FILED
01/27/20
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Services Effective on January 1, 2020 (U 39 M)	Application No. 18-12-009 (Filed December 13, 2018)

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 M) REPLY BRIEF ON UNRESOLVED ISSUES

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Dated: January 27, 2020

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SUMMARY OF RECOMMENDATIONS

Pursuant to Rule 13.11 of the Commission's Rules of Practice and Procedure (Rules), Pacific Gas and Electric Company (PG&E) provides the following summary of its recommendations regarding issues raised in Opening Briefs that were not resolved by the December 20, 2019 Settlement Agreement:

PG&E's Resilience Zone Program

The location of the interconnection facilities comprising Resilience Zones, and whether third parties can supply generation during Public Safety Power Shutoff (PSPS) events are outside the scope of this proceeding and should be addressed in Commission proceedings focused on microgrids and resiliency strategies.

Resilience Zones benefit all distribution customers, including Community Choice Aggregation (CCA) customers, and the costs of creating these facilities should be allocated to the Electric Distribution function, not the Generation function.

PG&E's Integrated Grid Platform (IGP) or Grid Modernization Plan

CCA access to real time data produced by this project is unnecessary, the data will be of little value to the CCAs, and its production, as requested by the Joint Community Choice Aggregators (JCCAs) raises significant policy and cybersecurity concerns.

Grid modernization costs should not be allocated to the Generation function because bundled and non-bundled customers will share equally in all Grid Modernization Plan benefits.

Customer Care Cost Allocation

The Commission should adopt PG&E's proposal to continue to allocate 55 percent of customer services costs, such as customer engagement, contact centers, and customer service offices, to Electric Distribution and 45 percent to Gas Distribution, an allocation which is based on the total number of PG&E electric and gas service agreements.

The JCCAs' proposal to assign some of these costs to Electric Generation is inappropriate since (1) these customer service costs do not impact Electric Generation; (2) customer services available to and benefiting all customers should be paid for by all customers and not be allocated based on use; and (3) the record does not support the JCCAs' claims that unbundled customers use these customer services less frequently than bundled customers.

Revised Labor Allocation Factor For Administrative and General (A&G) and Results Of Operations Costs

The Commission should reject the JCCAs' proposal to recalculate PG&E's operations and maintenance labor factors that are used to allocate PG&E's common costs, including A&G expenses and costs associated with "Business" and "Other" taxes, as well as Depreciation and Return earned on Common Plant. Since the JCCAs' Customer Care revised cost allocation factor is contrary to Commission precedent and lacks evidentiary support, and the customer services underlying the O&M labor factor are different from the services that form the basis of the revised cost allocation factor, using this revised factor to recalculate the O&M labor cost allocators is unreasonable and inappropriate.

Out of Scope Issues

The Commission should find that the following issues raised by L. Jan Reid in this proceeding are beyond the scope of this proceeding:

1. Rate Increases Related to Other CPUC Proceedings;
2. PG&E Bankruptcy Issues;
3. Compliance with United States District Court terms of Probation; and,
4. Safety Performance: Causation of Wildfires.

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REPLY BRIEF ON UNRESOLVED ISSUES

I. INTRODUCTION

On December 20, 2019, Pacific Gas and Electric Company (PG&E) and eight other parties[1] in this proceeding filed a comprehensive Settlement resolving the vast majority of issues in this proceeding. The Settlement was reached after extensive litigation in this proceeding, including thousands of pages of testimony, thousands of discovery requests, and seventeen days of hearings. As the Settling Parties demonstrated in their motion requesting approval of the Settlement, the record in this proceeding demonstrates that in all aspects the Settlement is reasonable, fair, consistent with law, and in the best interests of PG&E's customers and the public.[2]

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1 The eight settling parties are Public Advocates Office of the California Public Utilities Commission (Cal Advocates), The Utility Reform Network (TURN), Center for Accessible Technology (CforAT), National Diversity Coalition (NDC), Small Business Utility Advocates (SBUA), Coalition of California Utility Employees (CUE), California City County Street Light Association (CALSLA), and the Office of Safety Advocates (OSA). The advocacy role of the OSA at the California Public Utilities Commission was incorporated into the Safety and Enforcement Division (SED), effective January 1, 2020, after the sunset of Public Utilities Code, § 309.8, which established OSA. SED is the successor to OSA and will continue to participate in this proceeding.

2 On December 2, 2019, the Assigned Administrative Law Judges (ALJs) issued a ruling adopting a revised schedule for this proceeding. Opening briefs on issues unresolved by the Settlement were due January 6, 2020, and reply briefs are due January 27. Regarding the Settlement, opening comments were due January 21, 2020, and responses to the opening comments are due February 5, 2020.

The Settlement resolved the vast majority of issues raised in the scope of this proceeding other than a few issues raised by the Joint Community Choice Aggregators (JCCAs). As discussed below, some of the issues raised by the JCCAs and other parties should be determined to be outside the scope of the proceeding. On January 6, 2020, the JCCAs, L. Jan Reid (Reid), the Alliance for Nuclear Responsibility (A4NR), and Women's Energy Matters (WEM) each filed opening briefs on issues that they asserted were outside the scope of the Settlement. Many of the issues raised in these briefs were, in fact, resolved by the Settlement. Consistent with ALJ Lirag's January 7, 2020 e-mail ruling, the issues that were raised in the briefs but were resolved by the Settlement will be addressed in reply to parties' comments on the Settlement instead of in this brief.[3] The remaining issues raised in these parties' opening briefs were either outside the scope of the Settlement or outside the scope of the GRC proceeding. These issues are described briefly below and are addressed in more detail in the remainder of this brief.

First, the JCCAs raise issues concerning PG&E's Resilience Zone program, including the location of the interconnection facilities comprising Resilience Zones, locating these facilities near certain types of customers (*e.g.*, schools, first responders, etc.), and the ownership of generation that can use these facilities. These issues are outside the scope of this proceeding and would be more appropriately addressed in Commission proceedings focused on microgrids and resiliency strategies. In the alternative, the JCCAs argue that PG&E bundled customers should bear the full costs of Resilience Zones by allocating the costs of these facilities entirely to generation rates, even though these facilities benefit all distribution customers, including CCA customers. As discussed below, the request is without a factual basis, would result in an

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

inappropriate and undue cost shifting for facilities that serve all distribution customers, and should be denied.

Second, the JCCAs also seek access to real-time data that will be produced by one of the projects included in PG&E's Integrated Grid Platform (IGP) or Grid Modernization Plan. The JCCAs' request is unnecessary, the data will be of little value to the CCAs, and its production as requested by the JCCAs raises significant policy and cybersecurity concerns. The JCCAs' only response is that they may, at some point in the future, need this information to compete with PG&E. Given the state of development of electric distribution grid competition, this argument is both premature and more appropriately addressed in an ongoing Commission proceeding that is addressing these issues. The Commission should also reject the JCCAs' proposal to allocate Grid Modernization costs to the Generation function. This is inappropriate because bundled and non-bundled customers will share equally in all Grid Modernization Plan benefits.

Third, the JCCAs propose a different cost allocation factor for the costs of certain Customer Care services that are fully available to and used by both bundled and unbundled customers, such as Customer Engagement, Customer Contact Centers, and Customer Service Offices. Consistent with past practice, PG&E proposes to continue its current allocation of 55 percent of these costs to Electric Distribution and 45 percent to Gas Distribution based on the total number of PG&E's electric and gas service agreements. The JCCAs propose instead to allocate some of these costs to the generation function based on the unsupported assumption that unbundled customers use these customer services less than bundled customers. The JCCAs' proposal not only lacks evidentiary support, it also contradicts Commission precedent that services available to and benefiting all customers should be paid for by all customers and not be allocated based on actual use. The Commission should reject the JCCAs' proposal and find that PG&E's 55/45 allocation factor is reasonable and appropriate since these are customer-facing rather than generation costs.

Fourth, the JCCAs propose to use their recalculated Customer Care cost allocation factors to recalculate PG&E's operations and maintenance (O&M) labor factors it uses to allocate A&G

costs, "Business" and "Other" taxes, and Depreciation and Return earned on Common Plant. Since the JCCAs' Customer Care revised cost allocation factor is contrary to Commission precedent and lacks evidentiary support, and the customer services underlying the O&M labor factor are different from the services that form the basis of the revised cost allocation factor, using this revised factor to recalculate the O&M labor cost allocators is unreasonable and inappropriate.

Fifth, Mr. Reid raises a number of issues that are out of scope and do not need to be addressed in this proceeding.

Finally, because there are only a limited number of issues outside the scope of the Settlement, PG&E did not in this brief use the comprehensive and detailed briefing outline that was developed before there was a settlement in this proceeding. Instead, to simplify briefing, PG&E will address each of the issues raised as presented by the parties' opening briefs.

II. BURDEN OF PROOF

The California Public Utilities Commission (CPUC or Commission) requires that the public utility demonstrate with admissible evidence that the costs which it seeks to include in revenue requirement are reasonable and prudent. All rates and charges collected by a public utility must be "just and reasonable."[4] A public utility may not change any rate "except upon a showing before the commission and a finding by the commission that the new rate is justified."[5] "The Commission is charged with the responsibility of ensuring that all rates demanded or received by a public utility are just and reasonable."[6]

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4 Pub. Util. Code, § 451.

5 Pub. Util. Code, § 454(a).

6 Decision (D.) 16-06-056, p. 21.

With respect to the unresolved issues discussed in this brief,[7] the burden of proof that PG&E must meet is a preponderance of evidence.[8] "Preponderance of the evidence is defined in terms of probability of truth, e.g., such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth."[9] In short, "PG&E must present more evidence that supports the requested result than would support an alternative outcome."[10] As discussed in this reply brief, PG&E has amply met its burden with respect to the issues raised by the JCCAs.

