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**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company for Compliance Review of Utility  
Owned Generation Operations, Electric Energy  
Resource Recovery Account Entries, Contract  
Administration, Economic Dispatch of Electric  
Resources, Utility Owned Generation Fuel  
Procurement, Diablo Canyon Seismic Studies  
Balancing Account, and Other Activities for the  
Period January 1 through December 31, 2016

A1702005  
Application 17-02-\_\_\_\_\_

(U 39 E)

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)  
FOR COMPLIANCE REVIEW OF UTILITY OWNED GENERATION OPERATIONS,  
ELECTRIC ENERGY RESOURCE RECOVERY ACCOUNT ENTRIES,  
CONTRACT ADMINISTRATION, ECONOMIC DISPATCH OF ELECTRIC  
RESOURCES, UTILITY OWNED GENERATION FUEL PROCUREMENT,  
DIABLO CANYON SEISMIC STUDIES BALANCING ACCOUNT, AND OTHER  
ACTIVITIES FOR THE PERIOD JANUARY 1 THROUGH DECEMBER 31, 2016**

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February 28, 2017

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## ACRONYM LIST

<u><b>Acronym</b></u>	<u><b>Full Title</b></u>
A.	Application
BPP	Bundled Procurement Plan
Commission	California Public Utilities Commission
CPUC	California Public Utilities Commission
CTC	Ongoing Competition Transition Charge
D.	Decision
DCPP	Diablo Canyon Nuclear Power Plant
DCSSBA	Diablo Canyon Seismic Studies Balancing Account
ERRA	Energy Resource Recovery Account
FF&U	Franchise Fees and Uncollectibles
GTSR	Green Tariff Shared Renewables
GTSRBA	Green Tariff Shared Renewables Balancing Account
GTSRMA	Green Tariff Shared Renewables Memorandum Account
LTSP	Long Term Seismic Program
MTCBA	Modified Transition Cost Balancing Account
OP	Ordering Paragraph
ORA	Office of Ratepayer Advocates
PG&E	Pacific Gas and Electric Company
QF	Qualifying Facility
RPS	Renewable Portfolio Standard
RPSCMA	Renewable Portfolio Standard Cost Memorandum Account
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric Company
STARS	Strategic Teaming and Resource Sharing
UOG	Utility-Owned Generation
Utilities	PG&E, SCE, and SDG&E collectively

**BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Compliance Review of Utility Owned Generation, Electric Energy Resource Recovery Account Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Retained Generation Fuel Procurement, and Other Activities for the Period January 1 through December 31, 2016

(U 39 E)

Application 17-02-\_\_\_\_\_

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)  
FOR COMPLIANCE REVIEW OF UTILITY OWNED GENERATION OPERATIONS,  
ELECTRIC ENERGY RESOURCE RECOVERY ACCOUNT ENTRIES,  
CONTRACT ADMINISTRATION, ECONOMIC DISPATCH OF ELECTRIC  
RESOURCES, UTILITY OWNED GENERATION FUEL PROCUREMENT,  
DIABLO CANYON SEISMIC STUDIES BALANCING ACCOUNT, AND OTHER  
ACTIVITIES FOR THE PERIOD JANUARY 1 THROUGH DECEMBER 31, 2016**

**I. INTRODUCTION**

Pacific Gas and Electric Company (“PG&E”) submits this Application for Energy Resource Recovery Account (“ERRA”) compliance review for the record period January 1 through December 31, 2016, pursuant to California Public Utilities Code Section 454.5(d), Rules 2.1 and 3.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), and relevant Commission decisions. PG&E respectfully requests that the Commission find that during the record period PG&E has complied with its Commission-approved Bundled Procurement Plan (“BPP”) in the areas of fuel procurement, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least cost dispatch of electric generation resources. PG&E requests that the Commission find that during the record period PG&E has managed its utility-owned generation (“UOG”) facilities reasonably.

PG&E requests that the Commission find that the record period expenditures in the Diablo Canyon Seismic Studies Balancing Account (“DCSSBA”) and the Green Tariff Shared Renewables Memorandum Account (“GTSRMA”) were reasonable, and that the record period entries in the Green Tariff Shared Renewables Balancing Account (“GTSRBA”) were consistent with applicable tariffs and Commission directives.

PG&E also requests that the Commission approve the cost recovery proposed in PG&E’s Prepared Testimony, which is being provided concurrent with this Application. Specifically, PG&E is seeking recovery of revenue requirements totaling \$5.689 million, not including associated interest and franchise fees and uncollectibles (“FF&U”)<sup>1</sup>, for the DCSSBA and the Renewables Portfolio Standard Cost Memorandum Account (“RPSCMA”).

## **II. BACKGROUND**

In 2002, the California Legislature and the Commission established the regulatory framework for PG&E, Southern California Edison Company (“SCE”), and San Diego Gas & Electric Company (“SDG&E”) (collectively, the “utilities”) to resume electricity procurement, beginning January 1, 2003. Public Utilities Code Section 454.5(d)(2) provided for a procurement plan that would:

Eliminate the need for after-the-fact reasonableness reviews of an electrical corporation’s actions in compliance with an approved procurement plan, including resulting electricity procurement contracts, practices, and related expenses. However, the commission may establish a regulatory process to verify and assure that each contract was administered in accordance with the terms of the contract, and contract disputes which may arise are reasonably resolved.

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<sup>1</sup> The final amounts for interest and FF&U are dependent upon when PG&E’s application is approved, and PG&E proposes to update the interest and FF&U components accordingly upon approval.

