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Witness: Thomas Long/Sylvie Ashford

**PREPARED TESTIMONY OF
THOMAS LONG AND SYLVIE ASHFORD**

**ADDRESSING PG&E'S REQUEST TO ADD TO RATES
COSTS BOOKED TO WILDFIRE MITIGATION PLAN
AND FIRE RISK MITIGATION MEMORANDUM ACCOUNTS**

Submitted on Behalf of

THE UTILITY REFORM NETWORK

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I. Introduction and Summary (T. Long and S. Ashford)

1 This testimony addresses the request of Pacific Gas and Electric Company (PG&E) for
2 review and approval of over \$2.5 billion of costs – \$ 1.5 billion of capital spending and \$1.0
3 billion of expense – that it booked to the Wildfire Mitigation Plan Memorandum Account
4 (WMPMA) and the Fire Risk Mitigation Memorandum Account (FRMMA).¹

A. Summary of TURN’s Recommended Disallowances

6 TURN recommends a disallowance of \$892.442 million in capital and \$486.864 million
7 in expense from PG&E’s recorded costs, which is more than half of the costs booked to those
8 memorandum accounts.² These disallowances are based on PG&E’s failure to demonstrate that
9 these costs satisfy the twin requirements of: (1) incrementality, *i.e.*, that the costs are attributable
10 to additional wildfire mitigation work that exceeds the wildfire mitigation work authorized in
11 PG&E’s 2020 General Rate Case (GRC); and (2) reasonableness, *i.e.*, that the costs are worthy
12 of inclusion in rates and not the result of PG&E’s imprudence.

13 With respect to TURN’s recommended disallowance of capital costs, the disallowances
14 can be broken down as follows:

Table 1: Breakdown of TURN’s Recommended Capital Disallowances

Grounds for Disallowance	Reasonableness	Incrementality	Total
Disallowance Amount (\$000)	\$679,849	\$212,593	\$892,442

16
17 This breakdown is necessary because of the different ratemaking treatment for capital
18 cost disallowances based on the grounds for the disallowance, as discussed in Section VIII(B)
19 below. The \$680 million of capital costs for which PG&E has not demonstrated reasonableness
20 should be permanently excluded from rate base. For the reasons discussed in Section VIII(B),

¹ The cited cost figures are before the application of the Wildfire OII disallowances ordered in D.20-05-019 and the other minor adjustments recommended by Ernst & Young (EY) and accepted by PG&E.

² As explained in Section VIII(A) below, these reductions should be made to PG&E’s costs before applying the \$198 million Wildfire OII disallowances. Time and resource limitations prevented TURN from fully analyzing the costs for the more than 150 different activities booked to these memorandum accounts. TURN’s silence on a particular group of costs should not be construed as an implicit recommendation that the costs be found incremental and reasonable.

1 the \$213 million of disallowances based on a failure to show that the costs are incremental
2 should result in a ratemaking adjustment that reduces PG&E's revenue requirement associated
3 with this request by \$31 million.

4 TURN's recommended \$486.864 million in expense disallowances does not include the
5 \$234 million in expenses that were disallowed from recovery as a penalty in D.20-05-019. As
6 discussed in Section VIII(A) below, of that amount, \$198 million must be applied to the
7 remaining expenses after all other disallowances are determined, as directed by D.20-05-019.

8 **B. Organization of Testimony**

9 This testimony is organized as follows:

10 Section II demonstrates, based on Commission precedent, that inclusion of an activity in
11 an approved wildfire mitigation plan (WMP) has no bearing on whether costs should be found
12 incremental and reasonable in this proceeding.

13 Section III highlights concerns that the Commission and its partner agency, the Office of
14 Energy Infrastructure Safety (OEIS), have previously raised about the reasonableness and
15 incrementality of the activities addressed in this application.

16 Section IV documents PG&E's dramatic overspending of the already high wildfire
17 mitigation funding that was authorized in PG&E's 2020 General Rate Case (GRC). This section
18 explains that a significant cause of this overspending was PG&E's need to race to remedy its past
19 imprudence in allowing its electric distribution system safety to dangerously deteriorate. The
20 ensuing scramble to perform the necessary remedial work drove PG&E's unit costs well above
21 the levels the Commission found reasonable in the 2020 GRC. This section also explains
22 PG&E's incentive to overspend its GRC authorizations and book excessive costs to its WMPMA
23 and FRMMA.

24 Section V explains that PG&E used a seriously flawed method of assigning costs to the
25 WMPMA and FRMMA. PG&E's method booked excessive costs to those memorandum
26 accounts, to the benefit of PG&E's shareholders and detriment of PG&E ratepayers, unless
27 corrected in this proceeding. TURN recommends, and applies in later sections of the testimony,
28 a more reasonable method of determining which PG&E work is truly incremental in that the
29 work improved PG&E's wildfire mitigation capabilities beyond the work effort covered by the
30 2020 GRC authorization.

1 Section VI presents TURN's analysis of the incrementality and reasonableness of the
2 costs presented in Chapters 2, 4, and 5 of PG&E's testimony, as well as certain activities
3 presented in Chapters 3, 6, 10, 11, and 12 of PG&E's testimony. This analysis produces
4 TURN's disallowance recommendations that sum to the totals shown above.

5 Section VII shows that PG&E is improperly seeking to require ratepayers to pay the costs
6 of video advertising that is primarily for the purpose of enhancing PG&E's image for the benefit
7 of shareholders, not ratepayers. TURN recommends the disallowance of these costs from rate
8 recovery and a remedial process to ensure that PG&E is not able to impose such costs on
9 ratepayers in other requests.

10 Section VIII addresses ratemaking issues and consists of two sections. Part A shows that
11 PG&E's proposed allocation of the \$198 million of Wildfire OII expense disallowances is
12 contrary to D.20-05-019. That decision requires those disallowances to be applied only to
13 expenses that are found appropriate for rate recovery in this case. Part B explains the different
14 ratemaking approaches that should be applied to disallowances in this proceeding, depending on
15 whether the costs in question are whether expenses or capital expenditures and depending on
16 whether the basis for disallowance is incrementality or reasonableness.

17 Appendices A and B present the qualifications for the two witnesses sponsoring this
18 testimony: Thomas Long, TURN's Director of Regulatory Strategy, and Sylvie Ashford,
19 TURN's Energy and Climate Policy Analyst.

20 Appendix C presents a summary of relevant findings from the November 19, 2021 report
21 of the Federal Monitor appointed by the United States District Court as a condition of criminal
22 probation for PG&E.

23 Appendix D provides a PG&E presentation explaining a proposed method for assigning
24 costs to the WMPMA and FRMMA, called the Fill the Bucket Method, that it considered but did
25 not follow for the costs presented in this case.

26 Appendix E provides TURN's calculation of its recommended ratemaking adjustment
27 described in Section VIII(B) for capital incrementality-based disallowances.

28 Data request responses and other documents referenced in TURN's testimony are
29 provided in a separate volume, TURN-01 Atch01.

30

II. Inclusion of an Activity in an Approved Wildfire Mitigation Plan Does Not Weigh in Favor of Cost Recovery (T. Long)

1 PG&E’s testimony includes a Background section indicating that it performed a variety
2 of wildfire mitigation activities “in accordance with its approved [Wildfire Mitigation Plan]
3 WMP.”³ TURN reads PG&E’s Background discussion as attempting to create the inference that
4 any activity it described in an approved WMP has been given regulatory approval and is entitled
5 to cost recovery or at least a presumption that the costs should be recovered. Such an inference
6 would be incorrect.

7 PG&E’s Background discussion does not mention that the Commission has made clear
8 that the WMP approval process is independent of the cost recovery process and that WMP
9 approval does not address or prejudice cost recovery. Rather, the utility must still demonstrate
10 the reasonableness of the costs in question in a CPUC rate proceeding, in accordance with Public
11 Utilities Code Sections 451 and 8386.4.⁴ In its 2019 “Guidance Decision” (not mentioned in
12 PG&E’s Background section) addressing the first WMPs submitted for regulatory approval, the
13 Commission stated unequivocally:

14 Approval of the WMP does not determine whether, at the time an IOU seeks
15 recovery for the costs of carrying out its plan, the IOU complied with the prudent
16 manager standard. Indeed, approval of a WMP here is not dispositive of an IOU’s
17 ultimate cost recovery for the operations and maintenance costs of hardening its system,
18 managing vegetation, increasing situational awareness and taking the other steps to
19 mitigate wildfire risk.⁵

20
21 To reach this conclusion, the Commission engaged in a detailed analysis of the WMP
22 statute and the specific provisions allowing recording of WMP-related costs and other wildfire
23 mitigation costs in memorandum accounts. The Commission described these memorandum
24 accounts, which have come to be known as the WMPMA and FRMMA, as “tracking
25 mechanism[s],” the establishment of which has “nothing to do with the later determination of
26 whether the costs in the account are reasonable and therefore recoverable.”⁶ Put simply,

³ Ex. PG&E-01, p. 1-4. See also, p. 1-6, stating that PG&E performed the mitigation activities from 2020-2022 “in accordance with ratified” WMPs.

⁴ D.19-05-036, pp. 20, 21-23.

⁵ D.19-05-036, p. 20.

⁶ D.19-05-036, pp. 22-23.

1 inclusion of costs in these memorandum accounts, including costs spent “in accordance with” a
2 WMP, has no bearing on whether the costs satisfy the just and reasonable standard.

3 In that same 2019 Guidance Decision, the Commission expressly rejected PG&E’s
4 argument that, because approval of a plan creates compliance obligations, the utility’s activities
5 to execute the plan must be deemed reasonable if they are “in substantial compliance” with the
6 approved plan.⁷ The Commission concluded that this substantial compliance contention was
7 “incorrect,” and based on enforcement provisions that have “nothing to do with cost recovery for
8 the costs of implementing a WMP.”⁸ The Commission further stated that the “substantial
9 compliance” provision in the statute is only relevant to whether penalties are proper, “not
10 whether rate recovery is appropriate.”⁹ Thus, the Commission has made clear that the theoretical
11 potential for an enforcement action is not a reason to attach any presumption of reasonableness
12 to activities identified in an adopted WMP.

13 In D.21-08-036, the Commission reiterated these points when it rejected SCE’s
14 contention that costs of activities “performed in compliance with the approved WMP should be
15 considered *per se* reasonable and recoverable from ratepayers.”¹⁰ Citing the 2019 Guidance
16 Decision, the Commission stated that it had made “abundantly clear” that assessing the
17 reasonableness of costs for cost recovery purposes is not part of the WMP review process.¹¹ The
18 CPUC concluded: “Therefore, the Commission’s ratification of the Office of Infrastructure
19 Safety’s approval of specific activities within a WMP does not indicate the costs of those
20 activities are just and reasonable, nor does it preclude the Commission from determining the
21 appropriate costs for recovery based on the expected pace or scope of a utility’s forecasted WMP
22 activities.”¹²

23 It is also important to recognize that, unlike the normal approach in forecast ratemaking
24 where the Commission determines the reasonableness of forecast costs before they are
25 authorized and spent by the utility, here PG&E has spent the funds without any finding by any
26 regulatory agency that they are just and reasonable for purposes of rate recovery. As the

⁷ D.19-05-036, p. 14.

⁸ D.19-05-036, p. 24.

⁹ *Id.*

¹⁰ D.21-08-036, p. 251, quoting SCE’s opening brief (*italics in original*).

¹¹ *Id.*, p. 251.

¹² *Id.*

1 CPUC’s decisions discussed above show, the WMP process makes no such finding. The Office
2 of Energy Infrastructure Safety (OEIS)¹³ does not make any determination of whether the work
3 that a utility includes in its WMP is appropriate for rate recovery. Nor does the CPUC address
4 that issue in its ratification resolutions.¹⁴ In fact, those ratification resolutions state: “Nothing in
5 this Resolution *or Energy Safety’s Decision* should be construed as approval of any WMP-
6 related costs.”¹⁵ The CPUC’s resolutions additionally state: “Pub. Util. Code Section 8386.4(b)
7 requires electrical corporations to seek and prove the legitimacy of all expenditures at a future
8 time in their general rate cases (GRC) or application for cost recovery.”¹⁶ As a result, for all of
9 the wildfire mitigation costs presented in this application, this will be the Commission’s first
10 opportunity to make a determination of the reasonableness of the costs.¹⁷

11 In short, the approval of WMPs does not alter the fact that PG&E bears the burden in this
12 case to demonstrate that the claimed costs are just and reasonable.¹⁸ As in any other
13 reasonableness review, PG&E is not entitled to a presumption of reasonableness.¹⁹

III. The Decisions on PG&E’s WMPs Have Raised Concerns About the Reasonableness and Incrementality of the Wildfire Mitigation Costs Claimed in this Application (T. Long)

14 Even though WMP decisions do not address the reasonableness of costs to implement
15 WMP activities, these decisions have identified concerns related to the reasonableness of some
16 of PG&E’s activities and provided guidance regarding some of the showings that PG&E needs to
17 make in this cost recovery application. As will be seen, these discussions were prescient and are
18 highly relevant to the incrementality and reasonableness of the costs at issue in this case.

19

¹³ Here, the reference to OEIS includes the CPUC’s Wildfire Safety Division, the predecessor to OEIS.

¹⁴ Public Utilities Code Section 8386.3(a) requires the CPUC to ratify the action of OEIS approving a WMP.

¹⁵ *E.g.*, Resolution SPD-9 (ratifying OEIS’s action approving PG&E’s 2022 WMP Update), p. 1 (emphasis added).

¹⁶ *Id.* See also D.21-08-036, p. 251, rejecting SCE’s argument that costs of activities to implement an approved WMP should be considered “*per se* reasonable and recoverable from ratepayers” because the CPUC has “made it abundantly clear” it does not consider cost recovery when reviewing a utility’s WMP.

¹⁷ This statement also applies to the costs recorded to the FRMMA for the reasons stated in the 2019 Guidance Decision, D.19-05-036, p. 22.

¹⁸ D.17-11-033, pp. 9-10.

¹⁹ D.21-08-036, p. 151; D.93-05-013, 49 CPUC 2d 218, 220; D.85-08-102, 18 CPUC 2d 700, 709-710.

1 **A. Decision 19-05-037 Approving PG&E’s 2019 WMP**

2 In its 2019 WMP, PG&E described its “Wildfire Safety Inspection Program” (WSIP),
3 which provides the foundation for the almost \$1.7 billion of costs claimed in Chapters 2-7 of this
4 application.²⁰ In D.19-05-037, the decision approving that WMP, the Commission explained that
5 WMP approval “does not give PG&E a blank check” for the WSIP and related activities in its
6 WMP.²¹ Anticipating this proceeding, the CPUC stated: “At such time as PG&E seeks cost
7 recovery, PG&E may need to show cost-effectiveness and how elements of its WSIP are
8 necessary to address new risks, over and above what is required by GO 165.”²² This cautionary
9 guidance was prompted by three concerns noted in the decision:

10 (1) Increased inspections may be either unnecessary or compelled by prior inadequate
11 inspections. The Commission called out the possibility that, in significantly ramping up its
12 inspection volumes, “PG&E is either duplicating recent inspections unnecessarily, or that its
13 previous inspections were not adequate to ensure safe operation.”²³

14 (2) Supposedly “new” inspection regime already required, not meeting new risks or
15 requirements. The Commission expressed skepticism about PG&E’s claim, repeated in PG&E’s
16 testimony in this case, that it was conducting “enhanced” inspections that exceeded the
17 requirements of CPUC General Order (GO) 165. The Commission explained that new
18 inspection regimes do not necessarily go above and beyond existing requirements because the
19 requirement to inspect as “frequently and thoroughly” to ensure safe operation has always been
20 in GO 95.²⁴ “If GO 165 inspection timeframes were insufficient, PG&E (and all utilities) should
21 have inspected as frequently and as thoroughly as necessary to ensure facilities were in good
22 condition and in compliance with GO 95 requirements.”²⁵

23 (3) PG&E must show increased inspections deliver measurable results and are cost-
24 effective. The Commission noted that doing significantly more inspections “is not by itself
25 sufficient to show that [PG&E’s] WSIP mitigates or lowers the risk of wildfire. . . . The

²⁰ Ex. PG&E-01, p. 1-7, explaining that PG&E’s wildfire inspection program and resulting repairs and replacements are described in Chapters 2-7 of its testimony.

²¹ D.19-05-037, p. 13.

²² *Id.*

²³ D.19-05-037, p. 11.

²⁴ D.19-05-037, pp. 11, 13, fn. 7.

²⁵ D.19-05-037, p. 13, fn. 7.

1 Commission needs metrics that measure how effective the WSIP is in preventing catastrophic
2 wildfires caused by utility ignitions.” The Commission stated that in its future WMP, PG&E
3 should be required to include “the metrics and analysis it intends to use to determine the quality
4 and the effectiveness of all its inspection programs, including WSIP”²⁶

5 Thus, in 2019, the Commission put PG&E on notice that it would need to address these
6 concerns in this cost recovery proceeding, including demonstrating that the increased inspections
7 and resulting maintenance and repairs were: (1) delivering demonstrable benefits and cost-
8 effective based on metrics that PG&E was expected to develop; (2) incremental to the work that
9 PG&E was already required to do; (3) not made necessary by pervasive inadequacies of prior
10 inspections; and (4) necessary. Notwithstanding its clear applicability to this case, PG&E’s
11 application and testimony do not mention the Commission’s prior guidance and expectations
12 with respect to the work described in Chapter 2-7. As discussed in Section VI of TURN’s
13 testimony, for many activities, PG&E has not met its burden to show that the Commission’s
14 concerns were unfounded.

15 **B. Resolution WSD-003 Conditionally Approving PG&E’s 2020 WMP**

16 The decision on PG&E’s 2020 WMP continued to raise questions about the
17 incrementality and cost-effectiveness of PG&E’s so-called enhanced inspection programs.
18 Referring to these programs, the Wildfire Safety Division’s (predecessor to OEIS) Action
19 Statement found that “it is unclear from PG&E’s description how effective these are and how
20 they differ from traditional inspections.”²⁷

21 In addition, the Commission anticipated the problems with PG&E’s approach to
22 assigning costs to the wildfire memorandum account that are discussed in Section V of this
23 testimony. The Commission noted that PG&E’s programs to improve the wildfire resiliency of
24 its electric infrastructure are “embedded within PG&E’s standard maintenance programs litigated
25 in GRCs,” making it difficult to determine “whether and how these incrementally impact wildfire
26 risk reduction.”²⁸ WSD-003 stated that “[t]he Commission will scrutinize [PG&E’s]
27 memorandum accounts for WMP carefully” and that, if PG&E failed to show that it was

²⁶ D.19-05-037, p.

²⁷ WSD Action Statement Accompanying WSD-003, p. 6.

²⁸ WSD-003, p. 34.

1 achieving additional wildfire mitigation beyond the work approved in its GRC and accounting
2 for this work separately, “PG&E risks failing to provide entitlement to cost recovery.”²⁹

3 WSD-003 raised several pointed concerns with PG&E’s asset inspection efforts and its
4 record-keeping. The Commission highlighted the fact that after PG&E implemented its WSIP in
5 2019, its inspection findings increased by 500%, but mostly for low risk “Level 3” findings.
6 These results were so out of proportion to PG&E’s fellow utilities that it raised questions about
7 the accuracy of PG&E’s data.³⁰ The Commission expressed concern that either PG&E had
8 incorrectly categorized the findings or PG&E was “spending a large amount on enhanced
9 inspections for little return since the findings are mostly minor.”³¹ WSD-003 bluntly stated:
10 “inspections are costly and the effectiveness of each of these inspections should be demonstrated
11 to support PG&E’s spend on them.”

12 WSD-003 was similarly blunt regarding PG&E’s record-keeping, finding that “PG&E
13 has a history of poor record keeping” and that PG&E’s record keeping continues to be
14 “deficient.”³²

15 **C. Decisions Regarding PG&E’s 2021 WMP Process**

16 In the 2021 WMP Process, WSD/OEIS raised concerns about the quality of PG&E’s
17 asset inspections. In a Revision Notice issued in May 2021, WSD/OEIS took note of the
18 “numerous oversights and process breakdowns in PG&E’s asset inspections in 2019 and 2020,”
19 citing as evidence the findings of field inspections by the Federal Monitor.³³ The WSD/OEIS
20 final Action Statement based on its review of the 2021 WMP found that PG&E provided
21 insufficient evidence of QA/QC for work performed by contractors. The Action Statement
22 described the problem as follows:

²⁹ *Id.* The full quote is: “It is not clear how PG&E is tracking its WMP activities in memorandum accounts if it does not budget for them by type of mitigation. The Commission will scrutinize its memorandum accounts for WMP carefully, and if all costs are simply lumped together or included in general operations and maintenance accounts, PG&E risks failing to provide entitlement to cost recovery.”

³⁰ WSD-003, pp. 36-38.

³¹ *Id.*, p. 38.

³² *Id.*, p. 40.

³³ WSD’s Revision Notice for PG&E’s 2021 WMP Update, May 4, 2021, p. 13. The Federal Monitor’s findings are discussed in more detail in Section IV(B)(1) of this testimony.

1 Several PG&E internal audits revealed contractors that failed to follow procedures or
2 were unaware of the correct procedures that needed to be followed. PG&E’s response to
3 cases where the vendor was unaware of or did not follow procedures often amounted to a
4 reminder of how procedures should have been followed. In most cases, PG&E did not
5 further investigate the quality of other work the same vendor had performed, nor require
6 full retraining on the topic.³⁴
7

8 **D. Decisions Regarding PG&E’s 2022 WMP Process**

9 OEIS became more emphatic and expansive about its concerns with the quality of
10 PG&E’s asset inspections in the 2022 WMP process.

11 In a May 2022 Revision Notice, OEIS pointedly found that “the quality of PG&E’s asset
12 inspections is inadequate.”³⁵ OEIS was troubled by the high find (discrepancies) and failure
13 rates (a compelling abnormal condition mis-identified by the inspector) identified in PG&E’s
14 QA/QC process. OEIS used particularly strong language regarding the high failure rate:

15 PG&E also has an alarmingly high failure rate of asset inspections, with PG&E’s asset
16 inspections having failed 8.5 to 33 percent of quality control reviews. This raises a
17 serious concern that even if PG&E increases the number of asset inspections, a large
18 percentage of that work will be done incorrectly.³⁶
19

20 In the November 2022 final decision on the 2022 WMP, OEIS made clear that PG&E had
21 not allayed the agency’s concerns. OEIS found that PG&E was behind on its 2022 quality goals
22 and that PG&E’s failure rates had increased for each QC inspection type from 2021 to 2022.³⁷
23 OEIS was also concerned that PG&E had not indicated any plans to re-inspect inspections
24 completed by poor performing inspectors, pointing out that such re-inspections are critical.³⁸

25 **E. Conclusion Regarding WMP Findings**

26 Not only do the decisions on PG&E’s 2019-2022 WMPs not provide any basis for
27 finding the costs claimed in this case incremental and reasonable, they raise numerous concerns
28 and make several findings that cast doubt on the reasonableness and incrementality of many of

³⁴ OEIS Action Statement, pp. 66-67 (Finding PG&E 21-17), attached as Appendix A to CPUC Resolution WSD-021.

³⁵ OEIS’s Revision Notice for PG&E’s 2021 WMP Update, May 26, 2022, p. 20.

³⁶ *Id.*, p. 19. OEIS also noted that contractors completed 87% of PG&E’s distribution ground inspections.

³⁷ OEIS Final Decision on PG&E 2022 WMP Update, p. 101, Appendix A to CPUC Resolution SPD-9.

³⁸ *Id.*, p. 102.

1 PG&E’s claimed costs. In Section VI below, these issues and other grounds for disallowance of
2 PG&E’s claimed costs are discussed in TURN’s chapter-by-chapter analysis of PG&E’s
3 requested cost recovery.

**IV. PG&E’s Massive Overspending of its GRC Authorization Requires Close
Commission Scrutiny (T. Long)**

**A. PG&E’s Dramatic Overspending of the Already Substantial Authorized
Amounts for Wildfire Mitigation Work in PG&E’s GRC**

6 Consistent with the October 17, 2023 Administrative Law Judge (ALJ) Ruling in this
7 case,³⁹ it is instructive to place this application in the context of the full amount of PG&E’s
8 spending on wildfire mitigation activities in 2020-2022.

9 After the catastrophic 2017 North Bay Wildfires and the even more catastrophic 2018
10 Camp Fire, wildfire mitigation became a major focus of the utility. In 2019, PG&E scrambled to
11 improve the safety of its system, spending at least \$1.56 billion above its GRC authorization for
12 wildfire mitigation work for that year⁴⁰ and performing 2.2 million hours more electric
13 distribution work than was in its GRC work plan.⁴¹ PG&E has obtained rate recovery for a
14 significant portion of these costs in D.23-02-017.⁴²

15 PG&E also submitted a request for a much increased wildfire mitigation program relative
16 to previous years in its 2020 GRC, which covered the period 2020-2022. In the Commission’s
17 decision in that GRC, PG&E was authorized \$4.66 billion for wildfire mitigation spending,⁴³

³⁹ That Ruling was jointly issued in A.21-09-008, A.22-12-009 and this case, as all three cases involve PG&E requests for recovery of wildfire mitigation costs incurred in 2020-2022. The ALJ Ruling asked a series of questions regarding the relationship among the activities and costs addressed in the three applications, to which PG&E responded on October 27, 2023.

⁴⁰ PG&E Opening Brief in A.20-09-019, 7/23/21, p. 2. \$1.56 billion is the sum of PG&E’s claimed incremental costs for wildfire mitigation booked to the WMPMA/FRMMA of \$1.26 billion and \$297 million booked to the Fire Hazard Protection Memorandum Account (FHPMA) for which PG&E sought rate recovery in A.20-09-019.

⁴¹ PG&E Testimony in A.20-09-019, p. 8-2.

⁴² D.23-02-017, p. 2.

⁴³ This consists of \$2.85 billion of costs in the Wildfire Mitigation Balancing Account (WMBA) category and \$1.81 billion of costs in the Vegetation Management Balancing Account (VMBA) category. PG&E response to TURN DR 37, Q1, including DR_TURN_037-Q001Atch01.xlsx, and PG&E’s Response to ALJ’s 10/17/23 Ruling, 10/27/23, p. 9. TURN bases its calculation of PG&E’s GRC authorized wildfire mitigation spending on PG&E’s response to TURN’s request to provide “PG&E’s calculation of its annual CPUC-jurisdictional, GRC-authorized wildfire mitigation expenditures (expense and capital) for 2020-2022.” In response, PG&E identified only the costs in the WMBA and VMBA. Because PG&E

1 which was almost all of its requested amount.⁴⁴

2 PG&E's actual spending on wildfire mitigation activities in 2020-2022 far surpassed its
3 GRC authorization. Based on data reported in its 2023-2025 WMP, PG&E spent a total of \$11.7
4 billion (CPUC jurisdictional) on wildfire mitigation, more than double what it requested in its
5 GRC.⁴⁵ PG&E has sought recovery for most of this 2020-2022 overspending. To date, PG&E
6 has requested that an additional \$5.21 billion be added to rates for wildfire mitigation activities
7 in 2020-2022. Of this amount, \$519 million has been approved for rate recovery, and \$4.67
8 billion remains pending, including \$2.25 billion presented for recovery in this case.⁴⁶ As noted,
9 PG&E also requested rate recovery of \$1.56 billion of wildfire mitigation overspending above its
10 GRC authorization for 2019.⁴⁷

11 Thus, for the period 2019-2022, PG&E has requested that ratepayers foot the bill for a
12 total of \$6.71 billion of wildfire mitigation spending above GRC authorized levels, an average of
13 \$1.68 billion per year of requested recovery for GRC overspending, which more than doubles the
14 annual authorized spending in the 2020 GRC.⁴⁸

15

did not include the costs of other GRC-funded activities that would support wildfire mitigation in HFTDs (such as inspection, repair and replacement of assets that could cause ignitions), \$4.66 billion likely understates the full amount of GRC-authorized spending that provided wildfire mitigation benefits.

⁴⁴ The only significant reduction to PG&E's forecast in the settlement adopted in D.20-12-005 was an annual \$60 million reduction for vegetation management costs. D.20-12-005, p. 74. PG&E stated that it expected to spend \$2.2 billion on wildfire mitigations and controls between 2017 and 2019, less than half of the \$4.66 billion authorized in the 2020 GRC. PG&E Testimony in A. 18-12-009, Ex. PG&E-04, p. 1-21 ("PG&E expects to spend approximately \$900 million in expense and approximately \$1.3 billion in capital to implement wildfire mitigations and controls between 2017 and 2019").

⁴⁵ PG&E response to TURN DR 37, Q2, including DR_TURN_037-Q002Atch01.xlsx, Line 4.

⁴⁶ These amounts are calculated from PG&E's response to DR TURN 37, Q1(c) regarding WMBA and VMBA costs. and Ex. PG&E-01-E, p. 16-2 regarding the total amounts booked to memo accounts and claimed in this case. PG&E's requested recovery would have been \$234 million higher but PG&E was barred from recovering this amount in D.20-05-019. (Ex. PG&E-01-E, p. 16-9).

⁴⁷ Most of this overspending was approved for rate recovery in D.23-02-017. Because the decision only indicates revenue requirement amounts, TURN cannot determine the dollar figure for approved expenditures. However, the decision (p. 11) states that 81% of the requested revenue requirement was approved.

⁴⁸ The three-year authorization of \$4.66 billion noted above divided by 3 equals an annual average GRC authorization of \$1.55 billion.

1 **B. Causes of PG&E’s Overspending**

2 This striking amount of overspending raises the obvious question of why PG&E was so
3 bad at forecasting its wildfire mitigation spending in the 2020 GRC. There are likely several
4 reasons, some of which cannot be addressed generically and that require an examination of each
5 of the over 150 different activities covered by this application.⁴⁹ However, some general points
6 can be made.

7 PG&E is probably correct that some wildfire mitigation needs and useful tools emerged
8 after it prepared its GRC forecast. PG&E refers to these activities, which were not funded in the
9 GRC, as Emergent Work.⁵⁰ However, most of the costs claimed in this case do not fall into this
10 category.⁵¹ With some exceptions, TURN generally did not focus its analysis on activities that
11 PG&E labeled Emergent.⁵²

12 The large majority of costs that PG&E presents are for activities that PG&E calls
13 Increased Work. These are activities that were included in the GRC forecast, but which PG&E
14 claims were expanded in scope or accelerated to address wildfire risk.⁵³ Three general points are
15 relevant for this category of costs.

16 **1. PG&E Had to Rush to Remedy Profound Safety Problems**

17 First, as discussed below in the chapter-specific sections of TURN’s testimony, this case
18 requires the Commission to address the reasons why PG&E incurred the cost overruns for these
19 activities. As will be shown, for several programs, PG&E needed to play catch-up because it had
20 imprudently allowed its system to fall below an acceptable level of safety. This is borne out by
21 the catastrophic 2017 North Bay wildfires, the 2018 Camp Fire, the 2019 Kincade Fire, and the
22 2020 Zogg Fire, each of which were found by the CPUC’s Safety and Enforcement Division

⁴⁹ PG&E presents the costs in this application in 154 groupings according to activity code (MAT) and spending account (WMPMA or FRMMA). See for example: Ex. PG&E-01, p. 3-4, Tables 3-1 and 3-2.

