

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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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)

**REPLY COMMENTS OF THE UTILITY REFORM NETWORK
ON THE PROPOSED DECISION OF ALJ ROSCOW**

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I. INTRODUCTION

On February 27, 2017, the Commission issued the Proposed Decision of Administrative Law Judge (ALJ) Stephen C. Roscow, entitled *Decision Authorizing Pacific Gas and Electric Company's General Rate Case Revenue Requirement for 2017-2019* (Proposed Decision or PD). Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) submits these reply comments on the Proposed Decision. TURN responds to the comments filed jointly by Pacific Gas and Electric Company (PG&E) and the Office of Ratepayer Advocates (ORA) on the contested issue of a third attrition year, and to the comments filed jointly by the Coalition of California Utility Employees (CUE), PG&E, and the Environmental Defense Fund (EDF) on the contested issue of a gas leak management balancing account.

II. REPLY COMMENTS

A. The Commission Should Not Modify the PD as Suggested by ORA and PG&E. [PD Section 4.3.1]

The PD would decline to add a third attrition year to PG&E's 2017 GRC cycle, citing the still relevant concerns raised by the Commission in D.16-06-005 and the pendency of the Energy Division workshop report expected in Rulemaking (R.) 13-11-006 on issues including whether to move to a four-year GRC cycle.¹ As the PD explains, "We find that it would be premature to resolve this matter in this decision."² ORA and PG&E call for what they characterize as a "minor change" to the PD "in the interest of

¹ PD, pp. 194-195.

² PD, p. 195.

administrative efficiency.”³ Specifically:

ORA and PG&E recommend that the PD be adjusted to state that, if the Commission adopts a four-year cycle prior to PG&E filing its next GRC application, then: (i) the amount of the revenue requirement increase for the third post-test year recommended by ORA and PG&E in this matter should be adopted; and (ii) PG&E would be required to file its next GRC on September 1, 2019, for a 2021 test year.⁴

PG&E and ORA have recommended that PG&E receive a \$361 million revenue requirement increase for 2020, as presented in Section 4.1 of the Settlement Agreement.

The \$361 million change requested by ORA and PG&E is hardly “minor” and moreover, is wholly inappropriate for all of the reasons cited by the Alliance for Nuclear Responsibility in reply comments filed today. TURN sees no reason to repeat those arguments here.

If the Commission in R.13-11-006 concludes that GRCs should be filed every four years instead of three, and if this occurs before PG&E files its 2020 GRC application on September 1, 2018, then PG&E and ORA could *at that time* seek relief from the Commission to delay PG&E’s next GRC for a year. Suffice it to say, if PG&E were to seek any revenue requirement increase for 2020, PG&E would bear the burden of demonstrating the reasonableness of that request.

B. The Commission Should Not Modify the PD as Suggested by CUE, PG&E, and EDF. [PD Section 4.3.2]

The PD would deny without prejudice the contested proposal of CUE, PG&E, and EDF that PG&E establish a new balancing account to record costs to comply with gas leak management requirements that may emerge from R.15-01-008 because this question

³ ORA/PG&E Comments, p. 1.

⁴ ORA/PG&E Comments, pp. 1-2.

is actively pending in R.15-01-008.⁵ CUE, PG&E, and EDF oppose the PD's treatment of this issue because it "is not at all certain" that the Commission will address cost recovery in R.15-01-008 due to TURN's advocacy in that proceeding.⁶ CUE, PG&E, and EDF assert that TURN is trying to play it both ways, alleging in this GRC that any issue regarding cost recovery, including the creation of a memorandum or balancing account, belongs in the gas leak rulemaking; but then alleging in R.15-01-008 that the issue of cost recovery belongs in this GRC. This interpretation of TURN's position is entirely inaccurate and should be given no weight by the Commission.

As quoted by CUE, PG&E, and EDF, TURN certainly has argued in this proceeding that 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."⁷ And as CUE, PG&E, and EDF concede, the issue of cost recovery is currently pending in R.15-01-008.⁸ TURN's position is that *if* a new cost recovery mechanism is warranted, it should be considered in R.15-01-008, given that the nature and estimation of any such costs is a topic in that proceeding. TURN's position in R.15-01-008 on the merits of *whether a new cost recovery mechanism is warranted* is that a new cost recovery mechanism is not warranted because the costs at issue in R.15-01-008 should not be considered the type of new and unforeseeable costs that warrant a new cost recovery mechanism.⁹ These are not inconsistent or opportunistic positions.

⁵ PD, p. 198.

⁶ CUE/PG&E/EDF Comments, pp. 1-3.

⁷ CUE/PG&E/EDF Comments, p. 2 (emphasis in quote added).

⁸ CUE/PG&E/EDF Comments, pp. 2-3.

⁹ R.15-01-008, TURN Comments, December 9, 2016, p. 2-3 ("... the Commission is not obligated to shield the utilities from absorbing all cost increases between rate cases.")

The PD correctly recognizes that the Commission will determine in R.15-01-008 whether a new cost recovery mechanism is appropriate to address any incremental costs associated with the gas leak management requirements adopted in that proceeding. The fact that TURN has argued in R.05-01-008 against a new cost recovery mechanism does not render the PD's conclusion inaccurate. The Commission will need to weigh TURN's position on the appropriateness of a new cost recovery mechanism alongside the countervailing positions of other parties in making its determination in R.15-01-008. It would be error for the Commission to circumvent that analysis by prejudging the issue here.

III. CONCLUSION

For the foregoing reasons, TURN recommends that the Commission reject the modifications to the Proposed Decision requested by ORA and PG&E (jointly) and CUE, PG&E, and EDF (jointly).

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