BEFORE THE PUBLIC UTILITIES COMMISION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2023. (U 39 M)	Application 21-06-021

PUBLIC ADVOCATES OFFICE REPLY BRIEF

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1. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS -

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits this Reply Brief in the *Application of Pacific Gas and Electric Company (PG&E) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Services Effective on January 1, 2023*). Parties filed their concurrent opening briefs on all issues except depreciation on November 4, 2022. The briefs on depreciation were filed on November 10, 2022.

PG&E's Opening Brief reiterates many of the arguments from its rebuttal testimony. Cal Advocates' Opening Brief has already addressed many of these arguments. Therefore, Cal Advocates' Reply Brief primarily addresses those claims in PG&E's Opening Brief that purport to be new justifications for revenue increases, seek funds beyond the amount reflected in the known recorded history, or are based on persistent misstatements of the record evidence, especially as they pertain to Cal Advocates' positions.

1.1 Addressing Risk in PG&E's Electric and Gas Operations

PG&E acknowledges that its revenue request over adopted rates is far more than was historically necessary to address risk in its service area: "Approximately **86 percent** of the requested increases over 2022 adopted rates is to mitigate risk in our gas and electric operations."[1] PG&E seeks to justify this excess on the grounds that the cost of potential resulting catastrophes, if the request is not granted, would exceed the requested amount.[2]

> Parties urge the Commission to deny safety programs that they claim are not "cost effective." But consideration of cost effectiveness – particularly for wildfire mitigation – must not only consider the cost of the programs themselves but must also take into account the devastating impact on communities and broader economic losses and harm throughout the economy caused by catastrophic wildfires. In other words, the Commission, PG&E, and stakeholders must consider the economic consequences of inaction.

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[1] Pacific Gas and Electric Company's Opening Brief (PG&E Opening Brief) at 2 [emphasis original].

[2] PG&E Opening Brief at 47.

By this rationale, every electric and gas utility in the state would be seeking a revenue requirement at a rate proportional to the cost of the worst-case scenario of risks it faces over the rate cycle. This cannot be a standard the Commission should adopt.

Much of PG&E's requested increase over 2022 adopted rates is for costs to underground as much of the overhead power lines in PG&E's service territory as the company deems fit, without regard to ratepayer costs and the Commission's efforts towards risk-based decision making. PG&E claims this approach is a new way to "accelerate progress" and a "game-changer" in reducing wildfire risk.[3] However, the record evidence shows that PG&E has been undergrounding overhead powerlines over many previous GRCs, at a pace far below the 400 miles per annum proposed in this TY 2023 GRC. Most recently, PG&E's rate of undergrounding was about 80 miles in one year, by October 2022.[4]

Cal Advocates does not oppose PG&E undergrounding its overhead lines to reduce wildfire risk within High- Fire Threat Districts (HFTDs), provided it is done pursuant to an objective risk-informed indicia to guide PG&E on how and where to prioritize the undergrounding project. Not surprisingly, PG&E objects to any such measures and seeks unfettered discretion to decide where and when to underground its overhead power lines.

On November 10, 2022, shortly after the opening briefs were filed, the Office of Energy Infrastructure Safety (OEIS) issued its *Final Decision on Pacific Gas and Electric Company's (PG&E's) 2022 Wildfire Mitigation Plan (WMP) Update* (WMP Final Decision)[5] and concluded that PG&E has neither shown a plan for undergrounding nor demonstrated the risk-mitigations it claims would result from its proposed "game-changing' undergrounding program.[6]

Specifically, the WMP Final Decision stated:

> PG&E has not provided a plan for undergrounding locations beyond 2023, and it does not adequately demonstrate that it is currently prepared to meet its aggressive undergrounding goals. **Furthermore, PG&E has not demonstrated that undergrounding is risk-spend efficient at the**

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[3] PG&E Opening Brief at 3.

[4] See Reporter's Transcript (RT), Vol. 8 at 1548:27 to 1549:4 (PG&E, Martin).

[5] The WMP Final Decision is found at https://efiling.energysafety.ca.gov/eFiling/Getfile.aspx?fileid=53226&shareable=true.

[6] WMP Final Decision at 12-13.

> **project level when compared to other grid hardening efforts.** In its 2023 WMP, PG&E must provide the locations and mileage for undergrounding broken out by year from 2024 to 2026, discuss how each project was prioritized based on risk and feasibility, and provide an update on the progress PG&E has made thus far in meeting its undergrounding targets, both past and future, including any changes made in resources and availability of labor.[7]

Thus, PG&E has presented no evidence in any proceeding where it had the opportunity to show PG&E duly considered its aggressive plan to underground about 10,000 miles of overhead powerlines. Nor has PG&E presented evidence that the plan to underground thousands of miles of powerlines follows an organizational plan or "rhythm," or is needed to mitigate the level of wildfire risk that PG&E claims. As such, the Commission must set parameters to protect ratepayers from the runaway costs that PG&E's underground program are likely to inflict if left to PG&E management's discretion.

Similarly, PG&E's gas operations have long been the subject of established federal and state regulations that have not changed since PG&E's last adopted revenue requirement. PG&E acknowledges this fact: "Many of the gas distribution, transmission, and storage programs are required by state and federal regulations to ensure safe and reliable service to customers."[8] Although PG&E claims that these state and federal regulations continue to "evolve" and add new requirements,[9] its Opening Brief is devoid of evidence of such evolution or new requirements since the last adopted revenue requirement.

The cause of PG&E's increase in gas operations expense and capital expenditure appears to be PG&E's failure to properly implement existing regulations and requirements, rather than evolving regulations or new requirements. Ratepayers have already funded PG&E's costs to implement these existing regulations and requirements. Therefore, the Commission should hold PG&E shareholders responsible for the cost of correcting these defects, rather than making ratepayers pay for them again.

The Commission's adoption of unrealistic goals encourages PG&E to make proposals that are not properly supported with a showing that the company is capable of achieving the

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[7] WMP Final Decision at 12-13 [emphasis added].

[8] PG&E Opening Brief at 5.

[9] PG&E Opening Brief at 5.

promised goals. It is not surprising that in this TY 2023 GRC PG&E vehemently opposes any limits on its ability to reprioritize funds without consultation or engagement with other parties.[10]

Thus, Cal Advocates urges the Commission to approve only what PG&E is historically capable of implementing in the gas operations line of business, so as to avoid approving funds that would ultimately be reprioritized from gas operations because PG&E is not capable of achieving the goals.

1.2 Energy Supply and Excess Liability Insurance

Cal Advocates shares PG&E's concerns for the wildfire risks that the State's electric utilities face and consistently works with all stakeholders to find ways to address these concerns collaboratively. Thus, Cal Advocates, the Utility Reform Network (TURN), and PG&E were able to reach agreements on PG&E's forecast of the Energy Supply programs and make joint recommendations that resolve their issues around PG&E's requests for Energy Supply.

Similarly, Cal Advocates, TURN, and PG&E were able to agree on a mechanism for a self-insurance fund that allows PG&E to remain adequately insured for wildfire risks, both in the immediate future, before the decision in this proceeding issues, and the period covered by the TY 2023 GRC, as current reinsurance costs for PG&E appear cost prohibitive.

Cal Advocates joins PG&E and TURN in urging the Commission to approve their self-insurance proposal by February 2023 to avoid a need for PG&E to purchase insurance for 2023.

1.3 Affordability and Customer Impacts

As noted in Cal Advocates' Opening Brief, rising utility rates in the State are creating an affordability crisis for many ratepayers. PG&E does not dispute that these rising rates are reaching a crisis level. In fact, PG&E states that "these concerns will be with us for a while …"[11] because the proposed expenditure in TY 2023 GRC is only a starting point of many such requests for many years to come. "We acknowledge that the rate increase we are proposing could be difficult for many customers. This is a serious concern."[12]

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[10] PG&E Opening Brief at 54–67.

[11] PG&E Opening Brief at 7.

[12] PG&E Opening Brief at 7.

However, PG&E only acknowledges this fact to argue that ratepayers should provide funds to support those customer classes that would be most affected by the impact of these rate increases.[13] This is not a solution. As noted in Cal Advocates' Opening Brief, simply creating more public purpose programs or adding funds in existing programs such as the California Alternate Rates for Energy (CARE) program, while utility rates continue to rise unchecked, will only increase the number of ratepayers who are unable to afford their utility costs.[14]

1.4. Legal and Ratemaking Principles

1.4.1 Burden of Proof

PG&E rightly acknowledges that the preponderance of evidence standard of proof requires PG&E to present stronger evidence in support of its request than evidence presented to the contrary. However, PG&E wrongly concludes it met its burden in this proceeding.[15] The Commission should reject the claim that PG&E satisfies its burden of proof by merely providing more expert expositions on the harm that PG&E would suffer if a request is not met or by presenting more witnesses and panels to essentially make the same claims.[16] Instead, the Commission should require PG&E to meet its burden by providing demonstrable proof that supports its requests.

For instance, while the OEIS was considering PG&E's wildfire mitigation plans, PG&E's Safety and Risk Panel consisting of four experts in the field were adamant that PG&E has fully considered, planned, and demonstrated internally that undergrounding all of its overhead lines located in HFTDs is the most reasonable option for overhead system hardening.[17] Yet, in the same week the Opening Brief was due, the OEIS, Cal Advocates, and TURN independently reached the same conclusion that PG&E has failed to present any evidence of a plan or

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[13] PG&E Opening Brief at 9.

[14] Opening Brief of the Public Advocates Office (Cal Advocates Opening Brief) at 19.

[15] PG&E Opening Brief at 13.

[16] PG&E Opening Brief at 12–13.

[17] RT, Vol. 8 at 1530-1544 (PG&E, McGregor, Abranches, Pender, and Martin).

demonstrate that its proposed undergrounding goal is necessary to achieve the risk-mitigations it claims.[18]

1.4.2 The Commission should draw an inference within PG&E's burden of proof that the company's forecasts are exaggerated

To account for calculation errors and a massive new proposal to underground PG&E's electric distribution, PG&E repeatedly modified its TY 2023 forecast during this proceeding. These modifications were not minor and were not limited to certain assets or activities but covered almost every aspect of the electric and gas operations lines of business.

PG&E's failure to present a reasonably consistent forecast in this TY 2023 GRC evinces a critical flaw in PG&E's risk modeling and decision making. PG&E's Opening Brief refers to the Joint Comparison Exhibit (JCE) when it references any costs or expenses, and it is unclear which of the many updates provided the figures that ended up in the JCE. This uncertainty over the correct cost proposals and estimates also undermines parties' effective participation and efficient decision making in this proceeding. Every update and change impacted parties' recommendations and added complexity to an already extensive GRC application, which covers a longer period and a broader range of programs than previous GRC applications.[19] In the end, the Commission may be presented with recommendations that do not reflect PG&E's latest changes because PG&E substantially obfuscated the record.[20]

PG&E should not benefit from the confusion its frequent updates and changes sowed. Cal Advocates requests that the Commission draw an inference against PG&E in the burden of proof wherever parties present evidence that the company's forecasts are exaggerated.[21]

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[18] WMP Final Decision at 12-13.

[19] See generally D.20-01-002, *Decision Modifying the Commission's Rate Case Plan for Energy Utilities* [modifying GRC applications from a three- to a four-year cycle and combining PG&E's GT&S-related rate case requests and its GRC-related requests into a single application].

[20] See, e.g., discussions in 3.1 and 6.1 of this Reply Brief.

[21] See Cal. Evidence Code § 600 [defining "inference" as "a deduction of fact that may logically and reasonably be drawn from another fact or group of facts found or otherwise established in the action."]; see also *Kinda v. Carpenter* (2016) 247 Cal.App.4th 1268, 1286 [finding inference "must be such that a rational, well-constructed mind can reasonably draw from it the conclusion that the fact exists."]; *Fashion 21 v. Coalition for Humane Immigrant Rights of Los Angeles* (2004) 117 Cal.App.4th 1138, 1149 [concluding "an inference is not evidence but rather the result of reasoning from evidence].

1.4.3 Ratemaking

1.4.3.1 The Regulatory Compact

PG&E rightly notes that the concept of a "regulatory compact" should guide the Commission's decision in this GRC but adopts a definition of the regulatory compact that ignores or excises ratepayers from the compact. According to PG&E, "[t]he regulatory compact allows the Commission to set rates "based on the cost of providing service, including a reasonable return on investment."[22] A "compact" does not consist of one entity acting solely for its own benefit and its own self-interest.

PG&E wrongly claims that the California Supreme Court decision in *Southern Cal. Edison Co. v. Public Utilities Com.* described the regulatory compact as "[t]he basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses *plus* a reasonable return on the value of property devoted to public use …."[23] That decision never mentioned or addressed the "regulatory compact." Rather *Southern Cal. Edison Co. v. Public Utilities Com.* discussed the concept of retroactive ratemaking in the context of a dispute involving a fuel clause adjustment.[24] While scholars have contended that the regulatory compact

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[22] PG&E Opening Brief at 14.

[23] *Southern Cal. Edison Co. v. Public Utilities Com.* (1978) 20 Cal.3d 813, 818-819.

[24] The complete quote which PG&E contracted to claim as a definition of a regulatory compact is as follows:

> It is important to keep in mind that the periodic adjustments in Edison's rates brought about by operation of the fuel clause were intended to contain no element of profit whatever. A utility's rates are essentially the sum of two distinct components: its operating expenses and its return on invested capital. "The basic principle [of ratemaking] is to establish a rate which will permit the utility to recover its cost and expenses plus a reasonable return on the value of property devoted to public use." (Italics added.) (*City and County of San Francisco v. Public Utilities Com*. (1971) 6 Cal.3d 119, 129 [98 Cal.Rptr. 286, 490 P.2d 798].) It is thus elementary regulatory law that the "return"—i.e., the profit—of the utility is calculated solely on the rate base—i.e., the capital contributed by its investors; the utility is not entitled to earn an additional profit on its expenses, but only to "recover" them on a dollar-for-dollar basis as part of the rates. A fortiori, the same principles apply to an increase in rates resulting from operation of a fuel cost adjustment clause: as its name indicates, the purpose of such a clause is to permit prompt rate adjustment to offset unusual changes in fuel costs, and no portion of such a rate increase may lawfully represent a profit to the utility. It is clear that the fuel clause in the case before us was designed to operate within the law.

