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PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

November 7, 2024

Agenda ID #23039
Alternate to Agenda ID #23040
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 21-09-008

Enclosed are the proposed decision of Administrative Law Judge (ALJ) Camille Watts-Zagha previously designated as the presiding officer in this proceeding and the alternate decision of President Alice Reynolds. The proposed decision and the alternate decision will not appear on the Commission's agenda sooner than 30 days from the date they are mailed.

Pub. Util. Code § 311(e) requires that the alternate item be accompanied by a digest that clearly explains the substantive revisions to the proposed decision. The digest of the alternate decision is attached.

When the Commission acts on these agenda items, it may adopt all or part of the decision as written, amend or modify them, or set them aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision and alternate decision as provided in Pub. Util. Code §§ 311(d) and 311(e) and in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed [15] pages.

Comments must be filed pursuant to Rule 1.13 and served in accordance with Rules 1.9 and 1.10. Electronic copies of comments should be sent to President Alice Reynolds sponsoring the alternate, *e.g.*, at dhl@cpuc.ca.gov.

The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ MICHELLE COOKE

Michelle Cooke
Chief Administrative Law Judge

MLC:smt

Attachment

Agenda ID #23039
Alternate to Agenda ID #23040
Ratesetting

DIGEST OF DIFFERENCES BETWEEN ADMINISTRATIVE LAW JUDGE CAMILLE WATTS-ZAGHA'S PROPOSED DECISION AND THE ALTERNATE PROPOSED DECISION OF COMMISSIONER ALICE REYNOLDS

Pursuant to Public Utilities Code Section 311(e), this is the digest of the substantive differences between the proposed decision of Administrative Law Judge Camille Watts-Zagha and the alternate proposed decision of Commissioner Alice Reynolds. Both decisions mailed on November 7, 2024.

In Pacific Gas and Electric Company's (PG&E's) 2020 General Rate Case, the Commission changed the structure of PG&E's Vegetation Management Balancing Account (VMBA) from a one-way balancing account to a two-way account balancing account, noting the enhanced wildfire risk that existed on PG&E's system at the time. In so doing, the Commission authorized PG&E to collect at least $658 million for 2020 vegetation management costs it recorded to the VMBA and directed PG&E to seek review of any additional VMBA costs in a separate application.

In this proceeding, PG&E seeks recovery of $592 million in additional costs recorded to the VMBA for the vegetation management work it conducted in 2020 to lower wildfire risk. Both the proposed decision and alternate proposed decision find PG&E failed to justify certain portions of these additional costs, and both decisions equally disallow $10 million in unsubstantiated costs associated with the Tree Mortality program within the VMBA.

The proposed decision finds reasonable and authorizes collection of $316 million and denies $276 million of PG&E's reimbursement request. The proposed decision rejects PG&E's assertion that only $69 million of PG&E's total reimbursement request is at issue relative to enhanced tree work.

The proposed decision finds that PG&E inadequately established that all labor cost increases were outside of its control. The proposed decision finds that this failure to manage the acknowledged labor supply risk is applicable to routine tree work costs but inapplicable to the new and evolving enhanced tree work costs and calculates a disallowance of $183 million attributable to higher routine labor costs.

The proposed decision finds PG&E imprudently deferred routine tree work for 302,900 trees from 2019 to 2020 to prioritize its enhanced vegetation management program in 2019 and disallows recovery of $39 million in costs that it concludes would not have been incurred had the work been performed in 2019. The proposed decision disallows $44 million of costs of enhanced tree work performed in High Fire Threat Districts in the bottom 25 percent of risk priority, as inconsistent with directives to prioritize enhanced work by risk.

The alternate proposed decision finds reasonable and authorizes collection of $375 million and denies $216 million of PG&E's reimbursement request. The alternate proposed decision disallows portions of the labor cost increases for both routine and enhanced vegetation management work, finding PG&E failed to provide sufficient evidence that it prudently managed known labor supply risks, including not justifying its decision to act on its approved plan to bring vegetation management work in-house. Specifically, the alternate proposed decision disallows $137 million for routine vegetation management costs as well as the full $69 million in incremental enhanced vegetation management costs that PG&E seeks to recover in the application.

ATTACHMENT

COM/ARD/smt **ALTERNATE PROPOSED DECISION**

Agenda ID #23039
Alternate to Agenda ID #23040
Ratesetting

Decision **ALTERNATE PROPOSED DECISION OF PRESIDENT ALICE REYNOLDS (Mailed 11/7/2024)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Recovery of Recorded Expenditures Related to Wildfire Mitigation, Catastrophic Events, and Other Recorded Costs (U39M).	Application 21-09-008

DECISION APPROVING PARTIAL RECOVERY OF PACIFIC GAS AND ELECTRIC COMPANY'S COSTS FOR 2020 ELECTRIC DISTRIBUTION VEGETATION MANAGEMENT WORK

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DECISION APPROVING PARTIAL RECOVERY OF PACIFIC GAS AND ELECTRIC COMPANY'S COSTS FOR 2020 ELECTRIC DISTRIBUTION VEGETATION MANAGEMENT WORK

Summary

This decision authorizes Pacific Gas and Electric Company (PG&E) to recover from ratepayers $375.648 million of the $591.890 million it requests in this application for vegetation management work it performed in 2020. PG&E's 2020 GRC Decision (D.) 20-12-005 required PG&E to file an application to recover costs in excess of the approved $657.615 million found to be reasonable for all vegetation management activities in 2020. This decision finds PG&E did not sufficiently demonstrate all recorded vegetation management costs are reasonable and therefore approves $375.648 million of PG&E's request and disallows $216.242 million. The table below shows the breakdown of approved and disallowed costs by program element:

Table 1. Approved and Disallowed Costs
(Millions of Dollars)

	Requested Costs Approved[1]	Requested Costs Disallowed	Sum
Routine	$286.948	$137.012	$423.960
Enhanced	$0	$69.071	$69.071
Tree Mortality	$87.972	$10.159	$98.131
PG Tree Mortality	$1.448	$0	$1.448
SUBTOTAL	$376.368	$216.242	**$592.610**
E&Y Adjustment	**($0.720)**	**NA**	**($0.720)**
TOTAL	$375.648	$216.242	**$591.890**

[1] Requested Costs Approved is the difference between PG&E's per-program request in Exhibit PGE-01 (Table 3-1, column labeled "Subject to Review") and the per-program disallowance found in this decision.

In summary, the Commission makes the following decisions:

- Disallows cost recovery of certain incremental routine and enhanced VM costs because PG&E failed to present sufficient evidence that it prudently managed known labor supply risks, including by failing to sufficiently justify its decision not to act on its approved plan to bring VM work in-house. Allows incremental increased costs attributable to a wage increase required by state law.
- Disallows cost recovery of $10.159 million sought for Tree Mortality costs because PG&E's testimony is devoid of details sufficient to meet its burden to support the claimed generic "blanket adjustment."

This proceeding is closed.

1. Background

In Pacific Gas and Electric Company's (PG&E's) 2020 General Rate Case (GRC) proceeding,[2] the Commission in Decision (D.) 20-12-005 authorized revenue in the amount of $548.013 million for PG&E to conduct vegetation management work along its electric distribution lines and around its power generation facilities. The authorization combined funding for vegetation management programs previously tracked and recorded in distinct accounts: an ongoing, compliance program throughout PG&E's entire service territory, and specialized vegetation management efforts in response to specific Commission directives. Prior to 2020, only the compliance vegetation management program had been funded through general rates. Beginning in 2020, the Commission established the 2020 Vegetation Management Balancing Account (VMBA) funded through general rates for the previously distinct vegetation management

[2] Application (A.) 18-12-009.

programs: Routine Vegetation Management (VM), Enhanced VM, Tree Mortality, and Power Generation Tree Mortality.

The terms of the 2020 VMBA also found reasonable a contingency allowance of 20 percent over $548.013 million ($109.602 million), for a total authorization of $657.615 million. The Commission required PG&E to file an application to request recovery through reasonableness review of recorded costs in excess of the $657.615 million. PG&E spent $1.25 billion, separately tracked by program.

PG&E filed A.21-09-008 on September 16, 2021, requesting recovery for nine separate memorandum and balancing accounts, including its 2020 VMBA request resolved in the instant decision to recover the amount spent over the $657.615 million threshold.

On October 11, 2021, the assigned Administrative Law Judge (ALJ) set the prehearing conference date and directed parties to file a joint proposed scope and schedule. On October 21, 2021, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), The Utility Reform Network (TURN), and Thomas Del Monte filed protests to the application and Direct Access Customer Coalition (DACC) filed a response to the application. On October 28, 2021, PG&E, Cal Advocates, TURN, Thomas Del Monte, and DACC filed a joint prehearing conference statement as directed by the assigned ALJ. The prehearing conference was held on October 29, 2021, to discuss matters of scope and schedule. On November 1, 2021, PG&E filed a reply to the protests and response.

On November 8, 2021, PG&E filed proof of compliance with Rule 3.2(e) of the Commission's Rules of Practice and Procedure (Rules) to notify customers of the proposed rate changes associated with the application. On November 18, 2021, the assigned ALJ issued a ruling granting the motion for party status of William Abrams. On November 18, 2021, the assigned Commissioner issued the Scoping Memo and Ruling (Scoping Memo).

