

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



July 3, 2020

Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, CA 94177

Sent via email

SUBJECT: Approval of Pacific Gas and Electric Company Advice Letters 4185-G and Supplemental 4185-G-A *Proposal to Revise Process to Convert Balancing and Memorandum Accounts into Rates for Local Transmission Costs, in Compliance with Ordering Paragraph 82 of Decision 19-09-025.*

Dear Mr. Jacobson,

This letter approves Pacific Gas and Electric Company (PG&E) Advice Letter (AL) 4185-G and Supplemental AL 4185-G-A wherein the utility requests to modify certain gas balancing and memorandum accounts in a manner that is consistent with Decision (D.) 19-09-025 regarding the tracking and allocation of backbone and local transmission pipeline costs. As explained below, PG&E has satisfactorily addressed the issues raised in the AL protest of the Sacramento Municipal Utility District (SMUD). PG&E AL 4185-G and Supplemental AL 4185-G-A are effective January 1, 2019, as requested.<sup>1</sup>

### Background

In Decision (D.) 19-09-025, the CPUC adopted PG&E's revenue requirement for its gas transmission and storage (GT&S) system for 2019 through 2022. That decision also maintained the existing gas transportation rate structure whereby customers directly served on PG&E's backbone pipeline system were not assigned local transmission costs.<sup>2</sup> This arrangement was adopted so that backbone served customers would not subsidize customers that use PG&E's local transmission system.<sup>3</sup> During the GT&S proceeding, SMUD asserted that PG&E's balancing and memorandum accounts did not properly partition and allocate the utility's backbone and local transmission costs that would be amortized in rates.<sup>4</sup> As a result, local transmission costs were being included in the rates paid by backbone customers due to the utility's accounting procedures contrary to the established ratemaking policy. The CPUC agreed with SMUD's argument and ordered PG&E to file an AL to make corresponding changes to its balancing and memorandum accounts.<sup>5</sup> To comply with the decision's order, PG&E filed AL 4185-G and proposed to modify its balancing and

<sup>1</sup> January 1, 2019 is the date the revenue requirements authorized by D.19-09-025 went into effect.

<sup>2</sup> D.19-09-025 at p. 286. PG&E maintains separate tariff rates in its rate schedules for backbone and local transmission customers.

<sup>3</sup> D.19-09-025 at pp. 286-7 discusses cost-causation and the separation of backbone and local transmission costs in the context of PG&E's electric generation customers.

<sup>4</sup> D.19-09-025 at p. 285.

<sup>5</sup> D.19-09-025 Ordering Paragraph 82 directed PG&E to file an AL to propose revisions to its balancing and memorandum accounts in a manner that is consistent with the decision.

memorandum accounts by creating subaccounts designed to separately track and allocate backbone and local transmission and costs.<sup>6</sup> Later, the utility filed Supplemental AL 4185-G-A to address issues raised by SMUD in its AL 4185-G protest, as discussed below.

#### SMUD Protest

On December 12, 2019, SMUD protested PG&E AL 4185-G. The protestant supported many aspects of the AL and noted that PG&E's proposal to track costs through the use of the new subaccounts was reasonable and appeared to be consistent with D.19-09-025.<sup>7</sup> However, SMUD requested that the CPUC require the utility to amend the filing to clarify through the use of hypothetical examples the proposed mechanisms for allocating backbone and local transmission costs in the accounts. Additionally, SMUD asked the CPUC to require PG&E to confirm that going forward the utility will structure any gas accounts not addressed in the AL in a manner that treats the allocation of backbone and local transmission costs consistent with D.19-09-025.

#### PG&E Protest Reply

On December 19, 2019, PG&E submitted its reply to SMUD's protest. The utility was supportive of SMUD's request for additional clarification and agreed to submit a Supplemental AL with examples illustrating its proposed accounting procedures. Accordingly, PG&E filed AL 4185-G-A on January 17, 2020, with examples showing the operation of the subaccounts and proposed allocation methodology. The supplemental AL was not protested.

#### Discussion and Determination

Energy Division's (ED) review finds that PG&E's proposed balancing and memorandum account adjustments filed in AL 4185-G and 4185-G-A complies with D.19-09-025 regarding the treatment of backbone and local transmission costs. Specifically, the new subaccounts the utility would establish tracks such costs separately and the accounting procedures appropriately allocate the balances in the accounts between backbone and local transmission customers. This result is substantiated by the examples PG&E filed in Supplemental AL 4185-G-A per SMUD's request showing how the proposed account adjustments would function.

