



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**FILED**

05/08/26

04:59 PM

A2411009

Application of Pacific Gas and Electric  
Company for Recovery of Recorded  
Expenditures Related to Wildfire Mitigation,  
Catastrophic Events, Community Rebuild  
Program and Other Recorded Costs.

Application No. 24-11-009  
(Filed November 21, 2024)

(U 39 M)

**OPENING BRIEF OF  
PACIFIC GAS AND ELECTRIC COMPANY (U 39 M)**

SEAN P.J. COYLE

CHRISTOPHER G. PARKER

Coblentz Patch Duffy & Bass LLP  
One Montgomery Street, Suite 3000  
San Francisco, CA 94104  
Telephone: (415) 772-5794  
Facsimile: (415) 391-4800  
Email: SCoyle@coblentzlaw.com

Pacific Gas and Electric Company  
Law Department, 19<sup>th</sup> Floor  
300 Lakeside Drive, Suite 210  
Oakland, CA 94612  
Telephone: (925) 203-7876  
Facsimile: (510) 898-9696  
Email: Chris.Parker@pge.com

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: May 8, 2026

## SUMMARY OF RECOMMENDATIONS

Pursuant to Rule 13.12 of the California Public Utilities Commission's (CPUC or the Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) respectfully submits the following summary of our recommendations in this proceeding:

1. The Commission should approve as reasonable \$2.080 million of expense and \$361.457 million of capital costs under review recorded to the Catastrophic Event Memorandum Account (CEMA) for PG&E's Butte Community Rebuild Program;
2. The Commission should approve as reasonable the remaining \$47.525 million of expense and \$39.310 million of capital non-Butte Community Rebuild costs under review for the Catastrophic Event Memorandum Account (CEMA);
3. The Commission should approve as reasonable \$3.582 million of expense and \$3.983 million of capital costs under review for the Gas Statutes Regulations and Rules Memorandum Account (GSRRMA);
4. The Commission should approve as reasonable \$1.063 million of expense costs under review for the Climate Adaptation Vulnerability Assessment Memorandum Account (CAVAMA);
5. The Commission should approve as reasonable \$16.711 million of expense costs under review for the other customer care and microgrid memorandum accounts presented by PG&E;
6. The Commission should find that PG&E's 2023 costs recorded to the Gas Storage Balancing Account (GSBA) are reasonable;
7. The Commission should approve and find that PG&E's cost-recovery proposal in this proceeding is reasonable; and
8. The Commission should grant PG&E's proposed functionalization of the costs at issue.

## TABLE OF CONTENTS

I.	INTRODUCTION AND SUMMARY OF THE ARGUMENT .....	- 1 -
II.	LEGAL ISSUES .....	- 4 -
	A. Standard of Proof .....	- 4 -
	B. Prudent Manager and CEMA Standards.....	- 5 -
	C. Cost Recovery for Approved Wildfire Mitigation Plan Activities .....	- 6 -
III.	ERNST & YOUNG’S REVIEW IN ACCORDANCE WITH APPLICABLE PROFESSIONAL STANDARDS VERIFIED THAT PG&E’S BUTTE COMMUNITY REBUILD AND OTHER CEMA COSTS WERE REASONABLE AND INCREMENTAL.....	- 7 -
IV.	PG&E HAS ESTABLISHED THAT THE COSTS PRESENTED ARE INCREMENTAL.....	- 9 -
	A. PG&E’s Activity-Based Forecasting .....	- 10 -
	1. Overview of Activity-Based Forecasting.....	- 10 -
	2. Benefits of Activity-Based Forecasting.....	- 11 -
	3. Acceptance of Activity-Based Forecasting.....	- 11 -
	B. Application of Overheads to Incremental Costs .....	- 12 -
	C. Overview of Incrementality of Butte Community Rebuild Costs .....	- 13 -
	D. Incrementality of Non-Butte CEMA Costs.....	- 14 -
	1. PG&E Excluded CEMA Costs From GRC Forecasts .....	- 14 -
	2. The Breakdown of PG&E’s Labor Costs Underscores That They Are Incremental .....	- 15 -
	E. The Costs Presented For PG&E’s Other Memorandum Accounts Are Incremental .....	- 16 -
	F. Cal Advocates’ Position on Incrementality Would Constrain PG&E’s Ability to Efficiently Staff the Best Resources to Address Emergent Work...-	18 -
	1. Cal Advocates’ Position Is Inconsistent With PG&E’s Forecasting Methodology and Basic Ratemaking Principles .....	- 19 -
	2. The Commission Should Not Require PG&E to Hire New Employees to Demonstrate Incrementality.....	- 22 -
	3. PG&E Incurs Incremental Costs When We Redirect Existing Resources .....	- 23 -
	4. Incremental Activities Result in Incremental Overheads .....	- 24 -
	5. Incremental Activities Result in Incremental Materials Movements ...-	26 -

6.	PG&E Cannot Retroactively Adhere to Other Utilities’ Forecast Methodologies.....	- 27 -
G.	Cal Advocates’ Recommended Disallowances For Accounting Disagreements are Inconsistent with Standard Utility and Corporate Accounting Practices. ....	- 27 -
1.	Cal Advocates Rejects GAAP Accounting.....	- 28 -
2.	Estimated Goods Receipts .....	- 28 -
3.	Material Movement Journal Entries.....	- 29 -
4.	Support for Overheads Costs .....	- 29 -
V.	THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S BUTTE COMMUNITY REBUILD COSTS.....	- 30 -
A.	Background of the Butte Community Rebuild .....	- 31 -
1.	Significant Factors Leading to PG&E’s Decision to Underground.....	- 31 -
2.	PG&E’s Consideration of Alternative Rebuild Options.....	- 35 -
B.	Summary of PG&E’s Cost Recovery Request and Butte Community Rebuild Activities .....	- 38 -
1.	Emergency Response / Initial Restoration Work – <i>No Cost Recovery Sought</i> .....	- 40 -
2.	Continued Restoration/Rebuild.....	- 41 -
3.	Wildfire Mitigation (System Hardening).....	- 42 -
a.	PG&E’s System Hardening Program.....	- 44 -
b.	Securitization of 2019-2022 Undergrounding Costs Through AB 1054. ....	- 47 -
4.	Gas Pipeline Replacement Work .....	- 49 -
a.	Description of Gas Main Work.....	- 49 -
b.	PG&E’s Gas Pipeline Replacement Programs .....	- 50 -
c.	Efficiencies Achieved Through Joint Trenching .....	- 51 -
5.	Illustrating the Butte Community Rebuild Work.....	- 52 -
C.	PG&E’s Presentation of Butte Community Rebuild Activities in the 2023 GRC Proceeding .....	- 55 -
D.	Application of the Wildfire OII and Other Accounting Adjustments.....	- 55 -
1.	Application of Wildfire OII Disallowances .....	- 58 -
2.	Application of Insurance Proceeds .....	- 59 -
3.	Prior Recovery for 2020 GRC Funded Work / AB 1054 Securitizations.....	- 60 -

4.	Ernst & Young Recommendations .....	60 -
E.	PG&E’s Butte Community Rebuild Costs Are Reasonable .....	60 -
1.	Undergrounding Electric Distribution Lines in Paradise and the Surrounding Areas was the Appropriate Approach to Rebuilding .....	61 -
2.	The Commission Should Not Impose Additional Disallowances for PG&E’s Role in the Ignition of the Camp Fire.....	62 -
a.	The Commission Has Already Addressed PG&E’s Role in the Ignition of the Camp Fire.....	62 -
(1)	The Wildfire OII Addressed PG&E’s Pre-Fire Operations and Role in the Camp Fire Ignition .....	63 -
(2)	The Wildfire OII Imposed Remedies for the Camp Fire, Including Disallowances to Account for Potential Future Cost Recovery Issues .....	65 -
(3)	The Commission’s Approval of the Wildfire OII Settlement Resolved All Issues Concerning PG&E’s Role in the Ignition of the Camp Fire.....	67 -
b.	A Pre-Fire Prudency Review Is Inappropriate for Programmatic Wildfire Mitigation and Gas Modernization Work .....	68 -
(1)	Wildfire Mitigation Work Furthered Our System Hardening Program.....	69 -
(2)	Gas Programmatic Work Further Pipeline Replacement Objectives and Reduced Costs in the Long Run .....	69 -
c.	The Commission’s Precedent Concerning Pre-Fire Prudency Review Is Inapplicable Here.....	70 -
F.	PG&E’s Butte Community Rebuild Costs Presented Have Not Been Recovered Elsewhere.....	72 -
1.	PG&E’s Butte Community Rebuild Costs Are Incremental.....	72 -
2.	PG&E Has Not Previously Recovered the Butte Community Rebuild Costs Presented Here.....	75 -
a.	Cal Advocates Disregards That the Commission Ordered PG&E to Submit These Costs Through CEMA .....	77 -
b.	PG&E Has Not Underspent on MAT 14D Plastic Pipeline Replacement.....	79 -
VI.	THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S NON-BUTTE CEMA COSTS.....	81 -
A.	Summary of PG&E’s CEMA Costs and Events and Intervenor Disallowance Recommendations .....	81 -

	1.	The Events at Issue .....	- 81 -
	2.	Intervenor Testimony Recommendations .....	- 82 -
B.		PG&E’s Costs Qualify for CEMA Recovery .....	- 84 -
C.		With Minor Exceptions Regarding Documentation, No Party Contests the Reasonableness of PG&E’s CEMA Costs .....	- 85 -
D.		PG&E’s CEMA Costs Are Incremental .....	- 85 -
E.		PG&E Has Properly Supported These Costs .....	- 85 -
F.		The Commission Should Not Conduct Another Causation Review for the Nuns, Atlas, and Redwood Fires.....	- 86 -
VII.		THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S GSRRMA COSTS .....	- 87 -
A.		Summary of PG&E’s Memorandum Account Costs and Intervenor Disallowance Recommendations .....	- 87 -
	1.	PG&E’s GSRRMA Gas Distribution Costs Are Unopposed and Should Be Approved.....	- 88 -
	2.	Information Technology Costs .....	- 89 -
B.		PG&E’s Costs Qualify for Recovery in the GSRRMA and Should be Approved.....	- 89 -
	1.	Cal Advocates’ IT-Related Disallowances Are Unfounded .....	- 89 -
	2.	Cal Advocates’ Proposal That Shareholders Fund 50 Percent of This Work Is Contrary to Law .....	- 90 -
C.		PG&E’s GSRRMA Costs Are Incremental .....	- 92 -
VIII.		THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S CAVAMA COSTS .....	- 92 -
A.		Summary of PG&E’s CAVAMA Costs and Intervenor Recommendations ...	- 93 -
B.		PG&E’s Costs Qualify For Recording to the CAVAMA and Should be Approved.....	- 93 -
C.		PG&E’s CAVAMA Costs Are Incremental .....	- 93 -
IX.		THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S CUSTOMER CARE AND MICROGRIDS MEMORANDUM ACCOUNT COSTS .....	- 94 -
A.		Summary of PG&E’s Memorandum Account Costs and Intervenor Disallowance Recommendations .....	- 94 -
B.		PG&E’s Unopposed Costs Should Be Approved .....	- 96 -
C.		PG&E’s Challenged Costs Qualify for Recovery in the Relevant Accounts ...	- 96 -

D.	PG&E’s Customer Care Memorandum Account Costs Are Reasonable, Incremental, and Appropriately Supported.....	- 97 -
1.	PG&E’s ECPMA Costs .....	- 97 -
2.	PG&E’s CPPMA Costs.....	- 97 -
3.	PG&E’s DMA Costs.....	- 98 -
4.	PG&E’s PIPPMA Costs.....	- 98 -
a.	Cal Advocates’ Recommended Disallowances for Program/Project Management & Operations Are Unsupported and Depend on Factual and Legal Errors .....	- 99 -
b.	IT Pilot Implementation for PIPP Is Incremental Because It Is Not a GRC Project and Was Approved Separately From the 2023 GRC .....	- 103 -
X.	THE COMMISSION SHOULD FIND THAT PG&E’S GAS STORAGE BALANCING ACCOUNT COSTS ARE REASONABLE FOR PURPOSES OF THE TRUE-UP FILING TO FOLLOW THE 2023 GRC PERIOD .....	- 104 -
A.	Overview of PG&E’s GSBA Request .....	- 104 -
B.	Summary of Intervenor Recommendations .....	- 106 -
C.	PG&E Does Not Seek Interim Recovery Via the Annual Gas True-Up .....	- 108 -
D.	GSBA Cost Review Is Within the Scope of the Proceeding, and No Party Contested the Inclusion of This Issue .....	- 111 -
E.	No Party Has Contended that PG&E’s GSBA Costs Are Not Reasonable ...	- 111 -
XI.	PUB. UTIL. CODE §§ 451.1 AND 1701.8 DO NOT APPLY TO PG&E’S REQUESTED COST RECOVERY BUT SUPPORT IT IN CONCEPT.....	- 111 -
XII.	RATEMAKING.....	- 113 -
XIII.	CONCLUSION.....	- 114 -

## TABLE OF AUTHORITIES

### California Authorities

#### *Statutes and Regulations*

Assembly Bill No. 1054 (2019-2020 Reg. Sess.) .....	<i>passim</i>
Public Utilities Code § 451 .....	6
Public Utilities Code § 451.1 .....	113, 114
Public Utilities Code § 451.1(a)(1) .....	113
Public Utilities Code § 451.1(c) .....	8, 113
Public Utilities Code § 454.9 .....	7, 10, 15, 22, 41, 85
Public Utilities Code § 850.1 .....	48
Public Utilities Code § 850.1(b) .....	48
Public Utilities Code § 1701.8 .....	113
Public Utilities Code § 1701.8(a)(1) .....	113
Public Utilities Code § 1701.8(b)(1)(A) .....	113
Public Utilities Code § 1709 .....	72
Public Utilities Code § 8385-8389 .....	7
Public Utilities Code § 8386 .....	7, 8
Public Utilities Code § 8386(a)-(c) .....	7
Public Utilities Code § 8386(d) .....	7
Public Utilities Code § 8386(e) .....	7
Public Utilities Code § 8386.1 .....	8
Public Utilities Code § 8386.3 .....	7
Public Utilities Code § 8386.3(c) .....	8
Public Utilities Code § 8386.3(e) .....	48
Public Utilities Code § 8389(e)(7) .....	8
Public Utilities Code § 8389(g) .....	8
Senate Bill No. 901 (2017-2018 Reg. Sess.) .....	7, 9, 113, 114

**California Public Utilities Commission**

***Decisions***

D.86-12-095, 23 CPUC2d 149.....	60
D.87-06-021, 24 CPUC2d 476.....	6
D.02-01-037 .....	72
D.02-08-064 .....	6
D.05-12-025 .....	72
D.07-04-017 .....	72
D.08-01-022 .....	6
D.11-05-018 .....	24, 81
D.12-12-030 .....	5
D.15-07-044 .....	5
D.16-12-063 .....	5
D.18-08-004 .....	18, 96
D.19-05-036 .....	7, 8
D.19-07-015 .....	18, 96
D.19-09-025 .....	18, 21, 88, 105, 106
D.20-05-019 .....	2, 59, 60, 63, 65, 66, 68, 72, 88
D.20-05-051 .....	87
D.20-06-003 .....	18, 96
D.20-06-017 .....	18
D.20-08-046 .....	18, 93
D.20-12-005 .....	22, 45, 46, 49, 87
D.21-06-030 .....	49
D.21-08-024 .....	5, 71
D.21-08-036 .....	92
D.21-10-012 .....	18, 96, 99, 103, 104, 105
D.22-08-004 .....	49
D.22-11-009 .....	96
D.23-02-017 .....	8, 49, 50
D.23-11-069 .....	2, 12, 13, 14, 16, 22, 56, 73, 108, 111
D.24-02-011 .....	49
D.25-09-008 .....	8, 87
D.26-02-004 .....	8

***Resolutions***

Resolution E-3238 (7/24/1991).....9  
Resolution ESRB-4 (6/12/2014).....9  
Resolution E-4842 (4/16/2020).....17

***Rules of Practice and Procedure***

Rule 13.12..... i

**OPENING BRIEF OF  
PACIFIC GAS AND ELECTRIC COMPANY (U 39 M)**

**I. INTRODUCTION AND SUMMARY OF THE ARGUMENT**

PG&E respectfully requests that the Commission approve a revenue requirement of \$435.0 million for incremental costs incurred for PG&E's Butte Community Rebuild program, catastrophic event response work, and other customer-focused initiatives recorded to memorandum accounts approved by the Commission. PG&E incurred these costs to serve our customers and further State and Commission policies concerning the rebuilding of critical infrastructure, wildfire mitigation, gas safety, and climate adaptation.

The costs PG&E has presented here are reasonable, prudently incurred, and incremental to funding authorized in PG&E's General Rate Cases (GRCs) and other proceedings. They concern the following general categories of activities:

**The Butte Community Rebuild:** Since 2019, PG&E has undertaken a long-term rebuild of electric and gas infrastructure in and around the Town of Paradise after the terrible 2018 Camp Fire. This area has experienced a series of fires going back decades and downed power lines presented safety risks during the Camp Fire. PG&E's rebuild is focused on undergrounding the electric distribution lines in the area as part of our overall approach to system hardening through our Wildfire Mitigation Plans (WMPs). While doing this, PG&E has also taken advantage of cost savings presented by joint trenching to replace vintage and plastic gas main in the area as part of our longstanding pipeline replacement programs. The Butte Community Rebuild costs presented here, totaling \$363.5 million, cover activities through 2023 and represent a portion of the total costs incurred during this period, because PG&E has applied disallowances ordered by the Commission in Decision (D.) 20-05-019 (the Wildfire Order Instituting Investigation (OII) Decision) and insurance proceeds received after the fire, among other offsets. PG&E has presented these costs here as part of a Catastrophic Event Memorandum Account (CEMA) request pursuant to the Commission's decision in our 2023 GRC, D.23-11-069.

**Other CEMA Response Activities:** PG&E seeks recovery for various CEMA events that necessitated PG&E response work to restore service to affected customers. A significant portion of these costs relate to severe storms that occurred from December 2022 through March 2023.

**Gas Initiatives:** PG&E has recorded costs to the Commission-approved Gas Statutes Regulations and Rules Memorandum Account (GSRRMA) and the Gas Storage Balancing Account (GSBA). These accounts are authorized for incremental costs associated with complying with new federal or state statutes, regulations, rules, or interpretations (GSRRMA) and regulations issued by the California Department of Conservation and California Energy Management Division (GSBA). PG&E has submitted the GSBA costs for a reasonableness review only, as this balancing account ultimately will be trued up at the end of the 2023 GRC cycle.

**Climate Initiatives:** PG&E has incurred costs to perform the Commission-directed climate vulnerability assessment, which are recorded to the Climate Adaptation Vulnerability Assessment Memorandum Account (CAVAMA).

**Other Initiatives:** PG&E's costs include those incurred for various Commission-approved initiatives, including emergency consumer protections, billing-related customer protections, the mitigation of customer disconnections, the Percentage of Income Payment Plan Pilot program, and grid resilience through the microgrid program.

The Commission should approve PG&E's costs in full. They have been incurred pursuant to authorized programs and to advance public policies and better serve our customers. These costs are reasonable and supported, including through PG&E's submission of a review of Butte Community Rebuild and CEMA costs by internationally-respected audit firm Ernst & Young (EY).

**TABLE 1  
SUMMARY OF COSTS PRESENTED  
(THOUSANDS OF DOLLARS)**

Line No.	Chapter	Account	Expense	Capital
1	Chapter 2: ED CEMA	Catastrophic Event Memorandum Account (CEMA)	\$43,736	\$30,081
2	Chapter 3: Butte Community Rebuild	CEMA	2,080	361,457
3	Chapter 4: Gas CEMA	CEMA	1,064	7,180
4	Chapter 5: Generation CEMA	CEMA	2,725	2,049
5	Chapter 6: GSRRMA	Gas Statutes Regulations and Rules Memorandum Account (GSRRMA)	3,582	3,983
6	Chapter 7: GSBA <sup>1</sup>	Gas Storage Balancing Account (GSBA)	9,015	115,667
7	Chapter 8: CAVAMA	Climate Adaptation Vulnerability Assessment Memorandum Account (CAVAMA)	1,063	–
8	Chapter 9: Other Misc. Memo Accounts	COVID-19 Pandemic Protections Memorandum Account (CPPMA)	2,342	–
9		Disconnections Memorandum Account (DMA)	5,717	–
10		Percentage of Income Payment Plan Memorandum Account (PIPPMA)	1,525	–
11		Emergency Consumer Protections Memorandum Account (ECPMA)	1,363	–
12		Medium-Large Commercial and Industrial COVID-19 Disconnection Moratorium Memorandum Account (ML-CDMMA)	1,217	–
13		CPPMA Incremental Uncollectibles	4,436	–
14		Microgrids Memorandum Account (MGMA)	111	–
<b>15</b>	<b>Grand Total</b>		<b>\$79,975</b>	<b>\$520,418</b>

The Commission should not adopt disallowance requests advanced in testimony by the Public Advocates Office (Cal Advocates) or The Utility Reform Network (TURN).<sup>2</sup> PG&E addresses their positions in more detail below. In summary:

<sup>1</sup> GSBA costs are presented for reasonableness review only, as discussed in more detail below.

<sup>2</sup> The Small Business Utility Advocates is a party to the proceeding but did not submit testimony.

**Cal Advocates:** Recommends disallowances totaling \$344.345 million across the accounts at issue, primarily based on its unsupported theory that PG&E’s straight-time labor and overheads for incremental activities are not themselves incremental. Cal Advocates relies on the assumption – with no basis in the record – that the GRC funds PG&E’s entire workforce and minor materials for the GRC period. The evidence points without qualification to one conclusion: The GRC funds specific activities. When PG&E performs incremental activities, it incurs incremental costs, including for labor and materials.

**TURN:** Recommends that the Commission disallow the entirety of PG&E’s request for the Butte Community Rebuild, asking that the Commission instead conduct a review of PG&E’s pre-Camp Fire operations before approving any such funding, citing D.21-08-024. The Commission, however, already reviewed PG&E’s pre-Camp Fire operations as part of the Wildfire OII, and it imposed more than \$2 billion in remedies in that proceeding; another review is unnecessary and inconsistent with the Commission’s Wildfire OII Decision, which was intended to address all remedies for PG&E’s role in the ignition of the fire. The vast majority of the costs that PG&E has presented, moreover, are for undergrounding and gas pipeline replacement activities that go beyond a traditional CEMA response.

The Commission should fully fund the important activities presented here.

## **II. LEGAL ISSUES**

### **A. Standard of Proof**

The standard of proof in a ratesetting matter is preponderance of the evidence.<sup>3</sup> PG&E bears the burden of proof to establish the reasonableness of our cost-recovery requests.

Preponderance of the evidence is “such evidence [that], when weighed with that opposed to it, has more convincing force and the greater probability of truth.”<sup>4</sup> PG&E must present evidence showing that it is more probable than not that costs are reasonable.

---

<sup>3</sup> D.16-12-063, p. 9 (citing D.12-12-030, p. 44).

<sup>4</sup> D.12-12-030, p. 42, aff’d D.15-07-044, pp. 28-30.

“[W]here [intervenor] parties propose a result different from that asserted by the utility, they have the burden of going forward to produce evidence, distinct from the ultimate burden of proof.”<sup>5</sup> This “burden of going forward to produce evidence relates to raising a reasonable doubt as to the utility’s position and presenting evidence explaining the counterpoint position.”<sup>6</sup> Mere assertions, in other words, are not enough to warrant a different result than the one proposed by a utility that has made a prima facie showing of reasonableness; an intervenor must put forward sufficient evidence to support an alternative outcome.

### **B. Prudent Manager and CEMA Standards**

Public Utilities Code Section 451 establishes the prudent manager standard for rate recovery.<sup>7</sup> This requires a utility to show that costs requested for recovery are “just and reasonable.”<sup>8</sup> A utility must reasonably and prudently operate and manage its system in connection with the costs under review.<sup>9</sup> The Commission has applied this standard to require that a utility must show that its actions, practices, methods, and decisions show reasonable judgment in light of what it knew or should have known at the time, and in the interest of achieving safety, reliability, and reasonable cost.<sup>10</sup> 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 the ratepayers and the requirements of governmental agencies of competent jurisdiction.”<sup>11</sup>

---

<sup>5</sup> D.08-01-022, p. 4.

<sup>6</sup> *Id.*

<sup>7</sup> Pub. Util. Code, § 451.

<sup>8</sup> *Id.*

<sup>9</sup> *See, e.g.*, D.87-06-021, 1987 Cal. PUC LEXIS 588, \*28, \*29; 24 CPUC2d 476.

<sup>10</sup> *Id.*

<sup>11</sup> D.02-08-064, p. 6 (cleaned up).

CEMA costs, similarly, are subject to a reasonableness review by the Commission. Pub. Util. Code. § 454.9 authorizes a utility to recover in rates the reasonable incremental costs incurred for responding to a catastrophic event declared an emergency by the state or federal government.

### **C. Cost Recovery for Approved Wildfire Mitigation Plan Activities**

In determining the reasonableness of PG&E’s Butte Community Rebuild costs, the Commission should also take into account that PG&E performed underground system hardening wildfire mitigation activities pursuant to an approved WMP as required by state law. Electric utilities are required to submit an annual WMP outlining the steps it will take to reduce wildfire risk.<sup>12</sup> The WMP must include plans for system hardening and where the utility has considered undergrounding.<sup>13</sup> The WMP is then reviewed by The Office of Energy Infrastructure Safety (OEIS, or its predecessor), which either requires the utility to modify it, or approves it.<sup>14</sup> Approval of a WMP “means that [the] WMP contains . . . elements that the [Senate Bill] 901 Legislature deemed essential to catastrophic wildfire mitigation,” and “complies with all applicable rules, regulations, and standards, as appropriate.”<sup>15</sup>

PG&E’s Butte Community Rebuild undergrounding work has been an approved WMP program since 2020.<sup>16</sup> PG&E first began to develop this work as part of our system hardening program during the 2020 GRC. The Commission approved funding for PG&E’s system hardening program in the 2020 GRC, recognizing that the scope and specifics of the program remained to be determined during the 2020 GRC period. PG&E then developed more specific system hardening plans, including undergrounding as part of the Butte Community Rebuild,

---

<sup>12</sup> Pub. Util. Code §§ 8385-8389.

<sup>13</sup> Pub. Util. Code § 8386(a)-(c).

<sup>14</sup> Pub. Util. Code §§ 8386, 8386.3.

<sup>15</sup> D.19-05-036, pp. 13 (citing Pub. Util. Code, § 8386(d)), 25; *see also* Pub. Util. Code, § 8386(e).

<sup>16</sup> PGE-02, pp. 18-23.

through PG&E’s WMP process. OEIS (or its predecessor within the CPUC) approved the inclusion of the Butte Community Rebuild in each of PG&E’s WMP from 2020-2023.<sup>17</sup>

In determining the reasonableness of PG&E’s costs for this undergrounding work, the Commission should consider that PG&E performed these wildfire mitigation activities pursuant to an approved WMP as required by state law. To disregard this would undermine the important oversight role that OEIS and the Commission have in setting wildfire mitigation policy for the utilities.

State law requires a utility to perform the “essential” wildfire mitigation activities in its approved WMP.<sup>18</sup> The Commission may impose penalties on a utility for failure to substantially comply with an approved WMP<sup>19</sup> and OEIS reviews a utility’s reports regarding its WMP work and monitors compliance with the plan.<sup>20</sup> A utility that fails to comply with its WMP runs the risk of losing its safety certificate and access to the California Wildfire Fund to cover the cost of claims in the event of a wildfire.<sup>21</sup>

### **III. ERNST & YOUNG’S REVIEW IN ACCORDANCE WITH APPLICABLE PROFESSIONAL STANDARDS VERIFIED THAT PG&E’S BUTTE COMMUNITY REBUILD AND OTHER CEMA COSTS WERE REASONABLE AND INCREMENTAL**

PG&E retained internationally recognized audit firm Ernst & Young (EY) to review the Butte Community Rebuild and other CEMA costs to confirm that they are sufficiently supported, reasonable, and incremental.<sup>22</sup> The Commission routinely relies on such third-party reviews in approving cost recovery applications such as this one.<sup>23</sup>

---

<sup>17</sup> *Id.*

<sup>18</sup> D.19-05-036, p. 25; Pub. Util. Code § 8386.

<sup>19</sup> Pub. Util. Code §§ 8386.1, 8389(e)(7).

<sup>20</sup> Pub. Util. Code §§ 8386.3(c), 8389(g).

<sup>21</sup> Pub. Util. Code §§ 8389(e)(7), 451.1(c).

<sup>22</sup> PGE-01, Appendix A, pp. AppA-2 to AppA-5.

<sup>23</sup> D.26-02-004, p. 35; D.25-09-008, pp. 10-11 (“PG&E adequately demonstrates that its costs recorded into the WMBA, as verified by an independent audit [by EY], are incremental to the GRC-approved costs.”); D.23-02-017, pp. 25-26.

EY analyzed \$1.723 billion.<sup>24</sup> The analysis included CEMA storm costs from July 2023 to December 2023 (as well as costs incurred for other catastrophic events not previously filed for from January 2023 to June 2023) and Butte Community Rebuild costs from October 2018 to December 2023.<sup>25</sup> In addition to the analytical procedures and transaction testing for this matter, EY has over the last several years reviewed PG&E costs totaling \$12.1 billion across multiple rate cases and applications.<sup>26</sup>

EY conducted its review in accordance with standards promulgated by the American Institute of Certified Public Accountants and adhered (to the extent possible) to the principles of the National Association of Regulatory Utility Commissions audit manual.<sup>27</sup> EY considered the relevant legal and regulatory frameworks, including Senate Bill (SB) 901, Assembly Bill (AB) 1054, Resolution E-3238, and Resolution ESRB-4. EY tested each category of costs based on the nature and associated risks.<sup>28</sup> EY's evaluation included (1) a review of any order or advice letter pertaining to the accounts in question to confirm what can be appropriately recorded to them, (2) transaction testing and invoice verification, and (3) the review of relevant regulatory ratemaking information, such as PG&E's GRC and other regulatory filings and documents.<sup>29</sup> EY's review of costs included an analytical review of various cost populations (e.g., contract and external labor costs, or by order) and detailed transaction testing, which involved reconciling SAP accounting entries with supporting documentation.<sup>30</sup>

Aside from costs PG&E excluded on EY's recommendation, EY confirmed, based upon sampling and detailed transaction testing, that the costs were incurred for qualifying activities

---

<sup>24</sup> PGE-01, Appendix A, p. AppA-6.

<sup>25</sup> PGE-01, Appendix A, p. AppA-4.

<sup>26</sup> PGE-01, Appendix A, pp. AppA-7 to AppA-8.