On July 15, 2022, PG&E filed a status update on settlement efforts (Settlement Status Update) pursuant to Rule 13.9(b) and Section 5 of the Scoping Memo. In the Settlement Status Update, PG&E reported that, due to PG&E's removal of costs associated with the 2017 Tubbs Fire, Thomas Del Monte and DACC would not participate in the evidentiary hearings.

On July 25, 2022, and July 26, 2022, the Commission held evidentiary hearings.

On September 16, 2022, PG&E, Cal Advocates, TURN, and William Abrams filed opening briefs. The same parties filed reply briefs on September 30, 2022.

On January 18, 2023, PG&E, Cal Advocates, and TURN filed a Joint Motion for Approval of the Settlement Agreement (Joint Settlement Motion) relating to the eight accounts other than the VMBA that is addressed in this decision.[3] On April 6, 2023, the Commission issued D.23-04-011 extending the statutory deadline of this proceeding until December 23, 2023. On May 3, 2023, this proceeding was reassigned from ALJ Amin Nojan to ALJ Camille Watts-Zagha. On August 10, 2023, the Commission issued D.23-08-027 approving the partial settlement resolving PG&E's request to recover $993.931 million in costs related

[3] On January 6, 2023, PG&E, Cal Advocates, and TURN jointly filed a motion to extend the settlement deadline from January 6, 2023, to January 18, 2023. The motion was granted in D.23-08-027 approving the settlement.

to the other eight accounts. On October 17, 2023, the assigned ALJ issued a Ruling Seeking Responses to Questions in this proceeding and related proceedings. PG&E, Cal Advocates, and jointly TURN and DACC filed responses on October 27, 2023. On December 6, 2023, the Commission issued D.23-11-102 extending the statutory deadline of this proceeding until March 31, 2024. On March 14, 2024, the Commission issued D.24-03-020 extending the statutory deadline of this proceeding until June 30, 2024. On June 20, 2024, the Commission issued D.24-06-010 extending the statutory deadline of this proceeding until September 30, 2024. On October 1, 2024, the Commission issued D.24-09-040 extending the statutory deadline of this proceeding until December 30, 2024.

2. Submission Date

This matter was submitted on October 27, 2023, upon parties' filings of responses to the ALJ Ruling Seeking Responses to Questions issued October 17, 2023.

3. Issues

The following Scoping Memo issues apply to PG&E's request to recover 2020 VMBA costs that is addressed in this decision:

1. Whether the Commission should grant PG&E's request to recover up to $592 million in revenue requirement;
    - Whether the recorded costs are reasonable and incremental in nature;
    - Whether the costs are appropriate to record and recover through the corresponding account;
    - Whether the cost recovery proposal is reasonable;
2. Whether the Commission should grant PG&E's proposal to recover the authorized revenue requirement over a 24-month period, or some other time period; and

3. Whether the Commission should grant PG&E's proposed functionalization of the costs at issue in the application.

4. Legal Principles

4.1. Public Utilities Code Sections 451 and 454 - Just and Reasonable Rates

Public Utilities Code (Pub. Util. Code) Section 451[4] governs the Commission's approval of the costs requested in this proceeding.[5] Specifically, Section 451 requires utilities to show that all costs requested for recovery are "just and reasonable" in order to be recovered in rates, providing in part:

> All charges demanded or received by any public utility….shall be just and reasonable. Every unjust or unreasonable charge demanded or received by for such product or commodity or service is unlawful. Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities….as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

Pursuant to Section 454(a):

> [A] public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.

The Commission's application of a just and reasonable standard legitimizes the rates charged to customers and moderates the provision of an essential service by a monopoly.

[4] Unless otherwise stated, all references to a "Section" in this decision shall be to a section of the Public Utilities Code.

[5] PG&E Opening Brief at 8, TURN Opening Brief at 2.

4.2. Wildfire Mitigation Statutes

Beginning in late 2018, and in response to the growing risk of catastrophic wildfires throughout California, the California Legislature significantly expanded its wildfire mitigation statutory framework, enacting Senate Bill (SB) 901 and Assembly Bill (AB) 1054.[6] Together, these statutes: (i) created a wildfire insurance fund for utility-caused wildfires, (ii) declared the state's utilities needed to invest in both hardening the state's electrical infrastructure and vegetation management work to reduce the risk of catastrophic wildfires, (iii) required large electrical corporations, such as PG&E, to together fund, in the aggregate, $5 billion in safety investments without return on equity that would have otherwise been borne by ratepayers, and (iv) created a special process to focus on developing and implementing Wildfire Mitigation Plans (WMPs).

The Wildfire Mitigation Statutes are contained in Chapter 6 of Division 4.1 of the Public Utilities (Pub. Util.) Code from Pub. Util. Code Sections 8385 through 8389. The Wildfire Mitigation Statutes established the WMP as the main regulatory vehicle for evaluation of electrical corporations' wildfire risk reduction programs. Utilities are required to submit WMPs assessing their level of wildfire risk and providing plans for wildfire risk reduction.[7]

In 2019, the Commission reviewed and approved PG&E's 2019 WMP.[8] In 2020, the Commission ratified the Wildfire Safety Division's (WSD) conditional

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[6] With SB 901 becoming effective on 1/1/2019, and AB 1054 becoming effective on 7/12/2019.

[7] Pub. Util. Code Section 8386.

[8] D.19-05-036 and D.19-05-037.

approval of PG&E's 2020 WMP.[9] Section 8386.3(c) obligates PG&E to submit to independent evaluations and audits and remedy deficiencies regarding its WMPs.

With regard to cost recovery, Section 8386.4(b) provides in pertinent part:

> (1) The commission shall consider whether the cost of implementing each electrical corporation's plan is just and reasonable in its general rate case application. Each electrical corporation shall establish a memorandum account to track costs incurred for fire risk mitigation that are not otherwise covered in the electrical corporation's revenue requirements. The commission shall review the costs in the memorandum accounts and disallow recovery of those costs the commission deems unreasonable.
>
> (2) In lieu of paragraph 1, an electrical corporation may elect to file an application for recovery of the cost of implementing its plan as accounted in the memorandum account at the conclusion of the time period covered by the plan.

As reflected in Section 8386.4, the Wildfire Mitigation Statutes did not change the standard of review for work conducted pursuant to approved WMPs. Cost-reasonableness review is statutorily precluded during the WMP review and approval process.[10] As explained by the Commission in 2019 when approving the 2019 WMPs:

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[9] Resolution (Res.) WSD-002 and Res. WSD-003. AB 1054 (Stats. 2019, ch. 79) tasked the Commission's Wildfire Safety Division (WSD) with reviewing annual WMPs submitted by electrical corporations under the Commission's jurisdiction. Pursuant to Pub. Util. Code Section 326(b), on July 1, 2021, the WSD transitioned into the Office of Energy Infrastructure Safety (Energy Safety) under the California Natural Resources Agency (CNRA), and Energy Safety was vested with all the powers, duties, and responsibilities of the WSD established pursuant to Section 15475 of the Government Code.

[10] Res. WSD-011, Attachment 1 at 4.

> Senate Bill 901 is explicit that approval of Wildfire Mitigation Plans does not constitute approval of the costs associated with the actions in the plan. Rather, cost recovery is a separate matter to be addressed in each utility's General Rate Case. Senate Bill 901 did not redefine the "prudent manager" test.[11]

The just and reasonable standard applies regardless of the type of proceeding through which the revenue is collected, be it a GRC or a cost recovery proceeding involving a balancing or memorandum account.[12]

4.3. Vegetation Management Balancing Account Authorization

4.3.1. PG&E's Vegetation Management Program Elements

PG&E's vegetation management program includes the following elements: routine VM, enhanced VM, Tree Mortality, and Power Generation Tree Mortality. PG&E's work in each of those four program elements consists of pre-inspection, remedial tree work, and verification of the work. The primary differences among the program elements are in geographic scope (routine VM is systemwide, enhanced VM is nearly exclusively in High Fire Threat Districts (HFTDs), and Tree Mortality covers all the HFTDs and areas outside HFTDs)[13] and in length of the inspection cycle (routine and Tree Mortality cycles recur

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[11] D.19-05-036 at 4. Also *see* D.19-05-036 at Conclusion of Law (CoL) 3; Res. WSD-002 at Ordering Paragraph (OP) 2; D.21-12-025 at CoL 2 – 3.

[12] PG&E recovers costs associated with its WMP though cost recovery mechanisms including the GRC, Catastrophic Event Memorandum Account (CEMA), Fire Risk Mitigation Memorandum Account (FRMMA), Wildfire Mitigation Plan Memorandum Account (WMPMA), and Electric Program Investment Charge.

[13] According to PG&E's 2021 WMP (7.3.5_RSE_Input_Template_EO_WLDFR, Tab labeled 1-Program Exposure), Tree Mortality 2020 Miles inspected: 43,375, with 25410 HFTD line miles and 17965 non-HFTD line miles.

annually, enhanced VM covers areas within the HFTDs sequentially over approximately a decade).

The routine VM program element has been and continues to be conducted annually on PG&E's entire distribution electric system.[14] PG&E maintains compliance distances between vegetation and overhead distribution lines. PG&E states its pre-inspectors patrol all distribution lines, identifying trees and vegetation that will compromise mandated safe distances[15] between its overhead distribution line[16] and vegetation growing nearby. The pre-inspectors identify trees to be worked, either trimmed or removed, and determine how urgent the remediation is by assigning the work to priority levels. Pre-inspectors are followed by qualified tree workers who trim or remove the vegetation. PG&E states the goal of routine work is to maintain the minimum clearance for 2 - 3 years.[17] Quality control personnel review the pre-inspection work and also the remediated vegetation work. The objective of routine VM along overhead

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[14] PG&E Opening Brief at 3.

