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BEFORE THE PUBLIC UTILITIES COMMISSION

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. (U39M)	Application 21-06-021 (Filed June 30, 2021)

SUR-REPLY BRIEF OF THE UTILITY REFORM NETWORK REGARDING THE REVISED UNDERGROUNDING PROPOSAL OF PACIFIC GAS AND ELECTRIC COMPANY

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Pursuant to the January 12, 2023 email ruling of Administrative Law Judges DeAngelis and Larsen, The Utility Reform Network (TURN) submits this Sur-Reply Brief responding to the revised undergrounding proposal presented for the first time in the December 9, 2022 Reply Brief of Pacific Gas and Electric Company (PG&E).

1. INTRODUCTION AND SUMMARY

PG&E's Reply Brief proposes a significant reduction to the undergrounding proposal presented in its February 2022 testimony. This is the third significant change to PG&E's undergrounding request in this case, as shown by the following table:

Changes to PG&E's Undergrounding Proposal in this GRC (Miles)

	2023	**2024**	**2025**	**2026**	**Total**
June 2021[1]	63	59	54	45	221
Feb 2022[2]	424	821	1,103	1,200	3,458
Reply Brief[3]	350	450	550	750	2,100

PG&E does not provide a straightforward explanation of why it has yet again changed its undergrounding proposal. PG&E suggests that its mileage reduction responds to *intervenor* concerns about the company's ability to achieve its February 2022 targets, but never admits that

[1] Ex. PG&E-4, p. 4.3-51, Table 4.3-10, lines 5 and 8 (includes Community Rebuild miles).

[2] Combines all MAT 08W miles shown in PG&E Reply Brief (RB), p. 334, Table 4-5 (middle row – "Original" miles), with MAT 95F miles (which did not change between Feb. 2022 and the RB) shown in PG&E RB, p. 329, Table 4-2 (middle row).

[3] Combines all MAT 08W miles shown in PG&E RB, p. 334, Table 4-5 (top row – "Adjusted" miles), with MAT 95F miles.

PG&E itself has come to realize that those targets were unrealistic.[4] Yet, as discussed in Section 2 below, a key internal PG&E document shows that, as of October 19, 2022 – more than two weeks before submitting its Opening Brief -- the company was already struggling to achieve its 2023 target and was forecasting significantly reduced mileage targets for 2023-2026.

The execution challenges that PG&E is already experiencing and the company's lack of transparency about those problems should raise concerns. First, as discussed in Sections 3 and 4, the nature of the challenges underscores the huge question marks about the timing and executability of PG&E's plan and whether the work will prioritize the highest risk locations. The obstacles that PG&E's plan faces also highlight the wisdom of TURN's proposal to focus the company's system hardening efforts on the well-understood covered conductor strategy, which can deliver the same risk reduction benefits during this rate case on a faster schedule using the same property easements. Second, as discussed in Section 2, PG&E's failure to be forthcoming about its known execution challenges -- while telling the Commission that parties' concerns about the feasibility of PG&E's proposal were unfounded – invites significant questions about the credibility of the many promises PG&E has made in relation to its undergrounding plan. Third, as discussed in Section 5, PG&E's continuing gyrations to its undergrounding proposal have undermined the Commission's ability to issue a decision that provides timely guidance to the company about the appropriate scope of undergrounding in 2023. This delay is purely of PG&E's making. Accordingly, the Commission should make clear that PG&E bears the risk of disallowance of any undergrounding that exceeds the costs and mileage approved in this case.

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[4] PG&E first discusses the revised request (Section 1.1.4 of its RB) in the context of questions raised by parties about whether PG&E would be able to deliver on its proposed targets. While it acknowledges that its targets are "ambitious," it never states whether the feasibility of its targets was a reason for the reduction. (RB, pp. 8-9). Section 4.1.4 of its Reply Brief states that PG&E is "willing" to reduce the scope of its proposal "[i]n response to [the] nascent regulatory environment and intervenors' concerns," suggesting that the revision is a *concession* to intervenors, rather than a necessary change to an overly ambitious request. (PG&E RB, p. 328).

