

**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.

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

PREHEARING CONFERENCE STATEMENT OF THE JOINT CCAS

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February 4, 2019

On behalf of the Joint CCAs

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Pursuant to Administrative Law Judges Lau and Lirag’s January 22, 2019 *Ruling Setting Prehearing Conference*, East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy, Pioneer Community Energy, San José Clean Energy, Silicon Valley Clean Energy and Sonoma Clean Power (collectively, “the Joint CCAs”), hereby submit this Prehearing Conference (“PHC”) Statement in the above-captioned *Application of Pacific Gas and Electric Company (“PG&E”) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service on January 1, 2020* (“Application”).

PG&E’s January 28, 2019, Reply to Protests and Responses (“Reply”) ignores the substance of its own Application by arguing that costs and cost categorization related to the Diablo Canyon Power Plant (“DCPP”) are out of scope, and it misconstrues the Joint CCAs’ Protest regarding the utility’s bankruptcy. The Joint CCAs submit this PHC Statement to clarify these issues for the ALJs and Commissioner, reduce controversy regarding the scope and schedule of this proceeding, and streamline the issues to be addressed at the February 11, 2019 PHC.

I. SCOPING ISSUES

A. Issues Regarding the Amount and Categorization of DCPD Costs Fit Squarely Within the Purpose and Scope of this Phase I GRC.

The Joint CCAs' Protest raises the issue of whether PG&E reasonably and appropriately categorizes costs related to DCPD that it forecasts within its Application.¹ The very purpose of a Phase I General Rate Case ("GRC") is to examine the justness, reasonableness and proper categorization of forecasted utility costs.² The questions the Joint CCAs raise fit within the scope of issues PG&E itself has suggested for the case, including whether "[t]he proposed revenue requirement for the electric generation function in 2020 is just and reasonable and the Commission should authorize PG&E to reflect the adopted electric generation revenue requirement in rates."³ If generation costs are inappropriately categorized, or set at unreasonable levels, the Commission cannot find them to be just and reasonable.

Some of the key questions the Joint CCAs hope to investigate and address in this proceeding are (1) the extent to which PG&E's requested revenue requirements include capital additions related to nuclear refueling, and other going-forward DCPD costs, and (2) whether such costs should be categorized as capital or whether another category, such as variable or fixed operations and maintenance ("O&M"), is more appropriate. PG&E's Reply urges the Commission to simply assume that PG&E's refueling costs are "sunk capital costs" and suggests that their assumptions should not be questioned.⁴ The Joint CCAs disagree and urge the

¹ A.18-12-009, *Protest of East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy, Pioneer Community Energy, San José Clean Energy, and Sonoma Clean Power to Application of Pacific Gas & Electric Company for Authority, Among Other Things, To Increase Rates And Charges For Electric And Gas Service*, pp. 6-7 (Jan. 17, 2019) ("Joint CCAs' Protest").

² See, e.g., Cal. Pub. Util. Code § 454.

³ Application at 25.

⁴ A.18-12-009, *Pacific Gas and Electric Company's Reply to Protests and Responses*, p. 5 (Jan. 28, 2019) ("PG&E Reply").

Commission to investigate and address the proper categorization in this GRC where all cost categorizations are properly scrutinized.

These issues affect “implementation” proceedings, such as the Energy Resource and Recovery Account (“ERRA”) forecast and compliance proceedings, but the underlying categorization and amount of the costs determined in the GRC are the inputs that are then later “implemented” elsewhere.⁵ PG&E’s Reply inappropriately suggests “the tail should wag the dog,” conflating implementation proceedings and advice letters with the GRC.⁶ While it is true a determination on the appropriate functionalization of going-forward DCP costs in the GRC likely will impact whether capital additions for refueling and going-forward O&M costs “will be recorded in the ERRA or [Utility Generation Balancing Account],”⁷ the primary question of the functionalization of the underlying costs must be addressed in this GRC to ensure that PG&E records the correct costs. Advice Letter 5440-E indeed “proposes to record utility-owned generation costs” to the Utility Generation Balancing Account,⁸ but it is this GRC that determines whether going-forward DCP-related costs are appropriately categorized as “utility-owned generation costs” in the first place. Both ALJ Wildgrube and Commissioner Guzman-

⁵ See, e.g., D.18-01-009 at 10; A.13-05-015 Scoping Ruling, pp. 3-4 (September 12, 2013); A.17-06-005 Scoping Ruling, pp. 3-4 (August 24, 2017); A.18-06-001, *PG&E Reply to Protests and Responses*, pp. 2-3 (July 16, 2018); A.17-06-005, *Opening Brief of PG&E*, p. 21 (Oct. 16, 2017) (all describing, or arguing in the case of PG&E’s reply to protest and briefs in A.18-06-001 and A.17-06-005, how the scope of ERRA forecast proceedings are limited to evaluating an IOU’s compliance with prior Commission orders and rules).

