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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2017. **(U 39 M)**	**Application No.**

GENERAL RATE CASE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

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GENERAL RATE CASE APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY

By this 2017 test year General Rate Case (GRC) Application, Pacific Gas and Electric Company (PG&E or the Company) asks the California Public Utilities Commission (Commission or CPUC), effective January 1, 2017, to increase electric and gas rates and charges to collect the reasonable level of revenue requirements that PG&E needs to continue to provide safe and reliable gas and electric service to its customers.[1/]

Like PG&E's 2014 GRC, this GRC prioritizes minimizing risk and improving safety. Yet, unlike any GRC ever put before the Commission, this GRC provides detailed output from the Company's risk models to provide visibility into the manner in which the Company has assessed risk in the context of PG&E's operations and considered risk in developing this GRC forecast.

PG&E's showing comports with the spirit and direction of the Commission's new risk-focused Rate Case Plan. Indeed, PG&E's forecast uses the same risk models and approaches described in the Commission's concurrent Safety Model Assessment Proceeding.[2/]

In this Application, PG&E requests that the Commission increase gas and electric distribution and generation base revenue requirements by a total of $457 million, effective January 1, 2017, as compared to 2016 adopted revenues. PG&E's request represents a 2.5

1/ This application is submitted pursuant to Article 2 of the Commission's Rules of Practice and Procedure and the Commission's Rate Case Plan adopted in Decision (D.) 14-12-025 ("Rate Case Plan"). The Commission's prior rate case plan, embodied in D.07-07-004, is referred to herein as the "historic" Rate Case Plan.

2/ Application (A.) 15-05-003.

percent increase over the 2016 adopted total combined gas and electric revenue of $18.091 billion.

I. STATEMENT OF RELIEF AND AUTHORITY SOUGHT

Table 1 shows the bill impact for electric residential customers not covered by the California Alternate Rates for Energy (CARE) program using 500 kilowatt-hours (kWh) and 700 kWh per month and for non-CARE gas residential customers using 34 therms per month.

Table 1
Impact on Non-CARE Residential Typical Customer Bills

Monthly Residential Customer Usage	Current 2015 Bill	Proposed 2017 Bill	Increase	2015 to 2017 Percent Increase
Electric:				
500 kWh	$ 89.30	$ 92.16	$2.86	3.20%
700 kWh	$147.97	$151.97	$4.00	2.70%
Gas:				
34 Therms	$ 51.33	$ 52.53	$1.20	2.34%

Table 2 sets forth PG&E's request for an increase in base revenue amounts.

Table 2
Increase in Base Revenue Amounts
(Millions of Dollars)

	2015 Adopted Revenue Requirement[3/]	2016 Adopted Revenue Requirement[4/]	2017 Proposed Revenue Requirement	Increase: 2015 Adopted to 2017 Proposed		Increase: 2016 Adopted to 2017 Proposed	
Gas Distribution	$1,655	$1,742	$1,827	$ 172	10.4%	$ 85	4.9%
Electric Distribution	3,982	4,213	4,376	394	9.9%	164	3.9%
Electric Generation	1,885	1,962	2,170	285	15.1%	208	10.6%
Total	$7,522	$7,916	$8,373	$851	11.3%	$457	5.8%

*** Some numbers in the tables in this Application may not add up due to rounding.**

3/ These amounts include revenues from PG&E's 2014 GRC Decision 14-08-032, adjusted for attrition. The amounts also include the adopted revenue requirements associated with Solar PV Projects, Smart Grid Pilots, Revised Customer Energy Statement (RCES), Share My Data (previously known as Customer Data Access), SmartMeter™ Opt-Out, Diablo Canyon Long Term Seismic Program and Hercules Municipal Utility Assets. These amounts exclude pension costs.

4/ See footnote 3.

Because PG&E's total electric and gas revenue requirements consist largely of energy procurement and other costs not included in the gas distribution, electric distribution, and electric generation revenue requirements presented in the GRC, the percentage increases over total revenue requirements are substantially lower than the percentage increases shown above. Table 3 below shows the total gas distribution revenue requirement increase over the 2015 total adopted gas revenue requirement and the 2016 adopted total gas revenue requirement. Also presented in Table 3 is the combined electric distribution and electric generation revenue requirement increase over the 2015 total electric revenue requirement and the 2016 total electric revenue requirement.

Table 3
GRC Revenue Increase Over Total Revenues
(Millions of Dollars)

	2015 Adopted Revenues	2017 Revenue Increase Over 2015	% Increase over 2015 Revenues	2016 Adopted Revenues	2017 GRC Increase Over 2016	% Increase Over 2016 Revenues
Gas	**$ 4,061**	**$ 172**	**4.2%**	**$ 4,147**	**$85**	**2.1%**
Electric	**13,660**	**679**	**5.0%**	**13,944**	**372**	**2.7%**
Total	**$17,721**	**$851**	**4.8%**	**$18,091**	**$457**	**2.5%**

In this Application, PG&E also asks the Commission to authorize the Company to implement adjustments for the 2018 and 2019 attrition years. PG&E estimates the attrition adjustment will yield the revenue requirement increases set forth in Table 4.

Table 4
Attrition Year Revenue Requirement Increases
(Millions of Dollars)

	Gas Distribution	Electric Distribution	Electric Generation	Total
2018	**$153**	**$276**	**$59**	**$489**
2019	**$155**	**$188**	**$47**	**$390**

II. SUMMARY OF REASONS FOR PG&E'S REQUEST AND SPECIFIC AREAS OF INCREASE

A. Reasons for Requested Relief

PG&E provides detailed support for its 2017 GRC Application in the prepared testimony and workpapers accompanying this filing. Key reasons for the requested increase in revenue requirements include: (i) increases in the costs of delivering energy safely to customers and providing responsive customer service; (ii) the need to make capital investments to replace aging infrastructure; (iii) the need for capacity-driven additions; (iv) recovery of costs for depreciation associated with PG&E's plant investments; and (v) costs of complying with governmental regulations and orders.

The specific areas of increase for the gas distribution, electric distribution and generation functions are discussed separately below.

