

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
10-05-15
04:59 PM

Application of Pacific Gas & Electric
Company (U 39 M) for Authority,
Among Other Things, to Increase Rates
and Charges for Electric and Gas
Service Effective on January 1, 2017.
(U39M)

A.15-09-001
(Filed September 1, 2015)

**PROTEST
OF THE OFFICE OF RATEPAYER ADVOCATES**

I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure, the Office of Ratepayer Advocates (ORA) submits this Protest to the Application of Pacific Gas and Electric Company (PG&E) for authority to increase rates for gas and electric service effective January 1, 2017.

PG&E filed its General Rate Case (GRC) Application on September 1, 2015. In Application (A.) 15-09-001, PG&E requests Commission authorization for revenue increases associated with its electric and gas operations. If the Commission were to grant PG&E's request, PG&E's GRC revenue requirement would increase by \$457 million (5.8%), from a 2016 adopted level of \$7.916 billion to \$8.373 billion (\$1.827 billion gas and \$6.546 billion electric) in Test Year (TY) 2017.¹

For customers not covered by the California Alternate Rates for Energy (CARE) program, PG&E estimates that the 2017 bill impact, compared to the current 2015 bill, would be:

- An increase of \$2.86 (3.20%) per month for an electric residential customer using an average of 500 kWh/month;
- An increase of \$4.00 (2.70%) per month for an electric residential customer using an average of 700 kWh/month; and

¹ Application ("A"). 15-09-001, p. 1.

- An increase of \$1.20 (2.34%) per month for a gas residential customer using an average of 34 therms/month.²

PG&E also proposes post-test year revenue increases of \$489 million (5.84%) in 2018 and \$390 million (4.40%) in 2019.³

Pursuant to Rule 2.6 of the Commission's Practice and Procedure, Protests must be filed within 30 days of the date the notice of the filing of the Application first appears in the Daily Calendar. Since the Application was first noticed on the Commission's calendar on September 3, 2015, this Protest is timely filed.

ORA is reviewing PG&E's requests and conducting discovery. Below, ORA lists some of the areas where it expects to make recommendations. ORA also proposes a schedule for processing this case.

II. BACKGROUND

On September 1, 2015, PG&E filed its Test Year 2017 General Rate Case application. As per Decision (D.) 14-12-025, PG&E was not required to tender a Notice of Intent (NOI). Therefore, ORA was not afforded the opportunity to preview PG&E's GRC application, submit deficiency notices, and ensure that the deficiencies were substantially cured prior to the filing of the application.

III. REQUEST OF PACIFIC GAS AND ELECTRIC COMPANY

PG&E is requesting a \$457 million (5.8%) revenue requirement increase, from a 2016 adopted level of \$7.916 billion in GRC base revenues, to \$8.373 billion in TY 2017. A breakdown of the requested increase is shown below:⁴

Description	2016 Adopted GRC Revenues	2017 Proposed GRC Revenues	\$ Increase	% Increase
Gas Distribution	\$1,742	\$1,827	\$85	4.9%
Electric Distribution	\$4,213	\$4,376	\$164	3.9%
Electric Generation	\$1,962	\$2,170	\$208	10.6%
Total	\$7,916	\$8,373	\$457	5.8%

² Ibid, p. 2.

³ Ibid, p. 3.

⁴ Ibid, p. 2.

PG&E indicates that the key reasons for its requested revenue requirement increase in this GRC include:⁵

- Increase in the costs of delivering energy safely to customers and providing responsive customer service;
- The need to make capital investments to replace aging infrastructure;
- The need for capacity-driven additions;
- Recovery of costs for depreciation associated with plant investments; and
- Costs of complying with governmental regulations and orders.

PG&E also seeks Post-Test Year revenue increases of \$489 million (5.84%) in 2018 and \$390 million (4.40%) in 2019 to account for escalation of operating expenses and capital revenue requirement growth.

The revenue requirement for pension contributions during the 2017-2019 period will be collected through the Pension Cost Recovery Mechanism, and not through the GRC request.

IV. REVIEW BY THE OFFICE OF RATEPAYER ADVOCATES

ORA has been reviewing PG&E's showing and conducting discovery since the Application was filed on September 1, 2015. ORA will develop independent forecasts and make recommendations to the Commission as appropriate when it serves its testimony. Below is a non-exhaustive list of the major issues that ORA has identified so far:

- The reasonableness of PG&E's forecasts, including but not limited to, Operation and Maintenance expenses, Customer Service expenses, Administrative and General expenses, capital expenditures, and depreciation expense for PG&E's Electric Distribution, Electric Generation and Gas Distribution operations;
- proposed staffing levels (i.e., new Full-Time Equivalent positions, or FTEs);
- the forecasted amount of work activities and unit costs associated with those work activities;
- the level of settlements, claims, workers compensation, insurance, and benefits costs;
- the amount of incentives and / or awards paid out to utility employees and the appropriate level of ratepayer funding of employee incentives;
- costs associated with replacing supposedly aging and/or obsolete equipment;

⁵ Ibid, p. 4.

