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Exhibit Number : CA-02
Commissioner : A. Reynolds
Admin Law Judge : Nojan
Witness : Andresen



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 Costs Recorded in the
Wildfire Mitigation Balancing Account, Part 1 of 2

San Francisco, California
May 24, 2022

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1 **2020 Wildfire Mitigation Costs Recorded in the**
2 **Wildfire Mitigation Balancing Account**

3 **I. INTRODUCTION**

4 This exhibit presents the analyses and recommendations of the Public Advocates
5 Office at the California Public Utilities Commission (Cal Advocates) regarding a portion
6 of Pacific Gas and Electric Company's (PG&E) 2020 costs incurred for wildfire
7 mitigation activities.

8 This exhibit covers the costs recorded in PG&E's Wildfire Mitigation Balancing
9 Account (WMBA) for its Public Safety Power Shutoff (PSPS) Program activities.

10 PG&E's WMBA was authorized in PG&E's 2020 GRC decision to record costs
11 associated with its Community Wildfire Safety Program (CWSP) activities. The decision
12 requires "that an application be filed instead of a Tier 3 advice letter if CWSP
13 expenditures are in excess of 115 percent of the authorized amounts."¹ The Decision
14 authorized PG&E's forecast of \$50.1 million for its CWSP activities, which is \$163
15 million lower than its 2020 recorded costs of \$213.1 million.² The portion of PG&E's
16 WMBA request associated with the PSPS Program is \$77.5 million, which is \$71.405
17 million (1,172%) higher than its 2020 GRC-authorized amount of \$6.095 million and
18 \$70.49 million higher than the 115 percent threshold of \$7.009 million.³

19 **II. SUMMARY OF RECOMMENDATIONS**

20 PG&E requests recovery of \$70.49 million for the Public Safety Power Shutoff
21 Program activities discussed within this exhibit.⁴ The requested Operations and
22 Maintenance (O&M) costs are recorded in PG&E's Wildfire Mitigation Balancing
23 Account (WMBA).

¹ D.20-12-005, p. 121.

² PG&E's Errata Testimony, p. 2-2.

³ PG&E's Errata Testimony, p. 2-3.

⁴ PG&E's Errata Testimony, p. 2-3. PG&E's costs recovery for its WMBA is \$155.413 million, of which \$70.490 million is discussed in this exhibit (CA-02) and Cal Advocates' recommendation of \$84.920 million is discussed in Exhibit CA-03.

1 The corresponding Cal Advocates' recommendation for PSPS Program activities
 2 is \$51.99 million. Cal Advocates' recommendation is \$18.5 million lower than PG&E's
 3 request of \$70.49 million.

4 Table 2-1 below shows PG&E's request and Cal Advocates' expense
 5 recommendation.

6 **Table 2-1**
 7 **2020 Wildfire Mitigation Expenses**
 8 **(\$ Thousands)**

Memorandum Account (a)	Description (b)	PG&E Proposed ⁵ (c)	Cal Advocates Recommended (d)	Amount PG&E>Cal Advocates (e=c-d)	Percentage PG&E>Cal Advocates (f=e/d)
WMBA	PSPS Program – Expense	\$70,490	\$51,990	\$18,500	35.6%

9 The following table summarizes Cal Advocates' adjustments by category:

10 **Table 2-2**
 11 **Cal Advocates' Adjustments by Category**
 12 **(2020 dollars)**

Description (a)	Cal Advocates' Adjustment (b)
Straight-Time Labor	\$12,286,131
Overhead	\$6,213,393
Total	\$18,499,524

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

14 Cal Advocates conducted its analysis by reviewing PG&E's Testimony. Cal
 15 Advocates issued numerous data requests and analyzed the responses to obtain
 16 additional information to clarify its follow-up recovery requests. Cal Advocates analyzed
 17 the line-item detail of 2020 costs recorded in PG&E's WMBA to determine which costs
 18 were incremental, reasonable, and appropriate for cost recovery.

⁵ PG&E's Errata Testimony, p. 2-3.

