

On peak 288 kW x \$4.33000 x 22,11 d  
 Mid peak 252 kW x \$0.81000 x 22,11 d  
 Energy - Summer  
 On peak 9,073 kWh x \$0.05297  
 Mid peak 11,910 kWh x \$0.03  
 On peak 12,338 kWh x \$0.03  
 Energy - Winter  
 Mid peak 5,424 kWh x \$0.03  
 Off peak 3,634 kWh x \$0.03  
 Customer charge  
 Power factor adjustment  
 DWR bond charge 42,  
 (continued on next p  
 Your Delivery charge  
 . \$272.05 transmi  
 . \$2,588.51 distrib  
 . \$22.99 nuclear  
 . \$240.17 public  
 Franchise fees repr  
 Your Generation ch  
 Transition Charge  
 DWR provided 21,90



# Outcome of PG&E 2014 General Rate Case

## Average Customer to Pay Nearly \$100 More per Year

August 27, 2014

\$351.47 - Baseline C  
 131-200% of Baseline  
 201-300% of Baseline  
 Over 300% of Baseline  
 Net Charges \$351  
 DWR  
 Energy - Summer  
 On peak 1,993 kWh x \$0.07981  
 Mid peak 2,616 kWh x \$0.07981  
 Off peak 2,710 kWh x \$0.07981 \$21  
 Energy - Winter  
 Mid peak 1,235 kWh x \$0.07981 \$98.57  
 Off peak 798 kWh x \$0.07981 \$63.69

# Overview

- Procedural Background
- PG&E Requested vs. ORA Recommended vs. Adopted
- PG&E Was Granted Substantial Increases in Gas Distribution
- PG&E Received More Modest Increases in Electric Distribution and Generation
- Other Areas of Note



# Procedural Background

- **May 13, 2011:** In PG&E's 2011 GRC, the Commission authorized revenue requirement increases of \$450 million in 2011, \$180 million in 2012, and \$185 million in 2013
  - \$1.9 billion cumulative increase over 3 years
- **July 2, 2012:** PG&E tendered Notice of Intent (NOI) to file a 2014 GRC application
- **November 15:** PG&E filed 2014 GRC application, A.12-11-009
- **January 22, 2013:** Assigned Commissioner's Ruling and Scoping Memo issued
- **May 3:** ORA testimony served
- **May 17:** Intervenor Testimony, SED Consultants' Reports - Cycla (Gas) and Liberty (Electric)
- **May 22 – June 25:** Public Participation Hearings
- **May 31:** SED Audit Report (Overland)
- **June 28:** Rebuttal Testimony served
- **July 15 – August 9:** Evidentiary Hearings
- **August 23:** Joint Comparison Exhibit served
- **September 6:** Opening Briefs submitted
- **September 27:** Reply Briefs submitted
- **June 18, 2014:** ALJ's Proposed Decision
- **August 14:** Final Decision voted out, D.14-08-032



# PG&E Requested vs. ORA Recommended vs. Adopted

- **PG&E requested a \$4.8 billion cumulative revenue increase over the 3-year period 2014 thru 2016:** increases of \$1.16 billion (17.5%) for 2014, \$436 million (5.6%) for 2015, and \$487 million (5.9%) for 2016
- **ORA recommended a 3-year cumulative increase of \$120 million:** decrease of **\$125 million** (1.9%) for 2014, and increases of \$168 million (2.6%) for 2015 and \$159 million (2.4%) for 2016
- **The Commission adopted a cumulative increase of \$2.4 billion:** increases of **\$460 million** (6.9%) for 2014, \$324 million (4.6%) for 2015 and \$371 million (5.0%) for 2016