2. PG&E'S OPENING BRIEF WAS NOT FORTHCOMING ABOUT THE EXECUTION CHALLENGES THAT HAD ALREADY CAUSED PG&E'S SENIOR LEADERSHIP TO RECOGNIZE THE NEED FOR REDUCED UNDERGROUNDING TARGETS

In a data request in response to PG&E's Reply Brief, TURN asked PG&E to provide any document authorizing the reduced scope of undergrounding. PG&E provided only one document, a set of slides dated October 19, 2022, that appear to have been presented to a senior leadership group called the "Wildfire Risk Governance Committee."[5] The cover page indicates Sumeet Singh – EVP, Chief Risk Officer and Chief Safety Officer – as the "Executive Sponsor" of the slides and Andrew Abranches – Sr. Director, Wildfire Risk Management – as the Author. Both men were witnesses for PG&E in this GRC. PG&E's testimony states that this Committee "reviews and approves workplans for the most critical wildfire mitigation programs" and consists of several members of PG&E's senior leadership.[6]

The slides indicate that *the company was already falling behind on meeting its 2023 GRC target*, stating that "***work readiness for 2023 UG work execution is behind target as of mid-October***."[7] The slides list a litany of "[e]xecution related challenges" that need to be addressed to reduce the impact to the work plan, including "land rights acquisition, material availability, Caltrans

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[5] See Response to TURN-271-04Atch01 (hereinafter "October 19, 2022 WRGC Slides"), included in proposed Ex. TURN-205, attached as Attachment 1 to the accompanying Motion of TURN for Acceptance of Late-Filed Exhibit).

[6] Ex. PG&E-4, p. 4-13. The Committee is chaired by the EVP and Chief Risk and Safety Officer (Mr. Singh), and its voting members include the SVP – Electric Operations, SVP – Electric Engineering, and VP and Chief Audit Officer, among other senior vice presidents and vice presidents. (*Id.*)

[7] October 19, 2022 WRGC Slides, p. 3 (emphasis added). Additionally, Slide 7 states that "[i]t will be a significant challenge to ramp up UG projects into the ready phase in support of 2023 construction. Slide 13 elaborates on this concern under the heading "Complication." It thus appears that a key purpose of this slide package was to gain a *further* reduction to the mileage target for 2023, which the WRGC had already indicated should be reduced from the February 2022 GRC proposal.

permits, environmental permits, etc." It also identifies as challenges: "effectively coordinating with local stakeholders and customers" on matters such as municipal permits, traffic control and land acquisitions."[8]

In addition, the October 19, 2022 slides indicate that this senior leadership team responsible for approving the undergrounding workplan had already concluded that the GRC undergrounding targets needed to be reduced. Slide 5 provides mileage targets that are significantly lower than the February 2022 proposal, under the heading "Forecasted miles for 2023-2026."[9] The table below compares the mileage targets on that slide with the revised undergrounding mileage first discussed in PG&E's Reply Brief.

	2023	2024	2025	2026
Oct. 19th WRGC Slides[10]	400	450	550	750
Reply Brief	350	450	550	750

As can be seen, the October 19th forecasted miles are the same as the reduced Reply Brief mileage for the period 2024-2026. The only difference is that the Reply Brief proposal reduced the 2023 target by an additional 50 miles. Thus, more than two weeks before PG&E submitted its ***Opening*** Brief, PG&E's senior leadership committee in charge of the undergrounding workplan plan was already forecasting reduced undergrounding mileage that was nearly identical to the Reply Brief proposal.[11]

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[8] *Id.*

[9] *Id.*, Slide 5.

[10] *Id.*, Slide 5, combining undergrounding miles under the "UG" and "Butte" columns.

