

Docket	:	<u>A.21-09-008</u>
Exhibit Number	:	<u>CA-01</u>
Commissioner	:	<u>A. Reynolds</u>
Admin Law Judge	:	<u>Nojan</u>
Witness	:	<u>Godfrey</u>



**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**

Executive Summary

San Francisco, California
May 24, 2022

(INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. SUMMARY OF RECOMMENDATIONS	4
A. Overview Of Cal Advocates' Analyses.....	8
1. Discovery and Determination of Reasonableness	8
2. Reasonableness Review and Recovery of PG&E's Vegetation Management Costs	10
III. BACKGROUND: WMBA, VMBA, CEMA AND THE TRACKING/RECOVERY OF WILDFIRE MITIGATION COSTS	12
A. Senate Bill (SB) 901	12
B. Assembly Bill (AB) 1054	12
C. WMBA	12
D. VMBA	13
E. CEMA	13
F. CEMA COVID-19.....	13
IV. PROCEDURAL BACKGROUND AND SCHEDULE	14
V. CAL ADVOCATES' PROJECT TEAM	14
VI. ORGANIZATION OF CAL ADVOCATES' SHOWING / SUMMARY OF DIFFERENCES	15
A. Summary of Cal Advocates' Recommendations.....	16
VII. WITNESS QUALIFICATIONS	20

1 **EXECUTIVE SUMMARY**

2 **I. INTRODUCTION**

3 The Public Advocates Office at the California Public Utilities Commission (Cal
4 Advocates) submits its reports and exhibits in response to Pacific Gas and Electric
5 Company’s (PG&E) Application (A.) 21-09-008, recovery of costs incurred on wildfire
6 mitigation activities and other costs.

7 This exhibit presents Cal Advocates’ executive summary regarding PG&E’s
8 2017-2020¹ Operations and Maintenance (O&M) and Capital costs incurred for
9 wildfire mitigation activities and other costs recorded in wildfire mitigation balancing
10 accounts, Catastrophic Event Memorandum Account (CEMA), and in other
11 miscellaneous memorandum accounts.² The two wildfire-related balancing accounts
12 are the Wildfire Mitigation Balancing Account (WMBA) and the Vegetation
13 Management Balancing Account (VMBA).

14 PG&E requests that the California Public Utilities Commission (Commission
15 or CPUC) review and approve for reasonableness O&M costs of \$1,403.735 million³
16 which is composed of the following: \$155.413 million⁴ recorded in WMBA, \$591.718

¹ PG&E’s Errata Testimony, p. 1-1. PG&E’s cost recovery also includes activities recorded in 2015.

² PG&E’s Errata Testimony, pp. 1-3 to 1-5. The five other memorandum accounts included in PG&E’s cost recovery request are: Disconnections Memorandum Account (DMA), Emergency Consumer Protections Memorandum Account (ECPMA), California Consumer Privacy Act Memorandum Account (CCPAMA), Microgrids Memorandum Account (MGMA), and the Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA).

³ Cal Advocates calculated PG&E’s O&M costs of \$1,403.735 million based on its own independent review of PG&E’s costs included in its balancing and memorandum accounts included in its Errata Testimony filed on November 18, 2021. In PG&E’s Prepared Testimony filed on September 16, 2021, it showed O&M cost recovery of \$1,404.569 million. PG&E showed O&M cost recovery of \$1,423.933 million in its Errata Testimony filed on November 18, 2021, which conflicts with Cal Advocates calculation of \$1,403.735 million. In PG&E’s Second Errata Testimony filed on May 13, 2022, it shows its O&M cost recovery of \$1,423.953 million.

⁴ PG&E’s Errata Testimony, pp. 2-2 to 2-3. PG&E’s Wildfire Mitigation Balancing Account (WMBA) is a two-way balancing account which is utilized to track and record costs incurred for its Community Wildfire Safety Program (CWSP) as of January 1, 2020. PG&E’s 2020 GRC Decision (D.) 20-12-005, authorized PG&E to recover WMBA costs up to 115 percent

(continued on next page)

1 million⁵ recorded in VMBA, \$434.838 million⁶ recorded in CEMA, \$43.700 million⁷
2 recorded in CEMA COVID-19,⁸ \$7.847 million recorded in the COVID-19 Pandemic
3 Protections Memorandum Account (CPPMA), and \$170.219 million⁹ recorded in four
4 other memorandum accounts. PG&E requests a reasonableness review and
5 approval of capital expenditures of \$197.140 million¹⁰ which is comprised of the
6 following: \$189.191 million recorded in CEMA, \$1.209 million recorded in CEMA
7 COVID-19, \$0.587 million recorded in CCPAMA, and \$6.153 million recorded in
8 MGMA. PG&E also seeks authorization to recover costs of \$13.3 million (\$3 million
9 for expense and \$10.3 million for capital expenditures) recorded in the Transmission
10 Revenue Requirement Reclassification Memorandum Account (TRRRMA)

of the authorized amount of \$50.1 million (or a review threshold of \$57.575 million) for CWSP. PG&E recorded \$213.095 million in its CWSP for 2020. PG&E seeks a reasonableness review and cost recovery of \$155.413 million, the amount over the threshold of \$57.575 million.

