STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

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

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August 15, 2025

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 22-12-009:

This is the proposed decision of Administrative Law Judge Camille Watts-Zagha. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's September 18, 2025, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke
Chief Administrative Law Judge

MLC: hma
Attachment

Decision **PROPOSED DECISION OF ALJ WATTS-ZAGHA Mailed (8/15/25)**

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 22-12-009

DECISION APPROVING PARTIAL RECOVERY OF PACIFIC GAS AND ELECTRIC COMPANY'S 2021 WILDFIRE MITIGATION, CATASTROPHIC EVENTS, AND OTHER COSTS, AND APPROVING SETTLEMENT

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DECISION APPROVING PARTIAL RECOVERY OF PACIFIC GAS AND ELECTRIC COMPANY'S 2021 WILDFIRE MITIGATION, CATASTROPHIC EVENTS, AND OTHER COSTS, AND APPROVING SETTLEMENT

Summary

This decision finds reasonable and authorizes Pacific Gas and Electric Company (PG&E) to recover $1,063.7 million in revenue requirement out of its total $1,293.6 million request in this proceeding for 2021 wildfire mitigation, catastrophic events, and other costs. Decision (D.) 23-06-004 previously issued in this proceeding authorized collection of $1,074.4 million in interim rate recovery. PG&E shall refund to ratepayers the overcollected amount, estimated at $10.7 million excluding interest, reflecting the difference between the amount previously collected from ratepayers pursuant to D.23-06-004 and the amount authorized for recovery in this decision.

This decision is based upon a review and determination of reasonableness of PG&E's costs recorded in its Vegetation Management Balancing Account (VMBA), Wildfire Mitigation Balancing Account (WMBA), and seven additional accounts (Memo Accounts) related to catastrophic events and customer care initiatives. Regarding PG&E's request for the recovery of $814.7 million in 2021 VMBA costs, we find PG&E reasonably incurred $597.7 million in 2021 VMBA costs but $217 million of the 2021 VMBA costs associated with Enhanced Vegetation Management were not reasonable. We find PG&E reasonably incurred all its requested 2021 WMBA costs of $101.5 million. Finally, we approve an uncontested settlement agreement (Settlement Agreement) among PG&E, the Public Advocates Office, and the Direct Access Customer Coalition

adopting a $365.2 million revenue requirement associated with the 2021 costs recorded in the Memo Accounts.

This proceeding is closed.

1. Background

On December 15, 2022, Pacific Gas and Electric Company (PG&E) filed Application (A.) 22-12-009 requesting the Commission find reasonable and grant recovery for 2021 costs of (1) $814.7 million recorded in the Vegetation Management Balancing Account (VMBA), (2) $101.5 million recorded in the Wildfire Mitigation Balancing Account (WMBA), and (3) $447 million related to seven memorandum accounts (Memo Accounts).

Concurrently with A.22-12-009, PG&E filed a Motion for Wildfire Mitigation and Catastrophic Events Interim Rates (Motion), requesting authorization to collect 85 percent of the revenue requirement associated with the recorded costs described in the Application, equating to $1.10 billion (including interest).

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) filed responses to PG&E's Motion on January 17, 2023 and January 18, 2023 respectively.[1]

On January 18, 2023, Cal Advocates, TURN, and the Direct Access Customer Coalition (DACC) filed protests to A.22-12-009. On January 30, 2023, PG&E replied to the filed protests and also replied to the responses of TURN and Cal Advocates to PG&E's Motion.

[1] Motions of Cal Advocates and TURN to late file responses to the Motion were granted by Administrative Law Judge (ALJ) ruling on January 20, 2023.

On March 27, 2023, the assigned ALJ conducted a prehearing conference to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. On April 7, 2023, the assigned Commissioner issued the Scoping Memo and Ruling (Scoping Ruling). On June 11, 2023, the Commission issued Decision (D.) 23-06-004 authorizing PG&E to recover on an interim basis a maximum of $1.10 billion (including interest) in revenue over a 12-month amortization period for all accounts under review in this proceeding. PG&E collected this amount in rates between July 2023 and June 2024 pursuant to D.23-06-004.

On October 17, 2023, the assigned ALJ issued a ruling concurrently in this proceeding and two other wildfire cost recovery proceedings (ALJ Ruling Seeking Information), seeking information about distinctions among the proceedings and verification of wildfire mitigation activity outcomes. On October 27, 2023, PG&E, Cal Advocates, TURN and DACC filed responses to the ALJ Ruling Seeking Information.

On November 1 and 3, 2023, the Commission held evidentiary hearings.

On December 1, 2023, PG&E, Cal Advocates, and DACC filed a Joint Motion to Extend Settlement Deadline to December 14, 2023. On December 4, 2023, the ALJ granted this motion.

On December 7, 2023, PG&E, Cal Advocates, and TURN filed opening briefs.

On December 13, 2023, PG&E, Cal Advocates, and DACC filed a Joint Motion to Extend Settlement Deadline to December 22, 2023. On December 15, 2023, the ALJ granted this motion.

On December 22, 2023, PG&E, Cal Advocates, and TURN filed reply briefs. Also on December 22, 2023, PG&E, Cal Advocates, and DACC filed a Joint Motion for Approval of Settlement Agreement (Settlement Motion) related to the Memo Accounts.

2. Submission Date

This matter was submitted on December 22, 2023 following the parties' filing of reply briefs and the Settlement Motion.

3. Issues

The Scoping Ruling identified the issues to be resolved as follows:

- Whether the Commission should grant PG&E's request to recover up to $1.328.501 billion 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;
- Over what time period should PG&E recover the authorized revenue requirement; and
- Are there impacts on environmental and social justice communities? This includes the extent to which approving the application impacts achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan.[2]

4. Legal Principles

4.1. Just and Reasonable Rates

Public Utilities (Pub. Util.) Code Section 451 provides:

> All charges demanded or received by any public utility….shall be just and reasonable. Every unjust or

[2] Scoping Ruling at 2-3.

> 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.

Pub. Util. Code Section 454(a) provides:

> [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 uses the prudent manager standard to evaluate whether PG&E's requested costs are just and reasonable.[3] 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.[4]

The prudent manager standard is not a standard of perfection:

> 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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[3] D.14-06-007 at 31, 36; TURN Opening Brief at 2.

[4] 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; *see* D.17-11-033 at 10 referencing D.87-06-021.

the ratepayers and the requirements of governmental agencies of competent jurisdiction.[5]

In applying the prudent manager standard, the Commission has disallowed incurred costs when (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; and (3) the costs to be incurred are due to clear and identifiable failures and errors.[6]

4.2. Wildfire Mitigation Statutes

Pub. Util. Code Sections 8385 through 8389 (Wildfire Mitigation Statutes) establish the Wildfire Mitigation Plan (WMP) as the main regulatory vehicle for the evaluation of PG&E's wildfire risk reduction programs. PG&E is required to prepare and submit a WMP that includes a description of programs to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, plans for vegetation management, and a list that identifies, describes, and prioritizes all wildfire risks.[7] For 2021, PG&E submitted a WMP Update on February 5, 2021, and a WMP Update Revision on June 4, 2021. On October 21, 2021, the Commission ratified the Office of Energy Infrastructure Safety's (Energy Safety) approval of PG&E's 2021 WMP Update.[8]

Under Pub. Util. Code Section 8386.4(b), PG&E may elect either to file an application to recover its costs in implementing a WMP or to have the

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

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

[7] Pub. Util. Code Section 8386(c).

[8] Resolution (Res.) WSD-021. 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 Energy Safety, and Energy Safety was vested with the powers, duties, and responsibilities of the WSD.

Commission consider whether such costs are just and reasonable in a general rate case (GRC). Although the Commission had ratified Energy Safety's approval of PG&E's 2021 WMP Update, that approval does not constitute approval of the costs associated with the actions in the WMP. In addition, approval of the WMP does not redefine the "prudent manager" test.[9]

4.3. Ratemaking Accounts

The choice of ratemaking mechanism affects the risk borne by utilities and ratepayers. The Commission may authorize a balancing account 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 costs are driven by external factors not subject to utility control.[10] The Commission has found a "balancing account is an appropriate regulatory tool where the scope of work is known and accepted …. but there is not a reasonable forecast of cost."[11] 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 to balancing accounts, 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

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[9] D.19-05-036 at 4.