1 Cal Advocates encountered delays in its discovery due to PG&E's debut of its
2 new discovery document management system, Intralinks. Cal Advocates requested
3 review of 26 out of 36,561 line-items associated with PG&E's PSPS Program.⁶ PG&E
4 did not initially provide the documents and instead uploaded them to Intralinks as
5 password-protected files with viewing restrictions that prevented Cal Advocates from
6 reviewing the documents. The process required numerous correspondences with
7 PG&E requesting that PG&E provide the 26 invoices as attachments consistent with the
8 prior 2020 WMCE proceeding. The documents were ultimately provided 2 months after
9 the initial response due date.⁷

10 **IV. DISCUSSION / ANALYSIS OF 2020 WILDFIRE MITIGATION EXPENSES**

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

12 PG&E requests a reasonableness review and cost recovery of \$70.49 million for
13 O&M expenses associated with the PSPS Program recorded in the WMPMA. PG&E
14 asserts that its request of \$70.49 million is the portion of its 2020 recorded costs for its
15 PSPS Program above its 2020 GRC-authorized amount of \$6.095 million.⁸

16 PG&E's PSPS Program includes activities that are not directly associated with a
17 specific PSPS event, such as exclusive use helicopter contracts and the Community
18 Resource Center (CRC) Preparedness Program.⁹ PG&E states that changing climate
19 conditions in California have forced it to rely on PSPS with increasing frequency since it
20 developed its 2020 GRC forecast.¹⁰ PG&E's recorded costs for its PSPS Program are
21 grouped into three categories: \$39.3 million for PG&E Event Readiness, which

⁶ Cal Advocates data request PubAdv-PG&E-018-RYD, Q.1 and PG&E's response to Cal Advocates data request PubAdv-PG&E-001-RYD, Q.1.

⁷ The 26 invoices were requested in Cal Advocates data request PubAdv-PG&E-018-RYD on January 21, 2022, with a response date of February 4, 2022. PG&E provided the invoices on April 4, 2022, in response to a subsequent data request for the invoices requested in PubAdv-PG&E-018-RYD.

⁸ PG&E's Errata Testimony, p. 2-3.

⁹ PG&E's Errata Testimony, p. 2-6.

¹⁰ PG&E's Errata Testimony, p. 2-7.

1 prepares PG&E employees and contractors to respond to PSPS events;¹¹ \$27.7 million
2 for Customer Event Readiness, which includes customer outreach initiatives;¹² and
3 \$10.5 million for Tools and Technologies, which includes data products and technology
4 tools.¹³

5 Cal Advocates' recommendation for PG&E's PSPS Program costs in the WMBA
6 is \$51.99 million, which is \$18.5 million lower than PG&E's request of \$70.49 million.

7 **B. Straight Time Labor and Overhead Costs**

8 Cal Advocates recommends removing \$18.5 million for straight-time labor and
9 overhead costs. By category, this adjustment is comprised of \$12.286 million in
10 straight-time labor and \$6.213 million in overhead costs. Straight-time labor and
11 overhead costs are funded through existing rates authorized in PG&E's 2020 GRC
12 decision and are not incremental costs unless supported through appropriate
13 documentation. Cal Advocates recommendations are supported through the
14 independent audit performed by Crowe LLC.

15 Table 2-3 summarizes Cal Advocates' recommendation for straight-time labor
16 and overhead costs.

17 **Table 2-3**
18 **2020 Straight-Time Labor and Overhead Costs**
19 **(2020 dollars)**

Memorandum Account (a)	Description (b)	Cal Advocates' Adjustment (c)
WMBA	Straight-Time Labor	\$12,286,131
WMBA	Overhead	\$6,213,393
TOTAL		\$18,499,524

¹¹ PG&E's Errata Testimony, p. 2-18.

¹² PG&E's Errata Testimony, p. 2-23.

¹³ PG&E's Errata Testimony, p. 2-30.