⁵ PG&E's Errata Testimony, pp. 3-1 to 3-2. PG&E's Vegetation Management Balancing Account (VMBA) was modified in its 2020 GRC (D.20-12-005) and changed from a one-way to a two-way balancing account which is utilized to track and record vegetation management and tree mortality costs starting in 2020. PG&E's 2020 GRC, authorized PG&E to recover VMBA costs up to 120 percent of the authorized/Imputed amount of \$548.013 million (or a review threshold of \$657.615 million). PG&E recorded \$1,250 million in its VMBA for 2020. PG&E seeks a reasonableness review and cost recovery of \$591.718 million, the amount over the threshold of \$657.615 million. PG&E's recovery request for VMBA includes an adjustment of \$0.720 million based on recommendations from Ernst & Young's audit report.

⁶ PG&E's Errata Testimony, p. 1-17.

⁷ PG&E's Errata Testimony, p. 7-2 and PG&E's Supplemental Testimony, p. 2. On December 30, 2021, PG&E issued Supplemental Testimony to revise its request for costs recorded for CEMA COVID-19 from \$57.1 million to \$44.9 million.

⁸ On March 4, 2020, Governor Newsom declared a state of emergency due to COVID-19. On March 16, 2020, Public Health Officers of six San Francisco Bay Area counties issued stay-at-home orders and directed residents to shelter at home except for essential workers or functions. On March 13, 2020, PG&E directed all non-field personnel to shelter at home. PG&E's field staff that performed critical infrastructure activities were directed to follow established safety guidelines and were instructed to continue working. On March 19, 2020, Governor Newsom issued Executive Order EO N-33-20 directing all Californians, with the exception of certain specified Critical Infrastructure workers, to follow State Health Officer's Directives and remain at home (PG&E's Errata Testimony, p. 7-7).

⁹ PG&E's Errata Testimony, pp. 1-6 and 1-9. PG&E's O&M costs of \$170.219 million includes the following four accounts: Disconnections Memorandum Account (DMA), Emergency Consumer Protections Memorandum Account (ECPMA), California Consumer Privacy Act Memorandum Account (CCPAMA), and Microgrids Memorandum Account (MGMA).

¹⁰ PG&E's Errata Testimony, p. 1-6.

1 associated with “transmission rates that are no longer deemed to be network
2 transmission-related costs and, as such, are not allowed to be included in Federal
3 Energy Regulatory Commission (FERC) transmission rates.”¹¹

4 PG&E’s seeks recovery of the associated revenue requirement of \$1,473.7
5 million.¹² PG&E proposes making the rate changes effective in the Annual Electric
6 True-Up (AET) and annual Gas True-Up (AGT) advice letter filings on January 1,
7 2023 or the next available rate change after the effective date of this decision.¹³

8 PG&E proposes recording the authorized revenue requirement in the following
9 accounts: Electric Distribution Revenue Adjustment Mechanism (DRAM), Portfolio
10 Allocation Balancing Account (PABA), Gas Core Cost Subaccount of the Core Fixed
11 Cost Account (CFCA), and Noncore Subaccount of the Noncore Customer Class
12 Charge Account (NCA).¹⁴

13 PG&E’s request for cost recovery includes O&M and capital costs incurred for
14 activities associated with enhancements and/or expansions to the following
15 programs: Routine and Enhanced Vegetation Management, Tree Mortality,
16 Advanced Fire Modeling, Public Safety Power Shutoff (PSPS), Microgrids, Wildfire

¹¹ PG&E’s Errata Testimony, p. 10-1. PG&E’s costs of \$13.3 million were recorded between May 1, 2019, and December 31, 2020, in the Transmission Revenue Requirement Reclassification Memorandum Account.

¹² PG&E’s Errata Testimony, p. 13-2. PG&E’s proposed revenue requirement of \$1,473.7 million excludes interest “for the period of 2015 through 2022 with the exception of Microgrids Memo Account capital revenue requirement which continues through 2026” (PG&E’s Errata Testimony, p. 13-1). PG&E proposes to include Microgrids capital additions in rate base in its 2027 General Rate Case (PG&E’s Errata Testimony, p. 13-10). PG&E also shows a revenue requirement of \$1,467.8 million on pp. 13-1, 13-11, and 13-12.

¹³ PG&E’s Errata Testimony, p. 13-11.

¹⁴ PG&E’s Errata Testimony, p. 13-3.

1 and Weather-Related Events (CEMA Response), CEMA COVID-19,¹⁵ Customer
2 Care Initiatives and transmission asset reclassification.¹⁶

3 Regarding the determining of incremental costs, PG&E states “Incremental”
4 costs are those labor, equipment, material, contract, and other support costs
5 associated with work that is not included”¹⁷ in its 2020 GRC, prior GRC applications,
6 2019 GT&S or any other proceeding.¹⁸

7 **II. SUMMARY OF RECOMMENDATIONS**

8 This section provides an overview and summary of PG&E’s request and Cal
9 Advocates’ recommendation regarding the incremental O&M and capital costs
10 recorded for 2017-2020 in PG&E’s wildfire mitigation balancing accounts and other
11 miscellaneous memorandum accounts. PG&E seeks to recover costs for wildfire-
12 related activities and other programs incurred from 2017 through 2020 deemed to be
13 incremental to routine activities authorized in the 2020 GRC. PG&E requests
14 approval of O&M expenses of \$1,406.735 million and \$207.440 million in capital
15 expenditures.

