

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298**FILED**01/09/19  
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January 9, 2019

Agenda ID #17138  
Ratesetting**TO PARTIES OF RECORD IN APPLICATION 18-02-015:**

This is the proposed decision of Administrative Law Judge Hymes. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's February 21, 2019 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:mph

Attachment

Decision PROPOSED DECISION OF ALJ HYMES (Mailed 1/9/2019)

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

Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation Operations, Electric Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, Diablo Canyon Seismic Studies Balancing Account, and Other Activities for the Period January 1 through December 31, 2017. (U39E)

Application 18-02-015

**DECISION APPROVING SETTLEMENT BETWEEN PACIFIC GAS AND ELECTRIC COMPANY AND THE PUBLIC ADVOCATES OFFICE**

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Appendix A - Settlement Agreement

**DECISION APPROVING SETTLEMENT BETWEEN PACIFIC GAS & ELECTRIC COMPANY AND THE PUBLIC ADVOCATES OFFICE****Summary**

This decision approves the settlement between Pacific Gas & Electric Company (PG&E) and the Public Advocate's Office of the Public Utilities Commission (together, Settling Parties). The Settling Parties shall comply with the terms of the settlement. Furthermore, the application of PG&E is deemed just and reasonable and is approved, consistent with the terms of the settlement. As further described below, PG&E is authorized cost recovery of the balance in the Diablo Canyon Seismic Studies Balancing Account for a revenue requirement of \$4.741 million. Pursuant to the terms of the settlement, the recovery of \$162,123 in PG&E's Energy Resource Recovery Account is disallowed.

Application 18-02-015 is closed.

**1. Procedural Background**

The Commission established the Energy Resource Recovery Account (ERRA) balancing account mechanism in Decision (D.) 02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism, and a schedule for annual ERRA applications. Subsequent decisions regarding the ERRA balancing account adopted minimum standards of conducts regulated energy utilities must follow in performing their procurement responsibilities and have also established the standard of a compliance review as opposed to a reasonableness review of the matters. An ERRA compliance review examines whether a utility has complied with all applicable rules, regulations, decisions, and laws in implementing the most

recently approved applicable Long-Term Procurement Plan, including managing utility-owned generation, prudently administering contracts, and ensuring least-cost dispatch.<sup>1</sup>

On February 18, 2018, Pacific Gas & Electric Company (PG&E) filed Application (A.) 18-02-015 requesting a compliance review for the record period January 1 through December 31, 2017 (PG&E's Application). In its application, PG&E requests the Commission find that during the record period, PG&E complied with its Commission-approved bundled procurement plan in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least-cost dispatch of electric generation resources and PG&E managed its utility-owned generation facilities reasonably, and correctly and reasonably recorded period expenditures in the Diablo Canyon Seismic Studies Balancing Account, Green Tariff Shared Renewables Memorandum Account, Energy Resource Recovery Account and Green Tariff Shared Renewables Balancing Account.<sup>2</sup>

On April 6, 2018, the Public Advocate's Office of the Public Utilities Commission (Public Advocate's Office)<sup>3</sup> and Sonoma Clean Power Authority (Sonoma) each timely filed protests to PG&E's application. PG&E filed a reply to the protests on April 16, 2018.

The assigned Administrative Law Judge presided over a prehearing conference with parties on April 27, 2017. On May 14, 2018, the assigned

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<sup>1</sup> Public Utilities Code Section 454.5(d)(2).

<sup>2</sup> PG&E Application at 1.

<sup>3</sup> Senate Bill 854 (Stats. 2018, ch. 51) amended Pub. Util. Code Section 309.5(a) so that the Office of Ratepayer Advocates is now named the Public Advocate's Office of the Public Utilities Commission. We will refer to this party as the Public Advocate's Office.

Commissioner issued the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo), which established the scope and schedule for the proceeding. PG&E, the Public Advocate's Office, and Sonoma are the only parties in A.18-02-015.

The Public Advocate's Office served intervenor testimony on June 29, 2018, to which PG&E served its rebuttal testimony on August 3, 2018. On August 18, 2018, an evidentiary hearing was held, in which the Public Advocate's Office and PG&E participated.

PG&E provided a notice of settlement conference to the service list pursuant to Commission Rules of Practice and Procedure, Rule 12.1(b). The following parties participated in a telephonic settlement conference on October 1, 2018: PG&E, the Public Advocate's Office, and Sonoma.<sup>4</sup>

On October 12, 2018, PG&E and the Public Advocate's Office (jointly, Settling Parties) filed a motion requesting approval of a proposed settlement (Motion). *The Settlement Agreement Between Pacific Gas and Electric Company and The Public Advocates Office at the Public Utilities Commission* (Settlement) is attached to this decision as Appendix A. No party filed a protest or response to the motion.

This decision addresses the Motion and PG&E's Application.