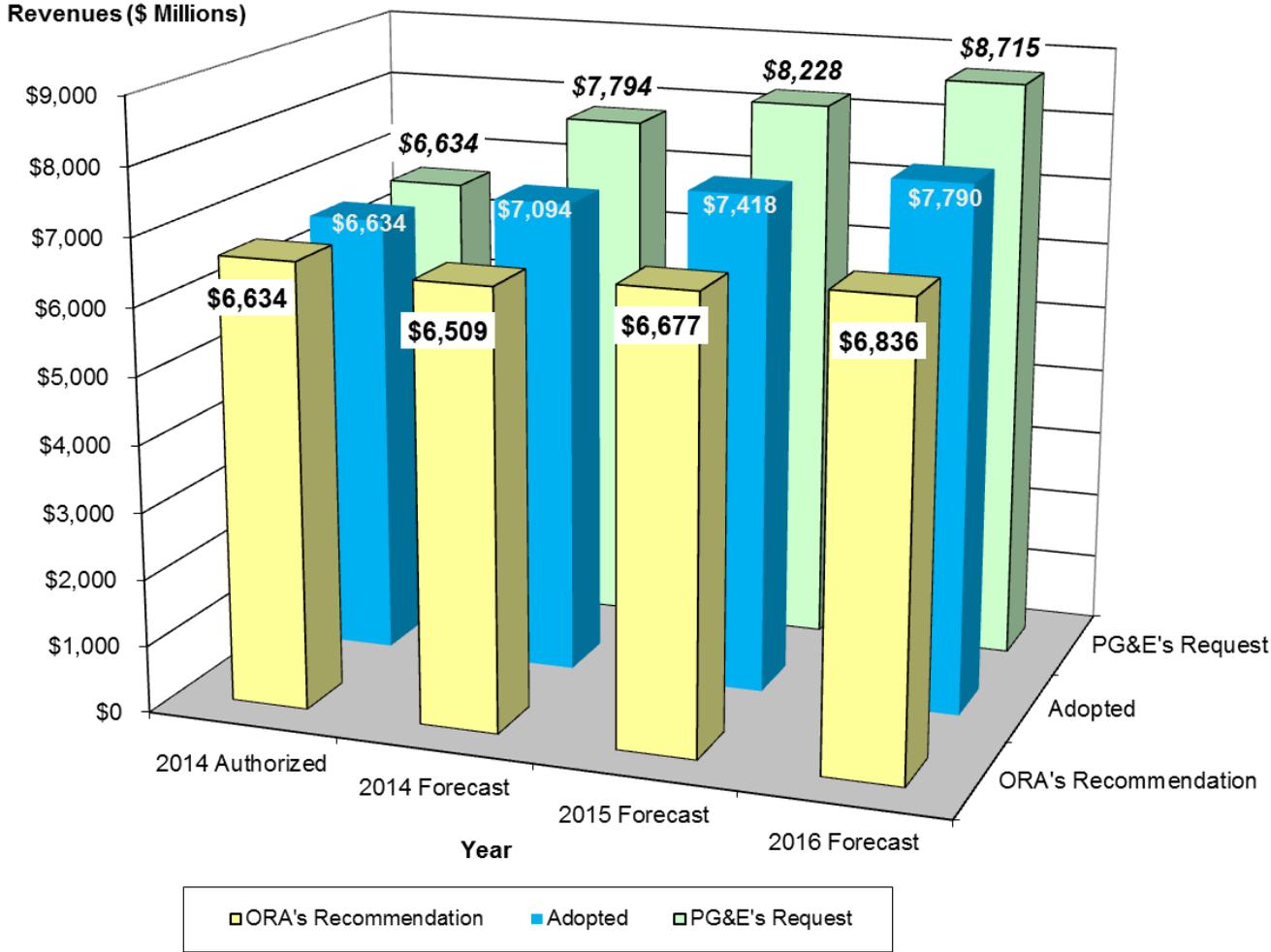
Test Year 2014 Revenue Requirement (in Millions of Dollars)

Description (a)	PG&E's 2014 Present Revenues (b)	PG&E's 2014 Proposed Revenues (c)	PG&E's Forecasted Increase over 2014 Present Revenues (d=c-b)	ORA's 2014 Proposed Revenues (e)	ORA's Recommended Increase over 2014 Present Revenues (f=e-b)	Commission Adopted 2014 Revenues (g)	Increase over 2014 Present Revenues (h=g-b)
Electric Distribution	\$3,650	\$4,164	\$514	<b>\$3,517</b>	<b>(\$132)</b>	<b>\$3,775</b>	<b>\$125</b>
Gas Distribution	\$1,295	\$1,741	\$446	<b>\$1,372</b>	<b>\$76</b>	<b>\$1,559</b>	<b>\$264</b>
Electric Generation	\$1,689	\$1,889	\$199	<b>\$1,620</b>	<b>(\$69)</b>	<b>\$1,761</b>	<b>\$71</b>
Total	\$6,634	\$7,794	\$1,160	<b>\$6,509</b>	<b>(\$125)</b>	<b>\$7,094</b>	<b>\$460</b>