In their opening brief, the JCCAs misstate the burden of proof of intervenors challenging PG&E's proposals. The JCCAs state: "[t]his evidentiary burden is entirely PG&E's; other parties do not have the burden of proving the unreasonableness of the utility's proposals."[11] However, contrary to the JCCAs' brief, parties opposing PG&E's forecasts have the burden of going forward to produce evidence to support their own positions and raise reasonable doubt as to the utility's position.[12] Thus, to the extent PG&E has met its burden of proof and its proposals are uncontested or the party opposing a forecast does not submit <u>evidence</u> raising a reasonable doubt as to the utility's position,[13] PG&E's forecasts or proposals should be adopted.

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7 A different burden of proof applies to the Settlement.

8 D.19-05-020, p. 7 (citing D.15-11-021, pp. 8-9).

9 D.18-10-020, p. 38 (citing Witkin, Cal. Evidence (4th ed., Vol. 1, p. 184); see also D.16-06-056, p. 23 (citing D.08-12-058*,* p. 19).

10 D.16-06-056, p. 23.

11 JCCAs Opening Brief, p. 9, fn. 18 citing D.09-03-025, p. 8; D.06-05-016, p. 7; D.01-10-031, pp. 8-9.

12 See D.18-12-009, p. 12; D.18-07-006, p. 15; D.16-05-024, p. 10; and, D.15-03-049 p. 6; all these decisions cite to D.87-12-067, 27 CPUC2d 1, 22.

13 Commission decisions must be based on substantial evidence. Pub. Util. Code, § 1757(a)(3) and (4).

As demonstrated in this reply brief, PG&E's positions are reasonable and supported by the record, and the JCCAs have not adduced evidence sufficient to create a reasonable doubt as to the validity of PG&E's proposals.

III. RESILIENCE ZONES

The Resilience Zone program[14] is one part of PG&E's proposed Community Wildfire Safety Program (CWSP), which is a comprehensive program intended to reduce and mitigate the impact of potentially catastrophic wildfires. Through the Resilience Zone program, PG&E will deploy equipment that can safely facilitate the provision of temporary power to communities impacted by Public Safety Power Shutoff (PSPS) events.[15] Resilience Zones will be built around pre-installed interconnection hubs, which are permanent, "plug and play" infrastructure that will enable temporary generation to connect to the distribution grid at pre-determined locations.[16] Resilience Zones will be located in Tier 2 and Tier 3 High Fire Threat Districts to allow for the safe provision of electricity on a temporary basis during PSPS events.[17]

None of the parties filing opening briefs disputes the importance of Resilience Zones, nor do any of these parties propose eliminating this critical program. Indeed, the only party commenting on the Resilience Zones are the JCCAs who indicated their unequivocal support for such zones.[18] However, the JCCAs raise four specific concerns regarding PG&E's Resilience Zone program: (1) the location of Resilience Zones and the ability of these zones to interconnect CCA-owned generation; (2) expanding Resilience Zones to provide service to shelters, schools,

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14 Resilience Zone program costs are recorded in Maintenance Activity Type (MAT) 49M.

15 Hearing Exhibit (HE) 16: Exhibit (PG&E-4), p. 9-38, lines 10-14.

16 HE-16: Exhibit (PG&E-4), p. 9-38, line 9 to p. 9-39, line 13; see also Transcript (Tr.) Vol. 18, 2124:24 to 2125:2; and, 2126:18 to 2127:3, PG&E/Calvert.

17 HE-16: Exhibit (PG&E-4), p. 9-39, lines 18-20.

18 HE-215: Exhibit JCCA-Beach, p. 8, lines 12-13.

cell towers, and other facilities; (3) accelerating Resilience Zone development; and, (4) the allocation of Resilience Zone costs.[19] Each of these issues is addressed below.

A. The Location Of Resilience Zones And Ability To Interconnect CCA-Owned Generation

The JCCAs raise several concerns regarding the location of Resilience Zones and the type of generation that can be interconnected to these facilities. Specifically, the JCCAs assert that PG&E cannot legally provide service to CCA customers and thus Resilience Zone infrastructure should "accommodate CCA-procured generation … ."[20] The JCCAs argue more broadly that PG&E should be directed to work with CCAs to determine the location of Resilience Zones[21] and that these locations should "be based on a set of objective criteria defined by the Commission with input from all stakeholders."[22] These arguments are based on a fundamental misunderstanding of PG&E's proposal.

PG&E does not seek in this proceeding Commission approval of the types of generation resources that will be interconnected to Resilience Zones, including ownership of that generation, nor does PG&E seek approval for, or recovery of, generating equipment-related costs.[23] Resilience Zones are intended to provide a "plug and play" infrastructure that can interconnect any type of generation, whether procured by a CCA, PG&E, or provided by a third-party. As a result, PG&E's request does not include generation costs, nor is PG&E seeking approval to only allow PG&E-procured generation to interconnect to Resilience Zones. In short, the JCCAs' concerns about the type of generation that will interconnect to the Resilience Zones and ownership of that generation are outside of the scope of this proceeding.

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19 JCCAs Opening Brief, pp. 14-26.

20 JCCAs Opening Brief, pp. 15-17.

21 JCCAs Opening Brief, p. 16.

22 JCCAs Opening Brief, p. 17.

23 Tr. Vol. 18, 2126:18 to 2127:3, PG&E/Calvert (Resilience Zone does not include generator or generator switch gear).

More importantly, issues related to the locations of microgrids, like Resilience Zones that are intended to address the impacts from PSPS events, are within the scope of a Commission proceeding initiated in September 2019. In the first track of Rulemaking (R.) 19-09-009 (the "Microgrid OIR"), the Commission is addressing "resiliency planning in areas that are prone to outage events and wildfires" and has specifically included in scope "partnership and planning with local governments."[24] On January 21, 2020, PG&E filed a Track 1 proposal in the Microgrid OIR that addresses many of the generation-related issues the JCCAs seek to raise here.[25] A number of CCAs are parties to that proceeding and have raised the same issues there regarding CCA procurement of generation resources to power microgrids located in CCA service areas as the JCCAs raise here.[26] To the extent the JCCAs have concerns about the locations of Resilience Zones or the types of generation that will be interconnected, these issues should be addressed in the Microgrid OIR, not in this proceeding.

The JCCAs recognize that the Microgrid OIR is addressing Resilience Zone locations, but argue that PG&E has "sought to keep approval of its resilience zones out of scope of that proceeding" citing comments filed in October 2019.[27] While PG&E agrees that the scope of activity associated with Resilience Zones, the associated costs, and the mechanisms for cost recovery are all properly addressed in the GRC, it did not take the position that coordination with local governments and CCAs to identify the optimal key sites and locations at which to construct temporary microgrids, including Resilience Zones, are outside the scope of the Microgrid OIR. Indeed, the Microgrid OIR Scoping Memo, which was issued two months <u>after</u> PG&E's

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24 *Assigned Commissioner's Scoping Memo and Ruling for Track 1* (Dec. 20, 2019) R.19-09-009, p. 3.

25 Track 1 Proposal of Pacific Gas and Electric Company Addressing Immediate Resiliency Strategies for Outages (Jan. 21, 2020) R.19-09-009.

26 See e.g., *Marin Clean Energy Notice of Written Ex Parte Communication* (Jan. 7, 2020) R.19-09-009, Attachment, pp. 2-3.

27 JCCAs Opening Brief, p. 21.

comments cited by the JCCAs, makes clear that Phase 1 of that proceeding will address deploying resiliency strategies at key sites and locations.

Finally, a brief reply to the JCCAs' argument regarding serving CCA customers is warranted. Even if the ownership of Resilience Zone generation was at issue in this proceeding, which it is not, the JCCAs' argument that PG&E-procured generation cannot serve CCA customers is fundamentally misplaced. California Public Utilities Code (PUC) Section 366.2(a)(5), quoted in part by the JCCAs,[28] states in full that CCAs shall solely be responsible for procurement for CCA customers "except where other generation procurement arrangements are expressly authorized by statute."[29] PG&E is expressly authorized by PUC Section 451 to take actions necessary to "promote the safety, health, comfort, and convenience of its patrons, employees, and the public."[30] To the extent that PG&E-procured generation is needed to provide temporary power to distribution customers during a PSPS event, including customers served by CCAs and by PG&E, such service is entirely consistent with Section 451 and permissible under Section 366.2(a)(5).

B. Expanding The Scope of Resilience Zones

The JCCAs propose expanding the scope of PG&E's Resilience Zone program in three ways. First, the JCCAs propose expanding Resilience Zones to "support emergency response facilities, public shelters, schools, cellular towers and vulnerable Californians."[31] Similar to the JCCAs' arguments regarding the location of Resilience Zones, any expansion of the Resilience Zone concept beyond what was proposed in the GRC should be addressed within the Microgrid OIR and cost recovery may be sought through the Wildfire Mitigation Plan Memorandum Account (WMPMA) as described below. In the Microgrid OIR, the Commission is examining

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28 JCCAs Opening Brief, p. 15.

29 Pub. Util. Code, § 366.2(a)(5).

30 Pub. Util. Code, § 451.

31 JCCAs Opening Brief, p. 18.

the ability of microgrids to address resilience at key sites such as schools, community centers, police and fire stations, and other key facilities.[32]

Second, the JCCAs argue for the inclusion of batteries and other energy storage facilities as generation resources at Resilience Zones.[33] The JCCAs appear to recognize that their generation proposal is outside the scope of this GRC proceeding, and thus they offer scant details on what specific kind of generation they are proposing be used in Resilience Zones and how it would be paid for by customers. To the extent the JCCAs want to propose specific types of generation to be interconnected at Resilience Zones, those issues are outside of the scope of this proceeding. With regard to funding generation such as batteries, the JCCAs assert that their proposal is consistent with D.19-09-027 issued in a proceeding addressing the Self-Generation Incentive Program (SGIP) in R.12-11-005. The appropriate proceeding to address whether the JCCAs' proposal can be funded through SGIP is in R.12-11-005, not here.

