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**0BEFORE 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 Services Effective on January 1, 2020 (U 39 M)	Application No. 18-12-009 (Filed December 13, 2018)

PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE TO PETITION FOR MODIFICATION OF DECISION 20-12-005 TO REQUIRE PACIFIC GAS AND ELECTRIC COMPANY TO PRESENT AN INFLATION-CONSTRAINED ALTERNATIVE PROPOSAL IN ITS UPCOMING GENERAL RATE CASE

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) responds to the *Petition for Modification of Decision 20-12-005 to Require PG&E to Present an Inflation-Constrained Alternative Proposal in its Upcoming GRC* of The Utility Reform Network (TURN) dated March 24, 2021 (Petition).[1] TURN's Petition should be denied.[2]

TURN's request for an alternate forecast in PG&E's 2023 General Rate Case (GRC) tied to inflation appears well-intended but is ultimately misguided. We share TURN's concern regarding the effect of rate increases on our most vulnerable residential customers. However, mechanically limiting the utility's spending at the rate of inflation is an inappropriate and unwise means to address this issue.

Today, California utilities must invest to address wildfire and other risks and prepare the infrastructure needed to support a clean energy future. At the recent *en banc*, the Energy

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[1] This response is timely filed pursuant to Rule 16.4(f) of the Commission's Rules of Practice and Procedure (Rules).

[2] TURN simultaneously filed a nearly-identical request in PG&E's Risk Assessment and Mitigation Phase (RAMP) proceeding, Application No. (A.) 20-06-012 on March 24, 2021. PG&E and the Coalition of Utility Employees filed separate oppositions to that motion on April 8, 2021. TURN replied to PG&E's opposition to its motion in the RAMP proceeding on April 19, 2021 (TURN Reply). Thus, this response is substantially similar to the response PG&E filed in the RAMP docket but also addresses several comments in TURN's Reply.

Division reported that it looked for an area of spending that was not necessary and could not locate one. In the words of Energy Division Director Edward Randolph: "there is no silver bullet" to the affordability problem. Instead, the focus of the *en banc* was to look for measures (e.g., federal stimulus funding, progressive taxation that would cover public benefit investments) outside of historical approaches to ratemaking to address affordability concerns.

TURN's Petition ignores these realities and falls back into the type of historical thinking that has brought us to the present situation. The present situation – where a multitude of public benefit costs are built into utility rates, putting pressure on utility spending and jeopardizing the utility's ability to recover necessary spending on safety and reliability – needs to be fundamentally revisited, not perpetuated as granting TURN's Petition would do.

As we discuss in more detail below, TURN's Petition is flawed for many reasons:

- Safe operation of the utility is not only PG&E's top priority, it is also mandated by California law. PG&E's 2023 GRC forecast will seek to obtain this objective at a reasonable cost.
- The California Public Utilities Commission's (Commission's) consideration of an unsupported GRC forecast that is not grounded in evidence of actual costs to operate the utility, as TURN proposes, would contradict longstanding ratemaking principles under which the utility is authorized recovery of its actual costs of service and a reasonable opportunity to earn a rate of return.
- An index of price increases is no replacement for an actual bottom-up forecast for the test year anchored in base-year data. In any event, the Consumer Price Index (CPI) cannot be used instead of an actual forecast for ratesetting purposes as it is wholly unrelated to the costs to operate a utility, as the Commission has repeatedly determined.
- The affordability challenges outlined in the Commission's White Paper[3] should be comprehensively addressed on a state-wide basis for *all* the investor-owned utilities (IOUs) with appropriate consideration of *all* causes of utility bill increases.
- Proposals to address residential customer affordability or modify the Rate Case Plan (RCP) process should be considered in statewide proceedings involving all IOUs and interested stakeholders. TURN's proposal to have an alternate "starting

[3] CPUC, *Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates and Equity Issues Pursuant to P.U. Code Section 913.1* (Feb. 2021) ("White Paper").

point" for the IOUs' GRCs is a challenge to the Commission's RCP process and is inappropriate to consider as a one-off proposal in PG&E's 2020 GRC.

- If TURN disagrees with PG&E's 2023 forecast, it is TURN's burden to submit testimony in PG&E's 2023 GRC based on *its own* analysis; the Commission should not require PG&E to do this work for TURN.

