**FILED**
03/25/20
04:59 PM

**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<br><br>(Filed December 13, 2018) |

**PACIFIC GAS AND ELECTRIC COMPANY
NOTICE OF EX PARTE COMMUNICATION**

Pursuant to Rule 8.4 of the California Public Utilities Commission’s Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby gives notice of the following *ex parte* communication on the above captioned proceeding.

Erik Jacobson, Director, Regulatory Relations, PG&E initiated the oral communication by telephone on Wednesday, March 25, 2020 at approximately 1:30 PM with Anand Durvasula and Suzanne Casazza, Advisors to Commissioner Liane Randolph. Shilpa Ramaiya, Senior Director, Regulatory Proceedings also participated in the call for PG&E. Two documents used during the meeting were transmitted by email to Ms. Casazza and Mr. Durvasula and are attached to this notice.

PG&E discussed its response to the March 2, 2020 *ex parte* meeting conducted by Joint Community Choice Aggregators (JCCA). All customers use PG&E’s contact centers and should pay for access to those customer services.

These are not generation related costs. It would be unfair to allocate these costs to only bundled customers. Similarly, resilience zones should be paid for by all distribution customers. The provision of generation services in resilience zones is outside the scope of the GRC and is being considered in the Microgrid OIR.

The decommissioning cost estimates agreed to in the Settlement Agreement are reasonable and should be adopted. JCCA's claim that decommissioning costs for solar facilities exceed the original cost of the solar distribution facilities is wrong. Decommissioning costs should be recovered over time through the GRC from all customers who have benefited from those facilities.

Grid modernization costs should also be recovered from all customers. Issues related to access to real-time data and future market design are not within the scope of this proceeding.

PG&E briefly described key elements of the Settlement Agreement. The Community Wildfire Safety Program (CWSP) was the largest driver of the overall revenue requirement increase and is a critical safety-related expenditures. The Settling Parties are proposing two-way balancing accounts for the CWSP and vegetation management. These accounts include provisions for reasonableness reviews above certain thresholds. The Settlement Agreement also includes extensive reporting requirements on system hardening and vegetation management activities. In addition, PG&E briefly described settlement provisions related to risk-based investments, accountability for work and reporting, customer care, insurance and safety provisions requested by the Office of Safety

Advocates, now part of the Safety and Enforcement Division. Overall, the Settlement Agreement would provide a $575 million revenue requirement increase for 2020 which represents a 46% reduction to PG&E's original request. The Settlement Agreement is reasonable and should be adopted without modification.

Respectfully submitted,

*/s/ Erik B. Jacobson*

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Date: March 25, 2020

# Summary of Settlement Agreement of PG&E's 2020 General Rate Case Application 18-12-009

March 2020

# Settlement Brings Together 9 Diverse Parties

PUBLIC ADVOCATES OFFICE

TURN
THE UTILITY REFORM NETWORK
Lower bills. Livable planet.

CPUC Safety and Enforcement Division

California Coalition
of Utility Employees

Local 1245 - California

SBUA
Small Business Utility Advocates

C for AT
The Center For
Accessible Technology

NATIONAL
DIVERSITY
COALITION

CALIFORNIA STREET LIGHT ASSOCIATION

PG&E

# Settlement Addresses Key Safety and Risk Issues

**Community Wildfire Safety Program (CWSP)** (Settling Parties' Reply Brief p.13-17; Settlement p.5-10)

Settlement provides funding for grid hardening and vegetation management with strong controls

- Largest driver of revenue requirement increase is for this critical safety work
- CWSP and Vegetation Management two-way balancing accounts:
  - (1) Ensure funds are spent on identified tasks, are not re-prioritized for other work, and are returned to customers, with interest, if not spent;
  - (2) Include provision for reasonableness above certain thresholds (percent of settlement-adopted forecast and/or actual unit cost) in public process.
  - (3) Increase reporting and transparency of hardening and vegetation management activities;
  - (4) SB 247 labor cost increases for vegetation management not reflected in settlement forecast.

**Safety Provisions Incorporated or Revised per SED** (Settlement Motion p.46-48)

- Overall: Management of Change software for gas, electric, and hydro dam operations.
- Electric: Replacements for oil-filled transformers in high-rise buildings; pre-1975 underground switch replacements; and Transfer Ground Rocker Arm Main and Transfer Ground Arm Lines.
- Gas: Cross bore inspection program in San Francisco; increased replacement of plastic pipe.
- Hydro: ISO 55000 certification for dams.

