PG&E HEARING EXHIBIT PGE-16

A.20-04-023

PG&E’S SECURITIZATION 2020

PACIFIC GAS AND ELECTRIC COMPANY

CHAPTER 9

RATE PROPOSAL – REBUTTAL

WITNESS: DANIEL PEASE

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A. Allocation of the Fixed Recovery Charges Using Equal Cents per Kilowatt Hour Is Appropriate for the Stress Test Costs Being Securitized. [Issue 7]

In this rebuttal testimony, I am responding to the rate design proposals presented by Robert R. Stephens for the Energy Producers and Users Coalition (EPUC) for the Fixed Recovery Charge (FRC).

PG&E proposed to design the FRC (and the accompanying Customer Credit) on an equal cents per kWh basis. All customers that are eligible to pay the FRC would pay the same cents per kWh rate.[1] Only EPUC has objected to PG&E's proposed rate design. EPUC's testimony is based on its belief that the "costs that PG&E seeks to securitize" are "for distribution infrastructure-related expenditures which, but for securitization, would be allocated to customers based on total distribution revenue allocation factors derived in a GRC."[2] EPUC therefore takes the position that the FRC "should be collected on the same basis."[3] EPUC relies on a cost of service principle for allocating all FRCs.

In point of fact, however, none of the costs being securitized include transmission or distribution infrastructure costs as EPUC suggests. The costs being securitized are costs and expenses from settlement of claims related to damages for catastrophic wildfires ignited in 2017 for which PG&E has waived recovery under Section 451 and seeks recovery only under Section 451.2(c) as Stress Test Costs.[4] PG&E's proposal for equal cents per kWh revenue allocation and rate design is appropriate because the costs being recovered are not distribution infrastructure costs and should not be treated as infrastructure costs allocated based on cost of service. To use a distribution allocation would provide a proportionally higher allocation to small customers (for example,

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1 PG&E's Prepared Testimony (Updated), Chapter 9, p. 9-3.

2 EPUC-Stephens, p. 4.

3 EPUC-Stephens, p. 4.

4 PG&E's Prepared Testimony (Updated), Chapter 1, p. 1-1, lines 6-9 and p. 1-3, lines 1-7.

residential customers) than proposed by PG&E and would be unfair to those customers when the securitization is not for distribution infrastructure costs.

EPUC refers to the revenue allocation and rate design proposed by Southern California Edison in A.20-07-008 as an appropriate approach for this proceeding.[5] However, the costs in that proceeding were for wildfire mitigation capital expenditures that do constitute distribution infrastructure costs. Those costs were approved for recovery under Section 451 by D.20-04-013 and are eligible for securitization under Section 850(a)(2) as expenditures arising under Section 8386.3(e). In the case of SCE's application for securitization of distribution infrastructure costs, it may well be appropriate to incorporate distribution allocation factors for recovery of costs. That approach, however, is not appropriate in PG&E's Application, which does not involve distribution infrastructure costs.

Further, EPUC claims that costs specifically recorded in FERC accounts 360-373 would be subject to recovery using distribution allocation factors.[6] However, none of the costs PG&E proposes for securitization will be recorded (or would have otherwise been recorded) in those accounts.

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5 EPUC-Stephens, p. 4. *See also*, D.20-11-007, issued November 10, 2020.

6 EPUC-Stephens, p. 7.