B. Specific Areas of Increase

The fundamental elements making up PG&E's gas distribution, electric distribution and generation revenue requirement increases are: Operations and Maintenance (O&M) expense; Customer Services expense; Administrative and General (A&G) expense; changes in Other Operating Revenue; franchise fees, and uncollectibles (FF&U) and payroll taxes; and return, taxes, depreciation and changes in depreciation rates.

1. Gas Distribution Revenue Requirement

Table 5 lists the elements comprising the proposed 2017 gas distribution revenue requirement increase over the amounts the Commission adopted in PG&E's 2014 GRC, as adjusted per footnote 3, supra.

Table 5
Elements of Gas Distribution Revenue Requirement Increase

Area	(Millions of Dollars)
O&M Expense	$78
Customer Services Expense	9
A&G Expense	17
Decrease in Other Operating Revenue	8
FF&U, Other Adjs, Taxes Other than Income	7
Return, Taxes, Depreciation, and Amortization	(32)
Increase in Retail Revenue Amount	$85

2. Electric Distribution Revenue Requirement

Table 6 lists the elements comprising the proposed 2017 electric distribution revenue requirement increase over the amounts the Commission adopted in PG&E's 2014 GRC, as adjusted per footnote 3, supra.

Table 6
Elements of Electric Distribution Revenue Requirement Increase

Area	(Millions of Dollars)
O&M Expense	$74
Customer Services Expense	40
A&G Expense	(63)
Increase in Other Operating Revenue	(31)
FF&U, Other Adjs, Taxes Other than Income	13
Return, Taxes, Depreciation, and Amortization	132
Increase in Retail Revenue Amount	$164

3. Electric Generation Revenue Requirement

Table 7 lists the elements comprising the proposed 2017 electric generation revenue requirement increase over the amounts the Commission adopted in PG&E's 2014 GRC, as adjusted per footnote 3, supra.

Table 7
Elements of Electric Generation Revenue Requirement Increase

Area	(Millions of Dollars)
O&M Expense	$18
Customer Services Expense	0
A&G Expense	14
Decrease in Other Operating Revenue	14
FF&U, Other Adjs, Taxes Other than Income	127
Return, Taxes, Depreciation, and Amortization	35
Increase in Retail Revenue Amount	$208

III. AMOUNT OF REVENUE INCREASE BY CUSTOMER CLASS

The illustrative gas distribution revenue percentage change for each customer class is presented in Table 8.

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Table 8
Illustrative Revenue Allocation By Customer Class: Gas

Customer Class	Revenues at Present (4/1/15) Rates ($000)	Proposed Illustrative Revenue Allocation ($000)	Revenue Change ($000)	Percentage Change
Core Retail – Bundled				
Residential	$2,890,199	$2,954,266	$64,067	2.2%
Commercial, Small	713,807	729,074	15,268	2.1%
Commercial, Large	44,700	45,306	606	1.4%
Natural Gas Vehicle (Uncompressed Service)	10,482	10,567	85	0.8%
Natural Gas Vehicle (Compressed Service)	5,289	5,261	-28	-0.5%
Noncore Retail – Transportation Only				
Industrial Distribution	60,566	62,878	2,312	3.8%
Industrial Transmission	99,214	101,840	2,626	2.6%
Industrial Backbone	477	493	16	3.4%
Electric Generation	60,436	60,815	379	0.6%
Natural Gas Vehicle (Uncompressed Service)	282	290	8	2.7%
Wholesale –				
Alpine Natural Gas	39	39	0	0.0%
Coalinga	138	138	0	0.0%
Island Energy	31	31	0	0.0%
Palo Alto	1,235	1,235	0	0.0%
West Coast Gas - Castle	164	170	6	3.7%
West Coast Gas – Mather, Distribution/Transmission	217	224	8	3.7%
Unbundled Backbone Transmission and Storage	173,675	173,675	0	0.0%
Total	$4,060,948	$4,146,300	$85,352	2.1%

The revenue changes set forth above are illustrative only. The gas distribution revenue change has been allocated to customer classes in proportion to the gas distribution base revenue allocation adopted in PG&E's most recent Biennial Cost Allocation Proceeding (BCAP) Decision 10-06-035.

The illustrative electric distribution revenue percentage change for each customer class is presented in Table 9.

Table 9
Illustrative Revenue Allocation By Customer Class: Electric

Customer Class Bundled	Revenues at Present (3/1/15) Rates ($000)	Proposed Illustrative Class Revenue ($000)	Revenue Change ($000)	Percentage Change
Residential	$5,472,888	$ 5,643,188	$ 170,301	3.1%
Small L&P	1,612,575	1,656,139	43,564	2.7%
Medium L&P	1,436,348	1,472,265	35,917	2.5%
E-19 Total	1,802,092	1,847,235	45,143	2.5%
Streetlights	71,313	72,798	1,485	2.1%
Standby	64,009	65,364	1,355	2.1%
Agriculture	1,192,855	1,223,491	30,637	2.6%
E-20 Total	1,238,923	1,268,896	29,973	2.4%
Total Bundled	$ 12,891,002	$ 13,249,377	$ 358,375	2.8%
Direct Access				
Residential	$ 83,358	$ 85,560	$ 2,202	2.6%
Small L&P	64,509	65,986	1,477	2.3%
Medium L&P	110,297	112,370	2,073	1.9%
E-19 Total	240,177	244,421	4,244	1.8%
Streetlights	1,055	1,077	21	2.0%
Standby	1,856	1,872	16	0.9%
Agriculture	4,634	4,728	94	2.0%
E-20 Total	233,790	236,726	2,935	1.3%
Total Direct Access	$739,677	$752,740	$13,062	1.8%

The revenue changes set forth above are illustrative only. They have been allocated to each customer class consistent with the current allocation practice approved in the 2011 GRC Phase 2 Decision 11-12-053.

A. Summary Supporting Increase

The costs and associated revenue requirements that are the subject of this Application are those estimated to occur in calendar year 2017. These costs include all O&M and A&G expenses, depreciation, taxes, and a fair return on rate base for the electric and gas distribution and electric generation functions that PG&E performs. PG&E is presenting this GRC in an "unbundled" format, consistent with all of PG&E's GRCs since 2003. All the costs have been separated into Unbundled Cost Categories (UCCs) and aggregated into business functional areas. This Application does not address revenue requirement changes in the areas of electric transmission, gas transmission and storage, public purpose programs and conservation programs, except for the purpose of allocating common costs. In the area of common cost allocation, this Application asks that the Commission approve the allocations of A&G expenses and common plant to all UCCs for use in other non-GRC Commission ratemaking mechanisms.