⁶ PG&E Reply at 4-5.

⁷ Joint CCAs’ Protest at 6-7 (citing A.18-06-001, *ALJ Wildgrube’s Revised Proposed Decision*, p. 16 (Jan. 10, 2019) (stating “The issue is whether capital additions for refueling and going-forward O&M costs should be recorded in the ERRA or UGBA. Either the compliance ERRA or the General Rate Case will address this.”) (“ERRA PD”).

⁸ PG&E Reply at 4.

Aceves's Proposed Decision and Alternate Proposed Decision in A.18-06-001 support such a conclusion.⁹

Despite PG&E's belief "as a policy matter" to the contrary,¹⁰ the question of the appropriate categorization and reasonableness of DCP's going-forward costs is within scope here. Ruling otherwise would mean other issues within PG&E's application regarding the level and categorization of other DCP costs, such as whether the Long-Term Seismic Program should be categorized as part of the generation revenue requirement,¹¹ would also be out of scope. Neither result makes sense within the context of a Phase I GRC.

B. PG&E's Reply Incorrectly Interprets the Joint CCAs' Requests Regarding the Impact of its Bankruptcy on the Instant Proceeding.

PG&E's Reply suggests the Joint CCAs requested the utility specifically "provide testimony regarding its potential plan of reorganization."¹² This is incorrect. The language in the Joint CCAs' protest, which PG&E quotes in block form in its Reply, emphasizes the degree to which bankruptcy *could* affect the Application and to which, as The Utility Reform Network ("TURN") states, "this GRC is likely to proceed like no other."¹³ The request the Joint CCAs

⁹ ERRA PD at 16; A.18-06-001, Commissioner Guzman Aceves's Alternate Proposed Decision, p. 15 (Jan. 22, 2019) ("ERRA APD") (both stating "The issue is whether capital additions for refueling and going-forward O&M costs should be recorded in the ERRA or UGBA. Either the compliance ERRA or the General Rate Case will address this."). The ERRA PD and ERRA APD's reference to ERRA compliance proceeding addresses a different issue the Joint CCAs raise in A.18-06-001 regarding whether PG&E is accurately bidding the costs of DCP into the California Independent System Operator ("CAISO"). See A.18-06-001, Exh. Joint CCAs-1, 10:7-15 (describing how PG&E is not scheduling DCP at CAISO based on cost-based market bids); see also A.18-02-015, *Scoping Memo and Ruling of Assigned Commissioner*, p. 5 (May 14, 2018) (ruling in PG&E's 2018 ERRA Compliance Proceeding that "[i]t is reasonable to allow a review of PG&E's bidding practices with respect to its least cost dispatch activities in the scope of this proceeding, but this proceeding will not evaluate longer term decisions such as whether or not to continue to operate a plant; that is more appropriate for a general rate case or a separate application proceeding.").

¹⁰ PG&E Reply at 4.

¹¹ Application at 25.

¹² PG&E Reply at 8.

¹³ A.18-12-009, Protest of The Utility Reform Network, p. 3 (Jan. 17, 2019).

did make, and the one we will reiterate at the PHC, is that PG&E should provide updated testimony *as soon as possible* regarding how its bankruptcy alters its requested relief.

Statements provided to this end on pages 8-9 in PG&E's Reply and at the January 24, 2019 workshop have been helpful to a limited extent, but more detail is needed.

Better near-term understanding of these impacts will help ensure parties avoid wasting their time reviewing and submitting discovery on testimony that could soon be outdated. To this end, the Joint CCAs believe it would be most helpful if PG&E would provide at the PHC (if not already provided via PG&E's PHC statement) an outline of its testimony indicating the sections and subsections that it intends to revise so that intervening parties can focus their early review on those sections that will remain unchanged.

C. TURN's Request Should Be Adopted.

The Joint CCAs support the following request from TURN:

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.¹⁴

The Joint CCAs agree with the reasoning outlined in TURN's Protest on this issue, and the requested relief, and urge the Commission to adopt it.

II. SCHEDULING ISSUES

The Joint CCAs do not oppose the requests of the Solar Energy Industries Association, Vote Solar, TURN and the California Public Advocates Office ("Cal PA") to revise PG&E's

¹⁴ *Id.* at 16.

proposed schedule, and we will review the proposed schedule PG&E has promised to put forth in its PHC statement. In the absence of such a schedule, the Joint Parties support the schedule put forth by Cal PA in its Protest. We also reiterate the need for flexibility in the schedule to account for the potential impacts of PG&E's bankruptcy on this proceeding.

III. CONCLUSION

The Joint CCAs hope the discussion herein clarifies these issues for the ALJs and Commissioner, reduces controversy regarding the scope and schedule of this proceeding, and streamlines the issues to be addressed at the February 11, 2019 PHC. We look forward to discussing these issues at that time.

Dated: February 4, 2019

Respectfully submitted,



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