

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, 2020. (U39M.)

Application 18-12-009
(Filed December 13, 2018)

**COMMENTS OF THE FEDERAL EXECUTIVE AGENCIES ON THE PROPOSED
SETTLEMENT AGREEMENT BETWEEN PACIFIC GAS AND ELECTRIC
COMPANY, PUBLIC ADVOCATES OFFICE, THE UTILITY REFORM NETWORK,
SMALL BUSINESS UTILITY ADVOCATES, CENTER FOR ACCESSIBLE
TECHNOLOGY, THE NATIONAL DIVERSITY COALITION, COALITION OF
CALIFORNIA UTILITY EMPLOYEES, CALIFORNIA CITY COUNTY STREET
LIGHT ASSOCIATION, AND THE OFFICE OF THE SAFETY ADVOCATE**

Date: January 21, 2020

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I. INTRODUCTION

Pursuant to Rule 12.2 of the California Public Utilities Commission ("CPUC" or "Commission") Rules of Practice and Procedure, the Federal Executive Agencies ("FEA") files comments in opposition to two portions of the proposed settlement agreement between Pacific Gas & Electric Company ("PG&E" or "Company"), Public Advocates Office ("Cal Advocates"), The Utility Reform Network ("TURN"), Small Business Utility Advocates, Center For Accessible Technology, The National Diversity Coalition, Coalition Of California Utility Employees,

California City County Street Light Association, and The Office of the Safety Advocate (together "Settling Parties") filed on December 20, 2019. FEA's comments are filed timely pursuant to Rule 12.2.

II. DISCUSSION

A. The Commission should not adopt the settlement agreement's proposal to change the Vegetation Management Balancing Account ("VMBA") from a one-way to a two-way balancing account.

FEA, Cal Advocates, and TURN all recommended that Enhanced Vegetation Management costs be recovered through a one-way balancing account, rather than a new two-way Wildfire Mitigation Balancing Account ("WMBA") as the Company originally proposed.¹

The Joint Motion for Approval of the Settlement Agreement states that the Settling Parties negotiated a reasonable compromise to the disputed issues regarding vegetation management. The Settlement Agreement reduced PG&E's requested 2020 TY amount of total vegetation management expense (routine and enhanced) by \$60 million and provides the following forecast: \$548 million in 2020, \$603 million in 2021 and \$663 million in 2022.² These amounts are higher than FEA had recommended; however, FEA would support that part of the Settlement Agreement, but only if the VMBA is retained as a one-way balancing account. However, the existing VMBA will be modified to be a two-way balancing account including both routine and enhanced vegetation management costs. This change could have a negative impact on ratepayers. For example, if PG&E's recorded costs exceed 120% of the vegetation

¹ Joint Motion for Approval of the Settlement Agreement, page 19.

² Id., page 20.

management adopted forecast during the review period, PG&E could recover the incremental costs through a Tier 3 advice letter if it can establish the reasonableness of those costs.

By keeping the VBMA a one-way balancing account, if PG&E underspends in any of those years, it would have to refund the amount of underspending (which it would be collecting in rates) to ratepayers. If PG&E overspends, it absorbs the amount of excess spending. PG&E should be able to manage its vegetation management spending so as not to exceed the allowed amounts in each year, so the risk of over spending should remain with the Company.

As noted above, prior to the settlement both Cal Advocates and TURN shared the FEA's recommendation to keep the VMBA a one-way balancing account. FEA recommends that the Commission reject the settling parties proposal to modify the VMBA to a two-way balancing account and adopt the FEA's recommendation to keep the VMBA as a one-way balancing account.

B. The Commission should not adopt the settlement agreement's proposal to implement the Wildfire Mitigation Balancing Account ("WMBA") as a two-way balancing account.

During the proceeding, several parties, including FEA and others, challenged the Company's WMBA mechanism for recovery of the Community Wildfire Safety Program ("CWSP") costs. However, the Settling Parties agreed to a two-way Wildfire Mitigation Balancing Account for recovery of the CWSP costs.³ Tracking CWSP spending and costs in a

³ Id., pages 17-18.

two-way balancing account can lead to negative consequences for ratepayers in comparison to using a one-way balancing account.

For example, if PG&E's recorded cost exceed 115% of the CWSP revenue requirement or PG&E's recorded average mile per unit costs exceed 115% of the average per mile unit costs during the review period, PG&E would be able to recover the incremental costs through a Tier 3 advice letter if it can establish the reasonableness of those costs. The Settlement Agreement provides the following forecast for PG&E's CWSP costs: \$53 million expense and \$603 million capital in 2020, \$55 million expense and \$931 million capital in 2021 and \$57 million expense and \$1.151 billion capital in 2022.⁴ These amounts are higher than FEA had recommended.

Since the CWSP is still in the early stages, and the programs will be refined,⁵ the WMBA should be implemented as a one-way balancing account. If PG&E underspends in any of those years, it would have to refund the amount of underspending (which it would be collecting in rates) to ratepayers. If PG&E overspends for CWSP in a year, it should absorb the amount of excess spending. Since this is a new program still in the early stages, the risk of over spending should remain with the Company. PG&E should be required to manage its spending so as not to exceed the allowed amounts in each year.

FEA recommends that the Commission reject the provision in the Settlement Agreement proposal that creates the WMBA as a two-way balancing account and require that the WMBA be implemented as a one-way balancing account.

⁴ Settlement Agreement, pages 5-6.

⁵ Joint Motion for Approval of the Settlement Agreement, page 17.

III. CONCLUSION

FEA could support most other aspects of the Settlement Agreement, but objects to having the VMBA and the WMBA as two-way balancing accounts. As presented, the FEA does not support the Settlement Agreement and contests the Settling Parties' treatment of these two balancing accounts as being unnecessary and contrary to the interests of PG&E's customers. For the reasons stated herein, FEA recommends that the Commission reject the Joint Motion for Approval of the Settlement Agreement's request for two-way balancing account treatment for the VMBA and the WMBA and instead require that the VMBA and WMBA be one-way balancing accounts.

Respectfully submitted,

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