<sup>27</sup> PGE-01, Appendix A, p. AppA-4.

<sup>28</sup> PGE-01, Appendix A, pp. AppA-4 to AppA-8.

<sup>29</sup> *Id.*

<sup>30</sup> PGE-01, Appendix A, pp. AppA-9 to AppA-24 (non-Butte CEMA costs), AppA-25 to AppA-32.

and were accurately recorded.<sup>31</sup> Further, EY confirmed that “CEMA costs included in this application are incremental to base rates.”<sup>32</sup> EY also confirmed that, based upon its review of \$12.1 billion in costs over the 2019-2023 period in the Wildfire Mitigation Plan Memorandum Account (WMPMA), Fire Risk Mitigation Memorandum Account (FRMMA), Fire Hazard Prevention Memorandum Account (FHPMA), Wildfire Mitigation Balancing Account (WMBA), Vegetation Management Balancing Account (VMBA), and CEMA, that it had “ no identified evidence of costs recorded on more than one account.”<sup>33</sup>

#### **IV. PG&E HAS ESTABLISHED THAT THE COSTS PRESENTED ARE INCREMENTAL**

PG&E’s costs are incremental to funding through our GRCs and other cost recovery proceedings.<sup>34</sup> At a high level, these incremental costs consist of:

- **Butte Community Rebuild Costs:** These are a mix of (1) costs that PG&E has never presented or recovered through any other mechanism, and (2) costs and revenue requirement that the Commission expressly declined to include in PG&E’s 2023 GRC – with the latter comprising the vast majority of PG&E’s request.<sup>35</sup>
- **Non-Butte CEMA Costs:** PG&E does not forecast CEMA costs in the GRC. Instead, they must be recovered through a separate application consistent with Pub. Util. Code § 454.9.<sup>36</sup>
- **Other Memorandum Account Costs:** The other accounts presented here were authorized by the Commission separate from PG&E’s GRC and other recovery

---

<sup>31</sup> PGE-01, Appendix A, p. AppA-6.

<sup>32</sup> PGE-01, Appendix A, p. AppA-7.

<sup>33</sup> PGE-01, Appendix A, pp. AppA-7 to AppA-8.

<sup>34</sup> As explained further below, incrementality does not apply to the GSBA; those costs already have been authorized for recovery, but are subject to reasonableness review.

<sup>35</sup> PGE-01, pp. 3-8 to 3-22.

<sup>36</sup> PGE-01, pp. 10-2 to 10-8; pp. 10-14 to 10-17.

mechanisms, in order to track incremental activities required by various regulations and initiatives.<sup>37</sup>

Below, we summarize PG&E's general approach to proving incrementality, and explain why intervenors, particularly Cal Advocates, are incorrect to dispute PG&E's incrementality showing.

**A. PG&E's Activity-Based Forecasting**

**1. Overview of Activity-Based Forecasting**

In forecasting GRC and Gas Transmission and Storage (GT&S) work, PG&E primarily uses activity-based forecasting. That is, PG&E projects the costs for performing the specific type and volume of forecasted work. PG&E generally does not forecast cost elements, such as labor and material costs. Critically, PG&E's forecast generally does not include costs associated with activities that are not part of the forecast, nor does any GRC or GT&S funding authorization cover the costs of PG&E's workforce or materials supplies generally. Such costs are only funded to the extent that they are directed to GRC or GT&S activities.<sup>38</sup>

When PG&E develops a GRC forecast, it does not predict the staffing levels and resources necessary to execute the work. Ultimately, PG&E will perform forecasted activities with internal PG&E employees or contracted vendors using necessary materials as determined during project execution. When the GRC funded work is executed, employees record their time to the orders, and contract and material costs are applied are allocated to the orders in the form of overheads as applicable to the type of work. Conversely, when an employee works on non-GRC funded work, their time, and contract and material costs, are applied to orders that are allocated to a non-GRC funding mechanism (e.g., CEMA).<sup>39</sup>

---

<sup>37</sup> PGE-01, pp. 10-8 to 10-17.

<sup>38</sup> PGE-01, pp. 10-3 to 10-4.

<sup>39</sup> PGE-01, p. 10-3.

The Commission’s GRC and GT&S decisions, which are based upon PG&E’s activity-based forecasts, do not adopt specific labor or materials costs, nor do they fund the entirety of PG&E’s workforce or materials costs for a particular rate case period. Commission GRC authorizations, for example, do not include imputed adopted costs for straight-time labor or overheads – or any other cost component.<sup>40</sup>

## **2. Benefits of Activity-Based Forecasting**

PG&E’s activity-based forecast provides flexibility, efficiency, and optimization in the direction of resources to activities. PG&E can assign internal or contract personnel to a particular project, depending upon availability, expertise, and other utility operational needs (including unanticipated work). Activity-based planning and forecasting is more cost effective for customers. PG&E can use internal or external resources to address emergencies, new laws or Commission decisions, and changing priorities after a GRC decision has been issued. If PG&E did not have this flexibility, we conceivably would have a larger employee and contractor population – one group to work on GRC activities and a separate group to work on new work not included in a GRC. Overall costs would increase, and PG&E’s ability to direct the best resources available for a particular project would be limited.<sup>41</sup>

## **3. Acceptance of Activity-Based Forecasting**

Activity-based forecasting is a standard and accepted method of forecasting. As noted in the Rebuttal Testimony of Mr. Van Reen:

The [American Institute of Certified Public Accountants] Guide on Prospective Financial Information (July 15, 2021) requires that “...*the information used in preparing prospective financial information is consistent with the plans of the entity.*” The guide further describes that practitioners should consider key factors used as a basis for assumptions. Specifically, the guide states:

---

<sup>40</sup> PGE-01, pp. 10-3 to 10-4; see generally D.23-11-069 (PG&E 2023 GRC Decision); D.23-11-069, p. 326 (noting that PG&E’s GRC forecast is activity-based in denying PG&E’s request to fund CEMA straight time labor through the GRC).

<sup>41</sup> PGE-01, pp. 10-4 to 10-5.

*... these factors are basic to the entity's operations and serve as the foundation for the prospective financial information. Key factors vary by entity and industry.”<sup>42</sup>*

The Commission, in approving PG&E's GRCs, has accepted PG&E's activity-based forecasts as the foundation for approving PG&E's rate-based funding.<sup>43</sup>

## **B. Application of Overheads to Incremental Costs**

In 2016, PG&E modified our reporting of companywide and business unit overhead costs. The “New Cost Model” change made in 2016 was used in the 2020 GRC and 2023 GRC.<sup>44</sup> Starting in the 2020 GRC, PG&E also made other changes to how overheads apply to CEMA.

CEMA expense does not typically receive overhead costs. CEMA capital orders typically only receive the following overheads, which are not forecasted in the GRC: fleet, payroll taxes, and minor materials.<sup>45</sup> This general practice was applied in this case for all CEMA accounts except Butte Community Rebuild costs.<sup>46</sup> Figure 1 depicts which overheads apply to which types of accounts in this application: Overheads applied to the non-CEMA memo accounts are shown in columns B and D; overheads applied to CEMA are shown in columns C and E.<sup>47</sup>

---

<sup>42</sup> PGE-03, Appendix A, p. 10, lines 10-15 (emphasis in original).

<sup>43</sup> E.g., D.23-11-069, p. 326.

<sup>44</sup> PGE-01, pp. 10-15 to 10-16. The old and new Cost Model are discussed at length in A.18-12-009, HE-69: Exhibit (PG&E-12), Chapter 3.

<sup>45</sup> PGE-01, pp. 10-15 to 10-16; see A.18-12-009, HE-17: Exhibit (PG&E-4), p. 18-18, lines 7-29; p. 18-23, line 1 to p. 18-24, line 4; and p. 18-27, line 13 to p. 18-28, line 13.

<sup>46</sup> PGE-01, p. 10-16.

<sup>47</sup> PGE-01, p. 10-16, Figure 10-1.

**FIGURE 1  
APPLICATION OF OVERHEADS TO MEMORANDUM AND BALANCING ACCOUNTS**

	A	B	C	D	E
		Expense		Capital	
		Non-CEMA Memo and Balancing Accounts Non-Earnings Expense	Non-Earning Expense CEMA	Non-CEMA Memo and Balancing Account Capital	Capital CEMA
Line #	Overheads				
1	Capitalized A&G			X	
2	Paid Time Off	X		X	
3	Indirect Labor	X		X	
4	Operational Management and Support			X	
5	Fleet			X	X
6	Material Burden	X		X	
7	Building Services			X	
8	IT Device Services			X	
9	Benefits			X	
10	Payroll Taxes			X	X
11	Minor Material	X		X	X

Generally, when PG&E requests funding in the GRC, overhead amounts are embedded in the forecasts in accordance with Figure 1 above. PG&E expects to recover funding for overheads in various accounts, whether base GRC expense, base GRC capital, or memorandum/balancing account programs. The overhead amounts included in cost recovery requests for the memorandum/balancing account programs here are incremental to what was already forecast and authorized in the 2020 GRC and the 2023 GRC.<sup>48</sup>

**C. Overview of Incrementality of Butte Community Rebuild Costs**

PG&E’s Butte Community Rebuild costs here are incremental because (1) in the case of pre-2023 costs, they were never presented for recovery previously, or (2) in the case of 2023 costs (the bulk of those at issue), the Commission in the 2023 GRC Decision ordered them removed from GRC funding to be presented in a CEMA application such as this one.<sup>49</sup> PG&E

<sup>48</sup> PGE-01, p. 10-17.

<sup>49</sup> PGE-01, pp. 3-8 to 3-21; D.23-11-069, pp. 478-482.

discusses the specific categories of costs and their incrementality in the Butte Community Rebuild discussion below. EY reviewed these costs.<sup>50</sup>

#### **D. Incrementality of Non-Butte CEMA Costs**

PG&E has shown the incrementality of the non-Butte CEMA costs in several ways: (1) the Commission did not authorize CEMA costs – including straight-time labor (ST) – in the GRCs, and PG&E excluded CEMA costs from our forecasts<sup>51</sup>; (2) contracts, external labor, overtime (OT), and double time (DT) costs comprise most of the total labor costs for PG&E’s application<sup>52</sup>; and (3) EY determined the costs to be incremental.<sup>53</sup>

##### **1. PG&E Excluded CEMA Costs From GRC Forecasts**

PG&E did not forecast CEMA costs in the GRCs at issue here. As is typical, PG&E excluded historical CEMA costs in the development of the Major Emergency Balancing Account forecast.<sup>54</sup>

For years, Cal Advocates has taken the position that PG&E’s straight time labor costs somehow are funded through PG&E’s GRC, despite no evidence of this in either PG&E’s GRC forecasts or the Commission’s GRC decisions. It is difficult to respond to this argument because it is not based upon the actual record of a GRC concerning straight-time labor. Moreover, because PG&E’s forecasts are developed on an activity basis, while costs necessarily are tracked on a cost element basis, PG&E cannot disprove Cal Advocates’ supposition by pointing to a comparison of forecasted and actual costs. This has had the effect, over time, of eroding PG&E’s cost recovery for CEMA events in contravention of Pub. Util. Code § 454.9.

To address this persistent area of dispute once and for all, therefore, PG&E proposed in the 2023 GRC to do precisely what Cal Advocates has accused us of doing in our CEMA

---

<sup>50</sup> PGE-01, Appendix A, p. AppA-7.

<sup>51</sup> PGE-01, pp. 10-5 to 10-7.

<sup>52</sup> PGE-01, pp. 10-7 to 10-8.

<sup>53</sup> PGE-01, p. 10-8.

<sup>54</sup> PGE-01, pp. 10-5 to 10-7.

applications: To forecast CEMA straight-time labor in the GRC and establish a balancing account for tracking the costs.<sup>55</sup> Cal Advocates opposed the very approach they contend PG&E already followed.<sup>56</sup> The Commission rejected the proposal, finding that PG&E should recover CEMA straight time labor costs through a CEMA application:

PG&E should remove these [straight time labor] costs from its forecast . . . *all CEMA straight-time labor expenses should continue to be recorded in CEMA and recovered under the CEMA process, rather than through the forecasting process established in this proceed[ing].*<sup>57</sup>

The Commission further found that PG&E must “remove both PG&E’s expense forecast and capital forecasts for CEMA straight-time labor” from the GRC.<sup>58</sup> In short, the Commission has already determined that PG&E should recover these costs through a CEMA application.<sup>59</sup>

## **2. The Breakdown of PG&E’s Labor Costs Underscores That They Are Incremental**

The bulk of PG&E’s labor costs in this application are for contracts and external labor, not internal straight time labor, as shown in Table 2.<sup>60</sup>

---

<sup>55</sup> PGE-01, pp. 10-5 to 10-7.

<sup>56</sup> D.23-11-069, pp 325-327.

<sup>57</sup> D.23-11-069, p. 323, 327 (emphasis added).

<sup>58</sup> D.23-11-069, p. 324.

<sup>59</sup> PGE-01, pp. 10-5 to 10-7. Aside from internal labor related elements, Cal Advocates does not challenge the incrementality of PG&E’s CEMA costs generally.

<sup>60</sup> PGE-01, pp. 10-7 to 10-8, Table 10-1.

**TABLE 2  
COST ELEMENT TYPE BREAKDOWN THROUGH DECEMBER 2023  
(THOUSANDS OF DOLLARS)**

Line No.	Cost Element Types	Incremental Request	% of Total Labor
1	Contract and External Labor	\$415,907	69%
2	Labor ST	31,406	5%
3	Labor OT	7,079	1%
4	Labor DT	9,796	2%
5	Other Labor	27,734	5%
6	Materials and Other	108,471	18%
7	Total	\$600,393	100%

**Note: ST, OT, DT Labor is PG&E internal labor.**

No party disputes that external labor costs are incremental. Internal labor is no different.

**E. The Costs Presented For PG&E’s Other Memorandum Accounts Are Incremental**

PG&E did not forecast costs for the remaining memorandum accounts (CPPMA, DMA, ECPMA, PIPPMA, CAVAMA, MGMA, and GSRRMA); these costs are for new or expanded activities that emerged after the GRC. The Commission expressly authorized these accounts for these incremental costs, as shown in Table 3 below.<sup>61</sup>

**TABLE 3  
MEMORANDUM ACCOUNT AUTHORIZATIONS**

Line No	Account	Reason Authorized	When Authorized	Basis for Incrementality
1	CPPMA	To track and record costs associated with implementing billing-related protections for residential and small business customers impacted by the COVID-19 pandemic	Commission Resolution M-4842	Costs are separate from CEMA costs related to COVID-19 response. CPPMA costs involve customer-billing related protections incremental to 2023 GRC and other proceedings.

<sup>61</sup> PGE-01, pp. 10-8 to 10-14. The Commission authorized the GSBA as a two-way balancing account subject to a reasonableness review. As such, the costs have been authorized by PG&E’s GRC, subject to this reasonableness review. PGE-01, p. 10-14.

<b>Line No</b>	<b>Account</b>	<b>Reason Authorized</b>	<b>When Authorized</b>	<b>Basis for Incrementality</b>
2	DMA	To track and record costs associated with implementing the requirements of D.20-06-003, which established various rules to reduce the number of residential customer disconnections and improve reconnection processes for disconnected customers	D.20-06-003	Incremental costs to comply with new disconnection reduction rules implemented after the 2023 GRC. Required by Commission for recording prior to cost recovery authorization.
3	ECPMA	To track and record incremental costs associated with implementing Emergency Consumer Protection Plan when the Governor's Office or President declares a state of emergency due to a disaster resulting in loss, disruption, or degradation of utility service	D.18-08-004 (authorized establishment); D.19-07-015 (defined conditions)	Incremental costs to implement emergency consumer protections during declared emergency events. Required by Commission to be recorded in memorandum accounts subject to review prior to cost recovery.
4	PIPPMA	To track incremental costs associated with implementing the requirements of D.21-10-012, including PG&E's proposal for a Percentage of Income Payment Plan (PIPP) Pilot to: (i) reduce low income households at risk of disconnection, (ii) encourage participation in energy saving programs, (iii) increase access to essential energy service, and (iv) control program costs	D.21-10-012	Incremental costs for PIPP Pilot implementation enacted after 2023 GRC. Required by Commission for memorandum account recording subject to review prior to cost recovery.
5	CAVAMA	To track costs directly related to climate vulnerability assessments and incremental costs associated with community outreach plans and activities related to Community Engagement Plans and surveys, as required by the Commission's climate adaptation requirements	D.20-08-046	Incremental costs to support PG&E's climate vulnerability assessment and associated community engagement plan requirements. Costs recorded in direct support of new Commission-mandated requirements.
6	MGMA	To track and record costs associated with microgrid-related programs approved by the Commission. Programs seek to mitigate the impact of Public Safety Power Shutoff (PSPS) events on customers and provide grid resilience	D.20-06-017	Incremental costs for microgrid programs to reduce PSPS event impacts on customers. Costs are incremental to 2023 GRC and recorded subject to Commission review prior to cost recovery.
7	GSRRMA	To track expenses and capital expenditures to comply with any new federal or state statutes, regulations and rules, or new or changed interpretation by a regulatory body of statutes, regulations or rules, that are issued between Rate Case funding cycles for which PG&E has not been able to incorporate forecast costs into a rate case and which are not already addressed and recorded in another account.	D.19-09-025	Incremental costs to support compliance with new or changed gas rules. Costs are incremental to 2023 GRC and recorded pursuant to Commission authorization.

**F. Cal Advocates’ Position on Incrementality Would Constrain PG&E’s Ability to Efficiently Staff the Best Resources to Address Emergent Work**

Cal Advocates’ testimony recommended that 46 percent of PG&E’s costs be disallowed based on the mistaken view that PG&E may have received GRC funding for these costs.<sup>62</sup>

Cal Advocates argues that these costs are not incremental because PG&E used “existing” staff and assets, which Cal Advocates speculates – without evidence – must have been funded by the GRCs.<sup>63</sup> Based on those arguments, Cal Advocates makes the following recommendations:

**TABLE 4  
DETAIL OF CAL ADVOCATES INCREMENTALITY DISALLOWANCE RECOMMENDATIONS  
(THOUSANDS OF DOLLARS)**

Line No.	Memorandum or Balancing Account	Straight-Time Labor	Overheads	Material Movements	Other <sup>(b)</sup>	Total
1	Butte CEMA	\$145	–	–	–	\$145
2	CEMA	1,659	–	\$12,843	\$445	14,947
3	Gas <sup>(a)</sup>	5,935	\$333	–	416	6,684
4	Total O&M Exp	7,739	333	12,843	861	21,776
5	Butte CEMA	53,910	50,932	20,493	120,663	245,998
6	CEMA	3787	726	3201	54	7,768
7	Gas	–	–	–	–	–
8	Total CapEx	\$57,697	\$51,658	\$23,694	\$120,717	\$253,766

(a) Includes CAVAMA, PIPMA, ECPMA, and DMA. See Table 4.

<sup>62</sup> CA-01, p. 7, line 6 to p. 8, line 2; CA-02, p. 5, line 15 to p. 8, line 19; CA-02, p. 14, line 5 to p. 16, line 18; CA-02, p. 19, line 4 to p. 20, line 4; CA-02, p. 22, line 9 to p. 24, line 13; CA-03, p. 10, line 5 to p. 17, line 12; CA-03, p. 21, line 9 to p. 22, line 2; CA-06, p. 6, line 4 to p. 15, line 8; CA-06, p. 16, line 13 to p. 19, line 24; CA-06, p. 28, line 1 to p. 31, line 19. Cal Advocates does not make any incrementality or accounting-based arguments related to the CPPMA Miscellaneous-Incremental Uncollectibles Memorandum Account, Medium-Large Commercial and Industrial CDMMA, MGMA, GSRRMA, GSBA, or CPPMA.

<sup>63</sup> See, e.g., CA-02, p. 5, line 15 to p. 8, line 19; CA-02, p. 14, line 5 to p. 16, line 18; CA-02, p. 22, line 9 to p. 24, line 13; CA-03, p. 14, lines 1-16 and p. 17, lines 6-12.

**TABLE 5**  
**DETAIL OF CAL ADVOCATES O&M INCREMENTALITY DISALLOWANCE RECOMMENDATIONS**  
**FOR MEMORANDUM ACCOUNTS**  
**(THOUSANDS OF DOLLARS)**

Line No.	Memorandum Account	Straight-Time Labor	Overheads	Material Movements	Other	Total
1	CAVAMA	\$529	–	–	–	\$529
2	PIPPMA	–	–	–	\$416	416
3	ECPMA	–	\$333	–	–	333
4	DMA	5,406	–	–	–	5,406
5	Total O&M Exp	\$5,935	\$333	–	\$416	\$6,684

The basic assumption underlying Cal Advocates’ incrementality-based disallowance recommendations is that a GRC (or, presumably, a Gas Transmission and Storage (GT&S)) decision funds all labor, material, and overheads for a rate case cycle period, even for activities not forecasted or funded in that GRC period. Cal Advocates’ position is unsupported by the record, and its recommendations are at odds with the evidence.

**1. Cal Advocates’ Position Is Inconsistent With PG&E’s Forecasting Methodology and Basic Ratemaking Principles**

Cal Advocates argues that PG&E must show that it hired specific personnel or procured specific material for an incremental project, and that if PG&E redeployed existing employees or materials, the associated straight-time labor, material movement, and overheads are not incremental, even if the activity itself is incremental.<sup>64</sup> That argument misunderstands PG&E’s forecasting methodology and ignores basic ratemaking principles.

Because PG&E uses activity-based forecasting, the incrementality of actual costs must be evaluated the same way. Cal Advocates instead evaluates the incrementality of PG&E’s memorandum accounts by assuming a *cost type* forecasting methodology, rather than the

---

<sup>64</sup> See, e.g., CA-02, p. 5, line 15 to p. 8, line 19; CA-02, p. 14, line 5 to p. 16, line 18; CA-02, p. 22, line 9 to p. 24, line 13; CA-03, p. 10, line 16 to p. 11, line 6; CA-03, p. 14, lines 1-16 and p. 17, lines 6-12.

*activity-based* forecasting methodology that PG&E actually uses. As explained in the Rebuttal Testimony of Jake Van Reen<sup>65</sup>:

PG&E's process and methodology for developing the prospective financial information contained within the forward-looking test year and attrition years of the general rate case are key factors which must be considered when determining incrementality. PG&E forecasts costs using an activity-based costing method rather than forecasting based on cost type (i.e., labor, vendor costs, materials, etc.). In other words, they forecast the cost of performing specific activities, rather than focusing on the source of those costs (e.g., internal labor, vendors, etc.). Therefore, when evaluating whether costs are incremental, EY considered whether the costs were incremental to the activities that are funded through base rates, rather than whether entire cost categories are incremental.<sup>66</sup>

When preparing a forecast in a rate case such as the GRC or GT&S, PG&E uses a variety of activity-based forecasting methods depending on the particular activity or program being forecasted. For example, PG&E may determine the number of units of work that it proposes for the rate case period and then take an average of historical costs over a specific period of time and escalate that amount to determine a unit cost. PG&E's forecast is then based on the product of number of units times unit cost.<sup>67</sup> For other programs, PG&E may use historical costs from pilot programs to forecast a program cost<sup>68</sup> or a combination of program specific factors.<sup>69</sup> Critically, *historical labor and overhead costs, to the extent that they are a factor in a forecast, are recorded for specific activities, not for a companywide labor force or overall operations.*<sup>70</sup>

Accordingly, it is not the case, as Cal Advocates assumes, that PG&E's GRC funds our

---

<sup>65</sup> Mr. Van Reen was the project lead for the EY analysis and report on CEMA costs included in the 2024 Wildfire Mitigation and Catastrophic Events (WMCE) Application. Mr. Van Reen is now the principal at Van Reen Accounting LLC.

<sup>66</sup> PGE-03, Appendix A, pp. 10-11.

<sup>67</sup> PGE-03, p. 10-7; see also, e.g., D.19-09-025, pp. 130-131 (describing traditional In-Line Inspection costs based on number of units and historical unit cost curve for 2019 GT&S rate case).

<sup>68</sup> PGE-03, p. 10-7; see, e.g., D.19-09-025, p. 115 (describing forecast for Critical Documents Program based on cost from pilot program for 2019 GT&S rate case).

<sup>69</sup> PGE-03, p. 10-7; see, e.g., D.19-09-025, p. 140 (Internal Corrosion Direct Assessment forecast based on historical costs per project and expected number of miles).

<sup>70</sup> PGE-03, pp. 10-7 to 10-8.

“existing” workforce, or employees’ salaries as of the time of the GRC forecast.<sup>71</sup> Nor is it the case that labor costs are incremental only if PG&E hires additional employees.<sup>72</sup>

As an example, to contrast PG&E’s activity-based forecasting method from a cost type method, if PG&E forecasts that it will replace a pole for \$100, it is not forecasting that it will spend \$20 on labor, \$50 on contractor costs, and an additional \$30 on other cost components (all numbers hypothetical). PG&E instead forecasts that the cost for the activity of replacing that pole, based on PG&E’s assumptions at the time of the forecast, will be \$100. This forecast, by itself or as part of the larger aggregate of forecast activities, is not developed to cover the costs of PG&E’s entire workforce, materials, or overheads.<sup>73</sup> An activity is funded; not an employee.

The Commission approved PG&E’s activity-based forecasting methodology in the 2020 and 2023 GRC Decisions, by adopting funding for PG&E’s GRC activities on this forecast basis.<sup>74</sup> Cal Advocates’ arguments effectively ask the Commission to evaluate PG&E’s forecast and recorded costs against that forecast – on a cost type rather than activity basis – in the middle of the GRC cycle. While Cal Advocates’ arguments might have been relevant in the GRC proceeding, the Commission should not consider them relevant here.

Cal Advocates’ position on incrementality, if adopted, would require PG&E to hire new employees or procure contractor resources any time incremental work arose, such as CEMA response activities, in order to recover the full costs of the activity as contemplated by Section 454.9 and the various memorandum account authorizations. Hiring new employees or contractors to respond to CEMA events or new initiatives as they arise would be inefficient and potentially dangerous.<sup>75</sup> PG&E would not be able to quickly respond to CEMA events, for example, if it had to hire new employees or contractors. And setting aside employees

---

<sup>71</sup> CA-01, p. 7, lines 6-8; CA-04, p. 14, lines 9-12; CA-05, p. 7, lines 16-19, p. 13, lines 17-20; CA-06, p. 30, line 11 to p. 31, line 14.

<sup>72</sup> PGE-03, p. 10-8.

<sup>73</sup> PGE-03, pp. 10-7 to 10-8.

<sup>74</sup> D.23-11-069; D.20-12-005.

<sup>75</sup> PGE-03, pp. 10-9 to 10-11.

specifically for CEMA work would also be inefficient. PG&E would incur significantly increased costs and would lose the ability to balance the need for the most qualified personnel with the associated costs.<sup>76</sup>

## **2. The Commission Should Not Require PG&E to Hire New Employees to Demonstrate Incrementality**

Under PG&E's activity-based forecasting methodology, PG&E should not need to show that it hired new employees to demonstrate incrementality. When PG&E's overall activity levels increase beyond our forecast assumptions in the GRC, it devotes additional resources to those activities. This requires labor resources beyond those that would have been sufficient to perform the level of activities contemplated in PG&E's GRC. PG&E may conduct base GRC work with contractor resources, as operational needs require. PG&E does not forecast this specific cost type either; this illustrates the fluidity of PG&E's staffing decisions.<sup>77</sup>

Although PG&E should not need to hire new employees to demonstrate incrementality, PG&E's headcount has grown substantially from 2018 to 2023. As shown in Table 6, PG&E's headcount grew by 20 percent from 2018 to 2023, including 51 percent growth in Electric Operations, 17 percent growth in Engineering, Planning and Strategy, and 13 percent growth in Gas Operations.<sup>78</sup>

---

<sup>76</sup> Id.

<sup>77</sup> PGE-03, p. 10-10.

<sup>78</sup> PGE-03, p. 10-11, Table 10-4.

**TABLE 6  
PG&E 2018-2023 HEADCOUNTS**

Line No.	Total Headcount Recorded	2018	2019	2020	2021	2022	2023
1	Electric Operations	5,330	5,763	6,252	6,913	7,239	8,057
2	<i>Percent Increase vs. 2018</i>	–	8%	17%	30%	36%	51%
3	Engineering, Planning & Strategy	5,959	6,143	6,596	6,903	6,582	6,963
4	<i>Percent Increase vs. 2018</i>	–	3%	11%	16%	10%	17%
5	Gas Operations	4,177	4,321	4,575	4,722	4,662	4,704
6	<i>Percent Increase vs. 2018</i>	–	3%	10%	13%	12%	13%
7	Generation and Other Operations	2,513	2,458	2,514	2,519	2,402	2,700
8	<i>Percent Increase vs. 2018</i>	–	(2)%	–	–	(4)%	7%
9	Customer, IT, Corp Services, Other	5,103	4,721	4,944	5,060	4,888	5,212
10	<i>Percent Increase vs. 2018</i>	–	(7)%	(3)%	(1)%	(4)%	2%
11	Total	23,083	23,406	24,880	26,117	25,774	27,637
12	<i>Percent Increase vs. 2018</i>	–	1%	8%	13%	12%	20%

### 3. PG&E Incurs Incremental Costs When We Redirect Existing Resources

Reprioritization of work is “expected and is necessary” for safe and reliable operations.<sup>79</sup> Cal Advocates speculates that when PG&E shifts resources from planned activities to high priority emergent work, it saves authorized funds associated with otherwise planned GRC work, thereby reducing or eliminating incremental costs.<sup>80</sup>

PG&E disagrees, but this debate is unnecessary. As explained in the rebuttal testimony of Mr. Van Reen, if PG&E had *not* performed GRC authorized activities, that would be reflected in underspending of GRC authorized amounts and a consistent lack of performance in executing GRC activities, neither of which has occurred.<sup>81</sup> Below in Table 7 is a summary of the totals of

<sup>79</sup> D.11-05-018, p. 27.

<sup>80</sup> CA-04, p. 10, line 18 to p. 11, line 22.

<sup>81</sup> Van Reen Rebuttal Testimony, p. 11, line 20 to p. 12, line 8. Mr. Van Reen’s testimony also confirms that “[i]f PG&E was double recovering material amounts, it should manifest somewhere in the books and records[,]” yet “EY did not identify any evidence of double recovery.” *Id.* at p. 12, lines 9-13.

PG&E’s 2020 through 2023 Risk Spending Accountability Report (RSAR) Tables 1-1 and 1-2.<sup>82</sup> These tables summarize the imputed GRC base amounts against the relevant GRC actual costs for all Functional Areas. In all years from 2020 to 2023, PG&E *overspent* the GRC for Expense and Capital.<sup>83</sup> PG&E did not perform these incremental activities with GRC funding.