## **2. Overview of PG&E's Application**

PG&E requests that the Commission find that, during the record period, 1) PG&E reasonably managed its utility-owned generation facilities, including any outages at those facilities; 2) PG&E complied with its Commission-approved Bundled Procurement Plan in the areas of fuel procurement, administration of

power purchase contracts, least-cost dispatch of electric generation resources and greenhouse gas compliance instrument procurement; 3) the expenditures in the Diablo Canyon Seismic Studies Balancing Account and the Green Tariff Shared Renewable Memorandum Account were reasonable; and 4) the entries in the Energy Resources Recovery Account and Green Tariff Shared Renewables Balancing Account were consistent with applicable tariffs and Commission directives.<sup>5</sup> Finally, PG&E requests the Commission authorize cost recovery of revenue requirements totaling \$4.741 million recorded in the Diablo Canyon Seismic Studies Balancing Account.<sup>6</sup> We describe each of these elements below.

PG&E contends it reasonably managed its 66 hydroelectric powerhouses,<sup>7</sup> 10 solar stations, two fuel cell facilities, three fossil-fueled facilities,<sup>8</sup> and one nuclear facility, including any associated outages.<sup>9</sup> PG&E asserts that it has a comprehensive management structure in place to oversee the operation of its fossil-fueled and solar facilities.<sup>10</sup> PG&E highlights that scheduled outages were

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<sup>4</sup> Motion Requesting Approval of a Proposed Settlement, October 12, 2018 at 3.

<sup>5</sup> PG&E Application at 1-2.

<sup>6</sup> *Id.* at 2.

<sup>7</sup> The 66 hydroelectric powerhouses include 106 generating units. The powerhouses experienced 101 scheduled outages greater than 24 hours and 85 forced outages greater than 24 hours. PGE-01 at 2-1 and 2-26 to 2-27.

<sup>8</sup> The three fossil-fueled generating facilities experienced a total of 31 scheduled outages greater than 24 hours (both planned and maintenance) and 15 forced outages greater than 24 hours. PGE-01 at 3-17 to 3-23.

<sup>9</sup> The Scoping Memo for this proceeding defers the review of two outages to the 2018 record period: Humboldt Bay Generation Station Unity 3 and Pit 5 Unit 4 Hydro Station.

<sup>10</sup> PGE-01 at 3-23.



planned sufficiently in advance to allow adequate preparation time and were executed efficiently to assure prompt return to service.<sup>11</sup>

With respect to fuel procurement, PG&E recovers fuel costs associated with its utility-owned generation facilities and third-party contracts through the ERRR. PG&E contends it acted as a reasonable manager in its fuel procurement, including fuel for its utility-owned generation facilities and tolling agreements, water for hydro facilities, and nuclear fuel for the Diablo Canyon Power Plant. PG&E asserts the fuel procurement is consistent with its Bundled Procurement Plan and Commission decisions addressing procurement.<sup>12</sup>

Standard of Conduct 4 requires utilities to prudently administer all contracts and generation resources and dispatch the energy in a least-cost manner.<sup>13</sup> PG&E submits that it complied with this standard by providing an overview of its Energy Contract Management and Settlements Department processes, including contract administration during the development and operation of a contract; and by providing a summary of contract activities that occurred during the record period.<sup>14</sup> With respect to least-cost dispatch, PG&E discusses the least-cost dispatch guidelines and principles, PG&E's processes and process improvements. PG&E asserts it managed its portfolio according to least-

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<sup>11</sup> PGE-01 at 3-23.

<sup>12</sup> PGE-01 at 6-2 through 6-11 and 6-17.

<sup>13</sup> In D.02-10-062 (also known as the October Decision) the Commission ordered all utilities to comply with minimum standards of conduct, including Standard of Conduct No. 4.

<sup>14</sup> PGE-01 at 8-1.

cost dispatch principles and within the reasonable manager standard resulting in an overall error rate of 0.1 percent.<sup>15</sup>

In terms of greenhouse gas instruments, the California Air Resources Board Cap-and-Trade regulation set forth requirements for utilities to report emissions and demonstrate compliance. PG&E's 2014 Bundled Procurement Plan addresses the greenhouse gas related procurement authority necessary for PG&E to comply with the obligations associated with the Cap-and-Trade program. PG&E submits that its procurement of greenhouse gas compliance instruments complies with the requirements of the 2014 Bundled Procurement Plan because PG&E utilized the means, strategies and limits described therein.<sup>16</sup>

D.10-08-003 authorized PG&E to perform additional seismic studies in and around the Diablo Canyon Nuclear Power Plant as part of the relicensing process. Through D.12-09-008, the Commission authorized PG&E to record in a balancing account and recover in rates the actual costs of implementing the seismic activities up to \$64.25 million.<sup>17</sup> PG&E contends the \$4.52 million in costs recorded in the Diablo Canyon Seismic Studies Balancing Account in 2017 are consistent with the costs and programs approved by the Commission in D.12-09-008, and with the costs required to be recorded in the account by D.14-08-032 and D.17-05-013.<sup>18</sup>

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<sup>15</sup> PGE-01 at 1-37. *See also* PGE-01 at 1-33 to 1-34.

