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)

COMMENTS OF THE JOINT COMMUNITY CHOICE AGGREGATORS ON THE JOINT MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

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On behalf of the Joint CCAs

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Pursuant to Rule 12.2 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC"),[1] East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy, Pioneer Community Energy, San José Clean Energy, and Sonoma Clean Power (collectively "JCCAs" or "Joint CCAs") hereby submit these comments regarding the *Joint Motion of the Public Advocates Office, the Utility Reform Network, Small Business Utility Advocates, Center for Accessible Technology, the National Diversity Coalition, Coalition of California Utility Employees, California City County Street Light Association, the Office of the Safety Advocate and Pacific Gas and Electric Company for Approval of Settlement Agreement* ("Motion").

While the Settlement Agreement[2] incorporates a range of interests, as noted in the Motion,[3] it fails to represent the interests of community choice aggregator ("CCA") customers or

[1] All references herein to the Rules are to the Commission's Rules of Practice and Procedure, unless stated otherwise.

[2] All references herein to the Settlement Agreement pertain to the settlement agreement attached as Attachment 1 to the Motion.

[3] A.18-12-009, *Joint Motion of the Public Advocates Office, the Utility Reform Network, Small Business Utility Advocates, Center for Accessible Technology, the National Diversity Coalition, Coalition of California Utility Employees, California City County Street Light Association, the Office of the Safety*

other customers that take unbundled service. As a result, the interests of a substantial portion of Pacific Gas and Electric Company ("PG&E") ratepayers have been either explicitly dismissed or otherwise ignored, as approximately 53 percent of the utility's ratepayers overall take unbundled service.[4]

The Settlement Agreement effectively dismisses the Joint CCAs' proposals that PG&E should, in connection with the Community Wildfire Safety Program ("CWSP") resilience zone program, accommodate CCA-procured generation, coordinate with local governments to better serve local communities, incorporate clean generation, and accelerate the pace of resilience zone development in light of the urgent resiliency issues in California. It implicitly rejects the Joint CCAs' proposals for data sharing and instead confirms a Grid Modernization Plan that would allow PG&E to monopolize all real-time data enabled through the plan, giving the utility a competitive advantage funded by all ratepayers. Its Customer Care section wholly ignores the utility's own data supporting the Joint CCAs' revised functional allocation factors that appropriately reflect cost of service differences between bundled and unbundled customers. By not addressing these proposals, the Settlement Agreement effectively rejects them.[5]

On account of this rejection, the Settlement Agreement fails to satisfy the standard for settlements set forth in Rule 12 that each aspect of a settlement agreement be reasonable in light of the whole record, consistent with law, and in the public interest. Specifically, the Commission should reject or modify: (1) the elements of PG&E's CWSP specified herein and in the Joint

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Advocate and Pacific Gas and Electric Company for Approval of Settlement Agreement, p. 3 (December 20, 2019) ("Motion").

[4] Exh. 216 at 8:14-15.

[5] *See* Section II herein, which discusses how each of these relevant sections of the Settlement Agreement either wholly adopts PG&E's initial proposals, or confirms its adoption of PG&E's proposals in the absence of Settlement Agreement terms to the contrary.

CCAs' Opening Brief ("Opening Brief"),[6] including its policy concerning resilience zones, its treatment of aviation expenses, and the functionalization of CWSP costs in a manner that does not properly reflect cost causation principles (Section 2.3.2 of the Settlement Agreement), (2) the Grid Modernization Plan's policy toward data sharing (Section 2.3.6.6 of the Settlement Agreement), (3) decommissioning methodologies and corresponding revenue requirements for both hydroelectric and solar projects significantly overestimate the probable costs of decommissioning (Section 2.4.6 of the Settlement Agreement), (4) the inequitable functionalization of Customer Care costs between bundled and unbundled customers (Section 2.5 of the Settlement Agreement), and (5) cost allocation adjustments associated with aviation expenses (Section 2.9.1(B) of the Settlement Agreement).

While these sections of the Settlement Agreement should be modified or rejected, it is clear the Settling Parties[7] made some efforts to address certain problematic components of the utility's application addressed by the Joint CCAs during the extensive litigation of this proceeding. The Joint CCAs support the Settlement Agreement's withdrawal of the hydroelectric generation non-bypassable charge ("Hydro NBC") and its functionalization of excess liability insurance expenses as common costs.

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[6] A.18-12-009, *Opening Brief of the Joint Community Choice Aggregators* (January 6, 2020) ("Opening Brief").

[7] As referenced herein, the Settling Parties are the entities party to the Settlement Agreement: Public Advocates Office of the California Public Utilities Commission ("Cal Advocates"), The Utility Reform Network ("TURN"), Center for Accessible Technology ("CforAT"), National Diversity Coalition ("NDC"), Small Business Utility Advocates ("SBUA"), Coalition of California Utility Employees ("CUE"), California City County Street Light Association ("CALSLA"), the Office of the Safety Advocate of the California Public Utilities Commission ("OSA"), and PG&E.

