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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

**RULING OF ASSIGNED COMMISSIONER AND
ADMINISTRATIVE LAW JUDGE AMENDING SCOPE TO CONSIDER
REMEDIES AND DISALLOWANCES ADOPTED IN DECISION 15-04-024**

Summary

This ruling further amends the scoping memo and ruling issued on April 17, 2014 to consider the issue of penalties adopted in Decision 15-04-024 and sets the schedule to consider this issue. Pacific Gas and Electric Company shall conduct a workshop, to be held at the Commission's offices, on June 30, 2015. Evidentiary hearings, if requested by parties, shall be set for September 1, 2015.

1. Background

On April 9, 2015, the Commission issued Decision (D.) 15-04-024, which adopted penalties on Pacific Gas and Electric Company (PG&E) for violations arising from three investigations associated with the September 9, 2010 gas

transmission pipeline explosion and subsequent fire in San Bruno, California.¹ As it pertains to this proceeding, D.15-04-024 directed PG&E to implement over 75 remedies proposed by the Commission's Safety and Enforcement Division and other intervenors to enhance pipeline safety and imposed an \$850 million disallowance to be spent on safety improvements of PG&E's gas transmission pipeline system. Ordering Paragraph 7 of D.15-04-024 stated that the \$850 million disallowance for safety-related projects or programs would be applied to expenses and capital expenditures authorized for funding in this proceeding.²

On May 4, 2015, PG&E filed *Motion of Pacific Gas and Electric Company to Adopt a Proposed Procedural Schedule to Implement the San Bruno Penalty Decision (PG&E Motion)*. In its motion, PG&E identified two matters that needed to be addressed in this proceeding as the result of D.15-04-024: (1) identification of safety-related programs or projects subject to the \$850 million disallowance; and (2) determination of whether PG&E's forecast in this proceeding includes costs to implement the remedies adopted in D.15-04-024.³ Responses to the motion were filed by the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN) and Indicated Shippers.

¹ These three investigations were Investigation (I.) 12-01-007, I.11-02-016 and I.11-11-009. The investigations are collectively referred to as the "Pipeline OIIs."

² D.15-04-024 at 242-243, Ordering Paragraph 7 (*slip op.*).

³ *PG&E Motion* at 2. The adopted remedies are listed in Appendix E of D.15-04-024.

On May 21, 2015, the assigned Administrative Law Judge (ALJ) issued a ruling granting in part PG&E's motion. The ruling also directed PG&E to file the following information:

- (1) for each remedy adopted in D.15-04-024, whether PG&E believed there was overlap with any work proposed in the application, and the associated cost; and
- (2) which of the programs and projects in its application PG&E believed were safety-related, as defined in D.15-04-024, and subject to the \$850 million disallowance.⁴

PG&E filed this information on June 1, 2015. A prehearing conference (PHC) was held on June 3, 2015.

2. Scope of Issue

There appears to be no dispute that the issue of implementing penalties adopted in D.15-04-024 must be added to this proceeding. Consequently, the scope of this proceeding is amended to add this issue. The issue will consider the following matters:

1. Which remedies adopted in D.15-04-024, and subject to shareholder funding, overlap with work forecast in this proceeding? How much should PG&E's proposed revenue requirement be reduced to account for the costs for this overlapping work?
2. Which programs and projects are safety-related and should be funded by the \$850 million disallowance adopted in D.15-04-024?

⁴ ALJ May 21, 2015 Ruling at 5.

3. Schedule

There is general agreement that determining whether a remedy adopted in D.15-04-024 (and the associated cost) overlaps with work requested in this proceeding is fact-specific and may require evidentiary hearings. Further, with respect to the \$850 million disallowance, parties generally agree that resolution of which projects and programs would be considered safety-related and subject to the disallowance could be achieved through a round of briefs.

There is disagreement, however, over whether the \$850 million disallowance should be determined at the same time as PG&E's revenue requirement, or whether the disallowance should be considered separately. TURN, ORA and Indicated Shippers maintain that D.15-04-024 had contemplated two separate tasks: (1) determine PG&E's authorized revenue requirement and (2) determine which of the authorized programs and projects costs would be offset by the \$850 million disallowance.⁵ ORA further contends that it is important to have a discrete list of disallowances for capital projects "that it can track from year to year to ensure that these projects don't at some point creep into ratebase."⁶ However, intervenors note that identification of projects and programs subject to a disallowance, as well as any prioritization of

⁵ Reporter's Transcript (RT) PHC-3 at 138:5-15 (TURN/Long); *Response of the Office of Ratepayer Advocates to the Motion of Pacific Gas and Electric Company to Adopt a Proposed Procedural Schedule to Implement the San Bruno Penalty Decision*, filed May 11, 2015 at 2; *Response of the Indicated Shippers to Motion of Pacific Gas and Electric Company for Procedural Schedule*, filed May 11, 2015 at 5.

