

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA



FILED
10/11/19
08:00 AM

ADMINISTRATIVE LAW JUDGES RAFAEL L. LIRAG and
ELAINE LAU, co-presiding

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. (U39M)

) EVIDENTIARY
) HEARING
)
)
) Application
) 18-12-009
)
)
)

REPORTER'S TRANSCRIPT
San Francisco, California
October 3, 2019
Pages 1860 - 1973
Volume - 17

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1 SAN FRANCISCO, CALIFORNIA

2 OCTOBER 3, 2019 9:30 a.m.

3 * * * * *

4 ADMINISTRATIVE LAW JUDGES LIRAG and

5 LAU: Let's go on the record.

6 Good morning, everyone. This is the
7 continuance of the evidentiary hearings in A.
8 18-12-009, which is PG&E's General Rate Case.

9 This morning we have Mr. Browne
10 followed by Mr. Halverson and then Mr. Wilson
11 from Cal PA and Mr. Patterson. I'm not sure
12 if it's in that order but maybe it is.

13 Good morning, Mr. Browne.

14 THE WITNESS: Good morning.

15 ALJ LIRAG: Ms. Slocum, good morning.
16 Any exhibits for Mr. Browne? Or we already
17 identified them?

18 MS. SLOCUM: All of the exhibits that
19 he is sponsoring have already been
20 identified.

21 ALJ LIRAG: All right. Any cross
22 exhibits from Ms. Goodson?

23 MS. GOODSON: No, your Honor.

24 ALJ LIRAG: All right.

25 Good morning, Mr. Browne. Please
26 raise your right hand.

27 ///

28 ///

1 Travis Browne, called as a witness
2 by Pacific Gas & Electric Company,
3 having been sworn, testified as
4 follows:

5 THE WITNESS: I do.

6 ALJ LIRAG: Please state your name,
7 spell your last name, and then provide a
8 business address.

9 THE WITNESS: Travis Browne,
10 B-r-o-w-n-e, 885 Embarcadero West Sacramento,
11 California.

12 ALJ LIRAG: All right. Ms. Slocum, am
13 I pronouncing your name right?

14 MS. SLOCUM: Yes, you are.

15 ALJ LIRAG: All right. Thank you.

16 DIRECT EXAMINATION

17 BY MS. SLOCUM:

18 Q Thank you, Your Honor. Good
19 morning, Mr. Browne.

20 A Good morning.

21 Q I'd like to confirm the testimony
22 you're sponsoring in this proceeding. In
23 what's been premarked for identification as
24 PG&E-6 and officially marked for
25 identification as Exhibit-91, your opening
26 testimony. Are you sponsoring all of
27 Chapter 7, Billing Revenue and Credit Revised
28 Testimony 4-19-19 and the workpapers for
Chapter 7 presented in exhibit premarked
PG&E-06, workpapers page 02 to 08, and that's

1 officially marked as Exhibit-92?

2 A Yes, I am.

3 Q And in what was premarked as
4 Exhibits PG&E-20, Volumes 1 and 2, which have
5 been officially marked as Exhibits 93 and 94.
6 Are you sponsoring all of Chapter 7 and
7 Attachment A, Rebuttal Testimony on Billing
8 Revenue and Credit, the documents in Exhibits
9 PG&E-20 Volumes 1 and 2, that's Exhibits 93
10 and 94 Appendix A, that relate to your
11 sponsored rebuttal testimony and the
12 workpapers for Chapter 7 of the rebuttal
13 presented in what's premarked as Exhibit
14 PG&E-20, workpaper 04, 05, and 07, which has
15 been officially marked for identification as
16 Exhibit-95?

17 A Yes, I am.

18 Q And in what has been marked as
19 exhibits premarked PG&E-14 and PG&E-29,
20 officially marked as Exhibits 91-A and 93-A,
21 PG&E's errata. Are you sponsoring pages 14
22 to 251 -- 14-251 to 14-255 and 29-131 to
23 29-141?

24 A Yes, I am.

25 Q And finally in what was premarked
26 Exhibit PG&E-13, which is officially marked
27 for identification as Exhibit-51, are you
28 sponsoring your statement of qualifications?

1 A Yes, I am.

2 Q Were these materials prepared by
3 you or under your supervision?

4 A Yes, there were.

5 Q Do you have any changes,
6 corrections, or additions to make at this
7 time?

8 A I do.

9 Q Could we go off the record?

10 ALJ LIRAG: Off the record.

11 (Off the record.)

12 ALJ LIRAG: All right. Let's go back
13 on the record.

14 BY MS. SLOCUM:

15 Q Please proceed, Mr. Browne.

16 A Yes. I have two corrections. The
17 first correction is in my initial testimony,
18 Exhibit PG&E-06.

19 Q Which has been marked as 91, your
20 Honor.

21 ALJ LIRAG: Right.

22 THE WITNESS: It's on page 7-25,
23 Table 7-6, lines 1 Late Bills; and line
24 number 3, Noncompliant Estimated Bills, there
25 should not have dollar signs in front of the
26 values.

27 BY MS. SLOCUM:

28 Q Okay. So when one reads across

1 line 1, "Late bills," all of those three
2 figures under 2015, 2016, and 2017, the
3 official record should delete the dollar
4 signs for each of those numbers. And the
5 same on line 3?

6 A That is correct.

7 Q Thank you. And what is the second
8 correction?

9 A The second correction is in exhibit
10 PG&E-20, Rebuttal Testimony.

11 ALJ LIRAG: Which volume?

12 MS. SLOCUM: Your Honor, that would be
13 in Exhibit-93.

14 ALJ LIRAG: All right. So Volume 1.

15 MS. SLOCUM: Volume 1.

16 ALJ LIRAG: All right.

17 THE WITNESS: On page 7-2.

18 ALJ LIRAG: Go ahead.

19 THE WITNESS: Table 7-1.

20 ALJ LIRAG: Go ahead.

21 THE WITNESS: At line 2. If you look
22 at the Filed Forecast Column. Currently it
23 reads "20,075,000." That needs to be changed
24 to read "2,075,000."

25 BY MS. SLOCUM:

26 Q And, Mr. Browne, does that change
27 affect the total number that appears at the
28 bottom of that column of Filed Forecast in

1 that table?

2 A No, it does not.

3 Q Are there any other corrections you
4 have at this time?

5 A No, I do not.

6 Q Are the facts contained in these
7 exhibits true and correct to the best of your
8 knowledge?

9 A Yes, they are.

10 Q Do the opinions expressed therein
11 represent your best professional judgment?

12 A Yes, they do.

13 Q Thank you.

14 MS. SLOCUM: Thank you, your Honor.

15 Mr. Browne is now available for
16 cross-examination.

17 ALJ LIRAG: Ms. Goodson?

18 CROSS-EXAMINATION

19 BY MS. GOODSON:

20 Q Thank you, your Honor.

21 Good morning, Mr. Browne. I'm
22 Hayley Goodson. I'm one of the attorneys
23 representing TURN in this proceeding.

24 A Good morning.

25 Q Please turn to your rebuttal
26 testimony, which is Hearing Exhibit-93 and
27 page 7-3.

28 A Okay.

1 Q All right. Starting at lines 25
2 you state:

3 Upon further review, PG&E
4 believes that a more
5 accurate method of
6 assessing the relationship
7 between bills and
8 disconnection would be to
9 increase the sample size of
10 the data by using the
11 monthly relationship
12 between the two variables.
13 And then you go on to explain:
14 PG&E performed a linear
15 regression analysis based
16 on the monthly relationship
17 between average bills and
18 total disconnections for
19 the time series at issue.
20 Is that right?

21 A Yes. That is correct.

22 Q So please turn to your rebuttal
23 workpapers which is Hearing Exhibit-95. And
24 workpaper 7-1.

25 A I am at workpaper 7-1 of the
26 rebuttal testimony.

27 Q Wonderful. And at workpaper 7-1
28 through 7-3, this is the data set in the

1 results of the regression, the new regression
2 analysis you performed; is that correct?

3 A Yes, that is correct.

4 Q And in your analysis, is it true
5 that you assess to the relationship between
6 bills and disconnections in the same month?

7 A So let me -- for clarification
8 you're asking on this new analysis?

9 Q That's correct.

10 A Okay. So, yes. We assessed per
11 month using the new analysis what the average
12 monthly bill amount is and the total
13 disconnections for each month.

14 Q Thank you. So please look at one
15 workpaper 7-1 close to bottom let's look at
16 the month and the year of July 2017. Tell me
17 when you are there. It's very small.

18 A Yes, it is. I am there.

19 Q Yes. Okay. So in the column for
20 monthly electric disconnects, do you see that
21 there were 16,007 electric disconnects in
22 July of 2017?

23 A Yes. I see that.

24 Q Next time you will have larger font
25 on your workpapers.

26 A I agree.

27 Q All right. And July of 2017, that
28 number of electric disconnections would you

1 agree is the lowest number of disconnections
2 in all of 2017 with the exception of
3 December; is that right? So it's the second
4 lowest in that year?

5 A Yes.

6 Q And so let's look at the average
7 monthly electric bill for July of 2017, and
8 do you see that it's \$132.37?

9 A I do see that.

10 Q And would you agree that that's the
11 highest electric bill in 2017?

12 A I would agree.

13 Q Now, were any of the 16,700
14 customers whose electric service was
15 disconnected in July of 2017 disconnected for
16 nonpayment of their July 2017 bill?

17 A I don't know.

18 Q Are you familiar with PG&E's
19 process for disconnecting customers in terms
20 of the notice -- the issuance of the bill and
21 the notices that follow?

22 A Yes.

23 Q Can you explain that process just
24 with the timelines?

25 A So on day zero the first monthly
26 bill is issued. On day 27 to 33, a second
27 monthly bill is issued; and that second
28 monthly bill includes a 15-day notice. Day

1 40 through 48, a 48-hour notice is issued.
2 Day 46 through 51, a phone call is made to
3 the customer.]

4 Day 53 through 58; that is when the
5 customer is subject to disconnection.

6 Q All right. So let's go back to my
7 question.

8 Given the timeline that you have
9 just set forth between the issuance of a bill
10 and the soonest that PG&E could disconnect a
11 customer for nonpayment of that bill, were
12 any of the customers disconnected in July of
13 2017 disconnected for nonpayment of their
14 July 2017 bill?

15 A Are you asking if it was only that
16 July '17 bill? Do they have any previous
17 charges? That is what I would need to know.

18 Q I'm looking for whether nonpayment
19 of the July 2017 bill could result in a
20 disconnection of July 2017. Is that more
21 clear?

22 A That is. Yes. Thank you very
23 much. For that bill only, if they do not
24 have a previous balance, they could not get
25 disconnected in that month.

26 Q So is it possible that customers
27 who did not pay their June 2017 bill could be
28 disconnected in July of 2017?

1 A In the same situation, if they had
2 not -- if they did not have a previous
3 balance prior to the June bill, the time
4 frame in accordance with the timeline I just
5 explained, they would not be eligible for
6 disconnection by July.

7 Q Or maybe a couple that were billed
8 to the first of June, maybe, but not many; is
9 that right?

10 A Yeah. I could not speculate on
11 that.

12 Q Okay. And so if a customer did not
13 pay their May 2017 bill and they had no prior
14 balance, could they be disconnected in
15 July 2017?

16 A Can you repeat the question?

17 Q Yes. If a customer didn't pay
18 their May 2017 bill and they didn't have a
19 prior balance based on PG&E's timeline for
20 disconnection, is it possible that they would
21 be disconnected in July of 2017? May bill,
22 July disconnection?

23 A That's a possibility.

24 Q Okay. So let's look back at
25 Workpaper 7-1. And look at the electric bill
26 for May of 2017. And that's \$86.88. Do you
27 see that?

28 A I do see that.

1 Q And the April bill, the month
2 before, is \$82.62. Do you see that?

3 A Yes, I do.

4 Q And just focusing on that May bill
5 amount, that's -- would you agree, quite a
6 bit lower than the July 2017 bill?

7 A I would agree it is lower than the
8 July '17 bill.

9 MS. GOODSON: Thank you, Mr. Browne. I
10 have no further questions.

11 THE WITNESS: Thank you.

12 ALJ LIRAG: Judge Lau?

13 ALJ LAU: No.

14 ALJ LIRAG: Any redirect, Ms. Slocum?

15 MS. SLOCUM: May I have a moment off
16 the record, your Honor?

17 ALJ LIRAG: All right. Let's go off
18 the record.

19 (Off the record.)

20 ALJ LIRAG: All right. Let's go back
21 on the record.

22 Any redirect, Ms. Slocum?

23 MS. SLOCUM: Yes, your Honor.

24 REDIRECT EXAMINATION

25 BY MS. SLOCUM:

26 Q Mr. Browne, Ms. Goodson asked you
27 some questions about your analysis of the
28 monthly data in your workpapers. Do you

1 recall those questions, generally?

2 A Yes, I do.

3 Q Could you characterize for us your
4 opinion with regard to whether there might be
5 other causes than just the bill amount that
6 could factor into disconnection?

7 MS. GOODSON: Your Honor, objection.
8 This is beyond the scope of my
9 cross-examination.

10 ALJ LIRAG: Counsel, I will sustain the
11 objection. You can rephrase your question.
12 BY MS. SLOCUM:

13 Q When Ms. Goodson asked you about
14 the correlations between different months,
15 looking at the three-month lag that could
16 occur because of PG&E's protocols for
17 notifications for the disconnect, if a
18 customer is disconnected based on the May
19 data that she presented in the month of
20 August, that was her hypothetical, do you
21 recall that? That wasn't a hypothetical.
22 That was her use of the data.

23 A I believe I recall looking at July
24 data.

25 Q Okay. And then she went back to
26 June and then to May --

27 A Correct.

28 Q -- to map the three-month lag. Do

1 you recall that?

