

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric  
Company for Recovery of Recorded  
Expenditures Related to Wildfire  
Mitigation, Catastrophic Events, and Other  
Recorded Costs (U39M).

Application 21-09-008

**OPENING BRIEF OF THE PUBLIC ADVOCATES OFFICE  
ON PACIFIC GAS AND ELECTRIC COMPANY'S APPLICATION FOR RECOVERY  
OF RECORDED EXPENDITURES**

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## I. INTRODUCTION

The Public Advocates Office (Cal Advocates) at the California Public Utilities Commission (Commission) respectfully submits this Opening Brief in opposition to the *2021 Application of Pacific Gas and Electric Company for Recovery of Recorded Expenditures Related to Wildfire Mitigation, Catastrophic Events, and Other Recorded Costs* (2021 WMCE Application). Pacific Gas and Electric Company (PG&E) failed to prove that all its costs were reasonable, justified, and incremental. Cal Advocates recommends recovery of up to \$601.252 million for PG&E's Operation & Maintenance (O&M) costs (\$805.483 million less than PG&E's recovery request for O&M costs) and up to \$139.952 million for PG&E's capital expenditures (\$67.488 million less than PG&E's request for recovery of capital expenditures).<sup>1</sup> Cal Advocates also recommends that the Commission hire a consultant to evaluate the costs recorded in PG&E's Vegetation Management Balancing Account (VMBA).

In PG&E's 2021 WMCE Application requests over \$1.4 billion for Operation & Maintenance (O&M) costs and capital expenditures related to wildfire mitigation, certain catastrophic events, and other activities from around 2015 to 2020. Specifically, PG&E requests recovery of about \$1.4 billion for O&M costs, comprising the following: \$155.413 million recorded in its Wildfire Mitigation Balancing Account (WMBA); \$591.718 million recorded in VMBA; \$434.838 million recorded in its Catastrophic Event Memorandum Account (CEMA); \$43.700 million recorded in CEMA for COVID-19 (CEMA COVID-19); \$7.847 million recorded in the COVID-19 Pandemic Protections Memorandum Account (CPPMA); and \$170.219 million recorded in four other memorandum accounts, the Disconnections Memorandum Account (DMA), the Emergency Consumer Protections Memorandum Account (ECPMA), the California Consumer Privacy Act Memorandum Account (CCPAMA), and the Microgrids Memorandum Account (MGMA). PG&E also requested recovery of \$197.140 million in capital expenditures, comprising the following: \$189.191 million recorded in CEMA, \$1.209 million recorded in CEMA COVID-19, \$0.587 million recorded in CCPAMA, and \$6.153 million recorded in MGMA. PG&E also seeks authorization to recover costs of \$13.3

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<sup>1</sup> All dollar figures are approximations based on PG&E's Application and submissions.

million (\$3 million for O&M costs and \$10.3 million for capital expenditures) recorded in the Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA).<sup>2</sup>

## II. SUMMARY OF RECOMMENDATIONS

Based on PG&E's failures to justify all its costs, Cal Advocates recommends the following:<sup>3</sup>

- Recovery of up to \$601.252 million for PG&E's O&M costs (\$805.483 million less than PG&E's recovery request for O&M costs).<sup>4</sup>
- Recovery of up to \$139.952 million for PG&E's capital expenditures (\$67.488 million less than PG&E's request for recovery of capital expenditures).<sup>5</sup>
- That PG&E recover a revenue requirement of \$640.4 million, which is \$833.4 million lower than PG&E's request.<sup>6</sup>
- That VMBA costs of \$591.718 million not be authorized for recovery until the Commission hires a consultant to review the VMBA costs for reasonableness, incrementality, and justifiableness.<sup>7</sup>

## III. BURDEN OF PROOF

As the applicant, PG&E must prove — through verifiable evidence — that its costs are justifiable and reasonable, and that the costs are incremental to those previously authorized for revenue recovery. Because PG&E bears the burden of proof, if certain costs in PG&E's 2021 WMCE Application lack sufficient evidence of justifiableness, reasonableness, and incrementality, then the Commission should reject PG&E's recovery request for those costs. By

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<sup>2</sup> Cal Advocates Exhibit 1, Cal Advocates Executive Summary Dated May 24, 2022 ("CA-01"), pp. 1-4.

<sup>3</sup> CA-01, pp. 4-6, p. 18. Cal Advocates hereby incorporates all its exhibits and errata, by reference, in support of its opening brief.

<sup>4</sup> CA-01, pp. 4-6, p. 18.

<sup>5</sup> CA-01, pp. 4-6, p. 18.

<sup>6</sup> Cal Advocates Exhibit 9, Cal Advocates Testimony on Revenue Requirement, May 24, 2022 ("CA-09"), p. 4. In the course of preparing this brief, Cal Advocates discovered an error in CA-01, on page 19. The figure of \$1,232.1 million mistakenly includes the \$591.718 VMBA expense. CA-01 should read: "Cal Advocates recommends that PG&E recover a revenue requirement of 2 \$640.4 million, which is \$833.4 million lower than PG&E's request."

<sup>7</sup> CA-01, pp. 4-6. See also CA-01, pp. 10-12, for more details about Cal Advocates' limited resources for reviewing the VMBA costs.

default, the Commission must reject recovery of any cost in PG&E’s 2021 WMCE Application until PG&E proves that each cost is reasonable. As stated in a previous Commission decision, costs are not “automatically assumed to be reasonable”—instead, before allowing cost recovery, the “Commission verifies the reasonableness of costs.”<sup>8</sup>

Cal Advocates found that several costs in the balancing accounts and memorandum accounts lacked either reasonable justification for the specific work performed, information for the specific work performed, or calculation and support for the recorded amounts.<sup>9</sup> In its 2021 WMCE Application, PG&E failed to show that it identified and removed costs already covered in the 2020 GRC decision—thus making it impossible for the Commission to know whether costs in this 2021 WMCE Application were already addressed in a prior proceeding. Because PG&E failed to prove that it identified and removed already-covered costs from its 2021 WMCE Application, the Commission has no basis to determine that these costs are reasonable for recovery and incremental to PG&E’s 2020 GRC.

The deficiencies in PG&E’s 2021 WMCE Application and Cal Advocates’ recommendations are discussed in further detail below.<sup>10</sup>

#### **IV. ARGUMENT**

##### **A. PG&E failed to show the incrementality, reasonableness, and appropriateness of costs recorded in the Wildfire Mitigation Balancing Account.**

PG&E’s 2021 WMCE Application fails to demonstrate the incrementality of its recorded costs.<sup>11</sup> For example, PG&E twice requests recovery for WMBA straight-time labor costs and overhead costs, without showing how these costs were incremental to costs already covered in

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<sup>8</sup> See Decision Adopting Regulations to Reduce Fire Hazards Associated with Overhead Power Lines and Communication Facilities (D.12-01-032), R.08-11-005 (January 18, 2012), pp. 151-152.

<sup>9</sup> See generally Decision Addressing the Test Year 2020 General Rate Case of Pacific Gas & Electric Company (D.20-12-005), A.18-12-009 (December 11, 2020).

<sup>10</sup> Cal Advocates recommends that before the Commission decides on costs recorded in PG&E’s Vegetation Management Balancing Account, the Commission should hire a consultant to evaluate those costs.

<sup>11</sup> An “incremental cost” is a cost requested in this proceeding that has not already been recovered in another proceeding, such as in a GRC. See Cal Advocates Exhibit 2, Cal Advocates Testimony on Operations and Maintenance Costs Recorded in the Wildfire Mitigation Balancing Account, Part 1 of 2, Dated May 24, 2022 (“CA-02”), p. 5.

the 2020 GRC.<sup>12</sup> Because of PG&E’s failure to substantiate all WMBA costs, Cal Advocates recommends recovery of \$109.817 million for O&M costs under WMBA.<sup>13</sup>

**1. PG&E’s WMCE Application does not justify recovery of straight-time labor costs.**

PG&E’s 2021 WMCE Application seeks recovery of straight-time labor<sup>14</sup> costs recorded in the WMBA—without showing whether the employees’ straight-time labor was already authorized through other means, such as the 2020 GRC decision, which authorized funding for employment positions.<sup>15</sup>

PG&E has recorded in the WMBA certain straight-time labor costs that purportedly arise from its Public Safety Power Shutoff (PSPS) program. However, an independent auditor, Crowe LLC, found that straight-time labor costs recorded in PG&E’s wildfire memorandum accounts are not incremental to funding already authorized in PG&E’s 2020 GRC.<sup>16</sup> Because the 2020 GRC decision authorized straight-time labor costs for existing full-time employees for 2020, PG&E must show that the straight-time labor costs in the 2021 WMCE Application are separate and different from costs approved in its 2020 GRC. PG&E’s 2021 WMCE Application fails to do so.<sup>17</sup>

PG&E’s failure to include any incrementality discussion, analysis, or documentation for its WMBA costs is fatal to its recovery of straight-time labor costs allegedly arising from implementation of the PSPS program. PG&E’s testimony on WMBA costs did not include any

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<sup>12</sup> See generally CA-02, pp. 3-11; Cal Advocates Exhibit 3, Cal Advocates Testimony on Operations and Maintenance Cost Recorded in the Wildfire Mitigation Balancing Account, Part 2 of 2, Dated May 24, 2022 (“CA-03”), pp. 5-13.

