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

Application of Pacific Gas and Electric  
Company To Revise Its Electric Marginal  
Costs, Revenue Allocation, and Rate Design.

(U 39 M)

Application 13-04-012  
(Filed April 18, 2013)

**MOTION OF THE SETTling PARTIES FOR ADOPTION OF  
MARGINAL COST AND REVENUE ALLOCATION SETTLEMENT AGREEMENT**

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Dated: July 16, 2014

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MARGINAL COST AND REVENUE ALLOCATION SETTLEMENT AGREEMENT**

Pursuant to Rule 11.1 of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) submits this motion on behalf of the Settling Parties<sup>1/</sup> respectfully requesting that the Commission approve the attached Settlement Agreement on Marginal Cost and Revenue Allocation Issues, which resolves all marginal cost and revenue allocation issues in the above-captioned proceeding (MC/RA Settlement Agreement). The MC/RA Settlement Agreement is supported by fifteen parties who represent the full range of PG&E customers. The remaining five parties have affirmatively indicated they do not oppose it. As described below, the MC/RA Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest, and should therefore be adopted without modification.

**I. OVERVIEW OF SETTLEMENT**

This MC/RA Settlement Agreement resolved the issues raised by the Settling Parties in A.13-04-012 (Phase II) on marginal costs and revenue allocation. There are three major components to this

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<sup>1/</sup> The fifteen Settling Parties for purposes of this Motion are: Agricultural Energy Consumers' Association (AECA), California City-County Street Light Association (CAL-SLA); California Farm Bureau (CFBF); California Large Energy Consumers Association (CLECA); California League of Food Processors (CLFP); California Manufacturers & Technology Association (CMTA); Direct Access Customer Coalition (DACC);; Energy Producers and Users Coalition (EPUC); Energy Users Forum (EUF); Federal Executive Agencies (FEA); Office of Ratepayer Advocates (ORA); Pacific Gas and Electric Company (PG&E); the Small Business Utility Advocates (SBUA); The Utility Reform Network (TURN), and the Western Manufactured Housing Communities Association (WMA). The Settling Parties have authorized PG&E to file this Motion on their behalf. Although the following five parties have not joined the settlement, they have nonetheless affirmatively indicated that they do not oppose the MC/RA Settlement Agreement: California Solar Energy Industries Association (CALSEIA); City and County of San Francisco (CCSF); Marin Clean Energy (MCE); Modesto and Merced Irrigation Districts (MMID); and Solar Energy Industries Association (SEIA). Two of these five unopposed parties did not present any testimony on Marginal Costs or Revenue Allocation.

Settlement.

First, as to Marginal Costs, this Settlement Agreement resolves all marginal cost issues. The Settlement Agreement adopts the specific marginal costs to be used solely for the purpose of evaluating customer-specific contracts including as required for Schedule E-31 (Distribution Bypass Deferral Rate) and Schedule EDR (Economic Development Rate).

Second, as to Revenue Allocation, the Settling Parties agree that electric revenue should be allocated as a result of A.13-04-012 on an overall revenue-neutral basis to preserve then-required total revenue. Considering and both recognizing and compromising the litigation positions taken by individual parties, the Settling Parties agree that, upon implementation of a decision in this proceeding, PG&E will target the average percentage changes set forth in Table 1 to the attached Settlement Agreement which includes the class level bundled percentages shown below.

<b>Bundled Customer Class</b>	<b>Percentage Change</b>
Residential	0.50%
Small Light and Power	-0.78%
Medium Light and Power	-0.78%
E-19	-0.78%
Standby	-0.78%
Agriculture	0.95%
Streetlighting	0.95%
E-20	-0.78%

The Settling Parties also agreed that, while PG&E will target the average percentage change for every customer group at the levels shown in Table 1 of the MC/RA Settlement Agreement, the actual results may vary based on rate and sales changes that will occur before this MC/RA Settlement Agreement is implemented. Therefore, the Settling Parties have also agreed to additional constraints and procedures governing how the effects of such changes will be handled. No later than July 25, 2014, PG&E and ORA will jointly serve a comparison exhibit showing the impact of the MC/RA Settlement Agreement in relation to their respective litigation positions, as required by Rule 12.1(a).