1 **1. Straight-Time Labor Costs**

2 Cal Advocates recommends removing \$12.3 million for straight-time labor
3 costs.¹⁴ PG&E’s straight-time labor costs are not incremental. In its testimony, PG&E
4 states:

5 This chapter does not include an incrementality discussion of costs
6 in the Wildfire Mitigation Balancing Account (WMBA) and the
7 Vegetation Management Balancing Account (VMBA) due to the
8 scope and function of these accounts. Specifically, for the WMBA
9 and VMBA, the California Public Utilities Commission (CPUC or
10 Commission) authorized funding in the 2020 GRC (Decision (D.)
11 20-12-005) for the wildfire mitigation and vegetation management
12 activities included in PG&E’s submission in that proceeding. The
13 Commission approved the WMBA and VMBA as two-way balancing
14 accounts with reasonableness review thresholds. PG&E records
15 costs for wildfire mitigation activities in the WMBA and for
16 vegetation management activities in the VMBA, respectively.
17 Although PG&E is reporting in testimony the total costs recorded in
18 each respective balancing account, the amounts subject to review
19 and requested recovery reflect only the costs above the
20 reasonableness review thresholds set in D.20-12-005 for these
21 accounts. All amounts below the thresholds were authorized for
22 recovery in rates in accordance with D.20-12-005.¹⁵

23 Cal Advocates disagrees with PG&E’s assertion that incrementality is not
24 relevant to its WMBA request since costs for employees whose salaries were already
25 funded through existing rates in the 2020 GRC Decision are not incremental costs.
26 Incrementality refers to costs that are requested in this proceeding and have not already
27 been recovered, such as in a GRC. PG&E’s 2021 WMCE request includes costs that
28 are authorized in the GRC, such as the labor cost of existing, full-time employees.
29 Therefore, PG&E must demonstrate that the costs of these employees are incremental
30 to what was authorized in the 2020 GRC and collected in rates.

31 PG&E does not provide verifiable documentation demonstrating the calculation
32 and removal of straight-time labor expenses for its 2020 PSPS Program activities.

¹⁴ Referring to PG&E’s response to Cal Advocates data request PubAdv-PG&E-001-RYD, Q.1, \$12,286,131 represents the portion of PG&E’s line-item detail associated with internal straight-time labor.

¹⁵ PG&E’s Errata Testimony, p. 11-2.

1 PG&E's 2020 GRC decision already authorized straight-time labor costs for existing full-
2 time employees for 2020. PG&E's internal labor costs would be considered incremental
3 if they were unanticipated during the GRC proceeding, such as hiring additional
4 employees. PG&E provides no evidence that it hired new employees or provide the
5 number of employees hired after the 2020 GRC Decision for PSPS Program work. Cal
6 Advocates requested the hire date for PG&E's recorded internal labor costs under the
7 PSPS Program.¹⁶ PG&E objected to this request and instead provided a list of its job
8 titles and salary ranges that do not correspond to its line-item detail or total to its
9 \$12.286 million recovery request for internal straight-time labor.¹⁷ In its response,
10 PG&E states,

11 PG&E objects on the ground that this request seeks information
12 beyond the scope of this proceeding. The request appears to seek
13 information potentially relevant to incrementality, which is not a
14 relevant consideration for PSPS activity costs recorded to PG&E's
15 Wildfire Mitigation Balancing Account (WMBA). The Commission
16 approved the WMBA as a two-way balancing account subject to a
17 reasonableness review threshold. PG&E has submitted PSPS
18 activity costs for review because they exceed the WMBA threshold,
19 not on the basis of an incrementality analysis.¹⁸

20 PG&E provides no evidence that it performed any incremental analysis to
21 remove straight-time labor costs that were authorized in the 2020 GRC decision. Cal
22 Advocates requested:

23 If PG&E's labor request includes costs associated with employees
24 that were anticipated in the 2020 GRC proceeding and reassigned
25 from other roles, explain whether PG&E performed a
26 comprehensive analysis to calculate the incremental cost of
27 reassigning its existing employees. If so, provide a copy of PG&E's
28 guidelines that calculate the portion of an employee's labor costs
29 that is incremental to the employee's labor costs that were funded
30 in the 2020 GRC.¹⁹

¹⁶ Cal Advocates data request PubAdv-PG&E-015-RYD, Q.2.