Southern Cal. Edison Co. v. Public Utilities Com. (1978) 20 Cal.3d 813, 818-819.

consists of an implicit contract between the regulated entity and the regulator to ensure that the utilities investment is fully compensated,[25] no court or judicial authority has construed the compact without reference to the fact that any such compensation must be justified and reasonable for ratepayers.[26] Costs that are not necessary at the time they are incurred cannot be justified under the regulatory compact.[27]

1.5 Use of PG&E's 2021 Forecast and Recorded Cost Data

PG&E maintains that the best data available at the time it prepared its GRC was the recorded year 2020 data and forecast of 2021 and 2022 capital expenditures, but that it was required to and did produce the entire 2021 recorded data in March 2022.[28] Therefore, PG&E argues that the Commission should "*consistently use* either the 2021 capital forecast or the 2021 recorded data PG&E produced in March 2022" to approve PG&E's GRC requests.[29] This argument is without merit on its face. The Commission should not have to make an arbitrary choice between the 2021 recorded and forecast data to determine the best evidence in this GRC. This recommendation smacks of splitting the baby before the evidence is fully considered.

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[25] Boyd, James, *The "Regulatory Compact" and Implicit Contracts: Should Stranded Costs Be Recoverable?*, Resources for Future (1996), available at media.rff.org/documents/RFF-DP-97-01.pdf.

[26] D.19-05-020, *Application of Southern California Edison Company (U338E) for Authority to Increase its Authorized Revenues for Electric Service in 2018, among other things, and to Reflect that increase in Rates* at 10; see also D.90-11-031 *In the Matter of the Application of Southern California Gas Company for Authority pursuant to Public Utilities Code Section 851 to sell and lease back its Headquarters Property in Los Angeles, California*, 38 Cal.PUC.2d 166.

[27] "In any event, staff argues, Edison has already breached the terms of any regulatory compact by bringing before the Commission a request to recover the costs of a project which exceed original estimates tenfold. This application is the first to present such an astronomical cost growth for the Commission's consideration. If the regulatory compact has nothing more to offer than to suggest that the Commission is impotent when faced with present realities, staff argues, then allegiance to this conceptual model is of no use in this proceeding." D.86-10-069, *In the Matter of the Application of SOUTHERN CALIFORNIA EDISON COMPANY for Authority to Establish a Major Additions Adjustment Clause, to Implement a Major Additions Adjustment Billing Factor and an Annual Major Additions Rate to Recover the Costs of Owning, Operating, and Maintaining San Onofre Nuclear Generating Station Unit No. 2 and to Adjust Downward Net Energy Equal the Increase in Major Additions Adjustment Clause Rates; And Related Matters*; (Part 1 of 2) at 56.

[28] PG&E Opening Brief at 19-20 [emphasis original].

[29] PG&E Opening Brief at 20.

As the record in this case has shown, PG&E filed its TY 2023 GRC on June 30, 2021, a full half-year into the first year of data forecasted in the GRC. PG&E's witnesses acknowledged that recorded data usually has a three-month lag before it can be produced.[30] Thus, at the time PG&E filed its GRC application on June 30, 2021, PG&E would have had 2021 recorded data up to March 30, 2021. Any decision that endorses either the "consistent use" of all first-year-of-the-GRC recorded data or all first-year forecast data would invite utilities to adjust their operations in a manner that affects those months that recorded data has not yet been produced. PG&E argues that "parties should not be allowed to pick between the recorded and forecast 2021 data to support their preferred outcome or create a different forecast …as the actual 2021 data will be higher in some areas and lower in others."[31] But that is exactly what the evidentiary hearing was held to consider.

The mere fact that PG&E has recorded an expense or capital expenditure does not make the recorded data the best evidence of future years. Evidence from discovery, recorded history, economic trends, and conditions may show that the original forecast did not, for instance, anticipate a supply chain disruption due to a one-time event. The evidence may also show that the one-time disruption affected only one-half of the year's recorded data, making the second half a more accurate reflection of future projections. The Commission must look at the entirety of the evidence in determining what the best evidence is to support a recommendation.

PG&E cites to Sempra Utilities' TY 2019 GRC in claiming that it is "generally more appropriate and consistent to use the original forecast."[32] However, in the Sempra Utilities 2019 GRC, the Commission actually stated that the "recorded costs …are more accurate and more recent than the … forecasts that are included in the application."[33] This is consistent with the Rate Case Plan where the Commission noted that it benefits from recorded data because recorded

[30] RT, Vol. 4 at 624 (PG&E, Shilpa Ramaiya).

[31] PG&E Opening Brief at 20.

[32] PG&E Opening Brief at 20.

[33] D.19-09-051, *Decision Addressing the Test Year 2019 General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company* at 59.

data improves accuracy, which "should be considered a standard milestone in every energy GRC."[34]

In the Sempra Utilities' TY 2019 GRC, the Commission recognized that "it is not feasible to constantly update data for the entire application."[35] However, in PG&E's current GRC, it was feasible for PG&E to update its data in its TY 2023 GRC and incorporate 2021 recorded data into its updated direct and rebuttal testimonies. At the end of February 2022, PG&E provided a comprehensive update to its direct testimony to the Commission and parties. Just over one week later, on March 9, 2022, PG&E served its 2021 recorded data to the Commission pursuant to the *Assigned Commissioner's Scoping Memo and Ruling*. PG&E served its rebuttal testimony in July 2022. PG&E then provided an escalation update on September 6, 2022.

1.5.1 Uncontested Capital

PG&E's determination that an issue is uncontested is only the opinion of its counsel in a brief and argument of counsel is not evidence.[36] PG&E attaches Appendix A to its Opening Brief, which it maintains includes four tables that lists uncontested Major Work Categories (MWC), Maintenance Activity Types (MAT), department costs, and companywide expenses. However, it is unclear how PG&E determined what is uncontested and what is contested for purposes of its table. The Appendix is being presented for the first time in PG&E's Opening Brief and was not admitted into the evidentiary record of this proceeding. Therefore, the Commission should give no evidentiary weight to PG&E's Appendix A, given that the Results of Operations model would likely capture all expense and capital costs that are not contested.

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[34] D.20-01-002, *Decision Modifying the Commission's Rate Case Plan for Energy Utilities* at 61-62.

[35] D.19-09-051 *Decision Addressing the Test Year 2019 General Rate Cases of San Diego Gas & Electric Company and Southern California Gas Company* at 59-60.

[36] *Fuller v. Tucker* (2000) 84 Cal. App. 4th 1163, 1173 [citing *Davenport v. Blue Cross of California* (1997) 52 Cal. App. 4th 435, 454].

1.5.2 Uncontested Non-Forecast Issues, Balancing Accounts, and Memorandum Accounts

PG&E's Opening Brief also includes an Appendix B, which it claims includes "non-forecast issues in the GRC, such as the elimination of certain existing balancing accounts and memorandum accounts and other non-financial items"[37] that are not contested. These balancing and memorandum accounts and other financial items were created pursuant to Commission decisions and rulings that set the terms and conditions for their existence and operation. PG&E must address the underlying reasons why the Commission created the particular regulatory accounting tools in the first place, before PG&E can prevail on a recommendation to eliminate them. The fact that parties in this TY 2023 GRC did not contest PG&E's recommendation to eliminate these accounts, even if true, is not sufficient to support that recommendation because PG&E may not have given notice to the proper parties in the proceedings that approved the accounts. Therefore, PG&E must establish that the enabling decisions that gave rise to these balancing accounts would authorize their closure.

PG&E's Appendix B is another product of its counsel, which was never presented at the hearings or admitted into the record. Therefore, the Commission should not give any evidentiary weight to PG&E's Appendix B.

2. RISK MANAGEMENT, SAFETY, OPERATING RHYTHM AND CLIMATE (EXHIBIT PG&E-02)

2.1 Enterprise Risk Management

2.1.1 The Commission's Risk-Based Decision-Making Framework

PG&E's Opening Brief acknowledges that the Commission's risk-based decision-making framework demands transparency and prioritization in the management of safety risk. Specifically, PG&E states, "The Commission has developed a risk-based decision -making framework (RDF) to increase transparency and accountability for how to prioritize and mange safety risk."[38]

Further, PG&E notes that the RDF has two phases: the Safety Model Assessment Proceeding (S-MAP) and the Risk Assessment Mitigation Phase (RAMP). The S-MAP allows

[37] PG&E Opening Brief at 22.

[38] PG&E Opening Brief at 26.

the parties and the Commission to understand the models the utilities propose to use to prioritize projects and further allows the Commission to establish the standards and requirement for those models.[39] The RAMP is the phase where parties actually review and vet the utilities' modeling and prioritization of these projects.[40] "It includes a detailed analysis of safety risk threat assessments with attendant mitigation proposals and estimated costs. PG&E is required to file a RAMP application including a RAMP Report…"[41] In the RAMP, PG&E presents the risk assessment and modeling it developed using the S-MAP framework, the risk modeling results and the options to mitigate the risks.[42] No GRC decision risk-based decision making outcome unless that decision incorporates the results and vetting of the S-MAP and RAMP, respectively.

PG&E's concise summary of the Commission's RDF process in its Opening Brief is important because it shows that PG&E knows exactly what is required under the RDF. It is inconsistent with the RDF for PG&E to dispute parties' demands that the prioritization of risk and selection of projects for funding in this GRC should rely on objective indicia and reflect "a detailed analysis of safety risk threat assessments with attendant mitigation proposals and estimated costs."[43] This detailed analysis must include consideration of available alternatives and their estimated costs as well. However, the record in this proceeding shows that PG&E did not perform this analysis for its proposal to underground a total of about 3,300 miles in this TY 2023 GRC period from 2023 – 2026.[44]

PG&E witnesses admitted that they did not present the Rapid Earth Fault Current Limiter Technology (REFCL) assessment in the 2020 RAMP proceeding that informed the projects PG&E submitted in this TY-2023 GRC, when the REFCL is one of the risk mitigation alternatives for overhead hardening. Cal Advocates' Exhibit 31 shows all the risk mitigation projects that PG&E assigned Risk Spend Efficiencies (RSE). When asked on cross-examination

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[39] PG&E Opening Brief at 26.

[40] PG&E Opening Brief at 27.

[41] PG&E Opening Brief at 27.

[42] PG&E Opening Brief at 28.

[43] PG&E Opening Brief at 27.

[44] PG&E Opening Brief at 381.

why the REFCL was not included in the Exhibit, PG&E admitted the REFCL was not scored in the RAMP.[45] PG&E's proposed undergrounding of 3,300 miles was not even included in the TY 2023 GRC application until PG&E filed its supplemental application in March 2022. Therefore, PG&E's proposed undergrounding of 3,300 miles could not have been considered in the RAMP. Having failed to present the detailed analysis and safety-risk threat analysis that the RDF requires, the best solution in this GRC for ensuring the transparency and accountability the Commission mandates is to limit PG&E's undergrounding in TY 2023 GRC to the top 10 percent highest risk miles in the HFTDs, as proposed by Cal Advocates. Cal Advocates further addresses PG&E's response to this recommendation in Section 4, Electric Operations of this Reply Brief.

2.2 Risk Spend Efficiency[46]

2.2.2 The Commission should Order PG&E to calculate RSEs for all MAT codes in the next GRC

PG&E opposes Cal Advocates' recommendation to require RSEs at the more granular level of individual MAT code programs, because having the same RSE scores for all MATs grouped with a program code "makes it impossible to differentiate if one MAT code program is cost effectively reducing risk, whereas another program within the same risk mitigation code is not."[47] PG&E argues that the Commission should reject this recommendation because "MATs were established and are used to track costs and units of work and not as a method for tracking risk mitigation or controls."[48]

Thus, PG&E does not actually dispute the fact that uniform RSEs for MAT codes within the same program code make it difficult to determine which MAT code is driving the risk mitigation costs. Further, PG&E states that each MAT within a program code has the same RSE

[45] RT, Vol. 9 at 1636 – 1637; 1638 (PG&E, Abranches, McGregor, Martin, Pender).

[46] Cal Advocates only responds to Section 2.3.3 in this Risk Spend Efficiency section of PG&E's Opening Brief, as the rest pertain to issues raised by TURN.

[47] PG&E Opening Brief at 44 [citing Exh. CalPA-06, Electric Distribution Capital Expenditures at 17:17-19].

[48] PG&E Opening Brief at 45.

value,[49] which raises a concern as to whether the practice of assigning the same RSE value to different maintenance activities is arbitrary.

PG&E also claims that the S-MAP Settlement Agreement does not require calculating RSEs for all MATs, in part because "it recognizes that certain programs, such as administrative and general programs and work requested by others, by their nature do not require an RSE."[50] Clearly, any work type that by its very nature does not require an RSE score should not be assigned one. But PG&E's response to Cal Advocates' concern about uniform RSE's for MATs within the same program code has raised even more concerns about the manner in which PG&E assigns RSEs to MATs within the same program code. The fact that the S-MAP Settlement Agreement does not require it is immaterial, as the S-MAP Settlement Agreement could not have anticipated all the concerns and issues that might arise in the implementation of S-MAP.

There is sufficient time before PG&E's next GRC for the Commission to consider using uniform RSEs for MATs within the same program and understand how best to score RSEs at the granular MAT code level. Therefore, Cal Advocates recommends the Commission direct PG&E and the Energy Division to undertake this evaluation and implement the use of uniform RSEs for MATs within the same program before the next GRC.

2.3 Safety Policy and Strategy

2.3.1 Public Safety Programs

PG&E essentially maintains that all of its costs and spending serve the purpose of keeping the public and PG&E's workforce safe. While at some level, such generalization may be true, it does not follow that every time a party points out that PG&E's proposals are not cost-effective, adopting those recommendations would put the public and PG&E's workforce at risk. For example, PG&E claims "While PG&E seeks to prioritize safety, other parties propose deep cuts to safety programs. These cuts if approved, would put the public at greater risk."[51] This claim is without merit and unsupported by the evidence in the record of this proceeding. The root cause of most of the wildfires that have devastated PG&E's service territory over the last GRC

[49] PG&E Opening Brief at 44.

[50] PG&E Opening Brief at 45.

[51] PG&E Opening Brief at 48.

cycle was not "deep cuts to safety programs" that were recommended by parties, but PG&E's own culpability and mismanagement.

PG&E's claim that Cal Advocates recommends an approximately 33% reduction to PG&E's forecast for pole replacements, misstates the record.[52] Cal Advocates merely uses a different methodology (based on a recalculation of the unit cost of a pole replacement) to determine the reasonableness of PG&E's 2023 pole replacement forecast.[53] Cal Advocates' Opening Brief explained the methodology and rationale for this calculation.

