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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 (U39G).	Application 13-12-012 (Filed December 19, 2013)
And Related Matter.	Investigation 14-06-016

SUPPLEMENTAL COMMENTS OF DYNEGY INC. ON ADDITIONAL RATE TABLES

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Dated: June 2, 2016

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In response to the Assigned Commissioner's Ruling of May 23, 2016, Pacific Gas & Electric Company (PG&E) submitted revised rate appendices showing the effect of an 18-month amortization of the undercollection in the Gas Transmission and Storage Memorandum Account (GTSMA) and the rate changes for 2017 if the determinations of the Proposed Decision (PD) or Alternate Proposed Decision (APD) in this proceeding are adopted. As permitted by the Assigned Commissioner's Ruling, Dynegy Inc. (Dynegy) submits these supplemental comments.

The revised rate appendices clearly show that the problems with the PD/APD's cost allocation and rate design are magnified when the amortization of the undercollection in the GTSMA is added. While under the PD/APD's tables, electric generators served by the local transmission system were facing a shocking 155% rate increase in 2016,[1] the amortization boosts

[1] Appendix J, Table 1.

the increase to 274%[2] or 277.7%,[3] depending on whether the amortization is recovered in end-use rates or in customer access charges. Incorporating the $850 million penalty reduces these increases surprisingly little, to 240.8%[4] or 253.4%.[5] At these rates, customers served under the All Other Customers (AOC) rate of PG&E's Schedule G-EG will face a **tripling** of current rates in 2016. In addition, the proposed increases are **over ten times** the level of increases that the Commission has determined constitutes rate shock.[6]

Things do not improve much for EG-AOC customers in 2017, when additional increases ranging from 3.9% to 7.7% are projected.

It is the Commission's statutory duty to ensure that all rates are just and reasonable.[7] It is difficult to imagine how the Commission could justify a finding that rate increases of 250% are just and reasonable, and the PD and APD fail to provide this justification.

The amortization of the balancing account also magnifies the effect the proposed rates will have on competition in electricity markets. Currently, the differential between electric generation customers taking service off of pipelines classified as backbone pipelines (EG-BB) and EG-AOC customers is $0.242/Dth, significantly higher than the historical range of $0.15 to $0.20/Dth. The 18-month amortization would increase that already large differential to $1.209/Dth or $1.26/Dth in 2016 without consideration of the $850 million penalty,[8] and $1.116/Dth or $1.169/Dth after the $850 million penalty is taken into account. PG&E's testimony showed that a differential of $0.88/Dth would mean that Moss Landing Units 1 & 2, two 21st Century combined cycle units, would run only about 1% of the year. The larger

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[2] Revised rate tables, Scenario C, Updated Appendix J, Table 1A revised.
[3] Revised rate tables, Scenario D, Updated Appendix J, Table 1A revised.
[4] Revised rate tables, Scenario A, Updated Appendix G, Table 15A revised.
[5] Revised rate tables, Scenario B, Updated Appendix G, Table 15A revised.
[6] D.90-12-066, p. 22; see D.09-10-028, p. 7.
[7] Pub. Util. Code § 451.
[8] Revised rate tables, Scenarios A and B, Updated Appendix G, Table 15A revised.

differentials shown in the revised rate tables would push the capacity factors for Moss Landing Units 1 & 2 and similar EG-AOC units well below 1%, with a corresponding reduction in revenues from those generators. If the revenues from EG-AOC customers decline to near zero, who will pay the costs of improved safety of the gas transmission system that the PD and APD propose to authorize?

The revised tables also magnify the competitive disparity between EG-BB and EG-AOC customers in the rates the PD and APD propose. Current rates for EG-AOC customers, at a historically high differential, are about three times the EG-BB rates. Under the rates shown in the revised rate tables, the EG-AOC gas transportation rates for 2016 are **between 8.6 and 11.3 times** the EG-BB rate. Yet both EG-BB and EG-AOC generators compete in the same energy markets run by the California Independent System Operator.

The large revenue requirement increases set forth in the PD/APD present the Commission with an unprecedented challenge. That formidable challenge is exacerbated by the need to amortize the undercollection in the memorandum account that has accumulated since the start of 2015. Those challenges, however, should not cause the Commission to lose sight of its statutory responsibility to authorize only just and reasonable rates and to consider the effect on competition of its decisions.[9] The revised rate tables underscore the need for the Commission to adopt just and reasonable rates and to fashion a rate design that accommodates the unprecedented costs requested in this rate case and equitably spreads the costs of movement toward a safe gas transportation system among all customers.

[9] *Northern California Power Agency v. Public Utilities Commission,* 5 Cal. 3d 360 (1971).

Respectfully submitted June 2, 2016, at San Francisco, California.

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