II. DISCUSSION

A. The Utilities Must Be Adequately Funded To Make Safety Their Top Priority.

PG&E is in the process of preparing its 2023 GRC forecast. While PG&E's 2023 forecast is not finalized, it is apparent, as TURN suspects, that our forecast will exceed the rate of inflation. This fact brings PG&E no joy. PG&E would like its rate trajectory to track, as much as possible, inflation. Yet, PG&E's primary duty is to provide safe and reliable service and we must plan our operations to make safe service our top priority. Our forecast will be designed to deliver that level of safety at a reasonable cost. Putting safety first is the right thing to do.

PG&E does not doubt that TURN also cares about safety. However, its approach would necessarily compromise the funding of critical safety work. PG&E's forecast will include funding to continue to move to industry best practices in safety performance. PG&E looks for ways to achieve that goal at a reasonable cost. PG&E is committed to pursuing alternatives to achieve safety goals more economically. This "needs-based" approach to forecasting defines the desired safety levels or practices.

TURN's suggestion that PG&E prepare an alternate forecast capped by the rate of inflation asks PG&E to either: (i) lower its standards of safety and reliability; or, (ii) forego recovery of its prudent investments. Adopting a forecast based on either premise would constitute bad public policy and violate California law.

PG&E's most important responsibility is the safety of our customers and the communities we serve. While PG&E is committed to keeping customer costs as low as reasonably possible, affordability must be balanced against the utility's mandate to provide "such adequate, efficient, just, and reasonable service instrumentalities, equipment and facilities, … as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public."[4] PG&E, in its function as a gas utility, is mandated to follow best practices under California law.[5] PG&E's pursuit of best practices is extended to all areas of its operation in order to drive top safety performance. In fact, the Legislature created the Wildfire Safety Division recently as part of Assembly Bill (Assem. Bill or AB) 1054 to ensure that utilities are following "best practices for wildfire reduction."[6] Indeed, both Senate Bill (Sen. Bill or SB) 901 and AB 1054 require PG&E to "construct, maintain, and operate its electrical lines and equipment in a manner that will *minimize* the risk of catastrophic wildfire posed by those electrical lines and equipment."[7] In order to achieve this risk reduction, PG&E's wildfire mitigation programs must be designed "to ensure its system will achieve the *highest* level of safety, reliability, and resiliency, and to ensure that its system is prepared for a major event, including hardening and modernizing its infrastructure with improved engineering, system design, standards, equipment, and facilities … ."[8] PG&E's GRC forecast should be sufficient for it to fully recover the costs required to provide safe and reliable service and follow best industry practices. Our customers deserve no less.

B. TURN's Proposal Contradicts The Regulatory Compact, Which Allows Utilities To Recover Their Reasonable Costs Of Service And An Opportunity To Earn A Rate Of Return.

TURN's proposal to require PG&E to provide a CPI-capped forecast should be denied as inconsistent with the regulatory compact that underlies utility ratemaking. Cost of service ratemaking principles require PG&E to provide universal service, but in exchange for recovery of its reasonable costs. A utility is "generally entitled to its reasonable costs and expenses, as well as the opportunity, but no guarantee, to earn a rate of return on the utility's ratebase."[9]

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[4] Pub. Util. Code, § 451.

[5] Pub. Util. Code, § 961(c).

[6] Assem. Bill No. 1054 (2019-2020 Reg. Sess.) § 2(e).

[7] Pub. Util. Code, § 8386(a) (emphasis added).

[8] Pub. Util. Code, § 8386(c)(13) (emphasis added).

[9] D.12-11-051, p. 10; also see *Southern Cal. Gas Co. v. Public Utilities Com.* (1979)

As the Commission has stated more recently, the "regulatory compact" allows the Commission to set rates "based on the cost of providing service, including a reasonable return on investment."[10]

PG&E's provision of electric and gas service requires the acquisition and construction of assets that can provide service to customers over many decades. PG&E finances its infrastructure by issuing debt and equity to investors. Customers pay investors for the use of the investors' money – interest on debt and return on equity (ROE). A ROE is necessary to encourage investment in the utility, which sustains its financial health and ultimately allows it to finance additional infrastructure improvements at lower rates. As the Commission recently explained:

> [T]he utility is provided the opportunity to recover its actual legitimate or prudent costs—determined by a public examination of the utility's outlays—plus a fair return on capital investment as measured by the cost of obtaining capital in a competitive capital market. ¶ Investors will only provide capital for provision of utility services if they anticipate obtaining a return that is consistent with returns they might expect from employing their capital in an alternative use with similar risk.[11]

The California Legislature agrees. It stated in AB 1054: "[t]he state has a substantial interest that its electrical corporations are operating in a safe and reliable manner, ***and have access to capital at reasonable cost to make safety investments.***"[12] It recognized that the financial health of the utilities is important for customers and the state because it is necessary for the utilities "to provide safe and reliable electric and gas service, to reduce the risk of future catastrophes, to provide service at just and reasonable rates, to meet the state's mandates to reduce carbon emissions, and to address the risks of climate change."[13] The ROE encourages

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23 Cal. 3d 470, 476, citing *City and County of San Francisco v. Public Utilities Com.* (1971) 6 Cal.3d 119, 129.

[10] D.19-05-020, p. 8.

[11] D.20-01-002, pp. 10-11.

[12] Assem. Bill No. 1054 (2019-2020 Reg. Sess.) § 2(c) (emphasis added).

[13] Pub. Util. Code, § 854.2(a)(6).

investment in the utility, which will improve financial health and ultimately allow PG&E to finance additional infrastructure improvements at lower rates, to the benefit of customers.

The Commission is legally mandated to approve in GRC proceedings a revenue requirement sufficient for PG&E to recover its costs "on a dollar-for-dollar basis"[14] plus a reasonable rate of return. The Commission cannot substitute this dollar-for-dollar cost recovery with an increase arbitrarily capped at the rate of inflation, as TURN proposes. This is especially true in today's economic environment. While economy-wide inflation is currently relatively low, the IOUs' costs continue to increase, in large part due to necessary expenditures to reduce risks from destructive wildfires and to further the State's clean-energy public policy agenda. Constraining the IOUs' costs to an arbitrary inflation number would likely prevent them from meeting these crucial requirements and objectives, a result that PG&E respectfully submits should not and would not be acceptable to this Commission.[15]

The regulatory compact, which TURN's proposal dismisses, provides the IOUs the ability to recover its actual costs of service on a "dollar-for-dollar basis." The California Supreme Court described the regulatory compact as follows:

> The basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses *plus* a reasonable return on the value of property devoted to public use." (*Citations omitted*) It is thus elementary regulatory law that the "return" -- i.e., the profit -- of the utility is calculated solely on the rate base -- i.e., the capital contributed by its investors; the utility is not entitled to earn an additional profit on its expenses, *but only to "recover" them on a dollar-for-dollar basis as part of the rates.*[16]

TURN's response to PG&E's citation of this "elementary regulatory law" of forecast ratemaking is to argue that PG&E's desire to present a forecast based on *its actual costs* in its

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[14] *Southern Cal. Edison Co. v. Public Utilities Com.,* (1978) 20 Cal.3d 813, 819.

[15] Adopting an alternative, non-cost-based forecast may also run afoul of the Takings Clause of the United States Constitution, to the extent that the Commission or Legislature require the utilities to provide safe, reliable and clean service to customers but do not allow them the reasonable opportunity to recover the costs associated with doing so.

[16] *Southern Cal. Edison Co. v. Public Utilities Com.,* (1978) 20 Cal.3d, at pp., 819-820.

opening testimony rather than the costs TURN would prefer to see is merely "historical thinking."[17] TURN argues that approval of a revenue requirement that is sufficient to cover PG&E's actual costs is not legally mandated and that "PG&E is responsible for providing safe and reliable customer service whether or not its overall spending matches funding levels authorized or imputed in rates."[18] PG&E agrees with the latter point and has for many years shouldered hundreds of millions of dollars in costs for safety work for which it had no revenue requirement or certainty of cost recovery.

