

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA



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In Attendance: PRESIDENT MARYBEL BATJER
COMMISSIONER MARTHA GUZMAN ACEVES
COMMISSIONER LIANE M. RANDOLPH
COMMISSIONER CLIFFORD RECHTSCHAFFEN
COMMISSIONER GENEVIEVE SHIROMA

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

)	ORAL ARGUMENT
)	
Application of Pacific Gas and)	
Electric Company for Authority,)	
Among Other Things, to Increase)	
Rates and Charges for Electric and)	
Gas Service Effective on January 1,)	Application
2020. (U39M))	18-12-009
)	
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)	

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Reported by: Doris Huaman, CSR No. 10538
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PUBLIC UTILITIES COMMISSION, STATE OF CALIFORNIA
SAN FRANCISCO, CALIFORNIA

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VIRTUAL PROCEEDING

NOVEMBER 12, 2020 - 2:00 P.M.

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ADMINISTRATIVE LAW JUDGE LIRAG: Please come to order. This is the time and place set for the oral argument in the Proposed Decision in Application 18-12-009 concerning the Test Year 2020 General Rate Case Application of Pacific Gas and Electric Company, or PG&E.

I'm ALJ Lirag. ALJ Lau is also present. With us today are President Batjer and Commissioners Randolph, Shiroma, Guzman Aceves, and Rechtschaffen. We'll ask the President and Commissioners if they have any opening remarks. We'll start with President Batjer, followed by Commissioner Randolph, Commissioner Shiroma, Commissioner Guzman Aceves, and last but not least, Commissioner Rechtschaffen.

So, President Batjer.

PRESIDENT BATJER: No, I have no opening remarks. Thank you, though, for the opportunity. Appreciate it.

ALJ LIRAG: Thank you.

Commissioner Randolph.

COMMISSIONER RANDOLPH: Thank you, Judge. I don't have any substantive opening

1 remarks. As the judges describe our process
2 and how we are going to be running this oral
3 argument, I just want to encourage parties to
4 stick to their allotted time because we have
5 a lot of material to cover and want to make
6 sure everybody has the opportunity to speak.
7 So, thanks to everyone for participating in
8 this oral argument.

9 ALJ LIRAG: Commissioner Randolph is
10 also the Assigned Commissioner.

11 Next, Commissioner Shiroma.

12 COMMISSIONER SHIROMA: Yes. Thank you
13 Judge, and good afternoon, everyone. Simply
14 put, I'm looking forward to hearing what
15 folks have to say this afternoon. I am the
16 Assigned Commissioner to the Phase 2, the
17 PG&E GRC Phase 2 proceeding. We will be
18 working closely with staff and parties to
19 have a smooth dovetailing to whatever the
20 outcome is from this proceeding, so thank
21 you.

22 ALJ LIRAG: Thank you, Commissioner.

23 Next, Commissioner Guzman Aceves.

24 COMMISSIONER GUZMAN ACEVES: Thank you.
25 Nothing too substantive either, just to share
26 the overall concern with the state of the
27 economy as it is and rate increases that are
28 proposed here, particularly in the third year

1 of this proposal. It seems to be quite a
2 significant increase, so I just want to share
3 those concerns and I hope to be alleviated by
4 the necessary investments and operations
5 needed. Thank you.

6 ALJ LIRAG: Thank you.

7 Commissioner Rechtschaffen.

8 COMMISSIONER RECHTSCHAFFEN: I have no
9 comments. Thank you, Judge.

10 ALJ LIRAG: All right. Thank you,
11 President Batjer and Commissioners.

12 We distributed an agenda which
13 contains the adjusted speaking times for each
14 party but requested to address the
15 Commissioners. You will be alerted when
16 there is one minute left and when your time
17 is up. We won't cut you off in mid-sentence,
18 but please quickly wrap up what will be your
19 final thoughts and then we'll move on to the
20 next speaker.

21 There's a time allotted for
22 questions, but President and Commissioners,
23 feel free to ask questions at the end of each
24 speaker if you feel that it is timely to do
25 so, but there's a time for questions at the
26 end of when every party has spoken.

27 ALJ Lau sent instructions concerning
28 etiquette for this event so we won't repeat

1 those here. Let's move to the first speaker,
2 which is Robert Kenney from PG&E.

3 You have eight minutes, Mr. Kenney.

4 ARGUMENT OF MR. KENNEY

5 MR. KENNEY: Thank you, your Honor.

6 Good afternoon, President Batjer and
7 Commissioners, Judge Lirag, Judge Lau,
8 Commission staff and parties.

9 I am Robert Kenney. I am PG&E's
10 Vice President of Regulatory and External
11 Affairs. Thank you for the opportunity to
12 speak today. We're grateful to the ALJs and
13 to the Commission staff for their diligence
14 in producing the proposed decision for our
15 2020 rate case.

16 As you know, a group of nine diverse
17 parties representing safety, labor, and
18 consumer interests were able to reach a
19 settlement that resolved their issues. These
20 parties entered the proceeding with
21 strongly-held and disparate positions, so
22 disparate that at times we questioned whether
23 a settlement was even possible.

24 After lengthy negotiations and
25 significant compromise, the settlement that
26 we reached provides an outcome that is fair,
27 just, and reasonable, and, most importantly,
28 in the public interest.

1 The settlement appropriately
2 prioritizes wildfire mitigation activities
3 and associated costs above other work. And
4 while the proposed decision adopts most of
5 what the parties agreed to, it unfortunately
6 undoes key, hard-fought settlement terms and,
7 in that instance, is inconsistent with our
8 need to address the continuing threat of
9 wildfire. I encourage you to please review
10 the comments that we will be submitting
11 today, but here I want to emphasize three key
12 points that bear highlighting.

13 First, the capital spending for our
14 wildfire safety program should be restored to
15 the agreed-upon levels.

16 Second, the provisions related to
17 insurance should be restored as set forth in
18 the agreed-upon settlement.

19 And, third, the process for closing
20 customer service offices should be approved
21 as agreed upon.

22 Turning first to the wildfire safety
23 program, the proposed decision significantly
24 reduces the capital funding in 2021 and 2022.

25 And if I could ask Robert to display
26 our single slide at this point, I would
27 appreciate it.

28 As you can see on this slide, the

1 funding has held flat from 2020 throughout
2 the period, instead of adopting the
3 appropriate increases that the parties
4 negotiated that would allow us to ramp up
5 this critical safety program.

6 As you know, California is
7 experiencing more and more devastating
8 wildfires. The California legislature in
9 AB-1054 acknowledged this stating:

10 The state's electrical
11 corporations must invest in
12 hardening of the state's
13 electrical infrastructure
14 and veg management to
15 reduce the risk of
16 catastrophic wildfire.

17 And that's what's reflected in the
18 settlement. The Commission itself has a
19 number of proceedings focused on wildfire
20 risk, and the General Rate Case is our
21 primary vehicle for funding the investment of
22 these activities. The program includes
23 critical activities to harden portions of our
24 overhead distribution system and to
25 underground parts of our system as well,
26 among other things.

27 After thousands of pages of
28 testimony, weeks of hearings, and hundreds of

1 exhibits, these diverse parties came together
2 to agree on the appropriate scope, funding,
3 and reporting for this program.

4 The PD sites uncertainty as the
5 rationale for reducing the program's capital
6 spending. And while the locations and scope
7 of wildfire system hardening could not be
8 determined in the almost five years between
9 when we filed and when the work will be
10 completed, there are reporting mechanisms,
11 both in this GRC and other proceedings before
12 the Commission, to monitor all of these
13 activities.

14 So what I want to emphasize here is
15 that I want to affirm to you that our call
16 and your call to mitigate wildfire risk is
17 not uncertain. And while the settlement has
18 increased funding levels for 2021 and 2022,
19 it also includes an important safeguard;
20 customers will receive a refund for funds
21 that remain unspent.

22 The Proposed Decision also fails to
23 adopt a cost recovery process the settlement
24 proposed for both our Community Wildfire
25 Safety Program and for the Veg Management
26 Program, the latter of which is experiencing
27 significant increases beyond the original
28 forecast due to Senate Bill 247, which

1 requires contractors to be paid a prevailing
2 wage for veg contractors consistent with that
3 paid to electrical linemen.

4 So, instead of adopting the
5 processes that would allow a timely review of
6 increased funding needs, the Proposed
7 Decision proposes a lengthy application
8 process for cost recovery that would require
9 us to retain large amounts of unrecovered
10 costs on our books.

11 The PD takes a step in the wrong
12 direction in that regard to returning
13 positive financial health, and it's
14 inconsistent with the settlement reached by
15 the diverse parties who advocated for this --
16 (speaker's audio dropped).

17 It would be inconsistent with the
18 evidentiary record and inconsistent with
19 California policy for you to disapprove
20 settlement provisions that would allow us to
21 ramp up our wildfire safety program and that
22 remove unnecessary barriers to timely cost
23 recovery.

24 For these reasons, with respect to
25 this first point, we ask that the settlement
26 provisions be restored.

27 And, Robert, if you want to take
28 down my slide, you may.

1 Second, the Proposed Decision
2 modifies provisions related to excess
3 liability insurance which includes wildfire
4 insurance.

5 The Commission has consistently
6 found that purchasing general liability
7 insurance is a reasonable cost of doing
8 business of service that benefits customers
9 and is appropriately included in rates. In
10 fact, the Commission recently found that not
11 purchasing adequate insurance imperils a
12 utility's financial health and results in
13 higher financing costs that must then be
14 recovered from customers. As you've also
15 recognized, we have to carry insurance in
16 order to qualify for the state's Wildfire
17 Fund.

