

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
12-24-09
11:49 AM

Application of Pacific Gas and Electric Company Proposing Cost of Service and Rates for Gas Transmission and Storage Services for the Period 2011-2014. (U 39 G)

Application 09-09-013
(Filed September 18, 2009)

**MOTION OF THE DIVISION OF RATEPAYER ADVOCATES
FOR RECONSIDERATION OF SCOPING MEMO
AND RULING OF ASSIGNED COMMISSIONER
AND ADMINISTRATIVE LAW JUDGE,
AND TO REVISE PROCEDURAL SCHEDULE**

I. INTRODUCTION

In accordance with Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Division of Ratepayer Advocates (“DRA”) hereby submits this motion for reconsideration of the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (“Scoping Memo”), issued on December 18, 2009, in the above-captioned proceeding, Pacific Gas and Electric Company’s (“PG&E”) rate case for gas transmission and storage (“GT&S”) services, and to revise the procedural schedule adopted in the Scoping Memo.

The procedural schedule adopted in the Scoping Memo sets March 26, 2010, as the date for DRA and other intervenors to serve prepared direct testimony. DRA does not believe it will be able to meet this deadline because of the considerable amount of review and analysis required given PG&E’s requested increase in rates, the numerous policy issues addressed in the proceeding, and the still-unresolved issues regarding the Results of Operations (“RO”) computer model that PG&E is using in support of its case. Accordingly, DRA requests that the procedural schedule be revised to provide more adequate time for analysis and testimony preparation.

II. DISCUSSION

A. RO Model Issues

Ongoing issues with the functionality of the RO model are currently hampering DRA's efforts in both this proceeding and in PG&E's pending general rate case ("GRC"). At the prehearing conference ("PHC") on December 2, 2009, PG&E stated that DRA and PG&E had had one meeting for a "walk-through" of the RO model and a second one for the rate model being used by PG&E in its GT&S rate case showing. Upon DRA's request, PG&E prepared an RO model reference manual and provided it to DRA on the day of the PHC. The RO model uses the "Access" database program, which is rarely used in DRA's work, and few staff members in DRA have familiarity with any Access-based models.

PG&E has also used an Access-based RO model to support its notice of intent ("NOI") to file a GRC application for rates effective January 1, 2011. On December 18, 2009, in a letter to Chief Administrative Law Judge ("ALJ") Karen Clopton, DRA stated:

[PG&E's] RO model does not meet the minimum requirements for functionality, flexibility, and general usability needed to support PG&E's GRC. Therefore, DRA does not accept PG&E's NOI, and recommends that PG&E not be allowed to file its GRC application as scheduled. PG&E should not be allowed to file its application until it can satisfactorily demonstrate to DRA that the RO computer model it proposes to use in the GRC meets at least the minimum requirements.

In a letter dated December 21, 2009, from Executive Director Paul Clanon to PG&E, the Commission permitted PG&E to file its Test Year 2011 GRC application, but directed PG&E to "submit the Results of Operation (R/O) portion of the Application in DRA's preferred Excel-only format no later than January 31, 2010...." DRA is experiencing the same "functionality, flexibility, and general usability" problems with PG&E's RO model in the GT&S rate case as well.

Staff working on the GT&S case will need additional time to study both the Access program and the RO reference manual in order to utilize the RO model correctly

and efficiently. DRA has submitted testimony in only one other Gas Accord proceeding, using an Excel-based model. DRA will likely recommend that the Commission require PG&E to convert the GT&S rate case model to an Excel-only format also.

Without the above issues being resolved, DRA cannot effectively evaluate PG&E's GT&S application in time to have prepared testimony served by March 26.

B. DRA Resource Constraints

As DRA noted in its protest to the GT&S rate case application and reiterated at the PHC, DRA had been an active participant in PG&E's biennial cost allocation proceeding ("BCAP"), Application 09-05-026, including the settlement-related activities ongoing at the time of the PHC. PG&E stated at the PHC that settlement negotiations had concluded and an agreement reached; however, the proposed settlement agreement was not filed with the Commission until December 23, 2009, and DRA remained actively involved in the process of finalizing the settlement documents. Most of the DRA staff persons working on the BCAP are also assigned to the GT&S rate case and would have been unable to fully direct their efforts to the current case even absent the ongoing problems with the RO model. Indeed, PG&E itself had expressed a preference for delaying the RO model walk-throughs for the GT&S case until the BCAP settlement activities were completed. Nevertheless, DRA continued its discovery efforts in this case concurrently with BCAP-related activities and has already propounded several GT&S-related data requests to PG&E.