⁵⁰ Ex. PG&E-01-E, pp. 15-7 to 15-11 and Table 15-1.

⁵¹ \$1.867 billion of PG&E’s costs recorded to the WMPMA or FRMMA are for what PG&E calls Increased Work, while \$628.755 million in costs are for Emergent Work, based on the information in PG&E response to TURN DR 35, Q1, Atch 1, Supp 1, Rev 1, which does not include the Wildfire OII or EY audit disallowances.

⁵² Consequently, TURN’s silence on any of these activities should not be construed as a concession that the costs are reasonable. Even if PG&E is correct that a perceived need arose after the GRC forecast was prepared, that does not mean all of the costs for the activity are reasonable.

⁵³ *Id.*

1 (SED) to have resulted from PG&E safety violations and were the subject of decisions imposing
2 penalties on PG&E.⁵⁴

3 The fact that PG&E was focused on remedying prior imprudence is also reflected in the
4 reports of the Federal Monitor (Monitor) appointed by the United States District Court as a
5 condition of probation for PG&E. In a section of the Monitor’s lengthy and well-documented
6 final report dated November 19, 2021 called “Overarching Themes,” the Monitor speaks of “the
7 ongoing and profound safety issues” in PG&E’s wildfire mitigation efforts, in which progress
8 “obviously has been inadequate.”⁵⁵ One of the many safety problems discussed by the Monitor
9 is the fact that “PG&E does not maintain traceable, verifiable, accurate and complete records of
10 its electric infrastructure,” which “limit its electric infrastructure inspections and remediation
11 programs.”⁵⁶ Relevant findings from the Nov. 19, 2021 Federal Monitor Report are summarized
12 in Appendix C and Section VI(A) of this testimony.

13 The upshot is that, in 2019-2022, PG&E was forced to confront the fact that it had
14 imprudently allowed its system assets to fall into dangerous disrepair and failed to have adequate
15 records to support the needed inspection and remediation of those assets. As a result, PG&E
16 needed to scramble to bring its system into compliance and to remedy its demonstrated poor
17 safety record. As described by the Monitor, in 2019, PG&E undertook “an unprecedented
18 amount of work,” inspecting all of its distribution poles, transmission structures and substations
19 in HFTDs in a single calendar year. This inspection blitz in turn led to “an unprecedented
20 number of orders” for remediation work (“tags”).⁵⁷ Much of this inspection and remediation
21 work is the subject of this application. While PG&E obviously needed to do that remedial work
22 as quickly as possible, it is not reasonable for PG&E to charge ratepayers for the higher costs
23 that resulted from this scramble.

24 For several programs addressed in this application, PG&E’s rush to remediate
25 substandard safety conditions resulted in cost overruns by driving up labor costs and by

⁵⁴ The CPUC levied penalties against PG&E for each of these fires: D.20-05-019, imposing penalties totaling \$2.137 for the 2017 and 2018 wildfires; Res. SED-6, imposing penalties totaling \$125 million for the 2019 Kincade Fire; and ALJ-439, imposing penalties totaling \$150 million for the 2020 Zogg Fire.

⁵⁵ *PG&E Independent Monitor Report of November 19, 2021* (Nov. 19, 2021 Federal Monitor Report), included in Attachments to this testimony, p. 2.

⁵⁶ *Id.*, p. 37.

⁵⁷ *Id.*, p. 29.

1 performing work of insufficient quality that needed to be re-done. As discussed in Section VI,
2 Parts A-C, for some of the largest programs related to inspections, pole maintenance, and line
3 repair and replacement (Section VI, A-C), PG&E's years of delayed work orders and
4 substandard maintenance practices created a situation where the utility had to complete a large
5 amount of work in a short period of time, overextending the utility's internal and contract
6 workers, and spiking labor costs.

7 Based on the Monitor team's field review of PG&E's distribution inspections, the
8 November 19, 2021 Federal Monitor report documents high percentages of missed issues and
9 recordkeeping errors in each of 2019, 2020 and 2021.⁵⁸ These quality problems and cost
10 overruns are not surprising. In 2020-2022, PG&E was not in a good position to effectively
11 manage its costs and the quality of its operations, having experienced "near constant turnover" in
12 its core leadership, including five CEOs, four heads of Electric Operations, and five heads of the
13 Safety organization in four-and-a-half years.⁵⁹

14 Ratepayers should not be required to pay for cost overruns resulting from PG&E's
15 imprudence. To the extent that PG&E incurred higher costs than it otherwise would pay because
16 of the need to rush its work, such additional costs should be permanently disallowed from rate
17 recovery. Ratepayers should also not pay for work of substandard quality because of PG&E's
18 rush to fix its system. Because PG&E has the burden of proof for all costs in this application,
19 PG&E has the burden to show that its claimed costs are not inflated because of the need to
20 remedy its past imprudence and bring its system up to an acceptable level of safety.

21 **2. PG&E Had an Incentive to Overspend and Book Those Costs to the**
22 **WMPMA and FRMMA**

23 The Commission has long recognized that forecast-based GRC ratemaking gives "utility
24 management an opportunity and incentive to find ways to conduct operations for less than
25 projected," as such savings increase shareholder profits.⁶⁰ Conversely, utilities have an incentive
26 to limit overspending of GRC authorizations because overspending reduces the profits accruing

⁵⁸ *Id.*, pp. 31-31. More details of these findings are presented in Appendix C to this testimony.

⁵⁹ *Id.*, p. 3.

⁶⁰ D.96-12-066 (PG&E application seeking extra-GRC costs), 1996 Cal. PUC LEXIS 1111, *5, *quoting* D.85-03-042, 17 CPUC 2d 246, 254.

1 to shareholders. The CPUC has viewed this incentive structure as essential to successful cost of
2 service ratemaking:

3 If ratemaking ever becomes so conceptually upside down that utility management loses
4 the economic incentive to exercise its business acumen, California will be in a sad
5 posture and will suffer under utility management which is lethargic with a ‘cost plus’
6 mentality.⁶¹
7

8 The opportunity to book costs to the WMPMA and FRMMA for potential recovery in a
9 reasonableness review has diminished PG&E’s incentive to closely manage its costs. To the
10 extent that PG&E believes it will be able to recover costs booked to its memorandum accounts,
11 PG&E no longer needs to feel constrained by its GRC authorization. In fact, these wildfire
12 mitigation memorandum accounts not only reduce cost-control incentives for both O&M and
13 capital expenditures, they provide an added incentive to engage in capital overspending, as any
14 approved capital spending will boost rate base and hence PG&E’s profits.

15 This proceeding is the only opportunity the Commission will have to assess whether the
16 claimed costs are both incremental and reasonable, and therefore appropriate to recover in rates.
17 Surely, PG&E and the other utilities are closely watching this and other cases reviewing wildfire
18 mitigation overspending to see how carefully the Commission examines the costs in question.
19 Because of PG&E’s diminished incentive to control wildfire mitigation spending, the costs
20 claimed by PG&E must be carefully scrutinized to ensure that only truly incremental and
21 reasonable costs are authorized for rate recovery.

22 **3. PG&E Does Not Identify any Specific New Statutory Requirements**
23 **for the Work Claimed in this Case**

24 PG&E’s application suggests that the legislature has adopted new requirements that
25 compelled PG&E to perform what it describes as Increased Work.⁶² However, when TURN
26 asked PG&E to identify each new wildfire mitigation activity that the legislature required, PG&E
27 could not identify any.⁶³

⁶¹ *Id.*, *5-6, quoting D.85-03-042.

⁶² PG&E Application, pp. 9-10.

⁶³ PG&E response to TURN DR 28, Q 1. PG&E’s lengthy response does not identify any new legislative mandated activities. Instead, as discussed below, PG&E (incorrectly) claims that the WMP process somehow imposed specific new mandated wildfire mitigation activities.

1 Instead, PG&E argues that the WMP *process* somehow imposed new mandates. PG&E
2 is incorrect. WMPs themselves do not impose new mandates on the utilities. The utilities draft
3 the WMPs. Moreover, as discussed above, the OEIS/CPUC approval process for WMPs does
4 not include a determination that the activities described in the WMPs are reasonable for purposes
5 of rate recovery. OEIS direction in its decisions reviewing the WMPs to correct deficiencies,
6 such as PG&E's repair backlogs,⁶⁴ do not render PG&E's remedial activities appropriate for rate
7 recovery. Much of this direction has been to simply comply with long standing and unmet
8 regulatory requirements such as General Orders 95, 165, and 166.⁶⁵

9 In short, contrary to PG&E's suggestion, new legislative mandates are non-existent and
10 therefore not a factor explaining PG&E's cost overruns or justifying their recovery in rates.

V. PG&E's Incrementality Showing is Seriously Flawed (T. Long)

11 PG&E's application is based on a shoddy foundation. As this Section will show, PG&E
12 booked excessive costs to the WMPMA and FRMMA using an incrementality methodology that
13 is patently incorrect. PG&E's method improperly benefits shareholders at the expense of
14 ratepayers and must be rejected. TURN recommends (and applies in later sections of this
15 testimony) a more reasonable method of determining which PG&E work is truly incremental in
16 that the work improved PG&E's wildfire mitigation capabilities beyond the work effort covered
17 by the 2020 GRC authorization.

A. PG&E's Methodology Caused Excessive Costs to Be Booked to the WMPMA and FRMMA

18 As discussed in Section IV(B) above, most of the wildfire mitigation costs claimed in this
19 case fall under the category of what PG&E calls Increased Work. The Increased Work activities
20 are listed in PG&E's Table 15-1.⁶⁶ These are activities that were included in the 2020 GRC
21 funding, and which PG&E claims were expanded in scope or accelerated to address wildfire
22 risk.⁶⁷ Because these activities were funded by the GRC, the activities share the same Major
23
24

⁶⁴ See PG&E response to TURN DR 28, Q 1(a).

⁶⁵ For example, PG&E conducted its patrol program to meet the requirements of GO 165 (Ex. PG&E-01, p. 2-8) and developed its pole loading program to ensure compliance with GO 95 (Ex. PG&E-01, p. 4-9).

⁶⁶ PG&E-01-E, pp. 15-9 to 15-11.

⁶⁷ *Id.*, p. 15-8.

1 Work Category (MWC) or Maintenance Activity Type (MAT) code in the GRC authorization
2 and in the tracking of costs booked to the WMPMA and FRMMA.

3 Given the overlapping nature of Increased Work activities, a fundamental question is how
4 PG&E assigned the recorded costs for these activities to different accounts. More specifically,
5 PG&E had to determine which costs should be deemed GRC activities and assigned to the GRC -
6 - PG&E calls these “Base” or “Base GRC” costs -- and which costs could be booked to the
7 WMPMA or FRMMA, i.e., were *incremental* to the Base GRC costs.

8 To TURN’s surprise, PG&E’s direct showing – its testimony and workpapers – does not
9 explain how PG&E determined that a particular group of costs are incremental to the GRC costs
10 and appropriate to book to the WMPMA and FRMMA.⁶⁸ It took multiple rounds of data
11 requests for TURN to get the answer.⁶⁹

12 Here is the explanation PG&E finally provided:

13 . . . the criteria to determine inclusion in the WMPMA and FRMMA accounts versus the
14 GRC is that the work was: 1) conducted within High Fire Threat Districts (HFTD) Tier 2
15 & Tier 3 and Zone 1, and additional buffer zone areas, 2) in support of our wildfire
16 mitigation activities, and 3) consistent with how they were described in the 2020-2022
17 Wildfire Mitigation Plans (WMPs) (for work recorded to the WMPMA). *If the work*
18 *does not meet these criteria it is recorded as GRC base work.*⁷⁰

19 Under these criteria, the key determinant of how wildfire mitigation costs were booked
20 was whether the work was conducted in an HFTD (or associated areas). If so (and the other
21

⁶⁸ The closest PG&E comes to explaining how it made this determination is on page 15-16 of its testimony which states: “When orders are set up a step is taken to determine the appropriate account to track the work in. In the case of orders tracked in the WMPMA and FRMMA, it was determined that the work was wildfire mitigation work [that] is not transmission related and not part of the GRC or any other recovery mechanism.” This statement does not explain how PG&E decided what work was “part of the GRC”. Note also from the above-quoted passage that PG&E decided that work was incremental when it was setting up a work order, not after the work was performed and costs were known. PG&E’s response to TURN DR 27, Q1(a) states that PG&E made the determination “in advance of order creation and work execution.”

⁶⁹ See PG&E responses to TURN DR 24, Q1; TURN DR 27, Q1 Supp01Rev01, including TURN-027-Q001Atch01.pdf, a document PG&E refers to as the “Regulatory Accounting Document (RAD)”; TURN DR 31, Q1; TURN DR 31, Q2 Supp01. In DR 27, Q1(b), TURN directly asked PG&E to explain how it determined for Increased Work programs the work that should be booked to the GRC account and to provide the written instructions it used for this purpose. PG&E claimed that the RAD provided this information, but the redacted version PG&E provided to TURN contained no such explanation or instructions.

⁷⁰ PG&E response to TURN DR 31, Q2 Supp01 (emphasis added).

1 criteria were met), the work was by default booked to the WMPMA or FRMMA. Importantly,
2 PG&E did not examine whether the work was already funded in the GRC. It simply assumed
3 that wildfire mitigation work performed in an HFTD was not a GRC Base activity and should be
4 deemed incremental work to be booked to the WMPMA or FRMMA.⁷¹

5 This approach was incorrect because it failed to consider whether the work in question
6 was within the scope of work funded in the GRC. Contrary to PG&E's approach, the GRC
7 authorizations for the Increased Work activities never stated that the funding was limited to non-
8 HFTD areas. Obviously, for a GRC that was filed in December 2018, after the 2017 North Bay
9 Fires and the 2018 Camp Fire, it would be absurd for PG&E to request that its funding for such
10 essential activities as asset inspections and asset repair and replacement be limited to non-HFTD
11 areas.

12 To the contrary, PG&E's 2020 GRC request often pointed out that the forecast activities
13 that PG&E now labels Increased Work would include particular attention to areas of high fire
14 risk (PG&E did not always use the HFTD acronym). For example, PG&E's 2020 GRC request
15 described pole replacement and inspection programs, MATs 07D and GAA, as Wildfire Risk
16 programs.⁷² Given that, by definition, the Wildfire Risk was concentrated in HFTD areas, this
17 meant that the pole programs would be particularly active in HFTD areas. In addition, PG&E
18 expressly stated that it was prioritizing pole inspections to the circuits with highest risk,⁷³ which
19 obviously would be many circuits in HFTD locations, and that for pole replacements and pole
20 loading assessments, it was giving "Wildfire Tier 2 and Tier 3 areas" (i.e., HFTD Tiers 2 and 3)
21 first priority.⁷⁴ As another example, PG&E's 2020 GRC testimony highlighted the fact that
22 PG&E's request for electric distribution maintenance work -- such as inspections (MWC BF)
23 and overhead preventive maintenance (MWC KA)-- was significantly affected by new General
24 Order requirements to increase inspections in HFTD areas and to prioritize correction of safety
25 hazards in HFTDs.⁷⁵

⁷¹ As shown in Section VI below the cost breakdowns PG&E has provided in discovery reflect these criteria for the most part. For many activities, no HFTD work was counted as GRC Base. For a minority of activities, some of the GRC Base costs include costs for HFTD work.

⁷² PG&E 2020 GRC Testimony, Ex. PG&E-4, pp. 8-12 to 8-13.

⁷³ *Id.*, p. 8-8.

⁷⁴ *Id.*, pp. 8-19 to 8-20.

⁷⁵ *Id.*, pp. 6-6, 6-9.

1 These examples support the obvious broader point that, after the catastrophic wildfires of
2 2017 and 2018, PG&E’s main focus for its electric distribution work forecast in the 2020 GRC
3 had to turn to PG&E’s highest risk, wildfire risk, and the assets located in the highest wildfire
4 risk areas, HFTD. Given that more than 50% of PG&E’s service territory is in HFTD or HFRA
5 areas,⁷⁶ when it came time to assign costs to Base GRC or an incremental memorandum account,
6 it made no sense for PG&E to simply assume that all or most of its 2020 GRC funding was
7 limited to non-HFTD areas. Clearly, much of the GRC funding was for work in HFTD and
8 related high fire risk areas.

9 The effect of the cost assignment approach PG&E chose to use for this case is to fail to
10 assign to GRC Base costs of HFTD work that was covered by GRC funding and to book
11 excessive, non-incremental costs to the WMPMA and FRMMA for requested recovery in this
12 case.

13 **B. PG&E’s Incorrect Approach Unduly Benefits Shareholders and Harms**
14 **Ratepayers**

15 PG&E’s incorrect approach serves the financial interests of its shareholders, to the
16 detriment of PG&E’s ratepayers. The simple fact is that the higher the amount of costs booked
17 to the WMPMA and FRMMA, the more money PG&E could seek to recover above its GRC
18 funding for 2020-2022, including for capital work that increases rate base. PG&E appears to
19 believe that there is only a financial upside to trying to squeeze more money out of ratepayers by
20 assigning excessive costs to the wildfire memorandum accounts: PG&E can try to convince the
21 Commission in this case that it should recover the costs, but if it fails, it expects to be no worse
22 off.⁷⁷

23 Costs of HFTD work covered by PG&E’s GRC authorization should have been assigned
24 to GRC Base. Under the GRC forecast ratemaking principles discussed in Section IV(B)(2)
25 above, if those recorded costs for GRC Base work exceed PG&E’s GRC authorized funding,

⁷⁶ Ex. PG&E-01-E, p. 1-10.

⁷⁷ For this reason, as discussed in Section VIII(B) below regarding ratemaking for disallowances for non-incremental capital costs, it is important that PG&E suffer a significant financial consequence for this improper practice.

1 shareholders would be at risk of reduced profits (the flip side of enjoying increased profits when
2 recorded GRC Base costs are lower than authorized).⁷⁸

3 PG&E understood that shareholder profits were implicated by the method it chose for
4 assigning costs between Base GRC and the WMPMA/FRMMA. In a proposal that it considered
5 prior to adopting the approach quoted above, PG&E recognized that, if it recorded more costs to
6 Base GRC than its GRC authorization, shareholders would be at risk of reduced earnings.⁷⁹ By
7 settling on an approach that uses an unduly narrow scope for Base GRC work, PG&E attempted
8 to limit the risk to shareholders of having to absorb overspending for GRC authorized work.
9 PG&E’s apparent strategy to improperly shift its GRC risk to ratepayers should not be allowed to
10 succeed.

11 **C. The Commission Should Find that Costs for Work Booked to the WMPMA**
12 **and FRMMA that Was Covered by PG&E’s GRC Authorization Are Not**
13 **Incremental and Should Be Disallowed**

14 The foregoing has shown that PG&E’s method of booking costs to the WMPMA and
15 FRMMA is incorrect and harms ratepayers. As a result, a different way of determining the
16 incremental costs that are appropriate to book to those memorandum accounts is needed. In an
17 ideal world, the GRC authorization for a given activity would show how much of the work was
18 to be done in the HFTD and non-HFTD areas so that we would know exactly how much HFTD
19 work was covered by the GRC authorization. However, that breakdown has typically not been
20 provided in GRCs and was not provided in the 2020 GRC decision.

21 The best *available* information for determining which work is incremental to the GRC
22 authorization is the authorized *units* of work. Thanks to the Commission’s Risk Spending
23 Accountability Report (RSAR) requirements, this information is available for several of the
24 activities for which PG&E requests funding, including some of the activities with the highest

⁷⁸ As the Commission stated in D.96-12-066: “Any savings the utility can generate between general rate cases belong to the shareholders. In exchange for the opportunity, the shareholders take on the burden of added expenses it may incur during a rate case cycle.” 1996 Cal. PUC LEXIS 1111, 69 CPUC 2d 691, 695.

⁷⁹ In early 2020, PG&E was considering an approach to incrementality that it called the “Fill the Bucket Method,” which is discussed in more detail below in Part C of this section. The description of the proposal noted that, if it recorded more costs to the GRC Base “bucket” than were authorized in the GRC, the company risked a “shareholder impact.” PG&E response to TURN DR 24, Question 1, including Atch01 (reproduced in Appendix D of this testimony).

1 requested costs. Authorized units tell us the scope of work that was covered by the GRC
2 authorization. As discussed above, the GRC funded scope clearly included both HFTD and
3 non-HFTD work for the programs involved in this case, with a significant focus on HFTD work
4 given the primacy of the Wildfire Risk.

5 Work should only be considered incremental and eligible to be booked to the WMPMA
6 or FRMMA if it *exceeded* the GRC authorized units. For those excess units to be incremental,
7 PG&E should also have reasonably utilized GRC funding to conduct HFTD work. If not, some
8 of the excess units should not be considered incremental, commensurate with the amount of
9 HFTD work that PG&E would have booked to “Base” following a responsible accounting
10 practice. Taking advantage of the available information about units allows the Commission to
11 “ensure an electrical corporation does not recover additional revenue for wildfire risk mitigation
12 activities unless those activities are incremental to the work authorized in its GRC.”⁸⁰

13 In Section VI below, TURN uses the available unit information as the basis for a more
14 reasonable assessment of which work was incremental to the GRC authorization. As one
15 example (using approximate numbers), for the program Overhead Non-Pole Maintenance (MAT
16 KAA, Chapter 5), PG&E was authorized to perform about 94,000 units of work. However,
17 PG&E assigned only 40,000 units to Base GRC,⁸¹ instead of filling the Base GRC bucket before
18 booking work to the memorandum accounts. Thus, of the 68,000 units PG&E booked to the
19 WMPMA, only 14,000 represented actual increased work over the GRC authorization. The costs
20 attributable to the 54,000 units PG&E did not assign to Base GRC are not attributable to
21 increased work and should be disallowed.⁸²

22 The incrementality approach used by TURN is actually conceptually similar to a proposal
23 PG&E considered in early 2020 that PG&E called the “Fill the Bucket Method.” Under the Fill
24 the Bucket Method, PG&E would assign not just costs for non-HFTD work to the Base GRC

⁸⁰ D.23-11-069 (decision on PG&E’s 2023 GRC), p. 284. Using unit information is also consistent with Question 3 of the ALJ’s October 17, 2023 Ruling in this case (and 2 other cost recovery cases). The question asked for the best documents to track the correspondence between “the wildfire mitigation work approved in the GRC and wildfire work that PG&E claims additional to the wildfire mitigation work approved in the 2020 GRC.” Notably, in both D.23-11-069 and the ALJ Ruling, the Commission indicated that the comparison should be based on GRC authorized “activities” and “work”, not dollars.

⁸¹ About 18% of costs for these Base units pertained to work in HFTD or buffer areas, per PG&E response to TURN DR 35 Q1, Atch 1, Supp 1, Rev 1.

⁸² Section VI(C)(1)(a) below.

1 bucket, but would also assign HFTD costs until the Base GRC bucket was filled.⁸³ The
2 difference in TURN's approach is to use units of work (where available), not dollars, to
3 determine the size of the Base GRC bucket. Units reflect the scope of work that PG&E was
4 expected to execute with its GRC authorization and do not allow the utility to count costs as
5 incremental unless more wildfire mitigation work than was authorized was actually performed.

6 Where units for the GRC authorization are not available, an alternative analysis is
7 needed. PG&E's incorrect assignment of all HFTD work to the WMPMA/FRMMA calls into
8 question whether any of the costs booked to those memo accounts were truly for increased work
9 that was not funded in the GRC. Where units are available, it is clear that a significant amount
10 of work that PG&E claims to be incremental was actually not increased work. For the work
11 where GRC authorized units are not available (non-unitized work), it is reasonable to expect the
12 same to be true.

13 For this non-unitized work, PG&E needed to show in its direct testimony that the work it
14 booked to the WMPMA or FRMMA was not covered by its GRC authorization. To the extent
15 that PG&E does not meet this burden, a full or partial incrementality disallowance is warranted,
16 as discussed in Section VI below. For certain non-unitized programs,⁸⁴ TURN imputed 50% of
17 the GRC authorized costs to HFTD areas, based on the fact that over 50% of PG&E's service
18 territory comprises Tier 2 or 3 HFTD.⁸⁵ Only costs for HFTD (or buffer area) work in excess of
19 this 50% threshold should be found incremental to the GRC authorization.

20 **D. PG&E's 'GRC Spend Analysis' Does Not Rescue PG&E's Indefensible**
21 **Approach to Booking Costs to the WMPMA and FRMMA**

22 PG&E claims that it confirmed the incrementality of the costs it booked to the WMPMA
23 and FRMMA by comparing its total recorded Base GRC spending for Increased Work activities
24 to its total authorized spending for those activities. Because the recorded spending exceeds
25 authorized spending for both its expense and capital portfolio of Increased Work activities,

⁸³ The Fill the Bucket Method is discussed in the Attachment to TURN DR 24, Question 1, which is reproduced in Appendix D to this testimony. The Distribution Pole (MAT 07D) example shows that non-HFTD (Tier 1) work was insufficient to fill the Base GRC bucket so costs for Tier 2 HFTD work would need to be included

⁸⁴ See, e.g., the discussion of Chapter 3 costs in Section VI(D)(1) below.

⁸⁵ Ex. PG&E-01, p. 1-10.

1 PG&E claims that this confirms that all costs requested in this application are incremental.⁸⁶
2 This analysis does not cure PG&E's failure to correctly assign costs between GRC Base and the
3 memorandum accounts.

4 The point of the memorandum accounts is to capture costs for work that increases
5 PG&E's wildfire mitigation capabilities beyond what was authorized in the GRC. PG&E's
6 aggregate analysis does not allow for such an assessment on a program-by-program basis. All of
7 the activities addressed in this application are supposedly important for wildfire mitigation;
8 otherwise, they would not be claimed here. TURN's analysis assesses for each program whether
9 PG&E truly was performing more wildfire mitigation work than was covered by its GRC
10 authorization.

11 By aggregating costs, PG&E evades showing that it performed incremental wildfire
12 mitigation work for each program for which it seeks cost recovery. Consider the following
13 simplified example based on PG&E's GRC Spend Analysis:

14

Activity	GRC Authorization (\$)	GRC Authorization (Units)	Recorded Costs (\$)	Recorded Units
A	10	10	5	5
B	10	10	25	10
Total	20	-	30	-

15

16 In this example, PG&E's GRC Spend Analysis would purport to show that up to \$10 of costs are
17 incremental and should be funded by ratepayers based on the cost totals. However, the activity
18 breakdown shows that the reason that total costs exceed authorized costs is because of a 150%
19 cost overrun for activity B. For that activity B, PG&E performed the same number of units as
20 were authorized, meaning it did not provide additional wildfire mitigation work. And for activity
21 A, PG&E executed less work than authorized. Thus, the activity-by-activity breakdown that
22 should be used for an incrementality analysis shows that PG&E did not do incremental work for
23 either activity.

⁸⁶ Ex. PG&E-01, pp. 15-12 to 15-14.

1 Accordingly, PG&E’s aggregated GRC Spend Analysis does not provide the necessary
2 activity-by-activity showing that the work booked to the memorandum accounts provided
3 additional wildfire mitigation and was incremental.

4 The Commission should direct PG&E to stop using its method of assigning costs to Base
5 GRC and the WMPMA/FRMMA quoted above in Part A of this section. In addition, to facilitate
6 the assessment of incrementality by parties and the Commission, in any future wildfire
7 mitigation cost recovery applications, PG&E should be directed to provide GRC authorized costs
8 and units, where available, and recorded GRC Base costs and units.

9 **E. The Ernst & Young and Grant Thornton Audits Do Not Establish**
10 **Incrementality**

11 PG&E hired Ernst & Young (EY) to review its wildfire costs “for accuracy” and
12 submitted the audit report alongside its application.⁸⁷ Grant Thornton (GT) also reviewed some
13 of these costs in accordance with D. 20-05-019 “to evaluate PG&E’s showing for cost recovery,”
14 and released a report in June 2024.⁸⁸ Both reports examined costs on a sample basis and
15 proposed recommended disallowance amounts due to insufficient audit trails.⁸⁹ TURN does not
16 object to these disallowances, because accuracy in accounting is important. But accounting
17 accuracy should not be confused with incrementality.

18 The EY audit did not assess incrementality, notwithstanding PG&E’s claim to the
19 contrary.⁹⁰ The audit looked at a small percentage of costs and only established: “that costs
20 were: 1) incurred for the activities set forth in the corresponding relevant CPUC approved
21 Accounts; 2) accurately recorded; and 3) recorded in only one account.”⁹¹ Ensuring that PG&E
22 did not record the same transaction twice is not the same as substantively evaluating whether
23 PG&E exhausted its GRC funds for an authorized scope of work before recording costs to a
24 memorandum account.

⁸⁷ Ex. PG&E-01, p. 1-14.

⁸⁸ Ex. PG&E-05, Grant Thornton Audit, June 14, 2024, p. 1.

⁸⁹ Ex. PG&E-01, p. 16-13, and Grant Thornton Report on Analysis of PGE Wildfire Cost Recovery Accounts, June 14, 2024, p. 7.

⁹⁰ PG&E claims that EY “...assessed the incrementality of the WMPMA and FRMMA costs compared to PG&E’s last-approved GRC and other cost-recovery mechanisms and found no evidence of double recording.” Ex. PG&E-01, p. 15-3.

⁹¹ Ex. PG&E-01, p. 15-20.

1 Similarly, GT’s methodology for assessing incrementality by performing “a duplicate
2 transaction test” does not establish incrementality.⁹² Examining costs on a sample basis does not
3 allow for a meaningful understanding of overlapping activity groups and authorizations. By
4 seeking to evaluate incrementality “for work that was not funded in the GRC... **and** not
5 recovered in other company ledger accounts or applicable proceedings,” the auditor is again
6 referring to accounting mistakes rather than an assessment of whether PG&E was claiming costs
7 for work within the scope of its GRC authorization.⁹³ Acknowledging the limitations of its
8 analysis, GT underscores that it is up to the Commission to “consider how much of the
9 incremental cost in the memorandum accounts should have been potentially incurred historically
10 as part of a prudent routine wildfire risk mitigation program,” and ultimately, “consider what
11 portion of the costs should be borne by utility customers and what portion should be borne by
12 company shareholders.”⁹⁴

VI. Specific Costs in PG&E’s Wildfire Application Should be Disallowed on Grounds of Incrementality and Reasonableness (S. Ashford)

13 This section addresses PG&E’s failure to demonstrate the incrementality and
14 reasonableness of specific programs within PG&E’s wildfire cost recovery request. As
15 previously stated, omitted discussion of activities does not imply TURN’s endorsement of
16 related costs. TURN does not have the capacity to assess every activity claimed in applications
17 like these, particularly because evaluating a given project requires a careful review of cost and
18 subject matter overlap with the utility’s other wildfire applications and General Rate Cases.
19 Nevertheless, after a review of key spending areas, we have identified significant disallowances
20 flowing from PG&E’s failure to meet its burden of proof regarding reasonableness or
21 incrementality, and in some case both requirements. The following testimony is organized
22 according to the chapters in PG&E’s application (Ex. PG&E-01). Table 2 presents a summary of
23 TURN’s recommendations for 2020-2022.

