

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



FILED
6-07-16
04:59 PM

Application of Pacific Gas and Electric Company
Proposing Cost of Service and Rates for Gas
Transmission and Storage Services for the
Period 2015 - 2017 (U39G).

Application 13-12-012
(Filed December 19, 2013)

And Related Matter.

Investigation 14-06-016

**SUPPLEMENTAL REPLY COMMENTS OF
THE CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION (CMTA)
AND THE CALIFORNIA LEAGUE OF FOOD PROCESSORS (CLFP)
ON THE REVISED RATE TABLES IN APPENDICES G AND J**

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June 7, 2016

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**SUPPLEMENTAL REPLY COMMENTS OF
THE CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION (CMTA)¹
AND THE CALIFORNIA LEAGUE OF FOOD PROCESSORS (CLFP)²
ON THE REVISED RATE TABLES IN APPENDICES G AND J**

Pursuant to the May 23, 2016 Assigned Commissioner’s Ruling Denying Motion For Extension of Time to File Comments on Proposed Decision and Alternate Proposed Decision, Ordering Filing of Revised Tables, and Setting Schedule for Filing of Supplemental Comments (ACR), CMTA and CLFP file these supplemental reply comments to address issues raised by PG&E, ORA and TURN in their supplemental comments, dated June 2, 2016.

CMTA/CLFP appreciate PG&E’s willingness to consider extending the amortization period for recovery of GTSMA funds, as recommended by CMTA/CLFP.³ However, PG&E’s assertion that a 30-month amortization period will decrease rate increases attributable to the amortization of the undercollection by 40% is based solely on reductions in core residential rates.

¹ **CMTA** represents the interests of 25,000 large and small manufacturers in California with 1.2 million employees, about 8% of total state employment and about 11% of gross state product. Manufacturing creates the most wealth of any sector – for every \$1 invested in manufacturing, another \$1.35 is added to the economy, and every one manufacturing job supports an additional 2.5 jobs in the local region. Since 1918, CMTA has supported state laws and regulations to maintain a competitive business climate to encourage manufacturing investment and job growth.

² **CLFP** represents 46 food industrial processors in California. Food and beverage processing in California accounts directly for \$25.2 billion in value added and 198,000 direct full- and part-time jobs. Food processing reverberates through local and regional economies. On average for every \$1 of value added in food and beverage generated results in \$3.25 dollars in additional economic activity. Each job in food and beverage processing generates 3.84 jobs in total.

³ PG&E Supplemental Comments, p.2.

Once again, PG&E refuses to acknowledge or address the much more significant rate and bill increases faced by PG&E's noncore industrial transmission customers. This leaves the Commission with no information to decide whether a 30-month amortization period is sufficient or an even longer amortization is reasonable and necessary, as CMTA/CLFP and Indicated Shippers have recommended.⁴

All we know is that every time PG&E updates its tables, proposed noncore industrial transmission customer rates get larger and larger, now up to 132.8% for 2016 (from 126.6%).⁵ CMTA/CLFP recommend the Commission order PG&E to provide rate impacts for all customer classes resulting from both 30-month and 42-month amortization terms, as well as all the other proposed mitigation measures, so PG&E's customers and the Commission can make informed recommendations and decisions.⁶

In addition to extending the amortization timeframe, CMTA/CLFP agree with ORA that

In light of the above-noted significant rate increases for all customer classes at the end-use level, ORA recommends that PG&E provide the illustrative rates on the basis of a phased-in rate increase approach, where the goal is to avoid rate shock to the different customer classes. PG&E could implement the rate increases gradually over a four to six year period.⁷

CMTA/CLFP previously made a similar recommendation to limit and phase in excessive rate increases over an extended period of time.⁸

Further, CMTA/CLFP agree with TURN that

[A]s currently proposed in the PD, the \$850 million offset has only a minor impact on improving the affordability of the PD's rate increases. By heeding the advice of TURN and others to reconsider the allocation of the \$850 million offset in a second decision, the Commission would have the opportunity to make better use of this tool to help mitigate rate shock.⁹

⁴ CMTA/CLFP Supplemental Comments, p.4.

⁵ PG&E Supplemental Comments, Attachment 3, Updated Appendix J: Table 1A revised (corrected).

⁶ CMTA/CLFP have no comment on PG&E's arguments about GAAP requirements. If tax issues are, indeed, relevant to this discussion, then PG&E must provide the necessary information for the Commission and parties to review. PG&E Supplemental Comments, pp.3-4.

⁷ ORA Supplemental Comments, p.4.

⁸ CMTA/CLFP Opening Comments on the PD and APD, dated May 25, 2016, p.10.

⁹ TURN Supplemental Comments, p.2.

Every mitigation measure at the Commission's disposal must be considered and employed to deal with the unprecedented rate increases proposed in this proceeding. The reallocation of the \$850 million, applying more to expenses than capital, is one potential option that cannot be ignored.

Finally, it is very important to keep in mind that PG&E's proposed rate transportation rate increases are occurring against a backdrop of historically low gas prices. As TURN aptly describes

When gas commodity charges begin to increase again, . . . [all] customers will experience even worse rate hikes that will pose even greater affordability challenges. For this reason, the most accurate indicator of the impact of the PD on . . . rates is to focus on transport only rates . . .¹⁰

CMTA/CLFP already have provided the Commission with data about the financial consequences for noncore industrial transmission customers resulting from the approval of the PD and APD and the negative impacts on jobs and the local economies where these customers operate.¹¹ If all necessary rate shock mitigation measures are not fully considered and implemented, and gas commodity costs begin to rise, which they will surely do at some point, the consequences of the Commission's decisions today may prove even more catastrophic for California's manufacturing operations than can currently be imagined.

Dated: June 7, 2016

Respectfully submitted,

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¹⁰ TURN Supplemental Comments, p.2.

¹¹ CMTA/CLFP Supplemental Comments, pp.3-4.