

Docket : A.17-11-009
Exhibit No. : ORA-01
Commissioner : C. Rechtshaffen
ALJ : S. Roscow
Witness : N. Skinner



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**Report on the Results of Operations
for
Pacific Gas & Electric Company
Southern California Gas Company
Test Year 2019
Gas Transmission & Storage Application**

**Executive Summary,
Policy, and Post-Test Year Ratemaking**

San Francisco, California
June 29, 2018

TABLE OF CONTENTS

I.	INTRODUCTION – THE OFFICE OF RATEPAYER ADVOCATES RECOMMENDS REDUCTIONS IN PACIFIC GAS AND ELECTRIC COMPANY’S PROPOSED REVENUE INCREASES FOR 2019 THRU 2022	1
II.	OVERVIEW / SUMMARY	3
	A. PG&E Requests a \$267 Million Revenue Increase in 2019 and Post-Test Year Increases of \$130 Million in 2020, \$188 Million in 2021, and \$26 Million in 2022	3
	B. On a Cumulative Basis over a 4-Year GT&S Term, PG&E’s Proposed Revenue Increases Total \$1.86 Billion.....	5
	C. ORA Forecasts Lower Revenue Increases for PG&E.....	6
	D. ORA Recommends that the Commission Adopt its Forecasted GT&S Revenues for 2019 thru 2022.....	7
III.	ESTIMATED RATE IMPACT ON PG&E’S CUSTOMERS	7
IV.	POLICY & POST TEST YEAR RATEMAKING.....	8
V.	PROCEDURAL BACKGROUND AND SCHEDULE.....	10
VI.	ORA’S ANALYSIS.....	12
VII.	ORGANIZATION OF ORA’S SHOWING / SUMMARY OF DIFFERENCES	12
	A. Organization of ORA’s Exhibits	13
	B. Summary of ORA’s Recommendations	14
	WITNESS QUALIFICATIONS	20

1 **EXECUTIVE SUMMARY**

2 **I. INTRODUCTION – THE OFFICE OF RATEPAYER ADVOCATES**
3 **RECOMMENDS REDUCTIONS IN PACIFIC GAS AND ELECTRIC**
4 **COMPANY’S PROPOSED REVENUE INCREASES FOR 2019 THRU**
5 **2022**

6 The Office of Ratepayer Advocates
7 (ORA) submits its direct testimony in response
8 to the application of Pacific Gas and Electric
9 Company (PG&E) for the Test Year (TY) 2019
10 Gas Transmission & Storage Application
11 (GT&S).¹ PG&E requests authorization from
12 the California Public Utilities Commission
13 (CPUC or Commission) for revenue increases
14 associated with its Gas Transmission and Gas
15 Storage operations.

16 These revenue increases are for 2019
17 and post-test years 2020, and 2021, and
18 include an optional third post-test year of
19 2022.²

PG&E requests a 3-year cumulative revenue increase of \$1,249 million, comprising:

- a \$267 million (20.5%) increase over 2018 authorized revenues, beginning in 2019; and additional revenue increases of \$130 million (8.3%) in 2020, and \$188 million (9.6%) in 2021.

PG&E requests additional revenues of \$26 million (1.0%) in 2022, bringing the total 4-year cumulative increase to \$1.86 billion.

ORA recommends a 4-year cumulative revenue increase of \$893 million, comprising:

- an \$85 million (6%) increase in 2019; and additional increases of \$94 million (6.8%) in 2020, \$121 million (6.5%) in 2021, and \$28 million (1.5%) in 2022.

¹ Application (A.) 17-09-011.

² A.17-09-011, p. 1.

1 This exhibit presents ORA’s executive summary, addressing PG&E’s GT&S
 2 requests. The figures presented in this exhibit compare ORA’s proposed revenues
 3 with the utility’s proposed revenues.

4 Table 1-1 compares ORA’s forecasts of Test Year 2019 GT&S proposed
 5 revenues to PG&E’s forecasts, relative to the 2019 present rates absent the
 6 proposed increases.