Finally, the JCCAs propose expanding PG&E's Resilience Zone program to include the development of even more facilities than PG&E proposes. They request that PG&E be authorized "to file a Tier 3 advice letter to justify an increase in the budget for this program if it is successful at encouraging partnerships between PG&E and local agencies to develop the expanded concept for resilience zones that the [JCCAs] have advocated and discussed above."[34] PG&E and the JCCAs are in agreement on this issue. In Rebuttal Testimony, PG&E proposed using the WMPMA or successor memorandum account to track costs for an expanded Resilience

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32 *Assigned Commissioner's Scoping Memo and Ruling for Track 1* (Dec. 20, 2019) R.19-09-009, p. 3.

33 JCCAs Opening Brief, pp. 18-19.

34 JCCAs Opening Brief, p. 21.

Zone program with costs to be recovered through a Tier 3 advice letter.[35] The JCCAs support this approach.[36]

C. Accelerating Resilience Zone Development

The JCCAs argue that the pace of developing Resilience Zones should accelerate.[37] PG&E agrees and has been working aggressively to design, permit, and construct additional Resilience Zones as quickly as possible. The JCCAs do not propose a specific pace of development. This is prudent. While the JCCAs and PG&E agree that Resilience Zones should be developed as quickly as possible, it is not reasonable to accelerate these projects, which are often complex and involve a number of siting and construction issues, simply for the sake of meeting an artificial schedule or timeline.

D. Resilience Zone Cost Allocation Issues

The JCCAs' fourth argument regarding Resilience Zones is that "unless the Commission expands PG&E's proposal to accommodate CCA generation," the costs for Resilience Zones should be functionalized as generation.[38] The result of this proposal is that only PG&E bundled customers pay for Resilience Zones, while CCA customers, who benefit equally from these facilities, receive these services without charge. There are several problems with this argument.

First, as discussed above, the Resilience Zones issues in this proceeding involve funding for "plug and play" infrastructure and do not include the generation ownership or the specific generation resources that will be using the Resilience Zones. Thus, the JCCAs' concern that Resilience Zones cannot accommodate generation owned by entities other than PG&E is misplaced.

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35 HE-20: Exhibit (PG&E-18), p. 9-28, lines 3-11.

36 JCCAs Opening Brief, p. 22.

37 JCCAs Opening Brief, p. 22.

38 JCCAs Opening Brief, pp. 23-24 (emphasis added).

Second, the JCCAs appear to misunderstand the purpose of Resilience Zones. The JCCAs assert that "PG&E is building infrastructure to accommodate temporary generation only it will procure."[39] This is simply wrong. PG&E is developing Resilience Zones for generic generation, not just PG&E-procured generation. The Resilience Zones will allow a generator, whether PG&E- or CCA-procured, to create a microgrid and provide power on a temporary basis to customers impacted by a PSPS event. This is not a case where PG&E is simply benefitting its own generation, as the JCCAs imply.

Third, Resilience Zones costs are appropriately allocated to all electric distribution customers because all of these customers benefit. In a PSPS event, PG&E does not distinguish between CCA and non-CCA customers. During a PSPS event, customers within a Resilience Zone area will receive temporary service, whether they are PG&E-bundled or CCA customers. Because all distribution customers benefit equally from Resilience Zones, they should all pay for the costs through distribution rates as proposed by PG&E, rather than generation rates which are funded by a subset of these customers.

Finally, the JCCAs couch their cost allocation proposal as an alternative. If the Commission does not agree to the JCCAs' proposals for locations, energy storage, and CCA-procured generation, then all of the costs should be allocated to PG&E bundled customers through generation functionalization. This argument assumes that issues such as location, type of generation, and ownership are being resolved in this proceeding—they are not. The Commission should not adopt an alternative that is based solely on issues outside the scope of this proceeding.

IV. GRID MODERNIZATION PLAN OR INTEGRATED GRID PLATFORM

The Integrated Grid Platform is a Grid Modernization Plan that includes a coordinated program of investments that will modernize PG&E's grid to bring more advanced monitoring,

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39 JCCAs Opening Brief, p. 26.

control and forecasting functionality and provide additional cybersecurity functions.[40] PG&E proposed the IGP in response to direction from the Commission in D.18-03-023 for each utility to develop a Grid Modernization Plan.[41] IGP will improve grid operators' situational awareness, operational efficiency, and ability to safely integrate and take advantage of Distributed Energy Resources (DER). These investments will provide a platform that will allow PG&E to successfully navigate evolving grid conditions, increasing cybersecurity and wildfire threats, and state policy goals for DERs and greenhouse gas reduction. The portfolio of programs that make up the IGP are discussed in detail in PG&E's opening testimony.[42]

PG&E's IGP forecast is split between Electric Distribution Operations and Shared Services/Information Technology. The Electric Distribution Operations portion of the forecast is for activities related to an Advanced Distribution Management System (ADMS), Distribution Engineering Planning Tools, Distribution Asset Data Improvement, and an Interconnection Tool. The remainder of the forecast is for the IT and communications infrastructure and the cyber security enhancements necessary to support the new tools. The IT forecast is discussed in PG&E's IT and communications infrastructure and cybersecurity testimony.[43] Because all electric distribution customers will benefit from IGP, PG&E is proposing to allocate the costs for this program to these customers.

None of the parties filing opening briefs opposes PG&E's IGP. Indeed, the JCCAs indicate that they "largely support" the program.[44] However, the JCCAs raise two issues regarding IGP: (1) the Commission should require PG&E to share this real-time grid data

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40 HE-17: Exhibit (PG&E-4), p. 19-2, line 30 to p. 19-3, line 4.

41 HE-17: Exhibit (PG&E-4), p. 19-2, lines 11-23.

42 HE-17: Exhibit (PG&E-4), p. 19-12, line 20 to p. 19-26, line 20.

43 HE-66: Exhibit (PG&E-7), p. 8-36, lines 12-20, p. 8-41, line 4 to p. 8-42, line 23; HE-66C: Exhibit (PG&E-7), p. 9-19, lines 1-6, and p. 9-29, lines 22-34.

44 JCCAs Opening Brief, p. 30.

produced by its IGP investments; or, (2) in the alternative, the Commission should allocate IGP costs to the generation function to reflect benefits provided solely to bundled customers.[45] Both of these arguments are without merit and should be rejected.

A. The Commission Should Not Require Real-Time Data Sharing

The JCCAs argue that real-time data produced by ADMS has value and thus, to the extent CCA customers pay for this cost, they are entitled to share in the value.[46] However, the JCCAs are a bit less clear as to what "value" they think real-time data provides. The JCCAs do not dispute that they already have access to detailed data from multiple sources that can assist in locating DERs.[47] The value of real-time data is thus not to assist in siting DERs. Instead, the JCCAs assert that the value they seek is related to "operational data [that] will be needed in the future to facilitate distribution grid service markets … ."[48] There are several problems with the JCCAs' arguments.

First, the JCCAs candidly acknowledge that the real-time data value that they allege they are not receiving is associated with "future" markets which may or may not develop.[49] PG&E witness Quinn Nakayama explained during the hearings that issues regarding future markets design are outside the scope of this proceeding and instead are being decided in the ongoing Distribution Resource Planning Proceeding (DRP Proceeding) (R.14-08-013).[50] The JCCAs do not dispute this testimony—in fact, they cite it in their opening brief.[51] The JCCAs' conclusion

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45 HE-217: JCCA-Ghidossi, p. 2, lines 8-17.

46 JCCAs Opening Brief, p. 33.

47 HE-20: Exhibit (PG&E-18), p. 19-20, lines 11-15.

48 JCCAs Opening Brief, p. 34.

49 JCCAs Opening Brief, p. 33 (future markets), p. 34 (future distribution services markets).

50 Tr. Vol. 16, 1804:22 to1805:15, PG&E/Nakayama; JCCAs Opening Brief, p. 35.

51 JCCAs Opening Brief, p. 35.

is that because there could be a future market where the real-time data may have some value for CCAs, the Commission should order now, in this proceeding, that the real-time data be shared.

This is the wrong conclusion to draw from the current ambiguity of future distributed energy markets. Rather than requiring the sharing of real-time data now based on a crystal-ball look into the future, this issue is more appropriately addressed in the DRP Proceeding or other future Commission proceedings where market design will actually be decided.[52] The JCCA's request for real-time information is at best premature and at worst would require PG&E to invest considerable amounts of time and money unnecessarily. A distribution grid services market based on real-time dispatch is still at least several years away, and there are many basic questions that the Commission and stakeholders still need to be answer, such as whether the market will be centralized or decentralized, what entity or entities will serve as the distribution operator, and how various costs will be shared.[53] While PG&E's position is that any such market must be managed by a single entity, which could be a utility, whatever the ultimate outcome, PG&E believes that regulatory mechanisms similar to those that already exist in transmission markets can be put in place to prevent the manager from deriving unfair competitive advantage.[54] If PG&E did end up managing the grid services market, there would be no need to share real-time data with the CCAs. In any event, the contours of the future grid services market (and the extent of JCCA's ultimate need for real-time data) are at this time unknown. PG&E should not be required to invest in cybersecurity improvements and data integrations with third parties unless and until the Commission and stakeholders, including the JCCAs, collectively resolve the many outstanding issues surrounding grid services markets.

52 Tr. Vol. 16, 1796:7 to 1797:1, PG&E/Nakayama; HE-148: PG&E's response to Data Request JCCA_017-Q4, dated 9/20/19, p. 2.

53 Tr. Vol. 16, 1804:4-21, PG&E/Nakayama.

54 HE-128: PG&E's response to Data Request JCCA_017-Q7, dated 9/20/19, p. 2.

Second, as Mr. Nakayama unequivocally explained at the hearing and in his data responses, the real-time ADMS data will not provide any competitive advantage in a future electric distribution market.[55] Even if the Commission had finalized the structure for a future electric distribution market, which it has not, the ability to access real-time ADMS data would provide no competitive advantage.

Third, the JCCAs argue that the information already provided by PG&E can be improved by more frequent updates,[56] but the pace of updating that data is unrelated to any new real-time data that will be produced via the ADMS.[57] Thus, there is little benefit to real-time data to address the JCCAs' stated need.