⁹² PG&E response to DR TURN-PG&E-038, Q4 (c).

⁹³ Ex. PG&E-05, Grant Thornton Audit, June 14, 2024, p. 8 (emphasis added).

⁹⁴ Ex. PG&E-05, Grant Thornton Audit, June 14, 2024, p. 6.

1 **Table 2: PG&E Recorded Costs⁹⁵ and TURN Recommendations,⁹⁶ 2020-2022 (\$ 000s)**

PG&E WGSC Recorded Costs					TURN Disallowances	
Chapter No.	Chapter Title	Account	Capital	Expense	Capital	Expense
Chapter 2	Overhead Electric Distribution Asset Inspections	WMPMA	\$0	\$207,332	-	\$184,092
Chapter 3	Emergency Repairs and Replacements	WMPMA	\$33,986	\$4,491	\$33,986	\$4,491
Chapter 4	Pole Assessments & Replacements	FRMMA	\$52	-	\$24	-
		WMPMA	\$858,779	\$72,319	\$548,973	\$72,319
Chapter 5	Line Repairs and Replacements	FRMMA	\$14	\$246	\$14	\$246
		WMPMA	\$386,860	\$187,075	\$309,349	\$177,671
Chapter 6	Substation Repairs and Replacements and Temporary Generation	WMPMA	\$32,864	\$73,844	-	\$9,453
Chapter 7	Power Generation	FRMMA	\$0	\$6,763	-	-
		WMPMA	\$0	\$6,554	-	-
Chapter 8	Enhanced Powerline Safety Settings	FRMMA	\$2,737	\$18,148	-	-
		WMPMA	\$18,048	\$69,665	-	-
Chapter 9	Enhanced Automation and Remote Grid	FRMMA	\$792	\$3,202	-	-
		WMPMA	\$31,237	\$11,456	-	-
Chapter 10	Data Management & Analytics and Mapping	FRMMA	\$0	\$3,037	-	\$22
		WMPMA	\$0	\$13,088	-	\$6,758
Chapter 11	Wildfire Support	FRMMA	\$572	\$35,238	-	-
		WMPMA	\$9,255	\$75,069	-	\$24,714
Chapter 12	Shared Services	FRMMA	\$38,241	\$5,045	-	-
		WMPMA	\$58,324	\$6,070	\$96	\$4,594
Chapter 13	Information Technology	FRMMA	\$3,993	\$7,221	-	-
		WMPMA	\$44,163	\$64,761	-	-
Chapter 14	Customer and Communications	FRMMA	\$0	\$26,506	-	-
		WMPMA	\$5,878	\$72,500	-	\$2,502
Total		FRMMA	\$46,401	\$105,406	\$38	\$268
		WMPMA	\$1,479,395	\$864,225	\$892,404	\$486,595
Grand Total			\$1,525,796	\$969,632	\$892,442	\$486,864

2

3 **A. Overhead Electric Distribution Asset Inspections (“Chapter 2”)**

4 PG&E recorded \$207.332 million in expenses for Overhead Electric Distribution Asset
5 Inspections (Chapter 2) costs to the WMPMA over 2020-2022.⁹⁷ PG&E makes two accounting
6 adjustments based on the Wildfire OII decision (\$73.939 million), and the EY auditor

⁹⁵ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1. These recorded costs differ from PG&E’s final request in opening testimony because they do not include the Wildfire OII or EY audit disallowances.

⁹⁶ TURN’s position represents minimum recommended disallowances. Where we do not recommend a 100% disallowance for a category of costs, that should not be construed as a TURN recommendation that those costs are appropriate to recover in rates. In many cases, we are not recommending a disallowance because we lacked the time and resources to assess all activities within the cost category.

⁹⁷ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

1 recommendation (\$0.002 million), which reduces its request to \$133.391 million.⁹⁸ As discussed
 2 in Section VIII(A), TURN makes its recommendations in relation to the utility’s full recorded
 3 costs, because the Wildfire OII \$198 million disallowance should only be applied after costs
 4 have been found reasonable. These costs are grouped under six Maintenance Activity Types
 5 (MATs): Overhead Patrols (BFA); Detailed Overhead Inspections (BFB); Overhead Infrared
 6 Inspections (BFC); and Inspections Support Costs (BFH, BF#, IG#). TURN recommends
 7 disallowing \$6.072 million for MAT BFA, \$137.113 million from MAT BFB, \$4.551 million for
 8 MAT BFC, and \$36.357 million from Inspections Support Costs on grounds of PG&E’s failure
 9 to demonstrate incrementality and reasonableness (Table 3).

10 **Table 3: Summary of TURN Recommended Disallowances (Chapter 2)⁹⁹**

Program / Activity	Memo Account	Type	MAT	WGSC Recorded Costs	Incrementality Disallowance	Reasonableness Disallowance	Combined Disallowance
Overhead Patrols	WMPMA	Expense	BFA	\$6,071,644	\$6,071,644	\$2,260,856	\$6,071,644
Detailed Overhead Inspections	WMPMA	Expense	BFB	\$155,469,623	\$70,708,197	\$121,799,278	\$137,112,683
Overhead Infrared Inspections	WMPMA	Expense	BFC	\$4,550,654	\$4,550,654	\$3,494,802	\$4,550,654
Inspections Support Costs	WMPMA	Expense	BFH, BF#, IG#	\$41,240,579	\$20,194,340	\$31,671,856	\$36,357,387
TOTAL				\$207,332,499	\$101,524,834	\$159,226,791	\$184,092,369

11
12 **1. Non-Incremental Units Should be Disallowed**

13 TURN finds that PG&E’s full request for MATs BFA and BFC, \$70.708 million from
 14 MAT BFB, and \$20.194 million from Inspections Support Costs pertain to costs that are not
 15 incremental to the 2020 GRC. Incremental work must constitute a new activity (which PG&E
 16 labels “emergent”) or, for existing programs (which PG&E labels “increased”), exceed the scope
 17 of work authorized by the GRC, as explained in Section V above.¹⁰⁰ All activities in Chapter 2
 18 are labelled “increased” because the CPUC approved costs for each program in PG&E’s 2020
 19 GRC.

⁹⁸ Ex. PG&E-01, p. 16-3.

⁹⁹ The values shown in the Incrementality and Reasonableness Disallowance columns are stand-alone disallowances if only that requirement is considered. Sometimes both bases of disallowance apply to the same costs. For these expense programs, the Combined Disallowance is the sum of the incrementality disallowance plus the reasonableness disallowance when applied only to incremental units and may be lower than the sum of the incrementality and reasonableness disallowances. WGSC recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

¹⁰⁰ Ex. PG&E-01, pp. 15-7 to 15-8.

1 PG&E claims that the costs in Chapter 2 are incremental because its inspections adopted
2 an “enhanced and accelerated” methodology in accordance with its WMPs and its post-2019
3 Wildfire Safety Inspection Program (WSIP).¹⁰¹ In discovery, PG&E explained that the
4 “increased frequency” of its inspections refers to a new “risk informed” rather than time-based
5 approach, and an “accelerated schedule” of High Fire Threat District (HFTD) inspections.¹⁰²
6 Further, PG&E claimed inspections are incremental because of an “enhanced scope” which
7 includes more detailed inspection checklists and digital rather than on-paper inspections. While
8 WMP references are a prerequisite for booking costs to the WMPMA, these discussions are not
9 sufficient to show the incrementality of claimed costs, as discussed in Section II above.

10 PG&E’s showing of incrementality is insufficient. In terms of adopting a new risk-
11 informed approach after the 2020 GRC, PG&E previously received direction from the CPUC
12 Safety and Enforcement Division in the 2017 GRC cycle to identify explicit risk drivers for
13 patrols and inspections in the Major Work Category (MWC) BF.¹⁰³ Throughout its 2020 GRC
14 testimony, the company indicated a risk-oriented approach for patrols and inspections. For
15 example, PG&E explicitly committed to accelerating its protocol to annually patrol overhead
16 facilities in HFTD Tiers 2 and 3 (MAT BFA).¹⁰⁴ PG&E also stated that it would conduct
17 “infrared inspections of overhead equipment, both systemwide to look for failed conductor
18 splices and faulty switches, and in selected areas at high risk for wildfire” (MAT BFC).¹⁰⁵

19 Regarding the schedule and scope of inspections, PG&E has not met the commitments
20 that it established in its WMPs. The 2021 Federal Monitor report found that “in no year has
21 PG&E met all of the inspection commitments in its WMP.”¹⁰⁶ PG&E “did not meet its inspection
22 targets” in 2019 or 2020, and “failed to inspect 5,107 distribution structures by the deadline” in
23 2021.¹⁰⁷ This failure occurred “mostly because of faulty records which do not accurately reflect
24 assets in the field,”¹⁰⁸ including 41,000 structures with missing or incomplete inspection records,

¹⁰¹ Ex. PG&E-01, p. 2-7.

¹⁰² PG&E response to TURN DR 007, Q3.

¹⁰³ Safety and Enforcement Division Risk Assessment Section Staff Report, Pacific Gas and Electric Company (PG&E) 2017-2019 General Rate Case Application, A.15-09-001, p. 46.

¹⁰⁴ PG&E 2020 GRC Testimony, PG&E-4, p. 6-32.

¹⁰⁵ PG&E 2020 GRC Testimony, PG&E-4, pp. 6-30 to 6-31, emphasis added.

¹⁰⁶ PG&E Federal Monitor Report of November 19, 2021, p. 30, emphasis added.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

1 according to a 2020 audit.¹⁰⁹ The report identified fundamental inadequacies of PG&E’s
 2 inspection practices:

3 ...one of the most common issues identified by the Monitor team had to do with failure
 4 of PG&E inspectors to identify an asset as being located within 600 feet of a structure or
 5 dwelling. The high failure rate on an objective question like this indicates that inspectors
 6 may not be paying the requisite attention to detail throughout the inspection process, and
 7 that further training and oversight is required.¹¹⁰

8
 9 The report elaborates at length on the “room for improvement” in PG&E’s inspections record-
 10 keeping, and recommends improvements to inspector training, record digitalization, and a plan to
 11 close recordkeeping gaps.¹¹¹ Resolving the issue of missing and poor-quality records, due to
 12 years of sub-standard maintenance practices, does not suggest an enhancement in scope, nor does
 13 missing deadlines indicate an acceleration of schedule.

14 On the contrary, examining the units of work completed over the period, TURN finds that
 15 PG&E recorded costs to the WMPMA which were not conceivably incremental to its GRC
 16 authorization for these inspection activities. As shown in Table 4, PG&E was authorized funding
 17 for these MATs in the GRC (“GRC”), recorded certain spending as Base GRC costs (Base), and
 18 recorded other spending to the WMPMA (“WGSC”) over 2020-2022. Units and unit costs were
 19 also imputed adopted in the GRC for MATs BFA and BFB.

20 **Table 4: GRC Authorized, Base and WGSC Recorded¹¹² Units and Costs (Chapter 2)¹¹³**

Program / Activity	MAT	Units			Unit Costs			Total Costs			Base in HFTD
		GRC	Base	WGSC	GRC	Base	WGSC	GRC	Base	WGSC	
Overhead Patrols	BFA	4,476,868	2,862,202	1,161,161	\$3	\$5	\$5	\$14,692,534	\$14,945,546	\$6,071,644	\$0
Detailed Overhead Inspections	BFB	1,470,640	916,395	1,218,646	\$28	\$145	\$128	\$40,632,764	\$132,721,710	\$155,469,623	\$0
Overhead Infrared Inspections	BFC	0	0	25,103	-	-	\$181	\$6,702,359	\$1,116,668	\$4,550,654	\$0
Inspections Support Costs	BFH, BF#, IG#	0	0	0	-	-	-	\$8,335,134	\$36,842,889	\$41,240,579	\$0
TOTAL		5,947,508	3,778,597	2,404,910				\$70,362,791	\$185,626,814	\$207,332,499	\$0

21
 22 PG&E did not record any spending to Base for these inspection MATs in HFTDs.¹¹⁴ As
 23 discussed in Section V, the utility’s incrementality approach allowed it to book all inspection

¹⁰⁹ *Id.*, p. 39.

¹¹⁰ *Id.*, p. 34.

¹¹¹ *Id.*, pp. 34, 37, and 39.

¹¹² Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

¹¹³ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

¹¹⁴ “HFTD” here refers to HFTD Tier 2 or 3, Zone 1, or buffer areas, per PG&E response to TURN DR 035, Q1, Supp 1, Rev 1.

1 costs for work done in HFTD areas to the WMPMA. Considering that more than half of PG&E's
2 service territory is categorized as HFTD or High Fire Risk Area (HFRA),¹¹⁵ the idea that GRC
3 funding would only cover work in non-HFTD areas is non-sensical. In its 2020 GRC application,
4 PG&E explicitly requested increased GRC funding in MWC BF "due to the additional patrols in
5 HFTD areas mandated by the HFTD Fire Safety Decision."¹¹⁶

6 PG&E also recorded more work to the WMPMA than was actually incremental to the
7 GRC in terms of units of total work completed. Across the three inspections categories, MATs
8 BFA, BFB, and BFC, PG&E completed 6,183,507 total units of work relative to 5,947,508
9 adopted GRC units, which indicates that only 236,000 units may have been incremental to its
10 authorization (Table 4). Yet PG&E is claiming 2,404,910 units in the WMPMA, at much higher
11 unit costs than adopted. Additional spending due to unit cost increases is not the same as
12 incremental work. As discussed in Section IV(B)(2) above, in the GRC ratemaking process, the
13 utility absorbs the risk of overspending if its forecasted costs are too low for the activities
14 authorized. As discussed in parts (2) and (3) of this section below, the bulk of these unit cost
15 increases are also the result and consequences of PG&E's own actions. Thus, TURN
16 recommends that the costs of units claimed by PG&E in this application which are not additional
17 to those authorized in the GRC should be disallowed based on incrementality.

18 TURN calculates these incrementality disallowances at the program levels presented by
19 PG&E. For Overhead Patrols (MAT BFA), none of the claimed costs are incremental to the GRC
20 because PG&E completed fewer units overall than were authorized by the GRC. While
21 4,476,868 units were authorized in the GRC, just 4,023,363 units were completed, recorded to
22 Base and WGSC combined (Table 4). Accordingly, TURN recommends a full incrementality
23 disallowance of the claimed \$6.072 million for MAT BFA. Work in this MAT did not exceed
24 PG&E's GRC commitment, nor, as PG&E acknowledged in discovery, its typical compliance
25 responsibilities: "There is no difference in practice relative to GO [General Order] 165 for the
26 patrols activities (MAT BFA) recorded to WMPMA as compared to the activities recorded to the
27 GRC orders."¹¹⁷

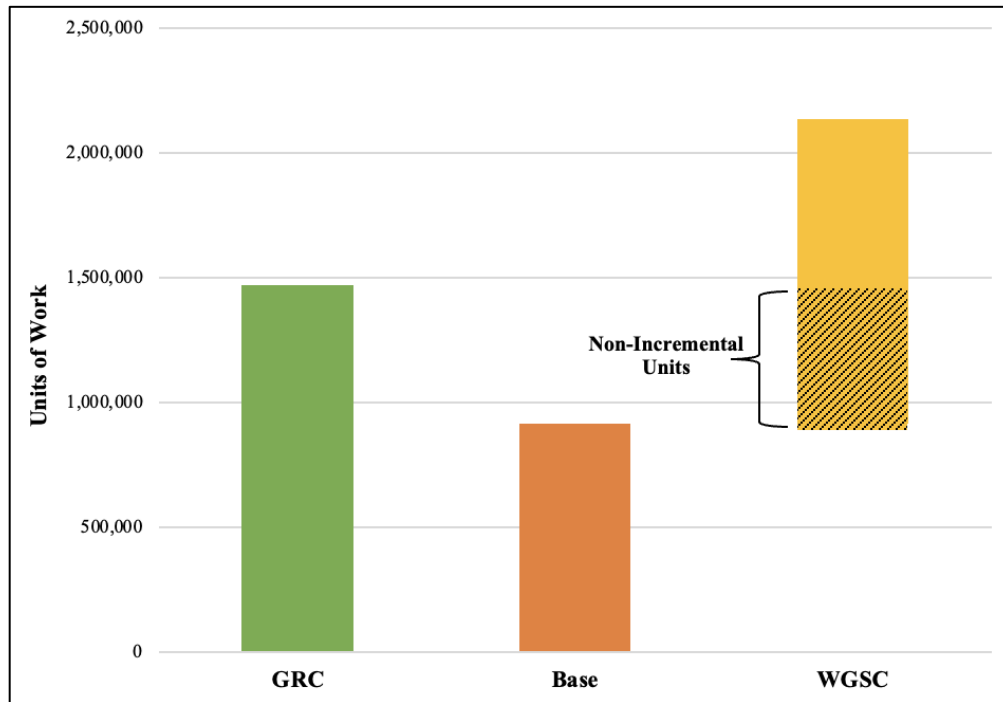
¹¹⁵ Ex. PG&E-01, p. 1-10.

¹¹⁶ PG&E 2020 GRC Testimony, PG&E-4, pp. 6-32 to 6-33.

¹¹⁷ PG&E response to TURN DR 007, Q2.

1 For Detailed Overhead Inspections (MAT BFB), PG&E claimed costs for 1,218,646 units
 2 of work, but only completed 664,401 units more than authorized by the GRC, as illustrated in
 3 Figure 1 below. Removing the costs of those 554,245 units that PG&E recorded to the
 4 WMPMA, but was authorized GRC funding to complete, TURN recommends a \$70.708 million
 5 disallowance against PG&E’s \$155.470 million costs recorded to WGSC.¹¹⁸

6 **Figure 1: GRC Authorized, Base and WGSC Recorded Units of Work for MAT BFB¹¹⁹**



7
 8 Overhead Infrared Inspections (MAT BFC) did not have adopted units in the GRC so we
 9 could not conduct a unit analysis. Nevertheless, none of the claimed costs should be found
 10 incremental to the GRC because PG&E spent less in total on this MAT than adopted in the GRC;
 11 the amount recorded to Base and WGSC combined, \$5.667 million, is less than its GRC
 12 authorization, \$6.702 million.

13 Inspections Support Costs (MATs BFH, BF#, and IG#) are also non-unitized. Without
 14 the ability to assess how much of this work was truly incremental in nature or scope relative to
 15 the GRC, the Commission should disallow a share of this program’s costs proportional to the
 16 disallowed inspections. TURN recommends a disallowance of \$20.194 million of the \$41.241

¹¹⁸ \$70.708 million is equal to 554,245 units at the average WMPMA unit cost of \$128.

¹¹⁹ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

1 million in Inspections Support Costs, having found 49% of inspection costs (MATs BFA, BFB,
2 and BFC) recorded to the WMPMA to be non-incremental.

3 **2. Unreasonable Unit Cost Increases Due to Rushed Work to Make Up**
4 **for Past Imprudence Should be Disallowed**

5 PG&E has not demonstrated the reasonableness of its higher inspection unit costs
6 compared to its GRC authorized unit costs. As discussed above and presented in Table 4, PG&E
7 only completed 4% more inspections than authorized in the GRC (MATs BFA, BFB, and BFC),
8 but it spent 458% more than authorized, including Inspections Support Costs. This is because
9 unit costs skyrocketed, increasing more than 65% for MAT BFA and 350% for MAT BFB.¹²⁰ A
10 key cost driver was the large number of contract inspectors and contracts that prohibited them
11 from “bundling” different types of inspection activities, such as patrols (BFA) and overhead
12 inspections (BFB).¹²¹ A shortage of qualified contract inspectors also increased unit costs for
13 MAT BFC.¹²² Contract inspectors jumped from less than a quarter of PG&E’s inspector force to
14 more than three quarters in 2020-2022 (Figure 2). The utility’s need to significantly increase its
15 use of outside inspectors shows that it was making up for inadequate system inspections in the
16 past, causing a rapid escalation of costs. Yet even with this additional labor force, PG&E was
17 late in completing tens of thousands of overhead inspections and patrols over 2020-2022.¹²³

¹²⁰ MATs BFC and Inspections Support Cost MATs are non-unitized. PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

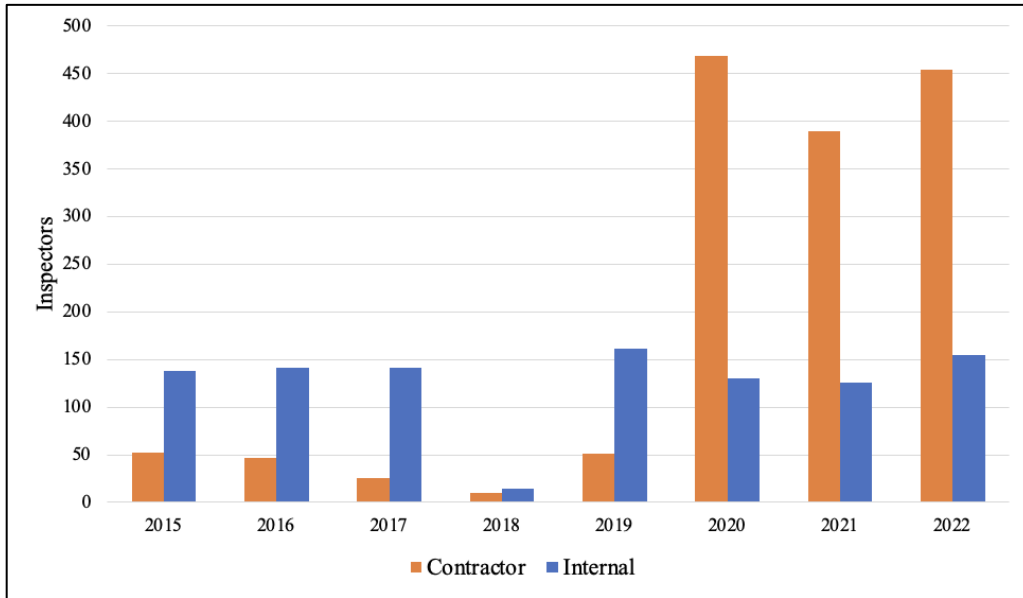
¹²¹ Ex. PG&E-01, p. 2-8.

¹²² Ex. PG&E-01, pp. 2-13 to 2-14.

¹²³ PG&E response to TURN DR 019, Q4, Atch 1.

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Figure 2: PG&E Contractor and Internal Inspectors, 2015-2022¹²⁴



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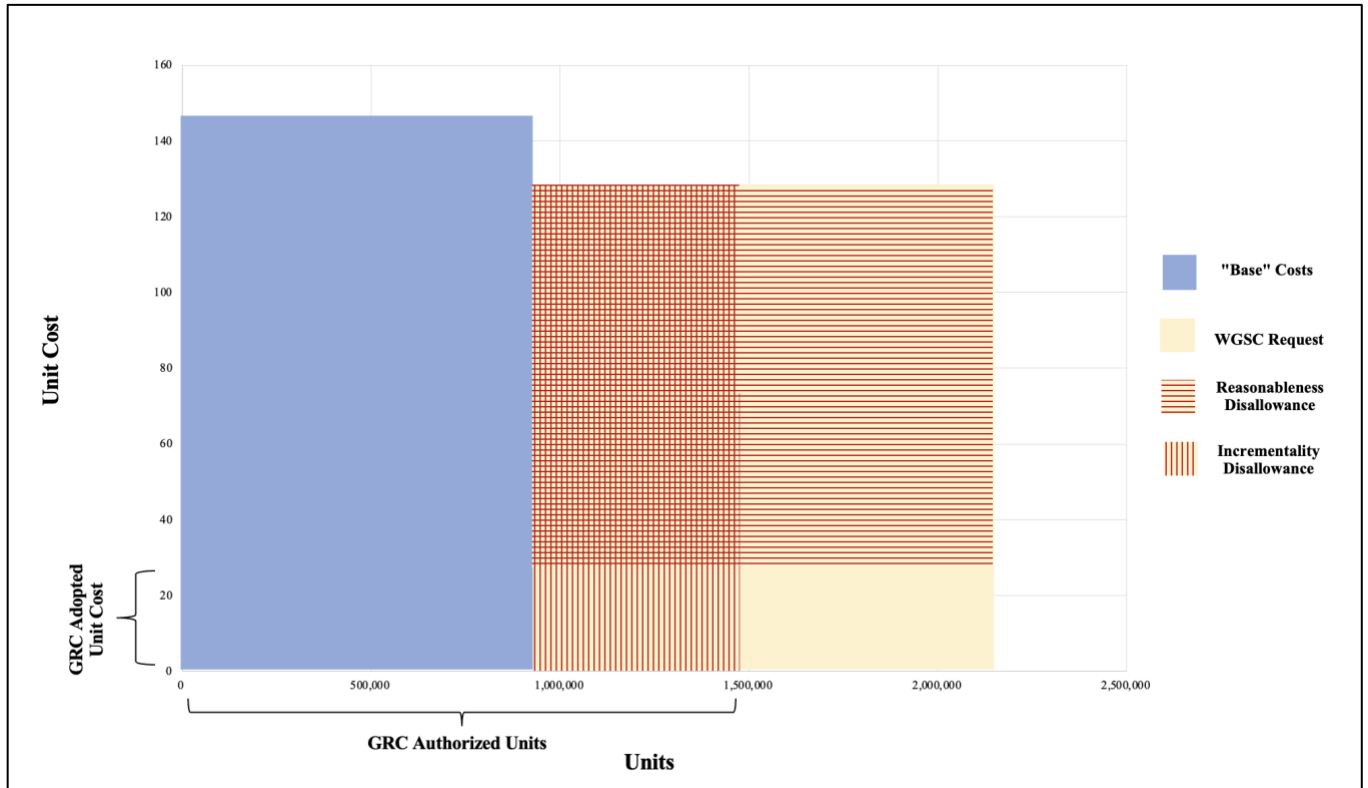
Ratepayers should not be saddled with the increased unit costs that resulted from such poor planning and execution, including the need to make up for inadequate inspection practices in the past. Thus, TURN recommends disallowing the difference between GRC imputed adopted and WGSC recorded unit costs for each MAT in this activity area. This results in a reduction of \$2.260 million for MAT BFA and \$121.799 for MAT BFB.¹²⁵ As the remaining MATs did not have imputed adopted unit costs in the GRC, TURN recommends a percentage reduction equal to the weighted average of MAT BFA and BFB reductions (77%), which amounts to \$3.495 million for MAT BFC and \$31.672 million for Inspections Support Costs.

Because these disallowances include costs found non-incremental, this recommendation effectively leads to no additional disallowances for MAT BFA or BFC, an additional \$66.405 million disallowance for MAT BFB, and an additional \$16.163 million disallowance for Inspections Support Costs. Figure 3 illustrates the combination of incrementality and reasonableness disallowances for MAT BFB. Note that PG&E’s claimed costs in this case are represented by the yellow box (“WGSC request”).

¹²⁴ PG&E response to TURN DR 016, Q2.

¹²⁵ \$2.260 million is the difference between 1.161 million units at the GRC adopted imputed unit cost of \$3 and the WMPMA recorded unit cost of \$5. \$121.799 million is the difference between 1.218 million units at the GRC adopted imputed unit cost of \$28, and the WMPMA recorded unit cost of \$128. All unit costs are averages. These are standalone disallowances on the basis of reasonableness.

1 **Figure 3: MAT BFB Units, Costs, and Recommended Disallowances (2020-2022)**¹²⁶



2
3 **3. Poor Quality of Work and Insufficient Showing of Cost-Effectiveness**
4 **Further Support these Disallowances**

5 For MAT BFB, PG&E states that other cost drivers included implementing its “Field
6 Safety Reassessment” (FSR) process to check on overdue maintenance notifications and
7 improving inspection checklists and job aids.¹²⁷ These justifications do not warrant ratepayer
8 funding. In the 2023 GRC, the Commission agreed with TURN’s recommendation to deny
9 PG&E funding related to FSRs within MAT BFB.¹²⁸ These checks are only needed when PG&E
10 has failed to correct maintenance issues by their deadline, due to significant work backlogs and
11 past imprudence.¹²⁹ PG&E’s problem of unresolved maintenance tags and delayed inspections
12 has been persistent, as shown by the 2021 Federal Monitor report.¹³⁰

¹²⁶ PG&E response to TURN DR 008, Q6 (B), and DR 015, Q2 (A). Priority A and B tags are considered urgent, while Priority E, F, and H tags are considered routine.

¹²⁷ Ex. PG&E-01, pp. 2-9 to 2-12.

¹²⁸ D. 23-11-069, p. 346.

¹²⁹ D. 23-11-069, p. 348.

¹³⁰ PG&E Federal Monitor Report of November 19, 2021, p. 39.

1 PG&E has also not shown that it has made improvements to the quality of its inspections
2 that warrant additional ratepayer funding. In 2020, PG&E initiated an internal System
3 Inspections Quality Control (SIQC) team to review the progress of its Wildfire Safety Inspection
4 Program.¹³¹ The SIQC program’s pilot found a “fail rate” of 10-14% for distribution overhead
5 inspections each quarter.¹³² When SIQC fully launched in 2022, it reviewed 7.4% of all
6 distribution inspections¹³³ and found that 44% of inspections had “findings,” or problems, with
7 7.1 mistakes for every 10 inspections.¹³⁴ Most of these findings related to issues with
8 documentation or photographs, which PG&E claims to have been improving during this
9 period.¹³⁵ Nearly a third impacted maintenance notifications, inspections that failed to identify or
10 incorrectly labelled a compelling abnormal condition of a distribution asset.¹³⁶ The Federal
11 Monitor similarly found basic, fundamental problems with PG&E’s inspection checklists and job
12 aids up until its report was released late 2021.¹³⁷ As discussed in Section III (B), the Wildfire
13 Safety Division’s decision ratifying PG&E’s 2020 WMP also raised concerns about the utility’s
14 inspection practices and “history of poor record keeping.”¹³⁸ In light of these negative quality
15 control findings, the utility has not demonstrated improvements that explain unit cost increases.

16 Inspections should also evidence cost-effectiveness for ratepayers by meaningfully
17 reducing risk and achieving program objectives. In D. 19-05-037, the Commission stated that:

18 It appears that PG&E will now be doing significantly more inspections under its WMP
19 than it did in the past, but this increase in activity is not by itself sufficient to show that its
20 WSIP mitigates or lowers the risk of wildfire. As CEJA and others suggest, the
21 Commission needs metrics that measure how effective the WSIP is in preventing
22 catastrophic wildfires caused by utility ignitions. ... We find that the accelerated
23 approach to inspections and maintenance described in PG&E’s WMP complies with the
24 requirements of SB 901, Pub. Util. Code Section 8386(c)(9). Still, this finding does not
25 give PG&E a blank check for the activities described in its Plan. PG&E is currently
26 placing WSIP costs in a memorandum account. At such time as PG&E seeks cost
27 recovery, PG&E may need to show cost-effectiveness and how elements of its WSIP are
28 necessary to address new risks, over and above what is required by GO 165.¹³⁹

¹³¹ PG&E response to TURN DR 005, Q3, Rev 1.

