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Agency ID #23039
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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.*, Drew Hodel 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:avs

Attachment

Agenda ID #23039
Alternate Agenda ID #23040
Ratesetting

ATTACHMENT

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.

(END OF ATTACHMENT)

Decision **PROPOSED DECISION OF ALJ WATTS-ZAGHA**
(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

TABLE OF CONTENTS

Title **Page**

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 $316.266 million of the $591.890 million it requests in this application for vegetation management work it performed in 2020. PG&E's 2020 General Rate Case Decision 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 $316.266 million of PG&E's request and disallows $275.624 million.

This proceeding is closed.

1. Background

In Pacific Gas and Electric Company's (PG&E's) 2020 general rate case (GRC) proceeding,[1] 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 called Routine Vegetation Management (VM), and specialized vegetation management efforts in response to specific Commission directives. Beginning in 2020, the Commission established the 2020 Vegetation Management Balancing Account

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

(VMBA) as the ratemaking mechanism for Routine VM, Enhanced VM, Tree Mortality, and Power Generation Tree Mortality.

The Commission also found reasonable to include a spending contingency up to $657.615 million (120 percent of the authorized amount of $548.013 million) in the terms of the 2020 VMBA. 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 relating to the eight accounts other than the VMBA that is addressed in this decision.[2] 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 to the other eight accounts. On October 17, 2023, the assigned ALJ issued a Ruling Seeking Responses to Questions in this proceeding and related

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[2] 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.

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[3] governs the Commission's approval of the costs requested in this proceeding.[4] 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 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.

4.2. Wildfire Mitigation Statutes

The Wildfire Mitigation Statutes are contained in Chapter 6 of Division 4.1 of the Public Utilities Code from Pub. Util. Code Sections 8385 through 8389. The

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

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

Wildfire Mitigation Statutes established the Wildfire Mitigation Plan (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.[5]

In 2019, the Commission reviewed and approved PG&E's 2019 WMP.[6] In 2020, the Commission ratified the Wildfire Safety Division's (WSD) conditional approval of PG&E's 2020 WMP.[7] 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

5 Pub. Util. Code Section 8386.

6 D.19-05-036 and D.19-05-037.

7 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.

> 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.[8] As explained by the Commission in 2019 when approving the 2019 WMPs:

> 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.[9]

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.[10]

4.3. Vegetation Management Balancing Account Authorization

4.3.1. Balancing Accounts

The choice of ratemaking mechanism authorized affects the risk borne by utilities and their ratepayers. The Commission may authorize balancing account treatment for necessary work when costs are uncertain and/or difficult to forecast, such as when the utility is implementing a new program or because the

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

[9] 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.

[10] 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.

costs are driven by external factors not subject to utility control.[11] The Commission has found a "balancing account is an appropriate regulatory tool where the scope of work is known and accepted, as is here… but there is not a reasonable forecast of cost."[12] Balancing account treatment reduces the forecast risk of changing costs, because costs are reconciled after the work is completed. Correspondingly, balancing accounts limit the managerial discretion to change activities from the activities deemed necessary and therefore authorized. In contrast, the terms of memorandum accounts come with no predetermination that the work is necessary, only that it may become necessary. GRC ratemaking predetermines both work and costs to be reasonable and necessary. GRC rates allow the utility managerial discretion to change activities as conditions change, and utilities bear the forecast risk of changing costs. Once GRC rates are set, the opportunity to reconcile costs after-the-fact is forbidden.[13]

4.3.2. PG&E's Vegetation Management Program Elements

PG&E's 2020 VMBA includes the following program 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

[11] D.19-03-025 at 59, citing D.14-08-32 at 56 and D.13-05-010 at 34.

[12] D.14-06-007 at 26 – 27, Finding of Fact (FoF) 12 - 13, CoL 18 - 19. *Also see* Res. E-3238 at 4.

[13] In Exhibit PGE-02 at 2-11, PG&E identifies an additional difference between activities with costs recovered through balancing accounts and activities with costs recovered through GRC forecast ratemaking: GRC forecast activities and costs are more fungible and balancing account activities are to be performed as forecast.

Tree Mortality covers all the HFTDs and areas outside HFTDs),[14] and in length of the inspection cycle (routine and Tree Mortality cycles recur annually, and enhanced VM covers 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.[15] 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[16] between its overhead distribution line[17] 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.[18] Quality control personnel review the pre-inspection work and also the remediated vegetation work. The objective of routine VM along overhead

[14] 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 25,410 HFTD line miles and 17,965 non-HFTD line miles.

[15] PG&E Opening Brief at 3.

[16] Safe distances between electric utility assets and vegetation are specified in General Order (GO) 95 Rule 35 and Public Resources 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.

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

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

distribution lines is to maintain the clearances established in Rule 35 GO 95 and PRC Section 4293.[19]

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.[20]

The Tree Mortality[21] 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),[22] which add approximately 17,965 additional miles outside the HFTDs.[23]

Tree Mortality work consists of redundant patrols and inspections along the routine route,[24] with the alternative names of "Second Patrol" and "Mid-Cycle Patrol" for this program element.

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[19] 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).

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

[21] 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).

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

[23] 2021 WMP Attachment WMP 7l.3.5_RSE_Input_Template_EO_WLDFR Tab1-LProgram Exposure.

[24] 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[25] at a rate of 2,922 miles per year over eight years.[26] 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.[27]

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.[28] 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

[25] 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.

[26] 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.

[27] PG&E Opening Brief at 3.

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

tier of the HFTD, and 39 are in Tier 2.[29] 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."[30] 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.[31]

4.3.3. 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.[32] 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 indeed incremental and the costs were reasonable.

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[29] 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.

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

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

[32] 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.

4.3.4. VMBA Authorization in 2020 GRC

In PG&E's 2020 GRC, decided by 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, lifting the previous cap on cost recovery. The settlement also proposed combining cost recovery for enhanced VM and routine VM into the same two-way balancing account. The Commission agreed to these proposals and added two more vegetation management program elements, Tree Mortality and Power Generation Tree Mortality, to the same balancing account. The Commission made no changes to 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.

In the 2020 GRC decision, the Commission imposed a special condition on the two-way balancing account, now known as the reasonableness review threshold.[33] The reasonableness review threshold requires PG&E to undergo a formal review (by application) to collect amounts over the $657.615 million threshold, rather than collecting additional revenue through the ministerial process often allowed for balancing accounts. The Commission preserved the

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[33] D.20-12-005 at OPs 1a, 7, and 8, referencing Settlement Agreement of the 2020 General Rate Case of Pacific Gas and Electric Company at section 2.3.4.2 (Attachment A to the Joint Motion of the Public Advocates Office, The Utility Reform Network, Small Business Utility Advocates, Center for Accessible Technology, The National Diversity Coalition, Coalition of California Utility Employees, California City County Street Light Association, The Office of the Safety Advocate and Pacific Gas and Electric Company for Approval of Settlement Agreement filed in A.18-12-009 dated December 20, 2019) (Joint Settlement Motion). *Also see* Joint Settlement Motion at 27.

ministerial process for collecting 2020 VMBA costs under the reasonableness review threshold (up to $657.615 million).[34]

Examples of other balancing accounts reviewed by formal application include the Energy Resource Recovery Accounts[35] and Public Safety Enhancement Plan balancing accounts.[36]

4.3.4.1. No Separate Thresholds for Routine VM and Enhanced VM

As set forth in Section 4.3.4 above, D.20-12-005 approved a settlement that adopted a combined 2020 forecast for routine and enhanced vegetation management of $548.013 million, with cost recovery in excess of 120 percent of that amount ($657.615 million) to be made by an application. The Commission did not approve separate forecasts for routine and enhanced vegetation management, but combined those program elements into one balancing account, the VMBA. However, in this application, PG&E allocates $657.615 million separately between routine VM and enhanced VM, asserting $275 million and $382 million have already been deemed reasonable for routine VM and enhanced VM, respectively. We find that the Commission is not obligated to adopt PG&E's imputation of authorized costs between routine VM and enhanced VM activities

[34] 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 ministerial means (Tier 2 advice letters). PG&E filed Advice Letter 4344-G/6032-E on December 22, 2020.