2 A Yes, I do.

3 Q Is it your opinion that the only
4 cause of a disconnection in August is what
5 the amount of the bill was in May?

6 A I believe that there are possibly
7 other factors that contribute to
8 disconnection. It is not solely bill amount
9 only. Currently PG&E is participating in the
10 Energy Disconnections and Reconnections
11 Rulemaking and we are partnering with TURN
12 and other stakeholders to further evaluate
13 this issue because PG&E takes it very
14 seriously.

15 MS. SLOCUM: Thank you. Thank you,
16 Mr. Browne.

17 ALJ LIRAG: All right. That was a
18 little leading, but I wanted to hear the
19 information.

20 MS. SLOCUM: I appreciate your
21 patience, your Honor.

22 ALJ LIRAG: All right. Any questions
23 off the redirect, Ms. Goodson?

24 MS. GOODSON: No, your Honor.

25 EXAMINATION

26 BY ALJ LIRAG:

27 Q I have just one question off that.
28 What resources does PG&E expend in

1 reconnecting a customer; typically a linesman
2 goes to the residence to reconnect and what
3 else?

4 A We also have remote reconnect. So
5 that can be done remotely or we have to send
6 a serviceman out, gas specifically, with
7 three-phase.

8 Q When do you have to send a linesman
9 to the site versus reconnection remotely?

10 A So, the majority can be reconnected
11 remotely, but if it's a more-complicated
12 metering structure, we'll have to send a
13 lineman out. And then on the gas side many
14 times we will have to send a serviceman out.

15 Q So it's easier to reconnect on the
16 electric side?

17 A That is correct.

18 ALJ LIRAG: All right. Thank you.

19 I guess, Mr. Browne, you're excused.
20 Thank you.

21 Off the record.

22 THE WITNESS: Thank you very much.

23 (Off the record.)

24 ALJ LIRAG: Let's go back on the
25 record.

26 Ms. Slocum, I guess there are
27 exhibits that can be moved into the record.

28 MS. SLOCUM: Yes, your Honor.

1 Mr. Browne is the last of PG&E's
2 customer care witnesses. And so we would
3 request to move into evidence Exhibits 91,
4 91-A, 92, 92-C, 93, 93-A, 94, 95 and 96, all
5 of which relate to PG&E's customer care
6 showing.

7 ALJ LIRAG: All right. Any objections
8 to receiving Exhibits 91 through 96,
9 including 91-A, which is errata, 93-A and
10 then 92-C, the confidential version for
11 Exhibit 92?

12 (No response.)

13 ALJ LIRAG: Hearing none, Exhibits 91,
14 91-A, 92, 92-C, 93, 93-A, 94, 95, 96 are
15 received into the record. Thank you.

16 (Exhibit No. 91 was received into
17 evidence.)

18 (Exhibit No. 91-A was received into
19 evidence.)

20 (Exhibit No. 92 was received into
21 evidence.)

22 (Exhibit No. 92-C was received into
23 evidence.)

24 (Exhibit No. 93 was received into
25 evidence.)

26 (Exhibit No. 93-A was received into
27 evidence.)

28 (Exhibit No. 94 was received into
evidence.)

(Exhibit No. 95 was received into
evidence.)

(Exhibit No. 96 was received into
evidence.)

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MS. SLOCUM: Thank you, your Honor.

ALJ LIRAG: Let's change the name tag.
Off the record.

(Off the record.)

ALJ LIRAG: Let's go back on the
record.

Ms. Gandesbery has informed me that
there's a couple of more exhibits that can be
addressed. Is there a move for any exhibits
that are ready?

MS. GANDESBERY: Yes, your Honor.

PG&E would like to move into the
record Exhibit 66, Prepared Testimony for
Shared Services and Information Technology.

Exhibit 67, Workpapers Supporting
Chapters 1 to 4, Prepared Testimony
previously marked as PG&E-7.

Exhibit 68, Rebuttal Testimony,
Exhibit PG&E-7 Shared Services and
Information Technology.

Exhibit 74, Workpapers Supporting
Chapters 5 to 9 of Prepared Testimony,
formerly marked as PG&E Exhibit 7, Shared
Service and Information Technology.

In addition, we would like to mark
Exhibit 66-C which is a Confidential Version
of PG&E Testimony Exhibit 7, Shared Services

1 and Information Technology.

2 And Exhibit 74-C, Confidential
3 Workpapers Supporting Chapters 5 to 9 and
4 Prepared Testimony that was marked as PG&E
5 Exhibit 7, Shared Services and Information
6 Technology.

7 ALJ LIRAG: All right. And I believe
8 we had addressed the confidential nature of
9 66-C and 74-C yesterday.

10 MS. GANDESBERY: Yes, your Honor.

11 ALJ LIRAG: All right. So any
12 objections to 66, 67, 68, 74, 66-C and 74-C?

13 (No response.)

14 ALJ LIRAG: Hearing none, Exhibit 66,
15 66-C, 67, 68, Exhibit 74 and 74-C are all
16 received into the record.

17 (Exhibit No. 66 was received into
18 evidence.)

19 (Exhibit No. 66-C was received into
20 evidence.)

21 (Exhibit No. 67 was received into
22 evidence.)

23 (Exhibit No. 68 was received into
24 evidence.)

25 (Exhibit No. 74 was received into
26 evidence.)

27 (Exhibit No. 74-C was received into
28 evidence.)

MS. GANDESBERY: Thank you, your Honor.

ALJ LIRAG: Good morning,
Ms. Halverson.

1 THE WITNESS: Good morning.

2 ALJ LIRAG: I've been calling you
3 Mister!

4 Please raise your right hand.

5 SHAUN HALVERSON, called as a witness
6 by Pacific Gas and Electric Company,
7 having been sworn, testified as
8 follows:

9 THE WITNESS: Yes.

10 ALJ LIRAG: Please state your name,
11 spell your last name and provide a business
12 address.

13 THE WITNESS: My name is Shaun
14 Halverson, spelled S-h-a-u-n
15 H-a-l-v-e-r-s-o-n. My business address is 77
16 Beale Street, San Francisco.

17 ALJ LIRAG: All right. Thank you.]

18 I can't read the name tag.

19 MR. BUCHSBAUM: Craig Buchsbaum, your
20 Honor, Pacific Gas & Electric Company.

21 And can I go off record for a
22 second?

23 ALJ LIRAG: Yes.

24 (Off the record.)

25 ALJ LAU: Back on the record.

26 So while we were off the record,
27 there were several exhibits that were
28 distributed. These are cross-examination
exhibits from TURN. We will now identify

1 them. The first one is Exhibit 125. It's
2 labeled: "CPUC California Climate Credit
3 Webpage."

4 Exhibit 126, labeled: "Excerpts
5 from PG&E 2017 GRC Testimony re: Other
6 Accounts Receivables."

7 (Exhibit No. 125 was marked for
8 identification.)

9 (Exhibit No. 126 was marked for
10 identification.)

11 ALJ LIRAG: We also received two
12 reference documents, which are excerpts from
13 testimonies that have not yet been
14 identified, but will be submitted for
15 admission later on; is that right,
16 Ms. Goodson?

17 MS. GOODSON: That's correct.

18 ALJ LAU: Mr. Buchsbaum, you may begin
19 your examination.

20 MR. BUCHSBAUM: Thank you, your Honor.

21 DIRECT EXAMINATION

22 BY MR. BUCHSBAUM:

23 Q Ms. Halverson, I would confirm the
24 testimony you are sponsoring in this
25 proceeding in what has been marked for
26 identification as PG&E-10. Are you
27 sponsoring all of Chapter 13, Working Cash,
28 and the workpapers for Chapter 13 presented
 in Exhibit PG&E-10, Workpaper 13-16, formerly

1 marked No. 89, and I should have said that
2 Exhibit PG&E-10 was formerly marked No. 80.

3 Are you sponsoring that material?

4 A Yes, I am.

5 Q And in what has been marked Exhibit
6 PG&E-24 and Hearing Exhibit No. 72, are you
7 sponsoring all of Chapter 13 and Attachments
8 A and B, Rebuttal Testimony on Working Cash
9 and the documents in Appendix A that relate
10 to your sponsored Exhibit PG&E-24 of your
11 Rebuttal Testimony?

12 A Yes, I am.

13 Q And then in what has been marked as
14 Exhibits PG&E-14, formerly No. 26, and
15 PG&E-29, formerly No. 27, PG&E's Errata, are
16 you sponsoring pages 14-376 to 14-378, and
17 29-215 to 29-221?

18 A Yes, I am.

19 Q And, finally, in Exhibit PG&E-13,
20 formally marked 51, are you sponsoring your
21 Statement of Qualifications?

22 A Yes, I am.

23 Q And were these materials prepared
24 by you or under your supervision?

25 A Yes, they were.

26 Q Do you have any changes,
27 corrections, or additions to make at this
28 time?

1 A Yes. I have two corrections.

2 In Exhibit 24 on page 13-33, line
3 16, the words, quote, "and agreed to by
4 TURN," end of quote, should be deleted.

5 Q Do you have any other corrections
6 to make?

7 A Yes. Page 13-14, there's a table.
8 This is also in Exhibit 24, the rebuttal
9 testimony. And in Table 13, line 2, reads:
10 "Tax credits," with a total company 2017
11 base-year figure of 890,000, and PG&E has
12 agreed to remove this item from its Accounts
13 Receivable Other, Account 1431000, because
14 this amount, this Accounts Receivable Other
15 benefits shareholders, and it is correct to
16 remove amounts that benefit shareholders
17 while reflecting all amounts that benefit
18 customers.

19 Q And are the facts contained in
20 these exhibits true and correct to the best
21 of your knowledge?

22 A Yes, they are.

23 Q And do the opinions expressed
24 therein represent your best professional
25 judgment?

26 A Yes, they do.

27 MR. BUCHSBAUM: Thank you, your Honors.

28 Ms. Halverson is now available for

1 cross-examination.

2 ALJ LAU: So between Cal Advocates and
3 TURN, who will go first?

4 MS. SHEK: TURN.

5 ALJ LAU: Ms. Goodson.

6 MS. GOODSON: Thank you, your Honor.

7 CROSS-EXAMINATION

8 BY MS. GOODSON:

9 Q Good morning, Ms. Halverson. I am
10 Haley Goodson, one of the attorneys
11 representing TURN in this proceeding.

12 A Good morning, Ms. Goodson.

13 Q And thank you for your corrections.
14 I'm going to have to modify my
15 cross-examination for the tax issue.

16 A I thought so.

17 Q But we're not there yet. So,
18 please, if you have -- well, let me ask: Do
19 you have before you the excerpt from the
20 attachments to the prepared testimony of
21 William Perea Marcus in this proceeding?
22 This is pre-numbered Exhibit TURN-06,
23 Attachment 1?

24 A Is this the "Reports on Various
25 Results of Operations"?

26 Q It's a skinny little thing that I
27 just handed out to you, and the cover page
28 says: "Prepared Testimony of William Perea

1 Marcus," and then there's several rows I
2 won't read, and then it says, "Attachments."

3 A Go ahead.

4 Q And this excerpt from Mr. Marcus's
5 attachments contains PG&E's Response to Data
6 Request PubAdv088, Question 1. Do you see
7 that?

8 A Yes, I do.

9 Q Okay. And this data request
10 pertains to other accounts receivable which
11 is a component of the working cash; is that
12 correct?

13 A That's correct.

14 Q And in response to Question 1, part
15 B -- you know let he pause for a moment,
16 Ms. Halverson, and confirm that you prepared
17 this data request response or it was prepared
18 under your direction?

19 A Yes, it was.

20 Q Okay. Good.

21 So let's go back to the response to
22 Question 1-B, and here you explain that the
23 GHGRBA is a miscellaneous receivable from the
24 California Air Resources Board, or CARB, for
25 consigned allowances that have been sold to
26 the market during quarterly options, and you
27 explain that the account title was renamed
28 the "CARB allowance receivable" in 2019; is

1 that right?

2 A That's correct.

3 Q And in response to Part C, you,
4 likewise, explain that the CARB allowance
5 receivable applies to consigned allowances
6 sold in the marketplace; correct?

7 A That's correct.

8 Q All right. And, please, turn to
9 the attachment to this data request response,
10 Attachment 1, which is the first table in
11 Attachment 1, and there is a row in the
12 Nonrecurring section of other receivables
13 called "GHGRBA." Do you see that?

14 A Yes, I do.

15 Q Is that the CARB allowance
16 receivable that I was just asking about?

17 A That's correct.

18 Q Okay. Did PG&E remove this
19 receivable from other accounts receivable in
20 its working cash showing for this GRC?

21 A No. We did not remove this. This
22 was an error, and when we went to prepare our
23 operational cash requirements of working cash
24 capital, we attempt to do a good job of
25 removing all amounts that are reflected in
26 the lead-lag study, and this amount was
27 erroneously included here, even though it is
28 part of a revenue-lag that is in the lead-lag

1 study; so it should have been removed.

2 We also attempt to remove costs
3 that benefit shareholders, such as you can
4 see right above that, and the 890,000 was
5 also included erroneously. So those two
6 amounts will be removed.

7 Q So it sounds like you're making a
8 third correction right now in addition to the
9 two you identified earlier?

10 A No. The one I identified earlier
11 was a tax credit, and that's shown above.
12 I'm just referencing that it's also reflected
13 here in addition to the table on page 13-33,
14 and the amount, 36,384,000, is pointed out in
15 our rebuttal testimony -- in the errata
16 section of the rebuttal testimony. Would you
17 like to me reference that?

18 Q That would be wonderful, and I may
19 not have that with me, but if PG&E has an
20 extra copy that would help me follow along
21 with your explanation.

22 ALJ LAU: Let's go off the record.
23 (Off the record.)

24 ALJ LAU: Let's go back on the record.

25 Ms. Halverson, are there any -- what
26 document are you looking at? Can you tell us
27 the exhibit number and what page number.

