

Docket	:	<u>A.17-11-009</u>
Exhibit Number	:	<u>ORA-12</u>
Commissioner	:	<u>C. Rechtschaffen</u>
ALJ	:	<u>S. Roscow</u>
Witness	:	<u>P.W. Li</u>



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**The Office of Ratepayer Advocates’
Report on
Pacific Gas and Electric Company’s
Cost of Service and Rates for Gas
Transmission and Storage
Services for the Period 2019 - 2021**

Chapter 12
Gas Operations Technology and Security

San Francisco, California
June 29, 2018

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1 **I. INTRODUCTION**

2 This exhibit presents the analyses and recommendations of the Office of
3 Ratepayer Advocates (ORA) regarding the Gas Operations Technology (Chapter 12)
4 of Pacific Gas and Electric Company (PG&E) in its Test Year (TY) 2019 Gas
5 Transmission and Storage Proceeding (GT&S).

6 **II. SUMMARY OF RECOMMENDATIONS**

7 ORA does not oppose PG&E's proposed capital expenditures (\$30.4 million)
8 or expenses, except for Asvcs Development (Category JVA). Category JVA
9 expenses are highly cyclical. ORA proposes a Category JVA expense forecast of
10 \$11,079,053, an approximately \$4 million dollar (i.e. 56.9%) higher forecast than the
11 2015 historical spending on Category JVA.¹ Overall, ORA recommends a 2019
12 expense forecast of \$18,966,562.

13 **Table 12-1**
14 **2019 Forecasted Expenses in Asvcs Development (Category JVA) and Total Expenses**
15 **in Gas Operations Technology & Security**
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	ORA Recommended (a)	PG&E Forecast² (b)	Difference (c = b-a)	Percentage Difference (d = c / b)
Category JVA	\$11,079,053	\$15,473,750	\$4,394,697	28.40%
Total Expenses	\$18,966,562	\$23,361,259	\$4,394,697	18.81%

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¹ PG&E 2019 Gas Transmission and Storage Rate Case, Workpapers Supporting Chapter 12, Gas Operations Technology and Security, in A.17-1-009, p. WP 12-1.

² PG&E 2019 GT&S, Workpapers Supporting Chapter 12, Gas Operations Technology and Security, in A.17-1-009, p. WP 12-1.

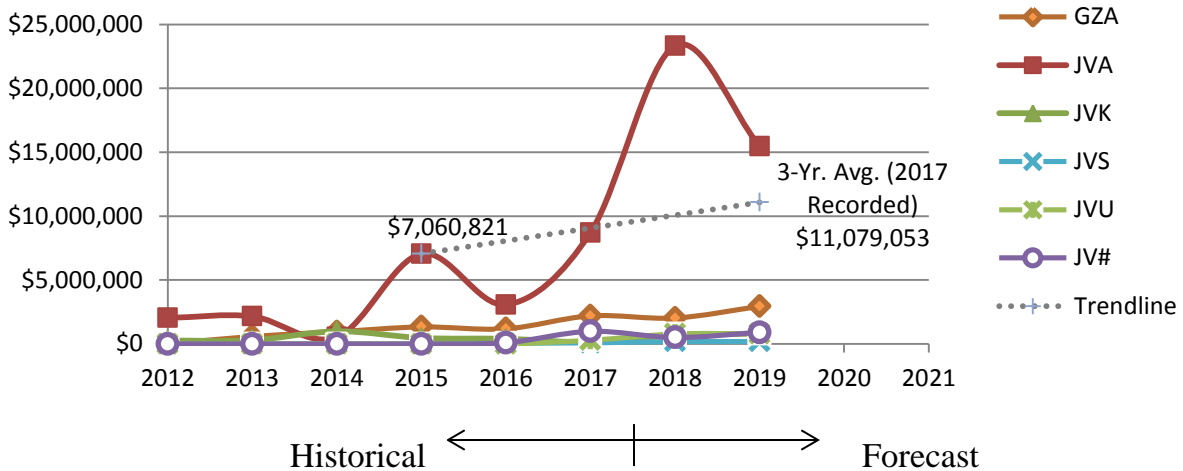
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III. DISCUSSION

A. Category JVA Spending Is Highly Cyclical

As seen in Figure 12-2, recorded and forecast Category JVA expense has increased varyingly since 2014, but has increased.

Figure 12-2
Category JVA expense (redline with square markers) has edged higher over the years and has been highly cyclical. Figures from 2017 onwards are forecasted



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B. Adoption of 3-Year Average as 2019 Forecast

For the 2019 Category JVA expense forecast, ORA recommends adopting the 3-year average from 2016 to 2018: \$ 11,079,053 (based on the 2017 recorded expense).³

ORA uses the Category JVA expense of \$3,074,282 (recorded), \$6,843,203 (recorded) \$23,319,675 (forecasted), respectively, in 2016, 2017 and 2018 to arrive to the 3-year average as the 2019 Category JVA expense forecast. Using the 2017 forecast expense of \$8,712,946 will bring the 3-year average to \$11,702,301, as shown in Table 12-3 below.

