STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
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TO PARTIES OF RECORD IN APPLICATION 23-06-008:

This is the proposed decision of Administrative Law Judge Elaine Lau. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's November 19, 2026 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

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

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

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:nd3
Attachment

Decision **PROPOSED DECISION OF ALJ LAU (Mailed 9/18/26)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Recovery of Recorded Expenditures in Memorandum and Balancing Accounts Related to Wildfire and Gas Safety (U 39 M).	Application 23-06-008

DECISION APPROVING PACIFIC GAS AND ELECTRIC COMPANY'S 2020-2022 COSTS RECORDED IN WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT AND FIRE RISK MITIGATION MEMORANDUM ACCOUNT

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DECISION APPROVING PACIFIC GAS AND ELECTRIC COMPANY'S 2020-2022 COSTS RECORDED IN WILDFIRE MITIGATION PLAN MEMORANDUM ACCOUNT AND FIRE RISK MITIGATION MEMORANDUM ACCOUNT

Summary

This decision authorizes Pacific Gas and Electric Company (PG&E) to recover approximately $1,768.4 million (or $1.769 billion) in 2020-2022 costs recorded in the Wildfire Mitigation Plan Memorandum Account (WMPMA) and Fire Risk Mitigation Memorandum Account (FRMMA). The costs recorded in the WMPMA and FRMMA consist of expenses and capital expenditure PG&E incurred to implement wildfire mitigation activities.

From 2020 through 2022, PG&E recorded a total of approximately $2,495.4 million (or $2.495 billion) in wildfire mitigation costs in the WMPMA and FRMMA. Of these recorded costs, PG&E is requesting approximately $2,245.7 million in cost recovery, after removing approximately $250 million from the requested costs for recovery. After careful evaluation of PG&E's recorded costs, this decision determines that approximately $477 million of the $2,495.4 million in recorded costs is not incremental or reasonable and disallows the recovery of these costs. Compared to PG&E's request, this decision approves approximately $1,768.4 million in recovery for 2020-2022 costs recorded in the WMPMA and FRMMA (*i.e.*, a $477 million, or 21%, reduction to PG&E's request).[1]

This proceeding remains open.

[1] *See* Appendix A (Attachment 2 - Cost Summary Tables).

1. Background

1.1. Factual Background

On June 15, 2023, Pacific Gas and Electric Company (PG&E) filed Application (A.) 23-06-008 to seek recovery of costs spent in two broad categories: wildfire safety work performed during the years 2020-2022, and electric modernization and gas safety work performed primarily in 2022 (Application). PG&E initially requested recovery of these costs in its 2023 General Rate Case (GRC), A.21-06-021, but was directed to withdraw its requests and file this Application.[2]

This decision addresses the recovery of wildfire mitigation related costs that PG&E recorded in the Wildfire Mitigation Plan Memorandum Account (WMPMA) and Fire Risk Mitigation Memorandum Account (FRMMA) in 2020 through 2022. As discussed below, the WMPMA and FRMMA were established by authority granted in Senate Bill (SB) 901 (Dodd, 2018), which was later superseded by Assembly Bill (AB) 1054 (Holden, 2019). Costs associated with PG&E's gas safety and electric modernization work will be addressed through a future decision in this proceeding.

1.1.1. Pacific Gas and Electric Company's Wildfire Mitigation Plans

Following the 2017 and 2018 catastrophic wildfires, the California Legislature enacted SB 901 on September 21, 2018, and AB 1054 on July 12, 2019.

Among other things, SB 901 required electric utilities, such as PG&E, to prepare and submit an annual Wildfire Mitigation Plan (WMP) to the

[2] *See* April 25, 2023 E-mail Ruling Denying Pacific Gas and Electric Company's Motion for a Track 3 in A.21-06-021.

Commission for review and approval.[3,4] Pursuant to SB 901, the Commission issued Decision (D.) 19-05-036 (WMP Guidance Decision) to set the guidance and requirements for electric utilities to file their annual WMPs. The WMP Guidance Decision also establishes the standards for cost recovery of the wildfire mitigation activities set forth in the utilities' WMPs.

PG&E asserts that the costs it is requesting to recover in this proceeding are incremental costs recorded to implement wildfire mitigation activities set forth in PG&E's 2019, 2020, 2021, and 2022 WMPs.

1.1.2. Wildfire Mitigation Plan Memorandum Account and Fire Risk Mitigation Memorandum Account

In the WMPMA, PG&E records costs that were incurred for activities approved in its 2020-2022 WMPs, and that are incremental to its GRC revenue requirements or other cost recovery approvals. In the FRMMA, PG&E records costs that were incurred for wildfire mitigation activities that are not approved in its WMPs, and that are incremental to its authorized revenue requirement. Activities recorded in the FRMMA may include an activity that began before it gets approved as part of the WMP.[5]

1.1.3. Third-Party Audits

There were two independent audits conducted on the costs requested for recovery in this Application. The first audit was conducted by Ernst and Young (EY). PG&E hired EY to review PG&E's recorded costs prior to requesting the recovery of these costs in this Application. The second audit was conducted by

[3] Because of PG&E's reliance on SB 901 in this Application, even though AB 1054 superseded SB 901, the latter provision is cited here.

[4] Public Utilities Code (Pub. Util. Code) Section 8386(b).

[5] Application at 8.

Grant Thornton (GT). The Commission appointed GT to conduct an independent review of PG&E's costs.[6]

1.1.4. Penalties Ordered in Decision 20-05-019

D.20-05-019 (Wildfire OII Decision), which resolved the Order Instituting Investigation on PG&E's role in the 2017 wildfires, imposed penalties on PG&E that included a $1.823 billion disallowance for wildfire-related expenditures. In its request for recovery of the recorded 2020-2022 WMPMA and FRMMA costs, PG&E removed $233.6 million in revenue requirement to comply with the disallowances ordered in the Wildfire OII Decision.[7]

2. Procedural Background

On June 15, 2023, PG&E filed the instant Application to seek recovery of costs spent in two broad categories: wildfire safety work performed during the years 2020-2022, and electric modernization and gas safety work performed primarily in 2022. Concurrent with the Application, PG&E filed a Motion for Interim Rate Relief (Interim Rate Relief Motion).

On July 17, 2023, The Utility Reform Network (TURN) and the Public Advocates Office at the Commission (Cal Advocates) filed protests to the Application and filed responses to PG&E's Interim Rate Relief. PG&E filed replies to TURN's and Cal Advocates' protests and filed a reply to their responses to PG&E's Interim Rate Relief Motion on July 27, 2023.

On July 17, 2023, the Direct Access Customer Coalition (DACC) filed a motion for party status. Party status was granted to DACC via an email ruling issued by the assigned Administrative Law Judge (ALJ) on October 10, 2023.

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[6] PG&E Opening Brief at 56-59.

[7] Ex. PGE-1, Chapter 1 at 14.

On September 1, 2023, a prehearing conference was held to discuss the issues of law and fact, the need for hearing, and the proceeding schedule.

On November 1, 2023, the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued. Among other things, the Scoping Memo set two tracks to resolve the matters in this proceeding: Track One, which is the subject of this decision, addresses the recovery of costs associated with wildfire mitigation work recorded in the WMPMA and FRMMA. Track Two addresses the costs associated with gas safety and electric modernization work that are recorded in the other accounts reviewed in this proceeding.

On December 21, 2023, Energy Producers and Users Coalition (EPUC) and Indicated Shippers (IS) each filed a motion for party status. Party status was granted to EPUC and IS via an email ruling issued by the assigned ALJ on January 8, 2023.

On February 12, 2024, the assigned ALJ issued a ruling revising the proceeding schedule for Track One issues in response to Cal Advocates' motion filed on December 28, 2023.

On March 7, 2024, the Commission approved D.24-03-006 (Interim Rate Relief Decision). The Interim Rate Relief Decision granted PG&E's request for interim rate relief and authorized PG&E to collect in interim rates 75% of the requested $688 million revenue requirement, or $516 million in revenue requirement, over at least a 12-month period.[8] For Track One specific costs, the Interim Rate Relief Decision authorized PG&E to collect in interim rates

[8] D.24-03-006, Ordering Paragraph 1.

$428.9 million in revenue requirement, which is 75% of the requested $569.7 million in Track One revenue requirement.[9]

On April 16, 2024, the assigned ALJ issued a ruling that revised the Track One proceeding schedule for the second time in response to TURN's request, submitted on April 8, 2024, to accommodate delays for the issuance of a pending audit by Grant Thornton.

On June 11, 2024, the assigned ALJ issued a ruling that revised the Track One proceeding schedule for the third time in response to TURN's request, submitted on June 7, 2024, to again accommodate delays for the issuance of a pending audit by Grant Thornton.

On November 5, 2024, PG&E, TURN, Cal Advocates, EPUC and IS filed opening briefs. EPUC and IS jointly filed their opening brief.

On November 26, 2024, PG&E, TURN, EPUC and IS filed reply briefs. EPUC and IS jointly filed their reply brief.

On February 2, 2026, PG&E filed a motion to reopen the record to admit into evidence exhibits containing information about the 2023-2030 revenue requirements associated with the capital costs requested in Track One and Track Two of this proceeding (Motion to Reopen).

On April 16, 2026, an Assigned Commissioner's Amended Scoping Memo and Ruling was issued (Amended Scoping Memo), which granted the Motion to Reopen and amended the language of the scoped issues to clarify that the recovery of the 2023-2030 revenue requirements associated with the costs requested in PG&E's Application are within the scope of this proceeding.

[9] PG&E Opening Brief at 176.

On May 13, 2026, PG&E, Cal Advocates, TURN, EPUC and IS (collectively, parties) filed a joint status report (Joint Status Report). In the Joint Status Report, the parties mutually agree that sufficient opportunity will be provided, via PG&E's filing of a Tier 2 advice letter after the Commission's issuance of the final Track One and Track Two decisions, to review and intervene on the implementation of the 2023-2030 revenue requirements, and that additional evidentiary hearings, testimony or briefs in this proceeding are not needed. The parties also agree to certain processes and procedures relating to the processing of this Tier 2 Advice Letter.[10]

2.1. Submission Date

This matter was submitted on May 13, 2026, upon the filing of the Joint Status Report.

3. Issues Before the Commission

As set forth in the Scoping Memo and Amended Scoping Memo, this decision addresses the following Track One issues:

1. Whether the Commission should grant PG&E's request to recover the revenue requirement for associated costs recorded in the WMPMA and FRMMA;
    a. Whether the recorded costs of approximately $726 million in operating expenses and $1.543 billion in capital expenditures are reasonable and incremental in nature;
    b. Whether the costs are appropriate to record and recover through the corresponding account; and
    c. Whether the ratemaking proposal is reasonable.

[10] Joint Status Report in Response to Assigned Commissioner's Amended Scoping Memo and Ruling at 2-3.

3.2. Pacific Gas and Electric Company's Request

3.2.1. Pacific Gas and Electric Company's Recorded and Requested Costs

Between January 1, 2020 and December 31, 2022, PG&E recorded $2.495 billion of wildfire mitigation costs in the WMPMA and FRMMA, consisting of $969 million in expenses and $1.527 billion in capital expenditures. Of these costs, $864 million in expenses and $1.480 billion in capital expenditures are recorded in the WMPMA, and $105 million in expenses and $47 million in capital expenditures are recorded in the FRMMA.[11]

From these recorded costs, PG&E removed $250 million in accounting adjustments, consisting of approximately $246 million in expenses and $3 million in capital expenditures.[12] These accounting adjustments include costs EY identified in its audit and recommended be removed from PG&E's requests, costs removed to comply with penalties ordered in D.20-05-019, removal of overhead expenses to align with the 2020 GRC Decision, and concessions PG&E made in response to testimony.[13,14]

After removing these accounting adjustments, PG&E is requesting to recover in this Application $2.246 billion in wildfire mitigation costs, consisting of $722 million of expenses and $1,523 million of capital expenditures.[15] PG&E

[11] Ex. PGE-1, Chapter 16 at 6-8.

[12] The specific accounting adjustments consist of $246.296 million for expense and $3.402 million for capital expenditure. *See* Ex. PGE-1, Chapter 16 at 7-8.

[13] A more detailed discussion of these accounting adjustments can be found in Section 8, Accounting Adjustments, in this decision.

[14] Ex. PGE-1, Chapter 16 at 6-7.

[15] Ex. PGE-1, Chapter 16 at 6-7.

asserts that the requested costs are incremental to the funds approved in D.20-12-005, PG&E's Test Year 2020 GRC Decision (2020 GRC Decision).

3.2.2. Presentation of Pacific Gas and Electric Company's Requested Costs

In this proceeding, PG&E presents its recorded costs for a variety of different wildfire mitigation activities. PG&E's testimony spans multiple chapters, with each chapter representing a broad category of activities, henceforth referred to as a cost category, such as the Overhead Electric Distribution Asset Inspections Cost Category. Each cost category is comprised of specific related activities, such as overhead patrols, detailed overhead inspections, *etc*. The costs incurred for each activity are recorded in specific Maintenance Activity Type (MAT) codes or Major Work Categories (MWC).

In Section 6 below, Evaluating Costs by Each Cost Category, we first review each cost category, describing at a high level the types of activities that are grouped under each respective cost category, then examine each wildfire mitigation activity in the cost category, and finally carefully analyze whether the costs recorded for each of these wildfire mitigation activities are incremental and reasonable.

3.3. Intervenors' Positions

3.3.1. The Utility Reform Network

TURN recommends disallowing $1.375 billion, or approximately 55%, of the total costs recorded in PG&E's WMPMA and FRMMA, arguing that PG&E failed to meet its burden of demonstrating that these costs are incremental and reasonable.[16] Including the $233.6 million in disallowances ordered by

[16] TURN Opening Brief at 134.

D.20-05-019, TURN recommends that PG&E not recover more than $870.5 million, or 39% of its requested recovery of $2.25 billion.[17]

3.3.2. Cal Advocates

Cal Advocates asserts that PG&E did not provide the requisite transparency and clarity in this Application to prove the reasonableness of the costs recorded in the WMPMA and FRMMA. For the WMPMA, Cal Advocates recommends disallowing $613 million of PG&E's requested capital expenditures and $280 million of PG&E's requested expenses. With these disallowances, Cal Advocates recommends approval of $865 million in capital expenditures and $367 million in expenses recorded in the WMPMA. For the FRMMA, Cal Advocates recommends disallowing $5 million of PG&E's requested capital expenditures and $22 million of PG&E's requested expenses. With these disallowances, Cal Advocates recommends approval of $42 million in capital expenditures and $54 million in expenses recorded in the FRMMA.[18]

3.3.3. Energy Producers and Users Coalition and Indicated Shippers

EPUC and IS argue that PG&E must demonstrate that the recorded costs were reasonably and prudently incurred, incremental, and affordable. EPUC and IS argue that PG&E cannot justify its overspending simply on the basis that these were costs spent on activities set in its WMPs. They also argue that PG&E did not incur costs reasonably because PG&E failed to consider lower cost alternatives in its wildfire mitigation activities. As for the third-party audit conducted by EY, EPUC and IS argue that this audit does not prove the effectiveness or prudence of PG&E's overspending and do not demonstrate that

[17] TURN Opening Brief at 134; Ex. TURN-1 at 27.

[18] Cal Advocates Opening Brief at 1.

the recorded costs were reasonable. EPUC and IS also assert that this third-party audit does not demonstrate that PG&E's recorded costs are incremental. EPUC and IS support the disallowances proposed by TURN and Cal Advocates.[19]

4. General Principles for Review

4.1. Legal Standard

As the Applicant, PG&E must demonstrate, by a preponderance of the evidence, that its cost recovery request in this Application is just and reasonable, as set forth in Pub. Util. Code Section 451 and under the prudent manager standard.

As provided by Pub. Util. Code Section 451,

> All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful.

In interpreting Section 451 for purposes of determining the reasonableness of utility costs, the Commission has used an established prudent manager standard to evaluate whether the requested costs are just and reasonable.

As provided in D.18-07-025 and D.87-06-021,

> The standard for reviewing utility actions has been established as one of reasonableness and prudence...The term "reasonable and prudent" means that at a particular time any of the practices, methods, and acts engaged in by a utility follows the exercise of reasonable judgment in light of facts known or which should have been known at the time the decision was made. The act or decision is expected by the utility to accomplish the desired result at the lowest reasonable cost consistent with good utility practices. Good utility

[19] EPUC and IS Opening Brief at 1-6.

practices are based upon cost-effectiveness, reliability, safety, and expedition.[20]

Under the prudent manager standard, the Commission does not evaluate reasonableness based on hindsight but based on what the utility knew or should have known at the time it made its decision, and extends to the actions or inactions that resulted in those activities being necessary.[21]

As the Applicant, PG&E must demonstrate the reasonableness of its requests by a preponderance of the evidence.[22] Under the preponderance of the evidence standard, PG&E has the burden to prove the reasonableness of its request with evidence that, when weighed with that opposing it, has more convincing force and greater probability of truth.

4.2. Recorded Costs Must Be Incremental and Reasonable

TURN argues that PG&E must demonstrate that the recorded WMPMA and FRMMA costs are incremental and reasonable and that PG&E's requested costs cannot be presumed to be reasonable simply because they were incurred for activities PG&E performed pursuant to its WMPs.[23] Similar to TURN, EPUC and IS also argue that PG&E is required to demonstrate that the costs incurred are reasonable, incremental, and affordable. EPUC and IS emphasize that recovery should not be guaranteed even if those costs were incurred for WMP activities.[24]

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[20] D.18-07-025 at 3-5; D.87-06-021, 24 Cal.P.U.C.2d at 486.

[21] D.23-11-069 at 25-26.

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

[23] TURN Opening Brief at 12.

[24] EPUC IS Opening Brief at 2.

The Commission has held that approval of WMP activities does not constitute approval of the costs incurred for the WMP activities. The Commission, in the WMP Guidance Decision, states, "Senate Bill 901 is explicit that approval of Wildfire Mitigation Plans does not constitute approval of the costs associated with the actions in the plan."[25]

In determining whether PG&E should recover the requested costs recorded in the WMPMA and FRMMA, we will evaluate, consistent with the standards of review established above, whether each of the requested costs meets the following conditions:

1. The cost incurred is incremental to previously authorized funding; and
2. The cost was just and reasonably incurred.

In this decision, we will first evaluate whether recorded costs are incremental and then evaluate whether these incremental costs are reasonable and recoverable.

4.3. Determining the Incrementality of Recorded Costs

In this section, we describe some general principles we use to evaluate whether the recorded expenses are incremental. While we use some general principles as a guide to determine incrementality, we will consider each set of recorded expenses individually and determine whether the recorded expenses are incremental by weighing the facts and evidence presented for each individual set of recorded expenses.

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

4.3.1. Pacific Gas and Electric Company's Position

PG&E asserts that the costs it requested to recover in this Application are incremental, and reflect the costs it incurred to implement new wildfire mitigation requirements, including the execution of PG&E's WMPs, as a result of SB 901. The costs for implementing these new requirements, according to PG&E, were not included in PG&E's 2020 GRC forecast. For work across Electric Distribution conducted in 2020 through 2022, PG&E overspent $497 million in expenses and $1.88 billion in capital expenditures. PG&E states it has not requested recovery of $299.7 million in expenses and $386.7 million in capital expenditures it overspent on base GRC work compared to the authorized funding from the 2020 GRC.[26]

PG&E explains that it conducted a multi-step process to ensure the costs it is requesting to recover in this Application are incremental. PG&E's multi-step process begins with an order level quality assurance review to confirm that the costs for each order were recorded correctly to the WMPMA or FRMMA, were incurred for CPUC-jurisdictional work that was conducted in High Fire Threat District (HFTD) areas in accordance with PG&E's approved WMPs, and were not recovered in the revenue requirement authorized in the 2020 GRC Decision.

Second, PG&E conducted a GRC Spend Analysis to confirm that only incremental costs were included for recovery in the Application. The GRC Spend Analysis consists of subject matter expert reviews on two types of work: Emergent Work and Increased Work. For Emergent Work, PG&E conducted a review to confirm that the category of work included in this Application was not part of PG&E's GRC forecast. For Increased Work, PG&E compared GRC

[26] PG&E Opening Brief at 30.

imputed adopted amounts to actual expenditures to confirm that PG&E used its GRC funding for each portfolio of work before including the costs in this Application.

Third, although PG&E's activity-based forecasting method does not assume any particular staffing level for its GRC forecast, as a cross-check PG&E analyzed its electric personnel headcount in response to historical intervenor concerns regarding the incrementality of straight-time labor and overheads in memorandum account applications. PG&E's analysis shows that PG&E increased its headcount for electric work by 35% or 2,418 personnel from 2018 to 2022, from 6,962 in 2018, when its 2020 GRC forecast was prepared, to 9,379 in 2022.[27] According to PG&E, the additional employees were needed to perform significant work from 2018 to 2022 in response to new State and Commission policies and requirements.[28]

Lastly, PG&E asserts that two independent audits confirm the requested costs are incremental. PG&E states the audit performed by EY confirms that PG&E's recorded costs are sufficiently supported, reasonable, incremental, and directly attributable to wildfire mitigation activities. According to PG&E, EY concluded that PG&E had overspent its GRC funding by $2.1 billion for the work requested for recovery in this Application and that PG&E shareholders absorbed excess costs of $388 million. PG&E also argues that GT's audit confirms PG&E's requested costs are incremental.[29]

According to PG&E, costs recorded in the WMPMA or FRMMA are for work that supports wildfire mitigation activities and is conducted within HFTD

[27] Ex. PGE-1, Chapter 15 at 16.

[28] PG&E Opening Brief at 29-32.

[29] PG&E Opening Brief at 58-59.

Tier 2, Tier 3, Zone 1, and additional buffer zone areas. Of these work activities, costs of work for an activity included in the 2020-2022 WMPs are recorded in the WMPMA and costs of work for an activity not included in the WMPs are recorded in the FRMMA. Work that does not meet these criteria was determined to be work in which funding was authorized in the GRC and was tracked as GRC base work.[30]

4.3.2. The Utility Reform Network's Position

TURN argues that PG&E did not sufficiently evaluate whether the costs requested in this Application were incremental.[31] TURN describes the process PG&E takes to determine incremental costs:

> PG&E had to determine which costs should be deemed GRC activities and assigned to the GRC — PG&E calls these "Base" or "Base GRC" costs — and which costs could be booked to the WMPMA or FRMMA, *i.e.*, were *incremental* to the Base GRC costs.[32]

TURN criticizes that PG&E's process of determining incremental costs fails to examine whether the work they booked into WMPMA or FRMMA was within the scope of work funded in the GRC:

> Under these criteria, the key determinant of how wildfire mitigation costs were booked was whether the work was conducted in an HFTD (or associated areas). If so (and the other criteria were met), the work was by default booked to the WMPMA or FRMMA. Importantly, PG&E did not examine whether the work was already funded in the GRC. It simply assumed that wildfire mitigation work performed in

[30] PG&E Opening Brief at 28.

[31] TURN Opening Brief at 46-49.

[32] TURN Opening Brief at 49.

> an HFTD was not a GRC Base activity and should be deemed incremental work to be booked to the WMPMA or FRMMA.[33]

According to TURN, PG&E determines wildfire mitigations costs to be incremental if the work was conducted in an HFTD. Because the GRC also funded work in HFTD areas, TURN argues that not all the costs PG&E recorded in the WMPMA or FRMMA are incremental.[34]

TURN explains:

> The effect of the cost assignment approach PG&E chose to use for this case is to fail to assign to GRC Base costs of HFTD work that was covered by GRC funding and to book excessive, non-incremental costs to the WMPMA and FRMMA for requested recovery in this case.[35]

Criticizing PG&E's method of determining incremental costs, TURN recommends the Commission consider costs to be incremental only if the costs were spent on work that is incremental to work authorized in the 2020 GRC. TURN recommends evaluating whether the recorded work is incremental by comparing the units of work completed with the units of work authorized in the GRC for similar work activities. The GRC-authorized units of work are provided in PG&E's Risk Spending Accountability Reports (RSAR), according to TURN. Under TURN's proposal, costs are not incremental if the costs were incurred to complete work previously authorized in the GRC, even if the actual spending was more than the authorized funding.[36]

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[33] TURN Opening Brief at 49.

[34] TURN Opening Brief at 45-52.

[35] TURN Opening Brief at 52.

[36] TURN Opening Brief at 53-55.

4.3.3. Cal Advocates' Position

Cal Advocates proposes evaluating incrementality based on the costs recorded in each MAT code every year. For each MAT code, Cal Advocates compares the GRC-authorized funding with the actual GRC spending and recommends a disallowance of the recorded WMPMA or FRMMA costs if PG&E spends less than the GRC-authorized funds, with the disallowance equal to the amount of PG&E underspending.[37]

4.3.4. Energy Producers and Users Coalition's and Indicated Shippers' Position

EPUC and IS recommend that, consistent with D.22-06-032 (Decision for Cost Recovery of Southern California Edison Company's Wildfire Mitigation Memorandum and Balancing Account Balances), the Commission determines incrementality by comparing the requested costs with relevant categories and types of costs authorized in the 2020 GRC. EPUC and IS assert that the Commission, in D.22-06-032, concludes that costs recorded in PG&E's memorandum accounts should not be used to offset forecast variances for unrelated budget categories since doing so is inconsistent with prospective ratemaking principles.[38]

4.3.5. Pacific Gas and Electric Company's Rebuttal

PG&E rebuts TURN's criticisms, arguing that it conducted a multi-part assessment to confirm that all the recorded costs were incremental, such as using an order tracking system and conducting analyses of its GRC spending. PG&E explains that, contrary to TURN's assertions, it did not determine costs to be incremental only on the basis that they were incurred for activities in HFTDs;

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[37] PG&E Opening Brief at 10-12.

[38] EPUC and IS Opening Brief at 11.

rather, the requested costs are incremental because they were incurred for wildfire mitigation activities that were not forecasted in the GRC.[39] According to PG&E, many of the wildfire mitigation activities performed were part of WMP programs created in response to SB 901 and differed from the activities that were forecasted in the 2020 GRC.

For activities categorized as Increased Work, PG&E asserts that the work is vastly greater in scope than the work forecasted in the 2020 GRC. As an example, PG&E explains that Detailed Overhead Inspections are enhanced inspections to improve wildfire mitigation safety pursuant to its WMPs, and are much greater in scope than the General Order (GO) 165 inspections authorized in the 2020 GRC.[40]

PG&E argues that TURN's recommendation of using units of work is not appropriate. Because its wildfire mitigation strategies changed as part of its WMPs, which was after its 2020 GRC was forecasted, PG&E explains that the wildfire mitigation work forecasted in the 2020 GRC was different than the actual work done in 2020-2022 and recorded in the WMPMA and FRMMA, even if the work was recorded under the same MAT code.[41]

Opposing Cal Advocates' recommendations, PG&E argues that Cal Advocates cherry picks underspending in specific MAT codes but disregards that PG&E substantially overspent its GRC funding. Asserting that it spent more than authorized in the GRC for each major category of related activities, though not for each specific MAT activity, PG&E explains that, at times, it needs to spend more on a particular MAT code and less on another MAT code for related

[39] PG&E Reply Brief at 27-28.

[40] PG&E Reply Brief at 2-6.

[41] PG&E Reply Brief at 23-25.

activities, because spending more on a related activity may make it unnecessary to spend as much on work under the other MAT code. PG&E argues that, under GRC ratemaking, utilities are given this flexibility to re-prioritize MAT level spending.[42]

4.3.6. Discussion

In this decision, we determine incrementality by reviewing the costs recorded per year, from 2020 through 2022, for each specific wildfire mitigation activity, as defined and presented by PG&E in its testimony.[43] The general standard we use to evaluate incrementality is to determine whether all GRC costs for each activity were exhausted before considering any costs recorded in the memorandum accounts (*i.e.*, WMPMA or FRMMA) as incremental.

Specifically, as we review costs by each specific activity and year, we determine that the costs recorded in the WMPMA or FRMMA from 2020 through 2022 are incremental if the recorded costs were incurred after all funds authorized in the 2020 GRC were exhausted. The authorized GRC funds were exhausted if PG&E's spending on GRC base work for a specific activity and for a specific year is equivalent to or greater than the funds authorized in the GRC for the same activity and for the same year. In instances where the authorized GRC funds are exhausted, the costs recorded in the WMPMA or FRMMA for that activity and for that year are incremental. Conversely, when PG&E's spending on GRC base work for a specific activity and a specific year was less than the funds authorized in the GRC for the same activity and the same year, then there

[42] PG&E Opening Brief at 44-49.

[43] At times, PG&E's testimony refers to its activities as programs. Because PG&E's testimony sometimes uses the terms program and activity interchangeably, this decision will use these terms interchangeably as well.

was an underspending of the authorized GRC funds, and the amount of the underspending was the difference between the costs recorded for the GRC base work and the GRC-authorized funds. The underspent amount is not incremental and should be removed from the costs recorded in the WMPMA or FRMMA before any of the recorded WMPMA or FRMMA costs are considered incremental.

PG&E's WMPMA and FRMMA were established pursuant to the authority provided in SB 901 and AB 1054. As amended by AB 1054, Pub. Util. Code Section 8386.4 stated:[44]

> a. At the time of approval of an electrical corporation's wildfire mitigation plan, the commission shall authorize the electrical corporation to establish a memorandum account to track costs incurred to implement the plan.
>
> b. (1) The commission shall consider whether the cost of implementing each electrical corporation's plan is just and reasonable in its general rate case application. Each electrical corporation shall establish a memorandum account to track costs incurred for fire risk mitigation that are not otherwise covered in the electrical corporation's revenue requirements. The commission shall review the costs in the memorandum accounts and disallow recovery of those costs the commission deems unreasonable.

By this language, the statute focused on costs incurred for fire risk mitigation that are incremental to the utility's approved revenue requirement. Similarly, the Legislature and the Commission also authorized the creation of the FRMMA for the recording of "costs incurred for fire risk mitigation that are not otherwise covered in the electrical corporation's revenue requirement" and that

[44] The code section cited below, as amended by AB 1054, was prior to the most recent amendments through SB 254, which became law on September 19, 2025.

are not part of an approved WMP.[45] Thus, a fundamental component of our review in this decision is whether the costs recorded in both the WMPMA and FRMMA were otherwise included in PG&E's approved revenue requirement, particularly the revenue requirement approved in PG&E's 2020 GRC.

To evaluate whether costs recorded in the WMPMA and FRMMA are incremental, we compare, for each work activity as presented in PG&E's testimony, the funds authorized in the 2020 GRC with the costs PG&E incurred for GRC base work. This provides a consistent methodology to evaluate whether the costs recorded in the WMPMA and FRMMA were incremental to the revenue requirement approved in PG&E's 2020 GRC and supports prospective ratemaking principles and Commission-approved guidelines.

In PG&E's Test Year 2020 GRC, the approved revenue requirement is based on approved costs for specific wildfire-related programs and work activities.[46] Similarly, PG&E's testimony in this proceeding is presented on an activity-by-activity basis. While PG&E's testimony and incrementality showing appear largely consistent with an activity-by-activity approach, there is one important distinction. Besides considering whether the recorded costs for a new work activity was not otherwise included in PG&E GRC, PG&E also determines incrementality by considering whether it "spent all the money approved in the 2020 GRC for conceptually related activities."[47] For costs incurred for Increased Work (*i.e.*, activities which were approved GRC work that increased in scope or were accelerated in schedule), PG&E demonstrates incrementality by comparing GRC imputed adopted amounts to actual expenditures to confirm that it had

[45] Pub. Util. Code § 8386.4(b)(1).

[46] *See* D.20-12-005 at 53-128.

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

exhausted its GRC funding at the portfolio level of work.[48] PG&E's portfolio level approach is flawed. If the goal, as stated by PG&E, is to compare "conceptually related activities," then a more accurate comparison is to evaluate incrementality on an activity-by-activity basis as they were presented and considered in PG&E's 2020 GRC. Therefore, in this decision, we compare, for each work activity, the GRC-authorized funds with the costs incurred for GRC base work to evaluate whether PG&E exhausted its GRC funding for each of these activities and determine whether the costs PG&E recorded in the WMPMA or FRMMA for each of these activities are incremental.

The activity-by-activity approach used to review incremental costs in this decision is consistent with the approach used to determine incrementality in D.22-06-032, the decision addressing Southern California Edison Company's Track 3 request for recovery of wildfire mitigation memorandum and balancing account balances. D.22-06-032 determines the incrementality of wildfire mitigation costs recorded in memorandum and balancing accounts on an activity-by-activity basis. D.22-06-032 states,

> We find SCE's approach of determining incrementality on an activity-by-activity basis to be consistent with established prospective ratemaking principles and Commission-approved guidelines for determining incrementality, which the Commission recently reaffirmed in the SCE Catastrophic Event Memorandum Account proceeding (A.19-07-021)… Using costs recorded in a memorandum or balancing account to offset forecast variances for unrelated budget categories would be inconsistent with the prospective ratemaking principles outlined above and undermine the purpose of allowing utilities to establish memorandum and balancing

[48] From this analysis, PG&E asserts it spent $299.7 million more in expenses and $386.7 million in capital expenditures for base GRC work not included in the 2020 GRC forecast and for which PG&E has not sought recovery here. *See* PG&E Opening Brief at 29.

> accounts. Therefore, in assessing the incrementality of SCE's Track 3 request, we compare SCE's Track 3 costs to the relevant categories and types of authorized costs from the GSRP Settlement and SCE's 2018 GRC.[49]

Because we determine incrementality based on whether the recorded costs are incremental, we do not adopt TURN's recommendation of determining incrementality based on whether the recorded work was incremental. TURN's recommendation would set a standard for measuring the incrementality of wildfire mitigation based on units of work, which departs from the statutory focus on costs as discussed above.

Similarly, because we are reviewing costs on an activity-by-activity basis, we do not adopt Cal Advocates' recommendation to review costs by individual MAT codes. As presented in PG&E's testimony, costs for each work activity are recorded in one or more MAT codes. Accordingly, we agree with PG&E that costs should be reviewed by the work activity and not by individual MAT codes. If two or more MAT codes record costs for the same activity, it may be reasonable for PG&E to spend less than authorized on a particular MAT code if it spent more than authorized on the other MAT codes. Spending more on a particular MAT code may make it unnecessary for PG&E to spend as much on another MAT code under the same activity.

Finally, each party presents costs in their testimony differently. PG&E presents costs incurred for each activity for every year from 2020 through 2022. TURN compares the costs incurred and the costs authorized for each activity during the entire 2020 through 2022 period. Cal Advocates compares the costs

[49] D.22-06-032 at 9-10.

incurred and the costs authorized under a specific MAT code for every year from 2020 through 2022.

While we review costs recorded by specific wildfire mitigation activities and not by specific MAT codes, we will compare the costs authorized and the costs incurred for each work activity for each specific year from 2020 through 2022 when the record is available. Reviewing costs incurred and authorized by each specific year is consistent with how wildfire costs were reviewed in previous Commission decisions, specifically D.24-12-075, D.25-09-008, and D.26-02-004, in which the record presents costs recorded by the year. If, however, the costs are compared and presented as the total costs incurred during the entire 2020 through 2022 period, as in TURN's testimony, we will compare the total costs incurred and the total costs authorized during the entire 2020 through 2022 period as well, since the record is limited by the presentation of the data in the testimony.

4.4. The Role of Third-Party Audits

PG&E asserts that the third-party audits conducted by EY and GT affirm the incrementality of the requested costs. PG&E argues that both audits, which examined the reasonableness and incrementality of its requested costs, found that the recorded costs are reasonable and incremental and were accurately recorded and incurred for activities appropriate for the WMPMA and FRMMA. PG&E argues that the EY audit conducted an order-level review of PG&E's testimony to determine incrementality and that GT's audit assessed incrementality of costs.[50]

[50] PG&E Opening Brief at 56-59.