Third, as to rate changes to implement revenue requirement changes between GRC Phase II proceedings, the Settling Parties agree that revenue requirement changes between GRCs will be identified by function (e.g., nuclear decommissioning, generation, etc.). Each customer class and schedule will be allocated the average percentage change in functional revenue necessary to collect the

functional revenue requirement. This approach to allocating costs using a system average percentage change by function, which is described in greater detail in the MC/RA Settlement Agreement, will be employed such that each customer group's share of each functional revenue requirement remains approximately the same.

In addition, the MC/RA Settlement Agreement provides that PG&E will conduct certain **studies and workshops** to be completed prior to filing its next GRC Phase II application. All parties to the 2014 GRC Phase II will be invited to participate in all such workshops. First, the Settling Parties agreed to pursue additional analyses to examine the desirability of an Agricultural Class Balancing Account, by reviewing year-to-year variations of agricultural class revenues and sales versus those of other customer classes, and assess possible over-collections of agricultural class revenue that accounts for variation in both PG&E's cost of service and revenues. The Settling Parties agreed to a detailed process for workshops to discuss such data and analysis, resulting in a workshop report to be finalized at least 4 months before the deadline for PG&E's next GRC Phase II application.

Second, the Settling Parties agreed to a detailed process by which PG&E will hold up to three workshops to discuss methodological issues pertaining to the development of cost of service, including the issues that were raised by the Agricultural Parties and SBUA in this proceeding. Those workshops will be separate from the Agricultural Class Balancing Account Workshops and timed to avoid scheduling conflicts as much as possible. A workshop report will be prepared and included as a compliance item attached to PG&E's next GRC Phase II application. The Settling Parties agreed that, to the extent possible, the workshop report will identify potential changes to PG&E's prior marginal cost methodologies that it may consider proposing in its next GRC Phase II proceeding.

## **II. PROCEDURAL HISTORY**

On January 23, 2013, PG&E requested, and the CPUC approved, a two-month extension of time to file its Application in Phase II of the 2014 GRC. The extension revised the filing date from February 13, 2013 (as required under the CPUC's Rate Case Plan), to April 18, 2013.

On April 18, 2013, PG&E filed its application in this proceeding (A.13-04-012). As set forth at page 1 of that application, PG&E's marginal cost, revenue allocation and rate design proposals were intended:

[T]o make progress in moving electric rates closer to cost of service, in order to send more economically efficient price signals and promote more equitable treatment among all customers. At the same time, PG&E balances other objectives including customer acceptance, rate stability, and simplifying electric rates to make them easier for customer to understand.

The application was protested on May 20, 2013, by ORA, TURN, Greenlining/CforAT, AECA/CFBF, and MCE.

A prehearing conference was held on June 3, 2013, before ALJ Long. The scope of issues and procedural schedule were set forth in the Assigned Commissioner's Ruling and Scoping Memo dated July 12, 2013 (Scoping Memo). Per the Scoping Memo, PG&E's updated testimony required under the CPUC's Rate Case Plan was due on August 2, 2013. On July 26, 2013, at PG&E's request, ALJ Long granted a two-week extension of that filing date. On August 16, 2013, PG&E updated its showing on marginal costs, revenue allocation, and rate design.

In a ruling issued October 18, 2013, ALJ Long modified the scope of A.13-04-012 to suspend work on residential rate design in anticipation that certain residential rate design issues would be considered in the Residential Rate Reform Order Instituting Rulemaking (RROIR, R.12-06-013), in which the CPUC would be examining and modifying residential rate structures in accordance with Assembly Bill (AB) 327,<sup>2</sup> which had been signed into law in October 2013. On November 6, 2013, ALJ Long clarified that electric master meter discounts and gas baseline quantities would not be suspended but rather would remain within the scope of the GRC Phase II. On November 8, 2013 PG&E issued a notice of availability of revenue allocation and rate design models that were consistent with the suspension and deferral of most residential rate design issues.

ORA served its prepared testimony on November 15, 2013, on marginal costs, revenue allocation, non-residential rate design and electric master meter discounts. On December 13, 2013, fifteen intervenors (AECA, CAL-SLA, CFBF, CLECA/CMTA, CCSF, DACC, EUF, EPUC, FEA, MMID, MCE, SBUA, SEIA, TURN and WMA) served their prepared testimony. Of those intervenors,

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<sup>2</sup> The CPUC, accordingly, re-categorized the RROIR as a ratesetting proceeding in January, 2014.

only WMA, TURN, and MCE provided testimony on residential rate design. On January 17, 2014, ALJ Long issued a ruling granting the parties' joint request for a continuance in the original schedule for Phase II of PG&E's 2014 GRC, in recognition of the parties' ongoing efforts to seek settlement, as discussed below.