[15] Safe distances between electric utility assets and vegetation are specified in General Order (GO) 95 Rule 35, Public Resource Code (PRC) Sections 4292 and 4293. *See* Exhibit PGE-01 at 3-8 for the exact required clearance by location and by time of year (declared fire season). Required clearances increased in 2018, but PG&E did not expect the increased clearance distances to affect costs: "[O]nce the clearances are established, they will be maintained through PG&E's routine Tree Work program, but PG&E does not expect the cost to maintain the new 48-inch clearances to differ significantly from the cost to maintain 18-inch clearances," *See* A.18-12-009 Exhibit PGE-04 at 7-17.

[16] Overhead distribution line may alternatively be called conductor.

[17] Exhibit PGE-01 at 3-7, PG&E Opening Brief at 31-32.

distribution lines is to maintain the clearances established in Rule 35 of General Order (GO) 95 and PRC Section 4293.[18]

PG&E describes a subprogram element of its routine VM work to maintain clearance around utility poles with utility equipment on the pole that may drop hot or molten material as part of normal operation. The clearance requirements for these poles are established by PRC Section 4292, and PG&E inspects the poles at least once per year.[19]

The Tree Mortality[20] program element is also conducted annually, predominantly in the HFTDs, which encompass 25,200 miles of the 81,000 miles of overhead distribution lines. Tree Mortality also covers Federal Responsibility Areas (FRAs), State Responsibility Areas (SRAs), and Local Responsibility Areas (LRAs),[21] which add approximately 17,965 additional miles outside the HFTDs.[22]

Tree Mortality work consists of redundant patrols and inspections along the routine route,[23] with the alternative names of "Second Patrol" and "Mid-Cycle Patrol" for this program element.

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[18] Exhibit PGE-01 at 3-7. PRC Sections 4292 and 4293 also require PG&E to address State Responsibility Areas poles and some lines during "designated fire season." (PG&E 2021 WMP at 693).

[19] Exhibit PGE-01 at 3-9.

[20] PG&E's alternative names for Tree Mortality include Dead and Dying Tree Program (2020 WMP Feb 6 2020 at 5-190); VM Second Patrol (2021 WMP at 693); Incremental Hazard Tree (in 2023 GRC and 2020 WMP); Incremental Routine Vegetation Management (in 2023 GRC); CEMA Patrol (in Q4 WMP Quarterly Update at 61); Mid-Cycle Patrol (2021 WMP at 693); and Tree Mortality and Fire Risk Reduction (in PG&E Advice Letter 6100-E at 2).

[21] PG&E explains in Exhibit PGE-01 at 3-29 that the term Local Responsibility Area is another name for Wildland Urban Interface.

[22] 2021 WMP Attachment WMP 7l.3.5_RSE_Input_Template_EO_WLDFR Tab1-LProgram Exposure.

[23] Exhibit PGE-01 at 3-6.

The enhanced VM program element cycle is not annual like the routine VM and Tree Mortality cycles. Rather, it is a multi-year cycle, which originally had been planned to cover the 25,200 HFTD line miles over approximately a decade. PG&E's 2020 GRC forecast for enhanced VM is based on covering nearly all 25,200 miles[24] at a rate of 2,922 miles per year over eight years.[25] PG&E revised the enhanced VM rate in its 2019 WMP to cover 2,450 miles in 2019 and 1,800 miles in subsequent years. PG&E's 2020 WMP kept the 1,800-mile target for 2020. PG&E explains that enhanced work is conducted in HFTDs to provide additional clearance and fire risk mitigation benefits above those of the routine program element.[26]

The 2020 VMBA also records vegetation work maintaining clearance around facilities other than overhead distribution line through a vegetation management program element named Power Generation Tree Mortality. Power Generation Tree Mortality covers the tree work in the areas around its 63 hydroelectric facilities, which are comprised of 63 hydroelectric generating plants with associated electrical equipment in substations.[27] Distribution or transmission lines connect the substations of hydroelectric generating plants to the electrical grid. Of the 63 hydroelectric facilities, 24 are in Tier 3, or the riskiest

[24] PG&E assumed about 3 percent of the 25,200 overhead distribution miles in HFTDs would not need coverage, leading to its estimate of 2,922 miles per year. *See* A.18-12-009 Exhibit PGE-04 Workpaper Table 7-11, assumption 2.

[25] PG&E 2019 WMP at 82. PG&E's 2023 GRC forecast is based on covering 25,200 overhead distribution lines in the HFTD over 12 years, beginning with 2021.

[26] PG&E Opening Brief at 3.

[27] PG&E sometimes calls the substations of its hydroelectric generating plants switchyards.

tier of the HFTD, and 39 are in Tier 2.[28] PG&E states that all 63 hydroelectric facilities are inspected every year but "due to the magnitude of recent drought mortality, [it] implemented a continuous inspection system in 2016 to abate hazards as they developed."[29] PG&E is unclear whether the costs of inspections around hydroelectric facilities are recorded to the 2020 VMBA or just the costs of the associated tree work.[30]

4.3.2. Cost Recovery for Routine VM, Enhanced VM, and Tree Mortality Before 2020

From 2000-2019, cost recovery for routine VM was through a one-way balancing account, structured to limit costs recovered from customers to the authorized revenue requirement, even when actual costs or volume of work deviated from forecast. The one-way structure also meant that if the actual costs were less than authorized, PG&E would refund the difference to customers.

Enhanced VM and Tree Mortality (including Power Generation) had been recovered through memorandum accounts before 2020.[31] Memorandum accounts are authorized without a Commission determination that the work and activities in question are necessary beyond what is already authorized. Memorandum accounts allow potential cost recovery, pending an after-the-fact determination that the work was incremental and the costs were reasonable.

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[28] Attachment A to March 4, 2021 letter from PG&E to CPUC Directors of Wildfire Safety Division and Safety and Enforcement Division regarding PG&E 2019 and 2020 Wildfire Mitigation Plan Update.

[29] Exhibit PGE-01 at 1-12 and 3-32.

[30] *Id.* at 1-12.

[31] In 2019, the costs of enhanced work were collected through either the FRMMA or the WMPMA. Through 2019, the costs of Tree Mortality were recovered through the CEMA pursuant to Res. ESRB-4.

4.3.3. VMBA Authorization in 2020 GRC D.20-12-005

In PG&E's 2020 GRC D.20-12-005, the Commission adopted the 2020 VMBA based on a settlement proposal. The settlement proposed changing the 2020 VMBA from a one-way balancing account, as it had been in 2019, to a two-way balancing account. The Commission approved the settlement's proposed revenue requirement for the VMBA, authorizing $548.013 million combined with a contingency allowance of 20 percent over $548.013 million ($109.602 million), for a total of $657.615 million that PG&E could collect through an Advice Letter process.[32] The Commission required PG&E to submit an application if it incurred costs exceeding $657.615 million, rejecting an aspect of the settlement proposal to allow PG&E to collect additional revenue through the Advice Letter process.

The Commission also approved the settlement proposal to combine cost recovery for enhanced VM and routine VM into the same two-way balancing account and directed PG&E to record costs from two other vegetation management programs, Tree Mortality and Power Generation Tree Mortality, to the VMBA two-way balancing account.[33]

[32] In D.20-12-005, the Commission authorized PG&E to recover 2020 VMBA recorded costs of $548.013 million and to recover 2020 VMBA costs in excess of the adopted revenue requirement of $548.013 million up to $657.615 million through Tier 2 Advice Letter. PG&E filed Advice Letter 4344-G/6032-E on December 22, 2020.

[33] *Id.* at 77-78 (discussing reasons for approving settlement proposal to record all vegetation management activities to the VMBA going forward, recovery of up to 120% of the authorized funding level via Advice Letter, and application requirement for costs exceeding those amounts).

When approving the settlement proposal to combine cost recovery for enhanced VM and routine VM into the same two-way balancing account, the Commission noted:

> **the enhanced VM program is new and so a proper forecast that balances both affordability and necessary work that needs to be performed is difficult to determine**. In addition, the scope of activities continues to be refined but we find that a more conservative estimate for VM costs is more prudent at this point given the other incremental activities being proposed under PG&E's CWSP. However, **because of enhanced wildfire risk, we find that it may be necessary for PG&E to conduct additional VM activities** that are difficult to predict at this time.[34]

This view aligned with the Commission's prior approvals of PG&E's 2019 and 2020 WMPs. When approving PG&E's 2019 WMP (which was still in effect for the first few months of 2020), the Commission noted:

> **In the near term, the conservative approach is to be aggressive with [enhanced VM]**, system hardening, and de-energization], but **we expect far more analysis of this issue in PG&E's future WMPs**. As PG&E points out, it is not possible to install covered conductor across the entire HFTD before fire season, or even in the next five years, **so at least in the short term, [enhanced VM] will play an important role.**[35]

And when approving PG&E's 2020 WMP, in June of 2020, the Commission explicitly conditioned its approval on PG&E addressing several issues, including the lack of details in PG&E's WMP on how to address personnel (labor)

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[34] D.20-12-005 at 78 (emphasis added).