TURN argues that the audit reports confirm accounting accuracy but do not assess incrementality.[51] Rebutting TURN's argument, PG&E argues that EY's audit adhered to general industry practice of determining incrementality.[52]

EPUC and IS argue that the EY and GT audits did not sufficiently prove the requested costs were reasonable and prudent. EPUC and IS assert that the EY audit had a narrow scope that focused primarily on whether the recorded costs were accurate and related to wildfire activities. They also assert that the GT audit is an accounting audit of the recorded costs and does not assess the effectiveness or prudence of the overspending.[53]

We find the third-party independent audit reports provide additional data that help the Commission evaluate the incrementality of the recorded costs but are not determinative of whether the recorded costs are incremental or reasonable. In conjunction with the findings in the third-party audit reports by EY and GT, we use the methodology adopted in this decision and fact specific showings to make the final determinations of whether the recorded costs for each specific wildfire mitigation activity are incremental and reasonable, as further discussed below.

4.5. Just and Reasonableness of WMP Costs

PG&E argues that WMP activities are reasonable, necessary, and appropriate and that approval of WMP activities means that the activities have been found to be appropriate and necessary for wildfire mitigation. PG&E

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[51] TURN Opening Brief at 66.

[52] PG&E Reply Brief at 8-12.

[53] EPUC and IS Opening Brief at 14-16.

emphasizes that, after its WMP was approved, PG&E was required to perform the specified activities.[54]

We evaluate the reasonableness of WMP activities by the manner in which PG&E performed these activities, not simply based on whether the activity was approved as part of a WMP. Even if an activity was performed as part of an approved WMP, it will not be considered reasonable unless the activity was performed in a reasonable manner as a prudent manager would have performed it based on what was known, or should have been known, at the time.

Additionally, cost-effectiveness is one of the factors we consider in evaluating the reasonableness of costs. In order for the costs to be deemed reasonable, costs need to be spent on prudent utility practices that, among other things, are cost-effective and can accomplish desired results at the lowest reasonable costs. In evaluating the reasonableness of the costs incurred, we will also consider, among other things, whether costs were incurred in a cost-effective manner.[55]

5. Evaluating Recommendations Across All Cost Categories

In this section, we address general arguments and recommendations from intervenors that relate to cost items across multiple cost categories or chapters. Specifically, we discuss TURN's arguments on the reasonableness of the requested costs and Cal Advocates' recommended disallowances that apply to multiple cost categories or chapters.

After addressing these recommendations that pertain to broad categories of costs, we then evaluate each cost category and the specific costs recorded

[54] PG&E Reply Brief at 21-22.

[55] D.18-07-025 at 3-5; D.87-06-021, 24 Cal.P.U.C.2d at 486.

under each category in the next section (Section 6, Evaluating Costs by Each Cost Category).

5.1. The Utility Reform Network's Recommended Disallowances Affecting Multiple Cost Categories

5.1.1. Overlapping Incrementality and Reasonableness Disallowances

As discussed below, TURN recommends disallowing costs based on reasons of incrementality, reasonableness, or sometimes both. For many of TURN's recommendations, the incrementality disallowances and reasonableness disallowances overlap. For example, of the $155.469 million in costs recorded for the detailed overhead inspections in MAT BFB, TURN recommends disallowing a total of $137.112 million of costs, consisting of a recommended incrementality disallowance of $70.708 million and a recommended reasonableness disallowance of $121.799 million.[56]

5.1.2. The Utility Reform Network's Recommended Incrementality Disallowances

For many of the wildfire activities and programs that will be discussed in Section 6 below, TURN argues that costs are not incremental because they were not incurred for incremental work, such as when PG&E completes less units of work than that authorized in the GRC for the same activity. As discussed above, the Commission does not find TURN's incrementality argument persuasive. We decline to adopt TURN's recommended disallowances based on the argument that the work was not incremental.

[56] TURN Opening Brief at 132-133.

Additionally, TURN recommends disallowing 50% of the recorded costs of work activities in which the GRC-authorized units of work were not recorded because only 50% of the recorded costs are incremental. TURN estimates that approximately 50% of PG&E's service territory is in HFTD territories. On this basis, TURN argues that only half the funds approved in the GRC for these activities were for work in HFTD areas and the remainder of the recorded costs should be considered incremental to the funds authorized in the GRC.[57]

Objecting to TURN's 50% disallowance for non-unitized work as arbitrary, PG&E argues that the size of service territory is not relevant compared to the percentage of assets in higher wildfire risk areas because inspections and maintenance are performed on equipment and not territory. While 50% of PG&E's service territory falls within HTFDs, PG&E explains that only 26% of its PG&E's distribution assets are in HFTDs and High Fire Risk Areas (HFRAs).[58,59]

We are not convinced by TURN's arguments. We do not agree with the logic behind TURN's argument that, because 50% of the GRC funds were authorized for work in HFTD areas, then only 50% of the recorded costs should be considered incremental. Furthermore, there is no evidence supporting TURN's arguments that 50% of the GRC funds were authorized for work in HFTD areas.

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[57] TURN Opening Brief at 56-58.

[58] Ex. PGE-6, Chapter 15 at 19.

[59] HFTDs are "areas where there is an elevated hazard for utility-associated wildfires to occur and spread rapidly, and where communities face an elevated risk from utility-associated wildfires." HFTDs are identified by the Commission. Additionally, PG&E also identified HFRAs, which are the HFTD Tier 2 and Tier 3 areas and the areas "where an ignition during an office wind event could lead to a catastrophic wildfire." *See* Ex. PGE-1, Chapter 1 at 9-10.

5.1.3. The Utility Reform Network Contests the Reasonableness of the Requested Costs

TURN argues that the costs in this Application are not reasonable for the following reasons:

1. PG&E did not conduct a cost-effectiveness analysis to demonstrate that the costs were incurred cost-effectively;
2. PG&E incurred cost overruns to correct PG&E's past imprudence;
3. PG&E incurred significant cost increases beyond its GRC forecast without a reasonable cause; and
4. PG&E performed poor quality wildfire mitigation work.

For capital expenditures that are found to be unreasonable, TURN recommends applying a permanent disallowance on these capital expenditures.

We discuss each of TURN's recommendations below.

5.1.3.1. Lack of Cost-Effectiveness Analysis

TURN, in its testimony, asserts that PG&E often did not sufficiently perform cost-effectiveness analysis, providing only the Risk Spend Efficiency (RSE) measures for 2022. For many of these activities, PG&E argues that, because of the urgency of the work, PG&E could not perform a cost-effectiveness analysis prior to performing the work.

The Commission's decision adopting RSEs for utility safety work pre-dates the period at issue in this case; however, D.18-12-014 only required utilities to use RSEs as part of a forward-looking forecast in utility Risk Assessment and Mitigation Phase (RAMP) and GRC filings.[60] (RSE has since been supplanted in later years by another test, the Benefit Cost Ratio (BCR), but the relevant test in 2020-2022 was the RSE).

[60] D.18-12-014 at 22-35.

By contrast, the Commission did not require utilities to provide RSEs or similarly rigorous cost-effectiveness analysis after the fact as part of their just and reasonableness showing for work done in 2020-2022 pursuant to a WMP and recorded in a WMPMA or FRMMA. The Commission explained this in D.24-03-008, Decision Addressing Southern California Edison Company's Request for Recovery of 2021 Wildfire Mitigation and Vegetation Management Memorandum and Balancing Account Balances:

> [T]he Commission has not in previous decisions specifically required the inclusion of RSEs or specific risk-benefit calculations in WMPMA filings. But we believe that having this information in the future, to the extent feasible, would assist us in reviewing SCE's WMPMA and FRMMA applications. Because D.18-12-014 and D.22-12-027 require preparation of RSEs and CBRs by tranche, SCE should use its discretion to determine the level of program or activity aggregation at which to provide the requested information.[61]

The Commission may of course impose new requirements for future wildfire mitigation costs and activities. But, in this proceeding, RSEs or other similarly rigorous cost-effectiveness analysis are not required as a condition to approve costs for work done in 2020-2022.

5.1.3.2. Cost Overruns Due to Past Imprudence

TURN argues that PG&E incurred unnecessarily high costs to expedite wildfire mitigation work needed to remedy PG&E's past imprudence. According to TURN, PG&E did not maintain its overhead electric system safely and allowed it to deteriorate to unsafe conditions. PG&E's poor planning and imprudent management of its systems, TURN argues, was evidenced by the

[61] D.24-03-008 at 72, mod. other grounds, reh. den. D.24-06-025.

catastrophic wildfires caused by PG&E's electric facilities from 2015 through 2020, and the numerous safety violations it received. TURN asserts that, because of the urgent need to fix PG&E's unsafe system, PG&E had to use external contractors and overtime that led to unreasonable cost overruns. TURN argues it is not reasonable to impose these significant cost overruns on ratepayers because the overruns are the result of PG&E's need to urgently rectify its past imprudence.

Agreeing with TURN, EPUC and IS also argue that PG&E's past imprudence in vegetation management and wildfire risk mitigation led to the need for PG&E to perform the wildfire mitigation activities and incur the costs requested in this Application. As a result, EPUC and IS argue the requested costs are not prudent.[62]

In response, PG&E argues the primary issue to consider in this proceeding is whether PG&E's decisions were prudent at the time it conducted the wildfire mitigation activities. PG&E argues that a utility is not expected to meet a "perfection" standard to meet the prudent manager standard under Pub. Util. Code Section 451, but that the utility only needs to demonstrate that its actions and decisions are reasonable in light of what it knew or should have known at the time. According to PG&E, it acted immediately to address the emergency wildfire risk to its system based on what PG&E knew at the time and devised programs to urgently mitigate wildfire risk in accordance with the legislative mandates requiring California utilities to establish WMPs. PG&E requests that its cost recovery proposal be evaluated by whether its activities, including those that developed new approaches to wildfire risk as mandated by law, policy and

[62] EPUC and IS Opening Brief at 17-19.

environmental conditions, were reasonable at the time and not based on prior findings and remedies for which it has already been penalized.

We find TURN's arguments about PG&E's past prudence on wildfire mitigation unpersuasive. Rather, we agree with PG&E that, under the prudent manager standard, we evaluate whether PG&E's actions and decisions were reasonable based on what it knew or should have known at the time. Therefore, in this proceeding, we evaluate whether PG&E's wildfire mitigation activities and decisions were reasonable in mitigating wildfire risks based on the specific facts known at the time PG&E was directed to implement the new state and legislative wildfire mitigation mandates that led to the costs incurred and reviewed in this proceeding, and not based on its actions or inactions prior to that.

5.1.3.3. Cost Increases Since Pacific Gas and Electric Company's 2020 General Rate Case Forecast

According to TURN, PG&E has failed to justify why its recorded costs are higher than forecasted in the 2020 GRC, even for similar wildfire mitigation activities, such as asset inspections, maintenance or replacement. While PG&E explains that the cost increases were incurred for implementing its WMPs, TURN asserts that there were no new legislative or Commission GO 95 or GO 165 requirements justifying these cost increases.

PG&E explains that the higher costs resulted from higher volumes and expanded wildfire mitigation activities that were performed in accordance with its approved WMPs. As an example, PG&E points to more costs incurred as a result of expanding its inspections and performing more maintenance and repair work that was identified by the expanded inspections.

We find it plausible for PG&E to incur reasonably higher costs than its 2020 GRC forecast in implementing its approved WMPs. Pursuant to SB 901 and AB 1054, each of the major investor-owned utilities, including PG&E, had to submit WMPs meeting a list of requirements set forth in Pub. Util. Code Section 8386. These WMP requirements provide the utilities with a more rigorous and structured approach to mitigating wildfire risk. The establishment and implementation of WMPs was a paradigm shift for how utilities like PG&E should approach mitigating wildfire risk. In support of requiring the utilities to implement carefully planned, rigorous, and structured WMPs, SB 901 provided wildfire mitigation cost memorandum accounts as avenues for utilities to seek recovery of the costs needed to implement the WMPs. The 2020-2022 costs recorded in PG&E's WMPMA and FRMMA are the costs we are reviewing in this Application. As we carefully examine each set of costs in the later sections of the decision, we will evaluate whether the higher costs PG&E incurred are reasonable based on the specific facts, circumstances, and decisions PG&E made when incurring each set of costs, including whether the manner in which PG&E performed the wildfire mitigation activities was reasonable.

5.1.3.4. Quality of Pacific Gas and Electric Company's Wildfire Mitigation Work

TURN argues that decisions and resolutions issued by the Commission and the Office of Energy Infrastructure Safety (OEIS) approving PG&E's WMPs have raised concerns about the reasonableness of wildfire mitigation costs based on the quality of PG&E's asset inspections and record keeping.

Approval of a WMP does not constitute approval of the costs associated with the actions in the WMP. Thus, while it may be appropriate to consider matters addressed during the process of consideration, approval, and ratification of a WMP, we reject the view that the WMP process and outcome are the only basis for determining whether costs of wildfire mitigation are reasonable. As stated earlier in this decision, we evaluate the reasonableness of WMP activities and the costs incurred for these activities by the manner in which PG&E performed these activities and incurred these costs, not simply based on whether the activity was approved as part of a WMP.

5.1.3.5. The Utility Reform Network's Recommendations for a Permanent Capital Disallowance

TURN recommends permanently disallowing any capital expenditures this decision finds to be unreasonable. By permanent disallowance, TURN means prohibiting PG&E from recovering these costs in this Application and in any future rate case proceedings, arguing unreasonable capital costs should not be included in rates at any time. In response, PG&E argues a permanent disallowance is similar to imposing a penalty in which PG&E continues to pay for the maintenance of the asset for years but does not receive rate recovery for the costs of the maintenance.

We decline to adopt a general policy for the recovery of capital expenditures found to be unreasonable, and will evaluate how recovery should be determined, including whether to permanently disallow recovery, on a case-by-case basis, based on the facts for each set of costs. While there is some logic to the argument that capital expenditures for an asset that is found unreasonable at the outset should not benefit from a rate of return, that asset, during its useful life, may still provide value to ratepayers in the future. This decision, however, does not preclude intervenors from recommending cost disallowances of capital expenditures in future proceedings.

In instances in this decision where capital expenditure were determined to be unreasonable because higher recorded unit costs were not justified, PG&E is disallowed from future recovery of the costs resulting from the higher unit costs that are beyond the costs of the assets based on the unit price determined to be reasonable. With respect to PG&E's arguments on future recovery of maintenance costs for these capital assets, these assets are in rate base but at the costs that were determined to be reasonable. PG&E may recover the maintenance costs for these capital assets.

5.2. Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories

Cal Advocates recommends disallowances across multiple cost categories for the following sets of costs: (1) internal straight-time labor expenses, (2) overhead expenses, (3) certain estimated goods receipts, (4) certain financial journal entries, and (5) cancelled orders. Rather than addressing these recommended disallowances separately in each cost category, we address these recommendations below.

5.2.1. Internal Straight-Time Labor Expenses

Cal Advocates recommends disallowing internal straight-time labor expenses and the associated overhead expenses related to straight-time labor. Cal Advocates argues that these expenses are not incremental unless PG&E created new positions and hired additional staff to perform incremental wildfire mitigation activities. Cal Advocates relies on D.23-02-017:

> [C]osts are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they in labor or material, to complete the new activity. The existence and completion of a new activity by itself does not prove the cost was incremental. If a new activity is completed by redirecting

> existing resources in a related work category, no incremental costs was incurred, despite the activity itself being 'incremental.'[63]

Cal Advocates argues that straight-time labor costs incurred without hiring new staff indicates that PG&E used existing employees as a redirected resource to complete work activities and that redirected labor resources are not incremental because the costs of these existing employees were previously authorized for recovery in rates. By the same reasoning, Cal Advocates argues that the overhead expenses PG&E purported to have incurred from additional straight-time labor are also not incremental and should be excluded from recovery.

Rebutting Cal Advocates' argument, PG&E asserts that it deployed additional resources and incurred additional labor and material costs to perform incremental work, even if it did not hire new employees. PG&E argues that it cannot perform new or expanded activities without incurring new material costs or burdening existing materials. The EY audit, PG&E argues, confirms that the straight time labor expenses recorded in the WMPMA and FRMMA are incremental.

We decline to adopt Cal Advocates' recommendation of disallowing internal straight-time labor expenses and the associated overhead expenses as non-incremental expenses. We recognize that performing incremental work requires more labor and overhead resources, even when there was no new hiring or purchase of materials, and that the additional labor and overhead resources and expenses needed to perform incremental work should be considered

[63] Cal Advocates Opening Brief at 12-15.

incremental. The incrementality of the straight-time labor expenses and the associated overhead expenses is confirmed by the EY audit.

We also disagree with Cal Advocates' reading of D.23-02-017.[64] Cal Advocates interprets D.23-02-017 to mean that only costs incurred for additional resources or labor are incremental. D.23-02-017 was describing a general principle of discouraging utilities from redirecting resources authorized in a GRC to activities that are included for recovery in a memorandum account. D.23-02-017, however, did not apply any incrementality analysis for any specific expenses and did not purport to set a precedent or Commission policy for determining incrementality in all circumstances.

5.2.2. Overhead Expenses

Arguing that PG&E did not demonstrate that these costs are incremental, Cal Advocates recommends disallowing the following overhead expenses: Paid Time Off, Indirect Labor, Benefits Overhead, Payroll Taxes Overhead, Operational Management and Support, Capitalized Administrative & General (A&G), Fleet Overhead, Material Burden, Materials Movement, Building Services, Information Technology (IT) Device Services Overhead, Minor Materials, Minor Materials Overhead, and Fleet Overhead. Cal Advocates relies on D.23-02-017 and argues that these overhead expenses are not incremental because PG&E did not procure additional materials that require incurring incremental costs.

Similar to straight-time labor expenses, we recognize that performing incremental work requires additional resources and overhead expenses, even when there was no new hiring or purchase of materials, and that the additional

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

labor and overhead resources and expenses needed to perform incremental work should be considered incremental. We also disagree with Cal Advocates' reading of D.23-02-017.[65] We therefore decline to adopt Cal Advocate's recommendation of disallowing the above overhead expenses.

5.2.3. Estimated Goods Receipts

Cal Advocates recommends disallowing certain recorded Estimated Goods Receipts that did not net to $0 in the same month. Cal Advocates argues that recovery of these expenses is not appropriate and is not reasonable because these costs should have netted to $0 in the same month or would be reversed to net $0 in the next month.

PG&E argues that the entries posted in Estimated Goods Receipts adhered to Generally Accepted Accounting Principles (GAAP), and that EY's audit confirms that the entries were reasonable and substantiated.

We find the Estimated Goods Receipts entries to be reasonable as they were recorded according to GAAP and were substantiated by EY's audit and decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

5.2.4. Financial Journal Entries Disallowance

Cal Advocates recommends disallowing certain Financial Journal Entries, arguing that PG&E did not adequately support these costs. Cal Advocates asserts that PG&E did not provide any invoices, contracts, purchase orders, reimbursement paperwork, and supporting documentation from vendors to support these costs.

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

PG&E argues that its Financial Journal Entries were recorded according to GAAP principles, and that each entry is reviewed and approved by its internal review process and supported by financial transaction information for each specific expense. PG&E further argues that these entries were reviewed and found to be reasonable and substantiated by the EY audit.

We find PG&E's Financial Journal Entries to be reasonable as these entries were recorded according to GAAP principles, reviewed by PG&E's internal process, and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow the recovery of certain Financial Journal Entries.

5.2.5. Cancelled Orders

Cal Advocates recommends disallowing costs associated with cancelled orders. PG&E agrees to remove the costs associated with five orders that were cancelled after the Application was filed, but opposes reversing any additional orders that Cal Advocates identified, asserting that these were not cancelled orders but were suspended orders. PG&E explains that, in the normal course of business, it suspends or stops an order for various reasons, such as change of scope or change of project economies, and argues that suspended orders are not necessarily imprudently incurred.[66]

We adopt Cal Advocates' recommendation to disallow PG&E from recovering cancelled or suspended orders. Even as PG&E argues that suspended orders are not necessarily imprudently ordered, PG&E has failed to meet its burden to demonstrate that the suspended orders were prudently incurred and will be actually realized. We therefore find that costs for cancelled or suspended

[66] PG&E Opening Brief at 79-80.

orders should not be recovered. PG&E is not precluded from including these costs in a future reasonableness review application once the orders resume and are no longer suspended.

6. Evaluating Costs by Each Cost Category

In the preceding section, we addressed the intervenors' major recommendations (Addressing Intervenors' Arguments and Recommendations). In this section, we evaluate the specific sets of costs presented in each major cost category or chapter and determine whether each specific set of costs is recoverable.

For each cost category, we first provide a summary of the parties' recommendations, then evaluate the recorded costs of each specific program under this cost category and finally provide a summary of cost approvals and disallowances for the cost category.

6.1. Overhead Electric Distribution Asset Inspection Activities (Chapter 2)

The activities under the Overhead Electric Distribution Asset Inspections cost category include enhanced detailed inspections and patrols of overhead distribution assets to proactively identify corrective work or imminent equipment failures that could result in faults or ignitions.[67]

The costs under the Overhead Electric Distribution Asset Inspections cost category total $207.332 million in expenses and are recorded in their respective programs and MAT accounts as set forth below:[68]

[67] Ex. PGE-1, Chapter 2 at 1-3.

[68] Ex. TURN-1 at 28.

Overhead Electric Distribution Asset Inspections (Chapter 2) *(in $000s)*				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Overhead Patrols	WMPMA	Expense	BFA	$ 6,072
Detailed Overhead Inspections	WMPMA	Expense	BFB	$ 155,470
Overhead Infrared Inspections	WMPMA	Expense	BFC	$ 4,551
Inspections Support Costs	WMPMA	Expense	BFH, BF#, IG#	$ 41,241
			TOTAL	**$ 207,332**

Below, we first discuss the parties' recommendations pertaining to this cost category, and then evaluate the costs requested for each activity recorded under this cost category.

6.1.1. Parties' Positions

6.1.1.1. The Utility Reform Network's Recommended Disallowances

TURN recommends disallowing a total of $184.092 million from PG&E's recorded costs for the Overhead Electric Distribution Asset Inspections cost category, comprised of $6.072 million for Overhead Patrols (MAT BFA), $137.113 million for Detailed Overhead Inspections (MAT BFB), $4.551 million for Overhead Infrared Inspections (MAT BFC), and $36.357 million for Inspections Support Costs (MAT BFH, BF#, IG#), arguing that PG&E failed to demonstrated that these costs are incremental or reasonable.[69]

[69] Ex. TURN-1 at 28.

6.1.1.2. Cal Advocates' Recommended Disallowances

For certain MAT codes in this cost category, Cal Advocates asserts that PG&E did not fully use the funding authorized in the 2020 GRC Decision. We discuss these recommendations more specifically when we evaluate the recorded costs for each specific program below.

Cal Advocates also recommends disallowing expenses of $49.47 million for 2020, $3.851 million for 2021, and $7.829 million for 2022 pertaining to straight-time internal labor and internal labor overheads for overhead electric distribution asset inspection activities.[70] Additionally, Cal Advocates recommends disallowing Materials Movement expenses of $0.001 million for 2020, $0.036 million for 2021, and $2.133 million for 2022.[71] Cal Advocates also recommends disallowing Minor Material Overhead expenses of $0.211 million for 2020, $0.247 million for 2021, and $0.115 million for 2022.[72] Cal Advocates argues that these expenses are not incremental. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommendation.

In addition, Cal Advocates recommends disallowing $0.021 million for 2022 for Estimated Goods Receipts recorded in December 2022.[73] As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries to be reasonable as they were recorded according to GAAP and were substantiated by

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[70] Ex. CA-2-E at 8-11.

[71] Ex. CA-2-E at 11-12.

[72] Ex. CA-2-E at 12-13.

[73] Ex. CA-2-E at 13.

EY's audit, and decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

Lastly, Cal Advocates recommends disallowing expenses of $4.506 million for 2020, $16.478 million for 2021, and $10.306 million for 2022, as costs related to certain Financial Journal Entries that Cal Advocates argues are not supported.[74] As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find PG&E's Financial Journal Entries to be reasonable as these entries were recorded according to GAAP principles, were reviewed by PG&E's internal process, and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow the recovery of certain Financial Journal Entries.

After discussing the parties' recommendations above, we examine the costs recorded for each activity in this category below.

6.1.2. Overhead Patrols

For the Overhead Patrols program, PG&E is requesting to recover $6.072 million in expenses recorded in MAT BFA. As discussed below, for this program the entire recorded costs of $6.072 million are disallowed from recovery because the recorded costs are not reasonable, even though they are found to be incremental.

6.1.2.1. Incrementality Disallowances

For the Overhead Patrols program, TURN recommends a disallowance of $6.072 million recorded in MAT BFA, arguing that PG&E did not demonstrate these costs to be incremental. TURN asserts that the actual units of patrol

[74] Ex. CA-2-E at 13-14.

activities PG&E completed in 2020-2022, or 4,023,363 of recorded GRC base units, are fewer than the units authorized by the GRC, or 4,476,868 units.[75,76]

PG&E explains that it conducted fewer than forecasted Overhead Patrols because it completed more Detailed Overhead Inspections than were forecasted in the 2020 GRC and that the more frequent inspections reduced the need for patrols since patrols are performed only for assets not scheduled for a detailed inspection that calendar year.[77]

Cal Advocates recommends disallowing $0.361 million of the costs recorded in MAT BFA for Overhead Patrols activities, arguing that this amount is not incremental because PG&E did not fully use the funding authorized in the GRC.[78] Rebutting Cal Advocates' arguments, PG&E states that its GRC spending exceeded its authorized GRC funding by approximately $300,000.[79]

We find that the costs recorded in the WMPMA for Overhead Patrol Activities are incremental. Contrary to Cal Advocates' assertions, the record shows that PG&E spent more than its GRC-authorized funding for Overhead Patrols. During the 2020-2022 period, PG&E spent $14.946 million on GRC base work, which is more than the $14.693 million it was authorized in the 2020 GRC, and recorded an additional $6.072 million in the WMPMA under MAT BFA.[80] Because PG&E spent more on its GRC base work than the funds authorized in

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[75] Ex. TURN-1 at 31.

[76] The units authorized by the GRC are the number of units imputed from the GRC funding and forecast.

[77] Ex. PGE-6, Chapter 2 at 17-18.

[78] Ex. CA-2-E at 6-7.

[79] Ex. PGE-6, Chapter 2 at 16.

[80] Ex. TURN-1 at 30.

the GRC, we find that PG&E exhausted its GRC-authorized funds for the program and that the $6.072 million recorded in the WMPMA are incremental.

As discussed in Section 4.3, Determining the Incrementality of Costs, we do not find TURN's incrementality arguments with respect to units of work persuasive.

6.1.2.2. Reasonableness Disallowances

TURN also recommends disallowing $2.260 million of recorded units in the MAT BFA for Overhead Patrols activities, arguing that these costs were not reasonably incurred.[81] TURN argues that cost increases were the result of the need for PG&E to increase inspection efforts in a short amount of time to make up for past imprudence because PG&E had to rely on expensive contractor inspectors. PG&E explains that the cost increases were a result of cost pressures, without providing adequate specifics of the cost pressures causing PG&E to incur increased unit costs for Overhead Patrols activities.[82]

We find that PG&E did not meet its burden of proof to justify the reasonableness of the unit cost increases recorded for the Overhead Patrols program in the WMPMA. PG&E recorded a higher per unit cost than authorized in the GRC. For this work activity, PG&E recorded a per unit cost of $5, but the imputed GRC-authorized per unit cost was only $3 per unit.[83] PG&E did not provide adequate specific details or explanation of cost pressures that would justify the unit cost increases. PG&E also did not adequately explain why it

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[81] The $2.260 million in proposed disallowance is the difference of costs between the currently recorded WMPMA costs and the costs of the 1.161 million units recorded in the WMPMA if the per unit costs were at the imputed authorized GRC unit cost of $3 per unit. *See* Ex. TURN-1 at 34.

[82] Ex. PGE-6, Chapter 2 at 18.

[83] Ex. TURN-1 at 30.

completed similar or fewer units of work than authorized in the GRC for Overhead Patrols activities even as it recorded an incremental spend of $6.072 million. For these reasons, we find that PG&E did not meet its burden of proving the reasonableness of the 70% increase in per unit costs from authorized to recorded. Accordingly, we find that the $6.072 million in expenses recorded in the WMPMA under MAT BFA for Overhead Patrols are not reasonable and should be disallowed from recovery.

6.1.3. Detailed Overhead Inspections

PG&E is requesting to recover $155.470 million in expenses recorded in MAT BFB for the Detailed Overhead Inspections program. We find that the $155.470 million in expenses for Detailed Overhead Inspections activities are incremental and reasonable and should be authorized for recovery.

6.1.3.1. Incrementality Disallowances

TURN recommends disallowing $70.708 million of the $155.470 million in expenses recorded in MAT BAB for Detailed Overhead Inspection activities, arguing that these expenses are not incremental. According to TURN, PG&E is requesting the recovery of 1,218,646 units of Detailed Overhead Inspections but only completed 664,401 units of work more than authorized by the GRC. Given these numbers, TURN argues that 554,245 units of Detailed Overhead Inspections are not incremental and that the costs of these 554,245 units, which is equivalent to $70.708 million, are also not incremental and should be disallowed.[84] PG&E explains that it completed 2,135,041 units of these activities, which is 664,401 units more than the imputed adopted amount of 1,470,640 units.[85]

[84] Ex. TURN-1 at 32.

[85] Ex. PGE-6, Chapter at 19-20.

We find that the $155.470 million in expenses recorded in MAT BAB for Detailed Overhead Inspection activities are incremental. The record shows that PG&E spent more than its GRC-authorized funding for the Detailed Overhead Inspection program. For the Detailed Overhead Inspection program, PG&E was authorized $40.633 million in the 2020 GRC and spent $132.721 million for GRC base work and recorded an additional $155.470 million in the WMPMA under MAT BAB during the 2020-2022 period.[86] Because PG&E spent more on its GRC base work than the funds authorized in the GRC, we find that PG&E exhausted its GRC-authorized funds for the program and that the $155.470 million recorded in the WMPMA for Detailed Overhead Inspection program is incremental.

As discussed in Section 4.3 Determining the Incrementality of Costs, we do not find TURN's incrementality arguments with respect to units of work persuasive.

6.1.3.2. Reasonableness Disallowances

TURN recommends disallowing $121.799 million of the costs as unreasonable. Arguing that the increase in per-unit costs, which was 350% more than authorized, is unreasonable, TURN recommends disallowing all costs incurred above the imputed GRC-authorized per-unit cost for each unit recorded, resulting in a recommended disallowance of $121.799 million.

PG&E argues that the higher per-unit cost incurred for Detailed Overhead Inspections activities is reasonable because the Detailed Overhead Inspections have a different and larger scope than the historical inspections authorized in the GRC. PG&E asserts that the Detailed Overhead Inspection activities were conducted pursuant to its WMP and were fundamentally different than the

[86] Ex. TURN-1 at 30.

historical inspection activities forecasted in the GRC. The Detailed Overhead Inspections, PG&E explains, used a risk-based inspection approach, which was different from the compliance-based approach conducted under the historical inspection activities that were forecasted in the 2020 GRC. As compared to the historical inspection activities, the Detailed Overhead Inspections required higher volumes of data, enhanced the scope and standard of inspections, increased the frequency of inspections, and changed the inspection and recordkeeping process from being documented on paper to electronic documentation. The Detailed Overhead Inspections were also performed more frequently, at a rate of every one-to-three years, while the historical inspections were conducted on five-year cycles.[87] Because of the larger scope of work compared to that of historical inspection, PG&E argues that the per-unit cost of the Detailed Overhead Inspections should be different and should not be compared with the per-unit cost of the historical inspections.

PG&E further argues that the per-unit costs for Detailed Overhead Inspections are reasonably higher because PG&E incurred higher labor costs. PG&E explains that it incurred higher labors costs from performing extremely high volumes of enhanced inspections in a condensed period of time, pursuant to its WMP, which necessitated PG&E to hire external labor and pay more overtime for both internal and contract employees.[88]

TURN contests whether PG&E's greater scope of inspections were reasonable, arguing that the enhanced scope of inspections was only necessary due to PG&E's poor past inspection practices and not because of any new

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[87] Ex. PGE-6, Chapter 2 at 9-12.

[88] Ex. PGE-6, Chapter 2 at 20-23.

requirements for inspections.[89] TURN also contests the reasonableness of the higher labor costs that PG&E incurred, asserting that PG&E hired many outside inspectors to rectify inadequate system inspections it performed in the past.[90]

We find the higher per-unit cost recorded for Detailed Overhead Inspections in the WMPMA to be reasonable. We also find that the 2020-2022 costs recorded in the WMPMA for this activity are reasonable.

PG&E conducted the Detailed Overhead Inspections program in accordance with its WMP from 2020-2022, and acted reasonably to implement the Detailed Overhead Inspections program.

Because of the larger scope of work conducted for the Detailed Overhead Inspection activities pursuant to its WMP, it is reasonable for Detailed Overhead Inspections to incur higher per-unit costs than the historical inspections that were previously authorized in the GRC. We also find it reasonable for PG&E to incur higher labor costs given the significantly expanded scope of work needed to be completed within a set period of time, which necessitated PG&E to hire external contractors and pay overtime for the work to be completed on time. As discussed in Section 5.1.3.2, Cost Overruns Due to Past Imprudence, we find TURN's arguments about PG&E's past prudence on wildfire mitigation unpersuasive.

TURN also argues that PG&E's poor work quality further supports its recommended reasonableness disallowance.[91] TURN asserts that PG&E was late in completing its overhead inspection and patrols during the 2020-2022 period and argues that the delayed completion of work is indicative of PG&E's poor

[89] TURN Opening Brief at 77.

[90] Ex. TURN-1 at 33-34.

[91] Ex. TURN-1 at 35-36.

planning and execution of the work. PG&E contends that it has made improvements to the quality of its inspections, as indicated in the November 2021 Federal Independent Monitor Report.[92] We are not convinced that the delayed completion of overhead inspection and patrol activities indicated that PG&E conducted poor quality work. We do not find that PG&E conducted poor quality inspections that warrant a reasonableness disallowance.

TURN further argues that PG&E's Field Safety Reassessments (FSRs), which check on overdue maintenance notifications, do not warrant ratepayer funding, because these checks are only needed after PG&E failed to correct maintenance issues by their deadline.[93] Contrary to TURN's assertions, the FSRs, according to PG&E, allow PG&E to prioritize maintenance needs by risk levels and to use a more cost-effective and risk-informed prioritization approach for maintenance to reduce overall costs of maintenance work.[94] Because FSRs allow PG&E to prioritize their maintenance needs by risk levels, use a more cost-effective and risk-informed prioritization approach for maintenance to reduce overall costs of maintenance work, and ensure that overdue maintenance tags are addressed, we find that the costs of the FSRs are reasonable.

Finally, TURN asserts that PG&E did not provide a showing of cost-effectiveness of its wildfire mitigation measures and that the lack of cost-effectiveness showing further supports TURN's reasonableness disallowances. According to TURN, PG&E did not provide RSE scores for 2020 and 2021. PG&E explains that it performed an RSE analysis for 2022 and 2023.[95]

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[92] Ex. PGE-6 at 25-26.

[93] Ex. TURN-1 at 35.

[94] PG&E Opening Brief at 70-71.

[95] PG&E Opening Brief at 72.

As discussed in Section 5.1.3 above, TURN Contests the Reasonableness of the Requested Costs, PG&E was not required to perform an RSE cost-effectiveness analysis on its wildfire mitigation activities prior to performing the work. We decline to impose disallowances based on the lack of showing a cost-effectiveness measure.

For the reasons discussed above, we find that the costs recorded for the Detailed Overhead Inspections in the WMPMA are reasonable.