Fourth, sharing real-time grid data with CCAs and LSEs would raise complex new security and customer privacy issues and would require costly IT integrations with each new entity needing real-time data.[58] The Commission should not require PG&E to share real-time grid data resulting from the IGP investments proposed in this GRC without giving due consideration to their associated benefits, costs, and security risks.

Finally, the JCCAs' claim, that real-time data will enable better customer program measurement and verification (M&V),[59] is based on a misunderstanding of the data's granularity. Calculations in ADMS are based on modeled estimates of customer usage, which are inherently of lower precision than recorded meter data and therefore not useful for M&V.[60]

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55 Tr. Vol. 16, 1809:15 to 1811:2, PG&E/Nakayama.

56 HE-217: JCCA-Ghidossi, p. 6, line 11 to p. 8, line 19; JCCAs Opening Brief, pp. 36-37.

57 The engineering analysis underlying ICA relies on maximum and minimum circuit loading scenarios that do not change in real-time. HE-20: Exhibit (PG&E-18), p. 19-20, fn. 74.

58 HE-20: Exhibit (PG&E-18), p. 19-21, lines 1-3.

59 HE-217: JCCA-Ghidossi, p. 10, lines 1-29; JCCAs Opening Brief, pp. 37-38.

60 HE 20: Exhibit (PG&E-18), p. 19-20, lines 22-26.

B. Cost Allocation

The JCCAs argue in the alternative that, if they are not given access to real-time data, the ADMS costs should be allocated to PG&E bundled customers.[61] There is no dispute that all electric distribution customers, including both CCA and bundled customers, will benefit from the upgrades associated with IGP. These benefits are summarized by PG&E in its Prepared Testimony[62] and supported in detail in PG&E's Prepared and Rebuttal Testimony.[63] Indeed, the JCCAs extol these benefits.[64] Because all customers, including CCA customers, benefit, all customers should pay for these costs. Grid modernization costs should not be allocated to the generation function because bundled and non-bundled customers will share equally in all Grid Modernization Plan benefits, including benefits related to cybersecurity, reliability, safety, and energy savings, as well as improved management of DER-related grid issues and enablement of DER-provided grid services. As discussed above, the grid modernization investments proposed in this GRC do not uniquely advantage PG&E in identifying DER siting opportunities (which can already be identified through existing information sources), and or in any future distribution services market structure (which the Commission will need to approve after consultation with stakeholders).

V. CUSTOMER CARE COST ALLOCATION

Consistent with prior practice, PG&E proposes to continue to allocate 55 percent of customer services costs to Electric Distribution and 45 percent to Gas Distribution, an allocation which is based on the total number of PG&E electric and gas service agreements.[65] PG&E's customer support costs and activities do not vary based on how a customer's energy is generated

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61 JCCAs Opening Brief, p. 31.

62 HE-17: Exhibit (PG&E-4), p. 19-2, line 30 to p. 19-3, line 13.

63 HE-17: Exhibit (PG&E-4), Ch. 19; HE-20: Exhibit (PG&E-18), Ch. 19.

64 JCCAs Opening Brief, p. 30.

65 HE-93: Exhibit (PG&E-20), p. 2-5, lines 21-24.

or whether a customer's service is bundled or unbundled.[66] PG&E's proposal represents an equitable allocation of costs across its distribution customers that benefit from Customer Care services.

The JCCAs recommend modifying PG&E's proposed methodology for allocating customer costs primarily on the basis that unbundled customers do not use customer services with the same frequency as bundled customers.[67] The JCCAs conclude that a revised "composite" cost allocation factor for customer services costs of 13.21 percent to Electric Generation, 42.84 percent to Electric Distribution, and 43.95 percent to Gas would reflect actual usage and should be adopted as the cost allocation by the Commission.[68] The JCCAs' recommendation would be implemented in two ways: (1) directly reallocate PG&E's Customer Engagement, Customer Contact and Customer Service Office (CSO) costs using the JCCAs' revised allocation factors which are based on assumed utilization of these services by bundled and unbundled customers; and (2) apply a "composite" version of the revised allocation factors for Customer Engagement, Customer Contact and CSOs to the remaining customer costs that are allocated using PG&E's current 55/45 allocation. The overall result of this exercise is to shift $24.517 million of customer care services costs to Electric Generation compared to PG&E's current cost allocation of zero.[69]

PG&E respectfully requests that the Commission reject the JCCAs' proposals to shift costs to PG&E's remaining generation customers because:

- The Commission has held that services available to and benefiting all customers should be paid for by all customers and not be allocated based on actual use;
- PG&E's 55/45 allocation factor appropriately applies the Commission's established cost allocation standard; and

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66 HE-93: Exhibit (PG&E-20), p. 2-5 line 29 to p. 2-6, line 3.

67 HE-216: JCCA-Mancinelli/Reger, p. 9, lines 2-3.

68 HE-216: JCCA-Mancinelli/Reger, p. 23, Table 7; JCCAs Opening Brief, p. 77.

69 HE-216: JCCA-Mancinelli/Reger, p. 27, Table 8.

- The JCCAs' proposed reallocation is inappropriate since these customer service costs are not incurred for Electric Generation, and the record does not support the JCCAs' claims that unbundled customers use these customer services less frequently than bundled customers.

A. All Benefitting Customers Should Pay For the Services They Receive, Consistent With Commission Precedent

1. Legal Standard

The Commission recently affirmed "costs should be allocated to those customers on whose behalf the costs were incurred."[70] Where "services . . . involve all customers, the costs . . . should be borne by all customers."[71]

JCCAs ignore these decisions and instead argue, incorrectly, that CCA customers use PG&E's customers services less frequently than bundled customers and should bear less of the costs. While the evidence does not show that unbundled customers use PG&E customer services less frequently than bundled customers, actual use of the service is not dispositive. "The Commission has clearly stated that the principle of cost causation means that costs should be borne by those customers who cause the utility to incur the expense, not necessarily by those who benefit from the expense."[72] The Commission does not consider in its cost allocation decisions, as the JCCAs suggest in their proposals, the day-to-day use of PG&E programs or services, which is dynamic and changes over time.

For example, the Commission recently held that CCA customers should pay in distribution rates for programs in which they are *eligible to participate*. The Commission found that it was fair to charge to distribution rates those tariffs, programs or services that are equally available to CCA customers without conducting an additional inquiry to determine who is *actually participating* in the programs. Actual participation is variable; such an inquiry would require constant re-examination and would deprive the utilities and customers any certainty regarding cost allocations to establish customer rates. As the Commission explained:

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70 D.19-09-004, p. 9, citing, D.99-06-058 at 7; D.02-11-022 at 61; D.12-12-004 at 52-53.

71 D.15-03-042, p. 61, Finding of Fact 54.

72 D.14-12-024, p. 48, citing R.12-06-013.

> We find it equally reasonable that tariffs and programs, including pilots, available to all customers should be paid for by all customers. Thus, we adopt as a demand response cost allocation principle that *any demand response program or tariff, including a pilot, that is available to all customers shall be paid for by all customers and therefore allocated to distribution rates*. Likewise, if a program or tariff is only available to bundled customers, that program's costs shall be allocated solely to generation rates. This demand response cost allocation principle shall be applied consistently across the three utilities.[73]

The Commission has found it reasonable to allocate costs across all distribution customers if the program or service provided is equally available to those customers because each customer has the opportunity to use the service.[74] Costs are not allocated based on which customers actually utilized that program or service.[75] The Commission later affirmed this decision:

> In regards to the issue of cost allocation, we look to our latest decision in the demand response rulemaking. Pursuant to D.14-12-024, *because the direct participation rules apply to services that are available to all customers, the costs for implementation should be borne by all customers*.[76]

Even if unbundled customers were using the Customer Care services less frequently than their bundled counterparts (which they are not), Commission precedent dictates that the equal availability of the service means that unbundled customers should pay the same as bundled service customers for those services.

State law mandates the same result. Public Utilities Code statutes authorizing CCA service prohibit an increase in the costs of bundled service customers due to the departure of customers to a CCA.[77] Shifting more of PG&E's Customer Care costs to the generation rate, as

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73 D.14-12-024, p. 48 (emphasis added).

74 D.14-12-024, p. 48.

75 *Id.*

76 D.15-03-042, p. 51 (emphasis added).

77 See e.g., Pub. Util. Code §366.2(a)(4) ("The implementation of a community choice aggregation program shall not result in a shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation."); §366.2(d)(1) ("It is further the intent of the Legislature to prevent any shifting of recoverable costs between customers."); §365.2 ("The commission shall ensure that bundled retail customers of an electrical corporation do not experience any cost increases as a result of retail customers of the CCAs propose, would make bundled service more expensive due to the departure of customers to a CCA even though the CCA customers continue to have full access to, and continue to use, the same PG&E customer services they used before becoming CCA customers. This shifting of costs to bundled service customers should not be allowed.

2. The JCCAs' Attempt To Conflate Commodity And Service Use Should Be Rejected.

To circumvent the Commission's legal standard on cost allocation, the JCCAs conflate customer care services with commodity use. While recognizing that PG&E's allocation is based on the premise that services "are *equally available* to both bundled and unbundled customers," the JCCAs posit that "this argument fails when one considers that large volumes of electricity are also *equally available* to any customer that chooses to utilize more electricity than their neighbors."[78] Later, the JCCAs continue this rationale stating that the "equally available" argument:

> [F]ails for the simple reason that just because something (electricity or otherwise) may be *available* to customers, does not mean that they have to use it. Indeed, in most free markets, customers only pay for what they use. … Imagine the outrage if a grocery store were to charge all customers for the apples on the shelf, simply because they are equally available for all customers to purchase.[79]

In this way, the JCCAs attempt to cast shared customer services, such as PG&E's contact centers, with commodity consumption (electricity, apples, or otherwise). In addition to being easily quantifiable, these commodities also represent a zero-sum game: an apple consumed by one individual cannot be eaten by her neighbor. There is no sharing of the benefits (nutrition, satiety) of the commodity among the individual consumers.