PG&E developed and presented its test year revenue requirement estimates using the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts. (See, for example, Exhibit (PG&E-1), Chapter 1 of the testimony supporting this Application.) In addition, PG&E augmented this traditional FERC-account presentation with a complete description of its operational activities and costs necessary to conduct its utility business in a safe and reliable manner.

As PG&E has done since its 2003 GRC, in this Application, PG&E has organized its operational activity and cost forecasts by Major Work Category (MWC), the basic unit of work activity PG&E typically uses for its operational planning, budgeting and managing purposes.[5/] PG&E's testimony regarding costs, organized by MWC, is found in Exhibits (PG&E-3) through (PG&E-9). PG&E's internal accounting system (using software that SAP AG developed) tracks PG&E's operational costs by MWC. The entries in this system are expressed in "SAP dollars," which include certain overhead costs (i.e., in addition to the direct costs of an activity, such as labor and materials, they contain indirect costs, such as benefits and payroll taxes).

For O&M expense, the SAP dollars for a given MWC typically may be booked to several different FERC accounts. The testimony in Exhibit (PG&E-10), Chapters 2 through 6, explains how the forecast SAP dollars in each MWC are determined and then assigned to their corresponding FERC accounts. In turn, aggregating all of the MWC expense to a particular FERC account provides the corresponding FERC-dollar forecast.

5/ PG&E's Corporate Services department costs are managed by cost centers, not MWCs.

IV. COST OF CAPITAL/AUTHORIZED RATE OF RETURN

The historic Rate Case Plan requires a utility to "use the most recently authorized rate of return in its calculations" supporting its results of operations presentation.[6/] Accordingly, PG&E has used the authorized cost of capital rates set forth in Decision 12-12-034.

V. REVENUES AT PRESENT RATES IN THE RESULTS OF OPERATIONS REPORT

PG&E's rates and charges for electric and gas service are set forth in PG&E's electric and gas tariffs on file with this Commission. The Commission has approved these tariffs in decisions, orders, and resolutions. Exhibit B sets forth PG&E's present electric and gas rates.

At rates currently in effect, PG&E estimates that, in 2017, its electric and gas distribution operations would be able to earn returns on rate base of 7.32 percent and 7.26 percent respectively, as shown in detail in Exhibit I. These forecast rates of return on rate base equate to returns on common equity for the electric distribution function of 8.99 percent, and for the gas distribution function of 8.86 percent. For the generation function, at present rates, the 2017 return on rate base would be 6.01 percent, which equates to 6.46 percent return on common equity.

VI. EXHIBITS AND PREPARED TESTIMONY

The testimony exhibits supporting this Application consist of chapters setting forth the testimony of witnesses knowledgeable about the subject matter of their testimony. The witnesses present PG&E's principles and policies for managing its utility functions to provide safe and reliable service. The witnesses also provide factual support for the forecast costs in their areas of responsibility.

Each testimony exhibit generally contains an introductory chapter explaining the contents of the exhibit. In addition, each chapter generally contains an introduction which summarizes the material discussed in the chapter. A list of the testimony exhibits, chapters and sponsoring witnesses is attached to this Application as Exhibit J.

6/ D.07-07-004, *mimeo*, p. A-30.

VII. OTHER MATTERS RELATED TO PG&E'S APPLICATION

A. Relationship to Decision 09-09-020 (Pension)

The revenue requirement for the pension contributions in the period 2017 through 2019 will be collected through the Pension Cost Recovery Mechanism, not through the 2017 GRC request. Consistent with the revenue requirements adopted in Decision 09-09-020, capitalized pension costs through 2016 are included in GRC rate base effective January 1, 2017.

B. Relationship to Gas Transmission Remedies

The Commission issued Decision 15-04-024 in its investigations arising from, among other things, the September 9, 2010 San Bruno explosion and fire. The decision set forth requirements for PG&E to implement certain remedies to be funded by shareholders.[7/] In PG&E's Gas Transmission and Storage (GT&S) rate case,[8/] the Company identified costs it has incurred and expects to incur to implement these remedies. There is potential overlap between this GRC forecast and the remedies ordered to be funded by shareholders in Decision 15-04-024. PG&E is evaluating the potential overlap, as discussed in Exhibit (PG&E-3), Chapter 2, and PG&E expects to file supplemental testimony in this proceeding once that evaluation is complete. Separately, PG&E intends to update its forecast in this GRC once the methodology to allocate remedy costs between transmission and distribution is litigated in the GT&S rate case. (See Proposed Schedule at Section IX.G.) Once any overlap is determined and the pending remedy-related allocation issues are resolved in PG&E's 2015 GT&S rate case, PG&E expects to make the corresponding reductions to the forecast in this GRC.

C. Balancing Accounts and Memorandum Accounts

PG&E is not proposing any new balancing accounts. PG&E is proposing to continue existing balancing accounts associated with:

7/ D.15-04-024, *mimeo*, p. 244, Ordering Paragraph 15.

8/ A.13-12-012, Rebuttal Testimony, Chapter 24, Impacts of Remedies on GT&S Forecast (August 7, 2015).

- major emergencies where costs cannot be covered through the Catastrophic Event Memorandum Account (CEMA) mechanism (see Exhibit (PG&E-4), Chapter 4);
- vegetation management (balancing account and tracking account) (see Exhibit (PG&E-4), Chapter 7);
- implementation of Nuclear Regulatory Commission (NRC) rulemaking requirements for PG&E's Diablo Canyon Power Plant (see Exhibit (PG&E-5), Chapter 3);
- FERC relicensing for hydroelectric facilities and pending new license conditions (see Exhibit (PG&E-5), Chapter 4); and
- bonus depreciation under the Tax Act Memorandum Account (see Exhibit (PG&E-12), Chapter 9).