**Risk-Based Investments** (Settlement p.35-36)

- PG&E to explain how its existing capital maintenance and replacement activities promote cost-effective and-risk informed steady state replacement in next RAMP.

**Continued Accountability for Work and Spending Reporting** (Settlement p.36-37)

- Prior GRC settlement term for reporting on deferred work continues with similar showing for PG&E's next GRC.

# Key Settlement Items

**Customer Care Items**

- Stipulations with Center for Accessible Technology, the National Diversity Coalition, and the Small Business Utility Advocates continue to support our diverse set of customers in the way they want to be served. (Settlement p.38-41)
- Permission to close 10 Customer Service Offices of the 17 proposed; will be staggered and consider opportunities to use for PSPS. 65 offices remain after 10 closures. (Settlement p.20-21)
- PG&E and CALSLA agree that requirements, design, and implementation of the Dimmable Streetlight Program should be addressed in Phase 2 of PG&E's 2020 GRC. (Settlement p.41-42)

**Other Settlement Items**

- Insurance: two-way balancing account for excess liability insurance with advice letter for coverage beyond $1.4B, consistent with Public Advocates' recommendation. Allows for self-insurance with certain limitations. (Settlement p.27-28).
- Human Resources: PG&E agrees to continue to keep the Apprentice Lineman Training Program filled to the maximum extent, consistent with safe crew staffing ratios, per agreement with CCUE. (Settlement p.41)
- Provisions to accommodate with Joint CCA's positions: withdrawal of non-bypassable charge for hydro-electric facilities proposal (Settlement §§ 2.4.3.1); allocation of liability insurance premiums (2.9.1 E); changes in allocation for CWSP Support Programs, Enhanced Operations Practices, Emergency Preparedness and Response, Locate and Mark, and Manage Service Inquiries (2.9.1).

# Revenue Requirement Adjustments Summary

**2020 Test-Year and Attrition Year RRQ Increases**

2020: $575M (Reduction of $483M (46%))*

2021: 3.5% Increase (Reduction of 1.2% (26%))

2022: 3.9% Increase (Reduction of 0.9% (19%))

**2020 GRC Settlement: Summary of Test-Year Adjustments**

| Program | Revenue Requirement Adjustments ($ in millions) |
|---|---|
| PG&E's Application Test Year Revenue Requirement Request | $1,058 |
| Vegetation Management | ($60) |
| Liability Insurance | ($50) |
| Short-Term Incentive Program | ($41.6) |
| LOB Expense Reductions (all but Electric Distribution) | ($35) |
| Depreciation Expense | ($150) |
| Working Capital | ($59) |
| Customer Care Rate Reform and Statewide Marketing | ($31) |
| AB 1054 Wildfire Capital Equity Return Adjustment | ($22) |
| Forecast Update, Concessions, Errata and Other | ($13) |
| Department of Energy Spent Nuclear Fuel Storage Settlement Proceeds | ($10) |
| Hydroelectric Decommissioning | ($8) |
| Customer Care Stipulations with TURN | ($4) |
| Total Reductions | ($483) |
| **Total Settlement Test Year Revenue Requirement Increase** | **$575*** |

*Note this does not include an incremental rate reduction for taxes that will be presented in a future advice letter

**Status of Proceeding:**

- JCCA was not excluded from settlement discussions.[1]
- Several issues were resolved in the settlement consistent with JCCAs' positions.[2]
- PG&E appropriately followed the ALJs' ruling for briefing on disputed issues. The settling parties were not required to file opening briefs and it was unknown which issues the non-settling parties would determine were still in dispute.

**Cost Allocation for Customer Care Services Provided to all Customers:**

- The Commission has long held that "costs should be allocated to those customers on whose behalf the costs were incurred."[3] Where "services . . . involve all customers, the costs . . . should be borne by all customers."[4]
- All customers must use PG&E's contact centers (or online equivalent) to stop/start service, for payment and billing issues, outages, emergency response, and may use them for elective services such as demand-side management programs and net energy metering.[5]
- PG&E's customer service costs are not related to its energy supply function and do not vary depending on whether the customer is a CCA customer.
- Evidence indicates that CCA customers use PG&E's contact center more frequently on a per customer basis than bundled service customers and call center usage has increased with the growth of CCA customers.[6]
- It would be unfair to PG&E's remaining bundled service customers and would violate PUC Code §366.2(a)(4), to increase costs to bundled customers due to the departure of CCA customers, especially where the customer services remain available to and continue to be used by those CCA customers.