³ ORA’s data request to PG&E, ORA-DR-035, Question 1 (A.17-11-009), Revision 1, Redacted.

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Table 12-3
Using recorded and forecasted figures in determining the 3-year average as the forecast of 2019 expense for Category JVA

	Using 2017 Recorded	Using 2017 Forecasted
3-Year Average (2016 to 2018)	\$ 11,079,053	\$ 11,702,301

Table 12-4
Recorded and Forecasted Expense for Category JVA 2014 to 2019

Recorded Expense				Forecast Expense		
2014	2015	2016	2017	2018	2019	
\$532,091	\$7,060,821	\$3,074,282	\$6,843,203	\$8,712,946	\$23,319,675	\$11,079,053

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**Table 12-5
ORA and PG&E Forecasted Expense for All Categories in 2019 (in \$)**

Description (a)	ORA Recommended (b)	PG&E Proposed (c)	Difference (d = c - b)	ORA as % of PG&E (e = b / c)
Non-Shared				
Asvcs: Development JVA	11,079,053	15,473,750	4,394,697	71.60%
Shared				
Gas R&D GZA, Deployment GZ#	2,936,972	2,936,972	0	100.00%
ISXCS:SCADA JVK	815,645	815,645	0	100.00%
Isvcs: JVS Misc Expendables JVS	184,154	184,154	0	100.00%
Asvcs: Maintain/Support JVT	2,047,037	2,047,037	0	100.00%
Back Office JVU	804,000	804,000	0	100.00%
Infrastructure and Operations JV#	904,821	904,821	0	100.00%
Isvcs: Critical Cyber Assets JV2	0	0	0	N/A
Asvcs: Minor Enhancements JVB	0	0	0	N/A
GT Information and Technology JTJ	0	0	0	N/A
Corporate Security KZA, KZG, KZF, KZ#	194,880	194,880	0	100.00%
PSEP Mariner KE5	0	0	0	N/A
TOTAL	18,966,562	23,361,259	4,394,697	81.19%

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1 **C. Recommendation for Future PG&E GT&S Rate Case on**
2 **Technology Expense and Capital Expenditure**

3 While PG&E has mostly outlined the conceptual benefits of the numerous
4 technology and security projects proposed in Chapter 12 testimony,⁴ it has not
5 quantified the economic benefits and the potential economic or safety risk mitigated
6 by such projects. This quantitative analysis would be much more helpful and
7 concrete in assessing how necessary these projects are to improving gas safety as
8 PG&E claims. Having these metrics would be a useful indicator of the economic and
9 safety value brought by projects that will be proposed in future rate cases.

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11 **IV. Conclusion**

12 ORA recommends the Commission adopt its 2019 forecast of \$11,079,053 for
13 Asvcs Development (Category JVA), rather than PG&E’s forecast of \$15,473,750.
14 Overall, ORA recommends a Gas Operations Technology and Security 2019
15 forecast of \$18,966,562.

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19 Source: PG&E 2019 Gas Transmission and Storage Rate Case, Chapter 12 Testimony and Workpapers

⁴ PG&E responded to ORA’s data request (ORA_049-Q02) on April 19, 2018 that PG&E has not “prepared formal business cases detailing the requested information [economic benefit or contributions towards the affordability of rates to the ratepayers] and we do not claim that these types of benefits exist for every technology project forecast in the filing. The conceptual benefits provided by each project are presented in the respective Workpapers, and in some cases these benefits do include affordability factors.”

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WITNESS QUALIFICATIONS

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My name is Pui-Wa Li. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Office of Ratepayer Advocates (ORA) as a Senior Public Utilities Regulatory Analyst in the Energy Safety and Infrastructure Branch.

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Since joining the ORA in 2018, I have been working on proceedings related to the safety of natural gas transmission pipelines, including the Gas Transmission and Storage General Rate Case (A.17-11-009).

9

Prior to joining ORA, I have worked on various proceedings and projects related to General Rate Cases filed by investors' owned water utilities as part of the CPUC's Water Division.

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Previously, I worked as a research petroleum engineer and was a member of the European Association of Geoscientists and Engineers. My focus was on subsurface fluid flow modeling in porous medium (for hydrocarbon).

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I have a Master's degree and a Bachelor's degree in Civil and Environmental Engineering, respectively, from Massachusetts Institute of Technology and University of California, Berkeley. I am a California-registered Engineer in Training (EIT).

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This completes my prepared testimony.