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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, 2020.

(U 39 M)

Application No. 18-12-009
(Filed: December 13, 2018)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M)
REPLY TO PROTESTS AND RESPONSES**

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I. INTRODUCTION

On December 13, 2018, Pacific Gas and Electric Company (PG&E) filed its application for a Test Year 2020 General Rate Case (GRC). The application appeared on the California Public Utilities Commission's (Commission or CPUC) Daily Calendar on December 18, 2018. Pursuant to Rules 1.15 and 2.6 of the Commission's Rules of Practice and Procedure, protests or responses were due on January 17, 2019. This reply is timely filed pursuant to Rule 2.6(e).

PG&E appreciates the level of interest and participation of the parties in this proceeding. Fifteen protests or responses were filed by: (i) the Commission's Public Advocates Office (Cal Advocates); (ii) Office of the Safety Advocate (OSA); (iii) the Alliance for Nuclear Responsibility (A4NR); (iv) City and County of San Francisco (CCSF); (v) Coalition of California Utility Employees (CUE); (vi) Energy Producers and Users Coalition (EPUC); (vii) Indicated Shippers (IS); (viii) Joint Community Choice Aggregators (Joint CCAs)^{1/}; (ix) L. Jan Reid; (x) Napa and Sonoma Counties; (xi) National Diversity Coalition (NDC); (xii) Silicon Valley Clean Energy (SVCE); (xiii) Solar Energy Industries Association (SEIA) and Vote Solar; (xiv) Southern California Edison Company (SCE); and (xv) The Utility Reform Network (TURN).

1/ The Joint CCAs is a group comprised of East Bay Community Energy, Marin Clean Energy, Peninsula Clean Energy, Pioneer Community Energy, San Jose Clean Energy and Sonoma Clean Power.

Below PG&E responds to these parties' comments regarding PG&E's proposed schedule for the proceeding. PG&E also addresses issues raised in the protests and responses that may not be appropriate for resolution in this proceeding.

II. PROPOSED SCHEDULE

Many parties supported or had no comment on PG&E's proposed schedule^{2/} which follows the schedule prescribed by the Commission for general rate cases in Decision (D.) 14-12-025 (Table 4), as modified to account for PG&E's December 13 filing date. Cal Advocates, TURN, SEIA and Vote Solar oppose the proposed schedule claiming it does not provide enough time for Cal Advocates or intervenor testimony.^{3/} Cal Advocates asserts that PG&E's proposed schedule includes less time for it to prepare testimony than it has typically received in recent GRCs.^{4/} PG&E will meet and confer with the parties offering comments on the schedule in the hopes of presenting a joint proposal with PG&E's Prehearing Conference Statement.

III. ISSUES WITHIN THE SCOPE OF THE PROCEEDING

Apart from the issues discussed in Section IV below, most issues identified in the protests and responses are within the scope of issues to be addressed in this proceeding. PG&E will endeavor to work with the other parties to provide an agreed-upon list of issues in the proceeding to be included in PG&E's Prehearing Conference Statement.

IV. ISSUES OUTSIDE THE SCOPE OF THE PROCEEDING

Below PG&E addresses issues raised by the parties that should be either limited or deemed outside the scope of this proceeding.

A. Issues Regarding Diablo Canyon Power Plant (DCPP)

Intervenors raised two issues regarding DCPP that should not be addressed in this proceeding: (1) a study regarding the transfer of spent nuclear fuel from wet to dry storage; and

2/ Response of OSA, p. 2; Protests of Napa and Sonoma Counties, p. 8; Response of SCE, p. 3; Response of SCVE, p. 2; Response of CUE, p. 1.

3/ Protest of Cal Advocates, p. 4; Response of SEIA and Vote Solar, p. 6; Protest of TURN, pp. 16-18.

4/ Protest of Cal Advocates, p. 5.

(2) whether certain refueling costs should be categorized as generation costs or as sunk energy supply costs.