The regulatory compact, however, does *not allow* the Commission to adopt a revenue requirement in a GRC that deprives PG&E of its opportunity to recover its actual costs of service. Such an outcome would violate both state and federal law and would constitute a taking of utility property. The legality of a process that would establish utility rates without regard to evidence of the utility's actual costs was addressed by the United State Supreme Court almost a century ago. The Supreme Court's ruling remains true today:

> It is impossible to ascertain what will amount to a fair return upon properties devoted to public service without giving consideration to the cost of labor, supplies, etc., at the time the investigation is made. An honest and intelligent forecast of probable future values made upon a view of all the relevant circumstances, is essential. If the highly important element of present costs is wholly disregarded such a forecast becomes impossible. Estimates for to-morrow cannot ignore prices of to-day.[19]

For these reasons, TURN's request for an order requiring PG&E to prepare a forecast that it does not support ignores long-standing and historic cost-of-service ratemaking principles, is legally unsupportable, and must be denied.

C. The Commission Should Continue To Decline To Use The Consumer Price Index For Ratesetting Because It Has No Relation To Utility Costs.

The CPI should not be used as an alternate to an examination of actual costs for the additional reason that it is an indicator of price trends that are wholly unrelated to the costs to

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17 TURN Reply, p. 14.

18 TURN Reply, pp. 9-10.

19 *Missouri ex rel. Southwestern Bell Tel. Co. v. Public Service Com.,* (1923) 262 U.S. 276, 288-89.

operate a utility. TURN admits that the CPI does not relate to the amount of costs that the utility incurs. It states: "The consumer-focused CPI should be used, *rather than projections of utility cost increases*, in order to better reflect changes in ratepayer purchasing power as a gauge of affordability impacts."[20]

The CPI does not measure increases in utility costs, the cost of labor, or wage growth. Nor is CPI specific to California. Rather it is a general indicator of the increases in the cost of living *throughout the United States*.[21] The CPI represents changes in the national prices of a market basket of goods and services purchased for consumption by urban households. It does not reflect California specific cost pressures – such as labor and equipment costs – that impact utility costs. It also does not meaningfully reflect utility-specific cost pressures to reduce wildfire risk and lead the transition to California's clean energy-based economy. Moreover, the CPI may be reduced by technological change and lower production costs, whether caused by efficiency improvement or increased imports.[22] The Commission explained at length its rationale for rejecting use of the CPI to establish rates in both PG&E's 2014 GRC decision[23] and SCE's 2003 GRC decision.[24] The Commission has continued to reach this same result in more recent GRCs, concluding, *again,* that the CPI "does not reflect how utilities incur costs."[25] Simply put, use of the CPI is not a valid way to forecast utility costs. Thus, PG&E should not be required to produce an analysis based on a CPI cap.

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[20] TURN Petition, p. 6 (emphasis added).

[21] D.04-07-022, p. 346, Findings of Fact (FOF) 229.

[22] D.13-05-010, p. 982.

[23] D.14-08-032, p. 653 ("The CPI reflects consumer retail price changes, not the escalation in wholesale purchases of utility goods and services.").

[24] D.04-07-022, p. 278. ("The CPI may be a simple, accessible measure of general inflation faced by urban U.S. consumers, but that alone does not make it appropriate as a measure of price changes faced by an electric utility. It does not specifically cover the prices of the typical goods SCE purchases. Conversely, SCE's proposed escalation rates were not designed to track the general level of inflation, and there is no reason why they should do so.")

[25] D.15-11-021, pp. 390-391; D.19-09-051, p. 707.

TURN pivots to a different cost cap in its Reply; its new cap is based on the Global Escalation Forecast which is sometimes used to calculate the utility's attrition year adjustments.[26] TURN's revised proposal suffers from most of the same drawbacks as its CPI proposal. While Global Escalation Forecasts have been used as a cost escalation for the attrition years, such a forecast does not take the place of a fresh examination of the utility's costs based on actual data.

Next TURN argues that PG&E should be able to operate safely and reliably in 2023 at a slight increase over 2022 rates if PG&E can operate at those rates in 2022.[27] TURN's argument deliberately ignores the cost increases outlined in the White Paper referenced in its Petition. PG&E's costs have significantly increased in the years since it prepared its 2020 GRC. PG&E prepared and submitted its last rate case in 2018 prior to submitting first and second Wildfire Mitigation Plans that outline the work that the Whitepaper acknowledges is a significant and unavoidable cause of utility cost increases. PG&E's 2023 to 2026 revenue requirement simply cannot be established based on estimates that it prepared in 2018, as TURN suggests. The revenue requirement must be based on an examination of more current costs.