[35] For the terms of review established by the Commission for Energy Resource Recovery Accounts (ERRA), see D.02-10-062 and D.02-12-074. For examples of Commission determinations on ERRA applications, see A.14-02-008, A.17-02-005, and A.23-12-012, among others.

[36] For the terms of review established by the Commission for Public Safety Enhancement Plan (PSEP) balancing accounts, see D.14-06-007 and D.12-12-030. For examples of Commission determinations on PSEP applications, see D.16-06-056 in A.13-12-012/Investigation 14-06-016, A.15-06-013, A.16-09-005, A.18-11-010, among others.

or to derive separate reasonableness review thresholds. Accordingly, we reject PG&E's assertion that imputation is relevant to the costs subject to review.

Although the 2020 GRC decision acknowledged and recognized these values as the forecast of costs underlying routine VM and enhanced VM work,[37] the decision only authorized one total revenue requirement for all VM and did not approve sub-amounts separately by activity.[38] Treating cost approval for all VM activities in total is also consistent with the 2020 GRC decision's approval of the proposal that PG&E would record all VM costs in a single account (the VMBA) for the 2020 GRC period (2020 - 2022).[39]

Further, this treatment of all VM costs as constituting a single category of costs subject to reasonableness review is consistent with PG&E's treatment of costs in its advice letters implementing the 2020 VMBA. There, PG&E did not suggest the approved revenue requirement would be reserved separately by program element; PG&E implemented the 2020 VMBA as a total under-collection as authorized. We find it is inconsistent with the Commission's directives when authorizing the 2020 VMBA that cost adjustments be restricted by subcategory, which is the impact of PG&E's imputation theory.

In addition, PG&E's presentation of costs in this application is total recorded costs and does not purport to mark certain costs as an assumed (*i.e.*

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[37] *See* D.20-12-005 at 75 (recognizing PG&E's forecast submitted for routine VM of $229.3 million and enhanced VM of $378.1 million) and 76-77 (attributing the settlement reduction of $59.338 million to enhanced VM alone, for an enhanced VM forecast of $318.8 million).

[38] *Id.* 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.

[39] *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).

imputed) "reasonableness review threshold."[40] PG&E's supporting cost analysis by nationally recognized audit firm Ernst & Young is also an analysis of total recorded costs for vegetation management activities.[41]

TURN's testimony does not challenge PG&E's interpretation that the Commission's reasonableness review is limited to disallowing $424 million for routine VM and $69 million for enhanced VM.[42] When TURN calculates a disallowance to reflect its claim that PG&E executed enhanced VM poorly and incorrectly, its calculation is based upon the accounting in PG&E's testimony, including PG&E's imputed amounts.[43] TURN provides no analysis of PG&E's imputation methodology. This decision finds that PG&E's testimony setting out imputed minimums authorized for routine and enhanced VM separately, and TURN's acceptance of PG&E's imputation methodology, are not dispositive, and we adopt a total reasonableness review threshold for all VM costs. Accordingly, this decision determines that the difference between PG&E's total recorded 2020 vegetation management recorded costs of $1,249.505 million and the threshold amount of $657.615 million, a difference of $591.890 million, is subject to reasonableness review and potential recovery or potential disallowance in this decision, and we reject PG&E's assertion that the 2020 GRC authorized specific, separate revenue requirements for routine VM and enhanced VM.

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[40] Exhibit PGE-05 at Chapter 3.

[41] Exhibit PGE-01 at 1-19, Chapter 12, and Appendix A. Ernst & Young's analysis jointly addresses the costs in the 2020 VMBA and Wildfire Mitigation Balancing Account (WMBA). Ernst & Young refers to these accounts collectively as the Wildfire Mitigation Catastrophic Event (WMCE) Balancing Accounts, or just Balancing Accounts.

[42] TURN Opening Brief at 11-12.

[43] TURN Reply Brief at 3 referencing TURN Opening Brief at 6, Table 1.

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.[44] 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 multiple mechanisms available at the time.[45] 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.[46]

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.[47] 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.[48] The Commission has held that the standard of proof the

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

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

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

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

[48] 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.[49] 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.'"[50]

5. Reasonableness

The Commission uses the prudent manager standard to evaluate whether PG&E's requested costs are just and reasonable.[51] 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.[52]

PG&E emphasizes that the prudent manager standard is not a standard of perfection.[53] 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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[49] D.19-05-020 at 7; D.15-11-021 at 8-9; D.14-08-032 at 17.

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

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

[52] 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.

[53] 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.[54]

The Commission has adhered to the prudent manager standard for decades as indicated by both PG&E and TURN in their Opening Briefs.[55]

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.[56] 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.[57]

5.1. Sources of Reasonableness Standards

5.1.1. General Order 95, Rule 35 and Public Resources Code Sections 4292 and 4293

The Commission authorized PG&E's routine VM program in order for PG&E to comply with the minimum clearance requirements between utility assets and vegetation established in GO 95, Rule 35, and PRC Sections 4292 and 4293.[58] Compliance with these requirements is foundational to PG&E's vegetation management work systemwide. The Commission updated these standards at the end of 2017, in D.17-12-024, in accordance with Sections 451 and 8386(a).[59]

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

[55] 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).

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

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

[58] PG&E Opening Brief at 31.

[59] D.17-12-024 at 4.

5.1.2. Wildfire Mitigation Plans

As recognized by PG&E, the WMPs submitted by PG&E, and approved by the Commission, covering PG&E's vegetation management activities in 2020 are a key standard for reasonableness in this decision.[60] PG&E's WMPs cover all the program elements authorized for cost recovery in the 2020 VMBA – routine VM, enhanced VM, Tree Mortality, and Power Generation Tree Mortality. While the WMPs describe all program elements authorized for recovery through the 2020 VMBA, the 2020 WMP pertains geographically to the parts of PG&E's service territory that are designated as HFTDs.[61] As described above in Section 4.2 *Wildfire Mitigation Statutes,* the WMP process is iterative and evolving, with built-in feedback loops before, during, and after each year in question. This decision interprets the Commission orders when approving WMPs as part of the authorization for the 2020 scope of work. This decision also references Commission directives issued before or after 2020 that reflect what was to happen in 2020 or the reasonableness of PG&E's actions in 2020. For example, the Commission's directive in 2019 for PG&E "to track data and assess outcomes so that next year's plans reflect this year's lessons"[62] means information about 2019 work is to be applied to PG&E's work in 2020. Thus, this decision also references a 2021 Commission resolution because it evaluates PG&E's management choices in 2020.[63]

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[60] PG&E Opening Brief at 10.

[61] Res. WSD-021 at Appendix A *Office of Energy Infrastructure Safety' Final Evaluation of Pacific Gas and Electric Corporation's 2021 Wildfire Mitigation Plan Update (Energy Safety Action Statement)* at 36.

[62] D.19-05-036 at 3.

[63] The Commission ratified WSD's approval of PG&E's 2021 WMP in Res. WSD-021. *Also see* Energy Safety's 2020 Annual Report on Compliance for PG&E's 2020 WMP on February 24, 2023.