**TABLE 7**  
**SUMMARY OF PG&E’S 2020-2023 RSAR COMPANYWIDE**  
**GRC IMPUTED AMOUNTS VS. ACTUALS EXPENSE AND CAPITAL**  
**(THOUSANDS OF DOLLARS)**

Line No.	Year and Cost Type	Imputed Adopted Costs	Actual Costs	Difference	Percent Variance
1	2020 Expense Total	\$3,000,220	\$4,332,129	\$1,331,909	44%
2	2020 Capital Total	\$4,090,566	\$4,925,226	\$834,660	20%
3	2021 Expense Total	\$3,096,250	\$4,780,357	\$1,684,107	54%
4	2021 Capital Total	\$4,602,047	\$5,846,445	\$1,244,398	27%
5	2022 Expense Total	\$3,178,194	\$4,750,822	\$1,572,628	50%
6	2022 Capital Total	\$4,959,503	\$6,760,396	\$1,800,894	36%
7	2023 Expense Total	\$6,669,335	\$6,866,807	\$197,472	3%
8	2023 Capital Total	\$6,473,120	\$7,422,152	\$949,032	15%

#### 4. Incremental Activities Result in Incremental Overheads

Cal Advocates recommends that overheads be removed from PG&E’s request, arguing that they are not incremental because companywide overheads are funded in the GRC.<sup>84</sup> PG&E calculates overhead costs in the GRC forecast based on the forecasted *activities*. PG&E does not include overhead costs for new programs that emerge and that were not forecasted in the GRC. When PG&E performs new or additional activities we incur additional overhead costs.<sup>85</sup>

<sup>82</sup> See PGE-03, Chapter 10, Attachment D for PG&E’s 2020, 2021, 2022, and 2023 RSAR Tables 1-1 and 1-2.

<sup>83</sup> PGE-03, p. 10-13, Table 10-5.

<sup>84</sup> CA-01, p. 7, lines 8-10; CA-02, p. 22, line 9 to p. 24, line 13; CA-05, p. 13, line 22 to p. 15, line 7; CA-06, p. 28, line 1 to p. 29, line 4; see also CA-03, p. 11, line 7 to p. 12, line 11.

<sup>85</sup> PGE-03, pp. 10-14; p. 10-17, Figure 10-1 for the Application of Overheads to Memorandum and Balancing Accounts as decided in PG&E’s 2020 and 2023 GRC.

Indirect costs, such as bulk materials, increase as PG&E performs new and expanded work. These costs are not attributable to any particular activity, and the costs are therefore spread across activities for accounting and rate recovery purposes. Overheads are aggregated throughout the enterprise before being separately identified and allocated to the order by multiplying an overhead percentage to the direct and internal costs charged to the order. As PG&E performs greater activity levels than forecast in the GRC, the overall need for, and burden on, these overheads also increase.<sup>86</sup>

When preparing a GRC forecast based on historical costs, *PG&E manually removes overheads from the recorded amounts that form the basis of the future year forecast.*<sup>87</sup> For example, in the 2023 GRC forecast of fleet costs, PG&E states:

Once the GRC Gross Forecast is determined, any portion of the forecast that is funded by capital or balancing account orders (Overhead Credit) is removed, resulting in the GRC Net Forecast. Rates for Overhead Credits [that] are dependent on the allocation of labor to the type of work the labor (e.g., capital, expense, or balancing account funded work) supported. For example, in a year where more labor supports capital and balancing account-funded work for storm and wildfire support, the Overhead Credit is higher, resulting in a lower GRC Net Forecast.<sup>88</sup>

Cal Advocates acknowledges that:

[T]here is a direct causal relationship between PG&E's CEMA response and increased costs for associated overheads.<sup>89</sup>

Yet, Cal Advocates nonetheless recommends a disallowance for overhead costs because PG&E “did not provide [a] quantifiable analysis” demonstrating that they have not already been

---

<sup>86</sup> PGE-03, pp. 10-14 to 10-15.

<sup>87</sup> PGE-03, p. 10-15.

<sup>88</sup> PGE-03, p. 10-15; 2023 GRC Opening Testimony, Exhibit (PG&E-7), Ch 2, p. 2-3, footnote 2; PGE-03, Chapter 10, Attachment B (2023 GRC, Exhibit (PG&E-7), Ch 2, Workpaper 2-6).

<sup>89</sup> CA-02, p. 22, lines 15-16.

recovered in authorized rates.<sup>90</sup> Overheads, however, by definition are indirect costs not attributed to a specific activity that are related to overall activity levels.

## 5. Incremental Activities Result in Incremental Materials Movements

Material movements refers to the transfer of bulk, pre-purchased materials inventory for use during the execution of a project or process.<sup>91</sup> Cal Advocates asserts that PG&E's movement and usage of bulk pre-purchased materials does not constitute the procurement of additional materials specifically earmarked for incremental activities, and that therefore PG&E did not incur incremental costs associated with incremental activities calling for such materials.<sup>92</sup> Again, Cal Advocates misunderstands the allocation of such costs.

PG&E acquires materials and holds them in warehouses until they are required at a project site; we initially record these costs as inventory (a current asset on the balance sheet) and *do not seek recovery for them at the point of purchase*. When the materials are used during a project or process, PG&E records (debits) the cost of the materials used to the work order associated with that specific project and reduces (credits) the amount from the inventory account. Only after materials are used and recorded to a work order as material movements does PG&E include the cost as expense or capital in the appropriate memorandum or balancing accounts for potential recovery in rates.<sup>93</sup>

The material movements for the programs included in this proceeding are not included in the revenue requirement of any other rate case. As with the total cost of straight-time labor, PG&E's total cost of material movements is not forecasted in the GRC or elsewhere. Cal Advocates' apparent position that PG&E should purchase materials for projects recorded to memorandum accounts separately from other materials and only when needed is infeasible for

---

<sup>90</sup> CA-02, p. 22, lines 12-18.

<sup>91</sup> PGE-03, pp. 10-17 to 10-18.

<sup>92</sup> CA-02, p. 5, line 15 to p. 6, line 21 and p. 8, lines 1-19; CA-03, p. 14, lines 1-16 and p. 17, lines 5-12.

<sup>93</sup> PGE-03, p. 10-18.

the efficient operations of the utility and would result in higher costs and potential restoration delays to customers, compared to pre-purchasing materials in bulk.<sup>94</sup>

#### **6. PG&E Cannot Retroactively Adhere to Other Utilities' Forecast Methodologies**

Cal Advocates recommends that PG&E exclude straight-time/normal-time labor based on other utilities' exclusion of these costs in certain cases.<sup>95</sup> Whether Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), or Southern California Gas Company (SCG) record straight-time labor to, for example, their CEMA, is not probative of whether PG&E's costs are incremental. Professional accounting standards dictate that the key factor in an incrementality analysis is how a utility's forecasts were developed.<sup>96</sup> Mr. Van Reen testifies:

Whether a cost is incremental is determined by what activities and costs are funded through the GRC revenue requirement. How a utility accounts for and forecasts costs vary among different utilities. When evaluating incrementality, [we] analyze the relevant GRC and consider which costs are funded through base rates. This analysis is the threshold for incrementality.<sup>97</sup>

Because utilities develop their GRC forecasts differently, the approach to assessing incrementality may differ between utilities. PG&E forecasts on an activity basis.<sup>98</sup> It is inappropriate to assess incrementality based upon the ways other utilities forecast.

#### **G. Cal Advocates' Recommended Disallowances For Accounting Disagreements are Inconsistent with Standard Utility and Corporate Accounting Practices.**

Cal Advocates also makes several arguments related to PG&E's accounting practices.<sup>99</sup>

---

<sup>94</sup> PGE-03, p. 10-18.

<sup>95</sup> CA-05, p. 6, lines 7-9 and p. 8, line 29 to p. 9, line 28.

<sup>96</sup> PGE-03, pp. 10-19.

<sup>97</sup> PGE-03, p. 10-19; Appendix A, p. 10.

<sup>98</sup> See PGE-03, Chapter 10, Attachment A.

<sup>99</sup> CA-02, pp. 8-10; CA-03, pp. 11, 17.

## **1. Cal Advocates Rejects GAAP Accounting**

Cal Advocates argues for disallowances based on PG&E's use of accrual accounting, which PG&E relies on in compliance with Generally Accepted Accounting Principles (GAAP) requirements.<sup>100</sup>

PG&E adheres to GAAP, which are standard accounting rules for preparing, presenting, and reporting financial statements. This means that the costs associated with generating revenue are recognized when the revenue is earned, rather than when cash is received.<sup>101</sup> Cash accounting is used by small businesses where transactions are relatively simple. It would be highly unusual and administratively burdensome on PG&E's ratepayers if PG&E used cash accounting. As explained by Mr. Van Reen, cash basis filings would require significant reconciliation to PG&E's books and records, introducing further complexity to the filing. An accrual accounting method is appropriate for large, complex enterprises like PG&E. And, because accruals automatically reverse in the following accounting period and actual costs are booked once received, there is no harm to ratepayers. Any under/over accruing is temporary and is corrected in the next accounting period and thus has no impact on ratepayers.<sup>102</sup>

## **2. Estimated Goods Receipts**

Cal Advocates argues that PG&E improperly included estimated goods receipt (EGRs) costs posted in December 2023 that were not reversed until January 2024, outside of the cost recovery period of this application.<sup>103</sup> Cal Advocates argues that these EGRs are not recoverable because they are not actual costs but estimates of future costs.<sup>104</sup>

PG&E uses EGRs to adhere with accrual accounting rules as prescribed by GAAP to ensure that revenues and expenses are recorded when transactions are incurred, as opposed to

---

<sup>100</sup> CA-02, p. 12, line 18 to p. 13, lines 24.

<sup>101</sup> PGE-03, p. 10-30.

<sup>102</sup> PGE-03, pp. 10-30 to 10-31; PGE-03, Appendix A, p. 16.

<sup>103</sup> CA-02, p. 11, lines 24-27.

<sup>104</sup> CA-02, p. 10, lines 17-21.

when cash is expended. Accrual accounting ensures that the costs are captured within the period benefits are received by customers, as well as when money is owed to a third-party. PG&E properly identified costs incurred in December 2023 and posted an EGR in the accounting system in accordance with GAAP. If PG&E had not, it would have understated 2023 costs.<sup>105</sup>

Customers are not harmed by EGRs. In the subsequent filing of CEMA costs, there will be a credit amount equal to the accrual in the prior filing's cut-off month, thus reducing the next filing's starting balance.<sup>106</sup> EY reviewed the EGR population and determined the amounts to be reasonable and substantiated, as discussed by Mr. Van Reen in rebuttal testimony.<sup>107</sup>

### **3. Material Movement Journal Entries**

Cal Advocates recommends a disallowance of \$16.044 million for material movements recorded to CEMA because PG&E provided journal entries to support these costs rather than invoices.<sup>108</sup> Similar to EGRs, PG&E uses journal entries to record material movements. Material movement journal entries are supported by SAP detail of the material description, quantity, amount, and location. EY tested EGRs and determined the amounts to be reasonable and substantiated.<sup>109</sup>

### **4. Support for Overheads Costs**

Cal Advocates argues that PG&E has not sufficiently supported certain CEMA overhead costs because PG&E provided documentation from the accounting system demonstrating the allocation of these costs instead of invoices.<sup>110</sup> Cal Advocates argues that this is insufficient because "PG&E can choose to insert and allocate any amount to any specific Overhead."<sup>111</sup> The Commission should reject this argument.

---

<sup>105</sup> PGE-03, p. 10-31.

<sup>106</sup> PGE-03, pp. 10-31 to 10-32; PGE-03, Appendix A, p. 16.

<sup>107</sup> PGE-03, p. 10-32; PGE-03, Appendix A, p. 17.

<sup>108</sup> CA-02, p. 8.

<sup>109</sup> PGE-03, p. 10-32; PGE-03, Appendix A, p. 15, lines 5-10.

<sup>110</sup> CA-03, p. 11, line 7 to p. 13, line 11.

<sup>111</sup> CA-03, p. 12, lines 3-5.

As confirmed by Mr. Van Reen, “allocations of overhead costs are a widely known and used process by which indirect costs are accumulated and then allocated to projects such that each project bears its equitable proportion of such overhead costs”.<sup>112</sup> PG&E follows guidance for allocating overhead costs to CEMA, which was approved by the Commission in the 2020 and 2023 GRCs.<sup>113</sup> EY tested PG&E’s overheads and recommended two adjustments, which were implemented by PG&E.<sup>114</sup>

As explained by Mr. Van Reen, because overhead costs are allocated to CEMA projects, the costs are not directly supported by an invoice. Instead, the individual charge to a CEMA project is a journal entry that results from the allocation process, which is a standard accounting record.<sup>115</sup>

#### **V. THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S BUTTE COMMUNITY REBUILD COSTS**

After the Camp Fire, as the Town of Paradise and surrounding community recovered, it was necessary for PG&E to rebuild the entirety of PG&E’s electric distribution lines in and around the Town, as well as all of the above-ground gas distribution infrastructure.<sup>116</sup> Following initial emergency response and power restoration activities (to make the area safe for returning residents and workers), PG&E created the Butte Community Rebuild program to oversee the construction of gas and electric facilities in the area, and to assist customers with continued power restoration during this rebuild.<sup>117</sup>

Through this application, PG&E seeks recovery of \$363.54 Million for Butte Community Rebuild costs recorded to the CEMA, for activities conducted and not funded through 2023.<sup>118</sup>

---

<sup>112</sup> PGE-03, Appendix A, p. 13.

<sup>113</sup> PGE-01, pp. 10-15 to 10-16 and Figure 10-1.

<sup>114</sup> PGE-01, p. 11-5, Table 11-3; p. 11-6, lines 5-8 and 16-18; PGE-03, Appendix A, p. 14, lines 12-14.

<sup>115</sup> PGE-03, Appendix A, p. 14, lines 2-4.

<sup>116</sup> PGE-01, pp. 3-1 to 3-2.

<sup>117</sup> PGE-01, pp. 3-3 to 3-7; PGE-02, pp. 1-1 to 1-7; PGE-03, pp. 3-18 to 3-27.

<sup>118</sup> PGE-01, pp. 3-22 to 3-25; PGE-02, p. 6, Table 1.

This represents about 22% of the total costs PG&E has incurred for Camp Fire response and Butte Community Rebuild activities during this time period. The remaining costs incurred for this work are not presented for recovery here because they have been subject to various offsets and accounting adjustments, including for disallowances imposed by the Commission through the Wildfire OII and insurance proceeds.<sup>119</sup> PG&E also recovered some of these Butte Community Rebuild costs through the 2020 GRC (including costs that were securitized under AB 1054) and 2020 WMCE proceeding.<sup>120</sup>

**TABLE 8  
BUTTE COMMUNITY REBUILD PROGRAM  
SUMMARY OF COSTS REQUESTED AFTER ADJUSTMENTS BY EXPENSE AND CAPITAL  
(THOUSANDS OF DOLLARS)**

Line No.	Activities	Expense	Capital	Total
		\$	\$	\$
1	Emergency Response / Initial Restoration	-	-	-
2	Continued Restoration / Rebuild (Non-Wildfire)	\$ 3,500	\$ 43,051	\$ 46,552
		\$		
3	Wildfire Mitigation (System Hardening)	-	\$ 181,336	\$ 181,336
4	Gas Programmatic Work	\$ (101)	\$ 138,475	\$ 138,374
	<i>Less: Ernst &amp; Young Recommended</i>			
5	<i>Adjustments</i> <sup>1</sup>	\$ (1,319)	\$ (1,405)	\$ (2,724)
6	<b>Total Cost Recovery</b>	<b>\$ 2,080</b>	<b>\$ 361,457</b>	<b>\$ 363,537</b>

1. The EY adjustments are an extrapolation of costs to exclude certain costs from this recovery request based on EY's findings, applying to the overall population rather than specific orders or work types.

## A. Background of the Butte Community Rebuild

### 1. Significant Factors Leading to PG&E's Decision to Underground

In the Spring of 2019, as PG&E was completing the initial response to the Camp Fire, we assessed the appropriate plans for rebuilding the electric distribution infrastructure in the

<sup>119</sup> PGE-01, p. 3-16, Table 3-2; p. 3-17, Table 3-3.

<sup>120</sup> PGE-01, p. 3-16, Table 3-2; p. 3-17, Table 3-3; pp. 3-51 to 3-59.

Paradise area.<sup>121</sup> This ultimately led to our decision to underground electric distribution lines. During this review process, PG&E concluded that undergrounding could be combined with gas pipeline replacement work that inevitably would have to have been performed in the area – over a much longer period – as part of longstanding gas pipe replacement programs, and that combining these efforts would lead to significant cost savings as a result of joint trenching efficiencies.<sup>122</sup> Several important considerations informed PG&E’s assessment of the appropriate approach to rebuilding the Paradise area:

*First*, the Camp Fire followed a long history of wildfires in the area over the last 85 years.<sup>123</sup> Most of the rebuild area is in Tier 2 and Tier 3 High Fire Threat District (HFTD) areas, indicating elevated or extreme risk of another wildfire absent mitigation. PG&E concluded that the rebuild should account for this recent fire history and the elevated risk in the area, which is illustrated in Figure 2 below.<sup>124</sup> Undergrounding electric distribution lines reduces ignition risk by about 98 percent.<sup>125</sup>

---

<sup>121</sup> PGE-03, Chapter 3, Attachment A (March 4, 2019 Butte Community Rebuild Executive Steering Committee Kickoff); PGE-03, Chapter 3, Attachment A (April 1, 2019 Camp Fire Rebuild Master Plan); PGE-03, pp. 3-AtchD-13 to 3-AtchD-23 (May 15, 2019 Butte Community Rebuild Internal Review).

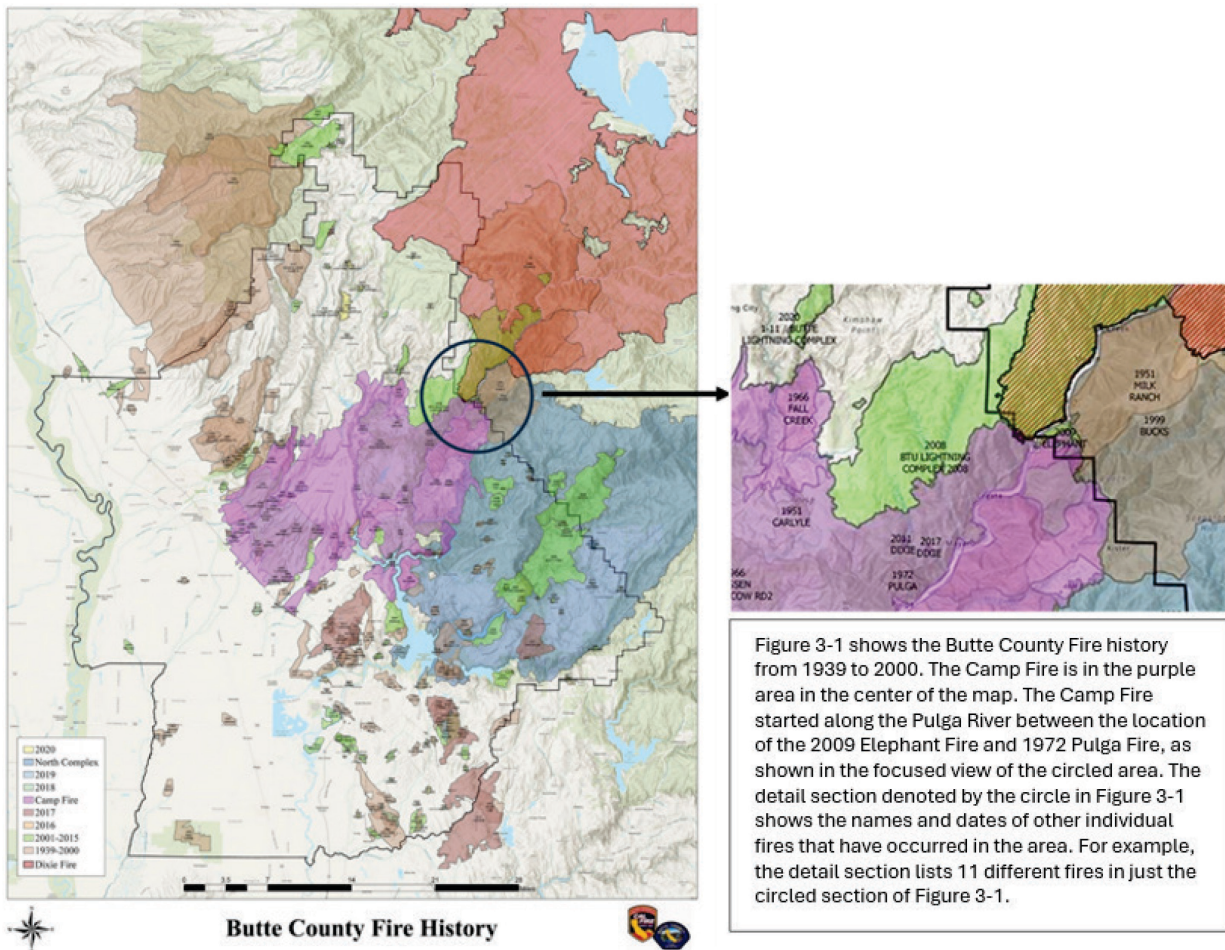
<sup>122</sup> PGE-01, pp. 3-1 to 3-7 and 3-20 to 3-40; PGE-03, 3-14 to 3-26 and 3-41 to 3-44; PGE-03, Attachments B, C; TURN-1-Atch01-E, pp. 20-48.

<sup>123</sup> PGE-01, pp. 3-4 to 3-5.

<sup>124</sup> PGE-01, pp. 3-4 to 3-7.

<sup>125</sup> PGE-01, pp. 3-30 to 3-31.

**FIGURE 2<sup>126</sup>**  
**BUTTE COUNTY FIRE HISTORY**



*Second*, during the Camp Fire, electric distribution poles had fallen and obstructed ingress and egress for community members and first responders, as illustrated by the figure below. Even hardened overhead assets would not eliminate the risk that another fire could result in similar constraints. Undergrounding, however, addresses this risk, resulting in significant public safety benefits.<sup>127</sup>

<sup>126</sup> Figure 2 was Figure 3-1 in PG&E’s Prepared Testimony, thus the text references to Figure 3-1.

<sup>127</sup> PGE-01, pp. 3-31 to 3-32; PGE-02, pp. 12-14; PGE-03, pp. 3-19, 3-21.

**FIGURE 3  
EXIT PATH IMPACTED BY DOWNED POLE**



*Third*, the Paradise community expressed strong preferences that (1) electric distribution equipment in the area be undergrounded, and (2) all underground infrastructure issues be addressed at the same time – with the latter ultimately expressed formally through the Town’s “dig once” policy.<sup>128</sup>

*Fourth*, undergrounding would result in significant reliability improvements, including because the need for potential Public Safety Power Shutoffs in the area would be eliminated.<sup>129</sup>

*Finally*, PG&E’s initial assessments indicated that, in addition to damaged gas assets, most of the underground gas infrastructure in the area would need to be replaced within the next few decades as part of PG&E’s gas pipeline replacement programs. Accordingly, significant cost savings could be achieved by doing this replacement work through “joint trenching” with

---

<sup>128</sup> PGE-01, pp. 3-32 to 3-33; PGE-03, p. 3-19; pp. 3-22 to 3-23.

<sup>129</sup> PGE-01, pp. 3-6 to 3-7.

the undergrounding of electric distribution assets.<sup>130</sup> This would also comply with the Town’s “dig once” ordinance.<sup>131</sup>

## **2. PG&E’s Consideration of Alternative Rebuild Options**

PG&E assessed three alternative approaches to the rebuild. PG&E anticipated rebuilding approximately 200 miles of electric distribution lines and replacing over 70 miles of gas pipeline. PG&E assessed rebuild options that would involve (1) replacing pre-fire overhead lines with hardened overhead assets, (2) a mix of hardened overhead and underground, and (3) exclusively undergrounding in the rebuild footprint.<sup>132</sup> PG&E considered these options through the following three scenarios, as illustrated below.<sup>133</sup>

---

<sup>130</sup> PGE-01, p. 3-7; pp. 3-32 to 3-33; PGE-03, pp. 3-12, 3-19 to 3-20, 3-23, 3-43 to 3-44.

<sup>131</sup> PGE-01, pp. 3-32 to 3-33; PGE-03, p. 3-23.

<sup>132</sup> TURN-01-Atch.01-E, pp. 20-30.

<sup>133</sup> PGE-03, pp. 3-AtchD-15 to 3-AthD-21; TURN-01-Atch.01-E, p. 22. Figure 4 is from an internal PG&E analysis regarding Butte Community Rebuild options.

**FIGURE 4  
REBUILD SCENARIOS**

Butte County Rebuild- 3 Options Considered			
	Option 1: Status Quo- Like-for-Like with Hardening Standard	Option 2: Partial Underground and OH	Option 3: All Underground
<b>Overview</b>	199 miles OH, 34 Miles Gas Main Replaced OH Service Connections	125 Miles OH, 74 Miles Joint Trench with Gas, All UG Service Connections	125 Underground Electric, 74 Miles Joint Trench with Gas, UG Service Connections
<b>Total Costs over 5 years (2019)</b>	\$1.42B (\$105.20M)	\$1.44B (\$193.0M)	\$1.70B (\$213.9M)
<b>Avoided Vegetation Costs</b>	\$0 Vegetation Work Required for 200 Miles (\$73 per foot)	\$30.1 Vegetation Work Required for 74 miles (\$73 per foot)	\$102.1M Vegetation Work Required for 200 miles (\$91.25 per foot)
<b>Shared Costs from other utilities</b>	\$0 All utilities would be OH	\$101.6M Gross: \$1,033.75/foot, Net: \$726.25/foot	\$344.2M Gross: \$1,033.75/foot, Net: \$726.25/foot
<b>Resiliency</b>	● OH is to wildfire hardened standard	● Counts towards system hardening 37% of rebuild is UG	● Eliminates routine vegetation work once complete. System is fully hardened
<b>Timeliness</b>	● Does not require a temporary OH system to serve customers	● Requires significant engineering and construction support	● Requires re-work; PG&E will have to build temporary OH system to serve early rebuilders
<b>Risk Reduction</b>	● Does not eliminate fire risk or ensures clear evacuation routes	● Risk remains of 125 miles of overhead line in Tier 2/3 Fire Areas	● Eliminates risk from veg contact or dropped lines. Improves safety along evacuation routes
<b>Customer / Community</b>	● Does not align with community's desires for UG utilities	● Partially meets the community's strong desire for UG utilities	● Fully meets community's UG desires

**Scenario 1:** Under the first scenario, PG&E would replace the pre-fire overhead electric distribution assets in the area with hardened overhead assets. This would have involved approximately 200 miles of hardened overhead in the area. PG&E would also have replaced approximately 34 miles of gas pipeline. Based on very early preliminary cost analysis, PG&E estimated that this approach would cost \$1.42 billion (all scenarios in 2019 dollars) through five years. But, hardened overhead assets would have (1) left greater wildfire risk in place compared to undergrounding, (2) left unaddressed the risk of ingress and egress constraints from falling poles, (3) been inconsistent with community preferences, and (4) failed to achieve cost efficiencies from joint trenching to modernize the gas system consistent with long-term program goals.<sup>134</sup>

<sup>134</sup> TURN-01-Atch.01-E, p. 20-28.

**Scenario 2:** Under the second scenario, PG&E would have replaced approximately 125 miles of overhead with hardened overhead assets, with the rest replaced by undergrounding, including approximately 74 miles of joint trenching to modernize the gas pipelines. PG&E estimated that this approach would cost \$1.44 billion through five years. The hardened overhead assets, however, would not have addressed wildfire and ingress and egress risks to the degree of undergrounding, would have been inconsistent with community preferences, and would have failed to fully achieve cost efficiencies from joint trenching.<sup>135</sup>

**Scenario 3:** The third scenario, which PG&E ultimately chose, involved undergrounding the entire Butte Community Rebuild footprint, including approximately 74 miles of joint trench work to replace gas pipelines. PG&E estimated that this approach would cost \$1.7 billion over five years, but it would (1) result in the near total elimination of wildfire risk, (2) address the risk of ingress and egress constraints, and (3) be consistent with the community's preference. Moreover, undergrounding would result in contributions from other utilities and reduce or eliminate the future need for routine vegetation management work.<sup>136</sup>

PG&E announced the decision to underground the Town of Paradise and surrounding area on May 22, 2019.<sup>137</sup> The Butte Community Rebuild footprint is shown below.

---

<sup>135</sup> *Id.*

<sup>136</sup> *Id.*

<sup>137</sup> PGE-01, p. 3-32, fn. 25.

**FIGURE 5  
REBUILD FOOTPRINT**



**B. Summary of PG&E’s Cost Recovery Request and Butte Community Rebuild Activities**

Butte Community Rebuild activities can be grouped into several sub-categories. PG&E’s testimony and discovery responses describe these activities and associated costs in detail; PG&E summarizes them at a higher level here.<sup>138</sup>

Before that, we contextualize these costs. The bulk of the costs here are from 2023. PG&E seeks cost recovery only for a portion of the overall expenditures associated with the Butte Community Rebuild because (1) many of the costs incurred for responding to the Camp Fire or rebuilding the impacted areas have been offset by several methods, and (2) PG&E recovered some costs during the 2019-2022 period. These offsets, or accounting adjustments,

<sup>138</sup> PGE-03, Chapter 3, Attachment A is a reproduction of a discovery response providing line-item detail of PG&E’s gross costs and adjustments for the program.

are described in more detail below, and include (1) the application of disallowances ordered by the Commission in the Wildfire OII (concerning the Camp Fire and other 2017/2018 wildfires) and (2) PG&E’s recovery of insurance proceeds for the Camp Fire.<sup>139</sup>

Table 9 below shows the costs for the various categories of Butte Community Rebuild activities and the offsets and accounting adjustments applied to each.<sup>140</sup> These adjustments are discussed below

**TABLE 9  
BUTTE COMMUNITY REBUILD AND RESTORATION PROGRAM COSTS  
TOTAL RECORDED COSTS AND ACCOUNTING ADJUSTMENTS BY ACTIVITY  
(THOUSANDS OF DOLLARS)**

Line No.	Activities	Expense	Capital Expenditures	Grand Total
1	<b>Emergency Response/Initial Restoration</b>	<b>\$64,678</b>	<b>\$254,103</b>	<b>\$318,781</b>
2	<i>OII Disallowances – Emergency Response/Initial Restoration</i>	<i>(64,678)</i>	<i>(254,103)</i>	<i>(318,781)</i>
3	<b>Subtotal Emergency Response/Initial Restoration</b>	<b>–</b>	<b>–</b>	<b>–</b>
4	<b>Continued Restoration/Rebuild (Non-Wildfire Mitigation)</b>	<b>\$428,646</b>	<b>\$319,629</b>	<b>\$748,275</b>
5	<i>OII Disallowances – Continued Restoration/Rebuild (Non-Wildfire Mitigation)</i>	<i>(383,133)</i>	<i>(30,678)</i>	<i>(413,811)</i>
6	<i>Residual OII Disallowances – Emergency Response/ Initial Restoration<sup>(a)</sup></i>	<i>(792)</i>	<i>(4,653)</i>	<i>(5,446)</i>
7	<i>Insurance Proceeds</i>	<i>(41,220)</i>	<i>(233,564)</i>	<i>(274,784)</i>
8	<b>Subtotal Continued Restoration/ Rebuild (Non-Wildfire Mitigation)</b>	<b>\$3,500</b>	<b>\$43,051</b>	<b>\$46,552</b>
9	<b>Wildfire Mitigation (System Hardening)</b>	<b>–</b>	<b>\$436,364</b>	<b>\$436,364</b>
10	<i>Assembly Bill (AB) 1054 Securitization</i>	<i>–</i>	<i>(255,028)</i>	<i>(255,028)</i>
11	<b>Subtotal Wildfire Mitigation (System Hardening)</b>	<b>–</b>	<b>\$181,336</b>	<b>\$181,336</b>
12	Gas Programmatic Work	\$ (101)	140,127	140,026
13	<b>Subtotal Continued Restoration, Wildfire Mitigation (System Hardening) and Gas Programmatic Work</b>	<b>\$3,399</b>	<b>\$364,514</b>	<b>\$367,913</b>
14	Insurance Proceeds – Others	–	(7,682)	(7,682)

<sup>139</sup> PGE-01, pp. 3-26, 3-45, and 3-51 to 3-59; PGE-02, pp. 3-6 (including Table 1); PGE-03, pp. 3-55 to 3-57.