2.4 Planning, Work Prioritization and Financial Issues

2.4.1 Memorandum and Balancing Accounts Do Not Delay Cost Recovery for appropriate forecast business expenses

PG&E argues it should be allowed to eliminate certain memorandum accounts and use forecasts to estimate the cost of the programs that were in those accounts. Further, PG&E claims that costs it tracks on a recorded basis through memorandum accounts delay recovery for appropriate business expenses.[54] The Commission should expressly reject this mischaracterization. Memorandum accounts are very important regulatory accounting instruments and PG&E's claim undermines the appropriate use of these accounts. The fact that a PG&E business account can be reasonably forecast is not a logical policy rationale for removing it from a memorandum account. The main purpose of memorandum accounts is to allow a utility to record costs for potential recovery before the Commission has had the opportunity to fully evaluate their reasonableness and inclusion in rates. Thus, any subsequent approval of those funds is not considered retroactive ratemaking.

PG&E has requested Commission authorization to track costs in memorandum accounts in the past, but when PG&E does it, the company does not consider it a delayed recovery of appropriate business expenses. Thus, PG&E maintains that it is the "[e]xcessive use of memorandum accounts without current rate recovery [that] diminishes the utility's financial health by deferring the cash collections needed to service the debt used to finance those assets."[55]

[52] PG&E Opening Brief at 52.

[53] See Cal Advocates Opening Brief at 214–215.

[54] See PG&E Opening Brief at 693, 824.

[55] PG&E's Opening Brief at 65-66.

PG&E has not presented any evidence in this GRC to support this contention. To support this claim, PG&E would be required to establish the amount of funds in memorandum accounts that are sufficient or "excessive" to the point that it diminishes PG&E's financial health and puts its debt-service at risk. That evidence is not in the record of this proceeding.

3. GAS OPERATIONS (EXHIBIT PG&E-03)

3.1 The Commission should infer that PG&E's Gas Operations forecasts are exaggerated because PG&E repeatedly and significantly changed them

According to PG&E's Opening Brief, the final, corrected 2023 forecasts are $572.464 million for Gas Distribution expenses and $639.948 million for GT&S expenses.[56] The total 2023 forecast for Gas Operations expenses is $1.212 billion.[57] PG&E's Opening Brief also provides that the 2023 Joint Comparison Exhibit (JCE) forecast for Gas Operation expenses is $1.317 billion.[58]

These final forecasts are the result of numerous corrections and modifications[59] — changes made by PG&E that significantly burden the Commission and parties. The Commission strives to reduce the complexity inherent in general rate cases.[60] A straightforward process makes it easier for parties to participate and facilitates the Commission's efficient resolution of GRCs. However, PG&E's repeated changes to its forecasts substantially undermine this effort. Every updated PG&E testimony and errata impact parties' previous analyses and recommendations. In the end, the Commission be presented with briefs that do not capture a

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[56] PG&E Opening Brief at 81.

[57] PG&E Opening Brief at 82.

[58] PG&E Opening Brief at 82. Cal Advocates assumes the JCE forecast reflects PG&E's proposed inflation adjustment and other adjustments based on the vague admission in PG&E's Opening Brief that its second forecast reflects PG&E's proposed inflation adjustment and other adjustments. (See PG&E Opening Brief at 22.) Cal Advocates offers its recommendations on PG&E's adjustments in Section 11 of the Opening Brief.

[59] See, e.g., PG&E Opening Brief at 81, Table 3-1.

[60] See D.20-01-001, *Decision Modifying the Commission's Rate Case Plan for Energy Utilities* at 16-17; D.93-07-030, *Re Time Schedules for the Rate Case Plan and Fuel Offset Proceedings* (July 21, 1993) 50 CPUC 2d 354, 1993 Cal. PUC LEXIS 551 at *8; D.89-01-040, *Re Time Schedules for the Rate Case Plan and Fuel Offset Proceedings* (Jan. 27, 1989) 30 CPUC 2d 576, 1989 Cal. PUC LEXIS 37 at *7.

comprehensive analysis of all PG&E's changes. Indeed, the forecasts of PG&E's various lines of business in Cal Advocates' Opening Brief may not fully align with the forecasts in PG&E's Opening Brief.

As discussed previously, PG&E made numerous corrections and modifications to its forecasts. These modifications have impacted PG&E's Gas Operations forecast, resulting in a significant reduction from PG&E's original forecasts. In its Opening Brief, Cal Advocates provided a table showing the reduction in PG&E's TY 2023 GT&S and Gas Distribution forecasts from June 2021 to February 2022.[61] Now, PG&E's Opening Brief contains further revisions to PG&E's Gas Operations Forecasts. The Table below shows the total reduction in Gas Operations forecast over the course of this proceeding, including the latest forecasts referenced in PG&E's Opening Brief.:

PG&E 2023 Expense Forecasts in
June 2021, November 2021, and February 2022 Testimonies, and
Opening Brief
(In Millions)

	June 2021[62] (a)	Nov 2021[63]	Feb 2022[64]	Amount June 2021 > Feb 2022 (c)=(a)-(b)	Opening Brief[65] (d)	Amount June 2021 > Opening Brief (e)=(a)-(d)
GT&S	$734.7	$650.1	$653.9	$80.8	$639.9	$94.8
Gas Distribution	$580.1	$579.7	$576.7	$3.4	$572.5	$7.6
Total	$1,315	$1,230	$1,231	$84	$1,212	$103

PG&E's multiple corrections to its Gas Operations forecasts burdens parties and impacts efficient decision making. In recognition of these impacts and PG&E's overall reduction in its forecast, the Commission should make an inference against PG&E that its Gas Operations

[61] Cal Advocates Opening Brief at 45.

[62] Ex. PG&E-3, Gas Operations (June 30, 2021) at 1-2:1-2.

[63] Ex. PG&E-3, Gas Operations (Nov. 5, 2021) at 1-2:1-2.

[64] Ex. PG&E-3, Gas Operations at 1-2:1-6.

[65] PG&E Opening Brief at 81, Table 3-1.

forecasts are exaggerated.[66] The Commission should apply this inference under PG&E's burden of proof as a further presumption that PG&E must overcome to show that its forecasts are reasonable and just.

3.2 The Commission should rely on relevant 2021 data in assessing the reasonableness of PG&E's forecasts

PG&E's Opening Brief asserts that the Commission should reject Cal Advocates' various recommendations because they are based on 2021 recorded data, which was not available when PG&E filed its 2023 GRC application in June 2021.[67] According to PG&E, excluding relevant 2021 recorded costs is consistent with the Commission's Rate Case Plan and "Commission guidance for forecast ratemaking."[68] PG&E's claim, however, is not supported by, the Rate Case Plan, which notes that the Commission benefits from recorded data because it improves accuracy, which "should be considered a standard milestone in every energy GRC."[69]

In addition, while PG&E had time to incorporate 2021 recorded data into its updated direct and rebuttal testimonies, it declined to do so. At the end of February 2022, PG&E provided a comprehensive update to its direct testimony to the Commission and parties. Just over one week later, on March 9, 2022, PG&E served its 2021 recorded data to the Commission pursuant to the *Assigned Commissioner's Scoping Memo and Ruling*. PG&E served its rebuttal testimony in July 2022.

The Commission should not dismiss relevant evidence that adds to the accuracy of PG&E's revenue requirement merely because it was not available on June 30, 2021 when PG&E submitted its application. As discussed previously, the Commission should evaluate all evidence in the record in determining what the best evidence is to support a recommendation. Cal

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[66] Cal. Evidence Code § 600 [defining "inference" as "a deduction of fact that may logically and reasonably be drawn from another fact or group of facts found or otherwise established in the action."]; see also *Kinda v. Carpenter* (2016) 247 Cal.App.4th 1268, 1286 [finding inference "must be such that a rational, well-constructed mind can reasonably draw from it the conclusion that the fact exists."]; *Fashion 21 v. Coalition for Humane Immigrant Rights of Los Angeles* (2004) 117 Cal.App.4th 1138, 1149 [concluding "an inference is not evidence but rather the result of reasoning from evidence].

[67] PG&E Opening Brief at 283, 285-286; see also PG&E Opening Brief at 287, 290, 293-294.

[68] PG&E Opening Brief at 283, 285-286.

[69] D.20-01-002, *Decision Modifying the Commission's Rate Case Plan for Energy Utilities* at 61-62.

Advocates recommends that the Commission reject PG&E's assertion and instead rely on relevant 2021 data in determining the reasonableness of PG&E's forecasts.

3.3 The Commission should adopt Cal Advocates' recommendations regarding PG&E's Gas Operations business lines.

In the sections below, Cal Advocates verifies PG&E's final forecasts, verifies or corrects the difference between PG&E's final forecast and Cal Advocates' recommendations, and addresses certain arguments in PG&E's Opening Brief. For the business lines not addressed in this Reply Brief, Cal Advocates requests that the Commission reference Cal Advocates' Opening Brief.

3.3.1 The Commission should not authorize any 2023 ratepayer funding for PG&E's Fitting Mitigation Program (MAT JQG)

PG&E's 2023 forecast for its Fitting Mitigation Program — Expense (MAT JQG) is $15.923 million.[70] Cal Advocates recommends zero ratepayer funding for this Program, a reduction of $15.923 million.[71]

PG&E admits that the Commission authorized ratepayer funding for MAT JQG in the 2020 GRC,[72] and does not provide any proof that it exhausted the authorized amount.[73] In fact, PG&E only recorded spending $2.75 million of the total authorized $3.05 million for MAT JQG from 2020-2022.[74] Instead of explaining this difference, PG&E offers a vague distinction between the scope of work for the Fitting Mitigation Program and the Mechanical Fitting Program approved in the 2020 GRC.[75] Any distinction between the "subset of mechanical fittings with known failures" and the "plastic fusion fittings that have been observed to fail at a

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[70] PG&E Opening Brief at 95, Table 3-4.

[71] Cal Advocates Opening Brief at 51.

[72] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 2-13 [noting work in MAT JQG was "requested and authorized" in PG&E's 2020 GRC Settlement Agreement]; see also Ex. CalPA-39, Workpapers Supporting Testimony on Gas Operations at 001.

[73] See Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 2-1 [providing only recorded 2020 amount].

[74] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 2-13, line 15.

[75] PG&E Opening Brief at 97.

high rate" is tenuous, at best, and fails to demonstrate that PG&E's forecast for MAT JQG is reasonable.

PG&E also fails to prove it reasonably pursued recovery of the costs for the defective parts from the manufacturer.[76] In 1985, the Commission ordered Southern California Edison Company (SCE) to cease collecting revenue associated with repairs costs of defective sleeving generator tubes.[77] In finding that it was "not acceptable for a regulated utility to look to ratepayers as a deep pocket of first resort," the Commission explained that "[o]nce a manufacturing defect is discovered, we would expect the regulated utility to pursue its available civil remedies aggressively in order to protect its ratepayers from unnecessary costs, or to be prepared to justify the reasonableness of its decision to refrain from pursuing those remedies."[78]

Here, PG&E pursued legal remedies against the supplier and settled the warranty claim as part of its reorganization and exit from bankruptcy.[79] However, PG&E's settlement ($225,000 offset) did not cover the full amount of its warranty claim ($439,040.66).[80] PG&E failed to offer any explanation to the Commission to justify the reasonableness of this minimal settlement.

Because PG&E failed to substantiate its request and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, the Commission should deny ratepayer funding for MAT JQG in TY 2023.

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[76] Cal Advocates Opening Brief at 53-54.

[77] See generally D.85-03-087, *Order re Public Staff's Motion for an Order Removing Sleeving Expenses From Rates*, 17 CPUC 2d 470, 1985 Cal PUC LEXIS 149.

[78] D.85-03-087, *Order re Public Staff's Motion for an Order Removing Sleeving Expenses From Rates*, 17 CPUC 2d 470, 1985 Cal. PUC LEXIS 149 at *9.

[79] PG&E Opening Brief at 98.

[80] Cal Advocates Opening Brief at 53 [citing to RT, Vol. 5 at 887:11-17 (PG&E, Middlekauff)].

3.3.2 The Commission should reduce PG&E's 2023 Gas Pipeline Replacement Program capital forecast by $38.344 million (MAT 14A)

PG&E's 2023 forecast for its Gas Pipeline Replacement Program capital expenditure (MAT 14A) is $151.729 million.[81] Cal Advocates recommends $113.385 million for this work activity, a reduction of $38.344 million.[82]

PG&E misrepresents Cal Advocates' basis for its recommendation, which PG&E claims are: (1) PG&E did not identify by October 2021 the specific segments of pipeline projects it would perform in 2023;[83] and (2) PG&E's request is higher than the base year level and the 2019 level.[84] In reality, the basis for Cal Advocates' recommendation is simple: PG&E failed to prove that it will use the full amount of its request to benefit ratepayers. PG&E's exaggerated forecast appears designed to fulfill an unjustified company goal of "a steady-state replacement rate," rather than the more reasonable approach of replacing the company's highest risk segments.

As shown in the Table below, PG&E's forecast to replace 37.1 miles is significantly higher than the high-seismic mileage the company completed from 2016-2020.

[81] PG&E Opening Brief at 103, Table 3-6.

[82] The Opening Briefs of PG&E and Cal Advocates reference a reduction of $37.569 from PG&E's forecast. (PG&E Opening Brief at 103, Table 3-6; Cal Advocates Opening Brief at 56.) This reduction does not account for the increase in PG&E's 2023 forecast from $150.954 million to $151.729 million. (Compare Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 2-7, with PG&E Opening Brief at 103, Table 3-6).

[83] PG&E Opening Brief at 104, 107.

[84] PG&E Opening Brief at 104, 108.

PG&E's Gas Pipeline Replacement Program
High Seismic Pipeline Replaced from 2016-2020, and 2023 Request[85]

	YEAR Replaced	High Seismic Mileage
Recorded	2016	5.29
	2017	4.06
	2018	3.84
	2019	1.99
	2020	3.54
	2023 Request	37.1

PG&E's forecast represents a 52% increase over the high seismic mileage PG&E completed in 2020 and an 86% increase over the high seismic mileage PG&E completed in 2019.[86] Although PG&E claims that its analytical work development process ensures ratepayer funding "is used to mitigate the greatest risk,"[87] PG&E does not state that its request would *only* be used to mitigate the greatest risk. Thus, the significant difference between PG&E's request and historical record raises questions PG&E fails to answer.

Moreover, PG&E states that it will also use ratepayer funding to reach its goal of "a steady-state replacement rate of 260 miles of pre-1985 main pipe per year by 2030."[88] PG&E asserts that its goal is "consistent with the principle of steady state replacement of assets adopted by the Commission" but cites no Commission decision adopting this principle.[89] PG&E may have intended to reference the decision approving PG&E's TY 2017 GRC. In that decision, the Commission summarized settling parties' overarching principles regarding PG&E's steady state replacement rates as "PG&E should strive for reasonable rates of steady state replacement, consistent with risk-informed decision making for crucial operating equipment necessary to

[85] Ex. CalPA-2, Gas Operations at 14, Table 2-12.

