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Commissioner : A. Reynolds
Admin Law judge : Nojan
Witness : Emerson



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

**Report on the Results of Operations
for
Pacific Gas and Electric Company
2021 Wildfire Mitigation and
Catastrophic Events**

Operations and Maintenance and Capital Costs Recorded
in the California Consumer Privacy Act Memorandum
Account and Disconnections Memorandum Account

San Francisco, California
May 24, 2022

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1 **2019-2020 Wildfire Mitigation Costs Recorded in**
2 **California Consumer Protection Act Memorandum Account and**
3 **Disconnections Memorandum Account Memorandum Account**

4 **I. INTRODUCTION**

5 This exhibit presents the analyses and recommendations of the Public
6 Advocates Office at the California Public Utilities Commission (Cal Advocates)
7 regarding Pacific Gas and Electric Company’s (PG&E) 2019-2020 wildfire mitigation
8 costs recorded in the California Consumer Privacy Act Memorandum Account
9 (CCPAMA) and the Disconnections Memorandum Account (DMA).

10 The Commission authorized PG&E’s CCPAMA in D.19-09-026 to record and
11 track incremental costs associated with California Consumer Privacy Protection Act
12 (CCPA) compliance.

13 The purpose of PG&E’s DMA is to track incremental costs associated with
14 implementing the requirements of D.20-06-003, which includes directives designed
15 to reduce the number of residential customer disconnections and improve
16 reconnection processes for disconnected customers. PG&E incurred minimal costs
17 due to the moratorium on disconnections in response to the COVID-19 pandemic,
18 which began in March 2020 and remained in effect for the rest of the year.

19 **II. SUMMARY OF RECOMMENDATIONS**

20 PG&E proposes cost recovery of \$26.667 million for wildfire mitigation
21 activities incurred in 2019 and 2020. The requested Operations and Maintenance
22 (O&M) costs are recorded in PG&E’s CCPAMA and DMA.

23 The corresponding Cal Advocates’ recommendation for cost recovery of
24 PG&E’s CCPAMA and DMA activities is \$4.904 million. Cal Advocates’
25 recommendation is \$21.763 million lower than PG&E’s request of \$26.667 million.

26 The following summarizes the Cal Advocates’ recommendations regarding
27 PG&E’s request for cost recovery:

- 28 • Cal Advocates recommends \$4.230 million for O&M expenses
29 related to the CCPAMA be adopted. Cal Advocates’

1 recommendation is \$21.184 million lower than PG&E's
 2 incremental request of \$25.414 million.

- 3 • Cal Advocates recommends \$0.087 million for O&M expenses
 4 related to the DMA be adopted. Cal Advocates'
 5 recommendation is \$0.579 million lower than PG&E's
 6 incremental request of \$0.666 million.

7 The following summarizes Cal Advocates' recommendations regarding
 8 PG&E's incremental capital expenditures:

- 9 • Cal Advocates does not oppose PG&E's capital expenditure
 10 request of \$0.587 million recorded in the CCPAMA during 2019
 11 and 2020.

12 Table 6-1 below shows PG&E's request and Cal Advocates'
 13 recommendations. Table 6-2 shows Cal Advocates' adjustments by category.

14 **Table 6-1**
 15 **2019-2020 Wildfire Mitigation Expenses**
 16 **(in Thousands of Dollars)**

Memorandum Account (a)	PG&E Proposed (c)	Cal Advocates Recommended (d)	Amount PG&E>Cal Advocates (e=c-d)	Percentage PG&E>Cal Advocates (f=e/d)
CCPAMA	\$25,414	\$4,230	\$21,184	5.0%
DMA	\$666	\$87	\$579	6.7%
Total Expense	\$26,080	\$4,317	\$21,763	7.5%
CCPAMA Capital	\$587	\$587	\$0	0%

17
 18 **Table 6-2**
 19 **Cal Advocates' Adjustments by Category**
 20 **(in Thousands of dollars)**

Description (a)	Cal Advocates' Adjustment (b)
Straight-Time Labor and Overhead	\$2,462
External Labor	\$19,301
Total	\$21,763

1 **III. OVERVIEW OF CAL ADVOCATES' ANALYSES**

2 Cal Advocates conducted its analysis by reviewing PG&E's Testimony and
3 workpapers. Cal Advocates issued numerous data requests and analyzed the
4 responses to obtain additional information to clarify its recovery requests. Cal
5 Advocates analyzed the line-item detail of costs recorded in 2019 and 2020 to
6 PG&E's CCPAMA and DMA to determine which costs were incremental, reasonable,
7 and appropriate for cost recovery.

