California Public Utilities Commission

General Rate Case Plan Workshop Report

Energy Division

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Table of Contents

1 Executive Summary 3

2 Introduction 4

3 Background 4

4 Workshop 5

5 Morning Session: Facilitating the timely completion of GRCs 6

5.1 Morning Presentations 6

5.1.1 Energy Division Presentation 6

5.1.2 Administrative Law Judge (ALJ) Division Presentation 7

5.1.3 Office of Ratepayer Advocates (ORA) Presentation 8

5.1.4 The Utility Reform Network (TURN) Presentation 9

5.1.5 Pacific Gas & Electric (PG&E) Presentation 9

5.1.6 Southern California Edison (SCE) Presentation 10

5.1.7 Sempra Utilities (San Diego Gas & Electric and Southern California Gas) 11

5.1.8 Safety Enforcement Division Presentation 12

5.2 Morning Discussions 12

5.2.1 Changing the current Rate Case Schedule 12

5.2.2 Standardizing and Streamlining GRC filings 14

5.2.3 Simplification/Streamlining of GRC proceedings 18

6 Afternoon session: The pros and cons of a three-year versus four-year GRC cycle 21

6.1 Afternoon Presentations 21

6.1.1 Office of Ratepayer Advocates (ORA) Presentation 21

6.1.2 The Utility Reform Network (TURN) Presentation 22

6.1.3 Pacific Gas &Electric (PG&E) Presentation 22

6.1.4 Southern California Edison (SCE) Presentation 22

6.1.5 Sempra Utilities (SDG&E and SoCalGas) Presentation 23

6.2 Afternoon Discussions 23

7 Staff recommendations 24

7.1 Modifying the date of ORA's testimony in the Rate Case Plan: 24

7.2 Additional Workshops for Further Discussions 25

7.2.1 Topic 1: Standardizing GRC filings 25
7.2.2 Topic 2: Stipulated Terms, Rebuttable Presumptions, and Formula-Based Attrition Year Revenue Requirements 26
7.2.3 Topic 3: Results of Operation Model 27
7.2.4 Topic 4: FERC Accounting 27
7.3 Order-Instituting Rulemaking: Taxes 27
7.4 Retaining a three-year GRC cycle 28
7.5 Combining PG&E's GT&S and GRC application 29
8 Next Steps 29
9 Appendix A – Workshop Presentations 31
9.1 Energy Division Presentation 31
9.2 Administrative Law Judge Presentation 31
9.3 PG&E Presentation 31
9.4 SCE Presentation 31
9.5 Sempra (SDG&E and SoCalGas) Presentation 31
9.6 Safety Enforcement Division Presentation 31
10 Appendix B – Workshop Agenda 31
11 Appendix C – Workshop Sign-in List 31

1 Executive Summary

On January 11, 2017, Energy Division hosted a "General Rate Case (GRC) Rate Cycle" workshop in Rulemaking (R.) 13-11-006. The purpose of the workshop was to explore options that will help the Commission process GRC proceedings more efficiently and timely for the major investor-owned electric and gas utilities, namely Pacific Gas and Electric (PG&E), Southern California Edison (SCE), San Diego Gas and Electric (SDG&E), and Southern California Gas (SoCalGas).

Upon review and consideration of parties' presentations and discussion at the workshop, staff recommends the following:

1. The Commission should modify the Rate Case Plan to move Office of Ratepayer Advocate (ORA)'s opening testimony submittal date from the current February 20 date to April. The modification is needed to give ORA sufficient time to conduct discovery adequately and file testimony.
2. To improve the efficiency in processing GRC proceedings, Energy Division staff recommends the Commission further examine several areas of improvements. Energy Division should host additional workshops to address the following four main topics:
    a. Standardizing GRC filings, specifically on the following topics:
        i. A standard process and format for the Master Data Request
        ii. A standard process and format for the Joint Comparison Exhibit
        iii. A standard index to reference the order of testimony chapters
        iv. A standard process for including the utilities' most recent recorded spending data, including possibly adjusting the base year
    b. The feasibility for the Commission to adopt stipulated terms or rebuttable presumptions, addressing the following specific topics:
        i. The adoption of expenses under stipulated terms
        ii. The adoption of standardized attrition year ratemaking under rebuttable presumptions, such as with a uniform escalation formula or an incentive, performance-based ratemaking mechanism
    c. Results of Operations (RO) model uniformity, specifically on the following topics:
        i. A standard and uniform Summary of Earnings table
        ii. A standard and uniform user-friendly input interface for the RO models
        iii. A standard and uniform RO model structure
    d. The feasibility for utilities to file GRCs using the FERC accounting format
3. Staff recommends that the Commission open an Order-Instituting Rulemaking (OIR) to revisit its policies on the utilities' recovery of income tax expenses and related rate base issues.
4. Staff recommends that the Commission retain the current three-year GRC cycle.
5. Staff recommends that the Commission direct PG&E combine its gas transmission and storage (GT&S) and GRC proceedings.

2 Introduction

On January 11, 2017, Energy Division hosted a “General Rate Case (GRC) Rate Cycle” workshop. The purpose of the workshop was to explore options to more efficiently and timely process GRC proceedings for the major investor-owned electric and gas utilities (“utilities”), namely PG&E, SCE, SDG&E and SoCalGas. One of these options is to extend the current GRC rate case cycle from a three-year GRC cycle to a four-year GRC cycle.

3 Background

A GRC is a proceeding in which the Commission authorizes an investor-owned utility to recover through rates all reasonable costs of operating and maintaining its facilities and equipment safely and reliably. The schedule for the utilities’ GRC filings is set in a “Rate Case Plan.” The current Rate Case Plan was established in Decision (D.) 14-12-025 in R.13-11-006, the Order Instituting Rulemaking proceeding to develop a risk-based decision-making framework to evaluate safety and reliability improvements and revise the General Rate Case Plan for large energy utilities.

In incorporating a risk-based decision-making framework into the GRCs, D.14-12-025 adopted two new procedures for the energy utilities to demonstrate how they assess their safety risks and how they manage, mitigate and minimize such risks. Under these two new procedures, utilities must file 1) a Safety Model Assessment Proceeding (S-MAP) and 2) a Risk Assessment Mitigation Phase (RAMP) filing in an Order Instituting Investigation proceeding established for each of the utilities prior to its upcoming GRC. Each utility shall then incorporate its RAMP filing into its upcoming GRC filing. Under this current Rate Case Plan, the utilities are required to file a GRC application every three years with the Commission. This filing period is known as the three-year GRC Rate Case cycle.

The current general rate case schedule is outlined in the following table:

	Start Date	End Date
RAMP	November (1 year prior to GRC filing)	May
GRC Application & Testimonies	Sept 1st (2 years prior to Test Year)	May 1st (1 year prior to Test Year)
Evidentiary Hearings	May (prior to Test Year)	June
Proposed Decision Drafting	June	October
Final Decision	October (prior to Test Year)	November (prior to Test Year)

In September 2015, the Office of Ratepayer Advocates (ORA), SDG&E, and SoCalGas filed a petition for modification of D.14-12-025, proposing that the Commission change the current three-year GRC Rate Case cycle to a four-year GRC Rate Case cycle. In June 2016, the Commission issued D.16-06-005, rejecting the petition for modification and retaining the current three-year GRC Rate Case cycle for the utilities. In rejecting the proposed four-year GRC Rate Cycle, the decision recognizes that the processing of GRC proceedings, PG&E's Gas Transmission and Storage (GT&S) proceedings, Safety Model Assessment Proceedings (S-MAP), and Risk Assessment Mitigation Phase (RAMP) proceedings requires extensive resources from Commission staff and the parties participating in these proceedings. Thus, it is important for the Commission to consider process improvements that can yield more efficient proceedings and more timely decisions. In light of these objections, the decision directed Energy Division to hold a workshop to explore options, including moving to a longer GRC cycle that could help the Commission process GRCs and related proceedings in a timelier manner. The decision also directed Energy Division to issue a report of the workshop.[1] The proceeding, R.13-11-006, remains open to address the issues discussed in the workshop report and other miscellaneous changes to the Rate Case Plan.[2]

4 Workshop

Energy Division held the workshop on January 11, 2017 at the Commission's headquarters in San Francisco. Energy Division sent notice of the workshop to the service lists of the recent rulemaking on modifying the Rate Case Plan to incorporate the risk safety framework (R.13-11-006) and recent general rate cases for the major utilities (i.e., A.15-09-001, A.14-11-003, A.16-09-001, A.13-12-012, and A.15-05-002). The public workshop notice was posted on the Commission's Daily Calendar and website.