18 The settlement supports this
19 requirement by allowing us to recover the
20 actual costs of procuring up to \$1.4 billion
21 in insurance coverage annually through the
22 newly-created Risk Transfer Balancing
23 Account. In the same way, SDG&E and SoCalGas
24 have a balancing account providing for actual
25 cost recovery based on coverage expectation.
26 You approved this coming out of their GRC.

27 These mechanisms required the
28 utility to file a Tier 2 advice letter to get

1 your approval for additional coverage beyond
2 the 1.4 billion. I'll also note that
3 1.4 billion is less than our original
4 request. It was the Public Advocates
5 Office's proposal and it's the amount the
6 settling parties agreed to.

7 There are four reasons why we ask
8 that you return to the settlement terms.
9 Capping our premium costs at 2018 levels is
10 insufficient. The changes would
11 significantly delay cost recovery. The
12 change is inconsistent with your recent
13 decision in San Diego and SoCalGas' GRC. And
14 the coverage level and cost recovery
15 mechanism were key terms that the parties
16 negotiated.

17 The final point I want to emphasize
18 is with respect to our CSOs, our Customer
19 Service Offices. We negotiated the ability
20 to close 10 offices. With 75 offices, we
21 remain the only California utility with a
22 significant number of CSOs, with the
23 Commission having been supportive of the
24 other utility closures, particularly in the
25 last five years. The CSOs are the most
26 expensive payment option and there's no
27 service done there that can't be done
28 elsewhere.

1 Many alternatives are available and
2 the PD, as structured, creates a cumbersome
3 and unnecessary administrative process that
4 will delay closure and require relitigating
5 whether and which offices should be closed.

6 In closing, I am grateful for the
7 opportunity for the work that the Commission
8 does, and I understand the challenges that
9 you all face. The settlement is just and
10 reasonable and consistent with the state and
11 Commission policy, and we urge you to revise
12 the PD to adopt the settlement as filed.
13 Thank you.

14 ALJ LIRAG: Thank you, Mr. Kenney.

15 This is to Robert Stanford. I don't
16 think there's any need to see the agenda
17 again. We're probably more interested in
18 seeing whoever the speaker is and whatever
19 slides they're presenting. Thank you.

20 The next speaker is Selina Shek from
21 Cal Advocates. Ms. Shek, you have five
22 minutes.

23 MS. SHEK: Thank you, your Honor.

24 ARGUMENT OF MS. SHEK

25 MS. SHEK: Good afternoon, President
26 Batjer, Commissioners, ALJ Lirag and Lau. I
27 am Selina Shek representing the Public
28 Advocates office today. Thank you for the

1 opportunity to speak to you.

2 The Public Advocates Office has been
3 an active party in PG&E's General Rate Case
4 proceeding and has provided details, actual
5 evidence, with its analysis on numerous
6 issues. The Public Advocates Office
7 continues to support the adoption of the
8 joint settlement.

9 We appreciate the ALJs' very
10 detailed analysis and the fact that they have
11 adopted most aspects of the joint settlement.
12 The Proposed Decision makes few
13 modifications, which we've addressed in joint
14 comments with the other settlement parties on
15 the PD and will address them here.

16 We hope the Commissioners and the
17 ALJs will consider these comments and adopt
18 the joint settlement without modifications.
19 Thank you for your time today.

20 ALJ LIRAG: Thank you, Ms. Shek.

21 The next speaker is Robert
22 Finkelstein from TURN. Mr. Finkelstein,
23 eight minutes.

24 ARGUMENT OF MR. FINKELSTEIN

25 MR. FINKELSTEIN: Thank you, Judge
26 Lirag and Judge Lau.

27 Good afternoon, Commissioners.

28 Robert Finkelstein for TURN. We are

1 also one of the settling parties and support
2 the settlement as submitted. However, I want
3 to make clear that the comments that I'm
4 making here are TURN's alone. These are not
5 intended to be the oral argument or
6 representing the positions of any of the
7 other settling parties.

8 There will be joint comments
9 submitted later today that set forth the
10 comments on the PD supported by hopefully all
11 the settling parties, although we have,
12 frankly, a couple of stragglers.

13 Our general position in this
14 proceeding has been and continues to be that
15 the Commission should adopt the settlement as
16 submitted. We realize that while there may
17 be elements in the settlement that in the
18 Commission's view could warrant adjustment
19 under other circumstances, we urge you to
20 recognize that under the circumstances here,
21 we should find them reasonable and in the
22 public interest because they are presented as
23 part of an overarching settlement covering
24 all the issues in dispute among the settling
25 parties.

26 We're asking that you revise the
27 Proposed Decision to remove the modifications
28 of the outcomes that were addressed in the

1 settlement; instead, adopt the settlement as
2 presented.

3 One thing I want to touch upon is
4 this tension that I think the Commission
5 wrestles with every time that it is
6 considering a settlement in a proceeding such
7 as the GRC or any complex proceeding in a
8 settlement that's supported by a number of
9 parties covering a number of issues. This is
10 also a point that's made in the settling
11 parties' joint comments.

12 TURN acknowledges that a proposed
13 settlement does not relieve the Commission of
14 its obligation to ensure that the outcomes
15 adopted in the settlement would be reasonable
16 and in the public interest. We understand
17 that in some instances the Commission may
18 feel that it has to adopt modifications to
19 certain settlement provisions. This, in
20 order to ensure that the final outcomes set
21 forth in the Commission Decision meets the
22 reasonableness and the public interest
23 standards.]

24 But you have to keep in mind from
25 our perspective that such proposed
26 modifications will by definition create a
27 risk that the Commission needs to take into
28 account.

1 For each Settling Party, a proposed
2 settlement likely contains a mix of outcomes.
3 Now in some issues the parties are going to
4 feel like it obtained a favorable outcome or
5 one that at the very least it's happy about.

6 But on other issues, the outcome is
7 likely to be less favorable from the parties'
8 perspective and it's -- the settlement,
9 because each party has determined that on
10 balance, the mix about outcomes achieved in
11 the settlement is an accessible overall
12 outcome.

13 It is a practice of compromise that
14 for a lot of parties, and I know this is true
15 for TURN, we have the advantage in Commission
16 proceedings that one of the TURN-only
17 pleadings, we -- you know, we are setting
18 forth exactly what we think the Commission
19 should do on all the issues to fully satisfy
20 what we're hoping will happen in the
21 proceeding.

22 So when it's a settlement, it is
23 going to be a compromise solution and it
24 means that on some of the issues we're
25 satisfied with the outcome and on some of the
26 issues, quite frankly, we are likely to be
27 holding our nose and signing the document
28 anyway. And that is just the nature of the

1 beast that they have before you.

2 So when a proposed decision comes
3 out and says that it's going to modify the
4 settlement, such modifications are likely to
5 hit an issue that is going to be important to
6 at least one of the settlement parties and it
7 could very well be the issue that made the
8 difference for that party.

9 If we obtained a favorable outcome
10 on an issue and that's the issue that allowed
11 us to say, "we'll sign onto the settlement,"
12 and then a modification is made and a
13 proposed decision that undoes that outcome,
14 we're going to feel very, very differently
15 about how that particular settlement is
16 getting treated. And we're going to feel
17 very, very differently about the potential
18 for settlements going forward. It's just the
19 nature of a settlement from the parties'
20 perspective is that it helps to mitigate the
21 risk from such outcome and if modifications
22 by the Commission limits our ability to
23 mitigate that risk, it makes it a harder
24 thing for us to get excited about
25 participating on.

26 So in sum, the Commission -- we
27 fully acknowledge the Commission has the
28 authority and even the obligation to closely

1 reveal a proposed settlement to ensure that
2 it achieves outcomes that are reasonable and
3 in the public interest.

4 We just urge that in exercising
5 that authority, the Commission weigh any
6 potential modification with the impact those
7 modifications could have on the balance
8 achieved by the parties in presenting the
9 settlement.

10 On a separate topic, we have a
11 section in the Joint Comments that address
12 the Rule 12.5 issue that we believe is
13 important.

14 The Commission has a very clear
15 role that says that a settlement outcome is
16 binding, and I am paraphrasing hopefully
17 pretty closely, is binding only for purposes
18 of that proceeding. A settlement is not
19 intended to be a determination of the issues
20 on their merits for purposes of future
21 proceedings.

22 Unfortunately, I think in TURN's
23 perspective, we also have numerous instances
24 where parties will later attempt to
25 cherry-pick a settlement and the outcomes
26 from there and treat them as if they are
27 indeed a precedent going forward.

28 So we really propose to add a

1 conclusion of law to have the Commission
2 reaffirm that -- well, it's a short-term
3 impact, is to remind parties that Rule 12.5
4 was intended to discourage that very
5 approach.

6 That's all I have today. Thank you
7 very much for your time.

8 ALJ LIRAG: Thank you, Mr. Finkelstein.

9 Next is Ariel Strauss from Small
10 Business Utility Advocates. Five minutes.

11 (No response from Mr. Strauss.)

12 ALJ LIRAG: Mr. Strauss is unavailable
13 right now.

14 Let's move on to Rachael Koss from
15 CUE. Ms. Koss, you have five minutes.

16 We'll go to Mr. Strauss later.

17 ARGUMENT OF MS. KOSS

18 MS. KOSS: Good afternoon. My name is
19 Rachael Koss. Thank you for the opportunity
20 to speak today.

21 I am here on behalf of the Coalition
22 of California Utilities Employees or CUE.
23 CUE is the Coalition of labor unions whose
24 members work at nearly all of the California
25 utilities, and the International Brotherhood
26 of Electrical Workers Local Union 1245 is a
27 member of CUE and they represent about 12,000
28 PG&E employees and 3,000 employees of

1 contractors who work for PG&E. And these
2 workers do their best every single day to
3 provide safe, reliable, affordable and
4 environmentally-responsible service to PG&E's
5 customers.