### **III. SETTLEMENT HISTORY**

Pursuant to Rule 12 of the CPUC's Rules of Practice and Procedure, on January 9, 2014, PG&E served on all parties a notice of settlement conference to be held January 17, 2014. Immediately after that settlement conference, PG&E on behalf of the parties, emailed a request to ALJ Long, and he promptly issued an email ruling on January 17, 2014 granting the parties' request for a continuance in the schedule to allow for further settlement conferences, with settlement status reports to be filed on February 14 and March 12, 2014. On March 20, on May 21, 2014, and on July 7, ALJ granted further continuances in the schedule to allow the parties time for additional work on settlement of issues in this proceeding.

On March 13, 2014, the parties participating in settlement discussions reached an agreement in principle on the terms of this MC/RA Settlement Agreement. On March 20, 2014, PG&E orally notified ALJ Long that the active parties to the proceeding had reached a settlement in principle on marginal cost and revenue allocation-related issues. As part of the joint settlement status reports filed in this proceeding, PG&E informed ALJ Long that the parties were continuing separate settlement discussions among various subgroups of parties interested in the remaining GRC Phase II rate design issues and would file those rate design settlements separately as they are finalized and executed, as had been done in PG&E's 2011 GRC Phase II proceeding.

### **IV. SETTLEMENT TERMS<sup>3/</sup>**

The MC/RA Settlement Agreement accompanying this motion resolves all revenue allocation and marginal cost issues in this proceeding, as further summarized below:

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<sup>3/</sup> This section describes the fundamental components of the MC/RA Settlement Agreement and necessarily simplifies some of the terms. To the extent that there is any conflict between the exact wording of the MC/RA Settlement Agreement and this motion, the MC/RA Settlement Agreement should govern.

**A. Marginal Costs**

Section VII. of the attached MC/RA Settlement Agreement does not adopt any of the Settling Parties' marginal cost principles or proposals for purposes of revenue allocation. The Settling Parties agree, however, to adopt in this MC/RA Settlement Agreement the specific marginal costs to be used solely for the purpose of establishing costs where needed for customer-specific contract evaluation including as required for Schedule E-31 (Distribution Bypass Deferral Rate) and for Schedule EDR (Economic Development Rate). The marginal costs to be used for these analyses are provided in Appendix A to the attached MC/RA Settlement Agreement. Nothing in this MC/RA Settlement Agreement shall preclude any Settling Party from advocating for its preferred marginal costs in any other Commission proceeding or for the purpose of addressing specific rate design issues yet to be considered in this or other rate design proceedings.

**B. Revenue Allocation**

Section VIII. of the MC/RA Settlement Agreement addresses revenue allocation and rate design issues, both for the allocation upon implementation of a decision in this proceeding, as well as for revenue allocation and rate design for revenue requirement changes between GRC Phase II proceedings. The Settling Parties agree that electric revenue should be allocated in this proceeding on an overall revenue-neutral basis to preserve then-required total revenue. The Settling Parties agree to the Phase II revenue allocation changes implemented as a result of this proceeding as set forth in Table 1. Table 1 shows the electric revenue based on present rates used to prepare this Settlement, the electric revenue that results from the MC/RA Settlement Agreement, and the percentage change for both bundled and Direct Access/Community Choice Aggregation (DA/CCA) customers. The Settling Parties agree that, upon implementation, PG&E will target the average percentage change for every customer group at the levels shown in Table 1, but that the actual results will vary based on rate and sales changes that will occur before this MC/RA Settlement Agreement is implemented. Therefore, the Settling Parties also agreed to certain additional constraints and procedures governing how the effects of such changes will be handled.