I. LEGAL STANDARD FOR SETTLEMENT

Pursuant to Rule 12.1(d):

> The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

The Commission recently reiterated the parameters of this standard in Decision ("D.") 17-05-013 approving, with modifications, the proposed settlement agreement in connection with PG&E's 2017 general rate case ("GRC").[8] There, the Commission explicitly rejected PG&E and the other settling parties' interpretation[9] of Commission precedent on this standard, as this interpretation erroneously suggested that a settlement agreement must be evaluated based solely on whether it is just and reasonable as a whole, not based on its individual terms.[10] In response, the Commission made clear that a substantive evaluation of *each section of the settlement* is integral to its evaluation, and that specific sections of an agreement will be rejected when "they are found, individually, to be either not reasonable in light of the whole record, not consistent with law, or not in the public interest, and thus contrary to Rule 12.1(d)."[11] Further, the Commission pointed to the unreasonable outcome that would result if individual terms of a settlement were not evaluated in this manner:

> It is simply illogical for Settling Parties to suggest to the Commission that it should carefully evaluate the individual substantive provisions of the Settlement Agreement, but if it finds specific items to be either not reasonable in light of the whole record, not consistent with law, or not in the public interest, it should approve them anyway because the Settlement Agreement as a whole is acceptable to the Commission. By that standard, the Commission should never reject any specific aspect of a Settlement, no matter how egregious, if the remainder of the Settlement was acceptable to the Commission. Such an approach would reduce the Commission to a bystander in its own proceedings.[12]

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8 D.17-05-013.
9 *See id*., p. 4.
10 *Id.*, p. 217 (the Settling Parties in this case cited D.10-04-033, p. 9 in support of this view).
11 *Id*., p. 220.
12 *Id.*, pp. 220-21.

Responding to cited precedent suggesting that the Commission's evaluation should focus on "whether the settlement as a whole produces a just and reasonable outcome[,]"[13] the Commission clarified that:

> The correct interpretation of the cited decisions is that the Commission does not reject an entire settlement in the event that it finds that specific components of that settlement fail to meet the standard required by Rule 12.1(d). Rather, as provided for in Rule 12.4, the Commission exercises the options available to it, to either hold hearings on the underlying issues, allow parties time to renegotiate the settlement, or propose alternative terms to the parties which are acceptable to the Commission.[14]

Thus, a substantive evaluation of each settlement term and whether it meets the standard in Rule 12.1(d) is necessary, and Rule 12.4 provides the procedural options available to the Commission in the event that it rejects all or certain portions of the settlement as failing to meet that standard.[15]

The Settling Parties in the instant proceeding advance a view of the legal standard for settlement likely to "reduce the Commission to a bystander in its own proceedings,"[16] similar to the one explicitly rejected by the Commission in D.17-05-013. Quoting the same language from the same decision relied upon by the settling parties in D.17-05-013, the Settling Parties in the instant case insist that "[w]hile the Commission reviews individual terms of a settlement, the Commission approves settlement agreements based on whether the settlement agreement is just and reasonable as a whole."[17] Additionally, in many different sections of the Motion, the

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13 D.10-04-033, p. 9.

14 D.17-05-013, pp. 219-20.

15 *See* Rule 12.4 (The Commission "may reject a proposed settlement whenever it determines that the settlement is not in the public interest. Upon rejection of the settlement, the Commission may take various steps, including the following: . . . Propose alternative terms to the parties to the settlement which are acceptable to the Commission and allow the parties reasonable time within which to elect to accept such terms or to request other relief.").

16 D.17-05-013, pp. 220-21.

17 Motion, p. 12 (citing D.10-04-033, p. 9).

Settling Parties argue that, "in light of the various compromises set forth in this Agreement," that particular section is reasonable and in the public interest.[18] The Joint CCAs urge the Commission to evaluate each section of the Settlement Agreement on its individual merits, consistent with precedent from the most recent PG&E GRC discussed above,[19] rather than accepting the Motion's arguments that the set of compromises represented by the Settlement Agreement somehow renders particular provisions "reasonable and in the public interest."