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

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

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.[12]

4.4. Incrementality

The Commission has generally required that a utility establish incrementality in a CEMA or wildfire cost recovery proceeding.[13] In a 2021 CEMA decision, the Commission held that costs are incremental when "the costs are in addition to amounts previously authorized to be recovered in rates."[14] In a 2023 PG&E CEMA and wildfire mitigation cost recovery decision, the Commission referenced the following definition of incrementality: "'Incremental costs' are those labor, equipment, material, contract, and other support costs associated with work that is not included in PG&E's GRC authorized revenue requirements or other recovery mechanisms."[15] The Commission further explained that:

> Generally, costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they in labor or materials, to complete the new activity. The existence and completion of a new activity by itself does not prove the cost was incremental. If a new activity is completed by redirecting existing resources in a related work category, no incremental

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[12] In Exhibit PGE-02 at 2-11, PG&E identifies 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.

[13] *See* D.01-02-075 (Southern California Gas Company CEMA); D.23-02-017 (PG&E wildfire mitigation and CEMA); D.24-03-008 (Southern California Edison Company (SCE) wildfire mitigation); D.24-05-037 (SCE CEMA).

[14] D.21-08-024 at 12, citing Res. E-3238 at 2-3.

[15] D.23-02-017 at footnote 47.

> cost was incurred, despite the activity itself being "incremental."[16]

Cal Advocates argues some of PG&E's costs were not incremental to the extent straight time labor and overhead costs were already authorized in the GRC.[17] PG&E points out the costs were captured in a two-way balancing account contemplated through the GRC with the ability to overspend authorized amounts already contained in base rates, as distinguished from a memorandum account.[18] Thus, PG&E contends, costs recorded into a balancing account are incremental because "every dollar recorded to the WMBA is for actual costs incurred for a specific authorized activity, including the associated straight-time labor and overhead costs" as authorized by the WMBA.[19] PG&E argues that balancing accounts assure costs are incremental as long as those costs are appropriately recorded into the account – which was verified by an independent audit and which Cal Advocates does not contest.[20]

Recording costs into a balancing account does not foreclose incrementality review, as PG&E suggests. However, PG&E adequately demonstrates that its costs recorded into the WMBA, as verified by an independent audit, are incremental to the GRC-approved costs. Accordingly, we reject Cal Advocates' disallowance claims based on incrementality.

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[16] D.23-02-017 at 27.

[17] Cal Advocates Opening Brief at 5, 7, 13-14, 17-19.

[18] PG&E Opening Brief at 24-25.

[19] PG&E Opening Brief at 24.

[20] PG&E Opening Brief at 24.

4.5. Burden of Proof

The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.[21] 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.'"[22] PG&E has the burden of affirmatively establishing the reasonableness of all aspects of its application, as defined by the prudent manager standard.[23]

5. Vegetation Management Balancing Account

5.1 Program Elements

PG&E's vegetation management programs in the VMBA consist of four patrol types: Routine VM, Enhanced VM, Tree Mortality VM, and Power Generation VM.[24] PG&E's work in each of those program elements consists of pre-inspection, tree work, and work verification.[25] In 2021, the highest priority for vegetation management work was to reduce the risk of wildfire, with a focus on the approximately 25,500 distribution circuit miles within High Fire Threat Districts (HFTDs).[26]

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

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

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

[24] PG&E 2022 WMP (July 26, 2022) at 725, 748-749.

[25] PG&E 2021 WMP (June 3, 2021) at 693.

[26] PG&E's 2021 WMP (June 3, 2021) defines High Fire Threat District pursuant to D.17-01-009 as areas of the State designated by the Commission and the California Department of Forestry and Fire Protection to have elevated wildfire risk, indicating where utilities must take additional action pursuant to General Order (GO) 95, GO 165, and GO 166 to mitigate wildfire risk.

The primary differences among the four program elements are in geographic scope. PG&E conducts its Routine VM systemwide, covering its entire electric distribution electric system. Enhanced VM and Tree Mortality VM are in HFTDs and High Fire Risk Areas (HFRA);[27] Tree Mortality also covers Federal Responsibility Areas (FRAs), State Responsibility Areas (SRAs), and Local Responsibility Areas (LRAs),[28] which add approximately 17,965 additional miles outside the HFTDs. The Power Generation VM program is conducted in areas surrounding PG&E's 63 powerhouses and associated equipment.

PG&E conducts its Routine VM program annually, maintaining compliance distances between vegetation and overhead distribution lines.[29] PG&E states its pre-inspectors patrol all distribution lines, identifying trees and vegetation that will compromise mandated safe distances between its overhead distribution lines and vegetation growing nearby. The pre-inspectors identify trees to be worked, either trimmed or removed, and determine how urgent the abatement is by assigning the work to priority levels. Pre-inspectors are followed by qualified tree workers who trim or remove the vegetation.

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[27] Exhibit PGE-01 at 2-7 to 2-8 states that PG&E developed an HFRA map in 2020 to ensure that its PSPS was appropriately scoped to capture all areas of its service territory presenting catastrophic wildfire risk. The HFRA map includes areas with high risk for potential catastrophic fire that are not captured on the Commission's HFTD map. Many of these areas do not contain a large number of customers or PG&E assets and are in rural, hard-to-access locations where a wildfire could grow and spread rapidly. The initial version of PG&E's HFRA map identified 115 additional HFRAs that were included in PG&E's PSPS program scope in 2020. In 2021, PG&E continued to develop its HFRA map, which entailed removing areas from the map where PG&E concluded that an ignition during an offshore wind event either would not occur or otherwise would not lead to a catastrophic wildfire.

[28] Exhibit PGE-01 at 3-23 to 3-37. The term Local Responsibility Area is another name for Wildland Urban Interface.

[29] Overhead distribution lines are also called conductor.

PG&E also maintains clearance around facilities other than overhead distribution lines. As part of its normal operations, PG&E clears vegetation around utility poles with attached equipment that may drop hot or molten material. PG&E labels this pole clearance work "Vegetation Control" and includes it within the Routine VM program. The clearance requirements for these poles are established by Public Resources Code Section 4292, and PG&E inspects the poles at least once per year.[30]

The Tree Mortality[31] VM program element is also conducted annually, predominantly in the HFTDs. Tree Mortality VM work consists of redundant patrols and inspections along the Routine VM route,[32] with the alternative names of "Second Patrol" and "Mid-Cycle Patrol" for this program element.

The Enhanced VM program cycle is not annual like the Routine VM and Tree Mortality VM cycles. Rather, it is a multi-year cycle, which originally had been planned to cover 25,200 HFTD line miles over approximately a decade. In 2021, PG&E indicated it was operating on a 12-year plan, intending to cover 25,200 miles at a rate of 1,800 miles per year.[33] PG&E explains that it changed the

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

[31] 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).

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

[33] Exhibit PGE-02 at Chapter 3. PG&E's 2023 GRC forecast is based on covering 25,200 overhead distribution lines in the HFTD over 12 years, beginning with 2021. In the 2020 GRC, PG&E assumed about 3 percent of the 25,200 overhead distribution miles in HFTDs would not need coverage and estimated 2,922 miles of coverage per year. *See* A.18-12-009 Exhibit PGE-04 Workpaper Table 7-11, assumption 2.

scope of Enhanced VM after filing the 2020 GRC.[34] Beginning in 2021, Enhanced VM was anticipated to be performed in HFTDs and HFRAs over 12 years.

PG&E's Power Generation VM program includes the work associated with identifying, abating, and cleaning up dead trees in the areas surrounding PG&E's power generation facilities, which are comprised of 63 hydroelectric generating plants with associated electrical equipment in substations. Distribution or transmission lines connect the substations of hydroelectric generating plants to the electrical grid. 170 distribution substations are within HFTDs and the remaining 49 are adjacent to the HFTDs.[35]

5.2 VMBA Authorization in 2020 GRC

In PG&E's 2020 GRC, decided in D.20-12-005, the Commission adopted the 2021 VMBA based on a settlement proposal. The settlement proposed changing the VMBA from a one-way balancing account, as it had been before 2020, 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 VM and Power Generation VM, to the same balancing account. The Commission made no changes to the settlement's proposed 2021 revenue requirement for the VMBA, authorizing $602.8 million combined with a contingency allowance of 20 percent over $602.8 million ($120.6 million), for a total of $723.4 million.