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an electrical corporation electing to receive service from other providers. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load."); §366.3 ("Bundled retail customers of an electrical corporation shall not experience any cost increase as a result of the implementation of a community choice aggregator program. The commission shall also ensure that departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load.").

78 JCCAs Opening Brief, p. 66.

79 JCCAs Opening Brief, p. 69 (emphasis in original).

Customer services, however, are readily distinguished from commodity use. While it is reasonable to charge the distribution customer for her actual energy use, services provided by the Customer Care organization are equally available to all customers and use by one individual does not preclude another from using that same service. At some point in time, every customer will use customer services—whether to start or stop service, enroll in a program or payment plan, receive or pay a bill. In this way, the JCCAs correctly point out that "Customer Care therefore touches all customers."[80] It is also therefore appropriate to uphold the Commission precedent in allocating customer services costs to all customers for whom the services are provided and reject the JCCAs' attempt to compare the availability of customer services with commodity use.

B. PG&E's 55/45 Allocation Factor For Customer-Facing Programs Is Appropriate And Consistent With The Commission's Established Cost Allocation Standards

PG&E proposes to continue to allocate 55 percent of customer costs to Electric Distribution and 45 percent to Gas Distribution, which is based on the total number of PG&E electric and gas service agreements.[81] This allocation equitably assigns costs for services equally available to all customers. As discussed above, the Commission has previously found that it is fair to charge to distribution rates those tariffs, programs or services that are equally available to CCA customers without conducting an additional inquiry to determine who is *actually participating* in the programs.[82] PG&E's proposal is consistent with its current allocations and is appropriately based on the number of respective electric and gas service agreements.[83]

The JCCAs seek to reallocate costs for customer service activities provided by Customer Engagement, Contact Centers, and Customer Service Offices. JCCAs' chief argument is that

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80 JCCAs Opening Brief, p. 58.

81 HE-93: Exhibit (PG&E-20), p. 4-7, lines 19-22.

82 D.14-12-024, p. 48.

83 HE-93: Exhibit (PG&E-20), p. 2-5, line 28 to p. 2-6, line 4.

unbundled customers are not using these services with the same frequency as their bundled counterparts;[84] they do not dispute that these services are equally available to unbundled customers. As discussed below, these Customer Care functions provide services that benefit all customers and should appropriately be allocated across all distribution customers.

1. Customer Engagement

PG&E's Customer Engagement organization provides direct support to PG&E's diverse customers, including Large Commercial, Agricultural, and Industrial customers, Small and Medium Businesses (SMB), and Residential Customers.[85] Customer Engagement teams effectively and efficiently deliver services and benefits for those customers' needs. The Customer Engagement organization also drives important policy objectives such as electric vehicle and distributed generation education and execution of the Economic Development Program to support job creation and attract employers to California.[86]

Customer Engagement's activities does not vary based on whether a customer's service is bundled or unbundled.[87] Customer Engagement's customer service activities are equally available to all PG&E customers and PG&E incurs the costs for all customers.

PG&E witness Jess Brown, a local customer experience division leader for the City and County of San Francisco,[88] testified that if a customer seeks services, PG&E provides those services on an equal basis to all customers irrespective of the customers' energy supplier. In fact, Mr. Brown noted that even though his service area is nearly 97 percent unbundled eligible customers, daily engagement "pretty much feel[s] the same"[89] as all other divisions that have

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84 HE-216: JCCA-Mancinelli/Reger, p. 6, lines 4-9.

85 HE-91: Exhibit (PG&E-6), p. 2-1, lines 10-16.

86 HE-91: Exhibit (PG&E-6), p. 2-1, lines 17-23.

87 HE-93: Exhibit (PG&E-20), p. 2-5, line 29 to p. 2-6, line 3.

88 HE-51: Exhibit (PG&E-13), p. JAB-1, lines 8-10.

89 Tr. Vol. 15, 1519:6-21, PG&E/Brown.

previously been in his purview. He also stated that across all of PG&E's territory, use of PG&E's customer engagement services is "fairly even across bundled and unbundled customers."[90]

Furthermore, the JCCAs' recommendation fails to account for engagement that unbundled customers make with their utility company apart from generation services. The JCCAs posit that escalated customer complaints should have a modified allocation factor because an unbundled customer would not have a reason to issue complaints to PG&E.[91] That is incorrect. An unbundled customer may raise issues with PG&E related to any PG&E service or billing.[92] PG&E will work with the customer to resolve the issue and it will be considered a service or billing complaint, not a CCA complaint.[93] Even if a customer uses a CCA for power generation, PG&E will still work with the customer to resolve any complaints for which PG&E is responsible. Therefore, CCA customers equally benefit from the escalated complaint program, and the other contested customer engagement programs.

2. Contact Centers

PG&E's Contact Centers provide timely and responsive support to PG&E's gas and electric customers for all customer inquiries, including payment options, technical questions, and energy services and programs.[94] Contact Centers' level of service for responding to typical customer service-related activities does not vary based on whether a customer is bundled or unbundled electric, or gas.[95] When an unbundled customer contacts PG&E through its call

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90 Tr. Vol. 15, 1519:18-19, PG&E/Brown. See also HE-93: Exhibit (PG&E-20), p. 2-6, lines 5-19.

91 HE-216: JCCA-Mancinelli/Reger, p. 19, Table 5. See proposed adjusted functional allocators for "Escalated Complaints."

92 HE-93: Exhibit (PG&E-20), p. 2-6, lines 20-25.

93 HE-93: Exhibit (PG&E-20), p. 2-6, lines 20-27.

94 HE-91: Exhibit (PG&E-6), p. 4-1, lines 9-12.

95 HE-93: Exhibit (PG&E-20), p.4-9, Table 4-3, Contact Center – Total Calls.

centers, PG&E still handles the inquiry, whether it be regarding payment or service, and only refers the call to the CCA after it has been determined the issue is within the CCA's jurisdiction.[96]

3. Customer Service Offices

PG&E operates Customer Service Offices or "CSOs" throughout its service territory that are staffed by PG&E employees that provide face-to-face service to customers.[97] The CSOs process in-person customer payments and certain non-payment transactions.[98] Similar to the Contact Centers, CSO level of service does not vary based on whether a customer is bundled or unbundled electric, or gas.[99] These offices are available for use by all customers and continue to be used by customers in CCA areas.

C. The JCCAs' Proposed Reallocation Inappropriately Assigns Costs to the Generation Function, Is Not Supported by the Record, and Would Cause an Inequitable Cost Shift

The JCCAs' reallocation proposal should be rejected for the additional reason that the evidentiary record does not support the JCCAs' claim that unbundled customers use PG&E's Customer Care services less frequently than their bundled counterparts.

1. The JCCAs' Proposal Inappropriately Assigns Customer Services Costs to the Generation Function

At its core, the JCCAs' proposal to reallocate customer services costs to the generation function, which does not interact directly with customers, is a cost shift among customer classes. This is inappropriate. The electric generation function does not directly provide <u>any</u> customer services.[100]

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96 Tr. Vol. 15, 1584:26 to 1585:1, PG&E/Zenner.

97 HE-91: Exhibit (PG&E-6), p. 5-1, lines 12-14.

98 HE-91: Exhibit (PG&E-6), p. 5-1, lines 10-12.

99 HE-93: Exhibit (PG&E-20), p. 4-7, lines 13-19.

100 HE-80: Exhibit (PG&E-10), Ch. 6 for a description of the costs and services assigned to the generation function.

In this rate case, PG&E forecasts costs and requests recovery for the costs associated with electric distribution. This includes "[t]he delivery of electrical supply and *related services* by PG&E to a customer over PG&E's Distribution System."[101] As the JCCAs point out, "costs that only benefit certain functions are directly assigned to those functions and are recovered via the appropriate portion of PG&E's rate."[102] The customer costs that the JCCAs dispute—customer engagement, contact centers, and customer service offices—are necessary services for all of PG&E's distribution customers and directly benefit unbundled customers.

Taken to its extreme conclusion, the JCCAs' proposal to shift costs to the generation function would lead to unintended and inequitable consequences. Under the JCCAs' proposal, if the number of unbundled customers grows to include all or nearly all of PG&E's electric distribution customers, most customer services costs would be borne by the remaining bundled service customers. That is to say, the services that are necessary for PG&E to deliver electricity to its customers would be moved from the distribution function to generation. This result removes the nexus between the services and the function they support, and would cause a customer class that does not receive any more benefits from the services than CCA customers to bear an undue amount of the costs. Because the generation function has no customer-facing services, the Commission should reject the JCCAs' proposal to shift these unconnected customer service costs to generation.

2. The Record Does Not Support the JCCAs' Position

The JCCAs' proposals are based on the claim that unbundled customers engage with Customer Care less than frequently than their bundled counterparts.[103] However, as discussed below, the record does not support JCCAs' position that these services are used less by unbundled customers because:

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101 PG&E Electric Rules Tariff 1, Sheet 12 (emphasis added).

102 JCCAs Opening Brief, p. 59.

103 HE-216: JCCA-Mancinelli/Reger, p. 9, lines 2-3.

- The record shows that unbundled customers use Contact Center services at a higher rate per customer than bundled customers;
- From 2015 to 2017 Contact Center call volumes increased while the number of CCA customers tripled and the number of bundled electric generation customers declined by 15 percent; and,
- CCA customers remain PG&E electric distribution customers and continue to utilize these customer services.

a. The Number Of Customer Calls Per Customer Is Higher For Unbundled Customers

PG&E provided the following analysis that showed that unbundled customers use PG&E's call centers at a greater rate than bundled customers:[104]

Metric	Bundled	Unbundled
# of Customers	4,298,042 (This is the number of bundled customers in January 2018)	1,263,000 (This is the number of unbundled customers in April 2018)
# of Calls	333,335 (Number of CSR Calls Handled for bundled customers in January 2018)	118,881 (Number of CSR Calls Handled for unbundled customers in April 2018)
Ratio: Calls per Customer	0.078	0.094

The JCCAs argue[105] that a comparison of usage based on these figures is not valid since the call rate for bundled customers is measured in January 2018 and the rate for CCAs is measured in April 2018.[106] The JCCAs however do not refute the accuracy of the call rate for each month. The data show that the call rate for CCAs is approximately 20 percent higher than

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104 HE 103: PG&E response to Data Request JointCCAs_015-Q10, dated 9/20/19.