¹⁷ PG&E's response to Cal Advocates data request PubAdv-PG&E-015-RYD, Q.2.

¹⁸ PG&E's response to Cal Advocates data request PubAdv-PG&E-015-RYD, Q.2.

¹⁹ Cal Advocates data request PubAdv-PG&E-015-RYD, Q.2f.

1 PG&E provides no analysis or guidelines and instead refers to another data
2 request response where it objected to a request to provide the number of employees
3 working on another section of its 2021 WMCE testimony. In its objection, PG&E
4 provided the same response as it provided in its 2020 WMCE proceeding:²⁰

5 PG&E employees fulfill many roles and PG&E's utilization of them
6 must be flexible in order to operate the electric system and respond
7 to the many different types of urgent matters and emergencies that
8 regularly arise. PG&E does not necessarily hire new employees
9 when an incremental activity may arise due to an urgent
10 matter/emergency or when a new program is initiated, as this would
11 not be a cost-effective employment practice. PG&E employees
12 possess wide and varied experience that enable them to
13 appropriately perform base work forecast in a GRC and to respond
14 to many different types of emergencies and natural disasters that
15 impact California. PG&E assigns employees to support base GRC
16 work and other incremental initiatives such as Residential Rate
17 Reform (RRRMA) and Catastrophic Events (CEMA) with the
18 intention of leveraging employee skills where the work is most
19 needed and prioritized. For this reason, employees assigned to
20 perform the incremental activities are often not new hires, but
21 existing employees most qualified to perform the work, while new
22 hires back-fill those employees' previous positions. At times,
23 employee assignments also involve incremental costs such as
24 overtime costs, either in performing the direct incremental activity or
25 for other "GRC" activities that the employees return to once the
26 incremental activity has been completed. PG&E may also
27 supplement its workforce with contractors as needed.²¹

28 PG&E's reliance on supplemental contractors and overtime, and its
29 redeployment of existing employees, demonstrates that it must perform an incremental
30 analysis to identify and remove labor costs that were already authorized in the 2020
31 GRC decision. The costs of supplemental contractors and overtime work PG&E
32 referenced are already included in PG&E's recovery request separately from its straight-
33 time labor costs.²² PG&E's reprioritization and reallocation of existing resources and

²⁰ PG&E's response to Cal Advocates data request PubAdv-PG&E-082-RYD, Q.2, in the 2020 Wildfire Mitigation and Catastrophic Events proceeding (A.20-09-019).

²¹ PG&E's response to Cal Advocates data request PubAdv-PG&E-011-RA6, Q.3b.

²² PG&E's line-item detail provided in response to Cal Advocates data request PubAdv-PG&E-001-RYD shows costs for contactors and overtime hours separately from its internal straight-

(continued on next page)

1 employees for wildfire mitigation activities does not constitute an incremental labor cost.
2 Although these employees may not have been expected or forecast to work on PSPS
3 Program activities, PG&E was already authorized funding for their straight-time labor
4 costs through existing rates in the 2020 GRC decision.

5 An independent performance audit by Crowe LLC for the Office of Energy
6 Infrastructure Safety (OEIS) at the California Natural Resources Agency determined
7 that PG&E's straight-time labor costs recorded in its wildfire memorandum accounts
8 were already included in PG&E's GRC-authorized costs. Crowe recommends, "do no
9 compensate PG&E for its straight time labor costs assigned to the wildfire memorandum
10 accounts between 2018 and 2020 as they are not incremental."²³ The audit provides
11 the following reasoning:

12 PG&E's GRC forecast is activity-based. PG&E therefore does not
13 represent the total cost of straight time labor for all work PG&E
14 performs as part of the GRC. The GRC includes the portion of
15 PG&E's total costs that are associated with GRC activities. While
16 PG&E may have envisioned recovering some of its straight time
17 labor through other funding mechanisms, and this reduced its 2017
18 GRC forecast to account for these other known sources, in 2017,
19 PG&E would not have reduced its GRC forecast of straight time
20 labor to account for wildfire mitigation activities as PG&E's WMP
21 was not approved until 2019.²⁴

22
23 It would be inappropriate for ratepayers to fund GRC-authorized labor
24 costs that did not undergo any incremental analysis by PG&E. The Commission
25 should deny PG&E's request to recover straight-time labor costs for the PSPS
26 Program.