<sup>140</sup> PGE-02, p. 6, Table 1.

Line No.	Activities	Expense	Capital Expenditures	Grand Total
15	<i>Ernst &amp; Young (EY) Recommended Adjustments</i>	<i>(1,319)</i>	<i>(1,405)</i>	<i>(2,724)</i>
16	<i>Gas Errata Adjustment</i>	<i>–</i>	<i>(1,652)</i>	<i>(1,652)</i>
17	<b>Total Cost Recovery</b>	<b>\$2,080</b>	<b>\$361,457</b>	<b>\$363,537</b>

- (a) The OII disallowance for restoration was \$258,756, while actual restoration costs totaled \$254,103 – leaving a \$4,653 residual disallowance, which was applied to rebuild costs. (All costs in thousands of dollars)

In summarizing these activities and costs, PG&E uses terms to organize the work performed in the Town of Paradise area as part of our initial CEMA response and the Community Rebuild Program. These organizing terms are (1) Emergency Response / Initial Restoration (traditional CEMA work), (2) Continued Restoration (as part of the Rebuild phase), (3) Wildfire Mitigation, and (4) Gas Programmatic Work.<sup>141</sup> These terms are not meant to be definitional, but rather are descriptive, and there is necessarily some overlap among them. (For example, PG&E continued to provide interim power restoration to customers as they returned to the area while long-term rebuild activities were underway.)

### **1. Emergency Response / Initial Restoration Work – *No Cost Recovery Sought***

PG&E completed emergency response and initial restoration work in the early stages following the Camp Fire. This consisted of CEMA response work under Pub. Util. Code § 454.9. The priority during this stage was to make the area safe and restore power to customers who were able to receive service. The activities included patrolling and inspecting facilities, and removing fire-damaged trees, assets, and downed power lines and poles. Additionally, PG&E provided initial power restoration to customers able to receive service. PG&E is not seeking recovery of the costs for this work because of various accounting adjustments, such as the application of the Wildfire OII disallowances.<sup>142</sup> The table below shows this.<sup>143</sup>

<sup>141</sup> PGE-02, pp. 3-6.

<sup>142</sup> PGE-02, p. 4.

<sup>143</sup> PGE-01, pp. 3-2, 3-16 to 3-17; PGE-02, pp. 3-6 (including Table 1) and pp. 9-10.

**TABLE 10  
 BUTTE COMMUNITY REBUILD PROGRAM COSTS  
 TOTAL RECORDED COSTS AND ACCOUNTING ADJUSTMENTS – EMERGENCY RESPONSE /  
 INITIAL RESTORATION  
 (THOUSANDS OF DOLLARS)**

Line No.	Activities	Expense	Capital	Grand Total
1	<b>Emergency Response / Initial Restoration</b>	<b>\$64,678</b>	<b>\$254,103</b>	<b>\$318,781</b>
2	Less:			
3	<i>Wildfire Oil Disallowances</i>	<i>(\$64,678)</i>	<i>(\$254,103)</i>	<i>(\$318,781)</i>
7	<b>Total Emergency Response / Initial Restoration</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 2. Continued Restoration/Rebuild

During the Butte Community Rebuild, as PG&E undergrounded the Town of Paradise and performed joint trenching gas work, we continued energy restoration work when customers returned and were able to receive service. This continued restoration work was completed after the emergency response/initial restoration stage, during the rebuild period of PG&E’s work in the Paradise area, and included making the system ready to serve more customers as they returned. The work, including gas and electric activities, was coordinated as part of PG&E’s overall rebuild work. PG&E seeks recovery of approximately \$46.6 million for this work.<sup>144</sup> The table below shows the requested costs.

<sup>144</sup> PGE-02, pp. 3-6, Table 1, pp. 10-12.

**TABLE 11**  
**BUTTE COMMUNITY REBUILD PROGRAM COSTS**  
**TOTAL RECORDED COSTS AND ACCOUNTING ADJUSTMENTS - CONTINUED RESTORATION / REBUILD**  
**(NON-WILDFIRE)**  
**(THOUSANDS OF DOLLARS)**

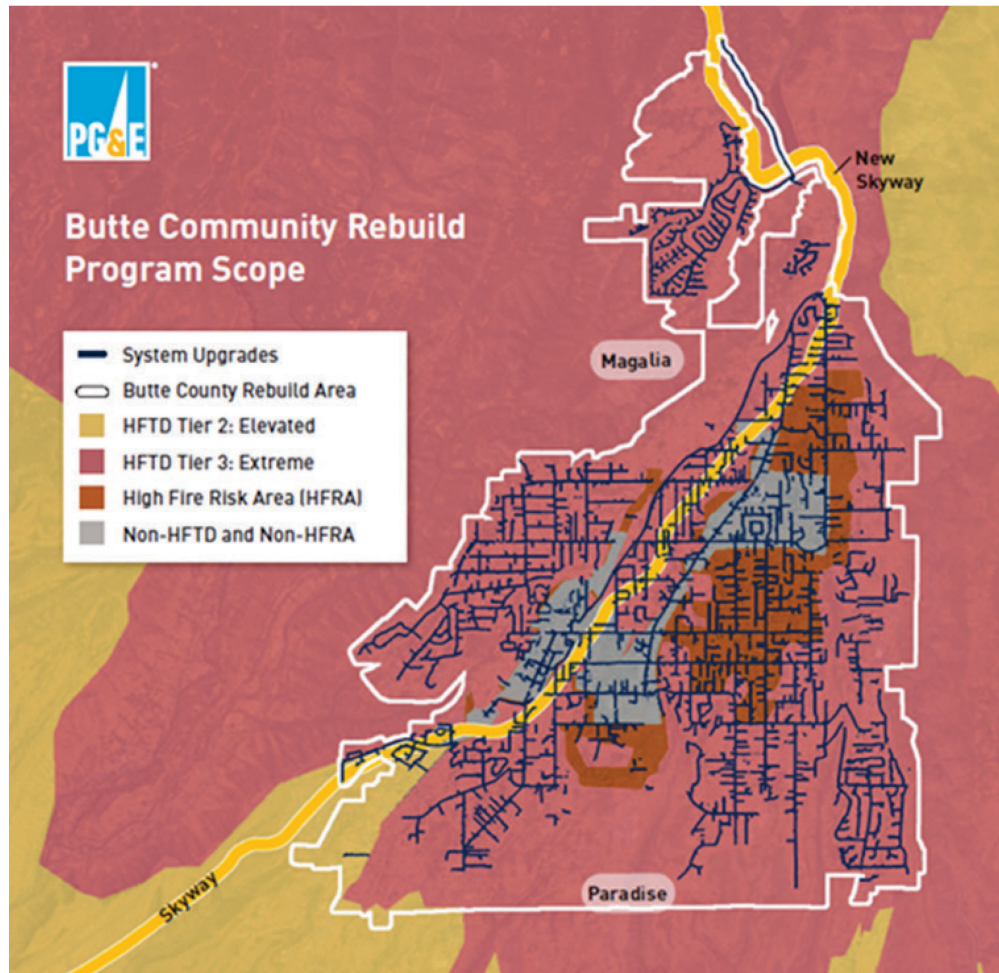
Line No.	Activities	Expense	Capital	Grand Total
1	<b>Continued Restoration / Rebuild (Non-Wildfire)</b>	\$428,646	\$319,629	\$748,275
2	Less:			
3	<i>Wildfire Oil Disallowances -- Rebuild - Continued Restoration</i>	(\$383,133)	(\$30,678)	(\$413,811)
4	<i>Residual Wildfire Oil Disallowances From Emergency Response / Initial Restoration</i>	(\$792)	(\$4,653)	(\$5,446)
5	<i>Insurance Proceeds -- Rebuild - Continued Restoration</i>	(\$41,220)	(\$241,246)	(\$282,467)
6	<b>Subtotal Continued Restoration / Rebuild (Non-Wildfire) <sup>1</sup></b>	<b>\$3,500</b>	<b>\$43,051</b>	<b>\$46,552</b>

1. This subtotal for cost recovery does not reflect additional adjustments to PG&E's overall cost recovery request for EY recommendations and additional insurance proceeds.

### 3. Wildfire Mitigation (System Hardening)

PG&E performed wildfire mitigation work as part of the rebuild to provide long-term wildfire risk reduction in the Paradise area. Primarily, this work involved undergrounding where assets previously had been overhead, and generally followed the continued restoration work after the fire. This work was part of PG&E's system hardening work pursuant to our WMP. Figure 6 below shows the extent of the undergrounding work.

**FIGURE 6  
UNDERGROUNDING SCOPE**



PG&E seeks recovery of approximately \$181.3 million for this work in this proceeding.<sup>145</sup> The table below shows the requested costs.

<sup>145</sup> PGE-02, pp. 3-6 (including Table 1) and pp. 12-14.

**TABLE 12**  
**BUTTE COMMUNITY REBUILD PROGRAM COSTS**  
**TOTAL RECORDED COSTS AND ACCOUNTING ADJUSTMENTS - WILDFIRE MITIGATIONS**  
**(SYSTEM HARDENING)**  
**(THOUSANDS OF DOLLARS)**

Line No.	Activities	Expense	Capital	Grand Total
1	<b>Wildfire Mitigation (System Hardening)</b>	\$ -	\$436,364	\$436,364
2	Less:			
3	<i>AB1054 Securitization</i>	\$ -	(\$255,028)	(\$255,028)
4	<b>Subtotal Wildfire Mitigation (System Hardening)<sup>1</sup></b>	\$ -	<b>\$181,336</b>	<b>\$181,336</b>

1. This subtotal for cost recovery does not reflect additional adjustments to PG&E's overall cost recovery request for EY recommendations and additional insurance proceeds.

**a. PG&E's System Hardening Program**

PG&E conducted undergrounding work in the Butte Community Rebuild program to reduce the risk of future wildfire in the Paradise area as part of our system hardening program as authorized by the Commission in our 2020 GRC and the 2020-2022 Wildfire Mitigation Plans (WMP).<sup>146</sup> Costs for this work incurred in 2023 likewise were for wildfire mitigation system hardening as part of PG&E's Community Wildfire Safety Program (CWSP) and WMP objectives.<sup>147</sup> In testimony, TURN contends that this undergrounding work was not conducted as part of PG&E's wildfire mitigation system hardening, but was instead CEMA restoration work. TURN makes two arguments:

First, TURN contends that PG&E's undergrounding work is no more than CEMA recovery work, which should accordingly be subjected to a pre-fire prudency review for

<sup>146</sup> D.20-12-005, pp. 4, 56-58, 91, 100-103, and 119-127; PGE-01, pp. 3-2, 3-34; PGE-02, pp. 18-25; PGE-03, pp. 3-27 to 3-41.

<sup>147</sup> A.18-12-009, In the 2020 GRC, the Commission authorized PG&E to record non-vegetation management CWSP costs, including system hardening, to a two-way balancing account, the WMBA. D.20-12-005, Section 7.4 (WMBA) pp. 118-120.

recovery.<sup>148</sup> As explained below, the undergrounding work was system hardening under PG&E’s WMPs, which went beyond the replacement of prior overhead facilities. Moreover, the Commission already reviewed PG&E’s pre-Camp Fire operations in the Wildfire OII and imposed hundreds of millions of Camp Fire-related CEMA disallowances.<sup>149</sup>

Second, TURN disputes PG&E’s securitization of some undergrounding costs under AB 1054 during the 2019-2022 period.<sup>150</sup> These 2019-2022 securitized costs are not part of PG&E’s cost recovery request here. In any event, TURN is wrong. This work was conducted as part of our system hardening portfolio and reported through our WMPs.<sup>151</sup>

In support of this position, TURN argues that PG&E has not shown that Butte Community Rebuild undergrounding activities met PG&E’s CWSP program criteria. Specifically, TURN argues that PG&E has not established that the activities were performed pursuant to a “risk-based” or “risk-prioritized” approach as PG&E described in 2020 GRC testimony concerning the CWSP.<sup>152</sup> But PG&E’s 2020 GRC forecast did not include specific system hardening program criteria or planned projects; and it projected that PG&E would perform some undergrounding work separate from the broader, risk-informed insulated conductor aspect of the program. The Commission acknowledged that the scope and specifics of the system hardening program were uncertain.<sup>153</sup>

PG&E’s decision to underground in the Paradise area, moreover, was risk-based and the work was tracked through our approved WMPs. PG&E’s Community Rebuild activities included system hardening work that addressed realized wildfire risk in Tier 2 and Tier 3 HFTDs and in the Town of Paradise itself. In addition to the 2018 Camp Fire, several wildfires had

---

<sup>148</sup> TURN-1-E, pp. 17-22.

<sup>149</sup> PGE-02, pp. 28-34; PGE-03, pp. 3-44 to 3-51.

<sup>150</sup> TURN-1-E pp. 21-22.

<sup>151</sup> D.20-12-005, pp. 4, 56-58, 91, 100-103, and 119-127; PGE-01, pp. 3-2, 3-34; PGE-02, pp. 18-25; PGE-03, pp. 3-27 to 3-41.

<sup>152</sup> TURN-1-E, pp. 20-21.

<sup>153</sup> PGE-02, pp. 18-20; PGE-03, pp. 3-29 to 3-32; D.20-12-005, p. 120.

occurred in that same area over the past several decades.<sup>154</sup> Undergrounding of previously overhead lines in the area addressed the specific risk that downed lines and poles could impact ingress and egress routes, as they had done during the Camp Fire.

As PG&E's 2021 WMP explained:

PG&E's System Hardening Program focuses on the mitigation of potential catastrophic wildfire risk caused by distribution overhead assets. This program targets the highest wildfire risk miles.... The highest wildfire risk miles are separated into three categories:

1. The top 20 percent of circuit segments as defined by PG&E's 2021 Wildfire Distribution Risk Model for System Hardening;
2. *Fire rebuild areas*; and
3. PSPS mitigation projects.

PG&E also considers secondary risks and benefits as part of the System Hardening Program effort such as PSPS impacts, *egress/ingress routes to support fire department response times and public safety, past fire history* and effects on available fuels, current system condition, environmental risks to reconstruction activities, and general accessibility considerations to enhance employee safety.<sup>155</sup>

Even at this early stage, just after the Commission's 2020 Decision authorizing the system hardening program, PG&E described how the Butte Community Rebuild specifically met these criteria:

The impacted area is primarily Tier 2 and Tier 3 HFTD areas. . . . Some electric distribution lines [in the area] have been burned multiple times in the last decade. Paradise and Butte County have expressed a strong desire for underground facilities, which would reduce fire risk and have the added benefit of reducing routine Vegetation Management costs.

\*\*\*

Paradise has one of the highest rates of PSPS incidents in the PG&E service territory due to the high fire risk . . . [T]he Butte

---

<sup>154</sup> PGE-01, pp. 3-3 to 3-6.

<sup>155</sup> PGE-02, Attachment 4, p. Atch4-67 (2021 WMP) (emphasis added).

County Rebuild Program . . . will further enable undergrounded areas of Paradise to remain energized during PSPS events.<sup>156</sup>

TURN is incorrect to suggest that PG&E’s undergrounding work in the Paradise area failed to conform with PG&E’s general approach to system hardening. It was in fact part of our approved WMPs.<sup>157</sup>

**b. Securitization of 2019-2022 Undergrounding Costs Through AB 1054.**

TURN relatedly questions PG&E’s prior securitization of Butte Community Rebuild undergrounding costs under AB 1054, and effectively asks that these securitizations be reversed or offset by some form of ratemaking remedy.<sup>158</sup> PG&E has not presented these costs for review here.<sup>159</sup> Revisiting them is inconsistent with AB 1054, which treats them as “irrevocable” to uphold the credit structure created by the legislature.<sup>160</sup> TURN could have raised any concerns regarding securitization in the securitization proceedings.

AB 1054, which was signed into law on July 12, 2019, includes a provision addressing Commission-approved “fire risk mitigation capital expenditures” made by large electrical corporations.<sup>161</sup> It requires each large electrical corporation to exclude its share of the first \$5 billion in such expenditures from its equity rate base (prohibiting shareholders from earning common equity returns on those expenditures), but it authorizes them to finance these expenditures and the related debt financing costs through a financing order pursuant to Pub. Util. Code § 850.1. PG&E’s share of the \$5 billion is \$3.21 billion. PG&E receives no

---

<sup>156</sup> PGE-02, Attachment 4, p. Atch4-70 to Atch4-73 (2021 WMP).

<sup>157</sup> PGE-02, Attachment 3 (2020 WMP); PGE-02, Attachment 4, p. Atch4-29 (2021 WMP); PGE-02, Attachment 5, p. Atch5-17 (2022 WMP).

<sup>158</sup> TURN-1-E, pp. 25-32.

<sup>159</sup> PGE-01, pp. 3-57 to 3-58.

<sup>160</sup> Pub. Util. Code § 850.1(b).

<sup>161</sup> Pub. Util. Code § 8386.3(e).

return on equity for costs securitized under AB 1054, including the \$255 million in securitized Butte Community Rebuild costs identified by TURN.<sup>162</sup>

PG&E sought and received Commission approval for three separate financing orders of AB 1054 Securitization for wildfire related mitigations described in PG&E’s WMPs, including some Butte Community Rebuild undergrounding costs.<sup>163</sup> These are summarized below.<sup>164</sup>

**TABLE 13**  
**AB1054 SECURITIZATION TRANSACTION**

Line	Transaction	Amount Securitized (Thousands of Dollars)	Securitized Butte Rebuild (Thousands of Dollars)	Capital Expenditure Source	CPUC Decision
1	AB1054 I	\$850,048	\$49,181	2020 GRC WMBA	D.21-06-030
2	AB1054 II	975,000	172,770	2020 GRC WMBA	D.22-08-004
3	AB 1054 III	1,384,952	33,076	2020 GRC WMBA 2020 WMCE WMPMA 2023 GRC WMBA <sup>(a)</sup>	D.24-02-011
4	<b>Total</b>	<b>\$3,210,000</b>	<b>\$255,028</b>		

(a) 2023 GRC WMBA does not contain Community Butte Rebuild costs.

These Butte Community Rebuild undergrounding activities implemented PG&E’s WMP. They qualified for securitization because they were capital wildfire mitigation expenditures approved by the Commission through either its authorization of PG&E’s system hardening funding via the WMBA (during the 2020-2022 period)<sup>165</sup> or, prior to the 2020 GRC

<sup>162</sup> PGE-01, pp. 3-57 to 3-58; PGE-03, p. 3-57.

<sup>163</sup> See A.21-02-020, A.22-03-010, A.23-08-009; D.21-06-030, D.22-08-004, D.24-02-011 (AB 1054 Securitization Proceedings); PGE-01, p. 3-57; PGE-03, pp. 3-57 to 3-58.

<sup>164</sup> PGE-01, pp. 3-57 to 3-58; PGE-03, pp. 3-56 to 3-59. The Commission approved PG&E’s WMBA in the 2020 GRC, pursuant to which PG&E recorded WMP system hardening activities to the WMBA. D.20-12-005, p. 120; see generally D.23-02-017, pp. 7-8, 20-21.

<sup>165</sup> PGE-01, pp. 3-57 to 3-58; PGE-03, pp. 3-56 to 3-59; D.20-12-005 at 118-122. The adopted CWSP forecasts for 2020-2022 were included in the Settlement Agreement, Section 2.3.2.1, Table 1, approved in D.20-12-005. See *Id.*, pp. 410.

authorization, its approval of PG&E's WMPMA costs in the 2020 WMCE proceeding – a proceeding to which TURN was a party.<sup>166</sup>

These securitizations included \$255 million in Butte Community Rebuild undergrounding costs, which PG&E has already recovered for Butte Community Rebuild undergrounding.

#### **4. Gas Pipeline Replacement Work**

##### **a. Description of Gas Main Work**

In addition to restoration work to address damaged gas assets, PG&E replaced the Paradise area gas pipelines as part of the Butte Community Rebuild to take advantage of joint trenching.<sup>167</sup> This work is part of PG&E's overall programmatic approach to replacing certain kinds of gas main that are dated or have integrity concerns to make the gas system safer and more reliable. PG&E seeks recovery of approximately \$138.4 million for this work in this proceeding.<sup>168</sup> PG&E conducted this work to take advantage of efficiencies available through joint open trench work – with electric distribution undergrounding – to further longstanding gas program objectives and complete work that otherwise would have been done in future years and under conditions that would not present the same joint trench opportunities.<sup>169</sup> This gas work would have frustrated customers by digging up the same roads that were already worked during PG&E's electric undergrounding effort.

---

<sup>166</sup> D.23-02-017, Appx. 1, § 5.1; D.23-02-017, pp. 20-21. In the 2020 WMCE Settlement Agreement, PG&E expressly indicated its intention potentially to securitize any capital costs approved in the proceeding. *Id.*, Appx. 1, § 5.4; PGE-02, p. 5; PGE-04, p3-58 to 3-59.

<sup>167</sup> PGE-01, pp. 3-35 to 3-36 and pp. 3-38 to 3-39; PGE-02, pp. 25-28; PGE-03, p. 3-23 and pp. 3-41 to 3-44.

<sup>168</sup> PGE-02, pp. 3-6 (including Table 1).

<sup>169</sup> PGE-01, pp. 3-35 to 3-36 and pp. 3-38 to 3-39; PGE-02, pp. 25-28; PGE-03, pp. 3-23, 3-41 to 3-44.

**TABLE 14**  
**BUTTE COMMUNITY REBUILD PROGRAM COSTS**  
**TOTAL RECORDED COSTS AND ACCOUNTING ADJUSTMENTS - GAS PROGRAMMATIC WORK**  
**(THOUSANDS OF DOLLARS)**

Line No.	Activities	Expense	Capital	Grand Total
1	Gas Programmatic Work <sup>1</sup>	(\$101)	\$138,475	\$138,374

<sup>1</sup>This subtotal for cost recovery does not reflect additional adjustments to PG&E's overall cost recovery request for EY recommendations and additional insurance proceeds.

**b. PG&E's Gas Pipeline Replacement Programs**

PG&E's gas distribution programs include pipeline and service replacement programs to improve gas distribution safety and the reliability of the gas distribution system. In addition to restoring gas assets impacted by the fire, PG&E replaced portions of gas facilities undamaged by the fire to meet current gas program standards.<sup>170</sup> Completing this work while open trenches had already been created for undergrounding work saved trenching costs and reduced the impact on customers that would otherwise have resulted from multiple rounds of open trench work in the future.<sup>171</sup>

PG&E created the Plastic Pipe Replacement Program to mitigate risks associated with leaks on Gas Distribution Mains and Services (DMS) built with Aldyl-A plastic and similar plastic materials, installed before 1985. Plastic pipe materials of pre-1985 vintage have a susceptibility to slow crack growth when exposed to stress, such as: tree roots, differential settlement, or rock impingement. External stress can cause the initiation and propagation of cracks leading to leaks.<sup>172</sup> PG&E would have conducted this work eventually, though the cadence would have differed because such projects typically are spaced over time to reduce local impact.

<sup>170</sup> PGE-01, pp. 3-35 to 3-36 and pp. 3-38 to 3-39; PGE-02, pp. 25-28; PGE-03, pp. 3-23, 3-41 to 3-44.

<sup>171</sup> PGE-02, pp. 25-26;; PGE-03, pp. 3-19 to 3-20, 3-23, 3-43 to 3-44.

<sup>172</sup> PGE-02, pp. 25-28; PGE-03, pp. 3-41 to 3-44; A.18-12-009, HE-10: Exhibit (PG&E-3), p. 4-30.

PG&E's Reliability Main Replacement Program focuses on the replacement of gas facilities to improve safety, reliability, and maintain compliance with pipeline regulations. This program covers pipe that does not qualify for replacement under the Gas Pipeline Replacement Program or Plastic Replacement Program. The Reliability Service Replacement Program focuses on replacing services to improve system safety and maintain compliance with pipeline regulations.<sup>173</sup>

**c. Efficiencies Achieved Through Joint Trenching**

Doing this gas modernization work now resulted in two kinds of efficiencies that benefit customers and the Paradise community.

First, it resulted in substantial cost savings compared to routine and programmatic Aldyl-A and similar plastic pipe replacement program work presented in PG&E's 2027 GRC. PG&E's cost associated with Butte Rebuild activities for the Aldyl-A and similar plastic pipe replacement (MAT 14D) were approximately \$1.8 million per mile,<sup>174</sup> considerably lower than PG&E's 2027 GRC unit cost of approximately \$4.1 million per mile<sup>175</sup> for similar work without joint trench efficiencies.<sup>176</sup> This demonstrates that this resulted in cost savings to PG&E rate payers of approximately 56 percent compared to that of routine and programmatic Aldyl-A and similar plastic pipe replacement activities forecast in PG&E's 2027 GRC.<sup>177</sup>

Second, it obviated the need for PG&E to return to the area in the coming years and decades as part of the replacement of this gas infrastructure under routine program conditions. Absent the joint trenching option presented by the rebuild, PG&E would otherwise have

---

<sup>173</sup> PGE-02, pp. 26-28; A.18-12-009, HE-10: Exhibit (PG&E-3), p. 4-30.

<sup>174</sup> PG&E Prepared Testimony, Chapter 3, Table 3-7, line 2 "Total" (\$102,164) divided by Table 3-8, line 6 total (57.6 miles) times 1,000.

<sup>175</sup> PG&E's 2027 General Rate Case, Exhibit (PG&E-3), Chapter 4, WP 4-28, line 3 (2027 forecast unit cost multiplied by 5,280-ft./mile).

<sup>176</sup> PGE-03, pp. 3-43 to 3-44.

<sup>177</sup> PGE-03, pp. 3-43 to 3-44. The math is: \$4.1 million (2027 GRC MAT 14D per mile) minus \$1.8 million (Butte per mile)] divided by \$4.1 million (2027 GRC MAT 14D per mile) times 100.

prioritized this work in a manner that resulted in multiple dig projects over the duration of the program.<sup>178</sup> Typically, this allows PG&E to prioritize work based on risk, and to avoid substantial local disruptions caused by large digging projects. The rebuild context, however, allowed PG&E to complete all this work at once.

This was also consistent with the Town of Paradise’s preference as expressed through community feedback and local ordinance. After the Camp Fire, the Paradise Town Council instituted a “Dig-Once Ordinance,” to encourage joint trenching.<sup>179</sup> The expected result from this Dig Once Ordinance was that telecom companies would join PG&E to install conduit along our infrastructure undergrounding projects. The ordinance codifying this policy established a five-year moratorium on re-opening pavements that were just constructed, reconstructed, or repaved.<sup>180</sup>

## **5. Illustrating the Butte Community Rebuild Work**

This work was performed throughout various stages over the 2018-2023 period. It overlapped geographically within the Butte Community Rebuild footprint. Along a single street, or within a portion of the Town of Paradise, work could have involved interim restoration to provide power to customers while rebuild work took place, undergrounding of electric lines, joint trench work to replace gas pipelines, and all of the attendant program management and service connections. This is illustrated by Figure 7 below, which is an illustrative depiction of the Butte Community Rebuild that would have been performed in a given portion of the footprint.<sup>181</sup>

---

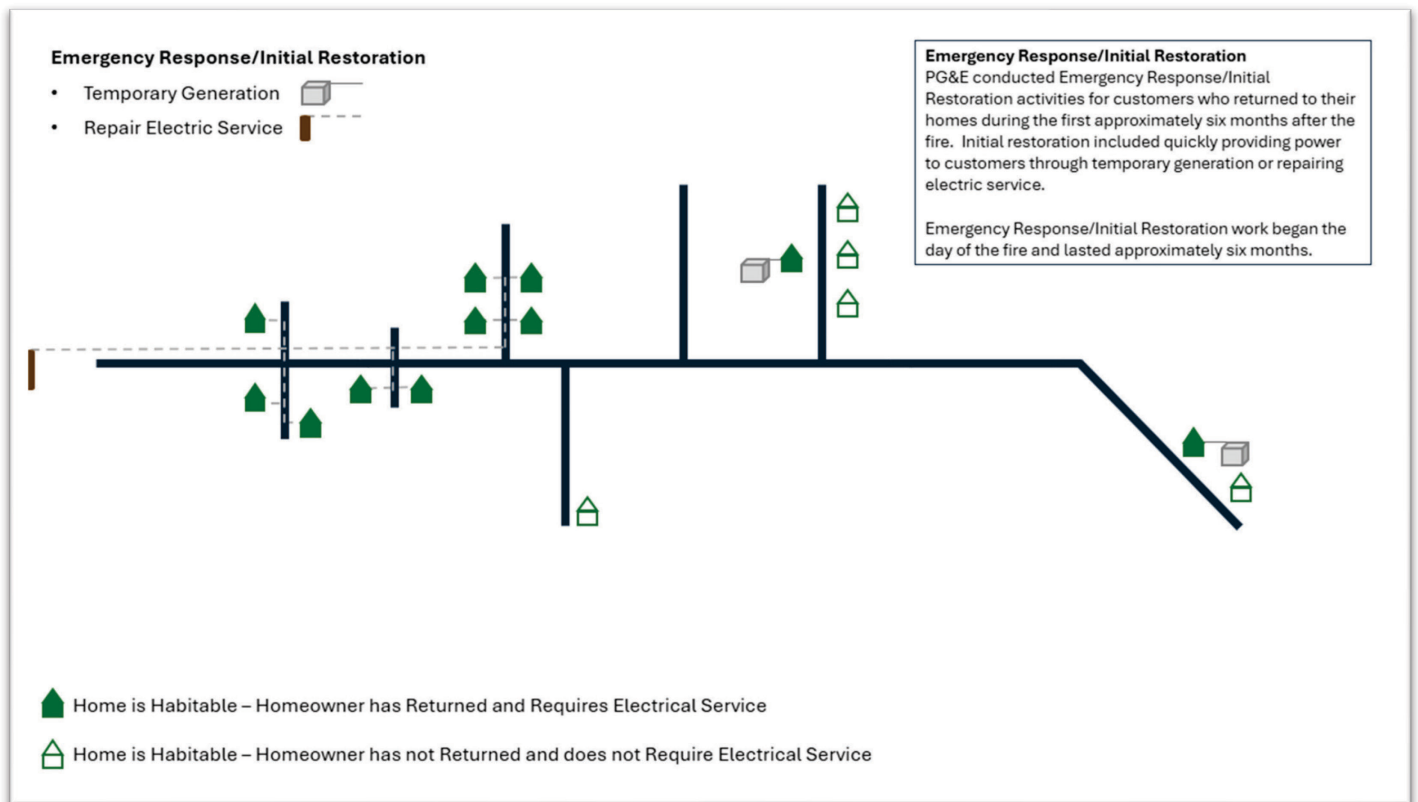
<sup>178</sup> PGE-03, p. 3-52.