Moreover, the magnitude of the revenue requirement increases PG&E is seeking in this proceeding underscores the necessity of giving DRA and intervenors more time rather than less to review PG&E's showing. The revenue requirement for 2010, according to PG&E, is \$461.8 million.¹ PG&E is requesting a GT&S revenue requirement of \$529.1 million for 2011, \$561.5 million for 2012, \$592.2 million for

¹ Table 1-1, page 1-2, PG&E Prepared Testimony, Sept. 18, 2009.

2013, and \$614.8 million for 2014, which translates to an approximately 7.5 percent annually compounded increase over the four-year period from 2010 to 2014.

Within the requested revenue requirement are significant increases in various storage and transmission expenses and plant investment relative to historical expenditures. DRA will need to conduct discovery and thoroughly review and analyze the PG&E estimates in order to develop its own independent forecasts and testimony. The year 2011 revenue requirement alone is approximately 14.5 percent higher than that for year 2010 under the Gas Accord IV. This is a significant increase and adequate opportunity for review is especially crucial when, as here, DRA did not have the benefit of having some lead time and a preview opportunity provided by the NOI process as it would have had in a conventional rate case. As previously stated, DRA's initial review of the GT&S case was unavoidably hampered by the overlap with PG&E BCAP activities. Furthermore, DRA is typically the only party that dedicates resources to evaluating all aspects of PG&E's proposed GT&S revenue requirement portion of the application. The analysis and preparation of independent forecasts for this aspect of the application are more labor intensive and time-consuming relative to other, policy-related issues within the case.

C. Policy Issues

PG&E's application and prepared testimony raise numerous policy issues which have been identified in the Scoping Memo. Adequate time is also needed to develop testimony addressing these issues in addition to the cost allocation and rate design issues, and the current procedural schedule does not provide sufficient time for DRA to thoroughly evaluate the application and complete its prepared testimony.

D. Need for Updated Forecasts

PG&E used Moody's May 2009 economic forecast to generate the throughput forecasts included in its filing. Moody's updated its forecasts in September 2009, and will update them again in January 2010. Economic conditions have vastly improved since the lows of late 2008 and early 2009. While DRA is exploring the September 2009

forecasts with PG&E at this time, DRA will most likely need to see PG&E's forecasts based on Moody's January 2010 forecast for the simple reason that it would more accurately reflect current economic conditions.

III. RELIEF REQUESTED

DRA requests that the procedural schedule be revised as follows: As stated above, PG&E has been directed to submit its GRC RO results in Excel format by January 31, and DRA will likely require an Excel-based RO model for the GT&S case soon after. Assuming that a fully functional, Excel-based RO model is available for the GT&S rate case by early February, DRA requests that the Scoping Memo be modified such that DRA and intervenors serve testimony on May 21, 2010, all parties serve concurrent rebuttal testimony on June 11, 2010, and evidentiary hearings are held June 21-31, 2010. This revised schedule provides adequate time for an end-of-year decision in this proceeding.

In the alternative, the Commission could suspend the procedural schedule until such time as PG&E makes available a fully functional, Excel-based RO model, and subsequently convene another PHC and/or issue a ruling to amend the procedural schedule.

IV. CONCLUSION

The procedural schedule as it currently stands does not provide adequate time for DRA to prepare testimony in PG&E's GT&S rate case. For the reasons stated above, DRA respectfully requests that the procedural schedule be revised as proposed by DRA.

Respectfully submitted,

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December 24, 2009

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **MOTION OF THE DIVISION OF RATEPAYER ADVOCATES FOR RECONSIDERATION OF SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE, AND TO REVISE PROCEDURAL SCHEDULE** to each party of record on the official service list in **A.09-09-013** via electronic mail.

Parties who did not provide an electronic mail address, were served by U.S. mail with postage prepaid listed on the official service list.

Executed on **December 24, 2009** at San Francisco, California.

/s/ Imelda Eusebio
Imelda Eusebio

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