

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA



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

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

) EVIDENTIARY
) HEARING
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) Application
) 18-12-009
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Reported by: Ana M. Gonzalez, CSR No. 11320
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SAN FRANCISCO, CALIFORNIA

OCTOBER, 15 2019 - 9:34 a.m.

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ADMINISTRATIVE LAW JUDGES LIRAG and
LAU: On the record.

This is the continuation of the
evidentiary hearing for A. 18-12-009, PG&E'S
2020 GRC.

Judge Lirag, We have some exhibits.

ALJ LIRAG: All right. Let's start
with exhibits from the Joint CCAs.

First I'll identify as Exhibit-215.
This is The Direct Testimony of Thomas Beach.

(Exhibit No. 215 was marked for
identification.)

ALJ LIRAG: Cross has been waived for
Mr. Beach.

Next is Exhibit-216. The Direct
Testimony of Joseph Mancinelli and Andrew
Reger. Cross has been waived for these
witnesses as well.

(Exhibit No. 216 was marked for
identification.)

ALJ LIRAG: Next is Exhibit-217. The
Direct Testimony of Thomas Ghidossi. Again,
cross has been waived for Mr. Ghidossi.

(Exhibit No. 217 was marked for
identification.)

///

1 ALJ LIRAG: Next is Exhibit-218, which
2 contains confidential information. These are
3 attachments -- it contains attachments to
4 Exhibits 215, 216, and 217.

5 MS. KANTOR, can you explain the
6 confidential portion that is in these
7 exhibits? These are CDs?

8 MS. KANTOR: Yes. These are CDs that
9 contain Excel file attachments to data
10 responses from PG&E. All of which were
11 attached to a reference in the direct
12 testimony of Thomas Beach, Thomas Ghidossi,
13 and Andrew Reger, and Joseph Mancinelli. So
14 they're all Excel file attachments.

15 ALJ LIRAG: And the confidential
16 information pertains to information that PG&E
17 states is confidential; is that correct?

18 MS. KANTOR: I believe that's correct.

19 ALJ LIRAG: All right. Is that
20 correct, Ms. Gandesbery?

21 You suppose so?

22 MS. GANDESBERY: I suppose so. This is
23 what you put on your CD marked confidential?

24 MS. KANTOR: Correct.

25 ALJ LIRAG: All right. And we already
26 ruled that that information is confidential.
27 And so we accept the confidential nature of
28 that information that is contained in this

1 Exhibit-218.

2 (Exhibit No. 218 was marked for
3 identification.)

4 ALJ LIRAG: Next is Exhibit-219. And
5 this is a document entitled PG&E Contract
6 Center Calls and Customer Accounts Over Time
7 Chart. This is being sponsored by
8 Mr. Mancinelli and Mr. Reger. I believe this
9 will replace one of the exhibits, but we'll
10 get into that.

11 (Exhibit No. 219 was marked for
12 identification.)

13 ALJ LIRAG: Next is Exhibit-220. This
14 is PG&E's Response to the Joint CCA's Data
15 Request 21, Question 1.

16 (Exhibit No. 220 was marked for
17 identification.)

18 ALJ LIRAG: All right. Ms. Kantor, is
19 there a move to have these exhibits admitted
20 into the record?

21 MS. KANTOR: So moved, your Honor.

22 ALJ LIRAG: All right. Any objections
23 first to Exhibits 215 to 218?

24 (No response.)

25 ALJ LIRAG: Hearing none, Exhibits 215,
26 216, 217, and 218 are received into the
27 record.

28 ///

1 (Exhibit No. 215 was received into
evidence.)

2 (Exhibit No. 216 was received into
3 evidence.)

4 (Exhibit No. 217 was received into
evidence.)

5 (Exhibit No. 218 was received into
6 evidence.)

7 ALJ LIRAG: Ms. Kantor, I believe there
8 is an agreement to withdraw Exhibit-110?

9 MS. KANTOR: Yes, that's correct.

10 ALJ LIRAG: All right. Exhibit-110 is
11 withdrawn. And then I believe Exhibit-219
12 will replace Exhibit-110; is that correct?

13 MS. KANTOR: Yes, that's correct.

14 ALJ LIRAG: All right. And 220 is
15 PG&E's addition to Exhibit-219 to supplement
16 the information here?

17 MS. KANTOR: Yes, that's correct.

18 ALJ LIRAG: All right. Any objections
19 to Exhibits 219, 220?

20 MS. GANDESBERY: No, your Honor.

21 ALJ LIRAG: Hearing none, Exhibits 219
22 and 220 are received into the record.

23 (Exhibit No. 219 was received into
evidence.)

24 (Exhibit No. 220 was received into
25 evidence.)

26 ALJ LIRAG: All right. Good morning,
27 Mr. Lowe. ALJ Lau will swear you in.

28 ALJ LAU: We have Mr. John Lowe on the

1 witness stand. Mr. Lowe, can you raise your
2 right hand?

3 John Lowe, called as a witness by
4 Pacific Gas & Electric Company, having
been sworn, testified as follows:

5 THE WITNESS: Yes.

6 ALJ LAU: Thank you. You may lower
7 your right hand. Please give us your full
8 name spelling your last and your business
9 address.

10 THE WITNESS: John Lowe. J-o-h-n
11 L-o-w-e. My PG&E address is 245 Market San
12 Francisco, California 94105.

13 ALJ LAU: So we are first going to
14 identify several exhibits. We first have
15 Exhibit-207 the Prepared Testimony of Pacific
16 Gas & Electric Company on Human Resources.

17 (Exhibit No. 207 was marked for
18 identification.)

19 ALJ LAU: 208 is PG&E's exhibit with
20 Workpapers Supporting Chapters 2 to 4-A On
21 Human Resources.

22 (Exhibit No. 208 was marked for
23 identification.)

24 ALJ LAU: Exhibit-209 is PG&E's exhibit
25 with Workpapers Supporting Chapter 5 Volume 1
26 of 4 on Human Resources.

27 (Exhibit No. 209 was marked for
28 identification.)

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1 ALJ LAU: Exhibit-210 is PG&E's Exhibit
2 on Human Resources With Workpapers Supporting
3 Chapter 5 Volume 2 of 4.

4 (Exhibit No. 210 was marked for
5 identification.)

6 ALJ LAU: Exhibit-211 is PG&E's exhibit
7 on Human Resources Workpapers Supporting
8 Chapter 5 Volume 3 of 4.

9 (Exhibit No. 211 was marked for
10 identification.)

11 ALJ LAU: 212 is PG&E's exhibit Human
12 Resources Workpapers Supporting Chapter 5
13 Volume 4 of 4.

14 (Exhibit No. 212 was marked for
15 identification.)

16 ALJ LAU: Exhibit-213 is PG&E's exhibit
17 on Human Resources Workpapers Supporting
18 Chapters 6 to 7.

19 (Exhibit No. 213 was marked for
20 identification.)

21 ALJ LAU: Exhibit-214 is PG&E's
22 Rebuttal Testimony on Human Resources.

23 (Exhibit No. 214 was marked for
24 identification.)

25 ALJ LAU: We are also are going to
26 identify several cross-examination exhibits
27 from TURN for the witness Mr. Lowe.

28 First is Exhibit-221 and this is

1 titled NorthStar Report Chapters -- Chapter
2 -- is it 12 or 7?

3 THE WITNESS: Seven.

4 ALJ LAU: Chapter 7.

5 (Exhibit No. 221 was marked for
6 identification.)

7 ALJ LAU: Exhibit-222 is PG&E's
8 Response to TURN Data Request 12, Question 8
9 Including Attachments 1 and 12.

10 (Exhibit No. 222 was marked for
11 identification.)

12 ALJ LAU: Exhibit-223 titled PG&E 2017
13 GRC Decision D. 17-05-013. Select pages 172
14 to 179.

15 (Exhibit No. 223 was marked for
16 identification.)

17 ALJ LAU: All right. That's all the
18 exhibits we have so far.

19 PG&E, you may first begin your
20 direct.

21 DIRECT EXAMINATION

22 BY MR. KLOTZ:

23 Q Thank you, Your Honor.

24 Good morning, Mr. Lowe. Mr. Lowe,
25 I'd like to confirm the testimony you are
26 sponsoring in this proceeding in what's been
27 marked for identification as Exhibit PG&E-08
28 currently marked as Hearing Room Exhibit-207.

1 Are you sponsoring all of Chapter 4, Total
2 Rewards STIP Nonqualified Retirement and
3 Labor Escalation as well as all of
4 Chapter 4-A Safety Policies, Practices, and
5 Performance, and Total Compensation?

6 A Yes, I am.

7 Q And in what's been marked as the
8 workpapers for Chapter 4 and 4-A identified
9 here as Hearing Room Exhibits 208
10 through 213, are you sponsoring those as
11 well?

12 A Yes, I am.

13 Q In what's been marked as PG&E
14 Exhibit-22 marked today as Hearing Room
15 Exhibit-214, are you sponsoring all of
16 Chapter 4 and Attachment A Rebuttal Testimony
17 on Total Rewards, STIP, Nonqualified
18 Retirement and Labor Escalation, and the data
19 responses included in Appendix A?

20 A Yes, I am.

21 Q In what's been marked as Exhibit
22 PG&E-29 of PG&E's eratta, are you sponsoring
23 pages 29 through 160 through 29-169?

24 A Yes, I am.

25 Q And finally in Exhibit PG&E-13, are
26 you sponsoring your statement of
27 qualifications?

28 A Yes, I am.

1 Q And were those materials prepared
2 by you or under your supervision?

3 A Yes, they were.

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

7 A No, I do not.

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

11 A Yes, they are.

12 Q And do the opinions expressed
13 therein represent your best professional
14 judgment?

15 A Yes, they do.

16 Q Thank you.

17 MR. KLOTZ: Your Honor, Mr. Lowe is now
18 available for cross-examination.

19 ALJ LAU: Mr. Cheng, are you ready for
20 your cross?

21 MR. CHENG: Yes, your Honor.

22 CROSS-EXAMINATION

23 BY MR. CHENG:

24 Q Good morning, Mr. Lowe.

25 A Good morning.

26 Q So if you could have your rebuttal
27 testimony handy, I will be referencing that
28 throughout this morning, and let's start with

1 page 4-12 of your rebuttal testimony.

2 A Yes.

3 Q And I'm going to just read one
4 sentence from line 4 to line 7. You state
5 that:

6 Such is the case here where
7 parties continue to propose
8 significant and increasing
9 reductions to program
10 funding despite the
11 company's continuing
12 efforts to decrease focus
13 on financial metrics and
14 increase its focus on
15 safety.

16 Do you see that?

17 A Yes, I do.

18 Q Now, if I could refer you to
19 Exhibit-222 that was marked previously, and
20 it's PG&E's response to TURN Data Request-12.
21 If you could turn to page -- if you could
22 turn to page 14 of that exhibit, and the 14
23 in red letters. Not in the black lettering.

24 So is it correct that this is a
25 motion from PG&E to the Bankruptcy Court to
26 adopt it's proposal of 2019 STIP?

27 A That is the original motion, yes.

28 Q Okay. And do you see that on the

1 bottom of the page, PG&E proposed financial
2 performance weight of 40 percent?

3 A Yes.

4 Q Okay. And if we could turn to the
5 same exhibit later to the last page. Now it
6 says page 2 of 3 in red. But it's like the
7 last page of the exhibit?

8 MR. KLOTZ: I am sorry, Counsel.
9 What's the reference there?

10 MR. CHENG: It's the last page of the
11 exhibit, but it says page 2 of 3 in red at
12 the bottom. Or second to last page.

13 MR. KLOTZ: Thank you. Sorry.

14 MR. CHENG: Sorry.

15 Q All right. So on this page, it
16 states that the Creditor'S Committee has some
17 objections about PG&E'S initial motion. And
18 PG&E therefore decreased the financial
19 metrics from 40 percent to 25 percent; is
20 that correct?

21 A That's correct.

22 Q Is it true that the financial
23 metric was at 25 percent for 2015, 2016,
24 2017, and 2018?

25 A That is correct.

26 Q Okay. So here's my question. If
27 the financial metric has been at 25 percent
28 from at least 2015 through 2018, and PG&E

1 proposed to increase it to 40 percent, is it
2 correct to say that the company's effort is
3 to decrease focus on financial metrics?

4 A So for the 2019 STIP, it is from
5 the original filing. There was a -- it is
6 correct that there was a decrease in the
7 focus on -- or there was an increase in the
8 focus on the financial metric.

9 We had gone into bankruptcy, and
10 we're expecting that the creditors and the
11 court would expect to stay on an increased
12 focus on financial metrics.

13 Q Let me rephrase or re-ask my
14 question. From 25 percent to 40 percent or
15 even from 25 percent to 25 percent, would
16 that be a decrease in either scenario?

17 A I am sorry?

18 Q Would 25 percent to 40 percent or a
19 25 to 25 percent, would either scenario
20 represent a decrease?

21 A It would not.

22 Q So would you agree that it's not a
23 correct statement to say that PG&E had
24 continuing efforts to decrease focus on
25 financial metric?

26 A I guess, yes. That would be
27 correct.

28 Q Thank you. Okay. Let's move on to

1 page 4-17 of your rebuttal testimony, please.

2 Sorry are you there?

3 A Yes.

4 Q Okay. So starting from line 15,
5 you quoted TURN. It says:

6 The programs presented in
7 GRC testimony appear to be
8 illustrative and do not
9 commit PG&E to those
10 program designs of
11 measures. TURN is correct.
12 Do you see that?

13 A Yes.

14 Q So does this mean that PG&E can
15 choose to increase for example the financial
16 metric to 40 percent for 2011 -- I mean 2021
17 and 2022 if it chooses to do so?

18 A That is correct.

19 Q Would PG&E be willing to commit to
20 not increasing the financial component to
21 more than 25 percent during the GRC cycle?

22 A We have not discussed or have an
23 approved plan for 2020 or 2021. I cannot
24 commit to a specific percentage for the
25 company.

