Docket	:	A.21-09-008
Exhibit Number	:	CA-04
Commissioner	:	A. Reynolds
Admin Law Judge	:	Nojan
Witness	:	Waterworth

PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations for Pacific Gas and Electric Company 2020 Wildfire Mitigation and Catastrophic Events

Operations and Maintenance and Capital Costs Recorded in the Catastrophic Event Memorandum Account

San Francisco, California
May 24, 2022

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) presents this exhibit with analyses and recommendations regarding Pacific Gas and Electric Company's (PG&E) Application (A.) 21-09-008 filed on September 16, 2021. PG&E requests recovery of $434.838 million[1] in Catastrophic Event Memorandum Account (CEMA) -Eligible expenses and $189.191 million[2] in CEMA-Eligible capital expenditures, resulting in a total revenue requirement of $481.676 million.[3] PG&E seeks approval from the California Public Utilities Commission (Commission or CPUC) to recover CEMA-Eligible costs for the following catastrophic events:

- 2015 Butte Fire,
- 2017 Tubbs Fire,
- 2018 Carr Fire,
- 2019 January February Severe Storms,
- 2019 Ridgecrest Earthquakes,
- 2019 Statewide Extreme Fire Conditions State of Emergency,
- 2020 Creek Fire,
- 2020 Glass Fire,
- 2020 Oak Fire,
- 2020 August Extreme Heat Event,
- 2020 August Fires and Extreme Weather Conditions, and
- 2020 September Extreme Heat Event

Cal Advocates conducted its review of PG&E's request pursuant to Public Utilities Code sections 451 and 454.9, and Commission Resolution E-3238 (adopted July 24, 1991). Cal Advocates' objective is to ensure that the costs PG&E recorded

[1] Compiled from PG&E Testimony, p. 13-12 (Table 13-2).

[2] Compiled from PG&E Workpapers, Chapter 12, p. 12-1 (lns. 1-17).

[3] Compiled from PG&E Testimony, p. 13-12 (Table 13-2).

to the CEMA are properly supported, relate to the listed CEMA events, are in a county where the Governor has a declared disaster, and are incremental as compared to costs already recovered in rates.

II. SUMMARY OF RECOMMENDATIONS

Cal Advocates recommends PG&E be authorized recovery of $320.677 million in expense and $130.549 million in capital expenditures resulting in an approximate revenue requirement of $346.178 million as shown in Table 4-1. This is based on proposed adjustments of $114.161 million in expense and $58.642 million in capital expenditures.

Table 4-1
Cal Advocates Proposed versus PG&E Requested Cost Recovery and Revenue Requirement
(in Millions of Dollars)

	Cal Advocates Recommended	PG&E Proposed	Difference
Expense	$320.677	$434.838	$114.161
Capital	130.549	189.191	58.642
Total	$451.226	$624.029	$172.803
Revenue Requirement	$346.178	$481.676	$135.498

Note: Revenue Requirement is without interest and approximated.

The adjustments of Cal Advocates' are comprised of the following recommendations: i) deny PG&E's requested expense and capital recovery of $86.590 million and $19.396 million, respectively associated with the 2015 Butte Fire; ii) deny PG&E's requested expense and capital recovery of $3.414 million and $19.277 million, respectively associated with the 2017 Tubbs Fire because it is covered through insurance proceeds, iii) a reduction of $24.157 million in expenses and $10.750 million in capital expenditures associated with straight time labor; and iv) a reduction of $9.219 million in capital expenditures for fleet overhead, payroll tax overhead and minor material overhead.

III. OVERVIEW OF CAL ADVOCATES' ANALYSES

A. Purpose and Scope

The purpose of Cal Advocates examination includes, but is not limited to the following: (i) whether the proposed recovery pertains to a catastrophic event defined as one which results in the official declaration of a disaster by competent State or Federal authorities; (ii) whether losses are covered by insurance; (iii) whether PG&E's request for recovery is incremental when taking into account costs previously authorized and already recovered in rates; and (iv) whether the amounts requested are properly recorded and supported. The scope of work covers events occurring from 2015 to 2020 as noted in the Section I. Introduction, of this report.

B. Procedures Performed

1. Disaster Declaration

Cal Advocates reviewed PG&E's Chapter 1 testimony, workpapers and supporting attachments for the catastrophic events listed in PG&E's CEMA Application, confirming a Governor or Acting Governor issued a State of Emergency proclamation.