**Table 1**  
**Pacific Gas and Electric Company Phase II**  
**Settlement Revenue Allocation Results**

<b>Bundled Class</b>	Total Revenue at Present Rates <sup>1</sup>	Total Revenue at Proposed Rates	Percent Change
Residential	\$5,309,098,010	\$5,335,623,998	0.50%
Small Light & Power	\$1,613,868,527	\$1,601,320,699	-0.78%
Medium Light & Power	\$1,239,640,531	\$1,230,002,326	-0.78%
E-19	\$1,816,293,284	\$1,802,171,604	-0.78%
Streetlight	\$69,901,669	\$70,565,734	0.95%
Standby	\$57,392,554	\$56,946,327	-0.78%
Agricultural	\$864,359,596	\$872,571,013	0.95%
E-20T	\$368,809,086	\$365,941,596	-0.78%
E-20P	\$577,978,010	\$573,484,231	-0.78%
E-20S	\$231,273,602	\$229,478,926	-0.78%
<b>Total Bundled</b>	<b>\$12,148,614,871</b>	<b>\$12,138,106,453</b>	<b>-0.09%</b>

<b>DA/CCA Class</b>	Total Revenue at Present Rates <sup>1</sup>	Total Revenue at Proposed Rates	Percent Change
Residential	\$85,603,947	\$84,405,491	-1.40%
Small Light & Power	\$32,281,647	\$31,829,704	-1.40%
Medium Light & Power	\$53,964,217	\$55,367,287	2.60%
E-19	\$223,887,070	\$228,173,886	1.91%
Streetlight	\$887,638	\$910,716	2.60%
Standby	\$1,707,723	\$1,683,818	-1.40%
Agricultural	\$3,111,140	\$3,192,029	2.60%
E-20T	\$50,464,260	\$51,645,799	2.34%
E-20P	\$121,563,706	\$124,721,565	2.60%
E-20S	\$44,386,361	\$45,529,739	2.58%
FPP T <sup>2</sup>	\$3,336,837	\$3,554,126	6.51%
FPP P <sup>2</sup>	\$196,285	\$204,185	4.02%
FPP S <sup>2</sup>	\$1,727,634	\$1,783,220	3.22%
<b>Total DA/CCA</b>	<b>\$623,118,465</b>	<b>\$633,001,568</b>	<b>1.59%</b>

(1) Present rate revenue is based on rates effective May 1, 2013.

(2) FPP revenue is combined with E-20, by voltage, for application of caps and floors.

It is the intent of the MC/RA Settling Parties that PG&E should be authorized to implement the rate changes resulting from this settlement agreement as soon as practicable, but no sooner than 10 days following either the issuance of a final Commission decision approving this agreement, or the issuance of a final decision in PG&E's GRC Phase 1 proceeding (A.12-11-009), whichever is later. Rate changes stemming from A.13-04-012 shall not be made effective earlier than January 1, 2015.

### **C. Rate Changes Between General Rate Cases**

Section VIII.3. of the MC/RA Settlement Agreement specifically addresses the revenue allocation and rate design to be used for functional revenue requirement changes between GRC Phase II proceedings. After rates are implemented pursuant to the decision adopting this MC/RA Settlement Agreement, rates will be changed to reflect changes to the revenue requirement in the manner set forth in the MC/RA Settlement Agreement, until the effective date of implementation of a decision in Phase II of PG&E's next GRC proceeding. In general, revenue requirement changes between GRCs will be identified by function (e.g., nuclear decommissioning, generation, etc.). Each customer class and schedule will be allocated the average percentage change in functional revenue necessary to collect the functional revenue requirement. This approach to allocating costs using a system average percentage change by function will be employed such that each customer group's share of each functional revenue requirement remains approximately the same. To this end, the MC/RA Settlement Agreement addresses the revenue allocation and rate design treatment of each rate function,<sup>4</sup> but acknowledges that rate design for the residential class for rate changes between GRC Phase II proceedings will be addressed in the Commission's decisions in the RROIR (R.12-06-013). Finally, the Settling Parties agree that revenue allocation and rate design for new categories of revenue requirement that are added to rates before a Commission decision in PG&E's next GRC Phase II proceeding should be decided by the Commission at that time, and that rules governing the existing revenue requirement categories presented in this MC/RA Settlement Agreement will not govern or be precedential for that purpose.

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<sup>4</sup> In some cases, treatment of specific items collected within distribution rates is also specified (for example, the allocation of CPUC Fee revenue is separately stated).