<sup>16</sup> PGE-01 at 7-10. *See also* PGE-01 at 7-8 through 7-10.

<sup>17</sup> PGE-01 at 5-1.

<sup>18</sup> PGE-01 at 5-9.

Senate Bill (SB) 43 requires each of the three large electrical utilities in California to implement the Green Tariff Shared Renewables program.<sup>19</sup> D.15-01-051, which implemented SB 43, requires the utilities to track administrative and marketing costs in a memorandum account. According to its application, PG&E incurred \$1 million in 2017 expenses to implement and manage the Green Tariff Shared Renewables program. PG&E provided the following breakdown of the 2017 expenses: a) \$257,199 in program management labor to implement and manage the program; b) \$11,620 in implementing and maintaining the IT and billing system; c) \$116,740 in energy procurement expenses associated with implementation of the program; d) \$46,004 in contact center operations expenses; and e) \$576,291 in contract and labor costs for developing outreach strategies and tactical plans.<sup>20</sup> PG&E submits these expenses were recorded into a memorandum account in accordance with D.15-01-051, using internal order numbers to maintain non-participant indifference of such costs.<sup>21</sup>

PG&E explains that costs recorded in the ERRRA include the cost of utility-owned generation fuels, qualifying facility contracts, inter-utility contracts, California Independent System Operator charges, irrigation district contracts, other power purchase agreements, bilateral contracts, forward hedges, pre-payments and collateral requirements associated with electric procurement

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<sup>19</sup> PGE-01 at 10-1 citing D.15-01-051; see also Public Utilities Code §§2831 – 2833.

<sup>20</sup> PGE-01 at 10-3 through 10-4.

<sup>21</sup> PGE-01 at 10-2.

and ancillary services, and other authorized power procurement costs.<sup>22</sup> PG&E states that it has complied with Commission directives and appropriately recorded entries to the ERRA.<sup>23</sup>

D.15-01-051 required utilities to establish a balancing account to track revenues received and actual expenses incurred to procure renewable generation resources for customers participating in the Green Tariff Shared Renewables program. In its application, PG&E provides a table summarizing the balancing account entries for the Green Tariff Shared Renewables program in 2017. PG&E contends the entries made to the balancing account comply with the applicable tariffs and Commission directives.<sup>24</sup>

Lastly, PG&E seeks cost recovery of a revenue requirement of \$4.741 million for Diablo Canyon seismic study costs. PG&E explains that the revenue requirement consists of the actual recorded seismic study costs of \$4.52 million, as discussed above, plus interest and an amount for Revenue Fees and Uncollectibles. Stating that the Revenue Fees and Uncollectibles factor in effect at the time of the application filing was 0.011389, PG&E notes that the total revenue requirement will be adjusted to reflect the factor in place at the time a decision in this proceeding is adopted by the Commission.<sup>25</sup>

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<sup>22</sup> PGE-01 at 11-1 through 11-2 citing D.02-10-062 and D.02-12-074, also known as the October and December Decisions. PG&E states that revenues from surplus power sales are also recorded in the ERRA.

<sup>23</sup> PGE-01 at 11-7.

<sup>24</sup> PGE-01 at 10-8.

<sup>25</sup> PGE-01 at 13-1 through 13-2.

### 3. Overview of the Public Advocate's Office Testimony

The scope of the Public Advocate's Office's review of PG&E's Application includes: PG&E's utility-owned generation operations, fuel expenses and procurement, contract administration, least-cost dispatch, demand response, greenhouse gas compliance instrument procurement and balancing account entries. The Public Advocate's Office make several recommendations in their testimony regarding least cost dispatch, utility-owned generation operations, greenhouse gas compliance instruments, and contract administration.<sup>26</sup> These are briefly described below.

With respect to least-cost dispatch, the Public Advocate's Office recommends that the Commission facilitate a workshop with all three utilities to develop and standardize renewable and storage resource reporting requirements.<sup>27</sup>

In terms of utility-owned generation operations, the Public Advocate's Office makes recommendations on hydro-electric and fossil-fueled generation operations.<sup>28</sup> The Public Advocate's Office requests a disallowance of \$270,2015 in PG&E's ERRRA Balancing Account for the Pit 4 Powerhouse Unit 2 hydro facility outage on May 19, 2017. The Public Advocate's Office contends PG&E's actions led to the outage. The Public Advocate's Office also recommend the Commission order PG&E to report the resolution of its claim from its contractors for the May 19, 2017 outage.<sup>29</sup> Lastly, the Public Advocate's Office request the

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<sup>26</sup> ORA-01 at 1-3 through 1-5.

<sup>27</sup> *Id.* at 1-3.

