

1 [PG&E rate increases.]

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3 **Resolution establishing the City's support for affordable rates for PG&E customers and**
4 **directing the City Attorney and the Public Utilities Commission to participate in PG&E**
5 **rate proceedings to advocate for reasonable rates.**

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7 WHEREAS, On May 15, 2008, PG&E submitted a request to the California Public
8 Utilities Commission (CPUC) for approval of a \$2.4 billion rate increase over a six-year period
9 to improve the reliability of PG&E's distribution system. Of this amount, \$2.3 billion would be
10 for capital additions to the company's rate base, which would ultimately cost customers far
11 more than the \$2.4 billion since they would be charged for taxes, depreciation, and profits for
12 PG&E. Consumer representatives have estimated that ratepayers will continue to pay for
13 these additions through 2034, at an additional cost of more than \$300 million per year for
14 seven years and more than \$200 million per year for an additional seven years after that; and,

15 WHEREAS, in this same request PG&E proposes to change the way the CPUC
16 measures PG&E reliability by excluding from the measurement certain outages that are
17 currently included. The result of this change could be that PG&E's outage statistics would
18 look better even if its customers experienced more outages; and,

19 WHEREAS, Consumer representatives, including the CPUC's Division of Ratepayer
20 Advocates, The Utility Reform Network, the California Manufacturer's and Technology
21 Association, the California Large Energy Consumers Association, and the Energy Producers
22 and Users Coalition, have asked the CPUC to dismiss PG&E's request. They argue that
23 PG&E already collects enough money in rates to provide reliable service and that the
24 application is improper since PG&E was given a large rate increase last year to cover its
25 needs through 2010; and,

1 WHEREAS, Consumer representatives note that in March 2007 the CPUC adopted a
2 decision establishing PG&E's revenue needs for gas and electric service for 2007-2010. The
3 result was a revenue requirement of \$4.9 billion (rather than the \$5.1 billion PG&E requested.)
4 In addition, the CPUC agreed to give PG&E an additional \$125 million per year in 2008, 2009,
5 and 2010, as well as an additional \$35 million in 2009 for the costs of a refueling outage at
6 PG&E's Diablo Canyon nuclear plant. This amounts to a compound percentage increase of
7 12.46%. The CPUC also approved increases requested by PG&E in the amounts of \$98
8 million for 2007, \$102 million for 2008, \$106 million for 2009, and \$111 million for 2010 to
9 cover pension costs (Decision 07-03-044, pages 3, 10, 11); and,

10 WHEREAS, These increases in revenue requirements are ultimately allocated by the
11 CPUC into rates for PG&E's retail customers, including the residents and businesses in San
12 Francisco; and,

13 WHEREAS, The \$2.4 billion increase is in addition to PG&E's request for a rate
14 increase of \$877 million to cover the cost of PG&E's "SmartMeter Upgrade Proposal". This
15 request is currently under review by the CPUC and was addressed by the Board of
16 Supervisors in an ordinance finally adopted on July 29, 2008, in File No. 080849; and,

17 WHEREAS, On July 21, 2008, PG&E submitted a request to the CPUC to include in
18 rates another \$850 million to pay for the capital costs of building a 560 megawatt natural gas
19 power plant in Alameda County. The \$850 million covers only capital costs for the first phase
20 of an 1120 megawatt plant that PG&E plans to construct. PG&E has not publicly disclosed
21 the additional costs of constructing the 560 megawatt project, including operations and
22 maintenance costs, administrative costs, taxes, depreciation, and profits for PG&E; and,

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1 WHEREAS, PG&E has also recently turned to the Federal Energy Regulatory
2 Commission to approve additional rate increases that are ultimately paid by San Francisco
3 customers. On July 29, 2008, PG&E requested a revenue requirement of \$849 million under
4 its Transmission Owner tariff. This is an increase of about 12% over the \$760 million PG&E
5 requested on July 30, 2007. Increases under PG&E's Transmission Owner tariff increase the
6 costs to PG&E retail customers as well as the cost to the City to deliver Hetch Hetchy energy
7 to City facilities; and,

8 WHEREAS, At the same time that PG&E seeks higher and higher rates for its
9 customers, it also shows increased earnings for shareholders. On August 6, 2008, PG&E
10 Corporation reported second quarter earnings above those of last year and predicted even
11 higher earnings for 2009; now, therefore, be it

12 RESOLVED, That it shall be the policy of the City and County of San Francisco to
13 support affordable and reasonable rates for PG&E's customers; and be it

14 FURTHER RESOLVED, That the City Attorney and Public Utilities Commission shall
15 participate in PG&E rate proceedings to advocate for affordable and reasonable rates.

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