28 THE WITNESS: I'm in Exhibit 24.

1 ALJ LAU: I think you meant Exhibit 72.

2 THE WITNESS: My rebuttal testimony.

3 ALJ LIRAG: It's PG&E-24 -- formerly
4 marked as PG&E-24, but the official
5 designation is Exhibit 72, and we're looking
6 at page 13-6, Table 13-2.

7 THE WITNESS: Correct. Thank you for
8 the clarification. On line 4, is a row
9 called "Other Receivables," and in the third
10 column it says, "Remove Greenhouse Gas
11 Compliance Instruments," and the amount for
12 2020 in the GRC is thirty-four-million-fifty,
13 and that's being removed because it was
14 double counted.]

15 Q Are you ready?

16 A Yes.

17 Q Do you have before you the
18 cross-examination exhibit that's been
19 identified as Exhibit-125. It's titled "CPUC
20 California Climate Credit Web Page"?

21 A Yes, I do.

22 Q And in the first paragraph here, do
23 you see that the Commission has explained
24 that California Climate Credit is from a
25 State program that required power plants,
26 natural gas distributors, and other large
27 industries that emit greenhouse gases to buy
28 Carbon Pollution Permits.

1 The credit represents residential
2 utility ratepayers' share of the payments
3 from the State's program. Do you see that?

4 A Yes, I do.

5 Q All right. And please turn to
6 page 4 of 6. And this is the Commission's
7 question-and-answer portion of this web page.
8 Close to the bottom, there's a question that
9 says:

10 If the credit is from the
11 State and not the utility,
12 why is it on my utility
13 bill?

14 Do you see that?

15 A Yes, I do.

16 Q And the Commission answers:
17 We agree this can be
18 confusing. But the credit
19 is delivered this way
20 because putting the credit
21 on your bill is the most
22 cost effective way to
23 return it to customers.
24 This approach maximizes the
25 amount of savings each
26 household and small
27 business will receive.
28 Do you see that?

1 A Yes, I do.

2 Q Does PG&E view revenues from sales
3 of allowances as revenue belonging to PG&E?

4 A PG&E's -- PG&E accounts for its
5 revenues in accordance with GAAP. And under
6 GAAP principles, this is a revenue flow
7 through. So the amounts that are sold
8 quarterly in auctions -- the emission
9 allowances are initially granted to PG&E.
10 And PG&E turns them over in accordance with
11 the CARB Program for greenhouse gas that was
12 established under AB-32. Turns those
13 emissions allowances that were free over to
14 CARB to sell at its quarterly auctions. CARB
15 sells those amounts. We don't know what the
16 price they will sell them at. But we
17 forecast that we are going to be providing a
18 credit back to customers of an amount for gas
19 customers in April and for electric customer
20 twice a year in April and October. And those
21 allowances come back about 48 days after the
22 quarterly sales. And then we have already
23 started getting customers credit as I just
24 said.

25 And I have a table to really
26 explain this in detail in my rebuttal
27 testimony because I wanted to make sure that
28 parties to the record understood exactly how

1 PG&E accounts for it and how the revenue is
2 flowing in and out of our revenue accounts
3 and accounts receivable accounts. This is
4 under the revenue lag design of our Lead-Lag
5 Studies. So we're looking at computing a day
6 lag.

7 MR. BUCHSBAUM: Excuse me. What page
8 are you on?

9 THE WITNESS: So the table --

10 ALJ LAU: So you're looking at
11 Exhibit-72, which is formally PG&E-24?

12 THE WITNESS: Correct. On page --

13 MR. BUCHSBAUM: Excuse me. It's
14 PG&E-24 informally. But isn't it --

15 THE WITNESS: Exhibit-72.

16 MR. BUCHSBAUM: Exhibit-72, yes.

17 THE WITNESS: And page 13-34. Excuse
18 me. I'm incorrect. Wait. I'm correct.

19 So I'm on 13-34, Table 13-9 is a
20 table that reflects how the revenues flow in
21 and out of our accounts. And when we receive
22 revenue -- when the sales occur under GAAP
23 principles, that's when you book and record
24 the revenue.

25 When you receive the cash on a
26 revenue-lag basis 48 days later, that's when
27 you can record it to cash and offset your
28 receivables. So that's the revenue-lag

1 component of this transaction.

2 Then there's a revenue-lead
3 component, which is also shown on this table,
4 and that is on line 2 and 3 when we credit
5 the revenue to our customers based on the
6 data presentation.

7 BY MS. GOODSON:

8 Q Would you agree that you've
9 described the revenues from the sales of the
10 allowances as essentially a revenue flow
11 through; is that correct?

12 MR. BUCHSBAUM: Excuse me. I am sorry.
13 I missed the -- revenue what?

14 MS. GOODSON: A revenue flow through.

15 Q That's how you described the
16 transaction. That it's a revenue flow
17 through?

18 A Exactly.

19 Q So my question --

20 A The revenue goes out --

21 Q Ms. Halverson, my question is
22 whether -- when you say a revenue flow
23 through, it's PG&E's view that you're holding
24 those revenues essentially in trust for the
25 customers who are going to receive them
26 through the climate credit. Is that
27 conceptually how you view your role?

28 I'm asking you, not Mr. Buchsbaum.

1 A It's -- it is in accordance with
2 the way we account for revenues under GAAP
3 principles.

4 Q So yes or no --

5 MR. BUCHSBAUM: I could -- I could
6 object -- I could object because, you know,
7 asking whether it's held in trust is almost a
8 legal question. I'm not sure --

9 MS. GOODSON: I understand.

10 MR. BUCHSBAUM: I'm not sure that Ms.
11 Halverson --

12 (Crosstalk.)

13 THE COURT REPORTER: I need one person
14 at a time, please.

15 BY MS. GOODSON:

16 Q Ms. Halverson, I asked you earlier
17 if PG&E views the revenues from the sales of
18 allowances as revenue belonging to PG&E. And
19 you didn't give me a yes-or-no answer.

20 Instead you explained that from how
21 you treat those revenues from an accounting
22 perspective. And that's when you described
23 the process as a revenue flow through.

24 But I'll ask you the question --
25 the yes-or-no question again.

26 A Can you clarify what "revenue
27 belonging to PG&E" means? I've never heard
28 of any revenues being referred to as such. I

1 mean, revenues --

2 Q Is your revenue requirement revenue
3 belonging to PG&E?

4 A That's part -- revenues are
5 received -- revenue requirement is part of
6 the revenues we receive. There are several
7 different types of revenue that we receive.

8 Q So let me try in a different way
9 and I'll try not to use the word "trust."

10 These dollars -- are these
11 revenues, do they belong to customers?

12 A These dollars eventually are
13 returned to customers. And it's, kind of,
14 half of the equation. Customers on the other
15 side are -- a different set of customers are
16 paying for the greenhouse gas compliance
17 obligations in their gas bills primarily and
18 in their electric procurement bills
19 secondarily.

20 Q But we're talking about here the
21 revenues from the sale of GHG allowances;
22 correct? That's what we're talking about
23 here?

24 A That's correct.

25 Q And those revenues, PG&E receives
26 them. And is it your view that those
27 revenues belong to customers?

28 A It's my view that PG&E should

1 correctly account for revenues. And the way
2 this specific revenue happens is we credit
3 the revenue when we receive it from CARB. We
4 debit the revenue when we return it to
5 customers. It nets to zero.

6 ALJ LAU: Ms. Halverson, I think for
7 the speed of the -- for the flow, if Ms.
8 Goodson has a yes-or-no answer, let's just
9 give her a yes or no.

10 THE WITNESS: Do the revenues belong to
11 customers?

12 BY MS. GOODSON:

13 Q That's a pending question.

14 A In this -- the climate credit
15 belong to customers. The residential
16 customers and other small business customers
17 that are benefitted from that program.

18 Q And the revenues from allowances
19 are distributed through the vehicle of the
20 climate credit; is that correct?

21 A The revenues from allowance sales
22 are distributed through PG&E's bills to
23 residential customers as a bill credit.

24 ALJ LIRAG: Let me try and step in, Ms.
25 Goodson. I'm getting lost a little bit.

26 EXAMINATION

27 BY ALJ LIRAG:

28 Q So when the climate credit is

1 received by customers, that amount of money
2 belongs to the customers? That's why they
3 were given the credit; is that correct?

4 A The credit appears on their bill.
5 It's a bill credit. So it's not like we're
6 giving someone cash. We're offsetting their
7 bill with a credit of \$30 or so.

8 MR. BUCHSBAUM: Your Honor, I have to
9 step in.

10 ALJ LAU: Mr. Buchsbaum --

11 MR. BUCHSBAUM: I have to step in for
12 one sentence.

13 ALJ LAU: Okay. Sure. For the court
14 reporter why don't you finish -- wait for
15 someone else to finish before you come in.
16 Let Judge Lirag finish first.

17 BY ALJ LIRAG:

18 Q All right. So the amount
19 representing the credit belongs to the
20 customer; is that correct? Or am I
21 characterizing it in a incorrect way?

22 A I wouldn't characterize it as such.
23 I would characterize it as a bill credit.
24 It's reducing the amount of money that the
25 customer owes to PG&E.

26 MR. BUCHSBAUM: Your Honor, you know,
27 for PG&E's sake and this whole issue, I think
28 we're getting tripped up over an issue that

1 probably doesn't matter all that much when
2 you're looking at a working cash situation.

3 But what was bothering me about the
4 question is we get credits all the time from
5 gas producers, from power sellers. Those
6 credits are a flow through item just like
7 this is a flow through item. They're
8 recorded in balancing accounts, and they go
9 to adjust rates either through a refund
10 procedure --

11 MS. GOODSON: Objection, your Honor.

12 MR. BUCHSBAUM: No.

13 (Crosstalk.)

14 MS. GOODSON: You're making an
15 argument, Mr. Buchsbaum.

16 MR. BUCHSBAUM: Well, I might be. But
17 I'm trying to answer the question, which
18 seems to be leading to a lot of legal
19 confusion. And the question of "belong" is
20 more of a legal question than it is a witness
21 question.

22 MS. GOODSON: Your Honors, I submit
23 that PG&E can brief this issue and the legal
24 characterization of those funds and how that
25 pertains to how they should be treated in its
26 working cash calculations. But it's not
27 appropriate for Mr. Buchsbaum to be making an
28 argument in this context.

1 BY ALJ LIRAG:

2 Q So we are just trying -- or at
3 least I am just trying to understand the flow
4 from the time -- I don't know where the
5 funding comes from until the time the credit
6 is given to the -- or is provided to the
7 customers.

8 So I don't have any proposals
9 regarding it. I'm just trying to understand.

10 A So I can give you a little more
11 context. Maybe this will help clarify it.
12 PG&E forecasts its credit, California Climate
13 Credit, bill credit, that it will be giving
14 to gas customers in April in its annual gas
15 true-up filing the year before. Okay.

16 So we assume that that amount will
17 go back to residential customers and certain
18 other customers that also receive that
19 credit. And that's in our rate filings that
20 we make in December.

21 For electric PG&E forecasts the
22 amount of bill credit it will be giving to
23 electric residential and certain other
24 customers in its annual electric true-up
25 filing in December. We even forecast it back
26 in September when we file our earlier
27 electric filing.

28 Q So you forecast it, and you're

1 working off the forecast --

2 A So we have a NEM bill credit. Go
3 ahead. I didn't mean to interrupt you.

4 Q So you're working off the forecast.
5 And then when the amount is credited, that's
6 when you record it?

7 A So what comes in from emissions
8 sales is unknown when we forecast the credit.
9 And we build that into our rate system that
10 we're going to give those customers that bill
11 credit regardless of what else is happening
12 in the next year. Okay. So we use that for
13 this year 2019 regardless of the sales of
14 emissions in the market. Whatever is
15 happening in the marketplace that can spike
16 them. In that case we get more than we
17 forecasted, or it could be trading near the
18 floor price. And in that case, we may get
19 less than we're forecasting.

20 So as the years are progressing,
21 we're getting better at aligning those two.
22 And we believe by 2019 and 2020 that these
23 are almost 100 percent zeroing out. But it's
24 never the case. So the revenue account that
25 reflects these two amounts -- and granted
26 it's just like this table -- it goes in and
27 out, in and out.

28 So you look at the account balance

1 on line 4, it's showing a balance that's
2 positive some months and negative some
3 months. And if you look at the cumulative
4 balance, it gets close to zero. It looks
5 like a squiggly line that maybe ends up
6 around zero, or maybe even ends up negative
7 if you look at it on an accumulative basis.
8 On an accumulative average basis, which is
9 how we look at lags. That's how we calculate
10 a revenue lag or a revenue lead.

11 So overall we are considering this
12 as having zero impact to our revenue day-lag
13 calculation, which measures the period of
14 time -- the period of revenue lag between
15 when we record revenues and when we receive
16 and deposit the revenues and have use of that
17 cash.

18 That lag is important because that
19 is the amount of money that our investors
20 must fund to keep our company operations
21 going. So it's really important that we get
22 that precise lag and not use a five-year
23 average or something from the past that
24 doesn't really reflect today's conditions.

25 So that's why our 2020 -- by then
26 we believe that we're going to get close to
27 zero and this is going to have a zero impact
28 on our revenue-lag calculation. Does that

1 help shed some clarity?

2 ALJ LIRAG: Yes.

3 EXAMINATION

4 BY ALJ LAU:

5 Q I have some additional questions.

6 So it does seem that when PG&E
7 forecasts that credit in the ADT filing, then
8 that is -- and when PG&E does get that credit
9 from the market or whatnot, that is the lag
10 that PG&E's talking about? That's the
11 revenue lag?

12 A The lag is shown on this schedule
13 that -- well, this is actually just recorded.
14 So this is not the cash lag. But since the
15 revenue is coming in February and going out
16 in April at a greater amount than it came in
17 at and coming in a little bit more in May, it
18 ebbs and flows over the course of the year.