In Decision (“D.”) 02-10-062, the Commission implemented Section 454.5(d) by establishing ERRA balancing accounts for PG&E and the other utilities, requiring the utilities to track fuel and purchased power revenues against actual recorded costs,<sup>2</sup> and to establish an annual ERRA compliance review for the previous year. Since D.02-10-062 was issued, the Commission has addressed PG&E’s ERRA compliance applications in a number of proceedings.<sup>3</sup>

In D.15-10-031, the Commission approved PG&E’s 2014 BPP. The BPP was in effect during the entire 2016 record period and is the basis for PG&E’s 2016 compliance activities.

The ERRA regulatory process includes two annual proceedings - the first is an annual ERRA *Compliance* proceeding to review the utility’s compliance in the preceding year regarding energy resource contract administration, least-cost dispatch, fuel procurement, and the ERRA balancing account, and the second is an annual ERRA *Forecast* proceeding to adopt a forecast of the utility’s electric procurement cost revenue requirement and electricity sales for the coming year. PG&E’s last ERRA *Forecast* proceeding, for forecast year 2017, was filed as Application (“A.”) 16-06-003 and was approved by the Commission in D.16-12-038.

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<sup>2</sup> The ERRA records energy costs associated with serving bundled electric customers. These costs include post-2002 contracted resource costs, fuel costs of PG&E-owned generation resources, qualifying facility (“QF”) and purchased power costs, and other electric procurement costs such as natural gas hedging and collateral costs. The Ongoing Competition Transition Charge (“CTC”) forecast revenue requirement consists of the above-market costs associated with eligible contract arrangements entered into before December 20, 1995, and QF contract restructuring costs. Ongoing CTC costs are recorded in the Modified Transition Cost Balancing Account (“MTCBA”).

<sup>3</sup> See D.05-04-036 (January through May 2003); D.05-07-015 (June through December 2003); D.05-11-007 (2004); D.06-12-009 (2005); D.07-11-027 (2006); D.08-10-002 (2007); D.09-12-002 (2008); D.11-07-039 (2009); D.13-10-041 (2010); D.14-01-011 (2011); D.15-05-006 (addressing least-cost dispatch issues from the 2010 ERRA compliance proceeding); D.15-12-015 (modifying D.15-05-006); D.16-04-006 (2012); D.16-12-045 (2014).

### III. STANDARD OF REVIEW AND COMMISSION REQUIREMENTS

The Commission has issued a number of decisions discussing the standards of review for specific aspects of the utilities' ERRA Compliance applications, as well as requirements for additional information that should be included in ERRA Compliance applications. In general, PG&E has the burden of proof in ERRA Compliance proceedings, and satisfies that burden of proof based on a preponderance of the evidence.<sup>4</sup> In addition to this general principle regarding the burden of proof, the Commission has also adopted specific standards of review for various aspects of the ERRA Compliance application. Below, PG&E provides an overview of the standards of review for this Application, as well as Commission requirements for additional information and materials to be included in PG&E's ERRA Compliance application, testimony and workpapers.

#### A. Least-Cost Dispatch

In D.15-05-006, as modified by D.15-12-015, the Commission adopted, with minor modifications, the *Joint Utilities' Proposal for the Demonstration of Least-Cost Dispatch* beginning with the least-cost dispatch showing in this Application.<sup>5</sup> The Commission also required the utilities to include in their 2015 ERRA Compliance applications information identified in the *Metrics for Demand Response* proposed by the Office of Ratepayer Advocates ("ORA").<sup>6</sup> The Commission consolidated the joint utilities' proposal, with modifications, and ORA's demand response metrics in Attachment A to D.15-12-015. PG&E's showing in this Application is consistent with the Commission's requirements in D.15-05-006 and D.15-12-015.

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<sup>4</sup> D.16-04-006 at p. 11.

<sup>5</sup> D.15-05-006, Ordering Paragraph ("OP") 1.

<sup>6</sup> *Id.*, OP 3.



In addition, PG&E and ORA entered into a settlement in the 2014 ERRR Compliance proceeding (“2014 ERRR Settlement”) that included some agreements related to the least-cost dispatch and demand response showings in future ERRR Compliance proceedings.<sup>7</sup> The Commission approved the 2014 ERRR Settlement in D.16-12-045, and thus PG&E is incorporating the least-cost dispatch and demand response requirements from the 2014 ERRR Settlement into this Application. The least-cost dispatch and demand response showing for the record period is included in Chapter 1 of PG&E’s Prepared Testimony and the detailed workpapers associated with Chapter 1.

#### **B. Utility-Owned Generation Operation**

With regard to the operation of UOG resources, the Commission has applied a reasonable manager standard.<sup>8</sup> Under the reasonable manager standard,

utilities are held to a standard of reasonableness based upon the facts that are known or should have been known at the time. The act of the utility should comport with what a reasonable manager of sufficient education, training, experience, and skills using the tools and knowledge at his or her disposal would do when faced with a need to make a decision and act.<sup>9</sup>

The utility has the burden of proof to show that the reasonable manager standard has been met. For purposes of this Application, Chapters 2-4 of the Prepared Testimony and the corresponding workpapers satisfy PG&E’s burden of proof that it operated its UOG facilities in compliance with the Commission’s reasonable manager standard.

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<sup>7</sup> See *Pacific Gas and Electric Company’s and the Office of Ratepayer Advocates’ Motion for Approval of Settlement Motion for Approval of Proposed Settlement*, filed September 10, 2015 in A.15-02-023.

<sup>8</sup> D.11-10-002 at p. 11; D.16-04-006 at pp. 11-12.

<sup>9</sup> *Id.* at p. 11, n. 2 (quoting D.90-09-088, 37 CPUC 2d 488, 499 (1990)).