26 Q Do you think it would be
27 appropriate for the Commission to authorize a
28 STIP based on 25 percent weighting of

1 financial metric only to have PG&E later
2 increase it -- possibly increase it to
3 40 percent after the initial year?

4 A Yes. I think it's appropriate for
5 the Commission to approve a STIP as it has in
6 the past based on the general structure of
7 the STIP and allow the company to adjust it
8 on an annual basis as is needed for the
9 different company objectives. That's the
10 advantage of a short-term plan is to adjust
11 it as needed immediately prior to a year
12 before the year begins.

13 Q Do you agree that as part of
14 approving the STIP, the Commission is
15 considering the weighting that PG&E is
16 placing on a different component?

17 A Yes.

18 Q So if the Commission finds it
19 reasonable to have financial be 25 percent,
20 do you believe that it's reasonable for PG&E
21 to adjust that upward after the Commission
22 finds 25 percent to be reasonable?

23 A If the Commission finds that 25
24 percent is reasonable and allows us to
25 continue the plan as we have in the past,
26 then that's reasonable for us to adjust the
27 percentage.

28 Q Are you aware that in the past, the

1 Commission has disallowed ratepayer
2 contribution to the financial metric of the
3 STIP?

4 A Yes, I am.

5 Q Okay. All right. Can I please
6 move on to page 4-18 of your rebuttal
7 testimony, please? So starting in line 24
8 you say:

9 I disagree with the stated
10 basis for those
11 recommendations. Cal
12 Advocates and TURN proposed
13 reductions even in areas
14 where parties agree that
15 shareholder and ratepayer
16 interests are in line such
17 as safety.

18 Do you see that?

19 A Yes, I do.

20 Q Is it your position that for areas
21 where shareholder and ratepayer interests are
22 in line, ratepayers should pay 100 percent of
23 the cost?

24 A Yes, I do.

25 Q So as a compensation expert, you
26 find it reasonable that if two parties'
27 interests are in line, it's reasonable for
28 one party to bear all the costs?

1 MR. KLOTZ: Objection. The witness
2 just answered that question.

3 ALJ LAU: Sustained.

4 BY MR. CHENG:

5 Q Okay. Do you think it would be
6 reasonable if the shareholder and ratepayer
7 interests are in line but the shareholders
8 pay 100 percent of the cost?

9 MR. KLOTZ: Objection. The witness
10 just answered the question.

11 ALJ LAU: I'll allow it.

12 THE WITNESS: I'm sorry could you
13 restate the question?

14 BY MR. CHENG:

15 Q Sure. If you think that if
16 shareholder and ratepayer interests are in
17 line for a particular area, would it be
18 reasonable for shareholders to pay 100
19 percent of the cost?

20 A No, I don't. The STIP is part of
21 the overall compensation program. And the
22 cost of STIP are part of the reasonable
23 request on our part. So I don't believe that
24 the shareholders should pay 100 percent of
25 it.

26 Q Okay. So in one instance you think
27 it's okay for one party to pay 100 percent.
28 But in the second instance, you don't believe

1 it's appropriate?

2 A I believe it's appropriate for
3 ratepayers to pay for the reasonable cost of
4 our total compensation program, which
5 includes our STIP Program.

6 Q All right. Let's move on to
7 page 4-19, please. Starting on line 10 you
8 stated:

9 In addition, these proposed
10 reductions are not in line
11 with Commission policy or
12 that of the State of
13 California. For example,
14 they contradict the
15 NorthStar recommendations
16 which encourages PG&E to
17 increase the weighting of
18 its safety metrics related
19 to incentive compensation.
20 Do you see that?

21 A I do.

22 Q Per your understanding, is TURN
23 recommending that the weighting of safety be
24 reduced from 65 percent?

25 A No. That's not my understanding.

26 Q Okay. So is it correct to say that
27 TURN's recommendation contradicted the
28 NorthStar recommendation to increase the

1 weighting of its safety metric?

2 A I think it is correct to state
3 that. Because TURN's recommendation is that
4 the recovery for the increased safety
5 weighting is to be cut down, to be cut in
6 half. And that is inconsistent with the
7 NorthStar recommending that we should
8 increase the weighting on the safety program.

9 Q Okay. Let's be clear. You agreed
10 earlier that TURN is not recommending a
11 reduction of the weighting for safety; is
12 that correct?

13 A That's correct.

14 Q Did NorthStar recommend anything
15 related to whether the safety should be
16 funded by ratepayers or shareholders?

17 A I don't recall that.

18 Q Okay. So why would TURN's
19 recommendation to have shareholders fund half
20 of the safety metrics contradict NorthStar's
21 recommendation to increase the weighting of
22 the safety?

23 A The cost of STIP is a reasonable
24 part of our doing business.

25 Q Please answer the question.

26 A I'm trying to answer the question.
27 The cost of STIP is a reasonable part of
28 doing of our cost recovery. And so

1 increasing our safety weight and recommending
2 that we not be able to recover the cost of
3 our compensation, I see as being in conflict.

4 Q How does it conflict with
5 NorthStar's recommendation to increase the
6 weighting of safety?

7 MR. KLOTZ: I'm going to object, your
8 Honor. I believe that the witness just
9 answered that exact question.

10 MR. CHENG: Your Honor, the witness did
11 not answer the question.

12 ALJ LAU: I'll allow it.

13 Can you be more direct in your
14 questioning?

15 MR. CHENG: Sure.

16 Q Let me try again. You agree that
17 NorthStar recommended the increase of safety
18 weighting but did not address whether
19 ratepayers or shareholders should pay for it;
20 is that correct?

21 A That's correct.

22 Q You also agree that TURN's
23 recommendation does not recommend the
24 decrease of safety weighting from the
25 65 percent that PG&E proposed; is that
26 correct?

27 A That's correct.

28 Q So would you agree that TURN's

1 recommendation does not contradict what
2 NorthStar's recommendation to increase that
3 safety weighting?

4 A That's correct. I agree.

5 Q Thank you. Okay. On the same page
6 on the bottom starting on line 21, you state
7 that:

8 Adopting Cal Advocates' and
9 TURN's recommendations to
10 reduce funding for safety
11 metrics would send an
12 extremely mixed message to
13 the company about its
14 continued and increasing
15 focus on this issue of
16 paramount importance to the
17 State of California, the
18 Commission, the company,
19 and its customers.

20 Do you see that?

21 A I do.

22 Q Are you suggesting that whether or
23 not 50 percent of the safety metric and STIP
24 is funded by ratepayers or shareholders,
25 would affect the employees' focus on safety?

26 A No. I'm not suggesting that.

27 Q Okay. So whether or not the safety
28 metric is funded by ratepayers or half by

1 shareholders and half by ratepayers, would
2 not send an extremely mixed message to the
3 company would it?

4 A It would send an extremely mixed
5 message to the company overall. Individual
6 employees, I have confidence, would be
7 continued to be focused on safety.

8 Q I am sorry. Are -- could you
9 repeat what you said?

10 A It would send a mixed message to
11 the company as a whole and the leadership
12 team. But individual employees, I'm sure,
13 would continue to be focused on safety.

14 Q Okay. So let me clarify what
15 you're saying. You're saying that whether or
16 not it's funded by shareholders or
17 ratepayers, would not affect the employees'
18 focus on safety?

19 A An individual employee's focus on
20 safety. Yes. That is what I'm saying.

21 Q Okay. But it would send the
22 employees a mixed message depending on who is
23 funding it?

24 A It would send the company as a
25 whole the leaders of the company a mixed
26 message.

27 Q Okay. So are you now clarifying
28 your testimony to say it's only sending a

1 mixed message to the leadership of the
2 company, not the employees of the company?

3 A Yes.

4 Q Okay. All right. If we may move
5 on to page 4-29, please.

6 Sorry. Are you there?

7 A Yes.

8 Q At the bottom starting in line 27
9 you state -- what is your response to Cal
10 Advocates comment that the EFO lacks
11 transparency? You state:

12 I disagree. As discussed
13 in my testimony, EFO as
14 used in STIP is a
15 transparent metric as the
16 amount and type of IICs are
17 regularly disclosed in
18 PG&E's publicly available
19 financial reports.

20 Do you see that?

21 A I do.

22 Q Okay. If you could turn to
23 Exhibit-221 that's titled "NorthStar Report
24 Chapter 7."

25 Can you confirm that this is the
26 NorthStar Report or at least a chapter of the
27 NorthStar Report that you referenced
28 throughout your rebuttal testimony?

1 A Yes.

2 Q Can you turn to page 7-20 of this
3 exhibit and on No. 4 on the top there, you
4 see where it says:

5 One of NorthStar's
6 recommendations is to --

7 And I quote:

8 -- reevaluate the
9 appropriateness of the
10 earnings from operations
11 component of this STIP due
12 to its lack of transparency
13 and ongoing adjustments for
14 items impacting.
15 Comparability.

16 Do you see that?

17 A Yes.

18 Q So do you agree that NorthStar's
19 evaluation of the earnings from operations
20 component is that it lacks transparency?

21 A Yes.

22 Q Thank you. Back to your rebuttal
23 testimony, please. Page 4-30 starting in
24 line 14 you state:

25 The purpose of EFO is to
26 convey one particular
27 aspect of the company's
28 financial health, financial

1 management, which addresses
2 the company's success in
3 optimizing revenue and
4 controlling costs relating
5 to normal business
6 operations.

7 Do you see that?

8 A Yes.

9 Q So are you saying that costs
10 relating to the San Bruno explosion, 2017
11 Northern California wildfires, and 2018 Camp
12 Fires are not considered costs relating to
13 normal business operations?

14 A Correct. That's what IICs are.

15 Q So you don't consider failures of
16 PG&E's assets that caused wildfires and
17 explosions, that caused fatalities as cost
18 relating to normal business operations?

19 MR. KLOTZ: I'm going to object, your
20 Honor. Counsel just asked the witness this
21 question. He explained what his
22 understanding of what IIC items are.

23 ALJ LAU: Sustained.]

24 BY MR. CHENG:

25 Q And do you think it is reasonable
26 that in 2018, for example, when the earnings
27 was negative, yet after adjusting for IIC in
28 this STIP metric, the EFO was positive

1 despite all the costs that PG&E had to take
2 for charges?

3 A Yes. I think that is reasonable
4 for that metric for its purpose, which was to
5 incentivize employees regarding cost controls
6 in their daily operations.

7 Q So the metric, does that
8 incentivize employees from carrying on
9 actions to prevent these major accidents,
10 such as San Bruno and Camp Fire --

11 MR. KLOTZ: Objection, your Honor.

12 MR. CHENG: -- is that what you are
13 saying?

14 MR. KLOTZ: That is not what the
15 witness said.

16 ALJ LAU: Could you rephrase your
17 question?

18 MR. CHENG: Sure.

19 Q Would you like to repeat your
20 previous answer?

21 MR. KLOTZ: Objection. Is there a
22 question pending for the witness to repeat
23 his previous answer?

24 ALJ LAU: Mr. Lowe, can you repeat it,
25 just for the record, please.

26 THE WITNESS: I believe the question
27 was is it reasonable. So I'm going to try to
28 answer, repeat my answer.

1 Yes. I believe it is reasonable for
2 the metric to have a result that is positive
3 in spite of major events that took place.

4 BY MR. CHENG:

5 Q Right. Then you also said because
6 you believe the EFO incentivizes the
7 employees to carry out their -- whatever
8 actions?

9 A The EFO -- right, correct. The EFO
10 metric is designed to incentivize employees
11 to carry out their daily activities, to
12 control costs on a daily basis.

13 Q Okay. So my clarifying question to
14 you was that: Is it your belief that those
15 activities the EFO was designed to
16 incentivize would not include activities that
17 would prevent these major wildfires and
18 explosions?

19 A The EFO is designed to incentivize
20 cost controls, yes, that is correct. We have
21 a triggering mechanism at the board to be
22 able to use its discretion to zero out EFO
23 when there are major events that take place.

24 Q Thank you.

25 Let's move on to page 4-33 of your
26 rebuttal, please. And before I read from
27 here -- actually, sorry. Let's go ahead, and
28 starting on line 20, you stated that:

1 Notwithstanding the zero payout in 2018, PG&E
2 will still spend more on this program from
3 2017 through 2019 than they collected in
4 rates. Do you see that?

5 A Yes.

6 Q Now, if I could have you turn to
7 page 4 Attachment A-1. It's part of your
8 rebuttal. It is the first page of your
9 Chapter 4 Attachment A.

10 MR. KLOTZ: Can we go off the record,
11 your Honor?

12 ALJ LAU: Off the record.

13 (Off the record.)

14 ALJ LAU: Back on the record.

15 BY MR. CHENG:

16 Q So do you see that in 2017 PG&E
17 paid out 0.959 for the STIP, 0.959, which
18 represents 95.9 percent of the STIP that
19 year?

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

21 (Off the record.)

22 ALJ LAU: Back on the record.

23 BY MR. CHENG:

24 Q All right. So I will repeat what I
25 said. Do you see line -- 2017 PG&E paid out
26 0.959 of this STIP?

27 A In 2017 0.936?

28 Q 0.959.

1 A I'm sorry. Yes.

2 Q Okay. So back to your previous
3 statement on page 4-33. So over the
4 three years, I'm going to take three. If I
5 take 3 minus 0.959, that equals 2.041. Are
6 you saying that PG&E will pay more than
7 204 percent of the STIP in 2019?

8 A I'm sorry. I did not follow that
9 math.

10 Q Sure. So each year of STIP I'm
11 assigning value of 1. So over three years,
12 that is three. In 2017 you paid out .959, so
13 I'm taking 3 minus .959, which gets me to
14 2.041.

15 In order for your statement here,
16 that PG&E will still spend more on this
17 program for these three years, PG&E would
18 have to pay more than 2.04, which is
19 204 percent in the STIP program in 2019; is
20 that correct?

21 MR. KLOTZ: I'm going to object, your
22 Honor. Counsel is assuming facts that are
23 not in evidence; mainly, what the recovery
24 was for STIP over the year. And the premise
25 of his question is that he assumes PG&E
26 recovered 100 percent of STIP in rates.