[35] D.19-05-027 at 25-26 (emphasis added).

shortages, improving the prioritization of work completed, and the effectiveness of increased vegetation clearances.[36]

The Commission noted the lack of historical information available to evaluate PG&E's enhanced VM forecast, and, when approving the settlement proposal to combine cost recovery for enhanced VM and routine VM into the same two-way balancing account, agreed with Cal Advocates that recorded costs in 2018 provided a good representation of future costs for enhanced VM work (which were expected to ramp-up as the program became more fully developed). As a consequence, the Commission found the settlement's reduction of forecasted VM costs could be appropriately "attributed as a reduction to PG&E's forecast for enhanced VM."[37]

This decision recognizes this important context in examining facts that were known or should have been known at the time PG&E implemented these VM programs. It was clear that the new enhanced VM program would play an important role in addressing the enhanced wildfire risk plaguing California. But the program was new and still being refined. The first full year of PG&E's enhanced VM program's implementation occurred in 2019, the same year SB 901 and AB 1054 took effect. Taken together, it is reasonable to interpret the Commission's evaluation of PG&E's VM proposals as one that recognized the inherent uncertainty in connection with the forecasted costs at that time, a clear imperative to reduce wildfire risk as quickly as possible, as well as the need to ground the forecast in actual historical costs as much as possible.[38]

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36 *See* Res. WSD-002 and Res. WSD-003.

37 D.20-12-005 at 76-77.

38 D.20-12-005 at 76-77.

4.4. Inapplicability of Res. ESRB-4

PG&E identifies Res. ESRB-4 as the legal authority for its vegetation management program element of Tree Mortality in 2020.[39] Res. ESRB-4 was adopted by the Commission in 2014 and authorized cost recovery for work through the Catastrophic Event Memorandum Account (CEMA) that was not recoverable through the other mechanisms available at the time.[40] However, the Commission's subsequent GRC decision in D.20-12-005 changed the authorization in directing that the costs of the work be tracked and recovered through the 2020 VMBA.[41]

In its 2019 and 2020 WMPs, PG&E describes Tree Mortality in detail, and also separately defines its Power Generation Tree Mortality program to remove trees and clear vegetation around its 63 hydroelectric generation facilities. Power Generation Tree Mortality was also recorded and recovered through the CEMA before 2020 but was moved into the 2020 VMBA by D.20-12-005.[42] As a result, D.20-12-005 and the Wildfire Mitigation Statutes are the authorities for Tree Mortality work performed in 2020 and recorded in the 2020 VMBA.

4.5. Burden of Proof

As the applicant, PG&E bears the burden of proving that its cost recovery request is reasonable. PG&E has the burden of affirmatively establishing the reasonableness of all aspects of its application, as defined by the prudent manager standard.[43] The Commission has held that the standard of proof the

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[39] Exhibit PGE-01 at 1-12 and at 3-27.

[40] Res. ESRB-4 at 10, FoF 13, OP 4.

[41] D.20-12-005 at 67.

[42] Exhibit PGE-01 at 3-6.

[43] D.09-03-025 at 8; D.06-05-016 at 7.

applicant must meet in rate cases is that of a preponderance of the evidence.[44] Preponderance of the evidence usually is defined "in terms of probability of truth, *e.g.*, 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.'"[45]

4.6. Reasonableness

The Commission uses the prudent manager standard to evaluate whether PG&E's requested costs are just and reasonable.[46] The Commission has described this standard as follows:

> The term "reasonable and prudent" means that at a particular time any of the practices, methods, and acts engaged in by a utility follows the exercise of reasonable judgment in light of facts known or which should have been known at the time the decision was made. The act or decision is expected by the utility to accomplish the desired result at the lowest reasonable cost consistent with good utility practices. Good utility practices are based upon cost-effectiveness, reliability, safety, and expedition.[47]

PG&E emphasizes that the prudent manager standard is not a standard of perfection.[48] The Commission has explained that:

> A reasonable and prudent act is not limited to the optimum practice, method, or act to the exclusion of all others, but rather encompasses a spectrum of possible practices, methods, or acts consistent with the utility system needs, the interest of

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[44] D.19-05-020 at 7; D.15-11-021 at 8-9; D.14-08-032 at 17.

[45] D.08-12-058 at 19, citing Witkin, Calif. Evidence, 4th Edition, Vol. 1 at 184.

[46] PG&E Opening Brief at 9 – 10 referencing D.14-06-007 at 31, 36; TURN Opening Brief at 2.

[47] TURN Opening Brief at 2 – 3 referencing D.18-07-025 at 5 and D.87-06-021; PG&E Opening Brief at 9 referencing D.87-06-021; *also See* D.17-11-033 at 10 referencing D.87-06-021.

[48] PG&E Opening Brief at 9 referencing D.02-08-064 at 6 and D.14-06-007 at 31, 36.

> the ratepayers and the requirements of governmental agencies of competent jurisdiction.[49]

The Commission has adhered to the prudent manager standard for decades as indicated by both PG&E and TURN in their Opening Briefs.[50]

PG&E and TURN are also in agreement that when the Commission applies the prudent manager standard and determines certain spending was imprudent, the Commission is obligated to disallow recovery of such costs.[51] The Commission has disallowed incurred costs when, for example, (1) the utility had not originally performed the work properly; (2) the utility had failed to comply with regulatory requirements that it was previously funded to satisfy; or (3) the costs to be incurred are due to clear and identifiable failures and errors.[52]

5. Discussion of Approved and Disallowed Costs

The Commission details each of its findings regarding approved and disallowed costs below.

5.1. PG&E's Presentation of Incremental VM Costs by Program Element

In this application, PG&E seeks recovery of $591.980 million in incremental recorded 2020 vegetation management costs. PG&E recorded a total of $1,249.505 million in 2020 vegetation management costs, which exceeds the prior $657.615 million authorization from the 2020 GRC by $591.980 million. PG&E presents

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[49] D.02-08-064 at 6, referencing D.87-06-021. Also *See* D.24-05-037 at 10 - 11.

[50] TURN Opening Brief at 2 referencing D.21-11-036 at 4, in turn referencing D.16-06-056 at 22 and D.14-06-007 at 36 -37 (also referenced in PG&E Opening Brief at 9 – 10).

[51] TURN Opening Brief at 4; PG&E Reply Brief at 16 (footnote 59).

[52] D.16-06-056 at 22 – 23; D.21-11-036 at 5 – 6.

incremental costs separately for routine VM, enhanced VM, Tree Mortality, and Power Generation Tree Mortality.

PG&E's presentation in this application requests reasonableness review and approval of an incremental $424 million for routine VM and $69 million for enhanced VM.[53] PG&E's accounting of total recorded costs by program element is supported by its documentation, and TURN's testimony does not dispute these are the amounts at issue for the incremental routine and enhanced VM program costs. While the 2020 GRC did not authorize separate revenue requirements for routine VM and enhanced VM,[54] in conducting our reasonableness review in this application we evaluate total costs recorded and tracked by program element to determine approved cost recovery and disallowances.

PG&E isolates cost changes due to different amounts of work activities from cost changes due to different prices for each unit of work. This decision evaluates and calculates a disallowance for routine VM costs on a cost-per-unit basis (*i.e.,* cost per tree worked), as shown below.

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[53] TURN Opening Brief at 11-12.

[54] D.20-12-005 at 77 ("[W]e find that the settlement amount of $548.013 million for VM and enhanced VM represents a fair compromise between party positions.") *See* also *id.* at OP 1a, 8.

Table 2. 2020 Recorded and Forecast Vegetation Management Costs

	Recorded-Adjusted[55]			Forecast[56]		
	Costs (Millions of Dollars)	Units	Cost Per-Unit (Fully Loaded)	Costs (Millions of Dollars)	Units	Cost Per-Unit (Fully Loaded)
Routine	$699.084	1,560,055 trees	$448/tree	$229.286	1,125,826 trees	$204/tree
Enhanced	$451.562	1,878 miles 131,460 trees	$240,448/mile $3,434 / tree	$378.106	2,922 miles 230,838 trees	$129,400 / mile $ 1,637 / tree
Tree Mortality	$98.131	43,165 miles	$2,274/mile	Not forecast		
Power Generation Tree Mortality	$1.448	63 facilities 3,397 trees	$22,984/facility $426/tree			

PG&E mixes and matches categories making up the larger category of unit-based costs,[57] preventing an analysis of costs per unit by a subset of total costs. Thus, this decision evaluates "fully loaded" costs per-unit, meaning that all

[55] Recorded-Adjusted Cost Source: Exhibit TURN-03 in combination with Exhibit PGE-011 and Exhibit PGE-05.

[56] Forecast Cost Source (Routine VM): D.20-12-005 at 75 and Exhibit PGE-01 at 3-16 referencing A.18-12-009 Exhibit (PG&E-4), Workpapers (WP) 7-14.

Forecast Cost Source (Enhanced VM): D.20-12-005 at 75 and Exhibit PGE-01 at 3-25 identifies the source of enhanced VM forecast as A.18-12-009 Exhibit (PG&E-4), WP 7-12.

[57] Appendix A describes PG&E's accounting inconsistencies regarding subcategories of routine VM costs per-unit.

discrete subcategories (such as Contractor Safety or accounting accrual adjustments) are combined into the overall total cost, and divided by the unit of work. PG&E presents fully loaded per-unit costs of routine VM in Table 3-5 of Exhibit PGE-01. This decision determines fully loaded costs per-unit to be a viable approach to evaluate costs and calculate disallowances in this proceeding.