Further, contrary to the Motion's suggestion,[20] there is no strong policy in favor of settlements when settlements are disputed and do not cover the full range of issues in the record.[21] The Commission has made clear that it "cannot simply defer to the Settling Parties as to whether the Settlement is in the public interest, particularly when it is not an all-party Settlement . . . where there are disputed terms, the Commission will look closely at the record to address the Settlement."[22] Additionally, while settlements can in some circumstances reduce the expense of litigation and conserve Commission resources—two goals that support a policy of favoring settlements[23]—such goals are not served by the Settlement Agreement here. Instead of engaging the full set of parties at an earlier stage in the proceeding in an attempt to reach a comprehensive settlement, PG&E essentially picked certain parties as the settling parties, and then presented an agreement among this subset of parties *after* a full set of evidentiary hearings had concluded and only shortly before opening briefs were due in the proceeding. As a result, parties were not able to conserve resources on hearings and briefing; rather, parties not joining

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18 *See, e.g.*, Motion, pp. 24, 26, 31, 37, 39.
19 *See* D.17-05-013.
20 *See* Motion, p. 12.
21 *See* D.14-12-040, p. 15.
22 *Id.*, p. 15.
23 *See id.*, p. 15.

the settlement now must submit both opening and reply briefs as well as opening and reply comments on the Settlement Agreement to ensure their issues are fully addressed on the record.

It is also far from likely that the Commission's resources are conserved by this revised set of filings late in the proceeding. Administrative Law Judges Lau and Lirag, Energy Division staff, and Commissioner Randolph's office must now analyze, address, and resolve both opening and reply briefs as well as opening and reply comments on the Settlement Agreement. In this case, the timing and nature of the Settlement Agreement defeats the Commission's policy in favor of settlements by increasing, rather than decreasing, administrative burdens. As demonstrated by the public notices in this case, the Joint CCAs (and possibly other parties) were not included in the settlement discussions in a timely way such that they could have worked with the Settling Parties to ensure the Settlement Agreement acceptably addressed their issues.

A different approach could have resulted in a more comprehensive and timely agreement. Instead, the resulting Settlement Agreement represents only a partial resolution on some of the proceeding's issues, among a subset of the parties, presented after the proceeding has been fully litigated. The Commission should not rely on a policy favoring settlements in light of the context surrounding this particular Settlement Agreement.

II. SETTLEMENT AGREEMENT SECTIONS OPPOSED BY THE JOINT CCAS

Each section of the Settlement Agreement discussed below fails to meet the standard for settlements set forth in Rule 12.1(d). In the event the Commission approves some elements of the Settlement Agreement and rejects others, the Joint CCAs urge the Commission to (1) reject the Settlement Agreement sections discussed below, and (2) pursuant to Rule 12.4, adopt

alternative terms with respect to these sections that comport with the Joint CCAs' recommendations discussed herein.[24]

A. Community Wildfire Safety Program (Section 2.3.2)

1. Resilience Zones Policy

The Settlement Agreement's discussion of PG&E's CWSP does not include any modifications to the utility's resilience zone proposal. Rather, the Settlement Agreement provides that, "[u]nless otherwise addressed, the Settling Parties agree to PG&E's Electric Distribution forecasts and other proposals."[25] The Settlement Agreement's failure to modify this critical aspect of the CWSP results in a proposal that falls short of meeting the urgent and extreme challenges this State faces. In line with the Joint CCAs' proposal, the Commission should adopt a bolder, more targeted, fairer, and more cost-effective program than the one advanced by the Settling Parties.

As the Joint CCAs explained in their Opening Brief, the utility's resilience zone proposal must allow for CCA-procured generation and CCA-determined siting to avoid stranded assets intended for PG&E-procured generation that cannot legally serve CCA customers.[26] It must also be expanded, accelerated, and more closely coordinated with local governments to increase the effectiveness of microgrid resilience zones in protecting California's most vulnerable citizens, its critical facilities, and its way of life.[27] Instead of relying on mobile diesel generators,[28]

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[24] *See* D.17-05-013, pp. 219-20.

[25] Settlement Agreement, p. 5. *See also* Motion, pp. 1-2 ("The Agreement is a compromise among the Settling Parties' respective litigation positions to resolve all disputed issues the Settling Parties raised in this proceeding. Unless otherwise provided in the Agreement, all proposals and recommendations by the Settling Parties, including, but not limited to, those set forth in the Joint Comparison Exhibit (JCE), are either withdrawn, if so indicated in the Agreement, or considered subsumed without adoption by the Agreement."); Motion, pp. 44-46.

[26] Opening Brief, pp. 14-22.

[27] *Id.*

resilience zones should be expanded to include clean, permanent generation sources and storage at public shelters, schools, first-responder facilities, cellular towers, hospitals, and nursing homes, in coordination with recent developments in the Self-Generation Incentive Program proceeding and the recent Order Instituting Rulemaking 19-09-009 regarding microgrids. Finally, the pace at which PG&E is identifying and constructing resilience zones is unacceptable given the prevalence of Public Safety Power Shut-offs ("PSPS") events and urgent need for public safety solutions to this growing crisis.