The workshop included a morning and an afternoon session. The morning session discussed the challenges to the timely processing of GRCs within the current Rate Case Plan and the options the Commission can pursue to facilitate the timely processing of these proceedings. The afternoon session explored the pros and cons of three-year and four-year GRC cycles.

The workshop was attended by representatives from Gas Transmission Systems, Inc., Alliance for Nuclear Responsibility (A4NR), Energy Producers and Users Coalition (EPUC)/Indicated Shippers (IS), California Manufacturers and Technology Association (CMTA), The Utility Reform Network (TURN), ORA, California Farm Bureau Federation, PG&E, SCE, SDG&E, SoCalGas, Davis Wright Tremaine, Southern California Generation Coalition (SCGC), Utility Consumers' Action Network (UCAN), and Commission staff.[3]

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[1] D.16-06-005, Ordering Paragraph 2
[2] D.16-06-005, Ordering Paragraph 3
[3] The attendance list is included in Appendix C.

5 Morning Session: Facilitating the timely completion of GRCs

In the morning session, participants discussed the challenges that have impeded the Commission from resolving GRC proceedings within the statutory deadline and possible ways to help the Commission process GRC proceedings more efficiently and timely.

Energy Division posed a set of questions to the participants to facilitate discussions on these topics:

1) Does the current Rate Case Plan schedule allow sufficient time for the utilities, all intervening parties, and Commission staff to process GRC proceedings in a timely manner? If not, why not?
2) Are there ways to reduce the complexity of GRC proceedings and streamline GRC filings? What are they?
3) What are other areas needing improvement within the current Rate Case Plan?
4) Are there things the utilities or parties can do to assist the Commission to review GRC filings more efficiently? If so, what are they?

Energy Division invited a panel of speakers to address these questions. The speakers were representatives from the Commission's Safety Enforcement Division (SED), SDG&E/SoCalGas, PG&E, ORA, and TURN.

The workshop began with presentations from Energy Division and Administrative Law Judge (ALJ) Division. Afterwards, each panelist gave a presentation and addressed the questions listed above.

5.1 Morning Presentations[4]

5.1.1 Energy Division Presentation

Elaine Lau presented on behalf of Energy Division. She is a senior analyst in the Electric Costs section of Energy Division. Ms. Lau presented findings Energy Division staff had obtained through analyzing the past ten years of the utilities' GRC proceedings.[5] Staff found that the final decisions for these GRC proceedings were issued an average of 225 days after the first date of the test years, including proceedings that adopted a settlement and proceedings that were fully litigated.[6] The longest delay belonged to two GRCs which were processed concurrently.[7]

Ms. Lau then presented Energy Division staff recommendations:

[4] Presentations from the workshop are included in Appendix A.
[5] Staff reviewed all the GRC proceedings from PG&E's 2007 GRC to SDG&E/SoCalGas' 2016 GRC.
[6] For GRCs with a settled test year revenue requirement, the decisions were issued an average of 146 days after the test year. For fully litigated GRCs, the decisions were issued an average of 288 days after the test year.
[7] SCE's 2012 GRC and SDG&E/SoCalGas' 2012 GRC were processed concurrently.

1) A standard and uniform format for the Joint Comparison Exhibits (JCE)[8]
2) A standard and uniform labeling system for the utilities' and parties' testimony, with a standard index that assigns an exhibit number to a given cost type (e.g., Customer Care, Electric Distribution)
3) A standard and uniform format for the Summary of Earnings tables[9]
4) A standard and uniform format for a user-friendly interface in the Results of Operations model[10] that allows users to easily input numbers into the model and generate revenue requirement calculations, and
5) A directive to PG&E to combine its Gas Transmission and Storage revenue requirement requests into its GRC proceedings.

5.1.2 Administrative Law Judge (ALJ) Division Presentation

Assistant Chief ALJ Kevin Dudney presented on behalf of the ALJ Division. Judge Dudney presented the statutory deadlines imposed on formal ratesetting proceedings, such as GRCs, and explained the challenges ALJs face in drafting proposed decisions within the statutory deadline. He discussed two relevant Public Utilities (PU) Code sections. PU Code § 311(d) states that the proposed decision shall be filed and served to parties ninety days after the matter in the proceeding has been submitted.[11] PU Code § 1701.5 states that ratesetting proceedings must be resolved within 18 months of initiation.

Judge Dudney then discussed the challenges ALJs face when drafting the proposed decision to a GRC proceeding within the 18-month statutory deadline. He explained that GRC proceedings typically have a large scope, a voluminous record, lengthy hearings, multiple intervening parties, lengthy decisions, and often times unforeseen controversial issues. A GRC decision is typically from 200 pages to over 1000 pages for a litigated proceeding and is typically from 200 pages to 400 pages for a GRC with a settlement. A fully litigated GRC proceeding typically has over 1000 pages of testimony and over 1000 pages of briefs. Additionally, the assigned judge needs to coordinate with Energy Division to run the Results of Operations model. Energy Division staff needs a significant length of time to input thousands of cost expenses in the model to generate the authorized revenue requirement.

Judge Dudney explained that the new safety and risk analyses from the Safety Model Assessment Proceeding (S-MAP) and Risk Assessment Mitigation Phase (RAMP) proceedings will add more issues to the already large set of issues considered in a GRC. Given that GRCs are

[8] The Joint Comparison Exhibit is submitted by the applicant utility in a GRC proceeding. The filing typically consists of tables that compare each party's litigated position on each contested item in the proceeding.
[9] The Summary of Earnings tables are outputs of the Results of Operations model. The tables detail the components that make up the authorized revenue requirement.
[10] The Results of Operations model calculates the total GRC revenue requirement authorized by a decision using all the specified cost expenses.
[11] The record is submitted when the proceeding is closed to accept new evidences. Typically, the record is submitted following the submission of Reply Briefs.

large, complex proceedings and that only a limited number of judges and staff work on any given GRC, decisions are often delayed. To expedite GRC proceedings, the Commission should dedicate more staffing and resources to them.

5.1.3 Office of Ratepayer Advocates (ORA) Presentation

Mark Pocta represented ORA. Mr. Pocta is the Program Manager for the Energy Cost of Service and Natural Gas Branch in the Office of Ratepayers Advocates. Mr. Pocta expressed concerns about the current Rate Case Plan schedule and proposed some modifications. Mr. Pocta explained that the schedule set under the current Rate Case Plan does not allow ORA sufficient time to adequately review and analyze the utility's GRC application. The current Rate Case Plan eliminated the "Notice of Intent to file", which previously provided ORA an early (roughly two months) review of the utility's impending GRC filing.

Under the current Rate Case Plan schedule, ORA is to file its opening testimony on February 20 of the year after the utility's application filing. Mr. Pocta explained that ORA needs more time than currently given by the current February 20 deadline to sufficiently conduct discovery and analysis on the utility's application.

ORA requested that its opening testimony filing date be delayed until early April. ORA claims it needs additional time to obtain and analyze the utility's most recent year of recorded capital spending data.[12] ORA traditionally incorporated analysis of the more current year of recorded capital data in its opening testimony. Mr. Pocta explained that the more current year of actual capital spending data is important, because it is also the first of the three years that the utility requests for recovery of forecasted capital spending, and having the record of actual capital spending would improve the accuracy of the utility's GRC forecast.[13]

Mr. Pocta also noted that in the recent PG&E 2017 GRC and SCE 2018 GRC, the Commission recognized the additional time ORA needed to file its testimonies and granted ORA's requests in both instances to file its testimony in April.

