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**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, 2020.

(U 39 M)

Application No. 18-12-009  
(Filed: December 13, 2018)

**JOINT REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M),  
THE PUBLIC ADVOCATES OFFICE OF THE CALIFORNIA PUBLIC UTILITIES  
COMMISSION, THE UTILITY REFORM NETWORK, CENTER FOR ACCESSIBLE  
TECHNOLOGY, NATIONAL DIVERSITY COALITION, SMALL BUSINESS UTILITY  
ADVOCATES, COALITION OF CALIFORNIA UTILITY EMPLOYEES, CALIFORNIA  
CITY COUNTY STREET LIGHT ASSOCIATION, AND THE SAFETY AND  
ENFORCEMENT DIVISION OF THE CALIFORNIA PUBLIC UTILITIES  
COMMISSION**

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CITY COUNTY STREET LIGHT ASSOCIATION, AND THE SAFETY AND  
ENFORCEMENT DIVISION OF THE CALIFORNIA PUBLIC UTILITIES  
COMMISSION**

**I. INTRODUCTION**

Pacific Gas and Electric Company (PG&E), the Public Advocates Office of the California Public Utilities Commission (Cal Advocates), The Utility Reform Network (TURN), Center for Accessible Technology (CforAT), National Diversity Coalition (NDC), Small Business Utility Advocates (SBUA), Coalition of California Utility Employees (CUE), California City County Street Light Association (CALSLA), and the Safety and Enforcement Division of the California Public Utilities Commission (SED)<sup>1</sup> (collectively “Settling Parties”)

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<sup>1</sup> The advocacy role of the Office of the Safety Advocate (OSA) at the California Public Utilities Commission was incorporated into the Safety and Enforcement Division (SED) effective January 1, 2020 after the sunset of Public Utilities Code § 309.8, which established OSA. SED is the successor to OSA and will continue to participate in this proceeding. On January 15, 2020, SED filed a *Motion Of Change Of Name Of Party From The Office Of The Safety Advocate to the Safety and Enforcement Division* in this proceeding for approval to continue participation regarding OSA’s issues. The motion was granted by an Administrative Law Judge’s (ALJ) e-mail Ruling on January 29, 2020.

reply to opening comments on the Settling Parties' December 20, 2019 Settlement Agreement filed on January 21, 2020 (Comments).<sup>2</sup>

## **II. BACKGROUND**

The Settling Parties filed a motion for approval of a comprehensive settlement agreement on December 20, 2019 (Agreement) that resolves most issues raised in PG&E's 2020 General Rate Case (GRC). The Agreement is the result of extensive arms-length negotiations between and among the parties and is a reasonable compromise of the myriad of disputed issues in this proceeding. Moreover, the Agreement came after extensive litigation, including thousands of pages of testimony, thousands of discovery requests, and seventeen days of hearings, and thus is based on a fully-developed evidentiary record. The Agreement represents a just and reasonable resolution of the parties' positions and is beneficial for PG&E's customers as it contains a 46% reduction from PG&E's original revenue requirement request for 2020 while maintaining critical safety and reliability-related work and increasing PG&E's accountability for that work. The Agreement is in the public interest and should be approved.

On January 6, 2020, the Joint Community Choice Aggregators (JCCAs), L. Jan Reid (Reid), Alliance for Nuclear Responsibility (A4NR), and Women's Energy Matters (WEM) each filed opening briefs on issues that were purportedly outside of the Agreement. Most – but not all – issues in the opening briefs were resolved by the Agreement. Pursuant to the January 7, 2020 e-mail ruling of ALJ Lirag, the Settling Parties address the issues discussed in the opening briefs which are resolved by the Agreement in these Reply Comments.<sup>3</sup>

On January 21, 2020, the following seven parties filed Comments on the Agreement: the

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<sup>2</sup> These Joint Reply Comments are submitted pursuant to Rule 12.2 of the Commission's Rules of Practice and Procedure (Rules) and the December 2, 2019 ALJs' e-mail Ruling.

<sup>3</sup> These issues are: Community Wildfire Safety Program Funding (Section 2.3.2); Production of Reports by Federal Monitor (Section 2.3.2.3.3); Diablo Canyon Power Plant operating budget, ratemaking and stator replacement project (Section 2.4.2); Hydro non-bypassable charge proposal (Section 2.4.3.1); Hydro and Solar Decommissioning Reserve (Section 2.4.6); Customer Service Office Closures (Section 2.5.6); Aviation Resources (Shared Services) (Section 2.6.1); and Allocation of Insurance Costs (Section 2.9.1 E).



JCCAs, Reid, A4NR, WEM, the Federal Executive Agencies (FEA), the Solar Energy Industries Association (SEIA), and Vote Solar. A4NR, WEM, Reid, FEA and the JCCAs object to certain provisions of the Agreement, while SEIA and Vote Solar support it. The JCCAs also raise issues that were not resolved in the Agreement, which they included in their opening brief.<sup>4</sup> PG&E addressed these issues in its January 27, 2020 reply brief (Reply Brief) and will not address them further here.

The remainder of these Reply Comments are organized as follows:

In Section III below, the Settling Parties discuss the standard of review applicable to the Commission's review of the Agreement, procedural issues raised by the JCCAs in their Comments on the Agreement, and explain why the Agreement overall is a reasonable outcome of the extensive litigation as a whole and is fair to ratepayers and in the public interest.

Section IV below includes a discussion of the evidentiary record supporting the resolution of individual provisions of the Agreement in light of the fact that the Agreement is now contested and the Commission will review individual settlement provisions as well as determine if the Agreement as a whole is just and reasonable.<sup>5</sup>

Section V contains a brief conclusion and request that the Commission approve the Agreement without modification.

For the reasons discussed in the Motion and in these Reply Comments, the Commission should approve the Agreement as it is a fair resolution of the litigation as a whole, is consistent with the law and Commission precedent, and is in the public interest.

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<sup>4</sup> These issues are: the Community Wildfire Safety Program Resilience Zones, Integrated Grid Management and Grid Modernization Plan, and Allocation of Costs in Customer Care and Results of Operations exhibits. *See* PG&E Reply Brief at pp. 1-4. The issue raised by the JCCAs in their opening brief that are resolved by the Agreement are the forecasts for Aviation Resources and Decommissioning Reserves for Generation Assets. These issues are addressed below.

<sup>5</sup> CALSLA and CforAT joined limited portions of the Agreement that do not include the topics of this Section and therefore do not join in this portion of the Reply Comments.

### III. THE COMMISSION SHOULD APPROVE THE SETTLEMENT AS JUST AND REASONABLE AND CONSISTENT WITH THE PUBLIC INTEREST

#### A. Standard of Review for Settlements

The Commission approves settlements – whether contested or uncontested – if they are “reasonable in light of the whole record, consistent with law, and in the public interest.”<sup>6</sup>

Specifically, the Commission has explained that:

In assessing settlements we consider individual settlement provisions but, in light of strong public policy favoring settlements, *we do not base our conclusion on whether any single provision is the optimal result*. Rather, we determine whether the settlement as a whole produces a just and reasonable outcome.<sup>7</sup>

The Commission will review a settlement as a whole rather than determine if each provision singularly presents an optimal outcome for a particular issue.<sup>8</sup> “[T]he Commission defers to settlements when ‘the settlement commands broad support among participants fairly reflective of the affected interests. Second, that it does not contain terms which contravene statutory provisions or prior Commission decisions.’”<sup>9</sup> Where, as here, a settlement is not signed by all parties, the Commission will “consider the Proposed Settlement as a whole and its individual elements, and whether it balances the various interests at stake.”<sup>10</sup> The Motion contains a description of the terms of the Agreement and outcomes for each exhibit, including, as appropriate, detailed discussion of individual settlement terms for issues that the parties contested. The Agreement meets the Commission’s standard.

The parties contesting portions of the Agreement oppose individual provisions that were

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<sup>6</sup> Commission Rule 12.1(d).

<sup>7</sup> Decision (D.) 10-04-033, p. 9 (emphasis added); D.11-05-018, p. 16.

<sup>8</sup> See, e.g., D.07-03-044, p. 13 (“The purpose of our issue-by-issue review is not to second guess the Settlement outcome for every individual issue, but to assess whether the Settlement as a whole is reasonable in light of the entire record, consistent with applicable law, and in the public interest.”); D.04-03-009, p. 13, citing D.03-12-035, p. 21 (“In reviewing a settlement we must consider individual provisions but we do not base our conclusion on whether this or that provision of the settlement is, in and of itself, the optimal outcome. Instead, we stand back from the minutiae of the parties’ positions and determine whether the settlement, as a whole, is in the public interest.”).

<sup>9</sup> D.10-06-015, pp. 11-12, citing D.92-12-019, p. 11.

<sup>10</sup> D.10-12-035, p. 28.

not resolved as they or, in some instances, a Settling Party, initially proposed. In general, parties opposing the Agreement narrowly focus on a few issues that are important to them, without considering or addressing the impact of the broader compromise of all the disputed issues embodied in the Agreement. Nor do these parties consider the overall benefits of the Agreement for PG&E's customers.

**B. The JCCAs' Procedural Arguments Do Not Support Any Modification To The Standard Of Review**

The JCCAs assert that the Commission's standard of review for the Agreement should differ in this proceeding and its policy to encourage settlements should be ignored because of the settlement process followed here.<sup>11</sup> As discussed below, the JCCAs' arguments about the negotiations of the Agreement do not merit a deviation from the Commission's well-established standards of review of settlements.

There is no dispute that the Settling Parties complied with the Commission's procedural requirements for submission of a settlement. As required by Rule 12.1(b), on November 21, 2019, PG&E provided a notice of a settlement conference on December 3, 2019 (Settlement Conference) and served the notice on the service list for this proceeding. Before the Settlement Conference, TURN, Cal Advocates, and PG&E made the Settlement term sheet available so that parties could review it in advance of the Settlement Conference. At the Settlement Conference, the parties reviewed and discussed the term sheet. These activities fully complied with the settlement requirements in Rule 12.1.