7 **Table 1-1**
 8 **PG&E Requests a \$267 Million Revenue Requirement Increase in 2019,**
 9 **While ORA Recommends a \$85 Million Increase Over 2018 Authorized Revenues**
 10 **(in Millions of Dollars)**

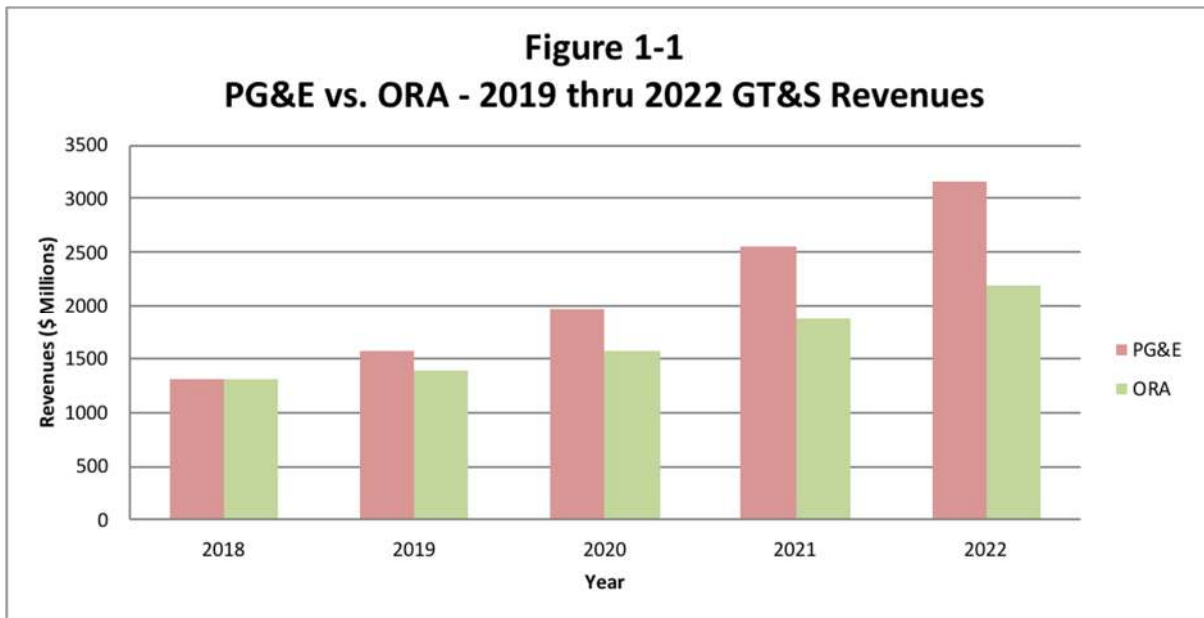
Utility’s 2018 Authorized Revenues (a)	Utility’s 2019 Proposed Revenues (b)	Utility’s Requested Revenue Increase (c=b-a)	ORA’s 2019 Proposed Revenues (d)	ORA’s Recommended Revenue Increase (e=d-a)
\$1,301	\$1,568	\$267	\$1,386	\$85

11
 12 Table 1-2 compares ORA’s forecast of post-test year revenue increases to
 13 PG&E’s forecast of revenue increases for 2020, 2021, and 2022.

14 **Table 1-2**
 15 **Comparison of PG&E’s**
 16 **Proposed Post-Test Year Revenue Increases for 2020-2022**
 17 **with ORA’s Recommended Increases**
 18 **(in Millions of Dollars)**

PG&E 2020 Revenue Increase (a)	PG&E 2021 Revenue Increase (b)	PG&E 2022 Revenue Increase (c)	ORA 2020 Revenue Increase (d)	ORA 2021 Revenue Increase (e)	ORA 2022 Revenue Increase (f)
\$130	\$188	\$26	\$94	\$121	\$28

1 Figure 1-1 illustrates ORA’s recommended revenue requirement level for
2 2019 thru 2022, compared to PG&E’s request.



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5 II. OVERVIEW / SUMMARY

6 This section provides an overview and summary of PG&E’s request, and
7 ORA’s recommendations regarding the PG&E GT&S 2019 thru 2022 revenue
8 requirements.

9 A. PG&E Requests a \$267 Million Revenue Increase in 2019 and 10 Post-Test Year Increases of \$130 Million in 2020, \$188 Million 11 in 2021, and \$26 Million in 2022

12 On November 17, 2017, PG&E filed its GT&S application seeking
13 Commission authorization for revenue requirement increases effective January 1,
14 2019, relative to as-expected 2018 authorized revenues. PG&E proposes a 3-year
15 GT&S term, comprising one test year (2019) and two post-test years (2020 and
16 2021), but provides information regarding a 4-year GT&S term, which adds a third
17 2022 post-test year. The utility requests additional revenues in 2019 to recover
18 estimated costs of owning and operating both new and existing facilities and
19 infrastructure, and the cost of other functions, necessary to provide utility services to

1 their customers. PG&E's requests are driven by increased expenditures associated
 2 with, for example: (1) safety and reliability; (2) new natural gas storage safety and
 3 environmental regulations.³

4 On March 30, 2018, PG&E provided update testimony on the Tax Cuts and
 5 Jobs Act of 2017. On April 30, 2018, PG&E provided the Line 407 Reasonableness
 6 Report. On May 25, 2018, PG&E provided supplemental testimony on Service
 7 Disconnections.