⁶ RT PHC-3 at 147:15-18 (ORA/Bone).

programs and projects cannot be made until a final decision on authorized revenue requirement is issued.⁷

PG&E advocates for a single decision. Among other things, it argues that since D.15-04-024 provided a specific definition of “safety-related,” the Commission could finalize the penalty quickly.⁸ Additionally, PG&E notes that the Commission have parties brief the issue of prioritization of penalties now and consider that information at the time it determines how to implement the penalty. Moreover, PG&E argues that issuing two decisions would require the RO model to be run multiple times, which it believes to be a waste of resources.⁹

Based on PG&E’s motion, responses to the motion and discussion at the PHC, we conclude that determination of which safety-related programs and projects that would be subject to the \$850 million disallowance should be considered separately from the determination of PG&E’s authorized revenue requirement. While we recognize that this will entail more time before final rates are implemented, we also believe that it will provide greater assurance that the \$850 million disallowance is properly implemented and accounted for going forward. Consistent with TURN’s proposal, parties shall file a round of briefs addressing the prioritization of safety-related programs and projects. This round of briefing shall occur once a decision on PG&E’s authorized revenue requirement is issued.

⁷ See, e.g., *ORA Reply* at 3; *Response of The Utility Reform Network to the Motion of Pacific Gas and Electric Regarding a Procedural Schedule to Implement the San Bruno Penalties Decision*, filed May 11, 2015 at 2-3.

⁸ RT PHC-3 at 158:22-159:5 (PG&E/Jordan).

⁹ RT PHC-3 at 162:3-8 (PG&E/Jordan).

Concerning the overlap of the remedies imposed in D.15-04-024 and work proposed in this proceeding, PG&E shall conduct a workshop after it has served its testimony on the remedies overlap. The workshop shall occur prior to the filing of intervenor testimony. On August 14, 2015, parties shall notify the assigned ALJ of whether they believe evidentiary hearings are necessary.

In light of the above discussion, the following procedural schedule is adopted:

EVENT	DATE
PG&E serves compliance filing ordered in Ordering Paragraph 16 of D.15-04-024 on service list in this proceeding	June 8, 2015
PG&E testimony on remedies overlap	June 24, 2015
PG&E Workshop on remedies overlap	June 30, 2015 Commission Courtroom E, State Office Building, 505 Van Ness Avenue, San Francisco, California, 94102
Intervenor Testimony on remedies overlap	July 17, 2015
Rebuttal Testimony on remedies overlap	August 7, 2015
Parties to notify assigned ALJ of need for hearings	August 14, 2015
Evidentiary Hearings (if necessary)	September 1, 2015 at 10:00 a.m. Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California, 94102

Opening Briefs on remedies overlap	Approximately two weeks after hearings conclude
Reply Briefs on remedies overlap	Approximately one after opening briefs are filed
Proposed decision on authorized revenue requirement issued	Within 90 days of filing of reply briefs
Comments and reply comments on proposed decision	In accordance with Rule 14.3 of the Commission's Rules of Practice and Procedure
Decision on authorized revenue requirement adopted by the Commission	Approximately 30 days after proposed decision issued
Concurrent opening briefs on disallowance for safety-related programs and projects.	2 weeks after decision on authorized revenue requirement issued
Concurrent reply briefs on disallowance for safety-related programs and projects	1 week after concurrent opening briefs
Proposed decision on disallowance for safety-related programs and projects	Within 60 days of filing of reply briefs
Concurrent comments and reply comments on proposed decision	In accordance with Rule 14.3 of the Commission's Rules of Practice and Procedure
Decision on disallowance for safety-related programs and projects	Approximately 30 days after proposed decision issued

We anticipate that this proceeding will be completed as set forth in the above schedule, and in any event within 18 months from the date this scoping memo is issued pursuant to Pub. Util. Code § 1701.5.

IT IS RULED that:

1. The *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* issued on April 17, 2014, is further amended to add the issue of implementing penalties adopted in Decision 15-04-024.
2. The schedule to resolve this additional issue is as set herein.

Dated June 11, 2015, at San Francisco, California.

/s/ CARLA J. PETERMAN
Carla J. Peterman
Assigned Commissioner

/s/ AMY C. YIP-KIKUGAWA
Amy C. Yip-Kikugawa
Administrative Law Judge