27 I believe that is the premise of
28 your math, isn't it, counselor?

1 MR. CHENG: I'm just asking what
2 percent of rate of STIP.

3 MR. KLOTZ: But you are assuming, as
4 you said, that STIP for each year is at 1.
5 That assumes rate recovery.

6 The statement that the witness made
7 was how much it pays compared to how much it
8 collected. Counsel is assuming that PG&E has
9 collected 100 percent of its STIP program in
10 rates for each of the three years and is
11 trying to compare that to what it actually
12 spent. That assumption is incorrect.

13 ALJ LAU: So the witness can clarify
14 and correct Mr. Cheng's assumptions. If your
15 math -- his math is done too quickly, we can
16 subject that to check.

17 THE WITNESS: The first clarification
18 would be that we recovered 50 percent of the
19 STIP in rates over the three years.

20 BY MR. CHENG:

21 Q Okay. So you are saying that PG&E
22 will pay out more in STIP than what the
23 ratepayers have funded, not that PG&E will
24 pay out more in STIP than what the program is
25 funded at?

26 A Correct.

27 Q Thank you.

28 And in line 23, starting line 22,

1 you state that: Nevertheless, to the extent
2 there were expense funds for a particular
3 year, there may be repurpose -- there may
4 be -- they may be repurposed for other
5 expenses for other lines of business,
6 including safety spending.

7 Do you see that?

8 A I apologize. What page are we back
9 on?

10 Q 4-33 of your rebuttal.

11 A What line?

12 Q Starting line 22.

13 A Yes, I see it.

14 Q Okay. So if all else being equal,
15 and the funds are not repurposed, is it your
16 understanding that the funds would then flow
17 to shareholders?

18 MR. KLOTZ: Objection, your Honor.
19 That is not -- that misstates what the
20 testimony is. The witness didn't say that
21 the funds would not be repurposed. The
22 witness specifically said the funds would be
23 repurposed.

24 MR. CHENG: I'm asking if it is not
25 repurposed.

26 ALJ LAU: No, I allow it.

27 Mr. Lowe can correct Mr. Cheng, if
28 he is incorrect.

1 THE WITNESS: Can you ask the question
2 again, please?

3 BY MR. CHENG:

4 Q Sure. If the funds are not
5 repurposed, and all else being equal, is it
6 your understanding that the funds would flow
7 to shareholders?

8 A Yes.

9 Q So if ratepayers pay 100 percent of
10 particular metric of STIP, and PG&E pays
11 0 percent, as it did in 2018, and the unspent
12 funds are not repurposed and flows to the
13 shareholders. Would you consider that as a
14 situation where shareholders' and ratepayers'
15 interests are aligned?

16 A Yes, I would.

17 Q Even though ratepayers pay for 100
18 percent of it, then it flows to shareholders,
19 you believe that is aligning the ratepayers'
20 and shareholders' interests?

21 A Yes. Because over time, the --
22 sometimes the ratepayers pay more and
23 sometimes the shareholders pay more of STIP.
24 But over time, it has worked out to be about
25 100 percent.

26 Q Okay. Then move on to a slightly
27 different topic. If you could turn to -- I'm
28 sorry. We will go back to previous exhibit,

1 Exhibit 222, which is PG&E Response to TURN
2 Data Request 12. Do you have that?

3 A Yes.

4 Q And if we could turn to page 14 of
5 23 in red again. That is the page that has
6 the 2019 initial proposal for STIP.

7 A I'm there.

8 Q So as we talked about earlier, the
9 safety metrics, the weighting of the safety
10 metrics, was later increased to 65 percent
11 from 50 percent; is that correct?

12 A That is correct.

13 Q With the change to 65 percent, were
14 there changes in the subcomponents of the
15 safety metric? I'm not talking about the
16 weighting, but just the component itself.
17 Were their changes to that?

18 A There were no changes to the
19 definition of the metrics. The metrics all
20 remain the same. The only thing that changed
21 was the weighting.

22 Q If I could direct you to -- we are
23 going to look at two metrics here, enhanced
24 vegetation management and system hardening.
25 So if PG&E meets the target for circuit miles
26 of vegetation management and the circuit
27 miles of fire design applications, yet a
28 wildfire breaks out that leads to fatalities,

1 would the wildfire itself affect these two
2 metrics?

3 A It would not.

4 Q Would the wildfire affect any other
5 safety metrics that has been identified here,
6 assuming that the corrective actions were
7 taken timely?

8 A The specific event of a wildfire
9 would not affect any of the metrics. The
10 reason that we put the discretion for the
11 board in place is so if that happens, they
12 could exercise it.

13 Q Okay. So looking at the component
14 first-time ILI miles, if PG&E meets the
15 target of first-time inspections of natural
16 gas pipelines, and an event similar to San
17 Bruno occurs, leading to fatalities, does it
18 affect this metric?

19 A It does not.

20 Q And would it also affect any other
21 safety metric, assuming corrective actions
22 were performed timely?

23 A An event would not have a direct
24 effect on any of the metrics.

25 Q If you could turn back, sorry for
26 jumping around, but if you could also turn
27 back to the NorthStar report again. It is
28 Exhibit 221. Turn your attention to

1 page 7-20.

2 A Yes.

3 Q Do you see that on No. 5, I'm not
4 going to read the whole thing, but partway
5 through it it says: Include a contractor
6 safety metric in the STIP.

7 So NorthStar is recommending that
8 PG&E include a contract of safety metric in
9 the STIP. Do you see that?

10 A Yes.

11 Q Did PG&E modify STIP to include
12 contractor safety metric?

13 A It did modify one of the
14 subcomponents, so contractor safety is
15 included in the SIF metric.

16 ALJ LAU: Mr. Lowe, what -- can you
17 clarify what is the SIF metric?

18 THE WITNESS: The serious injuries and
19 fatalities correction active index includes
20 contractor serious injuries and fatalities
21 metric.

22 ALJ LAU: Thank you.

23 BY MR. CHENG:

24 Q Can you clarify that metric? I was
25 under the impression that the metric measured
26 how quickly or how timely PG&E corrects
27 issues after an incident. And so it doesn't
28 actually account for the serious injury or

1 fatality itself; is that correct?

2 A That is correct.

3 Q So it is not accounting for
4 contractor safety?

5 MR. KLOTZ: Objection. Argumentative.
6 The witness has answered the question, your
7 Honor.

8 ALJ LAU: How about, Mr. Lowe, how does
9 the SIF account for contractor safety?

10 THE WITNESS: The SIF metric is
11 designed to measure our corrective actions
12 that we take after SIFs occur, and contractor
13 SIFs are included in which SIFs we count. So
14 it is in the count, as well as in the events,
15 the SIFs events that take place, that we look
16 at, contractor events.

17 ALJ LAU: Mr. Cheng, can you reask your
18 question. I'll sustain.

19 MR. CHENG: Sure.

20 Q Let's make it a really easy
21 example. There is a difference of 50 serious
22 injuries or fatalities for a contractor
23 versus 100 serious injuries or fatalities for
24 a contractor make a difference to this metric
25 if the corrective actions were taken timely?

26 A No, it does not.

27 Q Thank you.

28 Back to the NorthStar report,

1 page 720, same bullet point. Later on it
2 says: PG&E should develop STIP and BPR
3 metrics that measure planned
4 implementation/adoption and the effectiveness
5 of the various initiatives identifying the
6 plan.

7 Do you see that?

8 A I'm sorry. I don't. Where? 720,
9 number?

10 Q No. 5. It is like the third,
11 fourth sentence, says: Following the
12 development of the Enterprise Safety Plan,
13 PG&E should develop STIP and BPR metrics. Do
14 you see it?

15 A I do see it now, yes.

16 Q So can you show us or identify
17 which metrics of the STIP includes
18 effectiveness of the various initiatives
19 identified in the plan?

20 A I would not be able to do that off
21 the top of my head, no.

22 Q Okay. Thank you.

23 We are going to move on to
24 different topic, LTIP. If you could turn to
25 page 4-46 of your rebuttal testimony.
26 Starting in line 11 you state that: I
27 disagree with TURN's recommendation. And
28 then you proceed to list three reasons why

1 you are disagreeing. And we will take it one
2 at a time. You said: First, PG&E has no
3 LTIP program currently in effect.

4 Do you see that?

5 A Yes.

6 Q Does PG&E currently have an LTIP or
7 similar program built in?

8 A We do not have an LTIP program that
9 is in effect at this time. We haven't -- I'm
10 not sure if that answers your question or
11 not.

12 Q Is there a similar program to LTIP?

13 A No.

14 Q Is your position because that
15 currently LTIP or similar program does not
16 exist, the Commission should not address the
17 program designed in this proceeding?

18 A That is not my position.

19 Q So can you clarify what you are
20 saying when you said you disagree with TURN's
21 recommendation because, first, PG&E has no
22 LTIP program currently in effect?

23 MR. KLOTZ: I'm going to object to the
24 question as a lack of foundation. I think if
25 counsel could explain what his recommendation
26 is with respect to the program, then Mr.
27 Lowe's response. The fact that PG&E has no
28 such program would become relevant to the

1 recommendation.

2 ALJ LAU: Mr. Cheng, can you establish
3 some foundation?

4 MR. CHENG: Sure.

5 Q Let's move up to the -- earlier in
6 your rebuttal testimony, page 4-46 starting
7 line 5, says: TURN recommended that, rather
8 than adopting EAM, as PG&E proposed, the
9 Commission should direct PG&E to increase the
10 weighting of safety in its LTIPs at least
11 50 percent, consistent with the weighting of
12 safety in PG&E's STIP.

13 Do you see that?

14 A Yes.

15 Q Okay. Now moving on to why you
16 disagree with the recommendation. Your first
17 reason is because PG&E has no LTIP program
18 currently in effect.

19 A Thank you.

20 Q Is it your position that because
21 there is currently no LTIP program in effect,
22 that the Commission should not address the
23 program design in this proceeding?

24 MR. KLOTZ: I'm going to object again,
25 your Honor. There is no program to design.

26 I will also object that PG&E has not
27 proposed any plan design for LTIP in this
28 proceeding, nor did we ask for any recovery

1 of any costs associated with LTIP and the
2 issue of our program design has not been
3 raised until now.

4 ALJ LAU: I'll allow it. I want to
5 hear Mr. Lowe's answer.

6 THE WITNESS: Could you please repeat
7 the question?

8 BY MR. CHENG:

9 Q Sure.

10 So we have established what TURN's
11 recommendation is, and we also established
12 the first reason you disagree with is because
13 there is currently no LTIP in place.

14 So the question is: Is it your
15 position that because there is currently no
16 LTIP in place, the Commission should not
17 address the program design in this
18 proceeding?

19 ALJ LIRAG: Which program design is
20 that, Mr. Cheng, the EAM?

21 MR. CHENG: No. The LTIP or a similar
22 program design.

23 ALJ LIRAG: Let me get this straight.
24 You are asking if the Commission should
25 address the design of the LTIP program even
26 though there is no LTIP program proposed; is
27 that correct?

28 MR. CHENG: Yes.

1 ALJ LIRAG: All right. Is there an
2 answer?

3 THE WITNESS: No. I don't think the
4 Commission should address the program that
5 doesn't exist.

6 BY MR. CHENG:

7 Q Is PG&E committed to not having the
8 LTIP or similar program during the 2020 GRC
9 cycle?

10 A No, it is not.

11 Q So if the Commission should only
12 review a program that is currently in
13 existence, and PG&E is not committed to not
14 having the LTIP in later years of the GRC, is
15 it your position that the Commission should
16 only review the pro -- a program if it exists
17 at the time of the application, even though
18 it could be introduced later on?

19 MR. KLOTZ: I'm sorry. I'm going to
20 object. That is a vague and compound
21 question.

22 ALJ LIRAG: Mr. Cheng, is TURN
23 proposing that PG&E adopt an LTIP?

24 MR. CHENG: No.

25 ALJ LIRAG: So what is the reason for
26 the question if no party is proposing an LTIP
27 in this general rate case? Granted, it may
28 be proposed in other rate cases, in future

1 rate cases.

2 MR. CHENG: The concern here is that
3 PG&E may bring back an LTIP program in a
4 later year during the GRC cycle. The LTIP
5 program has a huge impact in terms of
6 motivating the behaviors of the executives.

7 ALJ LIRAG: Can you establish what
8 safety metric allows them to do that? You
9 are talking about the post-test years?

10 MR. CHENG: Yes. But the LTIP program
11 is not funded by ratepayers.

12 ALJ LIRAG: Right.

13 MR. CHENG: And so PG&E is free to
14 bring it back without a proceeding.

15 ALJ LIRAG: I think you should first
16 establish how that is possible. Right now
17 the witness's answer is there is no LTIP, and
18 so all his answers relate to having no LTIP.
19 However, if you suggest, as you suggested, it
20 is possible to bring it back into the
21 post-test years, you need to lay a foundation
22 to establish how that is possible.

23 MR. CHENG: Sure.

24 ALJ LIRAG: Unless it is in your
25 testimony somewhere.

26 MR. CHENG: Sure.

27 ALJ LIRAG: Thank you.

28 ///

1 BY MR. CHENG:

2 Q So Mr. Lowe, is it possible for
3 PG&E to introduce and LTIP program that is
4 funded by shareholders in the post-test
5 years?

6 A Yes.

7 Q So is it your position that the
8 Commission should only review programs that
9 exist at the time of the application, even
10 though it might be introduced, or could be
11 introduced later on in the post-test years?

12 A Are you referring to LTIP program?

13 Q Yes.

14 A At this time, that is my position.

15 Q Okay. I would like to turn your
16 attention to Exhibit 223, which is PG&E 2017
17 GRC decision. If you could turn to page 174.
18 And I'm going to read the top sentence
19 there. It says: We emphasize that the
20 Commission reserves its right to ensure that
21 the utility's governance and management
22 properly promotes safety via incentive
23 compensation. And that the Commission will,
24 in future GRCs and other proceedings,
25 scrutinize utility awards of any compensation
26 relative to the outcome of investigations
27 into safety incidents.