6.1.4. Overhead Infrared Inspections

PG&E is requesting to recover $4.550 million in costs recorded in the WMPMA under MAT BFC for the Overhead Infrared Inspections program. The entire costs of $4.550 million recorded for the Overhead Infrared Inspections program in the WMPMA under MAT BFC are disallowed from recovery because these recorded costs are not incremental. All costs for this program are recorded under MAT BFC.

6.1.4.1. Incrementality Disallowances

TURN recommends disallowing the total amount of $4.550 million recorded in MAT BFC for Overhead Infrared Inspection activities because the total amount PG&E spent on this program, or $5.667 million, is less than the $6.702 million of funds authorized in the GRC for this program.[96] According to TURN, the adopted units for this program could not be calculated.

Cal Advocates similarly recommends disallowing the $4.550 million of total recorded expenses for this program, comprised of $0.879 million recorded in 2020, $1.672 million recorded in 2021, and $1.999 million recorded in 2022,

[96] Ex. TURN-1 at 32.

arguing that PG&E underspent by these amounts compared to its GRC-authorized funding.[97]

We find that, for the Overhead Infrared Inspections program costs recorded under MAT BFC during the 2020-2022 period, PG&E underspent its GRC authorized amount by $5.585 million, having been authorized $6.702 million in the GRC but spent only $1.117 million on GRC base work.[98] This underspending of $5.585 million is greater than the $4.550 million recorded in the WMPMA. Therefore, in agreement with Cal Advocates' and TURN's recommendation, we find that the $4.550 million in expenses recorded in the WMPMA under MAT BFC for Overhead Infrared Inspections are not incremental and should be disallowed for recovery.

6.1.4.2. Reasonableness Disallowances

Aside from the recommended disallowance on the basis of incrementality, TURN also recommends disallowing $3.495 million of recorded expenses, arguing that PG&E has not demonstrated the reasonableness of the higher costs recorded for these activities. TURN argues that the higher recorded costs resulted from PG&E expediting wildfire mitigation work and that PG&E expedited the work because PG&E did not prudently previously manage its wildfire risks.[99]

Because the total costs recorded in the MAT BFC for Overhead Infrared Inspections are disallowed as non-incremental expenses, it is not necessary to evaluate the reasonableness of these costs.

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[97] Ex. CA-2-E at 6-8.

[98] Ex. TURN-1 at 30.

[99] Ex. TURN-1 at 33-34.

6.1.5. Inspections Support Costs

PG&E is requesting to recover $41.241 million in costs recorded in the WMPMA under MAT BFH, BF#, and IG# for the Inspection Support Costs program. We find that the $41.241 million in expenses recorded in the WMPMA for Inspections Support Costs are incremental and reasonable and should be authorized for recovery.

6.1.5.1. Incrementality Disallowances

TURN recommends disallowing $20.194 million from the Inspections Support Costs program, arguing that PG&E did not demonstrate the costs to be incremental. Because the authorized units for these activities could not be imputed, TURN recommends disallowing a share of the program's costs proportional to the size of PG&E's service territory in high wildfire areas, or 49%, which is $20.194 million of the $41.241 million in recorded costs.[100]

We find PG&E's recorded Inspections Support Costs to be incremental. PG&E was authorized $8.335 million in the GRC, spent $36.843 million on GRC base work, and spent $41.241 million on WMPMA work during the 2020-2022 period.[101] Because PG&E spent more on GRC base work than the GRC funds authorized for the Inspections Support Costs, we find that PG&E exhausted its GRC-authorized funds for the program and that the $41.241 million recorded for the Inspections Support Costs are incremental. As discussed in Section 5.1.2, TURN's Recommended Incrementality Disallowances, we find TURN's arguments on the incrementality of costs for non-unitized work, or work where the units of work were not recorded, unpersuasive.

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[100] Ex. TURN-1 at 32.

[101] Ex. TURN-1 at 30.

6.1.5.2. Reasonableness Disallowances

Aside from the recommended disallowance on the basis of incrementality, TURN also recommends disallowing $31.672 million of recorded expenses, arguing that PG&E has not demonstrated the reasonableness of the higher per-unit costs recorded for these activities compared to the per-unit costs forecasted in the GRC.[102] PG&E asserts that the requested support costs increased because of increased inspection activities and additional costs for ongoing training, safety and quality controls, and new technology platforms and devices associated with an expanded inspections program.[103]

We find that the $41.241 million in expenses for the Inspections Support Costs program in the WMPMA under MAT BFH, BF#, and IG# are reasonable and should be recovered. PG&E reasonably incurred higher per-unit costs for Inspections Support Costs activities than forecasted in the GRC because PG&E performed more and expanded inspection activities in accordance with its WMP and these expanded activities require more support costs.

6.1.6. Summary of Costs and Disallowances

For the Overhead Electric Distribution Asset Inspections cost category, we disallow $6.072 million in expenses for Overhead Patrols and $4.550 million in expenses for Overhead Infrared Inspections as non-incremental expenses. In total, we disallow $10.622 million in expenses in this cost category. Except for these disallowances, we find that the remaining costs of $196.710 million in expenses recorded in the WMPMA under the Overhead Distribution Asset Inspections cost category are incremental, reasonable, and recoverable. The

[102] Ex. TURN-1 at 34.

[103] Ex. PGE-6, Chapter 2 at 30-31.

incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.2. Emergency Repairs and Replacements (Chapter 3)

The activities under the Emergency Repairs and Replacements cost category are the emergency repairs and replacement work PG&E performed on damaged electric distribution facilities that were identified in inspections PG&E performed as part of its Wildfire Safety Inspection Program (WSIP).[104]

The costs under the Emergency Repairs and Replacement cost category total $38.478 million in expenses and capital expenditures and are recorded in their respective programs and MAT codes as set forth below:[105]

Emergency Repairs and Replacements (Chapter 3) ***(in $000s)***				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Emergency Repair of Damaged Facilities	WMPMA	Expense	BHB	$ 4,491
			Subtotal	**$ 4,491**
Emergency Replacement of Damaged Facilities	WMPMA	Capital	17B	$ 33,851
	WMPMA	Capital	17P	$ 135
			Subtotal	**$ 33,986**
			TOTAL	**$ 38,478**

[104] Ex. PGE-1, Chapter 3 at 1.

[105] Ex. TURN-1 at 63.

6.2.1. The Utility Reform Network's Recommended Disallowances

As discussed below, TURN recommends a full disallowance of the requested costs for Emergency Repairs and Replacement cost category, arguing that these expenses are not incremental and not reasonable.

6.2.1.1. Incrementality Disallowances

TURN argues that costs requested for Emergency Repairs and Replacement cost category are not incremental because PG&E did not demonstrate that the recorded costs were incurred for work beyond those that were authorized in the GRC. TURN asserts that most of the costs recorded in this cost category were incurred for work conducted in HFTD areas and should have been funded by the GRC but PG&E only allocated 2% of the GRC funds for this cost category in HFTD areas.[106] Units of work are not recorded in this cost category.

PG&E explains that the emergency work performed in this cost category addressed emergencies tagged as high priority, or Priority A, that resulted from the expanded inspections and were conducted pursuant to its WMP to mitigate wildfires. This work, PG&E explains, is different from the work forecasted in the 2020 GRC. The emergency work forecasted in the 2020 GRC, according to PG&E, is work needed to respond to and restore customer services immediately following an outage. PG&E emphasizes that it spent more on Emergency Repairs and Replacements activities than the amount authorized in the 2020 GRC.[107]

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[106] Ex. TURN-1 at 63-65.

[107] Ex. PGE-6, Chapter 3 at 9-12.

We find that the costs incurred for the Emergency Repairs and Replacements cost category are incremental. The Emergency Repairs and Replacements cost category consists of two programs: Emergency Repair of Damaged Facilities and Emergency Replacement of Damaged Facilities. For the Emergency Repairs of Damaged Facilities program, PG&E was authorized $50.302 million in the GRC and spent $65.311 million on GRC base work and $4.491 million on WMPMA work during the 2020-2022 period. For the Emergency Replacement of Damaged Facilities, PG&E was authorized $333.463 million in the GRC and spent $529.871 million on GRC base work and $33.986 million on WMPMA work during the 2020-2022 period.[108] Because PG&E spent more on GRC base work than the funds authorized in the GRC for each of these programs, we find that PG&E exhausted the GRC-authorized funds for each of the programs and that the costs recorded in the WMPMA for both programs in this cost category are incremental.

As discussed in Section 5.1.2, TURN's Recommended Incrementality Disallowances, we find TURN's arguments on the incrementality of costs for non-unitized work, or work where the units of work were not recorded, unpersuasive.

6.2.1.2. Reasonableness Disallowances

TURN argues that the recorded costs are not reasonable. TURN's position is supported by the following arguments:

First, TURN argues that the costs were incurred because PG&E conducted a large volume of urgent maintenance work as a result of imprudently maintaining its electric distribution infrastructure in the past. As discussed

[108] Ex. TURN-1 at 64.

earlier in Section 5.1.3.2, Cost Overruns Due to Past Imprudence, we find this argument unconvincing.

Next, TURN argues that the recorded costs are unreasonable because an unusually large proportion of the costs, or 40%, were recorded as overhead costs. Arguing that the overhead costs are reasonable, PG&E explains that the recorded overhead expenses were calculated according to the allocation methodology used in its 2020 GRC.[109] We do not find TURN's arguments persuasive. Having a large share of overhead costs is not a sufficient reason for finding the costs to be unreasonable. Furthermore, we find that the overhead costs are reasonable because they were calculated according to the allocation methodology approved in PG&E's 2020 GRC.

Lastly, TURN criticizes PG&E for not providing a cost-effectiveness showing for this program.

PG&E explains that it did not perform a risk spend efficiency or cost-benefit analysis because of the emergent and time-sensitive nature of emergency work.

As discussed in Section 5.1.3.1 above, Lack of Cost-Effectiveness Analysis, PG&E was not required to perform a specific cost-effectiveness analysis on its wildfire mitigation activities in order for costs to be approved. We decline to impose disallowances on the costs based on the lack of showing a cost-effectiveness measure.

In summary, we find TURN's arguments about reasonableness of the costs recorded for the Emergency Repair of Damaged Facilities program and the Emergency Replacement of Damaged Facilities program unpersuasive and find

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[109] Ex. PGE-6, Chapter 3 at 10.

that, except for the $4,000 in 2021 expenses and $2,000 in 2022 expenses associated with cancelled orders, the $38.477 million of costs recorded for both the Emergency Repairs of Damaged Facilities program and the Emergency Replacement of Damaged Facilities program are reasonable. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, the costs associated with cancelled orders are disallowed from recovery.

6.2.2. Cal Advocates' Recommended Disallowances

Cal Advocates recommends disallowing expenses of $0.616 million recorded in 2020, $1.026 million recorded in 2021, and $0.926 million recorded in 2022, and disallowing capital expenditures of $2.822 million recorded in 2020, $5.706 million recorded in 2021, and $7.964 million recorded in 2022.[110]

Cal Advocates' recommended disallowances include disallowances for the following costs: (1) straight-time labor and associated labor overhead expenses, (2) Materials Movement costs, (3) Minor Materials Overhead Costs, (4) Material Burden Overhead costs, (5) Fleet Overhead costs, (6) Building Services Overhead costs, (7) IT Device Services Overhead costs, (8) Benefits Overhead costs, (9) Payroll Taxes Overhead costs, and (10) Capitalized A&G Overhead costs. Cal Advocates argues that these expenses are not incremental. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommendation of disallowing straight-time labor expenses, associated labor overhead expenses, and the overhead expenses listed above.

[110] Ex. CA-2-E at 16-17.

Cal Advocates' recommended disallowances also include disallowances for Estimated Goods Receipts. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries to be reasonable as they were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

Lastly, Cal Advocates recommends disallowing approximately $4,000 for 2021 and $2,000 for 2022 in expenses for cancelled orders.

As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the costs of cancelled orders are not reasonable and should be disallowed. We therefore adopt Cal Advocates' recommended disallowances of $4,000 in 2021 expenses and $2,000 in 2022 expenses for cancelled orders.

6.2.3. Summary of Costs and Disallowances

Except for the costs associated with cancelled orders, we find that the $38.471 million recorded in the WMPMA under the Emergency Repairs and Replacements cost category should be recovered. The $4,000 in 2021 expenses and $2,000 in 2022 expenses associated with cancelled orders should be disallowed. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.3. Pole Assessments and Replacements (Chapter 4)

The activities in the Pole Assessments and Replacements cost category include regular inspections, maintenance, and replacement of wood poles and are described in PG&E's 2020-2022 WMPs as part of its wildfire mitigation efforts.[111]

The costs under the Pole Assessments and Replacements cost category total $931.150 million in expenses and capital expenditures and are recorded in their respective programs and MAT codes as set forth below:[112]

Pole Assessments and Replacements (Chapter 4) ***(in $000s)***					
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**	
Intrusive Inspection and Pole Restoration Program	WMPMA	Expense	GAA	$	14,444
	WMPMA	Expense	GAD	$	970
	WMPMA	Expense	GA#	$	(1,635)
			Subtotal	**$**	**13,778**
Pole Loading and Wind Loading Analysis Program	WMPMA	Expense	GAC	$	52,464
	WMPMA	Expense	BFH	$	6,016
	WMPMA	Expense	AB#	$	61
	WMPMA	Capital	21A	$	3,250
			Subtotal	**$**	**61,791**
Pole Replacement Program	WMPMA	Capital	07D	$	831,356
	WMPMA	Capital	07O	$	23,856
	WMPMA	Capital	07C	$	317
	FRMMA	Capital	07C	$	52
			Subtotal	**$**	**855,581**
			TOTAL	**$**	**931,150**

[111] Ex. PGE-1, Chapter 4 at 1-2.

[112] Ex. TURN-1 at 39-40.

6.3.1. Parties' Positions

6.3.1.1. The Utility Reform Network's Recommended Disallowances

TURN recommends disallowances in this program based on incrementality and reasonableness. Based on incrementality, TURN recommends disallowing all costs recorded for the Intrusive Inspection and Pole Restoration Program, all costs recorded for the Pole Loading and Wind Loading Analysis Program, and $266.051 million of the $831.356 million in costs recorded for the Pole Replacement Program. Based on reasonableness, TURN recommends disallowing all costs recorded for the Pole Loading and Wind Loading Analysis Program and $381.823 million of the $831.356 million in costs recorded for the Pole Replacement Program.

6.3.1.2. Cal Advocates' Recommended Disallowances

Cal Advocates recommends several disallowances. We address each recommendation below.

Cal Advocates also recommends disallowing costs recorded in MAT codes where PG&E underspent their GRC-authorized spending. We address arguments related to MAT code underspending later in this Chapter when we examine the recovery of costs recorded for each specific program.

6.3.1.2.1. Internal Straight-Time Labor and Overhead Expenses

Cal Advocates recommends disallowing costs associated with straight-time internal labor, associated labor overhead expenses, and overhead expenses. The overhead expenses Cal Advocates recommends disallowing includes: (1) Material Movement costs, (2) Minor Material Movement costs, (3) Material Burden Overhead expenses, (4) Fleet Overhead expenses, (5) Building Services Overhead expenses, (6) IT Device Services Overhead expenses, (7) Benefits Overhead expenses, (8) Payroll Taxes Overhead expenses, and (9) Capitalized A&G Overhead expenses. Cal Advocates argues that these expenses are not incremental.

As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommendation of disallowing straight-time labor expenses, associated labor overhead expenses, and the overhead expenses listed above.

6.3.1.2.2. Estimated Goods Receipts

Cal Advocates recommends disallowing $1.362 million in expenses and $65.734 million in capital expenditures for costs associated with Estimated Goods Receipts that did not net to $0 within the same month.[113]

As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find the Estimated Goods Receipts entries to be reasonable as they were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

6.3.1.2.3. Financial Journal Entries

Cal Advocates recommends disallowing $15.999 million in 2020-2022 expenses and $7.708 million in 2020-2022 capital expenditures for costs related to certain Financial Journal Entries that Cal Advocates argues are not supported.[114]

As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find PG&E's Financial Journal Entries to be reasonable as these entries were recorded according to GAAP principles, reviewed by PG&E's internal process, and were substantiated by EY's audit. We

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[113] Ex. CA-2-E at 25.

[114] Ex. CA-2-E at 13-14.

decline to adopt Cal Advocates' recommendation to disallow costs associated with these Financial Journal Entries.

6.3.1.2.4. San Francisco Division Orders

Cal Advocates recommends disallowing $0.073 million in capital expenditures for orders performed in PG&E's San Francisco (SF) Division, arguing that the costs incurred in the City and County of SF geographic area are not appropriate for recovery because there are no HFTD areas within the City and County of SF.[115] PG&E agrees to remove these costs. There is no further dispute to address with respect to these costs, and we agree with the removal of these costs.

6.3.1.2.5. Heavy Lift Helicopters

Cal Advocates recommends disallowing $0.362 million of capital expenditures associated with Heavy Lift Helicopters, arguing that the EY audit report recommended that these costs be removed from recovery in this proceeding.[116]

PG&E states that it removed the Heavy Lift Helicopter costs that the EY audit report recommended removing and that the remaining Heavy Lift Helicopter costs are appropriately recovered in this proceeding. According to PG&E, EY has confirmed that the relevant costs were appropriately removed and that the remaining costs related to Heavy Lift Helicopters were for qualifying wildfire mitigation work and are appropriately included in this Application.[117]

We find that the Heavy Lift Helicopter costs requested in this Application are associated with qualifying wildfire mitigation work and are appropriate for

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[115] Ex. CA-2-E at 36-37.

[116] Ex. CA-2-E at 37.

[117] Ex. PGE-6, Appendix A at 12.

recovery in this Application. EY has recommended that certain Heavy Lift Helicopter costs not associated with the wildfire mitigation work relevant to this proceeding be removed, and PG&E has removed them. Because the parties accepted EY's recommendations to remove those Heavy Lift Helicopter costs, it is reasonable for the Commission to also adopt EY's recommendations to include the remaining Heavy Lift Helicopter costs in this Application for recovery.

6.3.1.2.6. Off-Cycle Inspections

Cal Advocates recommends disallowing $10.549 million of expenses associated with off-cycle inspections. PG&E conducted off-cycle inspections for 12,599 poles because these poles were missing the necessary intrusive-inspection records due to an inadvertent error, but PG&E self-reported the issue and corrected it as soon as possible.[118]

Asserting these off-cycle inspections are activities PG&E conducted to rectify errors in its inspection data, Cal Advocates argues that PG&E should pay for these costs because PG&E has the responsibility of rectifying its errors.[119] PG&E argues that it should not be penalized for ensuring that the work is done properly.[120]

Cal Advocates also asserts that 86% of these costs were not incurred in HFTDs or HFRAs.[121] PG&E confirms that all the 12,599 poles are located in HFTD areas and that the work performed on these poles was in HFTD areas. PG&E explains that the confusion is caused by invoices in which vendors

[118] Ex. PGE-6, Chapter 4 at 16.

[119] Ex. CA-2-E at 38-39.

[120] Ex. PGE-6, Chapter 4 at 16.

[121] Ex. CA-2-E at 38-39.

charged for work that is performed in both HFTD and non-HFTD areas in one invoice for convenience.[122]

We find that PG&E's off-cycle inspections were reasonable. PG&E is not held to a perfection standard but that of a prudent manager. When PG&E found errors in its record, it was prudent and reasonable for PG&E to rectify the errors by conducting off-cycle inspections. We therefore find that the costs PG&E incurred for off-cycle inspections are reasonable and should be allowed for recovery.

6.3.1.2.7. Cancelled Orders

Cal Advocates recommends disallowing $0.015 million in 2020-2022 expenses and $1.766 million in 2020-2022 capital expenditures for costs associated with cancelled orders.[123]

As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that costs associated with cancelled or suspended orders are not reasonable and should be disallowed. We therefore find it reasonable and adopt Cal Advocates' recommended disallowances of $0.015 million in expenses and $1.766 million in capital expenditures for costs associated with cancelled orders recorded under the Pole Assessments and Replacements cost category. After addressing Cal Advocates' recommendations pertaining to this cost category, we evaluate the costs recorded for each specific activity below.

[122] Ex. PGE-6, Chapter 4 at 16-17.

[123] Ex. CA-2-E at 36.

6.3.2. Intrusive Inspection and Pole Restoration Program

TURN recommends disallowing the entire $13.778 million in costs recorded for the Intrusive Inspection and Pole Restoration Program. TURN argues that these costs were incurred for work that is not incremental to work funded in the 2020 GRC because PG&E completed fewer units of work compared to those authorized in the 2020 GRC across both MAT codes in which costs were recorded, MAT GAA and GAD. According to TURN, PG&E completed 25% fewer inspection units and 29% fewer restoration units than those adopted in the GRC.[124]

PG&E argues that the activities completed under this program were conducted in HFTD areas as approved in its 2020-2022 WMPs and that the costs requested for recovery went through PG&E's multi-step verification process to confirm that these costs, on a portfolio level, were incremental to the GRC spending.[125]

Cal Advocates recommends disallowing $0.440 million recorded in MAT GAD for the Pole Restoration Program, arguing that this amount is not incremental because PG&E underspent its GRC authorized funding for this specific MAT code.[126]

We find that the entire $13.778 million recorded for the Intrusive Inspection and Pole Restoration Program is incremental. From 2020 through 2022, PG&E spent more on GRC base work than the GRC-authorized funds for this program; PG&E was authorized $40.397 million in the GRC but spent

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[124] Ex. TURN-1 at 41-43.

[125] Ex. PGE-6, Chapter 4 at 12-13.

[126] Ex. CA-2-E at 29.

$41.621 million on GRC base work and recorded $13.778 million in the WMPMA.[127] Because PG&E spent more on its GRC base work than the funds authorized in the GRC, we find that PG&E exhausted its GRC-authorized funds for the program and that the $13.778 million in costs recorded in the WMPMA under MAT GAA, GAD, and GA# for this program from 2020 through 2022 are incremental.

As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by TURN's arguments to base incrementality on units of work and Cal Advocates' arguments to base incrementality on spending in individual MAT codes.

Parties did not contest the reasonableness of the costs recorded for this program. We find that the $13.778 million recorded for the Intrusive Inspection and Pole Restoration Program during the 2020-2022 period are incremental and reasonable and should be recovered.

6.3.3. Pole Loading and Wind Loading Analysis Program

From 2020-2022, PG&E recorded $61.791 million across MAT GAC, BFH, AB#, and 21A in the WMPMA for the Pole Loading and Wind Loading Analysis program. We find that the entire $61.791 million recorded in the WMPMA during this period for this program are incremental, reasonable, and should be recovered.

6.3.3.1. Incrementality Disallowances

TURN recommends a full disallowance of the entire $61.791 million in costs recorded for the Pole Loading and Wind Loading Analysis Program,

[127] Ex. TURN-1 at 40.

arguing that the costs recorded for this program are not incremental because the work completed under this program was authorized in the 2020 GRC.[128]

Rebutting TURN's arguments, PG&E asserts that the work forecasted in the 2020 GRC is different from the work completed, with different scopes and methodologies. PG&E writes:

> The work included in the 2020 GRC workpaper was an Asset Strategy special project based on initial scoping stemming from the 2017 GRC Settlement Agreement. The special project's scope was to perform pole loading calculations for approximately 55,000 poles in the PG&E-defined legacy wildfire area.
>
> After PG&E's submittal of the 2020 GRC, the current Pole Loading and Wind Loading Analysis Program was first discussed in the 2020 WMP, which included the plan to conduct pole loading calculations and desktop verifications of 100 percent of the poles in Tier 2 and Tier 3 HFTD by 2024. The scope of the program was greatly expanded to include approximately 660,000 poles to cover all poles in HFTD areas.[129]

PG&E explains that the work performed under the Pole Loading and Wind Loading Analysis Program began after its 2020 GRC was forecasted, as part of the implementation of its 2020 WMP.

We find that the $61.791 million in costs PG&E incurred for the Pole Loading and Wind Loading Analysis Program are incremental. The costs authorized in the 2020 GRC for pole loading activities were purposed for and used on a specific project, the Asset Strategy special project, in which work was conducted on specific poles; the work that was authorized in the 2020 GRC for

[128] Ex. TURN-1 at 43.

[129] Ex. PGE-6, Chapter 4 at 13-14.

pole loading activities was for the Asset Strategy special project and was different than the work conducted under the Pole Loading and Wind Loading Analysis Program.

From 2020 through 2022, PG&E recorded $61.791 million in the WMPMA across MAT GAC, BFH, AB#, and 21A during this period. Because there was no funding previously authorized in the 2020 GRC for this program,[130] we find that all the costs recorded in the WMPMA for this program are incremental.

6.3.3.2. Reasonableness Disallowances

TURN also recommends disallowing the entire $61.791 million in costs recorded for the Pole Loading and Wind Loading Analysis Program, arguing that the costs are not reasonable because PG&E conducted fewer pole analyses than planned in its WMPs. TURN also asserts that PG&E incurred higher costs to expedite pole assessment work in 2022.[131] Rebutting TURN's arguments, PG&E demonstrates that it did not incur higher costs in 2022, showing that it incurred fewer costs in 2022 than in 2021, even when it conducted more pole assessments in 2022.[132]

We find that the costs recorded for this program are reasonable. Even if PG&E conducted fewer pole assessments than planned in its WMPs, it does not demonstrate that the costs were not reasonably incurred. As the record shows, PG&E expedited its pole analysis work to comply with its WMP but did not incur higher per unit costs for the expedited work.

[130] Ex. TURN-1 at 40.

[131] Ex. TURN-1 at 49-50.

[132] Ex. PGE-6, Chapter 4 at 14.

We find that the $61.791 million recorded for the Pole Loading and Wind Loading Analysis Program are incremental and reasonable and should be recovered.

6.3.4. Pole Replacement Program

PG&E recorded a total of $855.581 million in capital expenditures for the Pole Replacement Program. As discussed below, we disallow the recovery of $19.063 million of these costs as non-incremental costs and $121.831 million of these costs as unreasonable costs. Altogether, a total of $140.894 million is disallowed from recovery under the Pole Replacement Program. We therefore find that, of the $855.581 million recorded in the WMPMA and FRMMA for the Pole Replacement Program in 2020-2022, $717.260 million are incremental and reasonable and should be recovered. Incrementality Disallowances

TURN argues that 10,240 units PG&E booked into the WMPMA for this program are not incremental because the GRC funded the work for these units. According to TURN, PG&E recorded 13,227 units of work completed using GRC funds and 31,998 units of work in the WMPMA. But because the GRC authorized funds for PG&E to complete 23,467 units of work, TURN argues that PG&E should have booked an additional 10,240 units, which is the difference between the 23,467 units of work authorized in the GRC and the 13,227 units of work completed using GRC funds, as GRC funded work instead of booking these 10,240 units as incremental work in the WMPMA. TURN's recommended disallowance of $266.051 million is calculated based on the estimated costs of the 10,240 units of work that TURN argues as non-incremental work.[133]

[133] Ex. TURN-1 at 40-41.

PG&E asserts that the work for the Pole Replacement Program is incremental to the work authorized in the GRC, because the work under the Pole Replacement Program has evolved since its 2020 GRC after it implemented the new Wildfire Safety Inspection Program as part of its WMP. Additionally, PG&E argues that incrementality should be based on comparing the costs authorized and the costs incurred and not on the units of work completed.[134]

Cal Advocates recommends disallowing $93.239 million of costs recorded in MAT 07D for the Degraded Pole Replacement Program, consisting of $54.613 million recorded in 2021 costs and $38.626 million recorded in 2022. Cal Advocates argues that PG&E underspent its GRC authorized funding by these amounts.[135] PG&E argues that Cal Advocates did not consider the spending in other MATs in the program. According to PG&E, it spent $310.6 million compared to its GRC-authorized amount of $329.7 million for the Pole Replacement Program during the relevant 2020-2022 period.[136]

We find that, of the $855.581 million in capital expenditure recorded for the Pole Replacement Program, $19.063 million is not incremental and should be disallowed from recovery. For this program, PG&E was authorized $329.683 million in the GRC, spent $310.621 million on GRC base work, and recorded $855.581 million in the WMPMA and FRMMA during the 2020-2022 period. Because PG&E spent only $310.621 million of the $329.683 million in GRC-authorized funds, PG&E underspent its GRC-authorized spending by

[134] Ex. PGE-6, Chapter 4 at 17-19.

[135] Ex. CA-2-E at 30-31.

[136] Ex. PGE-6, Chapter 4 at 15-16.

$19.063 million.[137] With the $19.063 million in underspending on the Pole Replacement Program, we find that $19.063 million of the $855.581 million recorded in the WMPMA and FRMMA for the program are not incremental.

As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by TURN's arguments to base incrementality on units of work and Cal Advocates' arguments to base incrementality on spending in individual MAT accounts.

6.3.4.1. Reasonableness Disallowances

TURN argues that $392.949 million of the $831.356 million in total recorded costs are not reasonable and should be disallowed. TURN raises several arguments as to why the costs are not reasonable. We address each of these separately below. Additionally, all the costs recorded for this program are recorded capital expenditures. As we address the reasonableness of these costs, we will also address TURN's recommendation to permanently disallow capital expenditures found to be not reasonable.

First, TURN argues that PG&E incurred significant unit cost increases that were not reasonable. TURN asserts that PG&E overspent on certain MATs in this program largely because of significantly higher unit costs than forecasted. According to TURN, average unit costs increased by 85% for MAT 07D and by 58% for MAT 07O from 2018 to 2022. Attributing the unit cost increases to PG&E expediting work to address previous work delays and imprudence, TURN

[137] $19.062 million is the difference between $329.683 million in GRC-authorized funds and $310.620 million of the costs for GRC Base work. The costs of the GRC Base work for the Pole Replacement Program, $310.620 million, is calculated as the sum of the GRC base work for MAT 07D Degraded Pole Replacements ($254.889 million), MAT 07O Overloaded Pole Replacements ($23.021 million), MAT 07C Tree Attachment Replacements - WMPMA ($32.763 million), and MAT 07C Tree Attachment Replacements - FRMMA (-$0.52 million). *See* Ex. TURN-1 at 40.

argues that the unit cost increases are unreasonable and recommends disallowing costs above the imputed unit costs that were authorized in the GRC. In other words, TURN recommends allowing only the recovery of the costs needed to complete the units of work at the imputed GRC-authorized unit cost. Using this reasoning, TURN recommends disallowing $381.823 million of the $831.356 million recorded in MAT 07D. TURN additionally recommends applying a percentage reduction to MATs 07O and 07C with the same 46% reduction applied to MAT 07D, because GRC-authorized unit costs and units of work could not be imputed for these MATs. Specifically, TURN recommends disallowing $10.956 million for MAT 07DC and $0.170 million for MAT 07C.[138]

PG&E explains that these cost increases were caused by increases in contractor costs experienced across the industry, higher material costs, and higher labor costs. PG&E experienced higher labor costs because of the need to hire outside contractors and pay internal employees overtime to perform high volumes of work, PG&E explains.[139]

Contesting PG&E's argument, TURN asserts that PG&E's significant unit cost increases were not experienced by other peer utilities such as SCE. TURN argues that the market-wide pressures cited by PG&E did not cause comparable increases in unit costs for SCE and SDG&E. According to TURN, SDG&E's weighted average recorded unit cost of approximately $18,000 increased only 8% over authorized during the 2020-2022 period and SCE's actual weighted average unit cost of $22,405 increased only 20% over its forecast during the same 2020-2022 period.[140]

[138] Ex. TURN-1 at 44-48.

[139] Ex. PGE-6, Chapter 4 at 19-30.

[140] TURN's Opening Brief at 93.

PG&E contends that its unit cost increases align with those of peer utilities. According to PG&E, SCE's actual unit cost also experienced a significant increase, which was 46% more than authorized. PG&E argues that PG&E's average weighted unit cost is only 12.7% higher than SCE's and that its unit cost is higher than SCE's because SCE's unit cost does not include costs such as overhead, environmental and permitting, right of way, easement permit, and closeout tasks costs.[141]

We find that the unit cost recorded in the WMPMA for Pole Replacement Program work under MAT 07D in 2020-2022, at $25,982, is not reasonable. The appropriate unit cost for the WMPMA should equate to the average unit cost recorded for GRC base work under this program during the same time period, or $22,487.

PG&E explains the reasons for the unit cost increases in pole replacement work:[142]

> A number of factors resulted in higher unit costs for work performed in this filing:
>
> - Higher volume of work required the hiring of additional contractors, as well as overtime (OT) and double-overtime (DOT), for internal employees;
> - Increase in contractor cost that was seen across the industry;
> - Material costs increased significantly;
> - Higher cost poles with intumescent mesh for use in HFTDs;
> - Supply chain disruptions;

141 Ex. PGE-6, Chapter 4 at 19-30.

142 Ex. PGE-6, Chapter 4 at 26-27.

- Increase in work located in more remote areas—requiring greater travel time and more heavy equipment; and
- Increased vegetation management costs in MWC 07.

Based on the list of factors PG&E provided, we find it reasonable for PG&E to incur higher unit cost for pole replacement work than forecasted in the GRC. The imputed unit cost for pole replacement work forecasted in the GRC under MAT 07D is $14,049.[143] Because of the need to complete a higher volume of pole replacement work identified through enhanced inspections, PG&E had to hire more external contractors, which had increased in costs across the industry during the 2020-2022 time period, and had to increase overtime pay for its employees. During that time, there were supply chain issues that caused material costs to increase.

While we find it reasonable for PG&E to incur higher than forecasted unit costs for pole replacement work, we do not, however, find that the higher unit cost recorded under WMPMA to be reasonable. Rather, we find that the unit cost recorded for GRC base work, which is also higher than the GRC-authorized unit cost, is reasonable and should be the appropriate unit cost for pole replacement work recorded in the WMPMA. PG&E's recorded average unit cost for the WMPMA, at $25,982, is 15.5% higher than its recorded average unit cost for GRC base work, $22,487, even when pole replacement work conducted for GRC base work and WMPMA work is similar. Because the pole replacement work for GRC base work and WMPMA work is similar, the unit cost recorded under the WMPMA should be equivalent to the unit cost recorded for the GRC base work and not higher than that.

[143] Ex. TURN-1 at 40.

Although PG&E asserts that WMPMA program activities had increased in scope and speed compared to the program forecasted in the 2020 GRC, PG&E fails to demonstrate how the nature of pole replacement work for the work that was forecasted in the GRC, the work performed under GRC base work, and the work that was recorded in the WMPMA are different.[144] PG&E provides a very detailed explanation of how the Detailed Inspections, conducted as part of its Wildfire Safety Inspection Program (WSIP), identified significantly more poles for replacement than the routine inspections forecasted in the GRC, but PG&E does not explain how these enhanced inspections or the implementation of the WMP initiatives changes the nature of the pole replacement work conducted.

PG&E also states that the source of notifications was different for GRC pole replacement work compared to WMPMA pole replacement work, because much more pole replacement work was initiated from patrols and inspections and detailed inspections after implementing its WMP initiatives.[145] Because the source of notifications changed after implementing enhanced inspections, PG&E asserts that the "types of units worked during 2020-2022" changed.[146] But PG&E does not explain how the change in the "types of units worked" increased the unit cost for WMPMA work. PG&E fails to demonstrate how the source of notification changes the per unit cost of pole replacement work conducted for GRC work and WMPMA work.

Furthermore, many of the factors PG&E provided as reasons causing the unit cost increases — such as increase in contractor costs, need for overtime work, increases in material costs, and supply chain disruptions — affect both

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[144] Ex. PGE-1, Chapter 4 at 11.

[145] Ex. PGE-6, Chapter 4 at 18-19.

[146] Ex. PGE-6, Chapter 4 at 18-19.

WMPMA and GRC base work similarly. Other factors in the list that is related to work in HTFD areas, such as using intumescent mesh on poles in HFTD areas, also affect both GRC base work and WMPMA work because the work authorized in the GRC also includes work in HFTD areas.