PG&E's resilience zone policy as set forth in this proceeding and adopted by the Settlement Agreement simply does not go far enough to address the need for effective, community-oriented resilience zones fueled by clean generation. For these reasons, and the reasons set forth in the Joint CCAs' Opening Brief,[29] hereby incorporated by reference, Section 2.3.2 of the Settlement Agreement is not in the public interest and should be rejected or modified by the Commission. The Joint CCAs urge the Commission to support a policy with respect to resilience zones that incorporates the recommendations herein.

2. Functionalization of CWSP Costs

The Settlement Agreement's section on the CWSP does not sufficiently address the functionalization of CWSP costs within the utility's application. It appears to accept erroneous components of PG&E's proposal for functionalizing these costs as laid out in the utility's testimony, as modified by the adjustments proposed in Settlement Agreement Section 2.9.1 (Cost Allocation Adjustments).[30] Specifically, PG&E's rebuttal testimony agrees with the Joint CCAs

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[28] *See* Exh. 215 at 11:7-20 and Attachment RTB-2, pp. 2-3 (PG&E Data Response to Joint CCAs DR 1, Q16(a)).

[29] Opening Brief, pp. 14-22.

[30] Settlement Agreement, p. 5 ("Unless otherwise addressed, the Settling Parties agree to PG&E's Electric Distribution forecasts and other proposals"). *See also* Motion, pp. 1-2 ("The Agreement is a

that some CWSP costs should be allocated to common, including those related to situational awareness, program support, and emergency preparedness and response.[31] The utility states further that certain costs "related directly to distribution assets" should be allocated solely to electric distribution, including SCADA and reclose blocking; fuse savers and granular sectioning; SCADA capability upgrades for reclosers; and resilience zones ("which are permanent, 'plug and play' infrastructure that will enable temporary generation to connect to the distribution grid").[32] Except for the infrastructure related to resilience zones, discussed below, the JCCAs do not oppose this treatment.

The Settlement Agreement is unclear with regard to whether it is adopting the position expressed in PG&E's rebuttal testimony. Except for the Settlement Agreement's proposal that the costs of CWSP support programs be allocated as common costs,[33] which is in line with PG&E's rebuttal testimony and the Joint CCAs' Opening Brief, the Settlement Agreement appears to remain silent on aspects of CWSP functionalization that the Joint CCAs opposed in their Opening Brief. To the extent the Settlement Agreement aligns with PG&E's rebuttal testimony, which the Joint CCAs respectfully request be clarified in the Settling Parties' Reply Comments, the Joint CCAs only oppose the Settlement Agreement's treatment of CWSP costs with regard to the issue of resilience zones. To the extent that is not the case, the Settlement Agreement should be modified to reflect the position in the Joint CCAs' Opening Brief (which adopts the position in PG&E's rebuttal testimony, apart from the issue of resilience zones).

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compromise among the Settling Parties' respective litigation positions to resolve all disputed issues the Settling Parties raised in this proceeding. Unless otherwise provided in the Agreement, all proposals and recommendations by the Settling Parties, including, but not limited to, those set forth in the Joint Comparison Exhibit (JCE), are either withdrawn, if so indicated in the Agreement, or considered subsumed without adoption by the Agreement."); Motion, pp. 44-46.

[31] Exh. 20 at 1-5:20 to 1-6:7 and 3-7:1-15.

[32] *Id.* at 1-5:26 to 1-6:7 and 1-6:16 to 1-8:2.

[33] Settlement Agreement, p. 29.

On the resilience zone proposal specifically, if the Commission determines PG&E is to be the sole developer of resilience zones, the cost causation principle and state law require the $34.1 million capital costs for the program to be removed from PG&E's distribution revenue requirement and allocated solely to PG&E's generation revenue requirement. Otherwise, PG&E's proposal would assign interconnection costs to general ratepayers rather than the entity (PG&E) installing the generation facility or the microgrid in violation of that principle and contrary to state law.[34] However, in the event that the Commission rejects the resilience zone proposal in the Settlement Agreement, and adopts the alternative resilience zone proposal discussed herein and in the Joint CCA's Opening Brief, which would allow CCA-procured generation to interconnect to the resilience zones, costs for this program should be more widely socialized and recovered through distribution rates or the Public Purpose Programs ("PPP") charge.[35]

For these reasons and those discussed in the Joint CCAs' Opening Brief,[36] hereby incorporated by reference, the proposed functionalization of CWSP costs adopted via Section 2.3.2 of the Settlement Agreement is unreasonable, and this section of the Agreement should be rejected or modified in accordance with the recommendations discussed herein.

