

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric Company (U39E) for a Certificate of Public Convenience and Necessity Authorizing the Construction of the Embarcadero-Potrero 230 kV Transmission Project.

Application 12-12-004
(Filed December 11, 2012)

**OPENING BRIEF
OF THE OFFICE OF RATEPAYER ADVOCATES**

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I. INTRODUCTION

In accordance with Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission, the Office of Ratepayer Advocates (ORA)¹ hereby submits its opening brief in the above-captioned proceeding, the application of Pacific Gas and Electric Company (PG&E) for a Certificate of Public Convenience and Necessity (CPCN) authorizing the construction of the Embarcadero-Potrero 230 kilovolt (kV) transmission project.

ORA does not oppose approval of PG&E's proposed project. ORA recommends that the Commission adopt a maximum cost for the project based on PG&E's estimates. ORA takes no position regarding any other issues raised by PG&E's application or identified in the Scoping Memo.²

¹ The Division of Ratepayer Advocates was renamed the Office of Ratepayer Advocates effective September 26, 2013, pursuant to Senate Bill No. 96 (Budget Act of 2013: public resources), which was approved by the Governor on September 26, 2013.

² Application (A.) 12-12-004, Assigned Commissioner's Scoping Memo and Ruling, Aug. 29, 2013, at 3.

II. DISCUSSION

ORA protested PG&E's application because it lacked sufficient information and analysis of need, cost and alternatives to justify the proposed project.³ PG&E subsequently served prepared testimony⁴ addressing the issues raised in ORA's protest and including information sought by ORA through data requests. Based on its review of the application and supporting testimony, ORA has determined that it does not oppose the proposed project. ORA remains concerned about potential cost overruns and their impact on ratepayers. ORA recommends that the maximum cost adopted for the approved project be no higher than PG&E's estimates of construction and contingency costs.

Section 1005.5(a) of the California Public Utilities Code requires that the Commission, in granting a CPCN, "shall specify in the certificate a maximum cost determined to be reasonable and prudent for the facility." In setting the maximum cost, the Commission must consider such factors as project design, the expected duration of construction, an estimate of the effects of economic inflation and any known engineering difficulties associated with the project.⁵

PG&E's estimate of total construction costs before contingency is \$170.8 million.⁶ PG&E has added contingency amounts to certain project components for a total of \$26 million in contingency.⁷ This results in an estimated maximum project cost of \$196.8 million. PG&E's estimate of contingency costs is equal to 15.22% of total construction costs. A contingency of 15% is generally consistent with the contingency levels adopted by the Commission for other, recent

³ A.12-12-004, Protest of the Division of Ratepayer Advocates to the Application of Pacific Gas and Electric Company for a Certificate of Public Convenience and Necessity Authorizing the Construction of the Embarcadero-Potrero 230 kV Transmission Project, Jan. 9, 2013.

⁴ Exhibit (Ex.) 1, Pacific Gas and Electric Company Embarcadero-Potrero 230 kV Transmission Project Prepared Testimony, Public Version, Volume 1, Sept. 9, 2013; Ex. 1-C, Pacific Gas and Electric Company Embarcadero-Potrero 230 kV Transmission Project Prepared Testimony, Confidential Pursuant to Public Utilities Code Section 583 and General Order 66-C, Sept. 9, 2013.

⁵ Cal. Pub. Util. Code § 1005.5(b).

⁶ Ex. 1, p.5-1.

⁷ Ex. 1, pp. 5-1 and 5-13.

transmission projects.⁸ Here, a lower adopted contingency factor may be reasonable, since PG&E has admitted that “as PG&E obtains actual pricing on various Project components, this [\$26 million] contingency may be further reduced.”² Given this admission, the Commission should reduce the maximum cost deemed reasonable and prudent for the project if the actual cost is lower than the adopted cost. In Decision (D.) 08-12-058 and D.07-01-040, the Commission provided for the possibility of lowering the adopted maximum cost if, “upon completion of the final, detailed engineering design-based construction estimates for the authorized project, [the utility] concludes that the costs will be materially (i.e., 1% or more) lower than the maximum cost we adopt....”¹⁰ The Commission should apply the same rationale here.

The Commission should also direct PG&E to provide progress reports. In D.08-12-058, which granted a CPCN for San Diego Gas & Electric Company’s (SDG&E) Sunrise Powerlink transmission project, the Commission directed SDG&E to submit quarterly project status updates.¹¹ A similar reporting requirement here should be a useful tool to monitor project progress and costs.

⁸ See Decision (D.) 09-12-044, Decision Granting a Certificate of Public Convenience for the Tehachapi Renewable Transmission Project (Segments 4-11), pp. 72-73: “D.08-12-058 adopted a contingency of 18.25% for SDG&E’s Sunrise Powerlink Project, D.07-01-040 adopted a contingency of ‘almost 15%’ for SCE’s Devers-Palo Verde No. 2 Project, and D.01-12-017 adopted a contingency of 14.6% for PG&E’s Northeast San Jose Project.” (Citations omitted.) See also D.10-12-052, pp. 47, 65 (15% contingency adopted for SCE’s Eldorado-Ivanpah Project) and D.10-07-043, p.41 (15% contingency adopted for SCE’s San Joaquin Cross Valley Loop Project).

² Ex. 1, p.5-1.

¹⁰ D.07-01-040, Opinion Granting a Certificate of Public Convenience and Necessity (for the Devers-Palo Verde No. 2 transmission project), Jan. 25, 2007, p.46. Ordering Paragraph 11 of D.07-01-040 provides: Once SCE has developed a final detailed engineering design-based construction estimate for the final route, if this estimate is one percent or more lower than the authorized maximum reasonable and prudent cost [adopted in the decision], SCE shall, within 30 days, file an advice letter to show cause why the Commission should not adopt a lower amount as the maximum reasonable and prudent cost to reflect the final estimate.

See also D.08-12-058, Decision Granting a Certificate of Public Convenience and Necessity for the Sunrise Powerlink Transmission Project, Dec. 18, 2008, p.277 and Ordering Paragraph 6(a).

¹¹ D.08-12-058, pp. 276-277.

III. CONCLUSION

For the foregoing reasons, ORA respectfully requests that the Commission set a maximum cost for the proposed project based on PG&E's estimates of construction and contingency costs, and subject to further reductions as to what the Commission would find reasonable, if the actual costs are less than what PG&E has projected with its contingency factor. In this regard, the Commission should require PG&E to submit, during construction, quarterly project status updates to the Commission with similar reporting requirements of the progress and the actual costs incurred as the Commission had required SDG&E to submit for its Sunrise Powerlink transmission project.

Respectfully submitted,

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