### **C. Contract Administration, Fuel Costs, and Hedging**

With regard to contract administration, the Commission reviews whether procurement contracts have been administered prudently and in compliance with the contract provisions.<sup>10</sup> In Chapter 8 of the Prepared Testimony and the corresponding workpapers, PG&E demonstrates that it prudently administered its contracts.

PG&E also recovers fuel costs associated with its UOG facilities, as well as some third-party contracts, through ERRA. In Chapter 6 of the Prepared Testimony, PG&E describes its fuel costs and demonstrates that it acted as a reasonable manager and consistent with its BPP authority with regard to fuel procurement during the record period. Chapter 6 also describes the electric portfolio hedging activities that occurred during 2016, and demonstrates that these activities were consistent with PG&E's hedging authority under the Commission-approved BPP.

### **D. The Diablo Canyon Seismic Studies Balancing Account, The Green Tariff Shared Renewables Memorandum Account, The Green Tariff Shared Renewables Balancing Account, And The Renewables Portfolio Standard Cost Memorandum Account**

#### **1. The Diablo Canyon Seismic Studies Balancing Account**

In D.10-08-003, the Commission granted PG&E's request to comply with the California Energy Commission's recommendation to perform additional seismic studies in and around the Diablo Canyon Nuclear Power Plant ("DCPP") as a part of the relicensing process. On September 13, 2012, the Commission approved D.12-09-008 which: (1) authorized PG&E to record and recover its actual costs of implementing DCPP seismic activities;<sup>11</sup> and (2) directed PG&E to recover balances in the DCSSBA, including balances recorded in the Independent Peer

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<sup>10</sup> D.11-07-039 at p. 9; *see also* D.16-04-006 at p. 12 ("prudent" management is the same as the "reasonable" manager standard).

<sup>11</sup> D.12-09-008 at OP 1.

Review Panel subaccount, in PG&E's annual ERRA Compliance proceedings.<sup>12</sup> PG&E is required to provide support for the amounts actually incurred and recorded in the DCSSBA, and show that these amounts are consistent with PG&E's request in its seismic studies application (*i.e.*, A.10-01-014) and were reasonably incurred.<sup>13</sup>

In D.14-08-032, the Commission directed that costs associated with PG&E's Long Term Seismic Program ("LTSP") be transferred to the DCSSBA and that the LTSP costs be reviewed as part of the ERRA compliance review.<sup>14</sup>

In Chapter 5 of PG&E's Prepared Testimony and the corresponding workpapers, PG&E provides an accounting of amounts actually incurred and recorded in the DCSBBA for the record period, and demonstrates that the amounts are reasonable. Chapter 14 sets out PG&E's cost recovery request associated with the DCSSBA.

## **2. The Green Tariff Shared Renewables Memorandum Account**

In D.15-01-051, the Commission approved the Green Tariff Shared Renewables ("GTSR") Programs for PG&E, SCE, and SDG&E. As part of that, for each utility the Commission established a GTSRMA to cover administrative and marketing costs associated with the utility's GTSR program.<sup>15</sup> The reasonableness of costs recorded in a utility's GTSRMA is subject to review in the utility's ERRA compliance proceedings.<sup>16</sup> Chapter 11 of the Prepared Testimony describes the amounts incurred and recorded in PG&E's GTSRMA during the record period, and that they were reasonably incurred.

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<sup>12</sup> *Id.* at OPs 4 and 10.

<sup>13</sup> *Id.*; *see also* D.16-04-006 at p. 12.

<sup>14</sup> D.14-08-032 at p. 411.

<sup>15</sup> D.15-01-051 at pp. 112-15.

<sup>16</sup> D.15-01-051 at p. 113.

### **3. The Green Tariff Shared Renewables Balancing Account**

In D.15-01-051, the Commission also established the GTSRBA.<sup>17</sup> Chapter 11 also describes the amounts incurred and recorded in the GTSRBA during the record period, demonstrating that they were in compliance with applicable tariffs and Commission directives.

### **4. The Renewables Portfolio Standard Cost Memorandum Account**

In D.06-10-050, the Commission established the RPSCMA to track the third-party consultant costs incurred by the Commission and paid by PG&E in connection with the Commission's implementation and administration of the Renewables Portfolio Standard ("RPS").<sup>18</sup> PG&E pays its share of the invoices, after they are approved by the Commission, and records the amounts in the RPSCMA. Chapter 12 includes a description of the RPSCMA, and Chapter 14 sets out PG&E's cost recovery request associated with the RPSCMA.

### **E. Additional ERRA Application Requirements**

In recent years, a number of Commission decisions and/or settlements in earlier ERRA Compliance proceedings have required specific items to be included in ERRA Compliance applications. In addition to the items described above, PG&E is providing in its Prepared Testimony and/or workpapers information consistent with Commission directives and/or earlier settlements. The following table summarizes additional ERRA Application requirements adopted by the Commission in decisions or when it approved settlements, including the subject area, a brief description, source of the requirement, and the location in PG&E's testimony or workpapers. The requirements are organized chronologically to reflect when they were adopted by the Commission:

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<sup>17</sup> D.15-01-051, at Finding of Fact 145.

<sup>18</sup> D.06-10-050, at OP 8.

