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Exhibit Number : CA-07  
Commissioner : A. Reynolds  
Admin Law Judge : Nojan  
Witness : Rounds



**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 Microgrids Memorandum Account

San Francisco, California  
May 24, 2022

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1 **2020 Wildfire Mitigation Costs Recorded in**  
2 **Microgrid Memorandum 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 Pacific  
6 Gas and Electric Company's (PG&E) 2020 wildfire mitigation costs recorded in the  
7 Microgrids Memorandum Account (MGMA). This exhibit covers Chapter 9 of PG&E's  
8 Errata Testimony. The Commission approved the MGMA in Decision (D.) D.21-06-017  
9 to track the costs incurred in 2020<sup>1</sup> for PG&E's Make-Ready Program, Temporary  
10 Generation Program, Community Microgrid Enablement Program (CMEP), and  
11 associated program management expenses.<sup>2</sup>

12 **II. SUMMARY OF RECOMMENDATIONS**

13 PG&E requests cost recovery of \$132.977 million<sup>3</sup> in expenses and \$6.153  
14 million in capital expenditures for various microgrid-related programs incurred in 2020.<sup>4</sup>  
15 The requested Operations and Maintenance (O&M) and capital costs are recorded in  
16 PG&E's MGMA. The corresponding Cal Advocates' recommendation for cost recovery  
17 of expenses incurred for PG&E's MGMA activities is \$130.345 million. Cal Advocates'  
18 recommendation is \$2.651 million lower than PG&E's request of \$132.977 million. Cal  
19 Advocates does not dispute the \$6.153 million incurred in capital costs for the Make-  
20 Ready program.

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<sup>1</sup> PG&E is seeking cost recovery of microgrid-related costs incurred during the calendar year 2020. These are ongoing programs and their costs continued to be recorded to the MGMA after December 31, 2020.

<sup>2</sup> D.21-06-017, *Decision Adopting Short-Term Actions to Accelerate Microgrid Deployment and Resiliency Solutions*. Rulemaking (R.) R.19-09-009. p. 129, Ordering Paragraphs (OP) 12, 14, and 16.

<sup>3</sup> PG&E filed its Second Errata Testimony on May 13, 2022 and revised its MGMA O&M request from \$132.977 million to \$132.996 million. Cal Advocates based its review, analysis and recommendation on the MGMA O&M recovery request of \$132.977 million included in PG&E's Errata Testimony filed on November 18, 2021.

<sup>4</sup> PG&E Errata Testimony, p. 9-2.

The following summarizes Cal Advocates' recommendations, by microgrid program and cost category, regarding PG&E's request for recovery of its MGMA costs:

- Cal Advocates recommends \$128.752 million for expenses related to the Temporary Generation program be adopted. Cal Advocates' recommendation is \$2.648 million lower than PG&E's incremental request.
- Cal Advocates recommends \$38,000 for expenses related to the Make-Ready Program be adopted. Cal Advocates' recommendation is \$2,908 lower than PG&E's incremental request.
- Cal Advocates does not oppose PG&E's request of \$390,918 in expenses for the Community Microgrid Enablement Program recorded in the MGMA.
- Cal Advocates does not oppose PG&E's request of \$1.164 million for the Program Management expenses recorded in the MGMA.
- Cal Advocates does not oppose PG&E's request of \$6.153 million in capital costs incurred for the Make-Ready Program.

Table 7-1 below shows PG&E's request and Cal Advocates' recommendations for MGMA.

**Table 7-1  
PG&E 2020 MGMA Costs**

Account	PG&E Proposed <sup>5</sup> (a)	Cal Advocates' Recommendation (b)	Amount PG&E>Cal Advocates (c=a-b)
Make-Ready Program	\$41,000	\$38,000	\$3,000
Temporary Generation Program	\$131,400,579	\$128,752,381	2,648,198
Community Microgrid Enablement Program	\$391,000	\$391,000	N/A
Program Management	\$1,164,000	\$1,164,000	N/A
<b>Expense Total</b>	<b>\$132,996,579</b>	<b>\$130,345,381</b>	<b>\$2,651,198</b>
Make-Ready Program Capital	\$6,153,000	\$6,153,000	N/A
<b>Capital Total</b>	<b>\$6,153,000</b>	<b>\$6,153,000</b>	<b>N/A</b>

<sup>5</sup> PG&E Errata Testimony, p. 9-2.

