

Decision _____

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)

**DECISION GRANTING JANUARY 1, 2015 EFFECTIVE DATE FOR
PACIFIC GAS AND ELECTRIC COMPANY'S TEST YEAR 2015
REVENUE REQUIREMENT**

1. Summary

Today's decision grants the March 12, 2014 motion of Pacific Gas and Electric Company (PG&E) for an order making its 2015 test year gas transmission and storage revenue requirement effective as of January 1, 2015, in the event the Commission issues a final decision after that date.

This decision also grants PG&E's request to allow for the recovery of interest, based on a Federal Reserve three-month commercial paper rate, to keep PG&E and its ratepayers relatively indifferent to the timing of the Commission's final decision regarding the 2015 gas transmission and storage revenue requirement.

2. Background

On December 19, 2013, Pacific Gas and Electric Company (PG&E) filed the above-captioned application requesting that the Commission grant its application concerning the revenue requirement, cost allocation, and rate design of its gas transmission and storage (GT&S) services. PG&E's application covers the

revenue requirement for test year 2015, and attrition adjustments for 2016 and 2017. For test year 2015, PG&E requests a revenue requirement of \$1.286 billion. This is an increase over PG&E's authorized 2014 revenue requirement of \$731 million. PG&E's application requests that the test year 2015 revenue requirement go into effect on January 1, 2015. PG&E's application also requests attrition adjustments that would result in a proposed revenue requirement of \$1.347 billion for 2016, and \$1.515 billion for 2017.

Timely protests and responses to PG&E's application were filed by various parties, to which PG&E filed a reply.

A prehearing conference (PHC) was noticed for, and held on March 12, 2014. At the PHC, an alternative schedule was proposed that differed from what PG&E had proposed in its application. In the April 17, 2014 Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge (Scoping Ruling), a schedule was adopted which set evidentiary hearings for October 6-24, 2014, and a Commission decision to be adopted around March 2015.

Due to this alternative schedule, PG&E and the other parties acknowledge that a final decision addressing PG&E's application may not be adopted until sometime after the test year 2015 effective date of January 1, 2015.

PG&E filed its March 12, 2014 motion due to the concern that a delay beyond January 1, 2015 could result in adverse financial consequences. PG&E's motion requests that "the Commission issue an order on or before December 31, 2014 directing that PG&E's GT&S revenue requirement for 2015 be effective as of January 1, 2015, and subject to interest based on a Federal Reserve three-month commercial paper rate." (PG&E Motion at 5.)

On March 27, 2014, Shell Energy North America (US), L.P. (Shell Energy) filed a response to PG&E's motion. Shell Energy does not express a view as to whether the revenue requirement in this proceeding should be made effective January 1, 2015. However, due to the magnitude of the revenue requirement increase that PG&E is requesting, Shell Energy is concerned with the rate shock that may result if PG&E's 2015 revenue requirement is amortized over the remaining months of 2015. Shell Energy requests that "if a final Commission decision is delayed beyond January 1, 2015," that "the Commission order PG&E to amortize, over an 18-24 month period, the accumulated balance in any balancing account (or memorandum account) that is established by PG&E for the period from January 1, 2015 until the Commission implements its final decision herein." (Shell Energy Response at 2.)

3. Discussion

PG&E's application proposed that a Commission decision on its request be issued on December 19, 2014. However, other parties raised in their protests the concern that PG&E's original schedule was too ambitious and should be revised. As a result, PG&E discussed an alternative schedule with the Office of Ratepayer Advocates and with The Utility Reform Network, which was discussed at the March 12, 2014 PHC.

PG&E filed its motion on March 12, 2014 to avoid a possible claim of retroactive ratemaking should a decision on PG&E's test year 2015 revenue requirement application be adopted after December 31, 2014. The alternative schedule was discussed at the PHC, and that schedule was subsequently adopted in the April 17, 2014 Scoping Ruling. Under the Scoping Ruling's adopted schedule, it is likely that a decision on PG&E's test year 2015 revenue requirement request will not occur until after December 31, 2014.

PG&E's motion contends that the Commission has the legal authority to order that the revenue requirement be effective as of January 1, 2015, in the event a final decision on PG&E's request is adopted after that date. PG&E also notes that the relief requested in its motion is similar to the relief that "the Commission has granted PG&E in its last five General Rate Cases (GRC), and in at least 11 other GRC decisions for the other California energy utilities," as well as in PG&E's last GT&S rate case. (PG&E Motion at 2.)

PG&E also contends that its motion is consistent with the Commission's policy objective of ensuring "that affected parties are relatively indifferent - from a financial perspective - to the timing of the Commission's final decision." (PG&E Motion at 3.)

No one opposed PG&E's motion to make the test year 2015 revenue requirement effective as of January 1, 2015. However, Shell Energy expressed concern over the rate shock that may result if the decision on PG&E's application is adopted several months after January 1, 2015, and the 2015 revenue requirement is amortized over the remaining months of 2015. Shell Energy requests that PG&E's 2015 revenue requirement be amortized over an 18-to 24-month period instead.