PG&E proposes to eliminate existing balancing and memorandum accounts for:

- gas leak survey and repair (see Exhibit (PG&E-3), Chapter 6C);
- the SmartGrid Pilot Program (see Exhibit (PG&E-4), Chapter 15 and Exhibit (PG&E-5), Chapter 7);
- Diablo Canyon Seismic Studies (see Exhibit (PG&E-5), Chapter 3);
- Photovoltaic (PV) program (see Exhibit (PG&E-5), Chapter 8);
- Energy Data Center (see Exhibit (PG&E-6), Chapter 2);
- Dynamic Pricing (see Exhibit (PG&E-6), Chapter 3); and
- SmartMeter™ Opt-Out (see Exhibit (PG&E-6), Chapter 7).

The existing Tax Act Memorandum Account would be used for any new legislation extending bonus depreciation. If, however, bonus depreciation is not extended, PG&E proposes to close this memorandum account as described in Exhibit (PG&E-12), Chapter 9.

D. A&G

As the Commission explained in PG&E's 1999 GRC decision, "A&G expenses are of a general nature and are not directly chargeable to any specific utility function. They include general office labor and supply expenses and items such as insurance, casualty payments, consultant fees, employee benefits, regulatory expenses, association dues, and stock and bond expenses."[9] A&G expenses support the Company's provision of safe and reliable gas and electric distribution and electric generation services. The process for forecasting A&G costs is set forth in the testimony and supporting workpapers of Exhibit (PG&E-9), as well as Exhibit (PG&E-8) for Human Resources.

E. Depreciation Study

As in past GRCs, PG&E has engaged a depreciation expert to study PG&E's plant additions, retirement and net salvage data, to review present depreciation rates and to recommend changes to those rates for its distribution and generation plant as necessary. The depreciation study is described in Exhibit (PG&E-10), Chapter 11.

F. Post Test Year Ratemaking - Attrition

PG&E seeks an attrition ratemaking mechanism for 2018 and 2019 that increases the Company's authorized revenues to reflect increases in capital costs due to its ongoing investments in infrastructure, as well as increases in wages and other expenses due to inflation. (See Exhibit (PG&E-11).) The primary driver of attrition increases in this GRC is capital investment which drives increases in rate base and depreciation expense, irrespective of inflation. As for the expense portion of attrition, PG&E's attrition proposal includes a fixed and pre-forecasted escalation of labor, medical costs, goods and services that PG&E must purchase to operate its business, as well as other adjustments described in Exhibit (PG&E-11). The Company estimates that its attrition proposal will result in an increase of approximately $489 million for 2018 and an additional $390 million for 2019.

G. Studies and Information Required by Previous Commission Policy Statements or Decisions

In its decision on PG&E's 1984 GRC, the Commission ordered PG&E to provide, among other things, a "presentation of levels of wages and salaries estimated by the utility for comparison with similar wages and salaries paid in the marketplace."[10] This presentation,

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9/ D.00-02-046, *mimeo*, pp. 243-244 (PG&E 1999 GRC).

10/ D.83-12-068; 14 CPUC 2d 15, 263, Ordering Paragraph 15.d.

referred to as the Total Compensation Study, is set forth in Exhibit (PG&E-8), Chapter 7. In prior years, the Commission's Office of Ratepayer Advocates (ORA) was a joint sponsor with PG&E of the Total Compensation Study. ORA has elected not to participate in this study.

Other compliance items pertaining to this GRC are listed in Exhibit (PG&E-12), Chapter 8.

H. Recorded Data

Pursuant to the historic Rate Case Plan's requirement regarding recorded data, PG&E is presenting recorded data, in Results of Operations format, for base year 2014.

I. Previously Litigated Issues

In this Application, PG&E asks that the Commission revisit the following issues, which have been previously litigated by the Commission.

Long Term Seismic Study Program costs: PG&E proposes to recover Long Term Seismic Program costs for 2017-2019 at the Diablo Canyon Power Plant in this GRC. In the 2014 GRC, the CPUC adopted a recommendation from the Alliance for Nuclear Responsibility to transfer such costs for 2014-2016 to a balancing account and review these costs in the Energy Resource Recovery Account proceeding.[11/] As described in Exhibit (PG&E-5), Chapter 3, PG&E proposes to restore recovery of the Long Term Seismic Program costs back to the GRC.

Short-Term Incentive Plan (STIP): One A&G issue in this case deals with recovery of that portion of management employee compensation which is at risk pursuant to the Company's STIP. The Commission has addressed this issue in several rate cases and has authorized recovery of varying amounts. Although the Commission has supported recovery of 100 percent of incentive compensation programs,[12/] in PG&E's most-recent GRC, the Commission approved recovery of only about 68 percent of forecast STIP.[13/] In the current

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11/ D.14-08-032, *mimeo*, p. 737, Ordering Paragraph 29.a. (PG&E 2014 GRC).

12/ D.04-07-022, *mimeo*, pp. 213-217 (SCE 2003 GRC); D.06-05-016, *mimeo*, pp. 127-132 (SCE 2006 GRC); D.08-07-046, *mimeo*, p. 22 (Sempra 2008 GRC).

13/ D.14-08-032, *mimeo*, pp. 516-524 (PG&E 2014 GRC).

case, PG&E demonstrates that recovery of the full STIP revenue requirement for non-officer employees (as described in Exhibit (PG&E-8), Chapter 3) is just and reasonable.

Total Compensation Variance to Market: For the 2014 GRC, the Commission concluded that ratepayers should not fund employee compensation that exceeds 5 percent above the market median.[14/] In prior rate cases, the Commission has not consistently applied a 5 percent standard. In some instances, the Commission has applied a 10 percent variance.[15/] The Commission's use of a variance has sometimes corresponded with the margin of error or range of competitiveness that was identified in the associated Total Compensation Study. In the matter at hand, the compensation consultant Towers Watson concluded that PG&E's actual compensation was at 105.1 percent of the market average and that a range of +/- 10 percent was appropriate to determine competitiveness of compensation. (Exhibit (PG&E-8), Chapter 7.) For the reasons explained in Exhibit (PG&E-8), Chapter 3, PG&E contends that use of a 5 percent variance to limit recovery is inappropriate.