In addition, ORA expressed concerns about the integration of the S-MAP and RAMP proceedings into the GRCs, explaining that any delays in the S-MAP and RAMP proceedings would impact the GRC proceedings. Lastly, ORA proposed that PG&E's RAMP be modified to risks in both the GRC and the Gas Transmission & Storage (GT&S) proceedings. Mr. Pocta

[12] For example, in a GRC with a test year of 2018, the utility files the application in September 2016. ORA argues that they want to include the utility's recorded spending data from 2016 in their analyses. A February 20, 2017 deadline, as indicated by the current Rate Case Plan, would not allow ORA to include 2016 spending data in their analyses and testimony.

[13] In a GRC, a utility requests recovery of forecasted capital expenditures for the test year and the two years prior to the test year. Following the previous example of a GRC with a test year of 2018, the utility would request approval for capital expenditures forecasted for 2016, 2017 and 2018. Because the utility files the application in September of 2016, capital expenditures presented for 2016 are forecasted. Hence, 2016 is the first of three years with forecasted capital spending.

explained that having one RAMP proceeding for both GRC and GT&S will help reduce complexities.

5.1.4 The Utility Reform Network (TURN) Presentation

Bill Marcus represented TURN. Mr. Marcus is the Principal Economist of MCPM Economics, a consulting firm hired by TURN. Mr. Marcus explained that, given the complexity of major energy utility GRC filings in California, it is extremely challenging, or even unrealistic, for the Commission to process GRCs timely. Even when the utility and the intervenors meet deadlines set forth in the Rate Case Plan, the Commission has always needed more time to process GRCs, regardless of whether the GRC is fully litigated or has a settlement. Mr. Marcus attributed the complexity in GRC filings to the usage of a forecasted test year and the data-intensive forecasting methodologies applicant utilities use. TURN recommended that the Commission reduce the complexity in GRCs by standardizing or simplifying the forecasting methodologies utilities use. A simplified or standardized forecasting methodology would reduce the need for parties to conduct extensive discovery and would minimize disputes about the accuracy of the utility's forecast. Below are some forecasting methodologies TURN recommended:

1) Forecast operating, maintenance, and administrative expenses by applying an inflation rate increase to recorded base year expenses
2) Do not allow adjustments under one million dollars for any of the larger utilities' operating expenses; do not allow adjustments under five hundred thousand dollars for any of SDG&E's operating expenses
3) Base forecasts for certain expenses on averages, or on a percentage of other costs, e.g. forecast O&M expenses as a percentage of related capital expenditures
4) Remove requests for large individual capital projects that cost between $50 million to $100 million from GRC Phase 1 proceedings and evaluate them in separate proceedings.

5.1.5 Pacific Gas & Electric (PG&E) Presentation

Shelly Sharp represented PG&E. Ms. Sharp is the Senior Director of General Rate Case and Regulatory Operations. Ms. Sharp said that the current rate case plan is workable, but only if the schedule is followed. Ms. Sharp then offered suggestions for ensuring that the schedule be met. These suggestions include 1) reducing the time to assign the proceeding to an Administrative Law Judge or Commissioner, 2) holding the Prehearing Conference within thirty days of the utility filing, 3) having Energy Division host the GRC application overview workshop two weeks after the utility files the application, 4) implementing a cut-off date for discovery, 5) assigning two Administrative Law Judges to a General Rate Case proceeding, and 6) encouraging more early settlement discussions between parties. Ms. Sharp suggested that parties meet even before filing their testimony.

Ms. Sharp then offered some additional proposals. First, the Commission could increase the dollar threshold of capital projects that require justification and reduce the need for the utility to justify cost expenses that have either no increases or only inflationary increases.[14] Second, the Master Data Request could be reformatted to include data requests from Energy Division and Safety and Enforcement Division staff. Third, the Joint Comparison Exhibit could be standardized and utilities could include a one-page summary for each chapter of testimony in the Joint Comparison Exhibit. Lastly, a working group of stakeholders could be established to predetermine certain technical assumptions or methodologies, such as escalation rates, uncollectible factors, and Results of Operations modeling assumptions. During the presentation, Ms. Sharp also noted how helpful the GRC application overview workshops were. She explained that these workshops have helped stakeholders understand the utility's application and requests.

5.1.6 Southern California Edison (SCE) Presentation

Shinjini Menon represented SCE. Ms. Menon is the Director of General Rate Case management for SCE. In her presentation, Ms. Menon noted that the past few GRC decisions have not been issued by the beginning of the test year, even though the dates set in the schedule were adhered to by all the parties. Furthermore, GRC proceedings in California have a more narrow scope than other states, with rate design and cost of capital removed from the scope of Phase 1 proceedings. However, SCE also noted that GRCs have become increasingly litigious, as evidenced by the exponential growth in data requests in the past fifteen years since the energy crisis. The volume of data requests for SCE has grown by nearly 50% from its 2009 GRC to 2015 GRC. SCE proposed to establish beginning and ending dates for discovery to reduce the growth in data requests.

Ms. Menon then explained the consequences of a late GRC decision to SCE. When a GRC decision is not determined before the test year, SCE would not be able to determine the appropriate amount of spending during the test year. SCE would not spend in the same manner as it would have if it had been given the authorized funds before the start of the test year. Given a three-year GRC cycle, the test year would become the recorded base year for the next GRC cycle.[15] SCE's actual spending in the base year has been used to measure the accuracy of SCE's test year forecasts in its next GRC filing. When a GRC decision from the previous cycle is delayed, the base year recorded spending will then not be able to provide an accurate forecast for test year spending. For the same reasons, a delayed GRC decision will also

[14] Under PU Code § 1005.5, in approving the construction of any addition to or extension of an electrical or gas corporation's plant estimated to cost greater than fifty million dollars, the Commission must specify the maximum cost of the capital project.

[15] When a utility files a GRC, the utility needs to include recorded spending data from the most recent year in its filing to justify the forecasted costs in the test year. This year of recorded spending data is called the base year. Given a three-year GRC cycle and the utility files its application two years before the test year, the base year of recorded data for a future GRC filing is the test year of the last GRC filing.

cause spending accountability reports, which compare authorized spending with recorded spending, to not be able to provide meaningful comparisons for the test year spending.

In the presentation, SCE also offered several proposals to improve the GRC process. The first proposal is for the Commission to adopt expenses under stipulated terms. This would allow the Commission to focus on the new, changing, or large cost items requested in the application. Ms. Menon explained that there are many "base operations" activities with expenses that can be forecasted based on multi-year averages. For example, storm-related expenses and capital expenditures have been forecasted by the utility using historical 5-year averages. The Commission has repeatedly adopted this forecasting methodology. Ms. Menon suggested that the Commission can adopt stipulated terms for certain base expenses to reduce the amount of litigation in a GRC. Secondly, SCE also proposed to adopt a Master Data Request that would be useful to staff from different divisions in the Commission. Ms. Menon suggested that the utility host a meeting with staff prior to its filing to gather and synthesize similar questions from various parties and staff, and thus provide comprehensive responses more efficiently. Ms. Menon also recommended that the Joint Comparison Exhibit (JCE) be standardized, with parties helping the utility by providing inputs to the JCE. Lastly, Ms. Menon noted that the GRC application overview workshops which explain the utility's requests have been very helpful. These workshops provide a neutral setting for parties to discuss substantive issues in the case.