16 Cal Advocates recommends recovery of \$601.252 million for PG&E’s O&M
17 wildfire mitigation and other costs recorded in the WMBA, VMBA, CEMA, CPPMA,
18 DMA, ECPMA, CCPAMA, MGMA, and TRRRMA, which is \$805.483 million less

¹⁵ PG&E’s cost recovery request of \$44.9 million for CEMA COVID-19 activities include \$24.651 million incurred for employee “sequestration” at PG&E facilities. PG&E did not provide documentation demonstrating that it was required, ordered or mandated to take these actions due to COVID-19. PG&E’s employees that participated in its sequestration plan lived and worked at its facilities for approximately 32 days (various groups or waves) between April 27, 2020, through December 2021. PG&E’s costs for sequestering employees were based in part on negotiated agreements. The employees were provided double-time while sequestered, daily stipends for various activities, lump-sum payments at the end of the assignment, 10 percent premium pay to incentivize employees to volunteer or remain working in the field, four days of straight time pay at completion of sequestration. The employees also received lodging, all-day food, beverages, gyms and recreation areas, housekeeping, household items, travel trailers, portable restrooms, washers/dryers, bedding/towels, enhanced janitorial cleaning, and daily gift cards for restaurants, etc. (PG&E’s Errata Testimony, pp. 7-15 through 7-21).

¹⁶ PG&E’s Errata Testimony, pp. 1-1 to 1-3 and pp. 10-1 to 10.2.

¹⁷ PG&E’s Errata Testimony, p. 11-1.

¹⁸ PG&E’s Errata Testimony, p. 11-2.

1 than PG&E's request. Cal Advocates recommends an adjustment of \$281.253
2 million (\$213.765 million for O&M and \$67.488 million for capital expenditures)
3 based on its own independent review of PG&E's request as addressed in its
4 exhibits. Cal Advocates did not conduct an independent review of the O&M costs
5 amounting to \$591.7 million in the VMBA. Cal Advocates recommends that a
6 consultant be hired by the Commission to perform the reasonableness review of
7 PG&E's VMBA costs.

8 Cal Advocates recommends recovery of \$139.952 million for PG&E's capital
9 expenditures recorded in the CEMA, CPPMA, CCPAMA, MGMA and TRRRMA,
10 which is \$67.488 million less than PG&E's request. Table 1-1 compares Cal
11 Advocates' recommendation and PG&E's O&M and capital request. Table 1-2
12 compares Cal Advocates' recommendation and PG&E's O&M request excluding
13 Vegetation Management.

14

1
2

**Table 1-1
2017-2020 Wildfire Mitigation O&M and Capital Costs (\$ Thousands)**

Description (a)	PG&E Proposes ¹⁹ (b)	Cal Advocates Recommends (c)	Amount PG&E>Cal Advocates (d=b-c)	Percentage PG&E>Cal Advocates (e=d/c)
O&M Expenses				
WMBA	\$155,413,000	\$109,817,000	\$45,596,000	41.52%
VMBA	591,718,000	0 ²⁰	591,718,000	%
CEMA	434,838,000	320,677,000	114,161,000	35.60%
CEMA COVID-19	43,700,000	19,049,000	24,651,000	129.41%
CPPMA	7,847,000	7,021,000	826,000	11.76%
DMA	666,000	87,000	579,000	655.52%
ECPMA	11,143,000	9,529,000	1,614,000	16.94%
CCPAMA	25,414,000	4,230,000	21,184,000	500.80%
MGMA	132,996,000	130,345,000	2,651,000	2%
TRRRMA	3,000,000	497,150	2,502,850	503.44%
Total O&M Expenses	\$1,406,735,000	\$601,252,150	\$805,482,850	133.97%
Capital Expenditures				
CEMA	\$189,191,000	\$130,549,000	\$58,642,000	44.92%
CEMA COVID-19	1,209,000	1,209,000	0	0%
CCPAMA	587,000	587,000	0	0%
MGMA	6,153,000	6,153,000	0	0%
TRRRMA	10,300,000	1,453,778	8,846,222	608.50%
Total Capital Expenditures				
Total	\$207,440,000	\$139,951,778	\$67,488,222	48.22%

3
4

¹⁹ PG&E's Errata Testimony, pp. 1-6, 1-17, 2-3, 10-6, 10-7, and PG&E's Supplemental Testimony, p. 2.

²⁰ Cal Advocates did not conduct an independent review and assessment of PG&E's VMBA costs.

1
2
3
Table 1-2
2017-2020 Wildfire Mitigation O&M Costs Excluding Vegetation Management
(\$ Thousands)

Description (a)	PG&E Proposes (b)	Cal Advocates Recommends (c)	Amount PG&E>Cal Advocates (d=b-c)	Percentage PG&E>Cal Advocates (e=d/c)
O&M Expenses				
WMBA	\$155,413,000	\$109,817,000	\$45,596,000	41.52%
CEMA	434,838,000	320,677,000	114,161,000	35.60%
CEMA COVID-19	43,700,000	19,049,000	24,651,000	129.41%
CPPMA	7,847,000	7,021,000	826,000	11.76%
DMA	666,000	87,000	579,000	655.52%
ECPMA	11,143,000	9,529,000	1,614,000	16.94%
CCPAMA	25,414,000	4,230,000	21,184,000	500.80%
MGMA	132,996,000	130,345,000	2,651,000	2%
TRRRMA	3,000,000	497,150	2,502,850	503.44%
Total O&M Expenses	\$815,017,000	\$601,252,150	\$213,764,850	35.55%