This decision also considered the cost of enhanced VM costs on a cost-per-mile and cost-per-tree basis, which illustrates the significantly higher cost of the enhanced VM work per tree compared to the other categories. We calculate a disallowance for enhanced VM based on the total costs and cost drivers PG&E demonstrated for the program.

PG&E's discussion of cost changes driving its request has varied in this proceeding. The amounts change among 1) the summary tables presented in testimony, 2) the supporting documentation showing total recorded costs for each VMBA program, and 3) detailed disaggregation of summary tables in response to data requests.

In its accounting of recorded costs, PG&E also makes two blanket cost adjustments to its total accounting of recorded costs as follows:

- $8.900 million less overall in routine VM
- $10.159 million more overall in Tree Mortality

This decision accepts the routine VM blanket adjustment because the adjustment results in a total that is reconcilable with PG&E's supporting documentation for routine VM in testimony (Exhibit PGE-01). This decision rejects the Tree Mortality blanket adjustment to recorded costs because it is not supported by other documentation of Tree Mortality costs presented in PG&E's application.[58]

5.2. Deferral of Routine VM Work from 2019 to 2020

This decision does not disallow costs due to PG&E's deferral of 409,000 trees for routine VM work from 2019 to 2020.

5.2.1. Party Positions

In 2020, PG&E remediated 434,229 more routine trees than it forecast. PG&E identified 409,000 trees that were "carry-over" work from 2019.[59] PG&E explains that the difference between the volume of work forecast and the volume performed may have been driven by referrals from the Wildfire Safety Inspection Program (WSIP)[60] and by above normal precipitation in 2019.[61]

TURN argues that it was unreasonable to shift routine work from 2019 to 2020 and that the higher unit costs associated with 434,000 trees should be disallowed. TURN states that PG&E's poorly managed enhanced VM program displaced critical routine VM work in 2019.[62] TURN challenges the claim that

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[58] PG&E supporting documentation of Tree Mortality costs includes Exhibit PGE-01 (Table 3-9), Exhibit TURN-03, Exhibit PGE-05, Exhibit PGE-011, and A.21-06-021 Chapter 9 Workpapers.

[59] Exhibit TURN-04 at PG&E Response to TURN Data Request 3 Question 3. PG&E was unclear on the number of trees carried over from 2019 inspections. PG&E initially identified 409,000 trees that were carried over from 2019 inspections. In response to a later data request, PG&E estimated that 429,700 trees were deferred work from 2019. PG&E acknowledged the difference in its estimates, stating that tree data is dynamic and "the difference is due to reviewing and cleansing data in the Vegetation Management Database." This decision uses the 409,000 number, which results in a smaller disallowance.

[60] Exhibit PGE-01 at 3-17. The Wildfire Safety Inspection Program (WSIP) is not funded through the VMBA.

[61] Exhibit PGE-02 at 3-16.

[62] TURN Reply Brief at 4, 7.

higher precipitation drove more work volume, pointing out that a simplistic correlation between precipitation and VM volume is not supported by the data and that the pattern is more complex than "more rain one year" and "more trees worked the following year." Therefore, TURN asserts that PG&E's higher precipitation contention should be dismissed, and the incremental cost increase should be attributed to carry-over work from 2019.[63]

TURN recommends disallowance of at least $254.825 million, including a caveat that TURN does not address all the drivers of routine VM costs.[64]

5.2.2. Discussion

For routine VM in 2020, PG&E forecast remediating 1,125,826 trees. PG&E actually remediated 1,560,055 trees, 434,000 more than forecast.[65] As shown below, PG&E's average amount of routine VM carry-over work in the four years prior to 2020 was 69,000 trees, with the highest amount of carry-over from 2016 to 2017 at 106,100 trees. As is clear from the record, routine VM carryover work is a common practice.

Table 3. PG&E Routine VM Work Carried Over Historically

[63] Exhibit TURN-01 at 11-13; TURN Opening Brief at 15 – 16; RT Vol. 2 at 183.

[64] Exhibit TURN-01 at 4.

[65] Exhibit PGE-01 at 3-16.

Account	**Number of Trees Worked**[66]	**Number of Trees Worked "Carried Over" from Prior Year**[67]
2016	1,078,049	33,000
2017	1,264,300	106,100
2018	1,324,331	49,900
2019	1,273,796	87,700
2020	1,560,055	409,000

[66] Exhibit TURN-01 Appendix 3 (A.21-06-021 Exhibit PGE-04 WP Table 9-10).

[67] Exhibit TURN-04, PG&E response to TURN Data Request 3 Question 3.

As for PG&E's initiation of and focus on its enhanced VM program in 2019, we recognize PG&E's WMPs are premised upon compliance with the routine VM mandates of GO 95 Rule 35 and PRC Sections 4292 and 4293. However, we also recognize that if all routine tree work cannot be done on time, it may not be unreasonable to complete the work in the following year. It is also unclear whether the cost increases incurred in 2020 would have been avoided by completing more work in 2019, which would have meant completing an unprecedented overall volume of tree work in the face of already rising costs. Further, in approving PG&E's 2019 WMP, the Commission recognized that enhanced VM would play an important role in the short term.[68]

For these reasons, this decision declines to find PG&E's management choice to defer some routine VM work from 2019 to 2020 (to prioritize its enhanced VM program in 2019) imprudent and declines to disallow recovery of costs based on the timing of routine VM work.

5.3. Labor Cost Increases

This decision disallows $137.012 million for labor cost increases recorded for routine VM and $69.071 for enhanced VM. This decision finds that PG&E has not met its burden to justify cost recovery of the entire amount of increased labor costs incurred (above forecasts), because it has not presented sufficient evidence to show that it prudently managed all labor supply risks in its execution of these VM programs.

[68] D.19-05-027 at 25-26.

5.3.1. Party Positions

For both routine and enhanced VM, PG&E attributes unit cost increases (above forecasts) predominantly to higher labor costs.[69] Specifically, PG&E cites the wage increases of SB 247[70] and higher contract costs due to switching from "per unit" contracts to Time and Equipment (T&E) contracts,[71] as significant drivers in the overall increase in PG&E's 2020 VM costs.[72] Under a per unit contract, the contractor charges for services based on a quantity of output, which for VM work could be on a dollar per tree or dollar per mile basis. Under a T&E contract, the contractor charges PG&E based on time (for example, hourly or daily) and an agreed price for equipment or materials used by the contractor to perform the work. PG&E cites changes in the volume of vegetation management work driving actual labor costs higher than forecasts of labor costs.[73] PG&E states that the increased volume of work is one of the factors that drove the need to secure more expensive contractor arrangements (from unit cost basis to T&E basis), and that higher volumes of work were partially driven by remediation identified in 2019 that was not able to be completed until 2020 due to labor shortages. PG&E states that "the record is clear that increased VM unit costs were unforeseeable and beyond PG&E's control."[74]

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[69] Line items showing labor costs in Tables 3-4 and 3-7 in Exhibit PGE-01 are labeled "increased unit costs" which are comprised of increases attributable to labor cost changes, as shown in the tables breaking down the unit cost drivers in Exhibit TURN-01 at APP2-2 and APP2-8.

[70] Exhibit PGE-01 at 3-17, 3-25.

[71] *Id.* at 3-14 to 3-15, 3-25.

[72] Exhibit PGE-02 at 3-9.

[73] PG&E Opening Brief at 44.

[74] *Ibid. Also See* PG&E Opening Brief at 40 ("[T]ree work was more expensive on a unit cost basis in 2020 versus 2019 due to external factors beyond PG&E's control – specifically, increased

PG&E states its GRC forecast assumed work would be conducted on a unit cost basis, but it made the decision to switch to paying contracts on a T&E basis. PG&E states it needed to complete more work and increase its vendor pool while facing a significant market demand for tree contractors in California. PG&E also states that in late 2020, to control costs, it entered into 5-year defined scope contracts with fifteen contractors.[75] Finally, the shortage of California labor added costs because PG&E incurred meal, lodging and travel costs for out-of-state contracts and paid overtime and double-time to accomplish the higher volume of work.[76]

TURN agrees with PG&E that SB 247 increased labor costs that PG&E did not include in its VM forecasts filed in the GRC.[77] With the exception of the SB 247 labor premium, TURN contends labor cost increases were within PG&E's control, and that PG&E's mismanagement of well-known risks, such as failing to properly deploy scarce labor resources, led to the cost overruns.[78] TURN recommends disallowing at least $323.724 million in VMBA costs related to enhanced and routine VM programs.[79]

contract costs driven by the market, increased costs stemming from the passage of SB 247, higher than forecasted tree volume, and work items that were not anticipated at the time of PG&E's 2020 GRC forecast.")

[75] Exhibit PGE-01 at 3-14 to 3-15.

[76] *Ibid.*

[77] Reporter's Transcript (RT) Volume (Vol.) 2 at 187:5-12.

[78] Exhibit TURN-05, PG&E Corrective Action Plan pursuant to Res. M-4852 at 6.

[79] TURN Opening Brief at 6.