To the extent the JCCAs imply that they were provided less opportunity to participate in settlement discussions than other settling parties who joined the Agreement following the Settlement Conference, that is simply incorrect. The JCCAs state "the Joint CCAs (and possibly other parties) were not included in the settlement in a timely way such that they could have worked with the Settling Parties to ensure the Settlement Agreement acceptably addressed their

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<sup>11</sup> JCCAs Comments, pp. 6-7.

issues.”<sup>12</sup> While the terms discussed at the Settlement Conference had been reached by only three of the Settling Parties as of that date, between December 2 to December 20, 2019, four additional parties negotiated additional settlement terms and two other parties joined the Agreement based on stipulations or memorandums of understanding previously admitted in the record. In addition, two other active parties – SEIA and Vote Solar – subsequently indicated their support for the Agreement in Comments, bringing the total of active parties who support the Agreement to eleven. The JCCAs were not left out of this process. PG&E reached out to the JCCAs on multiple occasions before and after the Settlement Conference to resolve their litigation positions. Further, as discussed below in section IV H, the Agreement resolved many issues consistent with the JCCAs’ recommendations although they were not a party.

The JCCAs point out that the initial discussions did not include “the full set of parties at an earlier state in the proceeding in an attempt to reach a comprehensive settlement.”<sup>13</sup> They allege: “PG&E essentially picked certain parties as the settling parties, and then presented an agreement among this subset of parties *after* a full set of evidentiary hearings had concluded and only shortly before opening briefs were due in the proceeding.”<sup>14</sup> As the Commission explained in response to similar arguments about settlement negotiations with fewer than all parties:

Our settlement rules do not require that all interested parties participate in the preliminary discussions leading to the settlement. Indeed, if that were the case, parties might find it difficult to reach settlements *as it is often easier to reach consensus with a few parties first, and then attempt to get consensus from a broader array of parties.*<sup>15</sup>

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<sup>12</sup> JCCAs Comments, p. 7.

<sup>13</sup> JCCAs Comments, p. 6.

<sup>14</sup> JCCAs Comments, p. 6.

<sup>15</sup> D.10-12-035, pp. 31-32 (emphasis added), citing *Re Southern California Edison*, D.96-01-011, 64 CPUC2d 241, 267 (1996). See also D.14-11-040, p. 63 (“Participants in a settlement are voluntary and our rules do not require ‘equal’ opportunity for all parties to be included in all stages of negotiations. Thus, a subgroup of parties may engage in negotiations, prior to a settlement conference, and that alone does not render them suspect.”).

The Commission acknowledged that in complex proceedings, negotiations with a subgroup of the participants prior to a settlement conference may be more efficient:

We expect that reaching compromise was a lengthy and difficult process, perhaps most efficiently undertaken with less than the full complement of parties to the proceeding. No party was prohibited from approaching any other party to discuss settlement.<sup>16</sup>

While we appreciate that some of the parties, including some Settling Parties, may have preferred to have been included in discussions earlier, regardless of whether all interested parties join a settlement or were involved in the initial discussions, the Commission reviews the settlement to determine if it “is reasonable in light of the whole record, consistent with the law, and in the public interest.”<sup>17</sup>

The JCCAs also state that the Commission’s policy favoring settlements should not apply here because the Agreement was reached following evidentiary hearings.<sup>18</sup> The last day of hearings was November 6, and the Motion was submitted 44 days later, as permitted by the ALJs.<sup>19</sup> The Commission’s rules allow parties to propose a settlement following evidentiary hearings. Rule 12.1(a) provides:

Parties may, by written motion any time after the first prehearing conference and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties . . .

The Commission has previously approved PG&E's GRC settlements following evidentiary hearings. In fact, of the four most recently-approved settlements of PG&E’s GRCs, only one – the 2017 GRC settlement – was reached before evidentiary hearings.<sup>20</sup> While the hearings require the parties and Commission to expend additional resources, as the JCCAs

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<sup>16</sup> D.14-11-040, pp. 63-64.

<sup>17</sup> Commission Rule 12.1(d).

<sup>18</sup> JCCAs Comments, p. 7.

<sup>19</sup> ALJs’ e-mail Ruling dated December 2, 2019.

<sup>20</sup> See D.17-05-013 (settlement without hearings); D.11-05-018 (settlement after hearings); D.07-03-044 (settlement after hearings); D.04-05-055 (settlement after hearings).

note,<sup>21</sup> proposing a settlement following evidentiary hearings provides a greater record to support the Commission's review of a settlement to determine if it is just and reasonable as a whole.

The JCCAs claim that the timing of this Agreement was such that the parties' and Commission's resources are not conserved and "[t]he Commission should not rely on a policy favoring settlements in light of the context surrounding this particular Settlement Agreement."<sup>22</sup> As discussed above, this allegation is without merit since the Commission's rules explicitly allow the parties to settle after hearings. In PG&E's 2011 GRC, the settlement was filed three months after hearings, and when the Commission approved it, it stated that the settlement promoted the "just, speedy and inexpensive determination of the issues presented."<sup>23</sup>

Finally, the JCCAs raise several issues as a basis to disapprove the Agreement that are not resolved by the Agreement and thus are not grounds to reject it. For example, the JCCAs cite their Resilience Zone proposals to require permanent Community Choice Aggregation (CCA) generation during Public Safety Power Shutoff (PSPS) events as a basis to oppose the entire Community Wildfire Safety Program (CWSP).<sup>24</sup> This does not go to the reasonableness of the Agreement as it is not resolved by it. As discussed in PG&E's Reply Brief, the Commission is addressing the Resilience Zone issues the CCAs raised in the first track of Rulemaking (R.) 19-09-009 (the "Microgrid OIR").<sup>25</sup> The Commission also addressed another issue raised by the JCCAs, access to Self Generation Incentive Program (SGIP) funds for customers who were subject to PSPS events,<sup>26</sup> in a recent SGIP decision.<sup>27</sup> It is therefore appropriate to leave

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<sup>21</sup> JCCAs Comments, p. 6.

<sup>22</sup> JCCAs Comments, p. 7.

<sup>23</sup> D.11-05-018, pp. 17-18, citing Rule 1.2.

<sup>24</sup> JCCAs Comments, pp. 8-9.

<sup>25</sup> The Commission's settlement rules, specifically Rule 12.1(a) states: "[r]esolution shall be limited to the issues in that proceeding and shall not extend to substantive issues which may come before the Commission in other or future proceedings."

<sup>26</sup> JCCA Comments, p. 9; JCCA Opening Brief, pp. 18-22.

<sup>27</sup> D.20-01-021, pp. 40-50.

resolution of the Resilience Zone issues raised by the JCCAs to those proceedings. The JCCAs' request for public purpose program (PPP) funding for CCA-owned generation assets for Resilience Zones<sup>28</sup> is properly excluded from the Agreement. Thus, the JCCAs' arguments about these and other issues that the Agreement does not resolve and that have been, or are being, addressed in other proceedings do not provide a basis under the Commission's settlement rules to reject or modify the Agreement.

**C. The Agreement Reflects A Reasonable Outcome Of The Disputed Issues And Should Be Approved**

The Agreement is reasonable in light of the record as discussed in the Settling Parties' Motion. The negotiated outcomes in the Agreement are within the range of positions and outcomes advanced by the Settling Parties in their prepared testimony. PG&E originally requested a 2020 revenue requirement increase of \$1.058 billion or 12.4%. In the Joint Comparison Exhibit (JCE), PG&E's requested 2020 revenue requirement increase was reduced to \$1.003 billion or 11.8%. The amount of the proposed increase to 2020 revenue requirement in the Agreement – \$575 million or 6.8 % – is slightly *less* than the \$581 million revenue requirement increase Cal Advocates proposed based on its exhaustive analysis of PG&E's proposals<sup>29</sup> and represents a reduction of 46% from PG&E's original request.

Most of the \$575 million increase for 2020 will fund the CWSP – one of the Commission's and State's top priorities to reduce the risk of wildfire associated with electrical distribution equipment.<sup>30</sup> Another area of increase is to excess liability insurance due to market price increases related to wildfire liability risk.<sup>31</sup> The Agreement also provides additional reporting requirements for the areas where there is an increase – wildfire hardening and vegetation management – to ensure that PG&E is spending the funding for the intended purposes

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<sup>28</sup> JCCA Comments, p. 11.

<sup>29</sup> See JCE, Hearing Exhibits (HE) 311 and 312.

<sup>30</sup> Agreement, § 2.3.2.

<sup>31</sup> Agreement, § 2.8.3.

and meeting its commitments. In addition to this new safety work, the Agreement requires PG&E to engage in safety initiatives OSA (now SED) proposed in this proceeding.<sup>32</sup>

Most of the forecast reductions in the Agreement are not for work that would directly impact safety or reliability. Instead the major reductions are to areas such as depreciation,<sup>33</sup> working cash,<sup>34</sup> decommissioning,<sup>35</sup> incentive compensation to non-bargaining unit employees,<sup>36</sup> liability insurance,<sup>37</sup> and certain Customer Care programs.<sup>38</sup>

The resolution of the attrition years is also favorable to customers. PG&E's application sought increases of \$454 million (4.7%) for 2021 and \$486 million (4.8%) for 2022. In the JCE, PG&E's requested increases were reduced to \$356 million and \$481 million, respectively.<sup>39 40</sup> Cal Advocates recommended increases of \$301 million for 2021 and \$332 million for 2022.<sup>41</sup> The Settling Parties agree to adopt post test-year increases of \$318 million in 2021 (3.5%) and \$367 million in 2022 (3.9%).<sup>42</sup>

The extensive evidentiary record forms a solid basis on which the Commission may review the reasonableness of the Agreement. PG&E's request has been extensively scrutinized through the direct testimony, rebuttal testimony, data requests and evidentiary hearings. There

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<sup>32</sup> Agreement, §§ 2.3.2, 2.3.4.

<sup>33</sup> Agreement, § 2.9.3.

<sup>34</sup> Agreement, § 2.9.4.

<sup>35</sup> Agreement, § 2.4.6.

<sup>36</sup> Agreement, § 2.7.2.

<sup>37</sup> Agreement, § 2.8.3.

<sup>38</sup> Agreement, § 2.5.

<sup>39</sup> See HE-312: Joint Comparison Exhibit, Vol. 2, p. 5-47.

<sup>40</sup> Removing the equity return associated with PG&E's CWSP capital investments pursuant to AB 1054 would provide an increase of \$321 million in 2021 and \$433 million in 2022. See PG&E's brief on AB 1054 issues, modified December 31, 2019, Attachment B. The Agreement's increases for the attrition years are \$3 million less for 2021 and \$66 million less for 2022 than PG&E's AB 1054-adjusted amounts.

<sup>41</sup> HE-312: Exhibit (PG&E-32), p. 5-47, Table 5E-41.