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

Commission require PG&E to implement the recommendations from the Root Cause Evaluation Report on the May 19, 2017 outage.<sup>30</sup>

Regarding fossil-fueled utility-owned generation, the Public Advocate's Office claims to have found deficiencies in PG&E's reporting of forced outages. As a result, the Public Advocate's Office recommends the Commission require PG&E to:

- identify the requirement for PG&E to comply with the North American Electric Reliability Corporation standards on testing;
- hire a consultant to determine the cause of the July 9, 2017 Humboldt Bay Generating Station differential current relay failure;
- examine the cost-effectiveness of a differential current relays replacement program;
- examine the cost-effectiveness of improving the stringency of the VAMP 265 model relay;
- report the results of the cost-effectiveness studies in the 2018 record period ERRA application; and
- modify the current test report, Relay and PCB Test Report, to indicate the test results evaluation criteria and to demonstrate review and approval of the test results.<sup>31</sup>

On the subject of greenhouse gas compliance, the Public Advocate's Office recommends the Commission require PG&E to explain how its method for

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<sup>30</sup> *Ibid.*

<sup>31</sup> *Id.* at 1-3 to 1-4.

calculating direct greenhouse gas costs complies with D.14-10-033 and D.15-01-024.<sup>32</sup>

Finally, with respect to contract administration, the Public Advocate's Office recommends a disallowance of the interest accrued on a three-year overdue daily delay damages payment to Orion Solar, LLC.<sup>33</sup>

The Public Advocate's Office has no recommendations and requests no disallowances for the following subjects: the entries in the Diablo Canyon seismic studies balancing account, generation fuel costs and electric portfolio hedging, costs incurred and recorded in the Green Tariff Shared Renewables memorandum account and balancing account, entries recorded in the ERRA, and cost recovery and revenue requirements.<sup>34</sup>

#### **4. Overview of Settlement**

In the Motion, the Settling Parties provide the following four components for each issue: a) a description of PG&E's prepared and supplemental testimony; b) a description of the Public Advocate's Office's testimony and recommendation; c) an overview of PG&E's rebuttal testimony, if applicable; and d) an overview of how the issues are resolved in the Settlement. Below is an overview of each issue addressed by the Settlement.

##### **4.1. Administration and Management of Utility-Owned Generation Facilities, Generation Outages, and Associated Fuel Costs**

PG&E's testimony concluded that PG&E operated its utility-owned generating facilities as a reasonable manager during the record period.

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<sup>32</sup> ORA-01 at 1-4 to 1-5.

<sup>33</sup> ORA-01 at 1-5.

<sup>34</sup> ORA-01 at 1-4 and 1-5.

the Public Advocate's Office did not object to PG&E's testimony on its utility-owned generation, except for two outages: Pit 4 Powerhouse Unit 2 and Humboldt Bay Generating Station. As previously described above, the Public Advocate's Office recommended a disallowance of \$270,205 for replacement power costs associated with the Pit 4 Powerhouse Unit 2 outage because a Root Cause Evaluation report identified actions by PG&E and its contractors that led to the outage.<sup>35</sup> Relatedly, the Public Advocate's Office recommended that any claims made and collected against the vendor be credited to ratepayers and that PG&E implement the corrective actions from the Root Cause Evaluation report.<sup>36</sup> In addition, the Public Advocate's Office made several recommendations regarding the differential current relays that failed at Humboldt Bay Generating Station.<sup>37</sup>

In rebuttal testimony, PG&E explained that with respect to the Pit 4 Powerhouse Unit 2 forced outage, any claim made against the vendor or contractor is not refundable to ERRRA due to cost of service ratemaking principles. PG&E's rebuttal testimony also provided additional explanation with respect to the Public Advocate's Office concerns.<sup>38</sup>

The Settling Parties submit that the Settlement resolves all issues regarding utility-owned generating facility administration, management, outages, and fuel usage during record year 2017. The Settling Parties agree to the following:

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<sup>35</sup> Motion at 5 citing ORA-01 at 3-1, lines 10 through 14 and at 3-18, lines 14 through 17.

<sup>36</sup> *Id.* at 5 citing ORA-01 at 3-1, lines 15 through 23.

<sup>37</sup> Motion at 6 citing ORA-01 at 4-1, lines 11-335.

<sup>38</sup> *Id.* at 6 citing PGE-03 at Chapters 2 and 3.



a) a disallowance of 60 percent of the replacement power costs for the hydroelectric facility outage;<sup>39</sup> b) PG&E will report on the status of any claims made against the vendor or contractor in the 2018 ERRRA Compliance proceeding;<sup>40</sup> c) PG&E will implement the corrective actions recommended in the Root Cause Evaluation report;<sup>41</sup> d) the Public Advocate's Office withdraws the differential current relay recommendations;<sup>42</sup> and e) PG&E will provide a relay replacement report to include updates to IT systems on test reports.<sup>43</sup>

#### **4.2. Administration and Management of Qualifying Facility and Non-Qualifying Facility Contracts**

PG&E provided testimony describing the administration and management of its contracts for qualifying facilities and non-qualifying facilities, as well as a proposed contract amendment. The Public Advocate's Office focused its analysis on the net market value of the proposed contract amendment. Except for one instance, the Public Advocate's Office considered "the majority of PG&E's contract administration activities to be reasonable."<sup>44</sup> With respect to a contract with Orion Solar, I, LLC (Orion), the Public Advocate's Office recommended a disallowance for the interest accrued from overdue delay damages payment to

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<sup>39</sup> Settlement at Section 2.1.