1. Spent Fuel Transfer Study

A4NR filed substantially similar protests in this proceeding and in PG&E's *2018 Nuclear Decommissioning Cost Triennial Proceeding*, Application 18-12-008 (NDCTP), on January 11, 2019. A4NR focuses specifically on PG&E's spent fuel transfer plan and whether PG&E met requirements in two Commission decisions to coordinate a spent fuel transfer study with the California Energy Commission (CEC). A4NR argues that PG&E failed to coordinate with the CEC regarding this study and claims that such coordination is required by both D. 17-05-013 (PG&E's 2017 GRC) and D. 17-05-020 (2015 NDCTP). A4NR requests as a remedy for PG&E's purported lack of coordination with the CEC disallowances of the costs to store spent nuclear fuel requested in the GRC and an Order to Show Cause.^{5/}

Contrary to A4NR's claims, PG&E complied with both Commission decisions. PG&E performed a study of pre-and post-shutdown expedited transfer of spent fuel from wet storage to dry storage and presented the results of that study in the NDCTP Application.^{6/} PG&E has met with the CEC to discuss and receive input on the results of its spent fuel transfer study on two occasions and will continue to meet with and solicit input from the CEC. As PG&E notes in its testimony in this GRC proceeding, the overall strategy regarding storage and transfer of spent fuel is at issue in the NDCTP.^{7/} The Commission should resolve all issues relating to the spent fuel management plan in the NDCTP where the issues are squarely in the scope of the proceeding. The Commission should resist A4NR's invitation to litigate this issue

5/ A4NR Protest, pp. 1, 13.

6/ PG&E's spent fuel transfer proposal assumes the same seven-year cooling period assumed by Southern California Edison Company (SCE) for San Onofre Nuclear Generating Station (SONGS). PG&E's spent fuel transfer schedule accelerates transfer of fuel from wet storage to dry storage in the post-shutdown period, saving customers money in the near term by suspending loading campaigns and in the long term by shortening the overall duration of decommissioning.

7/ Exhibit PG&E-5, p. 3-32.

simultaneously in both proceedings. This GRC proceeding should be limited in scope to PG&E's forecasted storage costs for spent nuclear fuel.

2. Categorization of Capital Additions for Refueling and Going-Forward Maintenance and Operations

PG&E disagrees with the Joint CCA's allegations that it "inappropriately included capital additions for refueling and going-forward maintenance and operations costs at . . .DCPP. . .as sunk capital costs and not generation costs" in its Energy Resource and Recovery Account (ERRA) forecast application.^{8/} The Joint CCAs urge the Commission to address this issue in the GRC. PG&E disagrees.

First, this issue should be resolved by Commission resolution of PG&E's pending Advice 5440-E. Advice 5440-E implements the new accounting structure mandated by the October 11 Power Charge Indifference Adjustment (PCIA) decision (D.18-10-019). In this advice letter, PG&E proposes to record utility-owned generation costs, including refueling and going-forward maintenance and operations costs, to the Utility Generation Balancing Account (UGBA) as described in testimony and approved in the PCIA Decision (See Ordering Paragraph (OP) 7). Further, per D.18-10-019, the ERRA Compliance proceeding will review whether entries made into those accounts were correct (OP 8). While the ERRA Forecast Proposed Decision and Alternate Proposed Decision reference either the ERRA Compliance or the GRC as the proceeding to determine whether these DCPD costs should be recorded in ERRA or UGBA, as a policy matter, PG&E believes this issue should be resolved in the Commission Resolution of Advice 5440-E where PCIA-eligible costs are core to the discussion.

Second, this issue should not be addressed here because these so-called "sunk capital costs" are exactly the types of costs that the PCIA is intended to recover. These are costs the utilities incur to maintain resources that were built to serve bundled customer load. In D.18-10-019, the Commission reaffirmed that such costs should continue to be recovered from departed

^{8/} Protest of Joint CCAs, pp. 6-7.

customers to ensure customer indifference and compliance with statute.^{9/} To arbitrarily reclassify or create a category of costs would be not only counter to the recent PCIA decision, but also against the statutory mandate for customer indifference. Accordingly, PG&E strongly disagrees with the proposal to resolve these issues here and instead urges the Commission to address these issues in its Resolution of Advice 5440-E.

B. Community Wildfire Safety Program

The Protests of the Counties of Sonoma and Napa address many issues regarding PG&E's ongoing activities to further mitigate the risk of wildfire in the high fire threat districts. PG&E appreciates the concerns expressed by the Counties and has and will continue to communicate with the Counties to address their concerns. PG&E's Community Wildfire Safety Program (CWSP)¹⁰ will be considered by the Commission as part of its annual review of the California electric utilities' wildfire mitigation plans. California Senate Bill 901 (SB 901) promulgated new provisions of Public Utilities Code Section 8386, requiring all California electric utilities to prepare, submit, and implement wildfire mitigation plans that describe the utilities' plans to construct, maintain, and operate their electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. The Commission established a schedule for submission and review of the initial wildfire mitigation plans in *Order Instituting Rulemaking to Implement Electric Utility Wildfire Mitigation Plans Pursuant to Senate Bill 901 (2018)*, Rulemaking 18-10-007. As is required by Public Utilities Code Section 8386, the utilities' wildfire mitigation plans, which will be submitted in February 2019, will address, on an expedited schedule, several issues raised by the Counties in their protest, including:

- 1) the major elements of the CWSP, including system hardening, emergency response and operations;^{11/}

9/ See D.18-10-019, Conclusions of Law 10, 11, 12, and 13.