<sup>42</sup> Agreement, § 2.1.2, Appendix C, line 12.



were 15 active parties with diverse interests that represent a broad range of customers. The evidentiary record is substantial, consisting of 307 exhibits, testimony of 42 witnesses who testified at the evidentiary hearings, and 2,275 pages of evidentiary hearing transcripts. The JCE, which portrays parties' positions after evidentiary hearings concluded, details hundreds of issues raised during the proceeding.

The broad support of the Agreement by diverse parties should also reassure the Commission that the negotiations were fair and the outcome is reasonable. The Settling Parties include PG&E; two of the most prominent ratepayer advocate groups in Commission practice (Cal Advocates and TURN); a labor group that represents thousands of PG&E employees impacted by the Agreement (CUE), and the Commission's then-existing Safety Advocate, OSA. Other customers' interests were represented by the Settling Parties including small and medium business customers (SBUA); customers with disabilities (CforAT); and Communities of Color and underserved communities (NDC). The Agreement received the support of groups representing solar and distributed energy resources (SEIA and Vote Solar). Finally, the Agreement also resolves issues relating to streetlights with CALSLA.

The Agreement represents a fair resolution of the issues in this proceeding and should be approved without the modifications suggested by the commenting parties.

#### **IV. THE COMMISSION SHOULD REJECT THE NON-SETTLING PARTIES' PROPOSED REVISIONS TO THE AGREEMENT**

In light of the fact that this is a contested settlement, this section discusses the evidence in the record supporting a Commission conclusion that the issues raised by parties in their Comments were reasonably resolved by Agreement. The Settling Parties offer these reply comments with the understanding that the Commission's adoption of the Agreement would "not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding," as set forth in Rule 12.5.

The Settling Parties did not all agree with PG&E's litigation positions and evidence discussed below and, on many issues, introduced evidence that disputed PG&E's litigation

positions. However, as with any settlement, the individual provisions in the Agreement are the product of negotiation and compromise among the Settling Parties. All Settling Parties agree that the resolution of these issues as part of the Agreement reflects a reasonable outcome of the proceeding as a whole and is in the public interest.

**A. The Agreement Appropriately Funds PG&E's Community Wildfire Safety Program (Section 2.3.2)**

PG&E's CWSP is a comprehensive program intended to promote safety for PG&E's customers by reducing and mitigating the impact of potentially catastrophic wildfires.<sup>43</sup> The CWSP furthers the goals of Assembly Bill (AB) 1054, enacted on July 12, 2019,<sup>44</sup> which provides that California's electrical corporations should "invest in hardening of the state's electrical infrastructure and vegetation management to reduce the risk of catastrophic wildfires."<sup>45</sup> None of the parties commenting on the Agreement proposes to eliminate elements of the program. Instead, these parties focus on the costs of the program.

Reid argues that the Commission should require PG&E shareholders rather than customers to pay for the CWSP.<sup>46</sup> Reid states that requiring customers to pay for the costs would be "unfair" because mitigation of fires could increase PG&E's profits and raise PG&E Corporation's stock price, which could eventually lead to the payment of dividends.<sup>47</sup> He also argues that there is no assurance PG&E will spend the funds on safety.<sup>48</sup> Finally Reid argues that PG&E did not provide a cost-effectiveness analysis for the CWSP and has a poor safety record.<sup>49</sup>

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<sup>43</sup> HE-16: Exhibit (PG&E-4), p. 2A-21, line 14 to p. 2A-25, Table 2A-3 (providing overview of CWSP).

<sup>44</sup> Stats. of 2019, Ch. 79 (AB 1054), Holden (July 12, 2019).

<sup>45</sup> Stats. of 2019, Ch. 79 (AB 1054), Holden (July 12, 2019), § 2(b).

<sup>46</sup> Reid Comments, pp. 3-4; Reid Opening Brief, p. 4.

<sup>47</sup> Reid Opening Brief, pp. 4-5.

<sup>48</sup> Reid Opening Brief, p. 5.

<sup>49</sup> Reid Comments, p. 4; Reid Opening Brief, pp. 4-5.

As a general matter, Reid’s argument that the utility shareholders should pay for the CWSP is inconsistent with cost of service ratemaking principles under which a utility is “generally entitled to its reasonable costs and expenses, as well as the opportunity, but no guarantee, to earn a rate of return on the utility’s ratebase.”<sup>50</sup> Moreover, customers will benefit directly from the safety improvements included in the CWSP, and thus should fund the program through rates.<sup>51</sup> Indeed, AB 1054 includes cost recovery mechanisms to allow the utilities to seek recovery in rates of the just and reasonable costs associated with their wildfire mitigation programs, following the Commission’s review in a GRC or other cost recovery application.<sup>52</sup>

Second, Reid’s concerns that PG&E will not spend funds collected for the CWSP on that program are misplaced. The two-way Wildfire Mitigation Balancing Account (WMBA) would require PG&E to return any funds not spent on the CWSP to customers.<sup>53</sup> In addition, AB 1054 precludes a utility from reprioritizing funding adopted for wildfire mitigation plans to “activities or investments” outside of the plan and provides mechanisms for review of wildfire mitigation expenses by an independent evaluator.<sup>54</sup> These requirements would apply to the CWSP funding in Section 2.3.2.1 of the Agreement. Thus, PG&E is required to spend the CWSP funds on critical safety work and return any over-collected funds in the WMBA to customers.

Finally, Reid’s statement that PG&E did not conduct a cost-effectiveness analysis for the CWSP is misplaced, and his statements regarding PG&E’s safety record, while relevant to the Commission’s regulation of PG&E, are likewise misplaced in the context of the particular issues of CWSP implementation presented here. PG&E provided risk spend efficiencies and other cost

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<sup>50</sup> D.12-11-051, p. 10; also see *Southern Cal. Gas Co. v. Public Utilities Com.* (1979) 23 Cal.3d 470, 476, citing *City and County of San Francisco v. Public Utilities Com.* (1971) 6 Cal.3d 119, 129; D.19-05-020, p. 9.

<sup>51</sup> HE-20: Exhibit (PG&E-18), p. 2A-27, line 29 to p. 2A-28, line 1.

<sup>52</sup> Pub. Util. Code § 8386.4.

<sup>53</sup> Agreement, § 2.3.2.2.3.

<sup>54</sup> Pub. Util. Code §§ 8386.3(c) and (d); see also HE-5: Exhibit (PG&E-15), p. 2-11, lines 8-17 (providing more detail regarding AB 1054 requirements).

information in its opening testimony and supporting workpapers and identified this information in data responses to Reid.<sup>55</sup> PG&E selected the portfolio of work to reduce ignition risk based on a variety of relevant considerations, including cost effectiveness. Notably, Reid did not raise any concern about the adequacy of PG&E's data response to his cost-effectiveness questions.<sup>56</sup> CWSP is a critical part of PG&E's efforts to address wildfire risks, consistent with California and Commission policy, and thus should be implemented to further reduce wildfire risk in PG&E's service area regardless of assertions regarding PG&E's safety record.<sup>57</sup>

**B. Two-Way Balancing Accounts Are Appropriate For CWSP Expenditures And Vegetation Management**

FEA argues that the Commission should disapprove the two-way balancing accounts for the CWSP and vegetation management and instead adopt one-way balancing accounts because the two-way balancing accounts would allow PG&E to recover additional costs beyond the forecast amounts, when FEA believes PG&E should bear the risk of spending more than authorized.<sup>58</sup> Reid also opposes these two balancing accounts because they would allow PG&E to potentially collect in rates for "cost overruns."<sup>59</sup> This work and supporting funding is consistent with legislative direction to the electric utilities to "harden[] the state's electrical infrastructure and [increase] vegetation management to reduce the risk of catastrophic wildfires."<sup>60</sup> As discussed below, the Agreement strikes a reasonable balance by adopting PG&E's proposal for two-way balancing account treatment for this critical safety work, and subjecting it to increased reporting and transparency. Any cost increases over the prescribed thresholds would be subject to a public reasonableness showing by PG&E, an ability for all

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<sup>55</sup> HE-20: Exhibit (PG&E-18), p. 2A-28, lines 6-8.

<sup>56</sup> HE-20: Exhibit (PG&E-18), p. 2A-28, lines 8-10.

<sup>57</sup> HE-20: Exhibit (PG&E-18), p. 2A-28, lines 11-15.

<sup>58</sup> FEA Comments, pp. 3-5.

<sup>59</sup> Reid Comments, pp. 5, 10-11.

<sup>60</sup> Stats. of 2019, Ch. 79 (AB 1054), Holden (July 12, 2019), § 2(b).

parties, including Settling Parties, to dispute PG&E's showing, and Commission approval.

### **1. Vegetation Management Balancing Account (Section 2.3.4)**

FEA asserts that the Commission should approve a one-way rather than two-way balancing account for vegetation management because the two-way balancing account would allow PG&E to further increase its revenue requirement "through a Tier 3 advice letter if it can establish the reasonableness of the costs."<sup>61</sup> FEA states that "PG&E should be able to manage its vegetation management spending so as not to exceed the allowed amounts each year."<sup>62</sup>

The Commission can find that a two-way balancing account is appropriate here as at least some of the potential cost increases are not necessarily within PG&E's control. While PG&E has engaged in routine vegetation management for many years, PG&E's new EVM Program was first executed in 2019 and, as such, its costs are more difficult to forecast. Further, as the Settling Parties discussed in the Motion and was not addressed by FEA in its Comments, on October 2, 2019 the Governor signed Senate Bill 247 amending Public Utilities Code Section 8386.3 and adding Public Utilities Code Section 8386.6 related to wildland fire prevention.<sup>63</sup> The bill establishes qualification requirements for line clearance tree trimmers along with a prevailing wage requirement for those workers. PG&E prepared its vegetation management forecast prior to the enactment of the bill and did not include the substantial cost increases that may result from this change in law.

The Agreement contains oversight provisions to ensure that cost increases due to the two-way balancing account are reasonable. The Agreement requires PG&E to file a Tier 3 advice letter to support through a reasonableness showing recorded costs that exceed 120% of the adopted forecast.<sup>64</sup> All parties would have a right to review and comment on the advice letter. Without demonstrating the reasonableness of such costs, PG&E will not receive cost recovery.

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<sup>61</sup> FEA Comments, p. 4.

<sup>62</sup> FEA Comments, p. 4.

<sup>63</sup> 2019 Cal. Stats. Ch. 406 (SB 247), Dodd (Oct. 2, 2019).

<sup>64</sup> Agreement, §§ 2.3.4.2.1, 2.3.4.2.2.