105 JCCAs Opening Brief, p. 73.

106 As explained by PG&E's witness Zenner, PG&E chose these two months for practical reasons in order to respond timely to the JCCAs' Data Request: "Those months are relatively close. And that was the date we had available to get those counts to turn that data request around in time … there was less volatility in those months, due to outages or anything else and the call counts were relatively the same, we made the assumption that, relatively, those customers counts for those months would match … . So in order to turn this around, we used data that was accessible to us … we had to manually pull this and … come up with something we don't normally track." (Tr. Vol. 15, 1578:7 to 1579:17, PG&E/Zenner.)

for bundled customers (0.094/0.078 = 1.20) using a monthly snapshot only two months apart. In addition, as shown in Table 4-11 of PG&E's workpapers,[107] from 2013 to 2017 call volumes in April have been significantly lower than call volumes in January. Thus, the use of April data for calculation of the unbundled customer call rate almost certainly understates the rate had PG&E been able to calculate a January unbundled call rate.

The JCCAs also erroneously claim that "bundled…customers utilize Contact Centers at a rate more than double with which unbundled…customers utilize them" citing data that Contact Centers received 3,828,427 calls from bundled customers and 1,425,637 calls from unbundled customers.[108] This conclusion is incorrect because these data reflect the estimated total number of contacts, but do not reflect the rate at which unbundled customers call the Contact Centers relative to their numbers. The JCCAs' claim is also rebutted by PG&E witness Zenner's testimony that unbundled customers contact PG&E more frequently than bundled customers.[109]

b. Contact Center Transactions Have Increased As Unbundled CCA Customers Have Increased and Bundled Generation Customers Have Decreased

The record shows that Contact Center calls have increased with the growth of CCA customers. PG&E saw an increase in the total calls handled by the Contact Centers between 2015 to 2017 despite significant growth in CCA customers and an equal decline in PG&E's electric generation customers.[110] In 2015, PG&E's Contact Centers handled 18,291,998 calls and CCA customers numbered 370,000. In 2017, PG&E's Contact Centers handled 20,301,413

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107 HE-92: Exhibit (PG&E-6), WP 4-11, Table 4-11.

108 JCCAs Opening Brief, p. 71 and fn. 311, citing numbers from HE-216: JCCA-Mancinelli/Reger, p. 17, Table 3.

109 Tr. Vol. 15, 1574:9 to 1579:17, PG&E/Zenner.

110 HE-93: Exhibit (PG&E-20), p. 4-9, Table 4-3 and p. 4-10, Table 4-4.

calls, while CCA customers grew to 1,263,000 (as of April 2018).[111] During this same period, PG&E's electric generation customers decreased by almost 15 percent.[112]

The JCCAs argue that PG&E's analysis is flawed because it compared the number of calls received in 2017 to the number of CCA customers in 2018.[113] PG&E's Rebuttal Testimony demonstrates that the 2018 CCA customer count was as of April 2018 and illustrates the key point that 2017 calls handled increased while the number of CCA customers tripled. The JCCAs did not refute the fact that CCA customer counts increased three-fold from 2015 to April 2018, and that calls handled volumes were significantly higher in 2017 compared to 2015, while PG&E's generation customer base decreased by almost 15 percent.

The JCCAs also argue that the call volume/customer comparison is flawed because "PG&E's analysis…fails to account for the additional half million (approximately) total new customers that were added to PG&E's system during that same time period."[114] However, PG&E did not add a half million new customers from 2015 to 2017. After receiving the JCCAs Opening Brief, PG&E determined that PG&E's Data Request response in Table 3 of HE-108 contains a different reporting methodology for gas customers, *i.e.*, the gas customer figures do not include Transportation-Only customer data for years 2013-2016.[115] As a result of this different reporting methodology, the gas customer totals in HE-108 for 2013-2016 were understated relative to the 2017-2018 data. PG&E has provided a revised version of HE-108 Table 3 below which contains electric and gas customer counts as reported in PG&E's filed SEC

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111 *Id.*

112 HE-93: Exhibit (PG&E-20), p. 4-9, lines 10-12.

113 JCCAs Opening Brief, p. 72.

114 JCCAs Opening Brief, p. 72.

115 PG&E obtained the gas customer data in HE-108 from its FERC Form 2 filings. However, PG&E only started to include Transportation-Only customer data along with bundled gas customer data beginning with the 2017 FERC Form 2 reporting year to align with how electric customer data has been reported in the FERC Form 1

Form 10-K for the 2013-2018 reporting period.[116]

Consequently, the total number of electric and gas customers served during the 2015-2018 period only increased by 197,087 customers (2%) rather than the 500,000 customer increase argued in the JCCAs' Opening Brief; Electric customers only increased by 117,140 (2.2%) while Gas customers only increased by 79,947 (1.8%). An increase of 11 percent in the number of Contact Center transactions from 2015 to 2017[117] cannot be explained by a 2 percent increase in PG&E customers. Instead, the tripling of CCA customers during that period seems a much more likely driver of the spike in calls.

Year	Electric Customers[118] Revised (Original)	Gas Customers[119] Revised (Original)	Total Revised (Original)
2013	5,243,216 (5,354,265)	4,378,797 (4,100,382)	9,622,013 (9,454,647)
2014	5,276,025 (5,339,262)	4,394,283 (3,984,523)	9,670,308 (9,323,785)
2015	5,311,178 (5,417,160)	4,415,332 (4,029,423)	9,726,510 (9,446,583)
2016	5,349,691 (5,428,389)	4,442,379 (4,033,871)	9,792,070 (9,462,260)
2017	5,384,525 (5,479,889)	4,467,657 (4,494,490)	9,852,182 (9,974,379)
2018	5,428,318 (5,471,777)	4,495,279 (4,472,559)	9,923,597 (9,944,336)

116 Concurrent with this reply brief, PG&E has filed a Motion for Official Notice of Facts (Motion) with supporting information for the revised customer counts. To support its revised data, PG&E has attached to the Motion the relevant pages containing the electric and gas customer counts reported in its filed SEC Form 10-K for each reporting year from 2013 through 2018. PG&E is referencing the SEC reports because they are public documents that the Commission can officially notice. However, because the SEC reports show the average number of electric and gas customers in a reporting year, in addition to the understated gas customer totals for 2013 to 2016 being different, all of the electric and customer totals for the 2013-2018 reporting years are slightly different from those originally reported in the FERC Form 1 and FERC Form 2 respectively.

117 20,301,413/18,291,998 = 1.11, i.e., an increase of 11% in the number of calls.

118 These amounts represent the average number of customers for each year and include Direct Access and CCA customers who procure electricity from a third-party provider.

119 These amounts represent the average number of customers for each year and include customers who procure natural gas from a third-party provider.

For these reasons, the JCCAs fail to refute the fact that between 2015 and 2017 Contact Center calls-handled volume has increased while the number of CCA customers tripled, and the pool of PG&E generation customers has decreased by 15 percent.

c. CCA Customers Remain PG&E Electric Distribution Customers And Continue To Utilize These Customer Services

There is no commensurate decrease between the number of electric generation customers and the number of customer inquiries as the JCCAs suggest because CCA customers also remain PG&E electric distribution customers. These CCA customers also continue to participate in PG&E demand-side management programs, such as energy efficiency and demand response. These customers contact PG&E about net-energy metering issues. Like Customer Engagement's activities, PG&E treats unbundled and bundled customers' inquiries the same at PG&E's Contact Centers.[120] Moreover, regardless of a customer's generation provider, PG&E still provides service regarding billing, payments, start service, stop or transfer service, outages, gas leaks, and emergencies.[121] While the JCCAs suggest that CCAs' own customer service functions "relieve[ ] PG&E of the full responsibility handling many unbundled customer inquiries,"[122] it is clear that only a fraction of the services provided by PG&E Contact Centers could be handled by a CCA's customer service.

Customers often call PG&E first, even if they are unbundled customers.[123] In fact, when an unbundled customer does have a call specific to its generation rate, or does not know it is a CCA customer because it is unaware of the Commission's opt-out rules, the customer often still calls PG&E about his or her generation rate.[124] PG&E must still "handle all inquiries when they

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120 Tr. Vol. 15, 1575:22 to 1576:1, PG&E/Zenner. As discussed below, PG&E does refer certain inquiries to CCAs once it has been determined that it is a CCA-related issue.

121 HE-93: Exhibit (PG&E-20), p. 4-8, lines 13-16.

122 HE-216: JCCA-Mancinelli/Reger, p. 6, lines 8-9.

123 Tr. Vol. 15, 1581:22-23, PG&E/Zenner.

124 Tr. Vol. 15, 1581:20 to 1582:1, PG&E/Zenner.

come in" and only when it has been determined that the issue is squarely in the CCA's purview, PG&E can then "refer that portion of the inquiry" to the CCA.[125] PG&E still incurs costs for unbundled customer call inquiries. PG&E's customer service phone number is prominently displayed on the first page of PG&E's bills to bundled and unbundled customers. For unbundled customers, the contact information for a customer's energy provided is included in the information on energy charges on page 4 of the bill.

Furthermore, some billing issues for unbundled customers can be more complicated than for bundled customers, which would generate additional calls. As PG&E witness Zenner testified, more complex calls take longer.[126] For example, when an unbundled customer stops their PG&E service, the billing system treats the outstanding amount owed to PG&E and the CCA separately. In some cases, the customer may still owe a balance to the CCA and will need to make an additional "final" payment.[127]

For all these reasons, the need for the Contact Centers to support CCA customers remains or is even greater once the customer becomes a CCA customer and explains the increased calls that PG&E has been experiencing.