5.1.2.1. 2019 Wildfire Mitigation Plans

PG&E's 2019 WMP is relevant to the determinations in this decision because PG&E's 2019 WMP was still in effect for the first few months of 2020. PG&E explained that its 2020 enhanced VM workplan was not finalized until April 2020.[64] Likewise, the Commission's approval of the 2019 WMPs is relevant to the determinations in this decision because the Commission required PG&E to make substantive improvements in future WMPs.

PG&E filed a first version of its 2019 WMP on February 6, 2019, an amended version on February 14, 2019, and a second amended version on April 25, 2019. The Commission did not act on the second amended version. The Commission evaluated PG&E's February 14, 2019 WMP and issued two decisions: D.19-05-036 provided guidance to all the electric utilities regarding common WMP issues, and D.19-05-037 approved PG&E's WMP specifically.[65]

In the vegetation management section of its 2019 WMP, PG&E describes all work conducted in the HFTD: routine, enhanced, and Tree Mortality.[66] The Commission's approval of the 2019 WMP focused primarily on PG&E's enhanced VM program element, stating:

> PG&E asserts all of the EVM measures exceed current regulatory requirements (footnote omitted). PG&E's EVM program primarily consists of overhang clearing, targeted tree species work, and fuel reduction. This work involves two main components in HFTD areas: 1) trimming all trees to a 12-foot radius from power lines and trimming all branches hanging above power lines, and 2) removing healthy trees that

[64] PG&E Reply Brief at 21 referencing Exhibit TURN-05 at 5.

[65] D.19-05-036 at 2 – 3 and D.19-05-037 at 2 – 3.

[66] 2019 WMP (February 14, 2019 version) at 71 – 79.

> are identified as having the potential to hit power lines if they fall down (fall-ins). PG&E is additionally proposing to trim all overhangs above overhead wire, creating a four-foot corridor from conductor to sky. PG&E's proposed Fuel Reduction Program would reduce vegetation under and up to 15 feet on either side of power lines in HFTD areas, and PG&E further intends to target the top 10 species of trees for removal as hazardous.[67]

Commission approval of the 2019 WMPs expanded upon the mandate in the Wildfire Mitigation Statutes to prioritize risk:[68]

> We agree with the parties that assessment of risk is essential to determining where to conduct wildfire mitigation, and that the WMPs filed this year do not always show that electrical corporations are targeting the area of greatest risk. We therefore believe steps are necessary to ensure that risk is given adequate consideration in next year's WMP filings.[69]

In addition, the Commission in its 2019 WMP approval required PG&E to document in its 2020 WMP how enhanced clearances proposed for EVM reduced risk:

> We agree with TURN that the Commission and parties lack sufficient information to evaluate the efficacy of recent vegetation management changes or PG&E's proposed conductor-to-sky overhang corridor. We agree that PG&E should analyze available data to determine the degree to which the new minimum clearance requirement[70] and recommended clearance at time of trim in HFTD have contributed to a reduced incidence of ignitions, especially during critical weather conditions. This analysis is important

[67] D.19-05-037 at 21.

[68] Pub. Util. Code Section 8386(c)(3)(10),(11), and (15).

[69] D.19-05-36 at 33.

[70] The new clearance refers to the 4-foot vegetation clearance requirement for distribution lines in the HFTD adopted in 2012 when the interim fire maps were adopted. This requirement was applied to PG&E's service territory in D.17-12-024.

> as a means to study the diminishing return in risk reduction as a function of increased vegetation clearance distance.
>
> This issue deserves consideration in future WMPs, including analysis of the efficacy of the new clearance, which should show how PG&E will measure whether the new clearances in HFTD have reduced the incidence of ignitions, especially during Red Flag Warning conditions or elevated Fire Potential Index (FPI) days.[71]

Thus, the Commission reinforces the statutory mandate that WMP activities are to deliver a "return in risk reduction."[72] Another example is the Commission's order to develop metrics representing whether risk was reduced, rather than simply targeting an amount of work to be completed:

> In addition, with regard to "targets," in terms of quantifying work done, we agree with the many parties that contend targets do not qualify as metrics for Plan performance. Metrics are not intended to support the Commission's ability to determine whether the utility is in compliance with the WMP, but rather to inform the Commission on whether the programs proposed in the WMP are effective at minimizing the risk of catastrophic wildfire from electrical lines and equipment.[73]

5.1.2.2. 2020 Wildfire Mitigation Plans

On January 16, 2020, the Commission approved Res. WSD-001 providing guidelines for the submission of the 2020 WMPs by PG&E and other electrical corporations and WSD's review and disposition of the 2020 WMPs. In February 2020, PG&E filed a WMP for the three-year period from 2020 through 2022 – a first version on February 7, 2020, and an updated version on February 28, 2020. In its 2020 WMP, PG&E again described routine VM, enhanced VM and Tree

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[71] D.19-05-037 at 25 - 26.

[72] Section 8386(c)(12).

[73] D.19-05-027 at 48 and CoL 6, 9.

Mortality, organized according to 20 categories (initiatives) prescribed by the Commission in Res. WSD-001.[74] Only 16 initiatives are pertinent to vegetation management authorized for the 2020 VMBA (around distribution lines and substations, rather than transmission lines), and PG&E describes its vegetation management programs within 11 initiatives and does not utilize all Commission-defined initiatives.

In Res. WSD-002 and Res. WSD-003 adopted on June 11, 2020, the Commission ratified the Wildfire Safety Division (WSD)'s conditional approval of PG&E's 2020 WMP. The WSD was explicit that all of PG&E's WMP initiatives, including vegetation management, must allocate resources based on the risk reduction impact:

> While the WSD's assessment of the 2020 WMP does not approve cost recovery for its initiatives, which will be addressed in each utility's General Rate Case, the assessment does consider the effective use of resources to reduce wildfire ignition risk. Overall, PG&E does not demonstrate sufficiently that it is allocating finite resources to initiatives that most effectively reduce wildfire risk and PSPS incidents. The 2020 Guidelines required utilities to provide RSE [Risk Spend Efficiency] estimates for all initiatives, yet, PG&E provided estimates for only 4 initiatives.[75]

[74] PG&E 2020 WMP (February 28, 2020 version) at 5-176 to 5-179; Energy Safety, *2020 Substantial Vegetation Management Audit of PG&E dated June 14, 2022* at 8 – 11 describes how and where PG&E's routine VM, enhanced VM and Tree Mortality programs fit within PG&E 2020 WMP Vegetation Management section.

[75] WSD Action Statement on Pacific Gas and Electric Company's 2020 WMP dated June 11, 2020, at 7.

The Commission authorized PG&E's 2020 WMP initiatives for work that would most effectively reduce wildfire risk relative to the cost incurred. The Commission also required PG&E to address:[76]

- Improving prioritization.[77]
- Lack of details in PG&E's WMP on how to address personnel (labor) shortages.[78]
- Effectiveness of increased vegetation clearances.[79]

The Commission's conditions on PG&E's 2020 WMP establish that the scope of work authorized is to be granularly prioritized by risk, designed around labor shortages, and incorporate the work that is most effective relative to cost.[80]

PG&E filed a 2020 RCP on July 27, 2020 addressing Class A deficiencies and a first Quarterly Report on September 9, 2020 addressing Class B deficiencies. WSD released its evaluation of PG&E's RCP on December 30, 2020, finding PG&E had yet to resolve eight Class A deficiencies. WSD released its

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[76] The Commission approved PG&E's 2020 WMP on the condition PG&E remedy the deficiencies by taking prescribed action. See Res. WSD-002 at OP 7 - 9 and as described at 17: "A conditional approval identifies each missing or inadequate element in the WMP and requires specific action to remedy the problem according to particular timelines."

[77] Res. WSD-002 at 21 (Deficiency Guidance-3, Class A); WSD-003 at 42.

[78] Res. WSD-002 at 30 (Deficiency Guidance-11, Class B); WSD-003 at 56 (Deficiency PGE-25, Class A).