4
5 PG&E seeks authorization to recover \$1,473.7 million²¹ in revenue
6 requirement associated with the O&M and capital costs incurred for wildfire-related
7 activities and other programs. PG&E requests that the revenue requirement be
8 recovered in rates over a 24-month period starting on January 1, 2023, or soon after
9 a decision in this proceeding.²² PG&E calculated the revenue requirement by
10 utilizing its Results of Operations (RO) model “for separately funded rate case
11 applications”²³ and is based on the costs recorded in WMBA, VMBA, CEMA, CEMA
12 COVID-19, CPPMA, DMA, ECPMA, CCPAMA, MGMA, and the TRRRMA.

13 Cal Advocates recommends that PG&E recover a revenue requirement of
14 approximately \$1,232.1 million²⁴ for its O&M and capital costs recorded in its
15 balancing and memorandum accounts. Cal Advocates’ recommendation is
16 \$241.6 million lower than PG&E’s request of \$1,473.7 million. Cal Advocates does

²¹ PG&E’s Errata Testimony, pp. 13-1, 13-2 and 13-11. PG&E shows its total requested revenue requirement (excluding interest) of \$1,467.8 million and as \$1,473.7 million (excluding interest).

²² PG&E’s Errata Testimony, pp. 13-9 and 13-10.

²³ PG&E’s Errata Testimony, p. 13-11. PG&E’s RO model “compiles all capital costs and operating expenses to estimate the revenue that PG&E needs to recover for work presented in this application.” (PG&E’s Errata Testimony, p. 13-1).

²⁴ The calculation of Cal Advocates’ revenue requirement of \$1,240.9 million is shown in Exhibit CA-09.

1 not oppose PG&E's request to recover the revenue requirement in rates over a 24-
2 month period starting on January 1, 2023, or soon after a decision in this
3 proceeding.

4 **A. Overview Of Cal Advocates' Analyses**

5 Cal Advocates' primary task in this proceeding is to thoroughly investigate
6 and analyze PG&E's 2017-2020 recorded costs that PG&E has included in its
7 recovery request. This includes whether these costs are reasonable and can be
8 justified. If PG&E does not adequately support and/or justify the reasonableness of
9 its request or that the costs are incremental to those previously authorized for
10 revenue recovery by the Commission, then Cal Advocates may recommend that the
11 Commission reject PG&E's request for recovery of costs. If Cal Advocates cannot
12 verify and determine the reasonableness of, and/or the justification for, a particular
13 O&M expense or capital project, then it proposes that the Commission reject
14 recovery of such costs.

15 **1. Discovery and Determination of Reasonableness**

16 During review and analysis of PG&E's recovery request, Cal Advocates
17 discovered that there were several line items included in the balancing and
18 memorandum accounts related to O&M and capital costs that lacked adequate
19 justification or information for the specific work performed, and/or the calculation and
20 support for the recorded amounts. For example, PG&E utilized an activity-based
21 methodology for forecasting and recording costs for recovery through rates and
22 asserts that it "is foundational to the incrementality of activities and costs we seek to
23 recover in this application."²⁵ Cal Advocates found that PG&E's activity-based
24 forecast methodology includes internal labor, overhead and other resources²⁶ that
25 are already funded through existing rates and included in its 2020 GRC. PG&E did
26 not provide verifiable or quantifiable documentation²⁷ demonstrating the calculation

²⁵ PG&E's Errata Testimony, p. 11-3.

²⁶ PG&E's Errata Testimony, p. 11-3.

²⁷ Regarding PG&E's internal labor (straight time labor) associated with existing employees reassigned to work on activities included in PG&E's WMCE application, Crowe LLP's audit
(continued on next page)

1 and removal of these costs from its 2020 recorded expenses to ensure it was not
2 requesting cost recovery in both the 2020 GRC and its 2021 WMCE application for
3 internal labor, overhead and other resources.²⁸

4 Another issue encountered during discovery was with the utilization of
5 PG&E's new document management system, Intralinks. The Intralinks system only
6 allows "view only" access for documentation that Cal Advocates requested initially in
7 hard copy to review and analyze. Cal Advocates was not allowed to print any
8 documents from the Interlinks System, and instead required issuance for additional
9 discovery.

10 PG&E requested that Cal Advocates limit the information it requested in its
11 discovery requests (to "samples") because PG&E's Intralinks System and/or its staff
12 were experiencing problems providing the requested information for costs recorded
13 in its balancing and memorandum accounts included in its 2021 WMCE application.
14 PG&E is required to maintain accurate and complete records of all costs recorded in
15 its accounts and have those records available in a timely manner for review by the
16 Commission. Cal Advocates experienced delays that impacted its ability to review,
17 evaluate and analyze PG&E's costs and supporting documentation in a more timely
18 and efficient manner.