3. Aviation Resources

The cost of at least three of the four heavy-lift Black Hawk helicopters PG&E acquired in the name of supporting utility infrastructure projects and enhancing wildfire safety should be disallowed. The utility purchased these assets as an alternative to its prior practice of contracting

[34] *See* Exh. 23 (pages from PG&E's Rule 21), Section E.4(e); Cal. Pub. Util. Code § 2812.5.
[35] Exh. 20 at 1-6:16 to 1-7:23.
[36] Opening Brief, pp. 23-26.

for similar heavy-lift helicopters to serve these purposes.[37] The portion of the Settlement Agreement concerning the CWSP does not address aviation resources, or any of the issues raised in this proceeding by The Utility Reform Network ("TURN")[38] and the Joint CCAs[39] regarding the extent to which these costs are justified and should be passed on to ratepayers. By not addressing these costs in the Settlement Agreement, the Settling Parties accept PG&E's initial proposal to pass on these costs to ratepayers.[40]

Passing on the costs associated with all these resources is unreasonable given that PG&E has not experienced availability issues with its contracted helicopters that would necessitate the higher cost associated with the acquisition of these helicopters.[41] Further, it is contrary to fundamental ratemaking principles for PG&E's ratepayers to be funding assets acquired to build California's overall fire-fighting capacity, both within and outside of PG&E's service territory.[42] PG&E ratepayers should not be burdened with the cost of resources the utility acquired to provide these state-wide benefits, especially given that PG&E is ill-qualified to determine the appropriate state-level aviation resource response and that there are state and federal agencies

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37 14 Tr. 1384:13-27 (PG&E – Glover).

38 *See, e.g.*, 14 Tr. 1383-1419 (PG&E – Glover (cross examination by Ms. Torres)).

39 Opening Brief, pp. 26-30.

40 Settlement Agreement, p. 5 ("Unless otherwise addressed, the Settling Parties agree to PG&E's Electric Distribution forecasts and other proposals"). *See also* Motion, pp. 1-2 ("The Agreement is a compromise among the Settling Parties' respective litigation positions to resolve all disputed issues the Settling Parties raised in this proceeding. Unless otherwise provided in the Agreement, all proposals and recommendations by the Settling Parties, including, but not limited to, those set forth in the Joint Comparison Exhibit (JCE), are either withdrawn, if so indicated in the Agreement, or considered subsumed without adoption by the Agreement."); Motion, pp. 44-46.

41 Exh. 215 at 16:21 to 17:3 (citing Attachment RTB-2, p. 20 (PG&E Data Response to Joint CCAs DR 3, Q5(f))).

42 PG&E cites building California's overall fire-fighting capacity as one of its principle justifications for these acquisitions. *See* 14 Tr. 1413:26 to 1414:21 (PG&E – Glover); Exh. 68 at 2-11:30 to 2-12:2, 2-14:3-4, 2-16:7-13, and 2-22:23-26.

like CAL FIRE and the U.S. Forest Service that are actually charged with these broader fire protection duties.

The Joint CCAs hereby incorporate by reference these arguments advanced in their Opening Brief,[43] and conclude that Section 2.3.2 of the Settlement Agreement—which accepts PG&E's initial proposal to pass these costs on to ratepayers—is unreasonable and contrary to fundamental principles of ratemaking. Therefore, Section 2.3.2 of the Settlement Agreement should be rejected or modified in line with the recommendations proposed herein.

B. Integrated Grid Platform Program and Grid Modernization Plan (Section 2.3.6.6)

The Settlement Agreement simply states that the Settling Parties "agree to PG&E's forecasts and proposals" with respect to the Integrated Grid Platform Program and Grid Modernization Plan projects.[44] If PG&E is proposing to recover costs for its advanced grid investments equally from bundled and unbundled customers, then the benefits of those investments should be shared equally among these customers. Unless the Commission requires that all real-time data enabled through the Grid Modernization Plan investments are shared with all load-serving entities ("LSEs"), then PG&E will prevent other LSEs from maximizing their wildfire resiliency strategies and will have an upper hand in planning for generation acquisition and dispatch and participating in any future grid services markets.[45] Further, the utility will gain this competitive advantage at the expense of all LSEs' customers. At the very least, if this information is not required to be shared with all LSEs, then some of the costs of the Grid Modernization investments should be functionalized to the generation function to reflect the disparate benefit that bundled customers would receive from such real-time data availability.

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43 Opening Brief, pp. 26-30.
44 Settlement Agreement, p. 13.
45 Opening Brief, pp. 33-34.

For these reasons and the reasons set forth in the Joint CCAs' Opening Brief, hereby incorporated by reference,[46] the Settlement Agreement's acceptance of PG&E's Grid Modernization Plan as proposed is unreasonable and anti-competitive. Therefore, Section 2.3.6.6 of the Settlement Agreement should be rejected or modified in accordance with the recommendations discussed herein.