19 Q So this is now considered a revenue
20 lag; right?

21 A So what I am saying is that when
22 you look at this, the difference between when
23 the revenue was recorded and the revenue was
24 deposited, that's a 48-day revenue lag. When
25 you look at the difference between when the
26 revenue is credited as a bill credit through
27 the California Climate Credit, it's less than
28 a 48-day lag because we're crediting the lead

1 closer.

2 So we're washing the two out even
3 though it might actually net to a lag. But
4 we're willing to wash the two out and call it
5 a no impact to revenue lag.

6 Q Okay. So this is not going to be
7 an impact to revenue lag because PG&E has
8 been very good at forecasting?

9 A Yes. By 2019 we have been. And so
10 its impact -- it's in billed revenues. It's
11 in accounts receivable. But if PG&E had
12 forecasted correctly, there would be a credit
13 and debit to revenues and a credit and debit
14 to receivables.

15 So at the end of the day when
16 you're looking at a revenue-lag calculation,
17 which is measuring how many days lag measure
18 by your outstanding accounts receivables and
19 your outstanding end bill revenues over your
20 total billed revenues, those are -- its total
21 is billed over -- that amount is about
22 48 days.

23 Q Okay. Thank you.

24 ALJ LAU: Thank you.

25 Ms. Goodson?

26 CROSS-EXAMINATION RESUMED

27 BY MS. GOODSON:

28 Q Thank you, your Honor.

1 So, Ms. Halverson, me correct me if
2 I'm mistaken. But I believe you said earlier
3 that PG&E has removed the CARB allowance
4 receivable from other receivables because
5 it's in the Lead-Lag Study. Is that what you
6 said?

7 A It's part of the revenues that are
8 booked in the Lead-Lag Study; that is
9 correct.

10 Q So just a moment ago, I thought you
11 said -- and I think I misheard you -- that
12 PG&E -- because PG&E's position is that the
13 lag from the receipt of the revenues from the
14 sales offsets in a balancing way the impact
15 of the credit on billed receivables, they are
16 both removed from the Lead-Lag Study. Did
17 you say that or did you not say that?

18 A Quarterly when PG&E receives the
19 revenues from the emissions sales --
20 receivables -- revenues go up; receivables go
21 up because -- based on the date of the sale.
22 That's when we've recorded it because that's
23 GAAP. Then we collect that revenue 45 days
24 later. When we refund to customers in the
25 bill credits, revenues go down receivables go
26 down.

27 Q So my question is just about PG&E's
28 working cash showing in this proceeding and

1 whether those transactions are captured by
2 your Lead-Lag Study or whether you removed
3 both because of PG&E's view that they're
4 offset.

5 A They're captured. We do not remove
6 anything. But we would note that they have a
7 zero impact because of the way they will flow
8 through in and out by 2020 when this GRC
9 takes affect.

10 Q Okay. Thank you. So please turn
11 now back to the data request response that we
12 were looking at in excerpts to Mr. Marcus'
13 attachments. And, again, this is Public
14 Advocates Data Request-88, question 1. Tell
15 me when you're there.

16 A Is this Exhibit-126?

17 Q This has not been identified as an
18 exhibit. It's one of our reference
19 documents, and I will show you the cover page
20 again if you need it.

21 ALJ LAU: We're just going to do a time
22 check. Let's go off the record.

23 (Off the record.)

24 ALJ LAU: On the record.

25 We're going to take a 15-minute
26 recess. We'll be back on the record two
27 minutes before 11:00. Thank you.

28 Off the record.

1 (Off the record.)

2 ALJ LAU: Go back on the record.

3 BY MS. GOODSON: Thank you, Your Honor.

4 Q Ms. Halverson, before the break, I
5 was asking you to look back at Public
6 Advocates Data Request-88. Do you have that
7 before you? This is an excerpt from Bill
8 Marcus's attachments.

9 A Yes, I do.

10 Q Okay. Please look at the response
11 to question 1-B. We were here before, but
12 I'm going to point out a different sentence
13 this time. And in the middle of that
14 response you state:

15 Decision 14-10-033 provides
16 for ratebase treatment on
17 long-term GHG inventory and
18 the related sales of
19 allowances.

20 Do you see that?

21 A I do see that. I don't agree with
22 that.

23 Q Would you like to clarify?

24 A Yes. I would like to clarify that
25 Decision 14-10-033 provides for ratebase
26 treatment of the greenhouse gas compliance
27 obligations, which solely addressed the
28 purchases -- the long-term purchases of

1 greenhouse gas, which is an expense item.
2 Not a revenue item per se.

3 This what we're talking about today
4 is -- I refer to as the greenhouse gas
5 emissions allowance sales and recording and
6 treatment.

7 Q So you're not suggesting that the
8 Commission has provided for ratebase
9 treatment on the sales of the allowances;
10 correct?

11 A That's correct.

12 Q Okay. Thank you for that
13 clarification. So please stay in this same
14 document and turn back to the table that
15 lists the other receivables, the first table,
16 and look at the section. There's several
17 rows that are for insurance recoveries. Do
18 you see that part of the table?

19 A Yes.

20 Q And there are two insurance
21 recovery rows with dollars in 2017. One is
22 called "Butte Insurance Recovery." And the
23 other is "Valero Insurance Recovery." Do you
24 see that?

25 A Yes, I do.

26 Q And PG&E removed the Valero
27 insurance recovery from the working cash
28 showing in this GRC; is that correct?

1 A PG&E removed all amounts that were
2 not cash payments that we were recording
3 reimbursements for from insurance companies
4 on. All those five estimations of claims
5 that are recorded as such.

6 Q And that there's a \$16 million
7 entry for Valero in December. And I believe
8 in your response to part D of this question
9 you clarify that that \$16 million receivable
10 was removed from the working cash showing
11 because it's a non-cash accrual; is that
12 correct?

13 A That's correct.

14 Q Okay. Thank you. So the only
15 insurance recovery then that's in this GRC
16 showing is what's called Butte Insurance
17 Recovery; is that right?

18 A That's correct.

19 Q And --

20 A On a cash basis.

21 Q Thank you. And does that refer to
22 the 2015 Butte Fires insurance recovery?

23 A I believe so subject to check.

24 Q And these receivables represent
25 outstanding receivables from insurance
26 companies for settlements and claims paid by
27 PG&E for the Butte Fires; is that correct?

28 A That's correct. When PG&E pays

1 claims for wildfire or otherwise, it requires
2 a permanent commitment of investor capital
3 due to the significant lag before we can turn
4 around and get reimbursement from insurance
5 companies.]

6 Q So please turn to your rebuttal
7 testimony, which is Exhibit -- Hearing
8 Exhibit 72, and page 13-17. And look at
9 lines 23 to 25. Are you there?

10 A Yes.

11 Q Okay. And here you explain:
12 Since insurance is a
13 necessary and prudent
14 operational expense and
15 ratepayers benefit from the
16 coverage, it is reasonable
17 to fund the lag in
18 collection of the
19 recoveries in working cash.
20 Do you see that?

21 A Yes.

22 Q And when you state here that
23 "ratepayers benefit from the coverage," do
24 you mean that ratepayers benefit from
25 insurance coverage because it protects them
26 from bearing potentially higher costs from
27 third-party claims and settlements that the
28 utility would otherwise recover in rates?

1 A That's a long sentence and some of
2 what you just said I agree with. I am not
3 sure if I agree with all of it. I know that
4 in Resolution E-4994, the Commission ruled
5 that purchasing liability insurance is a
6 reasonable and prudent business expense and
7 the costs of such insurance need not be borne
8 by shareholders.

9 And that was issued this year in
10 February of 2019 and PG&E agrees that
11 insurance is a necessary and beneficial cost
12 of, and prudent cost of operating our
13 business. And that because of that insurance
14 premium that generally costs less than the
15 covered benefits, it can benefit customers.

16 Q And would you agree that the
17 benefit to customers is -- occurs when the
18 customers avoid bearing costs that the
19 insurance insulates them from?

20 A Yes, so-to-speak. I understand
21 what you're saying.

22 Q Thank you. And in this case, those
23 insurance -- the insurance receivables are
24 only for the Butte Fires; is that what you
25 explained before?

26 A That's correct; however, they do
27 represent a proxy for what could happen in
28 the future. We have lots of wildfires that

1 are going on simultaneously as a result of
2 the climate in California right now. And
3 this is a greater expense for the company.
4 It's a greater expense for California in
5 general. And so this is a small, small
6 approximate balance of what would represent
7 our paid claims and our receivable from paid
8 claims in 2020. And, you know. Go ahead. I
9 am done.

10 MS. GANDESBERY: Can we go off the
11 record for a minute?

12 ALJ LIRAG: All right. Off the record.
13 (Off the record.)

14 ALJ LIRAG: All right. Back on the
15 record.

16 BY MS. GOODSON:

17 Q Do you have before you the document
18 that's been identified as Exhibit 126? This
19 is the Excerpts from PG&E's 2017 GRC about
20 Other Accounts Receivable.

21 A Yes.

22 Q Okay. So the first excerpt in this
23 document is from PG&E's testimony in the last
24 GRC. And it is the excerpt from its working
25 cash testimony, working cash rebuttal
26 testimony. Do you see that?

27 A Yes.

28 Q Okay. So please turn to page 13-9

1 of PG&E's testimony from the last GRC. And
2 at the top of the page, the section heading
3 PG&E Explains That it's Responding to TURN's
4 Adjustments to Other Receivables. Do you see
5 that?

6 A Yes.

7 Q Okay. And then lines 6 to 9, I'd
8 like to give you a second to just review
9 those lines and then I am going to ask you a
10 question.

11 A Okay. I am ready.

12 Q You're a fast reader.

13 So would you agree that in PG&E's
14 2017 GRC, PG&E agreed with TURN's position
15 that base year amounts for San Bruno
16 insurance payments should be removed from
17 Other Receivables?

18 A Yes.

19 Q And do you have before you the
20 excerpt from PG&E's A&G testimony in this
21 case?

22 A Yes.

23 Q PG&E-9 is its re-numbering.

24 And would you turn to page 6-9 of
25 this testimony?

26 ALJ LAU: Ms. Goodson, which exhibit
27 are you referring to?

28 MS. GOODSON: It's been pre-numbered

1 PG&E-9 and it's an excerpt, so I handed out a
2 reference document because we haven't
3 formally identified it as a hearing exhibit
4 yet.

5 THE WITNESS: All right.

6 BY MS. GOODSON:

7 Q And starting at line 3, PG&E here
8 is discussing "settlements, judgments and
9 claims." Do you see that?

10 A Yes.

11 Q And at lines 4 to 6, the testimony
12 explains that PG&E's forecast includes the
13 cost of settlement and judgments as part of
14 its litigation function, as well as claim
15 payments to third parties that did not
16 proceed to litigation. Do you see that?

17 A Yes.

18 Q And starting at lines 6 -- excuse
19 me, the next page, page 6-10, below the
20 figure, PG&E explains starting at lines 1 to
21 2, it identifies which historic costs were
22 excluded from its forecast for settlement and
23 third-party claims. Do you see that list?

24 A Yes.

25 Q And Item Number 4 on the excluded
26 costs is settlements, judgments and claims
27 pertaining to both the San Bruno explosion,
28 and the Butte Fire. Do you see that?

1 A Yes.

2 Q So, is it your understanding that,
3 at least for purposes of forecasting
4 settlement and third-party claims expense,
5 PG&E similarly treated the Butte Fire and
6 San Bruno?

7 A No.

8 MR. BUCHSBAUM: Your Honor, I am going
9 to object because the witness that is
10 pertinent to this -- I allowed the reading of
11 the item without objection, but if it goes
12 beyond that to try and explain how it relates
13 to this particular item regarding insurance
14 which is something quite different, then I
15 really have a problem because the witness
16 that can speak to this particular item, your
17 Honors --

18 MS. GOODSON: Fortunately, I am
19 finished.

20 THE WITNESS: I am happy to address
21 this.

22 ALJ LAU: If she wants to address it, I
23 will allow it.

24 THE WITNESS: It's pretty easy.

25 MR. BUCHSBAUM: Yeah. Go ahead.

26 THE WITNESS: Did you pose a question?

27 ALJ LAU: No. She has no more
28 questions.

1 MS. GOODSON: I have no more questions.

2 ALJ LAU: Let's go on to Ms. Shek.

3 MS. SHEK: Thank you, your Honor.

4 CROSS-EXAMINATION

5 BY MS. SHEK:

6 Q Good morning, Ms. Halverson. I'm
7 Selina Shek for the Public Advocates Office.

8 I am sorry, your Honor. We have
9 actually exhibits -- an exhibit to mark.

10 ALJ LIRAG: Let's go off the record.

11 (Off the record.)

12 ALJ LAU: Let's go back on the record.

13 While we were off the record,
14 Ms. Shek served a cross-examination exhibit.
15 That is, Cal Advocates served a
16 cross-examination exhibit and we'll identify
17 it as Exhibit 127, PG&E Response to Data
18 Request 240, Question 3.

19 (Exhibit No. 127 was marked for
20 identification.)

21 MS. SHEK: Thank you, your Honor.

22 Q Now, Ms. Halverson, do you have the
23 cross-exhibit before you?

24 A I do.

25 Q And is it correct that these were
26 data request responses prepared by you or
27 under your supervision?

28 A Yes.

1 Q Would you still answer these
2 questions the same way as if asked today?

3 A I believe so.

4 Q Now looking to question --

5 ALJ LIRAG: Hang on, Ms. Shek.

6 Carol, can you hear Ms. Shek pretty
7 well?

8 COURT REPORTER: Yes.

9 ALJ LIRAG: Because you're close to
10 her.

11 All right. Please proceed,
12 Ms. Shek. Sorry for the interruption.

13 BY MS. SHEK:

14 Q Ms. Halverson, can I refer you to
15 your response to Question 3A?

16 A Yes.

17 Q Now, here you state that PG&E's
18 investor funding for the Habitat Conservation
19 Plan will be committed for, quote, "a minimum
20 period of 30 years." End quote. That,
21 quote, "occurs prior to the HCP costs,
22 book-to-plant." End quote. Is that correct?