8 Regarding the evaluation, determination, and authorization of costs in
9 reasonableness reviews, the Commission requires that a utility's costs not only be
10 prudent, but also verifiable for reasonableness before it can recover the costs. In
11 D.12-01-032, the Commission stated:

12 ...to recover reasonable costs prudently incurred to comply with the
13 changes to the Commission's rules adopted today. To be clear, we
14 do not find today that all costs incurred to comply with the revised
15 rules will be automatically assumed to be reasonable but that, after
16 the Commission verifies the reasonableness of costs, recovery will
17 be permitted.¹

18 **IV. DISCUSSION / ANALYSIS OF 2019-2020 WILDFIRE MITIGATION**
19 **EXPENSES**

20 **A. Overview of PG&E's Request**

21 PG&E requests a reasonableness review and cost recovery of \$26.667
22 million comprised of \$26.001 million recorded in CCPAMA and \$0.666 million
23 recorded in DMA for costs it considered incremental to routine activities authorized
24 in the 2020 PG&E GRC. In its testimony, PG&E states:

25 PG&E submitted Application (A.) 19-03-020 on March 27, 2019, to
26 establish a memorandum account to record and track incremental
27 costs associated with CCPA compliance.²
28

¹ D.12-01-032, p. 151.

² PG&E's Errata Testimony, p. 8-3.

1 The corresponding Cal Advocates' recommendation for PG&E's incremental
2 wildfire costs in PG&E's CCPAMA and DMA is \$4.904 million. Cal Advocates'
3 recommendation is \$21.763 million less than PG&E's request of \$26.667 million.

4 Cal Advocates recommends adjustments to PG&E's requests because it did
5 not demonstrate that the costs recorded to the CCPAMA and DMA are incremental
6 to the funding authorized in PG&E's 2020 GRC Decision. PG&E did not provide
7 appropriate records and supporting documentation to substantiate line-item detail
8 and justification for the requested cost recovery.

9 Cal Advocates requested evidence of incrementality,³ but PG&E could not
10 demonstrate how the costs recorded to the CCPAMA and DMA were determined to
11 be incremental.

12 Cal Advocates requested contract dates and copies for all contracts recorded
13 to the CCPAMA and DMA⁴ in 2019 and 2020 to cross-reference with PG&E's Errata
14 testimony and line-item support detail.⁵ Cal Advocates also requested the
15 corresponding invoices or supporting documentation for 173 line-item costs recorded
16 to the CCPAMA in 2019-2020⁶ and nine line-item costs recorded to the DMA in
17 2020.⁷ Because PG&E did not provide detailed cost breakdowns, Cal Advocates
18 was unable to conduct a more thorough analysis of various expenses and activities
19 or independently calculate the specific line items that totaled the lump-sum amounts
20 recorded in PG&E's line-item detail.

21 **B. California Consumer Privacy Act Memorandum**
22 **Account**

23 Table 6-3 summarizes PG&E's recorded costs for 2019 and 2020 and Cal
24 Advocates' recommendations for the CCPAMA.

25

³ Cal Advocates data request PubAdv-PG&E-021-CE3.

⁴ Cal Advocates data request PubAdv-PG&E-062-CE3.

⁵ PG&E's response to Cal Advocates data request PubAdv-PG&E-003-CE3; PG&E's
response to Cal Advocates data request PubAdv-PG&E-006-CE3.

⁶ Cal Advocates data request PubAdv-PG&E-028-CE3.

⁷ Cal Advocates data request PubAdv-PG&E-038-CE3.

1 **Table 6-3**
 2 **PG&E CCPAMA Costs**
 3 **2019-2020 Recorded**
 4 **(in Thousands of 2018 Dollars)**
 5

Description	PG&E 2019	PG&E 2020	Cal Advocates 2019	Cal Advocates 2020
External Labor	\$9,133	\$9,808	\$0.0	\$0.0
Straight-time Labor	\$644	\$464	\$0.0	\$0.0
Overheads	\$464	\$670	\$0.0	\$0.0
Total	\$10,241	\$10,942	\$0.0	\$0.0

6 Source: PG&E’s response to Cal Advocates’ data request PubAdv-PG&E-003-CE3.

7 **1. External Labor Costs**

8 Cal Advocates recommends removing \$18.941 million for external labor costs
 9 recorded to the CCPAMA. PG&E could not demonstrate that the external labor
 10 costs recorded to the CCPAMA were all procured through incremental contract
 11 agreements. Cal Advocates requested the signing dates and copies of all contracts
 12 recorded to the CCPAMA.⁸

13 PG&E provided signing dates for eight contracts or purchase orders. PG&E
 14 provided supporting documentation for the contract agreements by uploading
 15 fourteen file attachments to PG&E’s file-sharing platform IntraLinks. The file
 16 attachments include two signed documents, a change order form, an unsigned order
 17 form, seven order requests, and three pricing proposals. PG&E states:

18 Note that costs that are categorized as “contract” may also include
 19 purchase orders for single transactions (e.g. [sic] purchasing a
 20 software license) as well as contracts for longer-term work. Also,
 21 there are cases where the CCPA related work is included in a
 22 contract or purchase order that includes other work completed by
 23 the vendor that is not related to CCPA.⁹
 24

25 Cal Advocates cross-referenced the provided contract signing dates with the
 26 line-item detail and could not identify corresponding external labor charges for the
 27 majority of the recorded external labor expenses.