[79] Res. WSD-003 at 57 (Deficiency PGE-26, Class A).

[80] The condition for approval was for PG&E to remedy Class A, or the most severe, deficiencies in a Remedial Compliance Plan (RCP) filed within 20 days, Class B deficiencies in its next quarterly report, and Class C deficiencies in its 2021 WMP (Res. WSD-003 at 16 -18 and FoFs 8 - 11). On May 4, 2021, the WSD issued a Revision Notice to PG&E outlining six critical issues that PG&E was required to address and incorporate into its 2021 WMP.

evaluation of PG&E's Quarterly Report on January 8, 2021, as well as directives to address PG&E's remaining insufficient responses.[81]

In Res. WSD-021, the Commission ratified Energy Safety's Action Statement reflecting the status of PG&E's 2020 WMP deficiencies and the results of PG&E's 2020 VM work.[82]

The Energy Safety Action Statement encapsulated the status of PG&E's VM progress through 2020 as follows:

> • PG&E improved its capability to analyze circuit segments across multiple initiatives, including vegetation management and system hardening, and developed plans to avoid conducting vegetation management where system hardening is occurring and vice versa. PG&E is working to tailor its initiative selections to the optimal solution for each CPZ [Climate Protection Zone] instead of choosing overarching initiatives that may overlap in benefits and therefore not provide the most efficient use of resources.
>
> • PG&E has been working toward consolidating the data collection tools for various vegetation management (VM) activities into a new geographic information system (GIS)-based vegetation management system it calls "One Vegetation Management" (footnote omitted). A consolidated system will enable PG&E to improve planning, scheduling, and reporting and improve coordination between its numerous VM programs. It is important that PG&E keep track of its various VM programs in a consolidated manner to avoid situations where work done as part of one of its programs is not available to workers handling other VM programs. Anytime VM personnel – regardless of the program on which they work – needs data about a particular tree or trees, the data

[81] *See* WSD Evaluation of Pacific Gas and Electric Company's First Quarterly Report [QR] and WSD Notice of Non-Compliance Identified During 2020 WMP First QR Review available at https://energysafety.ca.gov/what-we-do/electrical-infrastructure-safety/wildfire-mitigation-and-safety/wildfire-mitigation-plans/2020-wmp/.

[82] Res. WSD-021 at 11 and Energy Safety Action Statement at 5.

should be available regardless of which VM resulted in the gathering of the data.[83]

5.2. Summary of Approved and Disallowed Costs

PG&E met its burden to establish the reasonableness of $316.266 million of its total requested VMBA costs of $591.890 million. Except for disallowances totaling $275.624 million that are explained subsequently in this decision, we find PG&E's cost recovery request reasonable and recoverable. 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[84]	**Requested Costs Disallowed**
Routine	$202.737	$221.223[85]
Enhanced	$24.829	$44.242
Tree Mortality	$87.972	$10.159
PG Tree Mortality	$1.448	$0
SUBTOTAL	**$316.986**	**$275.624**
E&Y Adjustment	**($0.720)**	**NA**
TOTAL	**$316.266**	**$275.624**

[83] Energy Safety Action Statement at 8.

[84] 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. Note the per-program approved and disallowed amounts are exclusive of the E&Y Adjustment amount because the E&Y adjustment is applied only to the VMBA overall.

[85] $221.223 million is the sum of two disallowances associated with routine VM: $182.682 million discussed in section 5.4 *Disallowance for Labor Cost Increases* and $38.541 million discussed in section 5.5 *Disallowance for Deferring Work from 2019 to 2020.*

5.3. Reasonableness Review Accounting Methodology

PG&E's accounting of costs based upon separate reasonableness cost thresholds for routine VM and enhanced VM is irreconcilable with its supporting documentation.[86] As set forth above, we reject PG&E's contention that there are separate cost thresholds for routine VM and enhanced VM. However, PG&E's accounting of total recorded costs per program element is reconcilable with some supporting documentation. Therefore, in conducting our reasonableness review, we evaluate total costs recorded and tracked by program element to determine approved cost recovery and disallowances.

This decision evaluates total recorded costs on a fully loaded, cost-per-unit basis, as shown below.

[86] As shown in Appendix B, Exhibit PGE-01 at Table 3-4 is irreconcilable with Exhibit TURN-03, Exhibit PGE-05 and Exhibit TURN-01 at APP2-2. Exhibit PGE-01 at Table 3-7 is irreconcilable with Exhibit TURN-03, Exhibit PGE_05 and Exhibit TURN-01 at APP2-8. Exhibit PGE-01 at Table 3-9 is irreconcilable with Exhibit PGE-05.

Table 2. 2020 Recorded and Forecast Vegetation Management Costs

	Recorded-Adjusted[87]			Forecast[88]		
	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	$240,448/mile	$378.106	2,922 miles	$129,400/mile
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's application also presents costs on a per-unit basis, occasionally fully loaded and at other times using a subset of total costs. PG&E mixes and matches categories within the subset of total costs,[89] 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 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

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

[88] 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.

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

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.

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. Although PG&E testifies to reasons driving discrete subcategories of costs for Wood Management and Contractor Safety Oversight and accounting changes driven by a switch from cash to accrual accounting for routine VM, this decision does not incorporate PG&E's testimony regarding the piecemeal amounts that are irreconcilable with its total 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 irreconcilable with all other supporting documentation of Tree Mortality costs presented in PG&E's application.[90]

[90] 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.

5.4. Disallowance for Labor Cost Increases

This decision disallows $182.682 million for labor cost increases recorded for routine VM, finding that PG&E has not justified the costs associated with the switch from contracts paid at a "unit rate" to Time & Equipment (T&E) rates. This decision makes no disallowances related to the increased labor costs of the enhanced VM, Tree Mortality, and Power Generation Tree Mortality Programs.

5.4.1. Party Positions

For both routine and enhanced VM, PG&E attributes unit cost increases predominantly to higher labor costs.[91] Specifically, PG&E cites the wage increases of SB 247[92] and higher contract costs due to switching from "per unit" contracts to T&E contracts,[93] as significant drivers in the overall increase in PG&E's 2020 VM costs.[94] 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.[95] 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

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[91] 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.

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

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

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

[95] PG&E Opening Brief at 44.

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."[96]

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 it took action to control the labor cost increases driven by T&E contracts in late 2020. In late 2020, PG&E entered into 5-year defined scope contracts with 15 contractors.[97] Finally, the shortage of California labor added costs because PG&E incurred m al, lodging and travel costs for out-of-state contracts and paid overtime and double-time to accomplish the higher volume of work.[98]

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.[99] 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.[100] TURN asserts

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[96] *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 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.")

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

[98] *Ibid.*

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

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

PG&E's specific imprudence was pursuing the planned volume of work despite the enhanced VM program's deficiencies, stating: "PG&E prioritized meeting its EVM mileage targets over the [sic] making the most meaningful wildfire risk reduction."[101] TURN recommends disallowing at least $323.724 million in VMBA costs related to enhanced and routine VM programs.[102]

5.4.2. Discussion

5.4.2.1. 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.[103]

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 of SB 247 as an additional $127.24 per tree.[104] This decision incorporates an additional $127.24 per tree for the number of trees approved as reasonable for 2020.

5.4.2.2. Greater Work Volume

The evidence is inconclusive that the overall volume of tree work performed in 2020 was a driver of higher labor costs. Compared to the prior year, 2019, in 2020 PG&E worked more routine trees, and fewer enhanced VM miles. When comparing PG&E's forecast for 2020 to the actual work performed

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[101] TURN Opening Brief at 9.

[102] *Id.* at 6.

[103] Pub. Util. Code Section 8386.6.