3. The Record is Insufficient to Support JCCAs' Recalculated Cost Allocation Factors

The JCCAs recommend a revised allocation for customer care costs of 13 percent to electric unbundled customers, 43 percent to electric bundled customers, and 44 percent to gas customers.[128] According to the JCCAs, PG&E's methodology for allocating customer costs

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125 Tr. Vol. 15, 1584:26 to 1585:1, PG&E/Zenner.

126 Tr. Vol. 15, 1554:21-26, PG&E/Zenner.

127 HE-103: PG&E's Response to Data Request_JointCCAs_015-Q10 (b), dated 9/20/19.

128 HE-216: JCCA-Mancinelli/Reger, p. 23, Table 7.

should be updated because CCA customers do not use Customer Care services with the same frequency as Bundled Service customers.[129]

The JCCAs rely on data provided by PG&E and included in Table 3 of Mr. Mancinelli and Mr. Reger's Testimony[130] (JCCAs' Table) to develop their reallocation factors for Customer Engagement, Contact Centers and Customer Services Offices.[131] The JCCAs' Table is copied below (footnotes omitted).

					Count of Customers Receiving Service (by Type)			Proportion of Customers Receiving Service (by Type)		
PGE 6 WP	**Chapter**	**MWC**	**Department**	**Specific Program/Service**	**Bundled Elec.**	**Unbundled Elec.**	**Gas**	**Bundled Elec.**	**Unbundled Elec.**	**Gas**
Ch 2	Customer Engagement	IV: Provide Account Services	Business Energy Solutions	Large Commercial, Industrial and Agricultural Customer Reps	1,827	1,524	2,751	29.9%	25.0%	45.1%
				Small and Medium Business Customer Reps	169,509	154,496	147,923	35.9%	32.7%	31.3%
			Local Cust. Experience	Division Leadership Teams	19	13	19	37.3%	25.5%	37.3%
				Customer Success	894	876	1,203	30.1%	29.5%	40.5%
				Third Party Relations	0	1,272,328	418,000	0.0%	75.3%	24.7%
		Manage Customer Inquiries		Escalated Complaints	2,678	7	2,678	49.9%	0.1%	49.9%
Ch 4	Contact Centers			Customer Calls/Emails	3,828,427	1,425,637	4,436,624	39.5%	14.7%	45.8%
Ch 5	Customer Care	Customer Service Offices		Locations/Customers Served	394,888	194,927	475,580	37.1%	18.3%	44.6%

The JCCAs assume that the data provided by PG&E related to these various services represents utilization of the services that would allow the costs to be re-allocated. However, as discussed below, because PG&E does not track utilization of services by bundled or unbundled customers, PG&E's data does not provide a sufficient basis to conclude how much cost is due to bundled and unbundled customer utilization of these services.

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129 HE-216: JCCA-Mancinelli/Reger, p. 9, lines 2-3.

130 HE-216: JCCA-Mancinelli/Reger, p. 17, Table 3.

131 JCCAs Opening Brief, pp. 67, 72 and 75.

First, certain data between bundled and unbundled is either estimated or not broken out at all because PG&E does not track utilization of services by bundled and unbundled customers.[132] For customer contact center transactions, which represent the bulk of the costs that the JCCAs try to reallocate directly,[133] PG&E has not historically tracked these by type of customer.[134] As PG&E witness Zenner explained, "we had to manually back into these numbers [because] … this is not something we track."[135] For Escalated Customer Complaints, PG&E explained that "Escalated Complaints Management does not track customers by electric bundled, CCA/DA and gas commodity."[136] Therefore, the Escalated Customer Complaint numbers in the JCCAs' Table reflect <u>all</u> Escalated Complaints handled by PG&E and include complaints from unbundled customers which are not broken out by the data. Thus, for customer calls and Escalated Customer Complaints, the data JCCAs rely on is insufficient to determine actual usage of these services.

Second, the data is defined at the customer account level for most[137] customer totals included in the "Count of Customers Receiving Service" column, and do not reflect customer service agreements or the number of transactions.[138] For example, for Large Commercial,

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132 HE-93: Exhibit (PG&E-20), p. 4-7, lines 15-19. Tracking these kinds of customer service costs by type of customer has not been necessary since PG&E provides the same level of service to all customers.

133 HE-216: JCCA-Mancinelli/Reger, p. 16, Table 2 shows that Contact Centers represent $63.9 million which is more than the costs in all the other rows combined.

134 HE-93: Exhibit (PG&E-20), p. 4-8, lines 6-20; HE-105: PG&E's response to Data Request JCCA_015-Q12, dated 9/20/19.

135 Tr. Vol. 15, 1576:4-6, PG&E/Zenner.

136 HE-216: JCCA-Mancinelli/Reger, Attachment JAM-2, p. 49 of 55, PG&E's response to Data Request JCCA_013-Q06, dated 7/15/19, Table 2, note 3.

137 Not all the data in their table is at the account level. For example, the numbers in the boxes for Third Party Relations reflect service agreements and the numbers for DLT reflect divisions.

138 HE-216: JCCA-Mancinelli/Reger, Attachment JAM-2, p. 49 of 55, PG&E's response to Data Request JCCA_013-Q06, dated 7/15/19, Table 2, notes 1 and 2, totals for LCI, AG, and SMB reflect "the number of customers."

Industrial and Agricultural Customers, and for Small and Medium Business Customers, one customer account can have multiple service agreements (*e.g*. a retail chain customer will have one account, but many service agreements for each of its locations). Thus, the number of customer accounts do not reflect the number of service agreements. Another example is in the CSO row in the JCCAs' Table. The data does not reflect the volume of transactions conducted at the CSOs but represents the number of unique customer accounts associated with a transaction at each CSO in 2017.[139] In other words, the data does not distinguish between an account that posted one transaction and an account that posted 10 transactions at a given CSO. Thus, the data does not reflect transaction volume.

Third, the data shown in the columns Bundled Electric, Unbundled Electric, and Gas customer are not mutually exclusive by type, so the sum of the columns exceeds the total number of customer accounts or transactions. With respect to customer account totals, since most bundled and unbundled customers receive gas and electric service, the gas count is therefore a subset of the bundled and unbundled count. Stated differently, due to the overlap of the data, unbundled electric customers with gas service also appear in the "Gas" column. Another example of data overlap occurs with the call volume data. PG&E explained that "[t]he gas and electric (bundled and CCA) call and email volumes are not mutually exclusive (i.e. if a customer has both gas and electric services, their calls and emails are counted under each service). Therefore, the total number of calls in Table 2 exceed the call volume in WP 4-11, Exhibit (PG&E-6), and the total number of emails exceed the email volume in WP 4-12, Exhibit (PG&E-6)."[140] Due to this overlap between categories of customers there is no direct correlation with cost responsibility across categories.

139 HE-216: JCCA-Mancinelli/Reger, Attachment JAM-2, p. 51 of 55, PG&E's response to Data Request JCCA_010-Q11, dated 7/5/19, which requested the number of customer accounts associated with CSO transactions.

140 HE-216: JCCA-Mancinelli/Reger, Attachment JAM-2, p. 49 of 55, PG&E's response to Data Request JCCA_013-Q06, dated 7/15/19, Table 2, note 5.

Finally, the evidence shows that unbundled customers use PG&E's customer-facing services regardless of their status as bundled or unbundled customers. As PG&E witness Brown testified, utilization of customer engagement services is "fairly even across bundled and unbundled customers."[141] For example, the Division Leadership Team (DLT) data in the JCCAs' Table shows that of PG&E's 19 Divisions, 13 include communities that are CCA.[142] However, PG&E's DLTs serve all Divisions, regardless of whether they have CCAs. For example, as discussed in Section V.B.1 above, in the San Francisco Division the work volume for the DLT has remained constant despite most customers shifting to CCA service. [143] Furthermore, as discussed in Section V.C.2 above, customer call center volumes have increased while CCA has grown, and CCA customers have a higher rate of calls per customer than bundled customers. For all these reasons, the status of a customer as a CCA, which is the basis for much of the data in the JCCAs' Table, is not a good indicator of service utilization.

4. There is No Evidence To Support the JCCAs' Extension of the Recalculated Allocation Factor for Customer Engagement, Contact Centers, and CSOs to Other Customer Care Services

As discussed above, the JCCAs recalculated the cost allocation factor for services related to Customer Engagement, Contact Centers, and CSOs based on data regarding the customers utilizing these services. The previous section demonstrates the flaws in the JCCAs' assumption that the data somehow allows conclusions to be reached on the relative utilization of these services by bundled and unbundled customers.

However, the JCCAs propose to expand the use of the allocation factors that they recalculated for Customer Engagement, Contact Centers, and CSOs to all areas of Customer

141 Tr. Vol. 15, 1519:18-19, PG&E/Brown. See also HE-93: Exhibit (PG&E-20), p. 2-6, lines 5-19.

142 HE-216: JCCA-Mancinelli/Reger, Attachment JAM-2, pp. 54 and 55 of 55, PG&E's response to Data Request JCCA_001-Q33, dated 4/2/19.

143 Tr. Vol. 15, 1518:26 to 1519:28, PG&E/Brown.

Care where PG&E allocated the costs using its 55/45 allocator.[144] The JCCAs admit that they do not have sufficient data to allocate costs in other areas of Customer Care, but recommend that the Commission require PG&E to apply to those areas a "composite allocator" based on their calculated allocation factors for Customer Engagement, Contact Centers, and CSOs.[145] The JCCAs recommend that the Commission apply this "composite allocator" to an additional $185.6 million of Customer Care costs beyond the costs for Customer Engagement, Contact Centers, and CSOs.[146]

The Commission should reject this recommendation. Not only are the JCCAs' cost allocation factors for Customer Engagement, Contact Centers, and CSOs flawed, but there is no evidence regarding relative usage of the remaining Customer Care services. Accordingly, the JCCAs have failed to meet their burden of presenting evidence that PG&E's proposed use of the 55/45 factor for these costs is not appropriate and should be revised.