23 A That's correct.

24 Q Now, looking at your response to
25 Question 3B, you state here, quote, "The
26 period of time between when PG&E records an
27 expenditure to HCP-deferred debits and
28 reclassifies the costs to gas and electric

1 plant will vary from a few years to more than
2 30 years." End quote. Is that correct?

3 A Yes. I will clarify that it could
4 vary because the permit that the HCP
5 established is a 30-year permit. So we could
6 technically apply the mitigation credits that
7 are bulk purchased at a discount -- we could
8 technically apply some of those to projects
9 up to 30 years in the future.

10 It's highly unlikely that that will
11 happen because the fund doesn't have -- we
12 don't believe it has enough in it right now
13 to be able to finance credits out that far.

14 Q Ms. Halverson, could you explain,
15 though, which Habitat Conservation Plan costs
16 would have a minimum period of 30 years
17 versus ones that could occur prior to the
18 Habitat Conservation costs being
19 book-to-plant?

20 A Yes. I am going to have kind of a
21 long answer because I just want to lay the
22 groundwork.

23 The Habitat Conservation Plan was
24 set up 10 years ago based on a business case
25 that demonstrated the benefits to customers
26 of essentially setting up this economies of
27 scale and scope program to get -- develop
28 permits for incidental takes and essentially

1 bulk purchase these mitigation credits where
2 this trust called the National Wildlife
3 Foundation will go ahead and buy land and
4 that land -- they manage that land in a
5 trust. And then as we have projects
6 occurring, 10 to 20 per year, we dip into
7 that land and use that land to mitigate a
8 credit associated with a project.

9 So, you know, what used to be done
10 on a project-by-project basis for the market
11 price of the land at that time and that would
12 delay a project in CWIP for 24 to 36 months
13 so you could get a permit, is now done
14 through the Habitat Conservation Plan. So
15 our CWIP time period has shortened
16 significantly because we grab the mitigation
17 credit right as we are putting the project
18 into rate base.

19 ALJ LIRAG: Let me just say for the
20 reporter that CWIP is C-W-I-P.

21 THE WITNESS: Construction work in
22 process. I apologize for that.

23 So, this is saved money because of
24 the CWIP time that we're saving while -- we
25 are avoiding during construction projects.
26 And granted we are running a balance in this
27 trust and it hit its high-dollar mark of 62
28 million at the end of 2017. We're now

1 starting to provide benefits from this trust
2 where we can use it and we're using about
3 3.7 million a year of mitigation credits,
4 this land that we then associate with 10 to
5 20 projects per year. And that 3.7 million
6 is avoiding 18.7 million or five "x" that
7 price if we had to go buy that on the market
8 price -- on the market to mitigate credit.

9 So there is this huge time saving in
10 CWIP. There's a discount because we are bulk
11 purchasing mitigation credits. We avoid the
12 cost of an incidental take permit which can
13 range from 200,000 to 400,000 per permit just
14 to -- you pay this just so that the agencies
15 can get all their admin done associated with
16 a project specific-incidental take permit.

17 So it's -- on an annual basis, if
18 you translate all these rate base amounts of
19 savings to revenue requirements savings, we
20 are asking customers to fund about -- well,
21 in total it's about 47 million of rate base
22 which, as a 10 percent revenue requirement
23 equivalent, is about 4.7 million of costs.
24 And we believe that we are saving customers
25 revenues of about 9 million or greater. And
26 that could actually double, but I took a very
27 conservative position in calculating the
28 benefits because I really wanted to

1 understand why it is that we're holding this
2 big-dollar amount in this trust at the end of
3 2017 and what benefit that's providing for
4 customers.

5 And so I went back and really did
6 the homework on this that Christian had
7 requested from DRA, TURN -- excuse me, from
8 Cal Advocates and discovered just what kinds
9 of benefits this is providing to ratepayers.

10 BY MS. SHEK:

11 Q With your description here,
12 Ms. Halverson, can you, though, describe what
13 projects really would be book-to-plant and be
14 used and useful when they're able to be
15 actually book-to-plant, when I guess you're
16 calculating the 4.7 million or so or 3.7 per
17 year in credits that you're able to apply?

18 A So, I believe you're asking me what
19 types of projects does PG&E use these credits
20 for; is that correct?

21 Q What types of projects are actually
22 able to be book-to-plant that are actually
23 projects that are fully I guess funded or
24 fully -- they are no longer construction
25 works in progress. They are completed
26 projects.

27 A Yes. So, the answer is everything.
28 Gas transmission, electric transmission, gas

1 distribution, electric distribution and even
2 generation all benefit from these credits.
3 Whenever we have some kind of project
4 construction going on that requires an
5 incidental take permit, then we can -- then
6 rather than spend the two years while the
7 project is going on accruing CWIP, accruing
8 AFUDC, which is allowance for funds used
9 during construction, it's the cost, the
10 carrying cost on a long-lived construction
11 project. And our CWIP projects used to just
12 run on forever, for years, while we waited
13 for these permits to be approved and up to
14 36 months in delay. And that's a lot of
15 CWIP, construction work in process, just
16 sitting on your books costing our customers
17 money before we can put them into rate base
18 as a much-higher cost amount.

19 So rather than that, we're putting
20 the net cost of the project 24 months sooner
21 into rate base. And it excludes all of that
22 AFUDC accrual associated with getting a
23 permit and with having a mitigation credit
24 purchased. And instead right when it's ready
25 to go in service, we take a mitigation credit
26 from this trust and add it to the rate base
27 and the projects in service. So it's
28 efficient. It's a really efficient process.

1 It's basically we are bulk purchasing
2 mitigation credits for the benefit of our
3 customers.

4 Q Thank you, Ms. Halverson.

5 Can you tell us how PG&E decides
6 how much of the HCP-deferred debit gets to be
7 book-to-plant for a given project?

8 A It's case-by-case. It depends on
9 the size of the project and what type of
10 mitigation credit is required.

11 Q Do you have specific factors that
12 you look at per project?

13 A So, on average, I know that we have
14 about 3.7 million of amounts that will be
15 transferred out of that trust on annual
16 averages over the next 10 years to be used
17 for -- between 10 and 20 projects. And if we
18 were to buy that on the market, the
19 mitigation credits alone would be
20 18.7 million per year.

21 Q Thank you, Ms. Halverson.

22 Now, Ms. Halverson, looking back at
23 your data request response, the response to
24 3B, you also include a chart here. Would you
25 agree the chart demonstrates that the monthly
26 balance in the Habitat Conservation Plan has
27 substantially increased from 2009 to 2018 to
28 60 million?

1 A Yes. Due to the development of
2 permits for all of our service territory.

3 MS. SHEK: Your Honor, can I have a
4 moment off the record?

5 ALJ LIRAG: Yes. Off the record.

6 (Off the record.)

7 ALJ LIRAG: Back on the record.

8 BY MS. SHEK:

9 Q Ms. Halverson, can you tell us how
10 PG&E determines how much of the HCP
11 expenditures to book for plant -- I'm sorry.
12 I have already covered that question.

13 Can you tell us where actually in
14 PG&E's testimony did you provide information
15 about how PG&E would look to book HCP
16 expenditures to plant on a given project?
17 Can you show us where in the testimony?

18 A I don't necessarily address that.
19 I believe there's an HCP witness that would
20 be more knowledgeable on that as a --
21 probably someone in our Environmental who
22 would --

23 MR. BUCHSBAUM: Your Honor, also we
24 have a capital accounting witness that would
25 answer questions pertaining to construction
26 work in progress, plant and those kinds of
27 issues. So the actual booking from a
28 deferred debit which is what we currently

1 book this at to plant would be most
2 appropriately directed to --

3 ALJ LIRAG: All right. And this
4 witness --

5 THE WITNESS: Miscellaneous and
6 tangible.

7 (Crosstalk.)

8 ALJ LIRAG: This witness is scheduled
9 next -- sometime next week, right?

10 MR. BUCHSBAUM: We have a depreciation
11 witness scheduled. The rate base witness was
12 waived.

13 ALJ LIRAG: What about Mr. Patterson?

14 MR. BUCHSBAUM: Mr. Patterson I am
15 pretty sure could answer this question or at
16 least would have an idea to inform you about
17 it, but speaking for him I'm not sure is
18 appropriate. He knows everything.

19 ALJ LIRAG: All right.

20 MR. BUCHSBAUM: He is coming later.

21 ALJ LIRAG: All right. Let's have
22 Ms. Shek reserve that line of questioning for
23 Mr. Patterson.

24 MS. SHEK: Okay. Ms. Halverson --

25 THE WITNESS: I think he was somewhat
26 kidding about that. But I believe that it
27 would be good to reserve that for the rate
28 base witness that would be sponsoring

1 miscellaneous intangible costs within a plant
2 booking.

3 MR. BUCHSBAUM: Yeah, the closest we
4 have unfortunately right now is Mr. Patterson
5 and he is available today. So we can try
6 with him.

7 THE WITNESS: Or Pei Sue Ong.

8 MS. SHEK: Thank you.

9 ALJ LIRAG: Let's move on,
10 Ms. Shek.

11 MS. SHEK: Thank you, your Honor.
12 Thank you, Ms. Halverson.

13 Q Now, Ms. Halverson, you did allude
14 to a bit of a description about the external
15 trust. Can you describe that a bit more and
16 how it works?

17 A It's the external trust --

18 MR. BUCHSBAUM: Your Honor, do we have
19 a Habitat witness? Because Ms. Halverson
20 knows many things but she is not a --

21 MS. SHEK: Your Honor, Ms. Halverson
22 has said she is able to answer the question.

23 ALJ LIRAG: All right. We'll see if
24 Mr. Halverson is able to answer.

25 MR. BUCHSBAUM: Okay. I am fine with
26 it.

27 THE WITNESS: I will preface I am not
28 the expert. From what I know, the Habitat

1 Conservation Plan was set up back in 2005
2 between -- the CPUC approved this program
3 that would spend about the first 10 years
4 developing these permits for our entire
5 territory for incidental take and we would be
6 advancing funds to this foundation, National
7 Fish and Wildlife Foundation, that would
8 manage the trust. And once the permits were
9 signed and operative for all the parts of our
10 territory and they are operative at the end
11 of this year or possibly the beginning of
12 2020 will be a hundred percent operative and
13 ready to go. So this will be fully
14 benefiting all of our territory and at that
15 time we will -- the trust will then be using
16 the land that it has acquired for mitigation
17 credits on each project.

18 And going back to my rebuttal
19 testimony, Exhibit 72, I included a table in
20 there that shows what types of costs have
21 been transferred out for operational permits
22 and then what costs are forecasted to be
23 transferred out as we start using this land
24 to benefit specific projects.

25 BY MS. SHEK:

26 Q Thank you, Ms. Halverson.

27 Can you tell us how PG&E insures
28 that the Trust produces outcomes that do

1 benefit ratepayers?

2 A That is beyond my expertise.
3 However, it is a state and national program,
4 the Habitat Conservation Program. So you can
5 Google it. It's a phenomenal program because
6 under the current administration, you have
7 basically eliminated funding for so many
8 different programs; Fish and Wildlife in our
9 state, this is the one that has managed to
10 survive. And it's the only one providing
11 conservation benefits to California now.

12 Q Thank you, Ms. Halverson. So is it
13 correct that you are not aware of how exactly
14 PG&E's role is to insure that ratepayers are
15 benefitted by the plan?

16 A That is really something for
17 another witness. I can go back and get that
18 for you subject to check, but I don't have
19 enough of an expertise to tell you now. That
20 checks and balances is in place, though. I
21 would just have to view that separately.

22 Q Thank you. Just one other question
23 on this topic; again, if you are aware of any
24 part of PG&E's testimony here in this rate
25 case where information on the trust was
26 included in its testimony?

27 A I am not a hundred percent aware of
28 where else it was discussed. It was

1 primarily set up back in 2005 and it started
2 funding in 2008. So during that period of
3 time is where the brunt of the discussion and
4 the business case around costs and benefits
5 to customers over the next 30 to 50 years
6 would take place.

7 Q Thank you, Ms. Halverson. I am
8 sorry. My question was just about where in
9 PG&E's testimony is that information
10 included?

11 A I don't know.

12 ALJ LIRAG: Is that something that
13 counsel can maybe clarify with Cal PA?

14 MS. GANDESBERY: Yes, your Honor.

15 ALJ LIRAG: All right. Let's do that
16 while we are not on the record.

17 BY MS. SHEK:

18 Q Thank you, Ms. Halverson. Just one
19 more question.

20 To your Exhibit PG&E-24, your
21 rebuttal; it is Exhibit 72 here in this
22 evidentiary hearing and proceeding. Looking
23 at page 13-36, if you can look at lines 10
24 through 18, here you state:

25 Third, Cal Advocates
26 developed its proposal for
27 a 0.96-day lag adjustment
28 using 2018 non-base-year

1 revenues and then applies
2 adjustment to the five-year
3 average 2013 through 2017
4 non-base-year revenue lag.
5 This arbitrary and
6 inconsistent
7 pick-and-choose method is
8 baseless and sets a bad
9 precedent for the
10 computation of working
11 cash.
12 As stated earlier, SPU-16
13 requires the consistent use
14 of a single base year;
15 i.e., 2017 when computing
16 the revenue lag and other
17 components of working cash.
18 PG&E encourages the
19 Commission to reject Cal
20 Advocates' arbitrary and
21 incorrect proposal to
22 adjust PG&E's revenue date
23 lag.
24 Now, can you tell us, did PG&E
25 return natural gas-related climate credits to
26 customers in 2017?]
27 A No. But the majority of the
28 climate credits flow to electric customers.