⁸ Cal Advocates data request PubAdv-PG&E-062-CE3.

⁹ PG&E’s response to Cal Advocates data request PubAdv-PG&E-062-CE3.

1 Regarding CCPA requirements, PG&E states:
2 CCPA did not mandate any changes to where and how PG&E
3 stores personal information. The changes in the law related
4 primarily to *consumers' access to that information and their rights*
5 *around how PG&E handles the information.* Prior to the effective
6 date of the CCPA on January 1, 2020. [sic] PG&E stored customer
7 information in its various operational systems. [sic] including
8 Customer Care and Billing (CC&B), SAP, Salesforce and other
9 systems. Collecting and storing consumer data was (and remains)
10 part of day-to-day operations and finances are not tracked
11 separately.¹⁰
12

13 Cal Advocates does not consider CCPA-related labor costs procured through
14 existing contracts to be incremental because these day-to-day consumer data
15 operations are funded in the GRC Decision. These costs are not appropriate for
16 recovery in the CCPAMA because they are not incremental.

17 Cal Advocates also takes issue with the inclusion of travel-related expenses
18 that were included in billing for a contract that, at the start of the COVID-19
19 pandemic, was to be done remotely. PG&E states:

20 Ernst & Young LLP supported all workstreams related to the
21 implementation of CCPA which are described in Table 8-2 of
22 PG&E's Chapter 8 Testimony, including Data Discovery, Data
23 Inventory, Data Subject Requests, Policy and Governance, Third-
24 Party Management, Intelligent Privacy Automation, and
25 Communications and Change Management. In addition, Ernst &
26 Young LLP helped PG&E establish an over-arching Project
27 Management Office for governance of all CCPA workstreams.¹¹
28

29 Cal Advocates requested invoices for all recorded line-items associated with
30 vendor Ernst & Young.¹² PG&E did not provide detailed descriptions or cost
31 breakdowns of the specific activities Ernst & Young performed. Cal Advocates
32 requested detailed breakdowns for travel expenses from Ernst & Young,¹³ but PG&E

¹⁰ PG&E's response to Cal Advocates data request PubAdv-PG&E-021-CE3 (emphasis in the original).

¹¹ PG&E's response to Cal Advocates data request PubAdv-PG&E-048-CE3.

¹² Cal Advocates data request PubAdv-PG&E-028-CE3.

¹³ Cal Advocates data request PubAdv-PG&E-043-CE3.

1 could not provide the requested information because “the vendor did not provide
2 their travel expenses at this level of detail.”¹⁴

3 **2. Straight-time Labor and Overhead Costs**

4 Cal Advocates recommends removing approximately \$2.242 million in
5 straight-time labor costs recorded to the CCPAMA, which is comprised of \$1.108
6 million in straight-time labor and \$1.134 million in overhead costs. Straight-time
7 labor for existing employees and overhead costs are funded through existing rates
8 authorized in PG&E’s 2020 GRC decision and are not incremental. PG&E utilized
9 its existing staff and reassigned them to activities that it seeks recovery for in its
10 2021 WMCE application. Temporary redeployment of staff for CCPAMA activities
11 based on changes in work priorities does not constitute incremental activity. PG&E
12 also utilized its existing overhead and did not provide documentation that identified
13 any of the overhead costs that increased its recovery request for the CCPAMA.

14 PG&E must demonstrate that the costs of these employees and its overhead
15 are incremental to what was authorized in the 2020 GRC and collected in rates.
16 PG&E has not provided any calculations to demonstrate that the funding associated
17 with the existing employees and overhead were removed from its 2020 recorded
18 costs to show that it is not seeking double recovery. Cal Advocates’
19 recommendations are supported through the independent audit performed by Crowe
20 LLC¹⁵.

21 **C. Disconnections Memorandum Account**

22 PG&E states in its Errata Testimony:

23
24 In March 2020, PG&E implemented a moratorium on
25 disconnections in response to the COVID-19 pandemic. Consistent
26 with Res.M-4842, the moratorium on disconnections was in effect
27 for the remainder of 2020. Since PG&E did not disconnect
28 customers after March 2020, PG&E incurred only minimal costs in
29 2020 for the initial design, development, and testing of the

¹⁴ PG&E’s response to Cal Advocates data request PubAdv-PG&E-043-CE3.

¹⁵ See discussion regarding Crowe LLC’s recommendations on PG&E’s straight time labor and overhead costs in Cal Advocates Exhibit CA-02.