<sup>13</sup> CA-01, p. 16.

<sup>14</sup> “Straight-time hours” means “nonovertime hours.” *White v. Davis* (2003) 30 Cal.4th 528, 577 [133 Cal.Rptr.2d 648, 68 P.3d 74].

<sup>15</sup> See CA-02, pp. 5-6; CA-03, pp. 5-10.

<sup>16</sup> CA-02, p. 8, (citing Performance Audit of Pacific Gas & Electric Wildfire Mitigation Plan Expenditures, pp. 5, 70-71). Crowe did this audit for the Office of Energy Infrastructure Safety under the California Natural Resources Agency.

<sup>17</sup> See CA-02, pp. 5-8.

discussion of incrementality.<sup>18</sup> In declining to discuss incrementality, PG&E wrongly implies that all costs recorded in the WMBA are inherently incremental.

Incrementality is relevant and must always be analyzed when a utility requests recovery of costs booked to a balancing (or memorandum) account. Costs for employee salaries already funded through existing rates set by the 2020 GRC decision should not be paid for again through a later, separate proceeding. PG&E's 2021 WMCE Application improperly includes straight-time labor costs of existing, full-time employees, but makes no effort to show that these labor costs were not already authorized in the 2020 GRC.<sup>19</sup>

Similarly, while PG&E's internal labor costs might be incremental if they were unanticipated in the 2020 GRC proceeding, PG&E provides no evidence that it made unanticipated hires. Notably, PG&E doesn't even provide the number of PSPS program employees hired after the 2020 GRC decision.<sup>20</sup> Indeed, according to PG&E "incrementality ... is not a relevant consideration for PSPS activity costs recorded to PG&E's Wildfire Mitigation Balancing Account (WMBA)."<sup>21</sup> PG&E's refusal to provide incrementality analysis or discussion compels the denial of recovery of its straight-time labor costs (\$12.3 million) recorded in the WMBA.

## **2. PG&E's WMCE Application does not justify recovery of overhead costs.**

PG&E seeks to recover \$6.213 million in purported PSPS-specific overhead costs recorded in the WMBA, without showing evidence that the overhead costs are specific to PSPS activities.<sup>22</sup> PG&E's request should be denied, for at least two reasons.

First, PG&E failed to show that the included overhead costs for existing assets were not already funded in the 2020 GRC decision. When Cal Advocates requested documentation showing whether PG&E used any existing assets (such as vehicles or buildings) for its 2020 PSPS activities, PG&E replied, in part, that it "utilizes existing assets where possible for its

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<sup>18</sup> CA-02, p. 5 (PG&E states, "This chapter does not include an incrementality discussion of costs in the Wildfire Mitigation Balancing Account.").

<sup>19</sup> See CA-02, pp. 5-6.

<sup>20</sup> See CA-02, pp. 6-7.

<sup>21</sup> CA-02, p. 6.

<sup>22</sup> See generally CA-02, pp. 8-11.

PSPS Program activities.”<sup>23</sup> This explanation fails to show how these PSPS overhead costs are separate from overhead costs already provided for by the 2020 GRC. Rather, PG&E’s response supports the argument that these overhead costs are non-incremental. PG&E’s request for PSPS related overhead costs must be denied because PG&E did not provide any evidence that it identified and removed the overhead costs associated with its existing assets, even though such existing assets would have already been funded through the 2020 GRC.

Second, PG&E failed to show how the requested overhead costs arose from the PSPS— as opposed to arising from company-wide overhead costs already addressed in the 2020 GRC. PG&E’s overhead includes costs like paid time off (e.g., vacation, sick time, holidays), building-service overhead (e.g., janitorial, rent, maintenance), material burden (e.g., cash discounts, environmental support), and other overhead costs that generally would not incrementally increase in response to PSPS events.<sup>24</sup> In discovery, Cal Advocates asked PG&E whether it incurred “additional overhead costs (e.g., rents, maintenance, freight, write-offs, janitorial, paid time off, payroll taxes, vehicle maintenance and repair) specifically associated with its PSPS Program in 2020[.]” PG&E again responded that “incrementality . . . is not a relevant consideration for PSPS activity costs recorded to PG&E’s Wildfire Mitigation Balancing Account (WMBA).”<sup>25</sup> PG&E’s repeated refusal to provide documentation of incrementality— based on the assertion that incrementality is “not a relevant consideration”—cannot be rewarded.

PG&E further asserts that it “did incur additional overhead costs associated with its PSPS Program in 2020 but is not able to quantify the specific amounts.”<sup>26</sup> This amounts to an admission by PG&E that it is either unable or unwilling to distinguish between overhead costs arising from PSPS and non-PSPS activities. Thus, PG&E, by its own admission, is unable to isolate and quantify the specific amounts of PSPS overhead, and PG&E has not undertaken any incrementality analysis or discussion.<sup>27</sup>

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<sup>23</sup> CA-02, p. 9.

<sup>24</sup> CA-03, p. 11.

<sup>25</sup> CA-02, pp. 9-10.

<sup>26</sup> CA-02, pp. 9-10.

<sup>27</sup> CA-02, pp. 9-10.

Third, the Crowe audit determined that PG&E’s overhead costs recorded in the WMBA were already included in the 2020 GRC. Crowe recommended that “PG&E should not be compensated for overhead costs assigned to the wildfire memorandum accounts between 2018 and 2020 as they are not incremental.”<sup>28</sup> Because PG&E failed to track, identify, or calculate any overhead costs that incrementally arose from its 2020 PSPS activities, PG&E failed to establish the incrementality of the supposed PSPS overhead costs.

**3. PG&E’s request for costs for employee travel and meals, a helicopter contract, and Information Technology activities is unsupported.**

Cal Advocates requests a \$2,665,318 downward adjustment of cost recovery for PG&E travel and meal costs recorded in the WMBA, because PG&E fails to show why these costs were justified or incremental.<sup>29</sup> First, PG&E failed to provide adequate documentation of its requested costs. Cal Advocates requested invoices and documentation showing that employee travel and meal costs recorded in the WMBA were specific to 2019 PSPS events, as PG&E claimed.<sup>30</sup> But PG&E failed to provide any travel-related invoices associated with 2019 PSPS events. Instead, PG&E provided journal entries and internal email attachments, failing to verify that these expenses arose from 2019 PSPS events.<sup>31</sup> When Cal Advocates followed up by requesting “all corresponding invoices or receipts . . . that include the amount, date, a clear explanation of the activities involved and how they are associated with specific PSPS event activities,” and PG&E again failed to provide any invoices or receipts. Instead, PG&E provided just the same journal entries and bank statements, which failed to include any clear explanation of the activities involved or how they were associated with specific PSPS activities.<sup>32</sup>

Second, PG&E also failed to provide any analysis or verifiable documentation proving and establishing that it did not already request recovery of these same travel-related costs in its

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<sup>28</sup> CA-02, pp. 10-11 (citing Performance Audit of Pacific Gas & Electric Wildfire Mitigation Plan Expenditures, p. 21).

<sup>29</sup> See generally CA-03, pp. 12-17.

<sup>30</sup> CA-03, pp. 13-14.

<sup>31</sup> CA-03, pp. 14-15.

<sup>32</sup> CA-03, pp. 14-15.

2020 WMCE.<sup>33</sup> PG&E had filed a previous WMCE in 2020, requesting cost recovery for \$29 million in travel-related costs.<sup>34</sup> Given the large amount of travel-related expenses in this 2021 WMCE Application here, Cal Advocates asked PG&E to provide an explanation and supporting documentation to justify the \$2.25 million in 2021 WMCE filing for employee travel related to 2019 PSPS events.<sup>35</sup> PG&E failed to provide any detailed response.<sup>36</sup>

Because PG&E, in its 2021 WMCE Application, failed to provide specific documentation showing that these travel-related costs were tied to 2019 PSPS events, and failed to show that these costs were separate from (i.e., incremental to) the previous travel-related costs in the 2020 WMCE, the Commission must deny these costs as unjustified and non-incremental.