If PG&E can show that additional costs were reasonably incurred, then it is appropriate to recover these costs. Further, the Agreement adds additional transparency regarding PG&E's spending and vegetation management practices. The Agreement includes a new requirement for PG&E to submit an annual report providing the results of its tree inspections, and tracking of all of PG&E's EVM work and all tree removals in either vegetation management program in an appropriate, auditable database.<sup>65</sup> It also requires PG&E to return in rates any overcollection.<sup>66</sup>

The Commission recently approved a two-way balancing account for vegetation management in San Diego Gas & Electric Company's (SDG&E) GRC to provide SDG&E the flexibility "to act more quickly in case further activities to mitigate wildfire risk become necessary and at the same time allow SDG&E to return excess funds not utilized to ratepayers."<sup>67</sup>

## **2. Wildfire Mitigation Balancing Account (Section 2.3.2.1)**

FEA also opposes two-way balancing account treatment for CWSP expenditures and asserts that "the risk of over spending should remain with the Company."<sup>68</sup> FEA states that PG&E should have a one-way balancing account and no opportunity to seek additional costs based on the fact that "the CWSP is still in the early stages, and the programs will be refined."<sup>69</sup> However, the fact that it is a new program, as FEA points out, makes forecasting more difficult. A one-way balancing account would encourage the utility to essentially manage to its budget, as FEA states, but would encourage the utility to limit the hardening work that is done by requiring the utility to absorb any additional expenses, even if reasonably incurred to mitigate the risk of wildfire. By contrast, a two-way balancing account provides the ability to seek additional

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<sup>65</sup> Agreement, §§ 2.3.4.4, 2.3.4.5.

<sup>66</sup> Agreement, § 2.3.4.2.3.

<sup>67</sup> D.19-09-051, p. 267. The Settling Parties note that the Agreement resembles the outcome adopted for SDG&E in this regard. However, some Settling Parties do not agree that SDG&E and PG&E are similarly situated in terms of their past and present wildfire mitigation activities.

<sup>68</sup> FEA Comments, p. 5.

<sup>69</sup> FEA Comments, p. 5.

amounts to continue this Commission-mandated wildfire hardening work. Moreover, the Agreement includes significant oversight regarding PG&E's spending through reporting requirements. PG&E could only seek an increase in costs above a 115% reasonableness threshold through a Tier 3 Advice Letter and only if it can show any cost increases are reasonable.<sup>70</sup> Interested parties will have the opportunity to review costs exceeding authorized levels and pursue objections regarding cost recovery, if any. Given the urgency of the wildfire mitigation work, the two-way balancing account is a reasonable resolution of the issue and has protections for customers while encouraging PG&E to continue this critical safety work.

**C. The Agreement Appropriately Funds Diablo Canyon Power Plant Operations (Section 2.4.2)**

The Agreement funds the safe operations of the Diablo Canyon Power Plant (DCPP) throughout the GRC period, consistent with the Commission's approval of the retirement of DCPP at the end of its license periods in 2024 and 2025.<sup>71</sup> A4NR, in its opening brief and Comments, requests the Commission to condition its approval of the Agreement on: (1) revising the generation revenue requirement to reflect a disallowance of the stator replacement project; (2) establishing a memorandum account in which to track the DCPP revenue requirement; and (3) prohibiting re-allocation of any DCPP revenue requirement found unnecessary due to earlier retirement than currently planned to any purpose other than DCPP closure or decommissioning.<sup>72</sup>

WEM did not provide written testimony but filed an opening brief and Comments. While the arguments are slightly different – notably, WEM recommends disallowance of the DCPP stator replacement project costs in its Comments, but not in its opening brief<sup>73</sup> – WEM's recommendations are identical in each document. Specifically, WEM recommends that the Commission adopt findings of fact that DCPP is a stranded asset and that PG&E refused to do cost effectiveness studies regarding the operation of DCPP during 2020-2022. WEM

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<sup>70</sup> Agreement, §§ 2.3.2.2.1, 2.3.2.2.2.

<sup>71</sup> See D.18-01-022 and D.19-04-040.

<sup>72</sup> A4NR Comments, p. 6; A4NR Opening Brief, p. 12.

<sup>73</sup> WEM Comments, p. 2.

recommends that the Commission issue orders directing that any DCP revenue requirement be recorded in a memorandum account, any relevant decision pursuant to a petition to modify D.18-01-022 shall be incorporated into the decision for the 2020 GRC, and that re-allocation of the DCP revenue requirement be limited to closure and/or decommissioning costs.<sup>74</sup>

The Commission should reject A4NR and WEM's conditions and proposals because they are unsupported by the record, unnecessary and premature. The Agreement reasonably resolves the issues raised by these parties consistent with rulings and the record for this proceeding.

**1. A4NR's Arguments Regarding The Stator Replacement Project Were Appropriately Resolved In The Agreement**

Although it did not address this issue in testimony, A4NR now objects to recovery in rates for the DCP stator replacement project. A4NR's proposed disallowance is based on arguments that TURN raised and settled. A4NR recommends disallowance of the entirety of the \$90.4 million cost of the generator stator replacement project.<sup>75</sup> A4NR contends PG&E failed to meet the prudent manager standard when it decided to implement the stator replacement project, which all inspections and reports indicated was necessary to protect employee and public safety, because PG&E did not consider what A4NR characterizes as "the precipitous decline in PG&E's bundled load or growth in DCNPP's above market costs" in deciding to proceed.<sup>76</sup> TURN originally proposed a 25% disallowance of the costs of the stator replacement project on similar grounds to those asserted by A4NR, but supports the resolution of this issue in the Agreement as part of the total package of compromises made by Settling Parties.

**2. The Commission Can Find That Evidence Supports PG&E's Decision To Replace The Stator**

The Commission must consider whether a decision was reasonable in light of the facts available to the manager at the time the decision was made to determine if the prudent manager

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<sup>74</sup> WEM Comments, p. 3; WEM Opening Brief, p. 5.

<sup>75</sup> See generally A4NR Comments and Opening Brief.

<sup>76</sup> A4NR Opening Brief, p. 5.



standard is satisfied.<sup>77</sup> PG&E provided evidence indicating that PG&E made the decision to proceed with the stator replacement project based on the results of a 2018 inspection which revealed progressive degradation of certain components likely to lead to eventual failure of the generator stator and a 2019 risk analysis from the B. John Garrick Risk Institute for the Risk Sciences, UCLA, which concluded that not replacing the stator would result in a high failure probability after 2019, leading to a 98 percent failure probability by the end of Unit 2 operations in 2025.<sup>78</sup> In addition to the results of these site-specific analyses addressing increased risk of continued operation without replacement of the generator stator, PG&E was aware that a failure of a generator as had occurred at other nuclear power plants could result in a hydrogen fire, putting plant personnel in danger and impacting safe shutdown of the reactor.<sup>79</sup>

PG&E concluded, based on the results of the several studies PG&E produced, that operating the stator in its degraded condition beyond 2019 significantly increased the risk of a catastrophic accident.<sup>80</sup> PG&E maintains that these are the facts, upon which PG&E based its decision to proceed with the stator replacement project as part of the September 2019 refueling outage. PG&E asserts that it undertook this project with the intention to ensure the stator operates safely until the end of the operating license, reduce the risk of a catastrophic failure that could result in safety, reliability and economic challenges, and help ensure reliable and safe operation of DCP.

Based on the evidence presented, the Commission can find that the Agreement, which allows for recovery of the costs of the stator replacement project in the context of the overall compromise of PG&E's revenue requirement, reasonably resolves this issue.

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<sup>77</sup> D.18-07-025, p. 5, *citing* D.87-06-021.

<sup>78</sup> HE-146: Exhibit (PG&E-5), p. 3-27, lines 19-31.

<sup>79</sup> HE-146: Exhibit (PG&E-5), p. 3-25, lines 19-23.

<sup>80</sup> HE-146: Exhibit (PG&E-5), p. 3-26, line 1 to p. 3-27, line 17.

### **3. A4NR's And WEM's New Memorandum Account Proposal Should Be Rejected**

A4NR and WEM recommend that the Commission establish a new memorandum account to record the DCPD revenue requirement approved in this proceeding.<sup>81</sup> The basis for this ratemaking proposal is A4NR's Petitions for Modification (PFM) of D.18-01-022 and D.19-04-040 in which A4NR requests, among other things, that the Commission order PG&E to present scenarios for DCPD Unit 1 and/or Unit 2 retirement in its Integrated Resource Plan filed in 2020 that demonstrate it is cost-effective to continue to operate DCPD in each year of the 2020-2025 period.<sup>82</sup> The record for this proceeding does not address the impact or need to establish a new memorandum account to record the DCPD revenue requirement as there is no testimony on this issue.

PG&E filed a Motion to Strike Testimony of the A4NR (Motion to Strike) that was denied by ruling of the ALJs.<sup>83</sup> The ALJ ruling determined that "this proceeding will assume that [Diablo Canyon] will continue to operate within this [record] period."<sup>84</sup> As such, the question for the Commission in this proceeding is whether the record supports the Agreement's funding of PG&E's capital and expense forecasts for DCPD during this GRC period, as part of the overall Agreement. The record includes PG&E's extensive, detailed written and oral testimony supporting DCPD expense and capital forecasts. Importantly, the record demonstrates steep reductions to DCPD expense and capital expenditures during 2020-2022, reflecting anticipated closure in 2024/2025, as currently approved and planned.<sup>85</sup> Other than the stator

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<sup>81</sup> A4NR Comments, p. 2; A4NR Opening Brief, p. 2. WEM Comments, p. 3; WEM Opening Brief, p. 5.

<sup>82</sup> A4NR's Petition for Modification of D.18-01-022, A.16-08-006 (Oct. 1, 2019) and Petition for Modification of D.19-04-040, R.16-02-007 (Oct. 1, 2019).

<sup>83</sup> *Administrative Law Judge's Ruling Denying Motion to Strike Testimony of the Alliance for Nuclear Responsibility* (Sept. 6, 2019), p. 3.

<sup>84</sup> *Administrative Law Judge's Ruling Denying Motion to Strike Testimony of the Alliance for Nuclear Responsibility* (Sept. 6, 2019), p. 2.

<sup>85</sup> HE-146: Exhibit (PG&E-5), p. 3-5, Table 3-1 and p. 3-7, Table 3-2, demonstrate the year-by-year reduction in DCPD expense and capital.

replacement project, A4NR and WEM have not challenged the reasonableness of any specific DCPP expense or capital expenditure. TURN was the only party who challenged a specific DCPP capital expenditure and TURN supports the outcome on this issue as part of the reasonable compromise overall reflected in the Agreement.