D. Customer Care Cost Allocation Conclusion

PG&E respectfully requests that the Commission reject the JCCAs' cost allocation proposal and approve PG&E's request to retain its current 55/45 split between electric and gas distribution which is based on the total number of PG&E electric and gas service agreements. This allocation reflects the benefits the customers could receive from PG&E's customer services, which is in line with Commission decisions.

In contrast, the JCCAs ask that the Commission shift electric distribution services costs to generation. This is inappropriate on its face, but moreover, the record does not support the JCCAs' claim that the shift is necessary based on unbundled customers' use of the distribution services. The JCCAs' proposal should be rejected.

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144 JCCAs Opening Brief, p. 76.

145 JCCAs Opening Brief, p. 77.

146 JCCAs Opening Brief, p. 77.

VI. REVISED LABOR ALLOCATION FACTOR FOR ADMINISTRATIVE AND GENERAL AND RESULTS OF OPERATIONS COSTS

The Commission should reject the JCCAs' additional proposal to recalculate PG&E's operations and maintenance (O&M) labor factors that are used to allocate PG&E's common costs, including Administrative and General (A&G) expenses and costs associated with "Business" and "Other" taxes, as well as Depreciation and Return earned on Common Plant.[147] As discussed below, the JCCAs' proposal utilizes the flawed JCCAs' Customer Care labor allocation factor (see Section V.C above), and applies it to reallocate wholly-unrelated customer service costs without any evidence regarding the actual use of those services by bundled and unbundled customers. The JCCAs then inappropriately incorporate their revised allocation of customer services labor to create revised total company operations and maintenance labor allocators.

A. Summary of the Issue

By their very nature, A&G expenses and other common costs cannot be identified with specific operating function. Accordingly, PG&E allocates these costs to five major Unbundled Cost Categories (UCCs) representing operating function, as follows:[148]

- Electric Generation
- Electric Distribution
- Gas Distribution
- Electric Network Transmission
- Gas Transmission and Storage (GT&S)

In this 2020 GRC, PG&E allocates total company A&G expenses to UCCs using O&M labor factors, based on 2017 recorded O&M labor, adjusted for one-time items.[149] The summed

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[147] JCCAs Opening Brief, p. 88 (A&G costs) and p. 89 ("Business" and "Other" taxes, as well as Depreciation and Return earned on Common Plant).

[148] PG&E adopted the term "Unbundled Cost Categories" to address the requirements of D.97-08-056 to provide functional revenue requirement calculations long before the concept of "unbundled" customers.

[149] HE-80: Exhibit (PG&E-10), p. 7-3, lines 4-13.

total of O&M labor by UCC/utility function is calculated as a proportion of total labor for the utility and is then multiplied by total A&G costs to allocate total A&G to the functional UCCs.

PG&E also uses the same O&M labor factors that it uses for A&G to allocate costs associated with "Business" and "Other" taxes, as well as Depreciation and Return earned on Common Plant. PG&E acknowledges that the gas and electric distribution functional O&M labor used to develop the labor allocator includes the customer services labor which provides services to end-use customers.

The JCCAs propose to recalculate the O&M labor factors (referred to by the JCCAs as "Labor Allocators") to reflect the adjusted cost allocation factor that it developed for customer care costs (see Section V.C above). The JCCAs' adjusted allocator of customer-service related costs allocates 13.21 percent of costs to Electric Generation, 42.84 percent of costs to Electric Distribution, and 43.95 percent of costs to Gas Distribution. The JCCAs assert that "PG&E should employ a Labor Allocator that reflects actual provision of customer service by applying the JCCAs' functional allocation to FERC accounts. Doing so produces a GRC Labor Allocator that allocates 30.9% of costs to Electric Generation, 43.2% of costs to Electric Distribution, and 25.9% of costs to Gas Distribution."[150]

The JCCAs apply this adjusted "Labor Allocator" as follows: "[t]o better align cost recovery with cost causation and improve the utility's equity in cost recovery, the Commission should require PG&E to utilize this adjusted Labor Allocator in functionalizing A&G costs. Based on PG&E's RO model, the utility has a total of $1.314 billion in A&G expenses, and functionalizing these costs using the adjusted Labor Allocator allocates $406.1 million to Electric Generation, $567.9 million to Electric Distribution, and $340.7 million to Gas Distribution."[151]

150 JCCA Opening Brief, p. 88.

151 JCCA Opening Brief, pp. 88-89.

With respect to "Business" and "Other" taxes, as well as Depreciation and Return earned on Common Plant, the JCCAs' revised "Labor Allocator" would result in a reallocation of those costs as shown in its brief in the table on page 89. According to the JCCAs' testimony, "[t]he impact of our proposed adjustment to PG&E's Labor Allocator is to increase Electric Generation by $28.409 million, decrease Electric Distribution by $24.032 million, and decrease Gas Distribution by $4.377 million."[152]

B. The JCCAs' Revised O&M Labor Factor Should Be Rejected

Recalculating the O&M labor allocation factors for A&G and other common costs is inappropriate for the following reasons:

First, the JCCAs' Labor Allocation Factor recalculation utilizes the flawed Customer Care allocation factor that inappropriately assigns customer care costs to the generation function. As discussed above in Section V.C, the JCCAs' recalculated Customer Care cost allocation factor for Customer Care costs should be rejected because:

1. Consistent with Commission precedent, services available to and benefiting all customers should be paid for by all customers and not allocated based on actual use;

2. PG&E's 55/45 allocation factor, which is based on the total number of gas and electric service agreements, is reasonable; and

3. Customer service costs do not impact Electric Generation, and there is no evidence to support the JCCAs' claims that unbundled customer's use customer services at a lower rate than bundled customers.

Second, the JCCAs presented no evidence that the cost allocation factor it derived for a subset of Customer Care programs is applicable in the context of the O&M labor cost allocator. Table 9 of its testimony lists customer care MWC costs that are part of the labor allocator.[153] The JCCAs admit that no data was available on the amount of these services provided to bundled

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152 HE-216: JCCA-Mancinelli/Reger, p. 25, lines 1-3.

153 HE-216: JCCA-Mancinelli/Reger, p. 30, Table 9.

and unbundled customers.[154] The JCCAs nevertheless speculate that despite the lack of data on relative usage, it is "possible" and even "likely" these services are being disproportionately allocated to unbundled customers.[155] Even if allocation of these costs based on relative usage by bundled and unbundled customers was appropriate, which it is not, in the absence of any actual evidence of such relative usage the Commission should not apply the JCCAs' customer care cost allocator to wholly unrelated costs in PG&E's O&M labor allocator.

Finally, as the Commission found in D 14-12-024, "the principle of cost causation means that costs should be borne by those customers who cause the utility to incur the expense, not necessarily by those who benefit from the expense." The customer service programs that the JCCAs selected are available to all customers and therefore, should be paid for by all customers without regard to usage. Furthermore, the JCCAs have failed to provide any evidence that the cost allocation factor they calculated for a subset of customer care programs has any applicability to the common costs underlying the labor cost allocator.

VII. OUT OF SCOPE ISSUES RAISED BY REID

Reid included in his opening brief several issues that are outside the scope of the 2020 GRC proceeding. These are: (1) rate increases related to other CPUC proceedings; (2) PG&E's bankruptcy; (3) PG&E's probation status; and (4) whether PG&E's equipment caused specific wildfires. PG&E requests that the Commission determine that these issues are outside of the scope of this proceeding for the reasons discussed below.

A. Rate Increases Related To Other CPUC Proceedings

In his opening brief,[156] Reid cites his own testimony to prove that due to other rate cases, including cost of capital and electric transmission, and due to natural gas prices, rates may increase beyond the estimated rate increase PG&E included in its application. Reid then goes on

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154 HE-216: JCCA-Mancinelli/Reger, p. 30 lines 3-6.

155 HE-216: JCCA-Mancinelli/Reger, p. 30, lines 10-12.

156 Reid Opening Brief, pp. 2, 6, 7.

to discuss in detail increases related to natural gas costs,[157] electric transmission costs,[158] and cost of capital.[159]

The impacts of these non-GRC activities and costs of rates is appropriately considered in those other proceedings and not in the GRC. Accordingly, the Commission should disregard Reid's testimony and discussion of these unrelated cost increases.

B. PG&E Bankruptcy Issues

Issues related to PG&E's bankruptcy are beyond the scope of this GRC proceeding. The Commission should therefore disregard Reid's testimony and briefing regarding PG&E's bankruptcy.[160]

C. Compliance with United States District Court Terms of Probation

Reid purports to list the terms of PG&E's probation imposed by the United States District Court for the Northern District of California (Judge William Alsup), and cites a media report relating to PG&E's alleged non-compliance with the terms of its probation.[161] PG&E's compliance with the terms of it probation is not an issue within the scope of the GRC and the Commission should disregard Reid's testimony and briefing on this issue.

D. Safety Performance: Causation of Wildfires

Citing media reports, Reid raises the issue of whether certain wildfires were caused by PG&E equipment.[162] The role of PG&E equipment in causing particular wildfires is not an

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157 Reid Opening Brief, p. 7.

158 Reid Opening Brief, p. 8.

159 Reid Opening Brief, pp. 8-9.

160 Reid Opening Brief, pp. 11-12.

161 Reid Opening Brief, pp. 12-13.

162 Reid Opening Brief, pp. 15-17.

issue in this GRC. The Commission should disregard Reid's testimony and briefing on this topic.

VIII. CONCLUSION

For the reasons set forth above, PG&E respectfully requests that the Commission deny the JCCA's Resilience Zone, Grid Modernization Plan, and cost allocation proposals discussed herein.[163] PG&E also requests that the Commission determine that the issues raised by L. Jan Reid discussed in Section VII above, be determined to be outside of the scope of the issues to be resolved in this proceeding.

Respectfully Submitted,

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Dated: January 27, 2020

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163 Several other cost allocation issues raised by the JCCAs were resolved in their favor in the Settlement Agreement (§ 2.9.1).