**Resilience Zones:**

- The resilience zones are distribution infrastructure to interconnect generation only and should be paid by all distribution customers who benefit.[7]
- Generation costs for resilience zones are not sought in the GRC and are outside the scope.

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[1] Settling Parties' Reply Comments, p.5 to p.7.

[2] Settlement Agreement §§ 2.4.3.1 (withdrawal of non-bypassable charge for hydro-electric facilities proposal); 2.9.1 E (allocation of liability insurance premiums); 2.9.1 (changes in allocation for CWSP Support Programs, Enhanced Operations Practices, Emergency Preparedness and Response, Locate and Mark, and Manage Service Inquiries).

[3] D.19-09-004, p. 9, citing, D.99-06-058 at 7; D.02-11-022 at 61; D.12-12-004 at 52-53.

[4] D.15-03-042, p. 61, Finding of Fact 54

[5] PG&E Reply Brief, pp. 24-25 (Jan 27, 2020).

[6] Tr. Vol. 15, 1574:9 to 1579:17, PG&E/Zenner; HE-93: Exhibit (PG&E-20), p. 4-9, Table 4-3 and p. 4-10, Table 4-4.

[7] PG&E Reply Brief, p. 6, 7,11, 12 (Jan 27, 2020).

- Whether temporary or permanent generation in resilience zones should be provided by CCAs is outside the scope and is considered in the Microgrid OIR, (R.) 19-09-009.

**Decommissioning**:

- The JCCAs' representation that the decommissioning costs exceed the costs of the solar generation facilities is wrong. The original capital cost of PG&E's solar facilities (installed 2007 – 2012) was $593 million.[8] The decommissioning cost estimate in the Settlement Agreement is $61 million (2015 dollars) or $100 million at the time the decommissioning is scheduled to take place (2035-2038).[9]
- The settlement RRQ for hydro decommissioning, which reduced PG&E's request by $8 million (2020 RRQ), is reasonable.[10]
- The risk of over-collection is low since conservative assumptions are being used to calculate decommissioning and establish the initial accrual.

**Grid Modernization Costs:**

- The real-time data value the JCCAs claim they are not receiving is associated with "future" markets which may or may not develop.[11]
- Issues related to future markets design are outside the scope of this proceeding and are addressed in the Distribution Resource Planning Proceeding (R.14-08-013).
- The future grid services market (and the extent of CCAs' ultimate need for real-time data) are unknown.
- PG&E should not be required to invest in cybersecurity improvements and data integration with third parties unless and until the many outstanding issues surrounding grid services markets are resolved.[12]

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8 PG&E response to data request JCCA-006-Q11.
9 Exhibit (PG&E-5), Chapter 5 Workpapers, p. WP 5-58.
10 Settlement Agreement, § 2.4.6.
11 JCCAs Opening Brief, p. 33 (future markets), p. 34 (future distribution services markets).
12 PG&E Reply Brief, p. 15 (Jan 27, 2020).

**From:** Jacobson, Erik
**Sent:** Wednesday, March 25, 2020 9:58 AM
**To:** Casazza, Suzanne <Suzanne.Casazza@cpuc.ca.gov>; anand.durvasula@cpuc.ca.gov
**Subject:** RE: Reportable ex parte call with PGE re: A1812009

Ms. Suzanne Casazza and Mr. Anand Durvasula:

Please find attached two documents for our ex parte meeting today regarding PG&E's 2020 GRC.

Best regards,

Erik

-----Original Appointment-----
**From:** Mark.Smith@cpuc.ca.gov <Mark.Smith@cpuc.ca.gov> **On Behalf Of** Casazza, Suzanne
**Sent:** Friday, March 13, 2020 5:47 AM
**To:** Casazza, Suzanne; Durvasula, Anand; Cuaresma, Sally; Jacobson, Erik
**Subject:** Reportable ex parte call with PGE re: A1812009
**When:** Wednesday, March 25, 2020 1:30 PM-2:00 PM (UTC-08:00) Pacific Time (US & Canada).
**Where:** 866-919-7803 Comm Randolph



**Proceeding:**
A.18-12-009

**Reason for the meeting**:
To respond to Joint CCA communication with Commissioner Randolph's advisors.

**Conference Line: 866-919-7803 Participant Code: 9629185**

**Conference Line will be opened by: Suzanne Casazza**

**Attendees:**
- Erik Jacobson, Director of Regulatory Relations
- Shilpa Ramaiya, Sr. Director, Regulatory Proceedings

**Contact:**
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Sally.cuaresma@pge.com