28 Do you see that?

1 A Yes.

2 Q And then let's turn to page 176,
3 starting the second paragraph. It states
4 that: We will require PG&E to provide
5 additional information as part of its next
6 GRC application in order to hold the
7 Commission and the parties to gain a better
8 understanding at the outset of the proceeding
9 of whether and how safety policies,
10 practices, and performance are considered in
11 the total compensation that is paid to
12 nonrepresented employees and executives.

13 Do you see that?

14 A Yes.

15 Q Okay. And the last section I'll
16 point you to on the next page, page 177, No.
17 5: Commission states that in the next GRC
18 application PG&E is directed to do, No. 5,
19 describe the performance metrics and the
20 measures used to save compensation, bonuses,
21 severances and benefits for nonrepresented
22 employees and executives and how these are
23 used to determine that.

24 Do you see that?

25 A Yes.

26 Q So in any of the references that I
27 pointed you to, did the Commission at any
28 time state that the Commission should review

1 these programs only if it is funded by
2 ratepayers?

3 MR. KLOTZ: I'm going to object, your
4 Honor. This is a specific recommendation or
5 order from the Commission arising out of our
6 last 2017 GRC, with very specific
7 requirements. PG&E has complied with those
8 requirements. We've provided the information
9 that the Commission has asked for, that is
10 being referenced here. It is Exhibit 4-A of
11 our testimony. And so we believe we've
12 complied with that request.

13 Again, to reiterate, there is no
14 LTIP program currently in effect at PG&E,
15 which counsel is asking.

16 ALJ LAU: I'm going to sustain the
17 counsel's objection.

18 MR. CHENG: Okay.

19 Q So let's move on to the second
20 reason that you disagree with TURN's
21 recommendation. You said: Second, to the
22 extent that PG&E has such a program, the LTIP
23 has traditionally been 100 percent
24 shareholder funded, and its design is not an
25 issue presented in the GRC.

26 Do you see that?

27 A I do.

28 Q So can you explain what is the

1 significance of whether or not the LTIP has
2 been traditionally 100 percent shareholder
3 funded or not?

4 MR. KLOTZ: I'm going on object, your
5 Honor. That calls for a legal conclusion.
6 The Commission has dealt with this in prior
7 Commission decisions. We are happy to
8 address that to you in briefing.

9 MR. CHENG: It is not a legal
10 conclusion. He stated it in his testimony.

11 ALJ LAU: I'm going to allow it.

12 Can you explain the reasoning on
13 your testimony, Mr. Lowe?

14 THE WITNESS: My disagreement was
15 threefold. In the one that the -- at this
16 time we have no LTIP program. These were not
17 taken individually, with no LTIP program at
18 this time. And because it has been
19 traditionally funded by shareholders, it is
20 not an issue in this GRC at this time. That
21 is my opinion, it is what I'm sharing.

22 BY MR. CHENG:

23 Q I'm asking what is the significance
24 of whether or not it is funded by
25 shareholders versus whether it should be
26 addressed or not?

27 A Taken as a whole, the three
28 responses that I have here, the second one,

1 because it has been traditionally funded by
2 shareholders, shareholders will need to
3 decide what they want their relative plan to
4 be.

5 Q Do you agree that programs
6 such as STIP or LTIP lead or motivate
7 executive or employee behavior?

8 A Yes.

9 Q Do you also agree that LTIP has
10 historically been a larger component of
11 executive compensation than the STIP?

12 A Yes.

13 Q So if you believe that program such
14 as LTIP would affect or motivate executive
15 behavior, why shouldn't the Commission
16 address such a program when deciding the
17 incentive compensation?

18 MR. KLOTZ: I'm going to object again.
19 I apologize, your Honor. The witness has
20 answered this question. The reason the
21 Commission shouldn't address it is because
22 PG&E has no such program.

23 ALJ LAU: I'll sustain it.

24 MR. CHENG: Okay.

25 ALJ LAU: Can we do a time check, Mr.
26 Cheng? Let's go off the record.

27 (Off the record.)

]

28 ALJ LAU: Back on the record.

1 BY MR. CHENG:

2 Q Okay. Last question on this LTIP
3 question. If PG&E does decide to introduce
4 an LTIP program in the post test years, would
5 it be filing an application or similar
6 vehicle to alert the Commission?

7 A Yes.

8 Q What vehicle or what application?

9 A I don't know what the vehicle would
10 be. I do know that under AB 1054, we are
11 currently working with the Commission sharing
12 with them what we have, and they're letting
13 -- sharing with us what their expectations
14 are. I'm not sure the exact vehicle.

15 Q All right. Let's move back to the
16 last topic.

17 Can we be off the record?

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

19 (Off the record.)

20 ALJ LAU: Back on the record.

21 MR. CHENG: Actually, your Honor, no
22 more questions.

23 EXAMINATION

24 BY ALJ LAU:

25 Q I have some questions, Mr. Lowe. I
26 am looking at the bankruptcy filing that PG&E
27 submitted to the court. How is this motion
28 -- so what's filed to the Bankruptcy Court,

1 does that correspond to PG&E's request in
2 terms of the performance metrics in
3 weighting?

4 A At the level -- the component
5 level, yes, it does.

6 Q So safety metrics -- and I'm
7 looking at the -- this is on page 14 of 23 in
8 Exhibit-222.

9 A Mh-hm.

10 Q So the safety metrics is 50 percent
11 proposed. Is what presented in the
12 application 50 percent or 65 percent?

13 A So we provided the 2019 plan was in
14 fact actually 65 percent not 50 percent.

15 Q Why does it say 50 percent here?

16 A That was the original motion that
17 we filed with the court. And after working
18 with the court, it was changed so that the
19 financial metric was 25 percent. And the
20 15 percent that was moved from the financial
21 metric was moved up to the public safety or
22 referred to wildfire metric. So that one is
23 now 25 percent.

24 Q So for the public safety index, the
25 weighting is derived from the amount of work
26 that's done for vegetation management and
27 system hardening in terms of circuit miles;
28 is that correct?

1 A That's correct.

2 Q So if there was a wildfire event or
3 any other catastrophe, would that affect any
4 of the performance metrics or weighting?

5 A I am sorry?

6 Q Or would it affect -- how would it
7 affect the -- how would it affect -- or how
8 would it -- how would it affect the
9 performance metrics if there was a
10 catastrophe?

11 A So it may or may not affect the
12 results because of resources being moved.
13 And it likely would affect results because of
14 resources being moved. But there is not a
15 specific -- if there is a catastrophe,
16 there's not a specific trigger in this for
17 the STIP.

18 For the CEO, the executives, what
19 we filed for the executives was denied by the
20 court. We did put in a triggering mechanism
21 should something happen.

22 Q So okay. If there was a -- god
23 forbid -- a catastrophe, then it would not be
24 reflected in the employee STIP compensation;
25 is that correct?

26 A That's not entirely correct. It
27 would not affect the results as calculated.
28 However, as what happened in 2018, the Board

1 would have the discretion to reduce. And
2 they have in the past taken negative action
3 for fatalities or for other events that have
4 taken place.

5 ALJ LAU: Judge Lirag, do you have any
6 questions?

7 EXAMINATION

8 BY ALJ LIRAG:

9 Q I'm following up on Mr. Cheng's
10 line of questions. If PG&E were to establish
11 a compensation-related award or bonus program
12 that is 100 percent funded by shareholders,
13 does the Commission need to approve such a
14 program? What's your position regarding
15 that?

16 I'm not trying to trick you with
17 that question.

18 A I apologize. But I'm -- if we
19 establish a program for our executives under
20 AB 1054, we would definitely have to bring it
21 to the Commission, and they would have to
22 review and approve those.

23 Q What if it's not related to 1054?

24 A For us to receive recovery for any
25 program we establish, we have to have the
26 Commission's approval.

27 Q But in this case, there would be no
28 recovery because it is 100 percent funded by

1 shareholders.

2 MR. KLOTZ: Your Honor, if I may to the
3 extent this is helpful, I believe your
4 question goes to what's required under AB
5 1054. And I will absolutely -- if the
6 witness corrects me, that's fine.

7 I believe that AB 1054 applies to
8 any executive incentive compensation plans.
9 So it would need to be reviewed by the
10 Commission.

11 And if I could respond to counsel's
12 question to the extent that PG&E would
13 implement such an incentive compensation
14 program for executives after the GRC Decision
15 is issued, the state law has required
16 Commission review of that.

17 ALJ LAU: I'm thinking of a plan that
18 does not apply only to executives but to
19 regular employees as well. And so that would
20 put it outside of the AB 1054 I think.

21 MR. KLOTZ: I understand. My
22 understanding, your Honor, is that this a --

23 ALJ LIRAG: A legal question?

24 Mr. KLOTZ: It is a legal question that
25 goes to the CPUC's jurisdiction over programs
26 that are entirely shareholder funded. We'd
27 be happy to address that to the extent
28 necessary in our brief.

1 BY ALJ LIRAG:

2 Q All right. I'll take it that
3 Mr. Lowe doesn't have an answer to that. All
4 right. Just to complete the questioning.

5 One more question on employee
6 safety. Is the safe driving rate a new
7 metric?

8 A The safe driving rate is a metric
9 that we had tracked. It was in the STIP and
10 we have since removed it from the STIP.

11 Q How is this measured exactly?

12 A The save driving rate there is
13 specific mechanics of how its measured is
14 there is a device within the vehicle that as
15 the individual is driving, it measures their
16 breaking, their speed, turns, things such as
17 that.

18 Q And this would be installed in
19 PG&E's vehicles? Not an employee's personal
20 vehicle?

21 A Correct.

22 Q All right. One last question on
23 your direct testimony on page 4-13. The last
24 line says -- I'm paraphrasing -- that PG&E is
25 -- it goes to the next page. PG&E is not
26 using metrics based on employees surveys or
27 the near hit corrective action reporting.
28 Can you please explain that sentence? What

1 does that mean exactly?

2 A Some of the safety metrics that we
3 have considered in the past and some that we
4 have used included either employee surveys or
5 employee self reporting. And we've removed
6 those metrics.

7 And OSHA reportables is the best
8 example I can give. Most companies use those
9 reportables. For a long time, we did as
10 well. However, the -- it has the incentive
11 -- could incentivize folks not to report.

12 Q So those are perhaps injuries that
13 would be recorded by employees?

14 A Yes.

15 Q And so because there is a chance
16 that they would not report it in order to
17 meet the safety requirement, PG&E removed
18 that following the NorthStar recommendation.
19 Is that what this sentence says?

20 A Remove those from STIP, yes.

21 Q All right.

22 ALJ LIRAG: No further question.

23 EXAMINATION

24 BY ALJ LAU:

25 Q I have a followup question. So the
26 long-term incentive compensation, does that
27 only apply to executives? Or does that apply
28 to employees as well?

1 A The plan that we've had in the past
2 has applied to executives and through the
3 director level. And then it is also -- there
4 is a discretionary group below the director
5 level that was included as well.

6 Q When was the long-term incentive
7 plan removed? When did PG&E remove that?

8 A The last grants that we -- the last
9 annual grants we made were in 2018. And we
10 have not had the plan basically since then.
11 The Camp Fire.

12 ALJ LAU: All right. PG&E, do you have
13 any redirect?

14 MR. KLOTZ: Could we have a moment off
15 the record?

16 ALJ LAU: Yes. Let's go off the
17 record.

18 (Off the record.)

19 ALJ LAU: On the record.

20 Let's have a break until 11:00 a.m.
21 Off the record.

22 (Off the record.)

23 ALJ LAU: Back on the record.

24 Mr. Klotz -- did I pronounce your
25 name --

26 MR. KLOTZ: It's pronounced Klotz.

27 ALJ LAU: Mr. Klotz, you may proceed.

28 ALJ LIRAG: I think you called him

1 something you shouldn't have called him.

2 MR. KLOTZ: Wouldn't be the first time,
3 your Honor.

4 ALJ LAU: I apologize.

5 MR. KLOTZ: It's absolutely okay.
6 Thank you.

7 Your Honor, I have one brief item of
8 redirect for the witness if that's okay?

9 ALJ LAU: Please.

10 REDIRECT EXAMINATION

11 BY MR. KLOTZ:

12 Q Mr. Lowe, I'd like to review one
13 aspect of counsel's questions with you just
14 to make sure that it is clear for the record.
15 I'd like to refer you to TURN's
16 cross-examination exhibit marked Hearing Room
17 222. This is PG&E's Response to TURN Data
18 Request 12. This is the bankruptcy court
19 motion. Again, if I could refer you to
20 page 14 of 23, which sets forth the metrics
21 that were included in that motion. Please
22 let me know when you're there.

23 A All right.

24 Q Just to clarify, this is not the
25 same STIP planned design that PG&E submitted
26 for approval in this case; is that correct?

27 A That is correct.

28 Q In reviewing this material with

1 you, TURN asked about PG&E's history with the
2 financial metric and the company's commitment
3 to increasing its safety performance. Do you
4 remember that?

5 A I do.

6 Q And TURN specifically pointed to
7 this bankruptcy motion as an example of one
8 instance in which PG&E sought to increase its
9 financial metric within the STIP Program; is
10 that correct?

11 A That's correct.

12 Q My question for you is: Was there
13 a specific reason why PG&E made that proposal
14 to the bankruptcy court?

15 A Yes, there was.

16 Q Could you please explain what that
17 reason is?

18 A At the time we filed this STIP with
19 the bankruptcy court, we were in bankruptcy.
20 And the discussion and the belief was that
21 there was going to be heightened expectation
22 from both the court and claimants. That they
23 would expect us to have a stronger focus on
24 the financial.

25 Q And is it correct that the
26 bankruptcy court eventually instructed PG&E
27 to include a lower financial metric along the
28 lines of what is proposed in this case?

1 A Yes.

2 Q TURN mentioned in its examination
3 that the financial metric for PG&E has been
4 at 25 percent from 2012 through 2018; is that
5 correct?