[86] Ex. CalPA-2, Gas Operations at 14:11-12.

[87] PG&E Opening Brief at 107-108.

[88] PG&E Opening Brief at 108.

[89] PG&E Opening Brief at 108.

provide safe and reliable service."[90] Notably, the Commission did not mandate that PG&E replace 260 miles of pre-1985 main pipe per year by 2030 as implied in PG&E's Opening Brief. Therefore, PG&E fails to show that achieving a steady state replacement rate for steel main is reasonable and just.

Because PG&E failed to substantiate its request and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's TY 2023 Gas Pipeline Replacement Program capital forecast by $38.344 million.

3.3.3. The Commission should reduce PG&E's Plastic Pipe Replacement Program capital forecast by $51.955 million in 2021, $137.239 million in 2022, and $125.949 million in 2023 (MAT 14D)

PG&E forecasts $448.350 million in 2021, $533.634 million in 2022, and $522.344 million in 2023 for its Plastic Pipe Replacement Program capital expenditure (MAT 14D).[91] Cal Advocates recommends $396.395 million in years 2021 to 2023 for this work activity,[92] a reduction of $51.955 million in 2021, $137.239 million in 2022, and $125.949 million in 2023.[93] Cal Advocates' recommendations are based on recorded 2021 data.

As shown in the Table below, PG&E's proposed mitigation rates for 2021-2023 represent a significant increase over historic records and recorded amounts.

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[90] D.17-05-013, *Decision Authorizing Pacific Gas and Electric Company's General Rate Case Revenue Requirement for 2017-2019* at 181-182.

[91] PG&E Opening Brief at 109, Table 3-7.

[92] Cal Advocates Opening Brief at 54.

[93] PG&E's Opening Brief references a difference of $123.630 between PG&E's forecast and Cal Advocates' recommendation. (PG&E Opening Brief at 109, Table 3-7.) This reduction does not account for the increase in PG&E's 2023 forecast from $520.025 million to $522.344 million. (Compare Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 2-7, with PG&E Opening Brief at 109, Table 3-7).

PG&E's Plastic Pipeline Replacement Program – MAT 14D
2016-2021 Recorded and 2021-2023 Request
(in 000s of Dollars)

	RECORDED						FORECAST		
	2016	2017	2018	2019	2020	2021[94]	2021	2022	2023
Expenditures	$230,270	$253,616	$237,212	$234,827	$268,112	$463,361	$448,350	$533,634	$520,025
units/miles	n/a	95.1	91.2	90	87.4	136.3	152.4	177.1	170.4

Despite this significant increase, PG&E fails to prove its mitigation rate is reasonable and operationally achievable.

Attempting to justify its significant request, PG&E's Opening Brief contains a lengthy discussion of the risks associated with vintage plastic pipelines.[95] Although this discussion contains numerous citations to a 2014 Commission Staff Report, PG&E does not provide any citation for the following statements in its Opening Brief:

> All this pipe is potentially subject to rock impingement and other stresses that can cause slow crack growth and abrupt catastrophic failure. Given the 71 year Mean Time to Failure of this pipe when stressed, these failures could occur at any time over the next few decades unless the pipe is proactively replaced as PG&E proposes.[96]

PG&E's statements mischaracterize the Commission's Staff Report. The Staff Report states that "*not all Aldyl A pipes are subjected to rock impingement*" and, if they were, "pipe failure would either not occur at all or, if it did, it would have likely occurred years ago, with the vast majority of such cases occurring before 1991."[97] Regarding other stresses, the Staff Report states "that slow crack growth arising from squeeze-off applies only to the very tiny fraction of LDIW Aldyl

[94] PG&E Opening Brief at 122.

[95] PG&E Opening Brief at 112-113.

[96] PG&E Opening Brief at 113.

[97] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-129 [emphasis added].

A pipelines that were ever subjected to a squeeze-off operations and *not to all LDIW Aldyl A pipes in general*, as is the case with rock impingement."[98]

PG&E's discussion also fails to note that the Staff Report primarily focused on PG&E's inadequate risk assessment and management response to an "otherwise moderately hazardous situation."[99] Specifically, the Staff Report noted that PG&E's recordkeeping failures make it difficult to mitigate the risk of Aldyl A pipe.[100] The Staff Report also found that PG&E waited until 2011-2012 to determine the extent of its Aldyl A pipes,[101] even though a federal advisory warnings were issued in 1999, 2002, and 2007.[102] The Staff Report's recommendations primarily respond to these failures, and explicitly state that "we defer the mitigation of this potential hazard and the consideration on the scope and pace of any replacement program to the operators' judgment, since pipeline replacement programs are more suitably dealt with in the larger context of a general rate case or equivalent proceeding."[103]

Not only does PG&E's reliance on the Staff Report fail to justify its forecasts for 2021, 2022, and 2023, but PG&E also lacks record support for its proposed replacement rate. PG&E forecasts a replacement rate of 152.4 miles in 2021,[104] even though it historically only achieved a replacement rate of 136.3 miles.[105] PG&E also forecasts a replacement rate of 177.1 miles in 2022,[106] while also claiming that completing 193.3 miles by the end of 2022 is "operationally achievable."[107] If PG&E was on track to complete 193.3 miles by 2022, PG&E could have

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[98] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-130 [emphasis added].

[99] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-110.

[100] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-119 to 4-120.

[101] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-119.

[102] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-123, Table 3.

[103] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-139.

[104] Ex. CalPA-2, Gas Operations at 9, Table 2-8.

[105] PG&E Opening Brief at 122.

[106] Ex. PG&E-3, Gas Operations at 4-29, Figure 4-11.

[107] PG&E Opening Brief at 122.

proffered recorded data to substantiate its claim. PG&E had an opportunity to present this additional evidence during hearings in August and September but failed to do so.

In TY 2020 GRC, PG&E agreed to replace an average of 139 miles of Aldyl A pipeline per year in 2020 through 2022. Additionally, all replacement work on Aldyl A pipeline should also focus on the areas with the highest risk based on PG&E's risk ranking program for Aldyl A pipe.[108] This is especially critical as PG&E would need to replace 193 miles of Aldyl A pipe this year to meet the targets from its TY 2020 GRC.[109] PG&E's own optimistic forecasts for 2023 are for 170.4 miles, a number well below what it said it would attain by 2022.

Because PG&E fails to substantiate its request and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's TY 2023 Plastic Pipe Replacement Program capital forecast by $51.955 million in 2021, $137.239 million in 2022, and $125.949 million in 2023.

3.3.4. The Commission should reduce PG&E's Reliability Service Replacement Program forecasts by $3.040 million in 2021 and $11.826 million in 2023 (MAT 50B)

PG&E forecasts $3.040 million in 2021 and $22.036 million in 2023 Reliability Service Replacement Program capital expenditure (MAT 50B).[110] Cal Advocates recommends no funding in year 2021[111] and $10.210 million in 2023[112] for this work activity, a reduction of $3.040 million in 2021 and $11.826 million in 2023.

Cal Advocates' recommendation is based, in part, on PG&E's failure to comply with its legal obligation to maintain proper records.[113] PG&E's Opening Brief does not dispute that PG&E lacks adequate records on its vintage services. Instead, PG&E states:

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[108] See PG&E Opening Brief at 113.

[109] D.20-12-005, *Decision Addressing the Test Year 2020 General Rate Case of Pacific Gas & Electric Company* at 49. 417 miles – 87.4 miles in 2020 – 136.3 miles in 2021 = 193.3 miles to perform in 2022. PG&E was supposed to meet this mileage by "ramping up its replacement rate over a three-year cycle," a number which PG&E has failed to provide evidence it can meet.

[110] PG&E Opening Brief at 125, Table 3-8.

[111] Cal Advocates Opening Brief at 58.

[112] Cal Advocates Opening Brief at 59.

[113] Cal Advocates Opening Brief at 59.

> Given the lack of material information for these vintage services, PG&E *conservatively* assumes these services were installed prior to 1985 and therefore, pose a loss of containment risk due to the possibility that they were constructed of materials with time-dependent risk, such as copper. In addition, there is no evidence in the record that the lack of records for these vintage services was due in any way to non-compliance by PG&E with then-applicable record keeping requirements. It is prudent to replace these services given the risks.[114]

PG&E's argument ignores its legal obligation to maintain proper records, as detailed in Cal Advocates' Opening Brief.[115] The argument also disregards the tremendous cost impacts of PG&E's conservative approach.

The 2014 Staff Report on the hazards associated with Aldyl A plastic pipe recognized that because of the poor state of PG&E's records, the company conservatively assumed all plastic pipe installed during certain years was the more leak-prone Aldyl A pipe.[116] The Staff Report provided that this "conservative approach, while sound from a risk assessment point of view, has tremendous cost implications since it could unnecessarily force early retirement of the less leak-prone non-Aldyl A PE pipes."[117] The Staff Report further found that "[i]t is incredibly shortsighted for a gas operator to ignore the potential costs and consequences of poor asset knowledge and poor material traceability."[118]

Here, PG&E requests that the Commission disregard its failure to maintain material information on the company's vintage services and authorize ratepayers to fund a conservative replacement rate. However, PG&E failed to prove that the costs associated its conservative risk assessment are reasonable and just. If PG&E wants to replace its vintage services without

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[114] PG&E Opening Brief at 125-126 [emphasis added].

[115] Cal Advocates Opening Brief at 59.

[116] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-120.

[117] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-133 to 4-134.

[118] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 4-135.

records, the company's shareholders — not ratepayers — should bear the burden of PG&E's imprudent recordkeeping.[119]

Because PG&E failed to substantiate its request and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's Reliability Service Replacement Program capital forecast by $3.040 million in 2021 and $11.826 million in 2023. This forecast would cover the replacement of 492 routine services — not copper services without records, which should be the responsibility of shareholders. Cal Advocates' recommendation is based on PG&E's 2022 forecast of $10.210 million in expenditures for the replacement of 492 services as calculated and shown in PG&E's testimony and workpapers.[120]

3.3.5 The Commission should reduce PG&E's 2023 DE&R expenses associated with ILI assessment by $39.416 million (MAT HPI)

PG&E forecasts $71.464 million in 2023 for Direct Examination and Repair (DE&R) expenses associated with In-Line Inspection (ILI) Assessment (MAT HPI).[121] Cal Advocates recommends $32.048 million in 2023 for this work, a reduction of $39.416 million.[122]

PG&E states that "because there will be more miles of ILI assessment performed, it is completely reasonable to expect that more anomalies will be detected and thus more digs performed."[123] However, PG&E's forecasts for other, dependent work activities (MATs HPB,

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[119] See D.14-06-007, *Decision Implementing a Safety Enhancement Plan and Approval Process for San Diego Gas & Electric Company and Southern California Gas Company; Denying the Proposed Cost Allocation for Safety Enhancement Costs; and Adopting a Ratemaking Settlement,* 2014 WL 2875825 at *17 ["Therefore, for pipeline installed after July 1, 1961, where either SDG&E or SoCalGas cannot produce records that provide the minimum information required by these regulations to demonstrate compliance with the regulatory strength testing and record keeping requirements of General Order 112 and its revisions, as well as the requirements of 49 CFR, Part 192 and its revisions beyond the effective date of Part 192, the shareholders must bear the costs of retesting these pipelines."].

[120] Ex. PG&E-3 Workpapers Supporting Testimony on Gas Operations at WP 4-30 and WP 4-45.

[121] PG&E Opening Brief at 148 at Table 3-15.

[122] Cal Advocates Opening Brief at 61.

[123] PG&E Opening Brief at 148.

HPR, and 98C) demonstrate that PG&E will assess less — not more — miles.[124] As discussed in Cal Advocates' Opening Brief, PG&E's 2023 forecasts for MATs HPB, HPR, and 98C are less than the 2020 recorded amounts.[125] Given these *decreases*, it is unreasonable for PG&E to propose an *increase* of 133% above 2020.[126]

Because PG&E failed to demonstrate it will assess more miles in 2023 and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's TY 2023 DE&R expenses associated with ILI assessment forecast by $39.416 million.

3.3.6 The Commission should reduce PG&E's 2023 ECDA Direct Examination forecast by $19.719 million (MAT HPN)

PG&E forecasts $34.394 million in 2023 for External Corrosion Direct Assessment (ECDA) Direct Examination (MAT HPN).[127] Cal Advocates recommends $14.675 million in 2023 for this work activity, a reduction of $19.719 million.[128]

PG&E argues that its forecast for MAT HPN is reasonable, even though the company admits that it does not always follow the "standard procedure" upon which the forecast is based.[129] PG&E fails to explain why straying from standard procedure is reasonable "in a limited number of instances,"[130] and the impact PG&E's deviation has on the company's forecast. Instead, PG&E wrongfully attempts to shift the burden of proof to Cal Advocates to "show that PG&E does not generally follow the procedure used to develop the ECDA dig

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[124] The number of miles PG&E plans to examinate and repair is dependent on PG&E's work tracked under MATs HPB, HPR, and 98C. (See Ex. CalPA-2, Gas Operations at 20:14-17.) PG&E's forecasts for MATs HPB, HPR, and 98C are all below the 2020 recorded amount. (See PG&E Opening Brief at p. 143, Table 3-12; p. 146, Table 3-13; and p. 132, Table 3-10.)

[125] Cal Advocates Opening Brief at 60-63.

[126] Ex. CalPA-2, Gas Operations at 22:18-19.

[127] PG&E Opening Brief at 148 at Table 3-15.

[128] Cal Advocates Opening Brief at 64.

[129] PG&E Opening Brief at 152.

[130] PG&E Opening Brief at 152.

forecast."[131] It is PG&E's burden to show that its forecast is reasonable, despite not following the procedure upon which the forecast is based.

Because PG&E fails to meet its burden of proof and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's TY 2023 ECDA Direct Examination forecast by $19.719 million.