<sup>40</sup> *Id.* at Section 2.2.

<sup>41</sup> *Id.* at Section 2.3.

<sup>42</sup> *Id.* at Section 3.

<sup>43</sup> *Ibid.*

<sup>44</sup> Motion at 7 citing ORA-1 at 8-1, lines 15 – 18.

Orion. However, PG&E explained in rebuttal testimony that the interest accrued did not result in any additional cost incurred by customers.<sup>45</sup>

In the Settlement, the Public Advocate's Office accepts PG&E's explanation regarding the interest accrued and withdraws its recommendation for the disallowance.<sup>46</sup>

### **4.3. Least Cost Dispatch**

In its testimony, PG&E asserted that it correctly performed least-cost dispatch consistent with Commission directives and decisions, and reasonably utilized its demand response resources during the 2017 record period.<sup>47</sup> The Public Advocate's Office concluded that PG&E's bidding and scheduling for thermal resources, hydroelectric resources, and demand response programs were reasonable.<sup>48</sup> However, the Public Advocate's Office alleged that there are too many unknowns for the Public Advocate's Office to perform an adequate review of renewable resource management. Hence, the Public Advocate's Office recommended the Commission hold a workshop to develop and standardize renewable and storage resource reporting requirements.<sup>49</sup>

In the Settlement, PG&E agrees to participate in a workshop, as proposed by the Public Advocate's Office, on developing reporting standards for renewable and storage resources.<sup>50</sup>

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<sup>45</sup> *Id.* at 7, citing PGE-3 at 8-1, line 29 to 8-2, line 3.

<sup>46</sup> Settlement at Section 5.1.

<sup>47</sup> Motion at 8, citing PGE-1 at 1-37, lines 20-27 and at 1-48, lines 10-27.

<sup>48</sup> *Id.* at 8, citing ORA-1 at 2-2, line 17 to 2-3, line 5 and at 2-3, lines 23-29.

<sup>49</sup> *Id.* at 8, citing ORA-1 at 2-3, lines 13-21.

<sup>50</sup> Settlement at Section 1.

#### **4.4. Energy Resource Recovery Account Entries in 2017**

In its testimony, PG&E presented the costs recorded in its ERRA during the 2017 record period. PG&E also described its accounting ERRA entries, including recording costs for greenhouse gas compliance instruments. Following an audit of the ERRA entries, the Public Advocate's Office concluded that the 2017 entries recorded into ERRA were reasonable, correctly stated, and in compliance with Commission decisions.<sup>51</sup> No disputed issues were identified with respect to the ERRA entries; hence the Settlement does not address ERRA entries.<sup>52</sup>

#### **4.5. Diablo Canyon Seismic Studies Balancing Account Entries in 2017**

PG&E's testimony described the costs incurred and recorded to the Diablo Canyon Seismic Studies Balancing Account. Following an audit of the balancing account entries, the Public Advocate's Office concluded that the entries in the account are "appropriate, correctly stated, and in compliance with Commission decisions."<sup>53</sup> As this is an undisputed issue, parties request the Commission approve the entries as just and reasonable.<sup>54</sup>

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<sup>51</sup> Motion at 9 citing ORA-1 at 10-3, lines 18-19.

<sup>52</sup> *Id.* at 9.

<sup>53</sup> Motion 10 citing ORA-1 at 5-4, lines 2-4.

<sup>54</sup> Settlement at 1.

#### **4.6. Cost Recovery and Revenue Requirement for Incremental Diablo Canyon Seismic Studies Balancing Account Costs**

As indicated in its testimony, PG&E requested cost recovery of a revenue requirement totaling \$4.741 million for seismic study costs.<sup>55</sup> Upon review, the Public Advocate's Office found that PG&E's calculations are appropriate, correctly stated and consistent with testimony and workpapers.<sup>56</sup> Here again, this is an undisputed issue and the Settling Parties request the Commission find PG&E's request just and reasonable and approve cost recovery of the \$4.741 million revenue requirement.<sup>57</sup>

#### **4.7. Greenhouse Gas Compliance Instrument Procurement**

PG&E's testimony described its procurement of greenhouse gas compliance instruments during the 2017 record period, including how the activity complied with PG&E's Bundled Procurement Plan.<sup>58</sup> After review, the Public Advocate's Office concluded that PG&E's showing indicated greenhouse gas compliance instruments were procured in accordance with PG&E's Bundled Procurement Plan.<sup>59</sup> However, the Public Advocate's Office made two recommendations. First, the Public Advocate's Office recommended that the Commission require PG&E, as part of its burden of proof, to demonstrate that its election to financially or physically settle tolling agreements would not result in

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<sup>55</sup> Motion at 10 citing PGE-1 at Chapter 13.

<sup>56</sup> *Id.* at 10.

<sup>57</sup> Settlement at 1.