2. Insurance Coverage

After reviewing PG&E's testimony, Cal Advocates did not identify information related to insurance recovery requested for the CEMA events. Therefore, Cal Advocates asked whether PG&E sought recovery and if payments for recovery have yet to be received to estimate the amount of potential recovery. PG&E's initial response indicated PG&E did not receive additional proceeds for the Tubbs Fire, but PG&E's supplemental response indicated the following:

> PG&E's initial response indicated that no additional insurance proceeds for the 2017 Tubbs Fire had been received. PG&E has since determined, however, that in January, February, and March 2022, PG&E received additional insurance proceeds for the Tubbs Fire sufficient to cover Tubbs CEMA costs included for cost recovery in A.21-09-008. Accordingly, PG&E will remove in its rebuttal testimony the Tubbs CEMA costs sought in this proceeding

(i.e., $0 will be requested for Tubbs CEMA) and will reflect this in its final update to the RO model for the proceeding.[4]

Based on PG&E's response above, Cal Advocates recommendation reflects no costs associated with the 2017 Tubbs forecast. This adjustment results in a reduction to PG&E's CEMA request by $3.414 million[5] in expense and $19.277 million[6] in capital related to the 2017 Tubbs Fire.

3. Transactional Testing

Cal Advocates selected certain expense and capital data from PG&E and reviewed its supporting documentation (e.g., invoices and other reasonable source data) to determine whether CEMA requested costs were properly supported and related to Counties where a disaster was declared. For example, Cal Advocates reviewed PG&E documents for descriptions and dates of services performed, costs, and whether costs were incurred in counties where a competent State or Federal authority declared a state of emergency.

4. Incremental Evaluation

The purpose of the incremental evaluation is to determine whether PG&E's cost recovery requests are in addition to amounts previously authorized to be recovered in rates. In conducting its evaluation, Cal Advocates addresses the extent to which PG&E supports its incremental request.

IV. RECOMMENDATION/DISCUSSION RELATED TO CEMA COSTS ASSOCIATED WITH THE 2015 BUTTE FIRE

A. Cal Fire and Commission Findings

Cal Advocates recommends that PG&E receive no recovery for costs associated with the 2015 Butte Fire. This recommendation results in adjustments of

[4] PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.13 Sup 01.

[5] Compiled from PG&E's Testimony, p. 4-2 (Table 4-1) and p. 5-2 (Table 5-1).

[6] Compiled from PG&E's Testimony, p. 4-2 (Table 4-1) and p. 5-3 (Table 5-2).

$86.590 million[7] in expense and $19.396 million[8] in capital expenditures. It is not reasonable to allow recovery of these costs given PG&E's facilities (powerlines) caused the fire. This recommendation is based upon the evidence, findings and conclusions of Cal Fire and the Commission's Safety and Enforcement Division.

Cal Fire concluded that PG&E and/or its subcontractors failed to identify a potential hazard ultimately igniting the Butte Wildland Fire as described in more detail in its Investigation Report. Additionally, in relation to the 2015 Butte Fire, the Commission's Safety and Enforcement Division, found PG&E to be in violation of General Order (GO) 95 resulting in a financial penalty. The following pertinent excerpts from the Cal Fire Investigation Report[9] and the Commission's Safety and Enforcement Division report[10] provide further details regarding the findings on the Butte Fire.

Cal Fire's Investigation Report pertaining to the Butte Fire stated:

> During the origin and cause investigation, the incident investigator determined the fire was caused when a Gray Pine (Evidence Item #1) contacted a PG&E powerline conductor which ignited portions of the tree. Burning embers from this contact with the conductor dropped into the fine dead fuels below the conductor, igniting the wildland fire which burned uncontrolled onto numerous properties not owned or controlled by PG&E in violation of Public Resources Code (PRC) 4421.[11]

The Cal Fire Report ultimately concluded that PG&E and/or its subcontractors failed to identify a potential hazard ultimately igniting the wildland fire as noted in its report:

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[7] PG&E Workpapers, Chapter 12, p. 12-6 (ln. 1).

[8] PG&E Workpapers, Chapter 12, p. 12-7 (ln. 1).

[9] See Exhibit A for the full report and Exhibit B (Arborist's report) supporting Cal Fire's report.

[10] See Exhibit C for the full report.

