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Commissioner	:	<u>K. Douglas</u>
Admin Law Judge	:	<u>E. Fredericks</u>
Witness	:	<u>G. Wilson</u>



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report on the Results of Operations
for
Pacific Gas and Electric Company
2024 Wildfire Mitigation, Catastrophic
Events, Community Rebuild Program, and
Other Recorded Costs

Butte Community Rebuild Program -- Capital Costs for the
Replacement of Aldyl-A (Plastic Pipe) Underground Gas
Mains

San Francisco, California
October 14, 2025

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1 **2024 Wildfire Mitigation Costs Recorded in the**
2 **Catastrophic Events Memorandum Account**

3 **I. INTRODUCTION**

4 This exhibit presents the analyses and recommendations of the Public Advocates
5 Office at the California Public Utilities Commission (Cal Advocates) regarding those
6 Pacific Gas and Electric Company’s (PG&E) 2024 wildfire mitigation costs incurred for
7 wildfire reparations and other activities. PG&E discusses and seeks recovery of these
8 costs in its Prepared Testimony, titled *2024 Wildfire Mitigation and Catastrophic Events*
9 (*2024 WMCE*), which was filed on November 21, 2024 as part of A.24-11-009.

10 Associated with its wildfire reparations, PG&E established a Catastrophic Events
11 Memorandum Account (CEMA), which was contingent upon the issuance of the
12 Governor’s November 8, 2018 *Proclamation of a State of Emergency*, issued in
13 connection with the Camp Fire, which ravaged the Town of Paradise and surrounding
14 areas of Butte County. As part of its catastrophic event response, PG&E incurred
15 capital expenditures for its Butte Community Rebuild Program, as highlighted on Line 2
16 of PG&E’s Table 1-1 (a copy of which is included in Appendix A of this current volume
17 of Cal Advocates’ Testimony).¹

18 As subsequent portions of this testimony will discuss, the Butte Community
19 Rebuild Program consists of many different types of capital and expense categories.
20 This current volume of Cal Advocates’ testimony only analyzes PG&E’s capital
21 expenditure request of \$101.642 million for the replacement of Aldyl-A (a type of plastic)
22 underground gas lines.² PG&E records costs associated with these replacements in
23 Maintenance Activity Types (MAT) 14D.

¹ Table 1-1 is copied from page 1-2 of PG&E’s 2024 WMCE Prepared Testimony. Line 2 of PG&E’s Table 1-1 shows that the Butte Community Rebuild Program is the largest of 14 separate accounts for which PG&E is seeking recovery in its 2024 WMCE request.

² Aldyl-A plastic pipe replacements are only a portion of the total Butte Community Rebuild Program. See Appendix B in this current volume of Cal Advocates’ testimony for a complete list of all of the capital and expense categories that make up the Butte Community Rebuild Program. The Aldyl-A pipeline replacement capital expenditures (MAT 14D) are shown on Line 23 of Appendix B. The dollar amounts shown on Line 23 do *not* include Ernst & Young recommended adjustments.

1 As shown in Appendix A, PG&E is seeking a total recovery of \$361.457 million
2 for capital costs associated with the Butte Community Rebuild Program. However,
3 included in that total is PG&E's request for \$101.642 million for the cost of replacing
4 Aldyl-A plastic gas pipes that were undamaged by the Camp Fire. These replacements
5 are part of an ongoing compliance program established to remove plastic pipes that are
6 prone to early failure. According to its testimony, PG&E decided to complete this
7 compliance work on undamaged facilities to leverage the underground trenching
8 already underway to save trenching costs and minimize the impact on customers.³ This
9 volume of Cal Advocates' testimony discusses, analyzes, and recommends that the
10 Commission disallow PG&E's request to recover \$101.642 million of Aldyl-A plastic pipe
11 replacement capital expenditures that occurred in Butte County.

12 II. SUMMARY OF RECOMMENDATIONS

13 PG&E requests recovery of \$101.642 million in capital expenditures, included as
14 part of its Butte Community Rebuild Program, for the replacement of undamaged Aldyl-
15 A plastic gas pipes. PG&E claims that these Aldyl-A plastic pipe replacements are
16 properly included in the incremental costs (i.e., costs that are beyond those recovered in
17 PG&E's General Rate Case or other proceedings) that PG&E incurred from 2019
18 through 2023 as part of the Butte Community Rebuild Program. These capital costs are
19 currently being reflected in a CEMA account that was created in response to the 2018
20 Camp Fire.

21 In response, Cal Advocates recommends that PG&E's request for the cost of
22 replacing Aldyl-A plastic gas pipes be denied altogether. While Cal Advocates does not
23 dispute that PG&E spent \$101.642 million for undamaged Aldyl-A plastic pipe
24 replacements, it does dispute (among other concerns) that the spent dollars were
25 incremental. Cal Advocates' recommendation is \$101.642 million lower than PG&E's
26 request. On the following page, Cal Advocates has included Table 04-1 that shows the
27 yearly capital expenditures that PG&E is seeking to recover for Aldyl-A plastic pipe
28 replacements, along with Cal Advocates' recommended adjustments.

³ PG&E's Prepared Testimony at 1-4, lines 3 through 5.

TABLE 04-1
BUTTE COMMUNITY REBUILD PROGRAM -- ALDYL-A PLASTIC PIPE REPLACEMENT
(Thousands of Nominal Dollars)

Line #	PG&E's 2024 WMCE	MAT	PG&E's Request For Allegedly Incremental Aldyl-A Capital Expenditures Included in the Butte Community Rebuild Program																		
			2019			2020			2021			2022			2023			2019 Through 2023 Butte Rebuild Total			
			PG&E	Cal Advocates	PG&E > Cal Advocates	PG&E	Cal Advocates	PG&E > Cal Advocates	PG&E	Cal Advocates	PG&E > Cal Advocates	PG&E	Cal Advocates	PG&E > Cal Advocates	PG&E	Cal Advocates	PG&E > Cal Advocates	Ernst & Young Adj.	PG&E	Cal Advocates	PG&E > Cal Advocates
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)		
1	Butte Community Rebuild Program – Ch. 3 Aldyl-A Plastic Pipe Replacement	14D	\$14,379	\$0	\$14,379	\$27,663	\$0	\$27,663	\$20,836	\$0	\$20,836	\$31,694	\$0	\$31,694	\$7,188	\$0	\$7,188	(\$119)	\$101,642	\$0	\$101,642

1 Cal Advocates bases its recommendation that PG&E's request for Aldyl-A plastic
2 pipe replacement costs be denied on the following grounds:

- 3 • The requested Aldyl-A plastic pipe replacement costs in Butte County
4 are not incremental, as they are offset by previously authorized funds
5 that are being redeployed.
- 6 • Recent Commission decisions have concluded that the existence of an
7 unanticipated capital activity does not, by itself, indicate that
8 incremental costs have occurred.
- 9 • PG&E established the Plastic Pipe Replacement Program in 2012. It
10 is an ongoing program that has been given continued General Rate
11 Case (GRC) funding.⁴
- 12 • Over the last 10 years, PG&E has cumulatively spent over \$34 million
13 less for plastic pipe replacements than it was authorized, even after
14 including the Butte County replacement costs that were recorded for
15 the period 2019 through 2023.
- 16 • Because Aldyl-A plastic pipes were *not* damaged by the Camp Fire,
17 capital costs associated with their replacement should not be
18 recoverable in PG&E's 2024 WMCE. In fact, PG&E's "Gas Preliminary
19 Statement Part AC" states that PG&E is barred from recording (in
20 CEMA) any capital costs that were incurred *prior* to the start of the
21 declared disaster. Since the replacement of Aldyl-A plastic pipes is an
22 authorized and ongoing program for PG&E that started well before the
23 2018 Camp Fire, these replacement costs should not be recoverable
24 via CEMA.