19 Regarding the evaluation, determination, and authorization of costs in
20 reasonableness reviews, the Commission requires that a utility's costs not only be

report found an issue with the recording of these costs. Crowe recommended: "Do not compensate PG&E for its straight time labor costs assigned to the wildfire memorandum accounts between 2018 and 2020 as they are not incremental" because PG&E's authorized GRC funding already includes straight time labor for PG&E's employees reassigned to work on activities included in the WMCE application. Note that Crowe LLP was hired to perform the audit by the Office of Energy Infrastructure Safety (OEIS) at the California Natural Resources Agency. (See Crowe's report dated October 11, 2021, pp.5 and 23).

²⁸ PG&E's "Demonstration of Incrementality" does not include any calculations that can be tracked, evaluated or verified and that actually demonstrates how PG&E accounts for the fact that it uses existing employees hired for regular business operations to perform wildfire related work and other activities included in its 2021 WMCE application. PG&E does not demonstrate how the temporary reassignment or redeployment of its personnel, due to changing priorities, constitutes an incremental activity (PG&E's Errata Testimony, pp. 11-1-11-11).

1 prudent, but also verifiable for reasonableness before it can recover the costs. In
2 D.12-01-032, the Commission stated:

3 ...to recover reasonable costs prudently incurred to comply with the
4 changes to the Commission's rules adopted today. To be clear, we
5 do not find today that all costs incurred to comply with the revised
6 rules will be automatically assumed to be reasonable but that, after
7 the Commission verifies the reasonableness of costs, recovery will
8 be permitted.²⁹
9

10 Regarding not maintaining or providing detailed records for review by the
11 Commission to determine reasonableness and prudence of costs, Public Utilities
12 Code section 463(b) states:

13 Whenever an electrical or gas corporation fails to prepare or
14 maintain records sufficient to enable the commission to completely
15 evaluate any relevant or potentially relevant issue related to the
16 reasonableness and prudence of any expense relating to the
17 planning, construction, or operation of the corporation's plant, the
18 commission shall disallow that expense for purposes of establishing
19 rates for the corporation.
20

21 As noted above, inadequate supporting documentation, for recorded costs
22 included in PG&E's balancing and memorandum accounts for wildfire-related and
23 other activities prevented a more thorough evaluation, verification and determination
24 of all costs as reasonable.

25 **2. Reasonableness Review and Recovery of PG&E's**
26 **Vegetation Management Costs**

27 PG&E seeks a reasonableness review and authority to recover \$591.718
28 million³⁰ recorded in its Vegetation Management Balancing Account (VMBA). Cal
29 Advocates recommends that the costs not be authorized for recovery until a
30 consultant can be hired by the Commission to review the costs for reasonableness.³¹

²⁹ D.12-01-032, p. 151.

³⁰ PG&E's Errata Testimony, p. 3-2.

³¹ Regarding the determination of PG&E's Vegetation Management costs as incremental, Crowe LLP's audit report found that PG&E's 2020 Vegetation Management costs could not be supported due to 1) several sources identified different GRC adopted costs and 2) actual Vegetation Management costs significantly exceeded GRC adopted Vegetation

(continued on next page)

1 Cal Advocates was unable to review and evaluate the requested costs due to
2 resource constraints originally identified and explained in its Protest. Cal Advocates'
3 Protest issued on October 21, 2021, stated:³²

4 Cal Advocates request that the Commission adopt a schedule that
5 provides all parties adequate time to evaluate PG&E's requests,
6 conduct discovery, and develop their own recommendations on the
7 issues raised by the Application. Cal Advocates opposes the
8 March 10, 2022, date PG&E proposed for Cal Advocates to serve
9 its prepared testimony. Cal Advocates is unable to devote
10 resources to PG&E's WMCE application until later in 2022. Cal
11 Advocates is currently focusing on and conducting extensive
12 discovery on PG&E's Test Year 2023 General Rate Case
13 (A.21-06-021) and Liberty's Test Year 2022 General Rate Case
14 (A.21-05-017). Both these proceedings could have a significant
15 impact on the respective utilities' customers, and Cal Advocates'
16 active participation in these proceedings is imperative. Therefore,
17 given its current resources and workload, Cal Advocates estimates
18 that it will be able to file its testimony on PG&E's WMCE application
19 in August 2022.
20

21 Cal Advocates utilized its current resources to manage its workload in the
22 most efficient manner possible and reviewed for reasonableness costs of \$815.017
23 million in O&M expense and \$207.440 million in capital expenditures recorded in one
24 balancing account, four CEMA memorandum accounts and six miscellaneous
25 memorandum accounts included in PG&E's 2021 WMCE application. Before
26 PG&E's costs recorded in the VMBA can be authorized for recovery, the costs
27 recorded in the account must first be verified and reviewed for reasonableness and
28 then recovery can be permitted.³³ Cal Advocates recommends that a consultant be

Management costs. Crowe LLP also found that PG&E's Vegetation Management costs had inconsistent tracking methods that posed challenges for tracking incremental routine Vegetation Management costs. The consultant hired by the Commission to determine the reasonableness of these costs will have the opportunity to review, evaluate and determine if the issues identified by Crowe during its audit have been resolved by PG&E regarding the costs recorded in the VMBA (Crowe LLP report dated October 11, 2021, pp. 5, and 33 through 38).

³² Cal Advocates' Protest issued on October 21, 2021, p. 4.