6 Over the last few years, these
7 workers have endured catastrophic wildfires,
8 hugely-unpopular intentional blackouts. And
9 while not of their making, these failures and
10 disasters put considerable pressure on the
11 workforce from significantly-increased
12 workloads to, frankly, aggressive hostility
13 from customers.

14 Plus through all of this, PG&E's
15 on-the-ground workforce has remained
16 committed to doing the large amount of work
17 that is needed for PG&E's electric and gas
18 system to be just as safe and reliable as
19 PG&E's customers expect and deserve. And
20 these workers do dangerous work. They put
21 their lives on the line every single day to
22 keep our lights on.

23 So on behalf of them, I thought it
24 was important to be here today to highlight
25 for the Commission how incredibly baffling,
26 how bewildering the proposed decision is,
27 when it comes to funding wildfire prevention
28 work.

1 A broad stakeholder group, I think
2 you heard nine, I am including the Public
3 Advocates and TURN, Center for Accessible
4 Technology, the National Diversity Coalition,
5 Small Business Utility Advocates, CUE,
6 California City and County Streetlight
7 Association, Office of Safety Advocates and
8 PG&E, this very broad stakeholder group came
9 together and agreed that PG&E's wildfire
10 prevention work was critical; agreed on the
11 amount of funding for this critical work.
12 And despite such wide agreement, and on the
13 heels of 12 of California's most destructive
14 wildfires, the proposed decision amazingly
15 slashes funding for wildfire system hardening
16 by more than 35 percent in 2021 and by almost
17 50 percent in 2022.

18 The Legislature has said, in no
19 uncertain terms, that the increased risk of
20 catastrophic wildfires poises an immediate
21 threat to communities and properties
22 throughout the state; that utilities must
23 invest in hardening of the state's electrical
24 infrastructure and vegetation management to
25 reduce the risk of catastrophic wildfires.
26 That electric utilities' system must achieve
27 the highest level of safety, reliability and
28 resiliency. These are the Legislature's

1 words. These are not mine.

2 It is frankly inconceivable when the
3 highest priority of the state is to prevent
4 wildfires, when no one wants the lights to be
5 turned off, when the Commission has clear
6 directives from our Legislature and governor,
7 when we know we must harden the system, it is
8 incomprehensible that the Commission would
9 not fund PG&E's efforts to do so. And even
10 when the two most prominent ratepayer groups
11 agree on the number, the Commission thinks
12 that somehow it knows better and cuts back.

13 And the purported rationale is that
14 you think the company can't do that much
15 work. But you should make the company do it.
16 You should require the company to do it.
17 After all, you are the regulator. And you
18 can put the funds in a two-way balancing
19 account. If PG&E doesn't spend the money, it
20 goes back to ratepayers. But they'd better
21 spend the money. They better do the work.
22 And you're supposed to be the regulators to
23 regulate the company. Make PG&E file
24 quarterly reports. Drag them in here if they
25 aren't doing the work.

26 It's unacceptable for electric
27 reliability in Northern and Central
28 California to befit a third-world country.

1 The bottom line is we simply cannot
2 afford to not to do the work. And you, as
3 the regulator, needs to make that happen.
4 You shouldn't just evaluate what you think
5 PG&E might be able to do. Tell them what
6 they must do.

7 PG&E has proposed to do a lot of
8 work, necessary work. You should say, "Yes."
9 And hold them to it. Tell them they need to
10 execute on their plans, hold them
11 accountable. That's why you're here. That's
12 your job.

13 If you choose instead to adopt the
14 proposed decision, the flash funding for
15 wildfire prevention to allow PG&E to not do
16 the work, when the next wildfire comes and
17 PG&E is blamed, it won't be PG&E's fault.

18 Settling Parties got this right.
19 You need to get it right, too. Fund the work
20 and make PG&E do it. Thank you.

21 ALJ LIRAG: Thank you, Ms. Koss.

22 Let's call on Mr. Strauss again, if
23 he has regained his connection. Mr. Strauss,
24 five minutes, if you're on.

25 (No response from Mr. Strauss.)

26 ALJ LIRAG: If not, let's move on to
27 John Geesman from the Alliance for Nuclear
28 Responsibility. Mr. Geesman, you have 10

1 minutes. Thank you.

2 ARGUMENT OF MR. GEESMAN

3 MR. GEESMAN: Thank you, your Honor.

4 If I could have my slides up now.

5 I have been told before that I have
6 got a perfect face for radio, but video not
7 so much. So I think it will be more
8 enjoyable if we look at slides.

9 I want to thank you for the
10 opportunity to address you. Our objection to
11 the settlement focuses on the straightforward
12 question: What level of cost-effectiveness
13 analysis does a prudent utility manager
14 perform before sinking \$90 million in new
15 equipment into a conspicuously uneconomic
16 plant?

17 I am talking about the Diablo Canyon
18 Unit 2 Stator which was installed in the fall
19 of 2019.

20 The Energy Division staff has
21 probably told you that Unit 2 Diablo Canyon
22 was removed from service for 17 days last
23 July due to a hydrogen leak in the new
24 stator. And the discovery of a second
25 hydrogen leak on October 15th has kept Unit 2
26 offline since then.

27 But those current problems with the
28 stator are not the basis for our objection.

1 The question in our mind from a prudent
2 manager's standpoint is: What did PG&E know
3 or what should they have known at the time
4 they made the financial commitment to go
5 forward with the investment? Next slide,
6 please.

7 The proposed decision provides a
8 very good standard by which to evaluate the
9 settlement and we ask simply that you apply
10 it to the Diablo Canyon Unit 2 Stator.

11 As the proposed decision points out,
12 you will make an analysis regarding the
13 reasonableness of each term and the
14 settlement as a whole, in light of the
15 evidence presented and the comments from the
16 parties. You invoke in the proposed decision
17 14 separate times the concept of fair
18 compromise concerning those individual terms.
19 And fair compromise forms the basis for nine
20 of the conclusions of law that you adopt.

21 Specifically, we propose that you
22 modify the settlement to reflect the
23 12 and-a-half-million-dollar reduction in the
24 90.4 million-dollar forecast for capital
25 expense associated with the Unit 2 Stator.
26 That is the midpoint in TURN's litigation
27 position regarding the stator.

28 Why is TURN's position relevant?

1 According to the Settling Parties, it was
2 made on a similar grounds to those asserted
3 by the Alliance for Nuclear Responsibility.

4 Why is our position so modest? We
5 recognize that this proceeding is in its late
6 inning and the time for fair compromise is
7 upon us. Next slide, please.

8 Diablo Canyon is a stranded asset.
9 You know that. PG&E knows that.

10 In 2016, when PG&E announced the
11 early retirement of Diablo Canyon, it was a
12 loss of bundled customers that was cited as
13 principal reason for the early requirement.

14 Since then, things have gotten a lot
15 worse a lot faster than PG&E ever expected in
16 terms of its market share.

17 In the retirement proceeding, PG&E
18 predicted that a worst-case market share of
19 44 percent in 2025 would leave only
20 26 percent of the plant's output needed, but
21 according to their most recent 10k, Diablo
22 output equaled 45 percent of their bundled
23 sale in 2019 and surplus sales of electricity
24 equaled 44.6 percent. Do the math. That
25 means that for every thousand megawatt hours
26 generated at Diablo Canyon, they sold
27 991 megawatt hours as surplus.]

28 Diablo Canyon does have system

1 capacity value, make no mistake about that,
2 in certain months, but a prudent manager
3 would try to be pretty specific about
4 assigning a value on that resource adequacy
5 before dumping 90 million dollars into a new
6 piece of equipment. Next slide, please.

7 Since the early retirement decision,
8 above-market costs have soared. One virtue
9 of the PCIA methodology you adopted in
10 2018 -- and I doubt that you get many
11 compliments on it, but you're about to
12 receive one -- it enables discovery of
13 above-market costs. Based on PG&E data
14 responses in this proceeding, electricity in
15 Diablo Canyon was 410 million dollars above
16 market in 2018. Almost 1.2 billion dollars
17 above market in 2019 and more than 1 and a
18 quarter billion dollars in 2020. In the
19 deregulated markets in the Midwest and the
20 Northeast, subsidies from nuclear plants of
21 \$2- to \$3,000,000 a year have caused enormous
22 controversy. In our regulated model, we are
23 able to absorb cross-subsidization several
24 multiples of that amount, and no one seems to
25 notice. With 2.8 billion dollars of
26 accumulated above-market costs in the last
27 three years, continuing at the current 2020
28 runway will add another 5 to 6 billion

1 dollars before retirement. A lot of people
2 think that the greenhouse gas reductions
3 attributed to Diablo Canyon make that
4 worthwhile. But let me tell you, those
5 reductions don't come cheaply. They are
6 priced out at about 9 to 11 times the price
7 on the CARB Cap-and-Trade auction market,
8 that is if Diablo Canyon above-market costs
9 were thought of as a carbon surcharge. Next
10 slide, please.

11 PG&E has known that the stator
12 decision was shaky from the very outset.
13 Right after its 2016 retirement announcement,
14 they actually withdrew their request for
15 pre-approval from the 2017 general rate case.
16 In the settlement agreement for the 2017 GRC,
17 they specifically said if they ever restarted
18 the project, their judgment about the Unit 2
19 operating conditions and/or PG&E's economic
20 analyses offered in support of the project
21 would be subject to litigation, in fact, a
22 June 2015 senior management review that
23 actually identified pre-retirement as an
24 issue and said that a project off-ramp had
25 been built in for 2016 and a bridging
26 strategy to go along with that if the company
27 chose to retire Diablo Canyon early. Ask
28 yourself would market procurement of system

1 capacity perhaps combined with CARB
2 allowances deserve at least some evaluation
3 as an alternative to a 90 million dollar new
4 stator in Unit 2. Next slide, please.