1 PG&E did not have a program for gas that was
2 set up to distribute those credits until
3 2018. So it distributed both 2017 and 2018
4 credits to customers in 2018.

5 MS. SHEK: Thank you, Ms. Halverson.

6 Those are all the cross-examination
7 questions we have for Ms. Halverson.

8 ALJ LIRAG: Do you have any redirect?

9 MR. BUCHSBAUM: Can I go off the record
10 for a moment?

11 ALJ LIRAG: Yes. Off the record.

12 (Off the record.)

13 ALJ LIRAG: All right. Let's go back
14 on the record.

15 Mr. Buchsbaum.

16 MR. BUCHSBAUM: Yes, I only have one
17 question, your Honor.

18 REDIRECT EXAMINATION

19 BY MR. BUCHSBAUM:

20 Q Do you recall questions that
21 Ms. Goodson asked you about insurance and how
22 it benefits ratepayers?

23 A Yes.

24 Q Do you remember, one of the
25 questions was that it could benefit them with
26 respect to saving them having to pay costs
27 that are otherwise avoided by the insurance
28 recovery; do you recall that?

1 A Yes.

2 Q And do you recall, you said that
3 was one reason for the customer's benefit?

4 A Yes.

5 Q And are there other reasons that
6 customers could benefit from receiving --
7 from the fact that the company procures
8 insurance?

9 A Yes. Insurance is a necessary and
10 prudent business expense for any company to
11 not only shield its customers from claims,
12 but to insure its going concern and financial
13 well-being.

14 MR. BUCHSBAUM: Thank you.

15 That's all I have, your Honor.

16 ALJ LIRAG: Ms. Goodson.

17 MS. GOODSON: No further cross, your
18 Honor.

19 ALJ LIRAG: Is there a move to admit
20 exhibits 125 and 126 into the record?

21 MS. GOODSON: Yes, your Honor.

22 ALJ LIRAG: Any objections?

23 (No response.)

24 ALJ LIRAG: Hearing none, Exhibits 125
25 and 126 are received into the record.

26 (Exhibit No. 125 was received into
27 evidence.)

28 (Exhibit No. 126 was received into
evidence.)

1 ALJ LIRAG: Same question to
2 Ms. Shek regarding 127.

3 MS. SHEK: Yes.

4 ALJ LIRAG: Any objection?

5 (No response.)

6 ALJ LIRAG: Hearing none, Exhibit 127
7 is received into the record.

8 Ms. Halverson, you're excused.

9 Let's go off the record.

10 (Exhibit No. 127 was received into
11 evidence.)

12 (Off the record.)

13 ALJ LIRAG: Let's go back on the
14 record.

15 Good morning, Mr. Wilson.

16 THE WITNESS: Good morning.

17 GREG WILSON, called as a witness by
18 PA0, having been sworn, testified as
follows

19 ALJ LIRAG: State your name and spell
20 your last name, and provide a business
21 address.

22 THE WITNESS: My name is Greg Wilson,
23 W-i-l-s-o-n. My business address is the
24 state building, 505 Van Ness Avenue in San
25 Francisco.

26 ALJ LIRAG: All right. Thank you.

27 Let's identify some exhibits.

28 Exhibit 128 is the Report on the Results of

1 Operations for Electric Distribution Capital
2 Expenditures, Part 2 of 2. This is sponsored
3 by Mr. Wilson and partially by Mr. Pocta, so
4 that's Exhibit 128.

5 (Exhibit No. 128 was marked for
6 identification.)

7 ALJ LIRAG: Exhibit 129 is the
8 "Workpapers for Electric Distribution Capital
9 Expenditures, Part 2 of 2," sponsored solely
10 by Mr. Wilson.

11 (Exhibit No. 129 was marked for
12 identification.)

13 ALJ LIRAG: Mr. Sher.

14 DIRECT EXAMINATION

15 BY MR. SHER:

16 Q Good morning. Nicholas Sher on
17 behalf of the Public Advocates Office.

18 Mr. Wilson, do you have what's been
19 marked 128 and 129 in front of you?

20 A Yes.

21 Q Are these true and correct to the
22 best of your knowledge?

23 A They are.

24 Q And any opinions expressed therein
25 are based on your experience?

26 A Yes. I should clarify, though,
27 that there are three pieces of Exhibit 128
28 that I am not sponsoring, and if this is the

1 appropriate time, I can identify those three
2 pieces.

3 Q Please go ahead.

4 A On page 2, there's a series of
5 bulleted paragraphs. The last bullet on page
6 2 is sponsored by Mr. Pocta. Beginning on
7 page 36, there's a Section VII, Roman
8 Numeral VII. It's called "Alternative CWSP
9 Proposal." This entire section is sponsored
10 by Mr. Pocta. And then towards the end of
11 the exhibit on page 63, Mr. Pocta has
12 included his witness qualifications.

13 Q With that in mind, do you have any
14 corrections to make?

15 A I do not.

16 MR. SHER: Your Honor, the witness is
17 available for cross-examination.

18 ALJ LIRAG: The witness will be
19 available for cross at 1:10. Let's take our
20 lunch break right now. And remind me,
21 Ms. Ramaiya, to address on the record the
22 issue regarding witnesses that have no cross
23 scheduled. Let's go off the record.

24 (Whereupon, at the hour of 11:45
25 a.m., a recess was taken until 1:10
p.m.)

26 * * * * *]

27

28

AFTERNOON SESSION - 1:10 P.M.

* * * * *

ALJ LIRAG: Let's go on the record. We are back from our lunch break, and we have Mr. Wilson waiting for us, but now let's do a little bit of housekeeping.

First, as Ms. Ramaiya reminded me, this is regarding the witnesses that have no cross scheduled or cross has been waived. So we've completely reviewed the topics that these witnesses have covered, and for all parties we are not requiring their presence, their physical presence, here at the Commission. So nobody has to appear for the witnesses that have no cross.

Another matter, so we have Exhibit 110 awaiting discussion between the Joint CCAs and PG&E, so there's still no ruling on that. There's also a pending objection to Exhibit 117, so we won't address that today. We'll wait for when both Ms. Shek and Mr. Gallo are both here.

Another matter is PG&E's motion regarding interim rates, so we have just mailed, I believe, a proposed decision so that was subject to comments.

The other matter is -- Ms. Goodson is not here, but this is regarding TURN's

1 motion regarding PG&E's bankruptcy plan on
2 what to do with that, and it had only been
3 served to the parties, and there's also a
4 request for a second PHC. So we're still
5 considering options regarding that, so we'll
6 have some word on that soon.

7 Another matter that we had raised
8 was about the issue on the AB 1054
9 requirement. So we had indicated that we
10 might try to resolve that issue sooner than
11 the rest of the issues in the General Rate
12 Case so that is still being determined and so
13 we'll have word on that soon.

14 The final matter, I believe, I
15 wanted to address was regarding the update
16 testimony, so we had set a date for when the
17 update testimony will be filed, and I just
18 wanted to inform the parties that we had set
19 aside November 6th as a possible hearing date
20 in case hearings are needed regarding the
21 update testimony. So that's November 6th. I
22 believe it's 10:00 a.m. All right. November
23 6th, and let's just set it at 10:00 a.m.
24 It's also in Hearing Room A.

25 So I believe that addresses all the
26 pending issues that we have, and I will turn
27 it over to ALJ Lau for cross-examination of
28 Mr. Wilson. Let's go off the record.

1 (Off the record.)

2 ALJ LAU: Back on the record.

3 Ms. Gandesbery, are you ready?

4 MS. GANDESBERY: Yes.

5 GREG WILSON,
6 resumed the stand and testified further as
7 follows:

8 CROSS-EXAMINATION

9 BY MS. GANDESBERY:

10 Q Good afternoon, Mr. Wilson.

11 A Good afternoon.

12 Q I'm Mary Gandesbery. I'm an
13 attorney for Pacific Gas & Electric Company.

14 A Nice to meet you.

15 Q Nice to meet you.

16 So I'll be asking some questions
17 about your prepared testimony. Do you have
18 that in front of you?

19 A I do.

20 You're talking about Exhibit 128?

21 Q Yes. It's entitled: "Electric
22 Distribution Capital Expenditures."

23 A That's correct.

24 Q First, I'd like to discuss your
25 qualifications.

26 A Sure.

27 Q You're Registered Professional
28 Engineer in Civil Engineering?

1 A I am.

2 Q You worked at the CPUC beginning in
3 1977?

4 A That's correct.

5 Q How long did you work at the CPUC?

6 A I retired from full-time work at
7 the very end of 2015; so I think it's like 39
8 years.

9 Q And which positions did you hold
10 during that time?

11 A I was in the engineering -- the
12 engineering stream. I started as a junior
13 engineer and retired as a senior engineer.

14 Q Did you work as an analyst for
15 Energy Division?

16 A I was in Energy Division for,
17 maybe, 15 years. Before that, I worked in --
18 well, at the time it was called "ORA," and
19 then it was "DRA," and now it's called, "Cal
20 Advocates." So the name has changed, but I
21 was on the advocacy side for a number of
22 years and worked in the Energy Division for
23 about 15 years.

24 Q And it appears you appeared as a
25 witness in numerous GRC proceedings.

26 A That's correct.

27 Q And what's generally been the topic
28 of your testimony?

1 A For the most part it's been
2 capital-related, not so much transmission,
3 but mostly distribution; rate base;
4 occasionally, I've done some working cash
5 analysis.

6 Q Have you appeared as a witness in
7 any CPUC proceedings in the last few years?

8 A Yes. I was trying to recall
9 whether I actually testified, but I submitted
10 testimony in the most recent Edison case and
11 the most recent Sempra case.

12 Q So when you say "Edison case," are
13 you referring to the Edison General Rate
14 Case?

15 A That's correct. Yes.

16 Q What was the topic of your
17 testimony in that proceeding?

18 A That's a good question. They get
19 kind of mixed up. I'm sure it had to do with
20 plant and rate base analysis.

21 Q And Sempra GRC, same question:
22 What was the topic of your testimony?

23 A It was the same thing: Plant and
24 rate base.

25 Q And did you participate at all in
26 the Wildfire Mitigation Plan Rulemaking that
27 was pending at the PUC?

28 A I did not.

1 Q And the other question, did you
2 participate in SCE's Grid Safety and
3 Resiliency Program Application at all?

4 A No, I did not.

5 Q Thank you.

6 So you reviewed PG&E's Wildfire
7 System-Hardening Proposals in this
8 proceeding?

9 A I reviewed what was in your exhibit
10 PG&E-04. Is that the volume that you're
11 referring to?

12 Q I'm referring to PG&E's Capital
13 Wildfire Safety Programs that are the subject
14 of your testimony.

15 A Yes. I reviewed certain portions
16 of PG&E's Exhibit 4 and those pertain --
17 well, pertain to a number of different
18 things, but wildfire prevention or wildfire
19 mitigation was a large part of what I
20 reviewed. I think there were other witnesses
21 that also reviewed portions of the wildfire
22 mitigation, but it did constitute a big
23 portion of what I reviewed.

24 Q And did you also review PG&E's
25 Wildfire Mitigation Plan?

26 A Not that I recall, no.

27 Q You haven't seen PG&E's Wildfire
28 Mitigation Plan?

1 A No, I have not.

2 Q How did you conduct your review of
3 PG&E's Capital Projects for Wildfire
4 Mitigation Safety?

5 A I looked through all of the PG&E
6 testimony, went through all of the workpapers
7 that supported that testimony, at least to
8 the extent I looked at those areas for the
9 portions of your testimony that I was
10 assigned.

11 So I looked through all of that,
12 and tried to evaluate whether or not there
13 was enough information available so that I
14 could come up with an analysis that I felt
15 would be strong enough to confirm that the
16 projects were reasonable.

17 Q And did you do any research, look
18 at any other documents, other than the ones
19 you've described so far?

20 A Well, there were a number of data
21 requests that I asked, but as far as other
22 PG&E documents, I just looked at the
23 testimony/workpapers.

24 Q On page 4 of your testimony that
25 was marked this morning -- is it 128?

26 ALJ LAU: 128.

27 THE WITNESS: Yes.

28 ///

1 BY MS. GANDESBERY:

2 Q You recommend that PG&E's
3 expenditures for three categories of work be
4 tracked in the memorandum account, and that
5 the Commission not adopt the revenue
6 requirement for the work in this proceeding;
7 correct?

8 A That's correct.

9 Q And the three types of work that
10 you're referring to that you proposed to
11 be -- for the cost to be recorded in the
12 memorandum account, are they identified on
13 Table 9-1 of your testimony?

14 A They are. They're indicated by the
15 cells that are shaded in the red. There's --
16 well, there's six forecasts, but three
17 different accounts.

18 Q So I went through each of the cells
19 for the work categories that you propose for
20 the memorandum account.

21 A All right.

22 Q First, on line 14 of Table 9-1 is
23 CWSP total; is that correct?

24 A Yes. I see it. Yes.

25 Q What work is included in the CWSP
26 total?

27 A There is an expanded version of
28 that table contained in my testimony, and if

1 I'm lucky, I'll find quickly.

2 ALJ LAU: Let's go off the record.

3 (Off the record.)

4 ALJ LAU: Back on the record.

5 THE WITNESS: The table I was looking
6 for is on page 25 of my testimony. It's
7 Table 09-1-A. On line 9 of that table,
8 there's the heading: "Community Wildfire
9 Safety Program," and then there are four
10 subprojects that are identified here, which
11 identify the projects that make up the CWSP
12 total.

13 BY MS. GANDESBERY:

14 Q Thank you.

15 Going back to Table 9-1. So the
16 next category of work that you identified for
17 the memorandum account is a Wires Down
18 Program, Overhead System Hardening?