D. The Important Affordability Issues Raised In The White Paper Should Be Addressed On A Statewide Basis.

The Commission's recent White Paper appropriately analyzes the impact on customers of utility rate increases as an important issue of statewide concern. Our changing climate both presents new operational risks (i.e., severe weather and wildfire) that must be addressed, while also proving the imperative of promoting greater use of clean and renewable electricity. The resulting increase in utility rates necessitated by the pursuit of these critical objectives is a statewide issue that should be carefully considered and addressed on a statewide basis with all relevant stakeholders involved. Attempting to resolve this issue in a single utility-specific GRC by arbitrarily capping the costs of necessary safety and infrastructure improvements, as TURN

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[26] TURN Reply, pp. 16-18.

[27] TURN Reply, p. 7.

proposes, would result in unacceptable tradeoffs both in terms of customer safety and the utility's financial health.

As acknowledged by experts at the February 24, 2021 *en banc* (where the White Paper was presented,) the benefits of achieving climate and environmental goals reach beyond the energy utilities, and California should look for all options to achieve these goals in an affordable manner for all Californians. Panelists at the *en banc* recognized the limits of the utility bill in addressing the equity challenges presented by these increasing costs. In fact, the panelists recognized that using the utility bill to achieve these goals can penalize lower-income customers and drive customers away from electricity use at the very time we need to promote the use of clean electricity.

The White Paper acknowledged that many different programs are increasing utility rates, including:

- Wildfire System Hardening and Vegetation Management, both of which are mandated by state law, are a significant statewide driver of rate increases. The authors and *en banc* panelists all acknowledged that the work is urgently needed to reduce the increasing risk of wildfire cause by climate change and must be funded.
- Net Energy Metering (NEM) tariff rates continue to shift costs from participating to non-participating customers. The current estimated cost shift to non-participating customers for the three IOUs under the existing NEM paradigm is approximately $3.0 billion and is projected to rise to $5.0 billion by 2030.[28]
- Federal Energy Regulatory Commission-jurisdictional Transmission Rates, which are increasing for several reasons including, but not limited to, wildfire mitigation plan commitments, and the refinement of PG&E's investment planning process, including the introduction of the Circuit Based Plan and the evolution of Loading Order and the Circuit Ranking risk and prioritization methodology.[29]
- Public Purpose Programs and other mandated programs including the Renewables Portfolio Standard, which the White Paper estimates cost PG&E's customers in excess of $3 billion annually, not including the costs of programs that provide discounts for residential customers.[30]

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28 PG&E Vice President Robert S. Kenney letter to the CPUC, March 19, 2021, p. 4.

29 For additional details, see *PG&E's Transmission Owner Annual Update Filing Under the Formula Rate in Docket Nos. ER19-13-000, ER19-1816-000, and ER20-2265-000 (Consolidated) for the Rate Year 2021* (Dec. 1, 2020).

30 White Paper, Table 12, pp. 41-42.

The Commission has grappled with the need to provide rate relief for vulnerable residential customers for decades. Existing programs to help these customers afford utility services include the California Alternate Rates for Energy (CARE) and the Federal Emergency Relief Act of 1993 (FERA).[31] Approximately 29% of PG&E's residential customers are enrolled in either CARE or FERA and 4.4% of PG&E's customers are enrolled in the Medical Baseline Program. However, despite these programs, some residential customers are still struggling to pay their utility bills. PG&E acknowledges that more needs to be done to address the impact of bill increases on these customers.

PG&E is pleased that the Commission is addressing affordability more broadly as a statewide issue and considering alternative financing for utility infrastructure to tie customers' rates more closely to the cost of the commodity. Other sources of funding, such as taxes, are a more progressive source of funding than volumetric energy rates. PG&E is looking forward to engaging with stakeholders to explore creative solutions to keep costs and rates affordable and new approaches to costs and rates.

The problem of increasing utility costs cannot simply be resolved, as TURN proposes, by reducing investments in the infrastructure urgently needed to reduce wildfire and other critical safety risks associated with utility equipment. Inadequate safety investments put customers at an unacceptable risk. If the Commission determines that increasing costs to fund infrastructure investments pose significant affordability challenges or disincentives for other policy goals, such as electrification and other programs to reduce greenhouse gases, the solution is not to arbitrarily limit the GRC revenue requirement and jeopardize customer safety, grid reliability, and other crucial public policy objectives funded through GRC revenues. Rather, a more appropriate solution is to find other funding sources and new ratemaking approaches for those costs of providing public benefits, a goal the White Paper seeks to further by beginning a statewide

[31] White Paper, p. 40, fn. 76.

conversation about potential solutions to complete the required work while not unduly burdening vulnerable residential customers.

