FILED
6-02-16
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015-2017.	Application 13-12-012 (Filed December 19, 2013)
And Related Matters.	Investigation 14-06-016

SUPPLEMENTAL COMMENTS OF THE NORTHERN CALIFORNIA GENERATION COALITION ON REVISED RATE APPENDICES

C. Susie Berlin
Barry F. McCarthy
LAW OFFICES OF SUSIE BERLIN
1346 The Alameda, Suite 7, #141
San Jose, CA 95126
Phone: 408-778-8478
E-mail: berlin@susieberlinlaw.com

Attorneys for the
Northern California Generation Coalition

June 2, 2016

TABLE OF CONTENTS

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

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2015-2017.	Application 13-12-012 (Filed December 19, 2013)
And Related Matters.	Investigation 14-06-016

**SUPPLEMENTAL COMMENTS OF THE NORTHERN CALIFORNIA
GENERATION COALITION ON REVISED RATE APPENDICES**

Pursuant to the California Public Utilities Commission (Commission) Rules of Practice and Procedure Rule 14.3, and the May 23, 2016 Assigned Commissioner's Ruling denying the motion for revised rate appendices and directing PG&E to file revised rate tables (AC Ruling), the Northern California Generation Coalition (NCGC)[1] provides these supplemental comments on the *PG&E Revised Rate Appendices Pursuant to Assigned Commissioner's Ruling*, dated May 26, 2016 (Revised Rate Tables).

I. INTRODUCTION

The Revised Rate Tables allow parties to better assess the Proposed Decision (PD) in the context of the illustrative examples of the rates customers will be charged. As the AC Ruling notes, the "PD/APD cover a wide range of issues, of which rates/rate impact is only one part." (AC Ruling, p. 2) However, rates and rate impacts are the cornerstone of this entire case. At the end of the day, it is incumbent upon the Commission to ensure that its final decision lawfully adopts rates that are just and reasonable, as required by Public Utilities Code (PU) sections 451, 454, 963(b)(3). Irrespective of the myriad other issues covered in this case and addressed in the PD, the Commission's legal obligation to adopt just and reasonable rates is key. NCGC

[1] The members of NCGC are the City of Redding, the City of Santa Clara (doing business as Silicon Valley Power), the Modesto Irrigation District, the Northern California Power Agency (NCPA), the Project Participant Committee of the NCPA Lodi Energy Center, and the Turlock Irrigation District.

appreciates the AC Ruling directing PG&E to provide updated rate appendices that reflect the effect of amortization of the undercollection in the Gas Transmission and Storage Memorandum Account (GTSMA) and the rate changes in 2017. Unfortunately, the revised tables do nothing to alleviate NCGC's original concerns regarding the cost allocation and rates design that the PD proposes to adopt. In fact, the revised numbers confirm parties' original observations about the sheer magnitude of the exorbitant rate increase.[2] The Revised Rate Tables also confirm that (1) the PD does not result in just and reasonable rates, (2) the rates are not affordable for PG&E's customers, and (3) rate shock will result for many PG&E customers. The PD commits legal error in failing to address the rate shock and amend the rate design proposals to apportion the overall revenue requirement in a manner that mitigates this impact. NCGC urges the Commission to view the Revised Rate Tables and the resulting impacts closely, and make the necessary revisions to the PD to address the deficiencies and ensure that the cost allocation, rate design, and most importantly, the actual rates adopted by the PD, are just and reasonable.

II. SUPPLEMENTAL COMMENTS ON THE PROPOSED DECISION

A. The Revised Rate Appendices Underscore the Magnitude of the Customer Rate Increases

The Revised Rate Tables provide illustrative rates for PG&E customers utilizing the revenue requirement proposed in the PD, as well as illustrative rates that reflect the impact of the $850 million disallowance from D.14-04-024 (San Bruno Penalty) on such rates. What those tables show is that for electric generation local transmission customers (EG-LT), rates will increase by 155.4% in 2016.[3] Even with the disallowance for the San Bruno Penalty, the 2016 increase is 144.8% with another 6.3% increase in 2017.[4] When amortization of the revenue undercollection is added, the rate increase for EG-LT customers could be ***as high as 240.8%***.[5]

What these numbers further demonstrate is that the PD's depiction of the authorized increase does not even remotely convey the full magnitude of the rate impact on customers. The PD provides that the increase is just "32.1% over 2014 gas transmission and storage rates." (PD at p. 1) The 2014 GT&S rates used for this comparison, however, already include a revenue

[2] See Opening Comments of Indicated Shippers, p. 2; Dynegy, p. 3; CMTA and CLFP, pp. 2-6; TURN, pp. 2-6; NCGC, pp. 3-12

[3] Updated Appendix J, Table 1 Revised

[4] Updated Appendix G, Table 15 Revised

[5] Scenario A: Updated Appendix G, Table 15A Revised

requirement increase of more than $299 million over the revenue requirement originally approved for 2014 as part of Gas Accord V.[6] As evidenced in the Revised Rate Tables, the rate increases for EG-LT customers are clearly much more extreme than the 32.1% over 2014 GT&S rates would suggest. The adverse impact for certain customers – such as electric generation local transmission – are self evident from looking at the sheer magnitude of the rate increase, and compounded by the manner in which the new rates affect the electric generation and wholesale electricity markets.