[11] California Department of Forestry and Fire Protection Investigation Report – Case Number: 15CAAEU024918, Case Name: Butte Incident, Date: September 9, 2015, Incident Type: Wildland Fire, p. 4.

During the investigation, the incident investigator determined PG&E and/or its sub-contractors ACRT and Trees Inc. conducted powerline vegetation management inspections and maintenance in 2014-2015 within the area of origin. They identified (October 2014) and removed (January 2015) two Gray Pines on the outer edge of the pine stand on the north side of the powerline conductor identified as being within the General Origin Area (GOA) of the fire. The removal of these two pines exposed the interior trees, including the Gray Pine (Evidence Item #1) that were previously captured and developed within the closed stand provided by those removed pines. These now exposed trees were left open to the south, towards the path of the sun and powerlines. It is known, when a stand is altered and captured interior trees are exposed to open spaces, they are prone to failure. PG&E and/or its subcontractors ACRT and Trees Inc. failed to identify this during their 2014 inspection when the pine trees were identified for removal, or in January 2015 when the trees were removed, or during any subsequent inspections/maintenance conducted on that section of powerlines and poles. Failing to identify the potential hazard of leaving weaker, inherently unstable trees on the edge of the stand without conducting maintenance on them, ultimately led to the failure of the Gray Pine (Evidence Item #1) which contacted the powerline conductor operated by PG&E and ignited a wildland fire.[12]

The Commission's Safety and Enforcement Division, found PG&E in violation of Commission General Order 95:

> CITATION: Pacific Gas and Electric Company (PG&E or Utility) is cited for one violation that lasted 246 days, resulting in a financial penalty of $8 million for this citation. Safety and Enforcement Division (SED) discovered this violation in its investigation of Incident Number E20150916- 01, the Butte Fire, which was ignited on September 9, 2015. VIOLATIONS: PG&E is cited for violating General Order (GO) 95, as described below. PG&E is in violation of GO 95, Rule 31.1, for failing to maintain its 12 KV overhead conductors safely and properly. This violation began on January 6, 2015, when PG&E and/or its contractors failed to identify a gray

[12] California Department of Forestry and Fire Protection Investigation Report – Case Number: 15CAAEU024918, Case Name: Butte Incident, Date: September 9, 2015, Incident Type: Wildland Fire, p. 4 and p. 5.

pine tree as a hazard or as needing trimming or removal to prevent contact with a PG&E 12 kV overhead conductor. Such contact occurred on September 9, 2015 and started the Butte Fire. 1.

STATEMENT OF FACTS: The above violation is documented in Enclosure 1 – SED Incident Investigation Report which is based on the following: SED's data requests and field observations, interviews conducted, and review of the Investigation Report of the California Department of Forestry and Fire Protection (CAL FIRE) and the Arborist Report prepared for CAL FIRE. SED's investigation found that neither PG&E nor its contractors took appropriate steps to remedy the condition and consequences when two grey pine trees in a stand were removed. The appropriate steps were not taken to prevent a remaining grey pine tree from leaning and contacting the 12 kV overhead conductor. This failure created an unsafe and dangerous condition that resulted in the subject tree leaning and making contact with the 12 kV overhead conductor, thus causing a fire.[13]

In summary, Cal Fire determined PG&E's facilities caused the 2015 Butte Fire. The Commission found PG&E in violation of General Order 95, and fined PG&E for the incident. As noted in both the Commission's Statement of Facts and Cal Fire's Report, PG&E did not take appropriate steps and PG&E and/or its subcontractors failed to identify a potential hazard. Thus, ratepayers should not be responsible for PG&E's CEMA recovery request to rebuild facilities for what Cal Fire and the Commission considered a failure on PG&E's and/or its subcontractor's part.

B. 2015 Butte Wildfire Losses Were Substantially Covered Through Liability Insurance

With respect to the Butte Fire, it should be further noted that ratepayers fund the coverage for third party liability insurance through the General Rate Case. This liability insurance substantially covered the estimated losses from third-party claims related to the Butte Fire. According to PG&E's 2018 Annual Report to Shareholders, the liability insurance provided coverage for third party liability attributable to the Butte Fire in an aggregate amount of $922 million as compared to the $1.1 billion in

[13] Citation Date: April 25, 2017, Citation #: D.16-09-055 E.17-04-001.

estimated losses from third party claims. PG&E's 2018 Joint Annual Report to Shareholders stated the following pertaining to the 2015 Butte Fire:

> **Estimated Losses from Third-Party Claims:**
> The Utility has determined that it is probable that it will incur a loss of $1.1 billion in connection with the 2015 Butte fire. While this amount includes the Utility's assumptions about fire suppression costs (including its assessment of the Cal Fire loss), it does not include any portion of the estimated claim from the OES. The Utility still does not have sufficient information to reasonably estimate any liability it may have for that additional claim.[14]
>
> **Loss Recoveries:**
> The Utility has liability insurance from various insurers, that provides coverage for third-party liability attributable to the 2015 Butte fire in an aggregate amount of $922 million. The Utility records insurance recoveries when it is deemed probable that a recovery will occur and the Utility can reasonably estimate the amount or its range. Through December 31, 2018, the Utility recorded $922 million for probable insurance recoveries in connection with losses related to the 2015 Butte fire.[15]

V. RECOMMENDATION/DISCUSSION OF STRAIGHT TIME LABOR COSTS

A. Recommendation/Adjustment to Straight-Time Labor Costs

As shown in Table 4-2, Cal Advocates recommends adjustments of $24.157 million in expense and $10.750 million in capital expenditures for straight-time labor associated with PG&E's CEMA request.

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[14] PG&E's 2018 Annual Report to Shareholders, p. 156, paragraph 4.

[15] PG&E's 2018 Annual Report to Shareholders, p. 157, paragraph 1.

Table 4-2
Electric Distribution Straight-Time Labor (Expense and Capital) by Event
(in Millions of Dollars)

Event	Expense[16]	Capital[17]	Total
2018 Carr Fire	$0.000	$0.161	$0.161
2019 October PSPS Wind	0.000	0.107	0.107
2020 August Extreme Heat	2.165	2.695	4.860
2020 Creek Fire	2.060	0.869	2.929
2020 Glass Fire	4.683	2.649	7.332
2020 Oak Fire	0.032	0.004	0.036
2020 September Heat	0.230	0.666	0.896
2020 September North Complex Fire	3.111	0.000	3.111
2020 August Fires	11.876	3.599	15.475
Total	$24.157	$10.750	$34.907

Cal Advocates' recommendation is based primarily on two factors. First, PG&E's costs associated with using existing personnel to repair and restore facilities are considered straight time labor costs, which are recovered through authorized revenues and rates pursuant to a Commission decision issued in a General Rate Case (GRC). Although PG&E may not have planned that its personnel would work on restoring service during an emergency, straight time labor costs are funded through existing rates. Temporary redeployment of personnel based on changed priorities does not constitute an incremental activity. Second, based on Cal Advocates' review of PG&E's application, testimony, and workpapers, PG&E failed to provide quantifiable analysis substantiating that its straight time labor recovery request is not already recovered in rates.

B. Recommendation Discussion

In its testimony, PG&E justifies inclusion of straight-time labor based on the following discussion:[18]

> Historically, intervenors have argued against the recovery of straight-time labor through the CEMA filing due to the incorrect assumption that straight-time labor is already funded via base

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[16] PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.8 (Atch01).

[17] PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.8 (Atch01).

[18] A.21-09-008, PG&E Testimony p. 11-11 (lns. 9-31) and p. 11-12 (lns. 1-14) (emphasis added).

> rates. As noted above, however, the GRC and GT&S include forecast costs based on activities, not specific resources or positions. Those activity-based forecasts—which are reduced to remove the costs of CEMA activities—take into account various cost components such as materials, contracts, and labor rates, which include a combination of straight-time, overtime, and double-time labor. Had CEMA activities been included, the forecasts would have been higher. Accordingly, cost components associated with CEMA activities, including CEMA straight-time labor costs, are incremental to base rates.
>
> When a CEMA-eligible event occurs, PG&E ***may have to deprioritize*** non-event response work to devote as many resources as possible to repair damaged electric and gas facilities and restore service as quickly as possible. In performing this work, PG&E crews often work around the clock, incurring not only straight-time, but also overtime and double-time labor costs. These costs are booked to the specific orders using the process described in the previous sections above.
>
> Once the repair and restoration activities have concluded, PG&E crews return to their routine duties, **including activities that had been postponed due to the CEMA-eligible event.** Completing the postponed activities requires incremental overtime labor as well as significant incremental contract resources to offset resources diverted to the event response work. Yet, PG&E does not rely on a quantification of those incremental costs to serve as a proxy for CEMA straight-time labor. They are not charged to CEMA specific orders, but rather are incurred to replace the labor (straight-time and overtime) originally intended for executing base work.
>
> Hence, the test of incrementality is not whether a cost is straight-time or overtime. If that were the test, PG&E would book overtime costs to CEMA specific orders for work unrelated to the catastrophic event such as incremental overtime required for reprioritized base work. Similarly, PG&E would exclude from CEMA specific orders costs directly related to a catastrophic event only because the costs were incurred during normal working hours. PG&E does neither. CEMA straight-time labor is incremental for the simple reason that the GRC and GT&S forecasts are reduced commensurate with the cost of CEMA activities.