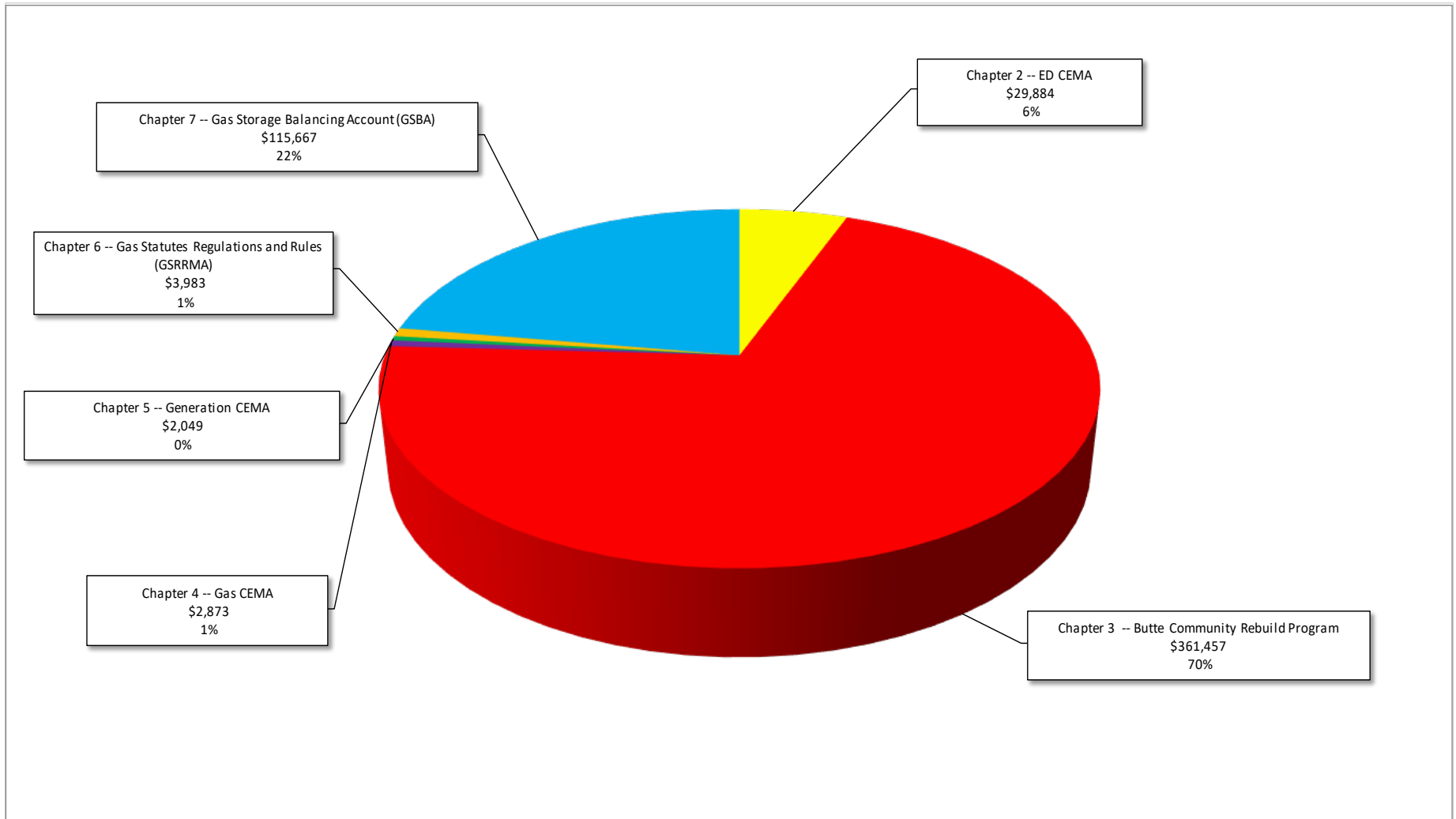
25 In subsequent sections of this volume of Cal Advocates' testimony, each of the
26 grounds listed above will be discussed in greater detail.

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

28 Chapter 3 of PG&E's Prepared Testimony in its 2024 Wildfire Mitigation and
29 Catastrophic Events (2024 WMCE) proceeding addresses numerous costs associated
30 with PG&E's response to the 2018 Camp Fire in Butte County. As shown on the pie
31 chart presented on the following page, roughly 70% of PG&E's total capital recovery
32 request pertains to its self-described Butte Community Rebuild Program.

⁴ Most recently, see D.23-11-069 (PG&E's 2023 GRC), Conclusion of Law 4, at 853.

CHART 04-1
BREAKDOWN OF 2024 WMCE CAPITAL CATEGORIES
(Thousands of Nominal Dollars)



1 The Butte Community Rebuild Program is broken down into numerous capital
2 programs (as well as various expense areas) as detailed on the table included in
3 Appendix B of this testimony. One of the largest capital portions of the Butte
4 Community Rebuild Program is related to replacing Aldyl-A (a type of plastic)
5 underground gas pipes in Butte County. However, as discussed by PG&E (on page 1-4
6 of its testimony), those pipes were not damaged by the Camp Fire. The Commission
7 previously authorized a program, beginning in 2012, to replace those types of plastic
8 gas pipes due to safety concerns.

9 Cal Advocates conducted its Aldyl-A replacement analyses by reviewing PG&E's
10 Prepared Testimony, workpapers, and exhibits. Online meetings were held with
11 PG&E's personnel to better understand the issues surrounding this proceeding. Cal
12 Advocates issued numerous data requests and analyzed the responses to obtain
13 additional information to clarify PG&E's recovery requests. Cal Advocates analyzed the
14 2019 through 2023 recorded capital expenditures for the Aldyl-A plastic pipe
15 replacements that PG&E has been tracking, and for which it is seeking recovery in this
16 proceeding.

17 PG&E's request to recover the capital costs associated with the Aldyl-A plastic
18 pipe replacements in Butte County should be denied for five reasons, as discussed
19 below. In a nutshell, those pipe replacements are not incremental expenditures but are,
20 in fact, part of an ongoing Commission-authorized program that has continually received
21 funding since its inception in 2012. Subsequent sections of this volume of Cal
22 Advocates' testimony will discuss these determinations in greater detail.

23 Cal Advocates bases its analyses of the Aldyl-A Plastic Pipe Replacement
24 Program on the assumption that PG&E is including those costs in the CEMA. On
25 August 15, 2025, PG&E issued Supplemental Testimony that was authorized by the
26 *Assigned Commissioner's Scoping Memo and Ruling* (Scoping Memo). Beginning on
27 page 2, the Scoping Memo contains a list of issues that the Commission has directed
28 be determined or otherwise considered as part of this proceeding. Issue 1 states:

29 Does a prudence standard apply to PG&E's management of the electrical
30 system prior to the 2017 Nuns Fire and 2018 Camp Fire, including when
31 assessing the Application's recorded CEMA costs, and if so, did PG&E act
32 prudently such that the recorded CEMA costs are just and reasonable?

1 The Scoping Memo’s schedule directed PG&E to serve Supplemental Testimony
2 related to Issue 1 by August 15, 2025. PG&E’s Supplemental Testimony discusses this
3 prudency standard, but also argues that the Commission should not review those
4 system hardening costs through the CEMA framework (which would potentially consider
5 pre-fire prudency) because, in PG&E’s view, those items are not CEMA costs.⁵

6 Cal Advocates disagrees with PG&E’s position, as that would constitute a
7 fundamental departure from the clear intent of previous Commission instructions. A
8 review of D.23-11-069 (PG&E’s 2023 GRC decision) reflects that intent:

9 Within the context of PG&E’s role in the 2018 Camp Fire, the Commission
10 finds that all PG&E’s costs related to rebuilding in and around the Town of
11 Paradise to replace the infrastructure destroyed in the 2018 Camp Fire
12 shall be recorded into and subject to a reasonableness review within the
13 CEMA framework under Pub. Util. Code Section 454.9.⁶

14 ****

15 The Commission clarifies that all costs related to the “rebuild” shall be
16 interpreted broadly and consistent with the statute to include restoring,
17 repairing, replacing, and complying with government standards for the
18 infrastructure destroyed in the 2018 Camp Fire and shall be presented to
19 the Commission for a reasonableness review consistent with Pub. Util.
20 Code Section 454.9.⁷

21 The quoted sections from the Commission’s 2023 PG&E GRC decision contain
22 no ambiguity. Simply put, the Commission intended to have the Butte Community
23 Rebuild Program evaluated for reasonableness *within* the CEMA framework.

24 **IV. DISCUSSION / ANALYSIS OF THE ALDYL-A PLASTIC PIPE** 25 **REPLACEMENT PROGRAM (MAT 14D)**

26 In November 2018, the Camp Fire was ignited and eventually covered an area of
27 approximately 153,000 acres in the Town of Paradise and the surrounding areas in
28 Butte County. After initial emergency remediation activities (including the removal of

⁵ PG&E’s Supplemental Testimony, at 12, lines 12 through 14.

⁶ D.23-11-069 at 479.

⁷ D.23-11-069 at 480.

1 fire-damaged trees, downed power poles, and other hazardous materials), PG&E
2 initiated the Butte Community Rebuild Program in 2019 to begin the wide-scale
3 restoration and the rebuilding of PG&E’s electric distribution and gas system
4 infrastructure.

5 The Butte Community Rebuild Program contains numerous capital programs (as
6 well as various expense areas) as detailed on Workpaper Table 23-13, which has been
7 included in Appendix B of this volume Cal Advocates’ testimony. As highlighted on
8 Table 3-3 of PG&E’s 2024 WMCE testimony, one of the largest capital portions of the
9 Butte Community Rebuild Program involves MAT 14D, which totals \$101.642 million.
10 (A copy of PG&E’s Table 3-3 is provided on the following page).⁸ This capital category
11 includes capital costs, for the period 2019 through 2023, associated with replacing
12 Aldyl-A underground gas pipes in Butte County. Although those plastic pipes were not
13 damaged by the Camp Fire, the Commission had previously authorized a program,
14 beginning in 2012, to replace those types of plastic gas pipes due to a propensity to
15 leak, causing safety concerns.