5 PG&E has stumbled into this.
6 Although in their defense, there have been
7 five separate CEOs since the pre-retirement
8 decision was originally announced. With no
9 explanation whatsoever, PG&E simply rolled
10 past the 2016 off-ramp for the stator. Their
11 witness in this proceeding admitted that the
12 bridging strategy didn't amount to anything
13 more than routine monitoring of the
14 generator. Ultimately, PG&E chose to patch
15 what they perceived to be a 6-year hole with
16 a 25-year solution. Do the math. That means
17 that from the very outset more than 75
18 percent of the investment was surplus from
19 day 1. According to a PG&E witness, none of
20 us really wanted to do a full project. PG&E
21 admitted in testimony that it never analyzed
22 the cost effectiveness of an early retirement
23 of Unit 2 as an alternative to stator
24 replacement. Why not? Because they thought
25 that the retirement decision, which this
26 Commission authorized, exempted them from any
27 such review. Next slide, please.

28 What has the Commission said about

1 that? Well, you've sent me through a number
2 of your dockets in this proceeding trying to
3 find the right forms to evaluate Diablo
4 Canyon cost effectiveness. And in inviting
5 me to turn to another proceeding, you've
6 always said the right thing. In D.20-03-028,
7 you said, "We do agree with A4NR that PG&E
8 still has the burden to justify its cost."
9 In 20-03-006, you said, "PG&E in good faith
10 cannot assert that the cost of operating are
11 not subject to review while simultaneously
12 asserting that Diablo Canyon must keep
13 operating." And again, in 20-03-06 (sic),
14 you made certain that PG&E understood that
15 your retirement authorization did not change
16 that. Next slide, please.

17 What does my client want? Nothing
18 more than prudent manager decision-making.
19 You've been clear we don't seek an early
20 retirement date. We also don't contest the
21 proposed decision statement that whatever is
22 needed to safely and reliably operate the
23 plant should be of primary concern. But the
24 Prudent Manager Standard and the statutory
25 provision for just and reasonable rates don't
26 contain any exemption for safety-related
27 expenditures. What is required are decisions
28 based on analysis, not on instinct, not on

1 intuition and certainly not on some perceived
2 sense of entitlement.

3 Thank you, again, for the chance to
4 share these important points.

5 ALJ LIRAG: Thank you, Mr. Geesman.

6 Next we'll go to Mr. Jacob
7 Schlesinger from the Joint CCAs.

8 Mr. Schlesinger, you have 10
9 minutes. But before that, by the way, I lost
10 power connection. There was a power shutoff
11 here in Hercules. I'm attempting to log onto
12 the video now. I'll do that while Mr.
13 Schlesinger is on.

14 Mr. Schlesinger, 10 minutes. Thank
15 you. If Mr. Schlesinger is not around, can
16 we go to Mr. --

17 UNIDENTIFIED SPEAKER: No. He's
18 probably just muted.

19 ALJ LIRAG: Sorry.

20 ARGUMENT OF MR. SCHLESINGER

21 MR. SCHLESINGER: Thank you. Starting
22 over. Good afternoon, Commissioners. Jake
23 Schlesinger with the Law Firm of Keyes & Fox.
24 I'm here today representing the Joint
25 Community Choice Aggregators.

26 We are asking the Commission to
27 consider -- or reconsider two important
28 issues from the proposed decision. I would

1 note JCCAs were not settling parties. So
2 these are issues that, to us, largely fall
3 outside of the settlement agreement. And for
4 both of these issues, we would argue that
5 either evidence that we presented was not
6 addressed in the proposed decision or that
7 the proposed decision appears to have
8 misunderstood or misconstrued JCCA's
9 argument.

10 Can I get the first slide, please.
11 So the first issue that I'm going to talk
12 about today is the reasonableness of PG&E's
13 newly proposed decommissioning costs for some
14 of its utility-owned generation. These are
15 legacy solar and hydrofacilities, the costs
16 of which show up in the PCIA, that is, just
17 to remind you, the indifference amount that
18 unbundled customers pay on a
19 per-kilowatt-hour basis. The second issue
20 I'm to address today has to do with who pays
21 when shared customer services, things like
22 call centers or customer services offices are
23 utilized disproportionately between bundled
24 and unbundled customers. This is important
25 because the functionalization of these costs
26 determines who pays for these expenses as
27 between bundled or unbundled electric
28 customers or gas customers. Both of these

1 issues are critically important to get right,
2 to ensure that rates are just and reasonable
3 for both bundled and unbundled customers,
4 that they're cost-based and that they don't
5 cause subsidies between the two groups.

6 Because when one set of customers subsidizes
7 the operation of another load serving entity,
8 that leads to unfair competition.

9 So, again, the first issue here I'm
10 going to talk about has to do with PG&E's
11 newly proposed hydro and solar
12 decommissioning costs. The decommissioning
13 or dismantling costs for these facilities has
14 never been included in PG&E's rates before.
15 These are new costs as they pertain to these
16 units. Can I move to the next slide, please.

17 These costs are vitally important to
18 JCCAs because they show up in the PCIA. And
19 as the Commission knows, the PCIA has been
20 growing at a very rapid rate over the last
21 decade. And that's due to a number of
22 factors. Next slide, please.

23 While the cost of procurement has
24 actually gone down since 2013, the cost of
25 utility-owned generation, labeled here at the
26 blue line, the GRC cost, has been steadily
27 rising during that time. This Phase 1 GRC is
28 the Commission's opportunity to review these

1 costs to make sure that they are reasonable,
2 and PG&E has the burden of proof to
3 demonstrate that they are. Next slide,
4 please.

5 Now, JCCAs presented some detailed
6 evidence with regard to both the hydro and
7 the solar decommissioning costs. With regard
8 to the hydro decommissioning costs, we noted
9 that PG&E's forecast was based on 13
10 hydrofacilities, some of which have actually
11 been sold since the time that PG&E put
12 together its forecast. Others, PG&E readily
13 admitted, that it was planning to sell. In
14 fact, some of them are required to be sold by
15 the FERC. PG&E even admitted a hearing -- at
16 hearing that if it was to redo its estimates
17 at the time of the hearing it would have
18 revised them to account for these sales. In
19 fact, neither PG&E -- I'm sorry. PG&E never
20 directly refuted any of this evidence that
21 JCCAs put forward. Nevertheless, the PD
22 ignores all of the specific evidence and
23 simply glosses over it by finding that it is
24 not reasonable to assume that these assets
25 may be suddenly sold. But, again, JCCAs
26 didn't argue that they may be suddenly sold.
27 We provided concrete evidenced that that's
28 actually what's happening.

1 With regard to the solar
2 decommissioning costs on the other side of
3 this chart, JCCA's provided evidence that
4 PG&E's solar decommissioning forecasts were
5 outrageously high. The -- we compared their
6 forecasted solar decommissioning costs to
7 actual decommissioning costs that PG&E
8 incurred in decommissioning a small solar
9 facility in the Central Valley where a lot of
10 these other solar facilities are also
11 located. We also compared them to other
12 decommissioning studies around the country.
13 And you can see that the numbers between
14 PG&E's costs of \$400 per kilowatt are way
15 higher than those other studies, which put
16 them around to \$10 to \$50.

17 One of the reasons we identify why
18 PG&E's solar decommissioning costs were so
19 high is that they didn't properly account for
20 the salvage value of the solar panels. Those
21 panels will still output over 90 -- or about
22 90 percent of their efficiency or -- I'm
23 sorry -- their power output after 20 years,
24 and those can be used to help somebody. They
25 are not valueless. So upon examination, the
26 Commission should find that PG&E has failed
27 to prove that its solar hydro decommissioning
28 costs are just and reasonable. Next slide,

1 please.

2 So now I'm going to move onto the
3 second issue, which, again, has to do with
4 who pays when shared customer costs are not
5 utilized evenly between bundled and unbundled
6 customers. And this has to do with the
7 company's functionalization process by which
8 costs are assigned to one of PG&E's revenue
9 requirement, either electric generation,
10 electric distribution or gas distribution,
11 and that process dictates which customers
12 between bundled and unbundled customers or
13 gas customers pay for those costs.

14 Now, in a Phase 2, the Commission
15 allocates costs from among customer classes,
16 residential, industrial and so forth, but
17 there's no attempt to allocate costs between
18 bundled and unbundled customers. That
19 happens here.

20 What PG&E has done is proposed to
21 assign all of these costs either to electric
22 or gas distribution based on the total number
23 of costs. PG&E says that this is fair
24 because it splits the cost more or less
25 evenly. That may sound fair at first blush,
26 but consider the example where you and I go
27 out to dinner and we agree to split the bill.
28 I order a salad and you order a lobster

1 dinner, but when the bill comes, you ask me
2 to split it 50/50. Now, all of JCCA's
3 arguments in this proceeding are about making
4 sure that that bill, these customer costs are
5 split up on a more equitable basis. We are
6 not asking anybody to pay for our salad. We
7 have designed an allocator that recognizes
8 the utilization of these services by
9 unbundled customers. Next slide, please.

10 So JCCA's proposal to split up the
11 customer care cost is based on data that PG&E
12 provided to us in discovery in this
13 proceeding. If you look here, for example,
14 under Chapter 4, the customer culled emails,
15 this is the largest driver of these costs.
16 And you can see that bundled customers
17 utilize these services far greater than the
18 ratio 2 to 1 to unbundled customers. So,
19 it's not fair to split up that bill 50/50.]