Finally, it is unnecessary to establish new memorandum accounts, calling into question the recoverability of the 2020-2022 DCPP revenue requirement, because the Agreement addresses the concern of A4NR and WEM that customers should not continue to pay the cost of DCPP operations if the Commission determines it is appropriate to retire DCPP earlier than planned. Specifically, Section 2.4.2 provides that in the event the Commission grants A4NR's PFM, any party (including a Settling Party) may propose modifications to the Agreement to reflect the reasonable capital and expenses to be recovered by PG&E in light of potential changes to the timing of the DCPP retirement.

**4. It Is Premature To Determine That Funding Collected For DCPP Operations Should Be Re-Allocated To Decommissioning**

A4NR and WEM ask the Commission to direct in this proceeding that the revenue requirement approved for DCPP operations during 2020-2022 can only be re-allocated to cover the costs of closure or decommissioning. Similar to the memorandum account proposal, the record for this proceeding does not reflect the legal, practical or theoretical implications of a Commission directive that funding for DCPP operations be re-allocated to fund DCPP decommissioning in the event the Commission makes a future determination revising the date for DCPP retirement. It is not clear this proposal is even implementable. A much more developed record is required for the Commission to determine whether the proposal is reasonable and implementable.

Even setting aside these flaws, the request is premature. The Commission need not – and should not - issue a directive in this proceeding implementing a decision it has yet to even consider, never mind make. The proposal becomes relevant for Commission consideration only *if* the Commission grants the A4NR PFMs, and *if* the Commission concludes that it is not cost

effective to operate DCPD beyond one of the years 2020, 2021, 2022, 2023, 2024 or 2025, and *if* the Commission also concludes there is no overwhelming reason to continue to operate DCPD until expiration of the existing licenses, *e.g.*, resource adequacy needs, California’s GHG requirements and goals, impacts on employees and the community of earlier retirement. Currently, the Commission has no basis for adopting this proposal and it should be rejected because it is not based on evidence.

**5. WEM’s Concerns About The Cost Effectiveness Of The Operation Of DCPD Will Be Addressed In The Appropriate Commission Proceeding**

WEM objects to the Agreement’s proposed revenue requirement for DCPD and the plant’s continued operation on the grounds that PG&E did not demonstrate that its continued operation is cost effective.<sup>86</sup> However, as noted above, the ALJ ruling denying A4NR’s motion to strike concluded that “this proceeding will assume that [DCPD] will continue to operate within this GRC period.”<sup>87</sup> A4NR thereafter filed a Petition to Modify D.18-01-022 and D.19-04-040 seeking to clarify whether PG&E is obligated to demonstrate that operating DCPD until the end of its current license is cost-effective and prudent. As noted above, if the Commission decides DCPD should close earlier than is currently planned, Section 2.4.2 of the Agreement would allow a reconsideration of the DCPD revenue requirement approved in this proceeding. This provision adequately addresses WEM’s stated concern.

**D. The Agreement’s Adoption of Generation Decommissioning Reserves Is Reasonable, Consistent With Commission Policy And In The Public Interest (Section 2.4.6)**

PG&E requested that the Commission approve a decommissioning reserve for its hydroelectric assets. PG&E also proposed establishing a decommissioning reserve for its photovoltaic solar and fuel cell generation. The Agreement would approve the methodology and

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<sup>86</sup> WEM Comments, p. 1; WEM Opening Brief, p. 2.

<sup>87</sup> *Administrative Law Judge’s Ruling Denying Motion to Strike Testimony of the Alliance for Nuclear Responsibility* (Sept. 6, 2019), p. 2.

funding to establish decommissioning reserves for generation assets. The Settling Parties agree to reduce the 2020 hydroelectric decommissioning accrual by \$8 million from PG&E's original request of \$18 million to \$10 million as Cal Advocates, TURN, and FEA suggested.<sup>88</sup> The Settling Parties find reasonable the \$6 million 2020 decommissioning accrual for solar and fuel cell assets.<sup>89</sup>

The JCCAs argue that there are significant issues with the methodology PG&E used to arrive at its decommissioning estimates for its hydroelectric and solar facilities.<sup>90</sup> For hydroelectric facilities, the JCCAs find the \$8 million reduction to the 2020 revenue requirement reflected in the Agreement insufficient to address its concern that it is premature to accrue decommissioning funds for facilities that will not be decommissioned for more than ten years.<sup>91</sup> The JCCAs assert that the estimates for the solar facilities improperly ignore the salvage value of the solar panels and racking support structure as well as industry benchmarking data demonstrating solar decommissioning costs are a fraction of PG&E's estimates.<sup>92</sup>

The JCCAs' arguments lack merit and their proposal to defer Commission consideration of decommissioning reserves for hydroelectric and solar assets is not in the best interest of customers and should be denied. The Agreement reflects reasonable resolution of the issue and should be adopted.

PG&E provided a detailed description of the methodology used to calculate the hydroelectric decommissioning cost estimates in its proposal for a decommissioning reserve.<sup>93</sup>

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<sup>88</sup> HE-163: CalAdv-18, p. 16, Table 18-6; HE-204: TURN-6, p. 8; HE-135: FEA-1, p. 45, lines 8-11.

<sup>89</sup> TURN did not analyze PG&E's solar decommissioning request but supports this outcome as a reasonable part of the overall Agreement. Because TURN has no specific knowledge of the record evidence related to PG&E's solar decommissioning proposal, TURN does not join the portion of these comments that address solar decommissioning.

<sup>90</sup> JCCAs Comments, pp. 14-17; JCCAs Opening Brief, pp. 52-58.

<sup>91</sup> JCCAs Comments, pp. 14-15; JCCA Opening Brief, p. 53.

<sup>92</sup> JCCAs Comments, p. 16; JCCAs Opening Brief, p. 56.

<sup>93</sup> HE-146: Exhibit (PG&E-5), p. 8-18, line 1 to p. 8-24, line 8.

Limiting the decommissioning accrual for hydro assets to include only the hydroelectric projects within 10 years of their retirement date, as the JCCAs propose, is not in the customers' best interests. Focusing only on a ten-year horizon does not address intergenerational equity – the general rule that all the costs associated with an asset should be recovered from the customers that benefit from the asset. The best accounting and ratemaking practices would permit the utility to accrue costs in a decommissioning reserve over the life of an asset so current customers benefitting from the asset pay for decommissioning.<sup>94</sup>

PG&E presented decommissioning cost estimates (DCE) of \$100.5 million for solar assets and \$1.2 million for fuel cell assets.<sup>95</sup> The JCCAs' concerns are limited to the DCE for the solar assets. The DCE reflects a cost per megawatt for decommissioning PG&E's solar assets based on site specific decommissioning cost estimates developed for the Huron and Guernsey solar stations by TLG and Silverado.<sup>96</sup> TLG is a well-known decommissioning expert that has prepared over 300 utility and government-sponsored decommissioning studies for more than 100 facilities, including Commission-approved estimates for PG&E's fossil and nuclear facilities.<sup>97</sup> Silverado Contractors, Inc. is an industry-leading contractor providing a full spectrum of demolition and excavation services to private developers, general contractors, industrial and public works clients on the West Coast.<sup>98</sup>

The JCCAs did not provide any specific details in testimony or supporting workpapers to substantiate the position that other solar decommissioning cost estimates are more reasonable than PG&E's estimate other than the fact that these estimates were lower. Unlike PG&E's DCE, which is based on site-specific decommissioning cost estimates, there is nothing in the record

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<sup>94</sup> HE-71: Exhibit (PG&E-19), p. 8-6, lines 9-16.

<sup>95</sup> HE-146: Exhibit (PG&E-5), p. 5-61, lines 1-2.

<sup>96</sup> HE-146: Exhibit (PG&E-5), p. 5-60, lines 28-32; HE-71: Exhibit (PG&E-19), p. 5-24, line 26 to p. 5-25, line 11.

<sup>97</sup> HE-71: Exhibit (PG&E-19), p. 5-25, line 20 to p. 5-26, line 5.

<sup>98</sup> HE-71: Exhibit (PG&E-19), p. 5-26, lines 5-8.

showing that these lower estimates accounted for the physical location of the solar station site and what effect that might have on contract labor costs, site environmental permits or site remediation.<sup>99</sup>

Additionally, the JCCAs' suggestion that the solar DCE should have included a salvage value for the solar panels and racking support structures improperly ignores the fact that by the time these facilities are decommissioned (2035-2038), the solar panels likely will be outdated and obsolete in comparison to the new generation of solar panels being built at that time.<sup>100</sup>

The JCCAs agreed that an annual accrual of \$7.2 million for hydro decommissioning was reasonable in prepared testimony.<sup>101</sup> In their Opening Brief and Comments, however, the JCCAs recommend the Commission reject the decommissioning cost estimates and related annual accruals for hydroelectric and solar assets and require PG&E to present updated decommissioning estimates and accruals in the next GRC.<sup>102</sup> The JCCAs' recommendation to scrap the decommissioning cost estimates and related accruals for hydroelectric and solar assets presented and supported in this proceeding and wait instead until the next GRC to consider and approve decommissioning cost estimates and related annual decommissioning accruals for these assets is not in the best interest of customers and should be rejected. Ultimately, customers will pay only the actual costs to decommission these facilities.<sup>103</sup> If the decommissioning reserve amounts collected from customers exceed the actual amounts expended on decommissioning activities, the over-collection will be refunded to customers.<sup>104</sup> The Agreement reflects a reasonable compromise of the positions contained in the record on these issues and should be approved.

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<sup>99</sup> HE-71: Exhibit (PG&E-19), p. 5-30, line 1 to p. 5-31, line 15.

<sup>100</sup> HE-71: Exhibit (PG&E-19), p. 5-31, lines 21-29.

<sup>101</sup> HE-215: JCCA-Beach, p. 33, lines 20-28.

<sup>102</sup> JCCAs Comments, pp. 14-17; JCCAs Opening Brief, pp. 52-58.

<sup>103</sup> HE-71: Exhibit (PG&E-19), p. 8-5, lines 5-11 and p. 5-32, line 20 to p. 5-33, line 6.

<sup>104</sup> HE-71: Exhibit (PG&E-19), p. 8-5, lines 5-11.