**4. PG&E’s requested cost recovery for the helicopter contract should be denied.**

Cal Advocates recommends disallowing \$172,029 for a helicopter-contract expense PG&E claims for a June 2019 PSPS event. But Cal Advocates analyzed the invoices and recorded cost associated with this helicopter contract costs, and Cal Advocates discovered that the period of helicopter flight ranged from July to December 2019. PG&E admitted error in response to Cal Advocates data request.<sup>37</sup> The \$172,029 helicopter-contract expense should still be disallowed from the VMBA despite PG&E’s attempt to switch its request be part of the VMBA.

**5. PG&E’s request for Information Technology services should be denied.**

Cal Advocates recommends disallowing \$129,336 for Information Technology (IT) costs that PG&E failed to show had a specific connection with 2019 PSPS events. The IT services

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<sup>33</sup> CA-03, p. 16.

<sup>34</sup> CA-03, pp. 15-16. The proceeding number for the 2020 Wildfire Mitigation and Catastrophic Events application is A.20.09-019. See generally See Application of Pacific Gas and Electric Company (U39M) for recovery of recorded expenditures related to wildfire mitigation and catastrophic events, as well as other recorded costs, A.20-09-019 (September 30, 2020).

<sup>35</sup> CA-03, pp. 15-16.

<sup>36</sup> CA-03, pp. 15-16.

<sup>37</sup> CA-03, p. 17 (“The \$172k invoice amount should have been charged to the Vegetation Management Balancing Account (VMBA) to the Enhanced Vegetation Management Program as they are related to LiDAR flights. We will correct this in an errata filing.”).

included work from Environmental Systems Research Institute (ESRI), Amazon Web Services, Tata America International Corp, AT&T, and Verizon.

According to the 2021 WMCE Application, PG&E recorded these IT costs for 2019 PSPS events. But PG&E failed to provide documentation showing that these expenses were either specific to the 2019 PSPS events, specific to other wildfire-mitigation activities, or incremental to IT costs authorized in the 2020 GRC decision.<sup>38</sup>

Cal Advocates reviewed PG&E's supporting documents, such as invoices, and found that they failed to show that these IT costs were specific to 2019 PSPS events. Ratepayers should not fund these IT costs if the costs cannot be verified as specific to 2019 PSPS events.<sup>39</sup>

**6. PG&E's request to recover costs of a cancelled December 7, 2020 PSPS event is unsupported.**

PG&E's 2021 WMCE Application requests ratepayers pay the full cost (\$2.66 million) for a December 7, 2020 PSPS event that never occurred and provided no benefit to ratepayers.<sup>40</sup> Cal Advocates recommends denying half of the recovery request (\$1.33 million), in recognition of PG&E's preparatory steps, such as notifying customers and preparing Community Resource Centers (CRCs).<sup>41</sup> Because PG&E failed to provide any supporting documents specific to this cancelled PSPS event it has not met its burden of proof.

PG&E should receive only half of its requested cost for the cancelled PSPS event because ratepayers never benefitted from the event that never happened; and full recovery of these costs would be neither reasonable nor justified.

**7. PG&E's requested cost of PSPS-related communication services is not justified.**

PG&E requests recovery of \$5.9 million on customer-communication services supporting 2020 PSPS events. PSPS customer-communication services include activities like warning customers before power is turned off. Cal Advocates recommends denying \$1.28 million based

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<sup>38</sup> CA-03, pp. 18-19.

<sup>39</sup> CA-03, pp. 18-19.

<sup>40</sup> CA-03, pp. 19-20.

<sup>41</sup> CA-03, pp. 19-20.

on PG&E's failures to meet PSPS communication rules and failure to provide a benefit to all customers, especially vulnerable ones.<sup>42</sup>

In the October 14-16, 2020 PSPS Event report, PG&E identified 1,100 customers that did not receive warnings about a power shutoff. The shutoff lasted until October 17, 2020, and the average outage duration was 37 hours. PG&E claims that its failures to warn were caused by things like an unanticipated abnormal circuit configuration, training-related errors, unplanned devices in the field, no valid contact information, and errors in creating a notification file. PG&E said it tried to address these problems afterward by training staff and by asking customers to update their contact information. These communication problems arose from PG&E's own errors, and ratepayers should not, in effect, reimburse PG&E for its own errors.<sup>43</sup>

In PG&E's October 25-28, 2020 PSPS Event report, PG&E said that approximately 1,940 de-energized customers did not receive the required notifications prior to de-energization. Thirty of these un-notified customers were "medical baseline" customers who "rely on life support equipment, have life-threatening illnesses, multiple sclerosis, scleroderma, are paraplegic or quadriplegic, or [have] a compromised immune system."<sup>44</sup> The average outage duration for this PSPS event was 37 hours. PG&E attributed its warning failures to unanticipated abnormal circuit configurations and lack of valid customer contact information. These PSPS events impose hardship on PG&E's customers, and PG&E bears responsibility to warn impacted customers.<sup>45</sup>

In addition, for the October 25-29 PSPS Event, approximately 10,000 customers were delayed in power restoration, and about 2,300 of these customers did not get a notice about the delay. Among these 2,300 customers, 145 were vulnerable medical-baseline customers.<sup>46</sup> To show the importance of protecting medical-baseline customers, PG&E's PSPS report states that PG&E's representatives must manage in-person visits to medical-baseline customers' homes to

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<sup>42</sup> CA-03, pp. 20-21.

<sup>43</sup> CA-03, pp. 21-22.

<sup>44</sup> "Medical Baseline consumers are billed for natural gas and electricity use at their utility company's lowest residential rate." See CPUC, *Medical Baseline* <<https://www.cpuc.ca.gov/consumer-support/financial-assistance-savings-and-discounts/medical-baseline>> [as of Sept. 1, 2022].

<sup>45</sup> CA-03, pp. 22-24.

<sup>46</sup> CA-03, pp. 22-24.

check on the customer.<sup>47</sup> Despite this requirement, PG&E still failed to notify these medical-baseline customers—a failure that can seriously harm them.<sup>48</sup>

It is unreasonable for PG&E’s customers to be required to fully fund customer-communication costs for an October 25-28, 2020 PSPS event riddled with serious notification-related errors that put customers in harm’s way. Cal Advocates therefore recommends denying half (remove \$885,500) of PG&E’s recovery request.

**8. PG&E’s Advanced Fire Modeling costs should not be recovered in full.**

Cal Advocates recommends a total downward adjustment of \$913,426 for costs recorded in the WMBA under PG&E’s Advanced Fire Modeling (AFM) program because PG&E failed to submit supporting documentation to verify the incrementality and reasonableness of all AFM expenses. Specifically, Cal Advocates recommends removing PG&E’s \$787,571 of AFM costs arising from straight-time labor of existing employees who were reassigned from other tasks to work on AFM activities. Cal Advocates further recommends removing \$10,431 in related costs for paid time-off. These costs were non-incremental because PG&E failed to show that these labor costs weren’t already covered by past decisions like the 2020 GRC decision.

In response to a Cal Advocates data request, PG&E confirmed that it used existing employees to support AFM work in 2020.<sup>49</sup> However, PG&E would not or could not identify the portion of straight-time labor costs associated with employees hired before the 2020 GRC Decision and before the year 2020.<sup>50</sup> Nor could PG&E confirm whether it had hired new employees to perform AFM activities in 2020, as it does not track such expenses with any specificity.<sup>51</sup>

PG&E already requested recovery of \$5 million in costs spent on AFM contractors. So the separately requested AFM straight-time labor costs and paid-time-off costs must come from

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<sup>47</sup> CA-03, pp. 23-24 (citing PG&E Public Safety Power Shutoff Report to the CPUC October 25-28 Deenergization Event, p. 34).

<sup>48</sup> CA-03, pp. 23-24.

<sup>49</sup> CA-03, p. 25.

<sup>50</sup> CA-03, p. 25.

<sup>51</sup> CA-03, p. 25 (“PG&E bases its GRC forecast costs on activity-based forecasting and not on specific or even an assumed number of total employees, as PG&E uses a pool of employees or contractors—some existing, some new—to ultimately complete the work forecasted.”).

PG&E employees—not contractors, whose costs of \$5 million were separately requested. In any event, PG&E bears the burden to prove incrementality, and it has failed to show the incrementality of AFM costs for employees’ straight-time labor and paid time-off.<sup>52</sup>

Cal Advocates also recommends removing \$115,855 in costs for contractor Technosylva from the AFM recovery request. Cal Advocates discovered over-amortization for Technosylva-related costs from PG&E’s invoices. This was confirmed by PG&E through discovery.<sup>53</sup>

**B. PG&E’s Catastrophic Event Memorandum Account contains costs that either arose from PGE’s own faulty actions, are non-incremental, or are otherwise unsupported.**

In PG&E’s CEMA, the utility corporation recorded \$434.838 million in purported CEMA-eligible O&M expenses and \$189.191 million in purported CEMA-eligible capital expenditures, resulting in a total revenue requirement of \$481.676 million.<sup>54</sup>

In accordance with Public Utilities Code sections 451 and 454.9, Cal Advocates reviewed PG&E’s CEMA recovery request to ensure that the recorded costs are properly supported, including whether the costs relate to the listed CEMA events; arose from a county where the Governor had declared a disaster; are incremental to costs already recovered in rates; arose from a catastrophic event, defined as an event resulting in the official declaration of a disaster by competent state authorities or federal authorities; are not already covered by insurance; and are otherwise properly recorded and supported.<sup>55</sup> Therefore, Cal Advocates recommends that PG&E recover \$320.677 million in O&M expenses and \$130.549 million in capital expenditures under CEMA.<sup>56</sup>

Cal Advocates’ recommended reduction in CEMA cost recovery arises from the following problems:

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<sup>52</sup> CA-03, p. 24-26.