8 The Table 1-3 below compares PG&E's Test Year 2019 GT&S proposed
 9 revenue requirement forecasts to their 2019 present revenues.

10 **Table 1-3**
 11 **PG&E's Proposed GT&S Revenues Effective January 1, 2019**
 12 **(in Millions of Dollars)**

Description (a)	2019 Present Revenues (b)	2019 Proposed Revenues (c)	\$ Increase over 2018 Authorized Revenues (d=c-b)	% Increase over 2018 Authorized Revenues (e=d/b)
PG&E	\$1,301	\$1,568	\$267	20.5%

13 PG&E proposes post-test year ratemaking (PTYR) mechanisms to account
 14 for escalation of operating expenses and capital revenue requirement growth. The
 15 following table, Table 1-4, shows PG&E's proposed post-test year revenue
 16 increases.⁴

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³ Test Year 2019 Gas Transmission and Storage Application of Pacific Gas and Electric Company Application, p. 2.

⁴ Post-Test Year dollar (rounded) and percentage increases calculated based on PG&E Testimony p. 17A-8 and March 30, 2018 Update Testimony p. 15.

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**Table 1-4
PG&E’s Proposed Post-Test Year Revenue Increases for 2020-2022
(in Millions of Dollars)**

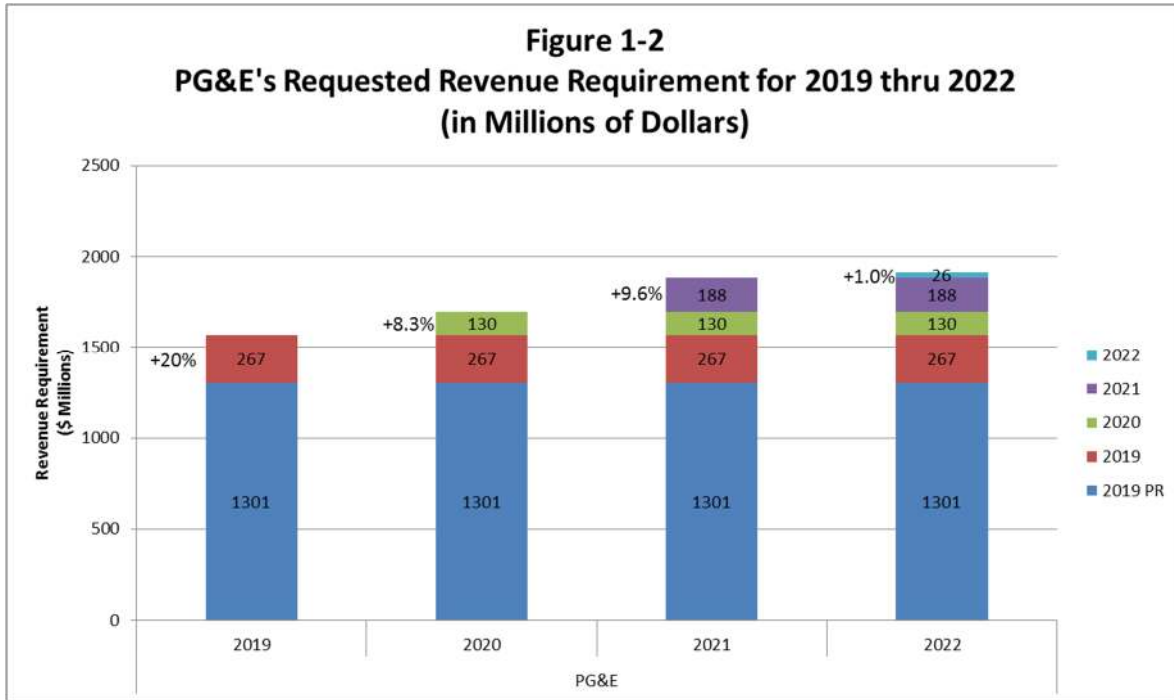
2020 Revenue Increase (a)	2020 Percentage Increase (b)	2021 Revenue Increase (c)	2021 Percentage Increase (d)	2022 Revenue Increase (e)	2022 Percentage Increase (f)
\$130	8.3%	\$188	9.6%	\$26	1.0%

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B. On a Cumulative Basis over a 4-Year GT&S Term, PG&E’s Proposed Revenue Increases Total \$1.86 Billion

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If PG&E’s proposals are adopted by the Commission, the utility’s ratepayers will experience a 4-year cumulative revenue increase of \$1.860 billion.⁵ Figure 1-2 illustrates PG&E’s requested revenue requirement levels, and annual increases, for 2019 thru 2022.