20 Now, after we made our
21 recommendations and testimony, PG&E did try
22 to call into question the accuracy of this
23 data. I would say that they argued that it
24 wasn't perfect, that it wasn't purely
25 representative. But these arguments ignore
26 the fact that their proposal to simply split
27 the cost more or less evenly is also not
28 representative and also not fair. At least

1 this approximates at the very least the
2 relative utilization of these services.

3 Next slide, please.

4 Unfortunately, the Proposed Decision
5 largely minimized and ignored JCCA's
6 utilization data, I think mostly by focusing
7 on the wrong question. The PD asks the
8 question what was each call or what was each
9 customer service related to? Was it related
10 to the generation or was it related to
11 electric distribution?

12 JCCAs didn't present any evidence
13 about the substance of the calls and tells us
14 that that's the wrong inquiry. It would be
15 inappropriate and likely inaccurate to try to
16 determine whether each call is generation or
17 distribution or gas related. A lot of times
18 customers just call to complain about their
19 bill.

20 In fact, many utilities don't even
21 try to functionalize these costs into
22 generation or distribution. Many utilities
23 utilize a separate customer category,
24 customer-related cost category, which allows
25 these costs to be more equally allocated.

26 However, in this proceeding JCCA's
27 recommendation was to assign some of the
28 costs to the generation function consistent

1 with the way that PG&E does its
2 functionalization in order to reflect that
3 some of these services are utilized
4 disproportionately by bundled customers.

5 In sum, we appreciate that the
6 Proposed Decision recognizes that more
7 information is needed in the future to ensure
8 that these costs are paid by their cost
9 causers, but we posit that the PD falls short
10 on two important points.

11 First, the PD ignores the concrete
12 utilization data which PG&E provided that
13 shows that bundled customers use some of the
14 customer care services more than the
15 unbundled customers.

16 Second, it appears that because the
17 PD misconstrued some of our arguments on this
18 point, the order required PG&E to provide
19 data about the substance of calls rather than
20 the utilization. Who's making the calls,
21 bundled customers, unbundled customers or gap
22 customers? This data is needed in the future
23 to ensure that cost causation principles are
24 honored. Thank you.

25 ALJ LIRAG: Thank you.

26 Next, let's go to Mr. Jan Reid.
27 Mr. Reid, you have five minutes.

28 ///

1 ARGUMENT OF MR. REID

2 MR. REID: Hi, my name is Jan Reid. I
3 am participating in this proceeding as a PG&E
4 customer. I want to thank the Commission for
5 allowing me to participate in the oral
6 arguments.

7 First of all, I am requesting that
8 the Commission find the testimony concerning
9 the U.S. District Court and the PG&E
10 bankruptcy be in the scope of the proceeding.
11 I discuss my reasons for that on page four
12 through seven of my PD comments.

13 When I first read the PD, I felt
14 like I was in an alternate universe, a much
15 nicer universe, a universe with no wildfires
16 every year, a universe with no recessions and
17 a universe with no COVID. Unfortunately,
18 that is not the case. This is a very unusual
19 PD. The PD would increase rates by
20 \$600 million with no empir -- primarily from
21 the CWSP programs, but there's no empirical
22 evidence that the CWSP programs will actually
23 work.

24 Secondly, the Commission does not
25 exist in a vacuum. The Commission has always
26 considered external events when it comes to
27 decisions. The PD treats this case as an
28 accounting exercise and doesn't include

1 important economic environmental and
2 regulatory conditions. This is a departure
3 from long-standing Commission practice.

4 17 public participation hearings
5 were held from July 9, 2019, to August 14,
6 2019. The PD stated that almost all of
7 PG&E's customers that spoke at the PPHs
8 opposed PG&E's rate increases. They asserted
9 that PG&E's rate increases are not
10 affordable, especially for people with low
11 incomes and for people on fixed incomes such
12 as the elderly or customers that are retired.

13 The PD does not discuss how it
14 accounted for the views of PG&E customers who
15 attended the PPHs or even if those views were
16 considered. The world has changed since the
17 last PPH was held on August 14, 2019, and
18 PG&E customers are much worse off than they
19 were 15 months ago.

20 In 2019, California was the world's
21 fifth largest economy. To date, 8.6 million
22 Californians have filed for unemployment
23 benefits. The California unemployment rate
24 has risen from 3.9 percent in August 2019 to
25 11 percent in September 2020. State GDP has
26 fallen from 3.1 trillion to 2.8 trillion, a
27 decline of almost 11 percent.

28 Finally, there are the wildfires and

1 who should pay. One fact is clear, PG&E
2 caused these wildfires. So now we have a
3 situation where PG&E causes the wildfires and
4 the cost of mitigation is going to be paid by
5 ratepayers. The ratepayers cannot afford
6 these costs. These costs are unfair and PG&E
7 shareholders, not ratepayers, should pay all
8 the costs of the CWSP programs. Thank you
9 very much.

10 ALJ LIRAG: Thank you, Mr. Reid.

11 Let's try Mr. Strauss again from
12 SBUA. Mr. Strauss, you have five minutes.

13 MR. STRAUSS: Thank you. I apologize
14 for the technical trouble earlier and I will
15 be brief.

16 ARGUMENT OF MR. STRAUSS

17 MR. STRAUSS: Good afternoon, President
18 Batjer, Commissioners, Administrative Law
19 Judge Lau, Administrative Law Judge Lirag.

20 My name is Ariel Strauss, regulatory
21 counsel for Small Business Utility Advocates,
22 a party to the proposed settlement. SBUA
23 represents the interests of small business
24 utility customers in California to promote
25 inclusion and equitable revenue allocation
26 and services for this diverse, vulnerable,
27 and hard-to-reach ratepayer class.

28 SBUA has taken an active role in a

1 range of ongoing Commission proceedings,
2 including those pertaining to Distributed
3 Energy Resources regarding transportation
4 electrification, energy storage, and
5 self-generation incentive programs, as well
6 as wildfire mitigation plans, climate change
7 adaptation, and PSPS efficacy.

8 Participation of the small business
9 class is necessary to meet California's
10 climate goals and promote a vibrant economy
11 during these most difficult times. It's for
12 this reason that SBUA has participated in
13 this GRC.

14 SBUA appreciates the Proposed
15 Decision's intended approval of the MOU
16 between SBUA and PG&E at an estimated cost of
17 \$19.5 million over the GRC period. The MOU
18 extends the existing agreement previously
19 approved by the Commission in 2017 and
20 increases outreach to small businesses and
21 improves services to PG&E's commercial
22 customers with sub-500,000 kWh annual usage.

23 The MOU includes funding for PG&E's
24 small business coordination and small
25 business contracting facilitation positions,
26 increasing outreach, including through a new
27 dedicated web page, undertaking a study of
28 opportunities to increase DER adoption among

1 small business customers and several other
2 important actions.

3 Small businesses have been harmed
4 egregiously and irreversibly by
5 utility-sparked wildfires and power shutoffs
6 in recent years and aggressive wildfire
7 prevention is necessary. SBUA supports the
8 overall settlement as fair and reasonable in
9 light of the entire record and concurs with
10 the settling parties that the Proposed
11 Decision's revisions to the agreement pose a
12 risk of undermining the careful balance
13 struck in negotiations.

14 SBUA, therefore, requests that the
15 Commission approve the GRC application as
16 proposed by the settling parties. Thank you
17 for your time. I am available to answer any
18 questions. Thank you.

19 ALJ LIRAG: Thank you, Mr. Strauss.

20 Let's now move on to rebuttal
21 arguments by PG&E. Let's go back to
22 Mr. Kenney. You have 10 minutes.

23 REBUTTAL ARGUMENT OF MR. KENNEY

24 MR. KENNEY: Thank you, your Honor, and
25 let me just also thank all the parties for
26 their participation in this oral argument and
27 for their well-crafted discussion and
28 argument.

1 Let me start first -- and I don't
2 think I'll take all 10 minutes. Let me start
3 first with responding to a few of the
4 comments that Mr. Geesman made and just start
5 with the procedural discussion first.

6 Much of what you saw in
7 Mr. Geesman's slides and what he referenced
8 are not record evidence in this case. Let me
9 just leave you with that procedural issue.
10 Substantively I want to say that regarding
11 the above-market cost and the Diablo Canyon
12 Power Plant being stranded asset, the CPUC
13 has identified Diablo Canyon as a system
14 asset required to support the reliability of
15 the system and has made its replacement
16 capacity a priority in the next IRP process.

17 But the State needs time from now
18 until actual shut-down in '24 and '25 to
19 develop their replacement resources for
20 Diablo Canyon Energy and Capacity and that
21 will play out in other proceedings.

22 Couple of other points I'll just
23 make, that Mr. Geesman questions the cost
24 effectiveness of the investments in the
25 state, and I will say that -- and whether it
26 was prudent. And I will say that the height
27 of prudence is safety. This was an
28 investment that needed to be made in the name

1 of running this plant safely. I don't know
2 that questioning safety or doing something
3 that's contrary to safety would be prudent.
4 So, the height of prudence in my estimation
5 is safety.

6 I'd like to move on to some of the
7 points that were raised by the Joint CCAs.
8 First, again, a procedural argument, there
9 was a new analysis on the PCIA and the GRC
10 costs that was shared today --

11 COMMISSIONER GUZMAN ACEVES: Excuse me.

12 MR. KENNEY: -- have not had a
13 chance to review --

14 COMMISSIONER GUZMAN ACEVES: Sorry,
15 just to ask a follow-up question on the first
16 point.

17 MR. KENNEY: Yes.

18 COMMISSIONER GUZMAN ACEVES: I don't
19 think I'm -- I don't think -- I'm trying to
20 pull back up the top ones, but I understood
21 Mr. Geesman's argument to be on the cost, not
22 the need, and that the cost should be --
23 well, he obviously was arguing initially for
24 the need to replace it, but seemed like he
25 was arguing for a more prudent cost.