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

in 2020, actual routine VM work exceeded the forecast, and actual enhanced VM work was less than forecast.

5.4.2.3. Departure from Approved Strategies to Manage Labor Costs

As PG&E explains, tree work was more expensive on a unit cost basis in 2020 compared to 2019.[105] The evidence reflects that PG&E forecast an increased vegetation management work volume in 2020 beyond what it was able to accomplish at reasonable cost.[106] Strategies to overcome the shortage of labor necessary to perform PG&E's forecast amount of vegetation management work feature prominently in the Commission's approval of PG&E's 2019 and 2020 WMPs.[107] PG&E did not adequately implement the strategies to attract qualified

[105] PG&E Opening Brief at 40.

[106] *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 FEA 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 PTY 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.")

[107] 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.")

labor and control costs that it proposed in its 2020 GRC application and 2019 and 2020 WMPs.[108]

PG&E's plans to manage the execution risk of vegetation management labor shortages were addressed by PG&E in its 2019 and 2020 WMPs and by the Commission's decisions and resolutions approving PG&E's WMPs.[109] PG&E's 2019 WMP alerted the Commission that the pace of PG&E's enhanced VM program depended upon the amount of skilled labor it could attract:

> The pace of PG&E's multi-year EVM program is based on maintaining the maximum-available resource complement of approximately 3,000 qualified tree workers that could be acquired to perform vegetation management activities, as described above. Therefore, the pace of PG&E's multi-year EVM program is based on maintaining that maximum-available resource complement of approximately 3,000 tree workers. Leveraging that volume of workers, after accounting for the number needed to complete the annual routine vegetation management, results in an approximately 8-year EVM program from 2019 to approximately 2026.[110]

PG&E's pattern of revising its target number of miles demonstrates that adjusting work volume in response to new information was a viable option. In the 2019 WMP, the target was reduced from the forecast of 2,922 miles in its GRC application to 2,450 miles.[111] For 2020, PG&E established a target of 1,800 miles, with the explanation:

> The pace and schedule of PG&E's multi-year EVM program is based on maintaining a resource complement of

[108] Exhibit PGE-01 at 3-19; Exhibit TURN-01 at APP3-23: in April 2020 the U.S. District Court imposed additional terms of probation on PG&E "to require PG&E to hire and train its own inspectors so as to better manage quality control over its contractors."

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

[110] PG&E 2019 WMP (February 6, 2019 version) at 82-83.

[111] *Id.* at 8.

> approximately 3,000 qualified tree workers to perform vegetation management activities. With that volume of workers split between PG&E's routine VM and EVM programs results in an approximately 10-year EVM program until approximately 2028. Any acceleration of that schedule would require a sustainable increase in the volume of trained, safe, qualified, line clearance certified tree workers.[112]

With regard to routine VM labor planning, PG&E's testimony indicates it planned to hedge against rising labor costs by moving contractor labor in-house. PG&E forecast a cost of $27.4 million for this strategy in its 2020 GRC application. In this A.21-09-008, PG&E's accounting indicates it did not bring labor in-house as planned and the $27.4 million was used for other routine VM expenses. PG&E does not explain the change in strategy, and instead characterizes the higher labor costs as outside its control.[113]

Some factors that PG&E cites as driving the change to more expensive T&E contracts did not apply to routine work.[114] In contrast to enhanced VM work, routine was not uncertain, was not subject to much change, and should not have been difficult to forecast.

PG&E has not justified a routine VM labor cost of more than double the forecast. We find the amount attributable to the T&E labor premium for routine VM is not justified and therefore disallowed for all routine tree work in 2020. However, this decision approves T&E labor premiums associated with enhanced

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[112] PG&E 2020 WMP (February 28, 2020 version) at 5-193. *Also see* Joint Settlement Motion at 17-20 describing the 2020 GRC settlement adopted by D.20-12-005 and specifically the terms of the two-way balancing account in which EVM costs are to be recovered and the controls and reporting allowing parties and the Commission to monitor the pace and cost of wildfire mitigation work.

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

[114] Exhibit PGE-02 at 3-8.

VM because enhanced VM was new and difficult to predict. While PG&E omits discussion of labor cost impacts on Tree Mortality and Power Generation Tree Mortality recorded costs, this decision makes no changes to those recorded costs and allows the T&E rates for Tree Mortality and Power Generation Tree Mortality.

5.4.3. Calculation of Labor Cost Increase Disallowance

The disallowance for labor cost increases resulting from the switch to T&E contracts 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;
    b. $127.24 is the increase per-unit driven by the SB 247 labor premium; and
    c. The remainder, $117.10 is the increase per-unit driven by the T&E contracts.
2. The per-unit increase attributable to T&E contracts is multiplied by the number of trees remediated in 2020 ($117.10 * 1,560,055 = $182.682 million).

5.5. Disallowance for Deferring Work from 2019 to 2020

This decision disallows $38.541 million for deferring 302,900 trees identified for remediation in 2019 until 2020.

5.5.1. 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.[115] PG&E

[115] 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,

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)[116] and by above normal precipitation in 2019.[117]

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, and enhanced VM in 2019 and 2020 was not sufficiently prioritized by risk.[118] TURN challenges the claim that 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.[119]

TURN recommends a disallowance for deferring routine VM of at least $254.825 million, with the caveat that TURN does not address all the drivers of routine VM costs.[120]

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.

[116] Exhibit PGE-01 at 3-17. The WSIP is not funded through the VMBA.

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

[118] TURN Reply Brief at 4, 7.

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

[120] Exhibit TURN-01 at 4.

5.5.2. Discussion

5.5.2.1. Deferral of Routine VM Work Identified in 2019 and Performed in 2020

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.[121] 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.

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

Account	Number of Trees Worked[122]	Number of Trees Worked "Carried Over" from Prior Year[123]
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

When producing the routine VM carry-over data, PG&E stated that no Level 1 risk trees (risky enough to require remediation within 24 hours) were among the trees deferred to 2020.[124] However, PG&E self-reported to the Commission that from 2019 to April 2020, PG&E failed to remediate 1,700 Level 1 trees,[125] reflecting that PG&E's deferral of routine tree work failed to mitigate risk. According to the U.S District Court, PG&E admitted to being in violation of

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

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

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

[124] *Ibid.*

[125] Exhibit TURN-01 at APP3-41.

PRC Section 4293 by failing to remove all trees and limbs within the required clearances.[126]

Although some carry-over of routine tree work is reasonable, PG&E failed to establish a reasonable basis for the amount of carry-over that occurred in 2020. In May 2019, the Commission had put PG&E on notice to evaluate "the effectiveness of routine inspection programs developed in accordance with existing regulations."[127] PG&E's routine VM program should have been executed as well as, if not better than, in prior years.

5.5.2.2. Prioritizing Enhanced VM Work over Routine VM Work in 2019

PG&E's WMPs are premised upon compliance with the routine VM mandates of GO 95 Rule 35 and PRC Sections 4292 and 4293. If all work cannot be done on time, prioritizing work by risk is a reasonable strategy. However, PG&E in 2019 shifted labor from routine VM remediation, which covers the entire 81,000 miles of distribution system, to a select 1,800 miles covered by enhanced VM without mentioning that shift in the WMPs. In doing so, PG&E did not act reasonably to prioritize risk.[128] Risk prioritization applies by layering enhanced work in HFTDs upon a foundation of maintaining minimum routine

[126] *Id.* at APP3-28.

[127] D.19-05-036 at OP 5.