10

⁵ For PG&E’s 4-year GT&S term: (a) the \$267 million increase in 2019 would be in effect for four years—2019, 2020, 2021 and 2022; (b) the \$130 million increase in 2020 would be in effect for three years—2020, 2021 and 2022; (c) the \$188 million increase in 2021 would be in effect for two years—2021 and 2022; and (d) the \$26 million increase in 2022 would be in effect for one year—2022. Therefore: (\$267 million x 4) + (\$130 million x 3) + (\$188 million x 2) + (\$26 million x 1) = \$1,860 million, or \$1.860 billion.

1 **C. ORA Forecasts Lower Revenue Increases for PG&E**

2 ORA recommends that the Commission authorize \$1.386 billion in 2019
 3 GT&S base revenues for PG&E which is based on the following increases in 2019
 4 relative to PG&E’s 2019 present revenues:

- 5 • Increasing PG&E’s revenue requirement by \$85 million (6.5%)
 6 over its 2019 present revenues of \$1.301 billion.

7 **Table 1-5**
 8 **ORA Recommends a \$85 Million Increase in GT&S Revenues for PG&E,**
 9 **Effective January 1, 2019**
 10 **(in Millions of Dollars)**

2019 Present Revenues (a)	ORA 2019 Proposed Revenues (b)	ORA \$ Increase to 2019 Authorized Revenues (c=b-a)	ORA % Increase to 2019 Present Revenues (d=c/b)
\$1,301	\$1,386	\$85	6.5%

11 ORA recommends the following post-test year revenue increases for 2020
 12 through 2022 for PG&E:

13 **Table 1-6**
 14 **ORA Estimates Post-Test Year Revenue Increases of**
 15 **\$94 Million in 2020, \$121 Million in 2021, and \$28 Million in 2022 for PG&E**
 16 **(in Millions of Dollars)**

ORA 2019 Proposed Revenues (a)	ORA 2020 Proposed Revenue Increase (b)	ORA 2020 Proposed Revenues (c=a+b)	ORA 2021 Proposed Revenue Increase (d)	ORA 2021 Proposed Revenues (e=b+c)	ORA 2022 Proposed Revenue Increase (f)	ORA 2022 Proposed Revenues (g=e+f)
\$1,386	\$94	\$1,565	\$121	\$1,186	\$28	\$2,194

1 **IV. POLICY & POST TEST YEAR RATEMAKING**

2 PG&E stated that one-way balancing accounts "... unduly penalizes
3 shareholders and ultimately affects customers. When we shift costs to shareholders,
4 the result is our access to capital markets can be constrained or the capital we can
5 access may be more expensive."⁸ The Commission should provide little weight to
6 this argument, as "PG&E does not have direct evidence that the one-way balancing
7 accounts ordered in the 2015 GT&S rate case constrained PG&E's access to
8 capital."⁹ Specific recommendations regarding one-way balancing accounts are
9 contained in ORA's testimony in specific chapters.

10 ORA is also pleased that PG&E has provided a plan identifying the plan to
11 pressure test or replace the remaining 212 miles of pipeline by 2026 that has not
12 been pressure tested or replaced.¹⁰

13 Regarding the Post Test Year Ratemaking (PTY) mechanism, ORA has
14 generally utilized the same percentages as identified by PG&E, but has applied
15 ORA's recommended approach for the Natural Gas Storage Strategy from ORA-
16 14B.¹¹ Utilizing this approach resulted in the PTY values in section II, above.¹²
17 ORA also recommends a third attrition year for 2022.

18 With a 3-year rate case, test years of the initial case serve as base years for
19 the following rate case. This presents issues because recorded test year costs may
20 not be representative of future costs, as utilities often initiate new programs during
21 the test year, and initial costs may not reflect a more stable or steady-state level of
22 expenses or expenditures. A 4-year GT&S term allows for better utility financial and
23 operational management of spending and investment.

⁸ PG&E Prepared Testimony, p. 2-15.

⁹ PG&E Response to ORA DR-53, Q4.

¹⁰ PG&E Response to ORA DR-54, Q1.

¹¹ ORA-14B, starting at p. 27.

¹² In 2020 and 2021, PG&E's 8.3% and 9.6% increase is applied to ORA's 2019 value, and then the resulting value is decreased by \$20.6 million to account for the difference between the NGSS values. For 2022, ORA increased PG&E's 1% increase by \$9 million to account for ORA recommendation, since PG&E's approach does not have a 2022 value.