<sup>58</sup> Motion at 10-11 citing PGE-1 at Chapter 7.

<sup>59</sup> *Id.* at 11 citing ORA-1 at 7-3, lines 7-9.

an increase in total costs for customers.<sup>60</sup> Additionally, the Public Advocate's Office recommended the Commission require PG&E to explain how its method for calculating direct greenhouse gas costs is in compliance with Commission decisions or file a petition for modification of the relevant decisions to enable stakeholders to review any adjustments to the accounting method.<sup>61</sup>

The Settlement establishes that, in the prepared testimony filed with all future ERRA Compliance applications, PG&E agrees to include an analysis of the decision to financially or physically settle tolling agreements.<sup>62</sup> The Public Advocate's Office, thus, withdraws the recommendation to require PG&E to demonstrate that its election to financially or physically settle tolling agreements would not result in an increase in total greenhouse gas costs for customers in the instant proceeding. Additionally, and independent of this proceeding, PG&E filed a petition for modification related to the accounting method for direct greenhouse gas cost entries. The Settling Parties agree that the petition for modification resolves the recommendation regarding the accounting method for settling tolling agreements.<sup>63</sup>

#### **4.8. Green Tariff Shared Renewables Accounts**

Based on its prepared testimony, PG&E requested the Commission find the expenses in its Green Tariff Shared Renewables memorandum account to be reasonable and that the entries in the balancing account are compliant with

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<sup>60</sup> *Id.* at 11 citing ORA-1 at 7-3, lines 23-28.

<sup>61</sup> *Id.* at 11 citing ORA-1 at 7-3, lines 13-22.

<sup>62</sup> Motion at 11 and Settlement at Section 4.2.

<sup>63</sup> Settlement at Section 4.1.

tariffs and Commission directives.<sup>64</sup> The Public Advocate's Office agreed that PG&E's expenses in the memorandum account are reasonable, appropriate, correctly stated, and compliant with the applicable Commission decisions.<sup>65</sup> Further, the Public Advocate's Office concluded the balancing account is also compliant with the applicable tariffs and Commission directives.<sup>66</sup>

No contested issues arose with respect to the Green Tariff Shared Renewables accounts. The Settling Parties agree that the Commission should find the memorandum account reasonable and the entries in the balancing account compliant with tariffs and Commission decisions.<sup>67</sup>

## **5. Standard of Review for Settlements**

Rule 12.1(d) requires that, prior to approval, the Commission must find a settlement "reasonable in light of the whole record, consistent with the law, and in the public interest."

## **6. Approval of the Settlement and PG&E's ERRR Application**

We reviewed the proposed settlement pursuant to Rule 12.1(d) (defined above) and find the settlement meets the three criteria of reasonableness, legal consistency, and in the public interest. We therefore conclude that the Settlement should be adopted by the Commission. We discuss and analyze each of the three criteria below. We grant the motion of the Settling Parties to adopt the Settlement as proposed. Accordingly, we approve PG&E's application and authorize cost recovery of the balance in the Diablo Canyon Seismic Studies

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<sup>64</sup> Motion at 12 citing PGE-1 at 10-8, lines 22-30.

<sup>65</sup> *Id.* at 12 citing ORA-1 at 9-3, line 19 to 9-4, line 1.

<sup>66</sup> *Ibid.*

<sup>67</sup> Settlement at 1.

Balancing Account for a revenue requirement of \$4.741 million, consisting of \$4.529 million in direct costs, \$159,380 in interest, and \$53,206 in an allowance for revenue fees and uncollectibles at the current factor of 0.011349.<sup>68</sup> Pursuant to the terms of the settlement, PG&E is disallowed recovery of \$162,123 in the Energy Resource Recovery Account related to the Pit 4 Powerhouse Unit 2 outage on May 19, 2017.

### **6.1. The Settlement is Reasonable in Light of the Whole Record**

We find the Settlement is reasonable in light of the whole record. In the Motion, the Settling Parties present three arguments to justify why the Settlement is reasonable in light of the entire record.

First, the Settling Parties state that the Settlement represents two distinct affected interests: the utility as represented by PG&E and the ratepayers as represented by the Public Advocate's Office. According to the Settling Parties, the ability for these two disparate entities to find common ground indicates the Settlement is reasonable in light of the whole record.<sup>69</sup> Second, the Settling Parties assert the Settlement resolves all contested issues and addresses the recommendations raised by the Public Advocate's Office in the proceeding.<sup>70</sup> The Settling Parties note however that, in some cases, certain recommendations should be addressed in other Commission proceedings.<sup>71</sup> Third, the Settling Parties contend the Settlement represents a "reasonable compromise between the

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<sup>68</sup> Approved in Advice Letter 4020-G/5389-E on October 31, 2018.

<sup>69</sup> Motion at 13.