Therefore, PG&E AL 4185-G and Supplemental AL 4185-G-A are approved. ED also adopts SMUD's recommendation in its protest and directs PG&E to review every gas account to ensure that they track and allocate backbone and local transmission costs as required by D.19-09-025.<sup>8</sup> PG&E shall file a Tier 2 AL if it finds that is necessary to make a corresponding change to its gas accounts in order to comply with D.19-09-025.<sup>9</sup>

Sincerely,



Edward Randolph

Deputy Executive Director for Energy and Climate Policy/  
Director, Energy Division

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<sup>6</sup> In AL 4185-G, PG&E proposes to establish a Main account to track backbone transmission costs an LT subaccount to track local transmission costs.

<sup>7</sup> SMUD protest at p.2.

<sup>8</sup> D.19-09-025 Ordering Paragraph 82.

<sup>9</sup> D.19-09-025 Ordering Paragraph 82 authorizes PG&E to file a Tier 2 AL to amend its gas accounts for the tracking and allocation of backbone and local transmission costs.

cc: Mr. David Peffer  
Sacramento Municipal Utility District  
[peffer@braunlegal.com](mailto:peffer@braunlegal.com)

January 17, 2020

**Advice 4185-G-A**

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject      Proposal to Revise Process to Convert Balancing and Memorandum  
Accounts into Rates for Local Transmission Costs, in Compliance  
with Ordering Paragraph 82 of Decision 19-09-025**

**Purpose**

This advice letter complies with Ordering Paragraph (OP) 82 in Pacific Gas and Electric's (PG&E) 2019 Gas Transmission and Storage (GT&S) Decision (D.) 19-09-025 (the Decision).

**Background**

On November 22, 2019, PG&E submitted Advice Letter 4185-G in compliance with OP 82, which required PG&E to "within 60 days of the date of that this decision is final, Pacific Gas and Electric Company (PG&E) must submit a Tier 2 Advice Letter with a proposal to revise its process for converting its balancing and memorandum accounts into rates so that the process allocates costs in a manner that is consistent with this decision. PG&E may use the process suggested in section 14.4 of this decision or devise its own revisions to the existing process". Advice Letter 4185-G proposed revisions to 20 existing and pending one-way balancing and memorandum accounts. For both the existing and pending one-way balancing accounts and memorandum accounts, PG&E proposed to track Local Transmission (LT) system costs in separate LT Subaccounts, while tracking the remainder of costs in Main Subaccounts.

On December 12, 2019, the Sacramento Municipal Utility District ("SMUD") protested Advice 4185-G. SMUD generally supported PG&E's proposal, with some exceptions. As described in the Protest, there are multiple outcomes under PG&E's proposal:

1. The total balance (Main Account plus LT Subaccount) is zero or overspent, and both subaccounts are overspent.
2. The total balance is zero or overspent, and the Main Account is overspent but the LT Subaccount is underspent.

3. The total balance is zero or overspent, and the Main Account is underspent but the LT Subaccount is overspent.
4. The total balance is underspent.<sup>1</sup>

SMUD seeks additional clarification from PG&E “to explain, including the use of hypothetical examples, how both proposals will ensure that no LT costs are either returned or re-allocated to [Electric Generation Backbone] EG-BB customers.”<sup>2</sup> Specifically, SMUD requested additional clarification on Outcomes 3 and 4: (1) when the total balance is zero or overspent, the Main account is underspent, and the LT Subaccount is overspent; and (2) when the total balance is underspent.

### **Supplemental Information**

Included in Attachment 1 of this supplemental advice letter are two hypothetical examples to better illustrate the proposal included in Advice 4185-G. Specifically, Example 1 documents a hypothetical example of outcome 3, a scenario in which the total account is overspent, the Main Account is underspent, and the LT Subaccount is overspent. In order to comply with the rules of a one-way balancing account, PG&E may collect only up to the **total** adopted amount. Thus PG&E proposes at the end of the funding cycle to reallocate the adopted expenses based on the ratio of actual expenses for the Main Account and the LT Subaccount.<sup>3</sup> PG&E proposes this reallocation of adopted expenses based on the ratio of actual expenses as a fair methodology to collect up to the total adopted expenses and aligns recovery of adopted expenses with actual spending on the program.