Supplemental Executive Retirement Plan (SERP): PG&E seeks recovery of its SERP for non-qualified pensions and administrative costs. Citing precedent in recent Southern California Edison and Sempra GRCs, the Commission adopted ratepayer funding for only 50 percent of PG&E's forecast for SERP non-qualified pensions in PG&E's last GRC.[16/] The Commission has repeatedly acknowledged that both ratepayers and shareholders benefit from these plans.[17/] The fact that shareholders may also benefit from a plan is no reason for disallowance of cost recovery. For this reason and those described in Exhibit (PG&E-8), Chapter 4, PG&E requests that the Commission authorize PG&E to recover the full cost of SERP.

Employee Service Awards: In PG&E's last GRC, the Commission reduced its forecast of employee service awards by 50 percent due to shareholder benefits relating to

14/ D.14-08-032, *mimeo*, pp. 515-516 (PG&E 2014 GRC).

15/ D.14-08-032, *mimeo*, p. 515 (PG&E 2014 GRC).

16/ D.14-08-032, *mimeo*, pp. 533-535 (PG&E 2014 GRC).

17/ D.14-08-032, *mimeo*, p. 535 (PG&E 2014 GRC).

building loyalty between employees and the Company.[18] As discussed above, the fact that shareholders may also benefit is no reason for disallowance. For this reason and the others described in Exhibit (PG&E-8), Chapter 4, PG&E asks that the Commission revisit its approach to this issue and approve the full amount.

Directors and Officers (D&O) Liability Insurance: Another issue in this case is recovery of premiums for D&O liability insurance, as discussed in Exhibit (PG&E-9), Chapter 3. The Commission has acknowledged that D&O liability insurance is a necessary and reasonable cost of doing business, provides significant benefit to customers and is critical to obtaining and retaining qualified directors and officers. On these grounds, the Commission previously allowed the utility to include the costs of this insurance in rates.[19] However, in PG&E's last GRC and others that came before it, the Commission authorized only 50 percent of D&O liability insurance premiums in rates.[20] Because the Commission has acknowledged the necessity of this type of coverage,[21] PG&E requests that the Commission authorize PG&E to recover the full amount of D&O liability insurance premiums in rates.

Customer Deposits and Nuclear Fuel: Customer deposits and nuclear fuel – issues often discussed in this section – will be addressed in PG&E's next cost of capital proceeding. PG&E will address these issues in that proceeding pursuant to the Commission's directives in PG&E's last GRC.[22] As noted in Exhibit (PG&E-10), Chapters 13 and 14, PG&E proposes that any revenue requirement impacts from these items be applied retroactively to January 1, 2017, once the Commission decides the appropriate ratemaking treatment.

J. Matters Determined in Phase 2 of this Proceeding

The historic Rate Case Plan required electric utilities to submit, as part of the GRC application, cost allocation studies by classes of service and marginal cost data in sufficient

18/ D.14-08-032, *mimeo*, pp. 536-537 (PG&E 2014 GRC).

19/ D.87-12-066, 26 CPUC 2d 392, 422 (SCE 1988 GRC).

20/ D.14-08-032, *mimeo*, pp. 551-552 (PG&E 2014 GRC).

21/ D.96-01-011, 64 CPUC 2d 241, 319 (SCE 1996 GRC).

22/ D.14-08-032, *mimeo*, pp. 624 and 629 (PG&E 2014 GRC).

detail to allow the development of rates for each customer class, with a complete electric rate design proposal to be filed no later than 90 days after filing of the application.[23/] Consistent with past practice, PG&E will present in "Phase 2" of this proceeding, electric marginal cost, revenue allocation, and rate design, on a later timetable than the revenue requirement showing in this "Phase 1." Accordingly, PG&E is not including electric marginal costs and revenue allocation in this Application.[24/] Gas marginal costs, revenue allocation, and rate design are addressed in the BCAP.

K. Estimates by Account

As discussed above, throughout its testimony and supporting workpapers, PG&E has presented its estimates by MWC consistent with how the Company plans, budgets, and manages it operations. In addition, PG&E has presented its O&M and A&G estimates in this Application by FERC Account.

L. Guidelines or Directions Affecting PG&E's GRC Presentation

The historic Rate Case Plan provides that "[w]hen controlling affiliates provide guidelines or directions to the Company's presentation, these shall be set forth in the direct showing or available in the workpapers."[25/] PG&E Corporation has been apprised of and has participated in the development of this GRC application. PG&E Corporation departments also provided information regarding the cost of services the PG&E Corporation provides to the Utility, which are described in Exhibit (PG&E-9).

M. Proposal for Implementing Proposed Revenue Change at the Beginning of the Test Year

Proposals for implementing electric and gas revenue changes on January 1, 2017, are set forth in Exhibit (PG&E-12), Chapters 6 (electric) and 7 (gas), and the workpapers supporting those chapters.

23/ D.07-07-004, *mimeo*, p. A-22.

24/ PG&E requested and was granted permission to delay its 2017 GRC Phase 2 filing until March 31, 2015

25/ D.07-07-004, *mimeo*, p. A-32.

VIII. WORKPAPERS

PG&E's witnesses have prepared workpapers supporting PG&E's exhibits in accordance with the requirements of the Rate Case Plan. Consistent with prior practice, PG&E intends to request inclusion of the workpapers in the record of the 2017 GRC. Therefore, when the witnesses adopt their prepared and rebuttal testimony along with any other testimony that may be submitted, the witnesses will also sponsor and adopt their workpapers, if any.

IX. COMPLIANCE WITH THE COMMISSION'S RULES OF PRACTICE AND PROCEDURE

A. Statutory Authority

PG&E files this Application pursuant to Sections 451, 454, 728, 729, 740.4 and 795 of the Public Utilities Code, the Commission's Rules of Practice and Procedure, and prior decisions, orders, and resolutions of the Commission.

B. Legal Name and Principal Place of Business - Rule 2.1(a)

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E's principal place of business is San Francisco, California. Its post office address is Post Office Box 7442, San Francisco, California 94120.

