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

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, 2017 (U 39 M).

Application 15-09-001
(Filed September 1, 2015)

JOINT NOTICE OF *EX PARTE* COMMUNICATION

Pursuant to Rule 8.4 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E), the Office of Ratepayer Advocates (ORA), and The Utility Reform Network (TURN) (collectively, the Joint Parties) file this notice of an *ex parte* communication. The communication occurred on Friday, March 24, 2017 at 11:00 AM and lasted approximately one hour at the offices of the California Public Utilities Commission (CPUC). The communication was oral and the attached document was discussed.

The Joint Parties initiated the communication with David Peck, Advisor to President Michael Picker. Participants from PG&E were: Shelly Sharp, Senior Director, Regulatory Proceedings; Steven Frank, Attorney; Andrea Samonek, Manager, Rule 20A; and Erik Jacobson, Director, Regulatory Relations. Participants from ORA were: Robert Pocta, Program Manager; Laura Tudisco, Attorney; and Thomas Roberts, Senior Utilities Engineer. Participating from TURN was Robert Finkelstein, General Counsel.

General Comments: The Joint Parties stated that the Settlement Agreement should be adopted as filed without the modifications advanced in the Proposed Decision (PD). The Joint Parties recognized that the Commission can modify settlements, but the Settlement Agreement as a whole is in the public interest and the Commission should resist the

temptation to modify individual provisions that were negotiated in good faith as a comprehensive package.

Length of the Rate Case Cycle: Regarding the contested issue of a four-year rate case cycle, PG&E and ORA indicated their support for a four-year rate case cycle, whereas TURN indicated its opposition to a four-year rate case cycle.

Rule 20A: The Joint Parties discussed the Rule 20A provisions in the Settlement Agreement and recommended they be adopted. PG&E explained that from 1989 to 2006, there was an escalation factor that was applied to the work credit allocation and from 2007-2010, that allocation was kept flat. In PG&E's 2011 General Rate Case (GRC), the Commission reduced the work credit allocation by half. In the 2017 GRC, PG&E proposed to continue the existing work credit allocation of \$41.3 million through 2019, while ORA proposed setting the annual work credit allocation at zero. The Proposed Settlement included the higher of those two figures. The Joint Parties also referenced the attached data request response that compares the available work credit balance under both the Settlement Agreement and the PD. The Joint Parties stated that they support the lower work credit allocations in the settlement over those recommended in the PD because a lower allocation will help reduce the ongoing accumulation of unused work credits.

The Joint Parties also questioned why Rule 20A funding should be treated any differently than other aspects of PG&E's authorized revenue requirement for purposes of permitting the utility to reallocate those funds when practicable and necessary to support higher priority work. They referred to PG&E's workpapers and testimony to show the effects of reallocating funding that had originally been authorized for Rule 20A projects. This

information is to be found in PG&E's Budget Compliance Reports (Workpapers to Exhibit (PG&E-1)),¹ as well as PG&E's late-filed exhibit on safety spending (Exhibit PG&E-44). This exhibit on safety spending shows that over the 3-year GRC period 2014 – 2016, PG&E spent more than was authorized by the Commission for safety-related categories.² Finally, in response to a question, PG&E stated that it spent \$31.1 million on Rule 20A projects in 2016, information that is outside of the formal record in the proceeding.

Rate Reform Spending: The Joint Parties explained the compromise reached in the Settlement Agreement regarding the Residential Rate Reform Memorandum Account (RRRMA). The Joint Parties stated that a separate application is unnecessary because the Settlement Agreement provides for an agreed upon cost cap, advice letter process and opportunity to review 2015-2019 costs booked to the RRRMA. PG&E explained its rationale that its decision to include in this GRC a presentation of 2015-2016 costs was based on a literal and reasonable reading of the Commission's D.15-07-001. The Joint Parties explained that the settlement amount is well below that sought by PG&E and the amount that would have been provided under ORA's alternative recommendation.

¹ Specifically, the 2014 Budget Compliance Report (comparing 2013 budgets to recorded data) were submitted on September 1, 2015. Table 3-2: Electric Distribution 2013 Capital Comparison Summary can be found at WP 1-28 (line 8) with variance explanations at WP 1-39 through 1-40. The 2015 Budget Compliance Report (comparing 2014 budgets to recorded data) was also included in the September 1, 2015 submittal. Table 3-2: Electric Distribution 2014 Capital Comparison Summary can be found at WP 1-198 (line 11) with variance explanations at WP 1-211 through 1-212. The link to these workpapers is here: [Workpapers to Exhibit PG&E-1](#).

Similarly, the 2016 Budget Compliance Report (comparing 2015 budgets to recorded data) was included as Supplemental Workpapers to Exhibit (PG&E-1) on March 31, 2016. Table 3-2: Electric Distribution 2015 Capital Comparison Summary can be found at page B3-2 (line 11) with variance explanations at B3-14 through B3-15. The link to these workpapers is here: [Supplemental Workpapers to Exhibit PG&E-1](#).

² PG&E's Late Filed Exhibit on Safety Related Expenditures (Exhibit 44) was filed October 10, 2016, before final 2016 expenditures were known such that 2016 expenditures are based on a forecast. The link to that testimony is here: [Late Filed Exhibit on Safety Related Expenditures](#).