#### **D. Workshops and Studies for the 2017 GRC Phase II**

Section IX of the MC/RA Settlement Agreement provides that PG&E will perform certain studies and hold workshops for parties to its 2014 GRC Phase II proceeding prior to filing its 2017 GRC Phase II application. Specifically, two separate sets of workshops have been agreed to, as summarized below:

##### **i. Agricultural Class Balancing Account**

First, the Settling Parties agreed that this MC/RA Settlement Agreement would not establish a balancing account or other mechanism to address what the Agricultural parties see as a high level of sales variability and sales forecast uncertainty pertaining to the Agricultural class, which they believe is principally a result of the unpredictability of surface water availability. Instead, the Settling Parties agree to pursue additional analyses to examine the desirability of such a balancing account, and the necessary components to develop it. Such analyses would review the year-to-year volatility of agricultural class revenues and sales versus those of other customer classes, and include an assessment of possible over-collection of agricultural class revenue that accounts for variation in both PG&E's cost of service and revenues collected due to agricultural sales variability.

The Settling Parties agreed to a detailed process by which PG&E would first compile an initial set of data based in input the parties provide to PG&E during the first quarter of 2015, and will provide that data to interested parties to review prior to a workshop to be held at least 9 months prior to PG&E's next GRC application deadline. Parties will discuss the data, provide input on the required analysis, and establish a schedule for completion of the analysis and a draft workshop report. A second workshop will be held at least 2 weeks after the draft report is distributed to parties. A final workshop report, including parties' own analyses if timely transmitted to PG&E, is expected to be completed by no later than 4 months prior to the deadline for PG&E's next GRC Phase II proceeding.

##### **ii. Marginal Cost Workshops**

The Settling Parties agree that PG&E will hold up to three workshops to address methodological issues pertaining to the development of marginal costs, including the issues that were raised by the Agricultural Parties and SBUA in this proceeding. Each such workshop would last not more than one

day, and each would be noticed on all parties to the 2014 GRC Phase II and be open to all interested parties. Workshop discussions will include consideration of customer and load growth forecasts; data issues; load diversity; customer access costs for small commercial customers (including variations in customer connection costs within the class); possible alternatives to distribution and customer access marginal cost, and additional topics pertaining to marginal cost calculations and methods for agricultural and other customers.

The Settling Parties agreed to a detailed process for these workshops. With at least 3 weeks' notice, an initial conference call will be held within 4 months of the Commission's final decision in this proceeding. Parties will be asked to provide a list of proposed issues to be addressed as part of the workshop process at least one week before the call, so PG&E can compile and serve a unified list of potential workshop topics. During the planning call, the parties will refine the issues list, and will establish a schedule for the workshops, including agenda items for each of the workshops, and a schedule for completion of a post-workshop report. PG&E shall provide a draft workshop report that will, to the extent possible, identify potential changes to PG&E's prior marginal cost methodologies that it may consider proposing in PG&E's next GRC Phase II proceeding. All parties will be afforded an opportunity to provide their own summary of the workshop process, which may include comments on omissions or differences of opinion, and which will be included with the report if timely received in accordance with the established schedule. The report will be included as a compliance item attached to PG&E's next GRC application.

## **V. THE COMMISSION SHOULD ADOPT THE MC/RA SETTLEMENT AGREEMENT**

### **A. Commission Policy Favors Settlements**

The Commission has a longstanding, strong public policy of supporting settlement of disputes if they are fair and reasonable in light of the whole record.<sup>5/</sup> As the Commission has reiterated over the years the "Commission favors settlement because they generally support worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to

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<sup>5/</sup> See e.g., D.10-12-051, 2010 Cal. PUC LEXIS 556 at \*55; D. 10-06-038, 2010 Cal PUC LEXIS 224 at \*46; D.05-03-022, mimeo, pp. 7-8, citing D.88-12-083 (30 CPUC 2d 189, 221-223); and D.91-05-029 (40 CPUC 2d. 301, 326).

reduce the risk that litigation will produce unacceptable results.”<sup>6</sup> This strong public policy favoring settlements weighs in favor of the Commission resisting the temptation to alter the results of the negotiation process. As long as a settlement taken as a whole is reasonable in light of the record, consistent with the law, and in the public interest, it should be adopted.<sup>7</sup> Each portion this MC/RA Settlement Agreement is dependent upon the other portions of the same Agreement. Changes to one portion of this MC/RA Settlement Agreement would alter the balance of interests and the mutually agreed upon compromises and outcomes contained in the full Settlement Agreement. As such, the Settling Parties request that this MC/RA Settlement Agreement be adopted as a whole by the Commission, without modification.