[128] WMPs are premised upon compliance with routine VM. For example, see PG&E's statements in its 2019 WMP (February 6, 2019 version) at 72 ("The 2019 distribution routine schedule (when each circuit will be inspected and subsequently worked) has been substantially re-aligned based on a relative risk ranking of all circuits to position the highest risk circuits to be worked before the peak of the traditional wildfire season") and at 82 ("Leveraging that volume of workers, after accounting for the number needed to complete the annual routine vegetation management, results in an approximately 8-year EVM program from 2019 to approximately 2026. Any acceleration of that schedule would require identifying, with high confidence, a sustainable increase in the volume of trained, safe, qualified, line clearance certified tree workers.")

VM clearance standards. As TURN's witness points out, the better the execution of a routine VM program, the less the need for enhanced VM work:

> But, you know, what I've found consistently in this area is that compliance with regulatory standards is really the most important wildfire mitigation tool, and so I am concerned to see funds diverted from those programs….[129]
>
> I guess I think it's inappropriate to ignore compliance requirements, particularly because they are legally mandated to stand up a new program.[130]

PG&E did not alert the Commission to its choice to defer routine VM work to 2020 to accomplish more enhanced VM work in 2019 until it filed this application. The WMP process focused on PG&E's mandate to address and explain how it was handling labor shortages, with PG&E's 2019 and 2020 WMPs emphasizing its intention to increase the labor pool or limit the pace of enhanced VM work, rather than defer routine VM work.[131]

PG&E argues that deferring VM work did not affect compliance,[132] but routine VM was compromised in 2019: PG&E acknowledged that in 2019 it had failed to remediate over 1,700 highest-priority trees, requiring remediation within 24 hours, identified by its routine program inspections.[133]

PG&E's compliance with routine VM requirements was heavily scrutinized beginning in 2019, as documented in exchanges between PG&E and

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[129] RT Vol. 2 at 185:2-11.

[130] *Id*. at 184: 23-26.

[131] 2019 WMP (February 6, 2019 version) at 80-82, 2020 WMP (February 28, 2020 version) at 5-193.

[132] Exhibit PGE-02 at 3-14.

[133] Exhibit TURN-01 at APP3-41.

the Federal Monitor.[134] From field inspections in May – July 2019, September - December 2019, and through October 2020,[135] the Federal Monitor reports finding "exceptions" along the miles where enhanced VM was completed[136] reflecting a risk of being out of regulatory compliance with required routine VM clearances of GO 95 Rule 35, and PRC Sections 4292 and 4293.[137]

As described earlier in this decision, the 2020 WMP process consisted of a long sequence of evaluations as PG&E tried to bring its 2020 WMP into compliance with Commission requirements. Res. WSD-021, in which PG&E's 2020 WMP process was finally resolved, summarizes PG&E's persistent deficiencies in 2020[138] and includes from PG&E's 2021 WMP Update the following table on vegetation clearance compliance rates:

Table 4. PG&E Vegetation Clearance Findings from Inspections[139]

	2015	2016	2017	2018	2019	2020
HFTD: Percentage of spans[140] inspected where at least some vegetation was found in	0.12%	0.13%	0.28%	0.45%	3.16%	4.58%

134 Federal Monitor letters dated October 16, 2020 and December 16, 2020 to the federal court memorialize the feedback from the Federal Monitor to PG&E regarding execution of all 2020 VMBA program elements throughout 2019 and 2020. (Exhibit TURN-01 at APP3-16 to APP 3-18).

135 Exhibit TURN-01 at APP3-4 and APP3-34.

136 *Id.* at APP3-36.

137 *Id.* at APP3-39.

138 Res. WSD-021, Appendix A (*WSD Final Action Statement)* at 71 – 88.

139 *Id.* at 88 (Figure 5.5.a) reprinted from PG&E 2021 WMP Table 1.

140 Per PG&E 2021 WMP Update Table 1 (June 3, 2021 version) at 301, a span is a distance of electric overhead line between poles, averaging 275 feet.

noncompliant conditions						
Overall: Percentage of spans inspected where at least some vegetation was found in noncompliant conditions	0.17%	0.19%	0.23%	0.34%	2.49%	3.17%

PG&E's choice to defer trees identified for remediation in 2019 until 2020 to prioritize the enhanced VM program element was imprudent and unjustified. Compliance with minimum clearance requirements through executing routine VM is foundational to PG&E's wildfire mitigation work, and evidence supports the conclusion that deferring 2019 routine work did lead to non-compliance with minimum clearance requirements, particularly in HFTDs. We find routine VM as described in PG&E's WMP should have been executed as proposed by PG&E. As a result, we disallow $38.541 million of costs for work that should have been paid at 2019 rates. The calculation is described in the following section.

5.5.3. Calculation of Disallowance for Deferral of Routine VM Work from 2019 to 2020

The calculation of the disallowance for PG&E's deferral of routine VM work from 2019 to 2020 must take into account the number of trees that were unreasonably carried over from 2019 to 2020, the additional cost that could have been avoided if PG&E had performed work on the identified trees in 2019, and the disallowance set forth in Section 5.4 above that already applies to all routine VM work in 2020. That calculation is as follows:

1. The number of trees carried over from 2019 to 2020 is 409,000.

2. The number of trees reasonably carried over from 2019 to 2020 is 106,100 (the highest number of trees carried-over in the last four-years before 2020).
3. The number of trees that were not reasonably carried over from 2019 to 2020 is 302,900 (the difference between 409,000 and 106,100).
4. The recorded per-unit cost for routine VM work in 2020 is $448 per tree.
5. The forecast per-unit cost for routine VM work is $203.66 per tree.
6. The disallowance already applied for routine VM work in 2020 as set forth in Section 5.4 is $117.10 per tree.
7. The per-unit disallowance to be applied to the trees unreasonably carried over from 2019 to 2020 is $448 - $203.66 -$117.10= $127.24 per tree.
8. The total dollar disallowance for the trees unreasonably carried over from 2019 to 2020 is 302,900 trees * $127.24 per tree = $38.541 million.

5.6. Disallowance for Enhanced VM Costs in Bottom 25 Percent of Risk-Ranked Circuits

This decision disallows recovery of $44.242 million of PG&E's $451.562 million in costs recorded for enhanced VM. PG&E recorded costs of $451.562 million to cover 1,878 miles of overhead distribution line within the HFTDs, which translates to a unit cost of $240,448 per mile. This decision allows cost recovery for enhanced VM performed in the riskiest 75 percent of the HFTDs, which equates to work along 1,694 overhead distribution line miles. The calculation for cost recovery is 1,694 miles multiplied by $240,448 per mile, for a total reasonable cost of $407.319 million.

5.6.1. Party Positions

PG&E argues its execution of enhanced VM in 2020 was reasonable in light of the circumstances, and especially because PG&E focused on higher risk miles, "notwithstanding that there may be areas of improvement regarding risk prioritization."[141] 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[142] 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."[143] PG&E argues that TURN's reliance on the findings of the Commission and the Federal Monitor should not impact the Commission's evaluation of costs.

The Commission found that less than five percent of PG&E's 2020 enhanced VM miles completed were on the top 20 riskiest circuits. The Federal Monitor found that in 2020 approximately 57 percent of PG&E's enhanced VM miles required no tree trimming.[144] In other words, the majority of miles completed through PG&E's enhanced VM in 2020 required no work.[145] 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.[146] 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

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[141] PG&E Reply Brief at 15 and 22.

[142] *Id.* at 15.

[143] *Ibid.*

[144] Exhibit TURN-01 at APP3-6 and APP3-32.

[145] *Ibid.*

[146] 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.

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.[147]

TURN argues that the enhanced VM program implemented in 2020 was not consistent with the Commission's requirements and therefore "fundamentally flawed."[148] 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.