16 Since the electric distribution system in the Town of Paradise needed to be
17 replaced after being nearly completely destroyed, PG&E states that it elected to
18 relocate its previous overhead electrical distribution system underground, in an effort to
19 prevent damage to its electrical system from any future wildfires. Because PG&E was
20 also undertaking its ongoing program to replace Aldyl-A plastic gas pipes to address
21 known leak risks, PG&E states that it employed undergrounding construction
22 techniques whereby both the gas line replacements and the electric conduits were
23 placed in the same trench. PG&E claims that this “joint trenching” program saved costs
24 for both the gas and electric construction.⁹

⁸ PG&E’s Prepared Testimony at 3-17, line 5, column F.

⁹ PG&E’s Prepared Testimony at 3-7, lines 2 through 6.

TABLE 3-3
BUTTE COMMUNITY REBUILD AND RESTORATION PROGRAM
SUMMARY OF INCREMENTAL COST AND REVENUE REQUIREMENT RECOVERY IN THIS PROCEEDING BY MAT – CAPITAL

Line No.	MAT	Gross Costs (A)	Total Adjustments (B)	Incremental Cost Recovery for Costs not yet Reviewed (Prior to 2022) (C)	Incremental 2023-2030 Cost Recovery ^(a) (D)	Incremental Cost Recovery (2023 GRC) (E)	Total Request in this Proceeding for Incremental Cost Recovery (F) ^{(b)(c)}
1	08W	\$261,315	\$(161,954)	\$0	\$1,689	\$97,672	\$99,361
2	95A	175,970	(178,234)	(1,237)	–	(1,026)	(2,263)
3	95B	7,268	(7,328)	4	–	(64)	(60)
4	95F	420,357	(302,846)	19,125	875	97,510	117,510
5	14D	101,761	(119)	–	94,454	7,188	101,642
6	3M#	893	0	–	146	747	893
7	3QA	144,291	(136,602)	1,204	–	6,485	7,690
8	50A	26,428	(26)	–	15,076	11,325	26,402
9	50B	10,287	(4)	–	3,945	6,338	10,283
10	Total	\$1,148,570	\$(787,112)	\$19,096	\$116,185	\$226,175	\$361,457

NOTE: Column F of PG&E’s Table 3-3 provides a list of the capital amounts that PG&E is seeking to recover in its 2024 WMCE proceeding for the Butte Community Rebuild Program. As shown on Line 5 of Column A, the total gross capital cost for MAT 14D is slightly higher than PG&E’s requested recovery figure of \$101,642 that is provided in Column F. This is due to the fact that the Column A amount does not include the Ernst & Young adjustment of (\$119) that is shown in Column B (Line 5), while the Column F total does reflect that adjustment. Ernst & Young was retained by PG&E to conduct an audit of the costs included in CEMA.

1 Cal Advocates commends PG&E for utilizing joint trenching efficiencies, and
2 does not dispute that cost savings will result when new gas pipelines are installed in the
3 same trenches as electric distribution cables. Nevertheless, such efficiencies do not
4 automatically lead to the conclusion that such pipeline replacements are incremental.
5 As discussed in the following Sections A through E, Cal Advocates' investigations and
6 analyses revealed five reasons as to why PG&E's request to recover its 2019 through
7 2023 Aldyl-A gas pipe replacement capital costs should be disallowed as part of
8 PG&E's 2024 WMCE proceeding.

9 **A. Incremental Costs**

10 Throughout its Prepared Testimony, PG&E claims that the capital costs for which
11 it seeks recovery are eligible for such recovery because they are considered to be
12 "incremental." In fact, PG&E devotes an entire chapter (Chapter 10) in its testimony to
13 discussing the concept of "incrementality." On page 10-1 of its Prepared Testimony,
14 PG&E defines "incrementality" as follows:

15 Incremental costs are those labor, equipment, material, contract, and
16 other support costs associated with work that has not been forecasted nor
17 authorized in PG&E's General Rate Case (GRC), Gas Transmission and
18 Storage (GT&S), or other cost-recovery proceedings.¹⁰

19 PG&E's definition of "incrementality" is not complete, as it neither discusses nor
20 makes provisions for the likelihood that unexpected costs are often offset by the
21 postponement (and the resulting shifting of associated funds) of *previously authorized*
22 projects. Since previously authorized costs are included in current rates, the shifting of
23 those funds to an unexpected incident offsets those unexpected costs.

24 PG&E discusses this exact scenario in its Prepared Testimony. On page 2-
25 AtchA-11 of its Prepared Testimony, PG&E makes the following statement on lines 9
26 through 14:

¹⁰ PG&E's Prepared Testimony at 10-1, lines 21 through 24.

1 Responding to emergency situations is one of PG&E’s highest priorities.
2 When a major event impacts the service territory, scheduled work is put
3 on hold, and resources are re-deployed to the higher priority work of
4 restoring customers. Thus, in an emergency, planned units of work for
5 normal day-to-day business operations may be displaced by the units of
6 work for responding to the emergency.¹¹

7 On page 10-4 (lines 12 through 27) of its Prepared Testimony, PG&E states that
8 it deliberately seeks “flexibility” for using its internal resources to respond to
9 unanticipated events:

10 PG&E’s activity-based forecasting (and the Commission’s approval of this
11 type of GRC forecast) provides PG&E flexibility to use internal and/or
12 external resources as necessary to execute work. It further allows PG&E
13 staff and organizations to support work across multiple rate cases and
14 regulatory accounts and maximize productivity of its resources. In
15 allowing for workforce flexibility, activity-based planning and forecasting is
16 more cost effective for customers as it allows for PG&E to deploy internal
17 and external resources to work across multiple activities as necessary. As
18 an example, PG&E can use internal and external resources to work on
19 activities not contemplated (or funded) in the GRC that may arise due to
20 emergencies, new laws or Commission decisions, and changing priorities
21 after a GRC decision has been issued. If PG&E did not have this
22 flexibility, PG&E conceivably would have a larger employee and contractor
23 population—one group to work on GRC activities and a separate group to
24 work on new work not included in a GRC. Overall costs would increase.¹²

25 Despite what it stated in its own testimony, PG&E does not appear to
26 acknowledge that when resources are shifted from an authorized event to an
27 unanticipated event, incremental costs are likely to be reduced, if not eliminated
28 altogether. PG&E’s Prepared Testimony provides no description of *any* offsetting
29 reductions to the Aldyl-A plastic pipe replacement costs (contained in the Butte
30 Community Rebuild Program) to account for the shifting of previously authorized
31 resources to the Aldyl-A pipe replacement program. In short, PG&E has provided no
32 evidence that it incurred *any* incremental costs when it decided to undertake the
33 replacement of the undamaged Aldyl-A plastic gas pipes in the Town of Paradise.

¹¹ PG&E’s Prepared Testimony at 2-AtchA-11, lines 9 through 14 (underlining added).

¹² PG&E’s Prepared Testimony at 10-4, lines 12 through 27.

1 **B. Recent Incrementality Decisions**

2 Recent Commission decisions have pointed out the need to have a definition of
3 “incrementality” that accounts for the possibility that unanticipated events may be offset
4 by the shifting of previously authorized costs.¹³ Put simply, an unanticipated event
5 might not result in incremental costs; any comprehensive definition of “incrementality”
6 must include that likelihood. On page 27 of PG&E’s *Decision Approving Settlement*
7 (D.23-02-017), regarding recovery of recorded expenditures related to wildfire mitigation
8 and catastrophic events, the Commission set forth how to determine whether costs are
9 incremental:

10 Generally, costs are incremental if, in addition to completing the planned
11 work that underlies the authorized costs, the utility had to procure
12 additional resources, be they in labor or materials, to complete the new
13 activity. The existence and completion of a new activity by itself does not
14 prove the cost was incremental. If a new activity is completed by
15 redirecting existing resources in a related work category, no incremental
16 cost was incurred, despite the activity itself being “incremental.”¹⁴

17 This recent Commission definition of “incrementality” reflects the fact that utilities
18 have the ability to shift funds from authorized events (that have been forecast) to
19 unauthorized events (that have not been forecast). PG&E’s own Prepared Testimony,
20 as quoted in the previous Section, explicitly states that PG&E’s own emergency plans
21 anticipate that “scheduled work is put on hold, and resources are re-deployed to the
22 higher priority work of restoring customers.” Logic dictates that such a redeployment of
23 scheduled work (that has been put on hold) will result in funds being made available for
24 the unanticipated event, thereby offsetting costs.

