

R.13-11-006

Workshop on Options to Facilitate Timely Completion of GRCs and Other Major Rate Proceedings, Including SMAP, RAMP, and PG&E's GT&S

January 11, 2017

Summary of TURN's Positions

Topic 1: Challenges to the Timely Processing of GRCs within the Current Rate Case Plan

- The complexity of major energy utility GRCs, as presented and processed in California, renders the current RCP schedule extremely challenging such that it may prove unrealistic. While the applicant utility and some or all intervenors may be able to meet the deadlines set forth in D.14-12-025, history suggests that the Commission itself requires more time to process GRCs – whether fully litigated or settled – and render a decision.
- GRCs are incredibly time- and resource-intensive because of their complexity. TURN has devoted approximately 5,000 to 6,000 hours to processing recent GRCs (whether settled or litigated). Much of this complexity stems from California's use of a future test year, coupled with the particulars of utility forecasting methodologies, which tend to be granular, data-intensive, and incredibly resource-intensive to evaluate, in part because of the extreme asymmetry of information between the utility, intervenors, and the Commission.
- The Commission could considerably reduce the complexity of GRCs by standardizing or simplifying the forecasting methodologies to be used by the utilities in presenting a GRC, along the lines proposed by TURN. Such changes would reduce the need for discovery, minimize disputes around the accuracy of forecasting, and enable a more focused review of key policy issues such as safety and reliability. Similarly, changing the ways in which utilities present certain routine information in GRCs, as proposed by TURN and other intervenors, could improve the ability of intervenors and the Commission to efficiently and effectively process GRCs.

Examples of steps that could serve to reduce complexity include, but are not limited to:

O&M Expenses and Related Issues

- Employ a rebuttable presumption that base year plus inflation is adequate for O&M and A&G at a broad level except for programs put in place for safety, reliability, and policy reasons.
 - Increases in costs due to customer growth offset with productivity under rebuttable presumption.

- Aside from new or expanding policy, safety and reliability programs, adjustments are discouraged that don't meet the "known and measurable" standard.
- No individual O&M Adjustments under \$1 million (\$500,000 for SDG&E) are allowed unless related to specific governmental requirements.
- Capital projects in service in the Test period that reduce O&M expenses shall have expense reduction normalized into the Test Year.
- One-time O&M costs in base year and test year flagged for special treatment.
- Some special types of costs are averaged (storms, claims, uncollectibles, Long Term Service Agreement payments for combined cycle plants, etc.) and/or forecast as a percentage of other costs (O&M work related to capital, uncollectibles, etc.)
- Individual accounts under \$1 million to be discouraged for large energy utilities.
- All adjustments affecting more than one account have testimony supporting the adjustment in one place and then cross-referenced to all affected accounts.

Capital Projects and Related Issues

- Tie medium-sized capital projects to specific budgets or plans.
- Look at over/underspending and changes in forecasts from the past.
- Provide testimony supporting capital-related overheads rather than burying them in the RO model.
- Remove large capital projects from GRC Phase 1 and set them in a separate later phase or phases (individual projects over \$50-\$100 million such as large real estate or distribution projects, major capital projects at existing generation stations).
- The Commission could also reduce inefficiencies created by considering PG&E's GT&S revenue requirement issues in a separate proceeding from its GRC. The Commission in D.14-12-025 rejected the proposal to consolidate these two filings, but has since concluded in D.16-08-018 that PG&E's 2017 RAMP can and should cover both its GRC and GT&S operations. Because the RAMP is tied to the GRC filing timeline, considering the GT&S revenue requirement issues as part of the GRC would ensure that the RAMP has a meaningful opportunity to inform PG&E's presentation of, and the Commission's consideration of, GT&S risk and safety-related proposals in relation to risks across the entire enterprise.

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Topic 2: Exploring the Pros and Cons of a 3-year vs 4-year GRC cycle

- A 4-year GRC cycle, in itself, would not significantly relieve resource constraints faced by intervenors or the Commission. The Commission would still need to process each GRC within 15 months of filing, based on the RCP adopted in D.14-12-025. Also, moving to a 4-year GRC cycle will not prevent overlaps between the GRC of one utility (including PG&E's GT&S rate case) and a RAMP and GRC of another utility, and in some years, these proceedings will also overlap with the triennial SMAP proceedings.
- Under the current 3-year RCP, utilities generally forecast test year costs at least two years in advance, based on costs recorded in prior year (the base year). Capital spending projections for the test year and attrition years are even farther removed from recorded costs and the circumstances that will ultimately dictate future utility capital spending. Moving to a 4-year GRC cycle would exacerbate the risk of relying on outdated, unreliable forecasts. Compared to a 4-year cycle, a 3-year cycle provides a closer nexus between the utility's cost of service and the GRC rates paid by customers, given the more frequent, comprehensive cost of service review conducted by the Commission.
- The Commission's new process for reviewing GRCs with an eye toward safety and risk-related topics warrants doing GRCs at least every 3-years in order to make sure that these important topics get more regular review and to work out the kinks in that process.