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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. (U39M)

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

**OPENING COMMENTS ON THE PROPOSED DECISION
OF COALITION OF CALIFORNIA UTILITY EMPLOYEES,
PACIFIC GAS AND ELECTRIC COMPANY AND
THE ENVIRONMENTAL DEFENSE FUND
CONCERNING
THE CONTESTED ISSUE OF A GAS LEAK MANAGEMENT BALANCING
ACCOUNT**

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March 20, 2017

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SUMMARY OF RECOMMENDATIONS

Policy and Legal

- The Proposed Decision (PD) should be revised to approve the New Environmental Regulatory Balancing Account proposed in Section 4.2 of the Settlement Agreement.

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I. INTRODUCTION

The Coalition of California Utility Employees (CUE), Pacific Gas and Electric Company (PG&E) and the Environmental Defense Fund (EDF) hereby submit these Opening Comments on the Proposed Decision (PD) issued by the Administrative Law Judge (ALJ) on February 27, 2017 in the above-captioned manner. On March 17, 2017, pursuant to a request from PG&E, ALJ Roscow orally authorized the filing of separate comments as long as the subject matter covered by the separate comments did not overlap. These comments focus solely on the contested issue of whether PG&E should be authorized to implement the gas leak management balancing account described in Section 4.2 of the Settlement Agreement. The issue is not discussed in any of the other comments filed by PG&E, CUE or EDF.

The PD denies without prejudice CUE's, PG&E's and EDF's request for such a balancing account. The PD concludes that "we should not decide this question in this GRC decision because it is now actively pending in R.15-01-008."¹ This is not at all certain. Hence, CUE, PG&E and EDF ask that the PD discussion of this issue be corrected and that the PD be revised to grant the requested balancing account.

¹ PD, p. 198.

II. THE PD'S DISCUSSION OF THE PROPOSED GAS LEAK BALANCING ACCOUNT SHOULD BE REVISED.

PG&E requested authorization for a gas leak management account in the Gas Leak OIR (R.15-01-008) and in PG&E's GRC (A.15-09-001). When the issue appeared in the Gas Leak OIR docket, TURN argued that it should be addressed in PG&E's GRC. When the issue appeared in this GRC, TURN insisted that the issue belonged in the Gas Leak OIR. The result could be that PG&E has no funding for required emissions reductions measures that will be incurred in the rate cycle.

In TURN's August 18, 2016 Opening Comments on the Settlement Agreement "Contested Issues," TURN argued: "The Commission should clearly define the proper costs and establish any necessary cost recovery mechanism – whether a balancing account, a memorandum account, or some other mechanism – in R.15-01-008, the proceeding that is addressing the underlying work to be done."²

Following similar logic, the PD states that "we should not decide this question in this GRC decision because it is now actively pending in R.15-01-008."³ While it is true that the ALJ in R.15-01-008 "issued a ruling that, among other things, sought comments from parties on the scoping memo question of whether a two-way balancing account. . . should be established for interim cost recovery in that proceeding," a ruling on these comments has not been issued. It is therefore uncertain whether the Gas Leak OIR will address cost recovery.

In their December 9, 2016 Opening Comments in the Gas Leak OIR, TURN argued that it was inappropriate to adopt a cost recovery mechanism in that proceeding because PG&E should have foreseen the leak abatement compliance costs and included these in its GRC. Specifically, TURN wrote:

TURN opposes creating new memorandum accounts for the utilities. SB 1371 was signed into law in September 2014. The gas utilities most recent rate cases were all filed after that law was signed. While the law has not

² Opening Comments Of The Utility Reform Network and Collaborative Approaches To Utility Safety Enforcement On The "Contested Issues" Identified In The Proposed Settlement (August 18, 2016), p. 11.

³ PD, P. 198.

yet been implemented, the utilities cannot argue that reduction in fugitive methane emissions is an entirely new and unanticipated expenditure.⁴

In other words, in the Gas Leak OIR, TURN has taken the position that the issue of cost recovery not only belongs in GRCs, but belongs in this GRC, as the most recent rate case filed after SB 1371 was signed. If TURN is successful in both proceedings, the necessary emissions reductions measures may be delayed. More importantly, this issue is right for resolution in the GRC because it concerns PG&E's cost recovery alone and is adequately addressed by the record in this proceeding. The Commission should act on PG&E's request here, and should grant the request.

III. CONCLUSION.

For the reasons set forth above, CUE, PG&E and EDF respectfully request that the Commission modify the discussion of the contested issue on the Gas Leak Management balancing account and that the account be adopted in this GRC. If this request is not granted, we request that the Commission confirm that this issue will be addressed in the Gas Leak OIR.

Pursuant to Commission Rule 1.8(d), counsel for CUE and PG&E have authorized EDF to submit these comments on their behalf.

Respectfully submitted,

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Dated: March 20, 2017

⁴ R.15-01-008, Comments of The Utility Reform Network In Response To ALJ Ruling Questions On Cost Effectiveness (December 9, 2016), p. 2.

APPENDIX A

CUE'S, PG&E'S AND EDF'S PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS COMPARED AGAINST THOSE FOUND IN THE PROPOSED DECISION

Findings of Fact

16. The Commission is developing a record on the question of whether a two-way balancing account should be established for interim cost recovery in R.15-01-008, its Order Instituting Rulemaking to Adopt Rules and Procedures Governing Commission-Regulated Natural Gas Pipelines and Facilities to Reduce Natural Gas Leakage Consistent With Senate Bill 1371, but that issue has not been decided.

Conclusions of Law

19. The Commission should ~~not~~ decide in this GRC whether PG&E should be authorized to establish a new balancing account to record costs to comply with gas leak management requirements that may emerge from Commission Rulemaking R.15-01-008, because it is not clear that this question will be addressed ~~the same question is now actively pending~~ in that proceeding.

ORDER

IT IS ORDERED that:

17. The disputed proposal to authorize Pacific Gas and Electric Company to establish a new balancing account to record costs to comply with gas leak management requirements that may emerge from Commission Rulemaking 15-01-008 is adopted ~~denied without prejudice.~~