[11] PG&E's response to TURN Data Request (DR) 271-4 refers to the forecast figures on Slide 5 as "preliminary" and asserts that the mileage was "further revised" in "late November- December 2022." (Proposed Ex. TURN-205, PG&E Response to TURN DR 271-4, attached as Attachment 1 to the accompanying Motion of TURN for Acceptance of Late-Filed Exhibit). As the table in the text shows, the only target that appeared to be "further revised" was the 2023 target. The fact that PG&E later further reduced the 2023 target is not a reasonable justification for not disclosing in the Opening Brief that PG&E's senior leadership was already forecasting reduced targets. In addition,

Clearly, PG&E can and should have informed the Commission and parties in its November 4, 2022 ***Opening*** Brief that it was reducing its undergrounding mileage proposal considerably and that it was doing so in response to the reality of the serious execution challenges its plan faces. Instead, PG&E's Opening Brief doubled down on defending its February 2022 proposal against intervenor claims that the plan was unrealistic, asserting that "PG&E's Undergrounding Scope And Pace Of Work Is Reasonable"[12] and that "[t]he Commission should not scale back PG&E's proposed undergrounding mileage targets."[13] To this end, in Section 4.3.1.3, PG&E argued that its February 2022 proposed scope was realistic because it would be able to "effectively address" the various implementation challenges, even while its senior leadership committee had already recognized more than two weeks earlier that those implementation challenges were making it necessary to significantly scale back its targets.

This discrepancy between PG&E's internal deliberations and its public advocacy shows that PG&E attempted to mislead the Commission regarding the feasibility of the most costly and most highly contested proposal in this GRC. Internally, PG&E's senior leadership committee was finding that its February 2022 targets were not feasible, yet PG&E insisted in its brief to the Commission that they were achievable. Moreover, PG&E should have concluded its deliberations in time to announce its major reduction to its undergrounding request in its Opening Brief. By so doing, parties would at least have had an opportunity to respond to PG&E's revised proposal in

PG&E's DR response does not explain why PG&E, aware of the November 4, 2022 due date for opening briefs, could not have finalized the asserted "preliminary" reductions in advance of that date. TURN also notes that the October 19th Slides are the only document that PG&E produced in response to TURN's request for "any document (including any email)" authorizing the reduced mileage in the Reply Brief. PG&E's DR response does not explain why there is no document memorializing the further reduction in the 2023 mileage. In any event, by announcing this change after the close of evidentiary hearings, PG&E has prevented parties from probing the circumstances surrounding the changed proposal in the sworn record of the case.

[12] PG&E Opening Brief, p. 383, heading 4.3.1.1.

[13] *Id.*, p. 384.

their reply briefs, thereby avoiding the need for this sur-reply round of briefs. Thus, in addition to being insufficiently candid, PG&E has shown a lack of respect for the Commission's process and schedule and caused an entirely avoidable delay in the completion of briefing in this case.

3. PG&E'S NEED TO SHARPLY REDUCE ITS MILEAGE TARGETS REINFORCES THE MAJOR QUESTIONS SURROUNDING THE TIMING, FEASIBILITY AND RISK PRIORITIZATION OF PG&E'S UNDERGROUNDING PROPOSAL

As discussed in the previous section, the October 19, 2022 Slides, particularly Slide 3, show that PG&E's senior leadership was concerned about a host of issues affecting the executability of its undergrounding plan. Among other challenges, PG&E cites a variety of different types of permits it must obtain – environmental permits, Caltrans permits, and municipal permits. It also cites the challenge of land rights acquisitions, which will require "[e]ffectively coordinating with local stakeholders and customers."[14] These issues highlight unique problems associated with undergrounding resulting from the fact that, for many projects, an underground trench will not be feasible under the overhead lines and PG&E will need to take a different, longer path for the underground circuit.[15] For this different path, PG&E may have to acquire rights to use the land from a private or public property owner and obtain necessary permits from one or more permitting authorities. Because many of the highest risk miles will be in environmentally sensitive areas, permit applications may often trigger CEQA review. These are significant challenges that can have a determinative effect on the timing and feasibility of projects, over which a third party, not PG&E, has primary control. Thus, it is not surprising that PG&E has realized that its February 2022 projections were not realistic and subject to rights acquisitions and approvals that may never be approved or may only be approved after years of effort. However, PG&E has not provided any evidentiary basis to conclude that its Reply Brief revised targets are based on realistic estimates of

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[14] October 19, 2022 WRGC Slides, Slide 3.