6 A I believe that's correct.

7 Q And as you sit here today, do you
8 have any expectation that the financial
9 metric will go up in the future?

10 A I do not.

11 Q And if any adjustments were to be
12 made to the financial metric, is it also
13 possible that the weighting of that metric
14 could be reduced in the future?

15 A Yes, it could.

16 Q Okay. Just one more question.
17 Judge Lirag asked a question about the safe
18 driving metric. I just wanted to ask you is
19 that metric part of the plan that PG&E's
20 proposing today?

21 A No, it is not.

22 MR. KLOTZ: Your Honors, I have no more
23 questions.

24 ALJ LAU: Mr. Cheng, do you have any
25 re-cross?

26 MR. CHENG: Yes. Just one.

27 ///

28 ///

1 RECROSS-EXAMINATION

2 BY MR. CHENG:

3 Q Mr. Lowe, I think your counsel
4 slightly misstated my question about your
5 history of the financial metrics. I asked
6 you if it's correct that if your statement of
7 PG&E trying to decrease financial metric was
8 correct. I did not ask you whether PG&E was
9 trying to increase the financial metric; is
10 that correct?

11 MR. KLOTZ: I object, your Honor. The
12 question's vague.

13 ALJ LAU: Can you clarify your
14 question? How is that different from
15 counsel's question?

16 BY MR. CHENG:

17 Q So in your rebuttal statement -- in
18 your rebuttal testimony, you had a statement
19 that PG&E has been trying to decrease its
20 focus on financial metric. Then we discussed
21 where PG&E actually never tried to decrease.
22 And we also talked about even if its 25
23 percent to 25 percent, at best that's still
24 maintaining the same. That's not a decrease.
25 Do you remember that?

26 MR. KLOTZ: I'm going to object, your
27 Honor. Counsel's summarizing testimony that
28 happened earlier and essentially offering his

1 own testimony into the record now.

2 ALJ LAU: Sustained.

3 Do you have another question?

4 BY MR. CHENG:

5 Q Yes. My question is: Did I ask
6 you whether PG&E has tried to increase its
7 financial metric like counsel has stated?

8 A Honestly, I don't remember exactly
9 what the question was that you asked before.

10 Q Okay. I mean --

11 MR. CHENG: Your Honor, for the record,
12 that's not the question that I asked.

13 MR. KLOTZ: Your Honor, I honestly
14 don't remember. But I'll just state that I
15 don't believe it's relevant to the
16 clarifications that I asked of the witness.

17 ALJ LAU: Right. I don't. But let's
18 just move on.

19 Let us address the exhibits.

20 So let's go off the record.

21 (Off the record.)

22 ALJ LAU: Back on the record.

23 Is there a motion to move
24 Exhibits 207 to 214 into the record?

25 MR. KLOTZ: So moved, your Honor.

26 ALJ LAU: Any objection?

27 (No response.)

28 ALJ LAU: Hearing none, Exhibits 207 to

1 214 are moved into evidence.

2 (Exhibits No. 207 to 214 were
3 received into evidence.)

4 ALJ LAU: Is there a motion to move 221
5 to 223 into the record?

6 MR. CHENG: Yes, your Honor.

7 ALJ LAU: Are there any objections?

8 (No response.)

9 ALJ LAU: Exhibits 221 to 223 are moved
10 into record.

11 (Exhibit No. 221 was received into
12 evidence.)

13 (Exhibit No. 222 was received into
14 evidence.)

15 (Exhibit No. 223 was received into
16 evidence.)

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

18 Let's go off the record.

19 (Off the record.)

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

21 We have an exhibit that we'd like to
22 address. That is we identified that as
23 Exhibit 39-C.

24 Is there a motion to move 39-C into
25 the record?

26 MS. GANDESBERY: Yes, your Honor.

27 ALJ LAU: Any objections?

28 (No response.)

ALJ LAU: Hearing none, Exhibit 39-C is

1 moved into evidence.

2 (Exhibit No. 39-C was received into
3 evidence.)

4 MS. GANDESBERY: Thank you, your Honor.

5 ALJ LAU: Let's identify some exhibits
6 first. So we have the exhibit -- we have
7 Exhibit-224 that is The Prepared Testimony of
8 John Sugar Addressing PG&E's 2020 GRC Related
9 to the Short-Term Incentive Compensation
10 Plan.

11 (Exhibit No. 224 was marked for
12 identification.)

13 ALJ LAU: And there is Exhibit-225.
14 That is an Attachment to Mr. John Sugar's
15 Prepared Testimony.

16 (Exhibit No. 225 was marked for
17 identification.)

18 ALJ LAU: We have also some
19 cross-examination exhibits from PG&E. They
20 are Exhibits 226 to 234.

21 So first is Exhibit-226. That is an
22 Excerpt of TURN's Prepared Testimony
23 Addressing the Proposals of SDG&E and SCG's
24 2019 GRC.

25 (Exhibit No. 226 was marked for
26 identification.)

27 ALJ LAU: Exhibit-227 is historical
28 S-T-I-P, STIP Company Score 2006 to 2018.

1 (Exhibit No. 227 was marked for
2 identification.)

3 ALJ LAU: Exhibit-228 is excerpt of
4 TURN Prepared Testimony Addressing Incentive
5 Compensation and Supplemental Pensions for
6 SDG&E and SoCalGas 2016 GRC.

7 (Exhibit No. 228 was marked for
8 identification.)

9 ALJ LAU: Exhibit-229 is titled Excerpt
10 of TURN's Short-Term Incentive Program Issues
11 Testimony 2014 PG&E GRC.

12 (Exhibit No. 229 was marked for
13 identification.)

14 ALJ LAU: Exhibit --

15 MR. CHENG: I am sorry.

16 ALJ LIRAG: Hang on. I think you lost
17 a number.

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

19 (Off the record.)

20 ALJ LAU: Back on the record.

21 Exhibit-230 is also a
22 cross-examination exhibit from PG&E. Excerpt
23 Of Decision 19-09-051.

24 (Exhibit No. 230 was marked for
25 identification.)

26 ALJ LAU: Exhibit-231 is PG&E's
27 Cross-Examination Exhibit Excerpt of Decision
28 19-09-051.

1 (Exhibit No. 231 was marked for.
2 Identification.)

3 ALJ LAU: Exhibit-232, is 2012
4 Short-Term Incentive Plan Year End Result.

5 (Exhibit No. 232 was marked for
6 identification.)

7 ALJ LAU: Exhibit-233 is titled PG&E's
8 response to TURN-12-Q03, and TURN-12-Q03
9 Attachment 1.

10 (Exhibit No. 233 was marked for
11 identification.)

12 ALJ LAU: Exhibit-234 is Assembly Bill
13 No. 1054.

14 (Exhibit No. 234 was marked for
15 identification.)

16 ALJ LAU: That's all the exhibits that
17 we have for now.

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

19 (Off the record.)

20 ALJ LAU: Let's go back on the record.
21 So we actually have a correction for
22 Exhibit-231. 231 should be titled 2014 Year
23 End STIP S-T-I-P scorecard.

24 (Exhibit No. 231 was marked for
25 identification.)

26 ALJ LAU: Go off the record.

27 (Off the record.)

28 ALJ LIRAG: Let's go back on the

1 record.

2 Just to clarify, we had identified
3 Exhibits-231 and 232 previously, and they
4 were the same exhibits.

5 ALJ LAU: 230 and 231.

6 ALJ LIRAG: 230 and 231. So we
7 retained the original 230. And then 231 is
8 the new 231 that was just identified. So
9 that's just to clarify it for the record.]

10 ALJ LAU: So we have on the witness
11 stand, Mr. John Sugar.

12 Let's go off the record.

13 (Off the record.)

14 ALJ LAU: Back on the record.

15 Mr. Sugar, can you raise your right
16 hand.

17 JOHN E. SUGAR, called as a witness
18 by The Utility Reform Network, having
19 been sworn, testified as follows:

20 THE WITNESS: I do.

21 ALJ LAU: You may lower your right
22 hand. Please state for the record your full
23 name, spelling your last name, and give us
24 your business address.

25 THE WITNESS: Certainly. My name is
26 John E. Sugar, that is spelled S-u-g-a-r. My
27 business address is 75 Port Royale Way,
28 Sacramento, California, 95831.

1 ALJ LAU: Thank you.

2 Mr. Cheng, will you begin your
3 direct.

4 ALJ LIRAG: Hang on. Let's go off the
5 record.

6 (Off the record.)

7 ALJ LAU: Back on the record.

8 Mr. Cheng.

9 MR. CHENG: Thank you, your Honor.

10 DIRECT EXAMINATION

11 BY MR. CHENG:

12 Q Mr. Sugar, do you have before you
13 the documents that have been identified as
14 Exhibit 224 and 225?

15 A Yes.

16 Q Was this testimony prepared by you
17 or under your supervision?

18 A It was.

19 Q To the extent your testimony
20 contains factual assertions, are those true
21 and correct to the best of your knowledge?

22 A They are.

23 Q Mr. Sugar, do you have any
24 corrections to make to your testimony at this
25 time?

26 A I do. On page 9 there are three
27 corrections that go to the same issue on
28 line 4.

1 ALJ LAU: Mr. Sugar, this is page 9 of
2 your --

3 THE WITNESS: Of my testimony.

4 ALJ LAU: -- testimony? And that is
5 identified as Exhibit 224, just for
6 clarification.

7 THE WITNESS: Thank you.

8 So I add in the line, it reads now:
9 Meanwhile, many STIP recipients receive
10 compensation above, and I insert there: The
11 mean of the, so it becomes "the mean of the
12 market."

13 MR. KLOTZ: I'm sorry. I'm not seeing
14 that.

15 ALJ LAU: Yeah. Mr. Sugar, I'm on
16 page 9.

17 Let's go off the record.

18 (Off the record.)

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

20 Mr. Sugar, can you restate your
21 corrections, and identify the page for us.

22 THE WITNESS: My corrections begin on
23 page 8 on line 22, which currently reads:
24 Meanwhile, many STIP recipients receive
25 compensation above, and there I insert "the
26 mean of the." So it becomes "the mean of the
27 market."

28 Then on page 9 line 1 it begins:

1 Meanwhile, many STIP recipients received
2 compensation -- let's see, utility --

3 ALJ LAU: Are you on the --

4 THE WITNESS: I'm sorry. I'm confused.

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

6 (Off the record.)

7 ALJ LAU: Back on the record.

8 Mr. Sugar, can you point us to your
9 second correction?

10 THE WITNESS: The second correction is
11 on page 9 line 1, where it reads: Market
12 compensation below those levels, recipients
13 received up to 6.4 percent above, and there I
14 insert "the mean of market compensation."

15 The third correction is on line 5,
16 which now would read, "Recipients is above
17 the mean of market compensation."

18 ALJ LAU: Mr. Cheng, is your witness
19 ready to be cross-examined?

20 MR. CHENG: Yes, your Honor. The
21 witness is ready for cross-examination.

22 ALJ LAU: Mr. Klotz, you may begin.

23 MR. KLOTZ: Thank you, your Honor.

24 CROSS-EXAMINATION

25 BY MR. KLOTZ:

26 Q Good morning, Mr. Sugar.

27 A Good morning, Mr. Klotz.

28 Q I would like to start today by

1 providing a little context about where the
2 focus of my questions will be. You are
3 sponsoring testimony regarding TURN's
4 recommendation on PG&E's Short-Term Incentive
5 Plan, referred to in testimony as STIP; is
6 that correct?

7 A That is correct.

8 Q Most of my questions will focus on
9 this area.

10 Before we get into those questions,
11 I would like to start with your statement of
12 qualifications, please. I believe that has
13 been marked in your attachments as Hearing
14 Room Exhibit 225, and I'm referring now to
15 page 1. Are you there?

16 A (No response.)

17 Q As you state in your statement of
18 qualifications, you now work at MCPM
19 Economics; is that correct?

20 A I do.

21 Q How long have you worked there?

22 A Approximately two years.

23 Q Okay. And prior to that you worked
24 at JVS Consulting; is that correct?

25 A I did.

26 Q Do you know William Marcus?

27 A I do.

28 Q Do you work together with

1 Mr. Marcus, or did you work together with Mr.
2 Marcus at JVS Consulting?

3 A We did.

4 Q Am I correct that you and
5 Mr. Marcus both work now at MCPM Economics?

6 A Yes.

7 Q And over the years both you and
8 Mr. Marcus at your firm have provided
9 testimony for TURN in several utility rate
10 cases in California; is that correct?

11 A Yes.

12 Q Moving to the second paragraph of
13 your statement of qualifications, you note
14 that you provided testimony on behalf of TURN
15 in Sempra, Southern California Edison and
16 PG&E General Rate Cases; is that correct?

17 A That is correct.

18 Q And in those cases you've provided
19 testimony that focused on incentive
20 compensation?

21 A That is correct.

22 Q Did you provide testimony on PG&E's
23 STIP in PG&E's 2014 General Rate Case?

24 A I did.

25 Q And did you also provide testimony
26 on incentive compensation in San Diego Gas &
27 Electric's 2016 GRC?

28 A I did.

1 Q Am I correct that your firm
2 provided testimony on behalf of TURN in
3 Sempra's most recent GRC, which was the 2019
4 GRC.

5 A Which firm is that?

6 Q I'm referring to MCPM. If I'm
7 getting that wrong, it was JVS Consulting,
8 you can let me know that as well.

9 A I believe Bill Marcus and Derek
10 Jones provided testimony. I don't know if it
11 was under the umbrella of MCPM.

12 Q Thank you.

13 I would like to turn now to your
14 recommendation with respect to PG&E's STIP
15 forecast in this proceeding. I would like to
16 refer you to your opening testimony, which
17 has been marked as Hearing Room Exhibit 224,
18 and to the page 9 specifically. Are you
19 there?