5.1.7 Sempra Utilities (San Diego Gas & Electric and Southern California Gas)

Chuck Manzuk represented Sempra Utilities, which includes SDG&E and SoCalGas. Mr. Manzuk is the Director of General Rate Cases for both SDG&E and SoCalGas. In his presentation, Mr. Manzuk expressed concerns that the current rate case plan does not allow sufficient time for the utility to incorporate findings from SED's RAMP report into the GRC application. The RAMP process, according to the current rate case plan, ends in May. Mr. Manzuk explained that May is too late for utility to incorporate RAMP results into its GRC applications, which needs to be filed in September. Mr. Manzuk explained that typically the utility would have completed its forecast by the summer and would been spending the time from May to September drafting and finalizing testimony. Given the insufficient time to incorporate the RAMP filings, Mr. Manzuk is concerned that Sempra may have to delay their GRC application filing to after the September first filing date or may have to file supplemental testimony to incorporate SED's RAMP report.[16]

In addition to the concerns mentioned above, Mr. Manzuk also offered several proposals to improve the GRC process. First, Sempra proposed that the Commission can reduce the amount

[16] On August 15, 2017, SDG&E and SoCalGas sent a letter to CPUC Executive Director Timothy Sullivan to request a 5-week extension for their upcoming GRC filings, so that they can file their GRC applications on October 6, 2017 instead of September 1, 2017. In the letter, SDG&E and SoCalGas explained that integrating the RAMP reports into their GRC applications and testimony has taken longer than anticipated. On August 23, 2017, Executive Director Timothy Sullivan sent a letter to SDG&E and SoCalGas to grant the extension, finding that the reasons for the delay are reasonable.

of litigation in a GRC by removing issues that all energy utilities have in common and resolving them in a proceeding applicable to all energy utilities. Mr. Manzuk pointed to the example of how the Commission recently resolved Bonus Depreciation issues in a separate resolution. As a result, these issues did not have to be repeatedly litigated in each utility's GRC.[17] Secondly, Sempra emphasized the need for a more efficient discovery process, including better utilization of the Master Data Request by all the parties and Commission staff. Third, Mr. Manzuk also agreed that there should be more consistency among the utilities' Joint Comparison Exhibit filings. Finally, Mr. Manzuk noted that GRC application overview workshops seemed very helpful to the Commission and parties in recent GRC and RAMP applications.

5.1.8 Safety Enforcement Division Presentation

Mr. Arthur O'Donnell represented the SED. He is the Supervisor of the Risk Assessment and Safety Advocacy section of SED. Mr. O'Donnell presented a schedule of the overlapping S-MAP, RAMP, and GRC proceedings for our four energy utilities, specifically PG&E, SCE, SDG&E, and SoCalGas, for the time period 2014 to 2019.

5.2 Morning Discussions

After the presentations by the panelists, workshop participants discussed ideas on improving the GRC process. Below, we summarize the discussions and provide our recommendations on these ideas. We group our discussions by topic.

5.2.1 Changing the current Rate Case Schedule

5.2.1.1 Submittal date for ORA opening testimony

ORA requested that the rate case plan schedule be modified so that the submittal date for ORA's opening testimony be changed to April from the current February 20 date. Given that the current version of the rate case plan eliminated the Notice of Intent and thus shortened ORA's time to conduct discovery, ORA requested in the workshop that that the Commission give ORA more time in the Rate Case Plan to conduct discovery. ORA discussed their requests in greater detail during its presentation, which we summarized earlier in this report.

Recommendations: Energy Division staff recommends that the Commission change ORA's opening testimony submittal date from the current February 20 date to early April. Staff is convinced of ORA's argument that ORA needs more time than currently allowed in the rate case plan to analyze the utility's application. Furthermore, with the additional time, ORA would

[17] Resolution L-411

be able to incorporate an additional year of recorded spending data into its analyses and testimony.

ORA has always been one of the primary intervening parties in GRCs and one of the few parties that examines the utility's GRC request in its entirety. Ratepayers have benefitted from ORA's extensive analyses submitted in GRC proceedings. Thorough analyses from ORA have helped build a better record in GRC proceedings, providing the Commission with a better basis to make its determinations. Thus, it is important that ORA have sufficient time to build its case and bring forth its proposals.

In recent GRC proceedings, specifically PG&E's 2017 GRC and SCE's 2018 GRC, ORA requested and the Commission granted ORA an April opening testimony submittal date after having considered similar arguments. Even with the extensions, the Commission was able to schedule the issuance of the final decisions for both proceedings before the start of the test years. Hence, the April extensions did not hinder the Commission from meeting the 18-month statutory deadline for resolving a GRC filing.

In the "Staff Recommendations" section below, Energy Division staff proposes a modified Rate Case Plan schedule that adopts ORA's opening testimony submittal date in April.

5.2.1.2 Time Constraint for including RAMP results

Sempra expressed concerns that the current rate case plan does not give the company sufficient time to incorporate the results of its RAMP proceeding into the GRC filings. Under the current rate case plan, the RAMP is projected to end in May. Sempra is then supposed to file their GRC on September 1. Sempra explained that, typically, the company has already prepared its forecasts by May and is drafting testimony to support their forecasts during the summer. In response, SED clarified that SED's workshop report in February should provide sufficient guidance for the utilities to incorporate RAMP results into their GRC filings. SED also noted that the SED workshop report is intended to be advisory but not determinative.

Recommendations: Given the conflicting opinions presented at the workshop, Energy Division staff feels that it is premature to recommend modifying the Rate Case Plan to give utilities additional time to incorporate RAMP results into their GRC applications. Sempra was able to, as the first of the utilities, file its GRC incorporating RAMP results in October of this year. PG&E will file its first GRC with RAMP findings in 2018, and SCE will do so in 2019. Until all the utilities have had a chance to file their first post-RAMP GRC applications, the full impact of the RAMP proceeding is not currently known. The Commission may revisit the issue after all the utilities have each completed a GRC cycle with an integrated RAMP requirement. Furthermore, staff believes that the utilities will be able to more efficiently and effectively incorporate RAMP results into their GRC proceedings in future cycles after this first initial cycle such that the additional time currently requested to integrate RAMP may not be necessary in the future.

5.2.2 Standardizing and Streamlining GRC filings

5.2.2.1 GRC Application Overview Workshops

Shortly after filing their GRC applications, the utilities are required to hold a public workshop to present overviews of their requests. Participants agreed that these workshops have been very helpful. Participants further suggested that utilities should present a summary of each chapter of their testimony during future workshops. Participants agreed that utilities should host additional breakout sessions to discuss individual testimony chapters in detail.

Recommendations: Energy Division staff agrees that the application overview workshops have been very helpful and have allowed parties, staff, and ALJs to ask detailed questions about the application and testimonies. Staff also recommends that the utilities work with Energy Division staff and parties to determine a list of topics that utilities should cover in greater detail, possibly in additional breakout sessions.

5.2.2.2 Master Data Request

The utilities suggested standardizing the Master Data Request so that it will be more user-friendly and can be better utilized by all parties and Commission staff.

Recommendations: Energy Division staff supports the idea of standardizing the Master Data Request and streamlining its usage by the parties and Commission staff. Standardizing and streamlining the Master Data Request can reduce unnecessary redundancies and improve efficiencies. Energy Division staff should host a workshop so that parties can discuss how to standardize and streamline the Master Data Request and its usage. We provide more details about the workshop in the "Staff Recommendations" section below.

5.2.2.3 Joint Comparison Exhibit (JCE)

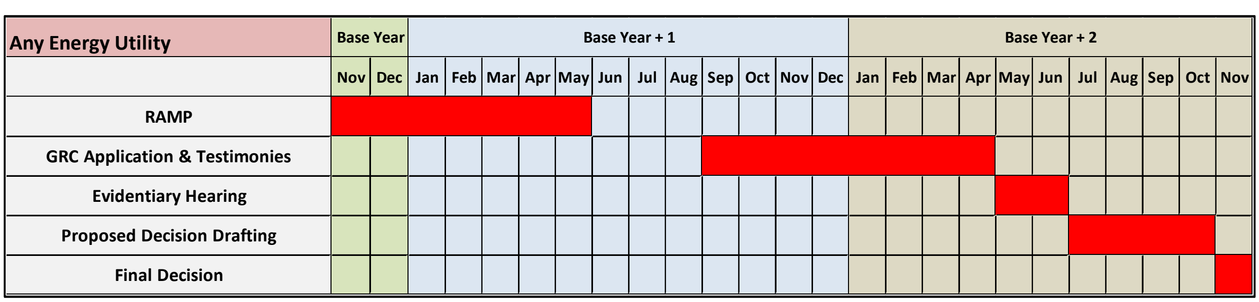
During the workshop, Energy Division staff recommended that the Joint Comparison Exhibit format be standardized across the utilities. The JCE compares the parties' different positions on each litigated issue. Staff further proposed that parties assist the utilities in compiling the Joint Comparison Exhibit by providing their inputs to the utilities before evidentiary hearings. This would help the utilities compile a draft Joint Comparison Exhibit for the assigned judges and Commission staff before hearings. In the past, judges have found it useful to have a draft JCE before hearings as a roadmap during Evidentiary Hearings. In addition, workshop participants also suggested that the utilities submit their JCEs in Excel format, thus facilitating analysis of the data submitted in the JCE.