27 **2. Overhead Costs**

28 Cal Advocates recommends removing \$6.213 million for overhead costs.
29 PG&E's overhead costs are not incremental wildfire costs unless supported by

time labor costs. Cal Advocates' straight-time labor adjustment does not include costs associated with contractors or overtime hours.

²³ Performance Audit of Pacific Gas & Electric Wildfire Mitigation Plan Expenditures, p. 5.

²⁴ Performance Audit of Pacific Gas & Electric Wildfire Mitigation Plan Expenditures, pp. 70-71.

1 appropriate documentation because company-wide overhead expenses were
2 authorized in PG&E's 2020 GRC decision. PG&E's line-item detail for its 2020 PSPS
3 Program activities includes various overhead costs, such as paid time off, material
4 burden, indirect labor, minor material overhead, and allocated labor and material
5 costs.²⁵

6 PG&E's recovery request includes overhead costs for its existing assets
7 that were already funded in the 2020 GRC decision. Cal Advocates requested:

8 Provide documentation that identifies whether PG&E utilized any of
9 its existing assets (such as vehicles or buildings) for its 2020 PSPS
10 Program activities.²⁶

11 PG&E's response states,

12 PG&E utilizes existing assets where possible for its PSPS Program
13 activities. However, certain assets such as hardening buildings for
14 Customer Resource Centers are not owned by PG&E. Additionally,
15 contractors hired to support PSPS events utilize their own assets,
16 such as vehicles.²⁷

17 PG&E does not provide any evidence that it identified and removed the costs
18 associated with its existing assets from its recovery request for 2020 PSPS Program
19 activities. Cal Advocates requested:

20 Did PG&E incur additional overhead costs (e.g., rents,
21 maintenance, freight, write-offs, janitorial, paid time off, payroll
22 taxes, vehicle maintenance and repair) specifically associated with
23 its PSPS Program in 2020? If yes, provide a quantifiable analysis
24 for each cost showing that the amounts are incremental to what
25 was authorized in the 2020 GRC Decision and collected in rates.²⁸

26

27

28 PG&E's response states:

29 PG&E objects on the ground that this request seeks information
30 beyond the scope of this proceeding. The request appears to seek
31 information potentially relevant to incrementality, which is not a
32 relevant consideration for PSPS activity costs recorded to PG&E's

²⁵ PG&E's response to Cal Advocates data request PubAdv-PG&E-001-RYD, Q.1.

²⁶ Cal Advocates data request PubAdv-PG&E-015-RYD, Q.6.

²⁷ PG&E's response to Cal Advocates data request PubAdv-PG&E-015-RYD, Q.6.

²⁸ Cal Advocates data request PubAdv-PG&E-015-RYD, Q.5.

1 Wildfire Mitigation Balancing Account (WMBA). The Commission
2 approved the WMBA as a two-way balancing account subject to a
3 reasonableness threshold. PG&E has submitted PSPS activity
4 costs for review because they exceed the WMBA threshold, not on
5 the basis of an incrementality analysis. For additional discussion,
6 see PG&E's testimony at 2-1 through 2-5 and 11-2, lines 1-16.