TURN explains that while the risk reduction of a properly prioritized enhanced VM program is valuable, PG&E's enhanced VM program in 2019 and 2020 deviated too much from authorized, and therefore PG&E is not entitled to additional recovery of costs recorded to enhanced VM.[149] 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."[150]

TURN explains that its disallowance recommendation for enhanced VM reflects its analysis that PG&E's program implementation was flawed, and therefore the Commission should disallow the entirety of those costs above the 120 percent of the previously authorized amount for enhanced VM in the GRC.

[147] PG&E Reply Brief at 22.

[148] TURN Opening Brief at 5.

[149] TURN Reply Brief at 4.

[150] *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.

PG&E acknowledges the Commission's finding that it inadequately prioritized enhanced VM work in 2020, but argues a 100 percent disallowance is blunt, disproportionate to the criticisms advanced and therefore unjustified.[151] PG&E asks the Commission to consider "the stage of development of PG&E's EVM program in 2020" and improvements subsequent to 2020.[152]

5.6.2. Discussion

Despite explicit and early warning from a multitude of sources that enhanced VM was immature, PG&E executed enhanced VM in 2020 at a pace that drove costs per mile 85 percent higher than forecast.[153] PG&E's decision was inconsistent with Section 8386(c)(12) of the Wildfire Mitigation Statutes, which requires WMPs to prioritize risks,[154] and the Commission's resulting WMP requirements for VM in 2020.[155]

PG&E committed to prioritizing "implementation of wildfire risk reduction measures for circuits by their asset wildfire risk"[156] in both its 2019 and 2020 WMPs. In the 2019 WMP, PG&E stated:

> The CWSP utilizes a risk-based approach to identify and address the assets most at risk of wildfire ignition and in areas with greatest potential fire spread. The comprehensive risk

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

[152] *Ibid.*

[153] *See* Table 2 comparing enhanced VM forecast cost of $129,363 per mile to actual cost of $240,448 per mile.

[154] Section 8386(c)(12) ("The wildfire mitigation plan shall include … [a] list that identifies, describes, and prioritizes all wildfire risks.")

[155]Res. WSD-002 at 21 (Deficiency Guidance-3, Class A); WSD-003 at 42. As described in Section 5.1.2.2 of this decision *2020 Wildfire Mitigation Plans*, the conditions the Commission placed on PG&E's 2020 WMP establish that the scope of work authorized is to be granularly prioritized by risk.

[156] PG&E 2019 WMP (February version) at 32.

> assessments performed as part of the CWSP, as well as geospatial modeling on both the volume and the location of fire incidents in PG&E's service area, have significantly informed the development of wildfire and safety programs.
>
> Specifically, the CWSP includes a risk-based vegetation management approach for specific areas of PG&E's service area, such as trimming or removing high-risk tree species, increased clearing of overhanging branches directly above and around power lines, and removal of vegetation fuels under and adjacent to power lines on a targeted basis.[157]

In approving PG&E's 2019 WMP, the Commission clarified that risk prioritization meant prioritization within the HFTDs, not inside vs. outside the HFTDs, stating:

> The HFTD can be used as a straightforward, universal measure to identify areas susceptible to catastrophic wildfire promulgation. However, the HFTD covers over 44% of the land area in the state. As such, the HFTD, in and of itself, may be of insufficient granularity to appropriately prioritize the highest risk areas for targeting of certain mitigation efforts. Some utilities have recognized this shortcoming and have internally employed more refined categorization and delineation of HFTD areas. For example, PG&E uses 91 Fire Index Areas that span the HFTD; Bear Valley Electric Service has prioritized "high-risk areas" (a subset of its HFTD area) where it focuses much of its wildfire mitigation efforts.[158]

In approving PG&E's 2020 WMP, the Commission found PG&E insufficiently specific in demonstrating a system of risk prioritization in all of its wildfire mitigation work.[159] The WSD's assessment of PG&E's 2020 WMP states:

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[157] PG&E 2019 WMP (February 14 version) at 12 – 13, and at section 3.5 Circuit Prioritization Based on Asset Wildfire Risk.

[158] *Id.* at 34.

[159] Res. M-4852 at 6, citing *e.g.,* Res. WSD-003 at 24-25 & Appendix A, Conditions PGE-5 and PGE-18; Res. WSD-002 at 21 & Appendix A, Conditions Guidance-1 and Guidance-3; and WSD June 11, 2020 Action Statement on PG&E's WMP at 3-5.

> PG&E … claims to score circuits by risk in order to prioritize implementation of initiatives, but PG&E provides little description of how risk assessment and mapping are used to select mitigation measures and prioritize their deployment at the circuit or asset level. For example, PG&E does not describe in a granular way where asset remediation, vegetation management, and grid hardening initiatives are most necessary, how it prioritizes deployment of those initiatives, nor how it coordinates prioritization with local jurisdictions.[160]

Res. WSD-003 states:

> EVM should be targeted to highest risk areas. It is not clear that PG&E is targeting EVM to the highest risk areas first. [161]

PG&E provides many 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 explains that the methodology of its risk models was evolving, attributing the lack of prioritization to changing models or weight given to factors within a model.[162] PG&E's rationales are not persuasive, as adhering to any of the models, no matter how immature, would have been sufficient. PG&E also argues that work performed in areas of denser vegetation would have driven costs even higher. This too is not a relevant defense to whether enhanced VM was executed as authorized in 2020. Vegetation management was afforded two-way balancing account treatment precisely to avoid skimping on necessary and reasonable risk mitigation work.

Also, PG&E represented in other forums that it knew the meaning of risk prioritization for enhanced VM. The Federal Monitor independently reviewing PG&E's work and consulting with PG&E characterized PG&E's understanding of

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[160] WSD Action Statement on PG&E Company's 2020 WMP at 5.

[161] Res. WSD-003 at 42.

[162] PG&E Reply Brief at 21.

risk prioritization as follows: "PG&E represented that it would execute on its multi-year EVM [enhanced VM] plan by addressing the higher-risk work first to reduce more risk sooner rather than later."[163] The Federal Monitor concludes: "PG&E missed opportunities in 2019 and 2020 to do what it must in 2021-in making operational and planning decisions, give greater weight to working the riskiest areas first and do so in a rigorous, consistent, methodical, and measurable way."[164]

Finally, PG&E's self-defined goal for enhanced VM in 2020 to perform half of the work in the riskier half of the HFTDs is an unreasonable implementation of its requirement to prioritize mileage by risk. That goal means that the other 50 percent of the work may occur in the bottom 50 percent of the risk-ranked circuits, a result that clearly reflects a lack of risk prioritization.

PG&E's defense of its management choice, essentially that costs are reasonable because some risk reduction was achieved, is directly at odds with PG&E's stated commitments in its 2019 and 2020 WMPs and with the Commission's directives to PG&E during the same period to prioritize the choice of miles addressed by enhanced VM, over the course of many years, by risk.

This decision determines a disallowance that reflects PG&E's faulty prioritization scheme in 2020 is appropriate. In doing so, we consider the degree of the imprudence.[165] As PG&E points out, operational reasons may drive deviations from performing risk prioritized work in exactly rank order. For strict rank order, in a ten-year program, work in the first year would cover the most risky ten percent of distribution lines, work in the second year would cover the

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[163] Exhibit TURN-01 at APP3-32 and 3-33.