The Revised Rate Tables explicitly confirm that the resulting rates fail to meet the statutory requirements of PU Code sections 451, 454, 963(b)(3), and as such the Commission cannot lawfully adopt the PD without changes. PG&E failed to demonstrate that this unprecedented rate increase is affordable for all of its customers, including the local transmission electric generation customers, and the illustrative rates in the Revised Rate Tables further highlight the immense importance of such an assessment and PG&E's failure to perform it. Indeed, there are no findings in the PD that support a conclusion that the rates are affordable for all of its customers. The Revised Rate Tables also show that many PG&E customers will be subject to rate shock, and in particular EG-LT and industrial customers. The size of the increase alone results in *per se* rate shock by the Commission's own definition.[7] The PD should be revised to address these shortcomings and ensure that the rates adopted by the Commission are just and reasonable for all customers.

B. The GTSMA Undercollection Should be Recovered Through End-Use Rates

PG&E has outlined two options for recovering the undercollection in the GTSMA. Option 1 is to recover the undercollection through end-use rates. Option 2 would recover the undercollection through Backbone, Local Transmission, Storage, and Customer Access Charge rates.[8] The Commission should use Option 1, as reflected in Scenarios A and C. The costs associated with the time lapse between the actual implementation date of the GT&S and the January 1, 2015 effective date of the GT&S revenue requirement would be more fairly allocated by recovery through end-use rates. However, even under Option 1, it is important to note that the rates depicted are not just, and completely unreasonable.

---

[6] D.12-12-030, OP 2; D.11-04-031, p. 3

[7] *See*: D.90-12-066 and D.11-05-047

[8] PG&E Revised Rate Appendices, p. 1

C. The Full Import of the Rate Impacts Can Only Be Determined Using Illustrative Rates in Appendix J

The illustrative rate tables for Appendices G and J differ in one material respect: Appendix G reflects the rates *after* the $850 million penalty has been applied. The Commission should only assess rate impacts and affordability in the context of the full amount of the proposed revenue requirement, using the Revised Rate Tables in Appendix J. The Commission determined that "[o]nly costs that PG&E would have been granted rate recovery for in the GT&S - but for this decision - will count towards the $850 million."[9] Accordingly, the rate tables used to assess the impacts on ratepayers should reflect the full amount of the costs for which "PG&E would have been granted rate recovery" in this decision. Doing otherwise ignores the fact that the entire $850 million is intended to be a penalty, and as such, should not be used to show a diminution in the proposed effective rate or otherwise blunt the full customer impact from the revenue requirement that would be approved in the PD.

Further, the illustrative rates in Appendix G pre-suppose an allocation of the $850 million penalty without taking into account or otherwise reflecting changes and comments on the allocation that the PD specifically invited. (PD at p. 383) By assessing the proposed rates in this context, the Commission would have to engage in further, and unnecessary, speculation.

Likewise, although it appears to already be reflected in the various rate tables, the amount of the equitable remedy for PG&E's Ex Parte violations should be based on the full amount of the approved revenue requirement, *before* applying the San Bruno Penalty reduction. To do otherwise completely disregards the punitive nature of the disallowance to the benefit of PG&E's shareholders and at the expense of its ratepayers.

Despite this, for purposes of these comments, NCGC primarily refers to the Revised Rate Tables in Appendix G. Doing so should preempt any claims that the impacts are not as egregious as demonstrated. However, until such time as the disposition of the $850 million penalty has been determined – including whether or not the Commission will follow the sequence of resolution set forth in the Amended Scoping Memo – if the PD is not revised to reflect the corrections of law and fact raised by parties in their opening comments, the illustrative rates in Appendix J more accurately portray the rates that PG&E's ratepayers will be forced to pay.