3.3.7 The Commission should reduce PG&E's 2023 SCCDA survey and dig forecasts by $1.921 million and $15.310 million, respectively (MATs HPK and HPP)

PG&E forecasts $1.971 million in 2023 for Stress Corrosion Cracking Direct Assessment (SCCDA) Engineering and Surveys (MAT HPK)[132] and $16.208 million in 2023 for SCCDA digs (MAT HPP).[133] For MAT HPK, Cal Advocates recommends $49,603 in 2023,[134] a reduction of $1.921 million.[135] For MAT HPP, Cal Advocates recommends $897,765 in 2023, a reduction of $15.310 million.[136]

PG&E's Opening Brief contains the same flawed responses to Cal Advocates' recommendations for MATs HPP and HPK.[137] First, PG&E misrepresents Cal Advocates' concerns as a "generic argument that PG&E has not supported its forecast."[138] In fact, Cal Advocates' recommendations are specifically based on PG&E's failures to demonstrate that its forecasts comply with federal mandates. Federal regulations require PG&E to develop a plan to

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[131] PG&E Opening Brief at 152.

[132] PG&E Opening Brief at 156, Table 3-20.

[133] PG&E Opening Brief at 158, Table 3-21.

[134] Cal Advocates Opening Brief at 67.

[135] PG&E's Opening Brief references a difference of $1.922 million between PG&E's forecast and Cal Advocates' recommendation. (PG&E Opening Brief at 156, Table 3-20.) This reduction does not account for the decrease in PG&E's 2023 forecast from $1.996 million to $1.971 million. (Compare Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 2-1, with PG&E Opening Brief at 156, Table 3-20).

[136] Cal Advocates Opening Brief at 67.

[137] PG&E Opening Brief at 157, 158.

[138] PG&E Opening Brief at 157, 158.

systematically collect and evaluate data for all covered segments to identify whether the conditions for Stress Corrosion Cracking (SCC) are present and to prioritize the covered segments for assessment.[139] If PG&E has such a plan, it is not in the record.

In testimony, PG&E claims that its SCCDA forecast "is driven by completion of threat assessments for the SCC threat" required by federal regulations and PG&E's procedures.[140] When Cal Advocates asked PG&E to provide a copy of the threat assessment and to explain how the claim threats led to its forecast, PG&E simply referred Cal Advocates to the list of projects PG&E proposes to complete in 2023.[141] This "detailed information" that PG&E claims Cal Advocates ignored[142] is essentially nothing more than an itemized invoice — it fails to justify how PG&E's forecasts fit within PG&E's systematic plan to assess SCC threats. Nor does the list of projects proposed for completion in 2023 explain why PG&E's historic SCCDA projects and costs are significantly lower than PG&E's 2023 forecast.[143] Although PG&E states that there were no SCC threats due in years 2020 and 2021,[144] the record is devoid of an explanation. If PG&E requests that ratepayers fund significantly higher costs for MATs HPK and HPP in certain years, then PG&E must demonstrate that its request is reasonable and just.

Because PG&E failed to meet its burden of proof and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's TY 2023 forecasts for MATs HPK and HPP by $1.921 million and $15.310 million, respectively.

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[139] 49 CFR Part 192, Subpart O, § 3329.

[140] Ex. PG&E-03, Gas Operations at 5-45:11-13.

[141] Cal Advocates Opening Brief at 68.

[142] PG&E Opening Brief at 157, 158.

[143] See Ex. CalPA-39, Workpapers to Gas Operations at 18-19, 22.

[144] PG&E Opening Brief at 157, 158.

3.3.8 The Commission should require PG&E to track expenses for ICDA digs in a memorandum account (MAT HPO)

PG&E requests that the Commission authorize $12.9 million in 2023 for Internal Corrosion Direct Assessment (ICDA) digs (MAT HPO) as part of this GRC proceeding.[145] As discussed in Cal Advocates' Opening Brief[146] and Section 3.4.1.1 of this Reply Brief, Cal Advocates opposes PG&E's request and recommends that PG&E track costs associated with ICDA digs in a memorandum account.

3.3.9 The Commission should reduce PG&E's 2023 Gas Distribution Locate and Mark forecast by $18.415 million (MAT DFA-GD)

PG&E forecasts $77.595 million in 2023 for Gas Distribution Locate and Mark (MAT DFA - GD).[147] Cal Advocates recommends $59.180 million in 2023,[148] a reduction of $18.415 million.[149]

PG&E states that it "used the 12 percent increase as seen in ticket volume between 2018 and 2019 as the basis for the year over year ticket volume increase because 2019 was the most recent full year of tickets worked that was not impacted by work stoppages caused by the COVID-19 pandemic."[150] PG&E asserts that relying on one year is more reasonable than Cal Advocates' use of a "five percent year-over-year increase in tickets worked, based on the average annual increase in tickets worked from 2016-2020."[151]

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[145] PG&E Opening Brief at 154, Table 3-19.

[146] Cal Advocates Opening Brief at 120-121.

[147] PG&E Opening Brief at 263, Table 3-45.

[148] Cal Advocates Opening Brief at 73.

[149] PG&E's Opening Brief references a difference of $40.704 million between PG&E's forecast and Cal Advocates' recommendation. (PG&E Opening Brief at 263, Table 3-45.) This reduction does not account for Cal Advocates' acceptance of PG&E's proposed unit cost of $86 per ticket. (Cal Advocates Opening Brief at 75.) Based on Cal Advocates' acceptance of a unit cost of $86 per ticket, Cal Advocates adjusted its recommendation from $36.891 million to $59.180 million. (Compare Ex. CalPA-2, Gas Operations at 39, Table 2-28 with Cal Advocates Opening Brief at 75.)

[150] PG&E Opening Brief at 266.

[151] PG&E Opening Brief at 265.

PG&E's argument is flawed. Between 2018-2019, PG&E experienced the highest rate of growth since 2016.[152] Although PG&E attempts to explain this increase on "the aggressive and escalating outreach to excavators,"[153] it is also possible that 2018-2019 may represent a statistical outlier. Indeed, the year-over-year ticket volume increase between 2017-2018 was only five percent.[154]

Given the variability of PG&E's increases in ticket volume and the unknown impact of PG&E's outreach and education efforts, the Commission should consider a broader range of historical data. In considering PG&E's 1999 GRC, the Commission stated that the "use of multi-year averages as the basis of test year forecast can eliminate errors associated with year-to-year variations" and that "[h]istorical data from several years can also be used to identify possible trends."[155] Cal Advocates adopted this approach when setting its recommendation on the average annual increase in tickets worked from 2016-2020.

Because PG&E failed to demonstrate that its use of only a single year of data is reasonable and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's TY 2023 forecasts for MAT DFA by $18.415 million.

3.3.10 The Commission should reduce PG&E's 2023 Meter Protection Program forecast by $22.782 million (MAT EXB)

PG&E forecasts $35.442 million in 2023 for the Meter Protection Program (MAT EXB).[156] Cal Advocates recommends $12.660 million in 2023,[157] a reduction of $22.782 million.

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[152] Ex. CalPA-2, Gas Operations at 41, Table 2-31.

[153] PG&E Opening Brief at 266.

[154] Ex. CalPA-2, Gas Operations at 41, Table 2-31.

[155] D.00-02-046, *PG&E TY 1999 GRC* at 90.

[156] PG&E Opening Brief at 272, Table 3-47.

[157] Cal Advocates Opening Brief at 76.

PG&E stresses the urgency of protecting customers' gas meters from vehicular and other damage,[158] and highlights that its forecast is designed to complete more work in the future than PG&E has in the past.[159] The Commission, however, found that these claims are insufficient to support PG&E's forecast in the TY 2020 GRC:

> From the evidence presented and arguments by parties, we find that PG&E did not sufficiently establish why the AOC backlog must be completed withing three years as opposed to within five years as recommended by Cal Advocates, or eight years as recommended by TURN. As pointed out by Cal Advocates and TURN, the AOC backlog began being identified in 2014 but PG&E has not commenced any remediation work to address these and is only doing so now. As the proponent for its requests, PG&E has the burden of justifying its requests and we find that PG&E failed to demonstrate why its proposal is superior to that of Cal Advocates and TURN.[160]

Once again, PG&E fails to justify the necessity of addressing the backlog during the rate case period. Therefore, the Commission should follow its earlier precedent and adopt Cal Advocates' recommendation.

Cal Advocates' Opening Brief explains why PG&E's other evidence and argument in favor of its forecast fail to satisfy the company's burden of proof.[161] Because PG&E fails meet its burden of proof and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's TY 2023 forecasts for MAT EXB by $22.782 million.

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[158] PG&E Opening Brief at 272, 277.

[159] PG&E Opening Brief at 274, 275.

[160] D.20-12-005, *Decision Addressing the Test Year 2020 General Rate Case of Pacific Gas & Electric Company* at 37-38.

[161] Cal Advocates Opening Brief at 75-82.

3.3.10.1 The Commission should reduce PG&E's 2023 forecast for Gas Distribution Atmospheric Corrosion Mitigation – Mains and Services by $1.209 million and $8.348 million, respectively (MATs FHL and FHM)

For its Gas Distribution Atmospheric Corrosion Mitigation Program, PG&E forecasts $3.184 million in 2023 for Mains (MAT FHL)[162] and $12.272 million in 2023 for Services (MAT FHL).[163] For MAT FHL, Cal Advocates recommends $1.209 million in 2023,[164] a reduction of $1.975 million. For MAT FHM, Cal Advocates recommends $3.924 million,[165] a reduction of $8.348 million.

PG&E asserts that the Commission should not accept Cal Advocates' recommendations because they are "based on 2021 recorded data that was not available when PG&E submitted its 2023 GRC."[166] Cal Advocates has already responded to this assertion in Section 3.2 of this Reply Brief. Because PG&E failed to meet its burden of proof and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, the Commission should reduce PG&E's 2023 by $1.975 million for MAT FHL and $8.348 million for MAT FHM.

3.3.11 The Commission should reduce PG&E's 2023 Gas Distribution Capital Corrosion Control Program forecast by $4.5 million in 2021 and $8.7 million in 2022 (MATs 50D/50Q)

For its Gas Distribution Capital Corrosion Control Program, PG&E forecasts $15.3 million in 2021 and $19.5 million in 2022 (MATs 50D/50Q).[167] Cal Advocates recommends $10.859 million in 2021 and $10.859 million in 2022,[168] a reduction of $4.5 million and $8.7 million, respectively.

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[162] PG&E Opening Brief at 281, Table 3-50.

[163] PG&E Opening Brief at 285, Table 3-51.

[164] Cal Advocates Opening Brief at 87.

[165] Cal Advocates Opening Brief at 84.

[166] PG&E Opening Brief at 283, 285-286.

[167] PG&E Opening Brief at 286.

[168] Cal Advocates Opening Brief at 90.

PG&E asserts that the Commission should not accept Cal Advocates' recommendation because "the use of 2021 recorded data in this rate case is inappropriate because it predates PG&E's filing."[169] Cal Advocates responds to this assertion in Section 3.2 of this Reply Brief.

PG&E also argues that "Cal Advocates presents data from PG&E's GT&S Capital Casing program (MAT 3K5) but provides no explanation as to why historic GT&S spends from MAT 3K5 support their 2022 recommendation for GD Capital Casing Mitigation (MAT 50Q)."[170] PG&E is mistaken. Cal Advocates reviewed comparable MAT 3K5 data because there is little historical data for MAT 50Q and because PG&E instituted accounting changes that shifted costs between MATs 50Q and 50D.[171] As the MAT 3K5 data demonstrates, PG&E has a history of underspending authorized funding on casing mitigation.

Based on the relevant evidence Cal Advocates presented and on an inference that PG&E's Gas Operations forecasts are exaggerated, the Commission should reduce PG&E's 2021 and 2022 forecasts by $4.5 million and $8.7 million, respectively.

3.3.12 The Commission should reduce PG&E's 2021 GT&S Capital Corrosion Control Programs forecasts by $10.6 million (MAT 3K1), $8.3 million (MAT 3K4), and $3.6 million (MAT 3K9)

For its GT&S Capital Corrosion Control Programs, PG&E's 2021 forecasts are $12.0 million for the Internal Corrosion Program (MAT 3K1), $11.7 million for the Atmospheric Corrosion Interface Program (MAT 3K4), and $10.4 million for the DC Interference Program (MAT 3K9).[172] Cal Advocates recommends $1.431 million for MAT 3K1, a $10.6 million reduction; $3.385 million for MAT 3K4, a $8.3 million reduction; and $6.764 million for MAT 3K9, a $3.6 million reduction.[173]

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[169] PG&E Opening Brief at 287.

[170] PG&E Opening Brief at 289.

[171] See PG&E Opening Brief at 288-289 [noting program began in 2017 and continued as a developmental program through 2019]; see also Ex. PG&E-3, Gas Operations at 9-32.

[172] PG&E Opening Brief at 289.

[173] Cal Advocates Opening Brief at 94.

PG&E's sole argument in favor of its forecast is that Cal Advocates' recommendation is based on "2021 data that was not available when PG&E submitted its 2023 GRC application."[174] Cal Advocates responds to this assertion in Section 3.2 of this Reply Brief. Because PG&E fails to show that relying on 2021 recorded data is unreasonable and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's 2021 forecast by $10.6 million reduction for MAT 3K1, $8.3 million for MAT 3K4, and $3.6 million reduction for MAT 3K9.

3.3.13 The Commission should reduce PG&E's 2023 forecast for Below Ground Distribution Main Leak Repair by $5.725 million (MAT FIG)

PG&E forecasts $33.715 million in 2023 for Below Ground Distribution Main Leak Repair (MAT FIG).[175] Cal Advocates recommends $27.99 million in 2023,[176] a reduction of $5.725 million.

Notably, this difference between PG&E's forecast and Cal Advocates' recommendation significantly decreased from a high of $20.434 million, as referenced in Cal Advocates' Opening Testimony.[177] The change reflects a $12.7 million reduction in PG&E's forecast and a $1.0 increase in Cal Advocates' recommendation.[178] PG&E admits that its February 28, 2022 forecast "included incorrect historical MAT code splits," which "resulted in a net overall reduction for the Leak Repair Program of $4.4 million in expense and $7.2 million in capital in

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[174] PG&E Opening Brief at 290.

[175] PG&E Opening Brief at 292, Table 3-53. This forecast is a $12.7 million reduction from PG&E's forecast in its February 28, 2022 testimony. (Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP-24.)

[176] Cal Advocates Opening Brief at 97.

[177] Cal Advocates Opening Brief, at 97 - 101

[178] See Ex. CalPA-2, Gas Operations at 71:1-2. PG&E reduced its forecast from $46.406 to $33.715 in its Rebuttal Testimony. (Compare Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 2-4, with PG&E Opening Brief at 292, Table 3-53.) Cal Advocates increased its recommendation from $26.310 million to $27.299 million in its Opening Brief to account for the IBEW wage increase. (Compare Ex. CalPA-2, Gas Operations at 71:1, with Cal Advocates Opening Brief at 97.)