<sup>53</sup> CA-03, p. 26; CA-03 Errata, p. 26.

<sup>54</sup> Cal Advocates Exhibit 4, Cal Advocates Testimony on Operations and Maintenance and Capital Costs Recorded in the Catastrophic Event Memorandum Account Dated May 24, 2022 (“CA-04”), p. 1-2; see also CA-01, p. 17.

<sup>55</sup> CA-04, p. 1-3; see also CA-01, p. 17.

<sup>56</sup> CA-04, p. 1-3; see also CA-01, p. 17.

(1) PG&E wants to recover money spent addressing a fire that PG&E itself caused, the 2015 Butte Fire (\$86.590 million in O&M costs, and \$19.396 million in capital expenditures);

(2) PG&E requested recovery of money spent (\$3.414 million in O&M costs, and \$19.277 million in capital expenditures) on the 2017 Tubbs Fire even though such spending has already been covered by insurance proceeds;<sup>57</sup>

(3) PG&E recorded CEMA costs for straight-time labor without showing whether these labor costs were already covered by other decisions, such as the 2020 GRC decision (\$24.157 million in O&M expenses, and \$10.750 million in capital expenditures); and

(4) without showing incrementality and reasonableness, PG&E requested recovery of capital expenditures for fleet overhead, payroll tax, overhead, and minor-material overhead (\$9.219 million in capital expenditures).<sup>58</sup>

**Cal Advocates Proposed versus PG&E Requested Cost Recovery and Revenue Requirement  
(in Millions of Dollars)**

	<b>Cal Advocates Recommended</b>	<b>PG&amp;E Proposed</b>	<b>Difference</b>
Expense	\$320.677	\$434.838	\$114.161
Capital	130.549	189.191	58.642
Total	\$451.226	\$624.029	\$172.803
Revenue Requirement	\$346.178	\$481.676	\$135.498

Note: Revenue Requirement is without interest and approximated.

**1. PG&E should not recover costs recorded for the Butte Fire.**

The California Department of Forestry and Fire Protection (Cal Fire) and CPUC’s own Safety and Enforcement Division found PG&E to be at fault in the 2015 Butte Fire. Specifically, a Cal Fire report concluded that PG&E, its subcontractors, or both, failed to identify a potential hazard that later ignited the Butte Fire: “[T]he incident investigator determined the fire was caused when a Gray Pine . . . contacted a PG&E powerline conductor which ignited portions of the tree.” The embers from this ignition “dropped into the fine dead fuels below the conductor, igniting the wildland fire which burned uncontrolled onto numerous properties not owned or

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<sup>57</sup> PG&E recently agreed that “\$0 will be requested for Tubbs CEMA,” so all parties agree that PG&E should get zero dollars of recovery for the 2017 Tubbs Fire costs. See CA-04, pp. 3-4.

<sup>58</sup> CA-04, pp. 2-3.

controlled by PG&E in violation of Public Resources Code (PRC) 4421.”<sup>59</sup> Cal Fire’s report details how prior to the Butte Fire PG&E failed to identify risks it should have addressed when removing two Gray Pine trees from a tree stand.<sup>60</sup>

Similarly, the Commission’s Safety and Enforcement Division found PG&E to be in violation of Commission General Order 95 “for one violation that lasted 246 days, resulting in a financial penalty of \$8 million for this citation.” After Safety and Enforcement Division’s investigation of the Butte Fire, the Safety and Enforcement Division cited PG&E for “failing to maintain its 12 KV overhead conductors safely and properly.”<sup>61</sup> The Safety and Enforcement Division’s investigation also found that neither PG&E nor its contractors “took appropriate steps to remedy the condition and consequences when two grey pine trees in a stand were removed.” Thus, two government entities’ have found fault against PG&E.

It would be unreasonable for PG&E to recover any costs spent addressing the fire PG&E itself caused.<sup>62</sup> Ratepayers should not bear the burden of paying the over \$100 million that PG&E spent addressing its own self-caused wildfire. Moreover, PG&E’s liability insurance has already substantially covered the estimated losses from third-party claims arising from the Butte Fire.<sup>63</sup>

## **2. PG&E should not recover costs for the Tubbs Fire.**

PG&E has informed Cal Advocates that it “received additional insurance proceeds for the Tubbs Fire sufficient to cover Tubbs CEMA costs” and added that “\$0 will be requested for

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<sup>59</sup> See generally CA-04, p. 5.

<sup>60</sup> A tree stand is an “easily defined area of the forest that is relatively uniform in species composition or age and can be managed as a single unit.” See NC State Extension, *Understanding Forestry Terms: A Glossary for Private Landowners* (Aug. 21, 2018) Woodland Owner Notes <<https://content.ces.ncsu.edu/understanding-forestry-terms-a-glossary-for-private-landowners>> [as of Sept. 2, 2022].

<sup>61</sup> CA-04, pp. 6-7.

<sup>62</sup> See generally CA-04, pp. 4-7.

<sup>63</sup> According to PG&E’s 2018 Annual Report to Shareholders, liability insurance provided an aggregate amount of \$922 million in coverage for third-party Butte Fire liability. See CA-04, pp. 7-8.

Tubbs CEMA.”<sup>64</sup> Per PG&E’s own testimony, it is no longer requesting any recovery for the Tubbs CEMA costs (\$22.691 million).<sup>65</sup>

**3. PG&E should not recover straight-time labor costs, when it failed to show that the costs are incremental to past decisions.**

PG&E requests straight-time labor costs in its CEMA account. Cal Advocates recommends that these costs be denied as non-incremental and unjustifiable because PG&E failed to show that its straight-time labor costs have not already been covered by prior GRC decisions. PG&E admitted that it “generally does not hire employees in response to, or to work on, specific CEMA events.”<sup>66</sup> This is because utilities will typically redeploy existing employees to attend to CEMA related activities.<sup>67</sup> PG&E’s requested CEMA recovery requests of straight-time labor costs comprise expenses for existing personnel which are already recovered through authorized revenues and rates under prior GRC decisions. Ratepayers must not pay again for straight-time labor costs already embedded in current rates authorized under past GRC decisions.<sup>68</sup>

PG&E provided no analysis or evidence showing that its straight-time labor costs are not already recovered in rates. These internal labor costs would only be incremental if they were unanticipated prior to the pertinent GRC period, such as unanticipated overtime or double-time for existing employees. But here, the request includes straight-time labor which is the adjustment that Cal Advocates has proposed. And these requested straight-time labor costs which PG&E requests do *not* include overtime, double-time, or any similar costs.<sup>69</sup>

In past cost-recovery CEMA cases, utilities have recognized that straight-time labor should *not* be part of a CEMA recovery request.<sup>70</sup> For example, Southern California Edison

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<sup>64</sup> CA-04, pp. 3-4.

<sup>65</sup> CA-04, pp. 3-4.

<sup>66</sup> CA-04, p. 11.

<sup>67</sup> CA-04, p. 11.

<sup>68</sup> See generally CA-04, pp. 8-16.

<sup>69</sup> CA-04, pp. 13-14.

<sup>70</sup> CA-04, pp. 15-16. San Diego Gas & Electric Company (SDG&E), A.04-06-035, also excluded straight-time labor costs from its CEMA application. See CA-04, pp. 15-16.