Recommendations: Energy Division staff will host a workshop to discuss how to standardize and streamline the JCE and its usage. An improved JCE has the potential to be an effective tool for the Commission to analyze the utilities' requests, thus helping the Commission to process GRC applications more efficiently. We provide more details about the workshop in the "Staff Recommendations" section below.

5.2.2.4 Base Year/Recorded Data

In a utility's GRC application, the utility needs to include recorded spending data from the most current year to support the forecasted expenses in the test year. This year of recorded spending data is called the base year. Given a three-year GRC cycle, the base year of recorded data for a future GRC filing is coincidently the test year of the last GRC filing. The chart below provides a visual representation of the base year and test year in a GRC cycle.

ORA proposed that the Commission change the base year to the year that the utility files its GRC, so that the most recent year of spending data can be included in the record for consideration. Alternatively, if the base year remains unchanged, ORA proposed that the Commission require the utilities to formally submit recorded spending data from the filing year into the GRC proceeding. ORA explained that there is often much litigation on whether to include the filing year's recorded spending data into the proceeding. To formally require the utilities to submit the filing year's actual spending data into the GRC proceeding, either as an adjustment to the base year or as an additional process in the proceeding, will reduce the amount of litigation in a GRC. This additional year of recent recorded spending data is important in providing the Commission with better information and more data points to make its determinations. TURN also stressed the need for the most current year of recorded spending data to be included in the record for accurate forecasting. Thus, TURN supported both of ORA's proposals, which were to either move the base year to the year of the GRC filing or streamline adding the filing year's recorded data into the GRC record. In response, SCE and Sempra both expressed concerns about whether the utilities would be able to timely submit the recorded spending data for the filing year. Sempra explained that they can provide actual recorded data only after their books have closed for the year, which is typically several months after the end of the year.



Recommendations: Energy Division staff agrees that including the actual spending data from the year of filing helps build the record in a proceeding and gives the Commission more accurate data points in setting the test year revenue requirement. Energy Division will host a workshop to explore the feasibility of changing the base year of a GRC and the way in which the Commission should formally include the utilities' recorded spending data from the filing year into the GRC proceedings. We provide more details about the workshop in the "Staff Recommendations" section below.

5.2.2.5 Results of Operation (RO) Modeling

The Results of Operations (RO) model calculates the authorized revenue requirement from the authorized expenses. Energy Division is tasked with running the RO model and providing the Commission with the authorized revenue requirement figures approved in a GRC. The RO model is a very useful tool and is necessary in calculating the authorized revenue requirement. Yet, as the RO model of each utility gets more complicated and different, the Commission needs to spend more dedicated resources to learn how to run the model and execute the model.

Participants at the workshop recognized that running the RO model has been very challenging for Energy Division staff. Running the RO model requires highly technical skills, deep knowledge about the utility, and significant staff time. This is especially challenging when each utility has its own unique version of the RO model and the utilities often change their RO models slightly from one GRC to the next. Energy Division staff must essentially learn how to run an RO model for each GRC proceeding. This responsibility is exacerbated when new staff is assigned to GRC proceedings. The amount of resources the Commission must spend to have staff learn and run highly complex RO models has been an impediment to processing GRC proceedings efficiently.

In response, the utilities offered to host more in-depth training sessions for Energy Division staff. For the past several GRC proceedings, the utilities have each given in-depth training to Energy Division staff. While Energy Division staff appreciates the utilities' offer for in-depth training sessions, Energy Division recommends that more needs to done to address the problem.

5.2.2.5.1 Uniform RO model or user-friendly interface

In its presentation, Energy Division recommended that the RO model be more uniform among the utilities, so staff can learn one model rather than three separate models. Energy Division also proposed a uniform user-friendly interface that allows a person without formal training on the RO model to input cost expenses into the model and calculate the revenue requirement. The purpose of the user-friendly interface is to allow the intervenors easier access to perform their own revenue requirement calculations, so that they can see how the revenue requirement can be affected by their proposals.

Workshop participants supported the idea of a uniform RO model and other ideas that could help make RO models easier to run. Mr. Pocta, from ORA, pointed out that, at one point, all the utilities shared the same RO model structure many years ago, but that the models had diverged over time. Lee Schavrien, SDG&E's chief regulatory officer, suggested that the RO modelers from each utility work together to find areas of commonalities and see if a uniform RO model is possible.

Recommendations: Energy Division staff should host a workshop to explore options to achieve more RO model uniformity. Specifically, some options staff recommends include a uniform Summary of Earnings table format, a user-friendly RO model input interface, and a uniform RO model structure. We discuss the details for the workshop in the "Staff Recommendations" section below.

5.2.2.6 Federal Energy Regulatory Commission (FERC) Accounting

Currently, each utility presents its GRC expenses using its own unique system of accounting. Thus, it is difficult to implement a uniform RO model format for the utilities. During the workshop, we learned that in the past, the utilities all used FERC accounting to present their GRC requests. Consequently, utilities were able to share a uniform RO model structure. Thus, during the workshop, Lee Schavrien, from Sempra utilities, suggested that the utilities revert to using the FERC accounting format to present their GRC forecasts.

Energy Division staff supported the idea and solicited comments at the workshop on the feasibility of the idea. The benefits of having the utilities submit their GRC requests in FERC accounting format are: 1) utility expenses would then be comparable with expenses submitted by all other utilities in the industry that file FERC Form 1 reports, 2) expenses could then be compared across the major California energy utilities, and 3) it would then be possible for utilities to also share the same RO model format.

TURN also supported the idea, but was concerned that FERC accounting does not allow for subaccount details. ORA did not voice support or opposition to the usage of FERC accounting, but insisted that any chosen accounting method should allow for consistent presentation of the utilities' historical data. ORA explained that consistency over time is critical in allowing ORA to identify the utilities' spending patterns and trends.

PG&E vehemently opposed the idea. PG&E currently presents its GRC forecast using cost centers called Major Work Categories. PG&E expressed concerns that it would be very difficult for the utility to revert back to presenting their requests using FERC accounting. Ms. Sharp estimated that it would require PG&E at least three to four GRC rate cycles to implement the change.

SCE preferred a hybrid system that uses both the FERC accounting system and a utility-specific accounting system.

Sempra's Mr. Manzuk explained that the move to FERC accounting would be a major system and procedural change and estimated that it would take them at least three GRC cycles to implement.

***Recommendations*:** Energy Division staff should host a workshop to further examine the feasibility of directing the utilities to file their GRC applications using FERC accounting. Energy Division recognizes the benefits of directing the utilities to use FERC accounting. A standard uniform accounting system allows for easier comparison of cost accounts across the four utilities and other utilities in the industry and makes it possible for the utilities to share a common RO model format. However, staff recognizes the concerns utilities voiced in implementing FERC accounting. As such, staff recommends that parties and staff come together in a dedicated forum such as in a workshop to discuss the pros and cons of reverting to FERC accounting. We discuss the details for the workshop in the "Staff Recommendations" section below.

5.2.3 Simplification/Streamlining of GRC proceedings

5.2.3.1 Re-examining the content and structure of GRCs

TURN recommended that the Commission re-examine the content and structure of GRC proceedings. TURN pointed out that GRC filings in Arkansas have six months of recorded data and six months of projected data. Arkansas' GRCs only forecast for a year out and allow for multiple (for example, sixty) adjustments. In comparison, California's GRCs are very complex. In response, ORA said that changing the structure of our GRCs is a large undertaking.

Recommendation: Energy Division staff agrees that reformatting the structure of our GRC proceedings would be a very large project that could potentially cause many unpredictable ramifications. Reformatting the structure of GRCs would require careful and thorough planning to be done correctly. As such, Energy Division does not currently recommend that the Commission pursue this at this point.

5.2.3.2 Reducing litigated issues in GRCs

Participants suggested that we reduce the amount of issues that are litigated in GRCs. One suggestion was to remove large capital project requests from the GRC and have them be examined in separate proceedings. Additionally, TURN suggested that the Commission not allow issues that were litigated and resolved in previous proceedings to be litigated again in subsequent proceedings. TURN pointed to Texas as an example where the Commission does not allow resolved issues to be litigated again. Sempra suggested that the Commission resolve issues that are common to all utilities in separate proceedings, rather than having these issues be repeatedly litigated in each individual utility's GRC. Sempra pointed to Bonus Depreciation as an issue where this approach was successfully taken.