1. The Commission Has An Open Proceeding To Consider Customer Affordability.

The Commission opened the Affordability Rulemaking (R.18-07-006) to consider and address affordability impacts on residential customers. This Commission's purpose in opening this rulemaking was to develop a common understanding, methods, and processes to assess the impacts on affordability resulting from individual Commission proceedings on residential customers. Through this rulemaking, the Commission seeks to holistically implement affordability metrics across utility industries to reflect the cumulative bill impacts since a customer often pays for electricity, gas, water, and telecommunications services under a single household budget.

The Commission defined affordability as "the degree to which a representative household is able to pay for an essential utility service, given its socioeconomic status,"[32] and identified three metrics to measure affordability: (1) "Hours at Minimal Wage,"[33] (2) "Socioeconomic Vulnerability Index,"[34] and (3) the "Affordability Ratio."[35] An initial annual report providing an analysis of rates based on these metrics will be published soon.[36] The decision does not propose

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32 D.20-07-032, p. 2.

33 "The Hours at Minimum Wage [] metric seeks to describe the hours of work necessary for a household earning minimum wage to pay for essential utility service charges. (Fn. Omitted.) Thus, the metric allows the Commission and stakeholders to conceive of essential utility bills in terms of something most people can relate to – hours of labor." D.20-07-032, p. 11.

34 "The Socioeconomic Vulnerability Index (SEVI) describes the relative socioeconomic characteristics of census tracts, referred to as communities for this section, in terms of poverty, unemployment, educational attainment, linguistic isolation, and percent of income spent on housing. This allows for consideration of how the same rate impact may affect one community's ability to pay more than another's." D.20-07-032, p. 13.

35 "The [Affordability Ratio] seeks to quantify the percent of a representative household's income that is required to pay for an essential utility service, after non-discretionary costs such as housing and other essential utility services are removed from the household's income." The Affordability Ratio can be calculated for any given income level in a given area, or for single (or combination of) essential services. D.20-07-032, p. 16.

36 *Assigned Commissioner's Third Amended Scoping Memo and Ruling* (Oct. 21, 2020) R.18-07-006, p. 6. The initial annual report was marked for publication in fourth quarter 2020 but

using CPI as an affordability metric, and for good reason (as discussed above). In Phase II of the Affordability Rulemaking, the Commission will consider how to implement affordability metrics and the appropriate proceedings to apply the metrics.[37]

TURN asks the Commission to take a different approach – to force a utility to offer an alternative, non-cost-based GRC forecast that, if adopted, would arbitrarily cap the utility's costs at the then-forecast CPI rate, instead of considering and applying the approved affordability metrics or considering basic cost-of-service ratemaking principles. In other words, TURN, which is an active party to the Affordability Rulemaking, would have the Commission ignore its own measured, broad-based, statewide proceeding and leap to a different, more dangerous solution. TURN's efforts to ignore this Rulemaking should be denied. The statewide Affordability Rulemaking can and should continue to be used to consider and adopt proposals to reduce the impact of rate increases for vulnerable residential customers. This forum – rather than a PG&E-specific proceeding – should continue to be used to consider ways to address residential customer affordability.

2. New Rate Case Plan Requirements Should Not Be Considered In PG&E's 2020 GRC.

While PG&E disagrees that the Commission should consider a proposal to cap the IOUs' forecasts at CPI in any docket, TURN's petition should be denied for the additional reason that PG&E's 2020 GRC is an inappropriate forum to consider modifications to the RCP processes and requirements for the IOUs' GRC forecasts. The Commission has managed large energy utility GRC proceedings in RCP rulemakings since 1977.[38] The RCP includes detailed requirements for a utility to demonstrate the reasonableness of its forecast under the cost of service ratemaking principles. The Commission recently considered and adopted material

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is delayed.

37 *Id.*, p. 5, Issue 4. "Determining the appropriate procedural pathways for implementation of the affordability metrics generally (*i.e.*, how broadly and in which proceedings to incorporate the metrics as well as the process used to publish information.)."