26 Do you have a rebuttal to the cost?

27 MR. KENNEY: Well, I thought -- as I
28 understood, his argument was questioning

1 based on whether it was cost effective as
2 compared to the continued need for the plant.
3 And so, as I understand his argument, his
4 cost-based or cost-related argument is
5 directly tied to their argument with respect
6 to the need for the continued running of the
7 plant.

8 My response to that is if you accept
9 as necessary and true that we do need to
10 continue running the plant through the end of
11 its useful life, as set forth in the other
12 proceeding that decided that issue, then the
13 investments that are needed in the name of
14 safety are de facto, in my estimation,
15 prudent, just, and reasonable.

16 So, I'm connecting -- as I
17 understand Mr. Geesman's argument, he's
18 connecting the cost effectiveness to the
19 continued need.

20 MR. GEESMAN: Can I respond to that?

21 MR. KENNEY: I don't think so actually,
22 but I'll let the judge respond.

23 COMMISSIONER GUZMAN ACEVES: Judge
24 Lirag, just for clarification, I thought the
25 proposal was on a cost issue.

26 ALJ LIRAG: Just to make things clear,
27 I'll just allow Mr. Geesman to clarify his
28 point.

1 But, Mr. Geesman, you shouldn't make
2 any counter arguments to what Mr. Kenney just
3 stated. This is just for clarification.
4 Please go on.

5 MR. GEESMAN: My point was about the
6 lack of any analysis. It's like we were
7 taught in school, do the arithmetic, show
8 your work. That wasn't done here.

9 ALJ LIRAG: All right. Let's go back
10 to Mr. Kenney.

11 Thank you, Mr. Geesman, for
12 clarifying.

13 Mr. Kenney, you may proceed.

14 MR. KENNEY: I'll just clarify again or
15 just maybe just reiterate again. This data
16 replacement project was an issue that was
17 raised in TURN's testimony all week. We
18 settled the issue with TURN and it is my
19 understanding that A4NR's position is new.
20 It's not previously discussed in briefs. So,
21 again, we continue to justify this based on
22 safety.

23 I hope that answers your question,
24 Commissioner.]

25 COMMISSIONER GUZMAN ACEVES: Not
26 exactly. But go ahead and move on. Thank
27 you.

28 MR. KENNEY: In resp -- so let me move

1 back to responding to JCCA's analysis and
2 again the procedural argument being that we
3 have not had a chance to review or validate
4 the new information that they brought forward
5 today.

6 On their point regarding the
7 tracking of customer calls on generation, the
8 Commission has long held that costs should be
9 allocated based upon the customers on whose
10 behalf those costs are incurred. So it's a
11 simple matter of cost causation principle
12 based on ratemaking.

13 If the costs are incurred to serve
14 the customers and the customers are eligible
15 to participate in the programs or services,
16 then those customers should bear the costs.

17 All of our customers use our contact
18 centers to stop and start service for payment
19 and billing issues, outages, emergency
20 response, and many of them use them for
21 elective services such as demand site
22 management programs and net energy metering.

23 The evidence showed and indicates
24 that CCA customers use PG&E's contact centers
25 more frequently on a per-customer basis than
26 do bundled customers. And the Call Center
27 usage has increased with the growth of CCA
28 customers.

1 So PG&E's customer service costs are
2 not related to its energy supply function and
3 do not vary depending on whether the customer
4 is a CCA customer or not.

5 That said, the PD already addresses
6 tracking and PG&E began tracking customer
7 calls by customer call type in 2020. And we
8 do plan to include this information to
9 support our Customer Care Center allocation
10 in our 2023 GRC which we file next June.

11 Third, on the Joint CCA's point
12 regarding solar and hydro decommissioning,
13 they represented that decommissioning costs
14 exceed the costs for the solar generation
15 facilities and that simply is not correct.
16 The original capital costs of our solar
17 facilities installed between 2007 and 2012
18 was \$593 million. The decommissioning cost
19 estimate in the settlement agreement is
20 \$61 million or \$100 million at the time that
21 the decommissioning is scheduled in 2035 and
22 beyond.

23 So \$61 million in 2015 dollars
24 (sic), \$100 million in 2035 to '38. The
25 revenue requirement for this in the agreement
26 was reduced by \$8 million and we do believe
27 that it is reasonable. It's good accounting
28 and ratemaking practice for an asset to

1 accrue cost in the decommissioning reserve
2 over the life of that asset. And then if any
3 asset is sold, the funds collected would be
4 used for other projects. The same approach
5 is for our fossil decommissioning which has
6 historically accounted -- which has
7 historically made these accounting practices.

8 The collections will then be trued
9 up against actual costs. And so any costs
10 exceeding actual expenditures would be
11 refunded. Customers -- current customers
12 should contribute to the decommissioning of
13 assets that are currently in service. And
14 the risk of overcollection is very low, as we
15 used a conservative assumption in calculating
16 the decommissioning costs and in establishing
17 the initial approval.

18 And then finally on the -- as to the
19 JCCAs, the settlement incorporates
20 concessions, even though they did not
21 participate or join in the settlement. In
22 particular, in response to the Joint CCAs,
23 the settlement agreement withdrew the
24 nonbypassable charge for hydroelectric
25 facilities, made changes to liability
26 insurance premiums and further made changes
27 in allocation for the CWSP, enhanced
28 operations practice in our Emergency

1 Preparedness Response Programs.

2 So PG&E and the Settling Parties did
3 this in hopes that the Commission would not
4 further modify the settlement and would
5 recognize those concessions in their
6 decision.

7 The last component or the last
8 rebuttal argument --

9 COMMISSIONER GUZMAN ACEVES:

10 Mr. Kenney, another question just for us.

11 MR. KENNEY: Certainly, yes.

12 COMMISSIONER GUZMAN ACEVES: Is there
13 a -- thank you. Is there a rebuttal to
14 the -- on the hydro decommissioning, we have
15 seen some of these facilities, you know,
16 apply for a sale or even I think in some
17 cases potential abandonment, but is there a
18 response to the -- some of these facilities
19 being sold?

20 MR. KENNEY: Thank you, your Honor.
21 Thank you, Commissioner. And I apologize for
22 not affirmatively addressing that.

23 There are active proceedings in
24 which those facilities are being sold as
25 accounted for. And then I would also say the
26 fact of the sale of the decommissioning
27 estimate is ultimately adjusted when there is
28 a sale. So it is accounted for in the

1 process.

2 COMMISSIONER GUZMAN ACEVES: Okay.
3 Thank you.

4 MR. KENNEY: So, lastly, I would like
5 to address Mr. Reid's discussion and not to
6 rebut anything he said but just to
7 affirmatively acknowledge that we do
8 understand and we do recognize the financial
9 hardship that customers face, particularly
10 given the pandemic and sheltering in place
11 and working from home.

12 So we do recognize that. We do
13 acknowledge it. We do understand it. We do
14 affirmatively acknowledge that there is never
15 a good time for rate increases and we do work
16 diligently to make sure that our rates stay
17 as low as reasonably possible while making
18 sure that we are able to provide the
19 necessary service in a safe and reliable
20 fashion.

21 So I just -- I don't have a rebuttal
22 to Mr. Reid, other than to acknowledge that
23 we understand and recognize the particular
24 hardship that our customers are facing now.

25 Thank you again for the time and I
26 look forward to answering any additional
27 questions.

28 ALJ LIRAG: All right. Thank you,

1 Mr. Kenney.

2 Now we will use the remainder of the
3 time which is approximately 20 minutes for
4 questions from President Batjer and the
5 Commissioners.

6 If you wish to address a particular
7 speaker, please let them know. Otherwise,
8 general questions regarding the settlement
9 should probably be answered by Mr. Kenney,
10 unless the other Settling Parties want to add
11 something.

12 And then I believe Mr. Geesman,
13 Mr. Schlesinger and Mr. Reid had different
14 points.

15 So we'll now open the floor for
16 questions from President Batjer and the
17 Commissioners. Thank you.

18 COMMISSIONER RANDOLPH: This is
19 Commissioner Randolph.

20 I have a question about the -- a
21 question for the Settling Parties, which is,
22 you know, the -- as it relates to the
23 wildfire expenses, as I understand the key
24 difference between the settlement and the
25 proposed decision is that the settlement
26 provides increased amounts throughout each of
27 the -- both the test years and the attrition
28 years. And the PD adopts the settling amount

1 for the test year, adopts a lower amount for
2 the additional years, but it does provide a
3 pathway to recover those funds.

4 So, in other words, it basically
5 says if you need to go above the amount set
6 out in the PD, then, you know, the company
7 will need to bear those costs beyond a
8 certain amount and then ask for recovery of
9 those amounts.

10 And so I guess I want to ask the
11 Settling Parties, do they believe that this
12 framework would somehow mean that the company
13 would not be obligated to fulfill its
14 Wildfire Mitigation Plan and all of the other
15 additional wildfire mitigation that it is
16 proposed to do? Because Ms. Koss' comments
17 would seem to indicate that's her belief and
18 I don't think that is consistent with the
19 Commission structure. So I would be
20 interested to hear the parties' answer to
21 that.

22 MR. KENNEY: May I take a stab at
23 answering first, Commissioner?

24 COMMISSIONER RANDOLPH: Certainly.

25 MR. KENNEY: I think there's always --
26 I think Section 451 is -- requires us to run
27 the system safely and reliably and so I don't
28 think there's anything that relieves us of

1 that obligation.