Recommendation: Energy Division staff agrees that issues that are common to the utilities should be removed from GRC proceedings and examined in separate proceedings. This not only reduces the amount of litigation in a GRC but also ensures that treatment for common issues is consistent across the utilities. The Commission has already adopted this practice to the extent practicable, such as for the bonus depreciation issues that Sempra alluded to in the workshop.

5.2.3.3 Rebuttable presumptions/Stipulated expenses

In its presentation, SCE suggested that the Commission adopt stipulated terms for certain "base operation" expenses, particularly expenses for activities that can be forecasted using multi-year averages. During discussions, TURN also suggested that the Commission adopt certain expenses under rebuttable presumptions to reduce the amount of litigated issues in a GRC. For example, the Commission could employ a rebuttable presumption that base year plus inflation is adequate for general operational, maintenance, and administrative expenses that are not funding new programs.

However, ORA voiced concerns about stipulated expenses and rebuttable presumptions. ORA argued that the Commission should review all expenses, especially expenses that are non-reoccurring. ORA is concerned that there may be some expenses that are not contested by parties but should not be funded by ratepayers.

Recommendation: By adopting stipulated terms and rebuttable presumptions for specific expenses, the Commission could reduce the amount of litigation in a GRC and process the GRC proceedings more efficiently. Therefore, Energy Division staff recommends that staff host a workshop to explore the feasibility of using rebuttable presumptions and stipulated expenses. Specifically, the workshop should examine whether the Commission can adopt stipulated terms or rebuttable presumptions while not compromising its ability to examine and determine whether the utility's GRC funding requests are just and reasonable. We provide more details for the workshop later in the "Staff Recommendations" section.

5.2.3.4 Attrition Mechanism Proposals

During the workshop, Energy Division presented the idea of having the utilities share the same attrition year ratemaking mechanism. One possible option, as Energy Division described it, is to escalate the revenue requirement according to a predetermined formula that incorporates various standard industry escalation rates. Such an approach could significantly reduce litigation in the GRCs. PG&E and SCE opposed the idea, explaining that each utility's attrition year operations are different. Sempra suggested that, if the Commission were to pursue a formulaic attrition year ratemaking mechanism, the mechanism should true up to actual inflation rates.

Sempra offered some additional ideas for attrition year ratemaking. Sempra suggested that the Commission consider a performance-based attrition year ratemaking mechanism. Specifically, Sempra suggested an earnings sharing mechanism, under which shareholders and ratepayers would share any earnings or losses a utility made that is above or below its authorized return on equity or return on rate base. Sempra argued that an earnings-based performance ratemaking mechanism would encourage utilities to become more efficient and better manage costs during the attrition years. Furthermore, if the mechanism were designed properly, it could allow the Commission to approve longer GRC cycles, thus relieving the Commission from the burden of continually processing GRCs.

Recommendations: Energy Division staff recommends that the ideas for attrition year ratemaking mechanisms be explored further in a workshop. The workshop should specifically explore whether attrition year ratemaking can be adopted under rebuttable presumptions, such as with a predetermined escalation formula. The workshop should address the following questions:

1) Can attrition year ratemaking be adopted under rebuttable presumptions?
2) Can the utilities use a standard escalation formula to determine the revenue requirements for the attrition years?
3) Should the Commission explore an incentive ratemaking mechanism for the attrition years based on the utility's return on equity or return on rate base?

We discuss further details for the workshop in the "Staff Recommendations" section below.

5.2.3.5 Early Settlements

Participants proposed that the Commission encourage early settlements. PG&E also proposed early settlement talks during its presentation. ORA supported early settlements, but stated that settlements should occur only after ORA files testimony.

Recommendations: Energy Division staff also recommends early settlements. But staff agrees with ORA that settlement discussions should occur only after ORA files testimony. ORA's testimony helps the Commission build a broader record in the proceeding, which is essential for the Commission to reach a decision that is just and reasonable.

6 Afternoon session: The pros and cons of a three-year versus four-year GRC cycle[18]

In the afternoon session, panelists from SDG&E, SoCalGas, PG&E, ORA, and TURN were invited to speak to the challenges of a three-year rate case cycle versus a four-year rate case cycle. Energy Division posed several questions to the panelists:

1) Does a four-year GRC cycle relieve constrained resources issues (Commission staff – ALJ, ED, SED, ORA, and parties)? What resources would be freed up with the four-year cycle that are currently constrained by the three-year cycle?
2) What processes and/or procedures are improved with a four-year GRC cycle? What other benefits does a four-year GRC cycle bring?
3) What issues does a four-year cycle create that would not occur in a three-year cycle?
4) Why should the Commission pursue or not pursue a four-year GRC cycle? What assurances are there that a four-year cycle wouldn't suffer the same delays as the three-year cycle?

6.1 Afternoon Presentations

6.1.1 Office of Ratepayer Advocates (ORA) Presentation

ORA stated that resources have been constrained. Furthermore, ORA voiced concern that the timing of cases is impacted when there is overlap among GRC proceedings. In addition, the new S-MAP and RAMP processes increase the overlap. A four-year rate case cycle would alleviate the constraint on resources. A four-year GRC cycle would also allow for evaluation of one major energy utility rate case per year (PG&E GRC, PG&E GT&S, SoCalGas/SDG&E and SCE). ORA reviews not only the big utilities, but also small utilities. While a four-year cycle may not entirely eliminate delays, it should result in shorter delays and enable the major energy GRC decisions to be issued within the first quarter of the test year.

In a three-year GRC cycle, the current test year is the base year for the following GRC, but in a four-year GRC cycle, the base year will be the year after the test year. This would allow utilities to deploy new programs or projects during the GRC cycle and still be able to present recorded data that are reflective of the utilities' spending patterns. A four-year cycle would also allow for more development and understanding of both the S-MAP and RAMP proceeding.

[18] Presentations from workshop are included in Appendix A.

6.1.2 The Utility Reform Network (TURN) Presentation

TURN argued that a four-year GRC cycle would not significantly relieve resource constraints faced by intervenors or the Commission, nor would it necessarily prevent overlap. A four-year GRC would not prevent overlaps between the GRC of one utility and a RAMP/GRC of another utility. In some years, these proceedings would also overlap with S-MAP proceedings. Moving to a four-year GRC cycle would exacerbate the risk of stale forecasts and take longer for cost changes to impact rates. A three-year GRC cycle provides a closer approximation to the utility's cost of service.

In addition, PG&E's GT&S has grown extremely large. PG&E has two separate general rate proceedings, GT&S and GRC, with RAMP applicable to both. TURN proposed combining PG&E's GT&S and GRC.

6.1.3 Pacific Gas &Electric (PG&E) Presentation

PG&E supported a four-year rate case cycle if a sufficient rate recovery mechanism is adopted to address unforeseen circumstances during the attrition years, as well as a stakeholder agreement on the utility's need to reprioritize. In addition to similar arguments from ORA's presentation, PG&E stated that the benefits of a four-year GRC cycle would allow an additional recorded year of information for GRC showings and allow the RAMP showing to have recorded base year information for forecasting purposes. However, PG&E recognized that a four-year GRC cycle would also reduce forecast accuracy and would be out of sync with the CPUC mandate to audit the utilities' accounts every three years.

6.1.4 Southern California Edison (SCE) Presentation

SCE argued that the workload between a three-year GRC cycle and a four-year GRC cycle would be the same for SCE, while also noting that an additional attrition year could have the unintended consequence of making GRCs even more burdensome on all parties with an increased volume of testimony. However, SCE acknowledged that an additional year would result in saving resources, especially those at the Commission. SCE also stated that moving to a four-year cycle would require forecasting from two to six years ahead. SCE expressed concern that with current industry changes and emergent issues, forecast errors would be magnified, and managing a fourth year with authorized revenue requirement would prove challenging. SCE suggested, if the Commission were to pursue a four-year GRC cycle, that the Commission might have to consider a greater tolerance for forecast error and acceptance of recorded expenses and capital expenditures that may depart more markedly from authorized levels.