<b>Subject Area</b>	<b>Description</b>	<b>Source of Requirement</b>	<b>Location in Prepared Testimony or Workpapers</b>
<b>Generation Fuel Costs</b>	Fuelco information	D.05-09-006, Attachment A (Settlement Agreement, ¶ 4)	Chapter 6
<b>Hedging</b>	Include a “high level discussion of [PG&E’s] internal procedures and controls for ensuring compliance with Commission-approved hedging plans.”	D.11-07-039, OP 3	Chapter 6
<b>STARs Alliance Costs</b>	STARs Alliance activities and operating costs	D.12-05-010, OP 3	Chapter 6 and associated workpapers
<b>Diablo Canyon Seismic Studies</b>	Recover balances in the DCSSBA ( <i>i.e.</i> , the Diablo Canyon Seismic Studies Balancing Account), including balances recorded in the Independent Peer Review Panel subaccount	D.12-09-008, Ops 4 and 10	Chapter 5 and associated workpapers
<b>Audit Plan</b>	Provision of a draft audit plan to ORA in November and meetings to review the draft audit plan	D.14-01-011, Attachment A, §2.4.1 (2011 ERRa Settlement)	Provided to ORA on November 30, 2016
<b>Least Cost Dispatch</b>	Review and document material changes to LCD business processes	D.14-01-011, Attachment A, §2.4.2 (2011 ERRa Settlement)	Chapter 1 and associated workpapers
<b>Least Cost Dispatch</b>	Document review and justify changes to LCD models	D.14-01-011, Attachment A, §2.4.2 (2011 ERRa Settlement)	Chapter 1 and associated workpapers
<b>ERRa Balancing Account</b>	Audit of ERRa balancing account	D.14-01-011, Attachment A, §2.4.3 (2011 ERRa Settlement)	Not applicable <sup>19</sup>
<b>UOG Outages</b>	PG&E will address UOG outages and associated fuel costs, if applicable, in future ERRa Compliance proceedings	D.14-01-011, Attachment A, §2.4.4 (2011 ERRa Settlement)	Chapters 2-4, 6 and associated workpapers

<sup>19</sup> The ERRa balancing account audit is only required every four (4) years. Since the last audit was performed for the 2013 record period, the next audit will not be required until the 2017 record period.

<b>Subject Area</b>	<b>Description</b>	<b>Source of Requirement</b>	<b>Location in Prepared Testimony or Workpapers</b>
<b>Long-Term Seismic Program Costs</b>	Include LTSP costs in DCSSBA for review in ERRRA compliance proceeding	D.14-08-032 at p. 411	Chapter 5 and associated workpapers
<b>Least Cost Dispatch</b>	Include LCD showing and metrics for economically triggered demand response programs	D.15-05-006 and D.15-12-015	Chapter 1 and associated workpapers
<b>Green Tariff Shared Renewables</b>	Review GTSR Program administration and marketing costs for the record period	D.15-01-051 at p. 113	Chapter 11 and associated workpapers
<b>Green Tariff Shared Renewables</b>	Review GTSR balancing account entries, including true-up of costs and revenues	D.15-01-051, Conclusion of Law 59	Chapter 11
<b>Least Cost Dispatch</b>	Specified Demand Response Program Metrics included in least cost dispatch chapter	D.16-12-045, Settlement § 2.1 (2014 ERRRA Settlement)	Chapter 1
<b>Least Cost Dispatch</b>	Independent review by outside party of PG&E's process for short term load and price forecasts (review to be on a one-time basis, not annual)	D.16-12-045, Settlement § 2.2 (2014 ERRRA Settlement)	Chapter 1
<b>Least Cost Dispatch</b>	Evaluation of price forecast accuracy for all days of record period	D.16-12-045, Settlement § 2.3 (2014 ERRRA Settlement)	Chapter 1 and associated workpapers
<b>Least Cost Dispatch</b>	Description of decision-making process re use of proxy or registered costs for resources	D.16-12-045, Settlement § 2.4	Chapter 1
<b>Least Cost Dispatch</b>	Information regarding resources that did not have bids submitted	D.16-12-045, Settlement § 2.5	Chapter 1 (non-specific, non-confidential); Workpapers (specific, confidential)
<b>Least Cost Dispatch</b>	Independent review by outside party of PG&E's hydro dispatch model (review to be on a one-time basis, not annual)	D.16-12-045, Settlement § 2.6 (2014 ERRRA Settlement)	Chapter 1

<b>Subject Area</b>	<b>Description</b>	<b>Source of Requirement</b>	<b>Location in Prepared Testimony or Workpapers</b>
<b>Least Cost Dispatch</b>	PG&E and ORA to work informally to address hydro-self-scheduling documentation and information concerning dispatchable renewable resources to be included in future ERRA Compliance applications	D.16-12-045, Settlement §§ 2.7-2.8 (2014 ERRA Settlement)	Chapter 1
<b>Demand Response</b>	Definition of “operational constraints” as a reason not to dispatch when DR program economic triggers are met	D.16-12-045, Settlement § 3.2 (2014 ERRA Settlement)	Chapter 1
<b>Demand Response</b>	General set of guidelines for situations in which “customer fatigue” may occur in connection with DR programs	D.16-12-045, Settlement § 3.2 (2014 ERRA Settlement)	Chapter 1
<b>Demand Response</b>	Definition of “opportunity cost” as a reason not to dispatch DR programs when economic triggers are met	D.16-12-045, Settlement § 3.6 (2014 ERRA Settlement)	Chapter 1
<b>Demand Response</b>	Develop quantitative opportunity cost measure as a metric	D.16-12-045, Settlement §§ 3.8-3.9 (2014 ERRA Settlement)	Chapter 1
<b>Maximum Disallowance Amount</b>	Standard of Conduct 4 maximum disallowance amount and associated workpapers	D.16-12-045, Settlement § 5.3 (2014 ERRA Settlement)	Chapter 13
<b>Incentive for Distributed Energy Resources</b>	Review and recovery of incentive payments for certain distributed energy resources	D.16-12-036, OP 22	Not applicable to this ERRA Compliance application

In addition to settlements in the 2011 and 2014 ERRA Compliance proceedings, PG&E and ORA also entered into a settlement in the 2015 ERRA Compliance proceeding (A.16-02-019).<sup>20</sup> Although the Commission has not yet approved the 2015 ERRA Settlement,

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<sup>20</sup> See *Joint Motion of Pacific Gas and Electric Company (U 39 E) and the Office of Ratepayer Advocates for Approval of Proposed Settlement*, filed November 16, 2016.