After careful analysis of the reasons PG&E provided for the unit cost increases, we are not convinced that pole replacement work should cost materially more for WMPMA work compared to GRC base work. PG&E fails to explain how the work under the Pole Replacement program performed for GRC base work during the 2020-2022 period is significantly different than those performed for WMPMA work to justify the significant difference in costs between the recorded average unit cost for GRC work and the recorded average unit cost for work recorded in the WMPMA.

PG&E argues that other utilities experience similar cost pressures causing unit costs to increase:

> Other peer utilities have experienced similar challenges in unit cost increases. When asked to justify differences between imputed and actual unit costs, San Diego Gas & Electric Company (SDG&E) stated that:
>
> [T]he variances for both dollars and units are due to higher than planned average number of jobs and an overall increase in pole replacement labor and material costs over time. The supply chain disruptions caused by the pandemic amplified these unit cost increases.
>
> Similarly, SCE states that:
>
> > [H]igher spend primarily due to higher use of contractor time and expense pay, higher contractor overtime, and more overtime for SCE employees than forecast in the 2018 GRC.

In addition, SCE states that:

> [T]he higher unit costs arose from increased construction costs, including contractor rate increase, higher cost poles for use in high fire risk areas, and permitting cost increases.

Even though other utilities also experienced unit cost increases during this time period, we find that PG&E recorded more significant unit cost increases than other utilities. Because PG&E asserts that other peer utilities face similar challenges, we compare the unit cost increases PG&E and other peer utilities experienced during the 2020 to 2022 time period. Even as the material and labor components included in the average unit costs may differ between the utilities, as PG&E argues, we find that utilities facing similar cost pressures during the same time period should face similar cost increases and percentage unit cost increases.

Parties have compared the percentage increases in unit costs from the GRC-authorized unit cost to the weighted average recorded unit cost for pole replacement work across the three major investor-owned utilities. Among the three major investor-owned utilities, PG&E's percentage unit cost increase is the highest. The percentage unit cost increases are 8% for SDG&E from 2020 to 2022,[147] 46% for SCE from 2019 to 2020,[148] and 85% for PG&E from 2020 to 2022.[149,150] After adopting the unit cost for GRC base work, or $22,487, PG&E's percentage unit cost increase is in more alignment with those of the other utilities. The percentage increase of the unit cost recorded for GRC base work, or

[147] Ex. TURN-07 at 11; TURN Opening Brief at 93.

[148] Ex. PGE-6, Chapter 4 at 25.

[149] Ex. TURN-1 at 44.

[150] Ex. PGE-6, Chapter 4, attachment B.

$22,487, from GRC-authorized unit cost, or $14,049, is 60%, which is less than the 85% unit cost increase recorded in WMPMA.[151]

For the reasons discussed above, we conclude that it is reasonable to adopt the unit cost recorded for GRC base work, or $22,487, as the unit cost for the pole replacement work recorded in MAT 07D during the 2020-2022 period. With the adopted unit cost of $22,487 and 31,998 units of work recorded in MAT 07D,[152] we find it reasonable to authorize the recovery of $719.539 million for the pole replacement work recorded in MAT 07D.[153] Of the $831.356 million recorded in MAT 07D for the Pole Replacement program in the WMPMA from 2020-2022, $719.539 million is reasonable and should be recovered and $111.817 million in costs are not reasonable and should be disallowed from recovery.

We do not agree with TURN's recommendation of adopting the GRC-authorized unit cost as the unit cost for MAT 07D, which would disallow any costs incurred above the GRC-authorized unit cost for each unit of work. As discussed above, we recognize that many factors beyond PG&E's control, such as increase in contractor costs, more overtime pay needed, and higher material costs, contribute to cost increases that increased the unit cost from that which was forecasted in the GRC and that these factors also increased the unit costs for other peer utilities during this period as well. We therefore do not agree with TURN that the unit cost should remain the same as that authorized in the GRC and find it reasonable for PG&E to incur a higher unit cost than authorized in the GRC.

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[151] Ex. TURN-1 at 40.

[152] Ex. TURN-1 at 40.

[153] $719.539 million is the cost of performing 31,998 units of work at $22,487 per unit.

As for MAT 07O and MAT 07C, we authorize recovery of a unit cost up to the unit cost authorized for MAT 07D, or $22,487. Because the pole replacement work for this program is similar across the different MATs, it is reasonable to adopt the unit cost for MAT 07D, or $22,487, as the unit cost for the pole replacement work recorded in the other MATs for this program. We do not adopt TURN's recommendation to apply a percentage reduction to MAT 07O and MAT 07C equivalent to the reduction applied to MAT 07D.

With a unit cost of $22,487 and 730 units of work recorded in MAT 07O,[154] we find it reasonable to authorize recovery of $16.416 million for the pole replacement work recorded in MAT 07O.[155] Of the $23.856 million recorded in MAT 07O for the Pole Replacement program from 2020-2022, $16.416 million is reasonable and should be recovered and $7.441 million are not reasonable and should be disallowed from recovery.

The unit cost recorded in MAT 07C is $16,701, which is less than the $22,487 unit cost that we authorize across all the MATs in this program. We therefore do not find that any disallowances should be applied to the costs recorded in MAT 07C. We find that the $0.317 million in costs recorded in MAT 07C are reasonable and should be recovered. Additionally, we find that the $0.052 million recorded under MAT 07C in the FRMMA is also reasonable and should be recovered.

We next address TURN's arguments for disallowing cost recovery based on the significant delays PG&E had in performing the work. Asserting that the delayed work indicates poor quality work, TURN argues that the costs recorded

[154] Ex. TURN-1 at 40.

[155] $16.416 million is the cost of performing 730 units of work at $22,487 per unit.

for the work are not reasonable and should be disallowed. According to TURN, over 95% of pole replacements were completed past their due dates and 84% of completed pole replacements had delays of six months or more. TURN also points to an internal PG&E audit that found over 3,000 problems with the work performed.[156]

PG&E explains that the delayed completions were caused by an unprecedented increase in work from expanded and increased pole inspections and that PG&E was addressing the late completions as part of its 2023-2025 WMP. As for the internal audit, PG&E explains that the audit is part of its internal quality assurance and control process and that, even with the high number of findings, there were only five that were classified as "High Risk" and one that is classified as "Zero Tolerance."[157]

We are not convinced by TURN's arguments that the quality of work PG&E performed under this program is deficient. Even though PG&E had delays in completing the pole replacement work, PG&E was actively working to address this issue. Additionally, while TURN asserts that PG&E's audit report raises concerns with PG&E's quality of work, we are not convinced that the audit report indicates that PG&E performed poor quality work because the risk findings are part of PG&E's internal quality assurance process in which PG&E address deficiencies found. For the capital expenditure disallowed for the Pole Replacement program, we adopt TURN's recommendation to permanently disallow $111.817 million recorded in MAT 07D and $7.441 million recorded in MAT 07O. These capital expenditure were disallowed because the unit costs of

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[156] Ex. TURN-1 at 44-48.

[157] Ex. PGE-6, Chapter 4 at 19-30.

the assets were found to be unreasonable and therefore should not be added into rate base in the future.

6.3.5. Summary of Costs and Disallowances

For the Pole Assessments and Replacements cost category, we disallow $138.321 million in capital expenditure recorded for the Pole Replacement Program and $0.015 million in expenses and $1.766 million in capital expenditures for costs associated with cancelled orders. In total, we disallow $140.102 million in costs under this cost category. After removing these disallowances from the total costs of $931.150 million recorded for this cost category, we find that $791.048 million in expenses and capital expenditures recorded in the WMPMA and FRMMA under the Pole Assessments and Replacements cost category are incremental, reasonable, and recoverable. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.4. Distribution Line Repairs and Replacements (Chapter 5)

The activities recorded under the Distribution Line Repairs and Replacements cost category are primarily repair and replacement work conducted on electric distribution assets. PG&E explains that an increased amount of repair and replacement work was identified from enhanced assessments PG&E conducted on wood poles in HFTD areas as part of its WMP. This work, according to PG&E, is needed to prevent failure of HFTD overhead assets and reduce the risk of wildfire ignition.[158]

[158] Ex. PGE-1, Chapter 5 at 1-3.

The costs under the Distribution Line Repairs and Replacements cost category total $574.195 million in expenses and capital expenditures and are recorded in their respective programs and MAT accounts as set forth below:[159]

Distribution Line Repairs and Replacements (Chapter 5) ***(in $000s)***				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Overhead Non-Pole Replacement and Corrective Maintenance	WMPMA	Capital	2AA	$ 344,941
	WMPMA	Expense	KAA	$ 181,127
	WMPMA	Expense	KAQ	$ 187
			Subtotal	**$ 526,255**
Overhead Critical Operating Equipment and Corrective Maintenance	WMPMA	Expense	KAF	$ 1,869
	WMPMA	Capital	2AE	$ 32,277
			Subtotal	**$ 34,146**
Idle Facilities Removal	WMPMA	Capital	2AF	$ 8,417
			Subtotal	**$ 8,417**
Maintenance Support Costs	WMPMA	Expense	AB#	$ 2,650
	WMPMA	Expense	KA#	$ 1,216
	WMPMA	Capital	21#	$ 1,226
			Subtotal	**$ 5,092**
Bird Safe Installation, Replacements, and Retrofits	WMPMA	Expense	KAD	$ 25
	WMPMA	Expense	KAD	$ 114
	WMPMA	Expense	KAC	$ 132
	FRMMA	Capital	2AB	$ 14
			Subtotal	**$ 285**
			TOTAL	**$ 574,195**

[159] Ex. TURN-1 at 51-52.

6.4.1. Parties' Positions

6.4.1.1. The Utility Reform Network's Recommended Disallowances

For activities under the Distribution Line Repairs and Replacements cost category, TURN recommends disallowances based on incrementality and reasonableness. TURN recommends disallowing all recorded costs for the following programs, arguing that these costs are not incremental: (1) Overhead Critical Operating Equipment program, consisting of $1.869 million in expenses and $32.277 million in capital expenditures, (2) Idle Facilities Removal program, consisting of $8.417 million in capital expenditures, and (3) Bird Safe Installation, Replacements, and Retrofits program, consisting of $271,624 in expenses and $13,719 in capital expenditures. Additionally, TURN recommends partial disallowances for other programs, arguing that these costs are not incremental or reasonable. TURN recommends disallowing: (1) $267.811 million in capital expenditures and $172.734 million in expenses recorded for the Overhead Non-Pole Replacement and Corrective Maintenance program, and (2) $3.042 million in expenses and $0.844 million in capital expenditures recorded for the Maintenance Support program.[160]

6.4.1.2. Cal Advocates' Recommended Disallowances

For costs recorded in the WMPMA, Cal Advocates recommends disallowances of $11.869 million of expenses and $33.003 million of capital expenditures recorded in 2020, $15.839 million of expenses and $62.455 million of capital expenditures recorded in 2021, and $27.401 million of expenses and $83.368 million of capital expenditures recorded in 2022.[161] For costs recorded in

[160] Ex. TURN-1 at 50.

[161] Ex. CA-2-E at 41-42.

the FRMMA, Cal Advocates recommends disallowing $0.183 million of expenses recorded in 2021.

Cal Advocates recommends disallowing costs recorded in MAT codes where PG&E underspent their GRC-authorized spending on those specific MAT codes. We address these arguments later in this section when we examine the recovery of costs recorded for each specific program.

Below, we address Cal Advocates' other arguments.

6.4.1.2.1. Internal Straight-Time Labor and Overhead Expenses

Cal Advocates recommends disallowing straight-time internal labor expenses and overhead expenses, including Materials Movement costs, Minor Material Overhead costs, Material Burden Overhead costs, Fleet Overhead costs, Building Services Overhead costs, IT Device Services Overhead costs, Benefits Overhead costs, Payroll Taxes Overhead costs, and Capitalized A&G Overhead costs. Cal Advocates argues that these expenses are not incremental.

As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommendation of disallowing straight-time labor expenses and the overhead expenses listed above.

6.4.1.2.2. Estimated Good Receipts

Cal Advocates recommends disallowances of costs associated with certain Estimated Goods Receipts. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries to be reasonable as they were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

6.4.1.2.3. Financial Journal Entries

Cal Advocates recommends disallowances of costs associated with certain Financial Journal Entries. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find PG&E's Financial Journal Entries to be reasonable as these entries were recorded according to GAAP principles, reviewed by PG&E's internal process, and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs associated with these Financial Journal Entries.

6.4.1.2.4. Cancelled Orders

Cal Advocates recommends disallowing costs associated with cancelled orders. Cal Advocates' recommended disallowances consist of $0.469 million in expenses for 2020, $0.201 million in expenses for 2021, and $0.489 million in expenses for 2022, $0.035 million in capital expenditures for 2020, $0.21 million in capital expenditures for 2021, and $0.94 million in capital expenditures for 2022.[162] As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that costs associated with cancelled or suspended orders are not reasonable and should be disallowed. We therefore adopt Cal Advocates' recommended disallowances for cancelled orders, which total $1.159 million in expenses and $1.185 million in capital expenditures.[163]

[162] Ex. CA-2-E at 49-50.

[163] These totals were calculated by adding together the 2020, 2021, and 2022 expenses and the 2020, 2021, and 2022 capital expenditures.

6.4.1.2.5. Heavy Lift Helicopters

Cal Advocates recommends disallowing $0.051 million in capital expenditure for costs associated with Heavy Lift Helicopters. Cal Advocates asserts that these costs should be removed because the EY audit report recommended that costs associated with Heavy Lift Helicopters be removed from recovery in this proceeding.[164]

PG&E states that it removed the Heavy Lift Helicopter costs that the EY audit report recommended removing and that the remaining Heavy Lift Helicopter costs are appropriately recovered in this proceeding.[165] According to PG&E, EY has confirmed that the relevant costs were appropriately removed and clarified that the remaining costs related to Heavy Lift Helicopters were for qualifying wildfire mitigation work and are appropriate to be included in this Application.[166]

Similar to the discussions in the previous section, Section 6.3, Pole Assessments and Replacements, in which Cal Advocates' recommended disallowances of the costs of Heavy Lift Helicopters for Pole Assessments and Replacements were discussed, we find that the Heavy Lift Helicopter costs remaining in this Application are associated with qualifying wildfire mitigation work and are appropriate for recovery in this Application. EY has recommended that certain Heavy Lift Helicopter costs not associated with the wildfire mitigation work relevant to this proceeding be removed, and PG&E has removed them. Because the parties accepted EY's recommendations to remove those Heavy Lift Helicopter costs, it is reasonable for the Commission to adopt EY's

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164 Ex. CA-2-E at 51.

165 Ex. PGE-6, Chapter 5 at 11-12.

166 Ex. PGE-6, Appendix A at 12.

recommendations to include the remaining Heavy Lift Helicopter costs in this Application for recovery.

6.4.1.2.6. San Francisco Division Orders

In response to Cal Advocates' recommendation to disallow costs for work performed in PG&E's SF Division, PG&E agrees to remove the disputed costs, specifically $0.105 million in expenses and $0.068 million in capital expenditure.[167]

6.4.2. Overhead Non-Pole Replacement and Corrective Maintenance

For the Overhead Non-Pole Replacement and Corrective Maintenance program, PG&E recorded $526.255 million in the WMPMA under MATs 2AA, KAA, and KAQ from 2020-2022. We find that $279.439 million of these recorded costs are not reasonable and should be disallowed. Except for these disallowances, we find that the remaining $246.816 million of the recorded costs are incremental and reasonable, and should be recovered.

6.4.2.1. Incrementality Disallowances

TURN argues that $144.260 million in expenses and $122.912 million in capital expenditures recorded for this program are not incremental. TURN's recommended disallowance of $144.260 million in expenses is based on the costs of 54,077 units of work recorded in MAT KAA. According to TURN, PG&E completed only 13,820 units of work above authorized but is seeking to recover the costs of 67,897 units of work. This difference of 54,077 units of work, TURN argues, is not incremental, and the costs of the 54,077 non-incremental units, which TURN calculates to be $144.260 million in expenses recorded in MAT KAA, are also not incremental. Similarly, TURN's recommended disallowance

[167] Ex. PGE-6, Chapter 5 at 11.

of $122.912 million in capital expenditure is based on the costs of 8,621 units of work recorded in MAT 2AA that TURN argues is non-incremental work. According to TURN, PG&E completed only 15,573 units of work above authorized but is seeking to recover 24,194 units of work. This difference of 8,621 units of work, TURN argues, is not incremental, and the costs of the 8,621 non-incremental units, which TURN calculates to be $122.912 million in capital expenditures recorded in MAT 2AA, are also not incremental.[168]

Cal Advocates recommends disallowing all costs requested for Wood Pole Bridge Bonding activities recorded in MAT KAQ, arguing that the $0.026 million of GRC underspending is greater than the $0.02 million PG&E is seeking to recover.[169]

We find that $526.255 million recorded for the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022 are incremental. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, PG&E was authorized $235.611 million in the GRC, spent $430.413 million on GRC base work, and recorded $526.255 million in the WMPMA.[170] Because PG&E spent more on its GRC base work than the funds authorized in the GRC, we find that PG&E exhausted its GRC-authorized funds for the program and that the $526.255 million in costs recorded in the WMPMA for the program from 2020 through 2022 are incremental.

A discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by TURN's arguments to base incrementality on

[168] Ex. TURN-1 at 52-53.

[169] Ex. CA-2-E at 43.

[170] Ex. TURN-1 at 52, Table 10.

units of work and Cal Advocates' arguments to base incrementality on spending in specific MAT codes.

6.4.2.2. Reasonableness Disallowances

TURN recommends disallowing $225.113 million in capital and $139.894 million in expenses recorded in this program because, according to TURN, these costs result from unreasonable significant unit cost increases.[171]

PG&E asserts that the unit cost increases were a result of the timing difference between when the GRC was forecasted and when the WMPMA work was completed and because the work authorized in the GRC and the work performed under the WMPMA was fundamentally different. PG&E states,

> A large part of the cost variances between 2020 GRC forecast unit costs and realized unit costs were driven by the timing of when the 2020 GRC was prepared, as mentioned above, and the underlying forecast costs and units based on historical unit information of 2016 and 2017. This impact is validated by the fact that work recorded to base GRC show similar cost increases. Additionally, the work performed and discussed herein was fundamentally different from the historical units of work, and the actual unit costs varied from the forecast based on variables such as the type of equipment being replaced, location (HFTD vs Non-HFTD), terrain, schedule and/or available resources and skills needed for each job.[172]

We agree that the WMPMA work and the GRC base work face similar cost pressures. As a result, the significant increases in unit costs for the WMPMA work and GRC base work are similar. According to TURN, the unit costs recorded under MAT 2AA are $12,808 for GRC base work and $14,257 for

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[171] TURN Opening Brief at 101-102.

[172] Ex. PGE-6, Chapter 5 at 19.

WMPMA work and the unit costs recorded under MAT KAA are $1,989 for GRC base work and $2,668 for WMPMA work.[173]

While we agree that the GRC base work and WMPMA work face similar cost pressures, PG&E's arguments that the GRC base work and the WMPMA work is "fundamentally different" are unsupported. First, PG&E explains that, because the Detailed Overhead Inspections are different than the historical inspections authorized in the GRC, the Detailed Overhead Inspections identified significantly more maintenance notifications than the GRC-authorized inspections.[174] While we agree that the Detailed Overhead Inspections identified more repair and replacement work needed, which resulted in a significantly larger amount of repair and replacement work than originally authorized in the GRC, PG&E has not explained why the repair and replacement work identified by the GRC-authorized inspections is different than that identified by the Detailed Overhead Inspections.

Second, PG&E does not sufficiently explain how the overhead facilities repair and replacement work recorded under the WMPMA is different than the overhead facilities repair and replacement work authorized in the GRC. PG&E states,

> With the wildfire risk-focused approach, additional wildfire-specific elements were identified for repair or replacement. This new approach resulted in a significant number of maintenance notifications that would not have been identified under PG&E's previous inspection program....[175]

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[173] Ex. TURN-1 at 52.

[174] Ex. PGE-6, Chapter 5 at 14-15.

[175] Ex. PGE-6, Chapter 5 at 14.

PG&E does not provide any details on the "additional wildfire-specific elements" that changed the scope of the repair or replacement work from the work forecasted in the GRC.[176] Without an explanation of the "additional wildfire-specific elements" that changes the scope of the repair or replacement work from those authorized in the GRC, PG&E's assertion of the difference between GRC base work and WMPMA work for overhead facilities repairs or replacement is unsupported.

Because PG&E cannot sufficiently explain the fundamental difference between the GRC-authorized and the WMPMA overhead facilities repair and replacement work, we are unconvinced by PG&E's arguments that the increase in unit costs from that authorized in the GRC and that recorded in the WMPMA resulted from a fundamental difference between GRC-authorized work and the WMPMA recorded work.

We find that the unit cost increase is a result of cost pressures facing both the WMPMA and the GRC-authorized work, as evidenced by the similar significant unit cost increases experienced under both MAT codes in this program. PG&E, however, did not meet its burden of proof in demonstrating that the significant unit cost increases PG&E incurred under MAT 2AA and KAA, which were two to four times more than the originally forecasted unit costs, are reasonable.

PG&E attributes these cost increases to significant material and contract labor costs escalations. PG&E explains,

> Costs for the overhead non-pole replacement and corrective maintenance activities exceeded the 2020 GRC adopted amounts due to significant material and contract labor costs escalations. Tags being replaced can also vary in

[176] Ex. PGE-6, Chapter 5 at 14-15.

> cost and labor factors, such as type of equipment being repaired or number of contractors involved.
>
> Starting in 2019 through 2022, PG&E expanded its contracted lineworker workforce to address increased volume of tags from inspections and the subsequent change in inspection standards increasing the frequency of inspections in HFTD areas. Due to the large number of contracting crews needed for the replacement work, the high demand of these in-state contracting crews from other California utilities ahead of the high-fire season, and the increased demand for contracting crews to assist with the larger inspection volume, we had to reach beyond the normal contractor pool and bring in crews from out of state to meet resource needs. As it was imperative that we complete this critical work ahead of the fire season, we prioritized selecting a contracting partner that was able to provide the necessary resources to complete the work in time. For these reasons, the external contractors who completed the majority of the 2020-2022 replacement work were more expensive than external contractors in prior years.
>
> PG&E also had to pay overtime premiums to complete work before fire season. Due to the expedited nature of the work and the limited availability of external contractor crews, we incurred significant contractor overtime costs to complete the high priority tag work before the high-fire season.
>
> Also, during this time, there were material cost increases for a variety of reasons. In 2020, the COVID-19 pandemic caused supply chain issues and an increase to material costs.[177]

We find that the costs of external contractors are reasonable given the labor shortage and the need to address significantly more repair, replacement and maintenance work on an expedited basis. Because of the need to hire out-of-state contractors to conduct a significant amount of work on an expedited basis, PG&E reasonably incurred labor cost increases. These labor cost increases reasonably

[177] Ex. PGE-1, Chapter 5 at 11.

contributed to the significant unit cost increases for the overhead facilities repair and replacement work.

TURN, however, argues that the significant labor cost increases are unreasonable, arguing that PG&E incurred these costs to address its backlog of maintenance tags and to address delayed work that resulted from PG&E's imprudent management of its system. Disputing TURN's claims, PG&E explains that the backlog grew significantly because the enhanced Detailed Overhead Inspections flagged more maintenance tags. Prior to implementing the enhanced inspections, PG&E states that it did not have a large backlog of work and 90% of its tags were completed on time in 2018.[178] We agree with PG&E that the backlog of work resulted from the increase in maintenance tags identified through Detailed Overhead Inspections and that PG&E completed its maintenance work largely on time prior to the implementation of the enhanced inspections. We do not find TURN's argument opposing the reasonableness of PG&E's labor cost increases persuasive.

While PG&E sufficiently demonstrates how labor cost increases reasonably caused the unit cost increases for repair and replacement work, PG&E fails to demonstrate how material cost increases reasonably caused the unit cost increases. PG&E points to supply chain issues in 2020 during the COVID-19 pandemic and a "variety of reasons" that caused the material cost increases.[179] Alluding to a "variety of reasons" causing the material cost increases, PG&E does not explain the reasons causing the material costs to increase. TURN criticizes PG&E for not quantifying the impacts of these various factors causing the

[178] Ex. PGE-6, Chapter 5 at 14-20.

[179] Ex. PGE-1, Chapter 5 at 11.

material cost increases and their relative impacts on the unit cost increases.[180] Even if we find the supply chain impacts in 2020 to be reasonable, but without quantifying these impacts, PG&E fails to demonstrate how much of an impact the supply chain issues, separate from other material cost issues, has on the unit cost increases. Without providing specific reasons for the material cost increases and the impact the material cost increases have on the unit cost increases, we do not have sufficient information to determine whether the material cost increases are reasonable. We therefore find that PG&E failed to meet its burden to demonstrate how the material cost increases reasonably contributed to the unit costs increases for the overhead facilities repair and replacement work.

In summary, we find that the labor cost increases reasonably contributed to the unit cost increases, while the material cost increases did not contribute to the unit cost increases reasonably. Therefore, we authorize the proportion of unit cost increases resulting from the labor cost increases, but deny the recovery of the proportion of unit cost increases caused by material cost increases.

According to TURN, the proportion of contractor costs to total program costs are 49% in 2020, 50% in 2021, and 47% in 2022 for costs recorded under MAT 2AA and 66% in 2020, 74% in 2021, and 58% in 2022 for costs recorded under MAT KAA.[181] The proportion of contractor costs to total program costs is averaged as 48.7% under MAT 2AA and 66% under MAT KAA over the 2020 through 2022 period.

Based on the data of the estimated percentage costs increases attributable to the costs of contractors, we find that a 48.7% increase to the imputed

[180] Ex. TURN-1 at 59.

[181] Ex. TURN-1 at 58.

GRC-authorized unit costs under MAT 2AA and 66% increase to the unit costs under MAT KAA are attributable to increased labor costs and are reasonable. Any increases in unit costs beyond these percentage increases are not reasonable.

A 48.7% increase to the GRC-authorized unit cost of $4,953[182] recorded under MAT 2AA results in a unit cost of $7,365. With the 24,194 units recorded in the WMPMA[183] and at a unit cost of $7,365, we find that, of the $344,940,645 recorded in MAT 2AA, $178,188,810 is reasonable and should be approved, while $166,751,835 is not reasonable and should be disallowed from recovery. A 66% increase to the GRC-authorized unit cost of $607[184] under MAT KAA results in a unit cost of $1,008. With the 67,897 units recorded in the WMPMA,[185] and at a unit cost of $1,008, we find that, of the $181,126,949 recorded in MAT KAA, $68,440,176 is reasonable and should be approved, and $112,686,773 is not reasonable and should be disallowed from recovery.

For the capital expenditure disallowed for the Overhead Non-Pole Replacement and Corrective Maintenance program, we adopt TURN's recommendation to permanently disallow $166.752 million recorded in MAT 2AA. These capital expenditure were disallowed because the unit costs of the assets were found to be unreasonable and therefore should not be added into rate base in the future.

Of the $526.255 million recorded in the WMPMA under MATs 2AA, KAA, and KAQ from 2020-2022 for the Overhead Non-Pole Replacement and Corrective Maintenance program, $279.439 million of these recorded costs are

[182] Ex. TURN-1 at 52.

[183] Ex. TURN-1 at 52.

[184] Ex. TURN-1 at 52.

[185] Ex. TURN-1 at 52.

not reasonable and should be disallowed, but the remaining $246.816 million of the recorded costs are incremental and reasonable, and should be recovered.

6.4.3. Overhead Critical Operating Equipment and Corrective Maintenance

The Overhead Critical Operating Equipment and Corrective Maintenance program consists of work recorded in MAT KAF and MAT 2AE. For this program, $34.146 million in costs were recorded in the WMPMA in 2020-2022, consisting of $1.869 million in expenses recorded in MAT KAF and $32.277 million in capital expenditures recorded in MAT 2AE.[186] We find that, of the $34.146 million in total costs recorded in the WMPMA for this program, $28.439 million are incremental and reasonable and should be recovered, and $5.707 million are not reasonable and should not be recovered.

6.4.3.1. Incrementality Disallowances

The Overhead Critical Operating Equipment and Corrective Maintenance program is recorded in two MAT codes, MAT KAF and MAT 2AE.

TURN recommends a full disallowance of the costs recorded in both MAT codes because PG&E completed fewer units of work than the units authorized in the GRC for activities recorded in these MAT codes. For MAT KAF, TURN asserts that the GRC authorized 4,232 units of work but PG&E completed only 3,285 units of work. For MAT 2AE, TURN asserts that the GRC authorized 4,388 units of work but PG&E completed only 3,092 units of work.[187]

PG&E argues that the work forecasted for its 2020 GRC is different than the work that was completed. PG&E states that the work that was completed

[186] Ex. PGE-1, Chapter 5 at 6-7.

[187] Ex. TURN-1 at 53-54.

was performed as part of its Enhanced Powerline Safety Settings (EPSS) program, which did not begin until 2021 after its 2020 GRC forecast was filed.[188]

Cal Advocates recommends disallowing $1.789 million recorded in MAT KAF in 2022 and $3.918 million recorded in MAT 2AE in 2022, arguing that these costs are not incremental because PG&E underspent its GRC funding for these MAT codes in 2022.[189] PG&E's general response to Cal Advocates' recommendation is that the Commission should review its spending for the activity rather than specific MAT codes when determining incrementality.

We agree with Cal Advocates that $1.789 million in expenses recorded in MAT KAF and $3.918 million in capital expenditures recorded in MAT 2AE for the Overhead Critical Operating Equipment and Corrective Maintenance program are not incremental and should be disallowed for recovery. Although we in general do not review spending in specific MAT accounts, PG&E underspent in all the MAT accounts that recorded costs for this specific activity. As such, the sum of the amount of underspending in each MAT account is the amount of underspending recorded for this activity. Under MAT KAF, for 2022, PG&E was authorized $7.401 million but only incurred $5.612 million for GRC base work, which is $1.789 million less than its GRC-authorized funds.[190] Under MAT 2AE, for 2022, PG&E was authorized $32.902 million but only incurred $28.984 million for GRC base work, which is $3.918 million less than the GRC-authorized fund. Given the underspending in each of these accounts, we find that, in 2022, PG&E underspent its GRC-authorized funds by $1.789 million in expenses under MAT KAF and $3.918 million in capital expenditure under

[188] Ex. PGE-6, Chapter 5 at 20-21.

[189] Ex. CA-2-E at 44.

[190] Ex. TURN-01, Atch01, PG&E Response to TURN-PG&E-035, Q.1, Attachment 1.

MAT 2AE. Altogether, for the Overhead Critical Operating Equipment and Corrective Maintenance program in 2022, PG&E underspent its GRC-authorized funds by $5.707 million.

Because PG&E underspent its GRC-authorized funds for this activity by $5.707 million in 2022, we find that $5.707 million of costs, consisting of $1.789 million in expenses and $3.918 million in capital expenditure, recorded in the WMPMA in 2022 for this program are not incremental and should not be recovered.

As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by TURN's arguments to base incrementality on units of work.

Except for the $1.789 million in expenses and $3.918 million in capital expenditures found to be non-incremental, we find that the rest of the costs, a total of $28.439 million, consisting of $0.080 million in expenses and $28.359 million in capital expenditures, recorded for the Overhead Critical Operating Equipment and Corrective Maintenance are incremental.

6.4.3.2. Reasonableness Disallowances

For MAT 2AE, TURN asserts that the recorded unit cost is 209% higher than forecasted, from $21,913 to $67,809. TURN argues that the unit cost increase is unreasonable because the unit cost increased to address a backlog of delayed work and not for improved wildfire mitigation efforts, as PG&E explained in its 2023 GRC. TURN recommends disallowing unit cost increases above the imputed unit cost authorized in the GRC, which amounts to a reasonableness disallowance of $21.847 million in capital expenditure.[191]

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[191] Ex. TURN-1 at 60.

PG&E explains that the work performed in 2022 was different from the work forecasted in the 2020 GRC. The work performed in 2022, PG&E explains, was to support the EPSS program that began in 2021 and changed the work mix that shifted towards a greater percentage of work on reclosers. According to PG&E, work on reclosers is one of the highest unit cost activities for both repairs and replacements within the program. PG&E explains that the increase in scope of the EPSS program expedited the repair and replacement of equipment.[192]

We find that the costs recorded for the Overhead Critical Operating Equipment and Corrective Maintenance program from 2020-2022 are reasonable. The costs that were recorded in MAT 2AE in the WMPMA were incurred in 2022 when the implementation of EPSS shifted the work mix for this program towards more costly work, specifically the replacement and repair of reclosers, which caused the unit cost recorded for the program to increase.[193] We are not convinced by TURN's arguments that the unit cost increased to address PG&E's backlog of delayed work.

After removing $5.707 million of costs found to be non-incremental from the total recorded costs of $34.146 million for the Overhead Critical Operating Equipment and Corrective Maintenance program, we find that the rest of the costs, a total of $28.439 million, consisting of $0.080 million in expenses and $28.359 million in capital expenditures, are incremental, reasonable, and should be recovered.

[192] Ex. PGE-6, Chapter 5 at 21-22.

[193] Ex. TURN-01, Atch01, PG&E Response to TURN-PG&E-035, Q.1, Attachment 1.

6.4.4. Idle Facilities Removal

For this program, PG&E recorded a total of $8.417 million in capital expenditures in the WMPMA under MAT 2AF from 2020-2022. All costs for this program are recorded under a single MAT code. Of these recorded costs, we find that $3.294 million is incremental and reasonable and should be recovered. We disallow the recovery of $5.123 million, consisting of $0.111 million that we find is not incremental and $5.012 million that we find is not reasonable.

6.4.4.1. Incrementality Disallowances

TURN recommends a full disallowance of the costs recorded for the Idle Facilities Removal program because PG&E completed fewer units of work than authorized in the GRC for this program. According to TURN, PG&E completed 3,422 units of work, which is about two-thirds of the 5,346 units authorized in the GRC. For this program, $8.417 million in capital expenditures are recorded in MAT 2AF.[194]

PG&E asserts that the Idle Facilities Removal program is a critical component of its WMP. As part of the WMP, the work for this program changed from the work that was forecasted in the 2020 GRC, according to PG&E. The work in this program, PG&E explains, was accelerated in 2021-2022 to supplement its wildfire system hardening activities.[195]

Under MAT 2AF, Cal Advocates argues that PG&E underspent its GRC-authorized funding for 2020 by $4.053 million and recommends disallowing the $0.111 million costs recorded in the WMPMA.[196]

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[194] Ex. TURN-1 at 54-55.

[195] Ex. PGE-6, Chapter 5 at 23.

[196] Ex. CA-2-E at 43.

We adopt Cal Advocates' recommendation to disallow $0.111 million of 2020 costs in the WMPMA as non-incremental costs. For the Idle Facilities Removal program, which is recorded entirely in MAT 2AF, PG&E was authorized $9.810 million for 2020 but incurred only $5.757 million on GRC base work during that year, which is $4.053 million less than authorized funding. We find that PG&E underspent its GRC funding for the Idle Facilities Removal program in 2020 by $4.053 million. Because the $4.053 million in underspending is more than $0.111 million recorded for the program in 2020, we find that the $0.111 million recorded in the WMPMA in 2020 for this program is not incremental and should not be recovered.

As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by TURN's arguments to base incrementality on units of work.

But for the $0.111 million recorded in 2020, we find that the other $8.306 million recorded for the Idle Facilities program in the WMPMA in 2021-2022 is incremental.