**B. The MC/RA Settlement Agreement is Uncontested and Should be Treated as, Effectively, an All-Party Settlement**

To qualify as an all-party settlement, the sponsoring parties must show that that a settlement meets the following four conditions:

1. The settlement agreement commands the unanimous sponsorship of all active parties to the proceeding;
2. The sponsoring parties are fairly reflective of the affected interests;
3. No term of the settlement contravenes statutory provisions or prior Commission decisions; and

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<sup>6/</sup> D.10-12-035, 2010 Cal PUC LEXIS 467 at \*87; *see also* D.D.10-22-035, 2010 Cal PUC LEXIS 495 at \*17; D.10-11-011, 2010 Cal. PUC LEXIS 533 at \*50 (“There is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation”); D.05-03-022, mimeo, p. 8, citing D.92-12-019, 46 CPUC 2d 538, 553. *See also* D.10-12-051, 2010 Cal. PUC LEXIS 566 at \*55 (Commission decisions “express the strong public policy favoring settlement of disputes if they are fair and reasonable”); D.10-11-035, 2010 Cal. PUC LEXIS 495 at \*17 (the Commission’s longstanding policy favoring settlement...reduces litigation expenses, conserves scarce Commission resources...” *and see* D.10-11-011, 2010 Cal. PUC LEXIS 533 at \*50 “There is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”

<sup>7/</sup> *See, generally*, D.05-03-022, mimeo, pp. 7-12.

4. The settlement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.<sup>8/</sup>

The Settling Parties believe that this MC/RA Settlement Agreement should be treated as as effectively having met the first condition in that this Settlement is unopposed by any party. Moreover, the fifteen parties signing this Settlement represent the full range of customer interests within PG&E's service territory, and include all but three of the active parties who submitted testimony on either marginal cost or revenue allocation issues in this proceeding.<sup>2</sup> This agreement meets the second condition because the parties to it fairly represent the interests of the parties affected by it. That is, AECA, CAL-SLA, CFBF, CLECA, CLFP, CMTA, DACC, EPUC, EUF, FEA, PG&E, ORA, SBUA, TURN, and WMA fairly represent the interests of the wide variety of types of customers and customer classes that are affected by revenue allocation and marginal cost issues. This MC/RA Settlement Agreement meets the third condition because the terms of this agreement are consistent with law. Finally, this MC/RA Settlement Agreement meets the fourth condition because the record will contain the prepared testimony of all the parties on marginal cost and revenue allocation and because the MC/RA Settlement Agreement contains detailed descriptions regarding the timing of rate changes and the manner in which the MC/RA Settlement Agreement is to be implemented between GRCs.

**C. The Settlement is Reasonable in Light of the Record, Consistent with Law, and in the Public Interest.**

The Commission should adopt this MC/RA Settlement Agreement because it represents a reasonable compromise of the parties' positions. In addition, this MC/RA Settlement Agreement complies with all applicable statutes and prior Commission decisions. By resolving the revenue allocation and marginal cost issues raised in PG&E's application as well as the active parties' testimony, the MC/RA Settlement Agreement saves the Commission and parties from the time, expense, and

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<sup>8/</sup> D.05-03-032, p. 9, citing D.92-12-019, 46 CPUC 2d 538, 550-551 (1992); D.97-06-066, 1997 Cal. PUC LEXIS 229, \*19; D.96-09-037, 1996 Cal. PUC Lexis 904, p. 12; and D.96-07-057, 1996 Cal. PUC Lexis 809, p. 25.

<sup>2</sup> See Footnote 1 for the list of the fifteen Settling Parties, and the five parties that, although they did not join the settlement, have nonetheless affirmatively indicated that they do not oppose it. Two of those five unopposed parties had served no testimony on marginal cost and revenue allocation issues. Under Rule 12.1 of the CPUC's Rules of Practices and Procedure, "settlements need not be joined by all parties."

uncertainty associated with litigating these issues. For these reasons, the MC/RA Settlement Agreement is in the public interest.

## **VI. CONCLUSION**

For the reasons set forth above, the Settling Parties respectfully request that the Commission:

1. Find the attached MC/RA Settlement Agreement to be reasonable in light of the whole record, consistent with law, and in the public interest;
2. Adopt the MC/RA Settlement Agreement without modification; and
3. Authorize PG&E to implement changes in rates in accordance with the terms of the MC/RA Settlement Agreement.

Dated: July 16, 2014

Respectfully submitted,

By:           /s/ Gail L. Slocum            
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On Behalf of the Settling Parties