<sup>179</sup> PGE-03, pp. 3-23 and fn. 41. Dig once policy, hazardous mitigation grant passes council (Oct. 12, 2019), available at: <<https://www.paradisepost.com/2019/10/12/dog-once-policy-hazardous-mitigation-grant-passes-council/>> (accessed May 6, 2026).

<sup>180</sup> PGE-03, pp. 3-23 and fn. 42. Town of Paradise, Consider adopting a “Dig Once” Policy in the Town of Paradise (Oct. 8, 2019), available at: <[https://www.tellusventure.com/downloads/bank/city\\_of\\_paradise\\_ordinance\\_dig\\_once\\_policy\\_8oct2018.pdf](https://www.tellusventure.com/downloads/bank/city_of_paradise_ordinance_dig_once_policy_8oct2018.pdf)> (accessed May 6, 2026).

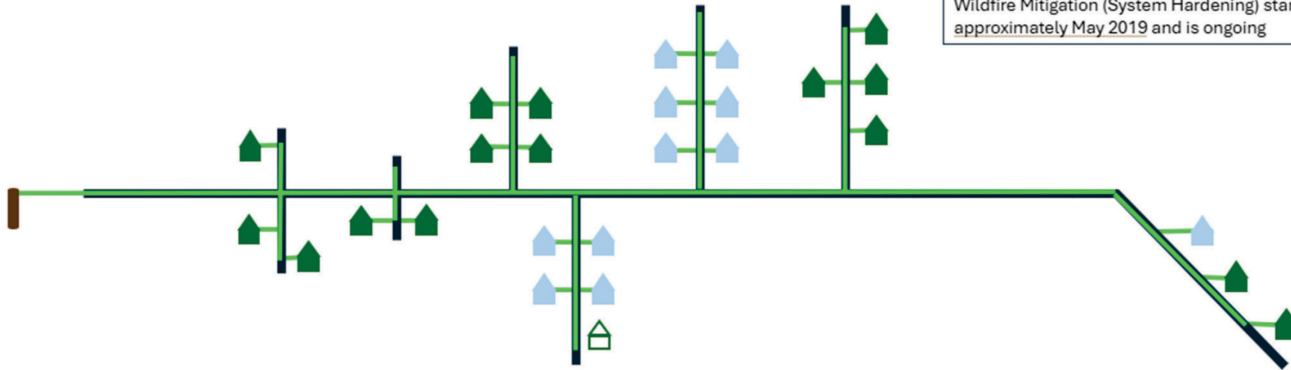
<sup>181</sup> PGE-02, Attachment 1, Butte Community Rebuild Illustrations.

**FIGURE 7  
ILLUSTRATION OF REBUILD AREA WORK CATEGORIES (ELECTRIC)**



**Wildfire Mitigation (System Hardening)**

- Replace Temporary Services with New Undergrounding ———



**Wildfire Mitigation (System Hardening)**

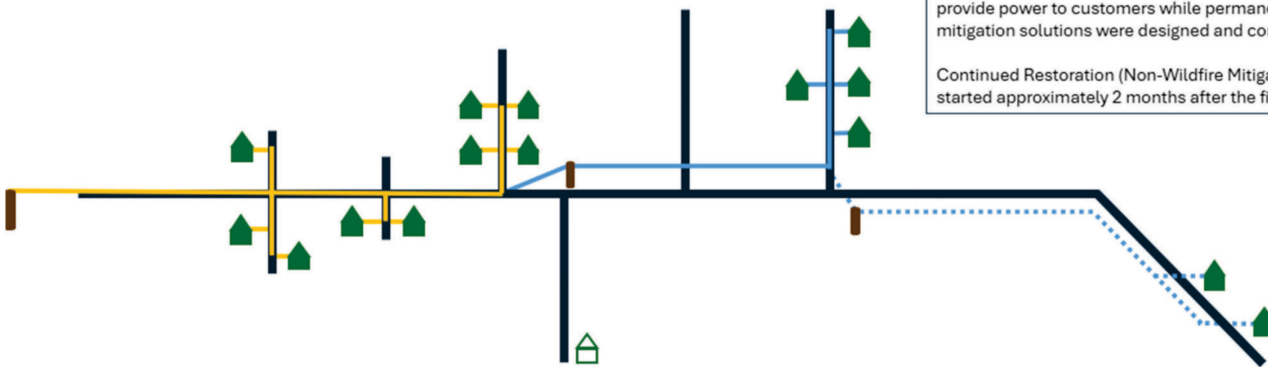
Ultimately, PG&E replaced temporary power and restored overhead assets with undergrounding system hardening to provide near permanent wildfire and outage program risk reduction in the Butte Community Rebuild area.

Wildfire Mitigation (System Hardening) started in approximately May 2019 and is ongoing

- Home is Habitable – Homeowner has Returned and Requires Electrical Service
- Home is Habitable – Homeowner has not Returned and does not Require Electrical Service
- New Home

**Continued Restoration (Non-Wildfire Mitigation)**

- Overhead Temporary Power (Unhardened) - - - - -
- Overhead Temporary Power (Hardened) ———
- Replace Damaged Undergrounding with New Undergrounding ———



**Continued Restoration (Non-Wildfire Mitigation)**

As Emergency Response/Initial Restoration activities were completed and additional homeowners returned, work transitioned to the Community Rebuild phase, which included Continued Restoration (Non-Wildfire Mitigation). PG&E deployed a variety of temporary solutions designed to provide power to customers while permanent wildfire mitigation solutions were designed and constructed.

Continued Restoration (Non-Wildfire Mitigation) work started approximately 2 months after the fire and is ongoing.

- Home is Habitable – Homeowner has Returned and Requires Electrical Service
- Home is Habitable – Homeowner has not Returned and does not Require Electrical Service

**C. PG&E’s Presentation of Butte Community Rebuild Activities in the 2023 GRC Proceeding**

In June 2021, PG&E submitted our application in the 2023 GRC, which included a forecast for the Butte Community Rebuild – because wildfire mitigation and gas pipeline replacement work would continue during the 2023 GRC period. The Commission determined that PG&E’s Butte Community Rebuild costs should not be funded on a forecast basis for the 2023 GRC period and directed PG&E to seek recovery of the costs in a CEMA filing.<sup>182</sup>

This application complies with the Commission’s directive. No Butte Community Rebuild costs were funded through the 2023 GRC. This application includes Butte Community Rebuild costs through 2023 that have not been either (1) previously recovered through another mechanism or (2) offset by other accounting adjustments, such as Wildfire OII disallowances.<sup>183</sup>

**D. Application of the Wildfire OII and Other Accounting Adjustments**

PG&E’s Butte Community Rebuild costs have been offset as described below. These offsets include: (1) Disallowances ordered by the Commission in the Wildfire OII, (2) costs previously recovered through AB 1054 securitization, (3) insurance proceeds, and (4) adjustments recommended by Ernst & Young.<sup>184</sup>

These offset nearly all of the expense costs PG&E has incurred through 2023 for the Butte Community Rebuild, as shown by Table 15 below.<sup>185</sup>

---

<sup>182</sup> PGE-01, pp. 3-8 to 3-11; D.23-11-069, p. 878, Conclusions of Law (COL) 173 and 174 states that costs reflected in workpaper Exhibit (PG&E-4), WP Table 23-13 should not be adopted and PG&E may seek recovery in a CEMA application. Workpaper Table 23-13 lists the costs incurred during PG&E’s 2020 GRC period (2020-2022); D.23-11-069, p. 479. The Commission held that “PG&E may seek recovery of the costs presented in PG&E Ex-04 at WP Table 23-13 in a CEMA application.” *Id.*, p. 481. PG&E Ex-04 at WP Table 23-13 included the same categories of costs requested here (see Attachment A with actual recorded costs through 2020 and forecasted costs thereafter). In our Prepared Testimony, PG&E provided an updated version of our 2023 GRC Work Table 23-13. PGE-01, Chapter 3, Attachment A.

<sup>183</sup> PGE-01, pp. 3-8 to 3-11.

<sup>184</sup> PGE-01, pp. 3-51 to 3-59.

<sup>185</sup> PGE-01, p. 3-24, Table 3-4.

**TABLE 15**  
**BUTTE COMMUNITY REBUILD RECORDED COSTS 2018-2023 – EXPENSE**  
**(THOUSANDS OF DOLLARS)**

Line No.	Activity	Electric Distribution	Gas Distribution	Customer Care	Total
1	Adjusted Rebuild Cost <sup>(a)</sup>	\$413,386	\$14,287	\$80	\$427,753
2	Oil Disallowance – Rebuild	(383,096)	(–)	(37)	(383,133)
3	Insurance Proceeds – Rebuild	(15,360)	(25,861)	(–)	(41,221)
4	EY Exclusions	(1,313)	(6)	(–)	(1,319)
5	Total Costs After Adjustments	\$13,617	(\$11,580)	\$43	\$2,080

(a) The Adjusted Rebuild Costs represent the total costs for rebuild minus the adjustment for the Oil disallowance for restoration work that was applied to the rebuild amount. Oil Disallowance for Restoration (\$65,470) – Restoration Costs (\$64,678) = \$792 Oil restoration disallowance overage applied to rebuild costs. Therefore, Rebuild Cost (\$428,545) – Oil restoration disallowance overage (\$792) = \$427,753.

Table 16 below summarizes the offsets to PG&E’s capital costs.<sup>186</sup>

**TABLE 16**  
**BUTTE COMMUNITY REBUILD RECORDED COSTS 2018-2023 – CAPITAL**  
**(THOUSANDS OF DOLLARS)**

Line No.	Activity	Electric Distribution	Gas Distribution	Customer Care	Total
1	Adjusted Rebuild Cost <sup>(a)</sup>	\$677,978	\$212,596	\$893	\$891,466
2	Oil Disallowance – Rebuild	(30,678)	(0)	0	(30,678)
3	Insurance Proceeds	(176,653)	(64,594)	0	(241,246)
4	AB1054 Securitization	(255,028)	(0)	–	(255,028)
5	EY Exclusions	(1,070)	(334)	–	(1,405)
6	Gas Errata Adjustment	–	(1,652)	–	(1,652)
7	Total Costs After Adjustments	\$214,548	\$146,016	\$893	\$361,457

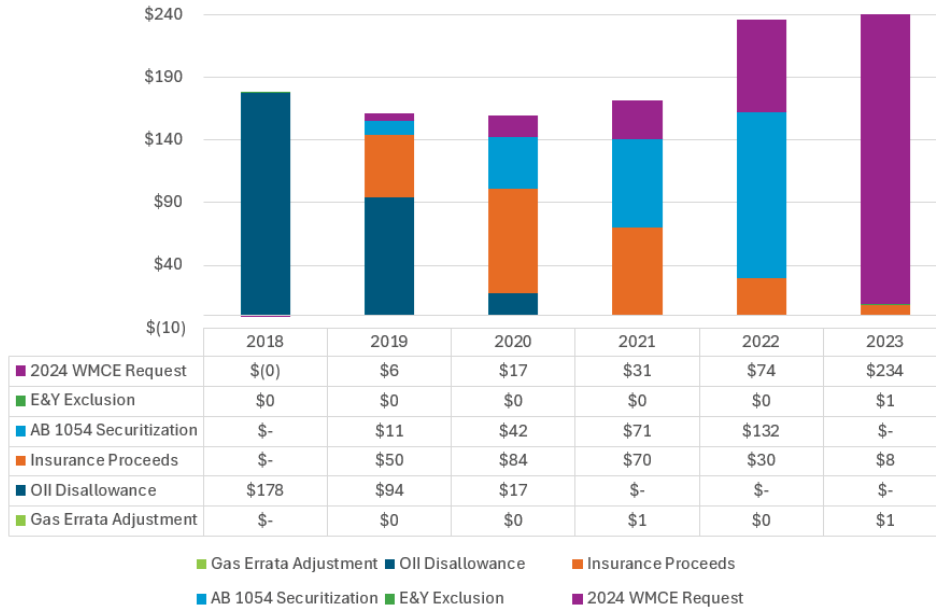
(a) The Adjusted Rebuild Costs represent the total costs for Rebuild minus the adjustment for the Oil disallowance for restoration work that was applied to the rebuild amount. Oil Disallowance for Restoration (\$258,756) – Restoration Costs (\$254,103) = \$4,653 Oil restoration disallowance overage applied to rebuild costs. Therefore, Rebuild Cost (\$896,321) – Oil restoration disallowance overage (\$4,653) = \$891,668.

As the figures below show, these adjustments result in the vast majority of PG&E’s cost recovery request here stemming from activities performed in the 2021-2023 period, well into the rebuild phase of PG&E’s work in the Paradise area.<sup>187</sup>

<sup>186</sup> PGE-01, p. 3-25, Table 3-5.

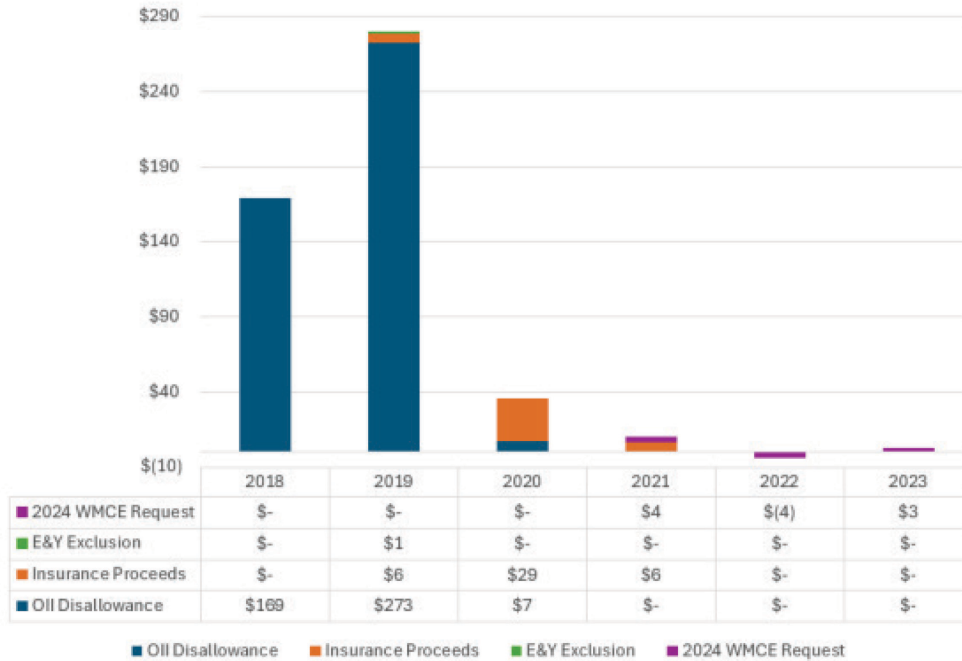
<sup>187</sup> PGE-01, p. 3-53, Figure 3-6 and p. 3-54, Figure 3-7.

**FIGURE 8**  
**NET COSTS INCURRED AFTER ACCOUNTING ADJUSTMENTS – CAPITAL**  
**(MILLIONS OF DOLLARS)**



Note: No incurred costs remain in 2018 after applying OII Disallowance and insurance proceeds.

**FIGURE 9  
NET COSTS INCURRED AFTER ACCOUNTING ADJUSTMENTS – EXPENSE  
(MILLIONS OF DOLLARS)**



Note: No incurred costs remain in 2018-2020 after applying OII Disallowance and insurance proceeds.

### 1. Application of Wildfire OII Disallowances

PG&E discusses the substance of the Wildfire OII in more detail below. Here, we describe how we applied them.

The Decision in the Wildfire OII, D. 20-05-019, imposed total penalties of \$2.137 billion, including \$924 million in CEMA disallowances, with \$772 million of that amount specifically allocated to certain Camp Fire CEMA cost categories. PG&E has applied these disallowances as shown below, thus reducing the total amount of Butte Community Rebuild costs sought here.<sup>188</sup>

Where PG&E incurred lower costs than estimated for a particular category of disallowances, those are applied to Transmission Safety Repairs so that PG&E does not recover

<sup>188</sup> PGE-01, p. 3-56, Table 3-30.

the full amount disallowed in the decision.<sup>189</sup> The total Wildfire OII disallowances exceed restoration costs by \$0.8 million and \$4.7 million for expense and capital, respectively. As such, the “Adjusted Rebuild Cost” has been reduced by the additional disallowances.<sup>190</sup>

**TABLE 17  
OII DISALLOWANCES  
(THOUSANDS OF DOLLARS)**

Line No.	Description	Total
1		\$448,566
2	<b>Total Expense</b>	<b>448,566</b>
3	2018 Camp Fire CEMA Capital for Restoration	258,756
4	2018 Camp Fire CEMA Capital for Temporary Facilities	30,678
5	Total Capital	289,434
6	<b>Total</b>	<b>\$738,000</b>

## 2. Application of Insurance Proceeds

PG&E has applied \$282.5 million in insurance recovery to Butte Community Rebuild costs, reducing the amount sought for recovery here. Per the 1987 GRC,<sup>191</sup> insurance proceeds are applied against incremental expense, then capital expenditures. For purposes of calculating the revenue requirement for this application, the insurance proceeds were applied in chronological order of expenses being incurred.<sup>192</sup>

<sup>189</sup> PGE-01, p. 3-56.; D.20-05-019, Appendix A-3 (“To the extent the recorded costs for each account apart from Transmission Safety Repairs total an amount that is different from \$1,420,000,000, then the amount for which PG&E shall not seek rate recovery for Transmission Safety Repairs will be adjusted so that the total amount for which PG&E shall not seek rate recovery equals \$1,625,000,000.”).

<sup>190</sup> *Id.*

<sup>191</sup> D.86-12-095, pp. 216-218.

<sup>192</sup> PGE-01, p. 3-59.

### **3. Prior Recovery for 2020 GRC Funded Work / AB 1054 Securitizations**

As discussed above, PG&E's underground system hardening costs in the Paradise area qualified for securitization under AB 1054 as wildfire mitigation capital costs. PG&E's three securitization applications applied to \$255 million of Butte Community Rebuild undergrounding costs, incurred from 2019-2022. The capital expenditures are excluded from the rate base and not sought for recovery elsewhere.

### **4. Ernst & Young Recommendations**

EY's cost analysis identified certain Butte Community Rebuild costs that they recommended to be removed from PG&E's application. PG&E has accepted EY's recommendations, and the Butte Community Rebuild costs requested in this application have been reduced by the amount of \$2.7 million.<sup>193</sup>

#### **E. PG&E's Butte Community Rebuild Costs Are Reasonable**

PG&E's Butte Community Rebuild costs are reasonable and should be approved by the Commission. No party criticizes PG&E's management of costs for the work performed – for example, with respect to PG&E's contracting or procurement strategies, or execution of the work chosen. TURN instead criticizes PG&E's decisions. TURN contends that PG&E has not demonstrated the reasonableness of PG&E's undergrounding decision making process, our reliance on hardened overhead as an initial restoration method while undergrounding, and PG&E's support for the work performed.<sup>194</sup> Finally, TURN contends that all costs should be disallowed because it asks the Commission to first perform another review of PG&E's pre-Camp Fire operations. The Commission should not adopt TURN's positions.

---

<sup>193</sup> PGE-01, p. 3-58.

<sup>194</sup> TURN-1-E, pp. 33-41.

**1. Undergrounding Electric Distribution Lines in Paradise and the Surrounding Areas was the Appropriate Approach to Rebuilding**

PG&E employed a reasonable decision-making process in our assessment of the appropriate rebuild strategy. PG&E assessed undergrounding from both the risk and financial perspectives, considering three alternative scenarios for the rebuild work. Undergrounding reduced far more risk than overhead hardening would have, including the risk of ingress and egress constraints that were seen during the Camp Fire. Given the long history of frequent fires in the area, and the devastation of the Camp Fire itself, it was reasonable and appropriate to prioritize eliminating utility-involved fires in this area to the greatest extent possible.<sup>195</sup>

Undergrounding is consistent with our overall approach to wildfire mitigation and system hardening, and the Butte Community Rebuild was an approved WMP program, having been approved via each of PG&E's WMPs during the relevant time period.<sup>196</sup> This underscores its reasonableness.

PG&E's financial analyses further support the reasonableness both of our decision-making process and the decision to underground. Undergrounding and conducting joint trench gas work in the area allowed PG&E to rebuild in the Paradise area efficiently and cost effectively. At the time of the decision, PG&E estimated that undergrounding would result in cost increases over either alternative scenario, but with substantial concomitant benefits. Given that undergrounding results in permanent risk reduction that is far greater than overhead hardening, as well as elimination of the need for PSPS events and vegetation management for years to come, this marginal increase in cost was well worth it. And doing so resulted in both a safer and more modern gas system that PG&E could achieve much more quickly than would have been the case under typical pipeline replacement timelines, while saving millions of dollars

---

<sup>195</sup> Supra, Part V.A.

<sup>196</sup> Supra, Part V.B.3.

per mile for the work. It was within the bounds of prudent utility management to select undergrounding and joint trenching as the rebuild approach under these circumstances.<sup>197</sup>

**2. The Commission Should Not Impose Additional Disallowances for PG&E’s Role in the Ignition of the Camp Fire**

The Commission should not follow TURN’s recommendation<sup>198</sup> to require in this application a pre-Camp Fire review of PG&E’s operations before approving PG&E’s Butte Community Rebuild costs. This is the case for two independent reasons: (1) The Commission has already reviewed PG&E’s pre-Camp Fire operations and our role in the ignition of the fire in the Wildfire OII, which resulted in the Commission imposing total penalties of \$2.137 billion, including \$924 million in CEMA disallowances, and (2) the vast majority of the costs at issue here are for programmatic system hardening and gas pipeline replacement activities that the Commission generally has approved and that should be considered separately from PG&E’s role in the ignition of the fire.<sup>199</sup>

**a. The Commission Has Already Addressed PG&E’s Role in the Ignition of the Camp Fire**

The Commission has already reviewed PG&E’s role in the ignition of the Camp Fire and imposed substantial penalties and disallowances, as part of the Wildfire OII.<sup>200</sup> TURN dismisses the relevance of the Commission’s inclusion of the Camp Fire in the Wildfire OII and contends that PG&E should be required to make a pre-fire prudency showing to support the recovery of Butte Community Rebuild costs here because “the scope of the Wildfire OII did not include the reasonableness of future recovery costs, so its outcome has no bearing on this proceeding.”<sup>201</sup>

---

<sup>197</sup> Supra, Parts V.A., V.B.4.

<sup>198</sup> TURN-1-E, pp. 3-14.

<sup>199</sup> PGE-02, pp. 12-28.

<sup>200</sup> D.20-05-019, p. 39.

<sup>201</sup> TURN-1-E, p. 4.

PG&E does not contend that the Wildfire OII determined the reasonableness of these costs. But the Commission included the Camp Fire in the Wildfire OII and imposed comprehensive remedies specifically earmarked for Camp Fire CEMA response work.<sup>202</sup> The Commission should not conduct *another* review of pre-fire operations.

**(1) The Wildfire OII Addressed PG&E’s Pre-Fire Operations and Role in the Camp Fire Ignition**

As TURN acknowledges, the Camp Fire was among those included within the scope of the Wildfire OII.<sup>203</sup> The Commission’s review of PG&E’s role in the ignition of the Camp Fire included consideration of: (1) whether PG&E committed any violations, including specifically “with respect to its maintenance, operations, and/or reporting of its electric facilities as identified in this investigation,” (2) what penalties or “other remedies or corrective actions...should be imposed in response to any proven violation(s),” whether any “systemic issues contributed to the ignition” of the fire, including the “[i]dentif[ication of] issues and/or systems...that could be put in place to prevent future problems that could ignite wildfires,” and the “[i]dentif[ication of any] related proceedings...where the issues and systems...should be further considered or implemented.”<sup>204</sup>

TURN dismisses the Commission’s review of the Camp Fire because the case “was resolved by a settlement that left many of the disputed issues unresolved” and therefore did not address “the merits” of “prudence issues.”<sup>205</sup> PG&E does not share TURN’s dismissive view of the Commission’s consideration of PG&E’s role in the ignition of the Camp Fire or its resolution of Camp Fire-related issues.

---

<sup>202</sup> PGE-02, pp. 31-35; PGE-03, pp. 3-44 to 3-51.

<sup>203</sup> TURN-1-E, pp. 4-8.

<sup>204</sup> I.19-06-015, Assigned Commissioner’s Second Amended Scoping Memo and Ruling, (Dec. 5, 2019), p. 3. The same issues were previously identified for the other fires within the scope of the Wildfire OII proceeding, including the Nuns Fire. See *Id.* (“Other than the inclusion of issues regarding the Camp Fire, this Second Amended Scoping Memo does not otherwise modify the scope of issues set forth in the August 23, 2019 Scoping Memo or October 28, 2019 Amended Scoping Memo.”)

<sup>205</sup> TURN-1-E, p. 8.

The Wildfire OII Decision discussed the Camp Fire specifically, describing its tragic impact, the violations alleged, and the extent to which the Settlement Agreement addressed PG&E’s role in its ignition, including “the conditions of equipment relevant to the 2018 Camp Fire investigation and alleged violations” and “the inspection and maintenance history relevant to the 2018 Camp Fire investigation and alleged violations.”<sup>206</sup> The Commission found that the Safety and Enforcement Division (SED) “investigated...the Camp Fire” and “found 12 violations[.]”<sup>207</sup> The Commission’s Decision discussed the Camp Fire in the context of addressing various parties’ positions (including TURN’s) regarding whether the remedies contemplated by the proposed Settlement Agreement adequately addressed PG&E’s role in its ignition.<sup>208</sup> In increasing the total financial remedies beyond those proposed by the settling parties, the Commission’s Decision took into account PG&E’s plea agreement with the Butte County District Attorney.<sup>209</sup>

As the Commission recognized in the Decision, the Settlement Agreement provided a substantial record regarding the Camp Fire. This included 65 individual factual stipulations concerning the Camp Fire – nearly as many as the stipulations for the rest of the fires at issue in the Wildfire OII. These stipulations addressed: (1) the scope of the fire and CALFIRE’s findings regarding its ignition; (2) descriptions of the relevant equipment types involved in the ignition; (3) PG&E’s inspections practices prior to the fire; (4) technical descriptions of the causes of the fire; (5) the Exponent analyses included with SED’s report on the Camp Fire; (6) PG&E’s inspection history of the relevant equipment going back to 2001; and (7) changes to PG&E’s inspection practices after the fire.<sup>210</sup> In addition to the Settlement Agreement itself, the

---

<sup>206</sup> D.20-05-019, pp. 9, 11, 14. The Decision also pointed out that parties, including TURN, were permitted to conduct discovery regarding the Camp Fire and the Settlement Agreement, which addressed the fire extensively.

<sup>207</sup> D.20-05-019, p. 75, FOF 1, 4.

<sup>208</sup> D.20-05-019, pp. 29, 31-32.

<sup>209</sup> D.20-05-019, p. 34.

<sup>210</sup> Attachment F - Wildfire OII Settlement Agreement, Section II, pp. 15-28. The Camp Fire stipulations comprise more than half the length of the Settlement Agreement.

Commission had available to it SED’s extensive report on the Camp Fire (totaling nearly 700 pages with attachments), supported by Exponent’s analyses.<sup>211</sup>

**(2) The Wildfire OII Imposed Remedies for the Camp Fire, Including Disallowances to Account for Potential Future Cost Recovery Issues**

The Decision imposed \$772 million in disallowances specifically for Camp Fire CEMA expense, capital restoration, and capital temporary facilities, as well as the requirement of a root cause analysis to be conducted.<sup>212</sup> In so doing, it expressly addressed the significance of the Camp Fire, as well as the probability that future CEMA costs for Camp Fire recovery and restoration could otherwise be disallowed.

---

<sup>211</sup> I.19-06-015, Appendix A, SED Incident Investigation Report for 2018 Camp Fire with Attachments REDACTED, available at: <[https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/documents/wildfire/staff-investigations/i1906015-appendix-a-sed-camp-fire-investigation-report-redacted.pdf?sc\\_lang=en&hash=FC40497355B496C4BE040275A72A43B4](https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/documents/wildfire/staff-investigations/i1906015-appendix-a-sed-camp-fire-investigation-report-redacted.pdf?sc_lang=en&hash=FC40497355B496C4BE040275A72A43B4)> (accessed May 7, 2026).

<sup>212</sup> D.20-05-019, p. 36-37, 52.

**TABLE 18  
PG&E'S WILDFIRE OII DISALLOWANCES  
(WHOLE DOLLARS)**

Line No.		Expense	Capital	Estimated Amount
1	Distribution Safety Inspections Expense (Excludes Repairs) (Fire Risk Mitigation Memorandum Account (FRMMA)/WMPMA)	\$157,000,000	–	\$157,000,000
2	Distribution Safety Repairs Expense (FRMMA/WMPMA)	79,000,000	–	79,000,000
3	Transmission Safety Inspections Expense (Excludes Repairs) (Recovered at Federal Energy Regulatory Commission (FERC))	225,000,000	–	225,000,000
4	Transmission Safety Repairs Expense (Recovered at FERC)	209,000,000	–	209,000,000
5	Accelerated Wildfire Risk Reduction Base Camp and Admin Expense (Fire Hazard Prevention Memorandum Account)	36,000,000	–	36,000,000
6	2017 Northern California Wildfires CEMA Expense and Capital (for Amounts Associated With Fires for Which SED or CAL FIRE Have Alleged Violations) (CEMA)	82,000,000	66,000,000	152,000,000
7	2018 Camp Fire CEMA Expense (CEMA)	35,000,000		35,000,000
8	2018 Camp Fire CEMA Capital for Restoration (CEMA)	–	253,000,000	253,000,000
9	2018 Camp Fire CEMA Capital for Temporary Facilities	–	84,000,000	84,000,000
10	Other Wildfire Mitigation Expenses (WMPMA/FRMMA) <sup>(a)</sup>	–	–	198,000,000
11	Total			\$1,823,000,000

(a) This category of disallowance was added by the Commission in adopting the proposed settlement and is not broken down by expense and capital.