6.4.4.2. Reasonableness Disallowances

TURN recommends disallowing unit cost increases above the imputed unit cost authorized in the GRC, which amounts to a reasonableness disallowance of $5.109 million in capital expenditures. TURN asserts that PG&E incurred a 150% unit cost increase from performing catch-up work because a large portion of the work were maintenance tags that were completed late and had low priority.[197] PG&E explains that idle facilities are lower priorities and so are completed toward the end of their compliance window.[198]

We find that the unit cost increase recorded above the imputed unit cost authorized in the GRC is not reasonable and should not be recovered because PG&E has not met its burden of demonstrating the reasonableness of the 150% unit cost increases. Although PG&E has asserted the work for the program has changed after the 2020 GRC, PG&E has not explained how the change increased the costs of the program or why the 150% increase in costs since the GRC forecast is reasonable.

Because the 2020 costs were disallowed based on incrementality, the disallowances based on unit cost increases apply only to costs incurred in 2021 and 2022. PG&E recorded $3.882 million and $4.424 million in the WMPMA in 2021 and 2022, respectively, which is a total of $8.306 million. Applying the imputed GRC-authorized unit cost of $4,513 per unit to the 391 and 339 units of WMPMA work completed in 2021 and 2022, respectively, results in a total cost of $3.294 million that we find to be reasonable.[199] In other words, we find that $3.294 million recorded in 2021 and 2022 were reasonably incurred and should be recovered, while the rest of the other costs recorded in the WMPMA in 2021 and 2022, or $5.012 million, are costs incurred as a result of unreasonable unit cost increases. We find that $5.012 million recorded for the Idle Facilities Removal program was not incurred reasonably and should be disallowed from recovery.

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[197] Ex. TURN-1 at 61.

[198] PG&E Reply Brief at 54.

[199] Ex. TURN-1 at 52; Ex. TURN-01, Atch01, PG&E Response to TURN-PG&E-035, Q.1, Attachment 1.

For the capital expenditure disallowed for Idle Facilities program, we adopt TURN's recommendation to permanently disallow $5.012 million in capital expenditure. These capital expenditure were disallowed because the unit costs of the assets were found to be unreasonable and therefore should not be added into rate base in the future.

Of the $8.417 million in capital expenditures recorded in the WMPMA under MAT 2AF from 2020-2022 for the Idle Facilities program, $0.111 million costs are not incremental, $5.012 million are not reasonable, and the remaining $3.294 million are incremental and reasonable and should be recovered.

6.4.5. Maintenance Support Costs

For the Maintenance Support Costs program, PG&E recorded a total of $5.092 million in the WMPMA in 2020-2022, consisting of $2.650 million in expenses under MAT AB#, $1.216 million in expenses under MAT KA#, and $1.226 million in capital expenditures under MAT 21#. We find that the $5.092 million recorded in the WMPMA for the Maintenance Support Costs in 2020-2022 are incremental and reasonable and should be recovered.

6.4.5.1. Incrementality Disallowances

TURN recommends a full disallowance of the $1.216 million in expenses recorded in MAT KA#, arguing that these costs are not incremental. TURN asserts that the other two MATs in the program, MATs AB# and 21#, record costs of umbrella activities, which are activities that include other activities beyond this program. Under MAT KA#, the only MAT in the program besides the other two MATs recording umbrella activities, TURN asserts that PG&E incurred a total of $2.191 million, consisting of $974,285 incurred for GRC base work and $1.216 million incurred for WMPMA work, which is less than the

$2.212 million authorized in the GRC for this MAT.[200] Because PG&E spent less than the authorized funds under MAT KA#, TURN argues that PG&E spent less than the authorized funds for this program and that the entire costs recorded in the WMPMA under MAT KA# are not incremental and should be disallowed.

Cal Advocates recommends disallowing all costs requested for the Maintenance Support Costs program recorded in MAT KA# in 2021, because the $0.704 million of GRC underspending in 2021 is greater than the $0.28 million PG&E is seeking to recover for these activities.[201]

PG&E argues that incremental expenses should not be considered at the individual MAT code level. PG&E explains that, although it spent less than authorized for the MAT KA# account, it spent more than authorized for the entire Maintenance Support Costs program because it conducted more remediation work than forecasted in the GRC.[202]

We find that the $5.092 million recorded in the WMPMA for the Maintenance Support Costs are incremental. From 2020-2022, PG&E was authorized $2.212 million in the GRC and incurred $6.067 million on GRC base work for the program.[203] Because PG&E spent more on its GRC base work than the funds authorized in the GRC, we find that PG&E exhausted its GRC-authorized funds for this program and that the $5.092 million in costs PG&E recorded in the WMPMA for this program from 2020-2022 are incremental.

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[200] Ex. TURN-1 at 55-56.

[201] Ex. CA-2-E at 43.

[202] Ex. PGE-6, Chapter 5 at 25-26.

[203] Ex. TURN-1 at 52.

We do not find TURN's argument of disregarding the costs recorded in MAT AB# and 21# to be persuasive. Even though MAT AB# and 21# record umbrella activities, the costs recorded in these MAT codes are the costs of the umbrella activities that were incurred for this program.

As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by Cal Advocates' arguments to base incrementality on spending in specific MAT codes.

6.4.5.2. Reasonableness Disallowances

TURN also recommends a reasonableness disallowance of the costs recorded in all three MAT codes for this program, specifically $1.826 million of expenses recorded in MAT AB#, $0.838 million of expenses recorded in MAT KA#, and $0.845 million of capital expenditures recorded in MAT 21#. TURN argues that PG&E has not demonstrated that these costs were prudently planned and incurred. Because units of work are not recorded for the Maintenance Support Costs program, TURN's recommended disallowance is based on the proportion of disallowances it recommended for other programs in this cost category, or 69% of the recorded costs.

PG&E contends that TURN's reasonableness disallowance is arbitrary and unsupported. Pointing to evidence provided in its testimony, PG&E asserts that, by demonstrating that these costs were incurred to mitigate wildfire risks in HFTD areas pursuant to its WMPs, it has justified the reasonableness of these costs.[204]

We do not agree with TURN that PG&E incurred these costs unreasonably. Rather, PG&E has demonstrated that these costs were reasonably incurred.

[204] Ex. PGE-6, Chapter 5 at 26.

PG&E has explained, in its testimony, that costs recorded for the Maintenance Support Costs program were incurred to mitigate wildfire risks. For these reasons, we find that the costs recorded in the WMPMA for the Maintenance Support Costs program in 2020-2022 are reasonable.

6.4.6. Bird Safe Installation, Replacements, and Retrofits

For the Bird Safe Installation, Replacements, and Retrofits program, PG&E recorded $0.285 million in the WMPMA and FRMMA under MATs KAD, KAC, and 2AB from 2020-2022.

TURN recommends a full disallowance of the costs recorded in the Bird Safe Installation, Replacements, and Retrofits program because PG&E completed fewer units of work than authorized in the GRC across all the MAT codes for this program. According to TURN, PG&E completed 706 units compared to 2,982 authorized units for costs recorded in MAT KAD, 1,573 units compared to 3,021 authorized units for costs recorded in MAT KAC, and 1,923 units compared to 3,627 authorized units for costs recorded in MAT 2AB.[205]

PG&E argues that incrementality should be measured by comparing PG&E's overall GRC spending on its entire portfolio of wildfire mitigation work and not by comparing units of work for each MAT code as TURN recommended.[206]

As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we find TURN's arguments to base incrementality on units of work unpersuasive.

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[205] Ex. TURN-1 at 56.

[206] Ex. PGE-6, Chapter 5 at 26-27.

Cal Advocates recommends disallowing $0.009 million of the $0.025 million recorded under MAT KAD in the WMPMA for 2022, arguing that the requested amount does not take into account the $0.009 million of GRC underspending for these activities.[207] PG&E's general response to Cal Advocates' recommendation is that the Commission should review its spending for the activity rather than specific MAT codes when determining incrementality.

As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by Cal Advocates' arguments to base incrementality on spending in specific MAT codes.

We find that the $0.207 million recorded for the Bird Safe Installation, Replacement, and Retrofits program is not incremental and should be disallowed. As shown in the table below,[208] PG&E underspent its GRC-authorized funds in 2020, 2021, and 2022.

Bird Safe Installation, Replacements, and Retrofits *(in $000s)*										
MAT Account		**GRC Funds**			**Base GRC Cost**			**WGSC Cost**		
		2020	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
KAD	WMPMA	$730	$749	$754	$439	$569	$745	$0	$0	$25
KAD	FRMMA	$0	$0	$0	$0	$0	$0	$19	$95	$0
KAC	FRMMA	$739	$758	$764	$751	$830	$792	$6	$126	$0
2AB	FRMMA	$3,084	$3,167	$3,252	$1,997	$3,117	$2,687	$0	$14	$0
Total Program Costs		**$4,554**	**$4,674**	**$4,770**	**$3,186**	**$4,517**	**$4,224**	**$25**	**$235**	**$25**

[207] Ex. CA-2-E at 44.

[208] Ex. TURN-01, Atch01, PG&E Response to TURN-PG&E-035, Q.1, Attachment 1.

In 2020, PG&E underspent its GRC authorized funds by $1.368 million because PG&E only spent $3.186 million of its GRC-authorized fund of $4.554 million on GRC base work. The $0.025 million recorded in the WMPMA and FRMMA in 2020 is therefore not incremental. In 2021, PG&E underspent its GRC authorized funds by $0.157 million because PG&E only spent $4.517 million of its GRC-authorized fund of $4.674 million on GRC base work. Therefore, $0.157 million of the $0.235 million recorded in the WMPMA and FRMMA in 2021 is not incremental. Only $0.078 million recorded in the WMPMA and FRMMA in 2021 is incremental. In 2022, PG&E underspent its GRC authorized funds by $0.546 million because PG&E only spent $4.224 million of its GRC-authorized fund of $4.770 million on GRC base work. The $0.025 million recorded in the WMPMA and FRMMA in 2022 is therefore not incremental.

Altogether, of the $0.285 million PG&E recorded for the Bird Safe Installation, Replacements, and Retrofits program, only $0.078 million is incremental, and the rest of the $0.207 million recorded in the WMPMA and FRMMA is not incremental and should not be recovered.

Parties did not contest the reasonableness of the costs recorded in this program.

For the Bird Safe Installation, Replacements, and Retrofits program, we find that $0.078 million recorded in the WMPMA and FRMMA from 2020-2022 is incremental and reasonable and should be recovered.

6.4.7. Summary of Costs and Disallowances

For the Distribution Line Repairs and Replacements cost category, we disallow a total of $292.820 million in costs across five programs. For the Overhead Non-Pole Replacement and Corrective Maintenance program, $279.439 million in costs are disallowed. For the Overhead Critical Operating

Equipment and Corrective Maintenance program, $5.707 million are disallowed. For the Idle Facilities Removal program, $5.123 million in capital expenditures recorded under MAT 2AF are disallowed. For the Bird Safe Installation, Replacements, and Retrofits program, $0.207 million in costs are disallowed. In addition, $2.344 million are disallowed for costs associated with cancelled orders, consisting of $1.159 million in expenses and $1.185 million in capital expenditures.

Of the $574.195 million recorded in the WMPMA and FRMMA in 2020-2022 under the Distribution Line Repairs and Replacements cost category, we find that $281.375 million in expenses and capital expenditures are incremental and reasonable and should be recovered, and $292.820 million should be disallowed. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.5. Substation Repairs and Replacements, and Temporary Generation (Chapter 6)

The activities under the Substation Repairs and Replacements, and Temporary Generation cost category include wildfire mitigation activities performed at electric distribution substations that were not recovered in PG&E's GRC or other cost recovery proceedings. Wildfire mitigation work was performed across 132 electric distribution substations in HFTD areas.[209]

The costs recorded under the Substation Repairs and Replacements, and Temporary Generation cost category are as follows:[210]

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[209] Ex. PGE-1, Chapter 6 at 1-2.

[210] Ex. TURN-1 at 67.

Substation Repairs and Replacements (Chapter 6) ***(in $000s)***				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Supplemental Substation Inspection & Repair	WMPMA	Expense	GC2	$ 5,513
	WMPMA	Expense	GC5	$ 12,873
			Subtotal	**$ 18,386**
Defensible Space Management	WMPMA	Expense	GCG	$ 12,355
			Subtotal	**$ 12,355**
Temporary Generation	WMPMA	Expense	GC2	$ 144
	WMPMA	Expense	IG#	$ 42,958
			Subtotal	**$ 43,103**
Infrastructure Hardening & Animal Abatement	WMPMA	Capital	48L	$ 261
	WMPMA	Capital	59F	$ 18,991
			Subtotal	**$ 19,253**
PSPS Impact Mitigations	WMPMA	Capital	59F	$ 5,935
	WMPMA	Capital	48D	$ 7,584
			Subtotal	**$ 13,519**
Temporary Generation	WMPMA	Capital	48A	$ 92
			Subtotal	**$ 92**
			TOTAL	**$ 106,707**

6.5.1. Parties' Positions

6.5.1.1. The Utility Reform Network's Recommended Disallowances

TURN recommends a disallowance of $7.191 million in expenses for the Supplemental Substation Inspection & Repair program and $2.262 million in expenses for the Defensible Space Management program.

6.5.1.2. Cal Advocates' Recommended Disallowances

Cal Advocates recommends disallowing $2.067 million in 2020 expenses, $2.000 million in 2020 capital expenditures, $5.351 million in 2021 expenses, $0.741 million in capital expenditures, $3.724 million in 2022 expenses, and $0.081 million in 2022 capital expenditures recorded in the WMPMA.[211]

Cal Advocates recommends disallowing straight-time internal labor expenses and overhead expenses, including Materials Movement Costs and Minor Materials Overhead Expenses, arguing that these expenses are not incremental. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommendation of disallowing straight-time labor expenses and overhead expenses for Materials Movement and Minor Materials Overhead.

Cal Advocates also recommends disallowances of costs associated with certain Estimated Goods Receipts. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries are reasonable as they were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

Additionally, Cal Advocates recommends disallowing costs recorded in MAT codes where PG&E underspent their GRC-authorized spending on those specific MAT codes. We address these arguments later in this section when we examine the recovery of costs recorded for each specific program.

[211] Ex. CA-3-E at 6-7 and 16-17.

6.5.2. Supplemental Substation Inspection & Repair Program

For the Supplemental Substation Inspection & Repair Program, PG&E recorded $18.385 million in the WMPMA under MATs GC2 and GC5 from 2020 through 2022. PG&E asserts that the work performed under the Supplemental Substation Inspection & Repair program was not forecasted in the GRC but was part of its WMP. According to PG&E, the work performed in this program is either new wildfire mitigation activities conducted only in HFTD areas, recorded under MAT GC5, or activities that increased in scope beyond the original scope authorized in the 2020 GRC, recorded under MAT GC2.[212]

TURN recommends a disallowance equivalent to 50% of the GRC authorized costs for the Supplemental Substation Inspection & Repair program, or $7.191 million. TURN asserts that none of the GRC base work for this program was conducted in HFTDs. Estimating that 50% of the GRC-authorized funds were authorized for work in HFTD areas,[213] TURN argues that PG&E did not use 50% of the GRC-authorized funds and recommends disallowing costs equivalent to 50% of the GRC-authorized funds for this program.[214]

We are not convinced by TURN's arguments that spending on HFTDs should be a basis for determining incremental costs. We do not agree with TURN that, because none of GRC base work was conducted in HFTD areas, PG&E did not use 50% of its GRC-authorized funds.

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[212] Ex. PGE-6, Chapter 6 at 9-12.

[213] TURN estimates that 50% of the GRC-authorized funds were authorized for work in HFTD areas because nearly 50% of PG&E's service territory is in HFTD areas. *See* Ex. TURN-1 at 17-20.

[214] Ex. TURN-1 at 67-68.

TURN also argues that PG&E spent $3.258 million less GRC funds than authorized. According to a chart provided in TURN's testimony, PG&E was authorized $14.381 million in the GRC but incurred only $11.124 million on GRC base work.[215] TURN's observed underspending amount of $3.258 million is the result of comparing authorized and incurred costs during the entire 2020 through 2022 period. But, because we evaluate the authorized and incurred costs for each specific year from 2020 to 2022, as will be discussed below, we do not find that PG&E underspent its GRC-authorized amount by $3.258 million.

Cal Advocates argues that PG&E underspent funds authorized in the GRC for work authorized under MAT GC2 for 2021 and recommends disallowing $1.676 million of the $3.149 million in 2021 expenses.[216] As discussed in Section 4.3, Determining the Incrementality of Recorded Costs, we are not convinced by Cal Advocates' arguments to base incrementality on spending in specific MAT codes.

We find that $1.937 million of the $9.196 million recorded in the WMPMA in 2020 and $2.199 million of $5.397 million recorded in the WMPMA in 2021 for the program are not incremental and should be disallowed. As shown in the table below,[217] PG&E underspent its GRC funding in 2020 and 2021.

Supplemental Substation Inspection & Repair *(in $000s)*										
		GRC Funds			**Base GRC Cost**			**WGSC Cost**		
MAT Account		**2020**	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
GC2	WMPMA	$4,701	$4,825	$4,855	$2,689	$2,568	$5,734	$2,473	$2,202	$837
GC5	FRMMA	$0	$0	$0	$75	$58	$0	$6,723	$3,194	$2,956

[215] Ex. TURN-1 at 66-68.

[216] Ex. CA-3-E at 9.

[217] Ex. TURN-01, Atch01, PG&E Response to TURN-PG&E-035, Q.1, Attachment 1.

Total Program Costs	**$4,701**	**$4,825**	**$4,855**	**$2,764**	**$2,626**	**$5,734**	**$9,196**	**$5,397**	**$3,793**

In 2020, PG&E underspent its GRC authorized funds by $1.937 million because PG&E only spent $2.764 million of its GRC-authorized fund of $4.701 million on GRC base work. Therefore, $1.937 million of the $9.196 million recorded in the WMPMA in 2020 is not incremental. In 2021, PG&E underspent its GRC authorized funds by $2.199 million because PG&E only spent $2.626 million of its GRC-authorized fund of $4.825 million on GRC base work. Therefore, $2.199 million of the $5.397 million recorded in the WMPMA in 2021 is not incremental. In 2022, PG&E spent more on its GRC base work than its GRC authorized funds, because PG&E was authorized $4.855 million in the GRC and spent $5.734 million on GRC base work. Because PG&E spent more on its GRC base work than the funds authorized in the GRC for this program in 2022, PG&E exhausted its 2022 GRC-authorized funds for this program and the entire $3.793 million recorded in the WMPMA in 2022 is incremental.

In summary, we find it reasonable to disallow a total of $4.136 million in expenses recorded in the WMPMA for this program, consisting of $1.937 million recorded in 2020 and $2.199 million recorded in 2021.

Parties did not contest the reasonableness of the costs recorded in this program.

For the Supplemental Substation Inspection & Repair program, we find that, of the $18.385 million recorded in the WMPMA in 2020-2022, $14.249 million are incremental and reasonable and should be recovered, while $4.136 million are not incremental and should not be recovered.

6.5.3. Defensible Space Management

For the Defensible Space Management Program, PG&E recorded $12.355 million in the WMPMA under MAT GCG from 2020 through 2022. PG&E explains that the work conducted in this program was conducted pursuant to its WMP and was not forecasted in the GRC. According to PG&E, the Defensible Space Management work is related to enhanced inspection methods conducted within HFTD areas and the costs requested for recovery are for substations within these areas.[218]

Similar to its recommendations for the Supplemental Substation Inspection & Repair program, TURN recommends a disallowance equivalent to 50% of the GRC authorized costs for the Defensible Space Management program, or $2.262 million. TURN asserts that none of the costs incurred for GRC base work was for work conducted in an HFTD. Estimating that 50% of the GRC-authorized funds were authorized for work in HFTD areas,[219] TURN argues that PG&E did not use 50% of the GRC-authorized funds.[220]

TURN's arguments to recommend disallowances based on spending in HFTD areas are unpersuasive. We do not agree with TURN that, because none of GRC base work was conducted in HFTD areas, PG&E did not use 50% of its GRC-authorized funds.

We find that the costs recorded in the Defensible Space Management program are incremental and reasonable. PG&E spent $13.798 million on GRC base work, which is 300% more than the $4.524 million authorized in the GRC,

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[218] Ex. PGE-6, Chapter 6 at 9-12.

[219] TURN estimates that 50% of the GRC-authorized funds were authorized for work in HFTD areas because nearly 50% of PG&E's service territory is in HFTD areas. *See* Ex. TURN-1 at 17-20.

[220] Ex. TURN-1 at 67-68.

and recorded an additional $12.355 million in the WMPMA for the program.[221] Because PG&E spent more on its GRC base work than the funds authorized in the GRC, we find that PG&E exhausted its GRC-authorized funds for the Defensible Space Management program and that the $12.355 million in expenses recorded in the WMPMA are incremental.

Parties did not contest the reasonableness of the costs recorded in this program.

We find that the $12.355 million in expenses recorded for the Defensible Space Management program in the WMPMA under MAT GCG in 2020-202 are incremental and reasonable and should be recovered.

6.5.4. Summary of Costs and Disallowances

For this cost category, we disallow $4.136 million as non-incremental expenses recorded under MAT GC2 for the Supplemental Substation Inspection & Repair program. After removing this disallowance, we find that $102.571 million of the $106.707 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 under the Substation Repairs and Replacements and Temporary Generation cost category are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.6. Power Generation (Chapter 7)

The activities under the Power Generation cost category are work PG&E completed near and around utility-owned power generation facilities, which

[221] Ex. TURN-1 at 67, Table 15.

include supplemental switchyard inspection and repair, defensible space vegetation removal work, and animal abatement work.[222]

The costs recorded under the Power Generation cost category are as follows:[223]

Power Generation (Chapter 7) *(in $000s)*					
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**	
Defensible Space Management	FRMMA	Expense	IG	$	3,848
	WMPMA	Expense	IG	$	1,546
			Subtotal	**$**	**5,394**
Supplemental Switchyard Inspection & Repair	WMPMA	Expense	IG	$	4,414
	WMPMA	Capital	2L	$	357
	FRMMA	Expense	IG	$	2,390
			Subtotal	**$**	**7,161**
Switchyard Wildfire Tools/Box	WMPMA	Expense	IG	$	15
			Subtotal	**$**	**15**
Animal Abatement	WMPMA	Expense	IG	$	237
	FRMMA	Capital	2L	$	511
			Subtotal	**$**	**748**
			TOTAL	**$**	**13,318**

6.6.1. The Utility Reform Network's Recommended Disallowances

TURN did not make any recommendations regarding the costs recorded under this cost category.

[222] Ex. PGE-1, Chapter 7 at 1.

[223] Ex. PGE-6, Chapter 7 at 3.

6.6.2. Cal Advocates' Recommended Disallowances

For this cost category, Cal Advocates recommends disallowing $2.176 million in 2022 expenses and $0.170 million in 2022 capital expenditures recorded in the WMPMA.[224] Cal Advocates also recommends disallowing $1.090 million in 2021 expenses and $0.124 million in 2021 capital expenditures recorded in the FRMMA.[225]

The disallowances Cal Advocates recommends are for recorded straight-time labor expenses, labor overhead expenses, and overhead expenses, including costs for Materials Movement, Minor Materials Overhead Credit, Benefits, Payroll Taxes, Building Services, and IT Devices Services. Cal Advocates argues that these costs are not incremental.

As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommended disallowances for straight-time labor expenses, associated labor overhead expenses, and the overhead expenses listed above.

6.6.3. Summary of Costs and Disallowances

We find that the $13.318 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the Power Generation cost category are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

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224 Ex. CA-3-E at 21-23.

225 Ex. CA-4-E at 11-13.

6.7. Enhanced Powerline Safety Settings (Chapter 8)

To reduce wildfire risks, EPSS aims to minimize the probability of an ignition caused by a fault on an electric distribution line occurring in a High Fire Risk Area (HFRA) or its adjacent areas. Activities under the EPSS cost category include engineering design changes and installation of electrical devices that increase the sensitivity and speed of system protective devices on circuits to automatically shut off power when a fault occurs or when an object contacts a distribution line. Patrol activities to perform extensive post-outage investigations prior to restoring power and related customer support activities are also included in this cost category.[226]

The costs recorded for the EPSS cost category are as follows:[227]

Enhanced Powerline Safety Settings (Chapter 8) ***(in $000s)***				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Supervisory Control and Data Acquisition (SCADA) Testing Work, Control Center, Dispatch	FRMMA	Expense	BAF	$ 2,998
	WMPMA	Expense	BAF	$ 111
	WMPMA	Expense	BAH	$ 598
	WMPMA	Expense	DD#	$ 610
	WMPMA	Expense	HGD	$ 3,393
			Subtotal	**$ 7,710**
Additional Patrols and Related Support	FRMMA	Expense	BHE	$ 12,658
	WMPMA	Expense	BFJ	$ 868
	WMPMA	Expense	BHE	$ 12,877

[226] Ex. PGE-1, Chapter 8 at 1-3.

[227] Ex. PGE-6, Chapter 8 at 3-4.

Enhanced Powerline Safety Settings (Chapter 8) *(in $000s)*					
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**	
	WMPMA	Expense	IG#	$	18,546
			Subtotal	**$**	**44,949**
Reprogramming Devices and Engineering	FRMMA	Expense	FZA	$	1,396
	FRMMA	Expense	FZE	$	651
	WMPMA	Expense	FZA	$	4,512
	WMPMA	Expense	FZE	$	8,476
			Subtotal	**$**	**15,035**
Substation Support	FRMMA	Expense	GC2	$	437
	WMPMA	Expense	GC2	$	3,993
	FRMMA	Capital	09B	$	2,737
	WMPMA	Capital	48D	$	990
	WMPMA	Capital	09B	$	12,189
			Subtotal	**$**	**20,346**
Program Support	FRMMA	Expense	IG#	$	10
	WMPMA	Expense	IG#	$	14,209
			Subtotal	**$**	**14,219**
Automation and Protection	WMPMA	Expense	HXA	$	1,473
	WMPMA	Capital	49A	$	1,250
	WMPMA	Capital	49X	$	3,619
			Subtotal	**$**	**6,342**
			TOTAL	**$**	**108,601**

6.7.1. The Utility Reform Network's Recommended Disallowances

TURN did not make any recommendations regarding the costs recorded under this cost category.

6.7.2. Cal Advocates' Recommended Disallowances

For this cost category, Cal Advocates recommends disallowing $18.842 million in 2022 expenses and $4.462 million in 2022 capital expenditures recorded in the WMPMA.[228] Cal Advocates also recommends disallowing $6.407 million in 2021 expenses and $1.860 million in 2021 capital expenditures recorded in the FRMMA.[229]

The disallowances Cal Advocates recommends include straight-time labor expenses, labor overhead expenses, and overhead expenses, including costs for Materials Movement, Material Burden, Minor Material Overheads, Benefits, Payroll Taxes, Building Services, and IT Devices Services. Cal Advocates argues that these expenses are not incremental. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommended disallowances for straight-time labor expenses, associated labor overhead expenses, and the overhead expenses listed above.

Cal Advocates' recommended disallowances also include costs associated with certain Estimated Goods Receipts and Financial Journal Entries. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommendation

[228] Ex. CA-3-E at 23-31.

[229] Ex. CA-4-E at 13-16.

to disallow costs associated with Estimated Goods Receipts and Financial Journal Entries. The Estimated Good Receipts were recorded according to GAAP and were substantiated by EY's audit. PG&E's Financial Journal Entries were recorded according to GAAP principles, reviewed by PG&E's internal process, and were substantiated by EY's audit. We find the Estimated Goods Receipts entries and the Financial Journal Entries to be reasonable.

6.7.3. Summary of Costs and Disallowances

We find that the $108.601 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the EPSS cost category are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.8. Enhanced Automation and Remote Grid (Chapter 9)

Enhanced Automation and Remote Grid uses various technologies to reduce the likelihood of ignitions caused by PG&E's assets.[230]

The costs recorded under the Enhanced Automation and Remote Grid cost category are as follows:[231]

Enhanced Automation and Remote Grid (Chapter 9) ***(in $000s)***				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Remote Grid Pilot	FRMMA	Expense	AB#	$ 3,202
	WMPMA	Expense	AB#	$ 4,303
	WMPMA	Expense	KAT	$ 107

[230] Ex. PGE-1, Chapter 9 at 1-2.

[231] Ex. PGE-6, Chapter 9 at 2-3.

Enhanced Automation and Remote Grid (Chapter 9) *(in $000s)*				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
	WMPMA	Capital	21#	$ 171
			Subtotal	**$ 7,783**
Meter-Based Sensors	WMPMA	Expense	AB#	$ 3,146
	WMPMA	Capital	21A	$ (30)
			Subtotal	**$ 3,116**
Distribution Fault Anticipation (DFA) and Early Fault Detection (EFD)	WMPMA	Expense	FZA	$ 3,900
			Subtotal	**$ 3,900**
Distribution, Transmission, and Substation: Fire Action Schemes and Technology (DTS-FAST)	FRMMA	Capital	21#	$ 792
	WMPMA	Capital	21#	$ 1,118
			Subtotal	**$ 1,910**
Medium Voltage Line Sensors, DFA, and EFD	WMPMA	Capital	49I	$ 23,027
			Subtotal	**$ 23,027**
Rapid Earth Fault Current Limiter (REFCL)	WMPMA	Capital	49R	$ 2,862
			Subtotal	**$ 2,862**
Line Recloser Upgrades	WMPMA	Capital	49A	$ 4,089
			Subtotal	**$ 4,089**
			TOTAL	**$ 46,687**

6.8.1. The Utility Reform Network's Recommended Disallowances

TURN did not make any recommendations regarding the costs recorded under this cost category.

6.8.2. Cal Advocates' Recommended Disallowances

Cal Advocates recommends disallowing $1.401 million in 2020 capital expenditures, $2.888 million in 2021 expenses and $1.712 million in 2021 capital expenditures, $2.332 million in 2022 expenses and $3.133 million in 2022 capital expenditures recorded in the WMPMA.[232] Cal Advocates also recommends disallowing $0.239 million in 2021 capital expenditures recorded in the FRMMA.[233]

The disallowances Cal Advocates recommends include straight-time labor expenses, labor overhead expenses, and overhead expenses, including Materials Movement costs and Minor Material Overheads Credit costs. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommended disallowances for straight-time labor expenses, associated labor overhead expenses, and overhead expenses for Materials Movement and Minor Material Overheads Credit.

Cal Advocates also recommends disallowing costs associated with certain Estimated Goods Receipts. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries are reasonable as they were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

6.8.3. Summary of Costs and Disallowances

We find that the $46.687 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the Enhanced Automation and Remote Grid cost category are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

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[232] Ex. CA-3-E at 31-41.

[233] Ex. CA-4-E at 16-17.

6.9. Data Management & Analytics and Mapping (Chapter 10)

The Data Management & Analytics (DM&A) and Mapping cost category consists of the DM&A program and Mapping program. DM&A activities include developing and implementing data management standards, processes, and tools, implementing data platform, data quality programs and improvement, and regulatory compliance initiatives. Mapping is comprised of activities that maintain wildfire-related asset records.[234]

The costs recorded for the Data Management & Analytics and Mapping cost category are as follows:[235]

Data Management & Analytics and Mapping (Chapter 10) ***(in $000s)***				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Data Management and Analytics	WMPMA	Expense	GEP	$ 6,330
	FRMMA	Expense	GEP	$ 3,015
			Subtotal	**$ 9,345**
Mapping	WMPMA	Expense	GEO	$ 6,758
	FRMMA	Expense	GEO	$ 22
			Subtotal	**$ 6,780**
			TOTAL	**$ 16,125**

234 Ex. PGE-1, Chapter 10 at 1-2.

235 Ex. TURN-1 at 69.

6.9.1. The Utility Reform Network's Recommended Disallowances

6.9.1.1. Data Management and Analytics

PG&E recorded $9.345 million in the WMPMA and FRMMA under MAT GEP in 2020-2022 for the Data Management and Analytics program.[236] TURN did not contest the incrementality or reasonableness of these costs.

6.9.1.2. Mapping Program

PG&E recorded $6.780 million in the WMPMA and FRMMA under MAT GEO in 2020-2022 for the Mapping Program.[237] As discussed below, TURN recommends disallowing the entire $6.780 million of expenses recorded in MAT GEO for the Mapping program. We find that the $6.780 million in expenses are incremental and reasonable, and should be recovered.

6.9.1.2.1. Incrementality Disallowances

PG&E asserts that it spent $3.3 million more expenses for GRC base work than was approved in its 2020 GRC for the Mapping program. PG&E explains that it incurred more expenses because it had to conduct more mapping activities than was forecasted in the 2020 GRC, as more work was being generated from expanded inspections. According to PG&E, it had 15,000 work orders in 2019, which significantly increased to 31,736 in 2020, 50,575 in 2021, and 154,157 in 2022.[238]

TURN recommends disallowing the entire $6.780 million of expenses recorded in MAT GEO for the Mapping program, arguing that these costs are not incremental and are not reasonable.

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[236] Ex. TURN-1 at 69, Table 17.

[237] Ex. TURN-1 at 69, Table 17.

[238] Ex. PGE-6, Chapter 10 at 8-9.

First, we address TURN's arguments that the entire $6.780 million of recorded expenses for the Mapping program are not incremental. TURN asserts that none of the costs incurred for GRC base work was for work conducted in an HFTD. Estimating that 50%of the GRC-authorized funds were authorized for work in HFTD areas,[239] TURN argues that PG&E did not use 50% of the GRC-authorized funds, or approximately $9 million. Because this recommended disallowance of $9 million is more than the recorded expenses of $6.780 million, TURN recommends disallowing all $6.780 million in expenses recorded for this program.[240]

TURN's arguments to recommend disallowances based on spending in HFTD areas are unpersuasive. We do not agree with TURN that, because none of GRC base work was conducted in HFTD areas, PG&E did not use 50% of its GRC-authorized funds.

Rather, we find that the $6.780 million in expenses recorded for the Mapping program in MAT GEO are incremental. Because the expanded inspections PG&E conducted pursuant to its WMP increased the need for mapping activities, PG&E performed significantly more work and incurred more expenses for the Mapping program than was authorized in the GRC. PG&E spent $3.3 million more on GRC base work than was authorized in the GRC for the program. Because PG&E spent more on its GRC base work than the funds authorized in the GRC, we find that PG&E exhausted its GRC-authorized funds

[239] TURN estimates that 50% of the GRC-authorized funds were authorized for work in HFTD areas because nearly 50% of PG&E's service territory is in HFTD areas. *See* Ex. TURN-1 at 17-20.

[240] Ex. TURN-1 at 68-70.

for the program and that the $6.780 million of recorded expenses for the Mapping program are incremental.

6.9.1.2.2. Reasonableness Disallowances

TURN also argues that the Mapping program costs are not reasonable because the costs were incurred to correct previous errors, or asset registry corrections, in its maps. According to TURN, OEIS and the Federal Monitor found that PG&E's electric distribution asset records prior to 2020 were inadequate. TURN argues that it is not appropriate to charge ratepayers for poor recordkeeping practices and that the costs incurred for the Mapping program are unreasonable.[241]

PG&E explains that the work performed under the Mapping program results from expanded inspections that required significant changes and correction to PG&E's wildfire related maps. The work, PG&E asserts, is not to correct errors resulting from past imprudence and is not necessarily correcting an error in PG&E's records.[242]

We do not agree with TURN that the work performed for the Mapping program is to correct errors caused by PG&E's imprudence. TURN has not presented any evidence to support its claims. We find that the costs incurred for the Mapping program are reasonable.

6.9.2. Cal Advocates' Recommended Disallowances

Cal Advocates recommends disallowing $1.911 million in 2021 expenses and $1.409 million in 2022 expenses recorded in WMPMA.[243] Cal Advocates

[241] Ex. TURN-1 at 68-70.

[242] Ex. PGE-6, Chapter 10 at 6-9.

[243] Ex. CA-3-E at 42-43.

does not oppose PG&E's requested recovery of costs recorded in the FRMMA under this cost category.[244]

Cal Advocates recommends disallowing recorded straight-time labor expenses and Materials Movement overhead expenses, arguing that these expenses are not incremental. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommended disallowances for straight-time labor expenses and Materials Movement overhead expenses.