C. Correspondence and Communication Regarding This Application - Rule 2.1.(b)

All correspondence and communications regarding this Application should be addressed to Steven W. Frank and Shelly J. Sharp at the addresses listed below:

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Steven W. Frank
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Overnight hardcopy delivery:

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Pacific Gas and Electric Company
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San Francisco, California 94105

D. Categorization - Rule 2.1.(c)

PG&E proposes that this Application be categorized as a "ratesetting" proceeding.

E. Need for Hearing - Rule 2.1(c)

PG&E anticipates that hearings will be requested. PG&E's proposed schedule is set forth in subsection G, below.

F. Issues to be Considered - Rule 2.1(c)

The principal issues are whether:

1. The proposed revenue requirement for the electric distribution function in 2017 is just and reasonable and the Commission should authorize PG&E to reflect the adopted electric distribution revenue requirement in rates.

2. The proposed revenue requirement for the gas distribution function in 2017 is just and reasonable and the Commission should authorize PG&E to reflect the adopted gas distribution revenue requirement in rates.

3. The proposed revenue requirement for the electric generation function in 2017 is just and reasonable and the Commission should authorize PG&E to reflect the adopted revenue requirement in rates.

4. The Budget Compliance Reports required by PG&E's 2011 and 2014 GRCs should be continued through the 2017 GRC period as described in Exhibit (PG&E-2), Chapter 1.

5. With respect to the Gas Distribution organization described in Exhibit (PG&E-3):

a. The proposed revision to PG&E's policies in order to remove idle stubs should be approved, as described in Chapter 4.

b. The two-way balancing account for leak survey and repair should be closed, as described in Chapter 6C.

6. With respect to the Electric Distribution organization described in Exhibit (PG&E-4):

a. The two-way balancing account for major emergency costs should be continued, as described in Chapter 4.

b. The facilities charge associated with the light-emitting diode (LED) Streetlight Conversion program should be continued, as described in Chapter 6.

c. The one-way balancing account and tracking account for Vegetation Management should be continued, as described in Chapter 7.

d. The ongoing revenue requirements associated with the costs of Smart Grid pilot deployment projects should be approved and included in the 2017 GRC, as described in Chapter 15.

e. The annual PG&E Electric Tariff Rule 20A work credit allocation amount of $41.3 million should be extended through 2019, as described in Chapter 18.

7. With respect to the Energy Supply organization described in Exhibit (PG&E-5):

a. The two-way balancing account for implementation of rulemaking requirements associated with nuclear safety and security should be continued, as described in Chapter 3.

b. The two-way balancing account associated with FERC hydroelectric relicensing and new/amended license conditions should be continued, as described in Chapter 4.

c. The proposal to return the underspending in the two aforementioned balancing accounts should be approved, as described in Chapter 8.

d. The credit of the Department of Energy refunds to the generation revenue requirement should be continued, as described in Chapter 8.

e. The Diablo Canyon Seismic Studies Balancing Account should be closed and the costs associated with the Diablo Canyon Power Plant Long Term Seismic Program should be included in the generation revenue requirement, as described in Chapter 8.

f. The costs of the second refueling outage at Diablo Canyon and of the costs associated with the Colusa and Gateway Generating Station major outages associated with their Long-Term Service Agreements should be levelized over the 2017 GRC period, as described in Chapter 8.

g. The ongoing revenue requirement associated with PG&E's Photovoltaic Program assets should be included in the generation revenue requirement going forward, and the capital cost savings related to the PV Program should continue to be credited to the Utility Generation Balancing Account, as described in Chapter 8.

h. The ongoing revenue requirements associated with the costs of Smart Grid pilot deployment projects should be approved and included in the 2017 GRC, as described in Chapter 8.

8. With respect to the Customer Care organization described in Exhibit (PG&E-6):

a. The Memorandum of Understanding between the Small Business Utility Advocates and PG&E should be adopted, as described in Chapter 2.

b. The Energy Data Center Memorandum Accounts should be closed, as described in Chapter 2.

c. The Dynamic Pricing Memorandum Account should be closed, as described in Chapter 3.

d. The alternative proposal to revise telephone service levels should be adopted, as described in Chapter 4.

e. The Memorandum of Understanding between the Center for Accessible Technology and PG&E should be adopted, as described in Chapter 5.

f. The alternative proposal to close 26 customer service offices should be adopted, as described in Chapter 5.

g. The SmartMeter™ Opt-Out Memorandum Accounts should be closed, as described in Chapter 7.

h. The requirement to perform accuracy testing of certain gas meters that have been removed from service should be eliminated, as described in Chapter 7.

i. The proposed reductions to customer fees (i.e., the reconnection fees and non-sufficient funds fees) should be adopted, as described in Chapter 8.

j. The proposed clarification to the calculation of PG&E's uncollectibles factor should be adopted, as described in Chapter 8.

9. With respect to PG&E's Results of Operations material set forth in Exhibit (PG&E-10):

a. The proposed allocation of common costs (A&G expenses and common plant) should be approved for use in other, non-GRC Commission ratemaking mechanisms, as described in Chapter 7.

b. The forecast of payroll and other taxes should be approved, as described in Chapter 8.

c. The forecast of rate base should be approved, as described in Chapters 9 and 14.

d. The forecast of depreciation reserve and expense and accompanying depreciation parameters, including the proposed adjustment relating to the Kern Power Plant Order Instituting Rulemaking (I.14-08-022), should be approved, as described in Chapter 10.

e. The forecast of income and property taxes should be approved, as described in Chapter 12.

f. The computations for working cash should be approved, as described in Chapter 13.

g. The forecast of other operating revenue should be approved, as described in Chapter 17.

10. With respect to the Post Test-Year Ratemaking proposal set forth in Exhibit (PG&E-11):

a. The proposed attrition adjustments for 2018 and 2019 for the electric and gas distribution and electric generation functions should be approved, as described in Chapter 1.

b. The proposal to implement the annual adjustments through the Annual Electric True-Up and Annual Gas True-Up filings should be approved, as described in Chapter 1.

11. With respect to PG&E's General Report material set forth in Exhibit (PG&E-12):

a. The proposed modifications to reporting requirements should be approved, as described in Chapter 8.

b. The revisions to existing balancing and memorandum accounts should be approved, as described in Chapter 9.

c. The proposed simplification to the accounting procedures for affiliate transfer fees should be approved, as described in Chapter 9.