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 PG&E's recovery requests. Cal  
5 Advocates analyzed the line-item detail of 2020 costs recorded in PG&E's MGMA to  
6 determine which costs were incremental, reasonable, and appropriate for cost recovery.  
7 PG&E provided inadequate supporting detail for some line items, limiting Cal  
8 Advocates' analysis.

9 **IV. DISCUSSION / ANALYSIS OF 2020 MGMA EXPENSES**

10 **A. Make-Ready Program, Community Microgrid**  
11 **Enablement Program, and Program Management**

12 Cal Advocates does not oppose PG&E's cost recovery of \$391,000 for its  
13 Community Microgrid Enablement Program and its Program Management activities.  
14 Cal Advocates additionally does not oppose PG&E's cost recovery request of  
15 \$6,153,000 in capital expenditures for PG&E's Make-Ready Program. Cal Advocates  
16 takes issue with a specific segment of PG&E's Make-Ready Program expense costs  
17 discussed in section C below.

18 **B. Temporary Generation Program**

19 PG&E requests recovery of \$131.381 million<sup>6</sup> for its Temporary Generation  
20 Program. PG&E was authorized to utilize temporary generation for four workstreams:  
21 substation microgrids, distribution microgrids,<sup>7</sup> Community Resource Centers (CRCs),  
22 and back-up support for individual customers. PG&E's request of \$131.381 million  
23 includes costs recovery for the four workstreams, but does not include the program  
24 management costs, which are tracked separately. Commission Decision  
25 (D.) D.21-06-017 (Track 1 Decision) in Rulemaking (R.) R.19-09-009 (Microgrid

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<sup>6</sup> PG&E Errata Testimony, Table 9-1, p. 9-2.

<sup>7</sup> "Distribution microgrids" refers to temporarily sited distributed generation at mid-feeder line segments serving commercial corridors and commercial facilities.

1 Proceeding) approved PG&E’s Temporary Generation Program for the 2020 wildfire  
 2 season.<sup>8</sup> The program was adopted on an interim basis with the requirement that the  
 3 costs incurred undergo a full reasonableness review, where “(1) PG&E makes an  
 4 affirmative showing that the relevant work did not fall within the scope of previously  
 5 authorized revenue requirements; and (2) PG&E provides an update on recorded  
 6 spending relative to general rate case authorized forecasts for related scope of work.”<sup>9</sup>

7 Cal Advocates recommends that PG&E recover \$128.752 million for its  
 8 Temporary Generation Program. Table 7-3 compares PG&E’s cost requests for the  
 9 Temporary Generation Program and Cal Advocates recommended adjustments. The  
 10 adjustments are discussed in detail in the following sections.

11 **Table 7-3**  
 12 **2020 Recorded Temporary Generation Program Costs**  
 13 **(in Thousands of Dollars)**

Description	PG&E Proposes <sup>10</sup>	Cal Advocates Recommends	Amount PG&E > Cal Advocates
<b>Substation Microgrids</b>	\$114,910,204	\$113,722,356	1,187,848
<b>Distribution Microgrids</b>	\$4,779,313	\$3,401,446	1,377,867
<b>CRCs</b>	\$5,915,163	\$5,915,163	N/A
<b>Critical Customer Backup Power Support</b>	\$5,795,899	\$5,713,416	82,483
<b>Total</b>	\$131,400,579	\$128,752,381	2,648,198

14 **1. Substation Microgrids**

15 For the substations line item within the temporary generation program, PG&E  
 16 requests recovery of \$114,910,204. Cal Advocates recommends a downward  
 17 adjustment of \$1,187,848 comprised of \$335,092 for labor costs, \$363,284 for overhead

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<sup>8</sup> D.21-06-017, *Decision Adopting Short-Term Actions to Accelerate Microgrid Deployment and Resiliency Solutions*. Rulemaking (R.) R.19-09-009. p. 129, Ordering Paragraphs (OP) 13 and 14.