(SCE), in A.21-09-019, did not include costs of normal business operations in its recovery request. SCE included only incremental CEMA costs like overtime pay and contractor costs. SCE's request implicitly recognizes that non-incremental costs such as normal-time (straight-time) labor costs for salaried management employees, normal-time labor costs for non-salaried employees, and costs of employee benefit programs, would have been incurred regardless of the CEMA events.<sup>71</sup>

**4. PG&E should not recover CEMA overhead costs that are non-incremental.**

Cal Advocates recommends denying the recovery request of \$9.219 million, which comprises capital expenditures on overhead for payroll taxes, minor material, and fleet. PG&E bears the burden of proof here and failed to provide quantifiable analysis substantiating that these overhead costs are incremental. Even though the number of CEMA events and the amount of overhead costs tend to be directly related, PG&E failed to provide any evidence showing that these overhead costs are not already recovered through authorized revenues under the 2020 GRC decision.<sup>72</sup>

Further, based on PG&E's testimony and workpapers, PG&E does not claim to have spent more overhead than what was already approved and collected in already-authorized rates.<sup>73</sup> Indeed, PG&E performed no incremental analysis comparing what was collected in rates as opposed to actual expenditures.<sup>74</sup> Instead, PG&E merely asserts that all CEMA costs are incremental because no CEMA events were forecast in a past GRC decision: "Because there are no base CEMA costs in the GRC, the costs for CEMA presented in this case are incremental."<sup>75</sup> But PG&E's assertion is insufficient to prove incrementality. Even if there were "no base CEMA costs in the GRC," if the GRC forecast overhead costs, PG&E must still show in its 2021 WMCE Application that the WMCE's overhead costs are incremental to (separate from) the

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<sup>71</sup> CA-04, pp. 15-16. San Diego Gas & Electric Company (SDG&E), A.04-06-035, also excluded straight-time labor costs from its CEMA application. See CA-04, pp. 15-16.

<sup>72</sup> CA-04, pp. 16-20.

<sup>73</sup> CA-04, pp. 17-20.

<sup>74</sup> CA-04, pp. 17-20.

<sup>75</sup> CA-04, pp. 19-20.

GRC's overhead costs. PG&E's mere recording of a certain cost under CEMA does not make that cost incremental.

**C. PG&E's CEMA COVID-19, ECPMA, and CPPMA costs should be disallowed where unsupported, non-incremental, and/or unreasonable.**

Cal Advocates recommends recovery of \$19.049 million for O&M costs recorded in CEMA COVID-19, recovery of \$9.529 million for O&M costs recorded in ECPMA, recovery of \$7.021 million for O&M expenses recorded in CPPMA. Cal Advocates does not oppose PG&E's request of \$1.2 million for capital expenditures recorded in CEMA COVID-19.<sup>76</sup> The following subsections will present the cost-recovery issues found in the CEMA COVID-19, ECPMA, and CPPMA.

**1. PG&E fails to show any evidence that CEMA COVID-19's "sequestration" costs were reasonable.**

For CEMA COVID-19, ratepayers should not pay for the \$24.651 million spent on PG&E's sequestration activities that were neither mandatory nor necessary; such costs are unreasonable. PG&E's \$24.6 million in costs includes double-time; daily stipends; lump-sum payments at the end of the assignment; 10% premium pay; four days of straight-time pay upon completion of "sequestration"; lodging for employees; all-day food, beverages, gyms, and recreation areas; housekeeping; household items; travel trailers; portable restrooms; washers and dryers; bedding and towels; enhanced janitorial cleaning; and daily gift cards for restaurants. PG&E provided no evidence or analysis to support its incurring these extensive "sequestration" costs. Nor does PG&E explain or identify what law, rule or policy requires these extensive "sequestration" activities, or even identify any similarly situated utility corporation that undertake similar sequestration activities. Instead, PG&E merely asserts that all these activities "allowed PG&E to ensure that it would be able to provide continuous, reliable electric and gas service during a critical stage of the COVID-19 pandemic."<sup>77</sup> PG&E, in effect, asks the Commission to take this assertion on faith.

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<sup>76</sup> Cal Advocates Exhibit 5, Cal Advocates Testimony on Operations and Maintenance and Capital Costs Recorded in the Catastrophic Event Memorandum Account COVID-19, Emergency Consumer Protection and the COVID-19 Pandemic Protections Memorandum Accounts May 24, 2022 ("CA-05"), pp. 3, Table 5-1; see also CA-01, p. 17.

<sup>77</sup> CA-05, p. 11.

Rather than spending over \$24 million on sequestration costs, why couldn't PG&E have followed the federal and state public-health guidelines (e.g., social distancing, masks)? PG&E does not explain.<sup>78</sup> Because PG&E failed to provide any insight into these types of common-sense questions, PG&E has failed to meet its burden, and the Commission must deny these "sequestration" costs as unreasonable and unjustifiable for ratepayers to bear.

**2. PG&E should not recover ECPMA overhead costs that are non-incremental.**

For PG&E's ECPMA, the Commission should deny recovery of \$1.614 million in overhead costs (e.g., for indirect labor, material burden, and non-productive time), because PG&E failed to show that such costs were not already authorized by prior GRC decisions. Because PG&E failed to show incrementality, these overhead costs must be denied.<sup>79</sup>

These ECPMA overhead costs must be denied, because PG&E's overhead activities support existing operations that already have costs embedded in rates—the costs, therefore, are recovered through already-authorized revenues. PG&E provided no evidence or quantifiable analysis showing that these costs are separate from costs already recovered through authorized revenues and PG&E's testimony, workpapers, and data-request responses fail to demonstrate that the overhead funding is incremental to (separate from) the 2020 GRC. Here again, PG&E fails to meet the burden of proof for the recovery sought.

**3. CPPMA costs for billing-support modifications and for overhead must be denied as non-incremental and unreasonable.**

Cal Advocates recommends a downward adjustment of \$0.826 million in costs for overhead and billing-system modifications, because of similar incrementality problems that have recurred throughout this 2021 WMCE Application.

PG&E claims that it spent \$26,000 modifying its billing system so that it could process certain types of partial payments. To determine whether these costs were incremental to funding authorized in past GRC decisions, Cal Advocates requested that PG&E provide its

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<sup>78</sup> CA-05, pp. 7-11.

<sup>79</sup> CA-05, pp. 12-14.

incrementality calculation for PG&E’s Billing System.<sup>80</sup> PG&E replied that it did not do the analysis to yield the incremental cost recovery request in the 2021 WMCE Application.<sup>81</sup> Thus, PG&E admits that it did not consider costs already authorized in past GRC decisions nor did it attempt any incrementality analysis.

PG&E failed to demonstrate whether it funded its billing-system modifications with reallocated funding from completed upgrade projects that have costs already embedded in rates. If PG&E’s CPPMA recovery request is granted, ratepayers could pay twice for the same billing-system costs.<sup>82</sup> The \$799,802 for overhead costs (e.g., indirect labor for customer care; paid time-off) must be denied as non-incremental.<sup>83</sup>

**D. PG&E’s CCPAMA and DMA requests for wildfire-mitigation costs must be denied.**

Cal Advocates recommends denying \$21.763 million of PG&E’s request for recovery of wildfire-mitigation costs recorded in the California Consumer Privacy Act Memorandum Account and Disconnections Memorandum Account, because PG&E failed to show that the recorded costs are incremental to the funding already authorized in past decisions, like the 2020 GRC decision. Despite receiving multiple data requests, PG&E failed to provide records substantiating the requested cost recovery.<sup>84</sup>

Cal Advocates recommends recovery of \$4.230 million for O&M expenses recorded in the CCPAMA, and recovery of \$87,000 for O&M expenses recorded in DMA. Cal Advocates does not oppose PG&E’s request of \$587,000 for capital expenditures recorded in CCPAMA.<sup>85</sup>

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<sup>80</sup> CA-05, pp. 15-16.

<sup>81</sup> CA-05, pp. 15-16 (PG&E “did not consider GRC authorized and recorded costs for PG&E’s Billing System and the differences to yield the incremental cost recovery request in this WMCE.”).

<sup>82</sup> CA-05, pp. 15-16.

<sup>83</sup> CA-05, p. 17.

<sup>84</sup> Cal Advocates Exhibit 6, Cal Advocates Testimony on Operations and Maintenance and Capital Costs Recorded in the California Consumer Privacy Act Memorandum Account and Disconnections Memorandum Account May 24, 2022 (“CA-06”), pp. 3-4.

<sup>85</sup> CA-01, p. 18.

**1. PG&E failed to show that external-labor costs recorded in CCPAMA were incremental.**

For the \$18.941 million of external-labor costs recorded to the CCPAMA, PG&E failed to demonstrate that the costs were all procured through incremental contract agreements that were not already covered by prior GRC decisions.<sup>86</sup>

The Commission has no way to determine if the external-labor costs arose from existing contracts already funded by past GRC decisions because PG&E's documentation fails to show when and how these external-labor charges arose. Thus, PG&E has failed to show that these external-labor costs were incremental.