Tax Memorandum Account: The Joint Parties discussed the reasonableness of the tax provision in the Settlement Agreement and explained that the consequences of tax changes could cut in either direction, such that the revenue requirement results could either be good, or bad, for ratepayers. The Joint Parties acknowledged the similarity between the more limited memorandum account proposed in the Settlement Agreement and the mandatory and elective tax law changes, tax accounting changes, tax procedural changes or tax policy changes (items (2) and (3)) that the PD would cover. The difference is the treatment of “net revenue changes” (item (1)), and that difference generated most of the concerns identified in PG&E’s comments.

Monitorship Costs: PG&E explained its proposed ratemaking treatment and the distinction between what might be characterized as “direct” and “indirect” costs relating to the monitorship. Under PG&E’s proposal, the former would be booked “below-the-line” and charged to shareholders.

Respectfully submitted,

/s/ Erik B. Jacobson

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PACIFIC GAS AND ELECTRIC COMPANY
2017 General Rate Case Phase I
Application 15-09-001
Data Response

PG&E Data Request No.:	ED_011-Q01-05		
PG&E File Name:	GRC-2017-PhI_DR_ED_011-Q01-05		
Request Date:	March 22,2017	Requester DR No.:	011
Date Sent:		Requesting Party:	Energy Division
PG&E Witness:	Andrea Samonek	Requester:	Elaine Lau

FOLLOW-UP QUESTIONS TO CLARIFY THE RESPONSE OF ED_010-Q01-03

QUESTION 1

In Question 2 of the original data request, "Would the settlement terms for Rule 20A change the forecast of these uncommitted available work credit balances?", PG&E answered No. Does this mean that the forecast of uncommitted available work credit balance for 2017 remains \$520M under the settlement?

ANSWER 1

No. PG&E's response to Question 2 of ED_010 indicates that the annual allocation level, \$41.3 million, in the settlement is consistent with the amount PG&E used to compute the uncommitted available work credit balances in its 2017 GRC application.

The uncommitted available work credit balance at the start of 2017 would not remain \$520M under the settlement. In addition to the \$41.3M annual allocation, the balance at the start of 2017 is also based on the communities' work credit balances and the forecast cost of identified work at the start of 2017, which have changed since PG&E prepared its GRC application in 2015.

QUESTION 2

PG&E's answer to Q3 says, "The Available Work Credit Balance would increase at the start of 2017 due to the change in the annual allocation from \$41.3M to \$81M (a system-wide increase of \$39.7M). The Balance would also increase due to the change in the "borrow forward" from \$206.5M (\$41.3M times 5) to \$405M (\$81M times 5)."
Does this mean that the forecast of Uncommitted Available Work Credit Balance increases by \$39.7M + \$198.5M (\$405-206.5M), or \$198.5. So then, the 2017 uncommitted available work credit balance would be \$718.5M under the PD?

ANSWER 2

No. The Available Work Credit Balance at the start of 2017 would not be \$718.5M under the Proposed Decision. Under the Proposed Decision the total balance would be \$816.1M.

The Available Work Credit balance amounts at the start of 2017 are shown below using both the Settlement and Proposed Decision values. The balances were derived by taking the communities' work credit balances at the start of 2017 under both the Settlement and Proposed Decision, adding the 5-year "borrow forward" under both the Settlement and Proposed Decision, and deducting the forecast cost of identified work at the start of 2017.

The updated Available Work Credit Balances under both the Settlement Agreement and under the Proposed Decision are shown in the table below.

Region	Settlement	Proposed Decision
	Available Work Credit Balance Jan 1 2017	Available Work Credit Balance Jan 1 2017
Total Bay Area Region	\$ 53,591	\$ 115,922
Total Central Coast Region	\$ 201,372	\$ 280,732
Total Central Valley Region	\$ 147,489	\$ 197,862
Total Northern Region	\$ 175,550	\$ 221,616
Total Available Work Credits	\$ 578,002	\$ 816,132

Aggregate Communities with Positive Balance	\$ 647,300	\$ 854,600
Aggregate Communities with Negative Balance	\$ (69,298)	\$ (38,469)
Total Available Work Credits	\$ 578,002	\$ 816,132

QUESTION 3

Does the borrow-forward assume all communities will borrow forward?

ANSWER 3

Yes. PG&E included the borrow-forward for all communities when calculating the Available Work Credit Balance in Workpaper Table 18-8 and in the table shown above in order to calculate the full potential of communities undertaking new Rule 20A projects.

QUESTION 4

If Q1 [Question 3] is yes, then the actual borrowing is less than the numbers from the data response, right?

ANSWER 4

Yes, the actual borrowing occurs when a community's project is completed and the costs are deducted from the community's work credit balance.

QUESTION 5

Does PG&E have an estimate on which communities will actually borrow forward in a particular year? Can PG&E derive the Uncommitted available work credit balance from that balance?

ANSWER 5

PG&E estimates the "borrow forward" for communities with committed projects, meaning projects with passed resolutions, which is reflected in the uncommitted available work credit balance.

PG&E does not have enough information about uncommitted projects to estimate the potential "borrow forward" amount for other communities.