10 PG&E implemented the CWSP following the 2017 wildfires as an additional precautionary measure intended to further reduce wildfire risk.

11/ Pub. Util. Code § 8386 (c) (2), (3); Protest of Napa and Sonoma Counties, pp. 2-3, 5.

- 2) vegetation management plans, including PG&E's current vegetation management practices;^{12/}
- 3) Public Safety Power Shut Off (PSPS) events, including decision-making and event communications.^{13/}

De-energization protocols will also be addressed by the Commission in the *Order Instituting Rulemaking to Examine Electric Utility De-Energization of Power Lines in Dangerous Conditions*, R.18-12-005. The important issues raised by the Counties should be timely addressed as part of Rulemakings 18-10-007 and 18-12-005 rather than litigated in this proceeding. This proceeding, by contrast, should be focused on whether PG&E's forecast of costs of implementing its CWSP are just and reasonable, as mandated by SB 901.^{14/}

The Counties and NDC also propose that much of the CWSP costs be borne by PG&E shareholders because the work could have been previously conducted.^{15/} As discussed in PG&E's testimony, PG&E is proposing its CWSP to address a heightened risk of wildfire that has arisen in recent years as a result of climate change and extreme weather events. If the Commission determines that any of the costs in PG&E's forecast are directly attributable to clear and identifiable utility failures or errors, the Commission can reject such costs. However, the just and reasonable forecast costs for a safety program cannot be denied merely based on allegations that, in hindsight, it may have been prudent to incur the costs earlier.^{16/}

C. The SB 901 "Stress Test" Should Not Be Considered Here

EPUC urges the Commission to consider "the effects of the anticipated 'Stress Test' on cost recovery of wildfire costs required by Senate Bill 901," citing Public Utilities Code Section 451.2 (a). PG&E disagrees. The Commission will consider in *Order Instituting Rulemaking to Implement Public Utilities Code Section 451.2 Regarding Criteria and Methodology for Wildfire Cost Recovery Pursuant to Senate Bill 901 (2018)*, Rulemaking 19-01-006, issues regarding

12/ Pub. Util. Code § 8386 (c) (8); Protest of Napa and Sonoma Counties, pp. 4-5.

13/ Pub. Util. Code § 8386 (c) (6) (7); Protest of Napa and Sonoma Counties, pp. 6-7.

14/ Pub. Util. Code § 8386 (g).

15/ Protest of Napa and Sonoma Counties, p 1; Protest of NDC, pp. 6.

16/ D.12-12-030, *mimeo*, pp. 53-54; D.16-06-056, pp. 22-23, 402.

wildfire cost recovery by the utilities. In that proceeding, the Commission may consider the current rate structure and any increase authorized here. However, the “stress test” itself or impact on the stress test should not be considered in this proceeding. This proceeding is intended to establish “the revenue requirements that are appropriate in order for PG&E to provide safe and reliable service at just and reasonable rates as required by Pub. Util. Code § 451.”^{17/} Recovery of the costs of claims from the wildfires is not part of the revenue requirement proposed in this proceeding.

D. Protest of L. Jan Reid

PG&E has concerns about the issues enumerated in the protest of L. Jan Reid. Two issues raised by Mr. Reid would expand the proceeding to examine work conducted in periods covered by prior GRC decisions. These include:

2. Why did PG&E not underground more of its power lines; and
4. Did PG&E appropriately remove tree branches from its power lines prior to the California wildfires of 2017-2018?^{18/}

A historical assessment of these issues should be out of the scope of this proceeding. It is further inappropriate to litigate the historical vegetation management practices as they are subject to ongoing investigation by the Commission’s Safety and Enforcement Division, the California Department of Forestry and Fire Protection, and other government agencies. PG&E agrees that its current vegetation management forecast and undergrounding as part of the Community Wildfire program would be, if limited to the current GRC period and 2020 forecast period, within the scope of the proceeding.

Other issues raised by Mr. Reid should not be included in this proceeding. Mr. Reid raises as his Issue 1: “Why was SmartMeter technology not implemented prior to 2017?” The implementation date of SmartMeter™ technology is not an issue in this proceeding. And, contrary to Mr. Reid’s assertion, PG&E began to install SmartMeter™ technology in 2006. SmartMeter™ issues should be limited to PG&E’s cost forecasts for the 2020 period.