¹³² 2022 PG&E WMP, p. 666.

¹³³ PG&E response to TURN DR 021, Q1

¹³⁴ PG&E response to TURN DR 005, Q3(b), Rev 1.

¹³⁵ Ex. PG&E-01, p. 2-10.

¹³⁶ *Id.*

¹³⁷ PG&E Federal Monitor Report of November 19, 2021, pp. 34, 37, and 39.

¹³⁸ WSD-003, p. 40.

¹³⁹ D.19-05-037, pp.12-13, emphasis added.

1 PG&E does not provide a showing of cost-effectiveness that satisfies this requirement. In
2 discovery, PG&E did not provide any information or supporting documents that would suggest it
3 performed a cost-effectiveness analysis before or after implementing its inspections programs.¹⁴⁰
4 PG&E did not provide Risk Spend Efficiency (RSE) scores for its inspection programs in 2020
5 or 2021, and while it shared 2022 RSE values for its inspections program broadly, it did not have
6 an assessment unique to the costs recorded to the WMPMA.¹⁴¹ The CPUC has made clear that
7 increased spending on inspections and a higher number of created maintenance tags are not
8 enough to show these programs are working. On the contrary, in ratifying PG&E’s 2020 WMP,
9 the Wildfire Safety Division was concerned that PG&E’s overspending on inspections in 2019
10 was poorly prioritized and produced largely insignificant outcomes; “PG&E may be spending a
11 large amount on enhanced inspections for little return since the findings are mostly minor.”¹⁴² A
12 large number of low-level findings may not mean the inspection program is advanced, but only
13 that PG&E’s previous inspection program was insufficient and failed to detect rampant
14 maintenance deficiencies. The CPUC also expressed skepticism about inspections producing a
15 high number of maintenance tags in its decision on PG&E’s 2023 GRC, when it wrote that “The
16 Commission is not persuaded that PG&E’s change in inspection criteria ‘suddenly’ increased the
17 number of poles tagged for corrective action by approximately four times the average annual
18 inspection find rate in pre-WSIP years.”¹⁴³

19 PG&E’s inspections over 2020-2022 resulted in a high incidence of lower priority
20 maintenance tags. For example, as shown in Figure 4, more than 90% of the pole replacement
21 tags created post-WSIP were lower priority (requiring remediation in 12+ months):¹⁴⁴

¹⁴⁰ PG&E responses to TURN DR 009, Q1.

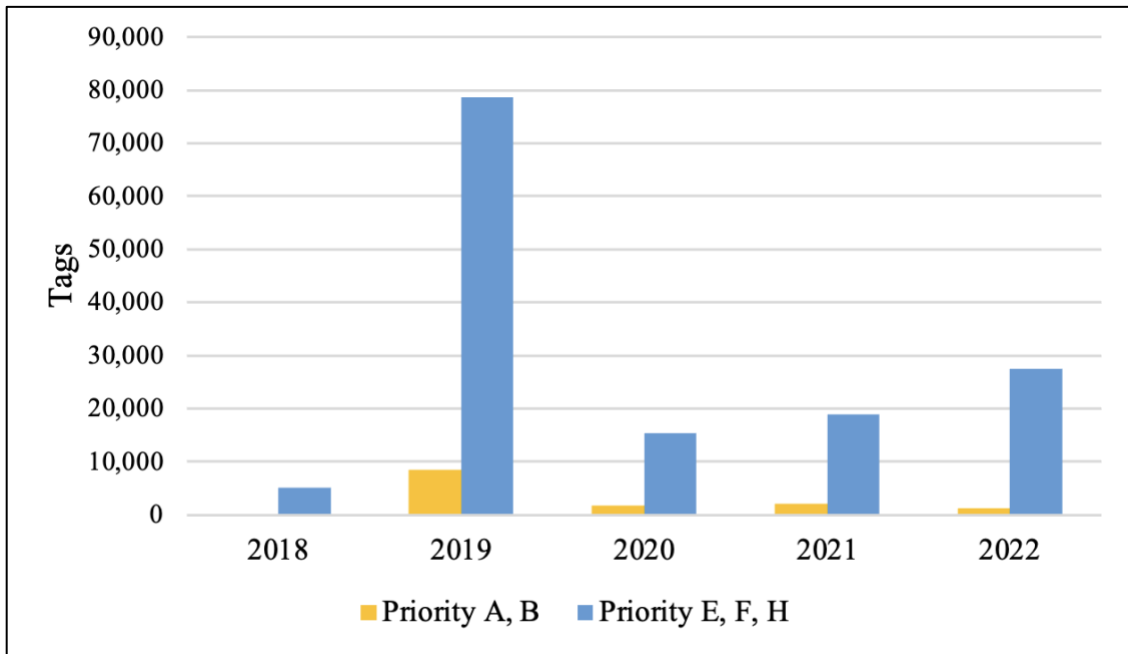
¹⁴¹ PG&E response to TURN DR 017, Q10.

¹⁴² WSD-003, p. 40.

¹⁴³ D. 23-11-069, p. 348.

¹⁴⁴ Priority E tags may require action in six months depending on locational risk attributes.

1 **Figure 4: Created Maintenance Tags for Pole Replacement in HFTD/Buffer Areas¹⁴⁵**



2
3 The lack of enhancements to inspections, past imprudence, persistent delays, quality of
4 work issues, and production of insignificant findings all support TURN’s recommended
5 incrementality and reasonableness disallowances in Table 3.

6 **B. Pole Assessments and Replacements (“Chapter 4”)**

7 PG&E recorded \$858.832 million in capital and \$72.319 million in expense for Pole
8 Assessments and Replacements (Chapter 4) costs to the WMPMA and FRMMA over 2020-
9 2022.¹⁴⁶ PG&E makes two accounting adjustments based on the Wildfire OII decision (\$5.784
10 million expense), and the EY auditor recommendation (\$0.017 million expense and \$0.408
11 million capital) which reduces its request to \$858.424 million in capital and \$66.519 million in
12 expense.¹⁴⁷ As discussed in Section VIII(A) below, TURN makes its recommendations in
13 relation to the utility’s full recorded costs, because the Wildfire OII \$198 million disallowance
14 should only be applied after costs have been found reasonable. These costs are grouped under
15 three programs: Intrusive Inspection and Pole Restoration (MATs GAA, GAD, and GA#); Pole

¹⁴⁵ PG&E response to TURN DR 008, Q6(b), and DR 015, Q2(a). Priority A and B tags are considered urgent, while Priority E, F, and H tags are considered routine.

¹⁴⁶ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

¹⁴⁷ Ex. PG&E-01, pp. 16-3 and 16-5.

1 Loading and Wind Loading Analysis (MATs GAC, BFH, AB#, and 21A); and Pole Replacement
 2 (MATs 07D, 07O, and 07C). TURN recommends disallowing all \$13.778 million from the
 3 Intrusive Inspection and Pole Restoration Program, all \$61.791 million from the Pole Loading
 4 and Wind Loading Analysis program, and \$545.746 million from the Pole Replacement Program
 5 on grounds of incrementality and reasonableness (Table 5).

6 **Table 5: Summary of TURN Recommended Disallowances (Chapter 4)¹⁴⁸**

Program / Activity	Memo Account	Type	MAT/ MWC	WGSC Recorded Costs	Incrementality Disallowance	Reasonableness Disallowance	Combined Disallowance
Intrusive Inspection and Pole Restoration Program	WMPMA	Expense	GAA	\$14,443,655	\$14,443,655	-	\$14,443,655
	WMPMA	Expense	GAD	\$969,980	\$969,980	-	\$969,980
	WMPMA	Expense	GA#	-\$1,635,352	-\$1,635,352	-	-\$1,635,352
Pole Loading and Wind Loading Analysis Program	WMPMA	Expense	GAC	\$52,463,771	\$52,463,771	-	\$52,463,771
	WMPMA	Expense	BFH	\$6,015,768	\$6,015,768	-	\$6,015,768
	WMPMA	Expense	AB#	\$61,071	\$61,071	-	\$61,071
	WMPMA	Capital	21A	\$3,250,184	\$3,250,184	-	\$3,250,184
Pole Replacement Program	WMPMA	Capital	07D	\$831,356,351	\$266,050,660	\$381,823,216	\$534,620,419
	WMPMA	Capital	07O	\$23,855,646	-	\$10,956,360	\$10,956,360
	WMPMA	Capital	07C	\$317,317	-	\$145,736	\$145,736
	FRMMA	Capital	07C	\$52,027	-	\$23,895	\$23,895
TOTAL				\$931,150,419	\$341,619,739	\$392,949,208	\$621,315,488

7
8 **1. Non-Incremental Units Should be Disallowed**

9 PG&E has failed to demonstrate incrementality for its full request for the Intrusive
 10 Inspection and Pole Restoration Program, full request for the Pole Loading and Wind Loading
 11 Analysis program, and \$266.051 million from the Pole Replacement Program. Incremental work
 12 must constitute a new activity (which PG&E labels “emergent”) or, for existing programs (which
 13 PG&E labels “increased”), exceed the scope of work authorized by the GRC, as explained in
 14 Section V above.¹⁴⁹ Both the Intrusive Inspection and Pole Restoration Program and the Pole
 15 Replacement Program are labelled “increased” because the CPUC approved costs for each

¹⁴⁸ The values shown in the Incrementality and Reasonableness Disallowance columns are stand-alone disallowances if only that requirement is considered. Sometimes both bases of disallowance apply to the same costs. For the capital programs with reasonableness disallowances, the Combined Disallowance is the sum of the full reasonableness disallowance plus the incrementality disallowance for those costs where this is the only ground for disallowance, and may be lower than the sum of the incrementality and reasonableness disallowances. WGSC recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

¹⁴⁹ Ex. PG&E-01, pp. 15-7 to 15-8.

1 program in PG&E’s 2020 GRC.¹⁵⁰ PG&E labels the Pole Loading and Wind Loading Analysis
 2 Program “Emergent.” Table 6 displays the GRC authorized, Base (GRC recorded), and WGSC
 3 recorded costs over 2020-2022, as well as units for unitized MATs.

4 **Table 6: GRC Authorized, Base and WGSC Recorded¹⁵¹ Units and Costs (Chapter 4)¹⁵²**

Program / Activity	Memo Account	Type	MAT/MWC	Units			Unit Costs			Total Costs			Base in HFTD	% Base in HFTD
				GRC	Base	WGSC	GRC	Base	WGSC	GRC	Base	WGSC		
Intrusive Inspection and Pole Restoration Program	WMPMA	Expense	GAA	737,656	461,797	165,351	\$52	\$88	\$87	\$38,203,300	\$40,710,171	\$14,443,655	\$0	0%
	WMPMA	Expense	GAD	16,368	10,154	1,505	\$920	\$982	\$645	\$15,059,480	\$9,976,156	\$969,980	\$0	0%
	WMPMA	Expense	GA#	0	0	0	-	-	-	-\$12,865,531	-\$9,065,573	-\$1,635,352	\$0	0%
Pole Loading and Wind Loading Analysis Program	WMPMA	Expense	GAC	0	0	0	-	-	-	\$0	\$0	\$52,463,771	\$0	-
	WMPMA	Expense	BFH	0	0	0	-	-	-	\$0	\$0	\$6,015,768	\$0	-
	WMPMA	Expense	AB#	0	0	0	-	-	-	\$0	\$0	\$61,071	\$0	-
	WMPMA	Capital	21A	0	0	0	-	-	-	\$0	\$0	\$3,250,184	\$0	-
Pole Replacement Program	WMPMA	Capital	07D	23,467	11,335	31,998	\$14,049	\$22,487	\$25,982	\$329,682,920	\$254,888,547	\$831,356,351	\$91,534,127	36%
	WMPMA	Capital	07O	0	529	730	-	\$43,518	\$32,679	\$0	\$23,020,962	\$23,855,646	\$3,205,707	14%
	WMPMA	Capital	07C	0	1,363	19	-	\$24,037	\$16,701	\$0	\$32,762,825	\$317,317	\$22,026,607	67%
	FRMMA	Capital	07C	0	0	0	-	-	-	\$0	-\$52,027	\$52,027	\$0	0%
TOTAL									\$370,080,170	\$352,241,062	\$931,150,419	\$116,766,441	33%	

5
6 **a) Pole Replacement Program**

7 The Pole Replacement Program activities are not fully incremental to activities funded by
 8 the GRC. As explained below, PG&E’s capital request should be reduced by \$266.051 million.

9 In the 2020 GRC, PG&E was authorized funding to complete 23,467 units of MAT 07D
 10 (Degraded Pole Replacements) in the Pole Replacement Program over 2020-2022 (Table 6). Yet
 11 PG&E booked only 13,227 units to Base for MAT 07D and other pole replacement MATs 07O
 12 and 07C,¹⁵³ a shortfall of 10,240 units. As discussed in Section V, the Commission should only
 13 find units additional to those authorized by the GRC to be incremental. While PG&E recorded
 14 32,747 units of work in its Pole Replacement Program to WGSC, at most 22,507 might be
 15 considered incremental to the GRC authorization for these areas of work. Removing the 10,240
 16 non-incremental units from PG&E’s WGSC costs results in a \$266.051 million disallowance.¹⁵⁴

17 The Commission should reject PG&E’s claim that a higher than anticipated proportion of
 18 HFTD pole replacements warrants cost recovery of more than the 22,507 units additional to the

¹⁵⁰ Ex. PG&E-01, p. 15-9.

¹⁵¹ Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

¹⁵² PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

¹⁵³ These activities did not have specific forecasts because they were grouped differently in the 2020 GRC, per PG&E 2023 GRC, Ex. PG&E-04 (2/25/22), p. 12-29.

¹⁵⁴ This calculation assumes that the non-incremental units are MAT 07D, because that MAT was specifically forecast in the GRC, rather than MATs 07C or 07O.

1 GRC. In testimony, the utility contends that that the number of maintenance tags in HFTD areas
2 rose, “due to the increased number of inspections and the higher rate of finding non-
3 conformances through the enhanced inspections.”¹⁵⁵ PG&E considers such replacement work in
4 HFTD areas, “that exceeds PG&E’s currently-adopted forecast” to be part of the WMP, and thus
5 eligible for cost recovery via the WMPMA.¹⁵⁶ However, PG&E’s 2020 GRC application
6 included explicit mention of HFTD work; it wrote that “Wildfire Tier 2 and 3 areas are the first
7 priority for evaluation” for its pole replacement program.¹⁵⁷ GRC funding is intended to cover
8 the costs of meeting compliance standards in both HFTD and non-HFTD areas. Completing pole
9 remediation activities in HFTD areas is not an additional enhancement, but a fundamental
10 requirement; GO 95, Rule 18 establishes timelines to resolve pole non-conformance issues in
11 Tier 3 (six months) and Tier 2 (12 months) HFTD areas.¹⁵⁸ For all costs in Chapter 4, PG&E
12 acknowledges, “the objective of these programs is to meet the regulatory requirements.”¹⁵⁹

13 **b) Intrusive Inspection and Pole Restoration Program**

14 Based on an analysis of authorized and recorded units, the Intrusive Inspection and Pole
15 Restoration Program activities are not incremental to those activities funded by the GRC, and the
16 full requested \$13.778 million in WGSC expenses should be disallowed. PG&E completed fewer
17 units of work for these activities than adopted by the GRC. While the GRC imputed adopted
18 units for MAT GAA totaled 737,656, PG&E completed just 627,148 inspections booked to
19 WGSC and Base; for MAT GAD, PG&E’s GRC adopted 16,368 units of pole restoration but
20 PG&E recorded just 11,659.¹⁶⁰ In other words, PG&E completed 25% fewer inspection and 29%
21 fewer restoration units than adopted.

22 PG&E’s WMPs also fail to explain how this work is distinct from the requirements of
23 General Order 165 and the GRC. In its 2020-2023 WMPs, PG&E describes intrusive pole
24 inspections as part of a “ten-year cycle” that has operated since 1994.¹⁶¹ As part of normal
25 operations, PG&E “annually examines approximately 10 percent of PG&E’s wood poles, or

¹⁵⁵ Ex. PG&E-01, p. 4-15.

¹⁵⁶ Ex. PG&E-01, p. 4-13.

¹⁵⁷ PG&E 2020 GRC Testimony, PG&E-4, p. 8-20.

¹⁵⁸ PG&E response to TURN DR 008, Q7 (a) and (b).

¹⁵⁹ *Id.*

¹⁶⁰ MAT GA# are credits returned to ratepayers from joint pole owners for MATs GAA and GAD.

¹⁶¹ 2020 WMP 5.4.3.6, 2021 WMP, 7.3.4.6, 2022 WMP, 7.3.4.6, 2023 WMP 8.1.3.2.

1 roughly 240,000 poles,”¹⁶² which aligns with the GRC adopted unit count of 737,656 for MAT
2 GAA over the three-year period (251,341 annually). Yet PG&E completed just 212,935 intrusive
3 inspections on average each year in the period and considered an average of only 157,317 as
4 Base each year, with the rest recorded to WGSC. According to its WMPs, these inspections are
5 not planned based on HFTD-status, or risk assessment, but instead “selection criteria of assets for
6 each inspection cycle is driven by the date of wood pole installation into service.”¹⁶³ As a result,
7 in its 2023 GRC application, PG&E reported that it completed 238,253 pole inspections in 2020
8 which was “consistent with inspecting roughly 10 percent PG&E’s in-service pole
9 population.”¹⁶⁴ It is unclear, then, why PG&E recorded \$0 of costs for these activities in HFTD
10 areas to Base (Table 6). It appears PG&E is misusing the WMPMA to recover the costs of
11 virtually all inspections conducted in HFTD tiers, even though those inspections were part of an
12 established, routine inspection program. Thus, the full request for this program should be
13 considered non-incremental because PG&E did not complete the routine units authorized by the
14 GRC, and, because no HFTD costs were booked to “Base.”

15 PG&E further claims that the scope of the program was “re-prioritized in order to address
16 the risk of severe wildfires from electrical equipment” beginning in 2019.¹⁶⁵ They explain that
17 this reprioritization took the form of “proactively inspecting and reinforcing off-cycle request in
18 HFTD.”¹⁶⁶ However, the example that PG&E provides, 12,599 poles in HFTD areas requiring
19 off-cycle inspection, only required this treatment due to a potential non-compliance failure under
20 the requirements of General Order 165 (20-year inspections of all poles), rather than proactive
21 risk-based work that exceeded the standards of the utility’s own routine program.¹⁶⁷ In its 2022
22 WMP, PG&E wrote that it might diverge from its 10-year pacing, and that inspection intervals
23 may change to an as-needed-basis, but that “this enhancement requires extensive analysis,
24 including risk models, cost benefit and inspection rejection criteria.”¹⁶⁸ In its 2023 WMP, PG&E
25 suggested this had not yet been achieved, stating again that “in the future, PG&E may develop

¹⁶² 2021 WMP, 7.3.4.6, Pages 651.

¹⁶³ 2021 WMP, 7.3.4.6, Pages 651. 2022 WMP, 7.3.4.6.1, Page 634.

¹⁶⁴ PG&E 2023 GRC Testimony, PG&E-4 (2/25/22), p. 12-22.

¹⁶⁵ Ex. PG&E-1, p. 4-8.

¹⁶⁶ *Id.*

¹⁶⁷ Ex. PG&E-1, p. 4-8, footnote 8.

¹⁶⁸ 2022 WMP, 7.3.4.6.1, Page 635.

1 inspection cycles or triggers that are increasingly risk-based. For example, rather than an
2 approximate 10-year cadence, we may deploy inspections on an as-needed basis using defined
3 criteria. Such an improvement to the existing PT&T [Pole Test and Treat] program would
4 require extensive analysis before implementation.”¹⁶⁹ Given that PG&E did not increase, but
5 underperformed, relative to its routine inspections and restoration, did not book any HFTD costs
6 to “Base,” and did not change protocols to increase risk reduction, there are no incremental costs
7 warranting recovery for the Intrusive Inspections and Pole Restoration Program.

8 **c) Pole Loading and Wind Load Analysis Program**

9 Although the Pole Loading and Wind Load Analysis Program is described as “emergent,”
10 these activities were discussed and known in PG&E’s 2020 GRC application. As a result, TURN
11 recommends a full incrementality disallowance for this program. The utility claims that all pole
12 loading analysis and LiDAR data analysis of poles in HFTD areas are eligible for recovery
13 because “the activities emerged after the 2020 GRC and was not forecasted in the 2020 GRC.”¹⁷⁰
14 Yet in its 2020 GRC application, these activities were presented as a necessary step for
15 mitigating wildfire risk, with multiple references to past pole loading assessments being helpful
16 for targeting high risk poles in Tier 3 HFTD areas.¹⁷¹ PG&E also forecast some specific costs for
17 these activities. Within MAT BFH, it detailed costs that pertained to a “Pole Loading” project,¹⁷²
18 and within MWC HN, it detailed costs for LiDAR projects and pole loading analysis to address
19 wildfire risk.¹⁷³ PG&E explained its compliance-related obligations to develop this program and
20 implement it in HFTDs since 2017:

21 “As part of the 2017 GRC Settlement, PG&E also agreed to develop a program to
22 identify overloaded poles. To comply with this agreement, PG&E developed a baseline
23 pole loading calculation for all in-service poles using information about its in-service
24 overhead distribution assets in the ED AM/GIS system. PG&E will continue to enhance
25 pole loading data for all potentially overloaded poles and reassess the loading profile.
26 Poles identified as potentially overloaded will be reviewed desktop, utilizing Google
27 Earth and Light Detection and Ranging (LiDAR) imagery and, if needed, will be field
28 verified to acquire the necessary data. Wildfire Tier 2 and 3 areas are the first priority for

¹⁶⁹ 2023 WMP, 8.1.3.2.3, Page 485.

¹⁷⁰ Ex. PG&E-01, p. 4-8.

¹⁷¹ PG&E 2020 GRC Testimony, PG&E-4, Ch 1-10 WP, p. 8-21.

¹⁷² PG&E 2020 GRC Testimony, PG&E-4, Ch 1-10 WP, p. 6-19, FN (15).

¹⁷³ *Id.*, p. 7-22.

1 evaluation. The costs associated with the pole loading reassessments are recorded in
2 MWC BF (MAT BFH).¹⁷⁴
3

4 Accordingly, PG&E’s 2023 GRC application recalled that “LiDAR data acquisition and analysis
5 was previously funded in MWC BF.”¹⁷⁵ These characterizations of the program as pre-existing,
6 compliance-oriented, and fundamentally aimed at reducing wildfire risk cast doubt on the
7 utility’s description of these activities as “emergent” wildfire costs and support TURN’s
8 recommendation of a full incrementality disallowance.

9 **2. Unreasonable Unit Cost Increases Due to Rushed Work to Make Up**
10 **for Past Imprudence Should be Disallowed**

11 **a) Pole Replacement Program**

12 The Pole Replacement Program activities reflect increased unit costs that resulted from
13 PG&E’s imprudence. TURN recommends a reasonableness disallowance for these capital costs
14 of \$392.949 million.

15 As presented in Table 6, PG&E overspent its GRC authorization for MATs 07D, 07O,
16 and 07C in large part due to unit cost increases. Average unit costs for MAT 07D increased by
17 85% compared to imputed adopted unit costs in the GRC. Like PG&E’s inspections programs
18 (see Section IV(A)), a high concentration of work orders due to past delays drove up the utility’s
19 costs, in a self-made crisis, as discussed in further detail below. As a result, TURN recommends
20 disallowing the unit cost increases from GRC adopted unit costs to WGSC unit costs for MAT
21 07D, which is a total of \$381.823 million out of \$831.356 recorded costs. TURN recommends
22 applying the same reduction (46%) to MATs 07O and 07C, as they did not have GRC adopted
23 unit costs, but were costs that were affected by the same work delays and cost inflationary
24 factors. This results in a reasonableness disallowance of \$10.956 million for MAT 07D and
25 \$0.170 million for MAT 07C.

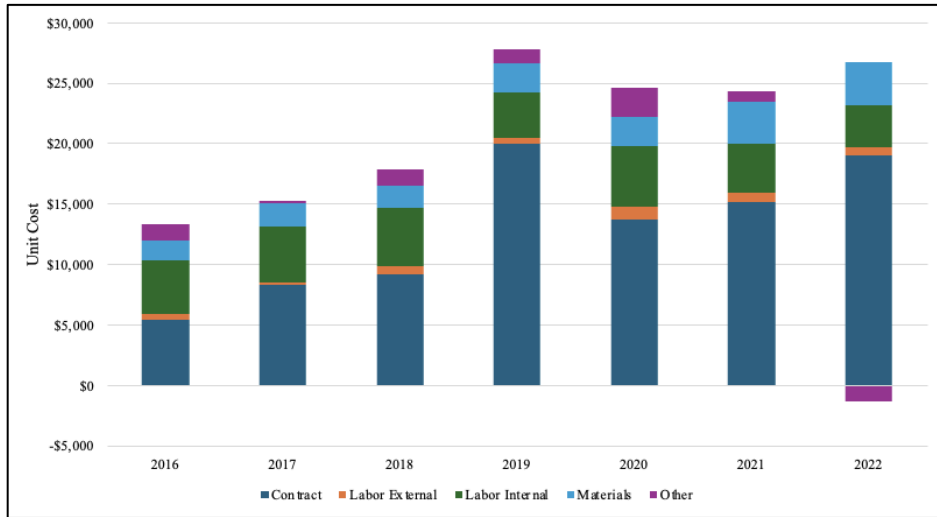
26 Unit cost increases for these programs were significant over the period. Unit costs
27 increased 47% between 2018-2022 for MAT 07D (Figure 5), and 58% between 2018-2022 for
28 MAT 07O (Figure 6).

¹⁷⁴ *Id.*, pp. 8-19 to 8-20, emphasis added.

¹⁷⁵ PG&E 2023 GRC Testimony, WP PG&E-04 (2/25/22), p. 12-4. In 2019, PG&E recorded millions of dollars of costs related to pole loading assessments, per PG&E response to TURN DR 039, Q1-Q4.

1

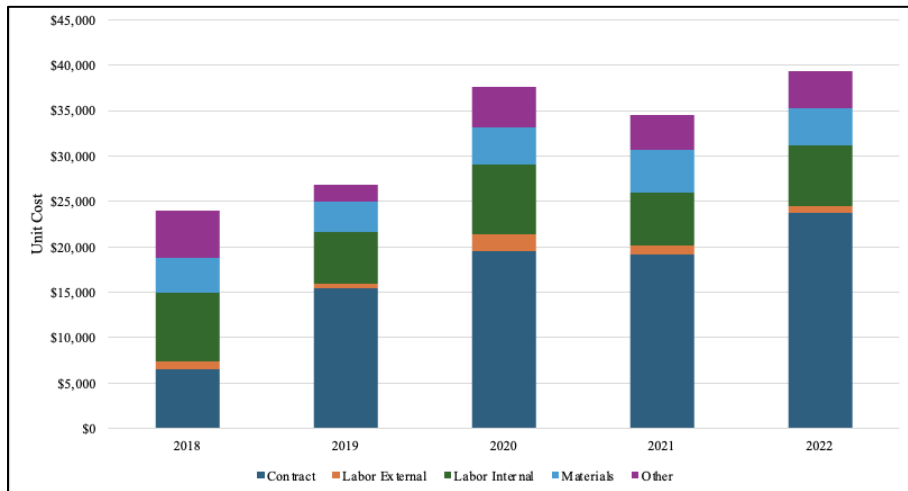
Figure 5: Unit Costs for Degraded Pole Replacement (MAT 07D)¹⁷⁶



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Figure 6: Unit Costs for Overloaded Pole Replacement (MAT 07O)¹⁷⁷



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These spikes were unique to PG&E and not felt the same way by peer utilities. As Grant Thornton auditors identified, MAT 07D costs increased up to 36% higher than SCE’s unit costs for a comparable program.¹⁷⁸ In testimony, PG&E offers an explanation for this trend: “PG&E hired additional contractors to execute the growing volume of work, which increased overall program costs. Also, the cost of internal crews increased as a result of overtime and double

¹⁷⁶ PG&E response to TURN DR 008, Q2, Atch 01.

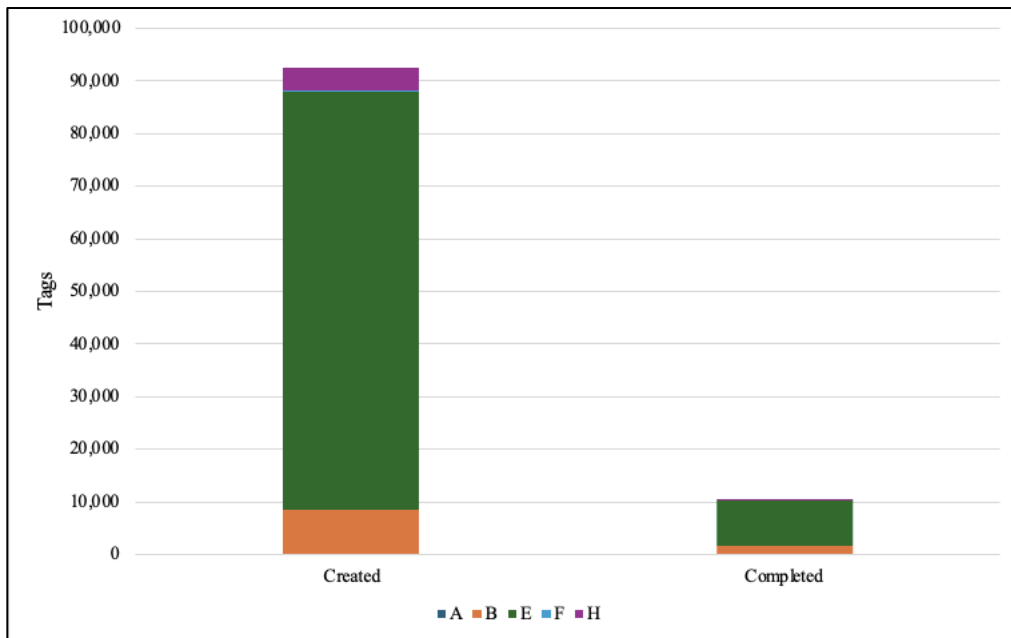
¹⁷⁷ *Id.*

¹⁷⁸ PG&E response to TURN DR 038, Q8, Atch 1. While PG&E replied (Atch 2) that these unit costs are not a one-to-one comparison with SCE’s, PG&E’s unit costs notably increased relative to SCE’s. PG&E’s unit costs were lower than SCE’s in 2019.

1 overtime needed to meet the replacement goals.”¹⁷⁹ It claims that these labor practices were
2 necessary due to “the increase in required pole replacements.”¹⁸⁰ This explanation fails to
3 acknowledge that the reason for the increased tags and costs was PG&E’s prior imprudence, as
4 discussed in Sections III and IV(B)(1) .