³³ The Commissioner's Scoping Memo issued on November 18, 2021, p. 2, determined the following issues for PG&E's 2021 WMCE: Whether the Commission should grant PG&E's request to recover up to \$1.468 billion in revenue requirement; Whether the recorded costs are reasonable and incremental in nature; Whether the cost recovery proposal is

(continued on next page)

1 hired by the Commission to perform the reasonableness review on PG&E's VMBA
2 costs.

3 **III. BACKGROUND: WMBA, VMBA, CEMA AND THE**
4 **TRACKING/RECOVERY OF WILDFIRE MITIGATION COSTS**

5 **A. Senate Bill (SB) 901**

6 On September 21, 2018, the California Legislature passed SB 901, which is
7 codified at Public Utilities Code section 8386, et. seq. SB 901 requires California's
8 investor-owned electric utilities (IOUs or utilities) to submit for Commission approval
9 annual Wildfire Mitigation Plans (WMPs). SB 901 also permitted the utilities to track
10 in a memorandum account the wildfire-related costs associated with implementing
11 WMPs and wildfire-related costs, not otherwise included in approved revenue
12 requirements.

13 **B. Assembly Bill (AB) 1054**

14 On July 12, 2019, the California Legislature passed AB 1054³⁴ and requires
15 PG&E's shareholders to forgo a return on equity on \$3.2 billion of capital
16 investments.

17 **C. WMBA**

18 In PG&E's 2020 General Rate Case (GRC), Decision (D.) 20-12-005, the
19 Commission authorized the WMBA. The WMBA is a two-way balancing account
20 that PG&E utilizes to record and track costs incurred for its Community Wildfire
21 Safety Program (CWSP) and related activities as of January 1, 2020, to comply with
22 SB 901 and AB 1054.³⁵

reasonable; Whether the Commission should grant PG&E's proposal to recover the authorized revenue requirements over a 24-month period, or some other time period; and Whether the Commission should grant PG&E's proposed functionalization of the costs at issue in the Application.

³⁴ Assembly Bill (AB) 1054, (Holden, Ch. 79, Statutes of 2019); Pub. Util. Code, § 8386.3, subd. (e).

³⁵ PG&E's Errata Testimony, p. 2-1.

1 **D. VMBA**

2 In PG&E’s 2020 GRC, D.20-12-005, the Commission authorized the VMBA.
3 The VMBA is a two-way balancing account that PG&E utilizes to record and track
4 costs incurred for Routine and Enhanced vegetation management activities that
5 were previously recorded in the Fire Risk Mitigation Memorandum Account
6 (FRMMA) and the Wildfire Mitigation Plan Memorandum Account (WMPMA)³⁶ and
7 Tree Mortality and Fire Risk Reduction work that had been recorded in CEMA.

8 **E. CEMA**

9 Pursuant to Public Utilities Code section 454.9, PG&E records costs in CEMA
10 for repairing, replacing or restoring damaged utility facilities, restoring service to its
11 customers and complying with governmental agency orders associated with
12 declared disasters.³⁷

13 **F. CEMA COVID-19**

14 On March 4, 2020, Governor Gavin Newsom declared a state of emergency
15 due to COVID-19. On March 16, 2020, Public Health Officers of six San Francisco
16 Bay Area counties issued stay-at-home orders and directed residents to shelter at
17 home except for essential workers or functions. On March 19, 2020, Governor
18 Newsom issued Executive Order EO N-33-20 directing all Californians, with the
19 exception of certain specified Critical Infrastructure workers, to follow State Health
20 Officer’s Directives and remain at home.³⁸

³⁶ PG&E’s FRMMA was approved on March 12, 2019, to track costs incurred beginning on January 1, 2019. SB 901 and AB 1054 authorized the establishment of FRMMA. The FRMMA tracked and recorded costs incurred for fire risk mitigation activities not covered in PG&E’s revenue requirement. On June 5, 2019, PG&E submitted an advice letter to establish WMPMA to become effective on May 30, 2019. The Commission approved PG&E’s WMPMA on August 5, 2019. The WMPMA tracked and recorded costs incurred to implement PG&E’s Wildfire Safety Plan required by Public Utilities Code section 8386 et. seq., and modified by SB 901 and AB 1054.

³⁷ PG&E’s Errata Testimony, p. 1-15.

³⁸ PG&E’s Errata Testimony, p. 7-7.

1 **IV. PROCEDURAL BACKGROUND AND SCHEDULE**

2 On September 16, 2021, PG&E filed its 2021 WMCE Application. Cal
3 Advocates filed a timely Protest on October 21, 2021. On October 28, 2021, Cal
4 Advocates, The Utility Reform Network (TURN), Direct Access Customer Coalition
5 and Thomas Del Monte filed a Joint Prehearing Statement. On October 29, 2021,
6 the Commission held a telephonic PHC. The Assigned Commissioner’s Scoping
7 Memo and Ruling (Memo/Ruling) issued on November 18, 2021, established the
8 procedural schedule for PG&E’s 2021 WMCE. On November 18, 2021, PG&E filed
9 Errata Testimony, on December 30, 2021, PG&E filed Supplemental Testimony, and
10 on May 13, 2022, PG&E filed Second Errata Testimony. The Memo/Ruling
11 procedural schedule for PG&E’s 2021 WMCE is shown in Table 1-3.