7 Subject to and without waiving this objection, PG&E responds as
8 follows:

9 PG&E did incur additional overhead costs associated with its PSPS
10 Program in 2020 but is not able to quantify the specific amounts.
11 An example of how additional overhead costs are incurred is
12 overtime and double time incurred by employees supporting a
13 PSPS event, which leads to an increase of payroll taxes.²⁹

14 PG&E includes all overhead costs associated with its 2020 PSPS Program
15 activities rather than just the cost of overheads that incrementally increased above its
16 authorized revenues in the 2020 GRC decision. While PG&E states that its payroll
17 taxes incrementally increased due to the PSPS Program in 2020, its line-item detail
18 does not demonstrate any increase related to payroll taxes.³⁰ PG&E's response does
19 not identify any of the overhead costs that increased its recovery request for the PSPS
20 Program, such as paid time off and indirect labor. These costs do not incrementally
21 increase when PG&E reallocates employees or resources to support its PSPS Program.
22 PG&E's paid time off expenses, for example, are already authorized for PG&E's existing
23 employees in the 2020 GRC decision regardless of whether the employee was
24 reassigned to work on PSPS Program activities. While PG&E's paid time off expenses
25 may incrementally increase if PG&E hires new employees that were unanticipated in the
26 2020 GRC decision, PG&E does not demonstrate that it hired any new employees or
27 attempted to quantify its paid time off expenses that exceed its authorized revenues.

28 The independent performance audit by Crowe LLC for the Office of Energy
29 Infrastructure Safety (OEIS) at the California Natural Resources Agency determined
30 that PG&E's overhead costs recorded in its wildfire memorandum accounts were

²⁹ PG&E's response to Cal Advocates data request PubAdv-PG&E-015-RYD, Q.5.

³⁰ Referring to PG&E's response to Cal Advocates data request PubAdv-PG&E-001-RYD, Q.1, PG&E's line-item detail for payroll tax overheads includes credits that offset the payroll tax costs.

1 already included in PG&E’s GRC-authorized costs. Crowe recommends, “PG&E should
2 not be compensated for overhead costs assigned to the wildfire memorandum accounts
3 between 2018 and 2020 as they are not incremental.”³¹

4 PG&E does not track, identify, or calculate any overhead costs that incrementally
5 increased due to 2020 PSPS Program activities. Therefore, PG&E fails to justify that its
6 recovery request constitutes an incremental wildfire cost.

7

³¹ Performance Audit of Pacific Gas & Electric Wildfire Mitigation Plan Expenditures, p. 21.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Ryan Andresen. My business Address is 505 Van Ness Avenue,
3 San Francisco, California. I am employed by the California Public Utilities Commission
4 as a Public Utilities Regulatory Analyst in the Public Advocates Office, Energy Cost of
5 Service and Natural Gas Branch.

6 I received a Bachelor of Science degree in Environmental Economics and Policy
7 from the University of California, Berkeley in 2020. I am currently a graduate student at
8 Energy & Resources Group at UC Berkeley. Since joining Cal Advocates in 2020, I
9 have worked on:

- 10 • The San Diego Gas & Electric Company Tree Trimming
11 Balancing Account proceeding, where I evaluated and
12 investigated incremental vegetation management expenses;
- 13 • The Pacific Gas & Electric Company Securitization of 2017
14 Wildfire Claims proceeding, where I conducted joint analysis
15 and assisted in preparation of Cal Advocates testimony;
- 16 • The Pacific Gas & Electric Company Capital Expenditure
17 Securitization proceeding, where I analyzed fire risk mitigation
18 financing costs;
- 19 • The Pacific Gas & Electric Company 2020 Wildfire Mitigation
20 and Catastrophic Events proceeding, where I was responsible
21 for analyzing incremental situational awareness and information
22 technology costs;
- 23 • The Second Southern California Edison Company Securitization
24 proceeding, where I analyzed various operations and
25 maintenance and capital costs;
- 26 • Track 3 of Southern California Edison Company 2021 GRC,
27 where I was responsible for analyzing incremental wildfire costs;
28 and
- 29 • The Pacific Gas & Electric Company 2023 General Rate Case,
30 where I analyzed PG&E's Electric Distribution expense
31 forecasts.

32 Prior to joining the Public Advocates Office in 2020, I worked on several research
33 projects analyzing the impact of electric utility regulation on ratepayers. My Bachelor's
34 Honors Thesis estimated the burden of public utility pricing schedules on various
35 ratepayer demographics.