[15] TURN Amended Opening Brief, p. 410; Ex. TURN-11 (Borden/TURN), pp. 32-34.

what it can accomplish. The difficulty of predicting the timing and feasibility of undergrounding projects is thus a significant drawback to PG&E's heavy reliance on undergrounding.

The potential construction and permitting difficulties reinforce the concern that PG&E's primary strategy for meeting its mileage targets will be to select circuits for undergrounding based on construction feasibility, rather than risk reduction. TURN explained in its Opening Brief how PG&E's "fulsome" definition of risk creates a massive loophole that would allow PG&E to prioritize any circuit it chooses irrespective of risk modeling results.[16] The October 19, 2022 slides only reinforce this concern, as the Wildfire Risk Governance Committee is informed that any undergrounding performed in HFTD through other programs,[17] and any undergrounding in an area that has experienced PSPS,[18] would count toward the system hardening mileage goals. Given the wide geographic scope of 2019-2020 PSPS events, including any area that has experienced PSPS events essentially eliminates the risk reduction prioritization achieved through the Wildfire Distribution Risk Models used as the basis of risk reduction calculations in this case.

4. PG&E CALCULATES THAT ITS REDUCED UNDERGROUNDING PROGRAM WILL ELIMINATE ALMOST THE SAME AMOUNT OF WILDFIRE RISK AS TURN'S COVERED CONDUCTOR PROGRAM, AND IN REALITY UNDERGROUNDING WILL ELIMINATE LESS RISK THAN A COVERED CONDUCTOR PROGRAM THAT DOES NOT FACE THE SAME CONSTRUCTION CHALLENGES

The risk modeling results for PG&E's reduced undergrounding program highlight that a strategy focused on installing covered conductor can achieve similar safety benefits faster and cheaper. PG&E calculates that its reduced undergrounding work would eliminate 20% of wildfire risk in 2024-2026, while PG&E previously calculated that TURN's covered conductor proposal for

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[16] TURN Amended Opening Brief, pp. 397-399, 406-408.

[17] October 19, 2022 WRGC Slides, Slide 4.

[18] October 19, 2022 WRGC Slides, Slide 7 (defining any area "part of PSPS mitigation miles" as included in the system hardening target).

2024-2026 would eliminate 18% of the wildfire risk.[19] TURN forecasts a cost of $1.581 billion for its plan,[20] or **less than 20% of PG&E's revised undergrounding cost forecast** for 2024-2026.[21] At least for this rate case cycle, therefore, PG&E's proposal to spend over seven billion dollars more than TURN's proposed program provides extremely little additional wildfire risk reduction, and begs the question of what is the additional benefit that might warrant such a huge cost difference.

In practice, PG&E's proposal will likely achieve even less wildfire risk reduction. Throughout this case, PG&E's primary argument in support of its undergrounding program has been that undergrounding eliminates almost all ignition risk, while covered conductor leaves some residual risk. One may thus reasonably wonder why PG&E's undergrounding proposal, which consists of about 1,700 miles for 2024-2026,[22] would have only minimal incremental risk reduction benefits compared to TURN's proposal, which consists of 1,350 miles of covered conductor and 150 miles of undergrounding for 2024-2026. The answer lies in the undisputed fact that a mile of undergrounding eliminates only 0.64 to 0.80 miles of overhead covered conductor, due to the need to re-route undergrounding to address various construction feasibility issues.[23] PG&E's proposal to underground about 1,700 miles is thus equivalent to eliminating risk on 1,080 to 1,350 miles of overhead line.

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[19] Ex. PG&E-17, p. 3-16..

[20] Ex. TURN-11, p. 45, Table 12 (summing TURN total SH for 2024-2026).

[21] See, PG&E Reply Brief, Table 4-8 on p. 351 (summing only the "rebuttal forecast" for 2024-2026 for MAT 08W, thus ignoring any UG costs for MAT 95F).

[22] PG&E Reply Brief, Table 4-9 at p. 353. TURN uses only MAT 08W mileage in this comparison due to the risk modeling, which uses similar mileage.

[23] See Ex. TURN-11, pp. 32-34 and Table 8.