17/ D.17-05-013, p. 36.

18/ Protest of L. Jan Reid, p. 2.

Mr. Reid raises as Issue 5: “What is the level of unspent funds authorized by the Commission in [sic] for PG&E in 2019.” PG&E’s funding for 2019 is established by Commission Decision D.17-05-013; there is no level of unspent funds authorized for 2019.

Finally, Mr. Reid also raises as Issue 3, PG&E’s current cost of capital under its present financial circumstances. This issue is also raised by the Joint CCAs.^{19/} PG&E’s cost of capital is set by the Commission outside of the GRC. PG&E calculated its revenue requirement in this proceeding using the cost of capital approved by the Commission in D. 17-07-005. PG&E anticipates that it will file an application regarding its cost of capital by April 22, 2019, as directed by the Commission.

PG&E requests the Commission to exclude from the scope of the proceeding Issues 1, 3, and 5 in Mr. Reid’s protest. PG&E also requests that Mr. Reid’s Issues 2 and 4 be limited to the current forecast period and not be understood to encompass a historic assessment.

E. Issues Regarding PG&E’s Potential Chapter 11 Proceeding

Some parties, including the NDC,^{20/} Mr. Reid, and the Joint CCAs, expressed an interest in expanding this proceeding to consider the impact of a potential PG&E Chapter 11 petition and plan of reorganization. An examination of the potential terms of PG&E’s plan of reorganization should it file a Chapter 11 proceeding is premature and out of scope of this proceeding. The Joint CCAs request PG&E to provide testimony regarding its potential plan of reorganization. They explain:

The Joint CCAs note the substantial impact the pending bankruptcy proceedings could have not only on issues already within the scope of this docket, such as the utility’s financing costs, but also the nature of the regulated entity itself, i.e., whether PG&E continues to be a generation, gas and distribution and transmission company. The Joint CCAs urge the Commission to require PG&E to update its testimony in this case as soon as possible, addressing any changes required due to its pending bankruptcy.^{21/}

19/ Protest of the Joint CCAs, p. 8.

20/ Protest of NDC, p. 7.

21/ Protest of the Joint CCAs, p. 8; see also Motion of L. Jan Reid to Become A Party, p. 2.

Upon submission of a Chapter 11 petition, PG&E may have the exclusive right for up to 18 months to file a plan of reorganization, which would be subject to approval of the bankruptcy court.^{22/} It is not possible to consider the impact of a plan of reorganization on PG&E's 2020 revenue requirement now or to speculate regarding the potential terms or timing of such a plan. When the bankruptcy court approves a plan of reorganization, depending on the timing of such approval, the Commission could consider the impact of the plan on PG&E's revenue requirement, either with respect to this proceeding or with respect to a future general rate case. Because the timing and terms of any plan of reorganization are uncertain, update testimony should not be required at this time.

F. Diversity

PG&E appreciates NDC's concerns about supplier and employee diversity and PG&E's effectiveness in reaching minority communities. As Mr. Malnight described in his testimony, PG&E spent \$2.58 billion with diverse suppliers, which accounts for 42.25 percent of PG&E's total procurement and exceeded the Commission's diverse spending goal of 21.5 percent for the 12th consecutive year.^{23/} Issues regarding supplier diversity metrics should be limited, as in the 2017 GRC, to what would be possible in consideration of the Commission's diversity policies. The Commission's diversity targets should not be re-litigated here.

The statewide marketing, education and outreach program mentioned by NDC and addressed in PG&E's testimony is funded by PG&E's and the other IOUs' customers. The work, however, is conducted at the direction of Commission staff.^{24/} The content of the statewide marketing program should not be addressed in this proceeding. PG&E marketing is also out of scope of the GRC as it is wholly funded by PG&E shareholders.

22/ A debtor has the exclusive right to file a Chapter 11 plan during the first 120 days of the proceeding. However, the exclusivity period may be extended up to a maximum of 18 months by the court upon a showing of cause. 11 U.S.C. § 1121 (d).

23/ Exhibit (PG&E-1), Chapter 1, p. 1-8.

24/ Exhibit (PG&E-6), Chapter 3, pp. 3-14 to 3-17.

V. CONCLUSION

PG&E appreciates the parties' interest in its 2020 GRC and will endeavor to reach out to the parties to address any differences in the proposed schedule and issues that should be in the scope of this proceeding prior to filing its Prehearing Conference Statement on February 4.

Respectfully submitted,

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