19 A That's correct.

20 Q And, finally, the third type of
21 work you recommend for the memorandum account
22 is the Resilient Zone Proposal?

23 A That's correct.

24 Q On page 9 of your testimony on
25 lines 15 to 17, are you on that page?

26 A I'm with you.

27 Q You state that "Cal Advocates has
28 found many of PG&E's Non-Wildfire Capital

1 Forecast to be reasonable."

2 A Yes, I see that.

3 Q Which Non-Wildfire Capital Forecast
4 were you referring in that sentence?

5 A I don't know that I was referencing
6 to anything in particular, but if you flip
7 back to page 5, and if you look at Column K
8 and Column N, you'll see that in many
9 instances there is a zero indication, which
10 means that the number that PG&E proposed for
11 its forecast was investigated by me, and I
12 found it to be reasonable so that's what I
13 was -- that's what it was generally in
14 reference to.

15 Anything that shows up as a zero in
16 Columns K or N would be projects that I
17 agreed with PG&E's forecast.

18 Q Thank you.

19 Turning back to your Wildfire
20 Capital Proposals, on page 11 of your
21 testimony you state: "It must be emphasized
22 that the memorandum account proposal is not
23 intended to be critical of any of the capital
24 projects that are being tracked in the
25 memorandum account."

26 Do you see that?

27 A I do see that.

28 Q And then you also state at lines 3

1 to 5: "Based on the details that have been
2 provided to date, these capital projects,
3 should they come to fruition, should help
4 mitigate the risk of future wildfires."

5 Do you see that?

6 A I do.

7 Q And this work, again, that you're
8 referring to in those sentences: "The
9 Community Wildfire Safety Program work; the
10 Overhead System Hardening; and the Resilient
11 Zones"?

12 A Yes. That's correct.

13 Q And did you reach these conclusions
14 after spending a considerable amount of time
15 analyzing the capital projects?

16 A I think that's a fair statement,
17 but I should also point out that I also came
18 to the conclusion that in many instances, the
19 specific capital projects weren't provided in
20 enough detail for me to adequately figure out
21 whether or not the specific projects were
22 actually going to be reasonable.

23 Q Are you speaking of the funding?
24 When you say "reasonable," do you mean the
25 funding?

26 A Well, both the funding and what the
27 actual project is. I mean, if you turn to
28 page 13 of my testimony, there's a long

1 series of bulleted excerpts from PG&E's own
2 testimony where, when I read through that, I
3 found it extremely difficult, if not
4 impossible, to reach any conclusions
5 regarding specific projects, and I certainly
6 couldn't tell whether or not the costs were
7 reasonable because costs weren't identified
8 for specific projects.

9 They were just kind of -- just
10 general calculations for the grand total of
11 what PG&E was proposing, but no specifics.

12 Q Okay. So on page 12 of your
13 testimony, you state that "Part of Cal
14 Advocates' concerns about PG&E's proposal to
15 fund the Wildfire Proposals relate to PG&E's
16 bankruptcy"; is that correct?

17 A That was one of my concerns, yes.

18 Q And do you still have the concerns
19 that you described on page 12 with respect to
20 PG&E's bankruptcy proceeding?

21 A Yes. I think it could still end up
22 slowing down the progress of your
23 construction. And if the bankruptcy doesn't
24 progress as fast as PG&E hopes, things could
25 be delayed.

26 Q On lines 13 to 15, you pose as a
27 question, Would bankruptcy restrictions
28 hamper PG&E's ability to obtain the necessary

1 funding or necessary financing to
2 successfully undertake the massive increase
3 in proposed capital construction?

4 Do you see that sentence?

5 A I do see it.

6 Q Is that still a concern of Cal
7 Advocates?

8 A It's still a question I have, yes.

9 Q Mr. Wilson, are you aware that
10 PG&E's Controller and Chief Financial
11 Officer, David Thomason, provided Rebuttal
12 Testimony in this proceeding that's been
13 marked as Exhibit 5, Chapter 2?

14 A I'm not sure what the exhibit
15 number is, but I am aware he did provide
16 rebuttal testimony, yes.

17 Q Did you review Mr. Thomason's
18 testimony to prepare for your testimony
19 today?

20 A Yes, I did.

21 Q So Mr. Thomason states on page 2-3,
22 beginning with line 17, that PG&E has access
23 to sufficient capital to meet all expected
24 spending requirements adopted in this
25 proceeding. Do you see that?

26 A You said it was on page 2-3?

27 Q Yes. Beginning with line 17.]

28 A Yes. I see that sentence.

1 Q And do you have any reason as you
2 sit here today to disagree with
3 Mr. Thomason's testimony on that statement?

4 A I do have questions regarding
5 whether or not that expected spending
6 requirement would be -- will continue to be
7 met depending upon whether or not PG&E
8 successfully exits bankruptcy.

9 Q Do you have any understanding as
10 you sit here today regarding the amount of
11 capital that is available to PG&E after it
12 exits from bankruptcy?

13 A I do not.

14 Q Now, I'd like to switch gears and
15 talk to you about balancing accounts and
16 memorandum accounts. What factors does the
17 Commission consider when determining whether
18 to require a balancing account for specific
19 projects or programs?

20 A Well, in general the balancing
21 account is used when costs can't be
22 definitively determined. And once an
23 accurate -- once an accurate amount has been
24 determined, then the utility is able to get
25 recovery of the amounts that are being
26 tracked in the balancing account.

27 Q So do you agree that balancing
28 accounts are appropriate when costs are

1 uncertain or difficult to forecast?

2 A It depends. I don't have any
3 objection to balancing accounts if the
4 projects that are being tracked in the
5 balancing account -- the costs that are being
6 tracked in the balancing account have been
7 analyzed and found to be reasonable.

8 But if you can't do that, then I
9 think that those projects and those costs
10 have to go into a memorandum account so they
11 can ultimately be reviewed to find out if
12 they're reasonable.

13 Q And do you agree that the
14 Commission often approves balancing accounts
15 for new programs that don't have track
16 records of spending?

17 A The track record is not the main
18 issue. It's whether or not the amount that
19 you're asking for has been -- has been
20 provided to us with enough detail so we can
21 analyze what your request is.

22 Q Okay. I'd like to turn your
23 attention to Mr. Thomason's testimony on
24 page 60.

25 A I am sorry. Line 6?

26 Q Page 60. I am sorry. It's not
27 page 60.

28 ALJ LAU: Off the record.

1 (Off the record.)

2 ALJ LIRAG: On the record.

3 BY MS. GANDESBERY:

4 Q Looking at answer 10 in Mr.
5 Thomason's rebuttal testimony, there's just a
6 quote in response to answer 10 on page 2-5.

7 A I see question 10, yes.

8 Q So it's -- the quote is:
9 Balancing accounts are
10 appropriate when costs are
11 highly uncertain and
12 difficult to forecast
13 either because the
14 utility's implementing a
15 new program or because the
16 costs are driven by
17 external factors not
18 subject to utility control.
19 Do you see that quote?

20 A I do.

21 Q Do you agree with that quote?

22 A I agree with it up to a point. I
23 think that -- I think that there needs to be
24 a caveat attached to that. There needs to be
25 sufficient information so that the Commission
26 can judge the reasonableness of the proposed
27 project.

28 In my testimony, I include a quote

1 from --

2 Q Sir, there's no question pending.
3 Thank you. You answered my question.

4 Have you ever been involved in the
5 audit of a balancing account?

6 A I have not.

7 Q And do you know generally if the
8 Energy Division does audit balancing
9 accounts?

10 A Yes. I'm sure they do.

11 Q And does -- would the -- if the
12 Commission approved PG&E's request for a
13 balancing account for wildfire mitigation
14 costs, would the Commission have the right to
15 audit the balancing account expenditures?

16 A I'm sure they would audit the
17 costs. But I doubt very seriously they would
18 audit the actual reasonableness of the
19 project.

20 Q Would the Public Advocates also
21 have the right to audit the balancing
22 account?

23 A I suppose they could get involved
24 if they wanted to. Although in my
25 experience, that doesn't happen very often.

26 Q But do you agree that the
27 Commission could review -- the Public
28 Advocates Office and the Energy Division

1 would both have the opportunity to review all
2 information they requested about the
3 balancing account expenditures?

4 A No. I don't agree with that.
5 Because you would not have provided the
6 information necessary initially to determine
7 whether or not those costs should even go
8 into a balancing account.

9 If you had proposed some kind of
10 ridiculous project like putting in a solid
11 gold transmission pole, I mean, I don't think
12 that the Commission would find that to be a
13 reasonable project. But we wouldn't know
14 that unless we reviewed that in a memorandum
15 account.

16 Q So what I'm asking you is would the
17 Commission have the right to any books and
18 records they requested as part of an audit?

19 A I don't know that there would be
20 any records that would have that kind of
21 level of detail except for in a memorandum
22 account.

23 Q But they would -- my question is:
24 Does the Commission have the right to look at
25 all documents it requests as part of an audit
26 of a balancing account?

27 A I'm sure they do. The Commission
28 can audit whatever they please. But they

1 would have to be -- they'd have to have
2 sufficient knowledge to know to ask for that
3 kind of information.

4 Q Yes. Are you aware that the Public
5 Utilities Code Section 314 allows the
6 Commission to inspect at any time the
7 accounts, books, papers, and documents of a
8 public utility?

9 A I don't know what the code number
10 is, but I know that there is such a
11 provision.

12 Q Have you reviewed -- are you
13 familiar with the Assembly Bill 1054 in the
14 requirements for wildfire mitigation in that
15 bill?

16 A I'm familiar with it to the extent
17 that's it's been discussed in the rebuttal,
18 yes.

19 Q Are you aware then under Assembly
20 Bill 1054 all electrical corporations will be
21 required to submit detailed plans, annual
22 updates, and reports for wildfire prevention
23 work to provide visibility into that work?

24 A Yes. I am aware of that.

25 Q Are you also aware that in the same
26 legislation, the electrical corporation is
27 required to engage in the independent
28 evaluation to review and assess the work?

1 A Yes. I saw that discussion in the
2 rebuttal.

3 Q Are you aware that applications to
4 recover memorandum account balances typically
5 take more than two years to litigate before
6 the Commission?

7 A I don't what the specific timeframe
8 is. But I do know that the -- there is a
9 period of time that's necessary for
10 conducting the review that was not possible
11 when the -- when the GRC was initially filed.

12 Q But you don't how long it takes to
13 review those filings?

14 A I think it would depend on how many
15 files were reviewed and how many projects
16 needed to be examined.

17 Q Are you familiar with the utility's
18 spending accountability reports?

19 A No, I'm not.

20 ALJ LAU: Let's go off the record.

21 (Off the record.)

22 ALJ LIRAG: On the record.

23 BY MS. GANDESBERY:

24 Q Thank you. Is it your
25 understanding that under a balancing account,
26 that if there is any funds that the utility
27 hasn't spent, those accounts -- those funds
28 would need to be returned to ratepayers?

1 A Yes. That's my understanding.

2 Q Your testimony at page 17, lines 8
3 to 9 state that:

4 There is no assurance that
5 work associated with the
6 authorized CWSP forecast
7 will not be deferred.

8 Do you see that?

9 A Which lines was that?

10 Q Lines 8 to 9 on page 17.

11 A Yes, I see that.

12 Q If the Commission approves a
13 two-way balancing account and the utility
14 does not spend all the authorized funding
15 collected in the revenue requirement, do you
16 agree that the utility would be required to
17 return to customers the unspent funds?

18 A Yes, I agree with that. But that's
19 not the entire concern. There might be other
20 funds that you spent that were not for
21 projects that were reasonable, and those
22 should not have been recovered in rates --
23 should not have been in the balancing account
24 to start with.

25 Q But you agree that the Commission
26 needs to approve the work that would be
27 funded through the balancing account;
28 correct?

1 A Well, they approve the work. But
2 as far as I can tell based on what I've seen
3 in your testimony and my knowledge, there is
4 not a review that's conducted of the
5 reasonableness of the projects that are
6 included in the balancing account.

7 Q So I think I was asking you a
8 different question. When the Commission
9 approves a balancing account, does the
10 Commission approve the types of work that
11 could be funded through the balancing
12 account?

13 A The types of work, yes. That's
14 correct.

15 Q Yes. So on page 20 of your
16 testimony, lines 22 to 25 you state that:

17 A memorandum account is
18 needed to avoid saddling
19 the ratepayers with capital
20 costs for projects that
21 were not undertaken.

22 A Yes. I see that.

23 Q Isn't it true that either in a
24 one-way or two-way balancing account, the
25 ratepayers would not be saddled with costs
26 for projects that weren't undertaken because
27 the unspent funds would be returned to
28 customers?

1 A Well, this statement in here was
2 explicitly talking about the recorded
3 expenditures and that there was a necessity
4 for a review of the recorded expenditures.

5 Q When you're saying "ratepayers
6 would be saddled with capital costs for
7 projects that were never undertaken," there
8 wouldn't be any recorded expenditures for
9 projects that were never undertaken; correct?

10 A That's correct, yes.

11 Q So are you aware that AB 1054
12 precludes a utility from spending funding
13 adopted for wildfire mitigation plan
14 activities on projects or programs outside of
15 the wildfire mitigation plan?

16 A I am.

17 MS. GANDESBERY: Can I go off the
18 record for a minute?

19 ALJ LAU: Off the record.

20 (Off the record.)

21 ALJ LAU: Back on the record.

22 BY MS. GANDESBERY:

23 Q So did you say before you have not
24 seen a Spending Accountability Report?

25 A That's correct. I have not seen
26 one.

27 Q So you're not aware of the level of
28 detail of spending that needs to be reported

1 by the utilities?