Example 2 documents a hypothetical example of outcome 4, a scenario in which the total account is underspent, the Main Account is overspent, and the Local Transmission Subaccount is underspent. As documented in the example, by collecting the overspent balance from customers responsible for the Main Account (i.e. all customers) and refunding the underspent balance to customers responsible for the LT Subaccount (i.e. all customers except Backbone Service Level end-use customers), in total PG&E will have refunded the total underspent balance, thus complying with the rules of a one-way balancing account.

### **Protests**

Anyone wishing to protest this submittal may do so by letter sent via U.S. mail, facsimile or E-mail, no later than February 6, 2020, which is 20 days after the date of this submittal. Protests must be submitted to:

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<sup>1</sup> SMUD Protest, pg. 3.

<sup>2</sup> SMUD Protest, pg. 4. SMUD lumped outcomes 2 and 3 together in its Protest discussion and specifically asked for clarification of Outcomes 3 and 4.

<sup>3</sup> In the case of a capital balancing account, PG&E would reallocate the adopted capital revenue requirement based on the ratio of actual capital expenditures in the Main Account and the LT Subaccount compared to actual total capital expenditures.

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson  
Director, Regulatory Relations  
c/o Megan Lawson  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B13U  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-3582  
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

### **Effective Date**

PG&E requests that this Tier 2 advice submittal become effective January 1, 2019 in accordance with the Administrative Law Judge's December 11, 2018 Ruling making GT&S revenue requirements effective January 1, 2019.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for A.17-11-009. Address changes to the General Order 96-B service





# ADVICE LETTER SUMMARY

## ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: Pacific Gas and Electric Company (ID U39E)

Utility type:

- ELC       GAS       WATER  
 PLC       HEAT

Contact Person: Kimberly Loo

Phone #: (415)973-4587

E-mail: PGETariffs@pge.com

E-mail Disposition Notice to: KELM@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas      WATER = Water  
 PLC = Pipeline      HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 4185-G-A

Tier Designation: 2

Subject of AL: Proposal to Revise Process to Convert Balancing and Memorandum Accounts into Rates for Local Transmission Costs, in Compliance with Ordering Paragraph 82 of Decision 19-09-025

Keywords (choose from CPUC listing): Compliance

AL Type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.19-09-025

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested?  Yes  No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes  No

Requested effective date: 1/1/19

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

<sup>1</sup>Discuss in AL if more space is needed.

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:**

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name: Erik Jacobson, c/o Megan Lawson  
Title: Director, Regulatory Relations  
Utility Name: Pacific Gas and Electric Company  
Address: 77 Beale Street, Mail Code B13U  
City: San Francisco, CA 94177  
State: California Zip: 94177  
Telephone (xxx) xxx-xxxx: (415)973-2093  
Facsimile (xxx) xxx-xxxx: (415)973-3582  
Email: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: District of Columbia Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

# **Attachment 1**

## **Examples**

Example 1: One-Way Balancing Account where total balance is overspent  
Main Account is underspent, and LT Subaccount is overspent.

	TOTAL	Main	% of Actual/ Total	LT	% of Actual/ Total
Recovered Adopted Expenses (credit)	(\$15)	(\$6)		(\$9)	
Actual Expenses (debit) <sup>1</sup>	18	4	22%	14	78%
Overspent/(Underspent)	\$3	\$(2)		\$5	

In this example, the total account is overspent by 3: the Main account is underspent by 2, and the LT Subaccount is overspent by 5.

Step (1) Because the total balance is overspent and this is a one-way balancing account, PG&E may not collect the additional 3 from customers. PG&E may record up to the adopted expenses of 15.

Step (2) Reallocate adopted amount based on the ratio of actual expenses to total expenses.

Record revised adopted amounts as a debit to Main Account and LT Subaccount.

	TOTAL	Main		LT	
Recovered Adopted (credit)	(15)	(6)		(9)	
Actual Expenses Eligible for Recovery (debit)	15	3.3	(15*22%)	11.7	(15*78%)
Overspent/(Underspent) <sup>2</sup>		(2.7)		2.7	

After the reallocation, the Main Account is underspent by 2.7. This amount will be refunded to all customers. The LT Subaccount is overspent by 2.7. This amount will be collected from all customers except Backbone Service Level end-use customers. In total, PG&E will have collected 15, complying with the rules of a one-way balancing account.