# PG&E Requested vs. ORA Recommended vs. Adopted (cont.)

PG&E vs. ORA vs. Adopted - 2014 thru 2016 GRC Revenues



# PG&E Was Granted Substantial Increases in Gas Distribution

- Commission authorized a \$264 million (20.4%) increase over present rate revenues for 2014 Gas Distribution operations
- For certain programs/projects, ORA recommended that PG&E be allowed to recover additional revenues if it actually spends above ORA's forecasts, but the Commission adopted higher forecasts instead
- Commission authorized nearly 90% of PG&E's requested 2014 operations and maintenance (O&M) expenses
  - For leak surveys, PG&E requested \$34 million for 2014. ORA recommended \$18 million. Commission authorized \$25 million but gives PG&E the opportunity to recover up to \$34 million through a 2-way balancing account.
  - Decision did not approve PG&E's proposal to accelerate its leak survey cycle from 5 to 3 years, but did provide PG&E with more money to do work that is necessary in order to be consistent with industry best practices
  - For leak repairs, PG&E requested \$102 million for 2014. ORA recommended \$36 million. Decision adopted \$74 million but gives PG&E the opportunity to recover up to \$102 million through a 2-way balancing account.
- PG&E received over 90% of its total 3-year (2012-2014) ask of \$1.9 billion in capital expenditures
  - Pipeline Replacement (including Aldyl-A): PG&E requested a 3-year (2012-2014) total of \$707 million. ORA recommended \$582 million. Decision adopted \$670 million.
  - Distribution Reliability: PG&E requested 3-year (2012-2014) total of \$263 million. ORA recommended \$214 million. Decision adopted \$250 million.



# PG&E Received More Modest Increases in Electric Distribution and Generation

- Commission authorized a \$125 million (3.4%) increase for 2014 Electric Distribution operations
  - PG&E received all but \$6 million of its total \$619 million request for O&M expenses
  - PG&E received over 90% of its total 3-year (2012-2014) ask of \$4.9 billion in capital expenditures
  - Commission was able to keep the electric distribution increase at a modest level by limiting depreciation expense increases
- Commission authorized a \$71 million (4.2%) increase for 2014 Electric Generation (Energy Supply) operations
  - Commission increased PG&E's 2014 O&M expenses by \$41 million primarily because of higher forecasted expenses for safety and reliability measures in nuclear and hydro operations
  - PG&E included the cost of a second refueling outage in 2014 at Diablo Canyon (\$56 million amortized over 3 years)
  - PG&E requested a 3-year (2012-2014) total of \$740 million for nuclear capital expenditures and the Commission approved most of that request.
  - PG&E requested a 3-year total of \$870 million for hydro capital expenditures and the Commission adopted about \$850 million.
  - Commission was able to keep the electric generation increase at a modest level by limiting depreciation expense increases



## Other Areas of Note

- Commission adopted ORA's recommendations regarding Negative Net Salvage (used to develop accrual rates) so that there are more gradual increases in depreciation expense
- Commission adopted ORA's recommendation to reduce Information Technology capital expenditure cost estimates, based on PG&E's Concept Estimating Tool, by 14% across the board
- For pole inspections and replacements, PG&E did not get as much as it requested but enough to accelerate its efforts
  - Commission adopted ORA's recommendation that ratepayers fund a maximum of 235,000 pole inspections per year and shareholders fund inspections exceeding that amount as it constitutes deferred maintenance
  - Commission adopted ORA's proposed reduction for 2013 pole replacements, which assigns a share of responsibility to PG&E's shareholders for pre-2011 pole replacement backlogs previously funded with ratepayer money
- Commission enforced long-standing policy of excluding nuclear fuel inventory from rate base, and that the carrying costs are recovered through ERRA



## Other Areas of Note (cont.)

- Commission authorized \$89 million of ratepayer funding out of PG&E's \$130 million request (68%) for Short-Term Incentive Plan (STIP) expenses
  - In the 2011 GRC, PG&E settled for 45% ratepayer funding
  - In the last litigated PG&E GRC decision, ratepayers were responsible for funding only 50%
- Commission adopted PG&E's request for \$3.5 million of ratepayer funding for Supplemental Executive Retirement Plan (SERP) expenses
  - More money for retired executives/officers who are already covered by pension and 401(k) plans which are fully funded by ratepayers
  - Not fighting over a lot of money, but it's a matter of principle 
- Commission did not appropriately consider ratemaking impacts of bonus depreciation should such tax law provisions be extended during the 2014-2016 GRC cycle
- Commission kept the standard of proof at “preponderance of the evidence” which is lower than “clear and convincing evidence”