38 D.20-01-002, p. 13.

changes to the RCP in a statewide rulemaking (R.13-11-006). In so doing, the Commission did *not* impose a requirement that the utilities' included an inflation-constrained "alternative" forecast, although TURN advocated for a limited version of its proposal there.[39]

The RCP requires the IOUs to provide testimony and data to underlie their forecasts, supported by assumptions used, base year historical data and estimated data for subsequent years, that ties to base year data.[40] It also requires the IOUs to provide five years of data used to develop the test year forecast.[41]

TURN admits that it is seeking to significantly modify the RCP process by requiring PG&E to produce an alternate analysis as part of its own opening testimony. It argues in its Reply that its proposal, if granted, would provide a new "starting point" for the GRC and "break out of such historical thinking."[42] Changing the "starting point" for the utility rate cases to consider an artificially low increase not based on evidence of actual costs and not supported by the utility is an improvident change to the RCP process. This change should not be considered due to the legal infirmities discussed above, and certainly not by means of a petition for modification of PG&E's unrelated 2020 GRC decision.

TURN asserts that a CPI-capped proposal would serve as a "counterweight" to the cost recovery proposals prepared by the IOUs' in compliance with the RCP decisions. TURN later argues in its Reply that a CPI-limited forecast that is not supported by the utility would improve the "quality of the information"[43] so the Commission can consider an "array of options."[44]

TURN's proposal -- unlike the IOUs' forecasts -- would be untethered to the utility's view of how best to operate safely and reliably. TURN's proposed second option would not be

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[39] See *Joint Comments of IOUs to RCP Workshop Number 1* (Sept. 29, 2020) R.13-11-006, p. 6.

[40] D.89-01-040, p. B 22, ¶ 6.B.7.

[41] D.89-01-040, p. B 22, ¶ 6.F.

[42] TURN Reply, p. 4.

[43] TURN Reply, p. 16.

[44] TURN Reply, p. 2.

based on reality. The analysis TURN requests PG&E to produce and the Commission to consider would have no probative weight and would not constitute substantial evidence.[45]

Affordability issues cannot be addressed, as TURN proposes, by forcing the utility to present a forecast that does not reflect their witnesses' best judgment of PG&E's actual needs and costs. In any event, whether and how the GRC process should be changed going forward to address affordability goes well beyond the scope of PG&E 2020 GRC. TURN's arguments should also be dismissed as out of scope of this proceeding.

3. TURN's Petition Fails To Comply With Rule 16.4.

TURN's Petition should be denied for the additional reason that it does not comply with the procedural requirements of Rule 16.4. Petitions for modification should be predicated on new facts, circumstances, and events that justify a change to the Commission's decision.[46] Allegations of new or changed facts must be supported by an appropriate declaration or affidavit."[47] Here, there is no declaration or affidavit of new or changed facts.

To the contrary, TURN acknowledges that its PFM is not based on new facts, but rather is based on "policy considerations."[48] TURN's policy consideration – the increase of utility rates on residential customers – is not a new fact or circumstance. In fact, the Affordability rulemaking – to which TURN is a party – was opened to consider the impact of rate increases on residential customers in 2018 to consider just these circumstances. TURN hardly can indicate that it was not aware that utility rates were increasing when it signed the GRC settlement agreement in December 19, 2019. That the Commission decided to publish a White Paper and hold an *en banc* does not make the affordability challenges TURN is highlighting a new fact or circumstance.

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[45] Pub. Util. Code, § 1757(a)(3) and (4).

[46] *See* Rule 16.4; see also D.20-04-005, p. 8 (denying a petition for modification because it is not based on "new circumstances" or "changed facts").

[47] Rule 16.4(b).

[48] TURN Petition, p. 12.

Further, the 2020 GRC settlement and Commission decision appropriately did not address or establish rules for PG&E's 2023 GRC forecast and thus there is no pertinent language in the 2020 decision to modify. The policy that TURN is raising in its PFM has broad statewide implications for each of the IOUs and their customers and should not be addressed as a one-off issue in a single utility's closed GRC proceeding.

