

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



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Expedited Application of Pacific Gas and
Electric Company Pursuant to the
Commission's Approved Energy Resource
Recovery Account (ERRA) Trigger
Mechanism

(U 39 E)

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Application 14-08-_____

**EXPEDITED APPLICATION OF
PACIFIC GAS AND ELECTRIC COMPANY
REGARDING ENERGY RESOURCE RECOVERY ACCOUNT
TRIGGER MECHANISM**

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TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. BACKGROUND	2
A. Legal And Regulatory Background	2
B. Relationship to other ERRA Proceedings.....	4
C. Current and Forecasted Undercollection	4
III. RELIEF REQUESTED.....	4
IV. INFORMATION REQUIRED BY THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE.....	5
A. Statutory and Other Authority (Rule 2.1)	5
B. Legal Name and Principal Place of Business (Rule 2.1(a)).....	5
C. Correspondence and Communications (Rule 2.1(b)).....	5
D. Categorization, Hearings, And Issues To Be Considered (Rule 2.1(c))	6
1. Proposed Categorization	6
2. Need for Hearings.....	6
3. Issues to Be Considered	6
E. Procedural Schedule.....	6
F. Articles of Incorporation (Rule 2.2).....	7
V. CONCLUSION.....	7
APPENDIX A Declaration of Angelia Lim	

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I. INTRODUCTION

Pursuant to Public Utilities Code Section 454.5(d)(3) and California Public Utilities Commission Decisions (“D.”) 02-10-062 and 04-12-048, Pacific Gas and Electric Company (“PG&E”) files this application regarding its forecasted undercollection in its Energy Resource Recovery Account (“ERRA”).¹ As discussed below and in the declaration accompanying this Application, as of July 31, 2014, PG&E’s ERRA was more than 5% undercollected, and PG&E forecasts that its incremental ERRA undercollection will exceed the 5% trigger amount through 2014.² Specifically, PG&E forecasts that its ERRA undercollection will be 8.17%, or \$516.2 million undercollected, by December 31, 2014.

Under D.02-10-062, PG&E is required to file an expedited ERRA trigger application when its ERRA balancing account is 4% over- or under-collected. In the ERRA trigger application, PG&E can, on an expedited basis, request a change in rates to address the over- or

¹ The ERRA balance described in this Application excludes the deferred Greenhouse Gas (“GHG”) costs held separately in the GHG subaccount, pursuant to D.12-12-008.

² Actual data on monthly ERRA balances is not typically available until the following month. Thus, although this Application is being filed in August, the most recently available information as to the ERRA account undercollection is as of July 31, 2014.

under-collection. Consistent with D.02-12-062, PG&E is filing this expedited application notifying the Commission that the ERRA balancing account is currently 5.13% undercollected, and that the undercollection is expected to grow to 8.17% by the end of 2014.³ However, PG&E is not proposing in this Application to change its rates to recover the undercollection. Instead, PG&E is proposing to address the undercollection in the 2015 rates proposed in PG&E's 2015 ERRA Forecast Application (Application 14-05-024) that was filed on May 30, 2014 ("2015 ERRA Forecast Application"). If the Commission approves PG&E's 2015 ERRA Forecast Application, the ERRA undercollection will be recovered in 2015 through new rates that will go into effect on January 1, 2015. Because PG&E has proposed to recover the undercollection in 2015 rates, through the 2015 ERRA Forecast Application, it is not seeking a rate change in this Application.

II. BACKGROUND

A. Legal And Regulatory Background

Public Utilities Code Section 454.5(d)(3) requires the Commission to:

Ensure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan. The commission shall establish rates based on forecasts of procurement costs adopted by the commission, actual procurement costs incurred, or combination thereof, as determined by the commission. The commission shall establish power procurement balancing accounts to track the differences between recorded revenues and costs incurred pursuant to an approved procurement plan. The commission shall review the power procurement balancing accounts, not less than semiannually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission. Until January 1, 2006, the commission shall ensure that any overcollection or undercollection in the power procurement balancing account does not exceed 5 percent of the electrical corporation's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources. The commission shall

³ See Appendix A, *Declaration of Angelia Lim*, Table 1 (including actual and forecast ERRA balances for 2014 on a monthly basis).

determine the schedule for amortizing the overcollection or undercollection in the balancing account to ensure that the 5 percent threshold is not exceeded. After January 1, 2006, this adjustment shall occur when deemed appropriate by the commission consistent with the objectives of this section.