<sup>9</sup> D.21-06-17, p. 84.

<sup>10</sup> These numbers are derived from the spreadsheet of itemized costs provided in PG&E’s response to data request PubAdv-PG&E-012-KRO, Q01, Attachment A.

1 costs,<sup>11</sup> \$484,043 for material burden and minor material overhead costs<sup>12</sup> and \$5,429  
2 for SCADA installation costs.<sup>13</sup> PG&E failed to demonstrate how the costs incurred for  
3 substation microgrid labor, materials, and overheads are reasonable. Cal Advocates  
4 review of the temporary generation rental contracts, the program management  
5 expenses, and the costs included in PG&E's previously authorized distribution revenue  
6 requirement show that the additional labor, materials, and overhead costs were neither  
7 incremental nor prudently incurred.

8 PG&E states in its WMCE testimony that the incurred Temporary Generation  
9 costs account for "generator rental costs and other rental related costs (e.g.,  
10 environmental fees, sales tax, ancillary equipment rentals) along with costs incurred  
11 during Public Safety Power Shutoff (PSPS) events (e.g., fuel, labor, freight)."<sup>14</sup>  
12 However, in PG&E's April 2020 supplemental testimony submitted in the Microgrid  
13 Proceeding, PG&E stated that its Request for Proposals (RFP) for substation microgrid  
14 temporary generation included "mobile generator rental, supporting ancillary equipment  
15 rental, equipment staging and transportation, equipment installation, generator  
16 operation including fuel, and generator removal."<sup>15</sup> PG&E included both the executed  
17 contract work agreements and management service agreements for substation and

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<sup>11</sup> Overhead (OH) costs in the line item data provided by PG&E for substation microgrids included: Benefits OH Credit, Building Services OH Credit, Fleet OH Credit (Electric), Fleet OH Credit (Gas), Indirect Labor OH Credit (Customer Care), Indirect Labor OH Credit (Electric), Indirect Labor OH Credit (Envir BLOCKED), Indirect Labor OH Credit (Gas), Non Productive Time Off OH Credit, Operational Management and Support Non-Earnings OH (Electric), Operational Management and Support Non-Earnings OH (Gas), Payroll Taxes OH Credit, Materials Burden, and Minor Materials OH Credit. Cal Advocates separated Materials Burden and Minor Material OH Credit costs from the total Overhead costs due to some portion of the Materials Burden and Minor Material OH Credit costs being erroneously recorded.

<sup>12</sup> The Excel spreadsheet from data response 12, Q1 shows \$11,978,572 in Materials Burden and Minor Material OH Credit Costs for substation microgrids in the Temporary Generation Program. PG&E stated in response to Cal Advocates' data request PubAdv-PG&E-050-KRO, Q.1 that \$11,494,528 of these costs were erroneously recorded with a Materials cost element when they should have been recorded as contracts and demonstrated that this adjustment had been made elsewhere within the spreadsheet.

<sup>13</sup> As SCADA installation costs are mapped across multiple workstreams and programs, these costs are discussed separately in Section C.

<sup>14</sup> PG&E Errata Testimony, pp. 9-1, 9-2.

<sup>15</sup> PG&E R.19-09-009 supplemental testimony, p. 3-5.