5 As shown above in Figure 4, beginning in 2018, far more pole replacement tags were
6 being created than completed. A large number of these were in HFTD areas (Figure 7):

7 **Figure 7: Pole Replacement Tags in HFTD/Buffer Areas (2018-19)¹⁸¹**



8
9 The explanation for this significantly increased number of findings is PG&E’s historic
10 failure to inspect and maintain infrastructure. PG&E was aware of rising pole replacement needs
11 and a work backlog when it filed its 2020 GRC application. It requested an increase in capital
12 expenditures for pole replacements due to “an expected increase in the volume of poles that need
13 to be replaced due to the historically high reject rates of poles systemwide, and “identified a
14 larger than expected number of poles for replacement in 2017, many of which were in higher
15 average unit cost divisions.” Due to delays in 2017, “PG&E was not able to perform the planned

¹⁷⁹ Ex. PG&E-01, p. 4-15.

¹⁸⁰ *Id.*

¹⁸¹ PG&E response to TURN DR 015, Q2. Tags are for MATs 07C, 07D, and 07O. The HFTD designation was not applied before 2018.

1 volume of replacements” resulting in “a substantial one-year increase in the forecast for the
2 program in 2018.”¹⁸²

3 The work that PG&E rushed and overspent to complete during this period was largely
4 overdue, more evidence of past imprudence and non-compliance. Over 95% of the pole
5 replacement tags (MAT 07D, 07O, and 07C) completed between 2020 and 2022 were completed
6 past their due dates.¹⁸³ Even more concerning, 84% of completed tags had long delays of six
7 months or more, a trend that worsened over the period (Table 7):¹⁸⁴

8 **Table 7: Percent of Tags Completed Late (MATs 07D and 07O)¹⁸⁵**

	07D		07O	
	6-12 months late	> 12 months late	6-12 months late	> 12 months late
2020	42%	13%	40%	3%
2021	13%	77%	25%	41%
2022	5%	85%	19%	58%

9
10 PG&E internal documents also highlight concerns about the quality of these pole
11 replacements. Between 2019 and 2023, PG&E audited 1,184 pole repair or replacement
12 notifications and found 3,411 findings or problems.¹⁸⁶ These included 1,825 findings for 722
13 distinct equipment IDs within MATs 07D and 07O alone, an average of 2 problems for each job
14 reviewed. This significant rate of findings suggests that PG&E’s internal processes for reviewing
15 its pole maintenance work were inadequate, at a time when the utility faced pressure to reduce
16 the backlog of delayed work. Ratepayers should not pay for additional costs when there are
17 substantial questions about the quality of the underlying work.

18 PG&E has also failed to demonstrate the value of these programs in terms of risk
19 reduction and cost-effectiveness to ratepayers. PG&E did not conduct a cost-effectiveness
20 analysis of these MATs in advance because it claims this was compliance work.¹⁸⁷ PG&E only
21 provides RSE scores for the entirety of its pole replacement work with its 2022 WMP, additional
22 scores in the 2023 GRC, but provides no cost-effectiveness justification for the 2020-2021

¹⁸² PG&E 2020 GRC Testimony, PG&E-4, p. 8-4.

¹⁸³ PG&E response to TURN DR 019, Q2, Atch 01.

¹⁸⁴ *Id.*

¹⁸⁵ *Id.* Percentages not displayed for MAT 07C because of the small number of total units.

¹⁸⁶ PG&E response to TURN DR 013, Q1, Supp 01, Atch 01.

¹⁸⁷ PG&E response to TURN DR 008, Q7.

1 work.¹⁸⁸ And for the 2022 work, the utility’s after-the-fact RSE numbers do not analyze the
2 claimed incremental work separately to justify its cost-effectiveness. Such an analysis would
3 likely show that the increased unit costs, resulting from higher contract and labor costs while
4 completing a backlog of work, diminished the cost-effectiveness of these activities.

5 In its WMPs, PG&E claims that pole “replacements are prioritized using a risk-based
6 approach. Specifically, pole replacements are prioritized based on probability of consequence
7 and probability of failure.”¹⁸⁹ Within that prioritization, “Priority B EC tags are considered
8 urgent and typically executed within 90 days of creation.”¹⁹⁰ Yet according to data provided to
9 TURN in discovery, PG&E completed nearly all priority B pole replacement tags late during the
10 period (Table 8). The average delays for priority B tags were 6 months or more than a year.
11 PG&E has not shown that its requested costs for the pole replacement program supported
12 quality, cost-effective work, nor that unit cost increases related to rushed work are reasonable,
13 given its backlog of work and ongoing delays.

14 **Table 8: Priority B Tags Completed Late (MAT 07D)¹⁹¹**

	2020	2021	2022
Percent of MAT 07D Priority B Tags Completed Late	94%	87%	90%
Average Days Late	193	435	658

15
16 TURN’s \$381.823 million disallowance for MAT 07D overlaps somewhat with the
17 incrementality disallowance discussed above. For reasons discussed in Section VIII(B), this
18 capital reasonableness-based disallowance is permanent and should take precedence over the
19 incrementality disallowance, which applies only to the rate case period. The resulting additional
20 incrementality disallowance is \$152.797 million. These overlapping disallowances are
21 displayed in **Figure 8** below.

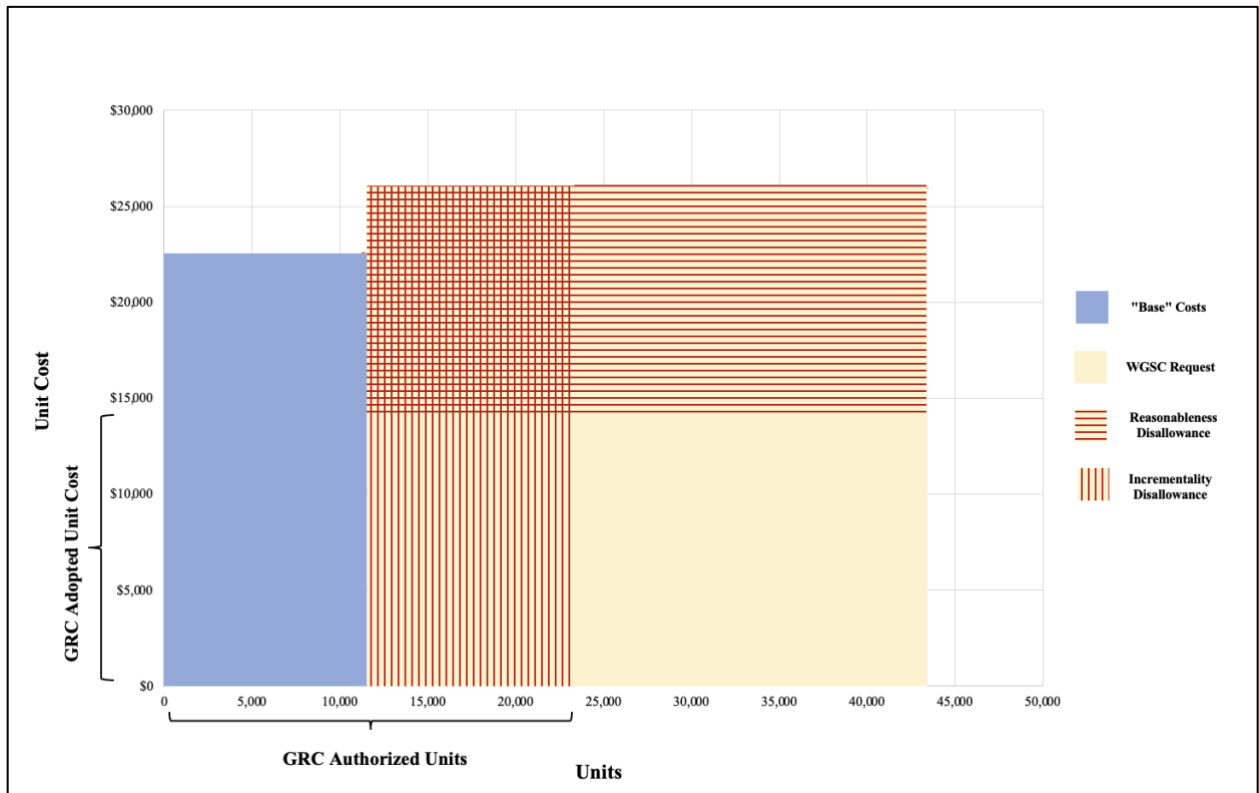
¹⁸⁸ PG&E response to TURN DR 017, Q 11.

¹⁸⁹ 2021 WMP, Section 7.3.3.6.

¹⁹⁰ 2022 WMP, Section 7.3.3.6.

¹⁹¹ PG&E response to TURN DR 019, Q2, Atch 01.

1 **Figure 8: MAT 07D Units, Costs, and Recommended Disallowances (2020-2022)**¹⁹²



2
3 **b) Pole Loading and Wind Load Analysis Program**

4 Costs booked to the Pole Loading and Wind Load Analysis Program, in addition to raising
 5 incrementality questions, raise reasonableness issues similar to those with the Pole Replacement
 6 Program. PG&E conducted 26% fewer pole analyses than it planned to carry out according to its
 7 WMPs. In the 2020 WMP, PG&E describes a goal of analyzing 10% of its poles (230,000)
 8 annually, beginning with HFTD Tier 2 and 3 locations, as well as plans to launch its wind
 9 loading assessment project.¹⁹³ Later, PG&E reported that it could only review 160,000 poles in
 10 2020 due to “the huge volume of poles that our internal estimating teams would be analyzing
 11 every year,”¹⁹⁴ and just 61,723 in 2021, resulting in a “delayed status” of the program.¹⁹⁵ PG&E
 12 was forced to make up for this slowdown in 2022 by assessing 314,714 poles in 2022.¹⁹⁶ Since

¹⁹² PG&E response to TURN DR 008, Q6 (B), and DR 015, Q2 (A). Priority A and B tags are considered urgent, while Priority E, F, and H tags are considered routine.

¹⁹³ 2020 WMP, 5.3.3.13, p. 5-135.

¹⁹⁴ 2021 WMP, 7.3.3.13, p. 589.

¹⁹⁵ 2022 WMP, 7.3.4.13, p. 661.

¹⁹⁶ PG&E-04, Page 410

1 these MATs are non-unitized for purposes of PG&E’s accounting (as shown in Table 5), it is
2 challenging to assess precisely how much PG&E’s catchup work in 2022 may have increased
3 costs. These concerns further support TURN’s recommended disallowance of the Pole Loading
4 and Wind Load Analysis Program.

5 **C. Distribution Line Repairs and Replacements (“Chapter 5”)**

6 PG&E recorded \$386.874 in capital and \$187.322 million in expense for Distribution
7 Line Repairs and Replacements (Chapter 5) costs to the WMPMA and FRMMA over 2020-
8 2022.¹⁹⁷ PG&E makes two accounting adjustments based on the Wildfire OII decision and the
9 EY auditor recommendation, which reduces its requests to \$386.871 million in capital and
10 \$109.030 million in expense.¹⁹⁸ As discussed in Section VIII(A), TURN makes its
11 recommendations in relation to the utility’s full recorded costs, because the Wildfire OII \$198
12 million disallowance should only be applied after costs have been found reasonable.

13 These costs are grouped within five programs: Overhead Non-Pole Replacement and
14 Corrective Maintenance; Overhead Critical Operating Equipment; Idle Facilities Removal;
15 Maintenance Support Activities; and Bird Safe Installation, Replacements, and Retrofits. TURN
16 recommends disallowing all \$32.277 million in capital and \$1.869 million in expense from
17 Overhead Critical Operating Equipment, all \$8.417 million in capital from Idle Facilities
18 Removal, and all \$13,719 in capital and \$271,624 in expense from Bird Safe Installation,
19 Replacements, and Retrofits on grounds of incrementality. TURN also recommends a partial
20 disallowance of \$267.811 million in capital and \$172.734 million in expense from Overhead
21 Non-Pole Replacement and Corrective Maintenance, and \$3.042 million in expense and \$0.844
22 million in capital from Maintenance Support Activities, on grounds of incrementality and
23 reasonableness. These disallowances are summarized in Table 9.

24

¹⁹⁷ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

¹⁹⁸ Ex. PG&E-01, pp. 16-3 and 16-5.

1

Table 9: Summary of TURN Recommended Disallowances (Chapter 5)¹⁹⁹

Program / Activity	Memo Account	Type	MAT/ MWC	WGSC Recorded Costs	Incrementality Disallowance	Reasonableness Disallowance	Combined Disallowance
Overhead Non-Pole Replacement and Corrective Maintenance	WMPMA	Capital	2AA	\$344,940,645	\$122,912,015	\$225,112,974	\$267,810,930
	WMPMA	Expense	KAQ	\$181,126,949	\$144,259,718	\$139,894,399	\$172,734,327
	WMPMA	Expense	KAQ	\$187,458	-	-	-
Overhead Critical Operating Equipment and Corrective Maintenance	WMPMA	Expense	KAF	\$1,868,682	\$1,868,682	-	\$1,868,682
	WMPMA	Capital	2AE	\$32,277,104	\$32,277,104	\$21,846,582	\$32,277,104
Idle Facilities Removal	WMPMA	Capital	2AF	\$8,416,721	\$8,416,721	\$5,108,995	\$8,416,721
Maintenance Support Costs	WMPMA	Expense	AB#	\$2,650,491	-	\$1,826,410	\$1,826,410
	WMPMA	Expense	KA#	\$1,216,434	\$1,216,434	\$838,225	\$1,216,434
	WMPMA	Capital	21#	\$1,225,502	-	\$844,473	\$844,473
Bird Safe Installation, Replacements, and Retrofits	WMPMA	Expense	KAD	\$25,387	\$25,387	-	\$25,387
	FRMMA	Expense	KAD	\$114,494	\$114,494	-	\$114,494
	FRMMA	Expense	KAC	\$131,743	\$131,743	-	\$131,743
	FRMMA	Capital	2AB	\$13,719	\$13,719	-	\$13,719
TOTAL				\$574,195,330	\$311,236,019	\$395,472,059	\$487,280,427

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1. Non-Incremental Units Should be Disallowed

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Incremental work must constitute a new activity (which PG&E labels “emergent”) or, for existing programs (which PG&E labels “increased”), exceed the scope of work authorized by the GRC, as explained in Section V above.²⁰⁰ All activities in Chapter 5 are labelled “increased” because the CPUC approved costs for each program in PG&E’s 2020 GRC.²⁰¹ Table 10 displays the GRC authorized, Base (GRC recorded), and WGSC recorded costs over 2020-2022, as well as units for unitized MATs.

¹⁹⁹ The values shown in the Incrementality and Reasonableness Disallowance columns are stand-alone disallowances if only that requirement is considered. Sometimes both bases of disallowance apply to the same costs. For the capital programs with reasonableness disallowances, the Combined Disallowance is the sum of the full reasonableness disallowance plus the incrementality disallowance for those costs where this is the only ground for disallowance, and may be lower than the sum of the incrementality and reasonableness disallowances. WGSC recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁰⁰ Ex. PG&E-01, pp. 15-7 to 15-8.

²⁰¹ Ex. PG&E-01, p. 15-9

1 **Table 10: GRC Authorized, Base and WGSC Recorded²⁰² Units and Costs (Chapter 5)²⁰³**

Program / Activity	Memo Account	Type	MAT/MWC	Units			Unit Costs			Total Costs			Base in HFTD	% Base in HFTD
				GRC	Base	WGSC	GRC	Base	WGSC	GRC	Base	WGSC		
Overhead Non-Pole Replacement and Corrective Maintenance	WMPMA	Capital	2AA	36,069	27,448	24,194	\$4,953	\$12,808	\$14,257	\$178,641,987	\$351,556,541	\$344,940,645	\$31,439,460	9%
	WMPMA	Expense	KAA	93,674	39,597	67,897	\$607	\$1,989	\$2,668	\$56,886,430	\$78,747,448	\$181,126,949	\$14,535,075	18%
	WMPMA	Expense	KAQ	0	0	54	-	-	\$3,471	\$83,081	\$108,629	\$187,458	\$38,246	35%
Overhead Critical Operating Equipment and Corrective Maintenance	WMPMA	Expense	KAF	4,232	3,285	400	\$5,178	\$5,988	\$4,672	\$21,911,651	\$19,670,225	\$1,868,682	\$0	0%
	WMPMA	Capital	2AE	4,388	3,092	476	\$21,913	\$42,546	\$67,809	\$96,153,637	\$131,553,019	\$32,277,104	\$0	0%
Idle Facilities Removal	WMPMA	Capital	2AF	5,346	2,689	733	\$4,513	\$9,656	\$11,483	\$24,124,290	\$25,965,373	\$8,416,721	\$13,069,674	50%
Maintenance Support Costs	WMPMA	Expense	AB#	0	0	0	-	-	-	\$0	\$0	\$2,650,491	\$0	-
	WMPMA	Expense	KA#	0	0	0	-	-	-	\$2,212,223	\$974,285	\$1,216,434	\$0	0%
	WMPMA	Capital	21#	0	0	0	-	-	-	\$0	\$0	\$1,225,502	\$0	-
Bird Safe Installation, Replacements, and Retrofits	WMPMA	Expense	KAD	2,982	642	10	\$749	\$2,732	\$2,539	\$2,232,626	\$1,753,651	\$25,387	\$0	0%
	FRMMA	Expense	KAD	0	0	54	-	-	\$2,120	\$0	-\$114,494	\$114,494	\$0	0%
	FRMMA	Expense	KAC	3,021	1,491	82	\$749	\$1,591	\$1,607	\$2,261,651	\$2,372,669	\$131,743	\$430,746	18%
	FRMMA	Capital	2AB	3,627	1,922	1	\$2,620	\$4,059	\$13,719	\$9,502,645	\$7,801,046	\$13,719	\$2,449,734	31%
TOTAL										\$394,010,221	\$620,388,391	\$574,195,330	\$61,962,935	10%

2
3 **a) Overhead Non-Pole Replacement and Corrective Maintenance**

4 PG&E recorded \$344.941 million in capital and \$181.314 million in expense to the
5 WMPMA over 2020-2022 for Overhead Non-Pole Replacement and Corrective Maintenance
6 (Table 10). PG&E once again cites accelerated inspections as a reason for increased maintenance
7 work in this program area. “The significant expansion in scope and frequency of WSIP
8 inspections resulted in more distribution repair and replacement work to perform and on an
9 accelerated schedule for completion in the HFTDs.”²⁰⁴ And for each of MATs KAA and 2AA,
10 PG&E completed more units of work than authorized by the GRC.²⁰⁵ However, PG&E is seeking
11 recovery through WGSC for far more units than actually exceeded the GRC authorization. For
12 MAT KAA, PG&E is seeking recovery for 67,897 units of work, but only completed 13,820
13 units more than adopted; for MAT 2AA, PG&E is seeking recovery for 24,194 units of work, but
14 only completed 15,573 units more than adopted. The utility’s GRC funding is intended to cover
15 the costs of its forecast scope of work. Thus, TURN recommends disallowing the 54,077 non-
16 incremental units from PG&E’s request for MAT KAA and the 8,621 non-incremental units for

²⁰² Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

²⁰³ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁰⁴ Ex. PG&E-01, pp. 5-2 to 5-3.

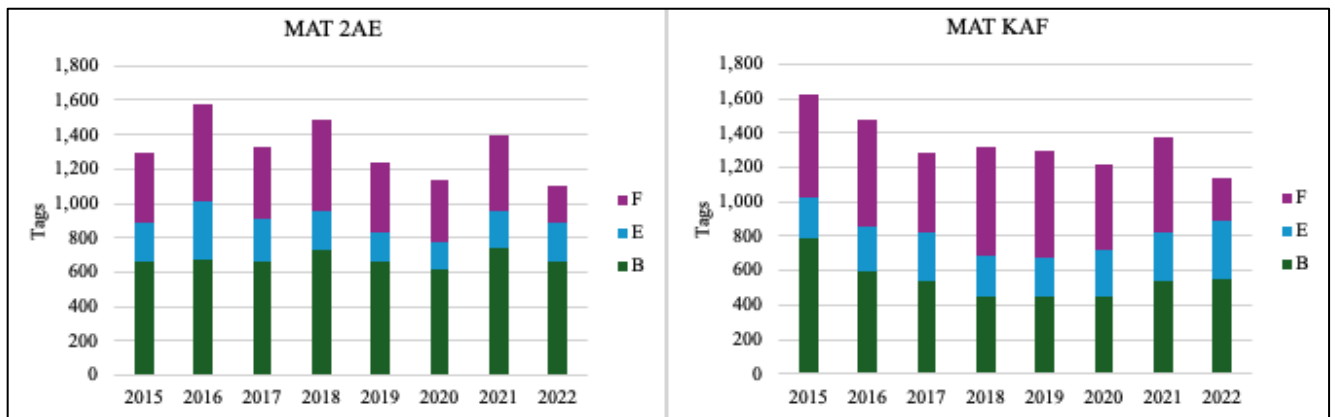
²⁰⁵ There are no GRC authorized costs or units for MAT KAQ to conduct the same unit cost analysis.

1 MAT 2AA, which results in an incrementality disallowance of \$144.260 million for MAT KAA
 2 (expense) and \$122.912 million for MAT 2AA (capital).²⁰⁶

3 **b) Overhead Critical Operating Equipment and Corrective**
 4 **Maintenance**

5 PG&E recorded \$32.277 million in capital in 2022 and \$1.869 million in expense in 2022
 6 to the WMPMA to complete overhead critical operating equipment maintenance tags.²⁰⁷
 7 However, PG&E completed fewer units in each of these MATs (KAF and 2AE), and across the
 8 program as whole, than was authorized by the GRC. The GRC authorized 4,232 KAF and 4,388
 9 2AE units, but PG&E ultimately completed just 3,285 KAF and 3,092 2AE units. The utility also
 10 completed fewer units in each of these activities in 2022 than in previous years and did not
 11 complete a larger number of high-risk maintenance tags (priority level “B”), as shown in Figure
 12 9.²⁰⁸ As a result, TURN recommends a full incrementality disallowance of this program.

13 **Figure 9: Completed Maintenance Tags, 2015-2022 (MATs 2AE and KAF)²⁰⁹**



14
 15 PG&E suggests that the work is incremental because these costs represent “repair and
 16 replacement work required on operating equipment...on EPSS-enabled circuits in HFTD and
 17 HFRA areas.”²¹⁰ They claim these improvements were necessary to implement EPSS, which is
 18 discussed in Chapter 8; “the increased scope of EPSS required expedited repairs and replacement

²⁰⁶ \$144.260 million is 54,077 non-incremental units at an average WMPMA unit cost of \$2,688.
 \$122.912 million is 8,621 non-incremental units at an average WMPMA unit cost of \$14,257.

²⁰⁷ PG&E-01, Page 5-14.

²⁰⁸ PG&E response to TURN DR 015, Q1.

²⁰⁹ *Id.*

²¹⁰ Ex. PG&E-01, p. 5-13.

1 of equipment on those circuits to enable or sustain EPSS.”²¹¹ They also state that unit costs
2 increased because this EPSS-related work required the MAT codes to include “a greater
3 percentage of work being related to reclosers” which have higher unit costs for repair and
4 replacement than other work types.²¹² However, MATs KAF and 2AE are maintenance programs
5 that respond to non-conformances on an as-needed basis, including in HFTD areas. The claim by
6 PG&E that the orientation of this work shifted in 2022 does not change the fact that, over the
7 three-year period, PG&E performed fewer units of this work, wherever it was needed, than it was
8 funded to perform.

9 PG&E’s WMP references to these initiatives also present them as business-as-usual
10 maintenance programs, with the only wildfire activity being to meet existing deadlines for
11 maintenance in high-risk areas. For example, for capacitor maintenance and replacement,
12 “capacitor banks in the distribution system, both overhead and pad-mounted, are tested and
13 inspected annually, with any repairs completed by June 1.”²¹³ Since “annual inspections are
14 performed on all distribution capacitor banks for potential maintenance regardless of geography
15 or other factors... no risk modeling is performed” or other procedure adopted for prioritization of
16 work.²¹⁴ PG&E’s 2023 GRC presentation, even after PG&E revamped its testimony in February
17 2022 to reflect adoption of EPSS as a key wildfire mitigation,²¹⁵ does not indicate a major
18 change in the work performed under MATs 2AE and KAF to accommodate the new EPSS
19 program. The description of the work under these MATs does not mention an EPSS focus, for
20 the work forecast in 2022 or future years.²¹⁶

21 c) Idle Facilities Removal

22 PG&E recorded \$8.417 million in capital costs in the WMPMA for 733 units of idle
23 facilities removal over 2020-2022 (MAT 2AF). In testimony, PG&E suggests this work is
24 incremental because it was “reinvigorated in the 2021-2022 period related to the accelerated

²¹¹ Ex. PG&E-01, p. 5-14.

²¹² *Id.*

²¹³ 2020 WMP, 5.3.3.1, p. 5-114.

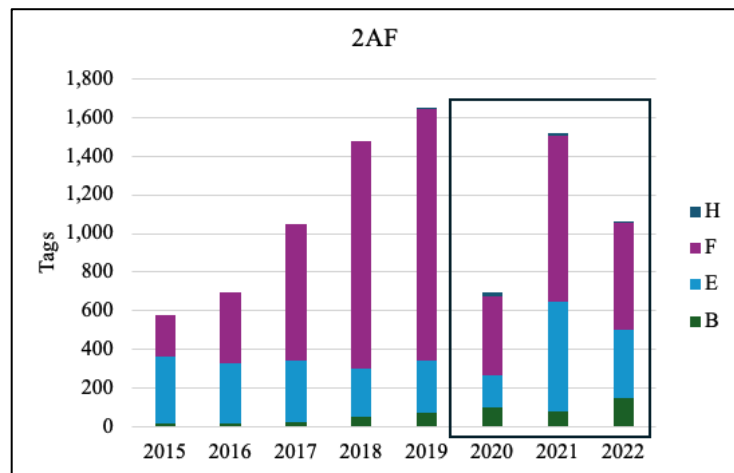
²¹⁴ 2022 WMP, 7.3.3.1, p. 457.

²¹⁵ 2023 GRC PG&E Testimony, PG&E-4 (2/25/22 Redline), p. 1-14, noting new chapter added to testimony regarding PG&E’s EPSS program.

²¹⁶ 2023 GRC PG&E Testimony, PG&E-4 (2/25/22), p. 11-23.

1 system hardening work.”²¹⁷ However, PG&E completed just 3,422 units of work over 2020-2022
 2 compared to a GRC adopted units of 5,346, roughly two thirds of its authorization. Thus, the 733
 3 units of work in HFTD areas that PG&E is seeking recovery for in this case should not be
 4 considered incremental. It is also unclear how PG&E ‘reinvigorated’ its work when PG&E
 5 completed fewer units of work over the 2020-2022 period relative to 2017-2018, as illustrated by
 6 the drop off in completed maintenance tags in Figure 10.²¹⁸ TURN recommends a full
 7 incrementality disallowance of this program.

8 **Figure 10: Completed Maintenance Tags, 2015-2022 (MAT 2AF)²¹⁹**



9
 10 **d) Maintenance Support Costs**

11 PG&E recorded \$4.622 million in expense and \$1.226 million in capital costs to the
 12 WMPMA for maintenance support activities related to maintenance work in HFTD areas (Table
 13 10). This included costs for PG&E’s Centralized Inspection Review Team (CIRT) to review
 14 maintenance work, and to hire supplemental contractors to review maintenance tags.²²⁰ PG&E
 15 did not have GRC adopted units for this maintenance support work, but it did have authorized
 16 costs for each MAT. MATs AB# and 21# are umbrella activities whose authorized costs include
 17 activities beyond this program subset.²²¹ For expense category KA#, PG&E booked just
 18 \$974,285 to Base and \$1.216 million to WGSC, a total of \$2.191 million, compared to its GRC

²¹⁷ Ex. PG&E-01, p. 5-15.

²¹⁸ PG&E response to TURN DR 015, Q1.

²¹⁹ *Id.*

²²⁰ Ex. PG&E-01, Page 5-16

²²¹ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

1 adopted costs of \$2.212 million for this program. Since it spent less than authorized for this non-
2 unitized program, it is unclear why this work is incremental. It is also unclear why PG&E did not
3 spend any portion of Base costs for this MAT in HFTD areas, as shown in Table 10. Thus,
4 TURN recommends a full disallowance of MAT KA# on an incrementality basis.

5 **e) Bird Safe Installation, Replacements, and Retrofits**

6 PG&E requests \$285,343 for these activities over 2020-2022, of which \$13,719 is capital
7 expenses. Yet PG&E completed fewer units of work, as booked to its Base and WGSC accounts,
8 than authorized by the GRC, in each of MATs KAD, KAC, and 2AB (Table 10).²²² PG&E also
9 spent less in total dollars than it requested, spending a total of \$12.098 million in its Base and
10 WGSC accounts compared to a GRC authorization of \$13.997 million.

11 In testimony, PG&E argues that this work is incremental because it happens to have an
12 impact on wildfire risk mitigation and was conducted in HFTD areas: “The installation of new
13 equipment or retrofitting of existing equipment with protection measures helps to reduce animal
14 contacts with electric distribution poles in HFTD areas to reduce overall wildfire risk.”²²³
15 However, this does not demonstrate the newness of the activity area or incrementality. PG&E
16 has been funding these activities since at least 2016.²²⁴ In its 2020 GRC, PG&E actually
17 anticipated underspending on one of these areas; it identified capital cost MWC 2A, “Bird Safe
18 Installation and Retrofits” as an example of a cost category in which “imputed units of work will
19 not be completed but work is not deferred and funds are available to be reallocated.”²²⁵ Further,
20 when discussing its 2020-2022 spending on this program in the 2023 GRC, PG&E did not
21 present these cost categories as wildfire mitigation programs.²²⁶ Given that PG&E completed
22 fewer units, spent less overall, and has not demonstrated the incrementality of this program for
23 wildfire purposes, TURN recommends a full incrementality disallowance.

24

²²² Across Base and WGSC combined, PG&E recorded 706 units of MAT KAD (vs. an authorization of 2,982), 1,573 units of MAT KAC (vs. 3,021), and 1,923 of MAT 2AB (vs. 3,627).

²²³ Ex. PG&E-01, p. 5-12.

²²⁴ 2023 GRC PG&E, WP PG&E-04 (2/25/22), p. 11-19.

²²⁵ 2020 GRC PG&E Testimony, PG&E-4 (2/25/22), p. 1-24.