Cal Advocates disagrees with PG&E's rationale for several reasons. First, since PG&E used its existing workforce in responding to the CEMA events and straight-time labor costs for this existing workforce are embedded in current rates based on GRC funding in the previous rate-case.

Cal Advocates asked PG&E:

> Responding to each of the CEMA events contained within this application, did PG&E hire additional part time or full-time permanent personnel? If yes, please provide the following, (i) the name of the employee, (ii) the salary of the employee, (iii) the employee's duties, and (iv) the costs for each employee broken out by event, by expense, and by capital. If no, did PG&E primarily utilize its existing personnel when responding to each CEMA event?

PG&E's response:

> PG&E interprets this question to ask whether PG&E hired PG&E employees (i.e., not contractor resources) to work on specific CEMA events. PG&E generally does not hire employees in response to, or to work on, specific CEMA events.[19]

Despite acknowledging PG&E does not generally hire additional personnel to respond to CEMA events, PG&E does not recognize personnel used has already been accounted for in current rates. PG&E justifies its incremental claim by asserting because PG&E "may have to" deprioritize/postpone non-event response work that completing the postponed activities requires other types of incremental costs (e.g., overtime). Thus, PG&E would be collecting straight-time labor costs for its existing employees more than once if PG&E reclassifies its employees straight - time labor cost to incremental cost each time an employee is assigned to work on an activity that was not forecast. This temporary redeployment (or reprioritization) of personnel based on changing priorities does not constitute an incremental labor cost for straight-time labor. Although these personnel may not have been expected or forecast to work on restoring service during an emergency, PG&E was authorized funding for its employees' straight-time labor costs through existing rates. The Commission authorized straight-time labor costs of employees for recovery through PG&E's GRC decision. Further, PG&E does not even know the cost of postponed

[19] PG&E's response to Cal Advocates data request PubAdv-PG&E-045-LMW, Q.1.

work upon which it is making its claim. Cal Advocates asked PG&E to provide the total costs for completing the postponed activities caused by the CEMA events. Costs should be segregated by event, and by type of cost (e.g., over-time, contract labor, overhead, etc.).

PG&E responded:

> While PG&E tracks straight time, over-time, contract labor, overhead, etc. for all work including postponed work, it does not track postponements that occurred as a result of CEMA events. Therefore PG&E cannot provide the information requested.[20]

Second, PG&E is unable to prove its existing workforce is not already funded in current rates, nor prove whether any additionally incurred costs for displaced work is not also recovered in existing rates. According to PG&E, its activity-based forecasting methodology is not tied to particular departments or staff. However, this does mean that the activity-based methodology PG&E uses to forecast the cost of its workforce does not attempt to fund the cost of PG&E's existing workforce and costs of straight-time labor.

Cal Advocates asked PG&E:

> On page 11-3 (lines 5-19) in its testimony PG&E stated:
>
> Activity-based forecasts consist of cost estimates based upon planned scopes and schedules for work that are not tied to particular staff levels and other resources. As an example, for Electric Operations, we develop forecasts based on the anticipated volume and complexity of work that is required to safely operate and maintain the electric system in compliance with established policies and requirements. At the time the forecast is developed, the staffing levels and resources to execute the work are not specified. Ultimately activities will be completed with internal PG&E employees or contracted vendors, but the forecast does not include the specific internal employees or specific contractors that will be assigned to the work. The specific resources to complete the work are assigned closer in time to the execution of the work. When the work is executed, employees record their time to the orders, contract and material costs are applied, and additional costs are allocated to the orders in the form of overheads as applicable to the type of work.

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[20] PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.2a.