2023.[179] Cal Advocates modified its recommendation to account for the IBEW wage increase.[180] Because of this modification, PG&E's argument that Cal Advocates' unit cost does not include the 3.75% escalation to account for the IBEW annual wage increase is moot.[181]

Even though PG&E admits to a substantial calculation error, the company nevertheless asserts that the Commission should adopt its forecasted leak-find rate of 2.04% instead of Cal Advocates' recommended rate of 0.84%.[182] However, as demonstrated in Cal Advocates' Opening Brief, PG&E has a downward trending leak rate.[183] This trend incorporates PG&E's three-year compliance cycle because the cycle is not new to 2023 and accounts for customer call-ins,[184] despite PG&E's assertion that it does not.[185]

In addition, PG&E asserts that the Commission should reject Cal Advocates' recommendation because it based it on 2021 recorded data, which is "inconsistent with the base year of 2020 recorded costs used in accordance with the Commission's Rate Case Plan."[186] Cal Advocates responds to this assertion in Section 3.2 of this Reply Brief.

In short, PG&E fails to show that its forecast for MAT FIG is reasonable. Not only does PG&E's forecast disregard historic trends and the most up-to-date data, but PG&E admits to a significant calculation error. Therefore, an inference that PG&E's forecast is exaggerated is warranted. Accordingly, Cal Advocates recommends that the Commission reduce PG&E's 2023 forecast by of $5.725 million for MAT FIG.

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[179] Ex. PG&E-16-E, Rebuttal to Gas Operations at 10-8:11-19.

[180] Cal Advocates Opening Brief at 97.

[181] PG&E Opening Brief at 294.

[182] PG&E Opening Brief at 292-293.

[183] Cal Advocates Opening Brief at 98-99

[184] Cal Advocates Opening Brief at 98-99.

[185] PG&E Opening Brief at 293.

[186] PG&E Opening Brief at 293, 294.

3.3.14 The Commission should reduce PG&E's 2023 forecast for Transmission Leak Repair by $3.12 million (MAT JOP)

PG&E forecasts $13.210 million in 2023 for Transmission Leak Repair (MAT JOP).[187] Cal Advocates recommends $10.090 million in 2023,[188] a reduction of $3.12 million.[189]

The Commission's Leak Abatement Rulemaking established Best Practice 21, which requires PG&E to repair all leaks "as soon as reasonably possible after discovery, but in no event, more than three years after discovery."[190] The intent of Best Practice 21 is to exceed the requirements in the Commission's General Order (GO) 112-F.[191] GO 112-F does not have a repair deadline for *above ground* Grade 3 leaks.[192]

Pursuant to Best Practice 21, PG&E was required to repair leaks found in 2019 by 2022. PG&E asserts that its "2023 above ground Grade 3 forecast is based on active above ground Grade 3 leaks from 2020 and not 2019."[193] However, this argument contradicts PG&E's statement in its workpapers that "2023 Above Ground Grade 3 = 2019 Above Ground Grade 3

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[187] PG&E Opening Brief at 300, Table 3-56.

[188] Cal Advocates Opening Brief at 101.

[189] PG&E's Opening Brief references a difference of $7.176 million between PG&E's forecast and Cal Advocates' recommendation. (PG&E Opening Brief at 300, Table 3-56.) This reduction does not account for Cal Advocates' correction of a calculation error. (Cal Advocates Opening Brief at 105, fn 506.) Cal Advocates adjusted its recommendation from $6.034 million to $10.090 million. (Compare Ex. CalPA-2, Gas Operations at 93:4-6, with Cal Advocates Opening Brief at 105.)

[190] D.17-06-015, *Decision Approving Natural Gas Leak Abatement Program Consistent With Senate Bill 1371* at 89 [permitting utilities to "make reasonable exceptions for leaks that are costly to repair relative to the estimated size of the leak].

[191] D.17-06-015, *Decision Approving Natural Gas Leak Abatement Program Consistent With Senate Bill 1371* at 89.

[192] General Order 112-F at 16. Cal Advocates' Opening Brief inadvertently cited to GO 112-F instead of the Commission's Leak Abatement Rulemaking for the assertion that PG&E is required to repair leaks within three years. (Cal Advocates Opening Brief at 105.)

[193] PG&E Opening Brief at 301.

leaks found + 2020 YTD Open Above Ground Grade 3 leaks…"[194] PG&E does not explain this contradiction or justify its statement from the workpapers.

PG&E also asserts that Cal Advocates "does not take into consideration leaks found in the second half of 2020 that will require repair by 2023."[195] In fact, Cal Advocates revised its recommendation to $10.090 million in its Opening Brief to account for 2,488 leak repairs.[196] Cal Advocates accepts PG&E's 2023 forecast for above ground and below ground Grade 1 and Grade 2 leaks, and for 586 above ground Grade 3 leaks. Therefore, PG&E's assertion is moot.

Because PG&E fails to meet its burden of proof and because the Commission should draw an inference that PG&E's Gas Operations forecasts are exaggerated, Cal Advocates recommends that the Commission reduce PG&E's 2023 forecast for MAT JOP by $3.12 million.[197]

3.3.15 The Commission should reduce PG&E's TY 2023 forecast for Distribution Control Center Operations by $0.357 million (MAT FGA)

PG&E forecasts $8.838 million in 2023 for Gas Distribution Control Center Operations (MAT FGA).[198] Cal Advocates recommends $8.481 million in 2023.[199] PG&E's Opening Brief references two different proposed disallowances for MAT FGA — $0.839 million and $0.357

[194] Ex. PG&E-3, Workpapers Supporting Testimony on Gas Operations at WP 10-66, line 41.

[195] PG&E Opening Brief at 301.

[196] Cal Advocates Opening Brief at 105.

[197] PG&E's Opening Brief references a difference of $7.176 million between PG&E's forecast and Cal Advocates' recommendation. (PG&E Opening Brief at 300, Table 3-56.) This reduction does not account for Cal Advocates' correction of a calculation error. (Cal Advocates Opening Brief at 105, fn 506.) Cal Advocates adjusted its recommendation from $6.034 million to $10.090 million. (Compare Ex. CalPA-2, Gas Operations at 93:4-6, with Cal Advocates Opening Brief at 105.)

[198] PG&E Opening Brief at 305, Table 3-58.

[199] Cal Advocates Opening Brief at 108.

million.[200] Cal Advocates recommends that the Commission adopt a disallowance of $0.357 million for this work activity,[201] as explained in Cal Advocates' Opening Brief.[202]

3.3.16 The Commission should reduce PG&E's TY 2023 Gas Distribution Manual Field Operations forecast by $0.226 million (MAT FGB)

PG&E forecasts $1.056 million in 2023 for Gas Distribution Manual Field Operations (MAT FGB).[203] Cal Advocates recommends $0.830 million in 2023,[204] a reduction of $0.226 million.

PG&E asserts that the Commission should reject Cal Advocates' recommendation, in part, because it is based on 2021 recorded data.[205] Cal Advocates responds to this assertion in Section 3.2 of this Reply Brief. Because Cal Advocates' recommendation is based on relevant and available evidence, as well as for the reasons Cal Advocates presented in its Opening Brief,[206] the Commission should reduce PG&E's forecast by $0.226 million for MAT FGB. Cal Advocates also requests that the Commission draw an inference that PG&E's Gas Operations forecasts are exaggerated.

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[200] Compare PG&E Opening Brief at 305, Table 3-58, with PG&E Opening Brief at 305 [noting correct disallowance for MAT FGA at $0.357 million].

[201] In its Opening Brief, Cal Advocates adjusted its recommendation from $7.999 million to $8.481 million. (Compare Ex. CalPA-3, Gas Operations at 6, Table 3-4, with Cal Advocates Opening Brief at 108.) Therefore, the correct disallowance is $0.357 million.

[202] Cal Advocates Opening Brief at 107-108.

[203] PG&E Opening Brief at 308, Table 3-59.

[204] Cal Advocates Opening Brief at 108.

[205] PG&E Opening Brief at 309.

[206] Cal Advocates Opening Brief at 108-109.

3.3.17 The Commission should reduce PG&E's TY 2023 Electric Power for Compressor Fuel and Other Electric Equipment forecast by $1.625 million (MAT CMB)

PG&E forecasts $29.125 million in 2023 for Electric Power for Compressor Fuel and Other Electric Equipment (MAT CMB).[207] Cal Advocates recommends $27.5 million in 2023,[208] a reduction of $1.625 million.[209]

Although PG&E recognizes the recommended $1.6 million disallowance, PG&E's Table 3-61 incorrectly references a $1.996 disallowance.[210] PG&E's incorrect disallowance is based on PG&E's 2023 MAT CMB forecast of $29.496, which PG&E presented in its Rebuttal Testimony.[211] PG&E appears to have updated its forecast in the Opening Brief but did not explain why.

For the reasons presented in Cal Advocates' Opening Brief[212] and because the Commission should adopt an inference that PG&E's forecasts are exaggerated, the Commission should reduce PG&E's MAT CMB forecast by $1.625 million.

3.3.18 The Commission should reduce PG&E's TY 2023 Gas Transmission Work at the Request of Others by $0.619 million (MAT JTA)

PG&E forecasts $1.129 million in 2023 for Gas Transmission Work at the Request of Others (MAT JTA).[213] PG&E does not explain why its forecast in the Opening Brief is lower

[207] PG&E Opening Brief at 313, Table 3-61.

[208] Cal Advocates Opening Brief at 112.

[209] PG&E's Opening Brief references a difference of $1.996 million between PG&E's forecast and Cal Advocates' recommendation. (PG&E Opening Brief at 313, Table 3-61.) This reduction does not account for PG&E's decrease in its forecast from $29.496 million to $29.125 million. (Compare Ex. PG&E-16-E, Gas Operations Rebuttal at 11-5, Table 11-2, line 3, with PG&E Opening Brief at 313, Table 3-61.)

[210] Compare text PG&E Opening Brief at 313 [arguing "this recommended forecast reduces PG&E's forecast by $1.6 million"], with Table 3-61.

[211] Ex. PG&E-16-E, Gas Operations Rebuttal at 11-5, Table 11-2, line 3.

[212] Cal Advocates Opening Brief at 10-11.

[213] PG&E Opening Brief at 342, Table 3-72.

than the $1.173 million forecast in its Rebuttal Testimony.[214] Cal Advocates recommends $0.51 million in 2023,[215] a reduction from PG&E's final forecast of $0.619 million.

PG&E asserts that the Commission should reject Cal Advocates' recommendation, in part, because it is based on 2021 recorded data.[216] Cal Advocates responds to this assertion in Section 3.2 of this Reply Brief. Because PG&E fails to satisfy its burden of proof and because the Commission should adopt an inference that PG&E's forecasts are exaggerated, the Commission should reduce PG&E's MAT JTA forecast by $0.619 million.

3.4 Ratemaking

In the sections below, Cal Advocates responds to specific arguments in PG&E's Opening Brief regarding PG&E's balancing and memorandum accounts.

3.4.1 The Commission should continue PG&E's use of ICDAMA

As provided in its Opening Brief, PG&E proposes eliminating the Internal Corrosion Direct Assessment Memorandum Account (ICDAMA).[217] In support of this proposal, the company argues that it "has completed the units of ICDA work authorized in the 2019 GT&S Rate Case, thus eliminating the need for the ICDAMA."[218] However, PG&E does not disclose *when* it completed the work authorized three years ago. As detailed in Cal Advocates' Opening Brief, PG&E's record of underperformance has not changed since 2019.[219] PG&E also admits that costs can demonstrate "wide variability" for this program.[220] Because of the uncertainty tied to PG&E's underperformance and the program's variability, the ICDAMA is necessary and the Commission should reject PG&E's proposal to eliminate the account.

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[214] See Ex. PG&E-16-E, Gas Operations Rebuttal at 14-4, Table 14-2.

[215] Cal Advocates Opening Brief at 116.

[216] PG&E Opening Brief at 343.

[217] PG&E Opening Brief at 180.

[218] PG&E Opening Brief at 182.

[219] Cal Advocates Opening Brief at 120.

[220] Cal Advocates Opening Brief at 121 [referencing Ex. PG&E-16-E, Rebuttal Testimony Gas Operations at 5-45:12-21].

3.4.1.1 The Commission should reject PG&E's proposal to eliminate ILIBA and ILIMA

As provided in its Opening Brief, PG&E proposes eliminating the In Line Inspection (ILI) Balancing Account (ILIBA) and Memorandum Account (ILIMA) and track expenses in MAT HPO.[221] In support of this proposal, PG&E argues that if "Cal Advocates believes PG&E will underspend the proposed amount, the place to address that issue is in this proceeding, not through a balancing account."[222] PG&E's argument misses the mark. While Cal Advocates and parties can certainly address PG&E's history of underperformance in the GRC, the Commission has expressed concern that authorizing a lower forecast may discourage PG&E from improving its performance.[223] It is precisely this uncertainty that warrants PG&E's continued use of the ILIBA and ILIMA.

4. ELECTRIC DISTRIBUTION (EXHIBIT PG&E-04)

4.1 Electric Distribution Risk Management

4.1.1 The Commission should hold PG&E Electric Distribution Risk Management accountable for its inadequate risk identification, quantification, and response

PG&E has consistently fallen behind its target of system hardening miles year-after-year, while setting highly ambitious new targets of what it plans to do.[224] To ensure that stakeholders have some input on PG&E's decision to alter its target miles in the course of implementing the program during a GRC period, Cal Advocates recommends that the Commission require PG&E to file Tier 3 advice letters with the Safety Policy Division (SPD) annually. This will demonstrate that the company is on track with its multi-year forecasts for system hardening in Wildfire Mitigation Programs (WMP) and GRCs and targeting the highest risk miles.

[221] PG&E Opening Brief at 180.

[222] PG&E Opening Brief at 180.

[223] D.19-09-025, *Decision Authorizing Pacific Gas and Electric Company's 2019-2022 Revenue Requirement for Gas Transmission and Storage Service* at 137-138.

[224] Ex. CalPA-17, Safety, Risk, and Planning at 14-21, 35-36.

PG&E claims that this monitoring/reporting requirement is beyond the scope of this TY 2023 GRC and duplicative of other existing requirements.[225] Specifically, PG&E claims that the undergrounding progress will be included in the annual Risk Spending Accountability Report (RSAR).[226] However, RSAR currently only covers *imputed* authorized costs and work units on a year-to-year basis. It does not measure work completed against the multi-year WMP targets.[227] Further RSAR is reviewed by Energy Division (ED) not SPD, and ED primarily screens for costs not safety considerations. SPD has the technical expertise in risk assessment to review the proposed Tier 3 Advice Letter.