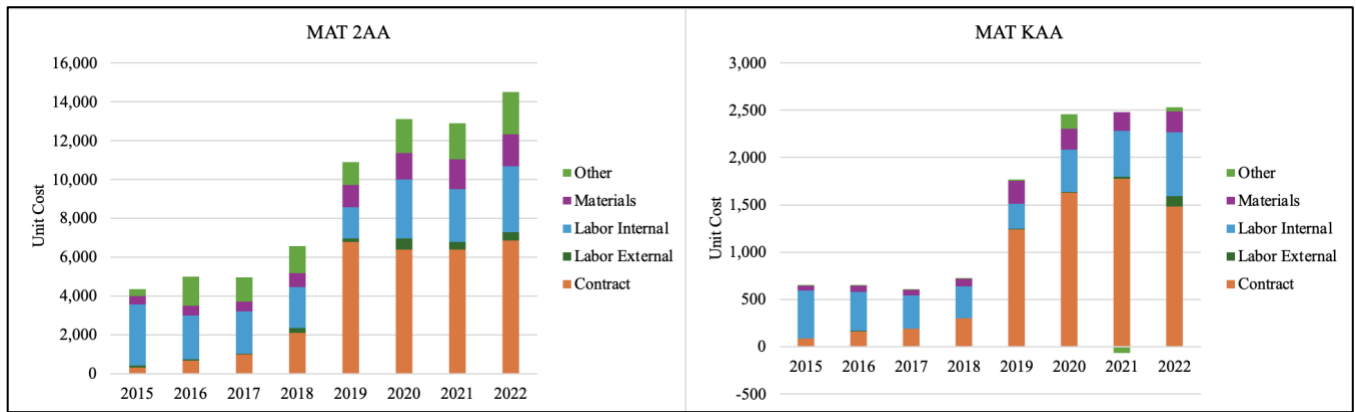
²²⁶ PG&E 2023 GRC, WP PG&E-04 (2/25/22), pp. 11-11, 11-12, and 11-37.

1 **2. Unreasonable Unit Cost Increases Due to Rushed Work to Make Up**
 2 **for Past Imprudence Should be Disallowed**

3 **a) Overhead Non-Pole Replacement and Corrective Maintenance**

4 The massive unit cost increases reflected in MATs KAA and 2AA are unreasonable and
 5 should not be borne by ratepayers.²²⁷ Unit costs for MAT 2AA more than tripled from 2015 to
 6 2022, and nearly quadrupled for MAT KAA (Figure 11).²²⁸ As a result, WGSC average unit
 7 costs are 339% higher for MAT KAA (from \$4,953 adopted to \$14,257 recorded) and 88%
 8 higher for MAT 2AA (from \$607 adopted to \$2,668 recorded) compared to GRC imputed
 9 adopted unit costs. TURN recommends a disallowance of these increased unit costs for MATs
 10 2AA and KAA, which amounts to stand-alone reasonableness disallowances of \$225.113 million
 11 in capital and \$139.894 million in expense.²²⁹

12 **Figure 11: Average Unit Costs (MATs 2AA and KAA)²³⁰**



13
 14 PG&E states that unit costs increased substantially due to “significant material and
 15 contract labor costs escalations.”²³¹ In particular:

16 Due to the large number of contracting crews needed for the replacement work, the high
 17 demand of these in-state contracting crews from other California utilities ahead of the
 18 high-fire season, and the increased demand for contracting crews to assist with the larger
 19 inspection volume, we had to reach beyond the normal contractor pool and bring in crews
 20 from out of state to meet resource needs. As it was imperative that we complete this

²²⁷ There are no GRC authorized costs or units for MAT KAQ to conduct the same unit cost analysis.

²²⁸ PG&E response to TURN DR 010, Q2 and Q3.

²²⁹ \$225.113 million is the difference between 24,194 units at a unit cost of \$4,953 (GRC) and \$14,257 (WGSC). \$139.894 million is the difference between 67,897 units at \$607 (GRC) and \$2,668 (WGSC).

²³⁰ PG&E response to TURN DR 010, Q3.

²³¹ Ex. PG&E-01, p. 5-11.

1 critical work ahead of the fire season, we prioritized selecting a contracting partner that
 2 was able to provide the necessary resources to complete the work in time. For these
 3 reasons, the external contractors who completed the majority of the 2020-2022
 4 replacement work were more expensive than external contractors in prior years. PG&E
 5 also had to pay overtime premiums to complete work before fire season. Due to the
 6 expedited nature of the work and the limited availability of external contractor crews, we
 7 incurred significant contractor overtime costs to complete the high priority tag work
 8 before the high-fire season.²³²

9
 10 Thus, PG&E acknowledges that it had to secure a larger number of external contractors,
 11 on a more expedited basis, and with overtime premiums, which led to higher contract costs than
 12 in prior years. As shown in Table 11, contract labor costs jumped from less than a third of
 13 recorded costs to half or two thirds of costs in MATs 2AA, KAA, and KAQ:

14 **Table 11: Contract Costs as a Percent of Total Record Costs (2015-2022)²³³**

MAT	Forecast Period Basis			Years at Issue				
	2015	2016	2017	2018	2019	2020	2021	2022
2AA	7%	13%	20%	32%	62%	49%	50%	47%
2AB	3%	3%	8%	12%	27%	12%	28%	19%
2AE	4%	6%	6%	13%	15%	19%	20%	23%
2AF	5%	21%	16%	27%	32%	44%	63%	52%
KAA	13%	25%	31%	41%	70%	66%	74%	58%
KAC	2%	6%	4%	19%	41%	24%	26%	25%
KAD	2%	5%	7%	45%	16%	25%	47%	50%
KAF	3%	4%	4%	7%	10%	10%	13%	13%
KAQ	N/A	N/A	0%	0%	0%	63%	84%	48%

15
 16 PG&E’s explanation that these higher labor costs were necessitated by increased and
 17 expedited work obscures the utility’s reasons for rushing. The utility had to overspend its GRC
 18 authorized unit costs to overcome a significant backlog of maintenance tags in this work area.
 19 76% of the maintenance tags completed in 2020-2022 in MATs KAA, 2AA, and KAQ, were past
 20 their due date, and 22% of tags were completed more than a year past their due date, with
 21 average late days exceeding 100 for tags completed in all priority levels in each year.²³⁴ These
 22 are only the delays for completed maintenance tags in years 2020-2022; a full picture of PG&E’s

²³² *Id.*

²³³ PG&E response to TURN DR 16, Q5.

²³⁴ PG&E response to TURN DR 019, Q2.

1 backlog and delays would require analyzing the work completed in 2019 as well as all tags
2 created but still not completed.

3 These labor cost increases are intertwined with and result from the imprudence issues
4 identified in other areas of PG&E’s work. PG&E’s catch-up inspections work, for which we find
5 non-incremental and unreasonable costs in Section VI (A) above, required significant labor,
6 which in turn increased labor costs to complete other types of maintenance work.²³⁵ Since these
7 unit cost increases result from past imprudence and delayed work across PG&E’s maintenance
8 efforts, these unit costs should be disallowed for recovery from the WMPMA.

9 Some elements of these cost increases, such as those related to high crew demand from
10 other utilities and material cost increases due to the COVID-19 pandemic, are presented as out of
11 PG&E’s control.²³⁶ However, these impacts are not quantified relative to labor cost increases. In
12 data request responses to TURN, PG&E could not share details on the exact cost increases
13 stemming from contract costs alone: “PG&E is unable to provide the actual amounts of overtime
14 premiums paid to contractors in each year from 2020- 2022 because contractor labor costs are
15 not required to be broken down by labor rates.”²³⁷ And PG&E said that TURN’s request for data
16 before 2020-2022 on unit costs was “overbroad to the extent it seeks information on recorded
17 data prior to 2020, which are not at issue in this proceeding.”

18 PG&E has also not provided a showing of cost-effectiveness for these MATs, particularly
19 given their higher unit costs. A majority (79%) of the maintenance tags completed in 2020-2022
20 in MATs KAA, KAQ, and 2AA were priority level E or below.²³⁸ Among those units booked to
21 WGSC, 83% were priority level E or below;²³⁹ slightly lower risk than the overall population of
22 units completed (Figure 12). This ratio suggests PG&E was making up for lost time on its basic
23 compliance obligations, rather than engaging in a targeted and cost-effective risk reduction
24 effort. Given that a significant portion of PG&E’s work in this program was delayed and that the
25 increases in work orders which raised unit costs stemmed from inspections that largely identified

²³⁵ PG&E response to TURN DR 019, Q2.

²³⁶ Ex. PG&E-01, p. 5-11.

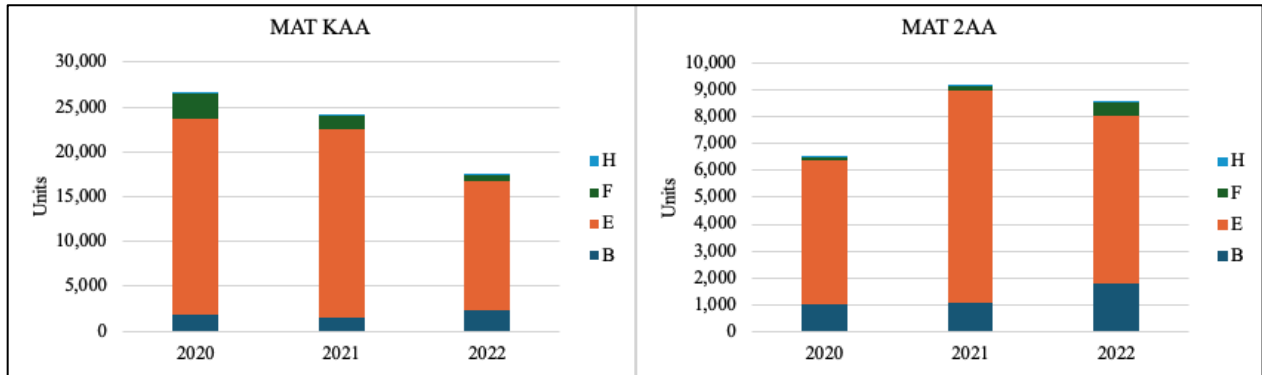
²³⁷ PG&E response to TURN DR 010, Q6.

²³⁸ PG&E response to TURN DR 015, Q1.

²³⁹ PG&E response to TURN DR 019, Q2.

1 overdue compliance lapses (discussed in Section VI(A)), PG&E has not shown that it should be
2 allowed recovery of the unit cost increases in this case.

3 **Figure 12: Completed Units of Work by Priority Level (MATs KAA and 2AA)²⁴⁰**



4

5 **b) Overhead Critical Operating Equipment and Corrective**
6 **Maintenance**

7 Cost increases due to the need to remedy past imprudence are not a wildfire mitigation
8 program enhancement and not reasonable to include in rates. For capital MAT 2AE (Overhead
9 Critical Operating Equipment Replacement), the unit costs recorded to WGSC were 209% higher
10 than those imputed adopted by the GRC, from an average of \$21,913 to \$67,809 (Table 10).

11 As described in the incrementality discussion, PG&E completed fewer units of work than
12 it forecast for MAT 2AE, and much of the work it did complete was the result of a backlog. In
13 its 2023 GRC testimony workpapers, PG&E anticipated that costs for MAT 2AE would increase
14 in 2021 due to deferred work, an “increase due to planned increase in work completion *to*
15 *address prior year backlog*.”²⁴¹ After that point, they write that for MAT 2AE “the GRC forecast
16 was reduced to align with authorized targets, representing unidentified efficiencies that will need
17 to be achieved or reprioritization of work if efficiencies cannot be realized.”²⁴² PG&E did not
18 mention improved wildfire mitigation efforts in its 2023 GRC as a reason for these cost
19 increases, only the issue of delayed work.

20 TURN recommends disallowing the unit cost increase for MAT 2AE from the GRC
21 imputed adopted unit cost, which amounts to a \$21.847 million stand-alone reasonableness
22 disallowance for these capital costs.

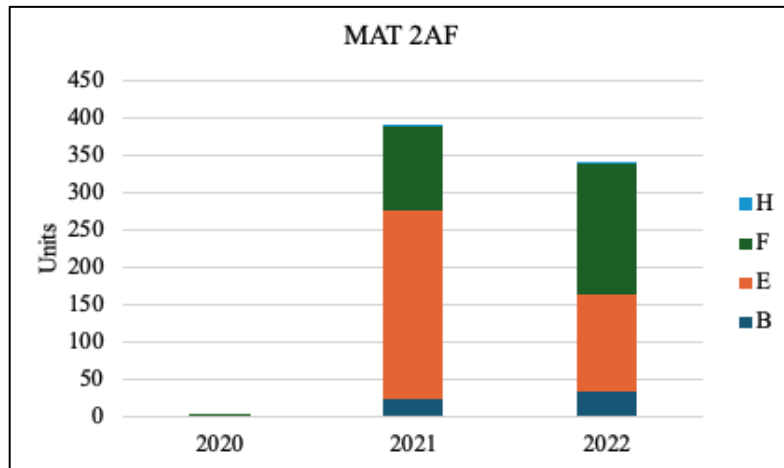
²⁴⁰ PG&E response to TURN DR 019, Q2.

²⁴¹ 2023 GRC PG&E Testimony, PG&E-04 (2/25/22), p. 11-29, emphasis added.

²⁴² *Id.*

1

Figure 13: Completed Units of Work by Priority Level (MAT 2AF)²⁴⁸



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d) Maintenance Support Costs

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While maintenance support costs did not have adopted unit costs in the GRC, TURN recommends that the Commission order a disallowance to these programs proportional to the other disallowances in Chapter 5. As discussed, the costs booked to WGSC memorandum accounts for the Distribution Line Repair and Replacement MATs include unit cost increases that PG&E has failed to show are reasonable and appropriate to impose on ratepayers. Similarly, PG&E has not provided details or justifications that demonstrate the non-unitized maintenance costs associated with these programs have been prudently planned and incurred. Having found 69% of other costs in Chapter 5 to be unreasonable based on unit cost increases that result from imprudent management, TURN recommends a stand-alone reasonableness disallowance of \$844.473 in capital (MAT 21#) and \$2.664 million in expense (MATs AB# and KA#).²⁴⁹

14

D. Other Cost Areas

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Having identified major issues with PG&E’s approach towards incrementality and reasonableness in Chapters 2, 4, and 5 of PG&E’s WGSC application, TURN found similar cause for disallowances in other cost areas. As TURN was not able to review all activities in

²⁴⁸ PG&E response to TURN DR 019, Q2, Atch 1.

²⁴⁹ As displayed in Table 8, reasonableness and incrementality disallowances are overlapping for many of these costs. For reasons discussed in Section VIII(B), when applying these disallowances to capital costs, the reasonableness-based disallowances are permanent and should take precedence over the incrementality disallowances, which apply only to the rate case period.

1 every chapter of PG&E’s request, the following sections present disallowances for certain
 2 activities that TURN was able to address. We present our analysis organized by chapter, but
 3 note, as previously stated, that silence on an activity in a chapter we reference does not mean that
 4 we consider the costs for the unaddressed activities appropriate for addition to rates.

5 **1. Emergency Repairs and Replacements (“Chapter 3”)**

6 PG&E recorded \$33.986 million in capital and \$4.491 million in expense for Chapter 3,
 7 Emergency Repairs and Replacements, to the WMPMA over 2020-2022.²⁵⁰ After applying the
 8 Wildfire OII and EY audit disallowances, PG&E requests \$33.986 million in capital and \$3.664
 9 million in expenses. This work included “emergency repair and replacement of damaged electric
 10 distribution facilities” resulting from WSIP inspections or taking place in HFTDs.²⁵¹ TURN
 11 recommends a full disallowance of these programs on both the basis of incrementality and
 12 reasonableness (Table 12).

13 **Table 12: Summary of TURN Recommended Disallowances (Chapter 3)²⁵²**

Program / Activity	Memo Account	Type	MWC / MAT	WGSC Recorded Costs	Incrementality Disallowance	Reasonableness Disallowance	Combined Disallowance
Emergency Repair of Damaged Facilities	WMPMA	Expense	BHB	\$4,491,372	\$4,491,372	\$4,491,372	\$4,491,372
Emergency Replacement of Damaged Facilities	WMPMA	Capital	17B	\$33,851,272	\$33,851,272	\$33,851,272	\$33,851,272
	WMPMA	Capital	17P	\$135,179	\$135,179	\$135,179	\$135,179
Total				\$38,477,824	\$38,477,824	\$38,477,824	\$38,477,824

14
 15
 16 Each of the programs within this chapter is non-unitized and labelled “Increased” from
 17 the GRC, with GRC adopted and Base recorded costs. As shown in Table 13, PG&E recorded
 18 more spending to Base for each program relative to its GRC authorization:

²⁵⁰ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁵¹ Ex. PG&E-01, p. 3-1.

²⁵² The values shown in the Incrementality and Reasonableness Disallowance columns are stand-alone disallowances if only that requirement is considered. For the capital programs with reasonableness disallowances, the Combined Disallowance is the sum of the full reasonableness disallowance plus the incrementality disallowance for those costs where this is the only ground for disallowance, and may be lower than the sum of the incrementality and reasonableness disallowances. WGSC recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

1 **Table 13: GRC Authorized, Base and WGSC Recorded Costs (Chapter 3)²⁵³**

Program / Activity	Memo Account	Type	MWC / MAT	GRC	Base	WGSC	Base in HFTD	% Base in HFTD
Emergency Repair of Damaged Facilities	WMPMA	Expense	BHB	\$50,301,526	\$65,311,150	\$4,491,372	\$523,089	1%
Emergency Replacement of Damaged Facilities	WMPMA	Capital	17B	\$280,034,277	\$457,734,763	\$33,851,272	\$11,074,987	2%
	WMPMA	Capital	17P	\$53,429,190	\$72,136,158	\$135,179	\$516,534	1%
Total				\$383,764,993	\$595,182,071	\$38,477,824	\$12,114,610	2%

2
3 However, overspending alone does not determine incrementality. PG&E must show that
4 it only booked to the WMPMA costs for additional wildfire mitigation work beyond the wildfire
5 mitigation work that was authorized in the GRC.²⁵⁴ As shown in the table above, just 2% of
6 PG&E’s Base spending took place in HFTD areas. However, PG&E has not shown that its GRC
7 authorization contemplated such minimal attention to HFTD areas for this program. In its 2020
8 GRC testimony, PG&E presented its routine emergency program (MWCs BH and 17) as part of
9 its Electric Emergency Recovery request, which includes responding to outages and performing
10 equipment repairs and replaces.²⁵⁵ As hazard mitigation efforts, they are inherently designed to
11 reduce risk per PG&E’s GRC application.²⁵⁶ There is no common sense explanation for why
12 PG&E’s GRC authorization for emergency work, and subsequent Base spending, would not
13 include a significant percentage of costs pertaining to routine emergencies in HFTD areas,
14 particularly since PG&E reports that more than 50 percent of its service territory is in Tier 2 or 3
15 HFTD areas.²⁵⁷ In addition, PG&E’s WMP citations related to this work – on crossarm,
16 capacitor, and distribution pole repair and replacement – discuss the utility’s preexisting GO 165
17 requirements to complete high priority tags, particularly in HFTD Tier 2 and 3 areas.²⁵⁸

²⁵³ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1. Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

²⁵⁴ PG&E presents tables purporting to show an increase in the number of facilities repaired or replaced in 2020 compared to the GRC authorization. (Ex. PG&E-01, pp. 3-6 to 3-7). However, PG&E does not make this comparison for HFTD areas, *i.e.*, the HFTD units covered by its GRC authorization compared to HFTD units actually repaired or replaced. In fact, PG&E’s direct showing does not provide any information about units of work authorized in the GRC.

²⁵⁵ PG&E 2020 GRC Testimony, PG&E-04, p. 4-1.

²⁵⁶ PG&E 2020 GRC Testimony, PG&E-04, p. 4-21.

²⁵⁷ Ex. PG&E-01, p. 1-10.

²⁵⁸ Ex. PG&E-01, p. 3-2, fn 3.

1 Thus, PG&E’s approach of considering practically all HFTD costs inherently incremental
2 to the GRC authorization is counter-intuitive and unsupported. Based on the proportion of
3 PG&E’s service territory that is Tier 2 or 3 HFTD,²⁵⁹ at least half of PG&E’s GRC authorization,
4 \$191.882 million, should be applied to HFTD areas (about \$25 million for repair expenses, and
5 \$167 million for replacement capital).²⁶⁰ However, PG&E only recorded \$12.114 million in
6 HFTD areas to “Base.” Thus, PG&E has not shown that any of the \$38 million of costs it booked
7 to the WMPMA are for HFTD work beyond what was authorized in the GRC. TURN
8 recommends a full incrementality disallowance of PG&E’s WGSC request for Emergency
9 Repairs and Replacement expense and capital costs.

10 PG&E has also not shown that the greater “volume” of emergency work that arose from
11 PG&E’s Chapter 2 inspection methodology is reasonable and warrants ratepayer cost recovery
12 through WGSC.²⁶¹ First, there is a certain amount of forecast risk assumed as part of the GRC
13 process; it is the utility’s responsibility to assess what it will likely need for emergency programs
14 covered by this part of its GRC forecast. Second, as discussed in Section VI(A) above, the
15 number of maintenance findings was disproportionately high relative to PG&E’s increased
16 number of inspections, due to past neglect and the utility’s ongoing work backlog. Third,
17 PG&E’s choice to book “priority A” tag work to these non-unitized emergency MWCs,²⁶² rather
18 than their respective unitized infrastructure programs, makes it difficult to evaluate the apples-to-
19 apples reasonableness of recorded unit costs with unit costs found reasonable in the GRC. Thus,
20 this is another program in which PG&E has failed to show that the increased costs it booked to
21 the WMPMA are not the result of necessarily rushed remedial efforts to address its degraded
22 infrastructure.

23 PG&E’s reasonableness showing also fails to address the unusually large share of
24 overhead costs included in PG&E’s Emergency Repairs and Replacements programs. While the

²⁵⁹ Ex. PG&E-01, p. 1-10.

²⁶⁰ The Commission followed a similar approach in D.22-06-032, pp. 55-56. There, it found that while SCE’s GRC did not establish a specific budget for HFRA vegetation management, the utility “failed to demonstrate that only 1% of the vegetation management budget authorized in the 2018 GRC was for work in HFRA and that all HFRA costs in excess of \$0.60 million were incremental.” It concluded that “we find it probable that at least 50% of the authorized budget was for work in HFRA,” even though just 35% of SCE’s service territory is HFRA. (D.19-05-038, p. 5).

²⁶¹ Ex. PG&E-01, p. 3-5.

²⁶² Ex. PG&E-01, p. 3-6. and PG&E 2022 RSAR, Electric Tables Section 3, Table 4-4, Line 46.

1 WGSC application does not include overhead costs for expense programs, overheads for capital
2 programs are still included.²⁶³ According to a data request response to TURN, overheads
3 comprised 40% of PG&E’s capital expenditures for Chapter 3 activities (\$13.514 out of \$33.986
4 million).²⁶⁴ This is the highest proportion of overheads out of all capital expenditures in PG&E’s
5 request, and twice as high as the overheads for PG&E’s request overall (19%). PG&E has not
6 shown that these high overhead costs are appropriate to impose on ratepayers.

7 In addition, PG&E reported to TURN that it does not have a showing of cost-
8 effectiveness for these programs; “PG&E does not perform any efficiency analysis for
9 emergency work since the nature of Emergency work is emerging and required work.”²⁶⁵

10 Given PG&E’s failure to demonstrate the reasonableness of these emergency activities’
11 costs, TURN also recommends that this program be disallowed on the basis of reasonableness.
12 Accordingly, TURN recommends that the \$33.986 million of capital costs be disallowed on the
13 basis of reasonableness, which as discussed in Section VIII(B) below, results in a permanent
14 disallowance of these costs from rate base. Alternatively, these costs should be disallowed on
15 the basis of incrementality, which as discussed in Section VIII(B), should result in a ratemaking
16 adjustment that provides a meaningful reduction to revenue requirement. With respect to the
17 \$4.491 million of expense for these programs, a disallowance based on either incrementality or
18 reasonableness will have the same effect on revenue requirement.

19 **2. Substation Repairs and Replacements (“Chapter 6”)**

20 PG&E recorded \$73.844 million²⁶⁶ in expense and \$32.864 in capital for Chapter 6,
21 Substation Repairs and Replacements, and Temporary Generation, over 2020-2022 to the
22 WMPMA, before it applied the Wildfire OII and EY disallowances.²⁶⁷ TURN recommends a
23 \$9.453 million expense disallowance for costs that are not incremental to the GRC (Table 14).

²⁶³ Ex. PG&E-01, p. 1-14.

²⁶⁴ PG&E response to TURN DR 016, Q1, Atch 1.

²⁶⁵ PG&E response to TURN DR 017, Q1

²⁶⁶ These recorded costs are rounded from PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev (\$73.844) and vary slightly from the recorded costs displayed in Ex. PG&E-01, p. 16-3 (\$73.843).

²⁶⁷ Ex. PG&E-01, p. 6-1.

1 **Table 14: Summary of TURN Recommended Disallowances (Chapter 6)²⁶⁸**

Program / Activity	Memo Account	Type	MWC / MAT	WGSC Recorded	Incrementality Disallowance	Combined Disallowance
Supplemental Substation Inspection & Repair	WMPMA	Expense	GC2	\$5,512,696	\$7,190,767	\$7,190,767
	WMPMA	Expense	GC5	\$12,873,146	-	-
Defensible Space Management	WMPMA	Expense	GCG	\$12,355,283	\$2,262,268	\$2,262,268
Temporary Generation	WMPMA	Expense	GC2	\$144,317	-	-
	WMPMA	Expense	IG#	\$42,958,237	-	-
Infrastructure Hardening & Animal Abatement	WMPMA	Capital	48L	\$261,157	-	-
	WMPMA	Capital	59F	\$18,991,462	-	-
PSPS Impact Mitigations	WMPMA	Capital	59F	\$5,935,000	-	-
	WMPMA	Capital	48D	\$7,584,000	-	-
Temporary Generation	WMPMA	Capital	48A	\$92,232	-	-
Total				\$106,707,530	\$9,453,034	\$9,453,034

2
3 As shown in Table 15, recorded costs for these programs, which relate to substation
4 resiliency and infrastructure hardening, exceeded PG&E’s GRC authorization. Total costs have
5 increased significantly across these MATs since the previous GRC cycle,²⁶⁹ but without unit
6 costs it is difficult to identify the causes. The utility states that the key cost driver was work
7 mandated by WMPs.²⁷⁰

8 **Table 15: GRC Authorized, Base and WGSC Recorded Costs (Chapter 6)²⁷¹**

Program / Activity	Memo Account	Type	MWC / MAT	GRC	Base	WGSC	Base in HFTD	Percent Base in
Supplemental Substation Inspection & Repair	WMPMA	Expense	GC2	\$14,381,534	\$10,991,177	\$5,512,696	\$0	0%
	WMPMA	Expense	GC5	\$0	\$132,614	\$12,873,146	\$0	0%
Defensible Space Management	WMPMA	Expense	GCG	\$4,524,535	\$13,798,170	\$12,355,283	\$0	0%
Temporary Generation	WMPMA	Expense	GC2	\$0	\$0	\$144,317	\$0	-
	WMPMA	Expense	IG#	\$0	\$0	\$42,958,237	\$0	-
Infrastructure Hardening & Animal Abatement	WMPMA	Capital	48L	\$21,335,999	\$78,366,843	\$261,157	\$4,725,350	6%
	WMPMA	Capital	59F	\$0	\$115,501,238	\$18,991,462	\$26,048,127	23%
PSPS Impact Mitigations	WMPMA	Capital	59F	\$0	\$0	\$5,935,000	\$0	-
	WMPMA	Capital	48D	\$0	\$10,438,000	\$7,584,000	\$381,000	4%
Temporary Generation	WMPMA	Capital	48A	\$0	\$0	\$92,232	\$0	-
Total				\$40,242,068	\$229,228,042	\$106,707,530	\$31,154,477	14%

9
10 Overspending alone does not determine incrementality. PG&E must show that it only
11 booked to the WMPMA costs for additional wildfire mitigation work beyond the wildfire

²⁶⁸ Recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁶⁹ PG&E response to TURN DR 012, Q3, Atch 3.

²⁷⁰ Ex. PG&E-01, p. 6-5.

²⁷¹ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1. Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

1 mitigation work that was authorized in the GRC. For one program area, Supplemental Substation
2 Inspection & Repair (MATs GC2 and GC5), PG&E recorded \$3.258 million less to its Base
3 account than it was authorized in the 2020 GRC from.²⁷² Further, none of PG&E’s Supplemental
4 Substation Inspection & Repair work recorded to Base was conducted in HFTDs. Nowhere in its
5 2020 GRC testimony does PG&E suggest that these programs are designed for only non-HFTD
6 areas. Thus, for reasons discussed in Part 1 of this Section regarding Chapter 3 costs, we
7 recommend an incrementality disallowance of \$7.191 million (half of the GRC authorization)
8 from PG&E’s WGSC expense request for this program.

9 For Defensible Space Management, PG&E similarly recorded no Base costs in HFTD
10 areas. Assuming at least half of the GRC authorization, or \$2.262 million, pertained to costs in
11 HFTD areas, we recommend an incrementality disallowance of \$2.262 million from PG&E’s
12 WGSC expense request.

13 Accordingly, based on the available information, TURN recommends a minimum
14 disallowance of expenses totaling \$9.453 million for the Supplemental Substation Inspection &
15 Repair and Defensible Space Management programs.

16 **3. Mapping Costs (“Chapter 10”)**

17 PG&E recorded \$16.125 million in expense to the WMPMA and FRMMA over 2020-
18 2022 for data management and analytics (DM&A) and mapping, before applying the Wildfire
19 OII disallowances (\$2.897 million).²⁷³ TURN recommends a disallowance of \$6.780 million in
20 expense on the basis of both incrementality and reasonableness (**Table 16**).

²⁷² PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁷³ Ex. PG&E-01, p. 16-4.

1 **Table 16: Summary of TURN Recommended Disallowances (Chapter 10)**²⁷⁴

Program / Activity	Memo Account	Type	MWC / MAT	WGSC Recorded	Incrementality Disallowance	Reasonableness Disallowance	Combined Disallowance
DM&A	WMPMA	Expense	GEP	\$6,329,611	-	-	-
	FRMMA	Expense	GEP	\$3,015,190	-	-	-
Mapping	WMPMA	Expense	GEO	\$6,758,040	\$6,758,040	\$6,758,040	\$6,758,040
	FRMMA	Expense	GEO	\$22,134	\$22,134	\$22,134	\$22,134
Total				\$16,124,975	\$6,780,174	\$6,780,174	\$6,780,174

2
3 Both MATs GEP and GEO are “Increased” MATs that were discussed in PG&E’s 2020
4 GRC, with costs authorized for MAT GEO (Table 17).

5 **Table 17: GRC Authorized, Base and WGSC Recorded Costs (Chapter 10)**²⁷⁵

Program / Activity	Memo Account	Type	MWC / MAT	GRC	Base	WGSC	"Base" in HFTD
DM&A	WMPMA	Expense	GEP	\$0	\$1,280,046	\$6,329,611	\$0
	FRMMA	Expense	GEP	\$0	-\$3,015,190	\$3,015,190	\$0
Mapping	WMPMA	Expense	GEO	\$18,032,383	\$23,145,680	\$6,758,040	\$0
	FRMMA	Expense	GEO	\$0	-\$22,134	\$22,134	\$0
Total				\$18,032,383	\$21,388,402	\$16,124,975	\$0

6
7 PG&E has not demonstrated that these costs are reasonable. As discussed in Sections III
8 and IV(B)(1) above, both OEIS and the Federal Monitor have found that PG&E’s electric
9 distribution asset records prior to 2020 were inadequate and failed to meet the fundamental needs
10 of being traceable, verifiable, and accurate. In testimony, PG&E admits that it incurred Mapping
11 costs (MAT GEO) to correct previous errors, or “asset registry corrections,” in its maps.²⁷⁶ While
12 correcting errors is important, it is not appropriate to charge ratepayers for the additional costs of
13 this work to correct for poor recordkeeping practices in the past. Thus, TURN recommends a
14 reasonableness disallowance for PG&E’s full Mapping request, \$6.780 million in expenses.