Cal Advocates also recommends disallowing costs associated with certain Estimated Goods Receipts. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries are reasonable as they were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

6.9.3. Summary of Costs and Disallowances

We find that the $16.125 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the Data Management & Analytics and Mapping cost category are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.10. Wildfire Support (Chapter 11)

The activities under the Wildfire Support cost category include additional resources to support PG&E's wildfire mitigation work.[245]

[244] Ex. CA-4-E at 17.

[245] Ex. PGE-1, Chapter 11 at 1-2.

The costs recorded under the Wildfire Support cost category are as follows:[246]

Wildfire Support Costs (Chapter 11) *(in $000s)*				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Ignition Investigations	WMPMA	Expense	AB#, IG#	$ 9,473
			Subtotal	**$ 9,473**
Operational Management/ Operational Support	WMPMA	Expense	AB6, OM, OS5	$ 24,714
			Subtotal	**$ 24,714**
Regulatory Compliance & Support	WMPMA/ FRMMA	Expense	AB#	$ 20,098
			Subtotal	**$ 20,098**
Government/PMO	WMPMA/ FRMMA	Expense	AB#, AB6	$ 6,927
			Subtotal	**$ 6,927**
Wildfire Risk Enablement	WMPMA/ FRMMA	Expense	AB6, IG#, AB#, BAF	$ 17,401
	FRMMA	Capital	10J	$ 572
			Subtotal	**$ 17,973**
Wildfire Risk Analysis and Research	WMPMA/ FRMMA	Expense	AB6, IG#, AB#	$ 31,693
	WMPMA	Capital	21#	$ 9,255
			Subtotal	**$ 40,949**
			TOTAL	**$ 120,134**

[246] Ex. TURN-1 at 71-72.

6.10.1. The Utility Reform Network's Recommended Disallowances

6.10.1.1. Operational Management and Operational Support

For the Operational Management and Operational Support program, PG&E recorded $24.714 million in the WMPMA in 2020-2022.[247] According to PG&E, the scope of the program expanded following the implementation of improved wildfire mitigation activities after the 2020 GRC was forecasted.[248]

TURN recommends disallowing the entire $24.714 million in expenses recorded in the WMPMA for the Operational Management and Operational Support program, arguing that these costs are not incremental. According to TURN, PG&E was authorized $90.356 million in the 2020 GRC but only spent $82.171 million on GRC base work, with none of the GRC funding spent on HFTD areas. TURN argues that 50% of the GRC funding, or approximately $45 million, were authorized for work in the HFTD areas because the 2020 GRC authorized funds for work in both non-HFTD and HFTD areas and nearly 50% of PG&E's service territory is in HFTD areas. Because PG&E recorded only $24.714 million for work conducted in HFTD areas, TURN asserts that PG&E underspent on work in HFTD areas with the costs incurred for GRC-base work. TURN argues that assessing whether the incurred costs are incremental to the GRC is difficult and recommends disallowing all $24.714 million recorded in the WMPMA for the program.[249]

We are not convinced by TURN's arguments to determine incremental costs based on spending in HFTD areas.

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[247] Ex. TURN-1 at 72, Table 19.

[248] Ex. PGE-6, Chapter 11 at 10.

[249] Ex. TURN-1 at 72.

We find that $8.164 million in expenses recorded for the Operational Management and Operational Support program are not incremental and should be disallowed. For this program, PG&E underspent the funds authorized in the GRC by $8.164 million. PG&E was authorized $90.356 million in the 2020 GRC for this program but only spent $82.171 million on GRC base work.[250] PG&E should have exhausted all its GRC funds before recording any costs in the WMPMA. We find that $8.164 million of the WMPMA recorded costs for this program should have been recorded as GRC spending and not as incremental expenses in the WMPMA. For these reasons, we find that $8.164 million in expenses recorded in the WMPMA for this program in 2020-2022 is not incremental and should be disallowed.

Additionally, TURN asserts that PG&E did not demonstrate the cost-effectiveness of any of the costs recorded under the Wildfire Support cost category.[251] As discussed in Section 5.1.3.1 above, Lack of Cost-Effectiveness Analysis, PG&E was not required to perform a cost-effectiveness analysis on its wildfire mitigation activities in order for costs to be approved. We decline to impose disallowances on the costs based on the lack of showing a cost-effectiveness measure.

In summary, of the $24.714 million in expenses recorded in the WMPMA under MAT AB6 for the Operational Management and Operational Support program, we find that $16.550 million is incremental and reasonable and should be recovered, and $8.164 million is not incremental and should be disallowed.

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[250] The exact disallowance is $8,164,279, the difference between the GRC authorized funds of $90,355,541 and GRC Base recorded costs of $82,171,262. *See* Ex. TURN-1 at 72.

[251] Ex. TURN-1 at 73.

6.10.1.2. Other Programs

TURN does not contest the incrementality or the reasonableness of the costs recorded for the other programs in this cost category.

6.10.2. Cal Advocates' Recommended Disallowances

For costs recorded in the WMPMA, Cal Advocates recommends disallowances of $4.505 million in 2020 expenses, $10.392 million in 2021 expenses and $0.692 million in 2021 capital expenditures, and $0.757 million in 2022 capital expenditures.[252] Cal Advocates' recommended disallowances consist of recorded straight-time labor expenses and Minor Materials Overhead expenses, arguing that these expenses are not incremental. We decline to adopt Cal Advocates' recommended disallowances for straight-time labor expenses and Minor Materials Overhead expenses. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, it is reasonable that incremental work requires more labor, material, overhead resources and costs.

Cal Advocates does not oppose PG&E's requested recovery of costs recorded in the FRMMA under this cost category.[253]

6.10.3. Summary of Costs and Disallowances

Of the $120.133 million recorded in the WMPMA and FRMMA in 2020-2022 under the Wildfire Support cost category, we find that $8.164 million is not incremental and should be disallowed, and that $111.969 million is incremental and reasonable, and should be recovered. The incrementality and

[252] Ex. CA-3-E at 45-49.

[253] Ex. CA-4-E at 17.

reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.11. Shared Services (Chapter 12)

The programs under the Shared Services cost category are Enterprise Health and Safety, Sourcing, Corporate Real Estate Strategy and Service (CRESS) and Land and Environmental Management. The Enterprise Health and Safety program works to protect personnel from wildfire smoke when they are performing emergency or firefighting operations, in compliance with Cal/OSHA emergency requirements. The Sourcing program performs strategic sourcing, contracting strategy and operational procurement to competitively source, select, and contract with suppliers. The CRESS manages two programs eligible for wildfire recovery: the Emergency Generation Enhancement Program equips PG&E's service centers with emergency generation systems to provide the service centers with backup power in the event a wildfire causes power outages; and the Functional Area Wildfire Mitigation Support program manages materials and equipment storage and installation and additional workspace to support wildfire mitigation activities. The Land and Environmental Management program oversees payments to the United States Forest Service to complete hazardous fuel reductions on federal land and to the California Water Resource Control Board for work in the HFTDs.[254]

The costs recorded under the Shared Services cost category are as follows:[255]

[254] Ex. PGE-1, Chapter 12 at 1-11.

[255] Ex. PGE-6, Chapter 12 at 3.

Shared Services (Chapter 12) (in $000s)				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Enterprise Health and Safety	WMPMA	Expense	IG	$ 48
			Subtotal	**$ 48**
Sourcing	WMPMA	Expense	JL	$ 3,824
			Subtotal	**$ 3,824**
CRESS	WMPMA	Expense	IG	$ 2,199
	WMPMA	Capital	23	$ 58,324
	FRMMA	Capital	23	$ 38,241
			Subtotal	**$ 98,764**
Land and Environmental Management	FRMMA	Expense	IG	$ 5,045
			Subtotal	**$ 5,045**
			TOTAL	**$ 107,681**

6.11.1. The Utility Reform Network's Recommended Disallowances

As discussed below, TURN recommends disallowing costs recorded for the Sourcing program and the Corporate Real Estate Strategy and Services program.

6.11.1.1. Sourcing

For the Sourcing program, PG&E recorded $3.824 million in the WMPMA under MWC JL from 2020 through 2022.[256] TURN recommends disallowing $3.824 million for the Sourcing program recorded in MWC JL, arguing that the costs are not incremental and are not reasonable.

[256] Ex. TURN-1 at 74, Table 21.

We first address TURN's arguments that the costs are not incremental. TURN argues that PG&E did not demonstrate that the recorded costs for the Sourcing program are incremental because PG&E did not provide the amount of funding the GRC authorized or the amount of GRC spending incurred for the Sourcing program.[257] PG&E explains that it did not provide this information because the Sourcing program was forecasted under a MWC that is different than the MWC in which the costs were recorded. After its 2020 GRC funding was authorized, PG&E decided to record the Sourcing costs into the current MWC account, MWC JL.[258] PG&E argues that the recorded costs for the Sourcing program are incremental because it overspent the amounts authorized in the GRC for MWC JL, as demonstrated in the RSAR report. The Sourcing program, PG&E explains, expanded in scope after its 2020 GRC was forecasted and incurred more costs than authorized.[259]

We find that PG&E failed to provide the necessary information to demonstrate that the costs recorded in the Sourcing program were incremental. Even if the costs for Sourcing were forecasted and recorded in different accounts, PG&E should be able to provide and should have provided the amount that was authorized in the GRC, even if it was forecasted under a different account. Because PG&E failed to provide a comparison of the GRC-authorized funds and the GRC Spending incurred for the Sourcing program, which are the data needed to evaluate incrementality, we find that PG&E did not meet its burden of proof to demonstrate that the costs recorded for the Sourcing program in 2020-2022 are incremental. We therefore find that the entire $3.824 million recorded in the

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[257] Ex. TURN-1 at 74-75.

[258] Ex. PGE-6, Chapter 12 at 7-8.

[259] PG&E Opening Brief at 152.

WMPMA under MWC JL in 2020-2022 for the Sourcing Program are not incremental and should be disallowed.

TURN also argues that costs for the Sourcing program were not reasonable. Because we find that all the costs recorded for the Sourcing program is not incremental and should be disallowed, it is not necessary to evaluate whether the costs are reasonable.

6.11.1.2. Corporate Real Estate Strategy and Services

For the CRESS program, PG&E recorded $98.764 million in the WMPMA and FRMMA from 2020 through 2022.[260]

TURN argues that $0.770 million in expenses and $0.096 million in capital expenditures for the CRESS program are not incremental because the activities performed under this program are similar to those funded in the GRC under the Inspections Support Costs program in the Overhead Electric Distribution Asset Inspections (Chapter 2) cost category.[261] Similar to the 50% disallowance TURN recommends for the Inspections Support Costs, TURN recommends that a 50% disallowance also be applied to the costs of the CRESS program.[262]

PG&E asserts that the work, specifically the laydown yard work, for this program is different from the work for Inspections Support Costs requested in Chapter 2.[263]

We find that the work performed for this program is different from the Inspections Support Costs work requested in this proceeding and is incremental

[260] Ex. TURN-1 at 74, Table 21.

[261] TURN Opening Brief at 119.

[262] Ex. TURN-1 at 75-76.

[263] Ex. PGE-6, Chapter 12 at 9-10.

to the costs authorized in the GRC. PG&E was not authorized any funding in the GRC for the CRESS program.[264] We therefore find the $98.764 million recorded in the WMPMA and FRMMA in 2020-2022 for the CRESS program are incremental.

Parties did not contest the reasonableness of the costs recorded for this program.

We find that the $98.764 million recorded in the WMPMA and FRMMA in 2020-2022 for the CRESS program are incremental and reasonable and should be recovered.

6.11.2. Cal Advocates' Recommended Disallowances

For costs recorded in the WMPMA, Cal Advocates recommends disallowances of $0.475 million in expenses and $1.092 million in capital expenditures recorded in 2021, and $0.503 million in expenses and $0.477 million in capital expenditures recorded in 2022.[265] For costs recorded in the FRMMA, Cal Advocates recommends disallowing $2.493 million in 2020 expenses, $2.162 million in 2020 capital expenditures, $1.332 million in 2021 expenses, and $1.231 million in 2022 expenses.[266]

The disallowances Cal Advocates recommends include straight-time labor expenses, associated labor overhead expenses, and overhead expenses, including costs for Minor Materials Overhead Credit, Materials Movement, Material Burden, Benefits, Payroll Taxes, Building Services, and IT Devices Services. Cal Advocates argues that these costs are not incremental. As discussed in

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[264] Ex. TURN-01, Atch01, PG&E Response to TURN-PG&E-035, Q.1, Attachment 1.

[265] Ex. CA-3-E at 50-53.

[266] Ex. CA-4-E at 18-19.

Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommended disallowances for straight-time labor expenses, associated labor overhead expenses, and the overhead expenses listed above.

Cal Advocates also recommends disallowing costs associated with certain Estimated Goods Receipts and Financial Journal Entries. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find the Estimated Goods Receipts and Financial Journal Entries to be reasonable. The Estimated Good Receipts and Financial Journal Entries were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs associated with Estimated Goods Receipts and Financial Journal Entries.

6.11.3. Summary of Costs and Disallowances

Of the $107.681 million recorded in the WMPMA and FRMMA in 2020-2022 under the Shared Services cost category, $3.824 million for the Sourcing program are not incremental and should be disallowed, and $103.857 million are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.12. Information Technology (Chapter 13)

The activities recorded under the IT cost category consist of IT initiatives PG&E undertook to support its WMPs and other accelerated and enhanced wildfire mitigation work, including the development and implementation of tools and technologies that enabled the various Electric Distribution wildfire risk mitigation and controls outlined in the WMPs.[267]

The costs recorded under the IT cost category are as follows:[268]

Information Technology (Chapter 13) *(in $000s)*				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
IT Situational Awareness	WMPMA	Expense	IG	$ 704
	WMPMA	Capital	2F	$ 4,443
	FRMMA	Expense	IG	$ 124
	FRMMA	Capital	2F	$ 976
			Subtotal	**$ 6,247**
IT Asset and System Inspection Program	WMPMA	Expense	IG	$ 1,119
	WMPMA	Capital	2F	$ 5,272
	FRMMA	Expense	IG	$ 115
	FRMMA	Capital	2F	$ 1,259
			Subtotal	**$ 7,765**
IT Asset Risk Program	WMPMA	Expense	IG	$ 7,559
	WMPMA	Capital	2F	$ 20,540
	FRMMA	Expense	IG	$ 14
	FRMMA	Capital	2F	$ 193
			Subtotal	**$ 28,306**
IT Data Enablement Program	WMPMA	Expense	IG	$ 7,217
	FRMMA	Capital	2F	$ 8,139
			Subtotal	**$ 15,356**
IT EPSS Program	WMPMA	Expense	IG	$ 611
	FRMMA	Capital	2F	$ 5,307
			Subtotal	**$ 5,918**
Cybersecurity	FRMMA	Expense	IG	$ 213

[267] Ex. PGE-1, Chapter 13 at 1-2.

[268] Ex. PGE-6, Chapter 13 at 3-4.

Information Technology (Chapter 13) *(in $000s)*				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
	FRMMA	Capital	2F	$ 1,566
			Subtotal	**$ 1,779**
IT Operations and Maintenance	WMPMA	Expense	IG	$ 47,547
	FRMMA	Expense	IG	$ 6,171
			Subtotal	**$ 53,718**
IT Lifecycle	WMPMA	Expense	IG	$ 4
	FRMMA	Expense	IG	$ 583
	WMPMA	Capital	2F	$ 462
			Subtotal	**$ 1,049**
			TOTAL	**$ 120,138**

6.12.1. The Utility Reform Network's Recommendations

TURN does not have any recommendations for the costs recorded in this cost category.

6.12.2. Cal Advocates' Recommended Disallowances

Cal Advocates recommends disallowing $3.247 million in 2021 expenses, $3.375 million in 2021 capital expenditures, $14.553 million in 2022 expenses, and $3.989 million in 2022 capital expenditures recorded in the WMPMA.[269] Cal Advocates also recommends disallowing $1.527 million in 2020 expenses recorded in the FRMMA.[270]

The disallowances Cal Advocates recommends include straight-time labor expenses, associated labor overhead expenses, and overhead expenses, including

[269] Ex. CA-3-E at 53-62.

[270] Ex. CA-4-E at 21.

Materials Movement costs and Minor Material Overheads Credit costs. Cal Advocates argues that these costs are not incremental. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommended disallowances for straight-time labor expenses, associated labor overhead expenses, and overhead expenses for Materials Movement and Minor Material Overheads Credit.

Cal Advocates also recommends disallowing costs associated with certain Estimated Goods Receipts. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries are reasonable. The Estimated Good Receipts were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs associated with Estimated Goods Receipts.

6.12.3. Summary of Costs and Disallowances

We find that the total costs of $120.138 million in expenses and capital expenditures recorded in the WMPMA and FRMMA under the IT cost category in 2020-2022 are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

6.13. Customer and Communications (Chapter 14)

The activities under the Customer and Communications cost category include customer information campaigns, customer outreach, and customer support programs for Public Safety Power Shutoff (PSPS) events or other events that were approved in the WMP as part of PG&E's wildfire mitigation strategies.

The costs recorded for the Customer and Communications cost category are as follows:[271]

Customer and Communications (Chapter 14) *(in $000s)*				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Wildfire Communications	FRMMA	Expense	IG	$ 7,592
	WMPMA	Expense	IG	$ 7,502
			Subtotal	**$ 15,094**
EPSS Education and Outreach	FRMMA	Expense	IG	$ 492
	WMPMA	Expense	IG	$ 17,138
			Subtotal	**$ 17,630**
Portable Battery Program	FRMMA	Expense	IG	$ 18,273
	WMPMA	Expense	IG	$ 33,049
			Subtotal	**$ 51,323**
Generator and Battery Rebate Program	WMPMA	Expense	IG	$ 2,060
			Subtotal	**$ 2,060**
Disability Disaster Access and Resources Program	WMPMA	Expense	IG	$ 9,592
			Subtotal	**$ 9,592**
211 Partnership	WMPMA	Expense	IG	$ 2,171
			Subtotal	**$ 2,171**
Electric Vehicle Charging Network Support and Resiliency	WMPMA	Expense	IG	$ 985
			Subtotal	**$ 985**

[271] Ex. PGE-6, Chapter 14 at 3; Ex. TURN-1-Atch1, PG&E Response to TURN-PG&E-035, Q.1.

Customer and Communications (Chapter 14) *(in $000s)*				
Program	**Memo Account**	**Type**	**MAT/ MWC**	**Recorded Costs**
Backup Power Transfer Meter Program	WMPMA	Expense	IG	$ 153
	WMPMA	Capital	3M	$ 5,878
			Subtotal	**$ 6,031**
			TOTAL	**$ 104,885**

6.13.1. The Utility Reform Network's Recommended Disallowances

6.13.1.1. Parties Position

TURN recommends disallowing $2.502 million recorded in the EPSS Education and Outreach program for the costs of two video advertisements. According to TURN, the first advertisement, which is titled "Undergrounding 10,000 Miles of Powerlines for Safety" (Undergrounding Ad), includes an audio clip that is transcribed as follows:

> To make our power system safer and more reliable, we're transforming your hometown utility from the underground up. Undergrounding power lines in the highest fire threat areas makes us safer and its less expensive in the long run. Since 2021, we've buried hundreds of miles of lines with thousands more to come across 21 counties, and we're using new technologies to target areas with the highest fire risk. That's our commitment to build your safe, reliable, and affordable energy system.[272]

The second advertisement, which is titled "An Affordable Energy Future for California" (Affordable Energy Ad), includes an audio clip transcribed as follows:

[272] Ex. TURN-1 at 76.

> In California, we're on a journey to make energy cleaner, safer, and more reliable. At PG&E, our goal is to get there without leaving any family behind. We're undergrounding lines because it's safer and more affordable in the long run. We're helping our customers lower costs by choosing the right energy plan and taking control of their bills with predictable budget billing. As your hometown utility, we won't stop until we deliver the safe, reliable, renewable, and affordable energy you deserve.[273]

TURN argues that the primary purpose of these two video ads is to promote and enhance PG&E's image, which benefits shareholders and does not primarily benefit customers.[274] TURN points to a number of Commission decisions that disallowed the recovery of costs for advertising, specifically those that primarily serve the company's image and reputation more than benefitting its customers.[275] TURN also argues the ads do not inform ratepayers how to stay safe but simply tell customers that PG&E is doing a good job.[276]

PG&E agrees that the Affordable Energy Ad, which costs approximately $1.3 million, should be removed from cost recovery. However, PG&E insists that the first ad, "Undergrounding 10,000 Miles of Powerlines for Safety," aligns with the customer education objectives set forth in its WMP and should be recoverable. According to PG&E, Section 7.3.10 of the WMP requires PG&E to

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[273] Ex. TURN-1 at 77.

[274] Ex. TURN-1 at 76-79.

[275] TURN Opening Brief at 77-78; TURN cites the following decisions: D.04-09-061 at 98-99; D.01-06-077 at 36-37; D.90-01-016, 1990 Cal.PUC LEXIS 15, *99; D.86794 (1976), 1976 Cal.PUC LEXIS 59, *64-65; D.83162 (1974), 1974 Cal.PUC LEXIS 1663, *82-83; *see also City of Los Angeles v. Public Utilities Comm.* (1972) 7 Cal. 3d 331, 351, 1972 Cal LEXIS 196, ****37. *See* TURN Opening Brief at 78, Footnote 307.

[276] Ex. TURN-1 at 78.

perform customer outreach activities to inform the public and to raise public awareness on wildfire mitigation activities.[277]

6.13.1.2. Discussion

We find that the costs of the Undergrounding Ad should be disallowed because the Undergrounding Ad primarily promotes PG&E's image and does not provide any benefits to ratepayers. Even though PG&E asserts that the Undergrounding Ad complies with its WMP, we disagree and find that the ad does not provide any safety messaging to educate or prepare customers for wildfire seasons or related emergencies, as intended in the WMP.

We find that the messages in the Undergrounding Ad do not provide any useful information to help the customers stay safe or teach them to be safer. Rather, they educate customers on the various wildfire mitigation measures PG&E is doing, which primarily serves to promote PG&E's image and goodwill, as TURN asserts.

We also find the Undergrounding Ad does not satisfy the objectives set forth in the WMP. PG&E argues that the Undergrounding Ad increases public awareness of what the company is doing to mitigate wildfire risk, including undergrounding overhead lines. This type of communication, PG&E argues, is approved by the WMP, as set forth in Section 7.3.10 that details PG&E's plan for community engagement.[278]

PG&E's WMP, in Section 7.3.10, Stakeholder Cooperation and Community Engagement, states:

> Working together with agencies and customers is an important part of PG&E's Community Wildfire Safety

[277] Ex. PGE-6, Chapter 14 at 15-19.

[278] PG&E Opening Brief at 161-162.

> Program (CWSP). This is to help ensure that communities understand the critical safety work underway in their area and are adequately prepared for wildfire season, and specifically PSPS and EPSS outages.[279]

According to the WMP, community engagement is intended to help communities not only understand the wildfire safety work being conducted but also adequately prepare communities for wildfire seasons, particularly for the PSPS and EPSS outages implemented to reduce wildfire risks. Even as the Undergrounding Ad educates customers about some of the wildfire mitigation measures PG&E conducted, it does not provide any ratepayer benefits because it fails to accomplish the objective specified in the WMP of preparing customers for wildfire seasons or for outages implemented to reduce wildfire risks. The audio transcribed in the ad does not help customers plan or prepare for wildfire-related emergencies or inform customers of any actions they could take to stay safe during wildfire-related emergencies, such as notifying them of specific community services or facilities customers can use during a PSPS or EPSS outage.

As provided in D.96-12-074, D.98-03-073, D.03-09-021, and D.04-01-052, the Commission has a long-standing established policy of allowing advertising costs related to safety only if the costs are spent on activities that benefit ratepayers and denying cost recovery of ads that primarily serve to promote a utility's image and goodwill.[280] Because we find that the Undergrounding Ad does not provide any safety messaging to benefit ratepayers but rather primarily

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[279] Ex. PGE-6, Chapter 15, Attachment H at 979.

[280] 1996 Cal. PUC LEXIS 1138, *119-120; D.03-09-021 at 48.

promotes PG&E's image and goodwill, we find that the costs of the Undergrounding Ad are not reasonable and should be disallowed.

Together with the Affordable Energy Ad, which PG&E agrees to remove from cost recovery, the total costs of these two video advertisements, or $2.502 million, recorded in the EPSS Education and Outreach program in 2020-2022, should be disallowed from cost recovery.

6.13.1.3. Preventing Recovery of Advertising Costs

To prevent PG&E from requesting recovery of advertisements that primarily promote PG&E's image and goodwill, TURN recommends that the Commission direct PG&E to file a Tier 1 advice letter to provide information about video advertisements disseminated after January 2023 and to disclose whether PG&E has requested recovery of similar costs in other Commission proceedings or filings.[281] PG&E argues that the proposed advice letter is outside the scope of this proceeding and involves a time period outside the time period of costs requested for recovery in this proceeding.[282] We agree with PG&E and decline to adopt TURN's recommendation because the proposed advice letter is outside the scope of this proceeding.

6.13.2. Cal Advocates' Recommended Disallowances

For the Customer and Communications cost category, Cal Advocates recommends disallowing: (1) costs related to media, (2) internal straight-time labor and overhead expenses, and (3) costs related to certain Estimated Goods Receipts. We discussed these recommendations below.

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[281] Ex. TURN-1 at 79-80.

[282] Ex. PGE-6, Chapter 4 at 18.

6.13.2.1. Costs related to Media

Cal Advocates recommends disallowing media costs recorded under this cost category. These recommended disallowances include $7.502 million of WMPMA costs recorded in MAT IG for the Wildfire Communications program, $7.592 million of FRMMA costs recorded in MAT IG for the Wildfire Communications program, and $9.221 million of WMPMA costs recorded in MAT IG for the EPSS Education and Outreach program.

Cal Advocates argues that PG&E failed to demonstrate that these costs were not previously recovered in its 2020 GRC, because PG&E failed to provide a comparison of GRC funds authorized for media activities and the GRC funds spent on media activities specified for the Wildfire Communications program.[283] Cal Advocates asserts that the 2020 GRC provided funding for media communications a part of its Corporate Affairs Organization.[284]

PG&E contends that it did not forecast any work for the Wildfire Communications program in the GRC, and that the Wildfire Communications work was established in the WMPs.[285] PG&E also explains that the media communications as part of its Corporate Affairs Organization is different from the media communications performed as part of the WMP under the Wildfire Communications program because the media work performed as part of the WMP aims to increase customer awareness of wildfire preparedness and mitigations in its WMPs.[286]

[283] Ex. CA-3-E at 67-68.

[284] Ex. CA-4-E at 23.

[285] Ex. PGE-6, Chapter 14 at 11.

[286] Ex. PGE-6, Chapter 14 at 12.

We disagree with Cal Advocates and find that the Wildfire Communications work was not authorized in the 2020 GRC. There is no evidence that the Wildfire Communications work or similar work was authorized in the 2020 GRC. The media work under the Corporate Affairs Organization forecasted in the GRC is largely different from the media work related to wildfire preparedness and mitigation as part of PG&E's WMPs.

Next, Cal Advocates argues that, because PG&E reused and repurposed media content, these media expenses are normal business expenses and do not belong in the WMPMA:

> Second, PG&E's media costs it assigned to the WMPMA reflect normal business activity, and therefore do not belong in the WMPMA. PG&E stated that it "frequently [reuses] content across quarters and years because the messaging continues to remain relevant (*e.g.*, prepare for emergencies)." Reusing media content throughout the year makes media a normal business activity and an unexpected expense, so PG&E cannot substantiate media costs as unexpected or incremental.[287]

PG&E argues that the recorded costs are incremental expenses that it incurred as part of implementing its WMP, regardless of whether they were expected costs or costs incurred as part of a normal business activity. In response to Cal Advocates' arguments that the incurred media expenses are for reused media content, PG&E explains that it reuses and repurposes media content to be cost effective.

Because it reuses and repurposes media content, PG&E explains that a large percentage of the incurred media costs are for the distribution of media content, while only a small percentage of the incurred media costs are for the

[287] Ex. CA-3-E at 68.

production of media content. PG&E states that more than 90% of the media costs recorded are to buy media space to communicate information through various channels and less than 1% of the recorded costs was incurred for producing media content.[288] In its testimony, PG&E states:

> As explained in PG&E's testimony, more than 90 percent of the costs recorded to the FRMMA and WMPMA from 2020-2022 for Wildfire Communications relate to Media Out-of-Pocket Expenditures, which includes costs associated with buying media space to share Wildfire Communications information through multiple channels. This is different from the cost of producing the content, which represents less than one percent of the total costs recorded to the FRMMA and WMPMA from 2020-2022. In this way, PG&E's approach of reusing and repurposing media is reasonable and cost efficient and has no bearing on the incrementality of Wildfire Communications costs. Costs are incremental when they have not been recovered in another proceeding. Whether they are "expected" or not is immaterial. Here they clearly were expected under the WMP, but not the 2020 GRC.[289]

According to PG&E, while the industry standard for the ratio of media communication costs to media production fees is 80/20, according to PG&E, PG&E's ratio is 93/7, which means that 93% of its costs are attributed to communication channels to deliver the media and 7% of the costs are attributed to the production of media content.

Because PG&E reuses or repurposes media content, we are not convinced that PG&E effectively performed its Wildfire Communications work pursuant to its WMP. Pursuant to its WMP, the purpose of the Wildfire Communications work is to increase customer awareness of wildfire preparedness and

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[288] Ex. PGE-6, Chapter 14 at 12-13.

[289] Ex. PGE-6, Chapter 14 at 13.

mitigations.[290] But the media content, which was reused and repurposed, was not created specific to the WMP initiatives. While it is reasonable and prudent for PG&E to reuse some media content, PG&E's strategy to primarily reuse media content, even to an extent such that the costs of media production are far lower than the industry standard for the ratio of media communication costs to production costs, leads us to doubt whether PG&E is effectively engaging customers in its most current wildfire mitigation strategies that are set forth in its WMPs.

For these reasons, we find that PG&E failed to sufficiently demonstrate the reasonableness of the recorded Wildfire Communications expenses and that the Wildfire Communications expenses should be disallowed. These Wildfire Communications expenses consist of $7.592 million recorded in the WMPMA and $7.502 million recorded in the FRMMA.

Finally, Cal Advocates argues that the recorded media costs are not appropriate because they fund media activities that target areas not limited to the high-risk wildfire areas.[291,292] PG&E argues that, according to the preliminary statements for the FRMMA and WMPMA, costs recorded in these accounts are not limited to those that exclusively serve customers in HFTDs and HFRAs.[293] We do not agree with Cal Advocates that the Wildfire Communication work should be limited to HFTDs or HFRAs because media communications targeting an area with HFTDs or HFRAs may include areas that are not HFTDs or HFRAs.

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[290] Ex. PGE-1, Chapter 14 at 11-12.

[291] Ex. CA-3-E at 69-72.

[292] Ex. CA-4-E at 22-24.

[293] Ex. PGE-6, Chapter 14 at 14.

We agree with PG&E that limiting media communications to only HFTD or HFRAs is not always practical.

6.13.2.2. Internal Straight-Time Labor and Overhead Expenses

Cal Advocates recommends disallowing straight-time internal labor expenses, labor overhead expenses, and overhead expenses, including Materials Movement costs and Minor Materials Overhead Credit costs. Cal Advocates argues that these expenses are not incremental. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we decline to adopt Cal Advocates' recommendation of disallowing straight-time labor expenses, associated labor overhead expenses, and overhead expenses for Materials Movement and Minor Materials Overhead.

6.13.2.3. Estimated Goods Receipts

Cal Advocates recommends disallowing costs associated with certain Estimated Goods Receipts. As discussed in Section 5.2, Cal Advocates' Recommended Disallowances Affecting Multiple Cost Categories, we find that the Estimated Goods Receipts entries are reasonable as they were recorded according to GAAP and were substantiated by EY's audit. We decline to adopt Cal Advocates' recommendation to disallow costs for Estimated Goods Receipts.

6.13.3. Summary of Costs and Disallowances

For the Customer and Communications cost category, a total of $17.596 million should be disallowed, consisting of $2.502 million for the costs of two video advertisements, $7.592 million of WMPMA costs recorded in Wildfire Communications, and $7.502 million of FRMMA costs recorded in Wildfire Communications. After removing these disallowances from the total costs of $104.883 million recorded under this cost category, we find that $87.287 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in

2020-2022 are incremental and reasonable and should be recovered. The incrementality and reasonableness of uncontested costs are discussed in Section 7, Uncontested Costs, below.

7. Uncontested Costs

We find that the uncontested costs reviewed in this Application are incremental and reasonable and should be recovered.

The uncontested costs are incremental. The incrementality of the uncontested costs is supported by PG&E's multi-step review process of determining incremental expenses and by the EY audit and the GT audit, which confirm that the uncontested costs were costs PG&E incurred more than authorized funding. Based on this evidence, we find that the uncontested costs recorded in the WMPMA and FRMMA in 2020-2022 are incremental to the costs authorized in the GRC.

The uncontested costs are reasonable because they were incurred for wildfire mitigation activities, including activities PG&E performed to comply with its WMPs. Based on this evidence, we find that the uncontested costs are reasonable.

Because the uncontested costs recorded in the WMPMA and FRMMA in 2020-2022 are incremental and reasonable, it is reasonable to allow recovery of these costs.

8. Accounting Adjustments

8.1. Background

PG&E makes the following three adjustments to the costs recorded in the WMPMA and FRMMA before requesting the recovery of these costs in this Application:

1. Penalties ordered in the Wildfire OII Decision,

2. Disallowances recommended in EY's Audit, and
3. Alignment of overhead expenses with D.20-12-005 (2020 GRC Decision).

The Wildfire OII Decision imposed penalties on PG&E that included a $1.823 billion disallowance on wildfire-related expenditures, which consists of $1.625 billion in disallowances as part of the settlement agreement adopted in the decision and $198 million in disallowances on wildfire mitigation expenses the Commission additionally imposed.[294] To comply with the approved settlement agreement which imposed the $1.625 billion in disallowances on wildfire expenses, PG&E applied a $35.559 million disallowance on distribution safety repairs costs to the 2020 overhead non-pole corrective maintenance costs recorded in MWC KA. Additionally, PG&E applied the $198 million disallowance to several wildfire mitigation expenses incurred in 2020 and 2021. Altogether, PG&E applied a $233.6 million disallowance to satisfy the penalties ordered in the Wildfire OII Decision.[295]

Next, PG&E removed the costs recommended in EY's Audit Report. The EY Audit Report identified $3.133 million in costs, consisting of $1.8 million in expenses and $1.3 million in capital expenditures, that should be removed from this Application.[296]

Finally, PG&E removed $9.615 million of overhead expenses to align with the overhead expense allocation methodology approved in the 2020 GRC Decision. PG&E applied this allocation methodology to all the 2020-2022 costs

[294] D.20-05-019 at 2 and Ordering Paragraph 1.

[295] Ex. PGE-1, Chapter 16 at 9-10.

[296] Ex. PGE-1, Chapter 16 at 11-13.

recorded in the WMPMA and FRMMA, which resulted in a removal of $9.615 million in overhead expenses.[297]

Additionally, through discussions with parties, PG&E agrees to concessions totaling $3.263 million, which PG&E removed from its cost recovery request. These concessions include costs recorded for canceled orders and for orders performed in PG&E's San Francisco service territory.[298]

8.2. Party Positions

Except for the manner in which PG&E applied the $198 million disallowance imposed by the Wildfire OII Decision, the parties do not oppose how PG&E applied the other accounting adjustments. Specifically, the parties do not contest how PG&E applied the $35.559 million disallowance as part of the $1.6 billion disallowance pursuant to the settlement agreement approved in the Wildfire OII Decision, the $3.133 million in disallowances recommended by the EY audit, the $9.615 million of overhead expenses removal to align with the 2020 GRC Decision, and the $3.263 million of concessions PG&E agreed to make.