---

[9] D.15-04-024, p. 93

D. The Revised Rate Tables Confirm That the $850 Million Disallowance Does not Diminish the Adverse Impacts on LT-Connected Generators of the Large Differential Between the Electric Generation Backbone and Local Transmission Rates

In its Comments on the Proposed Decision, NCGC noted that there is "no evidence that shows the reduced revenue requirement or portion to be borne by PG&E's shareholders in any way diminish the magnitude of the claim or otherwise abrogates Dynegy's conclusions" about the rate impacts on EG-LT customers. The Revised Rate Tables confirm that the PD's implied assertion that revenue requirement reductions – whether from disallowances or the $850 million penalty – render the EG rate issue moot (PD at p. 322) are patently false. The Revised Rate Tables confirm that the $850 million penalty is neither "a large share of PG&E's proposed cost increase," nor does it diminish the large rate differential between BB and LT customers. In fact, when compared to initial projections based on PG&E's Application, the outcome for EG-LT customers is just as dire under the PD, even with the $850 million penalty applied (which, as noted above, should not even be a factor in this assessment). As the Revised Rate Tables confirm, even with the mitigation provided by the disallowances and penalty assessments, EG-LT rates will be even higher under the PD than the rates in PG&E's original Application, resulting in a 2016 rate increase of 245% over the current rates. [10]

E. The Revised Rate Tables Further Demonstrate that the Adopted Rates Would Harm EG-LT Generators

The Revised Rate Tables highlight the fact that the PD's decision to adopt the current rate design will result in an extraordinary increase in the EG-LT gas transportation rate. Conversely, there is a nearly nonexistent increase in the EG-BB rate. While the differential between the EG-LT and EG-BB rates averaged $0.19/dth between 2005 and 2015, even prior to factoring in amortization of the undercollection, the rate differential explodes to $0.77/dth in 2016 (over 4 time higher than the 2005-2015 differential) and increases again to $0.83/dth in 2017.[11] When adding the undercollection to be amortized, the 2016 EG-LT rate will be $1.247/dth versus $0.131/dth for EG-BB, or a rate about *ten times* higher for EG-LT than EG-BB customers.[12]

---

[10] Scenario A: Updated Appendix G, Table 20A Revised and New Table 20C.

[11] Updated Appendix G, Table 15 Revised

[12] Scenario A, Updated Appendix G: Table 15A Revised

There is record testimony that the rate increases proposed by PG&E, if adopted by the Commission without changes, would result in an uplift in electric market prices.[13] As evidenced by PG&E's own throughput forecasts, *exclusive of any other factors,* the increase in the gas transportation rate will cause LT-connected EGs to be dispatched less; PG&E's own studies show that the shift in forecasted gas throughput from LT-connected generators to BB-connected generators is large. When the 2016 and 2017 differentials are factored in, EG-LT customers will be paying PG&E $162 million more than BB customers in 2016 for gas transportation.[14] With the undercollection, in 2016 EG-LT customers will pay PG&E **$234 million more** than EG-BB customers for gas transportation. The increased differential between the BB and LT rates results in a higher dispatch for units on the backbone system and reduced dispatch for LT-connected plants. This lower dispatch directly impacts the economic viability of LT-connected plants.

Unfortunately for NCGC, PG&E's Revised Rate Tables confirm the substantial cost increase for LT connected EGs, and very small change in the rates for BB connected EGs that result in the reduced dispatch of the EG-LT facilities.[15] This will have a material and adverse impact on the electricity markets, and this adverse impact is exacerbated by the magnitude of the increase during the period when the undercollection will be amortized; **<u>up to 240.8%</u>** in 2016 alone, equating to approximately $505 million in higher costs for EG-LT customers.[16]

III. CONCLUSION

The Revised Rate Tables confirm that even with the $850 million penalty, the rate increases for many PG&E ratepayers – especially local transmission-connected electric generators – are exorbitant and clearly rise to the level of rate shock; the PD fails to make any finding regarding either the affordability of the rates or the impacts of the rate shock. The resulting rates are also unlawful in that they are not just and reasonable. Several parties have provided comments on the PD that detail the factual and legal errors in the PD. NCGC urges the Commission to make the corrections these parties noted, and to fully address the proposals for reducing the overall revenue requirement and changing the cost allocation methods and rate

---

[13] *See* NCGC Opening Brief, pp. 32-36; Dynegy Opening Brief, section 17.2.5; Indicated Shippers, Opening Brief, p. 84-85; CMTA/CLFP Opening Brief, pp. 2

[14] Based on throughput numbers provided in PG&E AL 3597-G-A Data Response Analysis, September 25, 2015

[15] Appendix G, Table 15A Revised

[16] Scenario A: Revised Appendix G, Table 15A Revised

designs to mitigate rate shock (including allocation of more costs to PG&E's shareholders), raised in those comments. It is imperative that the Commission address these issues and revise the PD accordingly, in order to ensure that the illustrative rate tables never become a reality. For all of the reasons addressed herein, and as further addressed in the NCGC Opening Comments on the Proposed Decision, the Commission should not adopt the Proposed Decision until these corrections are made.

Dated: June 2, 2016

Respectfully submitted,

C. Susie Berlin

LAW OFFICES OF SUSIE BERLIN
1346 The Alameda, Suite 7, #141
San Jose, CA 95126
Phone: 408-778-8478
E-mail: berlin@susieberlinlaw.com

Attorneys for the
Northern California Generation Coalition