20 A Yes.

21 Q And beginning at line 10, there is
22 a summary of TURN's recommendation. Do you
23 see that?

24 A I see that.

25 Q I would like to start with your
26 recollection for PG&E utility. TURN
27 recommends a forecast of \$64.8 million for
28 the program compared to PG&E's forecast of

1 172.9 million; is that correct?

2 A Correct.

3 Q And that is a reduction of
4 approximately \$108 million?

5 A Yes.

6 Q And for PG&E Corporation you
7 recommend \$186,000 compared to PG&E's
8 forecast of 495,000; is that correct?

9 A That is correct.

10 Q And so for both PG&E utility and
11 the corporation, am I correct that TURN is
12 proposing the Commission adopt a total STIP
13 forecast, which is approximately 37.5 percent
14 of PG&E's program forecast?

15 A Yes.

16 Q Thank you.

17 I would like to ask you a couple of
18 questions about the makeup of PG&E's STIP
19 program. With respect to the safety
20 component of the program, in particular,
21 would you say that the portion of the program
22 that makes up safety metrics is higher or
23 lower in PG&E's 2019 STIP program than in the
24 previous plans you've reviewed?

25 A It is higher.

26 ALJ LAU: Mr. Klotz, I think you may
27 want to slow down.

28 MR. KLOTZ: Thank you, your Honor.

1 I'll try to be mindful of that.

2 Q Is it fair to say that at
3 65 percent of the program, metrics safety
4 makes up a greater percentage of the current
5 program than any you've reviewed for PG&E?

6 A It does.

7 Q How is the weighting of PG&E's
8 safety measure compared to the other
9 California IOUs?

10 A I believe it is higher.

11 Q Would you say, just to clarify,
12 would you say PG&E's safety weighting is the
13 highest among the California IOUs?

14 A From what I recall from work in
15 other IOUs, that is the case. PG&E's
16 weighting for safety is higher than what I
17 recall the other utilities using.

18 Q Okay. Thank you.

19 And how does TURN's recommendation
20 for the amount of total program funding to be
21 included in rates in this case compare to
22 TURN's prior recommendations for funding,
23 with respect to PG&E programs?

24 A It, I believe, is similar to the
25 recommendations in my 2017 GRC testimony.
26 That was settled, so we didn't go forward
27 with that. I would have to look at the
28 previous testimony 2014. Let's see.

1 Q If it is more helpful, we can walk
2 through those together as well.

3 A All right.

4 Q So why don't we go ahead and turn
5 to your recommendation in PG&E's 2014 General
6 Rate Case.

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

8 (Off the record.)

9 ALJ LAU: Back on the record.

10 BY MR. KLOTZ:

11 Q Mr. Sugar, I would like to refer
12 you to your testimony in PG&E's 2014 GRC. It
13 has been marked as Hearing Room Exhibit 229.

14 A Yes.

15 Q And I would like to refer you to
16 page 1, please.

17 A Yes.

18 Q And I'm looking at the table
19 entitled Table 1, TURN STIP Recommendations.
20 Do you see that?

21 A I do.

22 Q And I'm looking at the bottom line,
23 Total PG&E Greater Than TURN, and the number
24 that you have written in the cell for the
25 2014 Year. Do you see that?

26 A Yes.

27 Q And in that table is it correct
28 that it shows TURN proposes a reduction to

1 PG&E's forecast in the amount of
2 \$35.4 million?

3 A It does.

4 Q And while it is not shown on your
5 table, would you accept my representation
6 that PG&E's STIP forecast in the 2014 GRC was
7 \$130 million, approximately?

8 A I would. In this testimony I
9 focused strictly on two STIP components, the
10 customer satisfaction component and the
11 financial performance component.

12 Previously, the CPUC had disallowed
13 a large portion of PG&E's STIP, arguing that
14 shareholders benefitted and should help --

15 Q Mr. Sugar, I don't mean -- I don't
16 mean to interrupt you. But the question that
17 I asked you was whether you are aware that
18 PG&E's STIP forecast in that case was
19 \$130 million?

20 A I'll take your word for it.

21 Q Thank you. I will turn back to the
22 metrics that you are talking about so we can
23 explore those further.

24 Assuming those numbers are correct,
25 TURN's recommendation in this case then would
26 be for funding STIP at approximately a
27 73 percent level?

28 MR. CHENG: Objection, your Honor.

1 Mr. Sugar was trying to explain to him that
2 his testimony only addressed the portion of
3 the STIP, not the entire STIP.

4 ALJ LAU: I'll sustain that.

5 MR. KLOTZ: I'll clarify.

6 Q Let me come back. The reduction
7 that you proposed to PG&E's STIP portion was
8 \$35 million; is that correct?

9 A That is correct.

10 Q Were there other portions of your
11 testimony where you played other recommended
12 reductions?

13 A I did not make other recommended
14 reductions.

15 Q So the total amount of the
16 reduction that you proposed was \$35 million?

17 A It was.

18 Q And compared to PG&E's forecast of
19 \$130 million, that was a 28 percent
20 reduction; is that correct?

21 A It was.

22 Q Okay. Thank you.

23 ALJ LAU: It might help the reporter if
24 you slow down the questioning, or you pause
25 before answering.

26 THE WITNESS: Okay.

27 MR. KLOTZ: Thank you. I will do
28 better, your Honor.

1 Q I would like to talk through the
2 rationale for your 2014 recommendation. As
3 you were saying, is it fair to say that,
4 among other things, you looked at various
5 components of PG&E's STIP program and
6 determined whether or not you thought they
7 appropriately benefitted ratepayers such that
8 they should be included in the program
9 funding?

10 A Yes.

11 Q And as you note in your testimony,
12 I believe on page 3 of your testimony, the
13 recommendation is based on PG&E's 2012 STIP
14 program design, which is provided in that
15 case; is that correct?

16 MR. CHENG: Counsel, can you point us
17 to where you are looking at?

18 MR. KLOTZ: Page 3. There is no line
19 number. It is Section B.

20 MR. CHENG: Page 3 of which exhibit?

21 MR. KLOTZ: Exhibit 229, the witness's
22 2014 GRC testimony, page 3 Section B revised
23 2012 STIP program.

24 MR. CHENG: Thank you.

25 THE WITNESS: From this it appears to
26 be based on a modified 2012 STIP program.

27 BY MR. KLOTZ:

28 Q Okay. And going back to the table

1 that you referenced -- apologize for jumping
2 around -- Table 1 on page 1, you made
3 recommendations. I'm sorry. I'll wait until
4 you are there.

5 A I'm there.

6 Q You made recommendations to exclude
7 funding associated with two metrics, one was
8 PG&E's financial metric called Earnings From
9 Operation, and two was the Customer
10 Satisfaction Metric; is that correct?

11 A That is correct.

12 Q And as shown in Table 1, you
13 propose no reductions for safety issues,
14 safety metrics; is that correct?

15 A That is correct.

16 Q I would like to the turn to page 3
17 of the same exhibit, please. And in the last
18 paragraph TURN actually addresses safety
19 metrics in particular here; is that correct?

20 A We do.

21 Q You say TURN supports using the
22 measures of employee safety, the lost workday
23 case rate, and the preventable motor vehicle
24 incident rate, as measures that most or all
25 employees can affect through their
26 performance. These incent employees to
27 desirable behavior, reducing PG&E's costs and
28 contributing to employee welfare; is that

1 correct?

2 A That is correct.

3 Q Thank you.

4 And as you go on to note in your
5 testimony, these employee safety metrics
6 constitute 16 -- I'm sorry. Let me rephrase
7 that.

8 As you go on to note, these
9 employee safety metrics for PG&E's 2014
10 program constituted 16 percent of the STIP
11 weighted measures at that time; is that
12 correct?

13 A That is correct.

14 Q And again, while not shown in the
15 table in Table 1, as shown on the -- are you
16 aware if they were public safety metrics as
17 well in this case?

18 MR. CHENG: Objection, your Honor.
19 This is testimony from many years ago.

20 ALJ LIRAG: I think, Mr. Klotz, we can
21 skip a lot of foundational questions
22 regarding prior testimony. I'm not even sure
23 how Mr. Sugar remembers the reasoning behind
24 the testimony. You can read off it and make
25 assumptions, not "assumptions," but you can
26 point us to what the conclusion is. And
27 perhaps if Mr. Sugar does not agree, then we
28 can revisit it. But for the most part, you

1 are doing a lot of foundational questions off
2 testimony from a prior GRC.

3 MR. KLOTZ: I understand, your Honor.
4 I can try to move it along.

5 ALJ LIRAG: All right.

6 MR. KLOTZ: The foundational material
7 is relevant in that it shows different
8 approaches that TURN has taken with the
9 recommendations with respect to the STIP.

10 ALJ LIRAG: Why don't you just tell him
11 this is what TURN did in the GRC. And Mr.
12 Cheng will police it, I suppose.

13 MR. KLOTZ: Yes, your Honor.

14 Q PG&E's 2014 GRC program had
15 40 percent safety metrics. TURN recommended
16 no reductions for safety; is that correct?

17 A That is correct.

18 Q Okay. Let's move on.

19 I would like to turn to your --
20 quickly, your Honor, if it is okay -- to your
21 recommendations in the 2016 San Diego Gas &
22 Electric case.

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

24 (Off the record.)

25 ALJ LAU: Back on the record.

26 MR. KLOTZ: Thank you, your Honor.

27 Q And similar to your testimony in
28 PG&E's 2014 GRC, you made no recommendations

1 for reductions based on safety in this case;
2 is that correct?

3 A That is correct.

4 Q I would like to refer you quickly
5 to page 5 of that testimony.

6 ALJ LAU: That is Exhibit 228?

7 MR. KLOTZ: Yes, your Honor.

8 THE WITNESS: I'm there.

9 BY MR. KLOTZ:

10 Q And here you state that the
11 operational goals for both SoCalGas and San
12 Diego Gas & Electric appear to reflect
13 activities that benefit ratepayers, as well
14 as employees. These goals include improving
15 indicators of system safety for employees, as
16 well as the public, completion of projects to
17 improve both system safety and reliability
18 and to improve customer service and
19 perceptions; is that correct?

20 A That is correct.

21 Q And just to be clear about the
22 types of metrics that you are talking about
23 here, I would like to refer you to pages 19
24 and 20 of the same exhibit.

25 A I'm there.

26 Q So looking on Tables 1, Tables 2,
27 is it fair to say that you recommended full
28 funding for metrics such as pipeline safety,

1 pipe safety enhancement, employee safety,
2 reliability and even customer satisfaction?

3 A I did.

4 MR. KLOTZ: Okay. I would like to turn
5 now to PG&E's proposed STIP plan or,
6 actually, I'm sorry, PG&E's 2019 STIP
7 program. This is TURN's response to --

8 ALJ LAU: Let's go off the record.
9 (Off the record.)

10 ALJ LAU: Back on the record.

11 THE WITNESS: What is the title on the
12 that?

13 BY MR. KLOTZ:

14 Q PG&E's response to TURN 12 Question
15 3.

16 ALJ LAU: That is Exhibit 233.

17 Let's go off the record.

18 (Off the record.)

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

20 BY MR. KLOTZ:

21 Q Mr. Sugar, are you with me at
22 Exhibit 233?

23 A I am.

24 Q And I'm looking at the attachment
25 to the response entitled 2019 STIP Structure
26 and Performance Targets. Do you see that?

27 A I see that.

28 Q I would like to compare these to

1 metrics that you reviewed in the San Diego
2 2016 GRC, for which you recommended full
3 funding. PG&E's program includes -- is it
4 true that it includes a metric for nuclear
5 safety and reliability?

6 A Yes.

7 Q Do you also see metrics on here for
8 electric safety system hardening, asset
9 management, gas in-line inspections, serious
10 injuries and fatalities?

11 A Yes.

12 Q Would it be fair to say that those
13 types of metrics also could be characterized
14 as improving indicators of system safety for
15 employees, as well as the public completion
16 of projects, to improve both system safety
17 and reliability and to improve customer
18 service and perceptions?

19 MR. CHENG: Objection, your Honor.
20 Counsel is asking the witness to compare
21 two-word descriptions of a metric to, you
22 know, same two-word descriptions of a metric
23 from many years ago. There is no basis for
24 comparison.

25 MR. KLOTZ: I can respond to that, your
26 Honor, if you would like.

27 ALJ LAU: Can you ask another question?
28 Rephrase your question. I'll sustain the

1 objection.

2 BY MR. KLOTZ:

3 Q Are these operational metrics
4 indicators of system safety? Do they appear
5 that way to you?

6 A They appear to be that way to me.

7 Q Do they appear -- do the metrics
8 that are proposed on this sheet, do they
9 appear to you to cover employee and public
10 safety?

11 A They appear to cover both employee
12 and public safety.

13 Q Do the metrics that are on this
14 sheet, do they appear to you to address the
15 system safety and reliability issues?

16 MR. CHENG: Your Honor, I'm going to
17 object again. Once again, there is no
18 details to the metrics. Counsel is asking
19 the witness two-word descriptions of metrics
20 to see if it covers employee, or whatever,
21 public safety.

22 ALJ LAU: I'm going to allow it. But
23 counsel, can you please --

24 MR. KLOTZ: Yes. I will move it along,
25 your Honor.

26 ALJ LAU: Thank you.

27 MR. KLOTZ: Can we be clear for the
28 objection that the objection has been

1 overruled.

2 ALJ LAU: Yes. Overruled.

3 MR. KLOTZ: Thank you, your Honor.
4 I'll move along.

5 Q Just to summarize what we have
6 covered, then I'll move it along. In the
7 2014, in PG&E's 2014 GRC, its safety metric
8 made up 40 percent of the program, and you've
9 recommended full funding for safety metrics;
10 is that correct?

11 THE WITNESS: That is correct.

12 MR. CHENG: Asked and answered.

13 ALJ LAU: The witness answered.

14 MR. CHENG: I'll object to any similar
15 questions that counsel makes.

16 BY MR. KLOTZ:

17 Q And in this GRC, which you've
18 acknowledged includes PG&E's largest safety
19 metric that you've seen, you now propose
20 50 percent funding for that metric?