²⁷⁴ The values shown in the Incrementality and Reasonableness Disallowance columns are stand-alone disallowances if only that requirement is considered. WGSC recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁷⁵ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1. Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

²⁷⁶ Ex. PG&E-01, p. 10-9.

1 Alternatively, these costs should also be disallowed on the grounds of incrementality.
2 While PG&E spent more than it forecast for MAT GEO from 2020-2022, overspending alone
3 does not determine incrementality. PG&E must show that it only booked to the WMPMA costs
4 for additional wildfire mitigation work beyond the wildfire mitigation work that was authorized
5 in the GRC. None of PG&E’s Mapping work (MAT GEO) recorded to Base was conducted in
6 HFTDs (Table 17). Nowhere in its 2020 GRC testimony does PG&E suggest that this program is
7 designed for only non-HFTD areas. Based on the reasonable expectation that at least half of
8 PG&E’s GRC authorization for the Mapping activity pertained to HFTD areas, that Base
9 authorization would have amounted to \$9 million. Because PG&E’s recorded WGSC costs do
10 not exceed this amount, this supports an incrementality disallowance of PG&E’s entire \$6.780
11 million WGSC expense request for Mapping.

12 **4. Wildfire Support Costs (“Chapter 11”)**

13 PG&E recorded \$110.307 million in expenses and \$9.827 in capital spending for Chapter
14 11, Wildfire Support Costs, to the WMPMA and FRMMA, before it applied the Wildfire OII and
15 EY disallowances.²⁷⁷ PG&E describes Wildfire Support Costs as “predominantly labor related
16 costs to support various wildfire initiatives.”²⁷⁸ TURN recommends a disallowance of \$24.714
17 million in expense for Operational Management and Operational Support for costs not
18 incremental to the 2020 GRC (**Table 18**).

²⁷⁷ Ex. PG&E-01, pp. 11-4 and 11-5.

²⁷⁸ PG&E response to TURN DR 017, Q6.

1

Table 18: Summary of TURN Recommended Disallowances (Chapter 11)²⁷⁹

Program	Memo Account	Type	MWC / MAT	WGSC Recorded Costs	Incrementality Disallowance	Combined Disallowance
Ignition Investigations	WMPMA	Expense	AB#, IG#	\$9,473,240	-	-
Operational Mgmt/Operational Support	WMPMA	Expense	AB6, OM, OS5	\$24,714,196	\$24,714,196	\$24,714,196
Regulatory Compliance & Support	WMPMA/ FRMMA	Expense	AB#	\$20,098,287	-	-
Governance/PMO	WMPMA/ FRMMA	Expense	AB#, AB6	\$6,927,017	-	-
Wildfire Risk Enablement	WMPMA/ FRMMA	Expense	AB6, IG#, AB#, BAF	\$17,400,641	-	-
	FRMMA	Capital	10J	\$572,197	-	-
Wildfire Risk Analysis and Research	WMPMA/ FRMMA	Expense	AB6, IG#, AB#	\$31,693,359	-	-
	WMPMA	Capital	21#	\$9,255,295	-	-
Total				\$120,134,232	\$24,714,196	\$24,714,196

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5

PG&E considers all costs for Wildfire Support in Chapter 11 to be “Increased” work relative to the GRC, rather than “Emergent” new activities.²⁸⁰ While programs are non-unitized, costs were authorized in the GRC (Table 19).

²⁷⁹ The values shown in the Incrementality and Reasonableness Disallowance columns are stand-alone disallowances if only that requirement is considered. WGSC recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁸⁰ Ex. PG&E-01, p. 15-10.

1 **Table 19: GRC Authorized, Base and WGSC Recorded Costs (Chapter 11)**²⁸¹

Program	Memo Account	Type	MWC / MAT	GRC	Base	WGSC	Base in HFTD
Ignition Investigations	WMPMA	Expense	AB#, IG#	\$0	\$0	\$9,473,240	\$0
Operational Mgmt/Operational Support	WMPMA	Expense	AB6, OM, OS5	\$90,355,541	\$82,171,262	\$24,714,196	\$0
Regulatory Compliance & Support	WMPMA/ FRMMA	Expense	AB#	\$0	\$0	\$20,098,287	\$0
Governance/PMO	WMPMA/ FRMMA	Expense	AB#, AB6	\$0	\$0	\$6,927,017	\$0
Wildfire Risk Enablement	WMPMA/ FRMMA	Expense	AB6, IG#, AB#, BAF	\$0	\$0	\$17,400,641	\$0
	FRMMA	Capital	10J	\$0	\$0	\$572,197	\$0
Wildfire Risk Analysis and Research	WMPMA/ FRMMA	Expense	AB6, IG#, AB#	\$0	\$0	\$31,693,359	\$0
	WMPMA	Capital	21#	\$0	\$0	\$9,255,295	\$0
Total				\$90,355,541	\$82,171,262	\$120,134,232	\$0

2
3 In terms of incrementality, for the activity grouping that PG&E labels Operational
4 Management and Operating Support (MATs AB6, OM, and OS5), PG&E was authorized
5 \$90.356 million in the GRC and spent a total of \$120.134 million. However, PG&E only
6 recorded \$82.171 million of spending to “Base,” which is less than its GRC authorization. PG&E
7 also reports that none of its spending recorded to Base for this item was HFTD, which indicates
8 the same problematic approach to incrementality discussed in other chapters.²⁸² As discussed in
9 Part 1 of this Section, it is reasonable to conclude that at least half of the GRC authorized work,
10 \$45 million, would be conducted in HFTD areas, based on the proportion of PG&E’s service
11 territory that is Tier 2 or 3 HFTD.²⁸³ PG&E only recorded \$24.714 million in HFTD areas and
12 booked all to WGSC. Given the difficulty of assessing incremental costs to the GRC, and the
13 under-booking of HFTD costs to “Base,” TURN recommends a full incrementality disallowance
14 of the \$24.714 million in WGSC expenses related to Operational Management and Operational
15 Support.

²⁸¹ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1. Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

²⁸² PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁸³ Ex. PG&E-01, p. 1-10.

1 PG&E has not demonstrated why the other requested “Increased” costs in this chapter are
2 incremental to its GRC authorization. PG&E did not report any GRC authorized or other Base
3 recorded costs for these programs to TURN, even though they are “Increased” MATs, because
4 multiple programs are often housed within a single MWC/MAT code. MAT AB6, for example,
5 is a “shared” code that is “not tracked at the same activity level as the WMPMA and FRMMA
6 costs.”²⁸⁴ Further, the boundaries of MAT/MWC codes have changed over the period; some
7 adopted costs for AB6 were recorded under IG# in 2020.²⁸⁵ These incongruences and shifting
8 designations make it challenging to assess which non-unitized activities may or may not have
9 been truly incremental to those authorized and funded by the GRC. For instance, TURN is
10 unable to identify what portion of Base work was conducted in HFTD areas, how specific
11 projects connect to other programs in PG&E’s application, or how costs for these “Increased”
12 programs have changed over time and why.

13 In addition to a poor showing of incrementality, PG&E has not demonstrated the cost-
14 effectiveness of these Wildfire Support Costs for ratepayers broadly. The utility claims that
15 “assessing cost effectiveness of this work prior to implementation could not be done” because
16 “the focus of these activities is for near term/immediate implementation.”²⁸⁶ However, the utility
17 has also not provided historic costs or other bases to review whether these costs are reasonable
18 after the fact. These uncertainties further support TURN’s expense disallowance of the
19 Operational Management/Operational Support MATs.

20 **5. Shared Services (“Chapter 12”)**

21 PG&E recorded \$96.565 million in capital and \$11.116 in expenses for Chapter 12,
22 Shared Services, to the WMPMA and FRMMA, before it applied the Wildfire OII and EY
23 disallowances.²⁸⁷ TURN recommends a disallowance of \$0.096 million in capital and \$4.594
24 million in expense on grounds of incrementality and reasonableness (Table 20).

²⁸⁴ PG&E response to TURN DR 035, Q1, Atch 1.

²⁸⁵ PG&E 2022 RSAR, Electric Tables Section 3, Table 3-3, Line 9.

²⁸⁶ PG&E response to TURN DR 017, Q6.

²⁸⁷ Ex. PG&E-01, pp. 16-3 and 16-4.

Table 20: Summary of TURN Recommended Disallowances (Chapter 12)²⁸⁸

Program / Activity	Memo Account	Type	MWC / MAT	WGSC Recorded	Incrementality Disallowance	Reasonableness Disallowance	Combined Disallowance
CRESS	FRMMA	Capital	23	\$38,241,000	-	-	-
	WMPMA	Capital	23	\$58,323,804	\$96,040	-	\$96,040
	WMPMA	Expense	IG	\$2,198,844	\$770,280	-	\$770,280
Enterprise Health and Safety	WMPMA	Expense	IG	\$47,728	-	-	-
Land and Environmental Management	FRMMA	Expense	IG	\$5,045,338	-	-	-
Sourcing	WMPMA	Expense	JL	\$3,823,746	\$3,823,746	\$3,823,746	\$3,823,746
Total				\$107,680,460	\$4,690,066	\$3,823,746	\$4,690,066

As summarized in Table 21, the majority of costs in this chapter relate to Corporate Real Estate Strategy and Services (CRESS),²⁸⁹ including Emergency Generation Enhancement for PG&E service centers, which PG&E labels “Emergent” work supplemental to PG&E’s GRC application and which PG&E says is discussed in its WMP.²⁹⁰

Table 21: WGSC Recorded Costs (Chapter 12)²⁹¹

Program / Activity	Memo Account	Type	MWC / MAT	WGSC
CRESS	FRMMA	Capital	23	\$38,241,000
	WMPMA	Capital	23	\$58,323,804
	WMPMA	Expense	IG	\$2,198,844
Enterprise Health and Safety	WMPMA	Expense	IG	\$47,728
Land and Environmental Management	FRMMA	Expense	IG	\$5,045,338
Sourcing	WMPMA	Expense	JL	\$3,823,746
Total				\$107,680,460

PG&E has not demonstrated how its request for Strategic Sourcing (MWC JL) is “Increased” and incremental work relative to the GRC. PG&E recorded \$3.824 million to the WMPMA²⁹² and did not provide TURN with amounts for the program’s GRC authorized or Base

²⁸⁸ The values shown in the Incrementality and Reasonableness Disallowance columns are stand-alone disallowances if only that requirement is considered. WGSC recorded costs are provided in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁸⁹ Ex. PG&E-01, p. 12-11.

²⁹⁰ PG&E’s 2021 WMP, pp. 373-374.

²⁹¹ PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1. Recorded costs differ from PG&E’s request because they do not include accounting adjustments.

²⁹² Ex. PG&E-01, p. 12-7.

1 spending.²⁹³ But according to its RSAR over the period, PG&E spent about \$5 million more
2 overall on this MWC than authorized by the GRC.²⁹⁴ Thus, based on the incomplete information
3 provided, it is unclear how PG&E assigned its recorded Base dollars across HFTD and non-
4 HFTD areas.²⁹⁵ If PG&E did not record any Base spending to HFTD areas, then the company has
5 not used a correct approach to determining incrementality. As a result, TURN recommends
6 disallowing PG&E's request for Sourcing for failing to demonstrate incrementality.

7 PG&E's showing of reasonableness for its Sourcing program is also inadequate. PG&E
8 claims that its Sourcing team was responsible for securing contracts and establishing competitive
9 labor terms. To boost the workforce for PG&E's catch-up wildfire activities, the team reportedly
10 "followed best practices in selecting a staff augmentation vendor and leveraged a master service
11 agreement from a preferred partner with competitive terms and conditions."²⁹⁶ Yet, as discussed
12 in Sections VI(A) and VI(B) above, the key programs that utilized Strategic Sourcing (Chapters
13 2 inspections and Chapter 4 pole replacements) had unreasonably high labor and unit costs due
14 to PG&E's work backlog. While PG&E claims that the teams worked "to ensure optimal
15 pricing," Grant Thornton auditors found, for example, that programs such as pole replacement
16 (MAT 07D), costs were up to 36% higher than SCE's unit costs.²⁹⁷ PG&E claims its sourcing
17 team "completed a comprehensive bid to competitively source unitized patrols and
18 inspections,"²⁹⁸ yet inspection costs skyrocketed due to contractual limitations that prevented
19 efficient bundling of patrol and inspection activities.²⁹⁹ Given the reasonableness issues related
20 to labor contracts throughout PG&E's application, the Commission should disallow all \$3.8
21 million related to Strategic Sourcing and not allow PG&T to recoup these costs from ratepayers.

22 All other Shared Services activities are considered "Emergent Work," yet there are costs
23 tied to programs that have failed to demonstrate incrementality to the GRC. PG&E's WGSC

²⁹³ There are no GRC or Base amounts for MWC JL in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁹⁴ PG&E 2022 RSAR, SS-IT Total Table Expense, Table 6-1, Line 15.

²⁹⁵ MWC JL does not have Base costs in PG&E response to TURN DR 035, Q1, Atch 1, Supp 1, Rev 1.

²⁹⁶ PG&E response to TURN DR 017, Q7 Atch 1.

²⁹⁷ PG&E response to TURN DR 038, Q8, Atch 1. While PG&E replied (Atch 2) that these unit costs are not a one-to-one comparison with SCE's, PG&E's unit costs notably increased relative to SCE's. PG&E's unit cost were lower than SCE's in 2019.

²⁹⁸ Ex. PG&E-01, p. 12-7.

²⁹⁹ Ex. PG&E-01, p. 2-8.

1 request includes \$1.572 million in expense (MWC IG) and \$0.196 million in capital (MWC 23)
2 for Functional Area Wildlife Mitigation Support pertaining to the establishment of laydown
3 yards for use by the WSIP inspection program.³⁰⁰ PG&E fails to explain why these costs are not
4 included in “Inspections Support Costs,” which mention the creation of laydown yards, in
5 Chapter 2.³⁰¹ The Commission should adopt proportional incrementality disallowances to these
6 costs for inspection laydown yards, in the same manner as Chapter 2 “Inspections Support
7 Costs,” because PG&E over-recorded inspection costs to the WMPMA or FRMMA relative to
8 the GRC (See Section VI (A)(1)). TURN recommends the same 49% disallowance, which
9 amounts to \$0.770 million in expense and \$0.096 million in capital for this program area.

**VII. The Costs of PG&E Image Advertising Should Be Disallowed from Rate Recovery
(T. Long)**

10 **A. PG&E’s Request Includes Costs of Video Advertising for the Primary**
11 **Purpose of Enhancing PG&E’s Image, Which Is Barred from Recovery**
12 **Under Longstanding CPUC Precedent**

13 Through discovery, TURN has learned that PG&E’s requested recovery for “Wildfire
14 Communications” in Chapter 14 includes costs for at least two video advertisements that serve
15 the primary purpose of promoting and enhancing the company’s image for the benefit of
16 shareholders, rather than primarily benefitting customers. Commission precedent is clear that the
17 cost of such advertising should not be included in rates.

18 The first advertisement is titled “Undergrounding 10,000 Miles of Powerlines for
19 Safety.”³⁰² The audio for this ad is transcribed below:

20 To make our power system safer and more reliable, we're transforming your hometown
21 utility from the underground up. Undergrounding power lines in the highest fire threat
22 areas makes us safer and it's less expensive in the long run. Since 2021, we've buried
23 hundreds of miles of lines with thousands more to come across 21 counties, and we're
24 using new technologies to target areas with the highest fire risk. That's our commitment
25 to build your safe, reliable, and affordable energy system.
26

³⁰⁰ Ex. PG&E-01, p. 12-13.

³⁰¹ Ex. PG&E-01, p. 2-16.

³⁰² The video of this ad can be found at the following You Tube link:

<https://www.youtube.com/watch?v=AxzW6TvEv8o>

1 The second ad is titled “An Affordable Energy Future for California.”³⁰³ The audio for
2 this ad is transcribed below:

3 In California, we're on a journey to make energy cleaner, safer, and more reliable. At
4 PG&E, our goal is to get there without leaving any family behind. We're undergrounding
5 lines because it's safer and more affordable in the long run. We're helping our customers
6 lower costs by choosing the right energy plan and taking control of their bills with
7 predictable budget billing. As your hometown utility, we won't stop until we deliver the
8 safe, reliable, renewable, and affordable energy you deserve.
9

10 In response to questions asking whether the costs of each of these specific ads were
11 included in its request, PG&E acknowledged that it was indeed seeking recovery of the cost of
12 this “media content.”³⁰⁴ PG&E says the costs of these ads are included in its 2022 request under
13 Planning Order #5049478.³⁰⁵

14 On their face, both of these ads are clearly designed to enhance the image of a utility that
15 has been badly tarnished by PG&E’s culpability for the 2010 deadly San Bruno gas pipeline
16 explosion and the 2018 Camp Fire, for which PG&E pled guilty to 84 counts of involuntary
17 manslaughter. The first ad proclaims that “. . . we’re transforming your hometown utility from
18 the underground up” and repeats PG&E’s advocacy arguments in support of its unapproved
19 10,000 mile undergrounding proposal.³⁰⁶ The ad concludes by lauding PG&E’s “commitment to
20 build your safe, reliable and affordable energy system.” Similarly, the second ad touts PG&E’s
21 claimed accomplishments and asserts that, “[a]s your hometown utility, we won’t stop until we
22 deliver the safe, reliable, and affordable energy you deserve.”

³⁰³ The video of this ad can be found at the following You Tube link:

https://www.youtube.com/watch?v=Ga050z_92bs

³⁰⁴ PG&E response to TURN DR 30, Question 3 (first ad discussed above); PG&E response to TURN DR 30, Question 6 (second ad). Because PG&E’s testimony did not disclose that it was claiming costs for image-enhancing advertising of this nature and because TURN cannot know the contents of all of PG&E’s advertising, it is unknown whether PG&E’s request includes costs for other image advertising that TURN was not aware of and did not specifically identify in its data requests.

³⁰⁵ *Id.*, response to Question 3(b)(i).

³⁰⁶ PG&E’s 10,000 mile undergrounding concept is still just a proposal, not a policy or plan that the CPUC has adopted. At the time these ads were aired in 2022, the CPUC had not issued *any* decision on the 10,000 mile undergrounding proposal that PG&E announced in late 2021. In D.23-10-069, the PG&E significantly cut back PG&E’s proposed undergrounding proposal for the 2023-2026 rate case period, because of numerous problems with PG&E’s proposal raised by TURN and other parties. D.23-11-069, pp. 277-278, 294-297.

1 Of course, PG&E is free to promote its image and brand. But under long-settled CPUC
2 precedent, it may only do so on the shareholders' dime, not at the expense of ratepayers. The
3 Commission has made clear that advertising that primarily boosts the company's image and
4 "goodwill" more than it provide any benefits to customers should be disallowed for ratemaking
5 and recorded below-the-line.³⁰⁷

6 PG&E justifies its "Wildfire Communications" costs as intended to "educate and inform
7 customers on the action they could take to help stay safe in the face of wildfire risks."³⁰⁸ These
8 ads do not fit that description. They do not educate customers on what they can do to reduce
9 their risk; they try to convince customers that PG&E is doing a great job.

10 A letter to the *Sacramento Bee* captures well the outrage that many PG&E customers feel
11 about the idea of having to pay for ads like these:

12 The notion that the public should foot the bill for propaganda intended to convince
13 viewers that PG&E's undergrounding plans are purely altruistic is ludicrous. One need
14 only consider the utility's sordid history of putting profit over people and its record \$2.2
15 billion earnings last year to recognize these ads were rubbish, meant to con and not
16 inform. I would be laughing at the absurdity of it all except my blood is busy boiling so
17 much that my brain might explode.³⁰⁹

18
19 In discovery, PG&E stated it was not able to provide the specific costs attributable to
20 each of these two ads and could only state that the costs were included in Planning Order
21 #5049478 for 2022,³¹⁰ to which PG&E booked \$2,502,000.³¹¹ Because PG&E records do not
22 enable a determination of which costs in this \$2.5 million total are attributable to the two video
23 ads in question, the full amount should be disallowed.

24 Accordingly, TURN recommends that the \$2,502,000 in claimed "Wildfire
25 Communications" costs for 2022 should be found unreasonable and disallowed from rate

³⁰⁷ D.04-09-061, pp. 98-99; D.01-06-077, pp. 36-37; D.90-01-016, 1990 Cal.PUC LEXIS 15, *99; D.86794 (1976), 1976 Cal.PUC LEXIS 59, *64-65; D.83162 (1974), 1974 Cal.PUC LEXIS 1663, *82-83; see also *City of Los Angeles v. Public Utilities Comm.* (1972) 7 Cal. 3d 331, 351, 1972 Cal LEXIS 196, ***37.

³⁰⁸ Ex. PG&E-1, p. 14-5.

³⁰⁹ Letter to the *Sacramento Bee*, April 23, 2024, found at: <https://www.sacbee.com/opinion/op-ed/article287816290.html>.

³¹⁰ PG&E response to TURN DR 30, Question 3(b); PG&E response to TURN DR 30, Question 6(b), which cross-references the response to Question 3(b).

³¹¹ Ex. PG&E-3, p. WP 14-3, line 2.

1 recovery because they include the costs of advertising for the primary purpose of promoting
2 PG&E’s image and goodwill.³¹²

3 **B. A Compliance Process Is Needed to Ensure that PG&E Is Not Trying to Get**
4 **Ratepayers to Pay for Its Image Advertising in Other Requests**

5 As discussed, it is long- and well-established precedent in CPUC decisions that activities
6 such as advertising that primarily enhances the utility’s corporate image must be recorded below-
7 the-line and funded by utility shareholders. PG&E’s election to include these costs in its request
8 here openly defies this well-settled rule in California. From 2023 to the present, PG&E has
9 continued to disseminate video image enhancement ads similar in nature to the two ads described
10 above.³¹³ And NBC Bay Area has reported that PG&E intends to charge ratepayers \$6 million
11 for costs of such ads via the FRMMA.³¹⁴

12 To assess whether PG&E has elsewhere included such costs in rate requests and to
13 prevent a recurrence of this practice, the Commission should direct PG&E to submit a Tier 1
14 advice letter compliance filing within 30 days of the decision. In that compliance filing, PG&E
15 should be required to do the following:

- 16 • For the period beginning January 1, 2023 through the date of issuance of the
17 decision in this case, PG&E should provide, for each video advertisement
18 disseminated during that period the costs of which were originally recorded
19 above-the-line:
 - 20 ○ The name of the advertisement;
 - 21 ○ The text of the audio of the advertisement;
 - 22 ○ An Internet link for viewing the advertisement;
 - 23

³¹² TURN notes that it did not examine the reasonableness of any other costs included in Chapter 14 of PG&E’s testimony and, at this time, does not offer any view as to the reasonableness of those other costs.

³¹³ For example, see the following video ads:

- “Proud to Make Our System Safer for Our Customers”, one version of which can be found at <https://www.youtube.com/watch?v=7unY1LVKcLI>
- “PG&E’s Layers of Protection”, one version of which can be found at <https://www.youtube.com/watch?v=tvMm9KQgrCc>

³¹⁴ “PG&E plan to use wildfire funds on ads sparks critics’ fire,” NBC Bay Area, June 6, 2024, found at: https://www.youtube.com/watch?v=suMGw1_01_Q

- 1 ○ All associated costs of preparing, placing and disseminating the
2 advertisement, including costs that may have been incurred prior to
3 January 1, 2023;
- 4
- 5 ○ Whether the costs of the advertisement were included in a cost recovery
6 application, and, if so, the case number, and amount of costs for the
7 advertisement that were included in the application;
- 8
- 9 ○ Whether the costs of the advertisement were included in developing any
10 other forecast for any other CPUC proceeding, and, if so, the case number,
11 the activity forecast in which the costs were included, and the amount of
12 costs for the advertisement that were included in developing the forecast
13 in question;
- 14 ○ Whether PG&E believes that the primary purpose of the advertisement is
15 to benefit its customers rather than promote the image and goodwill of the
16 company and if so, why; and
- 17
- 18 ○ Whether in response to the decision in this case, PG&E has removed the
19 full costs of the advertising from its above-the-line accounts, and, if so, in
20 what amount.
- 21

22 The advice letter and any protests or responses to it should be considered by the Commission in
23 determining whether further action is needed to prevent PG&E from imposing improper costs on
24 ratepayers, including an enforcement action or other proceeding, such as an order to show cause
25 why PG&E should not be sanctioned for defying clear Commission precedent.

VIII. Ratemaking Issues (T. Long)

26 **A. PG&E’s Proposed Allocation of the \$198 Million Wildfire OII Disallowance** 27 **Is Contrary to Decision 20-05-019**

28 **1. Background**

29 D.20-05-019 addressed CPUC staff allegations that PG&E violated requirements
30 concerning maintenance and operation of its facilities and that those violations contributed to the
31 catastrophic North Bay wildfires in 2017 and the 2018 Camp Fire that destroyed the city of
32 Paradise, for which PG&E pleaded guilty to 84 counts of involuntary manslaughter.

33 The decision’s penalty provisions included a disallowance of a total of \$1.823 billion for
34 wildfire-related expenditures³¹⁵ broken down as follows: (1) \$1.625 billion in disallowances as

³¹⁵ D.20-05-019, p. 2.

1 set forth in the settlement agreement adopted in that decision; and (2) an additional \$198 million
2 of wildfire mitigation expenses “that would otherwise have been recovered from ratepayers but
3 for this decision.”³¹⁶ D.20-05-019 also stated that the \$198 million additional disallowance shall
4 be applied to wildfire mitigation expenses recorded in the FRMMA or WMPMA within four
5 years of the effective date of the settlement.³¹⁷ Because all of the WMPMA and FRMMA
6 expenses presented in PG&E’s application were incurred in 2020-2022, which is within four
7 years of the effective date of the settlement, they are all subject to disallowance in accordance
8 with D.20-05-019.

9 PG&E states that an additional approximately \$234 million of wildfire-related expenses
10 still need to be disallowed, consisting of: (1) \$35.6 million of “distribution safety repairs
11 expense”, which is the remaining portion of the \$1.625 billion settlement disallowance yet to be
12 applied; and (2) the \$198 million additional disallowance.³¹⁸

13 **2. PG&E’s Proposed Implementation of the D.20-05-019 Disallowance**

14 PG&E proposes to apply the disallowance as follows. First, it applies the \$35.6 million
15 remaining distribution safety repairs disallowance to 2020 overhead non-pole corrective
16 maintenance costs presented in Chapter 5 under MWC KA.³¹⁹ Second, it applies the \$198
17 million to a variety of wildfire mitigation expenses incurred in 2020 and 2021 as summarized in
18 Table 16-4 in its testimony.³²⁰ PG&E’s testimony does not explain how it decided which of the
19 costs covered by this application to propose for disallowance. In discovery, PG&E stated that it
20 began by applying all the cost of Microgrid programs – approximately \$17.7 million (Table 16-
21 4) to the disallowance and then applied costs chronologically from other categories until it
22 reached \$198 million.³²¹

23

³¹⁶ *Id.*, p. 40.

³¹⁷ *Id.*

³¹⁸ Ex. PG&E-01-E, p. 16-9.

³¹⁹ PG&E response to TURN DR 18, Q5 and TURN_018-Q005Atch02.xlsx (Line 12a).

³²⁰ Ex. PG&E-01, p. 16-10.

³²¹ PG&E response to TURN DR 18, Q5(b).

1 **3. PG&E’s Proposed Allocation of the \$198 Million Disallowance Does**
2 **Not Satisfy D.20-05-019**

3 TURN strongly disagrees with PG&E’s approach to applying the \$198 million
4 disallowance.³²² PG&E’s approach fails to satisfy the requirement that the “\$198 million shall
5 go toward future wildfire mitigation expenses *that would otherwise have been recovered from*
6 *ratepayers but for this decision.*”³²³ To comply with this requirement, the \$198 million
7 disallowance should be applied only to expenses that are found reasonable and recoverable from
8 ratepayers in this case.

9 Under PG&E’s approach, most of the \$198 million disallowance would be allocated to
10 costs that should be unrecoverable from ratepayers under TURN’s recommendations. For such
11 costs, the “disallowance” would not serve the intended purpose of constituting a penalty. As the
12 Commission explained in D.20-05-019:

13 . . . such disallowances can only be effective as a penalty where shareholders are required
14 to absorb costs that would otherwise be paid by ratepayers. To disallow ratepayer
15 funding of costs that would not have been recoverable from ratepayers even in the
16 absence of the enforcement action has little or no value as a penalty.³²⁴

17
18 For this clearly articulated reason, D.20-05-019 imposed the above-quoted requirement that the
19 \$198 million disallowance apply only to costs that would otherwise be recovered in rates.

20 In discovery, PG&E asserted that it “had the discretion to choose expenses for
21 disallowance” because D.20-05-019 did not prescribe a process for applying the disallowance.³²⁵
22 This claim fails to give effect to the decision’s clear requirement that the disallowance only
23 apply to costs that are found recoverable from ratepayers. The decision in this case will
24 determine which of the costs that PG&E recorded to the WMPMA and FRMMA from 2020 to
25 2022³²⁶ are appropriate to recover in rates. As a result, there can be no dispute that the

³²² TURN does not challenge PG&E’s application of the \$35.6 million disallowance dictated by the settlement agreement.

³²³ D.20-05-019, p. 40, emphasis added.

³²⁴ D.20-05-019, p. 35.

³²⁵ PG&E response to TURN DR 20, Q2(a).

³²⁶ PG&E’s showing includes several presentations that provide all costs covered by this application that were recorded to the WMPMA and FRMMA in 2020-2022 before application of any disallowances. *See, e.g.,* Table 16-1, pp. 16-3 to 16-6, and Table 16-3, pp. 16-7 to 16-8.

1 Commission has the means to ensure that the \$198 million disallowance applies only to costs
2 that would otherwise be recovered in rates.

3 To give effect to the clear requirement of D.20-05-019 and to ensure that the full \$198
4 million disallowance truly constitutes a penalty, the Commission should: (1) determine the
5 amount of pre-disallowance expenses set forth in PG&E’s testimony and workpapers that are
6 recoverable from ratepayers;³²⁷ and (2) deduct the \$198 million disallowance from the
7 recoverable total. To minimize interest costs to ratepayers, the disallowance should be applied in
8 chronological order, starting with expenses incurred in January 2020 and continuing until the
9 \$198 million is exhausted.

10 **B. Implementation of Disallowances**

11 This testimony recommends significant disallowances of both expenses and capital
12 expenditures, summarized in Section VI, Table 2. As discussed below, the implementation of
13 the disallowance varies based on whether the disallowed costs are expenses or capital
14 expenditures and whether the disallowance is based on reasonableness or incrementality.

