

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric
Company for Recovery of Costs of Gas
Compressor Station Compliance with
AB 32

Application 12-06-010

PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES

I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") hereby submits the following protest to the Application of Pacific Gas and Electric Company ("PG&E") for Recovery of Costs of Gas Compressor Station Compliance with [Assembly Bill 32] AB 32 ("Application").

In this Application, PG&E has asked to increase natural gas rates in order to recover costs incurred in compliance with AB 32. The specific costs covered in the application are the compliance costs from six gas compression stations which serve as part of PG&E's natural gas transmission system. AB 32 requires utilities to acquire compliance instruments to cover the emissions of any compressor station emitting more than 25,000 metric tons carbon dioxide equivalent (mtCO_{2e}) per year. PG&E in its Application and accompanying testimony identified six such stations; Burney, Delevan, Gerber, Hinkley, Kettleman, and Topock.¹

PG&E is seeking in its Application to recover costs associated with greenhouse gas (GHG) compliance of the six compression stations mentioned above. To accomplish this, PG&E has proposed to change the name of the

¹ Footnote 2, A.12-06-010, p.2.

existing Electric Cost Balancing Account (“ECBA”) to the Gas Operations Balancing Account (“GOBA”), and to create two sub-accounts within GOBA. The first account would replace the current ECBA, and the second will be a new account to track and balance the AB 32 compliance costs referenced above.

In addition, the Application requests an interim decision authorizing PG&E to establish a GHG Compressor Station Memorandum Account in order to track the compressor station compliance costs going forward while this Application is pending.

II. DISCUSSION

A. Issues raised by the Application

DRA is reviewing the Application and conducting discovery to further understand the reasonableness, costs, and rate impact of the Application. DRA may identify additional issues through discovery or further analysis. However, DRA anticipates the need to address the following issues at this time:

1. Whether the Forecast Greenhouse Gas (GHG) Revenue Requirements are Reasonable and the Impact of these Incremental Revenue Requirements on Rates

DRA is reviewing PG&E’s Application (A.)12-06-010 and the accompanying Testimony to assess the reasonableness of the following GHG-related assumptions associated with PG&E’s compressor station compliance obligations under the California Air Resource Board’s (ARB’s) Cap-and-Trade Regulation.

a) Reasonableness of GHG Compliance Instrument Price Assumption

In its Prepared Testimony for A.12-06-010, PG&E submits compliance instrument price assumptions based on its 2013 Energy Resource Recovery

Account (ERRA) forecast.² DRA is in the process of discovery regarding PG&E's 2013 ERRA Forecast Application (A.12-06-002), and the GHG compliance instrument price forecasts used in that application. DRA will review the reasonableness of PG&E's methodology for forecasting GHG compliance instrument prices in this proceeding.

The estimated costs of compliance for PG&E's gas compressor stations is the product of multiplying an estimated cost of GHG compliance instruments by the estimated number of compliance instruments needed. DRA notes that the actual costs of compliance will vary from these estimates based on changes in compressor station emissions and the actual costs of GHG compliance instruments procured, and PG&E will be required to true-up its estimated revenue requirement related to the costs of compliance for its gas compressor stations.³

b) Total GHG Compliance Instrument Obligation Estimate

In its Prepared Testimony for A.12-06-010, PG&E estimates the amount of GHG compliance instruments required for its cap-and-trade compliance obligations associated with its gas compressor stations for 2013 and 2014.⁴ This estimate is the total of all compressor station emissions for which PG&E expects to have compliance obligations (i.e. compressor stations that emit greater than the cap-and-trade compliance threshold of 25,000 MT CO₂e). To estimate this total, PG&E averaged the 2008-2011 emissions from the six compressor stations it expects will have compliance obligations in 2013 and 2014, and summed those emissions for each year. DRA found that although some of these six individual

² Pacific Gas and Electric Company Prepared Testimony Greenhouse Gas OIR – Compressor Station Compliance, June 18, 2012, p.1-3.

³ AB 32 Gas Compressor Station Cost Recovery Application of Pacific Gas and Electric Company, June 18, 2012, p.4.

⁴ Pacific Gas and Electric Company Prepared Testimony Greenhouse Gas OIR – Compressor Station Compliance, June 18, 2012, p.1-3.

compressor stations did not exceed the compliance threshold in each year 2008-2011, based on current conditions, PG&E expects that each of these stations will emit greater than the 25,000 MT CO₂e threshold in 2013 and 2014.

PG&E's methodology is to use the estimate of total annual compressor station emissions, which appears to have remained relatively consistent from 2008-2011, varying by at most 18,000 MT CO₂e (approximately 7 percent) from the average total over those years. However, PG&E states that “[p]er ARB’s AB32 cap-and-trade regulation... [s]hould a compressor station that is above the threshold emit below the threshold for an entire compliance period, then that facility would no longer have a compliance obligation.” Therefore, DRA would examine the different implications of using the aggregate emissions calculation that PG&E uses or calculating the emissions for each facility separately, especially given the small number of compressors at issue.

2. PG&E’s request for an interim Greenhouse Gas Compressor Station Memorandum Account

PG&E proposes to track and subsequently recover costs that will be incurred for GHG compliance. The Commission has stated, the utilities are “obliged to exercise competent managerial discretion and make the necessary expenditures even if those expenditures exceed test year forecasts.”⁵ The request should ensure that PG&E is efficiently minimizing these costs.

DRA needs to conduct additional review and may perform limited discovery to ensure that PG&E’s request for memorandum account treatment and subsequent cost recovery is consistent with prior Commission directives and decisions pertaining to GHG compliance.

⁵ Decision 09-03-025, *mimeo.* at 324.

III. CATEGORIZATION, HEARINGS, AND SCHEDULE

PG&E proposes that this Application be categorized as ratesetting. DRA does not object to the proposed categorization.

PG&E claims that evidentiary hearings may not be needed, but DRA has identified several factual issues that may require an evidentiary record. The usual process for establishing a record is in hearings. Therefore, DRA reserves the right to request hearings at the Prehearing Conference.

PG&E has known of the need for procurement of AB 32 compliance instruments and the fact that it has six compressor stations that would need to be in compliance starting January 2013, but did not file this Application until June 18, 2012. Therefore, DRA requests that the Commission set a schedule that provides adequate time and opportunity for discovery and analysis; and should it be necessary, preparation of testimony and preparation for evidentiary hearings.

DRA recommends a Pre Hearing Conference for September 5, 2012 and will be prepared to recommend additional dates, if needed, at the time of the PHC, given the extent of discovery conducted and the Applicants responsiveness to DRA's data requests.

Action	PG&E Proposed Date	DRA Proposed Date
Reply to Protests	July 30, 2012	July 24, 2012
Prehearing Conference	August 2, 2012	September 5, 2012
Scoping Memo	August 16, 2012	TBD
Draft interim decision on memo account issued	August 16, 2012	TBD
Opening comments on interim decision	September 5, 2012	TBD
Reply comments on interim decision	September 10, 2012	TBD
Interim decision on memo account	September 13, 2012	TBD
Proposed Decision on	October 19, 2012	TBD

Merits		
Opening Comments on Proposed Decision	November 8, 2012	TBD
Reply Comments on Proposed Decision	November 13, 2012	TBD
Decision on Merits	November 29, 2012	TBD

IV. CONCLUSION

DRA respectfully submits this protest, and recommends that the Commission allow adequate time for discovery and analysis to determine whether PG&E’s Application is in fact reasonable. DRA has not yet completed discovery related to this Application, and reserves the right to assert any issues discovered after this protest has been filed.

Respectfully submitted,

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