1 distribution microgrids as appendices to its testimony, which corroborate that the  
2 requested scope of work and associated materials were included in the contracts.<sup>16</sup>

3 PG&E failed to specify what materials were needed for substation temporary  
4 generation in addition to those secured in the contracts and stated to Cal Advocates  
5 that it is unable to provide supporting documentation validating these types of costs.<sup>17</sup>  
6 PG&E's request of \$484,043 for materials burden and minor materials overhead credit  
7 therefore cannot be substantiated or be deemed reasonable for recovery.

8 PG&E additionally failed to provide documentation or analysis demonstrating the  
9 incremental cost of reassigning existing employees to temporary generation related  
10 work.<sup>18</sup> The 2020 General Rate Case (GRC) decision adopted the settlement  
11 agreement amount of \$967 million for O&M expenses for 2020, which included  
12 programs and activities associated with PG&E's Community Wildfire Safety Program  
13 (CWSP) and reflected labor escalation adjustments.<sup>19</sup> Table 7-4 below shows the  
14 approved spending for various related electric distribution cost categories.

15 **Table 7-4**  
16 **Authorized PG&E 2020 Electric Distribution Activities**

<b>Cost Category</b>	<b>Amount</b>
Substation Asset Management	\$29,158,000
Electric Distribution Engineering and Planning	\$17,001,000
Distribution System Operations	\$43,468,000
Electric Distribution Support Activities	\$54,274,000
Distributed Automation and System Protection	\$2,050,000
Total	\$130,651,000

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18 In PG&E's WMCE testimony, PG&E states that the program management costs  
19 for the Distributed Generation-Enabled Microgrid Services (DGEMS) Program

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<sup>16</sup> PG&E specifies that a surplus budget was reserved in the contracts as a "not-to-exceed" amount to cover additional costs such as transportation, labor, fuel, and other equipment not reserved in advance. PG&E Supplemental Testimony, Chapter 3, Attachments E, F, G, H, I, and J.

<sup>17</sup> PG&E's response to Cal Advocates' data request PubAdv-PG&E-051-KRO, Q01.

<sup>18</sup> PG&E's response to Cal Advocates' data request PubAdv-PG&E 030-KRO, Q02.

<sup>19</sup> D.20-12-005, A.18-12-009.

1 Management Office (PMO) cover the temporary generation substation microgrids  
2 workstream, including regulatory activities, project development, finance, site selection,  
3 and permitting.<sup>20</sup> As previously stated, the contract work agreements cover the labor,  
4 equipment, materials, fuels, and freight associated with the operating and fixed costs of  
5 temporary generation.<sup>21</sup>

6 PG&E fails to demonstrate how the labor costs mapped to the substation  
7 microgrid workstream were reasonably incurred in addition to the contracted labor and  
8 program management work for the temporary generation program. PG&E also fails to  
9 make an affirmative showing that the substation microgrid labor costs did not fall within  
10 the scope of previously authorized revenue requirements. Accordingly, as the itemized  
11 overhead costs for the substation temporary generation program include unvalidated  
12 labor related costs (e.g., benefits, indirect labor, non-productive time off, and operational  
13 management and support non-earnings) and unvalidated material related costs (fleet  
14 and building services), these costs cannot be deemed reasonable. Cal Advocates  
15 therefore recommends \$363,284 in overhead costs and \$335,092 worth of labor costs  
16 be adjusted from PG&E's recovery request.

## 17 **2. Distribution Microgrids**

18 For the distribution microgrid line items within the temporary generation program,  
19 PG&E requests recovery of \$4,779,313. Cal Advocates recommends a downward  
20 adjustment of \$1,377,867 comprised of \$24,372 for labor costs, \$1,344,616 for material  
21 burden, minor material, and additional overhead costs, and \$8,879 for SCADA  
22 installation costs.<sup>22</sup> The SCADA installation costs are discussed in section C below.

23 In its WMCE testimony PG&E states, "The incremental costs presented in this  
24 application for recovery related to distribution microgrids are for the generation aspects  
25 of the microgrids only. The infrastructure costs to develop the [pre-installed  
26 interconnection hubs] PIHs for interconnecting the generation to distribution microgrids

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<sup>20</sup> PG&E's WMCE testimony, p. 9-28.