<sup>70</sup> *Ibid.*

<sup>71</sup> For example, the accounting method for calculating direct greenhouse gas costs should be determined in Application 13-08-002 et al.

principles and legal theories of the adverse parties,” which, according to the Settling Parties, should merit approval pursuant to prior Commission decisions.<sup>72</sup>

The Settlement meets the reasonableness condition required of all settlements. The Settlement finds common ground, resolves all contested issues for this proceeding, and is a reasonable compromise between the two parties. Furthermore, as pointed out by the Settling parties, the Commission has repeatedly conveyed a policy preference of favoring settlements.<sup>73</sup>

### **6.2. The Settlement is Consistent with the Law**

We find the Settlement is consistent with the law. In the Motion, the Settling Parties assert that the terms of the Settlement, including the prospective actions that PG&E will take in future ERRA proceedings, comply with all applicable statutes.<sup>74</sup> The Settling Parties also note that PG&E’s agreement to take prospective actions is consistent with other Commission decisions.

The Settling Parties point specifically to Public Utilities Code Section 451,<sup>75</sup> asserting that the entries in PG&E’s ERRA and other accounts were accurately and appropriately recorded.<sup>76</sup> With respect to Public Utilities Code Section 454,<sup>77</sup> the Public Advocate’s Office reviewed PG&E’s testimony and work papers regarding least-cost dispatch, demand response, fuel costs, utility-owned generation, contract administration and greenhouse gas compliance instrument

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<sup>72</sup> Motion at 14 and Footnote No. 72 citing D.14-01-011 and D.15-05-015.

<sup>73</sup> *Id.* at 14 and Footnote No. 73 citing D.14-01-011 at 13.

<sup>74</sup> Motion at 14.

<sup>75</sup> Public Utilities Code Section 451 requires just and reasonable rates.

<sup>76</sup> Motion at 14.

<sup>77</sup> Public Utilities Code Section 454 requires justification for increases in rates.



procurement and, in response, made recommendations for future ERRA applications regarding reporting standards for reviewing renewable and storage resources and providing additional information on greenhouse gas settlement decision making.<sup>78</sup> Furthermore, the Settling Parties highlight that, under the Settlement, PG&E agrees to make several prospective actions, which is consistent with past practices by the Commission.<sup>79</sup>

The Settlement is in compliance with the law; nothing in the Settlement contravenes statute or prior Commission decisions. In addition to complying with applicable statutes of the Public Utilities Code, the Settling Parties also complied with Commission Rules of Practice and Procedure, Rule 12, regarding settlements.<sup>80</sup>

### **6.3. The Settlement is in the Public Interest**

We find the Settlement is in the public interest. In the Motion, the Settling Parties assert that the Settlement will conserve Commission resources and the resources of the Settling Parties that otherwise would be used to litigate the issues in this proceeding. Furthermore, the terms of the Settlement establish improved reporting requirements for future proceedings; which, as described below, is also in the public interest.

In the Motion, the Settling Parties contend the Settlement is in the public interest because it conserves Commission and party resources. The Settling Parties highlight that without the Settlement, both the Public Advocate's Office

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<sup>78</sup> Motion at 15.

<sup>79</sup> *Id.* at 15 citing D.14-01-011 at 14, D.11-07-039 at Ordering Paragraphs 2-3, and D.10-02-018 at Ordering Paragraph 4..

<sup>80</sup> *Id.* at 3, describing the steps for complying with Rule 12.

and PG&E would have spent additional time and resources preparing for and participating in evidentiary hearings and preparing post-hearing briefs presenting arguments on the disputed issues.<sup>81</sup> The time and resources saved are beneficial to ratepayers, not only in terms of ratepayer dollars saved, but the time resources of PG&E, the Public Advocate's Office and the Commission can now be reallocated to other matters.

In addition to the time and resources saved, the outcomes of the Settlement provide the public with other benefits as well, especially in terms of additional and potential reporting requirements. The additional reporting requirements should lend themselves to improved transparency to the ratepayers. For example, with respect to the Pit 4 Powerhouse Unit 2 forced outage, PG&E agrees to provide a report on the status of any claim made against the vendor or contractor in its 2018 ERRR Compliance application and to implement corrective actions.<sup>82</sup> As an outcome of the concern of the Public Advocate's Office regarding failures at the Humboldt Bay Generating Station's differential current relays, PG&E has agreed to provide a report on relay replacement and updates to IT systems on test reports.<sup>83</sup> Another example of potential improved transparency is the agreement that PG&E will participate in a workshop proposed by the Public Advocate's Office on developing reporting standards for renewable and storage systems.<sup>84</sup> These reporting requirements, including the potential reporting requirements, should provide improved clarity

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<sup>81</sup> *Id.* at 16.

<sup>82</sup> *Id.* at 6-7 and Settlement at Sections 2.2 and 2.3.

<sup>83</sup> *Id.* at 7 and Settlement at Section 3.

<sup>84</sup> *Id.* at 9 and Settlement at Section 1.

of PG&E's processes, thus increasing transparency, which is in the public interest.