It is not beyond the scope of this proceeding for the Commission to require PG&E to show what progress it is making on projects or with funds approved in this GRC.[228] It is important to note that PG&E does not argue that filing a Tier 3 Advice Letter is burdensome in any respect. The proposed Advice Letter will also allow more transparency into PG&E's system hardening activities by giving parties a better of understanding PG&E's decision-making around changing system hardening targets, in time for parties to recommend options while it is still possible to implement them.

In addition, the OEIS decision on November 10, 2022, requires PG&E's 2023 WMP to "provide an updated spreadsheet with the locations and mileage for undergrounding broken out

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[225] PG&E Opening Brief at 416.

[226] PG&E Opening Brief at 416.

[227] See D.19-04-020, *Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multi-Jurisdictional Utilities* at 67.

[228] *Assigned Commissioner's Scoping Memo and Ruling* (Oct. 1, 2021)

by year from 2024 to 2026."[229] This aligns with one of Cal Advocates' recommendations on system hardening.[230]

To further improve transparency and accountability around PG&E's efforts towards system hardening of the riskiest ten segments of its HFTDs, Cal Advocates also recommends the Commission require PG&E to submit an annual Tier 2 Advice Letter identifying a ranked list of riskiest 10% of its distribution circuit segments.

4.2 PG&E's Wildfire Distribution Risk Model

Intervenors have raised concerns that PG&E did not properly use the Wildfire Distribution Model to actually target and prioritize the highest risk miles for undergrounding.[231] One concern is that PG&E's ultimate wildfire strategy and its eventual push for 10,000 miles of undergrounding are not truly driven by risk.[232, 233]

These concerns are confirmed by OEIS' decision on PG&E's 2022 WMP on November 10, 2022, which makes the following observation:

> Instead of primarily focusing on effectiveness against specific risk drivers present at particular locations, PG&E's current decision-making process for grid hardening appears focused on first selecting undergrounding as an initiative based on project feasibility. PG&E's decision-making flowchart considers risk model output and RSE evaluations further along in the process. This is concerning given that risk must be driving PG&E's decisions for mitigation.[234]

[229] OEIS' Decision on PG&E's 2022 WMP Update at 177.

[230] Cal Advocates' Opening Brief at 136-137. Cal Advocates recommends that "the Commission should require PG&E to provide SPD a complete list of planned system hardening projects, with the corresponding circuit miles as adjusted (e.g. 10 miles of overhead conductor removed and replaced with 12 miles of underground conductor), for each year during the GRC period should the Commission approve the system hardening program in this GRC. In addition, PG&E should provide GIS data of the planned and executed system hardening project that year, as well as the permits and GIS data for the proposed system hardening work for the following year to SPD and parties upon request."

[231] Wild Tree Foundation Opening Brief at 18-20.

[232] Comcast Opening Brief at 19.

[233] Wild Tree Foundation Opening Brief at 4-6, 19-20.

[234] OEIS' Decision on PG&E's 2022 WMP Update at 83.

The OEIS' decision notes that "PG&E's decision-making process heavily favors undergrounding. PG&E did not provide a thorough analysis of other mitigation options to demonstrate how alternatives factor into its decision-making process"[235] and that PG&E's decision-making flowchart "is influenced more by construction limitations than by RSE estimates."[236] The decision, therefore, requires PG&E to "[d]iscuss how each [undergrounding] project was prioritized based on risk and feasibility" in the next WMP filing.[237]

To ensure that PG&E properly prioritizes the highest risk circuit segments for PG&E's proposed undergrounding program though its Wildfire Distribution Model, the Commission should specifically set the parameters.[238] As PG&E has noted, its system hardening program "is still nascent" and "subject to input from state agencies, intervenors and other interested parties. Consequently, some level of uncertainty regarding the exact volume (miles, units) of activities should be expected."[239] To ensure that PG&E's system hardening programs effectively achieves its risk-based decision-making goals, there needs to be strong direction from the Commission and input from stakeholders and other interested parties.

4.3 PG&E's Wildfire System Hardening

4.3.1 PG&E's Undergrounding Scope and Pace of Work

PG&E argues that the Commission should not scale back PG&E's proposed undergrounding mileage targets in response to parties' concerns over the likely eventual cost and environmental impact compared to alternatives.[240] PG&E's characterization of Cal Advocates' recommendations and concerns is incorrect. While Cal Advocates maintains, and the record shows, that PG&E cannot possibly meet its proposed underground mileage targets, Cal

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[235] OEIS' Decision on PG&E's 2022 WMP Update at 144.

[236] OEIS' Decision on PG&E's 2022 WMP Update at 144.

[237] OEIS' Decision on PG&E's 2022 WMP Update at 177.

[238] Cal Advocates Opening Brief at 136-147.

[239] PG&E Opening Brief at 378.

[240] PG&E Opening Brief at 384.

Advocates has not recommended that PG&E scale back its pace of work.[241] Rather, Cal Advocates recommends that PG&E ensure it starts with the top 10% of the highest risk segments.[242] This will ensure that the highest-risk circuit segments are prioritized and hardened, even when PG&E fails to meet its proposed underground mileage targets.

In contrast to Cal Advocates' recommendation, PG&E estimates that the 3,300 underground miles it proposes for this TY 2023 GRC will be 88% in the top 20% of risk ranked circuit segments.[243] This is too lax for a risk strategy, considering PG&E has caused multiple wildfires in recent years and that has thousands of miles of distribution lines lying in areas of extreme and elevated wildfire risks.[244] Cal Advocates, therefore, objects to PG&E using the top 20% of risk ranked circuit segments and, even then, only doing 88% of the work in that segment.

D.19-05-036 requires the Commission to ensure that electrical corporations are targeting the highest risk miles in their system hardening activities. To ensure that PG&E prioritizes the highest risk miles, Cal Advocates recommends the Commission require PG&E to underground at least 80% annually within 10% of the highest risk miles and require that PG&E use the risk-ranking segments presented in this TY 2023 GRC.

Cal Advocates hereby provides an updated version of Table 2 in its Opening Brief as follows:

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241 PG&E proposes "to complete approximately 3,300 system hardening underground miles from 2023 through 2026." (PG&E Opening Brief at 368.) Cal Advocates recommends the Commission require PG&E to start the undergrounding program with the 10 percent riskiest segments, which consists of about 3,622 miles and represents "nearly 50 percent of the total equipment risk in the HFTDs."

242 Cal Advocates Opening Brief at 137-141.

243 PG&E Opening Brief at 385.

244 As of early 2022, PG&E has 18,113 circuit miles and 6,958 circuit miles of distribution power lines in Tiers 2 and 3 of HFTDs. (See CalPA-17, Safety, Risk, and Planning at 10 [citing to Ex. CalPA-17-WP, Workpapers to Safety, Risk, and Planning at 210]).

Risk-Ranked Circuit Segments in HFTDs (Sorted by Decreasing Per-Mile Risk)	per WDRM v2[245]		per WDRM v3[246]		Undergrounding: Recommended Unit Cost Cap* ($MM/mile)	Covered Conductor: Recommended Unit Cost Cap* ($MM/mile)
	Approximate Distribution Circuit Miles	Percentage of PG&E's Total Equipment Risk in HFTDs	Approximate Distribution Circuit Miles	Percentage of PG&E's Total Equipment Risk in HFTDs		
The top 10 percent segments	4,030	46%	4,752	59%	$3.5	$1.6
The next 30 percent segments	12,270	49%	12,009	36%	$3	$1.5
The bottom 60 percent segments	10,000	5%	11,059	5%	$2	$1.2

4.3.1.1 PG&E's ability to effectively address undergrounding implementation challenges

PG&E claims that parties' concerns over whether PG&E will be able to underground the proposed 3,300 miles within TY 2023 GRC period are misplaced[247] because they are too focused on what PG&E has done in the past. Specifically, PG&E states:

> PG&E recognizes that its 10,000 miles undergrounding program is larger than any underground work it has done in the past. But the past is not the proper measure, because the means and objectives were not the same. (it is like suggesting that a bird cannot fly, simply because it is observed sitting in a tree).[248]

[245] Ex. TURN-11-Atch1 at 141-242 [citing to PG&E's response to data request TURN-PG&E-018-Q001 with attachment].

[246] Ex. PG&E-17 at 3-2 to 3-10.

[247] PG&E Opening Brief at 393.

[248] PG&E Opening Brief at 394.

PG&E's historical record for undergrounding is an established fact. PG&E has not presented evidence to support its contention that it now has the means to underground at a faster pace than it has in the past.[249]

4.4 Field Metering[250]

PG&E argues the Commission should not adopt Cal Advocates' recommendation to reduce PG&E's 2021 recorded costs and 2022-2026 forecast costs for installing new gas meters by two-thirds because:

> 1) Work activities in the [Field Metering] MWC also support both the new installation and removal of gas AMI modules at customer locations, (2) ensuring accurate billing for our customers is an important and essential utility service, and 3) PG&E has consistently demonstrated diligent management of, and always acted prudently with respect to, its Gas AMI Module program.[251]

None of these arguments actually respond to why Cal Advocates made this recommendation. As explained in Cal Advocates' testimony and Opening Brief, ratepayers should not bear the responsibility for the entire cost of replacing equipment that failed because it was defective when procured.[252] PG&E does not deny that the parts failed before their useful life because of manufacturing defects, and PG&E cannot deny its culpability or the manufacturer's culpability in the procurement of the defective part.

PG&E's second rationale implies that Cal Advocates' recommendation would prevent some customers from getting their gas meter replacements, thus affecting PG&E's ability to get accurate billing from those customers. Neither Cal Advocates nor TURN is recommending that any PG&E customer be denied a replacement gas AMI module. Rather, parties recommend that PG&E and the manufacturers bear the cost of the replacement modules.

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[249] PG&E's analogy is inapt here given that most birds have evolved to be able to fly, one can surmise that the bird must have flown to the branch on the tree. Here, based on PG&E's historical record on undergrounding the more appropriate analogy is to a pig sitting under a tree but proposing that it will fly up and perch itself on a branch right next to the bird in the tree, all within one GRC period.

[250] PG&E also discusses the replacement of the AMI Gas Modules under Section 6.10. Cal Advocates addresses this discussion.

[251] PG&E Opening Brief at 458.

[252] PG&E Opening Brief at 650–653.

PG&E cannot claim that it has always demonstrated diligent management, when the very fact it spent hundreds of millions of dollars procuring defective Gas AMI Modules negates the assertion. Thus, PG&E's Opening Brief now claims that there are no facts or evidence to support the assertion that the modules were not defective in the first place.[253] This is directly contradicted by PG&E's own testimony in the Application.

> The primary driver for the increase is the escalating number of gas SmartMeter modules which have stopped communicating on PG&E's Gas AMI network. *Earlier than expected gas SmartMeter Module failures* are requiring corrective maintenance at customer premises to exchange the defective modules with newer, functioning endpoint devices.[254]
> [Emphasis added.]

The escalating number of SmartMeters that have failed "[e]arlier than expected " and requires "corrective maintenance" is an admission of product defect. PG&E has never offered another explanation for why the gas AMI modules are failing before their useful lives. Further, PG&E's Opening Brief also admits that "[s]ince the failure rate has been higher and earlier than anticipated at the time of the AMI rollout, PG&E has worked with its supplier to establish a warranty returns program."[255] This evinces that even PG&E itself attributes the failure to a manufacturer's defect that may be covered by the warranty.

Finally, PG&E argues:

> While PG&E has the burden of proof to show the reasonableness of its request, the Commission has held that if other parties to a proceeding propose a different result, "they too have a 'burden of going forward' to produce evidence to support their position and raise a reasonable doubt as to the utility's request.**"** Cal Advocates and TURN have not done so here.[256]

Thus, PG&E attempts to shift the burden of proof to TURN and Cal Advocates on claims that a party proposing a different result in a proceeding has a burden of coming forward with the

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[253] PG&E Opening Brief at 649.

[254] Ex. PG&E-4, Electric Distribution at 8-10.

[255] PG&E's Opening Brief at 653.

[256] PG&E's Opening Brief at 650 [citing D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* at 101].

evidence.[257] As addressed in Section 1 of Cal Advocates' Opening Brief, PG&E's notion of shifting burdens is at odds with well-established law.

Requiring that PG&E's shareholders pay for the Gas AMI Modules PG&E negligently procured is not a different result but rather the proper result of PG&E's negligent acts. PG&E's proposal that the Commission ignore its negligence and impose costs on ratepayers is unreasonable and without justification. As such, the Commission should adopt Cal Advocates' and TURN's recommendations and require PG&E shareholders to pay these costs.

4.4.1 Pole Asset Management[258]

PG&E does not deny that Pole Asset replacement costs are far higher than they should be. However, PG&E summarily rejects the notion that the higher cost is due to PG&E's history of deferring needed capital projects that had previously been authorized by the Commission and related inadequate inspections. Instead, PG&E argues that it has taken meaningful actions to reduce these costs.[259] Nonetheless, the record still shows the costs are higher because of PG&E's prior actions and ratepayers should not have to bear all these costs to the exclusion of PG&E's shareholders.

PG&E also argues that its new Wildfire Safety Inspection Program (WSIP) accelerated inspections to a pace higher than they have been done in the past and has stricter criteria for completing the pole health assessment.[260] This, according to PG&E, is the reason for the higher costs — the inspections are finding more degraded poles than PG&E would have in the past, leading to an "increased volume of pole replacements than was historically the case."[261] Even if PG&E's explanation were accepted, Cal Advocates has shown that most, if not all, of these

[257] PG&E's Opening Brief at 650.

[258] PG&E also discusses the Pole Asset Management under Section 10.4 of its Opening Brief. Cal Advocates addresses this discussion.

[259] PG&E's Opening Brief at 498.

[260] PG&E Opening Brief at 466-467.

[261] PG&E Opening Brief at 498.

degraded poles would not have been degraded had PG&E not deferred so many pole replacement capital projects.[262]

PG&E's testimony and workpapers acknowledge that the higher costs forecast by PG&E were caused by the need to hire additional contractors with increased overtime and unit costs for pole replacements.[263] PG&E's workpapers show that 2019-2020 unit costs were higher due to contractor costs, acceleration of work in HFTDs, and unanticipated adders and overtime.[264] These increased unit costs should not be carried forward and incorporated into the 2023 pole replacement forecasts.

