

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Pacific Gas and Electric Company to Determine Violations of Public Utilities Code Section 451, General Order 112, and Other Applicable Standards, Laws, Rules and Regulations in Connection with the San Bruno Explosion and Fire on September 9, 2010.

I.12-01-007
(Filed January 12, 2012)
(Not Consolidated)

Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Pacific Gas and Electric Company with Respect to Facilities Records for its Natural Gas Transmission System Pipelines.

I.11-02-016
(Filed February 24, 2011)
(Not Consolidated)

Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Pacific Gas and Electric Company's Natural Gas Transmission Pipeline System in Locations with High Population Density.

I.11-11-009
(Filed November 10, 2011)
(Not Consolidated)

**COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES
ON THE DECISION DIFFERENT OF PRESIDENT PICKER ON FINES AND
REMEDIES TO BE IMPOSED ON PACIFIC GAS AND ELECTRIC COMPANY FOR
SPECIFIC VIOLATIONS IN CONNECTION WITH THE OPERATION AND
PRACTICES OF ITS NATURAL GAS TRANSMISSION SYSTEM PIPELINES**

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) files these Comments on the Decision Different Of President Picker On Fines And Remedies To Be Imposed On Pacific Gas And Electric Company For Specific Violations In Connection With The Operation And Practices Of Its Natural Gas Transmission System Pipelines (Decision Different) pursuant to the March 13, 2015 Notice accompanying the Decision Different and Article 14 of the Commission's Rules of Practice and Procedures (Rules).

ORA supports the Decision Different, which addresses and incorporates many of the concerns and proposals raised by ORA, in its Joint Comments with The Utility Reform Network and the City and County of San Francisco, filed October 27, 2014,¹ and in its individually filed comments filed in these proceedings.

These Investigations, combined with the proceedings in the Gas Safety Rulemaking, R.11-02-019, reveal decades of neglect requiring PG&E to test or replace significant portions of its transmission network. ORA has raised the concern throughout these proceedings and in R.11-02-019 that PG&E stood to profit handsomely from its decades of mismanagement given that it would earn a rate of return on all new investment.² Consequently, ORA supports the Decision Different because it unequivocally addresses the concern that PG&E not be permitted to profit from the San Bruno explosion by disallowing a minimum of \$688.5 million of authorized gas safety costs for capital expenditures that ratepayers would otherwise have to pay. The Decision Different is also appropriately clear that PG&E shall not earn a rate of return or depreciation on that investment. While PG&E will unquestionably profit from the reconstruction of its gas transmission system given the scope of work that its decades of neglect require, this remedy, combined with the \$400 million one-time bill credit to

¹ Joint Parties' Response To Appeals And Requests For Review Of The Presiding Officers' Decisions In The Pipeline Investigations, October 27, 2014.

² See e.g., Opening Brief of the Division of Ratepayer Advocates Regarding Fines and Remedies, May 6, 2013, pp. 18-19; Second Rebuttal Brief Of The Division Of Ratepayer Advocates Regarding Fines And Remedies, August, 28, 2013, pp. 9-10; and R.11-02-019, Opening Brief of the Division of Ratepayer Advocates, May 14, 2012, pp. 5-6.

customers,³ and the disallowance of another \$161.5 million in safety-related expenses,⁴ will serve as a compelling reminder to all California gas system operators that violations of law, including failure to retain records and perform basic preventive maintenance, will not be tolerated, and have a very high price. These equitable remedies, in addition to the \$300 million fine to the general fund, will unquestionably get their attention.

ORA identifies below two areas in the Decision Different for minor modification: (1) to ensure that the \$400 million one-time bill credit is equitably distributed among PG&E's customers; and (2) to provide clarification to Conclusion of Law 41 of the Decision Different.

II. THE MECHANISM FOR THE ONE-TIME BILL CREDIT SHOULD ENSURE EQUITABLE ALLOCATION OF THE BILL CREDIT AMONG CUSTOMER CLASSES

ORA supports implementing the \$400 million refund ordered by the Decision Different as a one-time bill credit. However, ORA is concerned that the current mechanism for the bill credit proposed in the Decision Different will result in inequitable allocation of the bill credit among core, non-core, and wholesale customers.