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[34] PG&E Opening Brief at 41.

[35] Exhibit PGE-01 at 3-7; OEIS 2021 Substantial Vegetation Management Audit of PG&E at 60.

In the 2020 GRC decision, the Commission imposed a special condition on the two-way balancing account, now known as the reasonableness review threshold.[36] The reasonableness review threshold requires PG&E to undergo a formal review by application to collect amounts over the $723.4 million threshold, rather than collecting additional revenue through the ministerial process often allowed for balancing accounts. The Commission preserved the ministerial process for collecting 2021 VMBA costs under the reasonableness review threshold (up to $723.4 million) by a Tier 2 Advice Letter.

5.3 Recovery of Routine VM, Tree Mortality VM, and Power Generation VM Costs

In 2021, PG&E recorded costs of $682.5 million for Routine VM, $87 million for Tree Mortality VM, and $844,000 for Power Generation VM. PG&E requests approval in this proceeding for cost recovery of $378.6 million for Routine VM, $86.2 million for Tree Mortality VM, and $844,000 for Power Generation VM.[37] For the reasons set forth below, this decision finds that the evidentiary record supports PG&E's recovery of all of its requested costs for Routine VM, Tree Mortality VM, and Power Generation VM.

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[36] 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) (GRC Settlement Motion). *Also see* GRC Settlement Motion at 27.

[37] Exhibit PGE-01 at 3-2, Table 3-1; PG&E Opening Brief at 38, Table 3. PG&E's Routine VM and Tree Mortality VM requests reflect downward cost adjustments recommended by auditor Ernst & Young, which PG&E accepted.

For Routine VM, PG&E explains that several factors resulted in its 2021 costs being $378.6 million more than the 2020 reasonableness review threshold. PG&E groups those additional costs into four categories: (1) additional units worked; (2) defined scope; (3) exception tree work; and (4) additional non-tree costs.

First, PG&E identifies $25.9 million in costs for additional trees worked. In 2021, PG&E worked approximately 151,000 more trees than anticipated in the 2020 GRC forecast. PG&E worked more trees than forecast in 2021 primarily due to carry-over work from 2020 and a culture change that resulted in the identification of more trees that needed to be worked. PG&E explains that the cultural change in the program resulted from the on-boarding of new internal inspectors, and the implementation of a work verification program resulted in its inspectors identifying comparatively more trees in 2021. The cultural change required a more conservative approach of inspectors identifying more trees for remediation than forecast consistent with the Commission's and PG&E's accelerated efforts through the WMP processes to improve vegetation management programs with the goal of reducing the risk of catastrophic wildfire.[38] That change is also consistent with PG&E's commitment in its February 2021 WMP to verify 100 percent of its vegetation management work in HFTDs in 2021 and PG&E's performance of work verification on 3,050 miles of routine work within the HFTDs in 2021.[39] PG&E also attributes the cost increases for its 2021 vegetation management work in part to severe drought and the

[38] Exhibit PGE-01 at 3-15 to 3-18.

[39] Energy Safety 2021 Substantial Vegetation Management Audit at 43.

increased pace of climate change, which required PG&E to perform more activities than it anticipated when requesting revenue in its 2020 GRC.[40]

Second, PG&E identifies approximately $222 million in costs for defined scope. PG&E states that Routine VM costs increased by $164.8 million resulting from SB 247 legislation requiring that qualified line clearance tree trimmers be paid no less than the prevailing wage rate for a first period apprentice electrical utility lineman.[41] In addition, PG&E incurred $46.2 million in increased costs resulting from enhanced contractor safety requirements starting in mid-2021 that required a 3-person climbing crew instead of a 2-person climbing crew. PG&E also states that this category includes $10.9 million in additional pass-through costs related to the establishment of a Defined Scope Master Service Agreement based on lump sum pricing, with the additional costs incurred in 2021 for excess traffic control.[42]

Third, PG&E identifies approximately $102.3 million in additional costs for exception tree work, a category that includes $57.2 million for 2020 carry-over work and defined scope exceptions, $18.7 million for tag work issued for vegetation that poses an imminent threat and must be mitigated within 24 hours, $8.4 million for vegetation control, and $5.9 million for unplanned, emergent VM work.

PG&E identifies a fourth category of approximately $41.7 million in additional non-tree costs for Routine VM. These costs include $13.9 million for safety and quality oversight, $8.6 million for unionizing pre-inspectors,

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[40] Exhibit PGE-02 at 3-7.

[41] Exhibit PGE-01 at 3-18.

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

$4.1 million for environmental work, and $1.3 million for information technology and LiDAR surveys.

PG&E did not forecast Tree Mortality VM work in the 2020 GRC, and it seeks the full recovery of those costs in this proceeding.[43] PG&E identifies five cost categories for Tree Mortality VM: (1) $71.6 million for enhanced vegetation inspections and mitigation initiative; (2) $3.6 million for wood management; (3) $5.8 million for wildland urban interface protection; (4) $2.1 million for fuel reduction and emergency response access; and (5) $3.2 million for safety oversight and quality verification.[44]

As with Tree Mortality VM work, PG&E did not forecast Power Generation VM work in the 2020 GRC, and it seeks the full recovery of those costs of $844,000 in this proceeding.[45]

Neither Cal Advocates nor TURN disputes the reasonableness of PG&E's requested costs for Routine VM, Tree Mortality VM, and Power Generation VM. Our review of the evidentiary record reflects that PG&E has met its burden of proof to establish the reasonableness of its requested costs for those three program elements. As a result, we approve PG&E's recovery of $378.6 million for Routine VM, $86.2 million for Tree Mortality VM, and $844,000 for Power Generation VM.

5.4 Recovery and Disallowance of Enhanced VM Costs

In 2021, PG&E recorded costs of $770.4 million for Enhanced VM. PG&E requests approval in this application for the recovery of $349 million in Enhanced

[43] Exhibit PGE-01 at 3-37.

[44] Exhibit PGE-01 at 3-37, Table 3-9.

[45] Exhibit PGE-01 at 3-39.

VM costs.[46] For the reasons set forth below, this decision approves PG&E's recovery of $132 million in Enhanced VM costs and disallows recovery of $217 million in requested Enhanced VM costs that were not reasonably incurred.

5.4.1 Enhanced VM Background

When the Commission conditionally approved PG&E's 2020 plans for Enhanced VM in June 2020, it stated:

> It is not clear that PG&E is targeting EVM to the highest risk areas first. It should address when within the next 10 years it plans to have treated the riskiest areas and riskiest trees for the first time.[47]

In 2021, Enhanced VM was one of PG&E's primary strategies to mitigate wildfire risks attributed to overhead distribution equipment in HFTD areas.[48] PG&E explains that the first four months of 2021 were devoted to addressing the deficiencies in its Enhanced VM program before finalizing the Enhanced VM scope of work for the remainder of 2021. Several years had elapsed between PG&E's proposal in its GRC application in 2018, and PG&E had received feedback on the need for significant changes in late 2020 and early 2021.

In February 2021, the Commission's Wildfire Safety Division issued its Substantial Vegetation Management Audit that led to the Commission issuing Resolution M-4852 on April 15, 2021, requiring PG&E to correct the method by which it prioritized miles for work in the Enhanced VM program. In response to these Commission directives, PG&E finalized its goals for 2021 in late April 2021:

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[46] Exhibit PGE-01 at 3-2, Table 3-1; PG&E Opening Brief at 38, Table 3. PG&E's Enhanced VM request reflects a downward cost adjustment recommended by auditor Ernst & Young, which PG&E accepted.

[47] Res. WSD-003 at 45.

[48] PG&E 2022 WMP (July 26, 2022 version) at 101 and Section 7.3.5.

to complete Enhanced VM work on the 1,800 miles with the highest risk, and to perform more than 80 percent of that work in the top 20 percent highest risk Circuit Protection Zones (CPZs) in order from the most risky to the next most risky CPZ.[49] PG&E delayed much of its Enhanced VM work until this plan was finalized, as shown by PG&E's monthly reported miles in 2021:

PG&E 2021 Enhanced VM Miles[50]

Month	Miles
Jan	33
Feb	18
Mar	-19
Apr	128
May	247
Jun	191
Jul	190
Aug	237
Sep	257
Oct	228
Nov	242
Dec	231
TOTAL	1983

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[49] PG&E 2021 WMP (June 3 2021 version) at Table PG&E-5.2.1 at 263. PG&E defines a Circuit Protection Zone as a segment of a distribution circuit between two protection devices.