6.1.5 Sempra Utilities (SDG&E and SoCalGas) Presentation

Sempra argued that a four-year GRC cycle would provide relief for all constrained resources, particularly with the addition of S-MAP and RAMP, to already complex and voluminous GRC filings. The Sempra Utilities explained that a four-year GRC cycle would provide both the CPUC and the utilities with more flexibility to prepare, review and implement the linked S-MAP, RAMP and GRC proceedings, thus allowing better utility financial and operational management of spending and investment. The longer cycle would also allow the utilities to pursue efficiencies with a four-year payback, provide added certainty for the utilities, and allow the utilities to execute on planned spending and investments. Concerns over utility accountability would be substantially mitigated by recent increased requirements by the Commission that utilities explain any discrepancies between approved and actual spending. In addition, lengthening to a four-year cycle may help the Commission reduce delays occurring under the current Rate Case Plan.

6.2 Afternoon Discussions

During the afternoon discussion, ORA committed to adhering to the statutory requirement of auditing the utilities' accounts every three years, stating that the audit does not need to coincide with the GRC cycle.

When asked which cycle length the panelists preferred, the responses were:

- ORA: Four-year GRC cycle
- SDG&E/SoCalGas: Four-year GRC cycle
- PG&E: support a Four-year GRC cycle conditionally
- SCE: no opinion, but has concerns regarding a Four-year cycle
- TURN: Three-year GRC cycle

SDG&E/SoCalGas stated the Commission has approved four-year GRC cycles in the past and has dealt with the attrition years in these cases individually. SDG&E/SoCalGas also proposed adopting some type of incentive sharing mechanism, based on either the ROR or ROE, for the attrition years. An incentive-type sharing mechanism would encourage utilities to strive for productivity gains, whereas an escalation factor does not.

SCGC expressed concern that the extended attrition year would decrease forecast accuracy. Spending accountability reports do not provide line item spending and are difficult to document.

UCAN expressed concern that extending the GRC cycle year would not decrease delays or the length of the delays.

Recommendation: Staff recommends retaining a three-year GRC cycle at this time. Staff recognizes the challenges that accompany a longer GRC cycle: 1) increased uncertainty to the forecasts of attrition year expenditures, 2) continued overlap with RAMP proceedings and GRC proceedings, 3) more reliance on the post-test year ratemaking mechanism, 4) higher attrition year revenue requirements compared to test year revenue requirements, and 5) the inability to address emergent issues during the attrition year, particularly given the rapid changes currently occurring in the electric sector (e.g., with the increase in distributed energy resources.)

7 Staff recommendations

Based on the discussions and the presentations given at the workshop, staff proposes the following recommendations for the Commission to consider.

1) Staff recommends that the Commission modify the current Rate Case Plan schedule to allow ORA sufficient time to file its testimony by changing ORA's opening testimony submittal date to early April.
2) Staff supports many of the ideas proposed at the workshop that streamline the GRC process and standardize GRC filings. Staff suggests that Energy Division hold additional workshops to further discuss with parties how the Commission can implement them.
3) Staff recommends that the Commission open a new rulemaking to examine the policies behind the utilities' recovery of income tax expenses.
4) Staff recommends that the Commission retain the current three-year GRC cycle at this time, but reconsider the merits of a four-year GRC cycle if the Commission is able to standardize attrition year ratemaking for the utilities.
5) Staff recommends that the Commission direct PG&E to combine its GT&S application requests into its GRC application.

We explain our recommendations in detail below.

7.1 Modifying the date of ORA's testimony in the Rate Case Plan:

Staff recommends that the Commission modify the Rate Case Plan to change ORA's opening testimony submittal date from the current February 20 date to early April. Staff recommends that the Commission adopt the schedule shown in the table below. Staff's proposed schedule follows the schedule set forth in PG&E's 2017 GRC and SCE's 2018 GRC, which, despite granting ORA extensions until April to file testimony, were structured so that the Commission meets the 18-month statutory deadline in resolving the GRC proceedings.

Dates in the Rate Case Plan (Set by D.14-12-025)	Proposed Modifications to the Dates	Event
1-Sep		Utility files GRC application, and serves prepared testimony including changes resulting from the RAMP process.
Per Rule 2.6(a).		Protests and responses filed to GRC application.
By October 15		Utility holds public workshop on overall GRC application.
By October 31		PHC held.
By February 20	By April 1	ORA serves opening testimony.
By March 17	By April 21	Intervenors serve opening testimony.
1-May	By June 1	Concurrent rebuttal testimony served.
March/April	May/June	Public Participation Hearings.
May/June (Three or four weeks of evidentiary hearings.)	June/July	Evidentiary hearings held, if needed.
To be decided.		Opening briefs filed.
To be decided.		Reply briefs filed.
May/June	June	Update testimony and hearings, if necessary.
September/October	By November 1	Proposed decision.
November	By December 1	Final decision.

7.2 Additional Workshops for Further Discussions

Proposals were brought forth at the workshop to streamline the GRC process and standardize GRC filings. Streamlining the GRC process and standardizing GRC filings will allow the Commission to process GRCs more efficiently and timely. Participants at the workshop agreed that several of these proposals merit further discussions. Thus, staff recommends that Energy Division hosts a series of additional workshops for parties to discuss and examine some of these proposals in greater detail. Specifically, staff recommends that the Commission hosts additional workshops to explore four main topics: 1) Standardizing GRC filings, 2) Results of Operations modeling, 3) FERC accounting format, and 4) Stipulated terms and Rebuttable presumptions.

7.2.1 Topic 1: Standardizing GRC filings

By directing all the major energy utilities to conform to uniform GRC filing standards, the Commission can process GRCs more efficiently and reduce the need for staff to be specialized in reviewing the filing of each individual utility. Uniform GRC filings would also allow for more direct comparisons of revenue requirements across the four utilities. Staff recommends exploring the following four topics in detail.

1) Master Data Request – The purpose is to set a standard process and format for all divisions of Commission staff and all participating parties to send data requests to the utility.
2) Joint Comparison Exhibit – The purpose is to have a standard process and format for the utilities to submit the JCE that would be helpful for the Commission to review the issues in a GRC.
3) Index specifying the order of testimony chapters – The purpose is to have the utilities and parties submit testimony under a standard index. The index should set a specific chapter number for each set of testimony that support a specific class of expenses. Examples of these classes of expenses include Human Resources expenses, Administrative and General expenses, Electric Distribution expenses, etc.
4) Base Year (Recorded data) – The purpose is to explore whether the Commission should change the base year of a GRC and how the Commission can formally include the recorded spending data from the year of filing into the records of the GRC proceedings.

7.2.2 Topic 2: Stipulated Terms, Rebuttable Presumptions, and Formula-Based Attrition Year Revenue Requirements

Proposals were set forth by the parties at the workshop for the Commission to adopt stipulated terms, such as using multi-year averages, or rebuttable presumptions for certain "base operation" expenses. By adopting stipulated terms and rebuttable presumptions for specific expenses, the Commission could reduce the amount of litigation in a GRC and process the GRC proceedings more efficiently. Staff recommends that the Commission host a workshop to examine whether the Commission can adopt stipulated terms or rebuttable presumptions while not compromising its ability to determine whether the funding requests are just and reasonable. Specifically, staff recommends that the workshop discuss the following questions:

1) Should the Commission adopt certain expenses under stipulated terms or rebuttable presumptions? If so, for what type of expenses?
2) Can attrition year ratemaking be adopted under rebuttable presumptions?
    a. Can the utilities use a standard escalation formula to determine the revenue requirements for the attrition years?
    b. Should the Commission explore an incentive ratemaking mechanism for the attrition years based on the utility's return on equity or return on rate base? If so, what should the mechanism be?

7.2.3 Topic 3: Results of Operation Model

The purpose of the workshop is to explore ways to make the RO models of the four utilities more uniform and user-friendly. Staff recommends that the workshop explore the following topics:

1) A uniform Summary of Earnings table format – The purpose is to develop a uniform format for the Summary of Earnings table, which shows the outputs of the RO model.
2) User-friendly Input Interface – The purpose is to discuss whether the utilities can create a user-friendly interface, so that a user without extensive RO modeling training can enter inputs into the model to calculate the revenue requirement.
3) Uniform RO model format or structure – The purpose is to discuss areas where the RO models can be reformatted or restructured, so that they would be more consistent across the utilities.