1 modifications needed to comply with the directives in
2 D.20-06-003.¹⁶

3

4 Table 6-4 below shows PG&E's request and Cal Advocates' recommendation
5 regarding Disconnection Memorandum Account costs.

6

7

8

9

10

Table 6-4
PG&E's Disconnection Memorandum Account
2020 Recorded
(in Thousands of Nominal Dollars)

Description	PG&E 2020 Request	Cal Advocates 2020 Recommendation
External Labor	\$360	\$00.0
Straight-time Labor	\$116	\$00.0
Overhead	\$103	\$00.0
Total	\$579	\$00.0

11

Source: PG&E's response to Cal Advocates' data request PubAdv-PG&E-006-CE3.

12

1. External Labor Costs

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Cal Advocates recommends a downward adjustment of \$0.360 million incurred for external labor costs recorded to the DMA. PG&E was not able to provide documentation to verify and substantiate the costs as incremental to costs already embedded in rates.

17

18

19

20

21

Fifty-four percent of the costs PG&E recorded in the DMA are associated with external labor.¹⁷ PG&E's testimony and data request responses did not include any analysis or calculation to demonstrate that the external labor costs had not been recovered from funds authorized in 2017 and 2020 GRCs, since the contracts were established prior to the recovery period of the 2021 WMCE of 2019 and 2020.

22

23

Cal Advocates requested additional information on the contracts and incremental costs due to the lack of supporting detail PG&E provided.¹⁸

¹⁶ PG&E's Errata Testimony, p. 8-27.

¹⁷ PG&E's response to Cal Advocates data request PubAdv-PG&E-006-CE3.

¹⁸ Cal Advocates data request PubAdv-PG&E-026-CE3.

1 PG&E provides the following response regarding incremental contract costs
2 associated with existing contracts:

3 No, the fact that there are no contract expense costs recorded does
4 not mean that the funding for the recorded external labor costs is
5 coming from a source not listed in the DMA. PG&E clarifies that
6 contract costs are non-labor charges paid to establish contractual
7 relationships with third parties. We used an existing contract to
8 procure the additional external labor we needed to perform the
9 work required by D.20-06-003. As a result, there are no contract
10 costs associated with these incremental external labor charges
11 because PG&E did not need to pay additional contract costs to
12 procure the external labor. The incremental labor charges reflect
13 actual hours worked by external labor to perform the work required
14 in D.20-06-003.¹⁹
15

16 These external labor costs were incurred under existing contracts. PG&E did
17 not provide any calculations that could be reviewed and independently calculated to
18 determine the incremental amount, if any, incurred from existing contracts, in place
19 prior to the establishment of the DMA. Based on PG&E's response, "there are no
20 contract costs associated with these incremental external labor charges because
21 PG&E did not need to pay additional contract costs", PG&E has not justified the
22 reasonableness of including these costs in its recovery requests for DMA and are
23 therefore not appropriate for recovery in the 2021 WMCE.

24 **2. Straight-time Labor and Overhead Costs**

25 Cal Advocates recommends removing \$0.219 million incurred for straight-time
26 labor and overhead costs recorded to the DMA. PG&E's straight-time labor costs
27 are not incremental. As mentioned above in the discussion for CCPAMA, PG&E's
28 straight-time labor for existing employees and overhead costs are funded through
29 existing rates authorized in PG&E's 2020 GRC decision and are not incremental.
30 PG&E's temporary reassignments of its staff for DMA activities based on changes in
31 priorities does not constitute incremental activity. PG&E did not provide
32 documentation identifying the overhead costs that increased its recovery request for
33 the DMA.

34 _____
¹⁹ PG&E's response to Cal Advocates data request PubAdv-PG&E-026-CE3.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Clair Emerson. My business address is 505 Van Ness Avenue,
3 San Francisco, California. I am employed by the Public Advocates Office (Cal
4 Advocates) as a Public Utilities Regulatory Analyst in the Energy Cost of Service
5 and Natural Gas Branch.

6 I hold a Bachelor of Arts degree in Economics from the California State
7 University, Chico. My coursework focused on quantitative economics and applied
8 statistical methods. Prior to joining the Public Advocates Office in 2022, I worked on
9 several research projects examining the effect of education expenditure on crime in
10 California. I also used geospatial data to examine the relationship between crime
11 and homeless populations in Greater Los Angeles. My Bachelor's thesis examined
12 the effect of psychological pressure on student performance. Due to interest from
13 the university's administration, I am collaborating with professors at CSU, Chico to
14 continue my research on student performance. Additionally, I am currently reviewing
15 the 2023 Gas Transmission and Storage Cost Allocation and Rate Design (CARD)
16 proposals on behalf of Cal Advocates.

17 This completes my prepared testimony.