25 This logic has now been reflected in Commission decisions, and it cannot be
26 ignored in this current proceeding. The definition of “incrementality” set forth by the
27 Commission properly includes language that provides for the likelihood of redeploying
28 previously authorized assets. As discussed earlier, PG&E’s Prepared Testimony does

¹³ D.23-02-017, *Decision Approving Settlement* [PG&E], at 27. See also Proposed Decision for A.23-10-001, *Request By Southern California Edison Company For 2022 Wildfire Mitigation and Vegetation Management Costs*, at 13.

¹⁴ D.23-02-017, *Decision Approving Settlement* [PG&E], at 27 (underlining added).

1 not discuss or include any offsetting reductions to the Aldyl-A plastic pipe replacement
2 costs (contained in the Butte Community Rebuild Program) to account for the shifting of
3 previously authorized resources to the Aldyl-A pipe replacement program.

4 **C. Aldyl-A Pipe Replacements Are an Ongoing Program**

5 The Aldyl-A Plastic Pipe Replacement Program addresses potential safety issues
6 related to certain vintages of plastic pipes. PG&E established the Plastic Pipe
7 Replacement Program in 2012 to alleviate risks associated with leaks on gas
8 distribution mains and services installed before 1985 with Aldyl-A plastic and similar
9 plastic materials. Plastic materials of pre-1985 vintage are prone to experiencing slow
10 crack growth when exposed to various stresses, such as tree roots, differential
11 settlement, or rock impingement. In addition, external stresses can cause the initiation
12 and propagation of cracks leading to leaks.¹⁵

13 As part of the Butte Community Rebuild Program, PG&E identified areas where it
14 planned to underground both gas and electric assets in the same location, and
15 subsequently installed them in a joint trench. Even though these Aldyl-A pipes were
16 undamaged by the Camp Fire, PG&E concluded that it was more efficient to perform
17 joint trenching work, with the result being installation cost savings as compared to the
18 costs for constructing the gas and electric assets separately. However, those
19 construction savings do not negate the cost offsets that occur when authorized
20 resources (which were *anticipated*) are shifted to *unanticipated* events.

21 As previously noted, Cal Advocates did not find any instances where PG&E
22 discusses that Aldyl-A plastic pipe replacement costs (which were included in the Butte
23 Community Rebuild Program) were offset by the shifting of other assets that were
24 postponed. Compounding the impact of that omission, Aldyl-A plastic pipe
25 replacements are being made as part of an ongoing program that has been continually
26 funded since 2012. Therefore, since the Camp Fire did not damage the existing Aldyl-A
27 plastic pipes, the replacement of those pipes in Butte County did not result from an
28 unanticipated event (i.e., the Camp Fire), but was instead based on a decision by PG&E

¹⁵ PG&E's Prepared Testimony at 3-34, lines 13 through 22.

1 to take advantage of efficiencies resulting from the fact that trenching would be
2 occurring due to the undergrounding of its electrical system. In a recent data response,
3 PG&E confirms that it made that decision:

4 PG&E replaced these specific mileage segments at this specific time as
5 *part of the joint-trenching efforts* for the sake of *efficiency* and consistent
6 with the community’s dig-once objective. These mileage segments
7 qualified for replacement under the Plastic Pipe Replacement Program
8 (MAT 14D).¹⁶

9 PG&E has been receiving Commission-authorized funding for the Aldyl-A Plastic
10 Pipe Replacement Program since 2012. As PG&E states in its data response reprinted
11 above, the replacements undertaken as part of the Butte Community Rebuild Program
12 qualified for replacement as part of MAT 14D. Thus, those Butte County replacements
13 are simply part of the *ongoing* Aldyl-A Plastic Pipe Replacement Program. Ultimately,
14 PG&E’s management decides which sections of Aldyl-A pipe get replaced each year.

15 While Cal Advocates does not object to PG&E’s decision to replace the Aldyl-A
16 pipes in Butte County, there is no evidence that those replacements caused any
17 incremental costs. PG&E simply decided to undertake plastic pipe replacements in
18 Butte County when circumstances made it more cost efficient to do so. PG&E can only
19 justifiably claim that incremental costs have occurred if it can show that all of the
20 previously authorized funding for Aldyl-A pipe replacements had been spent, with no
21 remaining “leftover” funds available for the Butte County replacements. However, as
22 discussed in the next Section, Cal Advocates’ analyses show that previously authorized
23 funds were available for the Butte County replacements.

24 **D. Spending History of Aldyl-A Replacements**

25 Cal Advocates has a long history of analyzing issues involving the deferral of
26 previously authorized capital expenditures. Most recently, as part of its investigation of
27 PG&E’s 2023 GRC, Cal Advocates expressed its concern regarding the deferral of
28 previously authorized pole expenditures. As part of its 2024 WMCE investigation of the
29 reasonableness of Aldyl-A pipe replacements in Butte County, Cal Advocates analyzed

¹⁶ PG&E’s response to Data Request PubAdv-PG&E-031-GAW, Question 1.b (italics added).

1 the extent to which previously authorized MAT 14D capital expenditures had been
2 spent. Of special interest to Cal Advocates was how the level of recorded MAT 14D
3 expenditures compared to what had previously been authorized by the Commission.

4 **1. Background**

5 One of the fundamental principles of utility regulation in California is that revenue
6 requirements resulting from GRCs are not calculated using recorded data, but are
7 instead calculated using forecasts of expenses and capital additions for future years.
8 These so-called “future test years” provide an incentive for utilities to develop new, more
9 efficient ways to run their companies. If a utility can devise more cost-effective ways to
10 do business, it can retain the difference between what it was authorized in the future
11 test year and what it actually spent. With test-year rate making, utilities also run the risk
12 of spending more than authorized if unexpected expenses or capital additions are
13 necessary.

14 Another fundamental principle of utility regulation is that the Commission typically
15 does not micromanage the way that utilities spend their dollars. The Commission
16 assumes that utility managers are in the best position to make the numerous decisions
17 that are required to run a utility efficiently and reliably. If expenditures in one area are
18 less than expected, utility managers can decide to shift those unexpended funds to
19 other areas where expenditures may be higher.

20 Taken together, these two principles provide a framework for how utilities are
21 generally expected to operate in California. Since it is never possible to forecast test
22 years with 100% accuracy, utilities can earn more than authorized in some years (when
23 actual expenses/additions are less than forecast, or if the utility develops a more cost-
24 effective way of doing business), and can earn less than authorized in other years
25 (when actual expenses/additions are greater than forecast, or the utility is not run
26 efficiently). Utility managers are expected, and even encouraged, to make the
27 decisions necessary to run their utilities in as efficient a manner as possible, consistent
28 with safe and reliable service.

29 While utility managers are given the authority to transfer or spend company funds
30 as they see fit, that authority does not require the Commission to accept every

1 managerial decision that is made. In prior investigations, Cal Advocates (and the
2 Commission) has expressed concern when utilities, in subsequent proceedings, have
3 once again sought recovery (or in this proceeding, sought to recover costs that were
4 claimed to be incremental) of the *same* capital expenditure types that had previously
5 been authorized by the Commission but not been spent.

6 **2. Applicability to Butte County Aldyl-A Pipe Replacements**

7 A lack of spending of previously authorized funds can sometimes be the result of
8 a utility manager's decision to shift authorized expenditures once a program has been
9 completed. In those instances, it makes sense to shift unused funds, as it would be
10 irrational to require a utility to continue spending authorized funds on a capital program
11 that has been completed. That scenario does not apply to the pipe replacements in
12 Butte County. Given that Aldyl-A plastic pipe replacements are being made as part of
13 an ongoing program, and are scheduled to continue being replaced through at least
14 2026,¹⁷ any underspending of pre-2026 MAT 14D authorized funds did not arise from a
15 decision by PG&E management to shift costs away from a program that had been
16 completed.

17 Cal Advocates has previously found instances where underspending arose from
18 a utility's intent to artificially inflate its net revenue numbers.¹⁸ As applied to this current
19 proceeding, Cal Advocates sought to determine if there existed unspent MAT 14D funds
20 that resulted from the underspending, or the deferring, of MAT 14D projects from prior
21 years. If PG&E's management, in previous years, elected to spend less than was
22 authorized for Aldyl-A plastic pipe replacements, PG&E should not now be allowed to
23 claim additional (i.e., incremental) funding for Butte County replacements that could
24 have previously been completed had PG&E spent all of its authorized funding.

¹⁷ On page 76 of PG&E's 2023 GRC decision (D.23-11-069), the Commission notes that PG&E forecasts \$2.27 billion of MAT 14D expenditures in order to replace 714 miles over the four year period 2023-2026.

¹⁸ As a representative example of these kinds of occurrences, please see Appendix C, which includes various excerpts from PG&E's TY 2011 GRC testimony and Settlement Decision.