We are also concerned about the impact that a delayed decision could have on PG&E's natural gas ratepayers if the adopted revenue requirement is not amortized over more months. Accordingly, when a decision on PG&E's underlying application is adopted, we will address the amortization period to be used in that decision.

As for PG&E's request in its March 12, 2014 motion, we have granted similar relief in past decisions for PG&E, as well as for other energy utilities. It is reasonable under the circumstances to grant the unopposed motion of PG&E for

an order making PG&E's test year 2015 revenue requirement effective as of January 1, 2015, along with its request for interest.

Granting PG&E's motion will also leave both ratepayers and shareholders relatively indifferent as to the date a final decision on PG&E's application is adopted, and will reduce the incentives for a party to delay the proceeding. In addition, granting PG&E's motion will allow time for the parties and the Commission to review and analyze PG&E's revenue requirement request.

Granting PG&E's motion in this decision does not bind the Commission to adopt PG&E's requested revenue requirement and attrition adjustments, or any portion thereof. The final decision addressing the test year 2015 GT&S revenue requirement, and the attrition adjustments, can only be adopted upon the development of a complete evidentiary record, and full and fair consideration of the evidentiary record by the Commission.

PG&E should file a Tier 2 advice letter with the Energy Division within 45 days of the effective date of this decision to establish the memorandum account to record the difference in rates on January 1, 2015, and the rates to be adopted in the final decision addressing PG&E's GT&S application.

4. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

5. Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and John S. Wong is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PG&E filed its application seeking approval of an increase in its authorized gas transmission and storage revenue requirement to \$1.286 billion for test year 2015, with an effective date of January 1, 2015.

2. The Scoping Ruling adopted a schedule for this proceeding, which expects a Commission decision on these issues around March 2015.

3. PG&E's unopposed motion seeks a Commission order directing that its test year 2015 GT&S revenue requirement be effective as of January 1, 2015, and subject to interest based on the Federal Reserve's three-month commercial paper rate.

4. Under the adopted schedule, a final decision addressing PG&E's application may not be adopted until sometime after the test year 2015 effective date of January 1, 2015.

5. Shell Energy raised the concern over the possible rate shock that may occur if a decision on PG&E's application comes out several months after January 1, 2015, and the 2015 revenue requirement is amortized over the remaining months of 2015.

6. Relief similar to what PG&E is requesting in its March 12, 2014 motion has been granted in past decisions for PG&E, as well as for other energy utilities.

7. Granting PG&E's motion will leave both ratepayers and shareholders relatively indifferent to the date a final decision on PG&E's application is adopted, reduce the incentives for a party to delay the proceeding, and allow time for the parties and the Commission to review and analyze PG&E's revenue requirement request.

8. The final decision addressing PG&E's test year 2015 GT&S revenue requirement, and the attrition adjustments, can only be adopted upon the

development of a complete evidentiary record, and full and fair consideration of the evidentiary record by the Commission.

Conclusions of Law

1. PG&E filed its March 12, 2014 motion to avoid a possible claim of retroactive ratemaking should a decision on PG&E's test year 2015 GT&S revenue requirement application be adopted after December 31, 2014.

2. We will address the amortization period in the decision on PG&E's underlying application.

3. It is reasonable under the circumstances to grant the unopposed motion of PG&E.

4. The granting of PG&E's motion in this decision does not bind the Commission to adopt PG&E's requested revenue requirement and attrition adjustments, or any portion thereof.

5. PG&E should file a Tier 2 advice letter with the Energy Division to establish the memorandum account to record the difference in rates on January 1, 2015, and the rates to be adopted in the final decision addressing PG&E's GT&S application.

O R D E R**IT IS ORDERED** that:

1. The March 12, 2014 motion filed by Pacific Gas and Electric Company for an order making its test year 2015 gas transmission and storage revenue requirement effective January 1, 2015, and subject to interest based on the Federal Reserve three-month commercial paper rate, is granted.

2. The effective date for the test year 2015 revenue requirement requested in this proceeding by Pacific Gas and Electric Company for its gas transmission and storage operations and services, pending a final Commission decision addressing the issues in this proceeding, shall be January 1, 2015, even if the Commission issues the final decision after that date.

3. The adopted test year 2015 gas transmission and storage revenue requirement shall include accrued interest covering the period subsequent to January 1, 2015, based on the applicable three-month commercial paper rate published in the Federal Reserve Statistical Release H.15 or its successor, to the extent necessary to keep Pacific Gas and Electric Company, its ratepayers, and other affected parties indifferent to the precise timing of the Commission's final decision on the test year 2015 revenue requirement.

4. Pacific Gas and Electric Company shall file a Tier 2 advice letter with the Energy Division within 45 days of the effective date of this decision to establish the necessary memorandum account to record the difference between the rates currently in effect for its gas transmission and storage operations and services, and the final rates to be adopted in the final decision addressing PG&E's Application 13-12-012.

5. Application 13-12-012 remains open.

This order is effective today.

Dated _____, at San Francisco, California.