5.3.2. Discussion of Wage Increases Caused by SB 247

SB 247, codified as Section 8386.6, became effective January 1, 2020. It requires that all qualified line clearance tree trimmers be paid no less than the prevailing wage rate for a first period apprentice electrical utility lineman as determined by the Director of Industrial Relations.[80]

The SB 247 wage increase is a classic and clear example of costs beyond the utility's control. Because labor is not itemized in PG&E's forecasts, PG&E estimated the impact to routine VM costs of SB 247 as an additional $127.24 per tree.[81] This decision allows costs attributable to an additional $127.24 per tree for the trees worked under the routine VM program in 2020. This decision also allows incremental enhanced VM program costs PG&E attributes to SB 247 as further explained in Section 5.3.5 below.

5.3.3. Discussion of Labor as an Execution Risk

As PG&E explains, tree work was more expensive on a unit cost basis in 2020 compared to 2019.[82] PG&E argues that a greater volume of routine VM work conducted in 2020 was, in part, why unit costs rose in 2020. We acknowledge that the volume of routine VM trees worked in 2020 was substantially higher than in prior years because PG&E chose to defer 409,000 routine VM trees identified for remediation in 2019 until 2020, when unit costs were higher. As discussed in more detail above in Section 5.2, this decision does not find that PG&E's choice to defer some routine VM work was an unreasonable

[80] Pub. Util. Code Section 8386.6.

[81] Exhibit TURN-01 at APP2-2.

[82] PG&E Opening Brief at 40.

management decision. Because VM costs increased in 2020 partly due to the increased volume of work completed, this decision allows some of the additional labor costs incurred.

On the other hand, labor shortages were identified throughout the 2019 and 2020 WMP process by both PG&E and the Commission.[83] PG&E was aware that external contractor costs were rising, and that the pace of PG&E's enhanced VM program depended upon adequate labor.[84] PG&E identified the problem with higher labor costs and attracting labor in its 2020 GRC application filed in December 2018 and planned to address the problem by moving contractor labor in-house.[85] PG&E forecast $27.4 million for this strategy in its 2020 GRC application. In A.21-09-008, PG&E reports not spending this $27.4 million and offsets the recorded costs by this amount.

While acknowledging that it failed to implement the program to move some contractor labor in-house, PG&E does not explain why it made this management choice. Nor has PG&E demonstrated that its choice did not contribute to the higher T&E contract costs PG&E incurred in 2020.[86] PG&E nevertheless characterizes higher contractor labor costs as outside of its control and unforeseeable. We disagree with PG&E's assertion that all contractor labor cost increases were unforeseeable and beyond its control. It is true that PG&E

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[83] *See*, among others, Res. WSD-002 at 30 – 31.

[84] PG&E 2019 WMP (February 6, 2019 version) at 82; Joint Settlement Motion at 18; PG&E 2020 WMP (February 28, 2020 version) at Executive Summary-16.

[85] Exhibit PGE-01 at 3-19. PG&E planned to hire 224 pre-inspectors and 48 supervisory and back office staff in 2020.

[86] *Ibid*; *See also* Exhibit PG-01 at 3-15 (describing drivers of T&E cost increases as including the need to hire out-of-state contractors and increased rates demanded by independent contractors).

performed more routine VM in 2020 and thus needed more labor than it had forecast. Nonetheless, PG&E and the Commission both acknowledged labor shortages in 2019. PG&E was aware of the tight labor market and has not presented sufficient evidence demonstrating that it took reasonable and prudent steps to manage labor as an execution risk, for example by implementing its plan to bring some of the contractor work in-house.

On balance, we find that the evidence reflects that PG&E was aware of a need to perform a higher volume of work in 2020,[87] that there was a shortage of labor to perform that work,[88] that PG&E cites these factors as driving the change to more expensive T&E contracts,[89] that PG&E did not implement its intended

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[87] *See*, for example, D.20-12-005 at 76 ("Although we consider the general scope of work that PG&E has planned as important in mitigating wildfire risks, we share the concerns raised by Cal Advocates, TURN, and [another party] that PG&E's forecast is ambitious, has an undefined scope of work, and an unpredictable pace of work") and at 77 ("The settlement amount takes into account recorded expenditures as well as concerns that PG&E's forecast is, as PG&E itself admits, somewhat ambitious as well as lacking in detail with regards to scope and pace of work. We also find the [post test year] amounts agreed upon for routine and enhanced VM work reasonable given that enhanced VM work is expected to ramp-up as the program becomes more fully developed.")

[88] D.19-05-037 at 26 ("Improving communications and partnerships with local governments such as the Joint Local Governments that are parties to this proceeding may also provide additional benefits, such as local training programs for increasing PG&E's access to skilled labor needed for vegetation management. While PG&E asserts that the lack of skilled arborists is a long-term problem given the extent of PG&E territory in HFTD areas, it is a problem that the many governmental agencies located in HFTD areas may be able to help PG&E solve."); Res. WSD-003 at Attachment A at A-18 Deficiency PGE-22 ("Some of PG&E's vegetation management inspectors may lack proper certification." and at A-21 Deficiency PGE-25 ("Lack of details in PG&E's WMP on how to address personnel shortages"); Res. WSD-021 (approving PG&E 2021 WMP) at Appendix A at 75 ("PG&E is increasing the pool of qualified VM workers by partnering with the IBEW and educational institutions…to establish a training program designed to provide the skills and knowledge necessary to perform tree crew work safely and competently.")

[89] Exhibit PGE-02 at 3-9; PGE-03 at 3-15.

strategy to hire more internal versus external labor,[90] and that PG&E did not demonstrate whether that failure contributed to the higher unit costs PG&E incurred in 2020.

This decision therefore finds it is reasonable to disallow a portion of the non-SB 247 labor cost increases for routine VM and enhanced VM, due to PG&E's failure to demonstrate that it sufficiently mitigated rising labor costs, including failing to explain why it failed to execute the plan to move labor in-house in light of known labor supply risks. The calculated disallowances for routine VM and enhanced VM are explained in the following sections.

5.3.4. Calculation of Routine VM Labor Cost Disallowance

This decision calculates the reasonable disallowance for routine VM costs as seventy-five percent ($137.012 million) of the non-SB 247 labor cost increase that PG&E presented for routine VM work.

PG&E's 2020 GRC forecast a unit cost for routine VM of $203.66/tree. PG&E actually recorded a higher unit cost of $448/tree. As discussed above, this decision finds it reasonable to allow cost recovery for the increased costs attributable to the SB 247 labor premium. However, this decision finds PG&E did not meet its burden of proof to show why the entire remainder of the unit cost increase (*i.e.*, $117.10), which it attributes to the switch to more expensive T&E contracts, was all reasonably incurred. Therefore, the disallowance for labor cost increases on a unit basis is calculated as follows:

1. The recorded per-unit cost of routine VM of $448/tree is apportioned into three amounts:
   a. $203.66 is the forecast per-unit cost;

[90] Exhibit PGE-01 at 3-19.

   b. $127.24 is the increase per-unit driven by the SB 247 labor premium; and
   c. The remainder is $117.10.
2. Of the remainder ($117.10), we disallow seventy-five percent, for a decrease of $87.825 per-unit, due to PG&E's failure to demonstrate that it prudently managed labor supply risks.
3. The per-unit decrease is multiplied by the number of trees remediated in 2020 ($87.825 x 1,560,055 = $137.012 million).

5.3.5. Calculation of Enhanced VM Labor Cost Disallowance

This decision calculates a disallowance of $69.071 for enhanced VM, which is the total amount PG&E seeks for cost recovery for enhanced VM in this application.

PG&E attributes enhanced VM program cost increases predominantly to higher labor costs.[91] Specifically, it attributes $175 million to the SB 247 wage increase[92] and $308 million to higher contract costs due to switching from per unit contracts to T&E contracts.[93] These are identified as the most significant drivers to the increase in PG&E's 2020 enhanced VM program costs, with PG&E also realizing some cost savings, including offsets due to its completing 1,044 fewer miles of enhanced VM work in 2020 than forecast.[94]

TURN argues that the Commission should disallow the entirety of enhanced VM costs incurred above the 2020 GRC authorization, based on its

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[91] Line items showing labor costs in Tables 3-4 and 3-7 are labeled "increased unit costs" which are comprised of increases attributable to labor cost changes, as shown in the tables breaking down the unit cost drivers in Exhibit TURN-01 at APP2-2 and APP2-8.

[92] Exhibit PGE-01 at 3-17, 3-25; TURN-01 at APP2-8.

[93] *Id.* at 3-14 to 3-15, 3-25.; TURN-01 at APP2-8.

[94] Exhibit PGE-02 at 3-9, 3-20 to 3-26; TURN-01 at APP2-8.

analysis demonstrating that PG&E's program implementation was flawed. TURN summarizes its position arguing that PG&E should not be entitled to collect cost overruns where ratepayers have already paid nearly $400 million for EVM in 2020.[95]

We agree with TURN that PG&E has not met its burden to prove it prudently executed the enhanced VM program. Compared to its 2020 GRC forecasts, PG&E completed significantly fewer total miles and worked fewer total trees in 2020, and yet recorded unit costs for such work that were 85 percent over its forecast on a per mile of work completed basis.[96] We also note the substantially higher costs of the enhanced work compared to other VM programs—whether measured as cost-per-mile or cost-per-tree – as shown in Table 2 above.