**E. The Agreement's Treatment Of Customer Service Office Closures Is Reasonable (Section 2.5.6)**

Reid opposes PG&E's proposal to close 17 customer services offices (CSOs), and argues that such closure is inconsistent with Commission policy and "unfairly impacts disadvantaged communities, Hispanic/Latinos, the elderly, and low-income individuals" and "the cost savings are miniscule. . ."<sup>105</sup> PG&E had originally proposed closing 17 CSOs; the Agreement would allow PG&E to close ten of the 17 CSOs identified for closure.<sup>106</sup> Reid opposes the Agreement's treatment of CSOs for the same reasons.<sup>107</sup> Closing the CSOs was a controversial issue and four of the Settling Parties (CUE, TURN, Cal Advocates and SBUA) opposed PG&E's request. The resolution to permit PG&E to close ten of the CSOs is a reasonable compromise of these issues.

Closure of the CSOs under the circumstances presented here is not inconsistent with Commission policy as Reid states. In the last three years, the Commission permitted each of the other California utilities to close local offices, while also rejecting some proposed closures. The Commission approved Southern California Edison Company's (SCE's) request to close all of its 11 remaining payment offices in Resolution E-5005,<sup>108</sup> approved Southern California Gas Company's (SoCalGas) request to close three of the six requested branch offices in 2016, plus a fourth with conditional approval,<sup>109</sup> and SDG&E's request to close one of its branch offices while denying the request to close a second branch office in 2019.<sup>110</sup>

Commission decisions approving office closures have focused on two central issues to evaluate the reasonableness of the utilities' proposals. First, the Commission considers whether the utility has reasonably comparable alternatives to the local offices for customers to conduct

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<sup>105</sup> Reid Opening Brief, pp. 10-11; see also Reid Comments, pp. 11-12.

<sup>106</sup> Agreement, § 2.5.6.

<sup>107</sup> Reid Comments, p. 12.

<sup>108</sup> Res. E-5005 (Oct. 10, 2019) p. 7, Ordering Paragraph 1.

<sup>109</sup> D.16-06-046, *Decision Granting, in Part, and Denying in Part, Southern California Gas Company's Request for Permission to Close Six Branch Offices*, p. 57, Ordering Paragraphs 1, 2, and 3.

<sup>110</sup> D.19-09-051, p. 347.



payment and non-payment transactions, including payment centers and other payment and communication channels.<sup>111</sup> Second, the Commission requires the utility to provide information about the demographics of customers that frequent the office proposed for closure to assess whether vulnerable customers will be disproportionately impacted.<sup>112</sup> The utility has the burden to demonstrate the reasonableness of the office closure by providing both site- and customer-specific information.

### **1. PG&E Provides Alternatives To CSOs For All Transactions That The CSOs Support**

At this point, there is no longer any transaction a customer must perform in-person at a CSO; every transaction at the CSOs may be made at a neighborhood payment center, by phone, online, or through the mail.<sup>113</sup> PG&E introduced evidence that its neighborhood payment centers (NPCs) and other communication and payment channels are reasonable alternatives to the CSOs. In particular, PG&E has shown that the NPCs: (1) accept cash payments;<sup>114</sup> (2) print receipts so customers can contact PG&E to apply payments immediately to avoid potential disconnections;<sup>115</sup> (3) are generally open longer than CSOs, including night and weekend hours;<sup>116</sup> and (4) are available within a 3-mile radius of the local office proposed for closure.<sup>117</sup>

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<sup>111</sup> D.16-06-046, p. 7; Res. E-5005 (Oct. 10, 2019) pp. 4-5.

<sup>112</sup> D.16-06-046, pp. 11-16.

<sup>113</sup> HE 93: Exhibit (PG&E-20), p. 5-5, line 15 to p. 5-8, line 17.

<sup>114</sup> HE-93: Exhibit (PG&E-20), p. 5-20, lines 11-12.

<sup>115</sup> See PG&E Payment Center Locator, <[https://www.pge.com/en\\_US/residential/your-account/your-bill/ways-to-pay/pay-center-locator/pay-center-locator.page](https://www.pge.com/en_US/residential/your-account/your-bill/ways-to-pay/pay-center-locator/pay-center-locator.page)> (as of Feb. 3, 2020). “Bring your bill or 11 digit account number with you to make your payment, and retain the receipt for your records (you will need this if you call us about your payment).”

<sup>116</sup> See PG&E Payment Center Locator, <[https://www.pge.com/en\\_US/residential/your-account/your-bill/ways-to-pay/pay-center-locator/pay-center-locator.page](https://www.pge.com/en_US/residential/your-account/your-bill/ways-to-pay/pay-center-locator/pay-center-locator.page)> (as of Feb. 3, 2020). “Most locations are open after business hours and on weekends to fit your schedule.”

<sup>117</sup> HE-93: Exhibit (PG&E-20), p. 5-20, Table 5-6. While West Sacramento has the furthest distance to an NPC (1.83 miles), the average distance for all 17 offices is .65 miles.

Moreover, PG&E accepts non-cash payments via telephone and online.<sup>118</sup>

**2. The Agreement Requires PG&E To Support Customers Who May Struggle To Use The Alternatives To The CSOs That PG&E Would Be Permitted To Close**

When considering whether to propose to close certain CSOs, PG&E proactively conducted in-person customer surveys in multiple languages during high usage periods at 18 local offices (2018 CSO Study).<sup>119</sup> PG&E received 1,305 responses.<sup>120</sup> The 2018 CSO Study results provided insights into the demographics of the customers visiting the 18 CSOs. PG&E ultimately proposed closing 17 CSOs and included the 2018 CSO Study in testimony.<sup>121</sup>

While parties raised concerns over the ability of CARE customers to pay, PG&E's data indicates that 94 percent of CARE customers stated that they either could pay their PG&E bill without a CSO or are currently paying at least one of their other non-PG&E utility bills by a channel other than in-person at the company's office.<sup>122</sup> While some customers indicated they could not or do not currently pay through other means, PG&E provides alternative means for customers to make payments, including in-person cash payments.

To address the concerns raised by parties about the ability of some vulnerable customers to access and take advantage of these alternatives, the Agreement provides that PG&E will work directly with impacted customers to make them aware of these alternatives and support them in transitioning.<sup>123</sup> PG&E will engage with interested parties to develop additional communication materials to educate and support customers who might not be aware of the alternative payment

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<sup>118</sup> HE-92: Exhibit (PG&E-6), WP 5-71. See also HE-93: Exhibit (PG&E-20), p. 5-7, lines 12-16.

<sup>119</sup> HE-91: Exhibit (PG&E-6), p. 5-3, lines 5-10.

<sup>120</sup> *Id.* See HE-91: Exhibit (PG&E-6), pp. 5-AtchB-1 to 5-AtchB-103 for the survey results. See also HE-91: Exhibit (PG&E-6), pp. 5-AtchC-1 to 5-AtchC-9 for the CSO Survey Questionnaire.

<sup>121</sup> HE-93: Exhibit (PG&E-20), p. 5-5, line 17 to p. 5-8, line 17.

<sup>122</sup> HE-93: Exhibit (PG&E-20), p. 5-6, lines 11-16.

<sup>123</sup> Agreement, § 2.5.6.

options.<sup>124</sup> PG&E will provide specific and tailored information regarding the location of the nearest NPCs and how to process non-payment transactions. This communication would be in addition to the general notices sent to the customers of the impacted 10 CSOs.<sup>125</sup>

The Agreement's resolution to allow PG&E to close 10 of these offices with a Tier 1 Advice Letter and the described pre-closure procedures is a reasonable compromise that should be approved as part of the overall Agreement.

**F. The Commission Should Approve Funding Of The Heavy-Lift Helicopters As Part Of The Overall Agreement (Section 2.6.1)**

PG&E requested funding<sup>126</sup> for its 2018<sup>127</sup> purchase and repowering of four former military heavy-lift UH 60A Black Hawk helicopters as part of the CWSP.<sup>128</sup> Following repowering, and retrofitting for utility construction and fire-fighting, the helicopters became operational by May 1, 2019.<sup>129</sup> PG&E purchased the helicopters to help it prepare for and respond to fire hazards and for internal construction and restoration activities. Owning heavy lift helicopters provides PG&E a guarantee of heavy lift resource availability and control for its restoration and construction support during fire season and also provides additional helicopter resources to CAL FIRE for fire response.<sup>130</sup> PG&E will make three of its four helicopters available to CAL FIRE under its Call When Needed (CWN) contract during fire season.<sup>131</sup>

The Settling Parties, including TURN, who originally opposed funding for the purchase

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<sup>124</sup> HE-93: Exhibit (PG&E-20), p. 5-17, lines 6-14.

<sup>125</sup> HE-93: Exhibit (PG&E-20), p. 5-17, lines 19-24.

<sup>126</sup> Specifically, PG&E requested approval of (1) \$31.5 million of capital rate base additions (HE-68: Exhibit (PG&E-21), p. 2-38, lines 13-14 and 20) and (2) a 2020 expense forecast of \$1.3 million (HE-68: (PG&E-21), p. 2-15, lines 8-9.

<sup>127</sup> HE-68: Exhibit (PG&E-21), p. 2-11, fn. 14. PG&E executed the purchase agreement on Dec. 19, 2018.

<sup>128</sup> HE-66: Exhibit (PG&E-7), p. 2-38, lines 19-22.

<sup>129</sup> HE-68: Exhibit (PG&E-21), p. 2-11, lines 23-27.

<sup>130</sup> HE-68: Exhibit (PG&E-21), p. 2-11, line 29 to p. 2-12, line 2.

<sup>131</sup> HE-68: Exhibit (PG&E-21), p. 2-14, lines 3-4.

of the four helicopters, agreed with PG&E's request to fund the four heavy lift helicopters as part of the comprehensive Agreement.<sup>132</sup>

The JCCAs recommend disallowing “the capital costs associated with PG&E’s acquisition of at least three new heavy lift Black Hawk helicopters,”<sup>133</sup> a reduction of approximately \$23.7 million.<sup>134</sup> They assert that the acquisition of the helicopters was unreasonable in that PG&E could otherwise contract for these helicopters and use of the helicopters by CAL FIRE “is not a benefit that should be funded by PG&E’s ratepayers.”<sup>135</sup> The JCCAs also incorrectly claim that the Agreement adopts an inappropriate cost allocation methodology for helicopter costs.<sup>136</sup>

The Commission should reject JCCAs’ recommendation and fund all four helicopters in accordance with the Agreement because it was part of the overall compromise of the Agreement. The evidence PG&E submitted also supports this outcome as it shows: (1) PG&E’s ownership of four heavy-lift helicopters can provide greater availability for service restoration by PG&E during emergencies and fire-fighting benefits to CAL FIRE during fire season; (2) renting the helicopters instead does not provide the same level of availability to restore service in emergencies. Even under an “exclusive use” rental contract, PG&E will continue to provide an option to CAL FIRE to use the helicopters although this creates a possibility of competing demand for the aircraft between fire-fighting duty and service restoration; (3) ownership provides additional benefits, including efficient operation of the helicopters considering scheduled and unscheduled maintenance requirements; rapid response during fire season due to

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<sup>132</sup> Agreement, § 2.6.1. PG&E’s prepared testimony included a forecast of capital expenditures of \$31.5 million (\$15.5 million in 2018, \$15.965 million in 2019). HE-66: Exhibit (PG&E-7), p. 2-23, Table 2-9.