7.2.4 Topic 4: FERC Accounting

Participants at the workshop briefly discussed the benefits and costs of requiring the utilities to present their GRC requests using FERC accounts. Requiring utilities to present their GRC showing in FERC accounts allows the Commission and parties to more easily compare cost accounts across the four utilities and against the industry data that utilities across the country file on their FERC Form 1. Additionally, presenting their forecasts under the same accounting format is necessary for the utilities to share a common RO modeling format and structure. In the workshop, participants had widely different opinions about whether to require utilities to file under the FERC format. As such, staff recommends that the Commission dedicate a workshop forum to examine in detail the pros and cons of requiring the utilities to file their GRC applications using the FERC accounting format.

7.3 Order-Instituting Rulemaking: Taxes

To reduce the volume of litigation in a GRC, participants in the workshop proposed to remove contested issues that apply to all four energy utilities out of each utility's individual GRC and have these issues addressed in a separate proceeding affecting all the utilities. Sempra pointed to the example of how the Commission addressed recent Bonus Depreciation issues separately outside of the GRCs. In recent energy GRCs, income tax expenses, especially pertaining to repair deductions, have been heavily contested and litigated. As a result, the Commission has been directing energy utilities to each establish a tax memorandum account to record the differences between income tax expenses incurred and authorized in a GRC.

Issues in income tax expenses have been recently litigated in every utility's GRC proceeding. In SCE's 2015 GRC, there were also issues raised about whether the Commission should pursue flow-through or normalization tax accounting. The Commission's policies on income tax policies were last established in 1984 in Order Instituting Investigation (OII) 24. Income tax laws have changed significantly since then. Yet the Commission's current policies on taxes do not reflect these changes. A look at the Commission's policies on the utility's recovery of income tax expenses is long overdue.

For these reasons, staff recommends that the Commission establish a dedicated forum to address the income tax expense issues for all the utilities. Staff recommends that the Commission adopt a consistent tax policy for all the energy utilities. Staff recommends that the Commission open an order-instituting ratemaking to review the Commission's policies on the utilities' recovery of income tax expenses.

7.4 Retaining a three-year GRC cycle

Staff recommends that the Commission retain a three-year GRC cycle at this time. Staff recognizes the challenges that accompany a longer GRC cycle: 1) increased uncertainty to the forecasts of attrition year expenditures, 2) continued overlap with RAMP proceedings and GRC proceedings, 3) more reliance on post-test year ratemaking mechanism, 4) higher attrition year revenue requirements compared to test year revenue requirements, and 5) the inability to address emergent issues during the attrition year, particularly given the rapid changes currently occurring in the electric sector (e.g., with the increase in distributed energy resources).

However, staff understands the impact of resource constraints on all parties, particularly Commission staff (ORA, Energy, and ALJ). Utilities and intervenors also are not insulated from the workload associated with a three-year GRC cycle. Given the workshops discussions, the majority of the concerns regarding a four-year GRC cycle seem to relate to attrition and post-test year ratemaking.

Therefore, though staff recommends that the Commission retain a three-year GRC cycle at this time, staff recommends that the Commission reconsider the merits of a four-year GRC cycle if the Commission is able to standardize attrition year ratemaking. If the Commission were able to establish a uniform and consistent attrition year ratemaking mechanism that would factor in uncertainties during the attrition years, the risks of inaccurate cost forecasts associated with an additional attrition year would be mitigated. The workshops mentioned above offer a good opportunity for the Commission and the parties to develop a standard attrition year ratemaking mechanism that factors in the uncertainties during the attrition years.

7.5 Combining PG&E's GT&S and GRC application

Staff recommends that the Commission direct PG&E to combine its GT&S application requests into its GRC application. Staff recommends that the Commission direct PG&E to file its 2019 GT&S for a four-year cycle in 2017[19] and its 2020 GRC for a three-year cycle in 2018. Afterwards, PG&E should then file its combined GT&S and GRC for test year 2023 in September of 2021. Since PG&E's GT&S and GRC is combined for test year 2023, the RAMP proceeding conducted prior to this filing should examine the risks that are present in both PG&E's GT&S and GRC requests. Staff acknowledges that a combined GT&S and GRC proceeding for PG&E would result in a very large filing, but a combined proceeding would also provide the Commission with a larger perspective of PG&E's total company operation and total revenue requirement. Consequently, staff also recommends the Commission dedicate additional staff and resources to this proceeding.

Staff proposes that the Commission adopt the following schedule, which outlines the utilities' GRC filing dates under a three-year GRC cycle and combines PG&E's GT&S with PG&E's GRC for test years 2023 and after:

Filing Year	Application	Test Year	Effective Years
2017	Sempra	2019	3 years (2019-2021)
2017	PG&E GT&S	2019	4 years (2019-2022)
2018	PG&E GRC	2020	3 years (2020-2022)
2019	SCE GRC	2021	3 years (2021-2023)
2020	Sempra GRC	2022	3 years (2022-2024)
2021	PG&E GRC + GT&S	2023	3 years (2023-2026)
2022	SCE GRC	2024	3 years (2024-2027)
2023	Sempra GRC	2025	3 years (2025-2026)

8 Next Steps

Energy Division staff recommends the Commission close Rulemaking (R.) 13-11-006 and open a new Order-Instituting Rulemaking to implement the recommended actions noted in this report.

R.13-11-006 was initiated on November 14, 2013. The proceeding has remained open to consider the issues discussed in the workshop. The Commission initiated R.13-11-006 primarily to develop and adopt a risk-based decision-making framework to evaluate safety and reliability improvements in the rate cases of the energy utilities. As a result, the Commission adopted a Safety Model Assessment Proceeding (S-MAP) and a subsequent Risk Assessment Mitigation Phase (RAMP) to be incorporated into the large energy utility's GRC filing. These

[19] Because it is now close to the date of the GT&S application filing, staff recommends that the Commission direct PG&E to amend its filing to add an additional attrition year.

determinations were based on a record established in 2014. Over three years have passed since the Commission issued D.14-12-015.

Since then, many new issues and proposals affecting the GRC process were brought forth by the parties during the workshop that warrant further examination and consideration by the Commission. The record from R.13-11-006 is no longer applicable to address these new issues. Because the current issues are not relevant to the past record of R.13-11-006, they should not be incorporated into the previous rulemaking.

Energy Division staff recommends the Commission initiate a new Order Instituting Rulemaking to explore the proposals discussed in this workshop report, including opening another Rulemaking solely to determine rules on the utilities' recovery of income tax expenses and related rate base issues.

Recommended Actions	**Proposed Timeline**
This Energy Division workshop report should be attached to a ruling in R.13-11-006 in order to solicit comments on the recommendations from the report.	First quarter 2018
The Commission should issue a decision to close R.13-11-006, move ORA's opening testimony from February to April, retain the current three-year GRC cycle, and open a new OIR that carries forward any remaining issues from this proceeding and addresses comments to this report. Energy Division should begin the process of organizing workshops.	Second quarter 2018
Energy Division workshops: First workshop: Standardizing GRC filings Second workshop: RO model uniformity Third workshop: Stipulated terms or rebuttable presumptions Fourth workshop: FERC accounting	 First Workshop – Third quarter 2018 Second Workshop – Second quarter 2019 Third Workshop – First quarter 2020 Fourth Workshop – To be determined
The Commission should open an OIR to revisit its policies on the utilities' recovery of income tax expenses and related rate base issues.	Third quarter 2018

9 Appendix A – Workshop Presentations

9.1 Energy Division Presentation

http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442452098

9.2 Administrative Law Judge Presentation

http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442452099

9.3 PG&E Presentation

http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442452101

9.4 SCE Presentation

9.5 Sempra (SDG&E and SoCalGas) Presentation

http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442452119

9.6 Safety Enforcement Division Presentation

http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442452100

10 Appendix B – Workshop Agenda

http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442452097

11 Appendix C – Workshop Sign-in List