This decision accordingly finds that $69 million is a reasonable disallowance. It represents the total amount sought for enhanced VM in this application. While PG&E achieved some cost savings across the enhanced VM program cost categories, including by completing fewer miles than forecast, PG&E attributes over $308 million of the enhanced VM costs as due solely to higher T&E contract rates. Although this decision finds that some labor cost increases were reasonably incurred, it also finds that PG&E has failed to sufficiently demonstrate that it prudently managed known labor risks and therefore a portion of increased costs are not justified. The amount of disallowance calculated therefore reasonably disallows the full amount sought here, reflecting prior recovery of a portion of cost increases for T&E contracts and

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[95] TURN-01 at 6.

other cost drivers, while disallowing the full exceedance of the prior approval based on PG&E's failure to establish prudent management in executing the program.

We also note that PG&E has not offered any alternative explanations to justify the enhanced VM cost overruns. For example, the higher costs were not necessary to complete *more* work than forecast. In fact, PG&E completed approximately 40 percent less work than forecast, measured either in miles completed or number of trees worked, at 20 percent higher total program cost. Nor has PG&E sought to justify the increased costs as necessary to implement a risk prioritized approach in order to complete enhanced VM first on highest-risk circuits. Rather, as discussed further below, the record reflects that PG&E risk prioritized by completing the enhanced VM miles within HFTDs, not strictly in an order of risk-ranking.

In summary, we recognize that PG&E's conduct to implement the enhanced VM program was based on information known at the time, a time when new mandates required a rapid escalation of current wildfire mitigation efforts. But PG&E failed to prove it acted reasonably and prudently in managing labor supply to control the escalating costs of this already expensive program. We expect prudent utilities to implement work efficiently to manage costs; this is especially important when a utility is rolling out an expensive new program.

5.4. Risk Prioritization of Enhanced VM Work

This decision does not disallow costs based on arguments that PG&E failed to sufficiently risk-prioritize its enhanced VM work within HFTDs in 2020.

5.4.1 Party Positions

The parties dispute whether PG&E completed enhanced VM work with sufficient risk-prioritization.

PG&E does not view its risk prioritization strategy in 2020 as faulty. PG&E states that the full scope of PG&E's enhanced work should be considered, asserting its vegetation management program overall reduced wildfire risk in HFTDs and obtained customer benefits,[97] and that "all HFTD areas pose significant wildfire risk, with even those areas considered to be comparatively lower risk sometimes being the source of a devastating wildfire."[98] PG&E argues that TURN's reliance on the findings of the Commission and the Federal Monitor appointed by the U.S. District Court should not impact the Commission's evaluation of costs. Instead, PG&E argues that its self-defined goal for enhanced VM in 2020, to perform 50 percent of the work in the top 50 percent of the risk-ranked circuits, demonstrates compliance with the WMPs.[99] Additionally, PG&E states that it exceeded its goal, by completing 74 percent of work in the top half (15 percent of its work was completed in miles ranked in the top 5 percent by risk, 26 percent in miles ranked 6 – 20 percent, and 33 percent in miles ranked 20 - 50 percent), with 26 percent of work on miles risk-ranked in the bottom 50 percent.[100]

TURN argues that the enhanced VM program implemented in 2020 was not consistent with the Commission's requirements and therefore

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[97] PG&E Reply Brief at 15.

[98] *Ibid*.

[99] PG&E Opening Brief at 34 and *Enhanced Oversight and Enforcement Process Corrective Action Plan Pursuant to Resolution M-4852* dated May 6, 2021 (Exhibit TURN-05) at 6.

[100] PG&E Reply Brief at 22.

"fundamentally flawed."[101] According to TURN, the fundamental flaw in enhanced VM was PG&E's failure to adequately prioritize its enhanced VM work, a failure that was evident in both 2019 and 2020.

Although TURN does not dispute that enhanced VM is critically important, TURN argues PG&E's enhanced VM in 2019 and 2020 failed to prioritize its highest risk circuits within the HFTDs, and therefore PG&E is not entitled to additional recovery of costs recorded to enhanced VM.[102] TURN's arguments and recommended disallowances rely on Commission findings made through the Commission's Enhanced Oversight Enforcement process, specifically "the Commission's finding that PG&E had failed to risk-prioritize its enhanced work, contrary to the Commission's requirements, jeopardizing the safety of its customers."[103]

PG&E acknowledges the Commission's finding that it inadequately prioritized enhanced VM work in 2020 but argues a 100 percent disallowance for that reason is blunt and disproportionate to the criticisms advanced and therefore unjustified.[104] PG&E provides reasons why risk-driven prioritization does not mean work will proceed exactly in order from most risky to least risky area, which no party disputes. PG&E also argues that work performed in areas of denser vegetation would have driven costs even higher. PG&E asks the

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[101] TURN Opening Brief at 5.

[102] TURN Reply Brief at 4.

[103] *Id.* at 3; Exhibit TURN-01 at 9. The Commission's Enhanced Oversight Enforcement process was established by D.20-05-053 in the proceeding addressing PG&E's bankruptcy plan of reorganization.

[104] PG&E Opening Brief at 44 – 45, *See also* Exhibit TURN-05, PG&E Corrective Action Plan pursuant to Res. M-4852 at 20.

Commission to consider "the stage of development of PG&E's [enhanced VM] program in 2020" and improvements subsequent to 2020.[105]

5.4.2 Discussion

Our reasonableness review of this application is based on whether PG&E's managerial choices to control incremental costs in 2020 fell within a spectrum of reasonable possible practices. We acknowledge that PG&E's enhanced VM was new and still under development in 2020. There are many possible ways to prioritize enhanced VM work according to risk that are consistent with the Commission's direction. PG&E's uncontested evidence that it completed 74% of its enhanced VM work in the top 50% riskiest miles reflects one such approach. Performing more work on the riskiest miles may also have been a reasonable decision. However, we find no evidence to support a view that one approach meets the reasonableness standard and the other does not. Accordingly, we decline to find that PG&E's execution of enhanced VM work within the HFTDs was an unreasonable management choice.

5.5. Disallowance for Unsubstantiated Blanket Cost Adjustment for Tree Mortality

This decision disallows $10.159 million of PG&E's Tree Mortality cost recovery request as unsubstantiated.

PG&E requests recovery of $98.131 million of Tree Mortality program recorded costs and $1.448 million Power Generation Tree Mortality costs. However, PG&E's itemization of Tree Mortality recorded costs does not add up to $98.131 million and various documents received into evidence present conflicting information. As shown in Appendix B, PG&E's opening testimony

[105] *Ibid.*

reflects Tree Mortality costs summing to a total of $83.295 million, PG&E's supporting workpapers reflect Tree Mortality costs summing to a total of $87.973 million, and a duplicate version of PG&E's supporting workpapers reflect Tree Mortality costs summing to a total $98.131 million by the inclusion of a generic blanket increase of $10.159 million. This decision disallows the blanket adjustment of $10.159 million because PG&E's Tree Mortality testimony is devoid of details to support a blanket cost adjustment. This decision thus approves $87.972 million in Tree Mortality recorded costs.

6. Ratemaking and Implementation

PG&E requested authorization to implement the approved revenue requirement over a 24-month period commencing January 1, 2023. No parties opposed this request. This decision determines it reasonable to set a 24-month collection period.

No party to this proceeding addressed PG&E's proposal that cost allocation be determined in the same manner as rates set to recover other Electric Distribution, Power Generation, Gas Distribution, and Gas Transmission costs, using the current Commission-adopted methodologies for revenue allocation and rate design. The current revenue allocation and rate design were adopted in D.21-11-016 in Phase II of PG&E's 2020 GRC. For purposes of consistency and ease of evaluating rate impact, the revenue allocation for costs authorized in this proceeding will be consistent with what was adopted in D.21-11-016.

PG&E will file for authorization to implement the surcharge rate in routine Advice Letters with the Commission's Energy Division as soon as practicable after the issuance of this decision.

7. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

At the time of issuance of this decision, 73 public comments were posted on the Docket Card in this proceeding uniformly opposing PG&E's request to increase rates. The public commenters represent nearly 30 cities where PG&E serves.

8. Conclusion

PG&E has demonstrated by a preponderance of the evidence that $375.648 million of the $591.890 million in VMBA recorded costs that PG&E requests for recovery in this proceeding are reasonable and should be approved for recovery over a 24-month period. We disallow $216.242 million of PG&E's cost recovery request.

9. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

10. Comments on Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by ______________on______, and reply comments were filed by__________________ on___________.

11. Assignment of Proceeding

Alice Reynolds is the assigned Commissioner and Camille Watts-Zagha is the assigned ALJ in this proceeding.

Findings of Fact

1. In D.20-12-005, the Commission authorized PG&E to modify the terms of the 2020 VMBA from a one-way to a two-way balancing account pursuant to the terms of the adopted Settlement Agreement as modified by D.20-12-005.

2. In D.20-12-005, the Commission authorized PG&E to recover 2020 VMBA recorded costs of $548.013 million and to recover 2020 VMBA costs in excess of the adopted revenue requirement of $548.013 million up to $657.615 million through a Tier 2 Advice Letter.

3. In D.20-12-005, the Commission authorized PG&E to recover costs recorded to the 2020 VMBA in excess of $657.615 million through an application with after-the-fact reasonableness review.

4. On January 21, 2021, the Commission's Energy Division accepted PG&E's Advice Letter 4344-G/6032-E implementing the revenue requirement adopted by D.20-12-005 to begin collecting in rates the $548.013 million to recover 2020 VMBA costs.

5. On March 25, 2021, the Commission's Energy Division accepted PG&E's Advice Letter 4392-G/6100-E filing dated February 23, 2021 to recover and collect in rates 2020 VMBA recorded costs of $109.603 million.