Cal Advocates recommends a disallowance of $31.8 million to account for these historical deficiencies and exclude higher replacement costs that could have been avoided. Cal Advocates also recommends removing from rate base (and therefore from PG&E's 2023 capital revenue requirement), recorded and forecast pole replacement capital expenditures that are simultaneously being tracked in the Wildfire Mitigation Plan Memorandum Account (WMPMA). The Assigned Commissioner's October 1, 2021 Scoping Memo specifically notes that a Track 2 (and potentially a Track 3) have been established to review these memorandum accounts. Further, Cal Advocates' Opening Brief has shown why it is incorrect to assume that the unexamined capital costs contained in the WMPMA are automatically considered "used and useful."[265] Accordingly, Cal Advocates' recommendations on this issue should be adopted.

4.5 New Business and Work At The Request Of Others

PG&E records capital projects for New Business in MWC 16 and for Work Requested by Others (WRO) in MWC 10. Cal Advocates limited its recommended adjustments to MWC 16, which consist primarily of changes to the forecasts of new customers derived by the consulting team, Rosen Consultant Group (RCG).[266] RCG has previously derived similar customer growth forecasts for PG&E in several previous GRCs.

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262 Cal Advocates Opening Brief at 214–215.

263 Cal Advocates Opening Brief at 215.

264 Cal Advocates Opening Brief at 215.

265 Cal Advocates Opening Brief at 214.

266 Cal Advocates Opening Brief at 262.

Capital forecasts for New Business under MWC 16 are dependent on the number of new connections in PG&E's service. Therefore, it is imperative that the customer growth forecasts derived by RCG be reliable and accurate. To that end, Cal Advocates developed a graph that compared RCG's growth forecasts with the actual recorded growth numbers for each of the years, 2015 through 2020 that RCG had prepared PG&E's customer growth forecast.[267] This graph clearly shows that RCG's forecasts have consistently differed from actual numbers, often quite dramatically. In order to correct for these ongoing forecasting deviations, Cal Advocates developed an adjustment factor which, when applied to RCG's forecasts, brings them in line with recorded growth figures.

PG&E's Opening Brief argues that Cal Advocates misconstrues RCG's customer growth forecast model by assuming that the results "represent a single model run performed at one time with one set of data" rather than a combination of "the results of multiple runs … performed at different points in time with different data to produce the cited forecasts."[268] Thus, PG&E concludes that Cal Advocates inappropriately used "one forecast year from one model run and appending the next forecast year from a different model run, when different data were available" to make the adjustments to the RCG forecast.[269] PG&E's assessment of Cal Advocates' analysis is wrong. Cal Advocates provided PG&E its workpapers with RCG's previous years' forecasts for Residential and Non-Residential customer growth, as well as the actual yearly recorded Residential and Non-Residential customer growth figures.[270] Therefore, there is no need for PG&E to make assumptions about how Cal Advocates derived its adjustments from the model run. Further, at no time in rebuttal testimony, during hearings or in PG&E's Opening Brief, has PG&E or RCG indicated that any of the data in Cal Advocates' workpapers are in error.

In any case, Cal Advocates' Opening Brief fully addressed PG&E's assumption that Cal Advocates considered RCG runs to be single runs performed at one time.[271] Even assuming that

[267] Cal Advocates Opening Brief at 264.

[268] PG&E Opening Brief at 557.

[269] PG&E Opening Brief at 557.

[270] See Ex. CalPA-05-WP, Workpapers to Electric Distribution Capital Expenditures at 37.

[271] See, e.g., Cal Advocates Opening Brief at 268.

RCG did "multiple runs … performed at different points in time with different data to produce the cited forecasts," the fact remains that RCG's forecasts have consistently differed from actual numbers over half-a-decade. The Commission cannot continue to accept RCG's forecasts when Cal Advocates has derived an adjustment that brings them in line with reality.

4.6 Community Rebuild Program[272]

Community Rebuild Program relates to the capital costs surrounding the rebuilding of the infrastructure for the Town of Paradise after the 2018 Camp Fire. PG&E currently tracks these capital costs in a Catastrophic Event Memorandum Account (CEMA), but now seeks approval of a forecast of those costs starting in 2023.[273] PG&E claims its "forecasts of Community Rebuild Program from 2023-2026 should not be subject to CEMA cost recovery because they relate to activities beyond the restoration of service and repair of damaged facilities caused by the 2018 Camp Fire."[274]

As an initial matter, it is difficult to see how any PG&E Community Rebuild activity in Paradise could be anything other than the restoration and repair of what was lost in the Camp Fire. Moreover, PG&E's own testimony refutes PG&E's claim. PG&E provides the following definition of the types of capital projects that are included in the Community Rebuild Program MAT 95F:

> *This work category concerns the restoration of electric service to customers*. 13,400 customers lost their homes in the 2018 Camp Fire. *As customers rebuild their homes, PG&E restores their electric service*. All the services within the planned underground footprint in Paradise and surrounding areas are constructed underground, sharing a trench with the gas service if the customer also received gas from PG&E. In the areas outside the underground footprint, PG&E restores the service as an overhead service.[275]

The timing of the approval of building permits, the timing of homeowners' receipt of insurance payments, and the newly revised unit costs for conducting undergrounding projects,

[272] PG&E also discusses the Community Rebuild Program under Section 10.4 of its Opening Brief. Cal Advocates addresses this discussion.

[273] PG&E Opening Brief at 581.

[274] PG&E's Opening Brief at 581.

[275] Ex. PG&E-04, Electric Distribution Expenses at 23-19 [emphasis added].

are just some of the unknown factors that will impact the forecasts for projects contained in the Community Rebuild Program. Rather than being accurately forecastable, these costs are extremely variable and are subject to much uncertainty.

In Section 10.4 of its Opening Brief, PG&E argues that unapproved recorded costs in certain memorandum accounts can be included in rate base if they are already used and useful.[276] However, as Cal Advocates has shown in its testimony and Opening Brief, it cannot be assumed that unexamined capital costs contained in memorandum accounts like CEMA are automatically "used and useful."[277] Further, PG&E suffers no harm by waiting for the Commission to examine and approve those costs because whenever the Commission approves them, the approval dates may relate-back to when the costs were recorded.

5. HUMAN RESOURCES (EXHIBIT PG&E-08)

5.1 PG&E's defense of ratepayer funding for Short-Term Incentive Pay (STIP) and the LTD/STD/PAYG expenses relies on false assumptions

PG&E erroneously claims in its Opening Brief that "no party" refutes its "evidence" that total compensation is competitive with the market.[278] But in fact, Cal Advocates' testimony and Opening Brief invalidated PG&E's method of comparing the competitiveness of its compensation package to the market.

To analyze the competitiveness of PG&E's total compensation compared to the relevant market, PG&E hired an independent consulting firm, Willis Towers Watson (WTW) to perform the Total Compensation Study (TCS).[279] PG&E claims that the TCS found that its target total compensation "was competitive with the relevant market" at 8.9% above the comparison market.[280] However, PG&E's actual total compensation was 10.4% above market.[281] PG&E's misguided assessment of its executive compensation is based on the faulty assumption that a

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[276] PG&E's Opening Brief at 826.

[277] Cal Advocates Opening Brief at 305.

[278] PG&E Opening Brief at 736, 771.

[279] Ex. CalPA-11, Human Resources at 18.

[280] PG&E Opening Brief at 736.

[281] Ex. PG&E-8, Human Resources at 7-4.

range of +/- 10 percentage points is within the range of competitiveness. Base pay for PG&E's executives averages 9.7% above market, and the executives' employee benefits exceed the market average by 77.8%.[282] While the actual total compensation paid to executives is only 2.7% above market, the unmet target total compensation for executives is well above market at 15.3%.[283] If PG&E and WTW had used the Commission's long-standing standard of 5% as the acceptable market range variance, then PG&E's market comparison for its executive compensation would fall well above this variance.[284] This underscores that Cal Advocates' adjustments to PG&E executive compensation programs are reasonable and just, while PG&E's forecasts are not.

Furthermore, while PG&E asserts that the Commission and OEIS approved PG&E's compensation structure in 2020 and 2021, respectively,[285] neither entity mandated ratepayer funding for the entirety of STIP.

In its Opening Brief, PG&E also erroneously claims that Cal Advocates provides "no justification" to select 2016 as the recommended forecast for Long Term Disability/Short Term Disability Pay As You Go (LTD/STD PAYGO)."[286] However, Cal Advocates explains in its Opening Brief and testimony that 2016 was the last recorded year before the Voluntary Plan began ramping up and offering supplemental benefits to some employees.[287] As Cal Advocates discusses in its testimony, one of the legal requirements for a voluntary plan is that the cost to the employee not be greater than the cost he/she would pay into the state plan.[288] The intent behind this requirement is that any additional cost must be paid by the employer, i.e., that employers are not allowed to provide additional benefits that push the costs onto employees.[289] Likewise,

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[282] Ex. CalPA-11, Human Resources at 66.

[283] Ex. PG&E-8, Human Resources at 7-4.

[284] Ex. CalPA-11, Human Resources at 66.

[285] PG&E Opening Brief at 738.

[286] PG&E Opening Brief at 673.

[287] Ex. CalPA-11, Human Resources at 61-62.

[288] Ex. CalPA-11, Human Resources at 62.

[289] Ex. CalPA-11, Human Resources at 62.

PG&E should not be allowed to push these costs onto ratepayers who should not fund benefits over and above what the state plan requires.

5.2 PG&E mischaracterizes the basis for Cal Advocates' Companywide Employee Benefits –Medical Programs Forecast Recommendation

In its Opening Brief, PG&E misstates Cal Advocates' discussion of PG&E's COVID-19 medical costs responsibility by claiming: "Cal Advocates states PG&E is not required to cover COVID-19 costs including co-pays, co-insurance, and deductibles for COVID-related screening and testing, which were the subject of California waivers for insurers."[290] Cal Advocates said nothing of the kind. Cal Advocates' testimony actually states:

> In March 2020, the state of California mandated that insurers waive co-pays, co-insurance, and deductibles for COVID-related screening and testing, but this did not apply to PG&E. As a self-funded entity, PG&E is fully responsible for all medical costs for its plan participants, including those costs related to COVID-19 testing and medical care.[291]

Thus, Cal Advocates' testimony emphasized that "PG&E is fully responsible" for COVID-19-related costs. Contrary to what PG&E's claims in its Opening Brief, Cal Advocates' testimony merely explained that California's 2020 waiver for insurers does not apply to PG&E.

Cal Advocates' testimony also highlights the speculative nature of PG&E's unsubstantiated prediction,[292] that COVID-related healthcare costs will have an impact through 2022 due to postponed care.[293]

Because PG&E failed to satisfy its burden of proof, the Commission should accept Cal Advocates' recommendation for Employee Benefits – Medical Programs.

6. POST TEST-YEAR RATEMAKING (EXHIBIT PG&E-11)

6.1 The Commission should draw an inference that PG&E's attrition year forecasts are exaggerated

In its Opening Brief, PG&E states that the company updated its attrition years revenue requirement request to "$1.048 billion from $1.018 billion for 2024, $860 million from $755

[290] PG&E Opening Brief at 764 [emphasis added].

[291] Ex. CalPA-11, Human Resources at 36.

[292] PG&E objected when asked for 2021 data on expenses during discovery. (Ex. CalPA-11, Human Resources at 37.)

[293] Ex. CalPA-11, Human Resources at 37.

million for 2025, and $680 million from $561 million for 2026 as compared to PG&E's March 10, 2022 Amended Application."[294] PG&E provides a table summarizing Cal Advocates' and TURN's recommendations regarding PG&E's forecasts that "do not reflect changes in escalation rates and tax changes that were included in PG&E's Update Testimony served on September 6, 222."[295]

PG&E's updates and changes have added to the complexity of its GRC application and significantly burdened the Commission and parties. The Commission strives to reduce the complexity inherent in general rate cases[296] by developing a straightforward process to resolve GRCs efficiently. However, PG&E's shifting forecasts undermine this effort. Every updated PG&E testimony and errata impacts parties' previous analyses and recommendations. In the end, the Commission may have a product that does not capture a comprehensive analysis of all PG&E's changes. Indeed, the forecasts Cal Advocates presented in its Opening Brief for PG&E's various lines of business may not fully align with the forecasts in PG&E's Opening Brief.

In recognition of these impacts, the Commission should make an inference against PG&E that its attrition years revenue requirement requests are exaggerated. This inference should be applied within PG&E's burden of proof to show that its forecasts are reasonable and just.

6.2 PG&E admits that additional reductions may be necessary for the company to meet its 2% goal to reduce GRC costs

In its Opening Brief, PG&E argues that the Commission should not adopt Cal Advocates' alternate proposal to recognize the company's goal to reduce costs by 2% annually. As PG&E explains, it is "an *aspirational target* that *include*s costs outside of the GRC."[297] PG&E also

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[294] PG&E Opening Brief at 837.

[295] PG&E Opening Brief at 837 [emphasis original].

[296] See D.20-01-001, *Decision Modifying the Commission's Rate Case Plan for Energy Utilities* at 16-17; D.93-07-030, *Re Time Schedules for the Rate Case Plan and Fuel Offset Proceedings* (July 21, 1993) 50 CPUC 2d 354, 1993 Cal. PUC LEXIS 551 at *8; D.89-01-040, *Re Time Schedules for the Rate Case Plan and Fuel Offset Proceedings* (Jan. 27, 1989) 30 CPUC 2d 576, 1989 Cal. PUC LEXIS 37 at *7.

[297] PG&E Opening Brief at 846 [emphasis added].

states that its PTYR proposal "already includes O&M cost reductions that will *contribute* to the 2 percent goal."[298]

These statements constitute admissions in favor of Cal Advocates' alternate proposal. First, whether PG&E calls it a stated goal and an aspirational target, the company admits that it aims to reduce costs by 2% annually. Second, by using the word "includes" in the first sentence, PG&E admits that it targets reductions of costs both outside *and* inside the GRC. Third, by using the word "contribute," PG&E admits that other cost reductions may be necessary for it to reach its 2% goal.

These admissions are relevant to the Commission's consideration of PG&E's attrition mechanism. The Commission has a goal "to promote PG&E's incentive to stretch to achieve productivity between test years."[299] If the Commission recognizes PG&E's goal to reduce costs by 2%, as Cal Advocates suggests in an alternate proposal, the Commission may better promote the reduction. Thus, Cal Advocates requests that the Commission consider PG&E's target in determining the attrition mechanism.

7. CONCLUSION

For the reasons provided in this Reply Brief and in Cal Advocates' Opening Brief, the Commission should adopt Cal Advocates' recommendations.

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[298] PG&E Opening Brief at 846 [emphasis added].

[299] D.14-08-032, *Decision Authorizing Pacific Gas and Electric Company's General Rate Case Revenue Requirement for 2014-2016* at 652.

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