1 Cal Advocates is not suggesting that PG&E is maintaining a “slush fund”
2 consisting of unspent Aldyl-A plastic pipe replacements. Nevertheless, any previous
3 management decisions to spend less than was authorized in prior years for ongoing
4 Aldyl-A pipe replacements casts doubt on the reasonableness of PG&E’s current
5 request to seek recovery of unanticipated costs for pipe replacements in Butte County.
6 Even if one were to set aside the likelihood that Aldyl-A pipe replacements will be offset
7 by the shifting of previously authorized assets that have been redeployed, ratepayers
8 still should not be required to fund projects now that could have been undertaken
9 previously (i.e., if PG&E’s management had spent all of its authorized plastic pipe
10 replacement funding). In short, PG&E should not be allowed to once again seek
11 recovery of ongoing costs that were previously authorized but were never spent.

12 3. Impact of Cumulative Underspensing

13 As stated previously, authorized funding for Aldyl-A pipeline replacements
14 commenced in 2012. Cal Advocates sought to determine the yearly recorded and
15 authorized funding for the period 2012 through 2023. Cal Advocates requested that
16 PG&E provide authorized and recorded yearly expenditures for the Aldyl-A replacement
17 program for the years 2018 through 2023.¹⁹ PG&E provided all of the requested data.
18 In addition, for the years 2019 through 2023 (which were the years for which
19 expenditures were made for replacements in Butte County), PG&E disaggregated the
20 yearly recorded data into the amounts spent inside and outside of Butte County.

21 Cal Advocates subsequently requested that PG&E provide similar data for the
22 period 2012 through 2017.²⁰ For that time period, MAT 14D data were more difficult to
23 obtain. For the years 2012 and 2013, PG&E was unable to determine authorized
24 amounts for MAT 14D, as it was subsumed in the more general Major Work Category
25 (MWC) 14 area and could not be disaggregated. Similarly, authorized MAT 14D
26 expenditures could not be determined for the attrition years 2015 and 2016, as the
27 PG&E 2014 GRC decision (D.14-08-032) adopted an attrition methodology that used a

¹⁹ Data Request PubAdv-PG&E- 031-GAW, Question 002.

²⁰ Data Request PubAdv-PG&E- 041-GAW, Question 002.

1 7-year historic spending average that did not permit a MAT 14D breakout. For the 12-
2 year period 2012 through 2023, Cal Advocates was ultimately able to analyze eight
3 years of authorized-versus-recorded capital expenditures for Aldyl-A replacements,
4 consisting of the year 2014, as well as the years 2017 through 2023.

5 After obtaining the available MAT 14D data from PG&E, Cal Advocates sought to
6 determine how cumulative authorized capital expenditures for the Aldyl-A replacement
7 program compared to the cumulative recorded expenditures. For each of the available
8 years from 2014 through 2023, Cal Advocates subtracted recorded MAT 14D
9 expenditures from the authorized expenditures. The sum of those cumulative
10 differences was then plotted on a graph to visually show the extent of any ongoing
11 underspending of authorized MAT 14D funds. Cal Advocates' Table 04-2 shows the
12 yearly authorized and recorded Aldyl-A replacement expenditures (as provided by
13 PG&E), as well as the cumulative underspending totals; Graph 04-1 shows a visual
14 presentation, year by year, of the extent to which cumulative authorized expenditures
15 for Aldyl-A pipe replacements exceeded the actual cumulative recorded expenditures
16 for the years 2014 through 2023. (See the following two pages.)²¹

17 Using the available data provided by PG&E, Graph 04-1 shows that even after
18 PG&E completed its Butte County Aldyl-A replacements, PG&E had still cumulatively
19 spent over \$34 million less for MAT 14D projects than it had been authorized.²² This
20 provides another compelling reason for disallowing PG&E's 2024 WMCE request to
21 recover \$101.642 million for MAT 14D expenditures, as ratepayers should not be
22 required to provide additional funds for an ongoing program that has historically been
23 underspent.

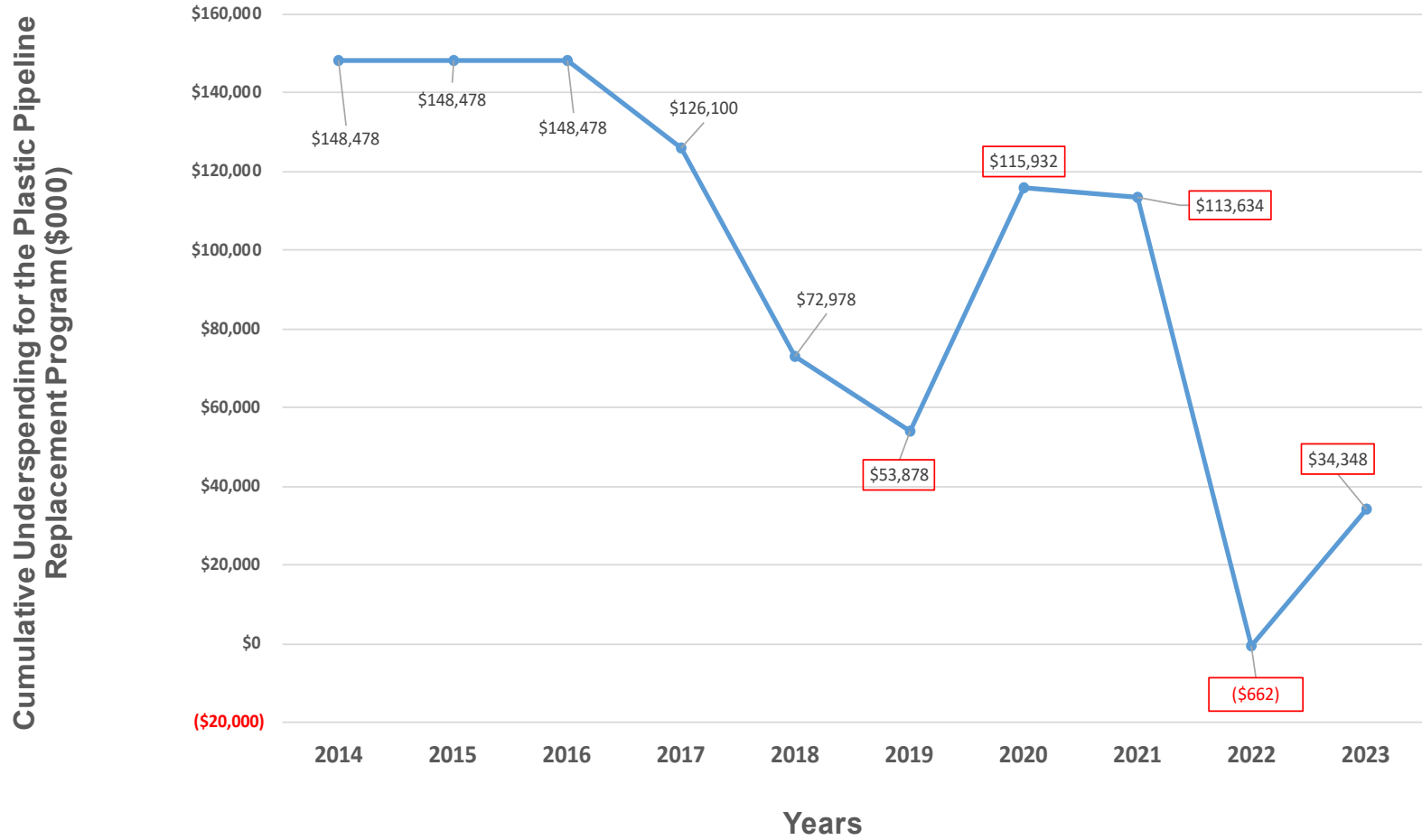
²¹ Note that on Graph 04-1, authorized expenditures for the attrition years 2015 and 2016 were not available. Therefore, for those two years, that graph simply shows the same cumulative underspending level that was present in 2014.

²² PG&E's 2023 GRC decision (D.23-11-069) notes (on page 76) that PG&E has only completed 51% of the existing approved pipeline replacements.

TABLE 04-2
ALDYL-A PLASTIC PIPE REPLACEMENTS
(Thousands of Nominal Dollars)

Year	Capital Expenditures for the Plastic Pipe Replacement Program (\$000)			
	Authorized	Recorded	Δ	Cumulative Δ
	(A)	(B)	(C=A-B)	(D=ΣC)
2014	\$230,451	\$81,973	\$148,478	\$148,478
2015	n.a.	\$134,273	--	--
2016	n.a.	\$230,270	--	--
2017	\$231,238	\$253,616	(\$22,378)	\$126,100
2018	\$220,132	\$273,254	(\$53,122)	\$72,978
2019	\$215,511	\$234,611	(\$19,100)	\$53,878
2020	\$330,292	\$268,237	\$62,054	\$115,932
2021	\$402,919	\$405,217	(\$2,298)	\$113,634
2022	\$497,402	\$611,698	(\$114,296)	(\$662)
2023	\$407,665	\$372,655	\$35,010	\$34,348
	Includes Recorded Expenditure Amounts Associated With the Plastic Pipe Replacement Program in the Butte Community Rebuild.			