C. Decommissioning Reserve for Generation Assets (Section 2.4.6)

1. Hydroelectric Decommissioning

The Settlement Agreement proposes "to approve the decommissioning revenue requirement and methodology for generation, including . . . hydroelectric generation" but also "to reduce the hydroelectric decommissioning 2020 revenue requirement by $8 million as proposed by [the Public Advocates Office ("Cal Advocates")] and supported by other parties."[47]

As explained in Joint CCAs' Opening Brief, there are significant issues with the methodology that PG&E used to arrive at its estimates,[48] and the $8 million reduction of the revenue requirement for 2020 does not do nearly enough to ameliorate these concerns. First, five of the 13 units have already been sold, have been ordered to be sold, or are in the process of being sold.[49] As even PG&E has acknowledged, selling a hydro asset removes any need for PG&E to decommission the projects because decommissioning becomes the responsibility of the new owner.[50] While the Settlement Agreement states that the reduction in the revenue requirement "incudes the impact of sales of the Deer Creek and Narrows facilities[,]"[51] these two

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46 *Id.*, pp. 30-38.
47 Settlement Agreement, pp. 18-19; Motion, p. 30.
48 Opening Brief, pp. 52-55.
49 *See* D.19-10-011 and D.19-10-010; 19 Tr. 2205:3 to 2208:5 (PG&E – Maggard).
50 19 Tr. 2204:16 to 2205:2 (PG&E – Maggard); Exh. 215 at Attachment RTB-2, pp. 4-5 (PG&E Response to Joint CCAS DR 2, Q7(a)).
51 Settlement Agreement, p. 19.

facilities represent only a fraction of the assets included in the original decommissioning estimate that are now very likely to be sold rather than decommissioned.

Further, given that the timelines forecasted for decommissioning these projects show decommissioning dates far more than ten years in the future, these funds need not be collected at this time.[52] Rather, in light of these timelines and the uncertainty surrounding which projects will ultimately be decommissioned, PG&E should wait to accrue decommissioning funds until the projects are within ten years of their decommissioning date.[53] In accordance with this recommendation, PG&E should hold on accruing these funds for now and revisit this issue again in its next GRC when more data on the sale of PG&E's hydro assets will be available. In the alternative, if the accruals are to begin via this GRC, such accruals should be lowered in line with Joint CCAs witness Beach's testimony,[54] which provides a revised estimate of $95 million ($7.2 million per year) for a reasonable level of accruals for hydro decommissioning.[55]

For these reasons, and those explained in the Joint CCAs' Opening Brief,[56] hereby incorporated by reference, Section 2.4.6 of the Settlement Agreement is unreasonable and is likely to burden ratepayers with unnecessary costs. This is especially true given that if the Commission chooses to disallow this recovery now and revisit this issue again in the next GRC, or if it chooses to set an amount of the accrual that ends up being too low to account for the actual decommissioning costs, PG&E will still, ultimately, be able to recover its actual

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52 Exh. 215 at 33:11-18.
53 Exh. 215 at 33:11-18.
54 *Id.* at 33:22-28.
55 *Id.*
56 Opening Brief, pp. 52-55.

decommissioning costs.[57] Thus, Section 2.4.6 of the Agreement should be rejected or modified in accordance with the recommendations proposed herein.

2. Solar Decommissioning

PG&E's original proposal was to allocate funds to decommission 152 MW of utility-owned solar generation facilities at a cost of $100.5 million or about $6 million per year.[58] On a per project basis, this amount is $400/kW, which is *over 10% greater than the original cost for these facilities*.[59] As explained above, the Settlement Agreement proposes to approve the decommissioning revenue requirement and methodology for generation assets, including for solar assets.[60]

This provision of the Settlement Agreement is the result of estimates that ignore the potential salvage value of the solar panels and the racking support structure,[61] and that are at odds with even PG&E's own experience in decommissioning solar projects.[62] In fact, industry estimates of decommissioning costs are a fraction of those suggested by PG&E, including $10/kW, $50/kW, and $82/kW.[63] For these reasons and those detailed in the Joint CCAs' Opening Brief,[64] hereby incorporated by reference, Section 2.4.6 of the Settlement Agreement is unreasonable and not in the interest of ratepayers. Given that PG&E will ultimately recover the actual costs for decommissioning,[65] the Joint CCAs suggest that the Commission instead reject

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[57] 19 Tr. 2211:2-26 (PG&E – Maggard); Exh. 151 (PG&E Data Response to Joint CCAs DR 15, Q4).
[58] Exh. 146 at 8-29:8; 19 Tr. 2169:9-21.
[59] Exh. 215 at 36:9-17; Exh. 71 at 5-25:14-16; 19 Tr. 2170:3-6 (PG&E – Royall).
[60] Settlement Agreement, pp. 18-19; Motion, p. 30.
[61] Exh. 215 at 37:8-19.
[62] 19 Tr. 2717:6-20 (PG&E – Royall); Exh. 152 (PG&E Data Response to Joint CCAs DR 18, Q01).
[63] Exh. 215 at 37:15 to 38:18, nn. 71 and 72.
[64] Opening Brief, pp. 55-58.
[65] 19 Tr. 2211:2-26 (PG&E – Maggard).