PG&E has included in this Application the applicable settlement requirements identified in the table below:

<b>Subject Area</b>	<b>Description</b>	<b>Source of Requirement</b>	<b>Location in Prepared Testimony or Workpapers</b>
<b>Least Cost Dispatch</b>	PG&E will report in its 2016 ERRR Compliance testimony a demonstration of its revisions and updates of strategies based on above-normal deviations in forecasts	2015 ERRR Settlement, § 1.1.1	Chapter 1
<b>STARS Alliance</b>	Submit the results of the STARS Alliance audit to ORA and the Commission as a part of its 2016 ERRR Compliance Application	2015 ERRR Settlement, § 4.1	Chapter 6

#### **IV. OVERVIEW OF PREPARED TESTIMONY**

PG&E's Prepared Testimony in support of this Application, which is being served to ORA concurrent with the Application, consists of one exhibit, which is identified as Exhibit PG&E-1, which is the public version of PG&E's Prepared Testimony, and Exhibit PG&E-1C, which is the confidential version of PG&E's Prepared Testimony. Exhibit PG&E-1 is organized into fourteen chapters, and an appendix, as follows:

Chapter 1	Least Cost Dispatch and Economically Triggered Demand Response
Chapter 2	Utility-Owned Generation: Hydroelectric
Chapter 3	Utility-Owned Generation: Fossil and Other Generation
Chapter 4	Utility-Owned Generation: Nuclear
Chapter 5	Costs Incurred And Recorded In The Diablo Canyon Seismic Studies Balancing Account
Chapter 6	Generation Fuel Costs And Electric Portfolio Hedging
Chapter 7	Greenhouse Gas Compliance Instrument Procurement



Chapter 8	Contract Administration
Chapter 9	CAISO Settlements and Monitoring
Chapter 10	Demand Response Aggregator Managed Portfolio Agreement Administration
Chapter 11	Costs Incurred And Recorded in the Green Tariff Shared Renewables Memorandum Account And The Green Tariff Shared Renewables Balancing Account
Chapter 12	Summary of ERRA Entries for the Record Period
Chapter 13	Maximum Potential Disallowance for Violating Standard of Conduct 4
Chapter 14	Cost Recovery and Revenue Requirements
Appendix A	Statements of Qualifications

This testimony, and the corresponding workpapers, demonstrate that during the record period January 1 through December 31, 2016, PG&E complied with its BPP in the areas of fuel procurement for utility retained generation, administration of power purchase contracts, greenhouse gas compliance instrument procurement, and least cost dispatch of electric generation resources. In addition, the testimony demonstrates that PG&E satisfied the reasonable manager standard for the operation of its UOG facilities,

The testimony demonstrates that PG&E made appropriate entries to its ERRA, DCSSBA, and GTSRMA. It also demonstrates that the cost recovery proposal in Chapter 14 is just and reasonable and should be adopted.

PG&E will provide a public (redacted) version of its Prepared Testimony to parties who request a copy and will also provide a confidential (unredacted) version to parties who request a copy and execute a Non-Disclosure Agreement.

## **V. INFORMATION REQUIRED BY THE COMMISSION'S RULES OF PRACTICE AND PROCEDURE STATUTORY AND OTHER AUTHORITY (RULE 2.1)**

PG&E files this Application pursuant to Sections 451, 454, 454.5, and 701 of the Public Utilities Code of the State of California, the Commission's Rules of Practice and Procedure, and

prior decisions, orders and resolutions of the Commission, including, but not limited to, D.02-10-062, D.02-12-074, D.03-06-067, D.07-12-052, D.08-11-008, D.12-01-033, D.12-04-046, D.14-08-032, D.15-01-051, D.15-05-006, D.15-10-031, D.15-12-015, and Commission Resolutions concerning approval of or modifications to PG&E's 2014 BPP.

**A. 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 77 Beale Street, San Francisco, California, 94105.

**B. Correspondence, Communications, and Service (Rule 2.1(b))**

All correspondence, communications, and service of papers regarding this Application should be directed to:

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Telephone: (415) 973-1803  
Facsimile: (415) 973-6520  
E-mail: [lea6@pge.com](mailto:lea6@pge.com)

**C. Proposed Categorization (Rule 2.1(c))**

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

**D. Need for Hearings (Rule 2.1(c))**

PG&E anticipates that evidentiary hearings may be requested by other parties to this proceeding, but the need for evidentiary hearings will depend on the degree to which and grounds on which other parties might contest the proposals contained in this Application. While PG&E hopes to resolve the issues raised in this Application without hearings, such as through more informal procedures including discovery, evidentiary hearings may be necessary.

**E. Issues to Be Considered (Rule 2.1(c))**

PG&E proposes that the following issues be considered in this proceeding for the 2016 record period:

1. Did PG&E administer and manage its UOG facilities prudently;
2. Did PG&E prudently manage UOG outages and associated fuel costs;
3. Did PG&E prudently administer and manage its QF and non-QF contracts in accordance with the contracts' provisions;
4. Did PG&E achieve least-cost dispatch of its energy resources;
5. Were PG&E's entries in the ERRRA for 2016 reasonable;
6. Were the costs incurred and recorded in the DCSSBA in 2016 reasonable and did PG&E meet its burden of proof regarding its claim for cost recovery;
7. Were the costs incurred and recorded in the GTSRMA in 2016 reasonable;
8. Were the costs incurred and recorded in the GTSRBA in 2016 in compliance with applicable tariffs and Commission directives;
9. Did PG&E's Greenhouse Gas Compliance Instrument Procurement comply with the 2014 BPP; and
10. Should PG&E's request to recover \$5.689 million, not including interest and FF&U, be approved?