21 A That is correct. 50 percent
22 ratepayer funding.

23 Q Thank you.

24 I would like to review the basis of
25 your recommendation in this case, okay?

26 A Certainly.

27 Q Referring to your opening
28 testimony, which has been marked as

1 Exhibit 224 page 9, again to the summary of
2 your recommendation.

3 A I'm almost there.

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

5 (Off the record.)]

6 ALJ LAU: Back on the record. We are
7 going to take a lunch recess until 1:00 p.m.
8 today.

9 ALJ LIRAG: Let's add 10 minutes to
10 that. 1:10.

11 ALJ LAU: 1:10. Let's be back at 1:10
12 back on the record.]

13 (Off the record.)

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1 AFTERNOON SESSION - 1:12 p.m.

2 * * * * *

3 ALJ LAU: On the record.

4 PG&E, can you begin your -- or
5 continue your cross of Mr. Sugar?

6 ALJ LIRAG: And we're back from lunch.
7 So we'll continue with the cross-examination
8 of Mr. Sugar.

9 MR. KLOTZ: Thank you, your Honor.

10 CROSS-EXAMINATION RESUMED

11 BY MR. KLOTZ:

12 Q Mr. Sugar, before lunch we were
13 just about to get into the basis for your
14 recommendation in PG&E's 2020 GRC with
15 respect to the STIP Program. I'd like to
16 turn to that now.

17 If I could refer you to Hearing
18 Room Exhibit-224, which is your opening
19 testimony. I'd like to refer you again to
20 page 9 beginning on line 10. And -- I am
21 sorry. I'll wait until you're there.

22 A Yes.

23 Q As I understand your
24 recommendation, it essentially comes in two
25 parts. Please let me know if I have this
26 correct. First you recommend that the
27 Commission should exclude funding for PG&E's
28 financial metric earnings from operations; is

1 that correct?

2 A That's correct.

3 Q And then second you recommend that
4 the company and ratepayers should share the
5 cost represented by the remaining
6 non-financial metrics; is that correct?

7 A That is correct.

8 Q I'll return to the financial metric
9 in a bit. But for now I'd like to discuss
10 the second part of your recommendation, the
11 cost sharing or nonfinancial metrics; okay?
12 And I'd like to refer you please to page 7 of
13 your opening testimony which is, again,
14 Exhibit room -- Exhibit-224, which is where
15 your discussion of this recommendation
16 begins.

17 Are you there?

18 A I am there.

19 Q Just to be clear, the non-financial
20 metrics we are talking about in this portion
21 of your recommendation consists of PG&E's
22 safety measure, which is weighted at
23 65 percent of the total program. As well as
24 the customer metric, which is weighted at 10
25 percent of the program; is that correct?

26 A That is correct.

27 Q To the financial metric in your
28 testimony, you devote nearly six pages to

1 providing an analysis of the metric, and I'm
2 referring to pages 2 through 7. In that
3 discussion you include your reasons, discuss
4 what the financial metric measures, as well
5 as the basis for proposing to exclude it; is
6 that correct?

7 A That's correct.

8 Q And am I correct that you do not
9 include a similar discussion about the makeup
10 of PG&E's safety or customer metrics in your
11 testimony here?

12 A That's correct.

13 Q Instead you provide other reasons
14 why in general you think the cost of the STIP
15 program should be shared between companies
16 and ratepayers; is that correct?

17 A I do provide reasons why it should
18 be shared.

19 Q Okay. Let's go ahead and turn to
20 those reasons now, please. I'd like to refer
21 you please to page 7 of your testimony at
22 line 22. Here you say:

23 If employees earn their
24 bonuses, shareholders are
25 doing well and can afford
26 to pay them.

27 Is that correct?

28 A I do say that.

1 Q Is your testimony here today that
2 shareholders are doing well?

3 MR. CHENG: Objection, your Honor.
4 That's not what the testimony states.

5 ALJ LAU: Sustained.

6 THE WITNESS: I'm not in a position to
7 answer that.

8 MR. KLOTZ: Okay. I just wanted to
9 clarify the witness's position.

10 Q Can you please describe your
11 understanding of the rule of cost of service
12 ratemaking at the Commission?

13 MR. CHENG: Objection.

14 Can you clarify the question?

15 THE WITNESS: Please.

16 BY MR. KLOTZ:

17 Q Sure. Is it your understanding
18 that a utility is entitled to recover the
19 reasonable cost of running its business and
20 that it also had a reasonable opportunity to
21 earn its rate of return? That's what I'm
22 referring to as cost of service ratemaking?

23 A Yes. I understand that.

24 Q You've cited some Commission
25 decisions in your testimony, and I'm
26 wondering as you sit here today, are you
27 aware of any Commission decision that stands
28 with the proposition that the utility is

1 entitled to recover the reasonable cost of
2 providing service in rates unless its
3 shareholders can afford to pay those costs
4 themselves?

5 A No, I am not.

6 Q Moving on. I just want to clarify
7 that the metrics that are subject to this
8 portion of your recommendation are
9 non-financial metrics; is that correct?

10 A That's correct.

11 Q And by definition, that means
12 they're not indicative of shareholder
13 profits; is that correct?

14 A That's not clear to me. Reviewing
15 PG&E's comments in their bankruptcy filing,
16 which they were petitioning for authority to
17 pay 2019 STIP, they've made it very clear
18 that the STIP was beneficial to financial
19 stakeholders. And PG&E enumerated the
20 stakeholders including the shareholders,
21 bondholders, and creditors.

22 So while PG&E did not state that it
23 was more profitable for them, should the STIP
24 be approved as they then presented it? It
25 wasn't clear to me that that was not the
26 case. So I do not know.

27 Q Okay. Well, let me ask you about
28 one specific example. So in the

1 non-financial metrics, PG&E has included a
2 metric for escalated customer complaints to
3 the Public Utilities Commission; is that
4 correct?

5 A Yes.

6 Q That metric for example does not
7 provide information as to how well the
8 shareholders are doing; is that correct?

9 A That's correct.

10 Q Okay. I'd like to refer you now to
11 page 7 of your testimony on line 23.

12 Are you there?

13 A I'm there.

14 Q Here you say: If they -- meaning
15 PG&E -- or I am sorry. Let me restart that
16 question.

17 Here you say:

18 If they do not earn their
19 bonuses but 100 percent of
20 the target-level bonuses
21 are included in rates, then
22 shareholders receive a
23 windfall because the money
24 to pay the then
25 non-existent bonuses
26 results in earnings.

27 Is that correct?

28 A Correct.

1 Q Is it fair to say here that your
2 primary concern is overpayment of STIP costs
3 by customers in rates?

4 MR. CHENG: Objection. That's not what
5 the testimony states.

6 ALJ LAU: I'm going to overrule it.

7 THE WITNESS: It is a consideration.
8 It is not the sole consideration.

9 BY MR. KLOTZ:

10 Q Is it the consideration that you're
11 expressing with this statement about
12 shareholders receiving a windfall because the
13 money to pay then non-existent bonuses
14 results in earnings?

15 A In that statement, yes.

16 Q Thank you. I'd like to talk about
17 the windfall that you describe. Referring to
18 page 8 of your testimony, which is also
19 Exhibit-224, beginning at line 17 of your
20 testimony?

21 A Yes.

22 Q You state:

23 It is also worth noting
24 that PG&E had below target
25 STIP performance in both
26 2016 and 2017. And PG&E
27 also decided to forego
28 payment of 2018 STIP

1 awards. Thus, for those
2 three years, ratepayers
3 funded their share of STIP
4 measures at target other
5 than the disallowed EFO
6 measure, but shareholders
7 benefitted from the
8 underpayment of actual STIP
9 payouts.

10 Is that correct that you say that?

11 A I did say that.

12 Q Can you describe where in your
13 testimony or workpapers you provided a
14 calculation to support that statement?

15 A I relied on the -- on PG&E's report
16 of the final STIP results. The final results
17 for the STIP program in those years.

18 Q And where did you get your
19 information about the amount of money PG&E
20 collected in rates for STIP for that period?

21 A I did not have information on how
22 much money PG&E collected.

23 Q Okay. Have you reviewed PG&E's
24 rebuttal testimony in your preparation to
25 appear here today? And that is Exhibit-214.

26 A Yes.

27 Q And referring to that exhibit on
28 page 4-33.

1 A I am there.

2 Q And I'm referring now to line 20
3 where PG&E confirms that:

4 Even though it didn't pay
5 STIP in 2018, it will still
6 pay more in STIP for 2017
7 through 2019 than it
8 collected in rates.

9 Do you see that?

10 A I see that.

11 Q Do you have any basis to dispute
12 that statement?

13 A I do not.

14 Q Since the time you've made your
15 recommendation in this case, have you
16 reviewed the analysis PG&E provided about its
17 historical STIP payments in its rebuttal
18 testimony?

19 A I have.

20 Q And I'm referring now to
21 Exhibit-214, Attachment A. If I could turn
22 your attention there.

23 A I'm there.

24 Q And in this attachment, PG&E
25 provides data for its STIP performance over
26 time for the period beginning 2006 to the
27 period ending 2018; is that correct?

28 A That's correct.

1 Q And based on the information that
2 you see in this chart, is it correct that
3 2018 is the only zero payout that happened
4 since 2006?

5 A That's correct.

6 Q And as shown in this analysis,
7 particularly I'm referring to line 15, is it
8 correct that even when including a zero
9 payment in 2018 over time and on average,
10 PG&E has paid slightly above target through
11 the STIP program?

12 A The information -- if one is
13 looking strictly at PG&E's total payments,
14 the information is correct.

15 Q Thank you.

16 A If you're looking at the ratepayer
17 responsibility, which differs due to some
18 measures being disallowed, it is incorrect.

19 Q And so just so I understand your
20 clarification, you're saying that ratepayers
21 have paid less than this amount?

22 A The one example I have is from
23 2014, which was Exhibit-231 that you
24 provided. Within which it appears the STIP
25 score was 1.352. That included very good
26 performance on the EFO measure, which was
27 disallowed and on the customer satisfaction
28 score, which was disallowed. So the

1 remaining STIP measures for which customers
2 or ratepayers are responsible, I did some
3 math on it. I came up with a result of 1.02.
4 So it was approximately two percent above
5 target.

6 I haven't reviewed other years.
7 But I think that caution should be used in
8 using these numbers to try to reflect what
9 ratepayers have contributed towards STIP.

10 Q I appreciate that. Let me try this
11 again. I'd like to get refocused on this
12 question if I can.

13 A Mh-hm.

14 Q This document shows that over time,
15 PG&E has paid slightly above target from 2006
16 to 2018 even considering a year where PG&E
17 had a zero STIP payout; is that correct?

18 A That's correct. The total program.

19 Q Right. I didn't ask you in any
20 part of that question about what ratepayers
21 had funded. I asked you about what PG&E had
22 paid. So I just want to make sure we're
23 clear?

24 A We are.

25 Q We're clear. Is it your
26 understanding -- and just to be clear.
27 That's an amount that is above 100 percent of
28 the forecast; is that correct? That's what

1 1.083 represents?

2 A For the total program, it is above
3 the forecast.

4 Q Thank you very much. And had PG&E
5 recovered 100 percent of its STIP cost for
6 the period of 2006 to 2018, is it correct
7 that PG&E would have still not recovered the
8 total amount from customers that it paid out
9 through the program?

10 A I am sorry. Could you please run
11 that through me one more time?

12 Q Yes. This line 15 indicates that
13 in the 12-year period shown, PG&E paid
14 roughly 108 percent of its STIP forecast; is
15 that correct?

16 A That's correct.

17 Q If PG&E had recovered from
18 customers 100 percent of its STIP forecast
19 over the same time period, is it correct that
20 PG&E would have still under collected the
21 amounts in rates that it actually paid?

22 A That's complicated by the amount
23 collected in rates depending on what measures
24 have been allowed and which have been
25 disallowed.

26 Q Let me try it this way.

27 A Please.

28 Q What I'm asking you is: Over this

1 time period, PG&E collected less from
2 customers than it actually paid; is that
3 correct?

4 A That's correct.

5 Q Okay. Thank you very much. Before
6 we leave this part of your recommendation,
7 I'd like to discuss a Commission decision
8 that you reference in your testimony, again,
9 Exhibit-224. You referenced this decision as
10 one of the bases for your recommendation, and
11 I'm looking at page 8 of your testimony,
12 line 13.

13 Are you there?

14 A Not yet.

15 Q Okay.

16 A All right.

17 Q And so the decision that you
18 reference is Decision 00-02-046; is that
19 correct?

20 A That's correct.

21 Q And just to confirm that decision
22 was issued by the Commission in the year
23 2000. Nineteen years ago; is that correct?

24 A It was.

25 Q And in your testimony, you cite
26 that decision for the following proposition.
27 You state:

28 The Commission determined

1 that equal sharing of costs
2 between ratepayers and
3 shareholders is fair and
4 employee incentive programs
5 similar to PG&E's STIP. In
6 that decision, half of the
7 employee incentive programs
8 forecast target cost was
9 allocated to ratepayers.

10 Is that correct?

11 A That's correct.

12 Q And my understanding is that you're
13 offering this as an example of Commission
14 precedent to support the cost-sharing
15 proposal that you recommend here; is that
16 correct?

17 A It is an example of Commission
18 thinking I suppose as precedent, yes.

19 Q Okay. Great. Are you aware of the
20 Commission decision issued this month on San
21 Diego Gas & Electric's General Rate Case that
22 also addressed cost-sharing proposals with
23 respect to incentive compensation programs?

24 A I have not reviewed that.

25 Q You have not?

26 A I have not reviewed that.

27 Q Okay. So you did not provide
28 testimony in that case; is that correct?

1 A That's correct.

2 Q Do you know if Mr. Marcus provided
3 testimony in that case?

4 A I believe Mr. Marcus worked with
5 Mr. Jones, and they -- he has provided some
6 testimony in that case.

7 Q Okay. Did you review the testimony
8 that Mr. Marcus submitted on behalf of TURN
9 in preparing your recommendations for today?