> Based on this testimony, please provide/answer the following:
>
> In using an activity-based forecasting methodology where cost estimates are based upon planned scopes and schedules for work that is not tied to particular staff levels and other resources, does PG&E know if actual department or staffing costs are fully collected in rates? If the answer is yes, please provide all supporting workpapers and analysis that shows PG&E is fully funding its actual department and personnel (staff) costs. If the answer is no, why does PG&E use a forecasting methodology that may not cover the full cost of its departments and staffs.[21]

PG&E responded:

> Assuming this question means to ask whether PG&E knows its forecast in the GRC and GT&S will be sufficient to cover its full department or staffing costs, the answer is no. Given the nature of this work, timing, and a vast number of contributing factors, forecasts are just that, a forecast, and will never be 100% accurate. By forecasting activity-based costs***, it is PG&E's intention to obtain a reasonable revenue requirement to recover the costs necessary for those activities.*** Recorded costs above authorized are at PG&E's risk. In some cases that risk is managed using authorized balancing and memorandum accounts. In these cases, PG&E is authorized to record costs to CPUC approved memorandum and balancing accounts and request recovery of costs not forecasted or different (greater or less) from forecasted. Memorandum and balancing accounts are generally approved for certain programs that have variability in scope or timing that make them difficult to forecast in base rates.[22]

The purpose of GRC proceedings is to address the costs of operating and maintaining the utility's system and the allocation of those costs among customer classes regardless of the type of forecasting methodology. As noted, it is PG&E's intention to obtain a reasonable revenue requirement to recover the costs necessary for those activities. This intention of obtaining a reasonable revenue requirement (included in a GRC filing) are estimates of anticipated operating expenses such as internal straight time labor cost. Thus, full-time permanent employees' straight time

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[21] PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.1a.

[22] PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.1a (emphasis added).

labor costs are funded through a GRC as part of an attempt for a reasonable revenue requirement. Internal labor costs would be considered incremental if they were unanticipated during the GRC period such as unanticipated overtime or double-time for existing employees or labor costs associated with the hiring of additional employees. Here, existing personnel (which are part of the reasonable revenue requirement) were redeployed to work on activities associated with PG&E's CEMA. The costs of these existing personnel were not incremental.

In response to discovery, PG&E acknowledges its justification does not include any quantifiable incremental evidence.

Cal Advocates asked:

> Based on Cal Advocates review of PG&E's testimony, workpapers, and responses to data requests, it appears in responding to each of the CEMA events (contained in Chapter 4,5,6) PG&E's incremental cost justification does not include any comparison of what was collected in rates pursuant to the previous GRC in comparison to amounts spent and requested for recovery (within this application) in responding to CEMA events. Is Cal Advocates understanding, correct? If no, please explain why Cal Advocates understanding is inaccurate.

PG&E's response:

> PG&E did not forecast CEMA events in the GRC and GT&S; therefore, GRC adopted amounts for CEMA is $0. Because there are no base CEMA costs in the GRC, the costs for CEMA presented in this case are incremental.[23]

Based on the response, PG&E's incremental support is based on a statement that because PG&E does not forecast CEMA costs in the GRC, by default the costs for CEMA presented in this case are incremental. Cal Advocates disagrees with PG&E's rationale. Given costs recorded to a CEMA event are of a similar nature as costs collected in rates (e.g., straight-time, overtime, double-time, fleet, material usage, contractor costs, vegetation management) to determine whether costs are truly incremental requires comparison of what was collected in rates as compared to similar actual expenses. The recording of costs to CEMA events alone and then by

[23] PG&E's response to Cal Advocates data request PubAdv-PG&E-045-LMW, Q.3.

default asserting because PG&E does not forecast CEMA costs, all costs are incremental does not demonstrate costs are truly incremental. The fact that PG&E uses its existing work force in responding to the event coupled with the absence of any quantifiable evidence (that clearly compares what was funded in rates as opposed to actual expenditures), supports and strengthens Cal Advocates' recommendation.

In summary, given PG&E's use of its funded existing workforce for repairs and restoration of its CEMA events and the lack of quantifiable evidentiary analysis justifying its incremental costs, Cal Advocates recommends removal of straight-time labor costs because the costs are already included in authorized revenues and existing rates.

C. Relevant Cases Excluding Straight-Time/Normal-Time

There are various CEMA cases where the utilities did not request recovery of straight-time/normal-time labor costs and recognized straight-time/normal-time labor should not be included as part of a CEMA recovery request.