GRAPH 04-1
Cumulative Underspending of Authorized Plastic Pipe Replacement Expenditures
 (\$000 - Dollar Amounts with Red Borders Include Butte Replacements)



1 **E. Inclusion of Aldyl-A Replacements in CEMA**

2 In PG&E’s 2023 GRC proceeding, Cal Advocates urged the Commission to
3 require PG&E to continue tracking costs associated with its Butte Community Rebuild
4 Program in PG&E’s previously established CEMA. Cal Advocates pointed out that the
5 removal of those costs from CEMA, and their subsequent inclusion in the Results of
6 Operations computer model at the time of the GRC, would result in the capital portions
7 being added to PG&E’s 2023 rate base. The result of that inclusion would be that
8 PG&E’s customers (beginning in 2023) would start paying for all of the Community
9 Rebuild Program costs; this would occur in spite of the fact that the rebuilding costs
10 would not be completely known, and most importantly, in spite of the fact that the
11 Commission would not have determined that the costs were reasonable. Ultimately, the
12 Commission agreed with Cal Advocates’ recommendation:

13 The Commission clarifies that all costs related to the “rebuild” shall be
14 interpreted broadly and consistent with the statute to include restoring,
15 repairing, replacing, and complying with government standards for the
16 infrastructure destroyed in the 2018 Camp Fire and shall be presented to
17 the Commission for a reasonableness review consistent with Pub. Util.
18 Code Section 454.9.²³

19 The continued inclusion in CEMA of the costs for the Butte Community Rebuild
20 Program has been important and valuable, as Cal Advocates and other intervenors
21 have now been able to analyze and evaluate the reasonableness of these rebuilding
22 costs. Cal Advocates conducted its 2024 WMCE investigation using the standards that
23 the Commission set forth above. However, while the benefits of CEMA inclusion are
24 clear, PG&E apparently did not follow its own Preliminary Statement guidelines as it
25 pertains to the Aldyl-A replacement program.

26 In Appendix D of this volume of Cal Advocates’ testimony, a copy of Sheet 1 of
27 PG&E’s “Gas Preliminary Statement Part AC” has been included. This particular
28 Preliminary Statement lists the criteria that PG&E is required to follow before it can
29 include an expenditure in CEMA. As shown in the highlighted portion of the copy

²³ D.23-11-069 at 480.

1 included in Appendix D, PG&E’s own Preliminary Statement admits that it is barred from
2 recording any costs that were incurred before a fire or other disaster:

3 PG&E shall not record any capital costs or expenses incurred prior to the
4 start of the declared disaster or state of emergency.

5 The Aldyl-A Plastic Pipe Replacement Program was created in 2012 and is still in
6 effect. Those ongoing replacements were initiated long before the start of the 2018
7 Camp Fire; the replacements that were made in Butte County would have eventually
8 been undertaken even if the Camp Fire had never occurred. The Camp Fire may have
9 altered the order in which PG&E elected to replace sections of its Aldyl-A pipes, but it
10 did not create the need for the replacements; PG&E’s own Prepared Testimony states
11 that these pipes were undamaged.²⁴ All available evidence indicates that PG&E
12 included capital costs in CEMA that were instigated by events (i.e., the discovery that
13 certain vintages of Aldyl-A plastic pipes were prone to cracking) that occurred before the
14 Camp Fire was ignited. The fact that PG&E did not follow its own Preliminary
15 Statement guidelines regarding CEMA inclusions provides yet another reason for
16 disallowing PG&E’s 2024 WMCE request to recover \$101.642 million for MAT 14D
17 expenditures.

18 **V. CONCLUSION**

19 During its investigation of PG&E’s request to recover \$101.642 million for
20 allegedly incremental capital costs associated with Aldyl-A plastic pipe replacements in
21 Butte County, Cal Advocates uncovered five reasons for disallowing that request. The
22 discussions contained in this volume of Cal Advocates’ testimony have provided
23 compelling evidence that shows that: (1) those replacement costs are not incremental,
24 as they are offset by other authorized projects that were postponed and redeployed to
25 Butte County; (2) recent Commission decisions have concluded that definitions of
26 “incrementality” must include the fact that if an unexpected activity is completed by
27 redirecting existing resources, no incremental cost was incurred; (3) the Aldyl-A pipes
28 replaced in Butte County were not damaged by the Butte Fire, but were replaced as part

²⁴ PG&E’s Prepared Testimony at 1-4, lines 1 through 5.

1 of an ongoing previously authorized pipe replacement program that was initiated in
2 2012; (4) PG&E's spending history indicates that, even after including the costs for the
3 Butte County replacements, PG&E has cumulatively spent less for Aldyl-A pipe
4 replacements than it has been authorized; and (5) PG&E has not followed its own
5 Preliminary Statement criteria regarding CEMA rules.

6 Individually, each of those facts compellingly shows that PG&E should not be
7 allowed to recover the requested \$101.642 million for the Aldyl-A plastic pipe
8 replacements that it seeks as part of its 2024 WMCE. Taken as a whole, these five
9 facts provide overwhelming evidence that PG&E's \$101.642 million recovery request is
10 not justified and should be denied altogether.²⁵

11

²⁵ Care must be taken when the Commission calculates the Revenue Requirement impact of this disallowance. Other volumes of Cal Advocates' testimony propose adjustments that potentially duplicate some of the adjustments recommended here. More specifically, Cal Advocates' Ex. CA-05 recommends labor adjustments that impact MAT 14D, and are already subsumed in the adjustments recommended in this current volume of Cal Advocates' testimony. When the Results of Operations (RO) computer model is run, the totality of the adjustments for Aldyl-A plastic pipe replacements should not exceed PG&E's \$101.642 million request.

1 **VI. WITNESS QUALIFICATIONS – GREG WILSON**

2 My name is Greg Wilson. My business address is 505 Van Ness Avenue, San
3 Francisco, California. I am employed by the Public Advocates Office as a Retired
4 Annuitant in the Energy Cost of Service and Natural Gas Branch.

5 I received a Bachelor of Science degree in Mathematics from California State
6 University, Hayward. I then received a Bachelor of Science degree in Civil Engineering
7 from the University of California, Berkeley. I am a registered Professional Engineer in
8 Civil Engineering in the State of California.

9 I have been employed by the California Public Utilities Commission since 1977.
10 Until 1984, I worked in the Water Branch of the former Operations Office. In June 1984,
11 I was transferred to what was then called the Energy/Water Operational Costs Branch
12 of the Public Advocates Office (formerly the Office of Ratepayer Advocates). From
13 1997 until 2015, I worked in the Energy Division. I have been a capital expenditure, rate
14 base, and expense witness on numerous energy cases.

15 I am responsible for the contents of this exhibit.

16 This completes my prepared testimony.

APPENDIX A:

**Summary of PG&E's Request
PG&E's 2024 WMCE Testimony
Page 1-2**

**TABLE 1-1
SUMMARY OF REQUEST
(THOUSANDS OF DOLLARS)**

Line No.	Chapter	Account	Expense	Capital
1	Chapter 2: ED CEMA	Catastrophic Event Memorandum Account (CEMA)	\$43,736	\$29,884
2	Chapter 3: Community Butte Rebuild	CEMA	2,080	361,457
3	Chapter 4: Gas CEMA	CEMA	1,064	2,873
4	Chapter 5: Generation CEMA	CEMA	2,725	2,049
5	Chapter 6: GSRRMA	Gas Statutes Regulations and Rules Memorandum Account (GSRRMA)	3,582	3,983
6	Chapter 7: GSBA	Gas Storage Balancing Account (GSBA)	9,015	115,667
7	Chapter 8: CAVAMA	Climate Adaptation Vulnerability Assessment Memorandum Account (CAVAMA)	1,063	-
8	Chapter 9: Other Misc. Memo Accounts	COVID-19 Pandemic Protections Memorandum Account (CPPMA)	2,342	-
9		Disconnections Memorandum Account (DMA)	5,717	-
10		Percentage of Income Payment Plan Memorandum Account (PIPPMA)	1,525	-
11		Emergency Consumer Protections Memorandum Account (ECPMA)	1,363	-
12		Medium-Large Commercial and Industrial COVID-19 Disconnection Moratorium Memorandum Account (ML-CDMMA)	1,217	-
13		CPPMA Incremental Uncollectibles	4,436	-
14		Microgrids Memorandum Account (MGMA)	111	-
15	Grand Total		\$79,975	\$515,912

APPENDIX B:

**Butte Community Rebuild Program
PG&E's 2024 WMCE Testimony
Page 3-AtchA-3**

Workpaper Table 23-13
 Pacific Gas and Electric Company
 2024 WMCE - Chapter 3 - Butte Community Rebuild
 Updated 23-13 Workpaper
 (Thousands of Nominal Dollars)