1 A 4-year term for this GT&S rate case would also be consistent with that
2 which was adopted in PG&E's 2015 GT&S. If the Commission adopts a 4-year GRC
3 term, PG&E's next GT&S case would be for Test Year 2023.

4 ORA acknowledges, to some extent, PG&E's concern and, therefore,
5 recommends a PTYR mechanism whereby attrition base revenue increases for 2020
6 and 2021 be set at a rate greater than CPI. In Decision (D.) 13-05-010, the
7 Commission adopted a mechanism for SDG&E and SoCalGas which allowed
8 attrition increases of CPI plus 75 basis points.¹³ In that decision, the Commission
9 stated:

10 ...we do not adopt the PTY ratemaking framework that SDG&E and
11 SoCalGas have proposed as it would essentially lead us down a path
12 that allows SDG&E and SoCalGas to recover much of the PTY costs
13 and expenses that they incur. SDG&E and SoCalGas should only be
14 given a reasonable opportunity to ensure their authorized rate of
15 return, and not a mechanism that brings them closer to achieving that
16 target.¹⁴

17 ...it is reasonable to add 75 basis points (0.75%) to DRA's¹⁵
18 recommended percentages, as the attrition adjustments that should
19 be adopted for the PTY period. Adding 75 basis points to DRA's
20 recommended percentages will align the attrition adjustment for the
21 Applicants closer to what we have done in other recent GRC
22 decisions, while recognizing that attrition increases for the PTY
23 period should reflect current economic circumstances.¹⁶

¹³ D.13-05-010, *mimeo.*, at p. 1010.

¹⁴ D.13-05-010, *mimeo.*, at p. 1010.

¹⁵ ORA was formerly the Division of Ratepayer Advocates (DRA).

¹⁶ D.13-05-010, *mimeo.*, at pp. 1010-1011.

1 **V. PROCEDURAL BACKGROUND AND SCHEDULE**

2 On November 17, 2017, PG&E filed their Test Year 2019 GT&S Application,
3 A.17-11-009. ORA filed a timely Protest to the Application on December 20, 2017.
4 On January 2, 2018, PG&E filed a Response to Protests.

5 A Prehearing Conference (PHC) was held on January 4, 2018. The Assigned
6 Commissioner's Scoping Memorandum and Ruling was issued on April 24, 2018.
7 Public Participation Hearings (PPHs) were scheduled for June 26-28, July 10-11,
8 and July 16-17, 2018.

9 The Commission has established the following procedural schedule for this
10 consolidated proceeding:

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Table 1-9
Procedural Schedule for PG&E's Test Year 2019 GT&S
as Established by the Assigned Commissioner's Scoping Memorandum and Ruling
Dated April 24, 2018

Activity	Date
Application Filed	November 17, 2017
Initial Public Workshop	December 6, 2017
Prehearing Conference	January 4, 2018
PG&E filing to reflect effects on its revenue requirement of the Tax Cuts and Jobs Act of 2017	March 30, 2018
Workshop to Review PG&E Tax Testimony	April 11, 2018
Additional Workshop	April 12, 2018
SED prepares and circulates a separate volume of its PG&E RAMP report, concerning safety risks related to this GT&S proceeding	No later than April 16, 2018
Parties Meet and Confer regarding implementation of §718	Within 2 weeks of issuance of Scoping Memo
PG&E files and serves update regarding §718	One week after meet and confer
ORA Testimony	June 29, 2018
Intervenor Testimony	July 20, 2018
Public Participation Hearings	May - July, 2018
Settlement Discussions	June - August, 2018
Rebuttal Testimony	August 20, 2018
Case Management Statement due to ALJ	September 5, 2018
Evidentiary Hearings Begin at 9:00 a.m. Commission Courtroom State Office Building, 505 Van Ness Avenue San Francisco, CA 94102	September 17, 2018
Evidentiary Hearings End	October 9, 2018
Comparison Exhibit (if necessary)	TBD
Opening Briefs	November 2, 2018
Reply Briefs; Case submitted for Commission decision	December 7, 2018
Proposed Decision mailed for 30-day Comment	90 days after submittal

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The procedural schedule requires ORA to serve its testimony by June 29, 2018. ORA fulfills this requirement by serving its testimony today.

1 **VI. ORA’s ANALYSIS**

2 ORA is responding to PG&E’s TY2019 GT&S Application, A.17-11-009 with
3 the issuance of ORA’s testimony exhibits.

4 ORA’s team for this case consists of approximately 18 persons responsible
5 for the project coordination, financial review, and analytical responsibilities needed to
6 process PG&E’s GT&S application. The witness qualifications appearing in ORA’s
7 testimony exhibits provide details on ORA’s multi-disciplinary team with backgrounds
8 in engineering, accounting, economics, finance, and policy.