<sup>1</sup> In typical one-way expense balancing accounts, adopted amounts are recorded as credits to the account and actual expenses are recorded as debits. When the one-way balancing account is overspent in total, PG&E will reverse the debit entry for the actual spend of 18 and reallocate the adopted expenses. See Step (2) above.

<sup>2</sup> Overspent amount will be collected from customers. Underspent amounts will be refunded to customers.

Example 2: One-Way Balancing Account where total balance is underspent: Main Account is overspent, and LT Subaccount is underspent.

		Subaccount	
	<u>TOTAL</u>	<u>Main</u>	<u>Local Transmission (LT)</u>
Recovered Adopted Expenses (credit)	(\$12)	(\$7)	(\$5)
Actual Expenses (debit)	10	8	2
Overspent/(Underspent)	(2)	1	(3)

In this example, the total one-way balancing account is underspent by 2; the Main Account is overspent by 1; and the LT Subaccount is underspent by 3. In total, 2 will be refunded to customers, maintaining the rules of a one-way balancing account. For the Main Account, PG&E will collect 1 additional amount from all customers. For the LT Subaccount, PG&E will refund 3 to all customers except Backbone Service Level end-use customers. In this example, when the account is underspent in total, and one of the subaccounts is overspent while the other subaccount is underspent, no reallocation between the subaccounts is necessary to comply with the rules of a one-way balancing account.

**PG&E Gas and Electric  
Advice Submittal List  
General Order 96-B, Section IV**

AT&T	Downey & Brand	Pioneer Community Energy
Albion Power Company	East Bay Community Energy	Praxair
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	
	Energy Management Service	
Alta Power Group, LLC	Engineers and Scientists of California	Redwood Coast Energy Authority
Anderson & Poole	Evaluation + Strategy for Social Innovation	Regulatory & Cogeneration Service, Inc.
	GenOn Energy, Inc.	SCD Energy Solutions
Atlas ReFuel	Goodin, MacBride, Squeri, Schlotz & Ritchie	
BART	Green Charge Networks	SCE
	Green Power Institute	SDG&E and SoCalGas
Barkovich & Yap, Inc.	Hanna & Morton	
P.C. CalCom Solar	ICF	SPURR
California Cotton Ginners & Growers Assn	IGS Energy	San Francisco Water Power and Sewer
California Energy Commission	International Power Technology	Seattle City Light
California Public Utilities Commission	Intestate Gas Services, Inc.	Sempra Utilities
California State Association of Counties	Kelly Group	Southern California Edison Company
Calpine	Ken Bohn Consulting	Southern California Gas Company
	Keyes & Fox LLP	Spark Energy
Cameron-Daniel, P.C.	Leviton Manufacturing Co., Inc. Linde	Sun Light & Power
Casner, Steve	Los Angeles County Integrated	Sunshine Design
Cenergy Power	Waste Management Task Force	Tecogen, Inc.
Center for Biological Diversity	Los Angeles Dept of Water & Power	TerraVerde Renewable Partners
	MRW & Associates	Tiger Natural Gas, Inc.
Chevron Pipeline and Power	Manatt Phelps Phillips	
City of Palo Alto	Marin Energy Authority	TransCanada
	McKenzie & Associates	Troutman Sanders LLP
City of San Jose	Modesto Irrigation District	Utility Cost Management
Clean Power Research	Morgan Stanley	Utility Power Solutions
Coast Economic Consulting	NLine Energy, Inc.	Utility Specialists
Commercial Energy	NRG Solar	
County of Tehama - Department of Public Works	Office of Ratepayer Advocates	Verizon
Crossborder Energy	OnGrid Solar	Water and Energy Consulting Wellhead Electric Company
Crown Road Energy, LLC	Pacific Gas and Electric Company	Western Manufactured Housing Communities Association (WMA)
Davis Wright Tremaine LLP	Peninsula Clean Energy	Yep Energy
Day Carter Murphy		
Dept of General Services		
Don Pickett & Associates, Inc.		
Douglass & Liddell		