G. Proposed Schedule – Rule 2.1(c)

The Rate Case Plan identifies certain activities associated with processing a GRC and specifies the dates by which these activities should occur. PG&E's proposed schedule, which tracks the Rate Case Plan, is as follows:

Activity	Date
File Application	September 1, 2015
Initial Public Workshop	September 29, 2015
Prehearing Conference	By October 30, 2015
Additional Public Workshops	October/November 2015
SmartMeter Cost-Effectiveness Exhibit	December 1, 2015
ORA Testimony	February 22, 2016[26/]
Supplemental PG&E Testimony	February 22, 2016
Intervenor Testimony	March 17, 2016
Public Participation Hearings	March/April
Rebuttal Testimony (incl. response to Supplemental Testimony)	May 2, 2016[27/]
Evidentiary Hearings begin	May 16, 2016
Evidentiary Hearings end	June 10, 2016
Comparison Exhibit (if necessary)	July 1, 2016
Opening Briefs	July 8, 2016
Reply Briefs	July 29, 2016
Administrative Law Judge Proposed Decision (PD)	November 8, 2016
Comments on PD	November 28, 2016
Reply to PD Comments	December 5, 2016
Decision	December 8, 2016

The above schedule departs from that set forth in the Rate Case Plan only in one immaterial respect. That is, PG&E has proposed providing supplemental testimony on the same date that ORA provides its testimony. PG&E's supplemental testimony would be

26/ The Rate Case Plan prescribes a deadline of February 20. (D.14-12-025, *mimeo*, p.42.) Since February 20, 2016 is a Saturday, the deadline should fall on Monday, February 22, 2016.

27/ The Rate Case Plan prescribes a deadline of May 1. (D.14-12-025, *mimeo*, p.42.) Since May 1, 2016 is a Sunday, the deadline should fall on Monday, May 2, 2016.

limited to the topics listed below and is intended to eliminate the need for the update testimony and hearings, which is envisioned in the Rate Case Plan for "May/June," "if necessary."[28/]

PG&E's supplemental testimony would address the following areas: (i) an updated tax forecast to reflect expected Internal Revenue Service developments concerning the tax repair deduction; (ii) an update to conform labor escalation assumptions to reflect collective bargaining agreements that should be finalized in late 2015; and (iii) an update to the methodology designed to allocate shareholder remedy costs between gas transmission and distribution, as discussed in Section VII.B above. With this supplemental testimony, PG&E would also present an updated Results of Operations (RO) model reflecting these updates as well as any errata.

PG&E is committed to taking whatever other steps it can to accelerate and streamline this proceeding. In this regard, PG&E has included in the above schedule the opportunity for more workshops than the one required by the Rate Case Plan. PG&E anticipates that the October workshop will, similar to those offered by PG&E during its last GRC, provide parties with a roadmap of the filing and summarize the contents of the exhibits. PG&E expects that the subsequent workshops could cover topics such as PG&E's risk showing, agreements reached with other parties, as well as other topics of particular interest to parties. PG&E will look for chances to explore additional measures during the course of the case to help keep the proceeding on schedule.

H. Articles of Incorporation - Rule 2.2

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, is on record before the Commission in connection with PG&E's Application 04-05-005, filed with the Commission on May 3, 2004.

28/ D.14-12-025, *mimeo*, p.42.

These articles are incorporated herein by reference pursuant to Rule 2.2 of the Commission's Rules.

I. Balance Sheet and Income Statement - Rule 3.2(a)(1)

PG&E's balance sheet and an income statement for the three months ending June 30, 2015, are contained in Exhibit A of this Application.[29/]

J. Statement of Presently Effective Rates - Rule 3.2(a)(2)

The presently effective gas and electric rates PG&E proposes to modify are set forth in Exhibit B of this Application.

K. Statement of Proposed Changes and Results of Operations at Proposed Rates - Rule 3.2(a)(3)

The proposed changes and the Results of Operations at Proposed Rates are set forth in Exhibits C and D of this Application.

L. General Description of PG&E's Electric and Gas Department Plant - Rule 3.2(a)(4)

A general description of PG&E's Electric Department and Gas Department properties, their original cost, and the depreciation reserve applicable to these properties are shown in Exhibit E of this Application.

M. Summary of Earnings - Rules 3.2(a)(5) and 3.2(a)(6)

Exhibit F shows for the recorded year 2014 the revenues, expenses, rate base and rate of return for PG&E's Electric and Gas Departments.

N. Statement of Election of Method of Computing Depreciation Deduction for Federal Income Tax - Rule 3.2(a)(7)

A statement of the method of computing the depreciation deduction for federal income tax purposes is included in Exhibit G.

O. Most Recent Proxy Statement - Rule 3.2(a)(8)

PG&E's most recent proxy statement dated March 25, 2015, was filed with the Commission in Application 15-05-016 on May 28, 2015. This proxy statement is incorporated herein by reference.

29/ See also Exhibit (PG&E-10), Chapter 2.

P. Type of Rate Change Requested - Rule 3.2(a)(10)

This proposed rate change reflects changes in PG&E's base revenues to reflect the costs PG&E incurs to own, operate and maintain its gas and electric plant and to enable PG&E to provide service to its customers.

Q. Notice and Service of Application - Rule 3.2(b)-(d)

Within twenty (20) days after filing this Application, PG&E will mail a notice stating in general terms the proposed revenues, rate changes, and ratemaking mechanisms requested in this Application to the parties listed in Exhibit H, including the State of California and cities and counties served by PG&E. In accordance with Rule 1.9(d), a Notice of Availability of the Application and attachments is being served on the parties of record in PG&E's 2014 GRC (A.12-11-009/I.13-03-007).

PG&E will publish in newspapers of general circulation in each county in its service territory a notice of filing this Application. PG&E will also include notices with the regular bills mailed to all customers affected by the proposed changes.

R. Exhibit List and Statement of Readiness

PG&E is ready to proceed with this case based on the testimony of witnesses regarding the facts and data contained in the accompanying exhibits in support of the revenue request set forth in this Application. A list of PG&E's testimony by Exhibit and Chapter number is attached as Exhibit J.