**F. Relevant Safety Considerations (Rule 2.1(c))**

In D.16-01-017, the Commission amended Rule 2.1(c) requiring an applicant to identify all relevant safety considerations implicated by an Application to which the assigned Commissioners and presiding officer could refer to during the proceeding. In order to ensure that safety considerations have received full consideration by parties and the Commission, PG&E's Prepared Testimony includes specific discussions which detail PG&E's efforts to promote public safety: Chapters 2 and 3 discusses PG&E's commitment to safety at PG&E-

owned generation facilities and Chapter 8 discusses PG&E’s protocols and practices related to the administration of third-party power contracts. In addition, as the Commission explained in D.14-12-053, the “[s]afe and reliable provision of utilities at predictable rates promotes public safety.”<sup>21</sup> Chapters 5-7, 9-12, and 14 of PG&E’s Prepared Testimony demonstrate that the costs incurred by PG&E during the record period were reasonable, that the entries to the ERRA balancing account were appropriate, and that the seismic studies and GTSR Program administration costs incurred by PG&E are reasonable and result in predictable rates for customers.

**G. Procedural Schedule (Rule 2.1(c))**

PG&E has consulted with ORA with respect to the procedural schedule, and ORA has indicated that they do not oppose the following procedural schedule for this 2016 ERRA

Compliance proceeding:

February 28, 2017	PG&E files Application
	Notice of PG&E’s Application appears in Daily Calendar
30 days after Daily Calendar Notice	Protests and Responses filed and served
10 days after Protests and Responses filed	Reply filed and served
May 12, 2017	Prehearing conference
June 16, 2017	ORA Report served and testimony from other intervenors (if any) served
July 21, 2017	PG&E’s Rebuttal testimony served
September 6-7, 2017	Evidentiary Hearings (if needed)
October 6, 2017	Concurrent Opening briefs filed
October 27, 2017	Concurrent Reply briefs filed
January 2018	Proposed Decision issued
February 2018	Final Decision

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<sup>21</sup> D.14-12-053 at pp. 12-13.

**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, was filed with the Commission on May 3, 2004 with PG&E's Application 04-05-005. These articles are incorporated herein by reference pursuant to Rule 2.2 of the Commission's Rules.

**I. Authority to Increase Rates (Rule 3.2)**

This application requests an increase in electric rates and is not a general rate increase application, so Rule 3.2 applies except for subsections (4), (6), (7), (8), and (9) of Rule 3.2(a).

**J. Balance Sheet and Income Statement (Rule 3.2(a)(1))**

PG&E's Balance Sheet and Income Statements for the period ending December 31, 2016 are attached as Exhibit A of this Application.

**K. Statement of Presently Effective Rates (Rule 3.2(a)(2))**

PG&E's presently effective electric rates were filed on January 17, 2017, in A.17-01-012 and are incorporated by reference herein.

**L. Statement of Proposed Increases or Changes In Rates (Rule 3.2(a)(3))**

Approval of this Application would increase electric rates for bundled service customers (those who receive electric generation as well as transmission and distribution service from PG&E) and for customers who purchase electricity from other suppliers (direct access and community choice aggregation) by less than one percent, therefore a statement setting forth PG&E's proposed increases or changes in electric rates is not required.

**M. Summary of Earnings (Rule 3.2(a)(5) and (6))**

The revenues, expenses, rate bases and rate of return for PG&E's Electric Department for the recorded year of 2015 are included in PG&E's Exhibit B, submitted in support of Application 16-10-019, and are incorporated herein by reference.

**N. Type of Rate Change Requested (Rule 3.2(a)(3) and (10))**

Results of Operations at proposed rates are not required since the proposed changes in revenues do not exceed one percent. This Application would result in a slight increase to system average bundled customer electric rates. The electric revenue requested increase over current electric revenue would result in a 0.04 percent or \$0.05 increase in monthly electric bills for a typical customer using 500 kilowatts per month, from \$110.77 to \$110.82. Individual customers' bills may differ. This Application would minimally impact direct access and community choice aggregation customers with a 0.003 percent average increase to rates.

**O. Notice to Governmental Entities (Rule 3.2 (b))**

Within twenty (20) days of filing this Application, PG&E will mail or send electronically a notice stating in general terms the proposed revenues, rate changes and ratemaking mechanisms requested in this Application to parties listed in Exhibit B of this Application, including the State of California and cities and counties served by PG&E.

**P. Publication (Rule 3.2(c))**

Within twenty (20) days of filing this Application, PG&E will publish in newspapers of general circulation in each county in its service territory a notice of filing.

**Q. Notice to Customers (Rule 3.2(d))**

Within 45 days of filing this Application, PG&E will include notices with the regular bills mailed to all customers affected by the proposed changes, and within twenty days of completion of mailing PG&E will file proof of compliance with Rule 3.2(e).

PG&E has served this Application on the official service lists for A.16-02-019 (2015 ERRA Compliance), A.11-11-019 (STARS Alliance exemption to affiliate transaction rules), A.10-01-014 (Diablo Canyon Seismic Studies), and A.12-01-008, *et al* (GTSR program application).

