, PGE’s rates already far exceed the levels of other utilities throughout California, including Southern California Edison (“SCE”) and Sacramento Municipal Utility District (“SMUD”). A typical monthly residential electric bill for 750kWh is \$177.41 for PGE customers.¹⁴ The same bill for SMUD customers would only be \$110.30, \$67.11 or 37.8% less. Typical SCE customers pay \$151.71 or 14.5% less than PGE. According to the SMUD comparison chart (Table 4), only SDGE has more excessive rates than PGE. The perpetually excessive rate increases that PGE seeks will further exacerbate the burden their customer face, having to pay more for their necessary utility services than virtually any other utility customers in the state.

¹³ https://www.bls.gov/regions/west/news-release/consumerpriceindex_sanfrancisco.htm.

¹⁴ *Built to Last, 2017 SMUD Annual Report* at 6. <https://www.smud.org/-/media/About-Us/Reports-and-Statements/2017-Annual-Report/2017-Annual-Report.ashx>.

Table 4: Comparison of Utility Electric Bills



Source: SMUD 2017 Annual Report at 6

C. PGE Shareholders Should Pay For The Costs Of Increased Wildfire Prevention

Of the total massive increase PGE requests for 2020, over half the amount is attributed to the Community Wildfire Safety Program, and about a quarter is for liability insurance.¹⁵ PGE points to the “impacts of climate change and increased wildfire risk” as the drivers behind their increased measures to reduce wildfire risks, including additional infrastructure hardening and vegetation management.¹⁶ However, PGE does not discuss the role that corporate mismanagement, negligence, and profiteering has played in creating the current situation. These are legitimate factors that the Commission must take into account, given the numerous convictions and fines for safety violations and ongoing investigations of PGE in recent years.¹⁷

¹⁵ Application at 2.

¹⁶ Application at 1.

¹⁷ See Footnote 6.

It is unreasonable for PGE to extract more and more money from ratepayers year after year, while failing to maintain equipment or safely operate their facilities. To the extent that funds have been diverted toward profits over the years and away from their authorized purposes of maintaining safe equipment and managing the surrounding vegetation, the utility is responsible for the additional investment now necessary to achieve acceptable standards.

D. Additional Issues of Concern

NDC continues to review the Application and will provide a more thorough analysis of issues as the proceeding develops. For now, we have identified the following additional issues which warrant further investigation:

- Impact on cost forecasts from PGE's bankruptcy filing, potential restructuring, sale of gas or other assets, and other actions that PGE may take to address wildfire liability;
- Proper design and policy for safety-related programs (e.g. Earnings Adjustment Mechanism);
- Alignment of incentive compensation programs with safety goals and statutory requirements;
- Effectiveness in reaching minority communities of PGEs marketing, education, and outreach programs and proposal to amend balancing accounts;
- Appropriate supplier diversity program funding and commitment levels;
- Appropriate employment diversity metrics and commitment levels.

It is likely that following additional discovery and analysis, some of our concerns may be alleviated, while new concerns may arise.

IV. PROCEDURAL ISSUES

A. The Effect of the Application on the Protestants

NDC is made up of community-based organizations that advocate for racial and economic justice. NDC represents the interests of minority and low-income ratepayers, and is actively involved before this Commission and other legislative and regulatory bodies. The proposed rate increase in this proceeding will directly affect NDC constituents by raising their utility bills, and proposed changes in utility operations will affect the safety, quality, and scope of services that our constituents receive.

B. Proposed Category

NDC does not object to the proposed categorization of this proceeding as ratesetting.

C. Need for Hearings

NDC believes that evidentiary hearings will be necessary in this matter. NDC also supports the inclusion of public participation hearings into the schedule, to allow for meaningful public feedback and input. Parties should be given ample advanced notice of the scheduling details for public hearings to allow time to organize ratepayer participation. Statements delivered at public participation hearings should be transcribed and made a part of the record, in order to encourage and validate public participation. Finally, interpreters should be made available in the major languages spoken within the service areas where public participation hearings are held.

D. Proposed Schedule

NDC defers to the judgment of the Commission to set an appropriate schedule, and may provide input on a proposed schedule at a later time.

V. CONCLUSION

For the reasons set forth herein, NDC protests the proposed rate increase of PGE, and requests that the scope of the proceedings include, but not be limited to, the matters discussed above. NDC looks forward to fully participating in this proceeding.

January 17, 2019

Respectfully Submitted,

/s/

Tadashi Gondai, Director of Legal Advocacy

Attorney for
NATIONAL DIVERSITY COALITION and
NATIONAL ASIAN AMERICAN COALITION



NATIONAL
DIVERSITY
COALITION