12 **Table 1-3**
13 **Procedural Schedule for PG&E’s 2021 WMCE**

Description	Dates
Intervenor Testimony served	May 24, 2022
PG&E Rebuttal Testimony served	June 24, 2022
Update on Settlement Discussions	July 8, 2022
Evidentiary Hearings	July 18-22, 2022
Opening Briefs	August 19, 2022
Reply Briefs [matter submitted]	September 2, 2022
Proposed Decision	Fourth Quarter 2022

14
15 The procedural schedule requires intervenors to serve their testimony by May
16 24, 2022. Cal Advocates fulfills the requirement by serving its testimony today.

17 **V. CAL ADVOCATES’ PROJECT TEAM**

18 Cal Advocates responds to PG&E’s 2021 WMCE Application, A.21-09-008,
19 with the issuance of its reports and exhibits.

20 Cal Advocates’ team for this case consists of 12 staff responsible for the
21 project coordination, legal support, financial review and analytical responsibilities
22 needed to process PG&E’s 2021 WMCE application. Cal Advocates’ “Qualifications
23 of Witnesses” are attached to individual exhibits and provide details on Cal

1 Advocates' multi-disciplinary team with backgrounds in engineering, accounting,
 2 economics, finance and policy. Cal Advocates submitted over 67 data request sets
 3 to PG&E, including numerous verbal data requests.

4 **VI. ORGANIZATION OF CAL ADVOCATES' SHOWING / SUMMARY OF**
 5 **DIFFERENCES**

6 This section: (A.) indicates how Cal Advocates' exhibits are organized; and
 7 (B.) briefly highlights the major differences between Cal Advocates and PG&E with
 8 respect to the cost recovery of incremental O&M and capital costs tracked in
 9 PG&E's wildfire mitigation balancing and memorandum accounts.

10 Table 1-4 shows the specific exhibits and subject matters for which each Cal
 11 Advocates witness is responsible.

12
 13 **Table 1-4**
 14 **Cal Advocates' Exhibits**

Exhibit No.	Subject	Witness
CA-01	Executive Summary	Tamera Godfrey
CA-02	Operations and Maintenance Costs Recorded in the Wildfire Mitigation Balancing Account, Part 1 of 2	Ryan Andresen
CA-03	Operations and Maintenance Costs Recorded in the Wildfire Mitigation Balancing Account, Part 2 of 2	Refat Amin
CA-04	Operations and Maintenance and Capital Costs Recorded in the Catastrophic Event Memorandum Account	Mark Waterworth
CA-05	Operations and Maintenance and Capital Costs Recorded in the Catastrophic Event Memorandum Account COVID-19, Emergency Consumer Protections Memorandum Account, and the COVID-19 Pandemic Protections Memorandum Account	Mariana Campbell
CA-06	Operations and Maintenance and Capital Costs Recorded in the California Consumer Privacy Act and the Disconnections Memorandum Accounts	Clair Emerson
CA-07	Operations and Maintenance and Capital Costs Recorded in the Microgrids Memorandum Account	Kirstin Rounds
CA-08	Operations and Maintenance and Capital Costs Recorded in the Transmission Revenue Requirement Reclassification Memorandum Account	Steve Shoemaker
CA-09	Revenue Requirement	Jerry Oh

15

1 **A. Summary of Cal Advocates' Recommendations**

2 The following summarizes the recommendations contained within each of Cal
3 Advocates' exhibits that address PG&E's application.

***Exhibit CA-01
Executive Summary***

This exhibit provides a brief overview of PG&E's request; presents the overall organization of Cal Advocates' exhibits; and summarizes the differences between Cal Advocates' and PG&E's incremental O&M and capital costs recorded in various wildfire related balancing and memorandum accounts and other miscellaneous memorandum accounts for 2017-2020.

- Cal Advocates recommends no cost recovery for PG&E's VMBA costs of \$591.7 million. Cal Advocates recommends that a consultant be hired by the Commission to perform the reasonableness review on PG&E's VMBA costs.

4

***Exhibit CA-02
Operations and Maintenance Costs Recorded in the
Wildfire Mitigation Balancing Account, Part 1 of 2***

This exhibit presents Cal Advocates' analyses and recommendations regarding a portion of PG&E's O&M costs recorded in WMBA for 2020.

- Cal Advocates recommends recovery of \$51.990 million for O&M expenses recorded in WMBA for PSPS Program activities, which is \$18.500 million lower than PG&E's request of \$70.490 million.

5

***Exhibit CA-03
Operations and Maintenance Costs Recorded in the
Wildfire Mitigation Balancing Account, Part 2 of 2***

This exhibit presents Cal Advocates' analyses and recommendations regarding a portion of PG&E's O&M costs recorded in WMBA for 2020.

- Cal Advocates recommends recovery of \$54.525 million for O&M expenses recorded in WMBA for PSPS Events, which is \$26.183 million lower than PG&E's request of \$80.708 million.
- Cal Advocates recommends recovery of \$3.302 million for O&M expenses recorded in WMBA for Advanced Fire Modeling activities, which is \$0.913 million lower than PG&E's request of \$4.215 million.

6

7

Exhibit CA-04
**Operations and Maintenance and Capital Costs Recorded in the
Catastrophic Events Memorandum Account**

This exhibit presents Cal Advocates' analyses and recommendations regarding PG&E's O&M and capital costs recorded in CEMA for 2015-2020.