E. TURN Has The Opportunity To Provide Evidence Of Its Own Proposals And Supporting Analyses In The 2023 GRC.

Finally, the Commission also should reject TURN's Petition because TURN has an ample opportunity to propose an alternate forecast in PG&E's 2023 GRC based on its own analysis of PG&E's forecast of costs required to safely and reliably operate the utility. As the Commission has recently reminded:

> Commission decisions consistently hold the utilities to their ultimate burden to prove the reasonableness of the relief they seek and the costs they seek to recover. Yet when other parties propose a different result, they too have a "burden of going forward" to produce evidence to support their position and raise a reasonable doubt as to the utility's request.[49]

TURN's proposal that PG&E conduct TURN's analysis for it is an improper attempt to avoid TURN's own burden to disprove PG&E's case-in-chief. In the normal course of processing an application, TURN will conduct discovery and explore whether it can identify different measures (or costs) to achieve the utility's objectives and to provide its *own* testimony and analysis. TURN's opening testimony is the result of such an analysis. Thus, to the extent that TURN wishes to recommend a different level of spending, it is already TURN's prerogative to do so in the appropriate forum. A proposal to cap PG&E's spending at the CPI should not be considered, for the reasons discussed above. However, if TURN finds that PG&E can deliver the same level of risk reduction at lower costs, it should provide testimony and witnesses to support its assertions.

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[49] D.20-07-038, pp. 3-4.

TURN's explanation for its request that the utility do an analysis for it is that "utilities have the obvious information advantage"[50] and it would be helpful to "know[] how the utility would avoid cost increases that exceed the rate of inflation."[51] PG&E agrees with this first point, and addressed the latter above. TURN's argument is also internally contradictory: It would simultaneously require PG&E to produce a burdensome "alternative CPI-constrained proposal within *each area* of PG&E's request (i.e., testimony chapter), broken down by Major Work Category (MWC) and/or Administrative and General (A&G) expense category,"[52] while only applying the "inflation constraint … to the *totality* of GRC operations, *i.e.*, the combination of electric and gas operations covered by the GRC."[53] If TURN is only concerned about the *overall* request from an inflation-constrained perspective, there is no point in requiring the utility to conduct an activity-by-activity analysis. It does not take any particular "analysis" to multiply PG&E's authorized GRC spending by the forecast rate of inflation, an exercise presumably well within TURN's own capabilities.

In addition, TURN's proposal is neither necessary nor sufficient to address customer affordability concerns. It is unnecessary because the Legislature and the Commission have wide-ranging tools to address customer affordability issues, including employing appropriate society-wide taxation instead of utility pass-through cost mandates,[54] securitization of certain eligible utility costs, ratemaking and rate design alternatives, and various important customer protection programs. Impeding the utilities' ability to implement crucial public safety measures should not be viewed as one of them. It is not sufficient because it ignores the reality that a substantial amount of PG&E's costs are not GRC-related, including FERC-approved transmission rates,

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50 TURN Petition, p. 10.

51 TURN Petition, p. 10.

52 TURN Petition, pp. 6-7 (emphasis added).

53 TURN Petition, p. 4 (emphasis added).

54 *See, e.g.*, the February 1, 2021 Joint Advice Letters 4406-E, 4374-G/6070-E, 3679-E/2949-G, and 5761-G of the major energy IOUs instituting the Legislative mandate to pass through to customers $220 million in costs to fund the State's "school energy efficiency stimulus program" for 2021 in compliance with D.21-01-004.

public purpose programs and other statewide mandates such as NEM, and additional rate components for electric and gas procurement costs that fluctuate in real time pursuant to market conditions and constitute approximately 20% of PG&E's revenues.

PG&E understands that it does not have a monopoly on good ideas. To the extent that TURN or other stakeholders have ideas that will allow the utility to achieve its operational objectives at a lower cost, PG&E will embrace them. This is the appropriate role of TURN and the other stakeholders. PG&E's witnesses should not be required to submit testimony they cannot support.

III. CONCLUSION

For the reasons discussed above, PG&E respectfully requests TURN's petition to require PG&E to prepare an alternative GRC forecast capped at CPI which does not reflect the costs required to operate the utility safely and reliably, be denied. Customer affordability is an important issue that must be addressed by the State, but not at the expense of underfunding the utility's necessary safety and reliability work or endangering the financial health of the utility, and not in a PG&E-specific proceeding for a prior GRC period.

Respectfully Submitted,

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