<sup>21</sup> R.19-09-009 PG&E's Supplemental testimony, Chapter 3, Atch J, p. 6.

<sup>22</sup> PG&E's response to Cal Advocates' data request PubAdv-PG&E-012-KRO, Q01. Attachment A.

1 and to ensure that the microgrid would be safe to energize were authorized as part of  
2 PG&E’s 2020 GRC.”<sup>23</sup> Temporary generation for distribution microgrids was secured  
3 within the same RFP cycle as substation microgrids and fell under the same contract  
4 and management service agreements.<sup>24</sup>

5 As all costs associated with the infrastructure development for distribution  
6 microgrid installation were accounted for in the 2020 GRC, and as the contract work  
7 agreements cover the labor, equipment, materials, fuels, and freight associated with the  
8 operating and fixed costs of temporary generation,<sup>25</sup> it is unclear how or why PG&E  
9 incurred an additional \$1.344 million in materials burden costs. When asked to provide  
10 verifiable supporting documentation for these costs, PG&E stated that “there are no  
11 specific invoices for ‘Materials Burden’” and provided no other documentation or  
12 analysis of incrementality.<sup>26</sup> These costs can therefore not be validated as incremental  
13 or reasonable.

14 PG&E additionally failed to demonstrate how \$24,372 worth of labor costs were  
15 incurred in addition to what was covered in the temporary generation contracts and the  
16 PMO activities. PG&E did not make an affirmative showing that these temporary  
17 generation labor costs fell outside the scope of previously authorized revenue  
18 requirements. PG&E must provide verifiable documentation demonstrating that the  
19 costs of existing, full-time employees included in its MGMA request are incremental to  
20 what was authorized in the 2020 GRC and collected in rates. Temporary redeployment  
21 of personnel for MGMA work based on changed priorities does not constitute an  
22 incremental activity.

23 In a data request to PG&E, Cal Advocates asked for supporting analysis  
24 calculating the incremental cost of reassigning its existing employees that were  
25 anticipated in the GRC proceeding.<sup>27</sup> PG&E responded, “The 2020 GRC decision was

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<sup>23</sup> PG&E WMCE Testimony, Chapter 9, p. 9-18.

<sup>24</sup> PG&E R.19-09-009 Supplemental Testimony, p. 3-5.

<sup>25</sup> PG&E R.19-09-009 Supplemental Testimony, Chapter 3 Attachments E, F, G, H, I, and J.

<sup>26</sup> PG&E’s response to Cal Advocates’ data request PubAdv-PG&E-051-KRO, Q01.

<sup>27</sup> The full question was stated as, “If PG&E’s labor request includes costs associated with employees that were anticipated in the 2020 GRC proceeding and reassigned from other roles,  
(continued on next page)

1 issued on December 3, 2020, less than a month prior to the end of the time period  
 2 covered by the costs at issue in this data response. There is no nexus between the  
 3 decision and the hiring of PG&E employees involved in MGMA event activities, or their  
 4 assignment to those activities.”<sup>28</sup> As quoted from its WMCE testimony above, PG&E  
 5 directly acknowledges that the infrastructure costs to develop the PIHs for  
 6 interconnecting the generation to distribution microgrids were included as part of its  
 7 2020 GRC. As PG&E failed to provide Cal Advocates with proof demonstrating that the  
 8 incurred distribution microgrid work did not fall under previously authorized revenue  
 9 requirements, these costs should be removed from PG&E’s MGMA cost recovery.

10 For the reasons stated above, Cal Advocates recommends that \$24,372 in labor  
 11 costs and \$1,344,616 in material burden, minor material, and additional overhead costs  
 12 be adjusted from PG&E’s recoverable amount for the distribution microgrid workstream.