2 What I will say is two points. This
3 is -- this is the procedural issue, the
4 policy issue that's a strong public policy in
5 favor of approving settlements. And I've
6 asked the question on the basis for that
7 public-policy preference, what is it? It's
8 not just reducing litigation expense and
9 conserving scarce resources. That is
10 important and it's critical. But it's also
11 the underlying idea that especially here
12 where you have so many disparate parties
13 having supported and negotiated the
14 settlement terms, that there should be a
15 presumption of the public interest being
16 served. And to the extent that -- let me go
17 to the substantive component of your question
18 as well.

19 There is a path to recovery that you
20 have essentially erected a barrier in the
21 form of requiring almost an entirely new
22 proceeding. So rather than using and taking
23 advantage of the advice letter process, we
24 are required to file an application, which is
25 a lengthier, more burdensome and more
26 cumbersome process. Secondly, by holding the
27 funding flat at 2020 at the test-year level,
28 you have essentially placed us in a position

1 where we will automatically have to avail
2 ourselves of that additional process. So
3 we're going to come into '21 and '22 already
4 needing to avail ourselves of this lengthier
5 process.

6 And so I'd say, on a procedural --
7 from a procedural basis, I don't think it
8 sends the right message in terms of
9 encouraging and favoring of public policy of
10 settlements.

11 And then secondarily, it's erecting
12 barriers to cost recovery, basically that I
13 think are unnecessary.

14 COMMISSIONER RANDOLPH: So you don't
15 think that the -- that the additional
16 30 percent is sufficient for the attrition
17 years?

18 MR. KENNEY: I think the additional
19 30 percent was an attempt to try to do that,
20 but holding the level at 2020 levels, we're
21 going to automatically have to avail
22 ourselves of the new process. So -- so I
23 don't think the additional 30 percent -- or
24 the additional 30 percent doesn't get us
25 anything when you set the level at the 2020
26 levels. We're automatically going -- we're
27 going to have to -- we're automatically
28 behind the eight ball at that point.

1 PRESIDENT BATJER: Commissioner
2 Randolph, may I ask a follow-up question to
3 your question before we turn to the Settling
4 Parties?

5 COMMISSIONER RANDOLPH: Oh, certainly.

6 PRESIDENT BATJER: Okay. Real quickly.
7 Another way to ask the question perhaps,
8 Mr. Kenny, is -- this is Marybel, is --
9 always concerned, I mean we very much --
10 wildfire mitigation is extraordinarily
11 important, top priority, but also can the
12 work be done? Can you actually get the work
13 done that these costs are associated with, in
14 the time frame of the test year and the
15 following years, in the cadence of those
16 years, an awful lot that is proposed that
17 must be done. I don't want to question that
18 it shouldn't be done, but is it realistic to
19 assume that it can be done in the time frame?
20 And then it's just a follow-on to
21 Commissioner Randolph's question.

22 MR. KENNEY: Thanks for the question,
23 President Batjer.

24 I think part of -- implicit in your
25 question is what is reflected in the PD that
26 there's uncertainty about our ability to do
27 it.

28 So let me -- I'll say two things

1 about it.

2 We have every intention of doing
3 that work. We do expect to do the work and
4 it's necessary work. And so as we are
5 planning what's necessary to mitigate
6 wildfire risk to the greatest degree
7 possible, that's the work that we intend and
8 plan to do.

9 There are other proceedings to --
10 designed to keep us on track, such as our
11 Wildfire Mitigation Plan Proceeding and other
12 proceedings that are designed to hold us
13 accountable to keep our feet to the fire.

14 And then secondarily, even assuming
15 for the sake of the argument that we were
16 unable to keep up with the pace of work, the
17 Settling Parties contemplated that by
18 providing for the two-way balancing account
19 treatment that would allow for refunds if we
20 don't spend the money.

21 So I think to the extent that there
22 is any concern about uncertainty, the answer
23 to address that isn't to decrease the
24 funding. It's to take into account and allow
25 for the execution of the two-way balancing
26 account and the procedures that are built in
27 to what the Settling Parties contemplated.

28 COMMISSIONER RANDOLPH: Well, following

1 up on that, is that to me one of the goals
2 that the judges were trying to reach was
3 having the uncertainty for fronting the costs
4 be on the company rather than on the
5 ratepayers; isn't that correct?

6 MR. KENNEY: Well, I suspect that's the
7 intention, but I do think that the creation
8 of the balancing account provides the
9 protection that's necessary.

10 And then I would also just refer
11 back to my earlier argument where you had two
12 of the strongest voices in consumer
13 protection participating in the settlement
14 and agreeing that these were the right
15 mechanisms to balance the need to do this
16 critical work with the need to protect
17 customers.

18 COMMISSIONER RANDOLPH: Okay. Thank
19 you.

20 MR. KENNEY: Thank you, Commissioner.]

21 Do other settling parties want to
22 address that question?

23 MR. FINKELSTEIN: Sure. Bob
24 Finkelstein for TURN.

25 I just -- turning to the original
26 question -- and I think I heard the same
27 thing from Mr. Kenney -- but the answer is
28 no. The way the funding is set up should not

1 change an iota what PG&E does and what it
2 doesn't in terms of providing safe and
3 reliable service, and I do think that's an
4 important distinction to make. And I was
5 heartened to hear PG&E so forcefully -- yeah,
6 they are going to do the work that they need
7 to do. And what we're talking about is the
8 plan and how the associated policy will be
9 recovering rates.

10 You know, in terms of Mr. Kenney's
11 final point (inaudible), I'm flattered to
12 hear it described a couple of times here by
13 one of the premier ratepayer representatives
14 on these matters. Yeah, we did sign on to
15 the settlement. The settlement does
16 contain -- it is bordering on -- I'm not sure
17 there's anything in the settlement that says
18 that we found this to be the right solution.
19 I'm not trying to quote one. I'm certainly
20 not trying to show any wavering support of
21 the settlement. We said on balance this
22 outcome would be accessible given the other
23 provisions in the settlement. So I just want
24 to reign in Mr. Kenney a little bit there,
25 that we never said that this approach was the
26 right approach. We said as part of an
27 overall settlement this is an acceptable
28 outcome. Thank you.

1 ALJ LIRAG: Any more answers from the
2 other parties, or is there a follow-up to
3 that, Mr. Kenney? Otherwise, we can move on
4 to --

5 MR. KENNEY: I'll stand by my statement
6 that you had the premier consumer advocacy
7 organ -- participating in the proceeding, and
8 I don't intend to attribute more force to Mr.
9 Finkelstein's argument. But I think it is
10 important. You got a settlement that
11 looks -- that -- you have to look at the
12 totality of the settlement. There were gives
13 and there were takes. I don't believe in
14 perfection, but I do believe that when you
15 have so many disparate organizations
16 participating in a settlement and being able
17 to come to agreement there should be
18 significant weight given to that. Because it
19 does represent a balancing of a variety of
20 different interests, which I think is
21 ultimately the job of public policy-making is
22 to really be able to balance competing
23 interests.

24 COMMISSIONER RANDOLPH: Okay. Thank
25 you.

26 ALJ LIRAG: Any additional questions or
27 add-on questions from the Commissioners?

28 COMMISSIONER GUZMAN ACEVES: Yes. I

1 have a follow-up question and a separate
2 question for the CCAs. But first my
3 follow-up question for Mr. Finkelstein. And
4 we heard in your beginning testimony and now
5 currently in the last rebuttal piece about
6 why -- more philosophically why we should
7 support a settlement. And then you just
8 spoke of a balance that you saw, but I
9 haven't heard from you what are the specific
10 elements in the settlement that are the
11 positive elements that provide you with the
12 balance.

13 MR. FINKELSTEIN: Well, Commissioner, I
14 was afraid you were going to ask that
15 question because I am somewhat familiar with
16 the overall settlement, but I am also
17 something of a replacement attorney on this
18 for -- Hayley Goodson is our lead attorney
19 and is most familiar with the intricacies of
20 the settlement.

21 So I could cite a couple of things
22 right off the top of my head. One is PG&E
23 had asked for a rather substantial increase
24 in its depreciation expense, and the
25 settlement has as one of its components that
26 depreciation rates will stay at the
27 previously authorized levels. That, in
28 itself, I think led to a reduction. And I'm

1 sorry. I'm guessing here. But I think it
2 was in the order of 150 million dollars.

3 There were also a couple of other
4 areas that I know of where we were able to --
5 we had argued that the increases that PG&E
6 was seeking in this application weren't
7 really essential at this time and could be
8 inferred. One of them is the generation
9 decommissioning expenses that were discussed
10 earlier. My recollection is that those
11 expenses as set forth in the settlement are
12 at a lower level than what PG&E had
13 originally asked for. I think there were
14 adjustments made for some of the expenses
15 PG&E had asked for with its short-term
16 incentive program, but I'm sure if I combed
17 through the document and was able to consult
18 with others at TURN, I could give you other
19 examples. But it was things of that nature
20 that made us decide that on balance we could
21 be okay with this, and it was also quite
22 candidly reflecting the fact that much of the
23 increased spending -- we could say the lion's
24 share of the increased spending for this
25 upcoming period is about responding to and
26 trying to mitigate wildfires. And TURN
27 understands that is the first priority under
28 current conditions and that much of the work

1 that needs to be done is going to be
2 expensive.

3 And you know, would it be better,
4 from our perspective, if we had a lower
5 overall revenue requirement? Almost always
6 that would be the case. But under the
7 circumstances that we're facing here and
8 given what the focus was in this proceeding,
9 you know, we ended up looking on balance at
10 the settlement agreement and saying even
11 though it's got substantial amounts going for
12 this -- you can call it the Community
13 Wildfire Safety Program, or the CWSP acronym,
14 that it was on balance and reasonable
15 support.