[50] Exhibit TURN-02, Attachment 11 (2022WMCE_DR_TURN-Q3 Attachments 3, 6, 8, 9, 10, 11, 12). Exhibit PGE-02 provides explanations for the reported decrease in completed EVM miles shown in March 2021. At 3-Atch04-18, PG&E explains negative miles as follows, "As part of EVM's process, a circuit segment categorized as completed (work verified), may revert to an in-progress status if a new vegetation point (tree) is associated with a circuit segment after the work verification was completed. If this were to occur, miles associated with this circuit segment will not be recognized as complete until work verification has been re-performed. This condition could cause progress which was recognized in one quarter to not be recognized in a subsequent quarter." At 3-Atch11-66, PG&E displays changes in the EVM Scope of Work, both the number of miles and the location of the miles, between 12/18/20 to 2/23/21 and again at 5/6/21. Similarly, Exhibit TURN-02 Attachment 8 (TURN-006-Q1, Atch 01, Atch 02, and Atch 03) contain PG&E presentation materials dated between November 20, 2020 and April 23, 2021 showing the various revisions to the EVM scope of work.

PG&E forecast its Enhanced VM work on a per mile basis and not based on the number of trees.[51] In the 2020 GRC that was filed with the Commission in 2018, PG&E forecast $114,000 per mile for Enhanced VM costs.[52] However, the 2021 Enhanced VM program and the costs associated with it "bore little resemblance to the assumptions underlying PG&E's 2020 GRC forecast,"[53] and PG&E did not base its 2021 Enhanced VM planning on forecast costs utilized to prepare its 2020 GRC application. Instead, PG&E based its 2021 Enhanced VM budget on its two years of experience in 2019 and 2020 in implementing the Enhanced VM program.[54] The 2020 Enhanced VM program cost $451 million to work on 1,878 miles in HFTDs, or a cost of $240,000 per mile. In late December 2020, PG&E management approved a 2021 Enhanced VM budget of $536 million, or $283,000 per mile, a budget increase of approximately $30 million to account for six areas of critical concern identified by Energy Safety and the Commission.[55]

PG&E maintained that $536 million Enhanced VM budget until the end of October 2021. The actual 2021 Enhanced VM costs were $770 million, or $389,000 per mile.[56]

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[51] Exhibit PGE-01 at 3-30, footnote 29.

[52] In A.18-12-009, Exhibit PGE-04 at 7-30 and 7-32.

[53] PG&E Opening Brief at 49.

[54] Exhibit TURN-04 (2022 WMCE_DR_TURN_005-Q003).

[55] Exhibit PGE-02, 3-Atch11-15 and Exhibit TURN-02, Attachment 9 (2022 WMC_DR_TURN_004-Q003).

[56] Exhibit PGE-01 at 3-2, Table 3-1.

5.4.2 Party Positions

PG&E explains the timing for completion of its 2021 Enhanced VM work as follows:

> PG&E's Commission-approved Corrective Action Plan called for PG&E to complete more than half of its 2021 EVM mileage in the final four months of the year. And as the Commission recognized, "PG&E's milestones for 2021 required it to increase its rate of EVM work by more than three-fold in the second half of the year in order to reach its annual goal."[57]

PG&E acknowledges that the timing of the implementation of its 2021 Enhanced VM work plan under its risk-based approach contributed to increased 2021 EVM program costs.[58] However, PG&E asserts that its 2021 Enhanced VM activities and the resulting costs to perform those activities were reasonable, stating that its Enhanced VM program as executed in 2021 was "a necessary solution for mitigating ignition risk from vegetation contact in the HFTD."[59] PG&E explains the costs are due to more trees and more tree removals because of their focus on the highest risk miles.[60] In addition, PG&E states that its increased Enhanced VM costs were due to increased labor costs of complying with Senate Bill 247, a law requiring all qualified tree trimmers to be paid no less than the prevailing wage rate for a first period apprentice electrical utility lineman.[61]

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[57] PG&E Opening Brief at 52. PG&E's Opening Brief cites Resolution M-4864 (Exhibit PGE-20) at 16 to 17 (CAP Element 13), in support of its claim, but that Resolution does not address the increased unit cost of PG&E's EVM, only a mileage increase. We discuss this issue further below.

[58] Exhibit PGE-02 at 3-19.

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

[60] Exhibit PGE-02 at 3-20.

[61] Exhibit PGE-01 at 3-18, 3-29.

PG&E asks the Commission to approve its Enhanced VM cost recovery request because (1) PG&E's Enhanced VM program in 2021 met its compliance commitments; (2) PG&E's 2021 Enhanced VM plan was reasonable; (3) PG&E appropriately considered wildfire risk alternatives, but none obviated Enhanced VM in 2021; (4) An evaluation of Enhanced VM must extend beyond evaluating Risk Spend Efficiency (RSE) scores; (5) TURN did not suggest any alternative to PG&E's reasonable reliance on Time & Materials contracts; (6) TURN's discussion regarding PG&E's Long Term Incentive Performance program is unfounded; and (7) TURN's criticisms of PG&E's tree removal practices are unsupported by evidence.[62]

PG&E further argues that the largest cost drivers of the Enhanced VM program were unavoidable and the costs were commensurate with the value delivered based on what PG&E knew at the time, and thus eligible for collection from customers.[63]

TURN characterizes a number of PG&E management decisions regarding Enhanced VM as unreasonable or imprudent. TURN recommends a disallowance of $350 million, the difference between PG&E's imputed GRC Enhanced VM authorization of $421 million and its recorded costs.[64] Alternatively, TURN recommends the Commission consider disallowing $234 million, the amount spent over the $536 million budget that PG&E maintained for Enhanced VM until November 2021.[65] TURN states:

[62] PG&E Reply Brief at 10 – 14.

[63] PG&E Opening Brief at 50.

[64] TURN Opening Brief at 2.

[65] TURN Opening Brief at 3.

> For the first ten months the utility's monthly reports retained the original $536 million budget; in fact, the report provided to management in early November 2021, reporting on the costs and progress through the end of October 2021 stated that the "EOY Financial Plan is on target." It was not until the November 2021 report (dated early December) that the listed annual budget increased for the first time, to $663.8 million, with the increase attributed in part to "more trees worked per completed mile." The "End of Year Review" revealed the final figure of $770 million.[66]

TURN asserts that PG&E's decision-making process leading up to its management approval of the 2021 Enhanced VM program was deficient in numerous ways and negatively impacted PG&E's implementation and administration of the program, leading to the conclusion that PG&E has failed to establish the reasonableness of its costs.[67] TURN asserts that PG&E has failed to support its position that the risk reduction benefits of Enhanced VM were commensurate with $770 million in costs recorded for the program.[68] Specifically, TURN highlights what it characterizes as a focus on meeting the 1,800 mile Enhanced VM commitment without paying adequate attention to the cost, and to the costly decision implemented in October 2021 to remove more trees in the last quarter of 2021, a decision that drove costs to skyrocket in November and December 2021.[69]

[66] TURN Opening Brief at 10.

[67] TURN Opening Brief at 4.

[68] TURN Opening Brief at 15.

[69] TURN Opening Brief at 6 – 7.

5.4.3 Discussion

During the period from January through October 2021, PG&E maintained adequate cost controls for its Enhanced VM program, as reflected in average costs per tree of $1,636 in the May through September 2021 timeframe, and as supported by the fact that during this period PG&E maintained the 2021 $536 million Enhanced VM budget. However, this changed when PG&E issued a new tree removal directive in October 2021. PG&E states:

> PG&E issued new guidance in October 2021 that required crews to remove a tree if the tree being worked was within 12 feet of the line. Previously these trees would have been trimmed, but more trees were ultimately removed as a result of the new guidance.[70]

The cost impact of PG&E's October 2021 tree removal directive was dramatic: average per tree costs jumped from $1,636 during the period from May through September 2021 to $2,447 in November 2021, and costs then soared to $6,338 per tree in December 2021.[71]

As discussed above, in Section 5.4.2, PG&E argues this dramatic jump in costs was reasonable based, in part, on the Commission oversight and enforcement process.[72] The fact that PG&E had to revise the EVM miles that would be covered in 2021 in its Corrective Action Plan, which meant an increase in the rate of its EVM work in the second half of the year, does not absolve PG&E

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[70] Exhibit PGE-01 at 3-30.