## **VI. CONCLUSION**

WHEREFORE, PG&E respectfully requests that the Commission issue a decision in this proceeding that makes the following findings for the 2016 record period:

1. PG&E administered and managed its UOG facilities prudently;
2. PG&E prudently managed UOG outages and associated fuel costs;
3. PG&E prudently administered and managed its QF and non-QF contracts in accordance with the contracts' provisions;
4. PG&E achieved least-cost dispatch of its energy resources;
5. The entries in the ERRA for 2016 were reasonable;
6. The costs incurred and recorded in the DCSSBA in 2016 were reasonable and that PG&E has met its burden of proof regarding its claim for cost recovery;
7. The costs incurred and recorded in the GTSRMA in 2016 were reasonable;
8. The costs incurred and recorded in the GTSRBA in 2016 were in compliance with applicable tariffs and Commission directives;
9. PG&E's Greenhouse Gas Compliance Instrument Procurement complied with the 2014 BPP;

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10. PG&E's request to recover \$5.689 million, not including interest and FF&U through December 31, 2016, should be approved; and
11. Any other remedy or relief the Commission deems appropriate.

Respectfully submitted,

PACIFIC GAS AND ELECTRIC COMPANY

By: /s/ Robert Kenney  
ROBERT KENNEY  
Vice President, CPUC Regulatory Relations

CHARLES R. MIDDLEKAUFF  
MARK R. HUFFMAN  
Attorneys for Pacific Gas and Electric Company

By: /s/ Charles Middlekauff  
CHARLES MIDDLEKAUFF

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San Francisco, CA 94105  
Telephone: (415) 973-6971  
Facsimile: (415) 973-5520  
E-mail: CRMd@pge.com

Dated: February 28, 2017



## VERIFICATION

I, the undersigned, say:

I am an officer of Pacific Gas and Electric Company, a corporation, and am authorized, pursuant to Rule 2.1 and Rule 1.11 of the Rules of Practice and Procedure of the CPUC, to make this Verification for and on behalf of said Corporation, and I make this Verification for that reason. I have read the foregoing Application and I am informed and believe that the matters therein concerning Pacific Gas and Electric Company are true.

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

Executed on February 28, 2017, at San Francisco, California.

By: /s/ Robert Kenney  
ROBERT KENNEY  
Vice President, CPUC Regulatory Relations

# **EXHIBIT A**

**Pacific Gas and Electric Company**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in millions)

	Year ended December 31,		
	2016	2015	2014
<b>Operating Revenues</b>			
Electric	\$ 13,865	\$ 13,657	\$ 13,656
Natural gas	3,802	3,176	3,432
<b>Total operating revenues</b>	<b>17,667</b>	<b>16,833</b>	<b>17,088</b>
<b>Operating Expenses</b>			
Cost of electricity	4,765	5,099	5,615
Cost of natural gas	615	663	954
Operating and maintenance	7,352	6,949	5,635
Depreciation, amortization, and decommissioning	2,754	2,611	2,432
<b>Total operating expenses</b>	<b>15,486</b>	<b>15,322</b>	<b>14,636</b>
<b>Operating Income</b>	2,181	1,511	2,452
Interest income	22	8	8
Interest expense	(819)	(763)	(720)
Other income, net	88	87	77
<b>Income Before Income Taxes</b>	<b>1,472</b>	<b>843</b>	<b>1,817</b>
Income tax provision (benefit)	70	(19)	384
<b>Net Income</b>	<b>1,402</b>	<b>862</b>	<b>1,433</b>
Preferred stock dividend requirement	14	14	14
<b>Income Available for Common Stock</b>	<b>\$ 1,388</b>	<b>\$ 848</b>	<b>\$ 1,419</b>

See accompanying Notes to the Consolidated Financial Statements.

**Pacific Gas and Electric Company**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions)

	<b>Balance at December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 71	\$ 59
Restricted cash	7	234
Accounts receivable		
Customers (net of allowance for doubtful accounts of \$58 and \$54 at respective dates)	1,252	1,106
Accrued unbilled revenue	1,098	855
Regulatory balancing accounts	1,500	1,760
Other	801	284
Regulatory assets	423	517
Inventories		
Gas stored underground and fuel oil	117	126
Materials and supplies	346	313
Income taxes receivable	159	130
Other	282	338
<b>Total current assets</b>	<b>6,056</b>	<b>5,722</b>
<b>Property, Plant, and Equipment</b>		
Electric	52,556	48,532
Gas	17,853	16,749
Construction work in progress	2,184	2,059
<b>Total property, plant, and equipment</b>	<b>72,593</b>	<b>67,340</b>
Accumulated depreciation	(22,012)	(20,617)
<b>Net property, plant, and equipment</b>	<b>50,581</b>	<b>46,723</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	7,951	7,029
Nuclear decommissioning trusts	2,606	2,470
Income taxes receivable	70	135
Other	1,110	958
<b>Total other noncurrent assets</b>	<b>11,737</b>	<b>10,592</b>
<b>TOTAL ASSETS</b>	<b>\$ 68,374</b>	<b>\$ 63,037</b>

See accompanying Notes to the Consolidated Financial Statements.

**Pacific Gas and Electric Company**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except share amounts)

	<b>Balance at December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 1,516	\$ 1,019
Long-term debt, classified as current	700	160
Accounts payable		
Trade creditors	1,494	1,414
Regulatory balancing accounts	645	715
Other	453	418
Disputed claims and customer refunds	236	454
Interest payable	214	203
Other	2,072	1,750
<b>Total current liabilities</b>	<b>7,330</b>	<b>6,133</b>
<b>Noncurrent Liabilities</b>		
Long-term debt	15,872	15,577
Regulatory liabilities	6,805	6,321
Pension and other postretirement benefits	2,548	2,534
Asset retirement obligations	4,684	3,643
Deferred income taxes	10,510	9,487
Other	2,230	2,282
<b>Total noncurrent liabilities</b>	<b>42,649</b>	<b>39,844</b>
<b>Commitments and Contingencies (Note 13)</b>		
<b>Shareholders' Equity</b>		
Preferred stock	258	258
Common stock, \$5 par value, authorized 800,000,000 shares; 264,374,809 shares outstanding at respective dates	1,322	1,322
Additional paid-in capital	8,050	7,215
Reinvested earnings	8,763	8,262
Accumulated other comprehensive income	2	3
<b>Total shareholders' equity</b>	<b>18,395</b>	<b>17,060</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 68,374</b>	<b>\$ 63,037</b>

See accompanying Notes to the Consolidated Financial Statements.