On September 30, 2021, Southern California Edison (SCE) submitted Application (A.) 21-09-019 requesting authorization to recover incremental disaster-related expenses and capital costs incurred in responding to the 2019-2020 Drought, 2018-2019 Firestorms, 2019 Earthquakes, 2019 Windstorms, and 2020 COVID-19. In its testimony SCE states only costs that are not part of SCE's normal business operations and are therefore not funded through existing rates are included. Examples of incremental costs recorded to the CEMA accounts include the cost of overtime pay for performing CEMA event -related work, contract costs, and material costs related to CEMA events. The normal-time labor costs for salaried management employees, the normal-time labor costs for non-salaried employees, and the cost of all employee benefit programs are considered non-incremental. This is because these costs would have been incurred regardless of the CEMA events, given that CEMA events are, by their nature, typically short-lived, often supported by contractor labor or overtime efforts given the emergent nature of the events and the urgent need for resources to effect restoration and repairs, and because the redirection of employees' normal time to CEMA events is generally temporary.[24]

On July 31, 2019, Southern California Edison (SCE) submitted Application (A.)19-07-021 requesting authorization to recover incremental disaster-related expenses and capital costs incurred in responding to the 2017-2018 Drought and 2017 Firestorms catastrophic events. In its testimony, SCE states (as part of their Incremental Standard): Non-incremental costs excluded from SCE's request in this Application, consist of normal-time labor costs and other associated labor costs, including paid absences, employee benefits, payroll taxes and corporate and division overheads.[25]

In A.04-06-035, dated October 22, 2004, relative to the 2003 Southern California wildfires, San Diego Gas & Electric Company (SDG&E) excluded straight-time labor.[26] SDG&E adjusted its CEMA request to remove any costs included in previous and current rates. For example, SDG&E excluded straight-time labor, adjustment for overtime labor, and other costs that do not change as a result of a disaster.[27]

VI. RECOMMENDATION/DISCUSSION OF OVERHEAD COSTS

A. Recommendation/Adjustment to Overhead Costs

Cal Advocates recommends an adjustment of $9.219 million[28] in capital related to payroll taxes overhead, minor material overhead, and fleet overhead. Cal Advocates' recommendation is based on PG&E failing to provide quantifiable analysis substantiating that these costs are not already recovered through authorized revenues. Cal Advocates agrees there is a direct causal relationship

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[24] SCE Testimony (A.21-09-019), pg. 22 (lns. 10-19).

[25] SCE Testimony (A.19-07-021), pg. 53 (lns. 17-20).

[26] DRA's Report on Reasonableness of San Diego Gas and Electric CEMA.

[27] In compliance with Resolution E-3238 per DRA's Report.

[28] Compiled from PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.8 (Atch01).

between PG&E's CEMA response and increased costs for these overheads. However, PG&E fails to provide quantifiable analysis substantiating that these costs are not already recovered through authorized revenues despite a direct causal relationship. Absent PG&E providing an analysis specifically addressing what was collected in rates as compared to what was spent for these overheads, PG&E's evidence for recovery is lacking.

B. Recommendation Discussion

In its CEMA testimony, PG&E states:

> A historic concern from intervenors has been how overheads are allocated to balancing accounts and CEMA. As noted in Chapter 11 Section C.3., beginning in 2020, CEMA expense did not receive overhead costs. Also beginning in 2020, CEMA capital orders only receive the following overheads: fleet, payroll taxes, and minor materials. The balance is recovered in the GRC. Figure 11-1 shows the before and after allocation which was accepted in the 2020 GRC Decision. Note that three types of capital overheads are still allocated to CEMA. As indicated above, these are fleet, payroll taxes, and minor materials. ***These overheads are incremental based on the amount of labor done for the CEMA events.***[29]

As noted, PG&E supports inclusion of these overheads based on the amount of labor done for CEMA events. However, as part of the GRC forecast upon which rate recovery is determined, the costs and subsequent rate recovery is forecast company-wide, not labor specific. For example, PG&E's Transportation and Aviation (Fleet)[30] forecasts are at a gross (total company level), where PG&E then allocates a portion to Non-GRC and overhead (O/H) credit. As shown in Tables 4-3 to 4-6, 55.91% of PG&E's GRC forecast is overhead.

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[29] A.21-09-008 Testimony, p. 11-13, lns. 9-18 (emphasis added).