13 **3. SCADA Equipment and Installations**

14 Cal Advocates recommends that \$99,782 be adjusted from the MGMA for costs  
 15 already covered through PG&E’s Distributed Automation and System Protection  
 16 program. The breakdown of these costs across workstreams is shown in Table 7-5  
 17 below.

18 **Table 7-5**  
 19 **PG&E MGMA Workstreams with SCADA installation Expenses<sup>29</sup>**

Workstream	Itemized Amount
Substation Microgrids	\$5,492
Distribution Microgrids	\$8,879
Critical Customer Backup Power Support	\$82,483
Make-Ready Program	\$2,908
Total	\$99,762

20  
 explain whether PG&E performed a comprehensive analysis to calculate the incremental cost of reassigning its existing employees. If so, provide a copy of PG&E’s guidelines that calculate the portion of an employee’s labor cost that is incremental to the employee’s labor costs that were funded in the 2020 GRC.” Cal Advocates data request PubAdv-PG&E-032-KRO, Q.2f.

<sup>28</sup> PG&E’s response to Cal Advocates data request PubAdv-PG&E-032-KRO, Q.2f.

<sup>29</sup> PG&E’s response to data request PubAdv-PG&E-012-KRO, Q01, Attachment A.

1 PG&E was afforded \$34.184 million in its 2020 GRC for Distributed Automation  
2 and System Protection, specifically for “installation and replacement of distribution line  
3 SCADA, substation SCADA, replacement of substation protective relays, and  
4 miscellaneous emergency SCADA equipment.”<sup>30</sup> According to the line-item data  
5 provided by PG&E for the MGMA, PG&E recorded \$99,782 in expenses associated with  
6 SCADA installations performed by an outside vendor for both the make-ready program  
7 and temporary generation programs.<sup>31</sup> The SCADA expenses were mapped to the  
8 substation, distribution, and critical customer backup support workstreams.

9 Cal Advocates asked PG&E for an explanation of how SCADA device install  
10 support can be categorized as a generation cost under the temporary generation  
11 program, as well as a supporting analysis demonstrating the incrementality of these  
12 costs from what was approved in the GRC.<sup>32</sup> PG&E provided none of the above, stating  
13 only that the costs incurred were “incorrectly mapped” across workstreams and were  
14 “for consulting services in conjunction with set up of hospitals under Backup Power  
15 Support.”<sup>33</sup> Upon review of the associated invoices, the costs incurred were part of a  
16 \$2.775 million dollar purchase order with a third-party vendor, which lacked clarity as to  
17 why any portion of the costs were attributed to the MGMA.<sup>34</sup> Due to PG&E’s failure to  
18 demonstrate the incrementality of the costs incurred, Cal Advocates recommends these  
19 expenses of \$99,762 be adjusted from the cost recoverable expense amount.

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<sup>30</sup> D.20-12-005, *Decision Addressing the Test Year 2020 General Rate Case of Pacific Gas & Electric Company*. A.18-12-009. (Filed Dec. 11, 2020), p. 104.

<sup>31</sup> PG&E’s response to Cal Advocates’ data request PubAdv-PG&E-012-KRO, Q01, Attachment 1.

<sup>32</sup> Cal Advocates data request PubAdv-PG&E-051-KRO, Q.1.

<sup>33</sup> PG&E response to Cal Advocates’ PubAdv-PG&E-053-KRO, Q01, p. 2.

<sup>34</sup> PG&E’s response to Cal Advocates’ data request PubAdv-PG&E-31-KRO, Q3, Attachments 1-6.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Kristin Rounds. My business address is 505 Van Ness Avenue, San  
3 Francisco, CA 94102. I am employed by the California Public Utilities Commission as a  
4 Public Utilities Regulatory Analyst in the Energy Infrastructure Branch of the Public  
5 Advocates Office. I hold a Master of International Affairs with a specialization in Energy  
6 and Environmental Policy from the University of California San Diego, and a Bachelor of  
7 Arts in Political Science from California State University Chico. I joined the Energy  
8 Infrastructure Branch in October 2020.