Ordering Paragraph 4 of the Decision Different implements the one-time bill credit. Subsection (a) bases the credit on a PG&E "forecast for November and December 2015 gas throughput." Subsection (b) requires the credit to be applied in November towards a customer's actual consumption in the month. Both of these provisions raise concerns for ORA, but can easily be resolved with minor language changes to Ordering Paragraph 4.

First, rather than relying upon a PG&E forecast, ORA proposes that the bill credit be based on the throughput forecast that will be adopted in the 2015 Gas Transmission and Storage Application (A.13-12-012) pursuant to stipulation between PG&E and ORA. Table 1 below shows the 2015 Thousand Decatherm sales forecast value from ORA's workpapers in A.13-12-012, the percentage of the overall forecast for each customer

³ See Decision Different, Ordering Paragraphs 4 and 5, p. 234.

⁴ Decision Different, Conclusion of Law 38, p. 229.

class, and the resulting allocation to each customer class. ORA provides this table to provide an approximation of the bill credit by overall customer class.

Table 1

Allocation By Customer Class of Average Weather Sales Forecast

Class	MDTH	% of Forecast	\$
Core	35,875	50.32%	201,276,404.75
Noncore	34,991	49.08%	196,316,660.59
Wholesale	429	0.60%	2,406,934.66
Total	71,294	100.00%	400,000,000.00
Values taken from ORA workpapers in the 2015 GT&S to approximate the expected forecast of throughput.			

Second, ORA agrees with the Decision Different’s rationale for providing a bill credit based on the cents per therm for Core customers and agrees that a different methodology may be appropriate for Non-Core customers, as is reflected in Subsection (c) of Ordering Paragraph 4. However, ORA recommends that the credit be applied to the January 2016 bill, and succeeding months, which would reduce costs for core customers during the typically higher cost winter heating month(s). ORA’s proposed modifications to Ordering Paragraph 4 are provided in Appendix A to these Comments.

III. CONCLUSION OF LAW 41 SHOULD BE CLARIFIED

Conclusion of Law 41, on page 230 of the Decision Different, appears to have some typographical errors and may be missing some words. It refers to the costs of capital projects which will be disallowed and states:

41. Ratepayers, will, be responsible for ongoing operation and maintenance of these capital projects, unless those costs are otherwise required to be funded by shareholders, or disallowed.

ORA offers a proposed modification to Conclusion of Law 41 in Appendix A to these Comments.

IV. CONCLUSION

For all the reasons set forth herein, the Commission should adopt the proposed changes to Ordering Paragraph 4 and Conclusion of Law 41, as set forth in Appendix A hereto.

Respectfully submitted,

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APPENDIX A

PROPOSED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS IN THE DECISION DIFFERENT

CHANGES TO CONCLUSIONS OF LAW

41. Ratepayers; will; be responsible for the ongoing operation and maintenance costs of these capital projects, unless those costs are otherwise required to be funded by shareholders, or disallowed.

CHANGES TO ORDERING PARAGRAPHS

4. Pacific Gas and Electric Company (PG&E) shall issue one-time bill credits totaling \$400 million to its natural gas transmission customers in accordance with the following:

a. The Credit shall be allocated among customer classes based on the November-December throughput forecast adopted in the final decision issued in A.13-12-012.

b. After this allocation, credits within customer classes should be based on a cents per therm calculation based on the forecast for November and December 2015 gas throughput.

~~b. c. PG&E shall apply this bill credit for every billing cycle beginning with the January 2016 billing cycle.in November 2015 to apply to the actual month's consumption.~~

~~e. d. PG&E shall apply this or other appropriate mechanism as it determines necessary for Non-Core customers.~~

e. PG&E shall calculate the exact amount refunded so that any shortfall or any excess refund may be "trued-up" to ensure that customers receive the full and exact amount of the penalty. Any shortfall or excess refund must then be proportionately applied to both the Purchase Gas Account and the Non-Core Customer Class Charge Account based on the relative throughput of core and noncore gas for the November 2015 billing cycle.