## **EXHIBIT B**

## SERVICE OF NOTICE OF APPLICATION

In accordance with Rule 3.2(b), Applicant will mail a notice to the following, stating in general terms its proposed change in rates.

### State of California

To the Attorney General and the Department of General Services.

State of California  
Office of Attorney General  
1300 I St Ste 1101  
Sacramento, CA 95814

and

Department of General Services  
Office of Buildings & Grounds  
505 Van Ness Avenue, Room 2012  
San Francisco, CA 94102

### Counties

To the County Counsel or District Attorney and the County Clerk in the following counties:

Alameda	Merced	Siskiyou
Alpine	Modoc	Solano
Amador	Monterey	Sonoma
Butte	Napa	Stanislaus
Calaveras	Nevada	Sutter
Colusa	Placer	Tehama
Contra Costa	Plumas	Trinity
El Dorado	Sacramento	Tulare
Fresno	San Benito	Tuolumne
Glenn	San Bernardino	Yolo
Humboldt	San Francisco	Yuba
Kern	San Joaquin	
Kings	San Luis Obispo	
Lake	San Mateo	
Lassen	Santa Barbara	
Madera	Santa Clara	
Marin	Santa Cruz	
Mariposa	Shasta	
Mendocino	Sierra	

## Municipal Corporations

To the City Attorney and the City Clerk of the following municipal corporations:

Alameda	Concord	Healdsburg
Albany	Corcoran	Hercules
Amador City	Corning	Hillsborough
American Canyon	Corte Madera	Hollister
Anderson	Cotati	Hughson
Angels Camp	Cupertino	Huron
Antioch	Daly City	Ione
Arcata	Danville	Isleton
Arroyo Grande	Davis	Jackson
Arvin	Del Rey Oaks	Kerman
Atascadero	Dinuba	King City
Atherton	Dixon	Kingsburg
Atwater	Dos Palos	Lafayette
Auburn	Dublin	Lakeport
Avenal	East Palo Alto	Larkspur
Bakersfield	El Cerrito	Lathrop
Barstow	Elk Grove	Lemoore
Belmont	Emeryville	Lincoln
Belvedere	Escalon	Live Oak
Benicia	Eureka	Livermore
Berkeley	Fairfax	Livingston
Biggs	Fairfield	Lodi
Blue Lake	Ferndale	Lompoc
Brentwood	Firebaugh	Loomis
Brisbane	Folsom	Los Altos
Buellton	Fort Bragg	Los Altos Hills
Burlingame	Fortuna	Los Banos
Calistoga	Foster City	Los Gatos
Campbell	Fowler	Madera
Capitola	Fremont	Manteca
Carmel	Fresno	Maricopa
Ceres	Galt	Marina
Chico	Gilroy	Mariposa
Chowchilla	Gonzales	Martinez
Citrus Heights	Grass Valley	Marysville
Clayton	Greenfield	McFarland
Clearlake	Gridley	Mendota
Cloverdale	Grover Beach	Menlo Park
Clovis	Guadalupe	Merced
Coalinga	Gustine	Mill Valley
Colfax	Half Moon Bay	Millbrae
Colma	Hanford	Milpitas
Colusa	Hayward	Modesto



Monte Sereno  
Monterey  
Moraga  
Morgan Hill  
Morro Bay  
Mountain View  
Napa  
Newark  
Nevada City  
Newman  
Novato  
Oakdale  
Oakland  
Oakley  
Orange Cove  
Orinda  
Orland  
Oroville  
Pacific Grove  
Pacifica  
Palo Alto  
Paradise  
Parlier  
Paso Robles  
Patterson  
Petaluma  
Piedmont  
Pinole  
Pismo Beach  
Pittsburg  
Placerville  
Pleasant Hill  
Pleasanton  
Plymouth  
Point Arena  
Portola  
Portola Valley  
Rancho Cordova  
Red Bluff  
Redding  
Redwood City  
Reedley  
Richmond  
Ridgecrest  
Rio Dell  
Rio Vista  
Ripon  
Riverbank  
Rocklin

Rohnert Park  
Roseville  
Ross  
Sacramento  
Saint Helena  
Salinas  
San Anselmo  
San Bruno  
San Carlos  
San Francisco  
San Joaquin  
San Jose  
San Juan Bautista  
San Leandro  
San Luis Obispo  
San Mateo  
San Pablo  
San Rafael  
San Ramon  
Sand City  
Sanger  
Santa Clara  
Santa Cruz  
Santa Maria  
Santa Rosa  
Saratoga  
Sausalito  
Scotts Valley  
Seaside  
Sebastopol  
Selma  
Shafter  
Shasta Lake  
Soledad  
Solvang  
Sonoma  
Sonora  
South San Francisco  
Stockton  
Suisun City  
Sunnyvale  
Sutter Creek  
Taft  
Tehama  
Tiburon  
Tracy  
Trinidad  
Turlock  
Ukiah

Union City  
Vacaville  
Vallejo  
Victorville  
Walnut Creek  
Wasco  
Waterford  
Watsonville  
West Sacramento  
Wheatland  
Williams  
Willits  
Willows  
Windsor  
Winters  
Woodland  
Woodside  
Yountville  
Yuba City