9 ORA submits its “Report on the Results of Operations for Pacific Gas &
10 Electric Company Test Year 2019 Gas Transmission and Storage Application”
11 (ORA-01 through ORA-21) in support of its recommendations.¹⁷

12 PG&E provided ORA with adjusted-recorded 2017 capital expenditures and
13 expenses.¹⁸ Unless indicated otherwise, ORA used the utilities’ adjusted-recorded
14 2017 capital data as its recommended “forecast” of PG&E’s 2017 capital
15 expenditures. In general, ORA considered, though may not have relied upon, the
16 utilities’ adjusted-recorded 2017 expenses to develop its test year expense
17 forecasts.

18 **VII. ORGANIZATION OF ORA’S SHOWING / SUMMARY OF**
19 **DIFFERENCES**

20 This section briefly discusses: (1) how ORA’s exhibits are organized; and (2)
21 the major differences between ORA and PG&E with respect to the various elements
22 of revenues, operating expenses, and capital expenditures.

¹⁷ To keep alignment with PG&E’s chaptering, ORA has skipped numbers where it is not providing testimony. ORA recommends keeping this numbers unused for alignment with PG&E’s chapter numbering.

¹⁸ PG&E provided ORA with the adjusted-recorded 2017 capital expenditures and expenses on April 19, 2018. *See* PG&E Response to ORA Data Request 035.

1 **B. Summary of ORA’s Recommendations**

2 The following briefly summarizes the recommendations contained within each
3 ORA exhibit that addresses PG&E’s GT&S requests.

Exhibit ORA-01 Executive Summary
<p>This exhibit provides an overview of PG&E’s requests; summarizes the differences between ORA’s and the PG&E Test Year 2019 and Post-Test Year estimates; and presents the overall organization of ORA’s exhibits.</p> <p>ORA recommends the Commission adopt a 4 year GT&S cycle, rather than a 3 year cycle, and recommends 2020 increases of \$94 million (6.8%); 2021 increases of \$121 million (6.5%), and 2022 increases of \$28 million (1.5%).</p>

4

Exhibit ORA-02 Summary of Case
<p>This exhibit is purposefully blank. ORA’s summary is contained in ORA-01.</p>

5

Exhibit ORA-03 Summary of Request
<p>This exhibit is purposefully blank. ORA’s summary is contained in ORA-01.</p>

6

Exhibit ORA-04 Safety Risk and Planning (RAMP)
<p>This exhibit provides a summary of PG&E’s risk and investment planning process, compliance with the 2017 General Rate Case (GRC) settlement, and alignment between the Risk Assessment and Mitigation Phase (RAMP) and the GT&S. ORA recommends:</p> <ul style="list-style-type: none">• Phasing out the Risk Evaluation Tool and Risk-Informed Budget Allocation as PG&E transitions to a more quantitatively-based approach.• PG&E provide more detailed support for its deferred work.

7

Exhibit ORA-05
Asset Family - Transmission

This exhibit provides a summary of PG&E's transmission assets and transmission programs, such as hydrostatic (pressure) testing, pipe replacements, earthquake fault crossings, geo-hazard threat identification and mitigation, Transmission Integrity Management Plan (TIMP) activities, emergency response, class location changes, shallow or exposed pipe, work required by others, in-line inspection, and direct examination.

- ORA's 2019 forecast is for \$334 million in expense as compared to PG&E's forecast of \$358 million.
- ORA's 2019 capital expenditures forecast is for \$342 million, as compared to PG&E's forecast of \$446 million. This difference is driven largely by a slower pace of in-line inspection work. PG&E's proposal is to double the annual rate of work compared to the highest historical rate of work performed in the last 12 years.

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Exhibit ORA-06
Asset Family - Storage

This exhibit is purposefully blank. ORA's storage proposals are in ORA-11.

2

Exhibit ORA-07
Asset Family - Facilities

This exhibit provides a summary of PG&E's transmission facilities and related programs, such as documentation, compressor station upgrades and rebuilds, and station strength testing.

- ORA's 2019 forecast is for \$26.5 million in expense as compared to PG&E's forecast of \$33.7 million.
- ORA's 2019 capital expenditures forecast is for \$150 million, as compared to PG&E's forecast of \$154 million.

3

Exhibit ORA-08
Corrosion Control

This exhibit provides a summary of PG&E's corrosion control activities, which are designed to prevent pipeline corrosion from alternating and direct currents, to make assessments via close interval surveys, examine for internal corrosion, examine for external corrosion, perform cathodic protection, amongst other protections.

