



California Public Utilities Commission

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PRESS RELEASE

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CPUC SETS REVENUE NECESSARY FOR PG&E TO PROVIDE SAFE AND RELIABLE SERVICE

SAN FRANCISCO, August 14, 2014 - The California Public Utilities Commission (CPUC), after a lengthy and public process, today set the revenue amount needed for Pacific Gas and Electric Company (PG&E) to provide safe and reliable electric and natural gas service for 2014-2016, cutting the amount requested by \$700 million.

After reviewing the findings of independent safety consultants and others, the CPUC adopted revenue requirements that balance the priorities of safety and reliability with just and reasonable rates. PG&E requested a 17.5 percent increase (\$1.16 billion) over the currently approved revenue requirement for 2014-2016. The CPUC reduced PG&E's revenue increase request by \$700 million, authorizing an increase of \$460 million, which is an increase of 6.9 percent over the currently authorized revenue requirement. The decision approved attrition increases of 4.57 percent for 2015 and 5 percent for 2016. PG&E requested attrition increases of 5.9 percent for 2015 and 6.1 percent for 2016.

Rate cases for PG&E are conducted in three-year cycles. For the first time in a rate case the CPUC retained outside experts to evaluate risk assessment, risk mitigation, programs and policies, as well as PG&E's corporate policies, goals, culture, and the efforts being made to bolster PG&E's system safety and reliability. The findings of the consultants, along with those of the CPUC's Office of Ratepayer Advocates, TURN, and other intervenors were important factors in determining the appropriate level of funding to authorize.

"This was not a 'business as usual' rate case. Consistent with our renewed focus on safety, the

CPUC approached this rate case very differently from those in the past by integrating a heightened evaluation of safety, risk assessment, and accountability,” said CPUC Commissioner Mike Florio, the Commissioner assigned to the proceeding. “The amount we authorized is intended to provide the necessary revenue for the maintenance, replacement, and improvement of PG&E’s aging infrastructure, and for the operation of the utility system in a manner that provides safe, affordable, and reliable service to PG&E’s customers.”

Said CPUC Commissioner Michael Picker, “The general conclusion of the safety experts that we hired to look over the new risk assessment that the CPUC requires for all rate cases and how utility investments improve safety is that we’re getting safer. And I agree. But it’s still hard to pin down how much more protection we achieve for each dollar spent, so we have more work to do to make this new regulatory tool even more effective.”

Today’s decision authorized programs to increase the safe operation of PG&E’s system in a cost-effective manner and hold PG&E accountable for the safe operation of its system. The programs focus on infrastructure upgrades and improvements and include the creation of a Gas Distribution Control Center to provide real-time visibility and remote control of dynamic gas pressure and flows within PG&E’s system; tools to meet a superior standard of safety in detection and repair of gas distribution pipeline hazardous leaks; the acceleration of the replacement of aging distribution pipeline; tools to reduce electric outages and mitigate wildfire risk; and the replacement of poles previously scheduled for replacement in prior years (a reduction was adopted, however, to assign a share of responsibility to PG&E shareholders, rather than ratepayers, for pole replacement deferrals previously funded by ratepayers). The CPUC’s decision also includes requirements and ratemaking mechanisms that will increase the accountability of PG&E and help ensure that PG&E is using the increased revenues prudently and effectively, as well as several requirements that will improve the showing on safety and risk in PG&E’s next rate case.

“It is PG&E’s duty to use its resources effectively to ensure its system is operated in a manner that provides safe, reliable, and affordable service to its customers. We expect and demand PG&E to be proactive and prudent in fulfilling this duty,” said Commissioner Florio. “For our part, we must commit more strongly than ever to our duty to safeguard that PG&E, and all the utilities we regulate,

are operating their systems in a safe, reliable, and affordable manner. The ratepayers of California deserve nothing less.”

The CPUC received public comments on PG&E’s request through public hearings held throughout PG&E’s service area, and conducted extensive formal hearings before an Administrative Law Judge.

The proposal voted on is available at

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M101/K918/101918028.PDF>.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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