**2. PG&E failed to show that straight-time labor costs and overhead costs recorded in CCPAMA were incremental.**

Cal Advocates recommends denying \$2.242 million of costs recorded to the CCPAMA (\$1.108 million in straight-time labor costs and \$1.134 million in overhead costs), because straight-time labor costs and overhead costs are already funded through existing rates authorized by past GRC decisions, such as the 2020 GRC decision. PG&E has failed to show otherwise, thus failing to show incrementality.<sup>87</sup>

PG&E used its existing staff and reassigned them to CCPAMA activities, and the straight-time labor costs of those existing staff are non-incremental. When PG&E redeploys existing employees to do CCPAMA activities, the straight-time labor costs do not change—and thus are already covered by past GRC decisions. Whether working on CCPAMA or non-CCPAMA activities, the existing employee's base salary (the straight-time labor cost) would still be the same.<sup>88</sup>

PG&E also failed to show how its CCPAMA overhead costs were not already covered by past GRC decisions, such as the 2020 GRC decision. PG&E must demonstrate that overhead costs and straight-time labor costs are incremental to what was authorized in past GRC decisions and already collected in rates. However, PG&E does not provide any calculations that demonstrate that the funding for existing employees and overhead was removed from the

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<sup>86</sup> CA-06, pp. 5-7.

<sup>87</sup> CA-06, p. 7.

<sup>88</sup> CA-06, p. 7.

WMCE Application. Absent such evidence, PG&E fails to show that these costs differ from the labor and overhead costs it has already been paid for.<sup>89</sup> The Commission cannot approve these labor and overhead costs without knowing whether they were already collected in rates.

**3. PG&E failed to show that external-labor costs recorded in the Disconnections Memorandum Account were incremental.**

Cal Advocates recommends a downward adjustment of \$0.360 million for external labor costs recorded to the DMA, because PG&E was unable to provide documentation verifying and substantiating the costs as incremental to costs already embedded in rates. PG&E’s testimony and data-request responses failed to include any analysis or calculation to demonstrate that the external labor costs weren’t already recovered from funds authorized in 2017 and 2020 GRCs. Such a demonstration is needed because the external-labor contracts were established prior to the recovery period of the 2021 WMCE Application (from 2019 to 2020).<sup>90</sup>

These external labor costs were incurred under existing contracts, and PG&E failed to provide any calculations that could be reviewed and independently calculated in order to determine the incremental amount, if any. Based on PG&E’s response that “there are no contract costs associated with these incremental external labor charges because PG&E did not need to pay additional contract costs,” it is difficult to see how these external labor costs are incremental to past GRC decisions—so they should be denied.<sup>91</sup>

**4. PG&E’s requested straight-time labor costs and overhead costs should be disallowed.**

Cal Advocates recommends removing \$0.219 million incurred for straight-time labor costs and overhead costs recorded to the DMA. PG&E’s straight-time labor costs are not incremental. PG&E’s straight-time labor costs for existing employees and overhead costs are funded through existing rates authorized in past decisions, such as PG&E’s 2020 GRC decision, and are thus not incremental. The cost of existing employees’ base salaries—even when the employees are temporarily reassigned to do DMA tasks—is not an incremental cost. Those

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<sup>89</sup> CA-06, p. 7.

<sup>90</sup> CA-06, pp. 8-9.

<sup>91</sup> CA-06, pp. 8-9.

existing employees would have gotten paid for straight time, regardless of whether PG&E reassigned them to DMA tasks. PG&E also failed to provide documentation identifying the overhead costs that increased its recovery request for the DMA.<sup>22</sup>

**E. Certain MGMA costs must be denied.**

Cal Advocates recommends cost recovery of \$130.345 million for O&M expenses recorded in MGMA but does not oppose PG&E's request of \$6.153 million in capital expenditures recorded in MGMA.<sup>23</sup>

The recommended downward adjustment arises from PG&E's Temporary Generation Program, approved by the Commission for the 2020 wildfire season.<sup>24</sup> This program was adopted on an interim basis with the requirement that the costs incurred undergo a full reasonableness review in which PG&E must show that the work was not covered by previously authorized revenue requirements and must provide justification showing recorded spending relative to general rate case authorized forecasts.<sup>25</sup>

The Temporary Generation Program covers three types of sub-activities: substation microgrids, distribution microgrids, and Supervisory Control and Data Acquisition (SCADA) equipment and installations. Cal Advocates recommends that the costs for all three sub-activities should not be recovered, because PG&E has failed to establish their incrementality and reasonableness.

**1. PG&E's request for substation-microgrids costs should be reduced.**

For the substations line-item in the Temporary Generation Program, Cal Advocates recommends a downward adjustment of \$1,187,848, comprising \$335,092 for labor costs, \$363,284 for overhead costs, \$484,043 for material burden and minor material overhead costs, and \$5,429 for SCADA installation costs. (These SCADA costs will be further discussed below

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<sup>22</sup> CA-06, p. 9.

<sup>23</sup> CA-01, p. 18.

<sup>24</sup> See generally Decision Adopting Short-Term Actions to Accelerate Microgrid Deployment and Related Resiliency Solutions (D.20-06-017), R.19-09-009 (June 17, 2020), pp. 80-84, 129.

<sup>25</sup> See Decision Adopting Short-Term Actions to Accelerate Microgrid Deployment and Related Resiliency Solutions (D.20-06-017), R.19-09-009 (June 17, 2020), pp. 80-84, 129; Cal Advocates Exhibit 7, Cal Advocates Testimony on Operations and Maintenance and Capital Costs Recorded in the Microgrids Memorandum Account, May 24, 2022 ("CA-07"), pp. 3-4.

in Section IV(E)(3), which includes a larger discussion of SCADA costs.)<sup>96</sup> These costs are ostensibly associated with work on substation-microgrids.

PG&E failed to demonstrate how the costs incurred for substation-microgrid labor, materials, and overheads are reasonable. Cal Advocates' review of the Temporary Generation rental contracts, the program-management expenses, and the costs included in PG&E's previously authorized distribution revenue requirement, show that the additional labor, materials, and overhead costs were neither incremental nor prudent.<sup>97</sup>

First, PG&E's requested costs appear to be duplicative of costs approved in the Microgrid Proceeding.<sup>98</sup> PG&E states in its WMCE Application testimony that the incurred Temporary Generation costs account for "generator rental costs and other rental related costs (e.g., environmental fees, sales tax, ancillary equipment rentals) along with costs incurred during Public Safety Power Shutoff (PSPS) events (e.g., fuel, labor, freight)."<sup>99</sup> However, these same costs were requested by PG&E's in the Microgrid Proceeding. In that proceeding, PG&E stated that its Request for Proposals (RFP) for substation-microgrid-related Temporary Generation included "mobile generator rental, supporting ancillary equipment rental, equipment staging and transportation, equipment installation, generator operation including fuel, and generator removal."<sup>100</sup> In the Microgrid Proceeding, PG&E included, as appendices, copies of both the executed contract-work agreements and management-service agreements for the substation microgrids and distribution microgrids. PG&E's copies of the two agreements corroborate that the requested scope of work and associated materials were included in the contracts.<sup>101</sup>

Second, PG&E's request fails to specify what additional materials were needed for substation Temporary Generation beyond the materials already secured in the Microgrid Proceeding's contract-work and management-service agreements. Indeed, when Cal Advocates asked for documentation justifying the cost of these additional materials, PG&E said it was

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<sup>96</sup> CA-07, pp. 4-5.

<sup>97</sup> CA-07, pp. 4-5.

<sup>98</sup> See PG&E's Supplemental Testimony in Microgrid Rulemaking, (R.19-09-009).

<sup>99</sup> CA-07, p. 5.

<sup>100</sup> See PG&E's Supplemental Testimony in Microgrid Rulemaking, (R.19-09-009); CA-07, p. 5.

<sup>101</sup> CA-07, pp. 4-6.

unable to provide supporting documentation validating these types of costs.<sup>102</sup> PG&E's request of \$484,043 for materials burden and minor materials overhead credit thus can be neither substantiated nor reasonable.

Finally, PG&E also failed to provide documentation or analysis demonstrating the incrementality of re-assigning existing employees to Temporary Generation-related work. The 2020 GRC decision adopted the settlement agreement amount of \$967 million for O&M expenses for 2020, which included programs and activities associated with PG&E's Community Wildfire Safety Program (CWSP), which included labor escalation adjustments. PG&E has failed to show why these labor costs for re-assigned personnel should now be covered again in this WMCE Application.<sup>103</sup>

In PG&E's WMCE Application testimony, PG&E states that the program-management costs for the Distributed Generation-Enabled Microgrid Services (DGEMS) Program Management Office (PMO) covers the Temporary Generation substation-microgrids workstream, including regulatory activities, project development, finance, site selection, and permitting. PG&E fails to demonstrate how the labor costs mapped to the substation-microgrid workstream were reasonably incurred when PG&E has already contracted labor and program management work for the Temporary Generation Program.<sup>104</sup> Because the itemized overhead costs for the substation Temporary Generation Program include unvalidated labor-related costs (e.g., benefits, indirect labor, non-productive time off, and operational management and support non-earnings) and unvalidated material-related costs (fleet and building services), these costs cannot be deemed reasonable or justified.<sup>105</sup>

## **2. PG&E failed to show incrementality and reasonableness in its distribution-microgrids costs.**

For the distribution-microgrid line-items within the Temporary Generation Program, Cal Advocates recommends a downward adjustment of \$1,377,867, comprising \$24,372 for labor costs, \$1,344,616 for material burden, minor material, and additional overhead costs, and \$8,879

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<sup>102</sup> CA-07, p. 6.