The Commission in fact increased the financial remedies above those agreed to in the proposed settlement because “PG&E’s ability to recover all of the CEMA costs identified in the settlement is questionable” given that “in the past, the Commission has disallowed ratepayer recovery for costs related to fires caused by utility equipment where the Commission found that the utility did not reasonably manage and operate its facilities prior to the fires.” Accordingly, “this uncertainty must be taken into account when assessing whether the penalty is adequate.” The remedies imposed reflected a comprehensive resolution to address the Camp Fire and other fires at issue because “[o]n the other hand, . . . PG&E contests many of the violations related to

the 2017 and 2018 fires” and “[a]lthough there are questions regarding whether the Commission would have allowed ratepayer recovery for these costs, it is not certain that the Commission would have disallowed all of these costs.” Critically, the Commission concluded that resolution of the Wildfire OII would “forgo[] what is likely to be extensive litigation regarding the reasonableness of these costs,” which “saves resources for the Commission, PG&E’s ratepayers, and other parties.”<sup>213</sup>

**(3) The Commission’s Approval of the Wildfire OII Settlement Resolved All Issues Concerning PG&E’s Role in the Ignition of the Camp Fire**

The Commission’s Decision, in other words, was intended to resolve all issues and disallowances concerning the Camp Fire, including any that might be imposed in a future cost recovery proceeding. It would be inappropriate to turn this cost recovery application into *another* review of Camp Fire issues for the purpose of imposing additional disallowances, as TURN proposes.

- The Decision: “resolve[d] all issues in this investigation concerning the penalties and other remedies that should be imposed on PG&E for the role [our] electrical facilities played in igniting wildfires in [our] service territory in 2017 and 2018.”<sup>214</sup>
- Approval of the settlement with modifications indicated that “it reflects the magnitude of the allegations and conduct that are at issue”<sup>215</sup> and “resolve[s] all issues in this proceeding and minimize[d] the time, expense, and uncertainty of protracted litigation.”<sup>216</sup>
- “Rather than continued litigation regarding the amount of monetary penalties to be imposed on PG&E, the Commission [found] that the public interest is best

---

<sup>213</sup> D., pp. 38-40 (emphasis added).

<sup>214</sup> *Id.*, p. 2.

<sup>215</sup> *Id.*, p. 33.

<sup>216</sup> *Id.*, p. 67.

served by focusing efforts on appropriate corrective actions to help reduce the risk of such catastrophic wildfires in the future.”<sup>217</sup>

- The Commission concluded that no further disallowances or remedies would be appropriate, *even if PG&E were to seek cost recovery in a future proceeding:*

*With the exception of costs included in the settlement agreement, as modified by this decision, the Commission does not find it reasonable to bar PG&E from seeking future recovery of costs associated with fires for which SED found violations in this proceeding. SED’s allegations have not been fully adjudicated and the Commission has not made findings that there were violations. Even if the Commission had found violations, such findings would not automatically result in a disallowance of related costs unless stated as such. . . . In addition, the Commission finds the level of penalties adopted in this decision (with the modifications to the settlement discussed above) to be reasonable in light of the record of this proceeding and does not find that additional disallowances should be imposed as a penalty.*<sup>218</sup>

TURN’s recommendation that the Commission conduct *another* review of the Camp Fire is inconsistent with the Commission’s Decision approving the modified settlement of the Wildfire OII, and it would undermine future settlements of similar proceedings by leaving open the possibility that, whatever the settling utility agreed to, it must consider the possibility that a future Commission Decision would revisit the outcome.

**b. A Pre-Fire Prudency Review Is Inappropriate for Programmatic Wildfire Mitigation and Gas Modernization Work**

PG&E’s wildfire mitigation undergrounding and gas modernization work furthers the objectives of our system hardening and gas pipeline replacement programs, which the Commission generally reviews as part of the GRC and various regulatory frameworks, such as the WMP. Costs for this important work, which updates the system and makes it safer and more reliable for years to come, should not be disallowed on the basis of another review of the Camp Fire.

---

<sup>217</sup> *Id.*, pp. 69-70.

<sup>218</sup> *Id.*, pp. 62-63 (emphasis added).

**(1) Wildfire Mitigation Work Furthered Our System Hardening Program**

Butte Community Rebuild undergrounding work was performed to reduce ignition risk substantially below what would have remained in the system had PG&E rebuilt Paradise with overhead lines. This work was tracked and reported as part of our system hardening work through our WMP and overseen by OEIS.<sup>219</sup>

This work was consistent with our overall approach to system hardening activities – which were first approved by the Commission in the 2020 GRC and are overseen by OEIS as part of the WMP process. It would undermine PG&E’s overall approach to wildfire mitigation were the Commission to disallow costs for this work based on the Camp Fire – in addition to the disallowances already imposed in the Wildfire OII. Indeed, the Commission already previously approved PG&E’s recovery of Butte Community Rebuild system hardening work in the 2020 WMCE without imposing Camp Fire-related disallowances.<sup>220</sup> It should do the same here.

**(2) Gas Programmatic Work Furthered Pipeline Replacement Objectives and Reduced Costs in the Long Run**

PG&E’s joint open trench gas modernization work similarly furthered longstanding gas program objectives through the replacement of plastic pipeline and other gas assets with integrity concerns. This work, which historically has been funded through our GRCs, likewise should not be subjected to additional disallowances associated with the Camp Fire. Completing this work while open trenches had already been created for undergrounding work saved trenching costs and reduced the impact on customers that would otherwise have resulted from multiple rounds of open trench work in the future.

---

<sup>219</sup> Supra, Part V.5.3.

<sup>220</sup> PGE-03, pp. 3-58 to 3-59.

**c. The Commission’s Precedent Concerning Pre-Fire Prudency Review Is Inapplicable Here**

The Commission’s Decision in the Wildfire OII predates D.21-08-024 (the SCE Decision), upon which TURN bases its recommendation for a pre-Camp Fire prudency review. In that proceeding, the Commission held that Southern California Edison should resubmit its request for CEMA recovery associated with two fires to address unresolved questions regarding its role in the ignition of the fires.<sup>221</sup> The SCE Decision does not require the pre-Camp Fire review that TURN requests here.

To begin with, the SCE Decision arose in a very different context. SCE had presented costs for CEMA recovery stemming from the Thomas and Rye fires. “CalFire and other local fire departments investigated the Thomas and Rye Fires and issued reports finding that SCE equipment ignited these fires.”<sup>222</sup> But the Commission, unlike here, had not completed an investigation into ignition. Accordingly, the Commission concluded that it must “consider whether SCE acted prudently in maintaining its equipment” “*given the open question as to SCE’s contribution to these fires[.]*”<sup>223</sup> Here, there is no such open question as to PG&E’s contribution to the ignition of the Camp Fire (or the other fires resolved through the Wildfire OII). PG&E’s maintenance of the relevant equipment was fully reviewed and addressed through SED’s investigation and the Commission’s Wildfire OII Decision. The requisite circumstance calling for a pre-fire review – that is, an “open question” about PG&E’s contribution to the ignition – are not present here.

The SCE Decision further makes clear that the review requested by TURN is unnecessary and would be redundant. The Commission directed SCE to provide information about the “maintenance” of its facilities to address the “open question” of SCE’s contribution to the

---

<sup>221</sup> SCE Decision, pp. 22-27.

<sup>222</sup> SCE Decision, p. 22.

<sup>223</sup> SCE Decision, p. 26 (emphasis added); see also *id.*, p. 27 (“[W]e direct [SCE] to include additional evidence, *given the outstanding question of whether SCE prudently operated its electrical infrastructure, due to evidence of the involvement of SCE’s facilities in the ignition[.]*”) (emphasis added).

ignition of the Thomas and Rye fires. This is precisely the information that the Commission developed through the Wildfire OII. As discussed above, the Wildfire OII record included SED's investigation (supported by an independent consultant review) and the stipulated facts concerning PG&E's pre-Camp Fire maintenance practices and the cause of the ignition.<sup>224</sup> There are no "open questions" to address regarding PG&E's pre-fire activities.

Application of the SCE Decision to require another pre-Camp Fire review here would be contrary to the Commission's decision in resolving the Wildfire OII, the general principle of *res judicata*, and public policy concerning Commission settlements. The Wildfire OII Decision "resolve[d] all issues in this investigation concerning the penalties and other remedies that should be imposed on PG&E for the role our electrical facilities played in igniting" the Camp Fire and others at issue.<sup>225</sup> In doing so, the Commission not only contemplated that PG&E would seek cost recovery for responding to the Camp Fire, it increased the total amount of the penalties to account for this fact.<sup>226</sup> The question of the appropriate disallowances and other remedies to be imposed for PG&E's role in the Camp Fire has been resolved; that resolution is "conclusive" and cannot be reopened by TURN in this collateral proceeding.<sup>227</sup>

The Commission and California share a "strong policy favoring settlements," which "supports many worthwhile goals, such as reducing litigation expenses, conserving scarce resources of parties and the Commission, and allowing parties to reduce the risk that litigation will produce unacceptable results."<sup>228</sup> Indeed, the Commission concluded that its decision to modify and approve the settlement of the Wildfire OII was intended to further these very goals.<sup>229</sup> TURN's proposal would undermine the finality of future settlements and bring cost

---

<sup>224</sup> See generally PGE-03, pp. 3-45 to 3-47 (summarizing the record and scope of Commission's review of the Camp Fire).

<sup>225</sup> D.20-05-019, p. 2.

<sup>226</sup> D.20-05-019, pp. 2-3, 38-40.

<sup>227</sup> Pub. Util. Code § 1709; D.07-04-017, p. 8; D.02-01-037, pp. 14-15; D.20-05-019, p. 15.

<sup>228</sup> D.05-12-025, p. 7.

<sup>229</sup> D.20-05-019, pp. 2, 33, 62-63, 67, 69-70; PGE-03, pp. 3-49 to 3-51 (summarizing provisions of the decision).

recovery issues to future OIIs, in order to avoid the duplication of reviews that would be necessitated by bifurcating pre-fire operations reviews into separate enforcement and cost recovery proceedings. This is contrary to the state's and Commission's policies favoring settlement and efficient use of resources, and to the Wildfire OII decision.

**F. PG&E's Butte Community Rebuild Costs Presented Have Not Been Recovered Elsewhere**

In testimony, Cal Advocates recommended disallowances to PG&E's Butte Community Rebuild costs based on two general categories of incrementality concerns. First, Cal Advocates has concluded that some PG&E activities – such as gas main and undergrounding work – are part of GRC-funded programs that do not qualify for recovery through the CEMA.<sup>230</sup> Second, Cal Advocates recommended disallowances for straight-time labor, overheads, and various accounting allocations for estimated goods receipts and material movement.<sup>231</sup> PG&E's Butte Community Rebuild costs are incremental. The Commission should not adopt Cal Advocates' theories to the contrary.

**1. PG&E's Butte Community Rebuild Costs Are Incremental**

PG&E initially presented the 2023 costs at issue here in the 2023 GRC, but the Commission directed PG&E to remove them from the GRC and PG&E's rate base, and to submit these costs in a CEMA application.<sup>232</sup> Accordingly, these costs are incremental and cannot have been recovered elsewhere. The Tables below summarize the periods in which the costs at issue here were incurred, to assist the Commission in determining that the costs have never been recovered in another proceeding.

---

<sup>230</sup> CA-03, pp. 6-10; CA-04, pp. 7-22; CA-05, pp 21-23.

<sup>231</sup> CA-05, pp. 6-15, Tables 5-3, 5-4; CA-03, pp. 10-21. Cal Advocates' general arguments regarding straight time labor, overheads, materials movement, and estimated goods receipts are addressed above. Below we explain why Butte Community Rebuild costs, including for straight time labor, are incremental because PG&E attempted to recover them in the 2023 GRC and the Commission ordered that these costs be submitted through a separate CEMA application, like this one.

<sup>232</sup> D.23-11-069, p. 479.

- Table 19 below shows the costs incurred prior to 2022 that have not yet been reviewed by the Commission in any other proceeding.<sup>233</sup>

**TABLE 19**  
**BUTTE COMMUNITY REBUILD AND RESTORATION PROGRAM**  
**COSTS PG&E SEEKS REASONABLENESS REVIEW AND RRQ RECOVERY**  
**COSTS INCURRED 2018-2022**  
**(THOUSANDS OF DOLLARS)**

Line No.	MWC	MAT	Spending Period	Gross Costs	Adjustments	Net Costs
1	95	95A	2018-2022	\$176,974	\$(178,212)	\$(1,237)
2	95	95B	2018-2022	7,268	(7,264)	4
3	95	95F	2018-2022	216,941	(197,816)	19,125
4	3M	3M#	2018-2022	146	–	146
5	3Q	3QA	2018-2022	129,319	(128,115)	1,204
6		Total <sup>(a)</sup>	–	\$530,649	\$(511,407)	\$19,242

(a) See PGE-01, Table 3-3, Column C.

- Table 20 shows the costs at issue that PG&E incurred on or after 2023 and that were originally covered by PG&E’s 2023 GRC request.<sup>234</sup> As required by the 2023 GRC decision, PG&E is presenting them again in this proceeding for review.<sup>235</sup>

<sup>233</sup> PGE-03, pp. 3-62 to 3-63 (including Table 3-9).

<sup>234</sup> PGE-03, pp. 3-63 to 3-64 (including Table 3-10).

<sup>235</sup> In the 2023 GRC, PG&E presented 2023 Butte Community Rebuild costs on a forecast basis.

**TABLE 20**  
**BUTTE COMMUNITY REBUILD AND RESTORATION PROGRAM**  
**COSTS PG&E SEEKS REASONABLENESS REVIEW AND RRQ RECOVERY**  
**COSTS INCURRED 2023 AND LATER**  
**(THOUSANDS OF DOLLARS)**

Line No.	MWC	MAT	Spending Period	Gross Costs	Adjustments	Net Costs
1	08	08W	2023	\$98,563	\$(890)	\$97,672
2	95	95A	2023	(1,004)	(23)	(1,026)
3	95	95B	2023	–	(64)	(64)
4	95	95F	2023	104,171	(6,659)	97,511
5	14	14D	2023	7,188	–	7,188
6	3M	3M#	2023	747	–	747
7	3Q	3QA	2023	15,102	(8,617)	6,485
8	50	50A	2023	11,325	–	11,325
9	50	50B	2023	6,338	–	6,338
10		Total <sup>(a)</sup>		\$242,430	\$(16,254)	\$226,177

(a) See PGE-01, Table 3-3, Column D.

- Table 21 shows costs previously included in PG&E’s rate base, and partially recovered through the GRC (e.g., through the WMBA), that PG&E then removed from rate base to comply with the 2023 GRC Decision. In addition to ongoing 2023-2030 revenue requirements related to these costs, PG&E is asking for these costs to be returned to rate base so that PG&E can continue recovering revenue requirement on them.<sup>236</sup>

<sup>236</sup> PGE-03, pp. 3-64 to 3-65 (including Table 3-11).

**TABLE 21**  
**BUTTE COMMUNITY REBUILD AND RESTORATION PROGRAM**  
**COSTS PG&E SEEKS RRQ RECOVERY**  
**ON-GOING RECOVERY OF COSTS PREVIOUSLY RECORDED TO GRC RATE BASE**  
**(THOUSANDS OF DOLLARS)**

Line No.	MWC	MAT	Spending Period	Gross Costs	Adjustments	Net Costs
1	08	08W	2019	\$16,816	\$(16,444)	\$372
2	08	08W	2020-2022	145,937	(144,619)	1,317
3	95	95F	2020-2022	99,245	(98,370)	875
4	14	14D	2019-2022	94,572	(119)	94,454
5	50	50A	2018-2022	15,102	(26)	15,076
6	50	50B	2019-2022	3,949	(4)	3,945
7		Total		\$375,621	\$(259,582)	\$116,039

The costs that PG&E seeks to recover for the Butte Community Rebuild work are incremental because PG&E asked the Commission to approve these costs and the revenue requirement for the associated rate base in the 2023 GRC, and the Commission expressly directed PG&E to remove these costs from the GRC and seek recovery of them here.<sup>237</sup>

**2. PG&E Has Not Previously Recovered the Butte Community Rebuild Costs Presented Here**

Conversely, Cal Advocates is correct that certain types of PG&E’s activities at issue here are the type of activities previously approved by the Commission through PG&E’s GRC. But Cal Advocates is wrong about the cost recovery implications of this.

Cal Advocates takes the position that PG&E should not seek recovery of certain costs here because they do not qualify for recording to the Catastrophic Event Memorandum Account (CEMA), despite Cal Advocates’ position in the 2023 GRC that all Butte Community Rebuild costs should be recorded to the CEMA and submitted for recovery through a CEMA

---

<sup>237</sup> Cal Advocates assesses PG&E’s cost elements, such as straight time labor and overheads, as if these are standard CEMA costs. As PG&E has stated, PG&E is not seeking to recover costs for emergency response and initial restoration work under CEMA. Cal Advocates agrees, at least with respect to some of the costs at issue here. Regardless, unlike a typical CEMA cost application, in this case PG&E expressly asked the Commission to approve these costs in the 2023 GRC, and the Commission denied this request. Accordingly, these costs have not previously been recovered through another mechanism. PGE-02, pp. 5-6 (including Table 1).

application.<sup>238</sup> Specifically, Cal Advocates contends that PG&E should not receive recovery for the following costs, summarized in Table 22 below, because it says they are not CEMA costs.<sup>239</sup>

**TABLE 22  
BUTTE COMMUNITY REBUILD AND RESTORATION PROGRAM  
CAL ADVOCATES' OPPOSITION TO PG&E'S CAPITAL COST RECOVERY REQUEST  
BY INCREMENTALITY CATEGORY  
(THOUSANDS OF DOLLARS)**

Line No.	MAT	Workstream	Table 3-3 Category	PG&E's Request [A]	Cal Advocates Disallowances [B]	Cal Advocates Recommendation [C] = [A] - [B]
1	50A	Gas Main Construction	<i>Incremental 2023-2030 Cost Recovery</i>	\$14,791	\$14,791	—
2	50A	Mobile Home Parks	<i>Incremental 2023-2030 Cost Recovery</i>	286	286	—
3	Total MAT 50A			\$15,076	\$15,076	—
4	50B	Gas Services	<i>Incremental 2023-2030 Cost Recovery</i>	\$3,945	\$3,945	—
5	Total MAT 50B			\$3,945	\$3,945	—
6	14D	Aldyl-A Plastic Pipe Replacement	<i>Incremental 2023-2030 Cost Recovery</i>	\$94,454	\$94,454	—
7	Total MAT 14D			\$94,454	\$94,454	—
8	95F	Electric Mobile Home Parks	<i>2022 &amp; prior</i>	\$1,168	\$1,168	—
9	95F	Electric OH Mainline Construction	<i>2022 &amp; prior</i>	4	4	—
10	95F	Electric Service Connections	<i>2022 &amp; prior</i>	614	614	—
11	95F	Electric UG Mainline Construction	<i>2022 &amp; prior</i>	17,338	17,338	—
12	Total MAT 95F			\$19,125	\$19,125	—
13	Total Disallowed Incrementality Category Costs			\$132,600	\$132,600	—

<sup>238</sup> CA-04, pp. 21-22.

<sup>239</sup> PGE-03, pp. 3-7 to 3-8 (including Table 3-4).

**a. Cal Advocates Disregards That the Commission Ordered PG&E to Submit These Costs Through CEMA**

With respect to PG&E’s gas programmatic activities (MAT 50A and 50B), Cal Advocates recommends no recovery for costs incurred prior to 2023 because the requested costs “were not incurred for the declared CEMA activities” following the Camp Fire.<sup>240</sup> Instead, Cal Advocates concludes that these activities are “the ‘same type of work’” that PG&E forecasted in our GRC prior to the Camp Fire.<sup>241</sup>

Similarly, Cal Advocates asks the Commission to deny PG&E’s request to recover pre-2023 MAT 14D costs (Aldyl-A and similar plastic pipe replacement) because this is a GRC program “initiated long before the start of the 2018 Camp Fire.”<sup>242</sup> Cal Advocates argues that this renders these costs ineligible for CEMA recovery under PG&E’s own internal standards for CEMA recording.<sup>243</sup>

Finally, with respect to some of PG&E’s pre-2023 MAT 95F costs (consisting of Electric Mobile Home Parks, Overhead Construction, Service Connections, and Underground Construction), Cal Advocates argues that a portion of these costs should not be approved through this CEMA application, because they consist of Community Wildfire Safety Program (CWSP) costs incurred during the 2020 GRC period and that they therefore should have been recorded to PG&E’s Wildfire Mitigation Balancing Account (WMBA), which the Commission authorized for CWSP costs in the 2020 GRC.<sup>244</sup>

PG&E generally agrees that the costs for programmatic gas and electric activities ordinarily may not qualify for CEMA recovery, which is why PG&E did not originally seek to recover program costs through CEMA. Cal Advocates’ analyses also reinforce why such costs should not be subjected to the CEMA “pre-fire prudence” framework highlighted by TURN,

---

<sup>240</sup> CA-03, pp. 7-8.

<sup>241</sup> CA-03, pp. 8-9.

<sup>242</sup> CA-04, pp. 21-22.

<sup>243</sup> *Id.*

<sup>244</sup> CA-05, p. 23.

because these are GRC activities – continuations of existing and longstanding GRC programs, separate and apart from CEMA work.

PG&E included these costs in this CEMA application at the direction of the Commission’s 2023 GRC Decision. The costs that Cal Advocates contends are ineligible for CEMA consist of the following:

- MAT 50A, 50B, 14D: These costs challenged by Cal Advocates are for the rate base for capital gas programmatic costs incurred by PG&E for work conducted from 2019 through 2022. While PG&E previously recovered some revenue requirement for these activities during the 2020 GRC period, PG&E removed the rate base associated with them from the 2023 GRC period in response to the Commission’s 2023 GRC Decision. PG&E therefore seeks approval here to return these to rate base and recover the revenue requirement for these activities for the 2023-2030 period, consistent with the Commission’s direction.<sup>245</sup>
- MAT 95F: These costs challenged by Cal Advocates are electric service and construction activities during the 2018-2022 period. These are electric activities conducted as part of PG&E’s continued restoration during the rebuild phase of the Butte Community Rebuild. PG&E has never presented these activities for recovery in any proceeding, nor has it recovered for these through the WMBA.<sup>246</sup>

PG&E’s Application here complies with PG&E’s 2023 GRC Decision. Cal Advocates’ recommendation – that these costs not be authorized here – would leave PG&E with no practical option for cost recovery review, aside from again proposing these costs for recovery in a GRC. That would result in unnecessary delay and expenditure of Commission resources, as it would represent a third application by PG&E for recovery of these same costs.

---

<sup>245</sup> PGE-03, p. 3-10.

<sup>246</sup> PGE-03, p. 3-10.

**b. PG&E Has Not Underspent on MAT 14D Plastic Pipeline Replacement**

Cal Advocates takes the position that the Commission should deny recovery of the entirety of PG&E's Aldyl-A and similar plastic pipe replacement costs (MAT 14D), totaling \$101.642 million, because it claims PG&E underspent funds authorized in prior GRC's for this program by \$34 million.<sup>247</sup> In addition to the logical failure that a \$34 million underspend should result in a \$101.6 million disallowance, this argument omits the broader perspective that PG&E reprioritized funds based on risk and has overspent on MAT 14D in recent years.

In October 2016, the Energy Division of the Commission issued a report on PG&E's Safety-Related Spending Accountability Report in which it found that PG&E had spent less than was authorized for the Gas Distribution Pipeline Replacement program in 2014 and 2015. PG&E explained to the Energy Division that "the company had reprioritized approximately \$100 million in 2014 funding from main replacement to service line replacement" and that "the adjustments were considered in terms of risk and that it was determined that the pipeline replacement program was a lower priority within the Gas Operations portfolio."<sup>248</sup> PG&E explained "that there was a 2014 shift in policy towards replacing rather [than] repairing leaking steel, copper, Aldyl-A and pre-1985 plastic gas services, and that funding authorized for the gas pipeline replacement program was reprioritized to facilitate these service line replacements."<sup>249</sup> As a result of this shift, PG&E spent almost \$90 million more than was authorized for gas

---

<sup>247</sup> CA-04, p. 18, lines 17–23.

<sup>248</sup> PGE-03, pp. 3-12 to 3-13; Safety-Related Spending Accountability Report for Pacific Gas and Electric, Energy Division (Oct. 2016), p. 68, available at: <[https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/risk-spending-accountability-reports/pge-2014\\_2015-ed-response-safety-action-plan-report.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/risk-spending-accountability-reports/pge-2014_2015-ed-response-safety-action-plan-report.pdf)> (accessed May 6, 2026).

<sup>249</sup> *Id.*

service replacement (MWC 50) in 2014 and 2015.<sup>250</sup> PG&E also explained this in Gas Distribution Pipeline Safety Reports submitted March 30, 2015<sup>251</sup> and March 30, 2016.<sup>252</sup>

Outside the 2014-2015 timeframe where PG&E reprioritized funds to higher priority capital service replacements, PG&E's spending on the Aldyl-A and similar plastic replacement program in the GRC has been *greater than authorized in PG&E's GRCs*.<sup>253</sup> Starting in the 2017 GRC period (prior to the Camp Fire) and spanning two additional rate cases (the 2017-2023 time frame), PG&E has overspent on plastic pipeline replacement activities by approximately \$110 million (inclusive of the Butte Aldyl-A and similar plastic pipe replacement, MAT 14D).<sup>254</sup> Accordingly, PG&E's Aldyl-A (14D) costs should not be disallowed based on historical program spending.

---

<sup>250</sup> *Id.*

<sup>251</sup> PGE-03, pp. 3-13 and fn. 28, Pacific Gas and Electric Company Gas Distribution Pipeline Safety Report, No. 2014-02 (Reporting Period July 1 to December 31, 2014) in Compliance with CPUC D.11-05-018, Submitted March 30, 2015.

<sup>252</sup> PGE-03, pp. 3-13 and fn. 29, Pacific Gas and Electric Company Gas Distribution Pipeline Safety Report, No. 2015-02 (Reporting Period July 1 to December 31, 2015) in Compliance with CPUC D.11-05-018, Submitted March 30, 2016.

<sup>253</sup> PGE-03, p. 3-13.

<sup>254</sup> PGE-03, p. 3-14 and fn. 31, Year 2017 spending comes from PG&E's Risk Spending Accountability Report (RSAR) dated March 30, 2018, p. B2-36. Year 2018 overspending comes from PG&E's RSAR dated March 29, 2019, p. B2-37. Year 2019 spending comes from PG&E's RSAR dated March 30, 2020, p. 2-21. Years 2020-2022 spending comes from PG&E's RSAR dated May 1, 2023, p. 2-13. Year 2023 spending comes from PG&E's RSAR [Amended] dated June 17, 2024, p. 2-13. All reports are available at: <<https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-costs/risk-spending-accountability-reports>> (accessed May 6, 2026).

**VI. THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S NON-BUTTE CEMA COSTS**

**A. Summary of PG&E’s CEMA Costs and Events and Intervenor Disallowance Recommendations**

**1. The Events at Issue**

PG&E’s application requests recovery of costs recorded to the CEMA. The Table below summarizes these costs by functional area and event<sup>255</sup>:

**TABLE 23  
CEMA EVENTS  
(THOUSANDS OF DOLLARS)**

<b>2024 WMCE CEMA Events</b>	<b>Capital</b>	<b>Expense</b>
2017 Fire Events	330	188
2017 Storm Events	(4)	
2018 Fire Events	(74)	156
2019 Fire Events	(36)	
2019 Storm & Weather Events	(249)	161
2020 Fire & Heat Events	(647)	1,908
2021 Fire Events	2,840	404
2021 Storm & Weather Events	1,799	(1,093)
2022 Fire & Heat Events	289	208
2022 Humboldt County Earthquake	5,517	822
2023 February – March Storms	18,175	36,090
2023 Tropical Storm Hilary	1,881	999
2023 Tulare County Flood	1,635	(59)
2022-2023 December- January Winter Storms	7,849	7,742
<b>Grand Total</b>	<b>39,310</b>	<b>47,525</b>

<sup>255</sup> PG&E incurred costs related to the events covered by this application for activities outside the counties as to which the disaster declarations were issued. See PG&E-1, Table 2-2. PG&E is not seeking recovery of these costs incurred outside of the declared counties in this application.

## 2. Intervenor Testimony Recommendations

Cal Advocates recommends reductions of \$28.812 million in expense and \$7.034 million in capital expenditures for Electric Distribution costs recorded to the CEMA on the basis that these costs are not incremental. Cal Advocates also recommends disallowances of \$0.445 million in expense and \$0.054 million in capital expenditures of helicopter costs.<sup>256</sup>

The Utility Reform Network (TURN) recommends a 100 percent disallowance of the \$0.188 million in expense and \$0.227 million in capital expenditures PG&E incurred to restore power to customers after the 2017 Nuns Fire.<sup>257</sup>

The Tables below summarize these recommendations:

**TABLE 24  
ADJUSTED ELECTRIC EXPENSES AND PARTIES' RECOMMENDATIONS  
(THOUSANDS OF DOLLARS)**

Line No.	Account	Adjusted Recorded	Cal Advocates	TURN
		2023 Adj. Recorded	2023 Increases/ (Reductions)	2023 Increases/ (Reductions)
1	CEMA – Electric	\$43,690	\$(29,257)	\$(188)
2	Total	\$43,690	\$(29,257)	\$(188)

**TABLE 25  
ADJUSTED ELECTRIC CAPITAL EXPENDITURES AND PARTIES' RECOMMENDATIONS  
(THOUSANDS OF DOLLARS)**

Line No.	Account	Adjusted Recorded	Cal Advocates	TURN
		2023 Adj. Recorded	2023 Increases/ (Reductions)	2023 Increases/ (Reductions)
1	CEMA – Electric	\$29,823	\$(7,088)	\$(227)
2	Total	\$29,823	\$(7,088)	\$(227)

<sup>256</sup> CA-02 pp. 3-4, 20 (Tables 2-1, 2-2, 2-6); TURN-1-E p. 46.

<sup>257</sup> TURN-1-E p. 42, lines 16-17.