TURN and Cal Advocates oppose PG&E's method of applying the $198 million of disallowances imposed by the Wildfire OII Decision to the recorded WMPMA and FRMMA costs before the Commission finds these costs to be recoverable. The $198 million disallowance, TURN and Cal Advocates argue, should instead be applied to recorded costs that were found to be incremental, reasonable, and recoverable.[299] TURN further recommends that the

[297] Ex. PGE-1, Chapter 16 at 14-15.

[298] Ex. PGE-1, Chapter 16 at 16.

[299] Ex. TURN-1 at 83; Ex. CA-3-E at 13-15.

disallowance should be applied in chronological order, starting with expenses incurred in January 2020, to minimize interest costs to ratepayers.[300]

PG&E is concerned that the parties' proposal would result in double counting the disallowances. Specifically, PG&E argues that TURN's method of first reducing the recorded costs by TURN's recommended incrementality and reasonableness disallowances and then applying the accounting adjustments causes costs to be removed twice and certain accounts to record negative balances.[301]

8.3. Discussion

We determine that PG&E should make accounting adjustments to the recorded costs in the WMPMA and FRMMA as follows:

1. First, remove the $3.133 million in disallowances recommended in the EY Audit Report from the recorded WMPMA and FRMMA costs;
2. Second, remove the $9.615 million of overhead expenses from the remaining recorded costs so that overhead expense allocations align with the 2020 GRC Decision;
3. Third, remove from the remaining recorded costs the $3.263 million of concessions PG&E agreed to make;
4. Fourth, remove from the remaining recorded costs all disallowances ordered in this decision;
5. Fifth, remove from the remaining recorded costs $35.559 million of disallowances on distribution safety repairs costs as part of the $1.625 billion disallowance set forth in the settlement agreement approved in the Wildfire OII Decision, specifically $35.559 million of costs recorded in MWC KA for 2020 overhead non-pole corrective maintenance costs; and

[300] Ex. TURN-1 at 83.

[301] Ex. PGE-6, Chapter 16 at 1-2.

6. Finally, remove from the remaining recorded costs $198 million of disallowances ordered in the Wildfire OII Decision, with the disallowances applied in chronological order beginning with costs incurred in January 2020.

The first three accounting adjustments are uncontested and are appropriate. The first accounting adjustment removes all costs identified in the EY Audit Report as not appropriate for recovery in this proceeding. The second accounting adjustment removes $9.615 million in overhead expenses to align with the overhead expense allocation authorized in PG&E's 2020 GRC Decision. The third adjustment removes $3.263 million in concessions PG&E agreed to make. For the above reasons, we adopt these accounting adjustments.

After applying the first three accounting adjustments, the remaining recorded WMPMA and FRMMA costs are appropriate for consideration in this decision. We have carefully reviewed these recorded costs and have determined whether each recorded cost should be recovered or disallowed. We therefore find it appropriate that, for the fourth adjustment, PG&E must remove all recorded costs disallowed in this decision. Costs should not be removed twice. In other words, once a cost is removed from recovery, the same cost will not be subject to further removal or disallowances so that there should not be any duplicate removals of costs.

As the fifth step, PG&E must apply the penalties ordered in the Wildfire OII Decision. After the first four accounting adjustments, the costs that remain are recorded 2020-2022 WMPMA and FRMMA costs that are found to be recoverable and eligible to satisfy the penalties imposed by the Wildfire OII Decision. We find it appropriate to apply the penalties ordered in the Wildfire OII Decision to these costs and that the fifth accounting adjustment should be the application of the Wildfire OII penalties to these costs, after the first four accounting adjustments have removed all but recoverable 2020-2022 wildfire mitigation costs.

There are two components to the Wildfire OII penalties: $1.625 billion in disallowances adopted in the settlement agreement and the additional $198 million disallowance imposed.

For the $1.625 billion disallowance, PG&E proposes to satisfy this penalty by applying $35.559 million in disallowances for distribution safety repairs to the costs recorded in MWC KA for the 2020 overhead non-pole corrective maintenance costs. No parties contested PG&E's proposal. We find it reasonable for PG&E to apply the $35.559 million in disallowances for distribution safety repairs, ordered in the Wildfire OII Decision, to the costs recorded in MWC KA for overhead non-pole corrective maintenance costs.

For the $198 million disallowance additionally imposed, the Wildfire OII Decision, Ordering Paragraph 1(a), provides the following specifics,

> The financial obligations to be imposed on Pacific Gas and Electric Company (PG&E) is increased by an additional $462 million of which: (i) $198 million shall go toward future wildfire mitigation expenses that would have otherwise been recovered from ratepayers but for this decision, (ii) $64 million shall go toward expanding the System Enhancement Initiatives, and (iii) $200 million shall be in the form of a fine payable to the General Fund, which shall be permanently suspended. The $198 million shall be applied to wildfire mitigation expenses recorded in the Fire Risk Mitigation Memorandum Account or the Wildfire Mitigation Plan Memorandum Account within four years of the effective date of the settlement agreement.

The $198 million disallowance ordered in the Wildfire OII Decision is to be applied to wildfire mitigation costs recorded in the FRMMA or WMPMA within four years of the effective date of the settlement agreement approved. The remaining 2020-2022 WMPMA and FRMMA costs, after all the above adjustments, are recoverable wildfire mitigation costs recorded within four years of the effective date of the settlement agreement approved in the Wildfire OII Decision and are eligible to satisfy the $198 million penalty imposed in the decision. We therefore find that the $198 million penalty should be applied to the remaining recorded WMPMA and FRMMA costs after applying the first four accounting adjustments and the $35.559 million disallowance on recorded distribution safety repair costs. Additionally, we find that the $198 million penalty should be applied to the recorded WMPMA and FRMMA costs in chronological order, beginning with costs recorded in January 2020, because doing so minimizes interest payments charged to ratepayers.

To ensure that the accounting adjustments are applied in the manner ordered in this decision, we direct PG&E to provide, in the Tier 2 advice letter implementing the directives in this decision discussed in Section 10 below, details of how it applied each of the accounting adjustments ordered in this decision to the recorded WMPMA and FRMMA costs, including how it applied the penalties ordered in the Wildfire OII Decision, both the $35.559 million disallowance as part of the settlement and the $198 million disallowance additionally imposed.

9. Ratemaking Issues

TURN recommends that the Commission apply a supplemental ratemaking adjustment that will reduce the approved revenue requirement by 14.8% of the capital expenditure disallowed in this decision. TURN explains that, because of repairs tax deductions, disallowing capital expenditure will increase the revenue requirement in the initial years of recovery. The supplemental ratemaking mechanism, according to TURN, will meaningfully reduce the revenue requirement after capital expenditures are disallowed, reversing the counter-intuitive effect caused by the tax-timing difference. TURN argues that this supplemental ratemaking adjustment provides a necessary disincentive for PG&E to book non-incremental capital costs to the wildfire mitigation accounts.[302]

PG&E argues that TURN's recommended supplemental ratemaking mechanism is an arbitrary penalty imposed on PG&E and contradicts the basic cost-of-service ratemaking principles. According to PG&E, this supplemental ratemaking adjustment will create significant ratemaking issues. PG&E explains that the ratemaking mechanism will complicate how to account for tax effects of capital expenditures if PG&E is to receive the authority to add these capital expenditure back into rate base in the future. Lastly, PG&E argues that TURN's supplemental ratemaking adjustment contradicts current tax laws requiring that tax deductions be reflected in ratemaking through the flow-through or normalization tax treatment of the capital expenditures.[303]

We decline to adopt TURN's proposed supplemental ratemaking adjustment of imposing a revenue requirement reduction equivalent to 14.8% of disallowed capital expenditure. Even though disallowing capital expenditures may increase the revenue requirement in the initial years of service, the disallowance removes approved capital expenditures from rate base and reduces the revenue requirement over the life of the approved assets. Consistent with federal tax law normalization requirements and the Commission's cost-of-service

[302] TURN Opening Brief at 138-141.

[303] PG&E Opening Brief at 171-176

ratemaking framework,[304] the effects of the associated tax deductions are reflected in the revenue requirement over time. Accordingly, TURN's proposed supplemental ratemaking adjustment is an inappropriate reduction to the approved revenue requirement that does not align with the federal tax law normalization requirements and the Commission's cost-of-service ratemaking methodology. Therefore, it is not reasonable to adopt TURN's proposed supplemental ratemaking adjustment.

10. Rate Recovery

After careful evaluation of the $2.495 billion in total costs PG&E recorded in the WMPMA and FRMMA in 2020-2022, we have determined that $2.018 billion of these costs are recoverable and $477 million of these costs should be disallowed. These costs consist of expenses and capital expenditure spent on wildfire mitigation.

After applying the $250 million disallowances and the accounting adjustments ordered in this decision, including the penalties ordered in the Wildfire OII Decision, we find that only $1.769 billion recorded in the WMPMA and FRMMA in 2020-2022 remain and should be recovered.

D.24-03-006 (Interim Rate Relief Decision) authorized PG&E to collect in rates 75% of the requested $688 million revenue requirement, which is equivalent to $516 million in revenue requirement, over a 12-month period to recover the wildfire mitigation costs requested in this Application, which includes Track One and Track Two requested costs.[305] For Track One specific costs, the Interim Rate

[304] *See* PG&E Advice Letter 3909-G (Nov. 14, 2017) (describing IRS determination that certain rate base offset treatments may violate normalization requirements under IRC § 168(i)(9)).

[305] D.24-03-006, Ordering Paragraph 1.

Relief Decision authorized PG&E to collect $428.9 million in revenue requirement, or 75% of the requested $569.7 million in revenue requirement.[306]

The 2020-2022 revenue requirements resulting from the $1.769 billion in costs approved in this decision may either be greater than or less than the revenue requirement PG&E was authorized to collect in rates in the Interim Rate Relief Decision. We authorize PG&E to collect in rates over a 12-month period any over- or under-collection of the 2020-2022 revenue requirements resulting from the $1.769 billion of costs approved in this decision when compared to the revenue requirement the Interim Rate Relief Decision authorized to collect in rates.

Within 90 days of the effective date of this decision, PG&E shall file a Tier 2 advice letter to implement the directives in this decision, including the 2020 through 2030 revenue requirement resulting from the expenses and capital expenditures approved herein. If the year in which a disallowance of expenses or capital expenditures is not explicitly specified above, the disallowance must be applied in chronological order, first to costs recorded beginning January 1, 2020, and any remaining disallowances to the subsequent years, in order to minimize interest expenses charged to ratepayers.

11. Future Filings

In future filings in which PG&E requests cost recovery of recorded WMPMA and FRMMA costs, PG&E shall provide the following information for each specific set of requested costs:

1. Comparison of GRC authorized funds and the amount of GRC funds spent on each set of costs by activity;

[306] PG&E Opening Brief at 176.

2. Comparison of the units of work authorized in the GRC and the units of work completed for each set of costs by activity, even if the units of work need to be imputed from the GRC decision; and
3. Cost-efficiency analyses or metrics, such as Benefit Cost Ratios, for each set of costs by activity and for each year costs were incurred.

The information above is necessary for the Commission to evaluate not only whether the requested recorded costs were incremental to the previously authorized GRC funds but also whether the requested costs were reasonably incurred.

12. Intervenor Compensation Claims

We are mindful of the work the intervenors did in this proceeding that may have not ultimately adopted, but did contribute to the outcome of this proceeding. All intervenor compensation claims filed in relation to this decision will be evaluated pursuant to Public Utilities Code Sections 1801-1812.

13. Summary of Public Comment

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

There were 37 written public comments. The comments oppose PG&E's requested rate increases to recover the recorded wildfire mitigation costs. Many commenters expressed affordability challenges that will be further exacerbated by the rate increase. Many commenters assert that ratepayers have already paid for these wildfire mitigation costs in previously CPUC approved budgets.

Commenters also allege that PG&E has failed to maintain its facilities safely and neglected to implement wildfire mitigation measures for years.

14. Procedural Matters

This decision affirms all rulings made by the assigned ALJs and assigned Commissioner related to Track One of this proceeding. All motions related to Track One not ruled on are deemed denied.

15. Comments on Proposed Decision

The proposed decision of ALJ Elaine Lau in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on ______________________________, and reply comments were filed on ____________________ by ____________________.

16. Assignment of Proceeding

Christine Harada is the assigned Commissioner, and Camille Watts-Zagha and Elaine Lau are the assigned ALJs in this proceeding.

Findings of Fact

1. Between January 1, 2020 and December 31, 2022, PG&E recorded $2.495 billion of wildfire mitigation costs in the WMPMA and FRMMA, consisting of $969 million in expenses and $1.527 billion in capital expenditures.

2. Costs PG&E recorded in the WMPMA or FRMMA are for work that supports wildfire mitigation activities and is conducted within HFTD Tier 2, Tier 3, Zone 1, and additional buffer zone areas.

3. The costs recorded in the WMPMA or FRMMA for a specific activity and for a specific year are incremental if PG&E's authorized GRC funds for that activity and for that year are exhausted.

4. PG&E exhausted its authorized GRC funding for a particular activity and year when its spending on that activity equals or exceeds the amount authorized in the GRC for that year.

5. PG&E's testimony in this proceeding presented costs spent on each set of work activity, or program.

6. PG&E's Test Year 2020 GRC approved costs for specific wildfire-related programs and work activities, and costs for each work activity are recorded in one or more MAT codes.

7. Comparing the GRC-authorized funds with the costs incurred for GRC-base work for each work activity provides a consistent methodology to determine whether the costs recorded in the WMPMA and FRMMA were incremental to the revenue requirement approved in PG&E's 2020 GRC; this approach is consistent with prospective ratemaking principles and Commission-approved guidelines.

8. Comparing the GRC-authorized funds with the costs incurred for GRC-base work for each work activity allows the Commission to determine whether PG&E exhausted its GRC funding for each of these activities, and determine whether the costs recorded in the WMPMA or FRMMA are incremental.

9. If PG&E's spending on GRC base work for a specific activity and a specific year was less than the funds authorized in the GRC for the same activity and the same year, then there was an underspending of the authorized GRC funds for that activity that year, and the amount of the underspending was the difference between the costs recorded for the GRC base work and the GRC-authorized funds.

10. For costs recorded for the same work activity under two or more MAT codes, PG&E may spend less than authorized on a particular MAT code if it spent more than authorized on another MAT code because spending more on a MAT code may make it unnecessary for PG&E to spend as much on another MAT code for the same activity.

11. For some of the work activities, the record contains only the comparison of total costs incurred with the total costs authorized during the 2020 through 2022 period.

12. The third-party independent audits conducted by EY and GT provide data on the incrementality of the recorded costs, but the findings provided in these audits are not determinative of whether the recorded costs are incremental or reasonable.

13. PG&E may incur additional labor, material, and overhead resources and expenses to perform incremental work, even when there were no new hirings or purchases of materials.

14. The EY audit finds that the straight time labor expenses recorded in the WMPMA and FRMMA are incremental.

15. Overhead expenses include expenses for Paid Time Off, Indirect Labor, Benefits Overhead, Payroll Taxes Overhead, Operational Management and Support, Capitalized A&G, Fleet Overhead, Material Burden, Materials Movement, Building Services, IT Device Services Overhead, Minor Materials, Minor Materials Overhead, and Fleet Overhead.

16. PG&E's Estimated Goods Receipts entries were recorded according to GAAP and were substantiated by EY's audit.

17. PG&E's Financial Journal Entries were recorded according to GAAP principles, reviewed by PG&E's internal process, and were substantiated by EY's audit.

18. PG&E failed to demonstrate that the suspended orders were prudently incurred and will be actually realized.

19. The Overhead Electric Distribution Asset Inspections cost category records costs for the following programs (or work activities): Overhead Patrols, Detailed Overhead Inspections, Overhead Infrared Inspections, and Inspections Support Costs.

20. For the Overhead Patrol Activities program recorded under MAT BFA, PG&E spent more than its GRC-authorized funding during the 2020-2022 period, because it was authorized $14.693 million in the GRC, spent $14.946 million on GRC base work, and recorded an additional $6.072 million in the WMPMA during the 2020-2022 period; the $6.072 million PG&E recorded in the WMPMA under MAT BFA are incremental.

21. For the Overhead Patrol Activities program during the 2020-2022 period, PG&E recorded a higher per unit cost than authorized in the 2020 GRC; PG&E incurred a per unit cost of $5, which is approximately 70% higher than the imputed GRC-authorized per unit cost of $3.

22. PG&E failed to justify why it incurred a 70% increase in per unit costs compared to the imputed GRC-authorized unit cost for the Overhead Patrols Activities program, or why it completed similar or fewer units of work than authorized while recording an incremental spend of $6.072 million.

23. For the Detailed Overhead Inspections during the 2020-2022 period, PG&E was authorized $40.633 million in the 2020 GRC and spent $132.721 million for

GRC base work and recorded an additional $155.470 million in the WMPMA under MAT BAB during the 2020-2022 period.

24. PG&E spent more than its GRC-authorized funding for the Detailed Overhead Inspection program.

25. The $155.470 million recorded in the WMPMA for the Detailed Overhead Inspection program is incremental.

26. The per-unit costs for Detailed Overhead Inspections are higher than the per-unit costs for inspections forecasted in PG&E's 2020 GRC, and the scope of the Detailed Overhead Inspections is larger than the inspections forecasted in the GRC.

27. PG&E conducted the Detailed Overhead Inspections program in accordance with its WMP from 2020-2022.

28. PG&E incurred higher labor costs for Detailed Overhead Inspections because, in following its WMP, it had to conduct extremely high volumes of enhanced inspections in a condensed period of time, which necessitated PG&E to hire external labor and pay more overtime for both internal and contract employees in order for the work to be completed on time.

29. Excerpts from the November 2021 Federal Independent Monitor Report show PG&E has made improvements to the quality of its Detailed Overhead Inspections.

30. The evidence does not indicate that PG&E conducted poor quality Detailed Overhead Inspections that warrant a reasonableness disallowance.

31. As part of the Detailed Overhead Inspections program, FSRs allow PG&E to prioritize their maintenance needs by risk levels, use a more cost-effective and risk-informed prioritization approach for maintenance to reduce overall costs of maintenance work, and ensure that overdue maintenance tags are addressed.

32. For the Overhead Infrared Inspections program costs recorded under MAT BFC during the 2020-2022 period, PG&E underspent its 2020 GRC authorized amount by $5.585 million (PG&E was authorized $6.702 million in the GRC but spent only $1.117 million on GRC base work); the $5.585 million in underspending is greater than the $4.550 million PG&E recorded in the WMPMA.

33. The $4.550 million in expenses recorded in the WMPMA under MAT BFC for Overhead Infrared Inspections are not incremental.

34. For the Inspections Support Costs program, PG&E's actual recorded spending is greater than the 2020 GRC funds authorized during the 2020-2022 period; PG&E was authorized $8.335 million and spent $36.843 million on GRC base work and $41.241 million on WMPMA work.

35. The $41.241 million in expenses recorded in the WMPMA for Inspections Support Costs are incremental.

36. For the Inspections Support program, PG&E incurred higher per-unit costs than forecasted in the 2020 GRC because PG&E performed more and expanded inspection activities, pursuant to its WMP, and these expanded activities required more support costs.

37. The Emergency Repairs and Replacements cost category records costs for the following programs (or work activities): Emergency Repair of Damaged Facilities and Emergency Replacement of Damaged Facilities.

38. For the Emergency Repairs of Damaged Facilities program, PG&E was authorized $50.302 million in the 2020 GRC and spent $65.311 million on GRC base work and $4.491 on WMPMA work during the 2020-2022 period.

39. For the Emergency Replacement of Damaged Facilities program, PG&E was authorized $333.463 million in the 2020 GRC and spent $529.871 million on

GRC base work and $33.986 million on WMPMA work during the 2020-2022 period.

40. For the Emergency Repairs of Damaged Facilities and the Emergency Replacement of Damaged Facilities program, PG&E spent more on GRC base work than the funds authorized in the 2020 GRC and exhausted the GRC-authorized funds for each of the programs.

41. The $4.491 million recorded in the WMPMA for the Emergency Repairs of Damaged Facilities program during the 2020-2022 period is incremental.

42. The $33.986 million recorded in the WMPMA for the Emergency Replacement of Damaged Facilities program during the 2020-2022 period is incremental.

43. The Pole Assessments and Replacements cost category records costs for the following programs (or work activities): Intrusive Inspection and Pole Restoration Program, Pole Loading and Wind Loading Analysis Program, and Pole Replacement Program.

44. PG&E agrees to remove $0.073 million in capital expenditures recorded under the Pole Assessments and Replacements cost category for orders performed in PG&E's SF Division.

45. Even though EY's audit report recommends removing certain costs associated with Heavy Lift Helicopters from this Application, EY confirms that the remaining Heavy Lift Helicopter costs PG&E included in this Application were for qualifying wildfire mitigation work and are appropriate to be included in this Application.

46. PG&E removed the costs associated with Heavy Lift Helicopters that EY recommended removing in this Application.

47. For off-cycle inspections activities, PG&E checked for errors in its records and corrected the errors as needed.

48. PG&E recorded $0.015 million in 2020-2022 expenses and $1.766 million in 2020-2022 capital expenditures for costs associated with cancelled orders under the Pole Assessments and Replacements program cost category.

49. From 2020 through 2022, PG&E exhausted its GRC-authorized funds for the Intrusive Inspection and Pole Restoration program; PG&E was authorized $40.397 million in the GRC but spent $41.621 million on GRC base work and recorded $13.778 million in the WMPMA under MAT GAA, GAD, and GA# during this period.

50. The $13.778 million recorded for the Intrusive Inspection and Pole Restoration program are incremental.

51. The costs authorized in the 2020 GRC for pole loading activities were purposed for and used on a specific project, the Asset Strategy special project.

52. Work that was authorized for the Asset Strategy special project was different than the work conducted under the Pole Loading and Wind Loading Analysis program.

53. From 2020 through 2022, PG&E recorded $61.791 million in the WMPMA across MAT GAC, BFH, AB#, and 21A for the Pole Loading and Wind Loading Analysis program, while there was no funding previously authorized in the 2020 GRC for this program.

54. The $61.791 million recorded in the WMPMA for the Pole Loading and Wind Loading Analysis program are incremental.

55. PG&E expedited its work for the Pole Loading and Wind Loading Analysis program to comply with its WMP, but did not incur higher per unit costs for the expedited work.

56. For the Pole Replacement Program, PG&E was authorized $329.683 million in the 2020 GRC, spent $310.621 million on GRC base work, and recorded $855.581 million in the WMPMA and FRMMA during the 2020-2022 period.

57. Because PG&E spent only $310.621 million of the $329.683 million in GRC-authorized funds for the Pole Replacement Program, PG&E underspent its GRC-authorized funding for the program by $19.063 million.

58. Of the $855.581 million in capital expenditure recorded for the Pole Replacement Program, $19.063 million is not incremental.

59. For the Pole Replacement program recorded in MAT 07D during the 2020-2022 period, the imputed unit cost forecasted in the GRC is $14,049, while the average unit cost is $25,982 for work recorded in the WMPMA and $22,487 for GRC base work.

60. PG&E fails to demonstrate how the nature of pole replacement work for the work that was forecasted in the 2020 GRC, the work performed under GRC base work, and the work that was recorded in the WMPMA are different.

61. PG&E failed to explain how the work under the Pole Replacement program performed for GRC base work during the 2020-2022 period is significantly different than the WMPMA work.

62. The Pole Replacement Program work recorded under MAT 07D from 2020-2022 for GRC base work and WMPMA work is similar.

63. Although the Pole Replacement Program work under MAT 07D for GRC base work and WMPMA work are similar, the unit costs recorded in the WMPMA is 15.5% higher than the unit cost recorded for the GRC base work.

64. Many factors caused the unit cost for the Pole Replacement Program work recorded in MAT 07D to increase, including increases in contractor costs, the need for overtime work, increases in material costs, and supply chain

disruptions; these factors affect the work recorded in the WMPMA and GRC base work similarly.

65. During the 2020-2022 time period, PG&E recorded more significant unit cost increases than other peer utilities who faced similar cost pressures; the unit cost for pole replacement work increased 85% for PG&E from 2020 to 2022 but only 8% for SDG&E from 2020 to 2022 and 46% for SCE from 2019 to 2020.

66. There were 31,998 units of work recorded for Pole Replacement Program work in the WMPMA under MAT 07D.

67. At a unit cost of $22,487, which is the average unit cost recorded for GRC base work, the total cost for 31,998 units of Pole Replacement Program work recorded in the WMPMA under MAT 07D is $719.539 million; the rest of the costs recorded under MAT 07D, or $111.817 million in capital expenditure, are incurred for work above the unit cost of $22,487.

68. The work performed for the Pole Replacement Program recorded under the different MAT codes for this program (*i.e.*, MAT 07D, 07O and 07C) is similar.

69. The average unit cost recorded in the WMPMA under MAT 07O for the Pole Replacement Program from 2020-2022 is $32,679, which is significantly higher than the average unit cost of $22,487 that is recorded for GRC base work under this program during the same time period.

70. There were 730 units of work recorded in the WMPMA under MAT 07O for the Pole Replacement Program during the 2020-2022 period.

71. At the unit cost of $22,487, the total cost for 730 units of Pole Replacement work recorded in the WMPMA under MAT 07O from 2020-2022 is $16.416 million in capital expenditure; the rest of the costs recorded under MAT 07O, or $7.440 million in capital expenditure, are incurred for work above the unit cost of $22,487.

72. The average unit cost recorded in the WMPMA under MAT 07C for the Pole Replacement Program from 2020-2022 is $16,701, which is less than the $22,487 in unit cost that is considered reasonable for pole replacement work

73. The Distribution Line Repairs and Replacements cost category records costs for the following programs (or work activities): Overhead Non-Pole Replacement and Corrective Maintenance; Overhead Critical Operating Equipment and Corrective Maintenance; Idle Facilities; Maintenance Support Costs; and Bird Safe Installation, Replacements, and Retrofits.

74. The costs associated with cancelled orders under the Distribution Line Repairs and Replacements cost category are $1.159 million in expenses and $1.185 million in capital expenditures.

75. PG&E agrees to remove the $0.105 million in expenses and $0.068 million in capital expenditures recorded under the Distribution Line Repairs and Replacements cost category for orders performed in PG&E's SF Division.

76. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, PG&E exhausted its GRC-authorized funds for the program; PG&E was authorized $235.611 million in the 2020 GRC, spent $430.413 million on GRC base work, and recorded $526.255 million in the WMPMA for the program.

77. The $526.255 million in costs recorded in the WMPMA for the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022 are incremental.

78. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022 under MAT 2AA, the 2020 GRC-authorized unit cost is $4,953 and the recorded unit costs are $12,808 for GRC base work and $14,257 for WMPMA work.

79. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022 under MAT KAA, the GRC-authorized unit cost is $607 and the recorded unit costs are $1,989 for GRC base work and $2,668 for WMPMA work.

80. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, PG&E does not sufficiently explain how the work authorized under the GRC is different from the work recorded in the WMPMA.

81. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, PG&E experienced significant increases in contract labor costs because of labor shortages, which necessitated them to hire out-of-state contractors, while having to conduct significantly more repair, replacement and maintenance work on an expedited basis.

82. These labor cost increases contributed to the significant unit cost increases recorded for the Overhead Non-Pole Replacement and Corrective Maintenance program in the WMPMA under MAT 2AA and KAA in 2020-2022.

83. For the Overhead Non-Pole Replacement and Corrective Maintenance program cost increases in 2020-2022, PG&E did not provide specific reasons for the material cost increases or quantify the impact the material cost increases have on the unit cost increases.

84. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, the proportion of contractor costs to total program costs are 49% in 2020, 50% in 2021, and 47% in 2022 for costs recorded under MAT 2AA, and 66% in 2020, 74% in 2021, and 58% in 2022 for costs recorded under MAT KAA; the proportion of contractor costs to total program costs is averaged as 48.7% under MAT 2AA and 66% under MAT KAA.

85. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, the 48.7% increase to the imputed GRC-authorized unit costs under MAT 2AA and the 66% increase to the unit costs under MAT KAA are attributable to increased labor costs.

86. A 48.7% increase to the GRC-authorized unit cost of $4,953 recorded under MAT 2AA for the Overhead Non-Pole Replacement and Corrective Maintenance program results in a unit cost of $7,365.

87. At the unit cost of $7,365, the total cost for 24,194 units of work for the Overhead Non-Pole Replacement and Corrective Maintenance program recorded in the WMPMA under MAT 2AA is $178.189 million in capital expenditure; the rest of the costs recorded for the program, or $166.752 million in capital expenditure, are incurred for work above the unit cost of $7,365.

88. A 66% increase to the GRC-authorized unit cost of $607 under MAT KAA for the Overhead Non-Pole Replacement and Corrective Maintenance program results in a unit cost of $1,008.

89. With the 67,897 units recorded in the WMPMA and at a unit cost of $1,008, the total cost for the Overhead Non-Pole Replacement and Corrective Maintenance program recorded in MAT KAA is $68,440,176.

90. The Overhead Critical Operating Equipment and Corrective Maintenance program is recorded in two MAT codes, MAT KAF and MAT 2AE.

91. For the Overhead Critical Operating Equipment and Corrective Maintenance program in 2022, PG&E underspent its GRC-authorized funds by $5.707 million; PG&E underspent in both MAT KAF and 2AE, which are all the MAT codes that recorded costs for this specific activity.

92. For the year 2022, under MAT KAF, PG&E underspent its GRC-authorized funds by $1.789 million in expenses; PG&E was authorized $7.401 million in the 2020 GRC but only incurred $5.612 million on GRC base work.

93. For 2022, under MAT 2AE, PG&E underspent its GRC-authorized funds by $3.918 million in capital expenditure; PG&E was authorized $32.902 million in the 2020 GRC but only incurred $28.984 million on GRC base work.

94. For the Overhead Critical Operating Equipment and Corrective Maintenance program, $5.707 million of costs, consisting of $1.789 million in expenses and $3.918 million in capital expenditure, recorded in the WMPMA in 2022 are not incremental.

95. The unit cost of work recorded in the WMPMA under MAT 2AE for the Overhead Critical Operating Equipment and Corrective Maintenance program is 209% higher than the unit cost forecasted in the GRC, from the GRC-authorized unit cost of $21,913 to the recorded unit cost of $67,809.

96. The costs that were recorded in MAT 2AE in the WMPMA were incurred in 2022 when the implementation of EPSS shifted the work mix of the Overhead Critical Operating Equipment and Corrective Maintenance program towards the replacement and repair of reclosers, which has one of the highest unit costs and caused the recorded average unit cost to increase.

97. The increase in unit costs of work recorded in the WMPMA under MAT 2AE for the Overhead Critical Operating Equipment and Corrective Maintenance program was a result of PG&E's implementation of EPSS pursuant to its WMP.

98. For the Idle Facilities Removal program, which is recorded entirely in MAT 2AF in the WMPMA, PG&E underspent its 2020 GRC funding for the Idle Facilities Removal program in 2020 by $4.053 million; PG&E was authorized

$9.810 million for 2020 but incurred only $5.757 million on GRC base work during that year.

99. The $4.053 million in underspending is more than $0.111 million recorded for the Idle Facilities Removal program in 2020.

100. The $0.111 million recorded in the WMPMA under MAT 2AF for the Idle Facilities program in 2020 is not incremental; the other $8.306 million recorded for the Idle Facilities program in the WMPMA in 2021-2022 is incremental.

101. The unit cost recorded in the WMPMA under MAT 2AF for the Idle Facilities program increased by 150% compared to the imputed unit cost authorized in the 2020 GRC.

102. Although PG&E has asserted the work for the Idle Facilities program has changed after the 2020 GRC, PG&E fails to explain how the change increased the costs of the program or why the 150% increase in costs since the GRC forecast is reasonable.

103. Applying the imputed GRC-authorized unit cost of $4,513 per unit to the 391 and 339 units of WMPMA work completed in 2021 and 2022, respectively, for the Idle Facilities program results in a total cost of $3.294 million; $5.012 million in capital expenditure recorded for the program are incurred for work above the unit cost of $4,513.

104. For the Maintenance Support Costs program activities recorded in the WMPMA from 2020-2022, PG&E exhausted its GRC-authorized funds for this program; PG&E was authorized $2.212 million in the GRC and incurred $6.067 million on GRC base work.

105. For the Maintenance Support Costs program activities recorded in the WMPMA, PG&E spent more than authorized for the Maintenance Support Costs

program because it conducted more remediation work than forecasted in the GRC.

106. Even though MAT AB# and 21# record costs of umbrella activities, the costs recorded in the WMPMA under these MATs for the Maintenance Support Costs program are directly attributable to the program and are costs PG&E incurred only for the program.

107. The $5.092 million in costs PG&E recorded in the WMPMA for the Maintenance Support Costs program from 2020 through 2022 are incremental.

108. PG&E explains that the costs for the Maintenance Support Costs program were incurred to mitigate wildfire risks pursuant to its WMPs.

109. For the Bird Safe Installation, Replacement, and Retrofits program, PG&E underspent its GRC-authorized funds for each of the years, 2020, 2021, and 2022.

(a) In 2020, PG&E spent $3.186 million of the $4.554 million authorized for GRC base work, leaving $1.368 million unspent; because the $1.368 million in unspent GRC funding exceeded the $0.025 million recorded in the WMPMA and FRMMA in 2020, the $0.025 million recorded in the WMPMA and FRMMA in 2020 is not incremental.

(b) In 2021, PG&E spent $4.517 million of the $4.674 million authorized for GRC base work, leaving $0.157 million unspent; while the $0.157 million of the $0.235 million recorded in the WMPMA and FRMMA in 2021 is not incremental, the remaining $0.078 million is incremental.

(c) In 2022, PG&E spent $4.224 million of the $4.770 million authorized for GRC base work, leaving $0.546 million unspent; because the $0.546 million in unspent GRC funding exceeded the $0.025 million recorded in the WMPMA and FRMMA in 2022, the $0.025 million PG&E recorded in the WMPMA and FRMMA in 2022 is not incremental.

110. The Substation Repairs and Replacements, and Temporary Generation cost category records costs for the following programs (or work activities): Supplemental Substation Inspection & Repair; Defensible Space Management; Temporary Generation; Infrastructure Hardening & Animal Abatement; PSPS Impact Mitigations; and Temporary Generation.

111. In 2020, PG&E underspent its GRC authorized funds for the Supplemental Substation Inspection & Repair program by $1.937 million because PG&E only spent $2.764 million of its GRC-authorized fund of $4.701 million on GRC base work; $1.937 million of the $9.196 million recorded for the Supplemental Substation Inspection & Repair program in the WMPMA in 2020 is not incremental.

112. In 2021, PG&E underspent its GRC-authorized funds for the Supplemental Substation Inspection & Repair program by $2.199 million because PG&E only spent $2.626 million of its GRC-authorized fund of $4.825 million on GRC base work; $2.199 million of the $5.397 million recorded for the Supplemental Substation Inspection & Repair program in the WMPMA in 2021 is not incremental.

113. In 2022, PG&E exhausted its GRC-authorized funds for the Supplemental Substation Inspection & Repair program because PG&E was authorized $4.855 million in the GRC and spent $5.734 million on GRC base work; the $3.793 million recorded for the Supplemental Substation Inspection & Repair program in the WMPMA in 2022 is incremental.

114. For the Defensible Space Management program, PG&E exhausted its GRC-authorized funds for the program, having spent $13.798 million on GRC base work, which is 300% more than the $4.524 million authorized in the GRC, while recording an additional $12.355 million in the WMPMA; the

$12.355 million in expenses recorded for the Defensible Space Management program in the WMPMA under MAT GCG in 2020-2022 is incremental.

