

Decision 21-07-017 July 15, 2021

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, 2020. (U39M.)

Application 18-12-009

**DECISION REGARDING PETITION FOR
MODIFICATION OF DECISION 20-12-005**

Summary

Today's decision denies the Petition for Modification (PFM) of Decision (D.) 20-12-005 filed by The Utility Reform Network (TURN) on March 24, 2021.

In this PFM, TURN requests that D.20-12-005 be modified to require Pacific Gas and Electric Company (PG&E) to present an inflation-constrained alternative proposal in its upcoming Test Year 2023 General Rate Case (GRC) that is scheduled to be filed by June 30, 2021. The alternative proposal would limit the annual growth of total GRC expenditures by the rate of inflation and show the choices that PG&E would make under such a situation. PG&E, San Diego Gas & Electric Company and Southern California Gas Company, Southern California Edison Company, and the Coalition of California Utility Employees filed Responses opposing the PFM.

This decision denies the PFM because TURN's request to require PG&E to submit an inflation-constrained proposal in its next GRC does not modify or change any finding, conclusion or order in D.20-12-005 and merely seeks to

impose a new requirement that is being raised for the first time in this proceeding in this PFM.

Thus, the decision concludes that it is more appropriate for this issue to be raised and properly considered in PG&E's upcoming GRC and so the denial is without prejudice to TURN raising the same issue in PG&E's Test Year 2023 GRC.

1. Procedural Background

On March 24, 2021, a Petition for Modification (PFM) of Decision (D.) 20-12-005 was filed by The Utility Reform Network (TURN) pursuant to Rule 16.4 of the Commission's Rules of Practice and Procedure. The PFM requests that the decision be modified to require Pacific Gas and Electric Company (PG&E) to present an inflation-constrained alternative proposal in its upcoming Test Year 2023 General Rate Case (GRC), which is scheduled to be filed by June 30, 2021 pursuant to D.20-01-002.¹

Specifically, PG&E would be required to supplement its GRC application with an alternative proposal that would limit the annual growth of total GRC expenditures by the rate of inflation and show the choices that PG&E would make under such a situation. PG&E would not be required to support the inflation-constrained alternative but would be required to explain why it advocates its preferred proposal.

Separate Responses were filed by PG&E, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas), Southern California Edison Company (SCE), and the Coalition of California Utility Employees (CUE) on April 23, 2021. TURN filed a Reply on May 3, 2021.

¹ TURN made a similar request in its March 24, 2021 Motion in PG&E's Risk Assessment Mitigation Phase proceeding (A.20-06-012).

1. Summary of Party Positions

In the PFM, TURN states that energy bills are becoming less affordable over time because monthly energy costs are expected to increase at a pace faster than household incomes which generally increase at the rate of inflation. TURN argues that the requested supplement showing an inflation-constrained proposal and the choices that PG&E will make under such a limitation will provide the Commission with additional information in its decision-making process. TURN explains that, although the Commission is not required to adopt this alternative proposal, the inflation-constrained scenario would give the Commission valuable insight into keeping rates affordable. TURN states that its PFM was motivated by the Commission's February 24, 2021, Energy Rates and Costs En Banc and the supporting White Paper prepared by the Commission's Energy Division.

PG&E, SDG&E and SoCalGas, SCE, and CUE all oppose TURN's request. Several arguments raised by parties are similar in nature and we will not designate which party raised specific points. Instead, we will summarize all the major arguments in the various Responses to TURN's proposal.

Parties state that TURN's proposal is inconsistent with the regulatory framework applied towards utility ratemaking which is based on cost of service² and that the CPI index has no relation to utility costs. The parties assert that capping the GRC revenue requirement funding at the consumer price index (CPI) growth rate would hinder PG&E in making safety its top priority, prevent the inclusion of wildfire mitigation work, and generally result in less safe and less reliable service.

² PG&E Response at 4.

Lastly, the opposing parties argue that TURN's request should be addressed statewide such as in the affordability proceeding,³ since TURN plans to make a similar request apply to the other large energy utilities regulated by the Commission, namely SCE, SoCalGas, and SDG&E.

In its Reply, TURN reiterates that a CPI-constrained alternative would only be adopted if the Commission finds it reasonable. TURN also proposes that the Commission can rely on a utility-focused inflation measure such as the IHS Markit Global Insight (Global Insight) if it deems it fit to do so although it stresses that CPI is an appropriate measure for an inflation-constrained alternative.

2. Discussion

In this PFM, TURN seeks to modify D.20-12-005, the decision in PG&E's Test Year (TY) 2020 GRC, and require PG&E to submit an inflation-constrained alternative proposal to its GRC request. TURN states that this GRC supplement will provide the Commission with additional information within which to evaluate PG&E's upcoming GRC request with special focus on increasing energy costs that are becoming increasingly less affordable for many PG&E customers.

Without evaluating the merits of TURN's proposal, we find that the request seeks to impose an additional requirement for PG&E's next GRC instead of modifying the current GRC decision. Requiring the supplement does not change or modify any order, finding, or issue in D.20-12-005 especially since the idea of an inflation-constrained GRC supplement is being brought up in this proceeding for the first time in this PFM.

³ Rulemaking (R.) 18-07-006.

In many instances, a GRC decision does include orders that are to be carried out in the next GRC. For instance, in D.20-12-005, Ordering Paragraphs (OP) 15, 16, 18, and 21⁴ require PG&E to include various testimonies in its next GRC. However, the above OPs relate to issues that were specifically addressed in the GRC and the additional testimony being required in the next GRC will address concerns raised in the GRC. In contrast, TURN's request regarding an inflation-constrained alternative seeks to impose a new requirement concerning an issue that was not raised, litigated, or addressed in the GRC proceeding.

Based on the above, we find it more appropriate for TURN to raise the issue in PG&E's next GRC where the proposal can be properly reviewed and addressed substantively.

We therefore deny the instant PFM without prejudice to TURN raising the same issue in PG&E's next GRC. In such instance, determination of the merits of such a proposal shall be made in the GRC.

3. Comments on Proposed Decision

The proposed decision of the Administrative Law Judges (ALJs) Lirag and Lau in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by TURN on June 30, 2021. Reply comments were jointly filed by PG&E, SCE, SDG&E, and SoCalGas.

The comments and reply comments have been reviewed and appropriate changes have been made.

⁴ D.20-12-005 at 414 to 415.

4. Assignment of Proceeding

Commissioner Clifford Rechtschaffen is the assigned Commissioner and Rafael Lirag and Elaine C. Lau are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. Requiring the inflation-constrained supplement does not change or modify any order, finding, or issue in D.20-12-005.
2. The submission of an inflation-constrained alternative is being brought up for the first time in this proceeding in the PFM.

Conclusions of Law

1. The PFM seeks to impose an additional requirement for PG&E's next GRC instead of modifying the current GRC decision, D.20-12-005.
2. It is more appropriate to raise the issue concerning the submission of an inflation-constrained alternative in PG&E's next GRC.
3. The PFM should be denied.

O R D E R

IT IS ORDERED that:

1. The Petition for Modification of the Test Year 2020 General Rate Case (GRC) Decision 20-12-005 filed by The Utility Reform Network on March 24, 2021 is denied without prejudice to raising the same issue in Pacific Gas and Electric Company's Test Year 2023 GRC.

2. Application 18-12-009 is closed.

This order is effective today.

Dated July 15, 2021, at San Francisco, California.

MARYBEL BATJER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE HOUCK

Commissioners