In its Reply Brief, PG&E calculated the 20% risk reduction for undergrounding by assuming one mile of undergrounding eliminates 0.80 miles of overhead line.[24] But the only actual data to date, based on the Butte rebuild project, demonstrates that a mile of undergrounding replaces only 0.64 miles of overhead circuit. If PG&E's actual undergrounding work is more similar to the Butte rebuild, PG&E's program will actually achieve less wildfire risk reduction than TURN's covered conductor proposal, which replaces bare wire on existing circuit miles.

Furthermore, PG&E's risk reduction calculations assume system hardening addresses circuits in order of risk priority as defined by its wildfire distribution risk model.[25] However, as discussed in the previous section, the presentation to the Wildfire Risk Governance Committee buttresses PG&E's intent to use its "fulsome" definition of risk to prioritize circuits.[26] If PG&E deviates from the modeled risk priorities, its actual wildfire risk reduction will be further reduced, even if it completes the same mileage. The operational challenges associated with undergrounding make it much more likely that PG&E would change circuit prioritization order for undergrounding, whereas it would not need to make such changes if it were replacing conductor on existing distribution lines.

5. PG&E SHOULD NOT BENEFIT AT THE EXPENSE OF RATEPAYERS FROM THE DELAYS CAUSED BY ITS MOVING TARGET UNDERGROUNDING PROPOSALS IN THIS CASE.

As shown by the table in Section 1 above, PG&E's undergrounding proposal has been a moving target in this case. Each change has necessitated additional time and process, including the need for an additional round of sur-reply briefs to respond to PG&E's new proposal in its Reply

[24] PG&E's factor of "1.25" miles of OH per UG mile is embedded in the Excel Spreadsheet included in the Response to TURN DR 271-01Atch01.

[25] For example, in Response to DR 271-02, PG&E states that it will "target risk reduction in the highest wildfire risk areas to eliminate approximately 20 percent of existing risk by the end of 2026." See, Proposed Ex. TURN-205.

[26] October 19, 2022 WRGC Slides, Slides 4 and 7.

Brief. The changing nature of PG&E's undergrounding request will surely increase the Commission's challenge in meeting its current target of presenting a Track 1 proposed decision in the third quarter of 2023.

Meanwhile, PG&E's October 19, 2022 Slides and Reply Brief make clear that the company is moving ahead with plans to underground 350 miles in 2023, at a forecast cost of approximately $1 billion.[27] PG&E appears committed to this path, even though it has not received any authorization from the Commission for any rate recovery for its 2023 undergrounding proposal. Needless to say, PG&E's undergrounding request is hugely controversial and subject to CPUC disapproval, in full or in part. In sharp contrast to PG&E's request, TURN recommends that PG&E's system hardening work focus on installing 450 miles of *covered conductor* in 2023 at a cost of $358 million, with a more focused and feasible undergrounding deployment in 2023 that targets the 50 highest risk miles at a cost of $167 million.[28] In TURN's view, the prudent course for PG&E in 2023 would be to focus on covered conductor – a proven strategy that the Commission has already endorsed – with a much more targeted use of undergrounding. PG&E should recognize that, if it proceeds with its current 2023 undergrounding plan, it risks a CPUC decision late in 2023 that approves a much smaller undergrounding deployment, which will put at risk PG&E's ability to recover costs above the CPUC authorization. In its Track 1 decision, the Commission should specify how many miles of undergrounding it is authorizing and the associated approved cost, for each year of the rate case period. The Commission should further make clear to PG&E that, if its undergrounding mileage or cost in any year exceeds the authorized levels, PG&E will be required to demonstrate the reasonableness of the associated costs before they can be recovered from ratepayers. The fact that, because of PG&E's moving target undergrounding proposals, the Commission will likely not issue a Track 1 decision until late in 2023 should not be a reason to justify rate recovery for undergrounding above Commission authorized levels.

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[27] PG&E Reply Brief, p. 328, Table 4-1.

[28] Ex. TURN-11 (TURN/Borden), Table 12 at p. 45.

Date: January 23, 2023

Respectfully submitted,

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