**TABLE 26**  
**ADJUSTED GAS EXPENSES AND PARTIES' RECOMMENDATIONS**  
**(THOUSANDS OF DOLLARS)**

Line No.	Account	Adjusted Recorded	Cal Advocates	TURN
		2023 Adj. Recorded	2023 Increases/ (Reductions)	2023 Increases/ (Reductions)
1	CEMA – Gas	\$1,064	\$(208)	No Position
2	Total	\$1,064	\$(208)	N/A

**TABLE 27**  
**ADJUSTED GAS CAPITAL EXPENDITURES AND PARTIES' RECOMMENDATIONS**  
**(THOUSANDS OF DOLLARS)**

Line No.	Account	Adjusted Recorded <sup>(a)</sup>	Cal Advocates	TURN
		2023 Adj. Recorded	2023 Increases/ (Reductions) <sup>(a)</sup>	2023 Increases/ (Reductions)
1	CEMA – Gas	\$7,180	\$(1,873)	\$(103)
2	Total	\$7,180	\$(1,873)	\$(103)

(a) Cal Advocate's recommendation is adjusted to reflect PG&E's updated 2023 recorded based on Errata served on October 3, 2025.

**TABLE 28**  
**ADJUSTED POWER GENERATION EXPENSES AND PARTIES' RECOMMENDATIONS**  
**(THOUSANDS OF DOLLARS)**

Line No.	Account	Adjusted Recorded	Cal Advocates	TURN
		2023 Adj. Recorded	2023 Increases/ (Reductions)	2023 Increases/ (Reductions)
1	CEMA – Generation	\$2,731	\$(226)	No Recommendation
2	Total	\$2,731	\$(226)	N/A

**TABLE 29**  
**ADJUSTED POWER GENERATION CAPITAL EXPENDITURES AND PARTIES'**  
**RECOMMENDATIONS**  
**(THOUSANDS OF DOLLARS)**

Line No.	Account	Adjusted Recorded	Cal Advocates	TURN
		2023 Adj. Recorded	2023 Increases/ (Reductions)	2023 Increases/ (Reductions)
1	CEMA – Generation	\$2,050	\$(663)	No Recommendation
2	Total	\$2,050	\$(663)	N/A

**B. PG&E’s Costs Qualify for CEMA Recovery**

No party disputes that PG&E’s non-Butte CEMA costs qualify for recording to the account and meet the criteria for response and restoration work under Pub. Util. Code § 454.9, aside from Cal Advocates’ position on certain helicopter costs. In testimony, PG&E summarized the types of equipment damaged and replaced in these events.<sup>258</sup> No party contests that PG&E performed the activities in question or contends that the costs were unreasonable for the activities performed.

PG&E completed this work to: (1) repair damaged electric distribution facilities, and (2) restore service to customers. PG&E’s responses to these events were coordinated and managed so that service could be restored to PG&E customers as quickly and efficiently as reasonably possible. The activities PG&E completed were necessary and reasonable to eliminate potentially hazardous conditions, communicate with customers, repair, or replace damaged facilities, and restore vital services.<sup>259</sup>

<sup>258</sup> See generally, PGE-01, Chapters 2, 4, and 5.

<sup>259</sup> See generally, PGE-01, Chapters 2, 4, and 5; See PGE-01, Chapter 2, Attachment A; PGE-03, Chapter 2, Attachment A (line item detail); and PGE-01, Chapter 4, Attachment A for additional details regarding our Electric and Gas CEMA activities.

**C. With Minor Exceptions Regarding Documentation, No Party Contests the Reasonableness of PG&E's CEMA Costs**

No party contests that PG&E's CEMA costs are reasonable, aside from discrete questions regarding documentation, which PG&E addresses below. The Commission should conclude that these costs are reasonable and qualify for recovery through the CEMA.

**D. PG&E's CEMA Costs Are Incremental**

Cal Advocates incorrectly recommends that the Commission disallow straight-time labor and overhead costs as well as PG&E's inventoried, bulk materials (materials movement) and accrued costs for which it was necessary for PG&E to record an Estimated Goods Receipt. PG&E addressed these arguments above.

As with PG&E's other memorandum account costs at issue here, PG&E has demonstrated that these costs are incremental for the following reasons:

- PG&E did not forecast or receive funding for these costs in the relevant GRCs.
- PG&E did not seek funding for the personnel or materials costs associated with these activities.
- PG&E uses cost tracking mechanisms to ensure against double recovery.
- PG&E overspent our GRC funding during the relevant time periods;
- EY reviewed these costs and concluded that they are incremental and recorded to the proper account.<sup>260</sup>

**E. PG&E Has Properly Supported These Costs**

Cal Advocates raises arguments regarding the sufficiency of PG&E's supporting documentation for certain costs. PG&E responded to hundreds of discovery requests in this proceeding and provided line item detail reports and other financial summaries, a fraction of which the parties have entered into the record. From this massive volume of supporting

---

<sup>260</sup> Supra, Part IV.

information, Cal Advocates has highlighted a handful. There is no reason to doubt the veracity of the costs, which were reviewed by EY.

With respect to helicopter costs, Cal Advocates contends in testimony that PG&E should not recover helicopter costs. First, Cal Advocates says that PG&E should not recovery costs for maintaining helicopters on standby to respond to emergencies, meet service obligations, and respond to threats to public safety.<sup>261</sup> The importance of aerial support for such activities is well-established and has been recognized by the Commission.<sup>262</sup> Second, Cal Advocates asserts that “*none*” of PG&E’s helicopter costs are reasonable because PG&E did not dispatch a helicopter for a “single CEMA event.”<sup>263</sup> PG&E helicopter costs were incurred in response to CEMA events, including documented flights. PG&E provided Cal Advocates with invoices reflecting the costs it incurred for helicopter use during CEMA events. PG&E also provided Cal Advocates with a list of the specific events for which these costs were incurred in an excel workpaper titled, “2024 WMCE Audit Line-Item Detail Report Chapter 2.”<sup>264</sup>

The Commission should not adopt Cal Advocates’ recommendations.

**F. The Commission Should Not Conduct Another Causation Review for the Nuns, Atlas, and Redwood Fires**

In testimony, TURN recommended that the Commission disapprove of PG&E’s requested CEMA recovery for the Nuns, Atlas, and Redwood Fires<sup>265</sup> because “PG&E has not provided evidence that it met the prudence standard in its pre-fire operations for these three

---

<sup>261</sup> See D.20-05-051, p. 95 (May 28, 2020) (Ordering Paragraph 29 generally requiring response and service restoration within 24 hours); see generally D.20-12-005 (Dec. 3, 2020) (finding helicopter costs necessary and reasonable for restoration of service and other activities related to Community Wildfire Safety Program (CWSP)).

<sup>262</sup> See, e.g., D.20-12-005, p. 387 (Finding of Fact 358, finding relevant CWSP response and helicopter costs “benefit all utility functions”); see also D.25-09-008, pp. 34-35 (rejecting Cal Advocates’ disallowance for PSPS helicopter costs in 2021 WMCE); PGE-03, pp. 2-2 to 2-3.

<sup>263</sup> CA-02, p. 21, lines 18-19 (emphasis in original).

<sup>264</sup> PGE-03, pp. 2-3 to 2-4; PGE-03, Chapter 2, Attachment A – PG&E’s 2024 WMCE Audit Line Item Detail Report Ch. 2 – Post Errata.

<sup>265</sup> PG&E is not requesting cost recovery for costs incurred resulting from Atlas or Redwood Fires in Ch. 2.

2017 incidents.”<sup>266</sup> As with the Camp Fire and PG&E’s proposed Butte Community Rebuild costs, discussed above, PG&E respectfully recommends that the Commission not conduct an additional review of PG&E’s pre-fire operations relating to these wildfires, because they were within the scope of the Wildfire OII, “which resolve[d] all issues in this investigation concerning the penalties and other remedies that should be imposed on PG&E for the role its electrical facilities played in igniting wildfires in its service territory in 2017 and 2018.”<sup>267</sup>

## **VII. THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S GSRRMA COSTS**

### **A. Summary of PG&E’s Memorandum Account Costs and Intervenor Disallowance Recommendations**

The costs recorded in the GSRRMA are essential for fulfilling the requirements set forth by the California Public Utilities Commission (CPUC or Commission) in its Decision (D.) 19-09-025 in PG&E’s 2019 Gas Transmission and Storage Rate Case, Application (A.) 17-11-009. Specifically, PG&E was ordered to track and record incremental costs to comply with any new federal and state statutes, regulations, and rules, including new or changed interpretations of statutes, regulations, and rules, issued between rate case cycles and that are not addressed and recorded in another account.<sup>268</sup>

---

<sup>266</sup> TURN-1-E, p. 45, lines 8-9.

<sup>267</sup> D.20-05-019, pp. 2-3, 9-10; PGE-03, pp. 2-5 to 2-6, 4-3.

<sup>268</sup> PGE-01, p. 6-1.

The tables below summarize PG&E’s requests and Cal Advocates’ recommendations.<sup>269</sup>

**TABLE 30  
SUMMARY OF INTERVENOR RECOMMENDATIONS FOR GSRRMA CAPITAL  
(THOUSANDS OF DOLLARS)**

Line No.	Memorandum Account and Balancing Account	PG&E Proposed Recovery	TURN Recommended Recovery	Cal Advocates Recommended Recovery
1	GSRRMA	\$3,983	No Position	\$1,538
2	Total GSRRMA Expenses	\$3,983	N/A	\$1,538

**TABLE 31  
SUMMARY OF INTERVENOR RECOMMENDATIONS FOR GSRRMA EXPENSE  
(THOUSANDS OF DOLLARS)**

Line No.	Memorandum Account and Balancing Account	PG&E Proposed Recovery	TURN Recommended Recovery	Cal Advocates Recommended Recovery
1	GSRRMA	\$3,852	No Position	\$1,894
2	Total GSRRMA Expenses	\$3,852	N/A	\$1,894

**1. PG&E’s GSRRMA Gas Distribution Costs Are Unopposed and Should Be Approved**

The costs incurred and recorded to the GSRRMA are related to the Safety and Enforcement Division’s (SED) directive on Benzene, Toluene, Ethylbenzene, and Xylenes (BTEX) Monitoring Plan, and are therefore necessary to comply with state requirements. The costs presented and adopted in the 2023 General Rate Case (GRC) did not include work required to comply with SED’s directive on BTEX; therefore, the recorded costs for this program are incremental. The work performed in 2023 and the associated costs were necessary for “ground up” development of the BTEX monitoring program and to begin collecting an initial round of natural gas samples. Neither Cal Advocates nor The Utility Reform Network (TURN) dispute

<sup>269</sup> PGE-03, p. 6-3, Table 6-1 and Table 6-2.

PG&E's request of the BTEX Monitoring Plan of \$0.206 million.<sup>270</sup> Therefore, the Commission should approve PG&E's cost recovery proposal for BTEX in the GSRRMA as reasonable.

## **2. Information Technology Costs**

The costs related to the Gas Pipeline Security Directive are necessary to comply with federal regulations. The costs presented and adopted in the 2023 GRC did not include work required to comply with the Transportation Security Administration (TSA) Security Directives; therefore, the recorded costs for this program are incremental. The work performed in 2023 and the associated costs were necessary to implement expanded cybersecurity measures, including procedural controls, technology measures, asset reviews, and architectural standards to protect against ransomware attacks and other known threats to Information Technology (IT) and Operational Technology systems. The costs incurred include \$3.983 million in capital expenditures and \$3.376 million in expense costs.<sup>271</sup>

### **B. PG&E's Costs Qualify for Recovery in the GSRRMA and Should be Approved**

#### **1. Cal Advocates' IT-Related Disallowances Are Unfounded**

Cal Advocates recommends disallowing \$2.444 million of capital expenditures and \$1.688 million of expense costs associated with PG&E's IT and cybersecurity projects performed to comply with TSA directives. Specifically, Cal Advocates in testimony contends that the Commission should disallow costs for assets that it contends are not yet used and useful.<sup>272</sup> But PG&E has already excluded costs from this application for any assets that are not used and useful.<sup>273</sup>

Cal Advocates' used and useful argument relies on a misunderstanding. In this application, PG&E proposed \$3.983 million in 2023 capital expenditures for the GSRRMA, with

---

<sup>270</sup> PGE-03, pp. 6-1 to 6-2.

<sup>271</sup> PGE-03, p. 6-2.

<sup>272</sup> CA-06, p. 8.

<sup>273</sup> PGE-03, pp. 6-3 to 6-4.

a recovery period from 2023 to 2030. PG&E tracks the progress of each project through multiple stages and regularly reviews capital asset plant additions on both a monthly and annual basis. Of the total submitted in this proceeding, \$790,569 was associated with Cyber Protect Field device work that became operative on January 16, 2024. Capital cost recovery begins when a project is declared operative. PG&E will recover the revenue requirement for Cyber Protect Field Devices from 2024 to 2030, which is within the GSRRMA recovery period in this application. Therefore, Cal Advocates is incorrect to recommend disallowance of the \$790,569 because PG&E does *not* seek to recover the costs of these devices prior to their becoming operative.<sup>274</sup>

Cal Advocates derives this recommendation from PG&E's Prepared Testimony; this appears to be the result of a misinterpretation of the timeline of PG&E's deployment of discovery sensors. PG&E explained this timeline in opening testimony as follows:

In 2023, PG&E's Cybersecurity team began the deployment of a new discovery and asset management tool by installing discovery sensors at three of the locations identified in the 2022 technical analysis.<sup>275</sup>

To clarify, PG&E's cost recovery request in this proceeding includes the 2023 deployment of the sensors but does *not* include costs incurred in 2022 for the technical analysis.<sup>276</sup>

## **2. Cal Advocates' Proposal That Shareholders Fund 50 Percent of This Work Is Contrary to Law**

In its testimony, Cal Advocates proposes a 50-50 split between shareholders and ratepayers for Gas Pipeline Security Directive costs recorded in the GSRRMA solely because PG&E acknowledged that investments in safe and reliable service – including cybersecurity and

---

<sup>274</sup> PGE-03, pp. 6-3 to 6-4.

<sup>275</sup> PGE-03, p. 6-4.

<sup>276</sup> See PGE-03, Chapter 6, Attachment A for the line-item detail report as provided in 2024WMCE\_DR\_CalAdvocates\_001-Q001; See PGE-03, Chapter 6, Attachment B for relevant data responses: CalAdvocates\_036, CalAdvocates\_037, CalAdvocates\_042, and CalAdvocates\_069.

the Gas Pipeline Security Directive – benefit both ratepayers and shareholders.<sup>277</sup> Just because shareholders may benefit from certain spending, does not mean ratepayers and shareholders should split the costs for recoverable expenditures.

Cal Advocates’ proposed 50-50 split between shareholders and ratepayers would violate “the traditional cost allocation framework.”<sup>278</sup> The Commission recently rejected precisely such a proposal from Cal Advocates because it violated “well-established Commission precedent” – a conclusion even “acknowledged by . . . Cal Advocates.”<sup>279</sup> If this proposal were adopted, the 50-50 cost-sharing would depart from established ratemaking principles. Such a radical departure from established regulatory mechanisms would harm all stakeholders, including ratepayers.<sup>280</sup>

Furthermore, the cost-sharing proposal lacks factual foundation. It hinges entirely on PG&E’s statement that “ratepayers and shareholders both benefit from the safe and efficient operation of PG&E’s system.”<sup>281</sup> This statement is not evidence that ratepayers and shareholders “derive equal benefits” and should therefore share costs.<sup>282</sup> It is merely a restatement of long-settled principles.<sup>283</sup>

PG&E’s acknowledgment that “ratepayers and shareholders both benefit” is Cal Advocates’ *only* justification for \$2.197 million of disallowances:

---

<sup>277</sup> CA-06, pp. 11-14.

<sup>278</sup> D.21-08-036, pp. 395, 397, 615, Finding of Fact 485 (“It is not reasonable to change the traditional cost allocation framework”).

<sup>279</sup> D.21-08-036, p. 394.

<sup>280</sup> PGE-03, pp. 6-5.

<sup>281</sup> CA-06, p. 12, lines 12-13, *quoting* PG&E response to Cal Advocates 042 Q003.j.

<sup>282</sup> CA-06, p. 12, lines 15-16.

<sup>283</sup> PG&E’s response mentions “ratepayers and shareholders” only because Cal Advocates’ Data Request used the same language. See PG&E’s response to Data Request Cal Advocates 042 Q003.j, dated 5/7/2025.

- \$0.509 million for Application Services capital;<sup>284</sup> and
- \$1.688 million for Gas Pipeline Security Directive expense.<sup>285</sup>

The Commission should not adopt Cal Advocates’ proposal for these disallowances.

### C. PG&E’s GSRRMA Costs Are Incremental

No party disputes the incrementality of PG&E’s GSRRMA costs, which, as described above, qualify for recording to this incremental cost recovery account approved by the Commission.

## VIII. THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E’S CAVAMA COSTS

PG&E’s CAVAMA costs were necessary to complete the requirements associated with the CPUC Decision 20-08-046, including the Climate Adaptation Vulnerability Assessment and related community engagement requirements.<sup>286</sup> The Commission should approve PG&E’s CAVAMA cost recovery request under this regulatory framework. PG&E’s CAVAMA costs in this chapter supported activities necessary for general project management, oversight of the Climate Adaptation Vulnerability Assessment and community engagement, analysis of climate data, and the development of the material needed for the written reports. Only costs recorded for the project team responsible for the Climate Adaptation Vulnerability Assessment and Community Engagement were included in the CAVAMA.<sup>287</sup>

---

<sup>284</sup> CA-06, p. 11, lines 12-21 (regarding Application Services, “Cal Advocates made a downward adjustment of \$0.509 million . . . by subtracting 50 percent of the costs for Application Services to reflect the shareholders cost portion[.] PG&E’s shareholders and ratepayers equally benefit”).

<sup>285</sup> CA-06, p. 12, lines 24-26, p. 13 line 8 to p. 14 line 6 (regarding Gas Pipeline Security Directive, “Cal Advocates’ downward adjustment is based on a 50/50 cost-sharing allocation between shareholders and ratepayers for expenses for Gas Pipeline Security Directive . . . ‘PG&E ratepayers and shareholders both benefit from the safe and efficient operation of PG&E’s system.’”), *quoting* PG&E response to Cal Advocates 042 Q003.j.

<sup>286</sup> PGE-01, pp. 3-1 to 3-2.

<sup>287</sup> See PGE-03, Chapter 8, Attachment A – “2024 WMCE Line-Item Detail Report Chapter 8” for cost details.

**A. Summary of PG&E’s CAVAMA Costs and Intervenor Recommendations**

PG&E’s costs are summarized below.

**TABLE 32  
OVERVIEW OF COSTS BY CAVAMA ACTIVITY TYPE  
(MILLIONS OF NOMINAL DOLLARS)**

Line No.	Activity	2023 Recorded Costs
1	Internal Labor	\$0.323
2	External Contract Support	0.739
3	Total	\$1.063

Cal Advocates recommends a disallowance of \$0.529 million for straight-time labor costs recorded to the CAVAMA, arguing that these costs are not incremental.<sup>288</sup> PG&E responds to such arguments above. Cal Advocates also supports this disallowance recommendation by pointing to certain administrative “discrepancies” in cost tracking.<sup>289</sup>

**B. PG&E’s Costs Qualify For Recording to the CAVAMA and Should be Approved**

No party disputes that PG&E’s costs were incurred for activities that qualify for recovery through the CAVAMA.

**C. PG&E’s CAVAMA Costs Are Incremental**

Cal Advocates’ position regarding administrative “discrepancies” in cost tracking is without merit and overstated. Specifically, Cal Advocates notes that PG&E “improperly recorded [straight-time] internal labor costs for its full-time employees under both internal and external labor order numbers,” and “incorrectly attribute[d] the [straight-time] labor of full-time employees to activities related to the administration and management of contracts.”<sup>290</sup> Cal

---

<sup>288</sup> CA-06, p. 18.

<sup>289</sup> CA-06, p. 17.

<sup>290</sup> CA-06, p. 19.

Advocates therefore recommends a disallowance of all labor, including internal and external labor, recorded to the CAVAMA.

The minor cost tracking discrepancies identified by Cal Advocates do not support a disallowance. Cal Advocates does *not* dispute that the internal and external labor costs at issue were reasonably incurred and properly recorded to the CAVAMA for activities related to PG&E's climate vulnerability assessment and associated community engagement plan requirements. The errors did not affect PG&E's overall cost recovery request, and no disallowance is warranted. The total amount miscategorized was only \$0.044 million. Without explanation, Cal Advocates seeks a total disallowance of \$0.529 million. At most, any disallowance should be limited to the amount of the incorrectly tracked costs.<sup>291</sup>

## **IX. THE COMMISSION SHOULD APPROVE AS REASONABLE PG&E'S CUSTOMER CARE AND MICROGRIDS MEMORANDUM ACCOUNT COSTS**

### **A. Summary of PG&E's Memorandum Account Costs and Intervenor Disallowance Recommendations**

PG&E seeks recovery of costs recorded in the following incremental customer care memorandum accounts:

- 1) COVID-19 Pandemic Protections Memorandum Account (CPPMA) – Incremental Uncollectibles;
- 2) COVID 19 Pandemic Protections Memorandum Account (CPPMA);
- 3) Disconnections Memorandum Account (DMA);
- 4) Percentage of Income Payment Plan Memorandum Account (PIPPMA);
- 5) Emergency Consumer Protections Memorandum Account (ECPMA);
- 6) Medium-Large Commercial and Industrial COVID-19 Disconnection Moratorium Memorandum Account (ML-CDMMA); and
- 7) Microgrids Memorandum Account (MGMA).<sup>292</sup>

---

<sup>291</sup> PGE-03, p. 8-2.

<sup>292</sup> See PGE-01, Chapter 9.

**TABLE 33  
OVERVIEW OF MEMORANDUM ACCOUNTS**

Line No.	Memo Account	Activity	Total 2020-2023 Expense Recorded Costs
1	COVID-19 Pandemic Protections Memorandum Account (CPPMA) – Incremental Uncollectibles	Incremental uncollectibles expense during the COVID-19 pandemic associated with residential and small business customers.	\$4,436
2	CPPMA	Extending emergency customer protections to customers impacted by the COVID-19 pandemic, implementing new pilots to help customers that accumulated arrears during the COVID-19 pandemic, accessing federal and state COVID-19 relief funding	2,342
3	Disconnections Memorandum Account (DMA)	Implementing policies that aim to mitigate residential disconnections pursuant to D.20-06-003	5,717
4	PIPPMA	Implementing the Percentage of Income Payment Plan (PIPP) Pilot pursuant to D.21-10-012	1,525
5	Emergency Consumer Protections Memorandum Account (ECPMA)	Extending emergency customer protections to customers impacted by wildfires and other emergencies, pursuant to D. 18-08-004 and D.19-07-015	1,363
6	Medium-Large Commercial and Industrial COVID-19 Disconnection Moratorium Memorandum Account (ML-CDMMA)	Implementing a moratorium on disconnections for eligible medium-large commercial and industrial customers from December 30, 2020 through September 30, 2021.	1,217
7	Microgrids Memorandum Account	Temporary generators for substation microgrids – 2023 fire-season per D.22-11-009	111
8	Total		<u>\$16,711</u>

PG&E’s contested requests, and Cal Advocates’ recommended disallowances, are summarized in Table 8 below.<sup>293</sup>

<sup>293</sup> PGE-03, p. 9-2, Table 9-1.

**TABLE 34**  
**SUMMARY OF CAL ADVOCATES RECOMMENDATIONS**  
**(THOUSANDS OF DOLLARS)**

Line No.	Memorandum Account	PG&E Proposed Cost	Cal Advocates' Recommended Disallowance	Cal Advocates' Recommended Recovery
<u>Operations and Maintenance Expense</u>				
1	ECPMA	\$1,363	\$(333)	\$1,030
2	CPPMA	2,342	(1,145)	1,197
3	DMA	5,717	(5,406)	311
4	PIPPMA	1,525	(699)	826
5	Total	\$10,947	\$(7,583)	\$3,364

**B. PG&E’s Unopposed Costs Should Be Approved**

No party challenged PG&E’s memorandum costs recorded as follows:

**TABLE 35**  
**UNOPPOSED MEMORANDUM ACCOUNTS**

Line No.	Memo Account	Total 2020-2023 Expense Recorded Costs
1	CPPMA – Incremental Uncollectibles	\$4,436
2	ML-CDMMA	\$1,217
3	MGMA	\$111

PG&E reasonably incurred these costs for qualifying incremental activities consistent with the purpose for which the Commission authorized them.<sup>294</sup> The Commission should approve them.

**C. PG&E’s Challenged Costs Qualify for Recovery in the Relevant Accounts**

With minor exceptions addressed below, intervenors do not dispute that PG&E’s remaining costs were incurred for activities that qualify for recording to the relevant accounts or that PG&E incurred the costs reasonably. In testimony, only Cal Advocates challenges these costs – generally on the grounds that some portion of them are not incremental or are not properly supported. PG&E responds to these arguments below.

<sup>294</sup> PGE-01, pp. 9-7 to 9-8, 9-22 to 9-27.

**D. PG&E’s Customer Care Memorandum Account Costs Are Reasonable, Incremental, and Appropriately Supported**

**1. PG&E’s ECPMA Costs**

Cal Advocates’ sole recommended disallowance for the ECPMA is on incrementality grounds. Cal Advocates incorrectly recommends that the Commission disallow \$0.333 million of incremental expense overhead costs incurred as a result of work performed by PG&E employees to implement PG&E’s Emergency Consumer Protection Plan.<sup>295</sup> See above addressing Cal Advocates’ arguments regarding the incrementality of overhead costs.

**2. PG&E’s CPPMA Costs**

Cal Advocates recommends an expense disallowance of \$1.145 million for CPPMA costs, arguing that “PG&E failed to provide adequate support for its request for the Small Business Pilot.”<sup>296</sup> PG&E incurred these costs to implement a program designed to help small business customers manage their energy usage and reduce their bill arrearages. PG&E paid approximately \$1.6 million to San Diego Gas and Electric Company as part of the joint Investor-Owned Utilities’ co-funding agreement.<sup>297</sup>

PG&E adequately supported these costs. In response to Cal Advocates’ data request,<sup>298</sup> PG&E provided supporting documentation in the form of billing statements as well as records from the SAP financial system, which is the primary source of record for payments. Cal Advocates claims that PG&E failed to provide adequate support for these costs despite having accepted similar documentation as proof of payment in prior financial proceedings, and without providing an explanation as to why it finds the information PG&E provided insufficient in this instance or what documentation it would have considered sufficient. Cal Advocates’

---

<sup>295</sup> PGE-03, p. 9-2.

<sup>296</sup> CA-06, p. 23, lines 8-9.

<sup>297</sup> PGE-03, pp. 9-2 to 9-3.

<sup>298</sup> See PGE-03, Chapter 9, Attachment B, PG&E’s Data Response to Cal Advocates 2024WMCE\_DR\_Caladvocates\_050 and 2024WMCE\_DR\_CalAdvocates\_082.

recommendation to disallow \$1.145 million is unreasonable and without merit.<sup>299</sup> The Commission should approve PG&E’s request for cost recovery of costs recorded to the CPPMA in full.

### **3. PG&E’s DMA Costs**

Cal Advocates incorrectly recommends that the Commission disallow \$5.39 million of incremental internal labor and labor-related overhead costs appropriately incurred during the implementation of PG&E’s Arrearage Management Plan. Cal Advocates argues that, in response to a data request from Cal Advocates, “PG&E failed to provide supporting documentation to demonstrate how \$5.390 million was incremental to the 2023 [General Rate Case] GRC authorized funding. PG&E failed to verify how the internal labor activities are new and not previously authorized.”<sup>300</sup> Cal Advocates does not explain what information PG&E failed to provide in the data response, or how that information relates to incrementality. Cal Advocates appears to argue that PG&E did not establish that it hired new employees for the program, but that is not required to show incrementality, as explained above.

### **4. PG&E’s PIPPMA Costs**

The Percentage of Income Payment Plan (PIPP) is an affordability measure to protect low-income households, including those on CARE,<sup>301</sup> from the “risk of disconnection” and “falling into arrears.”<sup>302</sup> Cal Advocates recommends disallowances for two components of PIPPMA: (1) Program/Project Management & Operations and (2) IT Pilot Implementation. The

---

<sup>299</sup> PGE-03, p. 9-3.

<sup>300</sup> CA-06, p. 30, lines 14-17.

<sup>301</sup> D.21-10-012, p. 79, Finding of Fact 24, (“protecting CARE participants from higher bills than they would have received without a PIPP.”).

<sup>302</sup> D.21-10-012, p. 56, (“PIPP pilots can reduce the risk that low-income customers will fall into arrears and face recurring disconnections because current bills are not affordable in relation to their income levels.”); see also *Id.*, at p. 2 (stating a goal to “reduce the number of low-income households at risk of disconnection”); *Id.*, at pp. 9, 77, Finding of Fact 7, (discussing arrearage risk).

total disallowance is \$0.826 million or 46 percent of the total PIPP request, as summarized in the table below.<sup>303</sup>

**TABLE 36  
LINE ITEMS FOR PIPPMA PROGRAM/PROJECT MANAGEMENT & OPERATIONS  
(THOUSANDS OF DOLLARS)**

Line No.	PIPPMA Component	PG&E Request	Cal Advocates Disallowance	Percent Disallowance <sup>(a)</sup>	Cal Advocates Rationale for Disallowance
1	Program/Project Management & Operations	\$689	\$283	41%	"Invoices, receipts, and support documents such as billing statements" are not "sufficient" <sup>(b)</sup>
2	IT Pilot Implementation	551	416	75%	PIPPMA not incremental and "already funded" <sup>(c)</sup>
3	Measurement and Evaluation	145	-	-	Not addressed by Cal Advocates
4	Marketing and Education	140	-	-	Not addressed by Cal Advocates
5	<b>Total</b>	<b>\$1,525</b>	<b>\$699</b>	<b>46%</b>	

(a) Cal Advocates Recommended Disallowance expressed as percentage of PG&E Request.

(b) CA-06, p. 25 lines 5-8.

(c) CA-06, p. 27 lines 21-22.

The Commission should not adopt these disallowance recommendations.

**a. Cal Advocates' Recommended Disallowances for Program/Project Management & Operations Are Unsupported and Depend on Factual and Legal Errors**

Cal Advocates' recommended disallowance is claimed to be the total amount of the 14 line-items presented in Cal Advocates Table 6-14, which is approximately \$0.283 million.

<sup>303</sup> See PGE-03, p. 9-5, Table 9-2, adapted from CA-06, p. 25 (Table 6-14).