<sup>133</sup> JCCAs Opening Brief, p. 26.

<sup>134</sup> PG&E calculated JCCAs’ proposed disallowance as follows: \$31.5 million (capital cost of 4 heavy-lift helicopters)/ 4 helicopters = \$7.9 million per helicopter x 3 helicopters = \$23.7 million.

<sup>135</sup> JCCAs Opening Brief, p. 27.

<sup>136</sup> JCCAs Comments, pp. 18-19.

geographical placement; and support for PG&E's growing heavy lift maintenance and construction usage; and (4) the Agreement appropriately provides for common cost allocation for helicopter costs.

**1. Owning Four Heavy-Lift Helicopters Is Reasonable Because Of The Increased Availability To PG&E For Service Restoration And The Potential Fire-Fighting Benefits**

PG&E acknowledges that the cost of owning helicopters is higher than PG&E's historic cost of renting helicopters.<sup>137</sup> PG&E believes that the increased ownership costs are reasonable because of the increased access of the helicopters to PG&E during emergencies, and the potential fire-fighting benefits of three additional helicopters being available to CAL FIRE during fire season.<sup>138</sup>

PG&E had experienced past difficulties accessing heavy lift helicopters for service restoration work during fire season, since heavy lift helicopters are used for fire-fighting.<sup>139</sup> These helicopters were subject to use by CAL FIRE under CWN agreements between PG&E's helicopter service provider and CAL FIRE.<sup>140</sup> While most of these instances were resolved relatively quickly, future shortages in wildfire scenarios could have severe consequences.<sup>141</sup>

The JCCAs argue that "there have only been four instances in the last decade in which a single contract helicopter was unavailable to PG&E due to competing wildfire activities, and in those cases, the utility was able to borrow a helicopter with minimal disruption to its

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<sup>137</sup> HE-68: Exhibit (PG&E-21), p. 2-16, lines 7-8. The difference between the forecast cost of owning four helicopters and the cost to rent helicopters for the same forecast 500 hours of PG&E operational usage is \$5.7 million per year. *Id.* at p. 2-18, lines 14-16.

<sup>138</sup> HE-68: Exhibit (PG&E-21), p. 2-16, lines 8-11.

<sup>139</sup> HE-68: Exhibit (PG&E-21), p. 2-16, lines 16-18.

<sup>140</sup> CWN is a term in the fire-fighting industry to describe a contract for providing services to requesting agencies. On May 31, 2019, PG&E executed a CWN contract with CAL FIRE for the four heavy lift helicopters. See HE-68: Exhibit (PG&E-21), p. 2-14, fn. 19 and p. 2-17, fn. 28. See also PG&E's response to Data Request TURN\_021-Q10, dated 5/30/19, pp. AppA-4 to AppA-5.

<sup>141</sup> HE-68: Exhibit (PG&E-21), p. 2-16, lines 16-21.

activities.”<sup>142</sup> This statement does not accurately reflect the fact that during the 2015 Butte Fire, PG&E service restoration in the affected area was delayed several days due to unavailability of heavy lift helicopters because they were being used for fire-fighting activities.<sup>143</sup> Furthermore, even though in three of the four instances of unavailability PG&E was able to obtain a heavy lift helicopter relatively quickly, there is no guarantee that this will always be the case.

When helicopters are needed during or after an emergency event, such as a wildfire, unavailability can cause delays in restoration of power to PG&E’s customers. Since these helicopters are needed to carry heavy loads such as poles and towers to repair electric distribution and transmission facilities, unavailability of aircraft could keep these distribution and transmission lines out of service and potentially delay restoration for a large number of customers. In addition, construction projects on critical assets may not be completed in a timely manner, which can pose safety and reliability risks to PG&E and its customers.<sup>144</sup>

Moreover, potential future shortages of heavy lift helicopters during emergencies may not be alleviated by CAL FIRE’s recent aircraft acquisitions. While CAL FIRE is in the process of replacing its aging fleet of helicopters and purchasing air tankers to increase its aerial fleet,<sup>145</sup> it is possible that CAL FIRE will need additional helicopters to fight fires as there are many factors that can affect the need for helicopters, including the intensity of a fire, its geographic extent, and the number of fires burning simultaneously.<sup>146</sup>

Furthermore, PG&E expects that even with its new replacement helicopters, CAL FIRE will continue to draw on the “Call When Needed”<sup>147</sup> fleet of helicopters belonging to private

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<sup>142</sup> JCCAs Opening Brief, p. 28.

<sup>143</sup> HE-68: Exhibit (PG&E-21), p. 2-19, lines 16-18.

<sup>144</sup> HE-20: Exhibit (PG&E-18), p. 2A-30, lines 7-15.

<sup>145</sup> HE-68: Exhibit (PG&E-21), p. 2-20, lines 27-29; p. 2-21, lines 20-21.

<sup>146</sup> HE-68: Exhibit (PG&E-21), p. 2-21, lines 7-11.

<sup>147</sup> HE-68: Exhibit (PG&E-21), p. 2-21 lines 14-16, citing p. 2-17, fn. 28.

owner/operators for fire-fighting support.<sup>148</sup> This is because CAL FIRE uses its helicopters for the Initial Attack or first attack on the fire. If the fire burns beyond the Initial Attack phase, and becomes an Extended Attack fire, it is desirable for CAL FIRE to replace its Initial Attack helicopters with CWN helicopters when such aircraft are available.<sup>149</sup> Given this protocol, CAL FIRE's helicopter acquisitions may not significantly lessen the need for CWN helicopters.<sup>150</sup>

Finally, as the JCCAs point out,<sup>151</sup> ALJ Lau raised the possibility during hearing that private helicopter providers may respond to shortages for emergency restoration by adding to their fleets.<sup>152</sup> However, no evidence was presented that they have done so.

PG&E's ownership of these helicopters may provide fire-fighting benefits to the entire state, including PG&E's customers and other members of the public, because PG&E will make three of its four helicopters, located strategically throughout the state, available to CAL FIRE during fire-fighting season.<sup>153</sup> While the fire-fighting benefits are difficult to quantify, the risks Californians face from wildfires are potentially catastrophic and uncertain. The additional fire-fighting capability provides value to PG&E's customers, some of whom live in high fire risk areas, and to the state generally since the helicopters could be used to fight fires outside of PG&E's service area.<sup>154</sup> In the face of these risks and uncertainties, PG&E proposes that the additional ownership costs are outweighed by the potential savings in lives, property, and

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<sup>148</sup> HE-68: Exhibit (PG&E-21), p. 2-21, lines 14-16.

<sup>149</sup> HE-280: Cal Fire Commonly Used Terminology; HE-281: Exhibit G Fire Management Agreement, p. G-5.

<sup>150</sup> Tr. Vol. 24, 2866:1-5, TURN/Jones. Further, a news article reports that CAL FIRE continues to have concerns about whether it has sufficient aerial resources. See HE-68: Exhibit (PG&E-21), p. 2-23, fn. 45 [Vacar, 'Aircraft is vital' for fire-fighting, but California needs more (Aug. 10, 2018), < <https://www.ktvu.com/news/aircraft-is-vital-for-firefighting-but-california-needs-more> > (as of August 7, 2019)].

<sup>151</sup> JCCAs Opening Brief, p. 30.

<sup>152</sup> Tr. Vol 14, 1416:15-21, ALJ Lau.

<sup>153</sup> HE-68: Exhibit (PG&E-21), p. 2-16, line 29 to p. 2-17, line 2.

<sup>154</sup> HE-68: Exhibit (PG&E-21), p. 2-22, lines 23-26.

disruptions that use of these helicopters in fire-fighting may provide.<sup>155</sup>

Contrary to the JCCAs' argument, PG&E did not "assume the role of determining or coordinating the appropriate state-level aviation resource response to increased wildfire risk."<sup>156</sup> PG&E's purpose in acquiring these helicopters was to secure guaranteed availability of these aircraft to restore customer services during wildfire and other emergencies and ensure that PG&E has the resources to discharge its public utility service functions.<sup>157</sup> However, the Commission should also consider the additional customer and public safety benefits arising from the availability of these helicopters to CAL FIRE for fire suppression. Further, through Commission Resolution ESRB-4, the Commission requires utilities to coordinate with CAL FIRE to reduce the risk of wildfire.<sup>158</sup>

**2. Reliance On Exclusive Use Contracts Does Not Provide Guaranteed Availability If CWN Agreements With CAL FIRE Are Included In The Contracts**

PG&E will not refuse to execute CWN agreements with CAL FIRE for helicopters it rents, even under a so-called "exclusive use" contract.<sup>159</sup> PG&E testified that it has not in the past, nor would it in the future exercise exclusivity rights under these contracts, because to do so would deprive CAL FIRE of fire-fighting resources.<sup>160</sup> PG&E also believes that blocking CAL FIRE's access to existing fire-fighting resources such as CWN helicopters is contrary to the Commission's intent in Resolution ESRB-4, discussed earlier, that utilities coordinate resources with CAL FIRE. Therefore, any helicopter rental contract PG&E enters into will continue to be

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<sup>155</sup> HE-68: Exhibit (PG&E-21), p. 2-31, lines 21-24.

<sup>156</sup> JCCAs Opening Brief, p. 29.

<sup>157</sup> HE-68: Exhibit (PG&E-21), p. 2-11, lines 29-30.

<sup>158</sup> Res. ESRB-4 (June 12, 2014) pp. 1-3 and 9. Resolution ESRB-4 was issued in response to a State of Emergency declared by Governor Brown "direct[ing] state officials to take actions to mitigate against conditions that could result from a drought." The Resolution directs the utilities ". . . to take remedial measures to reduce the likelihood of fires started by or threatening utility facilities." *Id.* at p. 1.

<sup>159</sup> HE-68: Exhibit (PG&E-21), p. 2-17, lines 5-17.