## **7. Conclusion**

Because the Settlement meets the three requirements for approval, we conclude it is reasonable for the Commission to adopt the Settlement. Furthermore, we find that the record of this proceeding indicates that PG&E has prudently administered and dispatched its utility-owned generation resources and portfolio of contracts, power purchase agreements, qualifying facilities, non-qualifying facilities, and renewable energy resources, in compliance with PG&E's Commission-approved procurement plan. Further, we find the entries and costs recorded in the ERRA and other accounts contained herein are appropriate and correctly stated. We also find PG&E's procurement of greenhouse gas compliance instruments during the Record Year consistent with Commission directives. Accordingly, it is reasonable to authorize PG&E cost recovery for a revenue requirement of \$4.741 million and disallow \$162,123 for the Pit 4 Powerhouse Unit 2 outage on May 19, 2017.

In order to implement the authority granted herein, PG&E must file a Tier One Advice Letter within 30 days of the date of this decision. The tariff sheets filed in these Advice Letters shall be effective on or after the date filed, subject to the Commission's Energy Division determining they comply with this decision.

There being no other issues to resolve, this proceeding is closed.

## **8. Comments on Proposed Decision**

The proposed decision of Administrative Law Judge Hymes in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of

Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

**9. Assignment of Proceeding**

Martha Guzman Aceves is the assigned Commissioner and Kelly A. Hymes is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. The Settlement finds common ground, resolves all contested issues for this proceeding, and is a reasonable compromise between PG&E and the Public Advocates Office of the Public Utilities Commission.
2. The Commission has repeatedly conveyed a policy preference of favoring settlements.
3. The Settlement meets the reasonableness condition required of all settlements.
4. We know of nothing in the Settlement that contravenes statute or prior Commission decisions.
5. The Settlement complies with applicable statutes of the Public Utilities Code.
6. The Settling Parties complied with Commission Rules of Practice and Procedure, Rule 12.
7. Without the Settlement, both PG&E and the Public Advocate's Office would have spent additional time and resources preparing for and participating in an evidentiary hearing and preparing post-hearing briefs presenting arguments on the disputed issues.
8. The Settlement conserves party and Commission resources.
9. Time and resources saved are beneficial to ratepayers.

10. The additional reporting requirements of the Settlement should improve clarity of PG&E's processes.

11. The additional reporting requirements of the Settlement should lend themselves to improved transparency, which is in the public interest.

12. PG&E has prudently administered and dispatched its utility-owned generation resources and portfolio of contracts, qualifying facilities, non-qualifying facilities, renewable energy resources, in compliance with PG&E's Commission-approved procurement plan.

13. The entries and costs recorded in the ERRA and other accounts contained herein are appropriate and correctly stated.

14. PG&E's procurement of greenhouse gas compliance instruments during the Record Year is consistent with Commission directives.

15. It is reasonable to authorize PG&E cost recovery of the balance in the Diablo Canyon Seismic Studies Balancing Account for a revenue requirement of \$4.741 million.

16. It is reasonable to disallow PG&E recovery of \$162,123 for the Pit 4 Powerhouse Unit 2 outage on May 19, 2017.

17. All issues in this proceeding are resolved.

**Conclusions of Law**

1. The Settlement is reasonable in light of the record.
2. The Settlement is consistent with the law.
3. The Settlement is in the public interest.
4. The Settlement proposed by PG&E and the Public Advocate's Office meets the requirements of Commission Rules of Practice and Procedure, Rule 12.
5. The Settlement proposed by PG&E and the Public Advocate's Office should be approved and adopted.

6. The Commission should approve PG&E's compliance ERRA application for Record Year 2017, consistent with the terms set forth in the Settlement.

7. The Commission should authorize cost recovery of the balance in the Diablo Canyon Seismic Studies Balancing Account for a revenue requirement of \$4.741 million.

8. The Commission should disallow PG&E recovery of \$162,123 for the Pit 4 Powerhouse Unit 2 outage on May 19, 2017.

9. The Commission should require PG&E to file a Tier One Advice Letter within thirty days of the issuance of this decision to implement the authority granted in this decision.

10. Application 18-02-015 should be closed.

**O R D E R**

**IT IS ORDERED** that:

1. *The Settlement Agreement Between Pacific Gas and Electric Company and the Public Advocates Office at the Public Utilities Commission* attached as Appendix A to this decision is adopted.

2. The Application of Pacific Gas & Electric Company (PG&E), Application 18-02-015, is approved consistent with the terms set forth in the *Settlement Agreement Between PG&E and the Public Advocates Office at the Public Utilities Commission*.

3. Pacific Gas & Electric Company is authorized to recover of the balance in the Diablo Canyon Seismic Studies Balancing Account for a revenue requirement of \$4.741 million.

4. Recovery of \$162,123 related to the Pit 4 Powerhouse Unit 2 outage on May 19, 2017 is disallowed.

5. No later than 30 days from the issuance of this decision, Pacific Gas &

Electric Company shall file a Tier One Advice Letter to implement the authority granted herein. The tariff sheets filed in the Advice Letter shall be effective on or after the date filed, subject to the Commission's Energy Division determining the tariff sheets comply with this decision.

6. Application 18-02-015 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.