In D.02-10-062, as modified by subsequent decisions, the Commission implemented this provision by ordering PG&E and California's other investor-owned utilities to establish procurement-related balancing accounts, to be referred to as the Energy Resource Recovery Account or "ERRA."⁴ The Commission also adopted an ERRA "trigger" mechanism subject to the following requirements:

[W]e direct PG&E, SDG&E and Edison to file expedited applications for approval in 60 days from the filing date when the new ERRA balance reaches four percent. The application will include a projected account balance in 60 days or more from the date of filing depending on when the balance will reach the five percent threshold. The application will also propose an amortization period for the five percent of not less than 90 days to ensure timely recovery of the projected ERRA balance. It should also include allocation of the over- and under- collection among customers for rate adjustment based on existing allocation methodology recognized by the Commission. Customer notice should be sent as soon as the application is filed for a rate increase or decrease.⁵

In D.04-12-048, the Commission committed to keep the ERRA trigger mechanism "in effect during the term of the long-term contracts, or ten years, whichever is longer."⁶ Because the long-term contracts that were entered into as a result of D.04-12-048 have not yet expired, the ERRA trigger mechanism remains in place.

In D.12-12-033, PG&E was ordered to defer the collection of its 2013 GHG costs until the GHG revenue return methodology was finalized. In D.12-12-008, the Commission modified the ERRA trigger mechanism to exclude the deferred GHG costs and associated franchise fees

⁴ D.02-10-062 at pp. 59-64.

⁵ *Id.* at pp. 65-66.

⁶ D.04-12-048, Finding of Fact 70.

and uncollectables from PG&E's ERRA "trigger calculation" until such costs are included in rates.

Finally, pursuant to D.04-01-050, PG&E is required to file an advice letter by April 1 of each year to establish the current year's trigger amount. PG&E filed Advice Letter 4390-E, proposing an ERRA 5% trigger amount of \$316 million for 2014. The Advice Letter became effective April 1, 2014.

B. Relationship to other ERRA Proceedings

PG&E filed its 2015 ERRA Forecast Application on May 30, 2014. The 2015 ERRA Forecast Application addresses expected procurement-related costs that will be incurred in 2015, as well as the undercollection that is forecast by December 31, 2014. In its 2015 ERRA Forecast Application, PG&E has proposed to recover the undercollection in rates in 2015. PG&E's 2015 ERRA Forecast Application will be updated in November 2014, including an update of the forecasted undercollection. If approved, the 2015 ERRA Forecast costs, including the forecasted undercollection, will be included in the Annual Electric True-up ("AET") and will be included in rates starting on January 1, 2015.

C. Current and Forecasted Undercollection

As of July 31, 2014, PG&E recorded an ERRA undercollection of \$324 million, or 5.13% of PG&E's prior year recorded generation revenues.⁷ Based on the July recorded balance, and forecasts of costs and revenues for August through December 2014, PG&E is currently forecasting an end-of-year 2014 ERRA undercollection of \$516 million, or 8.17%.⁸

III. RELIEF REQUESTED

PG&E is not requesting in this Application that the Commission approve recovery of the ERRA undercollection. Instead, PG&E is proposing to recover the undercollection through the

⁷ See Appendix A, *Declaration of Angelia Lim*, ¶ 3 and Table 1.

⁸ *Id.*

rates proposed in its 2015 ERRA Forecast Application. PG&E is filing this Application in compliance with D.02-12-062, which requires PG&E to file an expedited ERRA trigger application when its ERRA is 4% undercollected. Thus, PG&E requests a Commission decision acknowledging the undercollection and stating that PG&E has complied with the requirements of D.02-12-062 to file an expedited ERRA trigger application as a result of the current ERRA undercollection being 4%. In addition, PG&E requests that the Commission decision state that it is reasonable to address the undercollection in the 2015 ERRA Forecast proceeding.

IV. INFORMATION REQUIRED BY THE COMMISSION’S RULES OF PRACTICE AND PROCEDURE²

A. Statutory and Other Authority (Rule 2.1)

PG&E files this application pursuant to Sections 451, 454, 454.5, and 701 of the Public Utilities Code of the State of California, the Commission’s Rules of Practice and Procedure, and prior decisions, orders and resolutions of the Commission, including but not limited to D.02-10-062 (as modified), D.04-01-050, and D.04-12-048.

B. Legal Name and Principal Place of Business (Rule 2.1(a))

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E’s principal place of business is 77 Beale Street, San Francisco, California 94105.

C. Correspondence and Communications (Rule 2.1(b))

Correspondence and communications regarding this application should be addressed to the following:

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² Because PG&E is not proposing to increase or change rates through this Application, the Rule 3.2 requirements do not apply.