Line No.	Chapter 3 - Electric Operations	MAT/MVC	Recorded 2018	Recorded 2019	Recorded 2020	Recorded 2021	Recorded 2022	Recorded 2023	Forecast 2024	Forecast 2025	Forecast 2026
1	Expense										
2	Electric Service Connections	IFF	(\$44)	\$0	\$156	\$0	\$0	\$0			
3	Construction Site Clearing	IF#, IFA, IFB, IFF	\$144,565	\$231,744	\$23,844	\$3,624	(\$1,814)	\$1,073			
4	Community Rebuild Program Management Office	IFF	\$0	\$1,549	\$5,212	\$2,571	(\$224)	\$911			
5	Telecom Pole Removal		\$0	\$0	\$0	\$0	\$177	\$23			
6	Total Expense		\$144,541	\$233,292	\$29,211	\$6,195	(\$1,861)	\$2,007	\$0	\$0	\$0
7	Capital		2018	2019	2020	2021	2022	2023	2024	2025	2026
8	Electric Underground Construction Hardening Program	08W	\$0	\$16,816	\$24,634	\$38,816	\$82,486	\$98,563			
9	Electric Underground Mainline Construction	95F	\$0	\$21,486	\$39,939	\$59,713	\$68,981	\$87,739			
10	Electric Overhead Mainline Construction	95F	\$0	\$16,980	\$16,899	\$912	\$211	\$384			
11	Electric Service Connections	95A, 95B, 95F	\$0	\$9,037	\$18,543	\$24,852	\$19,687	\$14,885			
12	Remote Grids	95F	\$0	\$0	\$0	\$0	\$0	\$0			
13	Electric Mobile Home Parks	95F	\$0	\$1,619	\$7,544	\$7,312	\$2,862	\$1,163			
14	Community Rebuild Program Management Office	95F	\$0	\$0	\$5,283	(\$2,310)	\$0	\$0			
15	Total Capital		\$0	\$64,938	\$112,842	\$129,195	\$173,227	\$202,734	\$0	\$0	\$0
16	Exhibit (PG&E-4) Electric Operations - Total Costs		\$144,541	\$298,231	\$142,054	\$135,389	\$171,366	\$204,741	\$0	\$0	\$0
17	Chapter 3 - Gas Operations		Recorded 2018	Recorded 2019	Recorded 2020	Recorded 2021	Recorded 2022	Recorded 2023	Forecast 2024	Forecast 2025	Forecast 2026
18	Expense										
19	Gas Main Construction	LXA	\$0	\$5,554	\$3,639	\$1,469	(\$1,123)	\$0			
20	Gas Services	LXA, FIM	\$0	\$71	\$570	\$1,229	\$482	\$104			
21	Community Rebuild Program Management Office	LX	\$0	\$1,355	\$930	\$344	\$21	\$134			
21	Total Expense		\$0	\$6,981	\$5,139	\$3,342	(\$621)	\$238	\$0	\$0	\$0
22	Capital		2018	2019	2020	2021	2022	2023	2024	2025	2026
23	Aldyl-A Gas Mainline Construction	14D	\$0	\$14,379	\$27,663	\$20,836	\$31,694	\$7,188			
24	Gas Main Construction	3QA, 50A	\$1	(\$2)	\$4,125	\$7,307	\$17,442	\$17,546			
25	Gas Services	3QA, 50B	\$0	\$755	\$7,952	\$13,535	\$13,705	\$14,316			
26	Gas Mobile Home Parks	3QA, 50A	\$0	\$1,145	\$5,762	\$2,791	\$1,589	\$903			
27	Total Capital		\$1	\$16,279	\$45,502	\$44,469	\$64,432	\$39,954	\$0	\$0	\$0
28	Exhibit (PG&E-3) Gas Operations - Total Costs		\$1	\$23,260	\$50,641	\$47,811	\$63,812	\$40,192	\$0	\$0	\$0
29	Chapter 3 - Customer Care		Recorded 2018	Recorded 2019	Recorded 2020	Recorded 2021	Recorded 2022	Recorded 2023	Forecast 2024	Forecast 2025	Forecast 2026
30	Expense										
31	Customer Care	IG#	\$0	\$37	\$39	\$4	\$0	\$0			
32	Total Expense		\$0	\$37	\$39	\$4	\$0	\$0	0	0	0
33	Capital		2018	2019	2020	2021	2022	2023	2024	2025	2026
34	Nov 2018 Camp Fire - Electric Meters - CEMA	3M	\$0	\$25	\$5	\$0	\$0	\$355			
35	Nov 2018 Camp Fire - Gas Meters - CEMA	3M	\$0	\$47	\$37	\$0	\$0	\$392			
36	Nov 2018 Camp Fire - Gas Modules - CEMA	3M	\$0	\$0	\$30	\$0	\$0	\$0			
37	Butte Wildfire Rebuild - Electric Meters	25	\$0	\$0	\$0	\$0	\$0	\$0			
38	Butte Wildfire Rebuild - Gas Mtrs/Modules	74	\$0	\$0	\$0	\$0	\$0	\$0			
39	Total Capital		\$0	\$74	\$73	\$0	\$0	\$747	\$0	\$0	\$0
40	Exhibit (PG&E-6) Customer Care - Total Costs		\$0	\$74	\$73	\$0	\$0	\$747	\$0	\$0	\$0
41	Total Expense (PG&E-3, PG&E-4, PG&E-6)		\$144,541	\$240,273	\$34,350	\$9,537	(\$2,482)	\$2,245			
42	Total Capital (PG&E-3, PG&E-4, PG&E-6)		\$1	\$81,291	\$158,417	\$173,664	\$237,660	\$243,434	\$0	\$0	\$0

APPENDIX C:

**Excerpts from PG&E's TY 2011
GRC Testimony
And
Settlement Decision**

Application: _____
(U 39 M)
Exhibit No.: (PG&E-3)
Date: December 21, 2009
Witness: Various

PACIFIC GAS AND ELECTRIC COMPANY

2011 GENERAL RATE CASE

PREPARED TESTIMONY

**EXHIBIT (PG&E-3)
GAS AND ELECTRIC DISTRIBUTION**

1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **CHAPTER 3**
3 **POLE REPLACEMENT**

4 **A. Introduction**

5 **1. Scope and Purpose**

6 The purpose of this chapter is to demonstrate that Pacific Gas and
7 Electric Company's (PG&E or the Company) capital expenditure forecasts
8 associated with managing its distribution pole assets are reasonable and
9 should be adopted by the California Public Utilities Commission (CPUC or
10 Commission). PG&E has full or joint ownership of approximately 2.3 million
11 distribution poles, more than 99 percent of them wood, dispersed across its
12 service territory in northern and central California. The average age of these
13 poles is approximately 38 years, with a small number of poles exceeding
14 100 years. These poles are an essential component of PG&E's delivery
15 system and their inspection, restoration, and replacement are vital to the
16 safety of both the general public and PG&E employees, and to the
17 continued reliability of PG&E's distribution system. This chapter discusses
18 pole replacement. Chapter 4 discusses related distribution pole activities,
19 such as test and treat, pole engineering analysis, and joint utility
20 coordination.

21 **2. Summary of Dollar Request**

22 PG&E requests that the Commission adopt PG&E's capital expenditure
23 forecasts for the distribution Pole Replacement Program of \$60 million for
24 2011, \$63 million for 2012, and \$65 million for 2013.^[1]

25 PG&E's 2011 capital expenditure forecast for the Pole Replacement
26 Program is a \$26.7 million increase over 2008 recorded costs. The primary
27 driver for the higher level of capital expenditures is the need to address
28 poles rescheduled for replacement due to a reallocation of funds to higher
29 priority work. Chapter 1 of this exhibit describes PG&E's prioritization
30 process in greater detail.

[1] These capital costs are stated in current year (or nominal) SAP dollars, as are all dollars referenced in this chapter, unless stated otherwise.

1 d. **Prioritize the Work**

2 PG&E's Pole Replacement Program manager utilizes a system-wide
3 work prioritization model, determines the capital target, and develops
4 and executes multi-year plans to continue the reliability and safety of the
5 system in a cost-effective manner.

6 The Pole Replacement Program is intended to replace:

- 7 • Poles that fall below minimum allowable safety factors.
- 8 • Poles along confirmed telecommunications company routes, where
9 the existing or proposed load will cause the pole to have less than
10 the minimum allowable safety factor.
- 11 • Poles that meet PG&E's minimum shell thickness criteria but have
12 other abnormal conditions, such as an upper pole condition that
13 requires action but for which restoration is not practicable, or a pole
14 that has mechanical damage or wood pecker damage.
- 15 • Poles for which the structural integrity may meet minimum standards
16 but has fallen substantially below original design strength. These
17 poles are sorted by minimum shell thickness, circuit criticality, and
18 other factors. For example, poles with very little wood shell
19 remaining may be effectively restrained or very lightly loaded, and
20 still have an acceptable safety factor, yet may not have adequate
21 mechanical strength. These poles are replaced after higher priority
22 work is completed.

