



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED

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

PREHEARING CONFERENCE STATEMENT OF L. JAN REID

I. Introduction

Pursuant to the January 22, 2019 Ruling (Ruling) of Administrative Law Judges (ALJs) Elaine Lau and Rafael Lirag, L. Jan Reid (Reid) hereby files this Prehearing Conference Statement in Application (A.) 18-12-009, which is Pacific Gas and Electric Company's (PG&E's) Test Year 2020 General Rate Case (GRC) Application.

The January 28, 2019 Ruling (January 28 Ruling) of ALJs Lau and Lirag found that: (January 28 Ruling, p. 3)

On January 17, 2019, L. Jan Reid filed a protest to A.18-12-009. Then, on January 22, 2019, L. Jan Reid filed a motion to become a party. . . . Based on good cause shown, this Email Ruling grants party status for L. Jan Reid . . .

II. Bankruptcy and Credit Ratings

On January 14, 2019, PG&E Corp. issued a news release stating that "The Company today provided the 15-day advance notice required by recently enacted California law that it and its wholly owned subsidiary Pacific Gas and Electric Company (the "Utility") currently intend to file petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code on or about January 29, 2019." (<https://www.pge.com>)

On January 8, 2019, PG&E Corporation's credit rating was downgraded by S&P Global to B (five notches below investment grade), and to baa2 (three notches below investment grade) by Moody's Investors Service.

III. Issues

According to a January 28, 2019 story in the Los Angeles Times, "Pacific Gas & Electric, the state's largest utility providing electricity from Eureka to Bakersfield, reported 1,552 equipment-related fires from June 2014 through the end of 2017." (See <https://www.latimes.com/politics/la-pol-ca-california-utilities-wildfires-regulators-20190128-story.html#nws=mcnewsletter>)

PG&E's request is simply the tip of the iceberg. If ratepayers are required to pay for all PG&E's fire-related costs, the total bill may exceed \$30 billion or over 28 times PG&E's GRC request. Reuters has reported that "PG&E, which provides electricity and natural gas to 16 million customers in northern and central California and employs 24,000 people, vowed to keep the lights on as it grapples with fire-related costs it estimates at more than \$30 billion." (<https://finance.yahoo.com/news/bankrupted-deadly-wildfires-pg-e-152227764.html>)

The Commission must determine whether PG&E's request is reasonable, whether it is likely to effectively prevent fires in PG&E's service territory in the future, and what percentage of the \$1.058 billion in estimated costs should be paid for by ratepayers and what percentage should be paid for by shareholders.

If the Commission finds that these safety improvements are necessary, the Commission should look at a minimum of ten years of historical data in order to determine who should pay for the safety improvements.

While I am still in the process of reviewing PG&E's application, I have identified the following issues that I intend to address in testimony and otherwise during this proceeding.

1. Why did PG&E not underground more of its power lines for the period 2008-2018?
2. How will the ratings downgrades affect PG&E's embedded cost of debt? I note that Commission practice is to compensate the utilities for increases in their embedded cost of debt through an increase to a utility's overall rate of return on rate base (ROR).
3. For the period 2007-2017, did PG&E appropriately remove tree branches from its power lines prior to the California wildfires of 2017-2018?
4. What is the level of unspent funds authorized by the Commission for PG&E for 2017 and 2018?
5. For the period 2008-2018, how much money was allocated to PG&E for safety-related costs, but was spent by PG&E in other areas?

All these issues are important because they contribute directly to determining the electric and gas rates that ratepayers such as Reid should pay to PG&E. They also raise significant policy issues.

PG&E's application raises complex and extensive issues, and (as noted *supra*) this proceeding will have significant impacts on rates; and will have significant financial and policy implications. Reid anticipates that this proceeding will require considerable review, analysis, and discovery.

IV. Schedule

I concur with the schedule proposed by PG&E on page 30 of its application.

V. Conclusion

For all the foregoing reasons, Reid will conduct discovery to develop his testimony and recommendations. Since I have not yet conducted discovery, reached specific conclusions on key issues, or written a report or testimony, I reserve the right to address additional issues as they arise.

Reid will consult with other parties, including the Public Advocates Office and The Utility Reform Network (TURN), to minimize duplication and to help make the proceeding run as smoothly and expeditiously as possible.

Dated February 4, 2019, at Santa Cruz, California.

/s/

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VERIFICATION

I, L. Jan Reid, make this verification on my behalf. The statements in the foregoing document are true to the best of my knowledge, except for those matters that are stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Dated February 4, 2019, at Santa Cruz, California.

/s/

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