

**SCHOOL PROJECT FOR UTILITY RATE REDUCTION  
PD AND APD IN PG&E GAS TRANSMISSION & STORAGE RATE CASE – A**



**SUBSTANTIVE ISSUE: Allocation to CTAs of stranded costs of interstate and intrastate (aka “backbone”) transmission pipeline capacity.**

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5-27-16  
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A. The PD and APD err factually and legally in rejecting both the PG&E and Commercial Energy of Montana proposals for allocation methodology and instead retaining the current January allocator.

1. Factual error because no evidence at all in the record to support retaining the January allocator, which has never been litigated at the Commission.

2. Legal error because decisions must be based on evidence in the record (and there is no such evidence to support retaining the January allocator). Pub. Util. Code § 1701.3(e); Rule of Practice and Procedure 8.3(k).

B. The Commission should adopt PG&E’s seasonal allocation methodology and reject the peak day allocation methodology proposed by Commercial Energy of Montana.

1. Interstate capacity being bought to protect availability for future to benefit all core customers.

- Equal Cents Per Therm a fair allocator in such cases, and PG&E’s proposal is close to that.
- PG&E seasonal proposal aligns more closely to purchase of capacity for an entire year, not a peak day.
- Bundled core pays less under PG&E proposal, which TURN also supports.

2. CEM proposal flawed and unsupported by evidence.

- Peak day is a red herring. Not how transmission capacity is bought, used, or paid for, or how transmission pipeline capacity is designed.
- CEM expert admittedly presented evidence only for backbone, which constitutes less than 6% of stranded pipeline costs allocated to CTAs, and used local pipeline design criteria to create CEM’s backbone peak day allocation proposal.
- Storage used in winter to meet peak day demand.
- Deprives bundled core of benefit received when CTAs assumed full cost responsibility for stranded pipeline costs, by increasing the amount bundled core customers must pay for transmission pipeline capacity.
- Retaining the January allocator saves two large CTAs a total of nearly \$6MM annually at the expense of the bundled core, as compared to PG&E proposal – which saves the bundled core \$10.4MM in comparison to the January allocator, as shown in CEM Exhibit 23 (originally Response to CEM Data Request 17).