23 PG&E uses key information gathered from the Test and Treat
24 process such as age, shell thickness, wood pole strength, type of
25 treatment, and species to prioritize the replacement of those poles
26 based on the weakest condition of the poles. Engineering standards
27 and field experience are also prioritization factors.

28 As appropriate, PG&E implements and communicates refined
29 methods for pole replacement criteria. In January 2009, PG&E
30 published and implemented a revised Pole Replacement Prioritization
31 Guide, which provides methods for assessing wood pole test results and
32 is intended to ensure that higher risk poles are replaced prior to poles
33 posing less risk.

COM/MP1/hkr/oma

Date of Issuance 5/13/2011

Decision 11-05-018 May 5, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2011. (U39M)

Application 09-12-020
(Filed December 21, 2009)

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Pacific Gas and Electric Company.

Investigation 10-07-027
(Filed July 29, 2010)

**DECISION ON PACIFIC GAS AND ELECTRIC COMPANY
TEST YEAR 2011 GENERAL RATE INCREASE REQUEST**

not offer any such expanded service until at least 30 days after the issuance of the annual information-only report.

4.7.4. Reprioritization and Cost Deferrals

While the record supports the revenue requirement levels that are reflected in the Settlement Agreement, the Commission's expectations with respect to how authorized funds should be spent and PG&E's accountability with respect to how those funds are spent should be clarified.

While the Commission sets the adopted GRC revenue requirement based, in large part, on programs and projects proposed by PG&E, which are reviewed in the GRC proceeding and adopted in the GRC decision, PG&E may not actually expend funds in that exact manner. For instance, regarding certain distribution costs in this proceeding, PG&E states:

In an effort to remain within the capital and expense expenditure levels imputed from the 2007 GRC Settlement Agreement, PG&E adjusted work where possible by focusing on work in higher priority categories.¹⁶

Certain parties were concerned that the process of reprioritization and deferral of certain costs has resulted in projects identified and adopted in a prior GRC being deferred by PG&E and included again in its request for this proceeding. To address this concern, DRA, in its testimony, excluded a number of such electric distribution activities including replacement/reinforcement of poles, replacement of underground cables, preventative maintenance and equipment repair, electric line patrol and inspection, network work and projects,

¹⁶ See, for instance, Exhibit PG&E-3 at 1-35.

However, the fact that this flexibility is available to the utility does not mean that everything the utility ends up doing is necessary or reasonable. The Commission has disallowed costs of activities that were requested and included in prior GRC authorizations, deferred, and re-requested in another GRC. For instance, in PG&E's last GRC, the Commission stated:

The Commission has repeatedly held that it is unjust and unreasonable to make ratepayers pay a second time for activities explicitly authorized by the Commission in the past. Here, there is no dispute that PG&E received funding for lead paint and PCB abatement in its prior GRC proceeding, and that PG&E seeks funding for these activities a second time in the current proceeding.²⁰

And:

In order to find that the Settlement Agreement is consistent with the law, which includes adherence to long-established Commission precedent, we must be satisfied that all of PG&E's lead paint and PCB abatement costs are excluded from the O&M expenses adopted by the Settlement . . .²¹

As indicated, reprioritization and cost deferrals may be necessary and reasonable, and, if not, cost disallowance of previously requested activities which were deferred and re-requested may be appropriate. With respect to reprioritization and deferred cost issues in this GRC, the Settlement Agreement does not indicate specific outcomes; however it is assumed that the settled position reasonably reflects Commission precedents as noted above, taking into consideration the strengths and weaknesses of parties' positions. The Settlement Agreement does state that:

²⁰ D.07-03-044 at 93 (footnote omitted).

²¹ D.07-03-044 at 95.

The fact that Settling Parties set forth specific amounts for certain categories of costs is not intended to limit PG&E's management discretion to spend funds as it sees fit in a manner consistent with its obligation to provide reliable service and consistent with its obligation to maintain the safe operation of its utility systems. Nor does it limit the discretion of other parties to argue in future proceedings that it is unjust or unreasonable to make ratepayers pay a second time for activities explicitly authorized by the Commission in this proceeding or that PG&E has not provided safe and reliable service.²²

While we reaffirm that it is the utility management's prerogative and responsibility to provide safe and reliable service by reprioritizing and deferring activities as necessary, the Commission must be assured that the process is reasonable. We have concerns in that respect. For instance, despite any financial implications of exceeding authorized cost levels, the utility does have the responsibility to spend what is necessary to ensure safe and reliable service. To the extent a utility uses authorized cost levels as a reason for deferring activities, the Commission must be assured that such deferrals are otherwise reasonable especially with respect to safe and reliable service. Also, justified or not, reprioritization and deferrals undermine the basis for the Commission's determination of the reasonableness of the utility's GRC request and the extent of the authorized revenue requirement. Much of what is authorized is based on the utility's depiction of its needs and associated costs. Those needs and costs are tested by the GRC process. Reprioritized needs and associated costs may not be so tested and may not result in the most efficient use of funds. In light of these concerns, we will impose certain requirements on PG&E, as a step in ensuring

²² Settlement Agreement, Article 4.11.

- Suspension of Allowance for Funds Used During Construction accruals for the ten Transform Operations projects identified by TURN.
- Employee training and hiring testimony requirements for PG&E in its next GRC.

8. An annual information-only report with the information described herein that is submitted by PG&E to the Energy Division and interested parties will allow the Commission and parties to monitor PG&E's expansion of NTP&S into areas already being offered by the other major energy utilities.

9. PG&E's experience for the current advice letter approval process for new NTP&S is eight months to one year for approval.

10. A reprioritization process is expected and is necessary for the utility to manage its operations in a safe and reliable manner.

11. Despite any financial implications of exceeding authorized cost levels, the utility has the responsibility to spend what is necessary to ensure safe and reliable service.

12. Reprioritization and cost deferrals undermine the basis for the Commission's determination of the reasonableness of the utility's GRC request and the extent of the authorized revenue requirement.

13. Reprioritized needs and associated costs may not result in the most efficient use of funds.

14. Due to the Commission's responsibilities and concerns regarding gas pipeline safety there is a need for additional reporting requirements related to gas distribution pipelines.

15. PG&E is financially healthy and has very strong access to capital because of its strong balance sheet and its ability to raise capital from both equity and debt financing.

APPENDIX D:

**Sheet 1 of PG&E's
“Gas Preliminary Statement
Part AC”**



**GAS PRELIMINARY STATEMENT PART AC
CATASTROPHIC EVENT MEMORANDUM ACCOUNT**

Sheet 1

AC. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA):

- 1. **PURPOSE:** The purpose of the CEMA is to recover the costs associated with the restoration of service and PG&E facilities affected by a catastrophic event declared a disaster or state of emergency by competent federal or state authorities. The balance in the CEMA will be recovered in rates after CPUC review and audit of the recorded CEMA balance. The authority to establish this account was granted in CPUC Resolution E-3238, dated July 24, 1991.

Should a disaster occur, PG&E will inform the Executive Director of the CPUC by letter within 30 days after the catastrophic event that PG&E has started booking costs in the CEMA.

The letter shall specify the declared disaster, date, time, location, service area affected, impact on PG&E's facilities, and an estimate of the extraordinary costs expected to be incurred, with costs due to expenses and capital items shown separately.

PG&E shall not record any capital costs or expenses incurred prior to the start of the declared disaster or state of emergency, as identified by the appropriate Authorities, pursuant to Government Code Sections 8558, 8588, and 8625 or comparable federal authority.

Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C and Rule 1.

- 2. **APPLICABILITY:** The CEMA balance will be recovered from all customer classes, except those specifically excluded by the CPUC.
- 3. **CEMA RATES:** The CEMA does not currently have a rate component.
- 4. **ACCOUNTING PROCEDURE:** Upon declaration of a disaster or state of emergency, PG&E shall maintain the CEMA from the date of the event causing the disaster occurred by making entries to this account at the end of each month as follows:
 - a. A debit entry equal to the amounts recorded in PG&E's Operations and Maintenance, and Administrative and General Expense Accounts that were incurred as a result of the disaster and related events.
 - b. A debit entry equal to:
 - (1) depreciation expense on the average of the beginning and the end-of-month balance of plant installed to restore service to customers, or to replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth the annual depreciation rates approved by the CPUC for these plant accounts; plus
 - (2) the return on investment on the average of the beginning and the end-of-month balance of plant installed to restore service to customers or replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth of the annual rate of return on investment last adopted for PG&E's Gas Department by the CPUC; plus

(Continued)

<i>Advice Decision</i>	1658-G	<i>Issued by</i> Robert S. Kenney <i>Vice President, Regulatory Affairs</i>	<i>Date Filed</i> <i>Effective</i> <i>Resolution</i>	<u>August 7, 1991</u> <u>September 6, 1991</u> <u>E-3238</u>
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