- ORA's 2019 forecast is for \$25.7 million in expense as compared to PG&E's forecast of \$35.7 million.
- ORA's 2019 capital expenditures forecast is for \$59 million, as compared to PG&E's forecast of \$79 million.

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**Exhibit ORA-09
Operations and Maintenance**

This exhibit provides a summary of PG&E's operations and maintenance activities, including on its StanPac pipe. Operations and Maintenance includes locate and mark, leak management, pipeline patrol, pipeline maintenance, station maintenance, and right-of-way maintenance.

- ORA's 2019 forecast is for \$62 million in expense as compared to PG&E's forecast of \$66 million.

2

**Exhibit ORA-10
Gas Systems Operations**

This exhibit provides a summary of PG&E's gas system operations activities. Gas systems operations are designed to ensure the transmission and storage system has sufficient capacity and capability to meet customer demands. This exhibit also includes ORA's analysis of PG&E's Line 407 showing.

- ORA's and PG&E's 2019 forecast is for \$52 million in expense.
- ORA's capital expenditures forecast for 2019 is \$22 million, as compared to PG&E's forecast of \$80 million. This difference is largely due to a difference in the forecast rate of new capacity projects, many of which were identified as cancelled or can be readily and safely postponed.

3

**Exhibit ORA-11
Natural Gas Storage Strategy**

This exhibit provides a summary of PG&E's natural gas storage strategy, primarily the sale or retirement of Pleasant Creek and Los Medanos. ORA does not oppose the sale or retirement of Pleasant Creek. ORA recommends deferring the retirement of Los Medanos until the next GT&S. The financial implications of ORA's proposals are contained in ORA-14B/C.

4

**Exhibit ORA-12
Information Technology**

This exhibit is in regards to PG&E's information technology proposals and forecasts. ORA does not oppose PG&E's proposals, except in regards to Asvcs: Development.

- ORA recommends an overall IT expense forecast of \$19 million in 2019, as compared to PG&E's forecast of \$23 million.

5

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**Exhibit ORA-13
Other GT&S Support**

This exhibit is in regards to PG&E's other GT&S support functions, such as compliance with environmental regulations, maintaining maps and records, government fees and permits, and related activities. ORA does not oppose PG&E's forecasts, but makes several recommendations for environmental remediation and the liquefied natural gas tanker facility relocation project.

- For 2019, both ORA and PG&E recommend an expense forecast of \$59 million.
- For 2019, both ORA and PG&E recommend a capital expenditure forecast of \$3.3 million.

1

**Exhibit ORA-14A
Plant and Rate base**

This exhibit is purposefully blank.

2

**Exhibit ORA-14B and 14C
Depreciation: Service Life and Net Salvage Estimates
Depreciation Study**

This exhibit is in regards to PG&E's depreciation, net salvage, and financial elements of the Natural Gas Storage Strategy. Depreciation is the ratemaking mechanism that allocates the recovery of the original cost of capital investments over the useful life of plant.

- For Account 353 (Lines), ORA recommends maintaining the current negative 30% net salvage rate, rather than PG&E's proposed negative 50% rate.
- For Account 367 (Mains), ORA recommends maintaining the current negative 44% net salvage rate, rather than PG&E's proposed negative 70% rate.
- ORA does not oppose the sale or retirement of Pleasant Creek. ORA recommends maintaining the currently authorized depreciation rates. Upon commencement of decommissioning, ORA recommends converting the remaining book value to a regulatory asset with amortization over 5 years with no return.
- ORA recommends deferring the decision to retire Los Medanos until the next GT&S. ORA recommends maintaining the currently authorized depreciation rates. If decommissioning is authorized beginning in 2022, ORA makes an alternatives recommendation that upon commencement of decommissioning, the remaining book value should be converted to a regulatory asset with amortization over 5 years with no return.
- ORA recommends decommissioning expenses for both facilities to be recovered over 8 years. This changes the costs for Pleasant Creek from \$8 million per year under PG&E's proposal to \$3 million per year under ORA's proposal. For Los Medanos the expenses would be recovered at \$6 million per year rather than PG&E's proposed \$21.6 million per year.

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**Exhibit ORA-15A
Results of Operations**

This exhibit is in regards to the results of the Results of Operations (RO) model. A summary of the results are contained in ORA-01.

2

**Exhibit ORA-15B
Taxes**

This exhibit is purposefully blank.