[164] *Ibid.*

[165] PG&E Opening Brief at 45.

next ten percent most risky ground, etc. Despite not performing work prioritized by risk in strict rank order, PG&E shows that 74 percent of its work occurred in the higher risk half of the HFTDs. We find it reasonable to grant cost recovery for costs associated with work for all the enhanced VM miles except the 184 miles in the bottom 25 percent of risk priority, as shown below:

Table 6. PG&E Enhanced VM Mileage Completed by Risk Profile

Risk Priority	**Number of Miles**
Top 5%	275
5-10%	134
10-20%	338
20-30%	145
30-50%	490
Subtotal top 50 %	1,382
50-75%	311
Subtotal top 75 %	1,694
75-100%	184
Total	1,878

Disallowing 184 miles at $240,448 per mile, resulting in a disallowance of $44.242 million, is an appropriate calculation to reflect the determinations above that 1) enhanced VM miles should be allowed all labor cost increases, 2) cost recovery for enhanced VM performed should be on a fully loaded per-unit cost basis, and 3) disallowing 184 miles is appropriate to reflect PG&E's deviation from Commission direction with regard to risk prioritization.[166]

5.7. 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 do 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 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 $87.972 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. This decision determines it is reasonable to set a 12-month collection period in light of the time required to resolve this application.

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[166] This determination is for purposes of calculating a disallowance, and should not be construed as a comment on the proper number of miles per risk priority, only that the distribution of miles in total does not meet the Commission's directive.

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. This methodology addresses both gas and electric costs.

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 $316.266 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 12-month period. We disallow $275.624 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. D.20-12-005 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. D.20-12-005 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. D.20-12-005 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. D.19-05-036 and D.19-05-037 approved PG&E's 2019 Wildfire Mitigation Plan.

8. In June 2020, the Commission ratified the WSD'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. Res. WSD-002 and Res. WSD-003 identified deficiencies in PG&E's 2020 WMP in the areas of risk prioritization, lack of Risk Spend Efficiency information, and insufficient planning to address labor shortages.

11. The activities approved in PG&E's WMPs are relevant considerations to the determination of whether costs incurred in excess of the authorized $657.615 million are reasonable.

12. PG&E's accounting of costs based on its claim that routine VM and enhanced VM have separate reasonableness review thresholds is irreconcilable with its supporting documentation.

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

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

15. PG&E's inconsistent accounting by subcategory within its VM program elements prohibits an effective cost analysis by subcategory.

16. PG&E's accounting inconsistencies make cost analysis on a fully loaded cost-per-unit basis a reasonable method to calculate disallowances.

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

18. PG&E recorded costs for remediating 1,560,055 trees through its routine VM program in 2020, an incremental difference of 434,229 trees above the Commission's authorization of 1,125,826 trees.

19. 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.

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

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

22. The Commission put PG&E on notice in May 2019 to evaluate the effectiveness of routine inspection programs developed in accordance with existing regulations.

23. Routine VM is foundational to wildfire risk mitigation.

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

25. The highest number of routine VM trees carried over from one calendar year to the next in the four years before 2020 was 106,100.

26. The number of routine VM trees that PG&E unreasonably carried over in 2020 is 302,900, which is the difference between the 409,000 trees actually carried over in 2020 and the 106,100 trees that were the highest number of routine VM trees carried over in one calendar year in the four years before 2020.

27. In its 2019 and 2020 WMPs, PG&E did not state that it planned to defer routine VM tree work from 2019 to 2020 in order to perform enhanced VM tree work in 2019.

28. With regard to routine VM tree work, PG&E's forecast proposed an alternative strategy to bring labor into the company to hedge against rising labor costs, but PG&E did not implement that strategy.

29. Enhanced VM is distinguishable from the other program elements by prioritizing vegetation management work by risk and by the policy of having no maximum limit on clearance for vegetation hanging over overhead distribution lines.

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

31. PG&E recorded enhanced VM costs of $240,448 per mile, a difference of $131,619 per mile above PG&E's forecast for enhanced VM in A.18-12-009 of $108,830 per mile.

32. In Res. WSD-003, the Commission found PG&E insufficiently specific in demonstrating a system of risk prioritization in all of its wildfire mitigation work.

33. It was reasonable for PG&E to perform enhanced VM work on 1,694 miles in 2020 because those miles reflected the highest 75 percent of HFTD miles by risk.

34. 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.

35. PG&E has provided sufficient evidence to support the reasonableness of $316.266 million of recorded costs in excess of the threshold.

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. For its 2019 and 2020 WMPs, PG&E is required to address compliance deficiencies found by WMP evaluators through the processes specified by the WSD.

9. Pub. Util. Code Section 8386.3(a) mandates that an approved WMP shall remain in effect until a subsequent plan is approved.

10. Determining the reasonableness of 2020 recorded VMBA costs over the reasonableness review threshold requires determining whether the activities on which the recorded costs are spent were executed for the specified purpose authorized for the balancing account.

11. PG&E is accountable for evaluating and executing WMP work authorized based on the costs relative to the risk reduced.

12. If PG&E incurs costs for work not meeting standards to which it is accountable, the costs cannot be reasonable.

13. PG&E's deferral of routine VM tree work from 2019 to 2020 in order to complete enhanced VM tree work in 2019 was inconsistent with its WMPs.

14. PG&E's self-defined goal to perform at least half of enhanced VM in 2020 in the higher risk half of the HFTDs is not a reasonable prioritization of work by risk.

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

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

17. It is reasonable to disallow the Time & Equipment labor premium associated with 1,560,055 trees worked in 2020 at the rate of $117.10 per tree.

18. It is reasonable to disallow recorded costs that could have been avoided if PG&E had performed work on 302,900 routine VM trees in 2019 at the forecast

rate of $203.66 per tree, which results in a disallowance of $127.24 per tree after accounting for the $117.10 per tree associated with the Time and Equipment labor premium.

19. It is reasonable to approve PG&E's cost recovery for 1,694 miles completed through the enhanced VM program in 2020.

20. It is reasonable to approve PG&E's cost recovery of $87.972 million of recorded Tree Mortality costs in 2020.

21. It is reasonable to approve PG&E's cost recovery of $1.448 million of recorded Power Generation Tree Mortality costs in 2020.

22. PG&E established costs of $316.266 million recorded to the 2020 VMBA as reasonable over the Commission's 2020 VMBA authorization in D.20-12-005 of $657.615 million.

23. PG&E failed to establish by a preponderance of evidence the reasonableness of a total of $275.624 million in requested VM costs.

24. $182.682 million of PG&E's requested cost recovery for routine VM is not reasonable and should be disallowed under Pub. Util. Code Section 451 because it is associated with the switch from contracts paid at a unit rate to Time & Equipment rates, PG&E was aware of the risk of a labor shortage, and PG&E failed to adequately implement its plan to hire more internal labor rather than rely on external contractors.

25. $38.541 million of PG&E's requested cost recovery for routine VM related to deferring 309,200 trees identified for remediation in 2019 to 2020 is not reasonable and should be disallowed under Pub. Util. Code Section 451 because PG&E prioritized enhanced VM work over routine VM work in 2019 without justification.

26. $44.242 million of PG&E's requested cost recovery for enhanced VM is not reasonable and should be disallowed under Pub. Util. Code Section 451 because those costs are attributable to the 184 miles of enhanced VM work in the lowest 25 percent of HFTD miles by risk.

27. $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.

28. PG&E should be authorized to recover in rates a revenue requirement of $316.266 million over a 12-month period.

29. 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.

30. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to recover over a 12-month amortization period a revenue requirement of $316.266 million for expenses recorded in its 2020 Vegetation Management Balancing Account.

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 12-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 (<u>excluding forecast insourcing</u>) + 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 (<u>including forecast insourcing</u>) + 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 (<u>excluding forecast insourcing</u>) and <u>including</u> 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 its 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 <u>includes</u> a legacy subcategory titled Public Safety & Reliability in the forecast subset of routine costs and <u>excludes</u> Public Safety & Reliability in the recorded costs comparison. In another subcategory mix-up, PG&E itemizes recorded unit increases based on estimates <u>inclusive of</u> the labor insourcing subcategory but compares this to forecast unit costs from which PG&E <u>excludes</u> the labor insourcing subcategory.

(END OF APPENDIX)

[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)