115. The Power Generation cost category records costs for the following programs (or work activities): Defensible Space Management; Supplemental Switchyard and Inspection & Repair; Switchyard Wildfire Tools/Box; and Animal Abatement.

116. A total of $13.318 million in expenses and capital expenditures is recorded in the WMPMA and FRMMA in 2020-2022 under the Power Generation cost category.

117. The EPSS cost category records costs for the following programs (or work activities): SCADA Testing Work, Control Center, Dispatch; Additional Patrols and Related Support; Reprogramming Devices and Engineering; Substation Support; Program Support; and Automation and Protection.

118. A total of $108.601 million in expenses and capital expenditures is recorded in the WMPMA and FRMMA in 2020-2022 under the EPSS cost category.

119. The Enhanced Automation and Remote Grid cost category records costs for the following programs (or work activities): Remote Grid Pilot; Meter-Based Sensors; DFA and EFD; Distribution, Transmission, and Substation: Fire Action Schemes and Technology; Medium Voltage Line Sensors, DFA, and EFD; Rapid Earth Fault Current Limiter; and Line Recloser Upgrades.

120. A total of $46.687 million in expenses and capital expenditures is recorded in the WMPMA and FRMMA in 2020-2022 under the Enhanced Automation and Remote Grid cost category.

121. The DM&A and Mapping cost category records costs for the following programs (or work activities): Data Management and Analytics and Mapping.

122. A total of $16.125 million in expenses and capital expenditures is recorded in the WMPMA and FRMMA in 2020-2022 under the Data Management & Analytics and Mapping cost category.

123. For the Mapping program in 2020-2022, PG&E exhausted its GRC-authorized funds for the program, having spent $3.3 million more on GRC base work than was authorized in the GRC.

124. The $6.780 million in expenses recorded for the Mapping program in the WMPMA and FRMMA under MAT GEO in 2020-2022 are incremental.

125. Because the expanded inspections PG&E conducted pursuant to its WMP increased the need for mapping activities, PG&E performed significantly more work and incurred more expenses for the Mapping program than was authorized in the 2020 GRC.

126. The Wildfire Support cost category records costs for the following programs (or work activities): Ignition Investigations; Operational Management/Operational Support; Regulatory Compliance & Support; Government/PMO; Wildfire Risk Enablement; and Wildfire Risk Analysis and Research.

127. For the Operational Management and Operational Support program, PG&E was authorized $90.356 million in the 2020 GRC but only spent $82.171 million on GRC base work; PG&E underspent the funds authorized in the GRC for this program by $8.164 million.

128. $8.164 million in expenses recorded in the WMPMA for the Operational Management and Operational Support program in 2020-2022 is not incremental.

129. Of the $24.714 million recorded in the WMPMA under MAT AB6 for the Operational Management and Operational Support program in 2020-2022, $16.550 million is incremental and $8.164 million is not incremental.

130. The Shared Services cost category records costs for the following programs (or work activities): Enterprise Health and Safety; Sourcing; Corporate Real Estate Strategy and Service (CRESS); and Land and Environmental Management.

131. For the Sourcing program in 2020-2022, PG&E failed to provide a comparison of the GRC-authorized funds and the GRC spending incurred.

132. The $3.824 million recorded in the WMPMA under MWC JL in 2020-2022 for the Sourcing Program is not incremental.

133. The work performed for the CRESS program is different from the Inspections Support Costs work requested in this proceeding, and is incremental to the costs authorized in the 2020 GRC.

134. PG&E was not authorized any funding in the GRC for the CRESS program.

135. The $98.764 million recorded in the WMPMA and FRMMA in 2020-2022 for the CRESS program is incremental.

136. The IT cost category records costs for the following programs (or work activities): IT Situational Awareness; IT Asset and System Inspection Program; IT Asset Risk Program; IT Data Enablement Program; IT EPSS Program; Cybersecurity; IT Operations and Maintenance; and IT Lifecycle.

137. The $120.138 million in expenses and capital expenditures recorded in the WMPMA and FRMMA under the IT cost category in 2020-2022 are incremental.

138. The Customer and Communications cost category records costs for the following programs (or work activities): Wildfire Communications; EPSS Education and Outreach; Portable Battery Program; Generator and Battery Rebate Program; Disability Disaster Access and Resources Program; 211 Partnership; Electric Vehicle Charging Network Support and Resiliency; and Backup Power Transfer Meter Program.

139. PG&E agrees to remove from cost recovery the $1.3 million in costs for the Affordable Energy Ad.

140. The Undergrounding Ad primarily promotes PG&E's image and does not provide any benefits to ratepayers.

141. The Undergrounding Ad does not provide any safety messaging to educate or prepare customers for wildfire seasons or related emergencies, as intended in the WMP, and does not provide any useful information to help the customers stay safe or teach them to be safer.

142. The Undergrounding Ad educates customers on the various wildfire mitigation measures PG&E is doing, which primarily serves to promote PG&E's image and goodwill.

143. The Undergrounding Ad does not satisfy the objectives set forth in the WMP.

144. According to PG&E's WMP, community engagement is intended to help communities not only understand the wildfire safety work being conducted but also adequately prepare communities for wildfire seasons, particularly for the PSPS and EPSS outages implemented to reduce wildfire risks.

145. The Undergrounding Ad fails to accomplish the objective specified in the WMP of preparing customers for wildfire seasons or for outages implemented to reduce wildfire risks.

146. As provided in D.96-12-074, D.98-03-073, D.03-09-021, and D.04-01-052, the Commission has a long-standing, established policy of allowing advertising costs related to safety only if the costs are spent on activities that benefit ratepayers, while denying cost recovery of ads that primarily serve to promote a utility's image and goodwill.

147. The Wildfire Communications work, or activities similar to the Wildfire Communications work, was not authorized in the 2020 GRC.

148. The media work under the Corporate Affairs Organization forecasted in the GRC is largely different from the media work related to wildfire preparedness and mitigation as part of PG&E's WMPs.

149. PG&E did not effectively perform its Wildfire Communications work pursuant to its WMP.

150. Pursuant to its WMP, the purpose of the Wildfire Communications work is to increase customer awareness of wildfire preparedness and mitigations.

151. The media content PG&E used in its Wildfire Communications work, which was reused and repurposed, was not created specific to its WMP initiatives.

152. PG&E's strategy of reusing media content, even to an extent such that the costs of media production are far lower than the industry standard for the ratio of media communication costs to production costs, demonstrates that PG&E is not effectively engaging customers in its most current wildfire mitigation strategies that are set forth in its WMPs.

153. At times, media communications related to wildfire mitigation targeting an area with HFTDs or HFRAs will include areas that are not HFTDs or HFRAs.

154. Limiting media communications related to wildfire mitigation to only HTFD or HFRAs is not always practical.

155. The incrementality of the uncontested costs is supported by PG&E's multi-step review process of determining incremental expenses and by the EY audit and the GT audit.

156. The uncontested costs recorded in the WMPMA and FRMMA in 2020-2022 are incremental to the costs authorized in the GRC.

157. The uncontested costs recorded in the WMPMA and FRMMA in 2020-2022 were incurred for wildfire mitigation activities, including activities PG&E performed to comply with its WMPs.

158. The EY Audit Report identified $3.133 million in costs that should be removed from this Application.

159. PG&E identified $9.615 million of overhead expenses that need to be removed after applying the overhead expense allocation methodology authorized in the 2020 GRC Decision to the recorded WMPMA and FRMMA costs.

160. PG&E agrees to make concessions totaling $3.263 million in costs, which include costs recorded for canceled orders and costs of orders performed in PG&E's SF service territory.

161. There are two components to the penalties imposed in the Wildfire OII Decision: $1.625 billion in disallowances adopted in the settlement agreement and the additional $198 million disallowance imposed.

162. The remaining 2020-2022 WMPMA and FRMMA costs, after applying the first four accounting adjustments and the $35.559 million disallowance for distribution safety repair costs, are recoverable wildfire mitigation costs recorded within four years of the effective date of the settlement agreement approved in the Wildfire OII Decision and are eligible to satisfy the $198 million penalty imposed in the Wildfire OII Decision.

163. Applying the penalty from the Wildfire OII Decision to the recorded WMPMA and FRMMA costs in chronological order minimizes interest payments charged to ratepayers.

164. Because TURN's proposed supplemental ratemaking adjustment of imposing a revenue requirement reduction equivalent to 14.8% of disallowed

capital expenditure removes approved capital expenditures from rate base, it is an inappropriate reduction that does not align with the federal tax law normalization requirements and the Commission's cost-of-service ratemaking methodology.

165. PG&E recorded a total of $2.495 billion of wildfire mitigation costs in the WMPMA and FRMMA in 2020-2022.

166. After applying the $250 million disallowances and the accounting adjustments ordered in this decision, including the penalties ordered in the Wildfire OII Decision, only $1.769 billion in 2020-2022 recorded WMPMA and FRMMA costs remains.

167. The 2020-2022 revenue requirement associated with the $1.769 billion in costs approved by this decision may differ from the amount PG&E was authorized to collect in rates under the Interim Rate Relief Decision.

168. Applying disallowances in chronological order minimizes interest expenses charged to ratepayers.

Conclusions of Law

1. PG&E must demonstrate, by a preponderance of the evidence, that its cost recovery request in this Application is just and reasonable, as set forth in Pub. Util. Code Section 451 and under the prudent manager standard.

2. Pursuant to AB 1054 and Pub. Util. Code Section 451, recorded costs must be incremental to previously authorized funding and be just and reasonably incurred to meet the standards for approval.

3. In order for the costs to be deemed reasonable, costs need to be spent on prudent utility practices that, among other things, are cost-effective and can accomplish desired results at the lowest reasonable costs.

4. Pub. Util. Code Section 8386.4 authorizes each electric corporation to establish a memorandum account to track costs incurred for fire risk mitigation that are not otherwise covered in the electrical corporation's revenue requirements.

5. Because the language of Public Utilities Code Section 8386.4, as enacted by SB 901 and AB 1054, focuses on whether the costs incurred for fire risk mitigation are incremental to the utility's approved revenue requirement, incrementality should be based on whether the costs recorded in both the WMPMA and FRMMA were incremental to PG&E's approved revenue requirement, particularly the revenue requirement approved in PG&E's 2020 GRC.

6. To evaluate whether costs recorded in the WMPMA and FRMMA are incremental, the funds authorized in the 2020 GRC with the costs PG&E incurred for GRC base work should be compared for each work activity and for each year to determine whether the authorized GRC funds were exhausted before any costs recorded in the WMPMA and FRMMA are considered incremental.

7. When the authorized GRC funds for a specific activity and for a specific year are exhausted, the costs recorded in the WMPMA or FRMMA for that activity and for that year should be considered incremental.

8. Any underspent amount from the GRC should not be incremental and should be removed from the costs recorded in the WMPMA or FRMMA before any of the recorded WMPMA or FRMMA costs are considered incremental.

9. D.22-06-032 determines the incrementality of wildfire mitigation costs recorded in memorandum and balancing accounts on an activity-by-activity basis.

10. Reviewing incremental costs on an activity-by-activity basis is consistent with the approach used to determine incrementality in D.22-06-032.

11. Incrementality should be based on whether the recorded costs are incremental and not whether the recorded work was incremental.

12. Costs should be reviewed by the work activity and not by individual MAT codes.

13. When the record is available, the costs authorized and the costs incurred for each work activity should be compared for each specific year from 2020 through 2022 to determine incremental spending.

14. Reviewing costs incurred and authorized by each specific year is consistent with how wildfire costs were reviewed in previous Commission decisions, specifically D.24-12-075, D.25-09-008, and D.26-02-004.

15. D.24-12-075, D.25-09-008, and D.26-02-004 reviewed wildfire costs recorded by the year.

16. When the record provides only the total costs incurred and the total costs authorized during the 2020 through 2022 period, it is reasonable to determine incremental spending by comparing those totals over the entire 2020-2022 period rather than on a year-by-year basis.

17. The third-party independent audit reports by EY and GT are not determinative of whether the recorded costs are incremental or reasonable.

18. The findings in the third-party audit reports by EY and GT should be used in conjunction with the methodology adopted in this decision and fact specific showings to make the final determinations of whether the recorded costs for each specific wildfire mitigation activity are incremental and reasonable.

19. The reasonableness of WMP activities should be evaluated based on the manner in which PG&E performed these activities, specifically whether the activity was performed in a reasonable manner as a prudent manager would

have performed it based on what the manager knew or should have known at the time.

20. Cost-effectiveness, specifically whether costs were incurred in a cost-effective manner, should be one of the factors considered when evaluating the reasonableness of the costs incurred.

21. Straight-time labor expenses and the associated overhead expenses related to straight-time labor are incremental because PG&E needs to incur additional labor and overhead expenses to perform incremental work.

22. Overhead expenses are incremental because PG&E needs to incur additional overhead expenses to perform incremental work.

23. PG&E's Estimated Goods Receipts entries are reasonable because they were recorded according to GAAP and were substantiated by EY's audit.

24. PG&E's Financial Journal Entries are reasonable because these entries were recorded according to GAAP principles, reviewed by PG&E's internal process, and were substantiated by EY's audit.

25. Costs for cancelled or suspended orders are not reasonable and should not be recoverable.

26. The $6.072 million in expenses recorded in the WMPMA under MAT BFA for Overhead Patrols Activities are incremental, but they are not reasonable and should be disallowed from recovery.

27. It is reasonable for the per-unit costs of Detailed Overhead Inspections activities to be higher than the per-unit costs of inspection activities forecasted in PG&E's 2020 GRC.

28. PG&E acted reasonably in performing the Detailed Overhead Inspections activities.

29. It is reasonable for PG&E to incur higher labor costs to perform Detailed Overhead Inspections activities.

30. The costs of the FSRs incurred under the Detailed Overhead Inspections program are reasonable.

31. The costs recorded for the Detailed Overhead Inspections in the WMPMA are incremental and reasonable, and should be recovered.

32. Because the $4.550 million in expenses recorded in the WMPMA under MAT BFC for Overhead Infrared Inspections are not incremental, they should be disallowed for recovery.

33. The higher per-unit costs PG&E incurred for Inspections Support Costs activities than forecasted in the GRC were reasonable.

34. The $41.240 million in expenses recorded for the Inspections Support program recorded in the WMPMA under MAT BFH, BF#, and IG# accounts are incremental, reasonable, and should be recovered.

35. For the Overhead Distribution Asset Inspections cost category, the total costs that should be disallowed in the WMPMA are $10.622 million in expenses, consisting of $6.072 million in expenses for Overhead Patrols and $4.550 million in expenses for Overhead Infrared Inspections.

36. Except for the $10.622 million in expenses disallowed, the remaining $196.711 million in expenses recorded in the WMPMA under the Overhead Distribution Asset Inspections cost category are incremental, reasonable and should be recovered.

37. The $4,000 in 2021 expenses and $2,000 in 2022 expenses associated with cancelled orders recorded in the WMPMA for the Emergency Repairs and Replacements cost category are not reasonable, and should be disallowed.

38. Except for the $4,000 in 2021 expenses and $2,000 in 2022 expenses disallowed for cancelled orders, the $38.477 million of costs recorded in the WMPMA for the Emergency Repairs and Replacements cost category are reasonable, and should be recovered.

39. The $0.073 million in capital expenditures recorded under the Pole Assessments and Replacements cost category for orders performed in PG&E's SF Division should be removed.

40. It is reasonable to allow the recovery of Heavy Lift Helicopter costs that EY confirms were incurred for qualifying wildfire mitigation work and are appropriate to be included in this Application.

41. PG&E's off-cycle inspections were reasonable, and the costs PG&E incurred for off-cycle inspections are reasonable and should be allowed for recovery.

42. The $0.015 million in expenses and $1.766 million in capital expenditures for costs associated with cancelled orders recorded under the Pole Assessments and Replacements cost category are not reasonable, and should be disallowed.

43. The total costs of $13.778 million in expenses recorded for the Intrusive Inspection and Pole Restoration program are reasonable and should be recovered.

44. The $61.791 million in costs PG&E recorded for the Pole Loading and Wind Loading Analysis program in the WMPMA in 2020-2022 are reasonable and should be recovered.

45. Of the $855.581 million in capital expenditure recorded for the Pole Replacement Program, $19.063 million is not incremental and should be disallowed from recovery.

46. For the Pole Replacement Program work recorded under MAT 07D from 2020-2022, the average unit cost recorded in the WMPMA, or $25,982, is not reasonable, but the average unit cost recorded for GRC base work, or $22,487, is reasonable.

47. Because the Pole Replacement Program work for GRC base work and WMPMA work is similar, the unit cost recorded under the WMPMA should be equivalent to the unit cost recorded for the GRC base work and not higher than that.

48. Pole replacement work should not cost materially more for WMPMA work compared to GRC base work.

49. Based on the many factors causing the costs of pole replacement work recorded under MAT 07D to increase, it is reasonable for PG&E to incur higher unit cost for pole replacement work than forecasted in the GRC and for the average unit cost recorded for GRC base work to be higher than the imputed unit cost forecasted in the GRC.

50. It is reasonable to adopt the unit cost recorded for GRC base work, or $22,487, as the unit cost PG&E can recover for the Pole Replacement Program work recorded in the WMPMA from 2020-2022 under MAT 07D.

51. It is reasonable to authorize the recovery of $719.539 million for the Pole Replacement Program work recorded in the WMPMA from 2020-2022 under MAT 07D.

52. Of the $831.356 million recorded in the WMPMA from 2020-2022 under MAT 07D for the Pole Replacement Program, $719.955 million is reasonable and should be recovered but $111.817 million in costs incurred for work above the unit cost of $22,487 are not reasonable and should be disallowed.

53. It is reasonable to authorize recovery of a unit cost of $22,487, which is the unit cost authorized for MAT 07D, for the Pole Replacement Program work recorded under MAT 07O and 07C in the WMPMA from 2020-2022.

54. Of the $23.856 million recorded under MAT 07O in the WMPMA for the Pole Replacement Program from 2020-2022, $16.416 million is reasonable and should be recovered, but $7.440 million in costs incurred for work above the unit cost of $22,487 are not reasonable and should be disallowed from recovery.

55. Because the unit cost of $16,701 recorded in MAT 07C is less than the unit cost of $22,487 that was authorized for recovery for Pole Replacement Program work, no disallowances should be applied to the costs recorded in the WMPMA under MAT 07C.

56. The $0.317 million in costs recorded under MAT 07C in the WMPMA for the Pole Replacement Program in 2020-2022 are reasonable and should be recovered.

57. The $0.052 million in costs recorded under MAT 07C in the FRMMA for the Pole Replacement program in 2020-2022 are reasonable and should be recovered.

58. A total of $138.321 million recorded in the WMPMA and FRMMA in 2020-2022 for the Pole Replacement Program should be disallowed; this disallowance consists of $19.063 million in costs that are not incremental, $111.817 million recorded in MAT 07D and $7.441 million recorded in MAT 07O that are not reasonable.

59. After removing $138.321 million in disallowances, $717.260 million in costs recorded for the Pole Replacement Program in the WMPMA and FRMMA in 2020-2022 is incremental, reasonable, and should be recovered.

60. For the Pole Replacement program, $111.817 million of capital expenditure recorded in the WMPMA under MAT 07D and $7.440 million of capital expenditure recorded in the WMPMA under MAT 07O should be permanently disallowed and should not be allowed to be added into the rate base in the future.

61. After removing $140.102 million in disallowances from the total costs of $931.150 million recorded for the Pole Assessments and Replacements cost category, we find that $791.048 million in expenses and capital expenditures recorded in the WMPMA and FRMMA under the Pole Assessments and Replacements cost category are incremental, reasonable, and recoverable.

62. The $1.159 million in expenses and $1.185 million in capital expenditures for costs associated with cancelled orders recorded under the Distribution Line Repairs and Replacements cost category are not reasonable and should be disallowed.

63. The $0.105 million in expenses and $0.068 million in capital expenditures recorded under the Distribution Line Repairs and Replacements cost category for orders performed in PG&E's SF Division should be removed.

64. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, PG&E did not meet its burden of proof in demonstrating that the significant unit cost increases PG&E recorded, compared to the GRC-authorized unit costs, under MAT 2AA and KAA are reasonable.

65. Because of the need to hire out-of-state contractors to conduct a significant amount of work on an expedited basis, PG&E reasonably incurred labor cost increases for the Overhead Non-Pole Replacement and Corrective Maintenance program work in 2020-2022; these labor cost increases reasonably contributed to

the significant unit cost increases recorded in the WMPMA under MAT 2AA and KAA.

66. PG&E fails to demonstrate that the material cost increases are reasonable, and that the material cost increases reasonably contributed to the unit costs increases for Overhead Non-Pole Replacement and Corrective Maintenance program work in 2020-2022.

67. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, the proportion of unit cost increases caused by labor cost increases should be allowed recovery, and the proportion of unit cost increases caused by material cost increases should not be allowed recovery.

68. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, the 48.7% increase to the imputed GRC-authorized unit costs under MAT 2AA and 66% increase to the unit costs under MAT KAA attributable to increased labor costs are reasonable; any increases in unit costs beyond these percentage increases are not reasonable.

69. For the Overhead Non-Pole Replacement and Corrective Maintenance program in 2020-2022, a unit cost of $7,365 and $1,008 should be authorized for recovery for costs recorded in the WMPMA under MAT 2AA and MAT KAA, respectively.

70. Of the $344.941 million in costs recorded for the Overhead Non-Pole Replacement and Corrective Maintenance program under MAT 2AA in the WMPMA in 2020-2022, $178.189 million is reasonable and should be approved, while $166.752 million is not reasonable and should be disallowed from recovery.

71. For the Overhead Non-Pole Replacement and Corrective Maintenance program, $166.752 million in capital expenditure recorded in the WMPMA under

MAT 2AA should be permanently disallowed and should not be allowed to be added into the rate base in the future.

72. Of the $181.127 million in costs recorded for the Overhead Non-Pole Replacement and Corrective Maintenance program under MAT KAA in the WMPMA in 2020-2022, $68.440 million is reasonable and should be approved, and $112.687 million is not reasonable and should be disallowed from recovery.

73. Of the $526.255 million recorded in the WMPMA under MATs 2AA, KAA, and KAQ from 2020-2022 for the Overhead Non-Pole Replacement and Corrective Maintenance program, $279.439 million of these recorded costs are not reasonable should be disallowed, but the remaining $246.816 million of the recorded costs are incremental and reasonable, and should be recovered.

74. For the Overhead Critical Operating Equipment and Corrective Maintenance program, $5.707 million of costs, consisting of $1.789 million in expenses and $3.918 million in capital expenditure, recorded in the WMPMA in 2022 are not incremental and should not be recovered.

75. The increase in unit costs of work recorded in the WMPMA under MAT 2AE for the Overhead Critical Operating Equipment and Corrective Maintenance program is reasonable.

76. After removing $5.707 million of non-incremental costs from the total recorded costs of $34.145 million for the Overhead Critical Operating Equipment and Corrective Maintenance program, the remaining $28.439 million in costs, consisting of $0.080 million in expenses and $28.359 million in capital expenditures, is incremental, reasonable, and should be recovered.

77. $0.111 million recorded in the WMPMA under MAT 2AF for the Idle Facilities program in 2020 is not incremental, and should not be recovered.

78. For the Idle Facilities program, PG&E has not met its burden of demonstrating the reasonableness of the 150% increase in unit cost recorded in the WMPMA from the imputed GRC-authorized unit cost; the unit cost increase recorded above the imputed unit cost authorized in the GRC is not reasonable and should not be recovered.

79. For the Idle Facilities program, the unit cost for work recorded in the WMPMA under MAT 2AF should be based on the imputed GRC-authorized unit cost of $4,513.

80. $3.294 million in costs recorded in the WMPMA under MAT 2AF for the Idle Facilities program in 2021 and 2022, which is the cost of the work incurred at the imputed GRC-authorized unit cost of $4,513 per unit, are reasonable and should be recovered.

81. $5.012 million in costs recorded in the WMPMA under MAT 2AF for the Idle Facilities program in 2021 and 2022 were incurred as a result of unreasonable unit cost increases, and are not reasonable and should be disallowed.

82. For the Idle Facilities program, $5.012 million in capital expenditure recorded in the WMPMA under MAT 2AF should be permanently disallowed and should not be allowed to be added into the rate base in the future.

83. Of the $8.417 million in capital expenditures recorded in the WMPMA under MAT 2AF from 2020-2022 for the Idle Facilities program, $3.294 million are incremental and reasonable and should be recovered.

84. PG&E has demonstrated that costs recorded for the Maintenance Support Costs program in the WMPMA in 2020-2022 were reasonably incurred.

85. The $5.092 million recorded in the WMPMA for the Maintenance Support Costs in 2020-2022 are incremental and reasonable and should be recovered.

86. Of the $0.285 million recorded for the Bird Safe Installation, Replacements, and Retrofits program in the WMPMA and FRMMA from 2020 through 2022, $0.078 million is incremental and reasonable and should be recovered, and $0.207 million is not incremental and should not be recovered.

87. Of the $574.195 million recorded in the WMPMA and FRMMA under the Distribution Line Repairs and Replacements cost category in 2020-2022, $281.375 million are incremental and reasonable and should be recovered; $292.820 million should be disallowed.

88. Of the $18.385 million recorded in the WMPMA for the Supplemental Substation Inspection & Repair program in 2020-2022, $14.249 million is incremental and reasonable and should be recovered; $4.136 million is not incremental and should not be recovered.

89. The $12.355 million in expenses recorded for the Defensible Space Management program in the WMPMA under MAT GCG in 2020-202 are incremental and reasonable, and should be recovered.

90. For the Substation Repairs and Replacements and Temporary Generation cost category, after removing $4.136 million in non-incremental expenses recorded for the Supplemental Substation Inspection & Repair program, $102.571 million of the $106.707 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 are incremental and reasonable, and should be recovered.

91. The $13.318 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the Power Generation cost category are incremental and reasonable and should be recovered.

92. The $108.601 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the EPSS cost category are incremental and reasonable, and should be recovered.

93. The $46.687 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the Enhanced Automation and Remote Grid cost category are incremental and reasonable, and should be recovered.

94. The $6.780 million in expenses recorded for the Mapping program in the WMPMA and FRMMA under MAT GEO in 2020-20222 are incremental and reasonable and should be recovered.

95. The $16.125 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 for the Data Management & Analytics and Mapping cost category are incremental and reasonable and should be recovered.

96. $8.164 million in expenses recorded in the WMPMA for the Operational Management and Operational Support program in 2020-2022 is not incremental and should be disallowed.

97. Of the $24.714 million in expenses recorded in the WMPMA under MAT AB6 for the Operational Management and Operational Support program, $16.550 million is incremental and reasonable and should be recovered, and $8.164 million is not incremental and should be disallowed.

98. Of the $120.133 million recorded in the WMPMA and FRMMA in 2020-2022 under the Wildfire Support cost category, $8.164 million recorded for the Operational Management and Operational Support program is not incremental and should be disallowed, but the remaining $111.969 million is incremental and reasonable and should be recovered.

99. PG&E did not meet its burden of proof to demonstrate that $3.824 million of costs recorded for the Sourcing program in 2020-2022 are incremental.

100. The entire $3.824 million recorded in the WMPMA under MWC JL in 2020-2022 for the Sourcing Program are not incremental and should be disallowed.

101. The $98.764 million recorded in the WMPMA and FRMMA in 2020-2022 for the CRESS program are incremental and reasonable and should be recovered.

102. Of the $107.681 million recorded in the WMPMA and FRMMA in 2020-2022 under the Shared Services cost category, $3.824 million for the Sourcing program are not incremental and should be disallowed, and $103.857 million are incremental and reasonable and should be recovered.

103. The total costs of $120.138 million in expenses and capital expenditures recorded in the WMPMA and FRMMA under the IT cost category are incremental and reasonable and should be recovered.

104. The $1.3 million in costs for the Affordable Energy Ad should be removed from the costs recorded for the EPSS Education and Outreach program in 2020-2022.

105. The costs of the Undergrounding Ad are not reasonable and should be disallowed.

106. The total costs of the Undergrounding Ad and the Affordable Energy Ad, or $2.502 million, recorded in the EPSS Education and Outreach program in 2020-2022, should be disallowed from cost recovery.

107. PG&E failed to sufficiently demonstrate the reasonableness of the recorded Wildfire Communications expenses.

108. All the Wildfire Communications expenses recorded in the WMPMA and FRMMA, specifically $7.592 million recorded in the WMPMA and $7.502 million recorded in the FRMMA, are not reasonable and should be disallowed.

109. Wildfire Communications work should not be limited to HFTDs or HFRAs.

110. After removing $17.596 million in disallowances from the total costs of $104.883 million recorded under this cost category, $87.288 million in expenses and capital expenditures recorded in the WMPMA and FRMMA in 2020-2022 are incremental and reasonable and should be recovered.

111. The uncontested costs recorded in the WMPMA and FRMMA in 2020-2022 are incremental and reasonable and should be recovered.

112. The first accounting adjustment should be the removal of $3.133 million that were identified in the EY Audit Report as not appropriate for recovery in this proceeding.

113. The second accounting adjustment should be the removal of $9.615 million in overhead expenses after applying the overhead expense allocation methodology authorized in PG&E's 2020 GRC Decision to the recorded WMPMA and FRMMA costs.

114. The third accounting adjustment should be the removal of $3.263 million in concessions PG&E agreed to make.

115. The fourth accounting adjustment should be the removal of all recorded costs disallowed in this decision.

116. Once a cost is removed from recovery, the same cost should not be subject to further removal or disallowances so that there should not be any duplicate removals of costs.

117. The fifth accounting adjustment should be the application of the penalties ordered in the Wildfire OII Decision.

118. The Wildfire OII Decision imposed penalties on PG&E that included a $1.823 billion disallowance on wildfire-related expenditures, which consists of

$1.625 billion in disallowances as part of the settlement agreement adopted in the decision and $198 million in disallowances on wildfire mitigation expenses the Commission additionally imposed.

119. The penalty of disallowing $1.625 billion of wildfire expenses, as ordered in the Wildfire OII Decision, should be satisfied by applying $35.559 million in disallowances on distribution safety repair costs to the costs recorded in MWC KA for the 2020 overhead non-pole corrective maintenance costs.

120. It is reasonable for PG&E to apply the $35.559 million in disallowances on distribution safety repair costs, as part of the $1.625 billion penalty ordered in the Wildfire OII Decision, to the costs recorded in MWC KA for overhead non-pole corrective maintenance costs.

121. The $198 million disallowance ordered in the Wildfire OII Decision should be applied to wildfire mitigation costs recorded in the FRMMA or WMPMA within four years of the effective date of the settlement agreement approved in the Wildfire OII Decision.

122. The $198 million penalty ordered in the Wildfire OII Decision should be applied to the recorded WMPMA and FRMMA costs that remain after applying the first four accounting adjustments and the $35.559 million in disallowances on distribution safety repair costs.

123. The $198 million penalty should be applied to the recorded WMPMA and FRMMA costs in chronological order, beginning with costs recorded in January 2020.

124. PG&E should provide, in the Tier 2 advice letter implementing the directives in this decision, details of how it applied each of the accounting adjustments ordered in this decision to the recorded WMPMA and FRMMA costs, including how it applied the penalties ordered in the Wildfire OII Decision.

125. It is not reasonable to adopt TURN's proposed supplemental ratemaking adjustment of imposing a revenue requirement reduction equivalent to 14.8% of disallowed capital expenditure.

126. Of the $2.495 billion in total 2020-2022 WMPMA and FRMMA costs, $477 million of these costs should be disallowed and $2.018 billion of these costs should be recoverable in rates before any accounting adjustments.

127. After removing the $250 million disallowances and the accounting adjustments, including the penalties ordered in the Wildfire OII Decision, from the total recorded costs of $2.495 billion, only $1.769 billion recorded in the WMPMA and FRMMA in 2020-2022 remain and should be recovered in rates.

128. The Interim Rate Relief Decision authorized PG&E to collect in rates 75 percent of the requested $688 million revenue requirement, or $516 million in revenue requirement, over a 12-month period to recover the wildfire mitigation costs requested in both Track One and Track Two.

129. For Track One specific costs, the Interim Rate Relief Decision authorized PG&E to collect $428.9 million in revenue requirement, which is 75% of the requested $569.7 million in revenue requirement.

130. PG&E should be authorized to collect in rates over a 12-month period any over- or under-collection of the 2020-2022 revenue requirements resulting from the $1.769 billion of costs approved in this decision when compared to the revenue requirement the Interim Rate Relief Decision authorized to collect in rates.

131. PG&E should file a Tier 2 advice letter within 90 days of the effective date of this decision to implement the directives in this decision, including the 2020 through 2030 revenue requirement resulting from the expenses and capital expenditures approved herein.

132. If the year in which a disallowance of expenses or capital expenditures is not explicitly specified above, the disallowance should be applied in chronological order, beginning with costs on January 1, 2020.

133. In future cost recovery requests of WMPMA and FRMMA costs, PG&E should provide: (a) Comparison of GRC authorized funds and GRC funding spent for each set of costs by activity, (b) Comparison of units of work authorized in the GRC and the units of work completed for each set of costs by activity, and (c) Cost-efficiency analyses or metrics, such as BCR measures, for each set of costs by activity and for each year costs were incurred.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to recover $711.450 million in expenses and $1,149.241 million in capital expenditures recorded in the Wildfire Mitigation Plan Memorandum Account (WMPMA) from 2020 to 2022, and to recover $97.121 million in expenses and $60.345 million in capital expenditures recorded in the Fire Risk Mitigation Memorandum Account (FRMMA) from 2020 to 2022, before any accounting adjustments. In total, PG&E is authorized to collect $2.018 billion recorded in the WMPMA and FRMMA from 2020 to 2022 before any accounting adjustments. PG&E shall remove accounting adjustments equal to $249.698 million from the $2.018 billion in total approved recorded costs. After removing the accounting adjustments from the approved recorded costs, this decision authorizes PG&E to collect $1.768 billion in costs recorded in the WMPMA and FRMMA from 2020 to 2022.

2. Within 90 days of the effective date of this decision, Pacific Gas and Electric Company (PG&E) shall file a Tier 2 advice letter with the Commission's

Energy Division to implement in rates over a 12-month period any over- or under-collection of the 2020-2022 revenue requirements resulting from the costs approved in this decision when compared to the revenue requirement PG&E was authorized to collect in rates in Decision (D.) 24-03-006. In this Tier 2 advice letter, PG&E shall implement all the directives in this decision, including the 2020 through 2030 revenue requirement resulting from the expenses and capital expenditures approved in this decision. If the year in which a disallowance of expenses or capital expenditures is not explicitly specified, the disallowance must be applied in chronological order, beginning with costs recorded on January 1, 2020. In this Tier 2 advice letter, PG&E shall also provide details of how it applied each of the accounting adjustments ordered in this decision to the costs recorded in the Wildfire Mitigation Plan Memorandum Account and Fire Risk Mitigation Memorandum Account, including how it applied the penalties ordered in D.20-05-019.

3. In future filings where Pacific Gas and Electric Company (PG&E) seeks recovery of costs recorded in the Wildfire Mitigation Plan Memorandum Account and Fire Risk Mitigation Memorandum Account, PG&E shall provide the following information for each specific set of requested costs:

a. Comparison of General Rate Case (GRC) authorized funds and the amount of GRC funds spent on each set of costs by activity;

b. Comparison of the units of work authorized in the GRC and the units of work completed for each set of costs by activity, in which the units of work may need to be imputed from the GRC decision; and

c. Cost-efficiency analyses or metrics, such as Benefit Cost Ratios, for each set of costs by activity and for each year costs were incurred.

4. Application 23-06-008 remains open.

This order is effective today.

Dated ____________________, at Sacramento, California.

APPENDIX A

ATTACHMENT 1: Approved & Disallowed 2020-2022 WMPMA and FRMMA Costs

ATTACHMENT 2: Cost Summary Tables

ATTACHMENT 3: 2020-2022 Costs Approved for Recovery