[71] Exhibit TURN-02 (2022 WMCE DR_TURN_002-Q23, 2022 WMCE DR_TURN_005-Q003, Attachment 10, Attachment 25).

[72] PG&E Opening Brief at 51, "In other words, this fundamental shift in PG&E's approach to the EVM program-to focus on the highest risk CPZs-made it more expensive to execute. This fundamental shift, which was well underway in 2020, was consistent with the requirements of Resolution M-4852."

of the requirement to prudently mange costs.[73] The Commission did not approve nor address PG&E's significant cost increases in the oversight and enforcement process. Indeed, Resolution M-4864 made clear that it was not associated with assessing the reasonableness of any related costs.[74]

During cross-examination of its testimony, PG&E explains that its October 2021 tree removal directive occurred because some of its crews were trimming trees that its verification inspectors later determined should have been removed, and PG&E decided to uniformly direct tree removal so that it could count each mile worked as a completed mile.[75] In its closing brief, PG&E alternatively claims that the October 2021 directive was made "in order to provide longer term risk reduction benefits by preventing future growing in and overhang growth from trees in close proximity to the conductors."[76] However, PG&E fails to provide specificity regarding its claimed "longer term risk reduction benefits" that would allow for a meaningful comparison to be made with its choice to allow per tree work costs to increase by almost 400 percent. PG&E also fails to meet its burden to demonstrate that cost increases were reasonable. PG&E fails to specify new and additional cost controls it put in place when it decided to issue the

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[73] PG&E Opening Brief at 52. PG&E's Opening Brief cites Exhibit PGE-20 (Resolution M-4864) at 16 to 17 (CAP Element 13), in support of its claim, but that Resolution does not address the increased unit cost of PG&E's EVM, only a mileage increase. We discuss this issue further below.

[74] Exhibit PGE-20 (Resolution M-4864) at 1, 17.

[75] Reporter's Transcript (RT) Vol. 2 165:10-166:14.

[76] PG&E Opening Brief at 53.

October 2021 directive.[77] Rather, PG&E characterizes the cost drivers as largely unavoidable and therefore reasonable.[78]

In its testimony, PG&E acknowledges that its GRC forecast assumed that it would trim about 67.7 trees per mile and remove about 7.5 trees per mile, a trim to removal ratio of about 9:1,[79] reflecting the fact that PG&E had forecast about 10 percent of its Enhanced VM tree work would be tree removal. However, recorded 2021 data reflects that 83 percent of PG&E's actual Enhanced VM tree work in 2021 was for tree removal, rather than the 10 percent forecast.[80] The cost impact of PG&E's October 2021 tree removal directive is magnified by PG&E's acknowledgement that the forecast cost of tree removal is three times higher than that of tree trimming.[81] Thus, rather than tree removal costs being 25 percent of total tree work costs as forecast, 94 percent of PG&E's total tree work costs were spent on tree removal in 2021.[82]

As noted above, PG&E claims that Enhanced VM costs increased as a result of SB 247. However, PG&E does not explain, and the evidentiary record does not reflect, why SB 247's impact would have caused costs to spike only in

[77] Exhibit TURN-03 at 22MCE_DR_TURN_008-Q017, at 1.

[78] PG&E Opening Brief at 50.

[79] Exhibit PGE-01 at 3-29, footnote 26.

[80] Exhibit PGE-01 at 3-29, footnote 27 (278,800 trees removed/336,000 trees worked = 83 percent).

[81] Exhibit PGE-01 at 3-29.

[82] PG&E does not state a specific per tree cost for tree removal and tree trimming. Based upon PG&E's testimony that a tree removal is three times the cost of a tree trim, and applying placeholder costs of $1 per tree trim and $3 per tree removal, the forecast tree removal cost is ($3 x .1)/(($3 x .1) + ($1 x .9)) = 25 percent of the total forecast tree work cost, and the 2021 actual tree removal cost is ($3 x .83)/(($3 x .83) + ($1 x .17)) = 94 percent of the 2021 actual total tree work cost.

November and December of 2021. PG&E also attributes the high rate of tree removal in November and December to increased tree density rather than to the October 2021 tree removal directive. However, tree density is also not a satisfactory explanation for the tree removal spike because PG&E's monthly data shows PG&E addressed fewer trees per mile in November and December than it did in the four months before.[83] Rather, we find that the increased Enhanced VM costs in the last two months of 2021 were the result of more tree removals attributable to PG&E's October 2021 tree removal directive and not to SB 247 or tree density.

We find that PG&E has not established in this proceeding that it implemented its October 2021 directive to remove more trees in a just and reasonable manner consistent with cost containment. As discussed above, PG&E fails to provide specificity regarding any new and additional cost controls it put in place when it decided to issue the October 2021 directive. PG&E's failure to respond in any appreciable way to the dramatic cost increases in November and December 2021 was not justified and was unreasonable. Additionally, while the Commission stated in D.19-05-037 and D.20-12-005 that PG&E may remove healthy trees if it has evidence that those trees pose a risk to utility electric facilities under wildfire ignition conditions, PG&E failed to provide specificity regarding any longer term risk reduction benefits for the two months at issue.[84]

We calculate a disallowance for the excessive tree costs PG&E incurred in November and December 2021 as follows: (1) PG&E recorded average per tree costs of $1,636 per tree from May through September 2021, $2,447 per tree in

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[83] Exhibit PGE-02 at 3-Atch11-18.

[84] D.19-05-037 at 28, OP7; D.20-12-005 at 74.

November 2021, and $6,338 per tree in December 2021; (2) Based upon 65,750 trees abated in November 2021,[85] the excessive tree cost for that month was 65,750 trees x ($2,447 - $1,636), or $53.3 million; (3) For December 2021, the excessive tree cost was 34,821 trees[86] x ($6,338 - $1,636), or $163.7 million; and (4) the total disallowance for PG&E's excessive Enhanced VM tree costs is $53.3 million plus $163.7 million, or $217 million.

6. Wildfire Mitigation Balancing Account

6.1. WMBA Authorization in 2020 GRC

The 2020 GRC Decision authorized the WMBA as a two-way balancing account to track costs for PG&E's Community Wildfire Safety Program (CWSP), a group of mitigation programs outlined in the GRC and PG&E's WMPs to reduce the risk of catastrophic wildfire. The 2020 GRC Decision authorized PG&E to recover up to 115 percent of the GRC-authorized amount for WMBA expenses through a Tier 2 Advice Letter and to seek recovery of WMBA expenses exceeding 115 percent of the GRC-authorized amount through a reasonableness review application. The GRC-authorized amount for 2021 WMBA expenses is $51.9 million, and the 115 percent reasonableness review threshold is $59.7 million.[87]

6.2. Recovery of WMBA Costs

PG&E's 2021 recorded WMBA costs totaled $161.1 million, and PG&E seeks reasonableness review in this proceeding of $101.5 million in WMBA costs.[88] PG&E divides its requested WMBA costs into 4 major categories:

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[85] Exhibit PGE-02 at 3-20.

[86] Exhibit PGE-02 at 3-20.

[87] Exhibit PGE-01 at 2-1 to 2-2.

[88] Exhibit PGE-01 at 2-2, Table 2-1.

(1) Public Safety Power Shutoff (PSPS), including PSPS Program activities and PSPS Events; (2) Storm Outage Prediction Project (SOPP); (3) Advanced Fire Modeling (AFM); and (4) Safety and Infrastructure Protection Teams (SIPT).

TURN does not dispute recovery of PG&E's requested WMBA costs. Cal Advocates recommends the Commission disallow $30.8 million of PGE's request on the basis of incrementality and also disallow $5 million for lack of documentation in costs, for a total disallowance of $35.6 million.[95] For the reasons set forth below, this decision approves PG&E's recovery of all its requested $101.5 million in WMBA costs.