3

**Exhibit ORA-16A & 16B
Cost Allocation and Rate Design
Backbone Load Factor**

This exhibit is in regards to the results of the Cost Allocation and Rate Design (RO) model. Based on the recommendations in the other exhibits, ORA's proposals result in a \$0.69 decrease (-1.2%) in the average residential customer bill, as compared to PG&E's proposals which result in an approximately \$0.99 increase (1.8%).

4

**Exhibit ORA-16C
Demand and Throughput**

This exhibit is in regards to the results of the demand and throughput analysis. Generally, ORA's and PG&E's gas demand numbers are fairly similar. For 2019,

- ORA recommends for residential customers a throughput of 507 Mdth/D, as compared to PG&E's forecast of 524 Mdth/D.
- ORA recommends for small commercial customers a throughput of 216 Mdth/D, as compared to PG&E's forecast of 211 Mdth/D.
- For large commercial customers, ORA and PG&E have the same 2019 forecast of 19 Mdth/D.
- ORA recommends a 71 Mdth/D forecast for industrial distribution customers, as compared to PG&E's forecast of 68 Mdth/D.
- PG&E and ORA both recommend non-market electric generation forecasts of 175 Mdth/D.
- PG&E and ORA both recommend market responsive electric generation forecasts of 231 Mdth/D.

5

**Exhibit ORA-17A
Cost Recovery – Post Test Year Ratemaking**

This exhibit is purposefully blank. See ORA-01 for ORA's proposal on Post Test Year Ratemaking.

6

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Exhibit ORA-17B
Cost Recovery – Balancing Accounts

This exhibit is purposefully blank. Some balancing accounts were addressed in the specific chapters associated with a balancing account, or in ORA-21, ORA's audit.

1

Exhibit ORA-18
Core Transport Agent Changes

This exhibit is purposefully blank.

2

Exhibit ORA-19
Core Gas Supply

ORA recommends the Commission defer consideration of the Core Gas Supply proposals that are contingent upon the determination of the Natural Gas Storage Strategy to a Phase 2 of this proceeding. Alternatively, the Commission could direct ORA and TURN to review an updated Core Gas Supply proposal, which then would be submitted via a Tier 2 or 3 Advice Letter.

3

Exhibit ORA-20
Cost Model Changes

This exhibit is purposefully blank.

4

Exhibit ORA-21
Audit

ORA performed an audit of several PG&E balancing accounts. ORA periodically reviews utility balancing accounts upon the filing of major rate cases, including the GT&S. ORA selected 3 of the 11 accounts based on guidelines in Public Utilities Code Section 792.5.

- Regarding the Transmission Integrity Management Balancing Account (TIMBA), ORA recommends an interest adjustment of \$2.3 million.
- ORA recommends a TIMBA hotel expenses adjustment of 30%, totaling \$0.3 million.
- ORA recommends a TIMBA miscellaneous expenses adjustment of \$84,460.
- ORA recommends continuing the one-way TIMP balancing account.

5

1 **WITNESS QUALIFICATIONS**

2 My name is Nathaniel Skinner. My business address is 505 Van Ness
3 Avenue, San Francisco, California, 94102. I am employed by the California Public
4 Utilities Commission as a Program and Project Supervisor in the Office of Ratepayer
5 Advocates' Energy Safety and Infrastructure Branch.

6 Since joining the Commission in 2008, I have worked on various matters in an
7 advisory role with the Commission's Energy Division primarily in the area of Long
8 Term Procurement Planning for electric resources including reviewing models and
9 assumptions for renewable energy integration. Since transitioning to ORA in 2013, I
10 have worked on the General Rate Case Rulemaking (R.13-11-006) and the
11 successor proceedings, the PG&E Orders to Show Cause issued August 2013,
12 PG&E's PSEP Update Application (A.13-10-017), General Order 112-E, SoCalGas's
13 North-South Project Application (A.13-12-013), the SoCalGas/SDG&E 2016
14 Triennial Cost Allocation Proceeding (TCAP) (A.14-12-017), PG&E's 2015 Gas
15 Transmission and Storage Proceeding (A.13-12-012), PG&E's 2017 General Rate
16 Case (A.15-09-001), and various issues related to Natural Gas Transmission Safety
17 Plans in R.11-02-019 and its successor proceedings.

18 I am currently a PhD Candidate in Homeland Security and Emergency
19 Management Policy at Walden University. I have a MA in International Policy
20 Studies with a focus on Environmental Security from the Middlebury (formerly
21 Monterey) Institute of International Studies. I have a BA with Distinction in
22 Scandinavian Area Studies, and a BA in Political Science from the University of
23 Washington. I have also taken various graduate-level courses in critical
24 infrastructure protection.

25 This completes my prepared testimony.