- depreciation assumptions and parameters;
- the necessity and/or reasonableness of new programs or initiatives;
- forecasting methodologies employed;
- the justifications and adequacy of PG&E's showing on risk and safety;
- the reasonableness of PG&E's claim that it is on track to make up in 2015 and 2016 gas capital spending the amounts it says it under-budgeted in its internal 2014 gas capital forecast as compared with the levels the Commission adopted later that year in D.14-08-025;⁶
- the adequacy of PG&E's justifications and supporting documentation associated with its requested cost increases.

Further discovery and analyses may eliminate some of these issue areas, while others may arise.

V. CATEGORIZATION OF PROCEEDINGS

PG&E proposes that these proceedings be categorized as "ratesetting."⁷ ORA agrees with this designation.

VI. PROCEDURAL ISSUES

PG&E proposes a procedural schedule that includes evidentiary hearings. ORA agrees and recommends that evidentiary hearings be scheduled to address the numerous issues raised by PG&E's Application.

However, PG&E's proposed schedule for processing the 2017 GRC would have ORA testimony due on February 22, 2016.⁸ ORA opposes the schedule proposed by PG&E. PG&E's schedule is unrealistic because it provides inadequate time for ORA to fully evaluate and develop independent forecasts and testimony in light of the numerous issues presented in the Application.

ORA's schedule would provide all parties time to evaluate PG&E's proposals and make their own recommendations while still allowing for a Commission decision by January 1, 2017. ORA's proposed schedule is as follows:

⁶ Ex. PG&E-3, Gas Distribution, Ch. 1, Gas Distribution Operations and Introduction (Stavropoulos) pp. 1-1 – 1-2:

⁷ Ibid, p. 18.

⁸ Ibid, p. 23.

Initial Public Workshop	September 29, 2015
Pre-Hearing Conference	October 29, 2015
Additional Public Workshops	October/ November 2015
SmartMeter Cost-Effectiveness Exhibit	December 1, 2015
Supplemental PG&E Testimony	February 22, 2016
ORA Testimony	April 15, 2016
Intervenor Testimony	April 29, 2016
Public Participation Hearings	May 2016
Rebuttal Testimony	May 16, 2016
Evidentiary Hearings Begin	May 31, 2016
Evidentiary Hearings End	June 24, 2016
Comparison Exhibit	July, 2016
Opening Briefs	July 25, 2016
Reply Briefs	August 8, 2016
Proposed Decision (PD)	November 8, 2016
Comments on PD	November 28, 2016
Reply to Comments on PD	December 3, 2016
Commission Decision	December 8, 2016

According to D.14-12-025, “The assigned Commissioner and ALJ shall have the discretion to alter the schedule as may be needed.”² PG&E offers its own alteration to the schedule in its request to include a round of Supplemental Testimony. ORA’s proposed schedule is a modest but reasonable adjustment to the one set forth in Decision 14-12-025. The departure in schedule is only associated with the timing and dates for ORA, intervenor and rebuttal testimony. Evidentiary hearings would still occur in the May / June timeframe as set forth in D.14-12-025. Since the changes proposed by ORA do not affect the timing for evidentiary hearings, ORA’s proposed schedule does not adversely impact the timing for issuance of a proposed and final decision as anticipated in D.14-12-025.

This is the first GRC to proceed without a Notice of Intent (NOI) period. Before the NOI period was eliminated, ORA, and other interested parties had an opportunity to review what

² D.14-12-025, p. 40.

the utility planned to ask for in its Application and let the utility know where its showing appeared deficient. Without that pre-screening opportunity, ORA will now conduct discovery that had previously been done in the pre-NOI and NOI phase of the proceeding during the Application process. For ORA and other parties, the absence of an NOI period could result in more formal actions including, but not limited to, Motions to Dismiss and Motions to Compel. This not only takes up the parties' time and resources, but also the Commission's. Furthermore, PG&E's application does not include its Risk Assessment Model in any form, requiring intervening parties to issue data requests to even gain access to these Models. PG&E's application, as is, relies upon data it did not provide in its primary case showing. The Application states as follows: "Yet, unlike any GRC ever put before the Commission, *this GRC provides detailed output from the Company's risk models to provide visibility into the manner in which the Company has assessed risk in the context of PG&E's operations and considered risk in developing this GRC forecast.*"¹⁰ As of today, in the absence of the actual models, parties have no way to assess this claim.

The schedule proposed by PG&E would provide ORA only 173 days to submit its testimony. This is woefully inadequate. As the intervenor responsible for conducting the most comprehensive review of utilities' general rate case applications, ORA will need the time to perform a thorough investigation and evaluation of the facts presented by PG&E, conduct discovery, develop independent analysis and forecasts and prepare written expert witness testimony. If the Commission expects a thorough work product from the ratepayer advocacy division responsible for representing the interests of millions of PG&E customers, then ORA should be provided the time required. Furthermore, a schedule which allows PG&E 10 weeks to "rebut" ORA's testimony is clearly biased toward the utility as compared to past proceedings when the utility has had about four to six weeks. It should be noted that, in this regard, the utility has had essentially no time constraints to prepare its forecasts and testimony.