<sup>160</sup> HE-68: Exhibit (PG&E-21), p. 2-17, lines 8-12.



subject to CWN fire-fighting usage commitments of the service provider with CAL FIRE. Given this restriction, even under an exclusive use contract, PG&E would be subject to the same potential risk that the helicopters will be unavailable due to state agency fire-fighting needs.<sup>161</sup> PG&E believes therefore that the best way for it to obtain greater access to helicopters, and to not to diminish the state's fire-fighting capability, is to acquire its own additional resources.<sup>162</sup>

### **3. Owning A Single Helicopter May Not Guarantee Availability And Other Benefits Of Owning Multiple Helicopters**

The JCCAs' proposal to allow PG&E to own one helicopter does not guarantee availability because the single helicopter may be out of service when needed.<sup>163</sup> PG&E will use all four helicopters year-round for construction and restoration work. During fire season, between May 1 to November 30, PG&E will make at least three helicopter assets available to CAL FIRE to assist with fire response, subject to PG&E's construction and restoration efforts during this time. This is intended to provide helicopter asset coverage while accounting for scheduled and unscheduled maintenance.<sup>164</sup>

The JCCAs did not evaluate or acknowledge the potential state-wide fire-fighting benefits of PG&E's helicopters. The additional fire-fighting capability provides value to PG&E's customers, some of whom live in high fire risk areas, and to the state generally since the

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<sup>161</sup> HE-68: Exhibit (PG&E-21), p. 17, lines 12-15. In 2018, PG&E secured two heavy-lift helicopters under an EUC for PG&E's use from June 18, 2018 to December 31, 2018. While PG&E did not experience any situations under the 2018 EUC where it could not access the helicopters for its own use, PG&E could well have experienced such unavailability but for a contractual dispute between CAL FIRE and the service provider that caused CAL FIRE not to call on the helicopters after August 20. HE:76: PG&E's response to Data Request TURN\_095-Q02, dated 9/23/19, p. 4.

<sup>162</sup> HE-68: Exhibit (PG&E-21), p. 2-17, lines 15-17.

<sup>163</sup> A Black Hawk helicopter is required to be taken out of service every 360 flight hours in order to perform one of two maintenance inspections. The first inspection, called a PMI1 (Phase 1 Maintenance Inspection), is a smaller scale inspection. The second inspection is a PMI2 (Phase 2 Maintenance Inspection) which is a larger scale inspection, requiring removal of the helicopter rotor blades and main rotor head for inspection. The average time required to complete a PMI1 is 6 weeks (1,200 hours of labor) and a PMI2 is 8 weeks (1,600 hours of labor.) HE-68: Exhibit (PG&E-21), p. 2-25, fn. 50.

<sup>164</sup> HE-68: Exhibit (PG&E-21), p. 2-26, lines 7-12.

helicopters could be used to fight fires outside of PG&E's service area.<sup>165</sup>

Further, as discussed in the previous section, reliance on "exclusive use" rental contracts (EUC) is not a comparable alternative to owning helicopters because these contracts would not guarantee PG&E access to helicopters during fire season as PG&E would continue to include CWN agreements with CAL FIRE.

Finally, the record shows that PG&E's ownership of four heavy lift helicopters provides greater reliability and accessibility, and delivers benefits compared to rental. These include: (1) 700 hours of potential usage by CAL FIRE for firefighting; (2) 1,010 helicopter standby days; (3) greater availability, with back up, of heavy lift to PG&E during emergencies; and (4) incremental fire-fighting capability to the statewide fleet.<sup>166</sup>

The Agreement appropriately funded these helicopters as part of a broader compromise of the parties' litigation positions and should not be revised to exclude 3 helicopters, as the JCCAs propose.

#### **4. The Agreement Appropriately Provides For Common Cost Allocation For Helicopter Costs**

The JCCAs erroneously state that the Agreement proposes a different cost allocation for Aviation (Heavy-Lift Helicopters) than proposed in PG&E's rebuttal testimony.<sup>167</sup> The Agreement is consistent with PG&E's rebuttal testimony and is also supported by the JCCAs' testimony. PG&E's rebuttal testimony states:

The heavy lift helicopter costs meet the Company's criteria of common assets, which are assets that serve both gas and electric customers, and they represent expenses that cannot be directly identified with one specific function. Historically, PG&E has allocated A&G expense and capital common cost across all business units using the O&M labor factors, which rely on the cost causation principles, since the Commission's Cost Separation Decision.<sup>168</sup>

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<sup>165</sup> HE-68: Exhibit (PG&E-21), p. 2-22, lines 23-26.

<sup>166</sup> HE-68: Exhibit (PG&E-21), p. 2-30, Table 2-4.

<sup>167</sup> JCCA Comments, p. 19.

<sup>168</sup> HE-72: Exhibit (PG&E-24), p. 7-4, line 26 to 7-5, line 5 (footnotes omitted).

The O&M labor factors by Unbundled Cost Category are presented in PG&E’s opening testimony.<sup>169</sup>

Section 2.9 of the Agreement states: “The Settling Parties agree that PG&E’s revenue requirement adopted in this proceeding includes the following cost allocations . . . CWSP – Enhanced Operational Practices, Aviation (Heavy-Lift Helicopters): Costs shall be allocated as common costs. PG&E may propose a different allocation methodology in its 2023 GRC.” This provision represents a compromise of TURN’s proposal to allocate helicopter capital costs 67% to Electric Transmission and 33 percent to Electric Distribution.<sup>170</sup>

The JCCAs supported PG&E’s common cost allocation for helicopters. Their witness stated: “PG&E appears to have an established method to functionalize its aviation expenses based on the function that the aviation resource supports, using chargebacks to the line-of business that uses the helicopter. I support this approach. PG&E allocates the capital for the helicopters to functions based on labor ratios, which also is reasonable.”<sup>171</sup>

For these reasons, the Commission should adopt the common cost allocation provision for heavy lift helicopters in the Agreement.

**G. The Commission Should Not Require All Monitor’s Reports To Be Made Public As Reid Suggests (Section 2.3.2.3.3)**

In his opening brief, Reid argues that any reports prepared by the monitor appointed by the Federal Court overseeing PG&E’s probation and PG&E’s “monthly report to the Monitor” should be filed with a monthly advice letter.<sup>172</sup> These documents are confidential, by order of the Federal Court. In his Comments, Reid modifies this request to ask the Commission to order that “PG&E [] file and serve any publicly available Federal Monitor report on the 2020 GRC

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<sup>169</sup> HE-80: Exhibit (PG&E-10), p. 7-3, Table 7-3.

<sup>170</sup> HE-276R: TURN-03, p. 60, lines 3-5.

<sup>171</sup> HE-215: JCCA-Beach, p. 17, line 19 to p. 18, line 2.

<sup>172</sup> Reid Opening Brief, pp. 3, 12-14.

service list...”<sup>173</sup> The Agreement appropriately resolves this issue. PG&E will serve any publicly-available Federal Monitor report to the 2020 GRC service list if the Federal Court orders the report to be issued to the public.<sup>174</sup> The Commission should not require the reports to be filed, as Reid suggests, as this docket might be closed, which would not interfere with service but could create challenges with filing. Also, the Commission could direct PG&E to file a report – or any party could so move – if a served report seemed to warrant that treatment. The treatment in the Agreement, which is to require the reports to be served if they are public, is a reasonable resolution and should not be revised.

#### **H. Other Issues Raised By The JCCAs Were Resolved In PG&E’s Rebuttal Testimony Or In The Agreement**

The Agreement resolved many, but not all, issues the JCCAs raised. PG&E’s Application proposed recovering the costs to support the protection and enhancement of beneficial public values on PG&E’s watershed lands through a non-bypassable charge.<sup>175</sup> This proposal was opposed by SEIA/Vote Solar, Cal Advocates, and JCCA, and supported by TURN (with modifications) and by CUE.<sup>176</sup> PG&E withdrew this proposal in Section 2.4.3.1 of the Agreement. The JCCAs’ opening brief argues at length that this proposal should be denied.<sup>177</sup> Their Comments acknowledge this was resolved by the Agreement and they support this resolution.<sup>178</sup>

The JCCAs also argue in their opening brief that the costs for PG&E’s liability insurance premiums should continue to be treated as common costs and spread across all lines of

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<sup>173</sup> Reid Comments, p. 10.

<sup>174</sup> Agreement, § 2.3.2.3.3.

<sup>175</sup> HE-146: Exhibit (PG&E-5), p. 8-24, line 9 to p. 8-27, line 5.

<sup>176</sup> HE-190: Cal Advocates-11, p. 17, lines 10-20; HE-215: JCCA-Beach, p. 30, line 6 to p. 31, line 10; HE-167: SEIA and Vote Solar, p. 15, line 18 to p. 16, line 11; HE-204: TURN-06, pp. 6-7.

<sup>177</sup> JCCAs Opening Brief, pp. 39-51.

<sup>178</sup> JCCAs Comments, pp. 20-21.

business.<sup>179</sup> The Agreement also resolved this issue consistent with the JCCAs' proposal to continue to treat these costs as common.<sup>180</sup> The JCCAs subsequently supported this provision of the Agreement in their Comments.<sup>181</sup>

The JCCAs' Comments understate the benefits they derived from their participation in this proceeding. Section 2.9.1 of the Agreement includes five other concessions by PG&E in its rebuttal testimony on other cost allocation issues raised by the JCCAs.<sup>182</sup> These include changes in allocation for CWSP Support Programs, Enhanced Operations Practices, Emergency Preparedness and Response (EP&R), Locate and Mark, and Manage Service Inquiries. Thus, while the Agreement does not resolve each issue as the JCCAs proposed, seven issues were resolved consistent with the JCCAs' proposals, which is a further indication that the Agreement is reasonable as a whole.

## **V. CONCLUSION**

The Agreement is reasonable in light of the entire record, consistent with the law, and in the public interest. For the foregoing reasons, the Settling Parties hereby request that the Commission approve the Agreement without modification.

Pursuant to Commission Rule 1.8(d), counsel for the Settling Parties have authorized PG&E to submit this Reply on their behalf.

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<sup>179</sup> JCCAs Opening Brief, pp. 82-87.

<sup>180</sup> Agreement, § 2.9.1 E.

<sup>181</sup> JCCAs Opening Brief, pp. 21-22.

<sup>182</sup> HE-216: JCCA-Mancinelli/Reger, p. 35, line 14 to p. 44, line 10.

Respectfully Submitted,

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