6. On September 16, 2021, PG&E filed A.21-09-008 seeking recovery of $591.890 million recorded in the 2020 VMBA in excess of the $657.615 million authorized.

7. In D.19-05-036 and D.19-05-037, the Commission approved PG&E's 2019 Wildfire Mitigation Plan.

8. In June 2020, the Commission ratified the Wildfire Safety Division's conditional approval of PG&E's 2020 Wildfire Mitigation Plan in Res. WSD-002 and Res. WSD-003.

9. The Commission ratified the WSD's determination to approve PG&E's 2020 WMP on the condition that PG&E remedy the deficiencies identified in Res. WSD-002 and Res. WSD-003.

10. In Res. WSD-002 and Res. WSD-003, the Commission conditioned approval of PG&E's 2020 WMP on a requirement that PG&E address deficiencies in its plan in the areas of risk prioritization, effectiveness of vegetation clearances, and planning to address labor shortages.

11. PG&E's accounting of total recorded costs per program element is reconcilable with some of the supporting documentation.

12. Reviewing costs per unit of work allows for the isolation of factors driving cost increases from factors driving changes in volume of work.

13. PG&E's accounting presentation makes cost analysis on a fully loaded cost-per-unit basis a reasonable method to calculate disallowances.

14. PG&E recorded $699.084 million attributable to its routine VM work in 2020.

15. PG&E recorded routine VM costs of $448.11 per tree in 2020, a difference of $244 per tree above PG&E's forecast provided with its GRC application of $203.66 per tree.

16. The labor premium associated with SB 247 was not included in PG&E's forecasts for the 2020 VMBA.

17. The labor premium associated with SB 247 is a cost increase of $127.24 per tree.

18. In 2019, PG&E identified 409,000 routine VM trees for remediation and remediated those trees in 2020.

19. PG&E's average amount of routine VM carry-over work in the four years prior to 2020 was 69,000 trees, with the highest amount of carry-over from 2016 to 2017 at 106,100 trees.

20. PG&E received funding in the 2020 GRC approval to implement a strategy to bring labor in-house to hedge against rising labor costs, but PG&E did not implement that strategy.

21. Enhanced VM is distinguishable from regular VM because it involves increased clearances around and above power lines.

22. PG&E recorded $451.562 million attributable to its enhanced VM work in 2020.

23. The Commission did not require PG&E to carry out enhanced VM work in strict risk ranked order.

24. PG&E recorded $98.131 million for work in Tree Mortality in 2020 including a blanket cost adjustment of $10.159 million which PG&E does not address in testimony.

25. PG&E has provided sufficient evidence to support the reasonableness of $375.648 million of recorded costs.

Conclusions of Law

1. The legal authorities controlling review of PG&E's request for cost recovery are Pub. Util. Code Section 451, Pub. Util. Code Section 454, the Wildfire Mitigation statutes from Pub. Util. Code Sections 8385 through 8389, and D.20-12-005.

2. The burden of proof is on PG&E to demonstrate that it is entitled to the relief sought in this proceeding, including affirmatively establishing the reasonableness of all aspects of the application.

3. The standard of proof that PG&E must meet is that of a preponderance of evidence, which means such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.

4. The sources of standards to determine the reasonableness of the costs that PG&E seeks recovery of in this proceeding are GO 95 Rule 35, PRC Sections 4292 and 4293, PG&E's 2019 WMP approved by the Commission, and PG&E's 2020 WMP ratified by the Commission.

5. The Wildfire Mitigation Statutes from Pub. Util. Code Sections 8385 through 8389 and D.20-12-005 supersede Res. ESRB-4 as the authorities for Tree Mortality work performed in 2020 and recorded in the 2020 VMBA.

6. Pub. Util. Code Section 8386 requires that vegetation management be included in the WMP.

7. PG&E is required to substantially comply with its own Wildfire Mitigation Plans pursuant to Pub. Util. Code Section 8386.3(c).

8. It is reasonable to rely upon PG&E's accounting of total recorded costs per program element for the purpose of calculating disallowances.

9. The labor premium associated with SB 247 is a cost increase that should be approved for all 2020 VMBA work.

10. It is reasonable to disallow a portion of the unit cost premium associated with 1,560,055 trees worked in 2020 at the rate of $87.825 per tree.

11. It is reasonable to approve cost recovery of $87.972 million of recorded Tree Mortality costs.

12. It is reasonable to approve cost recovery of $1.448 million of recorded Power Generation Tree Mortality costs.

13. PG&E established costs of $375.648 million recorded to the 2020 VMBA as reasonable over the Commission's 2020 VMBA authorization in D.20-12-005 of $657.615 million.

14. PG&E failed to establish by a preponderance of evidence the reasonableness of a total of $216.242 million in requested VM costs.

15. $137.012 million of PG&E's requested cost recovery for routine VM is not reasonable and should be disallowed under Pub. Util. Code Section 451.

16. $69.071 million of PG&E's requested cost recovery for enhanced VM is not reasonable and should be disallowed under Pub. Util. Code Section 451.

17. $10.159 million of PG&E's requested cost recovery for Tree Mortality is not reasonable and should be disallowed under Pub. Util. Code Section 451 because PG&E did not meet its burden of proof to substantiate its claimed blanket cost adjustment of that amount.

18. PG&E should be authorized to recover in rates a revenue requirement of $375.648 million over a 24-month period.

19. All rulings of the assigned Commissioner and the assigned ALJ in this proceeding should be affirmed, and all motions not addressed in this proceeding should be deemed denied.

20. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to recover a revenue requirement of $375.648 million for expenses recorded in its 2020 Vegetation Management Balancing Account over a 24-month period.
2. Upon the effective date of this decision, Pacific Gas and Electric Company is authorized to transfer the authorized revenue requirement, including interest, to the distribution subaccount of the Base Revenue Requirement Balancing Account for recovery from customers, amortized over a 24-month period, starting with the next regularly scheduled consolidated revenue requirement and rate change following issuance of this decision or as soon as practicable.
3. Application 21-09-008 is closed.

This order is effective today.

Dated ______________________, at San Francisco, California.

APPENDIX A

Accounting Inconsistencies in PG&E's Presentation of Routine VM Costs

		2020 Unit Costs	
Source	Subcategories:	**Forecast** 1.125 million trees	**Recorded** 1.56 million trees
2023 GRC Workpapers, from which PG&E itemizes cost drivers (Exhibit TURN-01 APP2-2)	Labor costs (excluding forecast insourcing) + Public Safety & Reliability (PS&R)	$185 million = $164/tree[1]	$571 million = $366/tree[2]
2023 GRC Workpapers, from which PG&E itemizes cost drivers (Exhibit TURN-01 APP2-2)	Labor costs (including forecast insourcing) + Public Safety & Reliability (PS&R)	$212 million = $189/tree[3]	$653 million = $420/tree[4]
Exhibit PGE-01 Table 3-4, Line 1 (quantifying $401.2 million cost increase over forecast, consistent with testimony narrative)	Labor costs (excluding forecast insourcing) and including Contractor Safety, Quality Assurance, Quality Verification	$191.5 million = $193.83/tree	$585.5 million = $375.30/tree

[1] Exhibit TURN-01 at APP2-2, referencing A.18-12-009 Exhibit (PG&E-4) WP 7-7, 7-9, 7-14.

[2] *Ibid.*

[3] Exhibit TURN-01 at APP2-2, referencing A.18-12-009 Exhibit (PG&E-4) WP 7-7, 7-9, 7-14.

[4] *Id.* at 13, referencing A.21-06-021 WP 9-10.

	+ Environmental Compliance[5]		
A.21-09-008 Exhibit PGE-01 at 3-16, Table 3-5	Fully loaded (all cost subcategories, including unaccounted for)[6]	$229 million = $204/tree	$699 million = $448/tree

PG&E mixes and matches what is included in the subsets of costs in subsequent presentation of routine VM costs. In response to TURN's request for PG&E to quantify the narrative description of routine cost drivers in testimony, PG&E's response includes a legacy subcategory titled Public Safety & Reliability in the forecast subset of routine costs and excludes Public Safety & Reliability in the recorded costs comparison. In another subcategory mix-up, PG&E itemizes recorded unit increases based on estimates inclusive of the labor insourcing subcategory, however compares this to forecast unit costs from which PG&E excludes the labor insourcing subcategory.

(END OF APPENDIX A)

[5] Exhibit PGE-01 at 3-14, Table 3-4, Line 1 as broken down in Exhibit TURN-01 at APP2-2.

[6] *Id.* at 3-16, Table 3-5.

APPENDIX B

Variation in Total Costs Per Program Element
Shown Throughout A.21-09-008
($ in millions)

	Summary Table in Exhibit PGE-01, Table 3-1	Itemized Accounting in Exhibit PGE-01, Tables 3-4, 3-7, 3-9, respectively	Itemized Accounting in Exhibit PGE-05 [Exhibit PGE-05 is labeled supporting documentation for PGE-01, Chapter 3]	Itemized Accounting in Exhibit TURN-03 [TURN-03 duplicates PGE-05]
Routine VM	$699.084	$659.378	$707.984	$699.084
Enhanced VM	$451.562	$446.990	$451.562	$451.389
Tree Mortality	$98.131	$83.295	$87.972	$98.131

(END OF APPENDIX B)