6.2.1. PSPS Costs

PG&E identifies two main categories of PSPS costs: PSPS Program activities and PSPS Events. PSPS Program activities are "efforts to minimize the impact of PSPS events on customers by strengthening the overall event response, ensuring PG&E and customers are prepared, and improving the tools and technologies relied upon to scope and manage PSPS events. This includes activities for event readiness, reservation of helicopters to speed inspections, Community Resource Center preparedness, training, and community outreach and engagement activities."[89] PSPS Program costs are incurred in preparation for PSPS events according to Commission requirements, including customer outreach, education, and coordination with impacted organizations.[90]

PSPS Events involve the de-energization of lines following a determination of weather-related imminent threats to power line assets and increased wildfire risk and re-energization of those lines once PG&E determines the danger has

[89] PG&E Opening Brief at 29.

[90] PG&E Opening Brief at 9.

passed.[91] PG&E's process for executing PSPS Events involves the following steps: (1) monitoring weather before the Emergency Operations Center (EOC) is activated; (2) activating the EOC if necessary based on weather conditions; (3) identifying and approving the initial scope of the potential de-energization event and notifying public safety partners and impacted customers; (4) making the final decision to de-energize based on updated weather forecasts, situational intelligence, and other information; (5) sending final warning notifications to impacted public safety partners and customers; (6) de-energizing assets identified to be in scope; and (7) making the weather all-clear determination to begin patrolling affected circuits and re-energizing the power grid when it is safe to do so.[92]

In 2021, PG&E executed five PSPS events.[93] The 2021 PSPS event impacting the most customers was in August, when 48,155 customers were out of service for an average of 29 hours. The PSPS impacting the fewest customers was the October 14-16 event, impacting 666 customers who were out of service on average for 16 hours. PG&E recorded approximately $11 million for the August event and approximately $2 million for the October 14-16 event.[94]

PG&E recorded $66.8 million in PSPS Program costs and seeks recovery of $59.5 million of such costs. PG&E recorded and seeks recovery of $35.3 million in PSPS Events costs.

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[91] Exhibit PGE-01 at 2-4.

[92] Exhibit PGE-01 at 2-8 to 2-9.

[93] Exhibit PGE-01 at 2-10.

[94] Exhibit PGE-01 at 2-10, Tables 2-6, 2-7.

Cal Advocates recommends disallowances for PSPS Program activities of $12.2 million for straight time labor and $9.9 million for overhead costs based upon its assertion that PG&E's costs were not incremental.[95] Cal Advocates also recommends disallowances for PSPS Events of $4.6 million for straight time labor and $2.9 million for overhead costs, claiming that such costs were not incremental.[96] However, for the reasons set forth in Section 4.4 above, we reject Cal Advocates' disallowance claims based on incrementality.

Cal Advocates recommends a disallowance of $3.8 million for PSPS Program-Aviation, challenging PG&E's cost recovery request for 65 helicopters. Cal Advocates states that PG&E failed to provide documented recommendations for 65 helicopters in 2021, only providing documents regarding recommendations for 50 helicopters in 2022 and 2023. Cal Advocates' recommended recovery of $12.7 million for the PSPS Aviation Program is based on cost recovery for 50 helicopters rather than the 65 helicopters requested by PG&E.[97] Cal Advocates also notes that the maximum number of helicopters utilized by PG&E in a 2021 PSPS event was 35, contending that full cost recovery to fund 65 helicopters was not justifiable or reasonable.[98]

In rebuttal, PG&E maintains that the number of helicopters it reserves is not constant but depends on the anticipated need, that it reserved 30 helicopters in June 2021, and that it reserved an additional 34 helicopters in September 2021, which is typically the start of peak fire season. PG&E states that if it does not

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95 Exhibit CA-02 at 4, 6.

96 Exhibit CA-02 at 13-14.

97 Exhibit CA-02 at 8-10.

98 Exhibit CA-02 at 11.

have enough helicopters available during a PSPS event, it takes longer to patrol lines leading to longer outage durations. PG&E also noted that 65 helicopters had been used for a PSPS event in October 2020.[99]

We agree with PG&E that its reservation of 65 helicopters for PSPS Events in 2021 was reasonable. PG&E had an obligation to take preparatory steps to efficiently execute PSPS events, and it is difficult to predict with certainty whether and to what extent such PSPS events will be necessary due to variability in weather conditions and uncertainty in weather forecasting.[100] The fact that a lower recommended number of helicopters was made in subsequent years is not persuasive; the exercise of reasonable judgment must be evaluated in light of facts known or which should have been known at the time the decision was made and not on future events. As a result, we reject Cal Advocates' recommended disallowance of $3.8 million for PSPS Program-Aviation, and we find that PG&E has established the reasonableness of all of its requested recovery of $102.1 million for PSPS Program and PSPS Events costs.

6.2.2. SOPP Costs

PG&E presents costs from its SOPP and Numerical Weather Prediction activities. This category includes programs to predict weather and fire spread, with the goals of improving responses to outages caused by storms or other natural events and also outages from preemptive PSPS events, improving the granularity of weather modeling tools, and strengthening PG&E's forecasts for predicting outages.[101]

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[99] Exhibit PGE-02 at 2-17 to 2-21.

[100] Exhibit PGE-02 at 2-19,

[101] PG&E Opening Brief at 29.

PG&E recorded 2021 SOPP costs of $2.0 million and seeks recovery in this proceeding of $1.6 million.[102] Cal Advocates recommended a downward cost adjustment because its review reflected an external contract cost of $480,275 and not $820,000.[103] However, PG&E in rebuttal clarified that the amount identified by Cal Advocates is not part of the costs for which PG&E seeks recovery, and all SOPP costs that PG&E includes for recovery are reasonable. We find PG&E's position more plausible, deny Cal Advocates' requested downward cost adjustment, and approve as reasonable PG&E's requested recovery of $1.6 million in SOPP costs.

6.2.3. AFM Costs

AFM activities improve PG&E's models used to understand fire risk and help PG&E decide whether to initiate a PSPS event.[104] AFM simulations provide fire-spread outputs, including potential number of acres burned and population impacted, and can be visualized every three hours to determine the highest risk circuits.[105]

PG&E recorded $4.8 million in AFM costs in 2021, and it seeks recovery of $3.5 million.[106] Cal Advocates recommends a disallowance of $625,152 for AFM costs in part because it claims costs were not incremental and in part because PG&E only provided a journal entry and did not provide an invoice for a $608,180 expense.[107] However, as stated above, we have previously denied

[102] Exhibit PGE-01 at 2-39.

[103] Cal Advocates Opening Brief at 15.

[104] PG&E Opening Brief at 29-30.

[105] Exhibit PGE-01 at 2-35.

[106] Exhibit PGE-01 at 2-33.

[107] Cal Advocates Opening Brief at 18-20.

Cal Advocates' incrementality argument. In addition, we agree with PG&E that journal entries can be sufficient supporting documentation where, as in this case, there are no direct invoices. As a result, we find all of PG&E's requested AFM costs to be reasonable and approve recovery of $3.5 million.

6.2.4. SIPT Costs

SIPT[108] consists of 45 two-person crews to provide direct defense of utility infrastructure and conduct safety and prevention, mitigation, and maintenance activities on company property or rights of way.[109]

PG&E attributes its recorded SIPT costs over its underlying forecast to program expansion.[110]

PG&E's SIPT program funding was based upon an underlying forecast of 25 crews during time periods of higher fire likelihood, and 5 crews for an extended season throughout PG&E's service territory.[111] Instead, PG&E reports 45 crews were employed for SIPT in 2021.[112]

PG&E recorded $17.1 million for the SIPT program in 2021 and seeks cost recovery of $1.2 million.[113] Cal Advocates disputes PG&E's entire $1.2 million request, claiming that PG&E did not provide reasonable documentation, with PG&E providing journal entries rather than invoices and not providing documentation to establish incrementality.[114] However, as with AFM costs,

[108] SIPT was called Wildfire and Infrastructure Protection Teams in PG&E's 2020 GRC.

[109] PG&E Opening Brief at 30.

[110] Exhibit PGE-01 at 2-41.

[111] In A.18-12-009, Exhibit PGE-04 at 2A-33.

[112] PG&E Opening Brief at 30.

[113] Exhibit PGE-01 at 2-41 to 2-42.

[114] Cal Advocates Opening Brief at 16-18.

PG&E convincingly rebuts Cal Advocates' argument by stating that not all transactions have direct invoices and that it is not unusual for journal entries to support transactions.[115] In addition, as stated above, we do not accept Cal Advocates' incrementality argument. As a result, we find PG&E's $1.2 million in SIPT costs to be reasonable and approve cost recovery.