X. REQUEST FOR COMMISSION ORDERS

PG&E requests that the Commission issue appropriate orders:

1. Finding that the proposed revenue requirement for the electric distribution function in 2017 is just and reasonable and that PG&E may reflect the adopted electric distribution revenue requirement in rates.

2. Finding that the proposed revenue requirement for the gas distribution function in 2017 is just and reasonable and that PG&E may reflect the adopted gas distribution revenue requirement in rates.

3. Finding that the proposed revenue requirement for the electric generation function in 2017 is just and reasonable and that PG&E may reflect the adopted electric generation revenue requirement in rates.

4. Finding that the Budget Compliance Reports required by PG&E's 2011 and 2014 GRCs should be continued through the 2017 GRC period.

5. With respect to the Gas Distribution organization described in Exhibit (PG&E-3), finding that:

a. The proposed revision to PG&E's policies in order to remove idle stubs should be approved.

b. The two-way balancing account for leak survey and repair should be closed.

6. With respect to the Electric Distribution organization described in Exhibit (PG&E-4), finding that:

a. The two-way balancing account for major emergency costs should be continued.

b. The facilities charge associated with the light-emitting diode (LED) Streetlight Conversion program should be continued.

c. The one-way balancing account and tracking account for Vegetation Management should be continued.

d. The ongoing revenue requirements associated with the costs of Smart Grid pilot deployment projects should be included in the 2017 GRC.

e. The annual PG&E Electric Tariff Rule 20A work credit allocation amount of $41.3 million should be continued through 2019.

7. With respect to the Energy Supply organization described in Exhibit (PG&E-5), finding that:

a. The two-way balancing account for implementation of rulemaking requirements associated with nuclear safety and security should be continued.

b. The two-way balancing account associated with FERC hydroelectric relicensing and new/amended license conditions should be continued.

c. The proposal to return the underspending in the two aforementioned balancing accounts should be approved.

d. The credit of the Department of Energy refunds to the generation revenue requirement should be continued.

e. The Diablo Canyon Seismic Studies Balancing Account should be closed and the costs associated with the Diablo Canyon Power Plant Long Term Seismic Program should be included in the generation revenue requirement.

f. The costs of the second refueling outage at Diablo Canyon and of the costs associated with the Colusa and Gateway Generating Station major outages associated with their Long-Term Service Agreements should be levelized over the 2017 GRC period.

g. The ongoing revenue requirement associated with PG&E's Photovoltaic Program assets should be included in the generation revenue requirement going forward, and the capital cost savings related to the PV Program should continue to be credited to the Utility Generation Balancing Account.

h. The ongoing revenue requirements associated with the costs of Smart Grid pilot deployment projects should be included in the 2017 GRC.

8. With respect to the Customer Care organization described in Exhibit (PG&E-6), finding that:

a. The Memorandum of Understanding between the Small Business Utility Advocates and PG&E is reasonable, in the public interest, and should be adopted.

b. The Energy Data Center Memorandum Accounts should be closed.

c. The Dynamic Pricing Memorandum Account should be closed.

d. The alternative proposal to revise telephone service levels should be adopted.

e. The Memorandum of Understanding between the Center for Accessible Technology and PG&E is reasonable, in the public interest, and should be adopted.

f. The alternative proposal to close 26 customer service offices should be adopted.

g. The SmartMeter™ Opt-Out Memorandum Account should be closed.

h. The requirement to perform accuracy testing of certain gas meters that have been removed from service should be eliminated.

i. The proposed reductions to customer fees (i.e., the reconnection fees and non-sufficient funds fees) are just and reasonable and should be adopted.

j. The proposed clarification to the calculation of PG&E's uncollectibles factor is just and reasonable and should be adopted.

9. With respect to the Results of Operations material set forth in Exhibit (PG&E-10), finding that:

a. The proposed allocation of common costs (A&G expenses and common plant) is just and reasonable and should be approved for use in other, non-GRC Commission ratemaking mechanisms.

b. The forecast of payroll and other taxes is just and reasonable and should be approved.

c. The forecast of rate base is just and reasonable and should be approved.

d. The forecast of depreciation reserve and expense, including the proposed adjustment relating to the Kern Power Plant Order Instituting Rulemaking (I.14-08-022), is just and reasonable and should be approved.

e. The forecast of income and property taxes is just and reasonable and should be approved.

f. The computations for working cash are just and reasonable and should be approved.

g. The forecast of other operating revenue is just and reasonable and should be approved.

10. With respect to the Post Test-Year Ratemaking proposal set forth in Exhibit (PG&E-11), finding that:

a. The proposed attrition adjustments for 2018 and 2019 for the electric and gas distribution and electric generation functions are just and reasonable and should be approved.

b. The proposal to implement the annual adjustments through the Annual Electric True-Up and Annual Gas True-Up filings should be approved.

11. With respect to PG&E's General Report material set forth in Exhibit (PG&E-12), finding that:

a. The proposed modifications to reporting requirements should be approved, as described in Chapter 8.

b. The revisions to existing balancing and memorandum accounts should be approved, as described in Chapter 9.

c. The proposed simplification to the accounting procedures for affiliate transfer fees should be approved, as described in Chapter 9.

12. Establishing a schedule for the remainder of this proceeding pursuant to the Commission's Rate Case Plan and issuing other orders that will authorize the requested relief to become effective no later than January 1, 2017.

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13. Granting such additional relief as the Commission may deem proper.

Respectfully submitted,

MICHELLE L. WILSON
STEVEN W. FRANK

By: */s/ Steven W. Frank*
STEVEN W. FRANK

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

September 1, 2015

<u>VERIFICATION</u>

I, the undersigned, say:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, and am authorized, pursuant to Code of Civil Procedure Section 466, paragraph 3, to make this verification for and on behalf of said corporation, and I make this verification for that reason; I have read the foregoing pleading and I am informed and believe the matters therein are true and on that ground I allege that the matters stated therein are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed at San Francisco, California, on <u>August 31, 2015</u>.

/s/ Steven E. Malnight
Steven E. Malnight
Senior Vice President
Regulatory Affairs