<sup>103</sup> CA-07, pp. 6-7.

<sup>104</sup> CA-07, pp. 6-7.

<sup>105</sup> CA-07, pp. 6-7.

for SCADA installation costs. (These SCADA costs will be further discussed below in Section IV(E)(3), which includes a larger discussion of SCADA costs.)<sup>106</sup>

In its WMCE Application testimony, PG&E states that its request for recovery relate to the generation aspects of the distribution microgrids, not the infrastructure costs to develop the pre-installed interconnection hubs (PIHs), which were authorized as part of PG&E’s 2020 GRC.’’<sup>107</sup>

But Temporary Generation for distribution microgrids was secured within the same RFP cycle as substation microgrids, and thus fell under the same contract-work and management-service agreements that were discussed above in Section IV(E)(1). Because (1) all costs associated with the infrastructure development for distribution-microgrid installation were accounted for in the 2020 GRC; and (2) the contract-work agreements cover the labor, equipment, materials, fuels, and freight associated with the operating and fixed costs of Temporary Generation—it is unclear how or why PG&E incurred an additional \$1.344 million in materials-burden costs.<sup>108</sup>

When asked to provide verifiable supporting documentation of these materials-burden costs, PG&E stated that “there are no specific invoices for ‘Materials Burden’” and provided no other documentation or analysis of incrementality. These costs for distribution microgrids are thus unreasonable, non-incremental, and unjustified.<sup>109</sup>

PG&E also failed to demonstrate that \$24,372 worth of additional labor costs were incurred on top of what was already covered in the Temporary Generation contracts and the Program Management Office-related activities. PG&E failed to show that these Temporary Generation labor costs fell outside the scope of previously authorized revenue requirements. Bearing the burden of proof, PG&E should have provided verifiable documentation demonstrating that the MGMA costs of existing, full-time employees are incremental to what was already authorized in the 2020 GRC decision and collected in rates. The straight-time labor

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<sup>106</sup> CA-07, pp. 7-9.

<sup>107</sup> CA-07, pp. 7-8.

<sup>108</sup> CA-07, p. 8.

<sup>109</sup> CA-07, p. 8.

costs for a redeployed PG&E employee doing MGMA work does not constitute an incremental activity.<sup>110</sup>

Cal Advocates asked PG&E for support for its calculation of the incremental cost of reassigning its existing employees that were anticipated in the 2020 GRC proceeding. PG&E responded with claims that there is no nexus between the 2020 GRC decision and the hiring of PG&E employees involved in MGMA event activities, as the GRC decision was authorized less than a month before the costs were incurred.<sup>111</sup> PG&E's answer ignores that the proposed GRC decision was out well before its hiring and fails to address the incrementality issue of using existing employees to work on MGMA activities.

In addition, as quoted from PG&E's Application testimony above, PG&E acknowledged that the infrastructure costs to develop the PIHs for interconnecting the generation to distribution microgrids were already "authorized as part of PG&E's 2020 GRC."<sup>112</sup> Because PG&E failed to provide proof demonstrating that the incurred distribution-microgrid work did not fall under previously authorized revenue requirements, these costs must be denied recovery.

### **3. PG&E failed to show incrementality and reasonableness in its costs for SCADA equipment and installations.**

Cal Advocates recommends a downward adjustment of \$99,782 for MGMA costs already covered through PG&E's Distributed Automation and System Protection program. (This \$99,782 figure already includes both the recommended \$5,492 downward adjustment recommended for SCADA-related substation-microgrid costs, and the recommended \$8,879 downward adjustment for SCADA-related distribution-microgrid costs that were discussed above in Sections IV(E)(1) and IV(E)(2).)<sup>113</sup>

PG&E was authorized \$34.184 million in the 2020 GRC decision for Distributed Automation and System Protection, specifically for "installation and replacement of distribution line SCADA, substation SCADA, replacement of substation protective relays, and miscellaneous

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<sup>110</sup> CA-07, p. 8.

<sup>111</sup> CA-07, pp. 8-9.

<sup>112</sup> CA-07, pp. 7-8.

<sup>113</sup> CA-07, pp. 9-10.

emergency SCADA equipment.”<sup>114</sup> But according to the line-item data for this WMCE Application, in the MGMA, PG&E recorded \$99,782 in expenses associated with SCADA installations performed by an outside vendor for both the Make-Ready Program and the Temporary Generation Programs. The SCADA expenses were mapped to the substation, distribution, and critical-customer-backup-support workstreams.<sup>115</sup>

PG&E provided no explanation on how installation and support for SCADA devices can be categorized as a generation cost under the Temporary Generation Program; or any supporting analysis demonstrating the incrementality of these SCADA costs, i.e., how these costs are different from the SCADA-related costs already approved in the 2020 GRC decision.<sup>116</sup> Instead PG&E merely states that the costs incurred were “incorrectly mapped” across workstreams and were “for consulting services in conjunction with set up of hospitals under Backup Power Support.”<sup>117</sup> While the associated invoices show that the costs incurred were part of a \$2.775-million purchase order with a third-party vendor, the purchase information doesn’t let on why any portion of the costs are attributable to the MGMA. Because of PG&E’s failure to demonstrate the incrementality and reasonableness of the costs incurred, recovery of these SCADA-related MGMA expenses of \$99,782 must be denied.

**F. PG&E’s request for recovery of TRRRMA costs spent should be denied.**

PG&E requested recovery of \$13.3 million spent, from about 2019 to 2020, on purported former transmission-related facilities (e.g., transmission lines, substations, generation interconnections, and direct connects) that got reclassified from the Federal Energy Regulatory Commission (FERC)-jurisdictional rates to the CPUC-jurisdictional rates. Specifically, PG&E used the TRRRMA to record costs associated with facilities that are no longer deemed “transmission-related.” According to PG&E, because these facilities are no longer transmission-related, these costs are no longer eligible for recovery by rates approved by FERC. And because

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<sup>114</sup> CA-07, pp. 9-10.

<sup>115</sup> CA-07, pp. 9-10.

<sup>116</sup> CA-07, pp. 9-10.

<sup>117</sup> CA-07, p. 10.

these facilities are now supposedly serving distribution-related purposes, PG&E requested cost recovery at the CPUC-jurisdictional level.

Cal Advocates recommends cost recovery of \$0.497 million for O&M expenses recorded in TRRRMA (\$2.503 million less than PG&E’s request of \$3.00 million); and recommends recovery of \$1.454 million for capital expenditures recorded in TRRRMA (\$8.846 million less than PG&E’s request of \$10.3 million).<sup>118</sup> Cal Advocates recommended these downward adjustments because PG&E failed to show that all its former transmission-related facilities were appropriate for inclusion in CPUC-jurisdictional rates. Indeed, PG&E showed that only one of these facilities was appropriate for inclusion in CPUC-jurisdictional rates. PG&E submitted locational information for this transmission-related facility, along with an explanation about why it was transferred from the federal jurisdiction to the state jurisdiction, for cost-recovery purposes.

For the remainder of the facilities that PG&E requested cost recovery for, Cal Advocates found that PG&E: (1) failed to provide information that would allow regulators to identify the location of the facilities; and (2) failed to provide explanations for why these facilities moved from the federal jurisdiction to the state jurisdiction.

Under section 454.8, the Commission must first find that a utility corporation’s addition or extension is “used and useful,” before the Commission can even consider a method for the recovery of the cost of the addition or extension. Because PG&E failed to provide basic information about the facilities’ locations and the reason for the facilities’ transfers of jurisdiction, the Commission lacks the evidentiary record to determine whether the facilities are “used and useful” and thus appropriate for inclusion in CPUC-jurisdictional rates, as required by California Public Utilities Code section 454.8.<sup>119</sup>

### **1. PG&E’s facilities removed from the CAISO Register.**

The CAISO maintains a list of transmission facilities under its operational control, and this list is known as the CAISO Register. PG&E periodically provides information to the

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<sup>118</sup> CA-01, p. 18.

<sup>119</sup> Cal Advocates Exhibit 8, Cal Advocates Testimony on Operations and Maintenance and Capital Costs Recorded in the Transmission Revenue Requirement Reclassification Memorandum Account, May 24, 2022 (“CA-08”), pp. 4-5.

CAISO about which facilities should be added to or removed from the CAISO’s operational control, and the CAISO updates its Register based on that information. According to PG&E, facilities may be removed from CAISO control because they are no longer in use or “may have changed purpose or function and are no longer considered to be network transmission facilities.”<sup>120</sup> In 2020, using information PG&E provided, the CAISO updated its Register to add new transmission facilities, and to remove facilities no longer in use or that no longer operated as transmission facilities.