7. Settlement Agreement

7.1. Settlement Agreement Description

PG&E, Cal Advocates, and DACC (collectively Settling Parties) filed the Settlement Motion requesting Commission approval of the Settlement Agreement resolving PG&E's request to recover total operational expenses of $310.602 million and total capital expenditures of $136.484 million covering the Memo Accounts at issue in this proceeding (but not the VMBA and WMBA), with a breakdown by account as follows:

- $189.682 million in operational expense and $131.250 million in capital costs recorded in the Catastrophic Event Memorandum Account (CEMA) as authorized by Res. E-3238 as codified in Pub. Util. Code Section 454.9(a) and Res. ESRB-4. PG&E reports the majority of the CEMA costs pertain to six events: the 2021 Caldor Fire, the 2020 Glass Fire, the October 2021 Northeast Bomb Cycle, the 2021 Atmospheric River, the 2021 Wind Event, and the 2021 December Storms;
- $5.810 million in costs recorded to the COVID-19 CEMA. During the COVID-19 pandemic, PG&E performed activities to mitigate the health and safety risks inflicted upon the public, customers, employees and contractors by the pandemic. The activities included coordination, employee support, transition to remote work, procuring protective equipment, facility modifications, vehicle rentals

[115] Exhibit PGE-02 at 2-21 to 2-22.

and inspections, sequestration of critical employees, and cleaning;

- $11.571 million in costs recorded in the COVID-19 Pandemic Protections Memorandum Account (CPPMA) as authorized by Res. M-4842 and Res. M-4849 to suspend disconnections for payment for nonservice and adapt other billing practices during COVID-19;
- $5.937 million of operational expense and $2.381 million in capital costs recorded in the California Consumer Privacy Act (CCPA) Memorandum Account (CCPAMA) as authorized by D.19-09-026 for activities to protect customers' private information in compliance with the CCPA;
- $2.214 million of costs recorded in the Emergency Consumer Protections Memorandum Account (ECPMA) as authorized by D.18-08-004 to implement the Emergency Consumer Protection Plan after a federal or state declaration of emergency resulting in loss or disruption of the delivery or receipt of utility service or service degradation;
- $8.175 million recorded in the Disconnections Memorandum Account (DMA) as authorized by D.20-06-003, which established new rules to reduce the number of residential disconnections for nonpayment and improve reconnection processes; and
- $87.213 million in expenses and $2.853 million in capital costs recorded in the Microgrids Memorandum Account (MGMA) as authorized by D.20-06-017 to mitigate the impact of PSPS events on customers.

The total revenue requirement associated with the Settlement Motion's request to recover capital expenses is $72.543 million, after accounting for a refund of $4.340 million to customers associated with changes in the Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA).

Cal Advocates filed testimony on all the accounts at issue in the Settlement Agreement. Cal Advocates recommended cost recovery of $284.9 million in operational expenses and $129.0 million in capital expenses, a reduction of $35.7 million and $7.5 million to PG&E's request for operational expense recovery and capital expense recovery, respectively.[116] Settling Parties propose resolving the accounts at issue by reducing PG&E's request for operational expense by $14.527 million, which is a 6 percent reduction from PG&E's request.

Tables 1 and 2 below compare PG&E's requested cost recovery as of the time of filing reply briefs, the Settlement Agreement cost recovery, and the associated revenue requirement for operational expenses (Table 1) and capital costs (Table 2):

Table 1. Comparison of PG&E Requested O&M Cost Recovery at Time of Reply Briefs Versus Settlement Agreement O&M Cost Recovery and Associated Revenue Requirement ($ thousands)[117]

Account	PG&E Requested Cost Recovery	Settlement Agreement Cost Recovery	Associated Revenue Requirement
Catastrophic Event Memorandum Account (CEMA)	$189,682	$182,475	$180,057
COVID-19 CEMA	$5,810	$5,810	$5,152
California Consumer Privacy Act Memorandum Account (CCPAMA)	$5,937	$5,125	$5,125
Emergency Consumer Protections Memorandum Account (ECPMA)	$2,214	$1,125	$1,125

[116] Settlement Motion at 15.

[117] Settlement Motion at 11-12 (Cost Recovery amounts from Table 2, Associated Revenue Requirement Amounts from Table 4).

Account	PG&E Requested Cost Recovery	Settlement Agreement Cost Recovery	Associated Revenue Requirement
COVID-19 Pandemic Protections Memorandum Account (CPPMA)	$11,571	$11,571	$11,571
Disconnections Memorandum Account (DMA)	$8,175	$4,500	$4,500
Microgrids Memorandum Account (MGMA)	$87,213	$85,469	$85,469
Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA)	n/a[118]	n/a	-$330
Total	**$310,602**	**$296,075**	**$292,669**

Table 2. Comparison of PG&E Requested Capital Cost Recovery at Time of Reply Briefs Versus Settlement Capital Cost Recovery and Associated Revenue Requirement ($ thousands)[119]

Account	PG&E Requested Capital Cost Recovery	Settlement Agreement Capital Cost Recovery	Associated Revenue Requirement
Catastrophic Event Memorandum Account (CEMA)	$131,250	$131,250	$71,870
California Consumer Privacy Act Memorandum Account (CCPAMA)	$2,381	$2,381	$2,844

118 The TRRRMA records a revenue requirement. Therefore, no total cost amount is provided.

119 Settlement Motion at 11-12 (Cost Recovery amounts in Table 3, Associated Revenue Requirement Amounts in Table 4).

Account	PG&E Requested Capital Cost Recovery	Settlement Agreement Capital Cost Recovery	Associated Revenue Requirement
Microgrids Memorandum Account (MGMA)	$2,853	$2,853	$2,169
Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA)	n/a[120]	n/a	-$4,340
Total	**$136,484**	**$136,484**	**$72,543**

Combined, the Settlement Agreement's proposal is to recover $365.2 million in revenue ($292.7 million revenue related to O&M expenses and $72.5 million in revenue related to capital expenses).[121]

TURN is not a party to the Settlement Agreement. However, the Settlement Motion states that PG&E contacted TURN about the settlement but "TURN did not plan on weighing in on the settlement."[122] No party filed any opposition to the Settlement Motion or the Settlement Agreement.

7.2. Settlement Agreement Requirements

Rule 12.1(d) requires a settlement to be "reasonable in light of the whole record, consistent with law, and in the public interest." The Commission has a

[120] The TRRRMA records a revenue requirement. Therefore, no total cost amount is provided.

[121] The Settlement Agreement's proposal to recover $365.2 million in revenue is inclusive of the the amount of $69.5 million identified as additional revenue to the interim recovery authorized in D.23-06-004.

[122] Settlement Motion at 2.

strong public policy of favoring settlements of disputes if they are fair and reasonable in light of the whole record.[123]

To consider the Settlement Agreement in this proceeding to be in the public interest, the Commission must be convinced that the parties had a sound and thorough understanding of the application and all of the underlying assumptions and data included in the record.

7.2.1. Reasonableness in Light of Whole Record

As indicated in the Settlement Motion, Cal Advocates reviewed all of the accounts subject to the Settlement Agreement and recommended disallowances in all but the CCPAMA and the capital expenses associated with the MGMA. Settling Parties state the Settlement Agreement reflects a reasonable balance of the various interests affected in this proceeding in light of the whole record.[124] We find that the Settlement Agreement represents a reasonable compromise of the recovery amounts related to the accounts covered by the Settlement Agreement. The Settlement Agreement would disallow recovery of $14.5 million in operational expenses, which is about 44 percent of Cal Advocates' recommended reductions prior to settlement.[125] The proposed costs contained in the Settlement Agreement strike a reasonable balance among Settling Parties' positions and are well within the range of cost recovery initially sought by PG&E. Intervenor Settling Parties Cal Advocates and DACC are experienced and have a well-documented history of vigorous representation of consumer and

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[123] Settlement Motion at 14, citing D.10-06-038 at 38.

[124] Settlement Motion at 15.

[125] Settlement Motion at 15.

ratepayer interests. As a result, we find that the Settlement Agreement is reasonable in light of the whole record.

7.2.2. Settlement Agreement Consistency with Law

Settling Parties represent that they are not aware of any statutory provisions or controlling law that would be contravened by the Settlement Agreement.[126] We find that the proposed Settlement Agreement is consistent with law and our prior decisions. The proceeding record identifies the authorizing authorities for each account subject to the Settlement Agreement.[127] The activities for which costs were recorded in those accounts support critical work aimed at addressing and mitigating the impacts of multiple catastrophic events and legislative requirements.