D. Categorization, Hearings, And Issues To Be Considered (Rule 2.1(c))

1. Proposed Categorization

PG&E proposes that this Application be categorized as a ratesetting proceeding. Although PG&E is not proposing to change rates through this Application, the ratesetting categorization appears to be the most appropriate categorization as compared to other alternatives.

2. Need for Hearings

Based on the expedited nature of the ERRA trigger applications, and the fact that PG&E is not seeking to recover costs or otherwise change rates through this Application, there is no need for hearings in this proceeding.

3. Issues to Be Considered

The issues presented in this Application are as follows:

- Has PG&E satisfied the requirements of D.02-12-062 to file an expedited application when its ERRA is 4% undercollected?
- Is PG&E’s proposal to address the undercollection in the 2015 ERRA Forecast proceeding, rather than through this Application, reasonable?

E. Procedural Schedule

PG&E proposes the following schedule for this proceeding:

Date	Activity
August 29, 2014	PG&E files Application
No later than September 5, 2014	Notice of Application appears in Daily Calendar
+ 20 days	Protest due
+ 5 days	Reply due
October, 2014	ALJ issues proposed decision
November, 2014	Commission issues final decision

VERIFICATION

I, the undersigned, say:

I am an officer of Pacific Gas and Electric Company, a corporation, and am authorized, pursuant to Rule 2.1 and Rule 1.11 of the Rules of Practice and Procedure of the CPUC, to make this Verification for and on behalf of said Corporation, and I make this Verification for that reason. I have read the foregoing Application, and I am informed and believe that the matters therein concerning Pacific Gas and Electric Company are true. I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed at San Francisco, California, this 27th day of August, 2014.

/s/ Trina Horner

TRINA HORNER

Vice President, Regulatory Proceedings and Rates

APPENDIX A

**Declaration of Angelia Lim In Support of
PG&E's Expedited Application of Pacific Gas and Electric Company
Pursuant to the Commission's Approved
Energy Resource Recovery Account (ERRA) Trigger Mechanism**

I, Angelia Lim, declare as following:

1. My business address is Pacific Gas and Electric Company ("PG&E"), 77 Beale Street, San Francisco, California. I am a senior regulatory specialist in the Regulatory Affairs Organization. I am responsible for developing testimony and analysis to support proceedings filed at the California Public Utilities Commission ("CPUC" or "Commission") on matters related to generation procurement.

2. I am a Fellow of the Chartered Association of Certified Accountants from the United Kingdom. I joined PG&E in 2005, initially working as a senior accounting analyst within the Controllers' Department. My assignments included providing analysis on electric revenue and cost, accounting for various balancing accounts, and participating in the development and implementation of accounting process improvements. I assumed my current position at PG&E in March 2008. I have previously sponsored testimony before the CPUC, including in prior Energy Resource Recovery Account ("ERRA") Forecast Proceedings.

3. As of July 31, 2014, PG&E recorded an ERRA undercollection of \$324 million, or 5.13% of PG&E's prior year recorded generation revenues. Based on the July recorded balance, and forecasts of costs and revenues for August through December 2014, PG&E is currently forecasting an end-of-year 2014 ERRA undercollection of \$516 million, or 8.17%.¹ PG&E addressed the causes of this undercollection in its 2015 ERRA Forecast Application (A.14-05-024), which was filed with the Commission on May 30, 2014. PG&E is seeking Commission approval in that proceeding to recover the 2014 undercollection in 2015.

¹ The ERRA balance described in this Application excludes the deferred Greenhouse Gas ("GHG") costs held separately in the GHG subaccount, in pursuant to D.12-12-008.

Table 1 below shows recorded balances for January through July, and forecast balances for August through December. The second column indicates the corresponding trigger percentages.

TABLE 1
PACIFIC GAS AND ELECTRIC COMPANY
2014 RECORDED AND FORECAST ERRA BALANCES

Line No.		(Over)/Under Collection (\$ Millions)	% of Prior Year's Generation Revenues, Excluding DWR
1	January 2014 (a)	138.8	2.36%
2	February 2014 (a)	194.2	3.31%
3	March 2014 (a)	227.2	3.87%
4	April 2014 (a)	242.7	3.84%
5	May 2014 (a)	227.6	3.60%
6	June 2014 (a)	250.0	3.96%
7	July 2014 (a)	324.4	5.13%
8	August 2014	418.2	6.62%
9	September 2014	482.8	7.64%
10	October 2014	516.3	8.17%
11	November 2014	534.4	8.46%
12	December 2014	516.2	8.17%

(a) Recorded balances.

I declare under penalty of perjury that the foregoing is true and correct. Executed at San Francisco, California, this 27th day of August, 2014.

/s/ *Angelia Lim*
ANGELIA LIM