As part of an Offer of Partial Settlement in a proceeding (Docket No. ER19-13-000) at FERC, PG&E was required to update its rate base to add or remove facilities that were no longer under CAISO control. Facilities that were removed from the CAISO Register but that were still used and useful at a non-transmission level would be eligible for recovery in CPUC-jurisdictional rates via the TRRRMA.<sup>121</sup> And so PG&E claims that its facilities would be eligible for recovery in CPUC-jurisdictional rates.

**2. PG&E provided limited physical details about the facilities for which cost recovery is sought, so that the Commission cannot determine whether facilities are used and useful.**

Because of the potential eligibility for recovery, PG&E requested recovery for costs associated with transmission lines, substations, generation interconnections, and direct connects that are no longer deemed transmission-related facilities and are no longer on the CAISO Register. But PG&E’s testimony fails to provide information about which specific transmission lines, substations, generation interconnections, and direct connects gave rise to these costs.<sup>122</sup>

Cal Advocates requested (1) a short description of the geographic location of each facility that transferred from federal jurisdiction to state jurisdiction; (2) the 2020 dollar-value of the facility; and (3) the documentation demonstrating the process by which PG&E reconciled its asset records against the CAISO Register. PG&E replied with just a list of four-digit Electric

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<sup>120</sup> CA-08, p. 6.

<sup>121</sup> CA-08, pp. 67.

<sup>122</sup> CA-08, pp. 5-6.

Transmission Line (ETL) numbers for transmission lines and generator interconnections that are not under CAISO control.<sup>123</sup>

PG&E did not initially provide any descriptions of the locations of these facilities or the rationale behind each facility’s transfer from federal to state jurisdiction. PG&E stated that geographical locations “for all assets [i.e., facilities] that changed classification is not available and, in many cases, infeasible to produce.”<sup>124</sup> PG&E also stated that “certain assets [were] recalculated as a population total by PG&E in which individual assets [i.e., facilities] that change status were not separately identified.”<sup>125</sup>

Cal Advocates later did get description information—including voltage, age, and geographical location—of one of the transmission lines listed in PG&E’s response: ETL 3130. PG&E also said that ETL 3130 was removed from the CAISO Register, because ETL 3130 used to be rated at 115 kV but now operates at 12 kV (a distribution-level voltage) and serves “distribution connected facilities only.”<sup>126</sup> These details allowed Cal Advocates to verify that the facility is used and useful and that it operates in a manner that makes its costs eligible for recovery in CPUC-jurisdictional rates.<sup>127</sup> PG&E fails to submit into the record such information for the remaining PG&E transmission lines no longer on the CAISO Register. Without such information, neither the Commission nor the public can even locate these facilities.<sup>128</sup>

PG&E provided the nominal or rated voltage of the transmission lines in question but did not provide any explanation for the removal. PG&E stated that such information is “overly burdensome for PG&E to research,” given that this removal “may have occurred somewhere in the span of more than two decades and for a multitude of reasons.”<sup>129</sup> Without such information, the Commission cannot make a determination about whether these transmission lines are used and useful.<sup>130</sup>

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<sup>123</sup> CA-08, pp. 8-9.

<sup>124</sup> CA-08, p. 8.

<sup>125</sup> CA-08, pp. 6-8.

<sup>126</sup> CA-08, pp. 8-9.

<sup>127</sup> CA-08, pp. 8-9.

<sup>128</sup> CA-08, pp. 9-10.

<sup>129</sup> CA-08, pp. 9-10.

<sup>130</sup> CA-08, pp. 9-10.

Regarding an explanation for why these facilities were removed from CAISO control, PG&E provided the nominal or rated voltage of the transmission lines in question but did not provide any explanation for the removal. PG&E stated that such information is “overly burdensome for PG&E to research,” given that this removal “may have occurred somewhere in the span of more than two decades and for a multitude of reasons.”<sup>131</sup>

Finally, Cal Advocates requested that PG&E provide the depreciation expense, cost of capital, property, state corporation franchise tax, federal income tax, and operations and maintenance expense associated directly with ETL 3130. PG&E provided the requested information, and PG&E’s response provided the basis for Cal Advocates’ eventual recommended recovery amount of \$1,950,928.<sup>132</sup>

**3. PG&E should not recover costs for facilities that it has failed to prove are used and useful.**

Cal Advocates recommends that the Commission allow recovery of TRRRMA costs only for the one facility that Cal Advocates located and verified to be currently benefitting ratepayers under the “used and useful” principle. Knowledge of the physical location and operational characteristics of a facility is necessary for cost recovery, and critical to the reliable operation of the grid. PG&E’s inability to present the location of these facilities should concern the Commission, given the consequences of not knowing who has operational control of a facility.<sup>133</sup> Therefore, the Commission should allow cost recovery only for facilities for which PG&E has explained why the facility transferred from federal to state jurisdiction (e.g., the ETL 3130 facility).<sup>134</sup>

The only facility for which PG&E has provided this information is ETL 3130, and thus ETL 3130 is the only facility whose costs should be recovered.

Regarding substation costs, PG&E stated that there was an asset transfer from Transmission to Distribution of \$41,444,680 in substation plant. PG&E’s refusal to provide identifying information about these facilities and why they were transferred away from CAISO

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<sup>131</sup> CA-08, pp. 9-10.

<sup>132</sup> CA-08, pp. 2, 9-10.

<sup>133</sup> CA-08, pp. 11-12.

<sup>134</sup> CA-08, p. 10-13.

control makes it impossible for the Commission and public to verify that these substation facilities are used and useful and are being operated in a manner that merits their inclusion in CPUC-jurisdictional rates, as opposed to FERC-jurisdictional rates.<sup>135</sup>

Similarly, regarding direct-connects facilities, PG&E supplied no locationally identifying information and no explanation for why these facilities transferred away from CAISO control. PG&E again failed to show why these facilities are now eligible for inclusion in CPUC-jurisdictional rates.<sup>136</sup>

Regarding transmission lines, the fact that PG&E provided city, county, and nominal or rated voltage for lines that are no longer under CAISO control does not mean that the transmission lines are (1) used and useful, and (2) serving non-transmission functions and are thus eligible for cost recovery at the Commission.<sup>137</sup> Not only does PG&E's lack of detail in their request and locational information make it impossible to confirm if a line is useful to ratepayers. Thirty of the lines PG&E says are not under the CAISO's operational control are 115 kV and above (three of those are rated at 230 kV). Those ratings are concerning because PG&E's description of ETL 3130 implied (1) that ETL 3130's original 115 kV rating made it appropriate for CAISO control; and (2) that ETL 3130 was appropriate for inclusion in CPUC-jurisdictional rates only now because it was being operated at 12 kV and serving distribution-connected facilities. Using ETL 3130's ratings information as a guide for what merits inclusion in the CPUC-jurisdictional rates, the other transmission lines included for cost recovery do not operate in a manner that would merit inclusion in CPUC-jurisdictional rates.<sup>138</sup>

Cal Advocates recommends a downward adjustment of \$11,349,072, which comprises costs not directly associated with ETL 3130. Other than ETL 3130, no other facility can be shown to be (1) used and useful; and (2) serving distribution-level purposes and thus eligible for inclusion in CPUC-jurisdictional rates. Because PG&E failed to provide precise, location-specific information and a detailed explanation for why PG&E's facilities were transferred out of

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<sup>135</sup> CA-08, pp. 12-13.

<sup>136</sup> CA-08, p. 12.

<sup>137</sup> The nominal or rated voltage is an imprecise indicator of whether a facility serves transmission-level or distribution-level purposes. See CA-08, pp. 12-13.

<sup>138</sup> CA-08, pp. 12-13.

CAISO control, the Commission cannot determine whether the facilities are used and useful, therefore the costs associated with these facilities should be denied.

## V. CONCLUSION

PG&E refuses to even acknowledge the relevance of incrementality when discussing many of its requested costs in its 2021 WMCE Application.<sup>139</sup> By insisting that incrementality is irrelevant to the Commission’s evaluation of a request for cost recovery, PG&E does itself a disservice and deprives the Commission of a whole category of information needed to substantiate cost recovery. And when PG&E, who bears the burden of proof for this 2021 WMCE Application, refuses to provide documentation showing the incrementality and reasonableness of costs for activities like straight-time labor, overhead, and “sequestration” measures, then PG&E leaves the Commission no choice but to deny cost recovery. For cost recovery, the Commission should grant only up to \$601.252 million for O&M costs and only up to \$139.952 million for capital expenditures, because PG&E has failed to show the incrementality and reasonableness of all costs.

Respectfully submitted,

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<sup>139</sup> Cal Advocates recommends that before the Commission decides on costs recorded in PG&E’s Vegetation Management Balancing Account, the Commission should hire a consultant to evaluate those costs.