Cal Advocates alleges there are “discrepancies” in the line-items, which are reproduced below in Table 9-3.<sup>304</sup>

**TABLE 37**  
**PIPPMA – LINE-ITEMS FOR PROGRAM/PROJECT MANAGEMENT & OPERATIONS**

PIPPMA – Program/Project Management & Operations				
Line No.	Line #	Order Description (Column F)	CE Desc (Column K)	2023 Amount (Column T)
1	3856	PIPP pilot – EM&V	Contracts	\$49,900.00
2	3860	PIPP pilot – EM&V	Contracts	38,644.00
3	3866	PIPP pilot – EM&V	Contracts	24,856.00
4	3858	PIPP pilot – EM&V	Contracts	22,042.00
5	3862	PIPP pilot – EM&V	Contracts	16,552.00
6	3824	PIPP Pilot CCO and Support	Management Services	8,053.00
7	3818	PIPP Pilot CCO and Support	Customer Ops Activity Charge – Non-Type	29,269.00
8	4088	PIPP Pilot – PP	Customer Ops Activity Charge – Type A	57,739.51
9	4090	PIPP Pilot – PP	Cost Adjustments	1,681.80
10	4091	PIPP Pilot – PP	Consulting Services – Other	1,216.70
11	4092	PIPP Pilot – PP	Consulting Services – Other	1,223.94
12	4093	PIPP Pilot – PP	Consulting Services – Other	509.07
13	4702	PIPP Pilot – SM	Activity Type Cost Adjustment	20,529.25
14	5150	PIPP Pilot – BO	Customer Ops Activity Charge – Non-Type	10,520.54
15		Total		\$282,736.81

Based on these line-items for Program/Project Management & Operations costs, Cal Advocates urges a 41 percent disallowance.

<sup>304</sup> PGE-03, pp. 9-6 to 9-8.

Half of the line-item disallowances are unexplained, however. Seven line-items – Line #3858, 3862, 3824, 3818, 4090, 4092, 4093, and 5150 – are highlighted because they *only* appear in Table 6-14 of Cal Advocates’ testimony.<sup>305</sup> They are never mentioned elsewhere. In other words, Cal Advocates provides zero explanation for these disallowances.<sup>306</sup> The Commission cannot adopt a disallowance that lacks a single word of justification.

For the other line-items, Cal Advocates’ rationale for disallowance is based on errors. PG&E addresses these line-items below:

Line #3860, 3862, 3866: Cal Advocates asserts that the “invoices do not match the 2023 amounts.”<sup>307</sup> This is incorrect. Rather, Cal Advocates appears to have reviewed the wrong part of each invoice. The table below indicates the correct page in the previously provided invoices.<sup>308</sup>

**TABLE 38  
INVOICE DOCUMENTATION**

Line No.	Line #	2023 Amount	Invoice Doc Name	Invoice Page #
1	3860	\$38,644.00	2024WMCE_DR_CalAdvocates_050-Q001Atch02	p. 6
2	3866	\$24,856.00	2024WMCE_DR_CalAdvocates_050-Q001Atch03	p. 6
3	3862	\$16,552.00	2024WMCE_DR_CalAdvocates_050-Q001Atch05	p. 6

---

<sup>305</sup> CA-06, p. 25.

<sup>306</sup> PGE-03, pp. 9-6 to 9-8.

<sup>307</sup> CA-06, p. 25, line 10.

<sup>308</sup> PGE-03, pp. 9-6 to 9-8.

Line #3856: Cal Advocates asserts “PG&E failed to provide the contract for a specific contractor.”<sup>309</sup> PG&E provided a copy of the contract.<sup>310</sup> Regardless, PG&E did pay and provided documentation to Cal Advocates in a data response.<sup>311</sup>

Line #4091: Cal Advocates states it received “an invoice that has two dates” and “was not able to verify the proof of payment, actual payment, or the year PG&E paid.”<sup>312</sup> There is only one invoice date: January 25, 2023. The date appears on Page 1 of the invoice attached to 2024WMCE\_DR\_CalAdvocates\_050.<sup>313</sup> Although Cal Advocates’ demands for “proof of payment” are contrary to Commission requirements, PG&E provided the appropriate entry from the system of record.<sup>314</sup>

Line #4088: Cal Advocates acknowledges that PG&E provided a “detailed line-item” and explanation, but insists that PG&E’s documentation is “vague and unclear” regarding labor charges.<sup>315</sup> To clarify, Line #4088 is a transaction to move costs from DMA to PIPPMA as required by the Commission. Specifically, Ordering Paragraph 2 of D.21-10-012 directed PG&E to establish the memorandum accounts to track the incremental implementation costs for PIPP. PG&E requested via Advice Letter 4534G/6418E that PG&E be allowed to temporarily record costs in the DMAs and then move the amounts to the PIPPMA once PG&E’s PIPP Advice Letter was approved. The costs are for internal labor in support of implementing PIPP.<sup>316</sup>

---

<sup>309</sup> CA-06, p. 25, lines 11-15.

<sup>310</sup> PGE-03, pp. 9-6 to 9-8; PGE-03, Chapter 9, Attachment B – PG&E’s Response to Cal Advocates 2024WMCE\_DR\_Caladvocates\_050 and 2024WMCE\_DR\_CalAdvocates\_082.

<sup>311</sup> *Id.*, p. 9-7, fn. 12, Furthermore, \$49,900.00 amount was an estimated accrual that was reversed on January 1, 2024. In January 2024, PG&E received an actual invoice in a greater amount of \$55,797.00. With the reversal and the actual invoice, the net amount recorded in January 2024 was \$55,797.00 - \$49,900.00 = \$5,897.00 recorded in 2024, which was not recorded in 2023 (see 2024WMCE\_DR\_CalAdvocates\_Apprise Invoice).

<sup>312</sup> CA-06, p. 25, line 16 top. 26, line 2.

<sup>313</sup> PGE-03, Chapter 9, Attachment B – PG&E’s Response to Cal Advocates 2024WMCE\_DR\_CalAdvocates\_050 and 2024WMCE\_DR\_CalAdvocates\_082.

<sup>314</sup> PGE-03, Chapter 9, Attachment A; p. 9-8, fn. 15, The work was performed in December of 2021 by Barakat Consulting. Similarly, lines #4092 and 4093 are actual invoices from SCE in support of PIPP.

<sup>315</sup> CA-06, p. 26, line 12.

<sup>316</sup> PGE-03, pp. 9-6 to 9-8.

Line #4702: PG&E provided the appropriate entry from the system of record.<sup>317</sup>

Cal Advocates urges a 41 percent disallowance for Program/Project Management & Operations costs because PG&E allegedly “failed to provide sufficient details.” This is incorrect. Cal Advocates acknowledges “PG&E provided documentation which included invoices, receipts, and support documents such as billing statements.”<sup>318</sup> Moreover, Cal Advocates’ argument omits explanations, contains factual errors, and is contrary to Commission practice. Finally, Cal Advocates’ total disallowance of \$0.283 million is mathematically wrong. The correct sum of the 14 line-items in Table 9-3 is \$0.209 million, which is 26 percent less than Cal Advocates’ calculation.<sup>319</sup>

Cal Advocates’ recommended disallowances are unsupported and should be rejected. The Commission should authorize PG&E to recover the PIPPMA.

**b. IT Pilot Implementation for PIPP Is Incremental Because It Is Not a GRC Project and Was Approved Separately From the 2023 GRC**

Cal Advocates recommends removing \$0.416 million from IT Pilot Implementation. Cal Advocates argues that PG&E did not demonstrate incrementality because it did not justify why it could not fund billing system IT activities with reallocated funding from completed upgrade projects that have costs embedded in rates. In this Rebuttal Testimony, PG&E provides additional supporting documentation and clarification to further establish the incrementality of these costs.<sup>320</sup>

D.21-10-012 authorized PG&E to implement PIPP and record “all *incremental* administrative costs” – i.e., costs “incurred solely for the purpose of implementing the PIPP

---

<sup>317</sup> PGE-03, Chapter 9, Attachment B.

<sup>318</sup> PGE-03, p. 9-8.

<sup>319</sup> PGE-03, p. 9-8.

<sup>320</sup> PGE-03, p. 9-9.

pilots” – in a new PIPP memorandum account.<sup>321</sup> Therefore, IT implementation for PIPP is separate from the funding allocated from the 2023 GRC.

In arguing that PG&E’s IT costs for the PIPP Pilot are not incremental, Cal Advocates misunderstands PG&E’s response to data request PubAdv-PG&E-050-MCL, Q.2b, Q2c. Cal Advocates states that “PG&E responded that the PIPP Pilot was implemented through the current upgrades to implement the PIPP Pilot.”<sup>322</sup> In fact, PG&E implemented the PIPP Pilot through PG&E’s existing system because D.21-10-012 expressly ordered it. There was no commingling of costs between PIPP Pilot Implementation and PG&E’s Billing system upgrade. No upgrades were performed to implement the PIPP Pilot. The IT Implementation costs recorded to PIPPMA were exclusively to implement PIPP within PG&E’s current billing system.<sup>323</sup>

Cal Advocates also misinterprets PG&E’s Prepared Testimony related to IT Pilot Implementation. PG&E does not claim that the incurred costs are in addition to the pilot’s IT activities. Rather, the incurred costs are for IT activities required to implement the PIPP Pilot in PG&E’s current billing system, as directed by D.21-10-012. Therefore, the costs are incremental and should be recovered in this proceeding.<sup>324</sup>

**X. THE COMMISSION SHOULD FIND THAT PG&E’S GAS STORAGE BALANCING ACCOUNT COSTS ARE REASONABLE FOR PURPOSES OF THE TRUE-UP FILING TO FOLLOW THE 2023 GRC PERIOD**

**A. Overview of PG&E’s GSBA Request**

PG&E’s costs recorded in the GSBA are essential for fulfilling the requirements set forth by the Commission in Decision 19-09-025 in PG&E’s 2019 Gas Transmission and Storage (GT&S) Rate Case, Application (A.) 17-11-009. Specifically, the GSBA was established as a two-way balancing account to manage the forecast discrepancies that result due to regulatory

---

<sup>321</sup> D.21-10-012, p. 66 (emphasis added).

<sup>322</sup> CA-06, p. 26, lines 30-31.

<sup>323</sup> PGE-03, p. 9-9.

<sup>324</sup> *Id.*

uncertainty and the complexity inherent to downhole well work.<sup>325</sup> The Commission, considering that new regulations governing PG&E’s gas storage assets were in draft or interim form at the time that PG&E filed the 2019 GT&S application, recognized that the pace of work and related expenditures for Major Work Categories 3L and AH could vary after final regulations were adopted. Accordingly, the Commission directed that:

In the next rate case, PG&E shall submit an analysis comparing the total recorded costs with the authorized amount, and the Commission will determine whether the transactions in the balancing account are reasonable.<sup>326</sup>

In this proceeding, PG&E is requesting the Commission find reasonable \$9.015 million in expenses and \$115.7 million in capital expenditures related to the GSBA in 2023. The tables below compare the 2023 adopted costs to recorded costs for the program MATs broken down by expense and capital expenditures.<sup>327</sup>

**TABLE 39  
COMPARISON BETWEEN GSBA ADOPTED AND RECORDED EXPENSES  
(THOUSANDS OF DOLLARS)**

Line No.	Year	WELL – Integrity Assessments & Reworks (MATs AH1, AH2)	WELL – Engineering and Support (MATs AH3, AH#)	Total Expenses
1	2023 Adopted	\$13,234	\$5,098	\$18,332
2	2023 Recorded	6,543	2,472	9,015
3	Total Expense Difference (Recorded Less Adopted)	\$(6,691)	\$(2,626)	\$(9,317)

<sup>325</sup> PGE-01, p. 7-1.

<sup>326</sup> D.19-09-025, p. 95.

<sup>327</sup> PGE-01, p. 7-6, Table 7-1 and Table 7-2.

**TABLE 40**  
**COMPARISON BETWEEN GSBA ADOPTED AND RECORDED CAPITAL EXPENDITURES**  
**(THOUSANDS OF DOLLARS)**

Line No.	Year	WELL – Reworks and Retrofits, Drilling (MATs 3L3, 3L1)	WELL – Repair & Replace and Controls & Monitoring (MATs 3L4, 3L5)	Total Capital Expenditures
1	2023 Adopted	\$86,193	\$1,437	\$87,630
2	2023 Recorded	113,209	2,459	115,667
3	Total Capital Difference (Recorded less Adopted)	\$27,016	\$1,022	\$28,037

**B. Summary of Intervenor Recommendations**

In its testimony, Cal Advocates contradicts its prior recommendations to the Commission by opposing *any* reasonableness review of the GSBA in this proceeding and urging “removal of PG&E’s *entire* request.”<sup>328</sup> In the Joint Prehearing Conference, however, Cal Advocates recommended “issues for the Commission to consider in *this proceeding*,” including, “Are the costs recorded in the . . . GSBA incremental, reasonable, and properly recoverable?”<sup>329</sup> At the subsequent Prehearing Conference, Cal Advocates had the opportunity to amend its recommendations and oppose the inclusion of the GSBA within this proceeding’s scope.<sup>330</sup> Cal Advocates did not object, forfeiting this opportunity. The scope of this proceeding is therefore settled, and it includes reasonableness review of the GSBA.<sup>331</sup>

<sup>328</sup> CA-06, p. 2, line 25. (opposing “entire request” for capital expenditure); see also *id.* p. 2, line 15 (opposing “total request” for O&M expense).

<sup>329</sup> Joint Prehearing Conference Statement (Feb. 13, 2025), available at: <<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M5556/K895/556896594.PDF>> (accessed May 5, 2026).

<sup>330</sup> See Prehearing Conference Transcript (Feb. 19, 2025), at 38:8-19, available at: <<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M5556/K895/556895564.PDF>> (accessed May 6, 2026) (Cal Advocates responding to Administrative Law Judge request for input regarding proposed scope).

<sup>331</sup> Assigned Commissioner’s Scoping Memo and Ruling, p. 3.

Even if Cal Advocates' opposition to reasonableness review of the GSBA were not procedurally barred, as discussed below, its arguments are flawed and should be rejected. In its protest, Cal Advocates argues that the 2023 recorded costs incurred in the GSBA should be reviewed at the end of the 2023 General Rate case cycle,<sup>332</sup> not during the proceeding. It views PG&E's request for a reasonableness review as premature and unnecessary at this time,<sup>333</sup> particularly given that the Commission in D.23-11-069<sup>334</sup> denied PG&E's proposal to modify the GSBA and how recorded costs in the GSBA are recovered.

TURN recommends that the Commission reject PG&E's request for reasonableness review and interim recovery of GSBA costs in this proceeding.<sup>335</sup> TURN argues that PG&E has received repeated, clear direction that GSBA costs are only eligible for recovery after a reasonableness review at the end of the rate case period,<sup>336</sup> consistent with D.23-11-069. Additionally, TURN recommends rejecting PG&E's request for any interim recovery, stating that neither the GT&S case, the GRC decision, nor the Advice Letter (AL) establishing the GSBA allow for any pathway to cost recovery prior to the end of the rate case period.<sup>337</sup> Although TURN's assertion is incorrect, it is also irrelevant. PG&E is not seeking cost recovery. PG&E seeks only a reasonableness review determination.<sup>338</sup>

The Tables below demonstrate the adjusted recorded expenses and intervenor recommendations.<sup>339</sup>

---

<sup>332</sup> CA-06, p. 14, lines 17-20.

<sup>333</sup> CA-06, p. 14, lines 23-24.

<sup>334</sup> D.23-11-069, p. 170-172.

<sup>335</sup> TURN-1-E, p. 47, lines 6-7.

<sup>336</sup> TURN-1-E, p. 47, lines 7-9.

<sup>337</sup> TURN-1-E, p. 48, line 15 to p. 49 line 1.

<sup>338</sup> PGE-01, p. 7-24.

<sup>339</sup> PGE-03, p. 7-5, Table 7-3 and Table 7-4.

**TABLE 41  
ADJUSTED RECORDED EXPENSES AND PARTIES RECOMMENDATIONS  
(THOUSANDS OF DOLLARS)**

Line No.	Account	Maintenance Activity Type(s) (MAT)	Adjusted Recorded	Cal Advocates	TURN
			2023 Adj. Recorded	2023 Increases/ (Reductions)	2023 Increases/ (Reductions)
1	GSBA	AH#, AH1, AH2, AH3	\$9,015	\$(9,015)	\$(9,015)
2	Total		\$9,015	\$(9,015)	\$(9,015)

**TABLE 42  
ADJUSTED CAPITAL EXPENDITURES AND PARTIES RECOMMENDATIONS  
(THOUSANDS OF DOLLARS)**

Line No.	Account	MAT(s)	Adjusted Recorded	Cal Advocates	TURN
			2023 Adj. Recorded	2023 Increases/ (Reductions)	2023 Increases/ (Reductions)
1	GSBA	3L1, 3L3, 3L4, 3L5	\$115,667	\$(115,667)	\$(115,667)
2	Total		\$115,667	\$(115,667)	\$(115,667)

**C. PG&E Does Not Seek Interim Recovery Via the Annual Gas True-Up**

TURN and Cal Advocates assert that this application seeks recovery of the 2023 GSBA balances through revenue requirement adjustments prior to the completion of the 2023 GRC cycle. This assertion is incorrect. There will be no interim recovery. PG&E’s Results of Operations (RO) workpapers<sup>340</sup> exclude any revenue requirement for the 2023 GSBA balances. The 2023 GSBA balances found to be reasonable in this proceeding will not be reflected in rates without subsequent authorization pursuant to a separate application. To avoid misunderstanding,

<sup>340</sup> PG&E Prepared WMCE Testimony, PGE-14, WP 12-1.

however, PG&E further clarifies that the gas tariff does not require the immediate recovery of costs found to be reasonable.<sup>341</sup>

TURN contends:

The Commission should reject PG&E's request for reasonableness review and interim recovery of GSBA costs in this proceeding. PG&E has received repeated, clear direction that GSBA costs are only eligible for recovery after a reasonableness review at the end of the rate case Period.<sup>342</sup>

TURN's interpretation is overly restrictive. The Commission did not specify the grouping of years necessary for review of reasonableness. Reviewing 2023 costs in this proceeding provides a manageable scope. TURN and Cal Advocates have had ample time to review and request additional information, as demonstrated by their data requests. Nonetheless, neither TURN nor Cal Advocates opine on or reject the reasonableness of the costs. In fact, PG&E even held meetings with Cal Advocates to review the scope of work to ensure understanding of the work type, regulatory and required drivers for the work that contribute to the costs presented for reasonableness.<sup>343</sup>

PG&E seeks reasonableness review for the 2023 GSBA costs at the present time because doing so is beneficial for all stakeholders, including intervenors and the Commission. In the context of the GSBA, reviewing the 2023 balances now will improve the ability to trace costs, produce responsive documents, limit excessive demands on time and resources, and generally provide a more manageable scope of analysis. Waiting until the end of the GRC cycle will significantly increase complexity, cost, and burden for all stakeholders.<sup>344</sup>

Proceeding with a reasonableness review is especially appropriate at this stage. This is a full rate setting application proceeding, and both TURN and Cal Advocates have propounded

---

<sup>341</sup> PGE-03, Chapter 7, Attachment B. The disposition of GSBA balances may occur through the Annual Gas True-Up *or* "as otherwise authorized by the Commission." Gas Preliminary Statement Part EJ.

<sup>342</sup> TURN-1-E, p. 47, lines 6-9.

<sup>343</sup> PGE-03, pp. 7-6.

<sup>344</sup> PGE-03, p. 7-3.

extensive discovery and scrutinized the 2023 GSBA costs. Table 43 below summarizes intervenor data requests to illustrate that a meaningful factual inquiry into the reasonableness of PG&E’s GSBA costs has already been performed by TURN and Cal Advocates.<sup>345</sup>

**TABLE 43  
2024 WMCE DISCOVERY REQUESTS RELATED TO GSBA**

<b>Line No.</b>	<b>Party</b>	<b>Data Request Reference</b>	<b>Question Series/Subparts</b>	<b>Discovery Topic</b>
1	TURN	2024WMCE_DR_TURN_002	Q002c	Internal Audit Review
2	TURN	2024WMCE_DR_TURN_002	Q003c	Internal Audit Review
3	TURN	2024WMCE_DR_TURN_002	Q021a-c	Advice Letter, Request to open GSBA Account; Recorded Costs
4	TURN	2024WMCE_DR_TURN_002	Q022	Recorded Costs
5	TURN	2024WMCE_DR_TURN_002	Q023a-g	Imputed Costs; Recorded Costs
6	TURN	2024WMCE_DR_TURN_002	Q024a-c	Recorded Costs
7	Cal Advocates	2024WMCE_DR_CalAdvocates_045	Q001a-f	Reasonableness Review
8	Cal Advocates	2024WMCE_DR_CalAdvocates_045	Q002a-b	Reasonableness Review
9	Cal Advocates	2024WMCE_DR_CalAdvocates_045	Q003a-c	Reasonableness Review
10	Cal Advocates	2024WMCE_DR_CalAdvocates_046	Q001a-f	Reasonableness Review
11	Cal Advocates	2024WMCE_DR_CalAdvocates_046	Q002a-c	Reasonableness Review
12	Cal Advocates	2024WMCE_DR_CalAdvocates_065	Q001c	Recorded Costs
13	Cal Advocates	2024WMCE_DR_CalAdvocates_015	Q001a	Reasonableness Review

If TURN’s interpretation of the Commission’s intent in the 2019 Decision was correct, then the Commission would not have broken up the rate case period for review in the 2023 GRC. Review can take place, provided it is done within the formality of an application such as the 2024 WMCE, as opposed to an AL that PG&E requested in the 2023 GRC. As such, the Commission reviewed the 2019-2021 GSBA reasonableness in Track 2<sup>346</sup> of the 2023 GRC and a settlement<sup>347</sup> was reached and found the entirety of the review reasonable – the same work scope for a different time period. Similarly, 2022 GSBA reasonableness review is taking place

<sup>345</sup> PGE-03, p. 7-7, Table 7-5; See PGE-03, Chapter 7, Attachment C for PG&E’s Discovery responses related to GSBA.

<sup>346</sup> A.21-06-021, Exhibit (PG&E-80), p. 2-AtchG.

<sup>347</sup> D.23-11-069, p. 759 and p. 762.

in the WGSC, A.23-06-008. Regardless, TURN did not object to the inclusion of the GSBA here, and the Scoping Memo identifies the reasonableness of the GSBA costs as a scoped issue.

Cal Advocates contends that “PG&E’s response is misleading because PG&E is actually including \$9.015 million in expense and \$115.7 million in capital expenditures in the GSBA in its 2024 WMCE application.”<sup>348</sup> PG&E has confirmed that this is a reasonableness review – and not cost recovery – for the GSBA as explained above and as stated in discovery.<sup>349</sup>

**D. GSBA Cost Review Is Within the Scope of the Proceeding, and No Party Contested the Inclusion of This Issue**

It would be procedurally improper and substantively unfair to refuse to consider cost reasonableness after TURN and Cal Advocates have engaged in an extensive discovery but failed to raise any objections to the proceeding’s scope. TURN did not object to reasonableness review of the GSBA in its protest or amended protest, in the joint prehearing conference statement, or at the prehearing conference. Likewise, Cal Advocates did not object to the Commission’s review of the GSBA when PG&E included it during a pre-filing presentation to Cal Advocates, nor did Cal Advocates object in its protest, in the joint prehearing conference statement, or at the prehearing conference. The review of these costs is appropriately in scope under the Scoping Memo, unobjected to by TURN and Cal Advocates.

**E. No Party Has Contended that PG&E’s GSBA Costs Are Not Reasonable**

Neither Cal Advocates nor TURN has contended that PG&E’s GSBA costs were not reasonable.

**XI. PUB. UTIL. CODE §§ 451.1 AND 1701.8 DO NOT APPLY TO PG&E’S REQUESTED COST RECOVERY BUT SUPPORT IT IN CONCEPT**

The Scoping Ruling suggests that “parties may wish to address” the “[a]pplicability of Pub. Util. Code §§ 451.1 and 1701.8 to PG&E’s requested cost recovery” to the extent that these

---

<sup>348</sup> CA-06, p. 16, lines 3-5.

<sup>349</sup> PG&E’s response to Data Request\_CalAdvocates\_046\_Q002b, dated 5/14/2025.

provisions are “relevant.”<sup>350</sup> They are not applicable, strictly speaking. But they underscore the reasonableness of PG&E’s costs here.

These provisions are inapplicable because they were enacted after the Camp Fire and solely are concerned with fires that ignited after July 12, 2019<sup>351</sup> – which post-dates both the ignition of the Camp Fire and PG&E’s decision to underground in the Town of Paradise area. For this same reason, Butte Community Rebuild costs would not qualify for the Wildfire Fund and must be recovered through rates.

These provisions, however, are consistent with PG&E’s decision to underground in the area. The legislature enacted Sections 451.1 and 1701.8 through SB 901 and AB 1054 as part of the State’s response to the dramatic increase in wildfire risk as a result of climate change. They represent the Legislature’s considered judgment that, in light of this rapidly evolving risk, utilities must prioritize wildfire mitigation investments, including the maintenance of a safety certificate as part of the WMP process. Provided that a utility makes the requisite qualifying investments in its system, it will qualify both for cost recovery following a utility-involved wildfire and for access to the Wildfire Fund for fire-related claims.<sup>352</sup>

Importantly, these provisions also represent the legislature’s view that utilities should not be denied cost recovery in connection with fires that ignited *before* July 12, 2019. This makes sense. Wildfire dynamics in California changed rapidly in the years leading up to the passage of SB 901 and AB 1054, requiring an overhaul in how utilities approach wildfire mitigation to respond to these emerging risks.<sup>353</sup> Denying utilities cost recovery for fires that occurred before these new, aggressive wildfire measures were framed and funded would be unfair.

---

<sup>350</sup> Scoping Ruling, pp. 3-4.

<sup>351</sup> Section 451.1 became effective January 1, 2019 pursuant to SB 901. Section 1701.8 became effective July 12, 2019 pursuant to AB 1054. Both statutes apply only to wildfires that ignited on or after July 12, 2019. Pub. Util. Code §§ 1701.8(a)(1), 451.1(a)(1).

<sup>352</sup> Pub. Util. Code §§ 451.1(c); 1701.8(b)(1)(A).

<sup>353</sup> See generally SB 901, AB 1054.

PG&E's response to the Camp Fire is fully consistent with the policies enacted by the legislature through SB 901 and AB 1054 in response to the rapid increase in wildfire risk in California. Wildfire risk from utility equipment once was considered to be primarily a Southern California issue. Over the last decade, it has become clear that the risk in PG&E's territory, and statewide, has grown dramatically. The legislature acted quickly and decisively to require utilities to make major investments in reducing this risk. PG&E initiated the Butte Community Rebuild in part to reduce risk aggressively in an area that had experienced decades of wildfire events. And, consistent with § 451.1, PG&E has maintained our safety certification through the WMP process persistently since the enactment of these wildfire mitigation laws and policies.

## **XII. RATEMAKING**

Except for challenging certain costs, as addressed above, no party objected to PG&E's ratemaking proposals.<sup>354</sup> Therefore, the Commission should adopt them as reasonable.

In this application, PG&E seeks recovery of \$412 million in total revenue requirement (excluding interest and RF&U) for the period of 2018 through 2030. Table 44 below presents the revenue requirement by balancing account and memorandum account.<sup>355</sup>

---

<sup>354</sup> See generally PG&E-1, Chapter 14.

<sup>355</sup> PGE-01, p. 12-3, Table 12-1.

**TABLE 44**  
**2024 WILDFIRE MITIGATION AND CATASTROPHIC EVENTS (WMCE)**  
**REVENUE REQUIREMENT SUMMARY**  
**(THOUSANDS OF DOLLARS)**

Line No.	Memorandum Account	Expense Revenue Requirement	Capital Revenue Requirement	Total Revenue Requirement
1	CEMA Events	\$47,524	\$21,277	\$68,802
2	Butte Community Rebuild CEMA	2,089	315,549	317,638
3	GSRMA	3,582	4,368	7,950
5	CAVAMA	961	–	961
6	CPPMA	2,342	–	2,342
7	DMA	5,714	–	5,714
8	PIPPMA	1,525	–	1,525
9	ECPMA	1,363	–	1,363
10	ML-CDMMA	1,217	–	1,217
11	CPPMA Incremental Uncollectibles	4,436	–	4,436
12	MGMA	111	–	111
13	GSBA <sup>(a)</sup>	–	–	–
14	Subtotal without interest	\$70,864	\$341,194	\$412,058
15	Interest (2018-2027)	13,244	9,654	22,898
16	Total (including Interest)	\$84,108	\$350,848	\$434,956

(a) GSBA is a two-way balancing account with an authorized revenue requirement in the 2023 General Rate Case (GRC). Costs are presented in PGE-01, Chapter 7 for reasonableness review. There are no revenue requirement requests for GSBA in this application and the Revenue Requirement will be trued-up at the end of the 2023 GRC Cycle.

Table 12-3 in PG&E’s Prepared Testimony presents revenue requirement by Electric Distribution, Gas Distribution, Electric Generation (EG), and Gas Transmission and Storage (GT&S).<sup>356</sup>

### XIII. CONCLUSION

The Commission should grant PG&E’s cost recovery proposal. To summarize the most pertinent areas of dispute at a high level:

- **Butte Community Rebuild:** Undergrounding in the Town of Paradise area was the right thing to do. There is no value in conducting another proceeding to

<sup>356</sup> PGE-01, p. 12-15, Table 12-3.

review the cause of the fire and PG&E's pre-fire operations. PG&E accepts that the Commission's determinations on these issues are settled. Intervenors must, as well. The regulatory process should focus now on investments in making California safer, as the Commission recognized in the Wildfire OII.

- **CEMA and Other Memorandum Account Costs:** Cal Advocates' incrementality and accounting arguments boil down to a disagreement with how PG&E forecasts and accounts for costs. Yet when presented with the chance to agree to a proposal in PG&E's GRC that would have codified the CEMA recovery practices that Cal Advocates incorrectly asserts are already in place, it opposed them. The CEMA account and the other memorandum accounts at issue are the only available mechanism for the recovery of costs associated with the incremental activities covered by them. Cal Advocates' proposals would deny PG&E rate recovery for reasonable activities in contravention of state law and Commission rules.
- **GSBA Costs:** It makes sense to review these costs now, while they are fresh. They are within the scope of the proceeding without objection from intervenors. They will have no rate impact at this time and simply will fold into PG&E's total costs for a future true up (which may or may not result in rate recovery). There is no justification for postponing reasonableness review.

Respectfully Submitted,

By: */s/ Sean P.J. Coyle*

---

SEAN P.J. COYLE

Coblentz Patch Duffy & Bass, LLP  
One Montgomery Street, Suite 3000  
San Francisco, CA 94104  
Telephone: (415) 391-4800  
Email: [scoble@coblentzlaw.com](mailto:scoble@coblentzlaw.com)

Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: May 8, 2026