2 A That's correct.

3 Q Are you aware of the requirements
4 in AB 1054 regarding how frequently the
5 utility is able to seek cost recovery for
6 amounts in memorandum accounts?

7 A I know it's discussed. But I don't
8 recall that there was any time that was
9 specified. I don't recall that.

10 Q Does Cal Advocates have a proposal
11 for how frequently the utility would be able
12 to seek cost recovery for amounts recorded in
13 the memorandum account?

14 A Yes. When I was writing my
15 testimony, I initially had put forth a
16 recommendation for a recovery of probably
17 once a year. I think that tends to be
18 standard. I looked at the existing
19 memorandum accounts that PG&E has, and
20 there's -- there is language in these
21 accounts that are almost always identical.

22 And it basically states that
23 disposition of the balance in this account
24 will be established by a Commission decision
25 through a subsequent application or through
26 the appropriate filing as otherwise
27 authorized by the Commission.

28 So I think PG&E has discretion as

1 to how often they can come in and request an
2 application to recover the dollars that are
3 being tracked in the memorandum account. And
4 I would think that probably one year would be
5 a reasonable time period.

6 Q And you're not aware of what
7 AB-1054 says about the timing of the cost
8 recovery; is that right?

9 A I think I have AB-1054 right here.

10 ALJ LAU: Go off the record.

11 (Off the record.)

12 ALJ LAU: Back on the record.

13 BY MS. GANDESBERY:

14 Q You were reading off a memorandum
15 account earlier. What were you reading into
16 the record?

17 A They are two current memorandum
18 accounts. One is called the "FRMMA." That
19 is the abbreviation for Fire Risk Mitigation
20 Memorandum Account. It was a memorandum
21 account that was effective from January 1st
22 of this year through May 30th of this year.

23 And then it was superseded by the
24 "WMPMA," which is the Wildfire Mitigation
25 Plan Memorandum Account. And I was reading
26 from the FRMMA.

27 Q Okay. Thank you.

28 MS. GANDESBERY: I don't have any

1 further questions.

2 ALJ LAU: Mr. Sher, do you have any
3 redirect?

4 MR. SHER: I don't, your Honor.

5 ALJ LAU: Let us address the
6 Exhibits 128 and 129. Is there a motion to
7 move these exhibits into the record?

8 MR. SHER: Yes, your Honor.

9 ALJ LAU: Any objection?

10 MS. GANDESBERY: No, Your Honor.

11 ALJ LAU: Hearing none, Exhibits 128
12 and 129 are moved into the record.

13 (Exhibit No. 128 was received into
14 evidence.)

15 (Exhibit No. 129 was received into
16 evidence.)

17 ALJ LAU: Mr. Wilson, you are excused.

18 THE WITNESS: Thank you.

19 ALJ LAU: Off the record.

20 (Off the record.)

21 ALJ LAU: Back on the record.

22 So we have Mr. Patterson on the
23 witness stand.

24 Mr. Patterson, can you raise your
25 right hand?

26 Richard Patterson, called as a
27 witness by Pacific Gas & Electric
28 Company, having been sworn, testified
as follows:

THE WITNESS: I do.

ALJ LAU: You may lower your right

1 hand. Please state your name spelling your
2 last name and also give us your business
3 address.

4 THE WITNESS: My name is Richard
5 Patterson, P-a-t-t-e-r-s-o-n. My business
6 address is 77 Beale Street, San Francisco.

7 ALJ LAU: PG&E, you may begin your
8 direct.

9 DIRECT EXAMINATION

10 BY MR. KLOTZ:

11 Q Thank you, Your Honor. Good
12 afternoon, Mr. Patterson. I'd like to
13 confirm the testimony that you're sponsoring
14 in this proceeding. You appeared for
15 hearings in this proceeding on Monday
16 September 30th; is that correct?

17 A That is correct.

18 Q And at that time you identified the
19 exhibits and materials that you're sponsoring
20 in this proceeding; is that correct?

21 A That's right.

22 Q And do you have any changes,
23 corrections, or additions to make to those
24 exhibits at this time?

25 A No, I do not.

26 MR. KLOTZ: Your Honor, the witness is
27 available for cross-examination.

28 ALJ LAU: Mr. Sher, you may begin.

1 CROSS-EXAMINATION

2 BY MR. SHER:

3 Q Good afternoon, Mr. Patterson.
4 Nicholas Sher on behalf of the Public
5 Advocates. Could you turn to your rebuttal
6 testimony page 14-2 and it will be answer 7.
7 And if you don't mind just reading that to
8 yourself to refresh your memory.

9 ALJ LAU: And, Mr. Sher, that's
10 Exhibit-70; right?

11 MR. SHER: Thank you, your Honor. I
12 assume it is.

13 THE WITNESS: Okay.

14 BY MR. SHER:

15 Q Okay. And so according to the EAM
16 that PG&E is proposing, if PG&E hits the
17 targets associated with all the metrics, PG&E
18 will earn \$38 million; is that correct?

19 A We'll have \$30 million additional
20 revenue. That's not the earnings.

21 Q If PG&E was far below the targets
22 associated with these metrics -- sorry.
23 Rephrase.

24 How about if PG&E was far below the
25 targets associated with these metrics? Would
26 PG&E still collect \$30 million?

27 A When you say "far below," do you
28 mean --

1 Q Fail to meet.

2 A Fail to meet. Yes. So if we were
3 far below the targets, there would be a
4 refund to customers.

5 Q The refund to customers, would that
6 be capped at \$30 million? Or could PG&E
7 return more than the \$30 million if it didn't
8 meet its targets?

9 A No. The proposal was to cap both
10 on the upside and the downside at \$30 million
11 of revenue.

12 Q Going back to answer 7, you've
13 stated that:

14 Cal Advocates based its
15 conclusion on a statement
16 that earnings at risk are
17 .86 percent of total
18 company earnings including
19 estimated Federal Energy
20 Regulatory Commission
21 jurisdictional earnings.
22 Cal Advocates' conclusion
23 is incorrect.

24 Is that correct?

25 A That's right.

26 Q Can you please clarify which part
27 of the statement is incorrect? For example
28 are the numbers incorrect?

1 A No. I believe the number, the .86
2 number is correct. I believe their
3 conclusion was that .86 percent was too
4 little to have a sufficient impact.

5 Q And it's too little in the sense
6 because -- rephrase.

7 For example would it be because
8 investors focus on rates of impact and not
9 the absolute percentage of earnings?

10 A Right. That's my testimony. That
11 the -- not just the investors but the
12 management of the company, the board of
13 directors, the senior officers, they're going
14 to focus on \$30 million. That's a lot of
15 money.

16 When we work with investors and the
17 investor community, they tend to focus on the
18 what we call "earnings guidance" for a year.
19 That tends to be a range of about 20 cents
20 per share. This represents about 4 cents per
21 share. So that's what's relative to
22 management. It's a fair amount of money
23 relative to that range.

24 MR. SHER: Can we go off the record for
25 a second, your Honor?

26 ALJ LAU: Off the record.

27 (Off the record.)

28 ALJ LAU: Back on the record.

1 MR. SHER: Your Honor, no further
2 questions.

3 ALJ LAU: Any redirect, PG&E?

4 MR. KLOTZ: None, your Honor.

5 ALJ LAU: Any questions?

6 ALJ LIRAG: Just a couple.

7 EXAMINATION

8 BY ALJ LIRAG:

9 Q Just to clarify, the EAM was not
10 part of PG&E's prior general rate case? This
11 specific EAM?

12 A That's correct. You mean the 2017
13 GRC?

14 Q 2017, correct. How were the
15 metrics for the EAM developed?

16 A We lead an effort around the
17 company who engaged the primary asset
18 managers being gas, electric, and generation
19 and asked them to identify the most relevant
20 metrics that would gauge safety performance.

21 Q What sort of data was looked at in
22 developing these metrics?

23 A I don't know that any data was
24 looked at. What was considered was the
25 impact of these particular metrics on safety
26 performance. In other words, which metrics
27 were the most important to advance safety
28 performance.

1 Q And I know this is in your
2 testimony but just for the record, what is
3 the primary reason for proposing this EAM?
4 What is the, sort of, the benefit to be
5 derived from let's say the EAM was
6 authorized?

7 A So the primary benefit is to
8 advance safety performance at PG&E. And the
9 goal here was to evaluate that. That is the
10 recommendation in the North Star Report was
11 for the Commission to consider implementing a
12 performance-based mechanism like this. To do
13 that, they would need a proposal. So we
14 developed this proposal for their
15 consideration.

16 Q And the benefit is to both
17 shareholders and ratepayers; is that correct?

18 A I think the primary benefit would
19 be to ratepayers. That is it focuses a very
20 precise set of metrics. And I think that
21 advancing those, assuming we agree that those
22 are the most important metrics, then that
23 would benefit ratepayers in the long run as
24 well. It benefits all of California.

25 Q So primarily it's the ratepayers
26 that are benefitting?

27 A I think the benefit is in the form
28 of improved safety.

1 Q And your answer is based on the
2 metrics governing the EAM?

3 A The metrics measure the
4 performance. So assuming that metrics are
5 the right things to measure, then yes.

6 ALJ LIRAG: All right. That's all my
7 questions.

8 ALJ LAU: I have a followup.

9 I think when you were answering
10 Mr. Sher's question -- Cal Advocates'
11 question, you said there was a benchmark of
12 \$30 million that PG&E would not go over or
13 under \$30 million; is that correct?

14 THE WITNESS: That's right. We
15 proposed a mechanism that basically goes from
16 a refund of 30 to a reward of \$30 million in
17 revenue.

18 ALJ LAU: So there's -- sorry. There's
19 no in between. It's either or?

20 THE WITNESS: No. No. It's a sliding
21 scale, yeah. So the idea is that there are
22 metrics. The metrics take on different
23 values, and we map those values between minus
24 one and plus one. So if you mix them all
25 together and you have a plus one, that
26 translates to \$30 million. If it's zero,
27 then it's \$0. If it's .5, that would be half
28 of \$30 million. That would be \$15 million.

1 ALJ LAU: Okay. Those are all of my
2 questions.

3 All right. I think, Mr. Patterson,
4 you are excused.

5 MS. SHEK: We have just our exhibits to
6 mark.

7 ALJ LAU: Let's go off the record.

8 (Off the record.)

9 ALJ LIRAG: Back on the record.

10 While we were off the record, Ms.
11 Shek from Cal Advocates distributed a
12 cross-examination exhibit from Cal Advocates.
13 This is for the witness Mr. Patterson. And
14 we will now identify it as Exhibit-130. And
15 that's PG&E's Response to Data Request 240,
16 Question 1 and 2.

17 (Exhibit No. 130 was marked for
18 identification.)

19 ALJ LAU: Is there a motion to move
20 Exhibit-130 into the record?

21 MS. SHEK: Yes, your Honor. Thank you.

22 ALJ LIRAG: Any objection?

23 MS. GANDESBERY: No, your Honor.

24 ALJ LIRAG: Hearing none, Exhibit-130
25 is moved into the record.

26 (Exhibit No. 130 was received into
27 evidence.)

28 ALJ LAU: Judge Lirag.

1 ALJ LIRAG: I think that concludes
2 today. Tomorrow we will continue at 9:30.
3 And we'll have the Community Wildfire Safety
4 Program panel of Mr. Singh, Mr. Pender and
5 Mr. Calvert.

6 I think there are a lot of questions
7 deferred to Mr. Calvert. So we'll have those
8 asked and answered tomorrow. So any issues?

9 Ms. Shek.

10 MS. SHEK: Right now the Public
11 Advocates Office and PG&E are discussing the
12 possibilities of having Mr. Calvert address
13 some of the questions Ms. Cullings was unable
14 to address last week at a later time. Either
15 on Monday or some other time most convenient
16 because of how long the wildfire panel might
17 take on Friday.

18 MS. GANDESBERY: We're hoping he'll be
19 able to get to them tomorrow.

20 ALJ LIRAG: I think the time has been
21 shortened a little bit. So we'll see how it
22 goes. But we'll take that into
23 consideration. In the meantime, please
24 continue to make internal discussions
25 regarding the schedule and witness
26 availability.

27 So with that. We'll conclude
28 today's hearing. We'll be in recess until

1 tomorrow at 9:30.

2 Off the record.

3 (Off the record.)]

4 (Whereupon, at the hour of 2:11 p.m.
5 this matter having been continued to
6 9:30 a.m. October 4, 2019 at
San Francisco, California, the
Commission then adjourned.)

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, CAROL A. MENDEZ, CERTIFIED SHORTHAND REPORTER
NO. 4330, IN AND FOR THE STATE OF CALIFORNIA, DO
HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT
PREPARED BY ME COMPRISE A FULL, TRUE, AND CORRECT
TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN
THIS MATTER ON OCTOBER 3, 2019.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE
EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS OCTOBER 10, 2019.


CAROL A. MENDEZ
CSR NO. 4330

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, JASON STACEY, CERTIFIED SHORTHAND REPORTER
NO. 14092, IN AND FOR THE STATE OF CALIFORNIA DO
HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT
PREPARED BY ME COMPRISE A FULL, TRUE, AND CORRECT
TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN
THIS MATTER ON OCTOBER 3, 2019.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE
EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS OCTOBER 10, 2019.

A handwritten signature in black ink, appearing to read 'JAS STACEY', written over a horizontal line.

JASON A. STACEY
CSR NO. 14092

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, SHANNON ROSS, CERTIFIED SHORTHAND REPORTER
NO. 8916, IN AND FOR THE STATE OF CALIFORNIA, DO
HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT
PREPARED BY ME COMPRISE A FULL, TRUE, AND CORRECT
TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN
THIS MATTER ON OCTOBER 3, 2019.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE
EVENTS OF THE MATTER OR THE OUTCOME OF THE PROCEEDING.

EXECUTED THIS OCTOBER 10, 2019.


SHANNON ROSS
CSR NO. 8916

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