- Cal Advocates recommends recovery of \$320.677 million for O&M expenses recorded in CEMA, which is \$114.161 million less than PG&E's request of \$434.838 million.
- Cal Advocates recommends recovery of \$130.549 million for capital expenditures recorded in CEMA, which is \$58.642 million less than PG&E's request of \$189.191 million.

1

Exhibit CA-05
**Operations and Maintenance and Capital Costs Recorded in the
Catastrophic Events Memorandum Account-COVID-19, Emergency Consumer
Protections Memorandum Account, and the COVID-19 Pandemic Protections
Memorandum Account**

This exhibit presents Cal Advocates' analyses and recommendations regarding PG&E's O&M and Capital costs recorded in CEMA-COVID-19, ECPMA, and CPPMA for 2017-2020.

- Cal Advocates recommends cost recovery of \$19.049 million for O&M expenses recorded in CEMA-COVID19, which is \$24.651 million less than PG&E's request of \$43.700 million.
- Cal Advocates recommends cost recovery of \$9.499 million for O&M expenses recorded in ECPMA, which is \$1.644 million less than PG&E's request of \$11.143 million.
- Cal Advocates recommends cost recovery of \$7.021 million for O&M expenses recorded in CPPMA, which is \$0.826 million less than PG&E's request of \$7.847 million.
- Cal Advocates does not oppose PG&E's request of \$1.2 million for capital expenditures recorded in CEMA COVID-19.

2

3

Exhibit CA-06
Operations and Maintenance and Capital Costs Recorded in the California Consumer Privacy Act and the Disconnections Memorandum Accounts

This exhibit presents Cal Advocates' analyses and recommendations regarding PG&E's O&M and Capital costs recorded in CCPAMA and DMA for 2019-2020.

- Cal Advocates recommends cost recovery of \$4.230 million for O&M expenses recorded in CCPAMA, which is \$21.184 million less than PG&E's request of \$25.414 million.
- Cal Advocates recommends cost recovery of \$87,000 for O&M expenses recorded in DMA, which is \$579,000 less than PG&E's request of \$666,000.
- Cal Advocates does not oppose PG&E's request of \$587,000 for capital expenditures recorded in CCPAMA.

1

Exhibit CA-07
Operations and Maintenance and Capital Costs Recorded in the Microgrids Memorandum Account

This exhibit presents Cal Advocates' analyses and recommendations regarding PG&E's O&M and Capital costs recorded in MGMA for 2020.

- Cal Advocates recommends cost recovery of \$130.345 million for O&M expenses recorded in MGMA, which is \$2.651 million less than PG&E's request of \$132.996 million.
- Cal Advocates does not oppose PG&E's request of \$6.153 million in capital expenditures recorded in MGMA.

2

Exhibit CA-08
Operations and Maintenance and Capital Costs Recorded in the Transmission Revenue Requirement Reclassification Memorandum Account

This exhibit presents Cal Advocates' analyses and recommendations regarding PG&E's O&M and capital costs recorded in TRRRMA for 2019-2020.

- Cal Advocates recommends cost recovery of \$0.497 million for O&M expenses recorded in TRRRMA, which is \$2.503 million less than PG&E's request of \$3.00 million.
- Cal Advocates recommends recovery of \$1.454 million for capital expenditures recorded in TRRRMA, which is \$8.846 million less than PG&E's request of \$10.3 million.

3

4

Exhibit CA-09
Revenue Requirement

This exhibit compares Cal Advocates' and PG&E's Revenue Requirement associated with the recovery of wildfire mitigation and other costs recorded in PG&E's balancing and memorandum accounts.

- Cal Advocates recommends that PG&E recover a revenue requirement of \$1,232.1 million, which is \$241.6 million lower than PG&E's request of \$1,473.7 million.

1

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Tamera L. Godfrey. My business address is 505 Van Ness
3 Avenue, San Francisco, California San Francisco, California. I am employed by the
4 Public Advocates Office (Cal Advocates) as a Program and Project Supervisor in the
5 Energy Cost of Service and Natural Gas Branch. I am Project Coordinator for Cal
6 Advocates' activities regarding PG&E's 2021 WMCE.

7 I received a Master's Degree in Public Administration and a Bachelor of Arts
8 Degree in Political Science from California State University, Hayward.

9 Since joining Cal Advocates in 1998, I have worked on numerous General
10 Rate Cases (GRCs). I have been an expert witness and prepared testimony in the
11 following areas and proceedings: Administrative & General expenses, Total
12 Compensation, Employee Benefits expenses (excluding Pension and PBOPs),
13 Incentive Compensation, Transmission and Distribution Operations and
14 Maintenance (O&M) expenses, Short-Term Incentive Plan expenses, Energy Supply
15 O&M expenses, Customer Services O&M expenses, SCE Results Sharing
16 Associated with PBR Performance Incentives and Related Adjustments in Order
17 Instituting Investigation (I).06-06-014, Pipeline Records Integration Program Costs
18 for PG&E's Pipeline Safety Enhancement Plan, in Order Instituting Rulemaking (R.)
19 11-02-019, Shared Services costs, Other Operating Revenues, Electric Distribution
20 O&M expenses, and Wildfire Management O&M expenses.

21 I have served as project coordinator and assistant project coordinator and
22 have testified numerous times before the California Public Utilities Commission.

23 This completes my prepared testimony.