16 COMMISSIONER GUZMAN ACEVES: Okay. My
17 second question is for Mr. Schlesinger, and
18 you showed a slide of the PCIA increase.
19 Were you suggesting that that is in some way
20 related to the decommissioning costs?

21 MR. SCHLESINGER: To an extent, yeah.
22 I mean, the PCIA is raising for a number --
23 is going up for a number of reasons. One of
24 them has to do with the costs of
25 utility-owned generation. The
26 decommissioning costs are one element of the
27 cost of utility-owned generation, and they
28 are a new element. They are a newly proposed

1 additional piece of that revenue requirement.

2 COMMISSIONER GUZMAN ACEVES: So are you
3 suggesting that the PCIA's incorporated in
4 those decommissioning costs and the PR-2,
5 they are being incorporated in the
6 distribution costs?

7 MR. SCHLESINGER: I'm sorry. Can you
8 repeat the second part of that.

9 COMMISSIONER GUZMAN ACEVES: Are you
10 suggesting that we're doubly accounting -- I
11 guess I'm not understanding how this
12 particular balance account relates to your --
13 by the way, I did not know that the
14 decommissioning costs were incorporated into
15 PCIA. So that's something I'm learning here.
16 As the assigned Commissioner on PCIA, that's
17 news to me.

18 MR. SCHLESINGER: Yeah. So my --
19 sorry. My understanding is that the actual
20 costs that go into the PCIA will be
21 determined in the ERRA proceeding. However,
22 the inclusion of the utility-owned generation
23 costs that are above-market are determined
24 here in the Phase 1 GRC. You know, those are
25 essentially an input into those ERRA
26 proceedings. So not that they are being
27 double-counted but that here is the
28 Commission's opportunity to determine whether

1 or not those costs are prudent and just and
2 reasonable. And if they are found to be so
3 here in this GRC, then they will end up in
4 the PCIA.

5 COMMISSIONER GUZMAN ACEVES: I see. So
6 you're saying that those -- the slides you
7 had of the costs related for decommissioning
8 are being approved here in the GRC but not a
9 part of the GRC revenue authorization?

10 MR. SCHLESINGER: No. They are a part
11 of the GRC revenue, and they will be approved
12 in this proceeding. And if they are approved
13 in this proceeding, then they will find their
14 way into the PCIA.

15 COMMISSIONER GUZMAN ACEVES: Is that
16 your understanding, Mr. Kenney?

17 MR. KENNEY: Well, I'm slightly
18 befuddled. I don't know that I understood
19 Mr. Schlesinger's slides. I think, as I was
20 indicating at the outset, we were seeing that
21 analysis for the first time today, and so I'm
22 certain that I'm able to speak competently or
23 cogently to what he showed. But I don't --
24 there is no double-counting. I do know that.
25 But --

26 COMMISSIONER GUZMAN ACEVES: Yeah.
27 Maybe, Mr. Schlesinger, you can also
28 follow-up with something, because I'm a

1 little confused. If it's in the revenue
2 authorization here, why it would also be in
3 an ERRA revenue authorization? And we'll
4 also ask for clarification on our end.

5 MR. SCHLESINGER: I understand. Sure.
6 So, again, my understanding is that if it's
7 an approved generation cost, then it goes
8 into the big bucket. And then in the ERRA
9 proceeding, we take that big bucket and we
10 take some of those generation costs. And
11 those go in -- some of those go into the
12 PCIA. So if it's approved in the big bucket
13 here, then it can be peeled off in the ERRA
14 proceeding.

15 Does that make sense? Does that
16 answer your question?

17 COMMISSIONER GUZMAN ACEVES: Yes.
18 Yeah --

19 MR. SCHLESINGER: And the slides.

20 COMMISSIONER GUZMAN ACEVES: Yeah. Go
21 ahead.

22 MR. SCHLESINGER: Sorry. The slides
23 are -- you know, are our analysis, which
24 actually does show up in the ERRA proceeding
25 and the testimony of Mr. Dickman in PG&E's
26 2021 ERRA proceeding. That's where we pulled
27 those charts from. Oh. I'm sorry. That's
28 where we pulled the data to create those

1 charts from.

2 MR. KENNEY: I'll say, just
3 procedurally, I think that kind of emphasizes
4 the point that this isn't the place to be
5 having this discussion. It's in those other
6 proceedings. But -- so I'm not sure that
7 there's anything that Mr. Schlesinger said
8 that would obviate what we put forward in the
9 settlement. And to the extent that there are
10 concerns with other PCIA functions, we have
11 other proceedings in which to deal with those
12 questions.

13 MR. SCHLESINGER: Yeah. And to be
14 clear, I wasn't trying to prove anything
15 about the PCIA. I was just trying to put the
16 hydro decommissioning costs into context and
17 why it's an important issue for the JCCAs.

18 COMMISSIONER SHIROMA: This is
19 Genevieve Shiroma.

20 Could I ask a question at this
21 point?

22 ALJ LIRAG: Go ahead, Commissioner.

23 COMMISSIONER SHIROMA: Thank you,
24 Judge.

25 Okay. I want to go back to -- so
26 for Robert, I want to go back to your slide,
27 and it starts with a settlement forecast and
28 the -- either line showing the proposed

1 decision. And could you just verbally remind
2 us -- so the settlement is at 603 million
3 starting in 2020, goes up to 931 million in
4 2021, 1.151 billion in 2022. What was your
5 original application? I mean, the original
6 application, I think, started at 1 billion
7 for 2020, if I recall correctly, and then
8 what was the stepwise level in your original
9 application in terms of this forecasted
10 increase?

11 MR. KENNEY: You know, Commissioner,
12 I'm looking at the PD. I'm looking at our
13 settlement and what we settled on capital
14 expenditures. I'm not sure I remember what
15 we filed and what our original filing was. I
16 know that we took a significant reduction
17 from what we initially overall request. In
18 our overall RRQ request was a billion dollar
19 increase, and the settlement ultimately
20 provides 584 million. But I don't remember
21 specifically what our Community Wildfire
22 Safety Program started at.

23 COMMISSIONER SHIROMA: Okay. Okay.
24 And I definitely appreciate all the work that
25 goes into settlement. And in the meantime,
26 you know, it is our job to look at whether or
27 not we conclude whether settlement or the
28 PD -- whether they conclude that it does

1 provide for a just and reasonable path
2 forward for the customers as an independent,
3 you know, look-see at this.

4 And I am remembering the PPH in
5 Chico, the very difficult one. It was after
6 the CAMP Fire and after the Paradise Fire.
7 And the room was filled there in Chico with
8 folks from Paradise. That was tough. And
9 Robert, I know that was tough. I know that
10 representing PG&E, coming in and asking for a
11 rate increase and a lot of these folks didn't
12 yet have homes rebuilt or -- and they were
13 still recovering from their loss. Anyways, I
14 just do thank everyone's efforts here. And
15 I'll stop there.

16 I did wonder also about the
17 Advocates, if there's anything -- any other
18 edification on your perspective as to a
19 settlement.]

20 MS. SHEK: Thank you, Commissioner
21 Shiroma.

22 As Mr. Finkelstein pointed out, we,
23 as advocates, would be happier, as always,
24 with a lower revenue requirement. But,
25 again, on balance, we are happy with the
26 joint settlement within all the areas that it
27 covers under this General Rate Case with
28 PG&E.

1 I'd like to note that we did work
2 really hard to achieve this settlement as we
3 described earlier. I think we met over a
4 dozen times off and on and had difficult
5 moments covering the various issues that we
6 were trying to dissect, primarily, as you
7 know, the wildfire expenses took up a lot of
8 time and a lot of effort.

9 Again, with the various areas that
10 we looked at under the General Rate Case, we
11 did look at this as a balance of being able
12 to achieve positive results for the
13 ratepayers going forward in this rate
14 proceeding.

15 MR. KENNEY: May I make one comment in
16 response to Commissioner Shiroma, Judge?

17 ALJ LIRAG: Yes, go ahead.

18 MR. KENNEY: I do want to just
19 acknowledge I well remember the PPH in Chico.
20 I attended many of those public participation
21 hearings personally and won't soon forget
22 that one and will point out that we don't
23 expect the Commission to be relieved of its
24 obligation to still examine the settlement to
25 ensure that it's in the public interest.

26 I don't want to leave you with the
27 impression that we're saying that just by
28 virtue of the fact that we have the

1 settlement in front of you that that relieves
2 you of your obligation to examine it. But I
3 would add that when you have so many
4 disparate parties who don't always agree and
5 who, frankly, frequently fervently disagree,
6 you can have some comfort in the fact that
7 ultimately what's negotiated and what is
8 settled is in fact in the public interest.

9 And then, Commissioner Shiroma, I
10 had a friend send me a note to remind me that
11 our hardening program went from \$821 million
12 in our opening, or when we filed, to
13 \$603 million in the settled terms for the
14 test year 2020. Thank you again.

15 ALJ LIRAG: We can probably extend oral
16 argument for just one final question from any
17 of the Commissioners or President Batjer,
18 then we can conclude.

19 Any additional questions, President
20 Batjer or Commissioners?

21 If not, we'll conclude the oral
22 argument. Comments to the PD are due today
23 so we'll look forward to reviewing them.

24 Thank you, President Batjer and
25 Commissioners for taking time to listen to
26 the parties.

27 Thank you to the parties for
28 participating.

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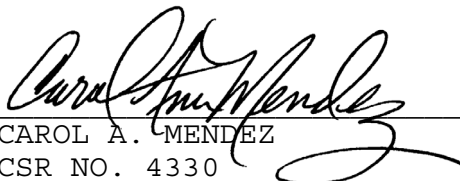
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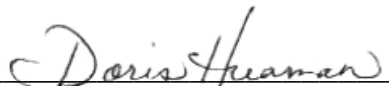
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