PG&E's proposed procedural schedule includes an additional round of so-called "Supplemental Testimony" not included in D.14-12-025, concurrent with the filing of ORA testimony. This Supplemental Testimony will purportedly update "expected Internal Revenue Service developments"¹¹ and "update to conform labor escalation assumptions to reflect

¹⁰ Application, p. 1 (emphasis added).

¹¹ Application, p. 24.

collective bargaining agreements that “should be finalized in late 2015.”¹² PG&E says that this additional testimony might prevent the necessity for update hearings, even though the requirement of update hearings is already accepted as conditional in D.14-12-025.¹³

The table attached to this protest as Appendix A shows that, for the last three GRCs of PG&E, Southern California Edison, and the Sempra Energy Utilities, ORA has had an average of 311 days to review the utilities’ showing and serve its testimony. Specifically, for PG&E, the average was 283 days. In the most recent Sempra GRCs, ORA had 273 days to submit its testimony and the utility had 7 weeks after that date to submit its rebuttal testimony. The schedule that ORA proposes for PG&E’s TY 2017 GRC would still only provide ORA with 227 days to review PG&E’s showing and serve its testimony, and less than 200 days to review PG&E’s still-pending actual risk model which PG&E has not yet provided parties. This provides ORA significantly less time to serve its testimony in contrast to past GRCs. The proposed filing date of April 15, 2016 is earlier than ORA submitted its testimony in the most recent Sempra GRCs (A.14-11-003 and A.14-11-004) which has moved forward in a timely manner.

When the Commission adopted D.14-12-025, it said that one of the goals of that proceeding was “participatory inclusivity.” The principle of “participatory inclusivity,” according to D.14-12-025, is that “all parties should have a full opportunity to participate in each step of the process...”¹⁴ The schedule ORA proposes for this GRC applies this principle of participatory inclusivity. Both out of fairness to all parties, and in recognition that the Commission’s decision-making process is best served by providing *all* parties with a meaningful opportunity to address a utility’s showing, ORA asks that the Commission adopt the schedule set forth above.

If the Commission does not adopt ORA’s proposed schedule, then ORA requests that the Commission set aside eight weeks of evidentiary hearings commencing on June 20, 2016. If ORA is given inadequate time to conduct discovery, fully evaluate PG&E’s request, and develop independent forecasts and recommendations in testimony, then it will likely need to use the evidentiary hearing process to develop a full record to fulfill its mandate in the proceeding.

¹² Application, pp. 23-24.

¹³ D.14-12-025, p. 42, Table 4.

¹⁴ D.14-12-025, p. 10.

VII. CONCLUSION

ORA respectfully recommends that the proceeding be categorized as ratesetting, and that the Commission adopt the schedule ORA proposes as reasonable in that it includes adequate time for: discovery; investigating and evaluating PG&E workpapers, testimony and proposals, including PG&E's still-pending provision of the Risk Model; preparation of written testimony; and evidentiary hearings. ORA also recommends that the scope of the proceeding include, but not be limited to, the issues identified in this Protest.

Respectfully submitted,

/s/ LAURA TUDISCO

Laura Tudisco
Jonathan Bromson

Attorneys for the Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2164/(415) 703-2362
Email: ljt@cpuc.ca.gov/ jab@cpuc.ca.gov

APPENDIX A

	Sempra 2016	SCE 2015	PG&E 2014	Sempra 2012	SCE 2012	PG&E 2011	SCE 2009	Sempra 2008	PG&E 2007
NOI Tendered	25-Jul-2014	15-Jul-2013	2-Jul-2012	6-Aug-2010	19-Jul-2010	20-Jul-2009	23-Jul-2007	1-Aug-2006	1-Aug-2005
Application Filed	14-Nov-2014	12-Nov-2013	15-Nov-2012	15-Dec-2010	23-Nov-2010	21-Dec-2009	19-Nov-2007	8-Dec-2006	2-Dec-2005
ORA testimony	24-Apr-2015	4-Aug-2014	3-May-2013	1-Sep-2011	11-May-2011	5-May-2010	15-Apr-2008	6-Jul-2007	14-Apr-2006
Rebuttal testimony	12-Jun-2015	15-Sep-2014	28-Jun-2013	24-Oct-2011	3-Jul-2011	4-Jun-2010	13-May-2008	20-Jul-2007	17-May-2006
Evidentiary hearings	22-Jun-2015	29-Sep-2014	15-Jul-2013	30-Nov-2011	25-Jul-2011	21-Jun-2010	29-May-2008	6-Aug-2007	31-May-2006
Opening briefs	28-Aug-2015	25-Nov-2014	6-Sep-2013	12-Apr-2012	19-Sep-2011	6-Aug-2010	18-Jul-2008	5-Oct-2007	27-Jul-2006
Reply briefs	18-Sep-2015	11-Dec-2014	27-Sep-2013	14-May-2012	10-Oct-2011	20-Aug-2011	1-Aug-2008	19-Oct-2007	10-Aug-2006

TOTAL TIME FOR ORA REVIEW:

NOI to ORA testimony	273	385	305	391	296	289	267	339	256	Avg 311
PG&E			305			289			256	283
SCE		385			296		267			316
Sempra	273			391				339		334