15 **1. Expense Disallowances Are Straightforward**

16 Expense disallowances are straightforward, whether the disallowances are based on
17 reasonableness or incrementality. Because expenses are typically recovered in rates in a single
18 year, a disallowance under either theory requires simply removing the disallowed expenses for
19 each year from the revenue requirement. PG&E’s Results of Operation (RO) Model can be
20 expected to correctly determine the impact of these disallowances on revenue requirement.

21 **2. Disallowances of Capital Expenditures Based on Reasonableness** 22 **Require that PG&E Be Permanently Barred from Including the Costs** 23 **in Rate Base**

24 A disallowance based on reasonableness means that the capital costs are not reasonable to
25 include in rates at any time, *i.e.*, in this case or any future GRC. To ensure this outcome, the
26 Commission should make clear in its decision and ordering paragraphs that PG&E may not put

³²⁷ The recoverable amounts would deduct all expenses found unrecoverable, which would include the \$35.6 million OII disallowance directed to “distribution safety repairs expense” discussed above and the modest EY adjustments that PG&E has accepted.

1 any of the capital expenditures that are disallowed on the basis of reasonableness into rate base in
2 any GRC.

3 **3. Under the Circumstances of this Case, A Ratemaking Adjustment Is**
4 **Necessary to Ensure that Capital Disallowances Based on**
5 **Incrementality Cause a Significant Financial Consequence for PG&E**

6 For capital costs that are disallowed *solely* because they are not incremental – *i.e.*, not
7 also because they are unreasonable – the disallowance should apply only to the 2020-2022 rate
8 case period. A disallowance limited to incrementality means that the capital costs should not be
9 included in rate base for 2020-2022, but by itself does not affect PG&E’s ability to seek
10 inclusion of those costs in rate base in future GRCs.

11 However, because of tax issues associated with the capital costs in this case, removing
12 the costs from rate base for 2020-2022 would have the perverse effect of *increasing* revenue
13 requirement. PG&E confirmed this counter-intuitive result in data request responses. For
14 example, PG&E reported that, under its RO model, an incrementality *disallowance* for all \$8.4
15 million of its WMPMA costs for Idle Facilities Removal (MAT 2AF)³²⁸ would *increase* its
16 revenue requirement by an estimated \$911,000 for the period 2020 to 2022.³²⁹

17 This counter-intuitive relationship between capital expenditures and revenue
18 requirement in this case is also reflected in Tables 17-1 and 17-2 in PG&E’s testimony. Those
19 tables show that a \$1.48 billion *addition* of WMPMA capital costs to rate base *reduces* revenue
20 requirement by \$165 million.³³⁰ But these figures only consider the early years of the impact of

³²⁸ Ex. PG&E-01-E, p. 5-7, Table 5-2.

³²⁹ PG&E response to TURN DR 40, Q1, including DR_TURN_040-Q001Atch01.xlsx. *See also* PG&E response to TURN DR 40, Q2, including DR_TURN_040-Q002Atch01.xlsx. The reason for this result is because of bonus and accelerated depreciation. For ratemaking, the Commission flows through the tax benefit in the early years of a capital addition when the depreciation expense PG&E uses to calculate its book taxable income according to Generally Accepted Accounting Principles (GAAP) is higher than the straight-line depreciation alone used to calculate the revenue requirement. The higher depreciation expense claimed against income results in lower taxable income and lower cash taxes due. These benefits are flowed through for ratemaking so PG&E collects a lower revenue requirement because taxes due are lower. But the difference in depreciation expense between accelerated depreciation and straight-line depreciation is a tax timing difference rather than a permanent difference. The lower taxes are a deferral; because of the deferred taxes the tax benefit due to the difference between book and ratemaking depreciation methods will reverse. In short, under either accounting method – accelerated depreciation for GAAP or straight-line for ratemaking – the total amount of depreciation expense over the life of a given asset will be the same.

³³⁰ Ex. PG&E-01-E, p. 17-2. As PG&E explains in its testimony, this is because of large income tax deductions (repair deductions) on Electric Distribution plant allowed as a current year expense. The

1 the capital costs on rate base, so they do not show the reversal when the incremental revenue
2 requirement will be increased due to these incremental expenditures.

3 The upshot is that, using PG&E's RO Model, a Commission determination that PG&E
4 has improperly booked capital costs to the WMPMA and FRMMA (i.e, claiming them as
5 incremental costs) would yield the perverse outcome that disallowing those capital costs would
6 yield a higher revenue requirement. In other words, PG&E would be *rewarded* for its improper
7 behavior that has consumed considerable resources of the parties and the Commission to ferret
8 out and remedy, unless tax-timing effects are set aside for purposes of calculating the effect of
9 the capital disallowance.

10 Under these circumstances, the Commission should override the results of the RO model
11 and direct a meaningful *reduction* to rate base for these capital disallowances. TURN
12 recommends that rate base be reduced based on the 14.8% rule of thumb of the annual impact of
13 capital costs on PG&E's revenue requirement, as recognized in a recent Commission decision.³³¹
14 This rule of thumb reflects the average revenue requirement effect for each increase or decrease
15 in capital and is not influenced by tax-timing differences, which should be allowed to distort the
16 revenue requirement impact of these disallowances under the circumstances of this case. To
17 deter excessive assignment of costs to the wildfire mitigation memorandum accounts in the
18 future, PG&E should experience a significant adverse financial consequence for its improper
19 effort to squeeze additional money from ratepayers.

20

result is that the income tax component of the capital-related revenue requirement is negative and outweighs the other elements of the capital-related revenue requirement. (*Id.*, pp. 17-8 to 17-9). Even though for these capital costs, the initial year of inclusion in rate base reduces revenue requirement, over the life of the asset, ratepayers pay the full cost of the deferred taxes in revenue requirement.

³³¹ D.24-07-008, p. 50.

1 Thus, TURN recommends that, for all capital disallowance amounts based solely on
2 incrementality, PG&E should be required to reduce its revenue requirement by 14.8% of the
3 disallowed capital costs. The resulting revenue requirement reduction based on TURN's
4 recommended capital disallowances solely for non-incrementality is \$31.46 million. The details
5 of this calculation are shown in Appendix E to this testimony.³³²

³³² By proposing to apply the 14.8% rule of thumb only once during the 2020-2022 period and not recommending its application to each year that the costs were recorded in PG&E's accounts, TURN's recommendation is conservative in PG&E's favor and reduces the revenue requirement reduction considerably. As shown in Appendix E, applying the 14.8% revenue requirement adjustment impact to each year that capital costs are recorded in PG&E's accounts would yield a total revenue requirement reduction of \$84.712 million.

APPENDIX A
STATEMENT OF QUALIFICATIONS FOR THOMAS LONG

Mr. Long is TURN's Director of Regulatory Strategy. He has practiced before, or been employed by, the California Public Utilities Commission for over 35 years and, in that period, has been involved, as an advocate or Commissioner advisor, in numerous important CPUC proceedings in the energy and telecommunications sectors. In the past six years, a key focus of his work has been the wildfire mitigation activities of the utilities.

Since rejoining TURN in September 2011, Mr. Long has served as TURN's attorney, and often a witness, in several Commission proceedings involving PG&E, including PG&E's 2023 General Rate Case (GRC), A.21-06-021, where he focused on wildfire mitigation issues; PG&E's 2020 GRC, A.18-12-009; PG&E's 2017 GRC, (A.15-09-001); PG&E's 2019 Gas Transmission and Storage application (A.17-11-009), PG&E's 2015 Gas Transmission and Storage application (A.13-12-012), PG&E's Pipeline Safety Enhancement Plan ("PSEP") proceeding (R.11-02-019), and the enforcement proceedings against PG&E relating to the San Bruno explosion and its causes (I.12-01-007), PG&E's recordkeeping problems (I.11-02-016), and alleged class location violations by PG&E (I.11-11-009).

In addition, he has led TURN's efforts in the Commission's years-long effort to develop and improve the utilities' use of quantitative risk assessment that has spanned Rulemaking (R.) 13-11-006, and several phases of A.15-05-002 (the Safety Model Assessment Proceeding). Mr. Long has also represented TURN in numerous Risk Assessment and Mitigation Phase (RAMP) proceedings, including PG&E's current RAMP, A.24-05-008, and PG&E's 2020 RAMP, A.20-06-012. In those proceedings, much of Mr. Long's work has related to the utilities' efforts to address wildfire risk.

Other energy cases in which Mr. Long has participated include SCE's pending 2025 GRC (A.23-05-010), where his work has focused on wildfire mitigation issues, SCE's 2021 GRC (A.19-08-013), SCE's 2018 general rate case (A.16-09-001), and the Sempra Utilities' pending 2024 GRC (A.22-05-015), where again he addressed risk and wildfire mitigation issues, PG&E's 2011 and 2014 general rate cases, the 2012 Sempra general rate case, and Southern California Edison's 2011 rate design proceeding.

Prior to re-joining TURN as its Legal Director in September 2011, Mr. Long served as a Deputy City Attorney for the City and County of San Francisco (“CCSF”) for over six years. There, among other duties, he represented CCSF in proceedings before the CPUC and advised the City’s Public Utilities Commission on its efforts to implement a CCA program. From 2001 through 2004, he served as a policy and legal advisor to CPUC President/Commissioner Loretta Lynch. Before that, he was TURN’s Senior Telecommunications Attorney from 1990 through 2000. Mr. Long began his legal career as a Litigation Attorney for the law firm of Morrison & Foerster from 1986 to 1989, after serving as Law Clerk to United States District Court Judge Rudi M. Brewster.

Mr. Long earned his B.A. with High Honors in Economics and Political Science from Swarthmore College and his J.D. *cum laude* from New York University School of Law.

APPENDIX B
STATEMENT OF QUALIFICATIONS FOR SYLVIE ASHFORD

Sylvie Ashford is an Energy and Climate Policy Analyst at The Utility Reform Network (TURN). Since September 2023, she has represented TURN on energy regulatory and policy matters related to ratemaking, rate design, electrification, and affordability programs targeting low-income customers. She has sponsored testimony before the California Public Utilities Commission (CPUC) on behalf of TURN or the Natural Resources Defense Council (NRDC) in Track A of the Demand Flexibility proceeding (R. 22-07-005) on the income-graduated fixed charge and in the 2025 SCE General Rate Case (A.23-05-010) on load growth capital expenditures. She further advocates for ratepayers through media and legislative outreach.

Prior to joining TURN's staff, she worked as a Schneider Sustainable Energy Fellow with the NRDC Climate and Clean Energy Program, conducting research and advocacy to decarbonize California's buildings and power sectors. At NRDC, she participated in regulatory proceedings at the California Energy Commission (CEC) and the CPUC related to load management, grid reliability, cost-effectiveness, equitable decarbonization, and efficiency standards. She has also conducted policy research and analysis at thinktanks such as the Hoover Institution and Stanford University's Center on Democracy, Development, and the Rule of Law. Her education includes a B.A. in International Relations with Honors (2021) and an M.A. in International Policy, specialized in Energy, Natural Resources, and the Environment, from Stanford University (2022).

APPENDIX C
RELEVANT FINDINGS FROM THE
NOVEMBER 19, 2021 REPORT OF THE FEDERAL MONITOR

The following are findings from the November 19, 2021 Report of the Federal Monitor that are relevant to the costs claimed in this application. The full report can be found in TURN-01-Atch01.

- Progress regarding wildfire mitigation obviously has been inadequate, and we doubt anyone would seriously dispute that, given the ongoing and profound safety issues in that area of operations. (p. 2)
- As we have documented in prior Court filings, PG&E’s initial steps in the wake of recent catastrophic fires were not planned and executed well. However, some of the key leaders who drove improvements in Gas Operations are now working on wildfire efforts, and hopefully they can drive similar positive change going forward. (p. 3)
- The “most salient challenges PG&E faces going forward include (p. 3):
 - Retaining a core leadership team, in the wake of near constant turnover in recent years. During the four-and-a-half year Monitorship period alone, the Company has had five CEOs, six heads of Gas Operations, four heads of Electric Operations, and five heads of the Safety organization. Multiple other senior officers have otherwise turned over. PG&E also has had no less than 45 different board members during that time.
 - Continuing to improve records integrity, which has been an issue for PG&E for many years and remains a central challenge.
 - Continuing to improve contractor management, because contractors are a critical workforce base, including on the wildfire mitigation front.
 - Adhering to commitments to invest in long-term safety projects, including undergrounding efforts for electrical distribution lines and the repair and replacement of at-risk electrical equipment, and sustaining completion dates and not letting them slide.
 - Improving planning and execution of wildfire mitigation efforts.
- PG&E’s performance in Electric Operations has not matched its performance in Gas Operations and Compliance and Ethics. As detailed in prior reports to the Court, PG&E made many errors in design and execution of wildfire abatement efforts from the beginning of probationary review. See, e.g., July 26, 2019 Letter to the Court, Dkt. 1089 (highlighting substantial numbers of missed trees and recordkeeping issues within PG&E’s EVM program); Oct. 16, 2020 Letter to the Court, Dkt. 1247-1 (highlighting the lack of risk prioritization of PG&E’s EVM work and deficiencies in PG&E’s System

Inspections program). Much more progress is required, both quickly and over a sustained period of years, as detailed below. (p. 18)

- While PG&E has made improvements to its electric infrastructure inspection and remediation programs, it has struggled to execute plans in a timely manner. PG&E needs to dedicate more resources to remediating identified risks, because its lack of emphasis on timely remediating lower priority repairs, and even some priority repairs, has produced a significant repair backlog. Recordkeeping issues persist, posing challenges to electric infrastructure inspection and remediation efforts. And the Monitor team's field review of PG&E inspections revealed ongoing quality issues, suggesting the need for more oversight and training. Our field reviews, however, typically do not identify imminent hazards, suggesting that PG&E inspectors are at least identifying and addressing the highest priority issues. (p. 29)
- In 2019, PG&E established an enhanced inspection protocol to identify conditions that could present fire ignition risk. When launching its enhanced inspection program, PG&E undertook an unprecedented amount of work, inspecting all of its approximately 685,000 distribution poles, 50,000 transmission structures, and 200 substations in HFTDs in a calendar year. That 2019 effort led to an unprecedented number of orders (673,968) for remediation work ("tags"). There are over 500,000 tags from 2019 to present that remain unresolved to date. (p. 29)
- Since 2019, the Monitor team has conducted field inspections of a sample of PG&E's inspected electric structures across the high threat service territory. After the inspections, the Monitor team identified and reported to PG&E "potential exceptions," that is, field conditions that should have been identified by an inspector in accordance with PG&E guidance but were not, or a recordkeeping question that was answered inaccurately by a PG&E inspector. The frequency and nature of the Monitor team's findings suggest ongoing quality concerns, and a continued need to improve PG&E's oversight of its contract workforce. (pp. 30-31)
- In 2019, the Monitor team conducted an in-field review of 1,652 electric distribution structures in HFTDs that had been inspected by PG&E. Approximately 12% of the structures inspected by the Monitor team had potential exceptions related to field conditions, for a total of 222 missed field issues by PG&E inspectors across 201 structures. Approximately 34% of the structures had potential exceptions related to recordkeeping, for a total of 522 missed recordkeeping issues across 377 structures. (p. 31)
- In 2020, due to COVID restrictions, the Monitor team conducted an in-field review of a much smaller sample of 94 distribution structures in HFTDs that were inspected by PG&E. Recognizing "small sample size" dynamics can skew outcomes, nonetheless approximately 48% of the sampled structures had potential exceptions related to field conditions, totaling 75 missed field issues by PG&E inspectors across 45 structures.

Approximately 53% of structures had potential exceptions related to recordkeeping, for a total of 60 missed recordkeeping issues by PG&E inspectors across 50 structures. (p. 31)

- In 2021, the Monitor team conducted an in-field review of 1,628 distribution structures in HFTDs that had been inspected by PG&E. Approximately 27% of the structures had potential exceptions related to field conditions, for a total of 583 missed field issues by PG&E inspectors across 435 structures. Approximately 31% of the structures had potential exceptions related to recordkeeping, for a total of 642 potential exceptions by PG&E inspectors across 507 structures. While these figures represent an improvement over the limited sample from 2020, there is a significant increase in the frequency of field condition-related potential exceptions (27%) as compared to 2019 (12%). For example, the number of field conditions related to pole damage identified by the Monitor team in 2021 (164 potential exceptions) was substantially higher than 2019 (50 potential exceptions), suggesting that there may still be issues with the clarity of PG&E's pole damage criteria or with PG&E's training on that subject. The same holds true for field conditions where the PG&E inspector failed to identify structures with equipment deemed non-exempt by CAL FIRE and with dried vegetation present within a ten-foot radius of the pole (55 potential exceptions in 2021 compared to five in 2019). While the Monitor team has observed relatively few emergency conditions (that is, those that would require immediate attention from PG&E), it continues to find many conditions that could present fire ignition risk based on PG&E's own inspection criteria and guidance, including pole damage, guy wire clearance, and the proximity of splices to the structure. (p. 33)
- The quality of PG&E's enhanced inspections depends in large part on the clarity and objectivity of the questions asked of inspectors via checklists and the detail provided in job aids. In 2019, the Monitor team identified certain questions in PG&E's distribution checklist that were unclear and noted that PG&E's job aid was not tailored to conducting enhanced electric inspections. In 2020, PG&E made some improvements to its program, including revising its electric distribution inspection checklist to reduce ambiguities. PG&E also created a job aid specifically for enhanced distribution inspections that contained additional detail and illustrative photographs to improve consistency in identifying field conditions. In 2021, PG&E has further improved its job aids for both electric distribution and transmission inspections with additional details, diagrams, and photographs. There is still room for improvement. In particular, the guidance in the job aids is not well-tailored to the questions as worded on the inspection checklists. Additionally, System Inspections is responsible only for execution of inspection commitments, and it is not clear that inspectors have regular and meaningful access to other teams that could provide additional clarity on standards. Lastly, one of the most common issues identified by the Monitor team had to do with failure of PG&E inspectors to identify an asset as being located within 600 feet of a structure or dwelling. The high failure rate on an objective question like this indicates that inspectors may not be paying the requisite attention to detail throughout the inspection process, and that further training and oversight is required. (p. 34)

- Recordkeeping issues that affect other operations also exist for electric infrastructure assets. PG&E has various recordkeeping issues that limit its electric infrastructure inspections and remediation programs, as PG&E does not maintain traceable, verifiable, accurate, and complete records of its electric infrastructure. (p. 37)
- PG&E records do not always accurately reflect the existence and/or location of its assets. In some instances, records misidentify the location, type, or even the existence of an asset, resulting in inefficient and missed inspections. (p. 38)
- A 2020 audit indicated there were 41,000 structures with missing or incomplete inspection records. (p. 39)

APPENDIX D
PG&E PRESENTATION REGARDING PROPOSED “FILL THE BUCKET METHOD”
FOR ASSIGNING COSTS TO WMPMA/FRMMA

Electric Operations Earnings Calculation Methodology
2020 GRC Settlement
WMPMA Incrementality

14 February 2020



Together, Building
a Better California



ELECTRIC OPERATIONS

Past Incrementality Methods & Proposal

2020 GRC & WMPMA Eligibility

GRC

The GRC was filed using traditional work breakouts by Program, MWC, and MAT. No calculation or estimate was made of how many units or how much funding was forecasted in each HFTD Tier. At the time, our work was not broken out in that way.

WMPMA Eligibility

MATs eligible for the Wildfire Mitigation Plan Memorandum Account "WMPMA" include the following:

- BFB
- BFH
- BHB
- KAA
- AB# (*Specific Items*)
- 2AA
- 07D
- 07O
- 17B
- 49T
- 48A
- 21# (*Specific Items*)

Past Incrementality Methods

2019 Method

In 2019 the FRMMA/WMPMA assumed that the costs for eligible MATs would be broken out into their respective buckets in the following way:

Tier 1: Base
Tier 2/3: FRMMA/WMPMA

December Method (12/8/2019)

The December earnings assumptions assumed that all costs in WMPMA eligible MATs above the GRC funded amount will be recovered through the WMPMA.

Proposed Incrementality "Fill the Bucket Method"

GRC Imputed Financial Targets represent an approved level of spend or "Base Bucket" to be recovered through rates. The proposed method of calculating incrementality is to "fill" the "Base Bucket" first before charging anything to the "WMPMA Bucket". This calculation will be done on the basis of total dollars charged in each tier. Further details are outlined below:

1. Fill the "base bucket" with Tier 1 work first
2. Tier 2 & 3 work fills the "Base Bucket" until it is completely filled
3. Any Tier 2 & 3 work that does not fit in the "Base Bucket" will spill over into the "WMPMA Bucket"
4. If the "Base Bucket" is completely filled by Tier 1 work, no Tier 2 & 3 work will be charged to the "Base Bucket"
5. If there is more Tier 1 work than what can fit in the "Base Bucket", those costs will be a shareholder impact
 - a. No work in Tier 1 can be charged to the "WMPMA Bucket"



ELECTRIC OPERATIONS

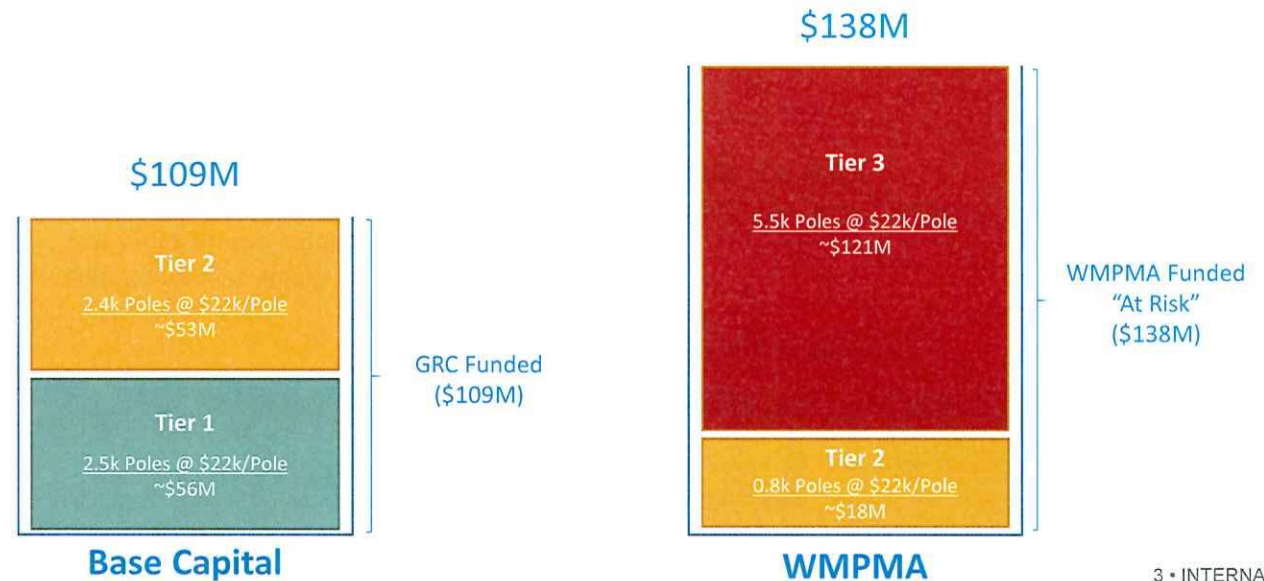
Example 1: Distribution Pole (07D)

GRC vs Updated Forecast



Earnings Allocation

1. GRC Funding is \$109M
2. Tier 1 fills-up 1/2 of the "Base Bucket" (\$56M)
3. Tier 2 fills-up the other 1/2 of the "Base Bucket" (\$53M)
4. The remaining Tier 2 & all of the Tier 3 work is charged to the "WMPMA Bucket"





ELECTRIC OPERATIONS

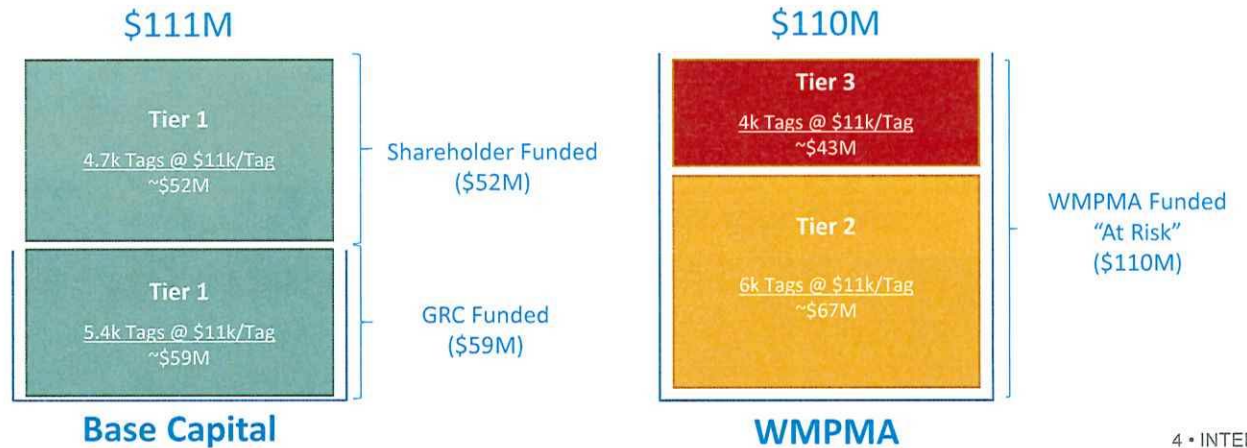
Example 2: ED OH Maintenance (2AA)

GRC vs Updated Forecast



Earnings Allocation

1. GRC Funding is \$59M
 2. Tier 1 fills-up the whole "Base Bucket" (\$59M)
 3. Tier 1 remaining spend cannot be WMPMA funded therefore becomes shareholder funded (\$52M)
- Tier 2 & Tier 3 work is charged to the "WMPMA Bucket" (\$110M)





ELECTRIC OPERATIONS

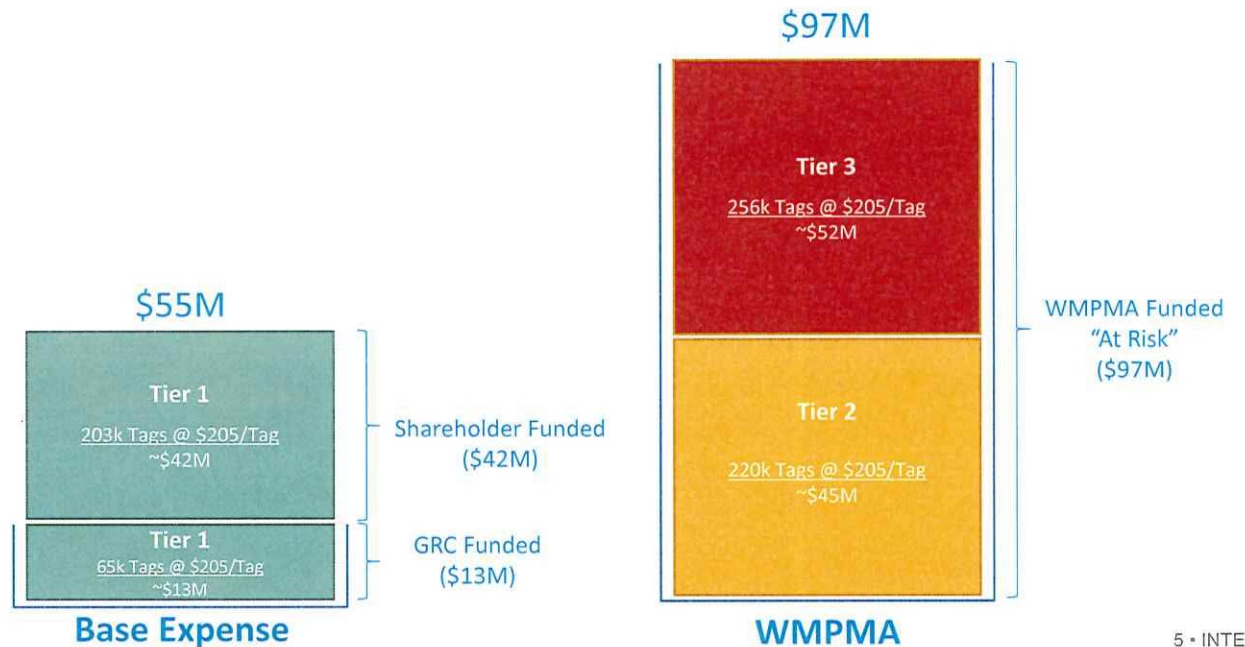
Example 3: ED OH Inspection (BFB)

GRC vs Updated Forecast



Earnings Allocation

1. GRC Funding is \$13M
2. Tier 1 fills-up the whole "Base Bucket" (\$13M)
3. Tier 1 remaining spend cannot be WMPMA funded therefore becomes shareholder funded (\$42M)
Tier 2 & Tier 3 work is charged to the "WMPMA Bucket" (\$97M)



APPENDIX E
**CALCULATION OF RATEMAKING ADJUSTMENT FOR INCREMENTALITY-
BASED DISALLOWANCES FOR CAPITAL COSTS**

Ratemaking Adjustment for Non-Incremental Capital Cost Disallowances
(\$ 000s)

Chapter	Program / Activity	Memo Account	Type	MWC / MAT	WGSC Recorded Costs			Non-Incremental Costs*			14.8% Ratemaking Adjustment**		
					2020	2021	2022	2020	2021	2022	2020	2021	2022
4	Pole Loading and Wind Loading Analysis Program	WMPMA	Capital	21A	\$2,656	\$594	\$0	\$2,656	\$594	\$0	\$393	\$88	\$0
4	Pole Replacement Program	WMPMA	Capital	07D	\$112,063	\$324,542	\$394,751	\$112,063	\$40,734	\$0	\$16,585	\$6,029	\$0
5	Overhead Non-Pole Replacement	WMPMA	Capital	2AA	\$99,060	\$126,196	\$119,685	\$42,698	\$0	\$0	\$6,319	\$0	\$0
5	Bird Safe Installation, Replacements, and Retrofits	FRMMA	Capital	2AB	\$0	\$14	\$0	\$0	\$14	\$0	\$0	\$2	\$0
5	Overhead Critical Operating Equipment	WMPMA	Capital	2AE	\$0	\$0	\$32,277	\$0	\$0	\$10,431	\$0	\$0	\$1,544
5	Idle Facilities Removal	WMPMA	Capital	2AF	\$111	\$3,882	\$4,424	\$111	\$3,197	\$0	\$16	\$473	\$0
12	CRESS	WMPMA	Capital	23	\$563	\$40,102	\$17,659	\$96	\$0	\$0	\$14	\$0	\$0
Annual Total					\$214,452	\$495,330	\$568,796	\$157,624	\$44,539	\$10,431	\$23,328	\$6,592	\$1,544
Total (2020-2022)					\$1,278,579			\$212,593			\$31,464		

*Non-incremental costs are the remaining recorded capital costs which TURN finds non-incremental after applying permanent rate base disallowances for unreasonable costs.

**This ratemaking adjustment is applied to eligible costs once. Applying the ratemaking adjustment instead for every year that costs are in the rate base would raise increase the Total (2020-2022) adjustment to \$84,712 (\$23,328*3 + \$6,592*2 + \$1,544).