[30] PG&E's response to Cal Advocates data request PubAdv-PG&E-022-LMW, Q.16. The fleet overhead includes, but is not limited to, the following costs: vehicle maintenance and repair, vehicle depreciation, fuel, and rental equipment.

Table 4-3
Transportation Services
2023 Depreciation Expense Forecast
(In Thousands of Nominal Dollars)

Description	PG&E 2023
Total Depreciation Gross	$103,825
Non-GRC	(21,212)
Total Depreciation GRC	82,613
O/H Credit	-55.91%
Net Expense	44.09%
Total Depreciation (Net)	$36,421

Source: A. 21-06-021. Ex. PG&E-7 Workpapers Ch.2, p. 2-8 (Table 2-8).

Table 4-4
Transportation Services
2023 Vehicle Expense Forecast
(In Thousands of Nominal Dollars)

Description	PG&E 2023
Labor	$69,140
Cost/Employee	151
Headcount	459
Materials & Contract	33,062
Registration	10,588
Freight	3,820
Telematics	3,254
Other Misc.	604
Total Vehicles (Gross)	$120,468
Non-GRC	(27,178)
Total Vehicles GRC	$93,290
Overhead Credit	-55.91%
Net Expense	44.09%
Total Vehicles (Net)	$41,125

Source: A.21-06-021 - Ex. PG&E-7 Workpapers Ch.2, p. 2-7 (Table 2-7).

Table 4-5
Transportation Services
2023 Fuel Expense Forecast
(In Thousands of Nominal Dollars)

Description	PG&E 2023
Gross	$ 53,075
Non-GRC	(10,543)
Total Fuel GRC	42,532
O/H Credit	-55.91%
Net Expense	44.09%
Total Fuel (Net)	$ 18,751

Source: A. 21-06-021. Ex. PG&E-7 Workpapers Ch. 2, p. 2-9 (Table 2-9).

Table 4-6
Transportation Services
2023 Rentals Expense Forecast
(In Thousands of Nominal Dollars)

Description	PG&E 2023
Total Rentals (Gross)	$55,368
Non-GRC	(13,759)
Total Rentals GRC	41,609
Overhead Credit	-55.91%
Net Expense	44.09%
Total Rentals (Net)	$18,344

Source: A.21-06-021 - Ex. PG&E-7 Workpapers Ch. 2, p. 2-10 (Table 2-10).

Unless PG&E spends more than what was approved and collected in rates, fleet costs are not incremental as PG&E has already collected sufficient funding in current rates when using its fleet to respond to CEMA events. Based on review of its testimony and workpapers, PG&E failed to provide this level of incremental evidence. PG&E performs no incremental analysis comparing what was collected in rates as opposed to actual expenditure, relying primarily on an unsupported statement that all costs are incremental as CEMA events are not forecast in a GRC.

As noted previously:

> PG&E did not forecast CEMA events in the GRC and GT&S; therefore, GRC adopted amounts for CEMA is $0. Because there are no base CEMA costs in the GRC, the costs for CEMA presented in this case are incremental.[31]

This reasoning for removing fleet overhead applies to the other two overhead cost categories for which PG&E requests incremental recovery. Although, there is a direct causal relationship, absent PG&E providing a comparison of what was collected in rates as opposed to what was expended, PG&E is unable to prove that these costs are not also already covered through authorized revenues and rates.

[31] PG&E's response to Cal Advocates data request PubAdv-PG&E-045-LMW, Q.3.

VII. WITNESS QUALIFICATIONS

My name is L. Mark Waterworth. My business address is 505 Van Ness Avenue, San Francisco, California. I am employed by the Public Advocates Office as a Public Utility Regulatory Analyst V in the Energy Cost of Service and Natural Gas Branch.

I received a Bachelor of Science Degree in Business Administration (Accounting) from the California State University, Pomona, and a Bachelor of Arts Degree in Economics from the University of California, Davis. I am a licensed C.P.A (inactive) in the State of California.

Since joining the Commission in 2003, I have participated in General Rate Case, Catastrophic Event Memorandum Account, Biennial Cost Allocation, and special projects proceedings. I have been responsible for the areas of Operations and Maintenance, Administration and General, Cost of Capital, Income Taxes, Electric Generation, Gas Operations Capital, Cost Allocation, Pensions, Bankruptcy, and Nuclear Decommissioning. In participating in the various proceedings, I have prepared testimony related to Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, Southern California Edison Company, PacifiCorp, and Southwest Gas Corporation.