PG&E's proposed solar decommissioning costs and require the utility to make a modified proposal in its next GRC, or in the alternative, at least significantly reduce the annual accruals PG&E can recover.

D. Customer Care (Section 2.5)

Section 2.5 of the Settlement Agreement covering Customer Care fails to address the Joint CCAs' cost functionalization issues, which were a significant portion of JCCA's direct case.[66] Further, it provides that, "[u]nless otherwise addressed . . . the Settling Parties agree to PG&E's Customer Care forecasts and other proposals."[67] Additionally, Section 2.9.1 of the Settlement Agreement sets out a list of cost allocation adjustments agreed to by the Settling Parties,[68] and these adjustments do not affect Customer Care costs.

The Settlement Agreement therefore fails to address the Joint CCAs' recommendations with respect to how PG&E has functionalized its Customer Care costs between bundled and unbundled customers, and fails to ensure that these costs are recovered in an equitable and non-discriminatory manner. As explained in the Joint CCAs' Opening Brief, while Customer Care touches all customers, not all customers utilize these services equally. In fact, data provided by PG&E via discovery has revealed that for many Customer Care programs and services, bundled electric customers utilize such services far more than unbundled electric customers.[69] To ensure that PG&E's cost allocation methodology reflects cost causation principles, the utility should replace its 55/45 allocator for Customer Care activities (which only accounts for the relative proportion of PG&E's electric and gas customers) with a methodology that uses the relative utilization of a particular Customer Care service to directly allocate those Customer Care costs.

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66 *See generally* Exh. 216.
67 Settlement Agreement, p. 19.
68 *Id.*, p. 29.
69 Opening Brief, pp. 58-82.

These functionalization recommendations are laid out in detail in the Joint CCAs' Opening Brief, and are hereby incorporated by reference.[70]

In summary, correcting PG&E's functional allocation factors to appropriately reflect cost of service differences for Customer Care between bundled and unbundled customers would reduce the Electric Distribution revenue requirement by $12.22 million, increase Electric Generation by $13.27 million, and increase Gas Distribution by $1.05 million.[71] In addition, because PG&E lacks detailed utilization data for some of its Customer Care services, the Joint CCAs recommend that the Commission (1) require PG&E to use the Joint CCAs' Adjusted Common Customer Care Cost Allocator when there is insufficient data regarding utilization of a particular Customer Care service, (2) require PG&E to track and report on how common Customer Care services are utilized going forward, and (3) require PG&E to present its allocations of shared costs more transparently in future GRCs.

For the reasons stated herein and in the Joint CCAs' Opening Brief, the Customer Care cost allocations reflected in the Settlement Agreement are contrary to cost causation principles and in violation of California law forbidding cost shifts between departed and bundled customers.[72] As such, Section 2.5 of the Settlement Agreement should be rejected or modified in accordance with the recommendations discussed herein.

E. Results of Operations - Cost Allocation Adjustments (Section 2.9.1(B))

PG&E originally proposed to functionalize its aviation expenses based on the function that the aviation resource supports, using chargebacks to the line-of-business that uses the

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70 *Id.*

71 Exh. 216 at 23: 4-6.

72 Cal. Pub. Util. Code § 366.2(a), (f).

helicopter.[73] Additionally, the utility proposed to allocate the capital for the helicopters to functions based on labor ratios.[74] The Settlement Agreement instead proposes that the costs associated with PG&E's acquisition of the heavy-lift helicopters be allocated as common costs.[75] This means that instead of allocating the helicopter costs based on the utility function that uses the resource, PG&E will split the costs 55/45 between gas and all electric customers based on the approximate relative numbers of electric and gas customers.

However, the most reasonable approach, and the one most consistent with the fundamental principles of ratemaking, would be to base allocation of these common costs on how customers utilize the service. This is a standard way to allocate common costs that PG&E regularly employs.[76] Allocating these costs based on utilization better reflects which utility functions are causing the helicopter costs to be incurred. Additionally, the Joint CCAs could not find any evidence advanced by any party on the record that supports the revised functionalization proposal reflected in the Settlement Agreement. Therefore, PG&E and the Settling Parties' revised position as set forth in Section 2.9.1(B) of the Settlement Agreement is unreasonable and is not supported by the record. This provision should therefore be rejected or modified in accordance with the recommendations herein.