7.2.3. Settlement Agreement in Public Interest

We agree with Settling Parties that approval of the Settlement Agreement is in the public interest. Settlements benefit the Commission, the parties, and the public at large by reducing the amount of Commission time and resources dedicated to the proceeding, allowing the Commission to focus on other matters.[128] We evaluate the Settlement Agreement as a whole, and we conclude that it serves the public interest by expeditiously resolving issues that would otherwise be litigated.

We find that the Settlement Agreement satisfies the requirements of Rule 12.1(d) because it is reasonable in light of the whole record, consistent with

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[126] Settlement Motion at 16.

[127] *See* Exhibit PG&E-01 at Chapters 1-11 and Exhibit PG&E-02 at Chapters 1-4 and Chapters 7-11.

[128] D.22-10-003 at 8.

law, and in the public interest. As a result, we grant Settling Parties' Settlement Motion and approve the Settlement Agreement.

8. Summary and Implementation

This decision (1) authorizes PG&E's recovery of $597.0 million in 2021 VMBA costs, including $378.6 million in Routine VM costs, $86.2 million in Tree Mortality VM costs, $844,000 in Power Generation VM costs, and $132 million in Enhanced VM costs; (2) disallows $217 million of PG&E's requested 2021 Enhanced VM costs; (3) authorizes PG&E's recovery of $101.5 million in 2021 WMBA costs; and (4) approves the Settlement Agreement related to the Memo Accounts that authorizes PG&E's recovery of $365.2 million in revenue requirement, excluding interest. For all the accounts at issue combined, the revenue requirement associated with the approved costs is $1,063.7 million, plus interest.

D.23-06-004, previously issued in this proceeding, authorized collection of $1,074.4 million in interim rate recovery and directs PG&E to refund, with interest, any excess rate recovery amount it obtained through interim rate recovery in comparison to the final determination regarding PG&E's recovery of costs in this proceeding.[129] Therefore, PG&E shall refund to ratepayers the overcollected amount, estimated at $10.7 million excluding interest, reflecting the difference between the amount previously collected from ratepayers pursuant to D.23-06-004 and the amount authorized for recovery in this decision. To implement the refund to ratepayers resulting from this decision, within 120 days of the effective date of this decision, PG&E shall file a Tier 2 Advice Letter. PG&E

[129] D.23-06-004 at 2.

shall appropriately adjust rates and apply the refund using existing methodologies for revenue allocation and rate design.

9. 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, 60 public comments were posted on the Docket Card in this proceeding, with almost all of the comments opposing PG&E's request to increase rates.

10. Procedural Matters

On November 6, 2023, TURN filed a motion to admit revised versions of exhibits into the evidentiary record. The motion is unopposed and is granted.

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

11. 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___________.

12. Assignment of Proceeding

John 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 recover costs recorded to the 2021 VMBA in excess of $723.4 million through an application with after-the-fact reasonableness review.
2. PG&E's 2021 VMBA costs of $378.6 million for Routine VM, $86.2 million for Tree Mortality VM, and $844,000 for Power Generation VM for which it requests recovery in this proceeding were reasonable.
3. $132 million of PG&E's 2021 VMBA costs for Enhanced VM for which it requests recovery in this proceeding were reasonable.
4. PG&E issued a new directive in October 2021 that required its crews to remove a tree if the tree being worked was within 12 feet of a PG&E power line.
5. PG&E's new directive in October 2021 that required its crews to remove a tree if the tree being worked was within 12 feet of a PG&E power line significantly raised costs.
6. PG&E's average cost per tree worked was $1,636 in the period from May through September 2021.
7. PG&E worked 65,750 trees in November 2021.
8. PG&E's average cost per tree worked was $2,447 in November 2021.
9. PG&E worked 34,821 trees in December 2021.
10. PG&E's average cost per tree worked was $6,338 in December 2021.
11. PG&E's October 2021 tree removal directive resulted in PG&E's average cost per tree worked to increase from $1,636 in the period from May through September 2021 to $2,447 in November 2021 and $6,338 in December 2021.
12. Based upon PG&E working 65,750 trees in November 2021 and the $811 per tree worked difference between trees worked in November 2021 and trees worked in the period from May through September 2021, PG&E incurred an

additional cost of $53.3 million in November 2021 resulting from its October 2021 tree removal directive.

13. Based upon PG&E working 34,821 trees in December 2021 and the $4,702 per tree worked difference between trees worked in December 2021 and trees worked in the period from May through September 2021, PG&E incurred an additional cost of $163.7 million in December 2021 resulting from its October 2021 tree removal directive.

14. PG&E has not established that it implemented its October 2021 tree removal directive in a manner consistent with cost containment.

15. PG&E has not established that its additional tree costs of $217 million in November and December 2021 resulting from its October 2021 tree removal directive were reasonably incurred.

16. D.20-12-005 authorized PG&E to recover costs recorded to the 2021 WMBA in excess of $59.7 million through an application with after-the-fact reasonableness review.

17. PG&E's 2021 WMBA costs of $101.5 million for which it requests recovery in this proceeding were reasonable.

18. The Settlement Agreement among PG&E, Cal Advocates and DACC, which covers the Memo Accounts and does not cover the VMBA and WMBA, provides that a revenue requirement of $365.2 million, excluding interest, shall be recovered by PG&E for costs recorded in the Memo Accounts.

19. No opposition was filed to the Settlement Motion or the Settlement Agreement.

Conclusions of Law

1. PG&E's requested recovery of 2021 VMBA costs of $378.6 million for Routine VM, $86.2 million for Tree Mortality VM, and $844,000 for Power Generation VM should be approved because those costs were reasonable.
2. $132 million of PG&E's requested recovery of 2021 VMBA costs for Enhanced VM should be approved because those costs were reasonable.
3. $217 million of PG&E's requested recovery of 2021 VMBA costs for Enhanced VM should be disallowed because PG&E has not established that it implemented its October 2021 tree removal directive in a manner consistent with cost containment or that such costs were reasonably incurred.
4. PG&E's requested recovery of 2021 WMBA costs of $101.5 million should be approved because those costs were reasonable.
5. The Settlement Agreement is reasonable in light of the whole record.
6. The Settlement Agreement is consistent with law.
7. The Settlement Agreement is in the public interest.
8. The Settlement Motion should be granted and the Settlement Agreement should be approved without modification.
9. 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.
10. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The December 22, 2023, Joint Motion of the Public Advocates Office, Pacific Gas and Electric Company, and Direct Access Customer Coalition for

Approval of Settlement Agreement is granted, and the Settlement Agreement attached as Appendix A to this decision is approved.

2. Pursuant to the Settlement Agreement attached as Appendix A to this decision, Pacific Gas and Electric Company (PG&E) is authorized to recover a revenue requirement of $365.2 million for 2021 costs recorded in PG&E's Catastrophic Event Memorandum Account, COVID-19 Catastrophic Event Memorandum Account, COVID-19 Pandemic Protections Memorandum Account, California Consumer Privacy Act Memorandum Account, Emergency Consumer Protections Memorandum Account, Disconnections Memorandum Account, and Microgrids Memorandum Account, and revenue requirement recorded in PG&E's Transmission Revenue Requirement Reclassification Memorandum Account.

3. Pacific Gas and Electric Company is authorized to recover a revenue requirement of $597.6 million for 2021 costs recorded in its Vegetation Management Balancing Account.

4. Pacific Gas and Electric Company is authorized to recover a revenue requirement of $101.5 million for 2021 costs recorded in its Wildfire Mitigation Balancing Account.

5. Pacific Gas and Electric (PG&E) shall refund to ratepayers the overcollected amount reflecting the difference between the amount previously collected from ratepayers pursuant to Decision 23-06-004 and the amount authorized for recovery in this decision. To implement the refund to ratepayers resulting from this decision, within 120 days of the effective date of this decision, PG&E shall file a Tier 2 Advice Letter. PG&E shall appropriately adjust rates and apply the refund using existing methodologies for revenue allocation and rate design.

6. Application 22-12-009 is closed.

This order is effective today.

Dated _______, at San Francisco, California.

APPENDIX A

Settlement Agreement