III. SETTLEMENT AGREEMENT SECTIONS SUPPORTED BY THE JOINT CCAS

This Section addresses the two sections of the Settlement Agreement that the Joint CCAs support and believe are reasonable in light of the whole record, consistent with law, and in the public interest in compliance with Rule 12.1(d). Accordingly, the Joint CCAs support the

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[73] *See* Exh. 215 at Attachment RTB-2, pp. 1, 19 (PG&E Data Response to Joint CCAs DR 1, Q7(a) and DR 3, Q5(b)(i)). *See also* Exh. 80 at 9-10:12 to 9-11:8 (describing how the capital expenditures are allocated).

[74] Exh. 215 at 17:21 to 18:2.

[75] Settlement Agreement, p. 29.

[76] Opening Brief, pp. 62-63.

adoption of a settlement with these provisions, but note that such support should not be construed as support for the Settlement Agreement as a whole.[77]

A. Non-Bypassable Charge for Hydroelectric Facilities (Section 2.4.3.1)

PG&E's Application proposed special recovery of its hydroelectric generation costs via the Hydro NBC. The proposal would have shifted approximately $160 million in hydroelectric generation-related costs into the Electric PPP charge that CCA and other unbundled customers would pay.[78] Section 2.4.3.1 of the Settlement Agreement withdraws this proposal.[79] The Joint CCAs support the withdrawal of the Hydro NBC in light of the numerous legal, ratemaking, and policy factors undermining it. Specifically:

- Unlike other non-bypassable charges the Commission has approved, no statutory authority exists for the creation of the Hydro NBC;
- The Hydro NBC would inappropriately expand the PPP charge beyond its statutory boundaries;
- The Hydro NBC is duplicative of existing ratemaking mechanisms ensuring bundled customer indifference to departing customers and customers participating in distributed generation programs;
- The Hydro NBC is bad policy because (1) it creates an uneven competitive playing field and (2) requires the Commission to referee which resources are *clean enough* or *public enough* or *community-centered enough* to deserve special rate recovery socializing certain costs; and
- The allocation of PG&E's generation costs is better considered at the Legislature or other Commission proceedings.

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77 *See* Section I herein.

78 Exh. 146 at 8-25:3-6; 19 Tr. 2189:8-16 (PG&E – Maggard).

79 Motion, p. 30; Settlement Agreement, pp. 16-17.

The Joint CCAs hereby incorporate by reference these arguments supported by the Joint CCAs' Opening Brief[80] and conclude that the Settlement Agreement's withdrawal of this proposal is reasonable in light of the record, consistent with law, and in the public interest.

B. Cost Allocation Adjustments - Excess Liability Insurance (Section 2.9.1(E))

Both Cal Advocates and the Coalition of California Utility Employees ("CUE") recommended over the course of this proceeding that PG&E break from its long-standing practice of functionalizing insurance costs across all lines of business. Specifically, Cal Advocates recommended that approximately $300 million of incremental costs from excess liability insurance expense be allocated only to the electric distribution and electric transmission functions to reflect the increased number of wildfires over the past several years.[81] It arrived at this $300 million figure by comparing a five-year average of what these expenses were from 2013-2017 to what PG&E forecasted it would need for 2020.[82] CUE agreed that a substantial portion of these expenses should be allocated solely to electric distribution and electric transmission to reflect an increase in these costs due to wildfires, and proposed an alternate trendline analysis to estimate that anywhere between $238 million and $254 million should be reallocated.[83] The Settlement Agreement joined by both Cal Advocates and CUE reflects a withdrawal of these arguments, as it proposes that "PG&E will continue to allocate these costs [excess liability insurance] as Common Costs."[84]

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80 Opening Brief, pp. 39-51.
81 Exh. 174 at 15:14-18.
82 21 Tr. 2352:6-12 (Cal Advocates – Weaver).
83 Exh. 62 at 6:6-10 (noting that CUE does not have a position as to which analysis—as between its analysis and Cal Advocates'—yields a more exact number, but that both analyses show that a large amount should be reallocated to electric distribution and electric transmission).
84 Motion, p. 42; Settlement Agreement, p. 29.

The Joint CCAs support the withdrawal of Cal Advocates' and CUE's proposals for cost reallocation in light of the fact that (1) PG&E continues to sustain significant risk across all its lines of business—which this insurance covers, (2) neither Cal Advocates nor CUE was able to identify with a reasonable degree of certainty the amount of the cost increase attributable to wildfires, and (3) administration of either of these proposed alternatives would be untenable going forward, especially given that neither method can readily account for a situation in which multiple variables are causing an increase in costs. The Joint CCAs hereby incorporate by reference these arguments supported by their Opening Brief[85] and conclude that continuing to functionalize insurance costs across all lines of business is reasonable and serves the public interest.

IV. CONCLUSION

For the foregoing reasons, the Joint CCAs request that the Commission reject or modify the Settlement Agreement in accordance with Rule 12.4 and the recommendations discussed herein.

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[85] Opening Brief, pp. 82-87.

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