10 A I did not.

11 Q Did Mr. Marcus review the testimony
12 that you submitted today?

13 A I believe he did.

14 Q He did. I'd like to refer you to
15 what's been marked as Exhibit-226, please.
16 Have you seen this testimony before?

17 A I have what was provided.

18 Q Okay. The part that I'd like to
19 discuss with you begins on page 71.

20 A Okay.

21 Q Specifically the ICP operational
22 measures discussion.

23 A Mh-hm.

24 MR. CHENG: Your Honor, I'm going to
25 object to this line of questioning because
26 the counsel is asking my witness about
27 testimony that someone else provided.

28 ALJ LAU: Why don't you ask the

1 question. And if it's not related at all, or
2 if it's setting a foundation for something,
3 we can allow it.

4 But if it's going to be completely
5 off, then please object.

6 ALJ LIRAG: I think, Mr. Klotz, we'll
7 limit it to his understanding of the
8 testimony. But if the question is to explain
9 why that is, then I believe it's the
10 testimony of Mr. Jones and Mr. Marcus and not
11 Mr. Sugar.

12 MR. KLOTZ: Fair enough, your Honor.

13 ALJ LIRAG: All right.

14 BY MR. KLOTZ:

15 Q So I'll ask specifically about what
16 I'm interested in here. Mr. Marcus, cites a
17 different Commission decision than you cited
18 in your recommendation here about what is an
19 appropriate level of cost sharing for
20 nonfinancial metrics. I'd like to ask you
21 some questions about whether you considered
22 that.

23 So if you could look to line 5,
24 page 71, Mr. Marcus refers to the
25 Commission's decision in PG&E's 2014 GRC. Do
26 you see that?

27 A I see that.

28 Q And he cites that for the

1 proposition that in that case, the Commission
2 found it reasonable to remove 10 percent of
3 the utility's variable pay forecast related
4 to operational goals i.e. nonfinancial and
5 customer-service related goals; is that
6 correct?

7 A That's what they have written.

8 Q That's what they have written. My
9 question to you is: Did you consider the
10 application of PG&E's 2014 GRC decision in
11 making your recommendation here today?

12 A I did not.

13 Q Is it fair to say that you and
14 Mr. Marcus took significantly different
15 approaches to your cost sharing proposals for
16 nonfinancial --

17 MR. CHENG: Objection, your Honor.
18 It's not relevant testimony.

19 ALJ LAU: I'm going to allow it.

20 THE WITNESS: There are different
21 utilities. I don't know what the -- I'm not
22 familiar with the testimony to which they
23 were responding or to the program design. So
24 I'm not in a position to comment on their
25 work versus mine.

26 I do believe that facts and
27 circumstances change. And this is evidenced
28 by the CPUC evolving in its handling of STIP

1 performance over the years. Since they were
2 working on this -- at least as far as I know
3 -- there have been two developments that I
4 took into account in my testimony.

5 The first is PG&E's written material
6 discussing how valuable STIP is to financial
7 stakeholders. They didn't talk about base
8 pay. They didn't talk about benefits. The
9 discussion was strictly on the benefit to
10 shareholders and other financial stakeholders
11 of STIP.

12 And while in the past I've written
13 of the possibility that some ratepayer
14 contribution to STIP could be used for other
15 purposes if STIP fell short, I never imagined
16 a utility would simply cancel STIP and
17 basically the money would go elsewhere. And
18 as Mr. Lo testified, this could happen again.

19 So I believe that these are
20 significantly different conditions than -- my
21 guess is I believe what he's considering with
22 SDG&E.

23 MR. KLOTZ: Your Honor, I'm going to
24 move to strike that response as nonresponsive
25 to my question.

26 I'm asking the witness why he
27 considered the application of a particular
28 Commission decision, and he didn't address

1 any of that in his response. I move to
2 strike the response as nonresponsive. And
3 ask for permission to ask the witness again.

4 ALJ LAU: I'm going to allow it. I
5 think his responses were informative. And so
6 you can ask the question again.

7 BY MR. KLOTZ:

8 Q Was there a reason in particular,
9 Mr. Sugar, that you chose to apply the
10 Commission's decision in a 19-year-old case
11 as opposed to the one the Commission issued
12 five years ago?

13 A Because it reflected the approach
14 that I'm adopting in this testimony.

15 Q Okay. Fair enough. Earlier I
16 mentioned that the Commission had issued a
17 final decision on San Diego Gas & Electric's
18 GRC in which they addressed the issue of cost
19 sharing for STIP metrics. You mentioned you
20 had not reviewed that. I'd like to please
21 turn your attention to what has been marked
22 as Exhibit-230.

23 A I have it.

24 Q I'd like to turn your attention
25 please to page 542 of that decision.

26 A I have that.

27 Q Okay. The Commission states in the
28 very last paragraph:

1 We've reviewed the various
2 performance metrics for the
3 ICP and find that most of
4 the performance metrics
5 provide tangible benefits
6 to ratepayers in that they
7 encourage and promote
8 either safety, operational
9 efficiency, reduced cost,
10 improved service, or a
11 policy at the Commission.
12 While some metrics also
13 align with shareholder
14 goals, we find that these
15 are not necessarily
16 inconsistent with ratepayer
17 benefits.

18 Do you see that?

19 A I do.

20 Q Is it fair to say that in the
21 decision that was issued this month, the
22 Commission declined to share cost of these
23 nonfinancial metrics between ratepayers and
24 shareholders?

25 MR. CHENG: Objection, your Honor.
26 It's beyond the scope of the witness's
27 testimony. And this decision wasn't
28 available at the time of this testimony.

1 MR. KLOTZ: The decision's available
2 now.

3 THE WITNESS: I don't see it in that
4 paragraph.

5 ALJ LAU: Well, how about this. You
6 can opine on it as far as you can. But if
7 you do not want to answer it, that's fair
8 enough.

9 THE WITNESS: I don't believe that I
10 could make a useful response.

11 BY MR. KLOTZ:

12 Q Okay. Well, let me try this. I'd
13 like to propose a hypothetical for you. The
14 hypothetical is that there's no cost sharing
15 for nonfinancial metrics. The Commission is
16 -- chooses not to accept your cost sharing
17 proposal for nonfinancial metrics. Do you
18 understand my hypothetical?

19 A I do.

20 Q Okay. PG&E's financial metric is
21 currently 25 percent of its program design;
22 is that correct?

23 A Correct.

24 Q And accepting my hypothetical that
25 that non-financial metrics are not shared
26 between costs -- between customers and
27 shareholders, would it be correct that the
28 Commission would approve at least 75 percent

1 of PG&E's forecast for STIP?

2 A It would be 75 percent of the PG&E
3 forecast I assume.

4 MR. KLOTZ: Can we have one moment off
5 the record?

6 ALJ LAU: Off the record.

7 (Off the record.)]

8 MR. KLOTZ: Okay. Can we have one
9 moment off the record, your Honor?

10 ALJ LAU: Off the record.

11 (Off the record.)

12 ALJ LAU: Back on the record.

13 Mr. Klotz.

14 MR. KLOTZ: Those are all the questions
15 I have for this witness, your Honor.

16 ALJ LAU: Thank you.

17 Mr. Cheng, do you have any redirect?

18 MR. CHENG: Yes, your Honor. I have
19 two.

20 REDIRECT EXAMINATION

21 BY MR. CHENG:

22 Q Mr. Sugar, do you remember earlier
23 PG&E counsel asked you to look at an exhibit
24 that contained information about 2019 STIP;
25 and to refresh your memory, that exhibit?
26 Number was 231. If you could -- I'm sorry,
27 not 231, 233. Do you have that?

28 A I have that exhibit.

1 Q So the PG&E counsel pointed to --
2 asked you to look at, it is not numbered, but
3 the page that says 2019 STIP Structure and
4 Performance Targets, and read to you the two
5 to three-word description of each metric. Do
6 you recall that? He asked if it appears
7 these metrics are related to employee and
8 public safety. Do you recall that?

9 A I do.

10 MR. CHENG: If you turn to the next
11 page on the right-hand side, this page
12 actually contains the definitions of those
13 metrics. If you can take a moment to look at
14 that, those definitions, particularly for the
15 safety components.

16 Your Honor, off the record?

17 ALJ LAU: Are you ready?

18 THE WITNESS: I believe I'm ready.

19 BY MR. CHENG:

20 Q Now, having reviewed the definition
21 of those metrics, do you believe that these
22 metrics reflect employee and public safety
23 performance?

24 A These metrics are metrics of
25 activities. They do not measure performance.

26 Q Thank you.

27 The PG&E counsel also asked you
28 about your testimony in the 2014 GRC. Do you

1 recall that?

2 A I do.

3 Q I'm going to refer you to the
4 exhibit that they were looking at. It was
5 Exhibit 229, which is your testimony from the
6 2014 GRC case.

7 A I have that.

8 Q During your cross you were trying
9 to explain why you only looked at, I
10 believe -- it is two components of the STIP
11 metrics, when you were addressing this
12 testimony. And the PG&E counsel told you
13 that he would come back to that later.

14 What were you trying to say
15 about -- why did you only look at two
16 components of this -- of your -- for this
17 STIP testimony?

18 A I was fairly new to reviewing
19 general rate cases. My background is with
20 the Energy Commission.

21 I saw the previous PG&E STIP
22 decision, or the previous CPUC STIP decision
23 on PG&E which allocated ratepayer costs,
24 allocated costs shared between ratepayers and
25 shareholders, and I was not aware of how
26 quickly CPUC approaches some change.

27 So I went ahead, and I did not
28 focus on that. I focused on a couple of

1 areas in which I had concerns about the
2 measures. So that -- I wanted to explain my
3 lack of attention to suggesting sharing
4 between shareholders and ratepayers, which is
5 a pretty substantial part of my testimony
6 today.

7 MR. CHENG: Thank you.

8 Your Honor, those are my questions.

9 ALJ LAU: Mr. Klotz, do you have any
10 redirect?

11 MR. KLOTZ: Just briefly.

12 REDIRECT EXAMINATION

13 BY MR. KLOTZ:

14 Q One clarification with respect to
15 Exhibit No. 233 --

16 A Yes.

17 Q -- that your counsel referred to.
18 For the 2019 STIP metric definitions page,
19 that is what I'm referring to.

20 A Yes, sir.

21 Q Is it your understanding that PG&E
22 sets targets for performance for each of
23 those metrics?

24 A Yes.

25 MR. KLOTZ: Thank you. I have nothing
26 further.

27 ALJ LAU: Mr. Cheng.

28 MR. CHENG: Nothing further, your

1 Honor.

2 ALJ LAU: Judge Lirag, I forgot to ask
3 you.

4 EXAMINATION

5 BY ALJ LIRAG:

6 Q Let me just clarify something.
7 PG&E STIP right now is composed of, it is
8 made of, let's call it a "nonexecutive STIP,"
9 is that correct, nonexecutive payment --

10 A Yes.

11 Q -- awards to nonexecutives?

12 A Yes.

13 Q It doesn't have an executive STIP
14 component?

15 A It does not.

16 MR. KLOTZ: That is incorrect, your
17 Honor.

18 THE WITNESS: Oh, I misspoke.

19 MR. KLOTZ: Are you talking about the
20 STIP program, or are you talking about what
21 PG&E is asking for recovery for from
22 customers?

23 ALJ LIRAG: What PG&E is asking for
24 recovery.

25 MR. KLOTZ: I'll confirm we are not
26 asking for recovery of any compensation for
27 any incentive compensation for executives.

28 ALJ LIRAG: All right. When I talk

1 about STIP, it just refers to the amount that
2 is being asked for recovery.

3 MR. KLOTZ: Understood.

4 ALJ LIRAG: This is just to clarify
5 what "STIP" means.

6 Q So for PG&E's current GRC, the STIP
7 includes, I'll just use the term
8 "nonexecutive STIP," right?

9 A Yes.

10 Q But in previous general rate cases
11 the STIP component includes both executive
12 and nonexecutive STIP; is that correct?

13 A Yes, or no? I may have misspoke.

14 MR. KLOTZ: Your Honor, are you
15 referring to prior PG&E requests?

16 ALJ LIRAG: Prior PG&E requests.

17 MR. KLOTZ: For the last several rate
18 cases, PG&E has not sought recovery of
19 executive STIP, as you've described it.

20 ALJ LIRAG: So there is no executive
21 STIP component from any of these. I'm just
22 repeating what you said.

23 MR. KLOTZ: For the last several rate
24 cases, since at least 2014, there has been no
25 request for recovery of executive STIP in
26 PG&E's General Rate Cases.

27 ALJ LIRAG: All right.

28 Q So when we refer to STIP in

1 reference to PG&E, it only refers to
2 nonexecutive STIP?

3 A Yes.

4 ALJ LIRAG: All right. I wanted to
5 clarify the terminology. Thank you,
6 Mr. Klotz.

7 MR. KLOTZ: Your welcome, your Honor.

8 ALJ LAU: Let us address the exhibits.
9 Let's go off the record.

10 (Off the record.)

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

12 Is there a motion to move
13 Exhibit 224 and Exhibit 225 into the record?

14 MR. CHENG: So moved.

15 ALJ LAU: Any objections?

16 MR. KLOTZ: No, your Honor.

17 ALJ LAU: Hearing none, Exhibits 224
18 and 225 are moved into the record.

19 (Exhibit No. 224 and 225 were
20 received into evidence.)

21 ALJ LAU: Is there a motion to move 226
22 through 234 into the record?

23 MR. KLOTZ: Yes, your Honor.

24 ALJ LAU: Is there any objection to
25 moving Exhibits 226 to 234 into the record?

26 MR. CHENG: No, your Honor.

27 ALJ LAU: Hearing none, Exhibits 226 to
28 234 moved into the record.

1 (Exhibit No. 226 to 234 were
2 received into evidence.)

3 ALJ LAU: Mr. Sugar, you are excused.
4 Thank you.

5 Let's go off the record.
6 (Off the record.)

7 ALJ LAU: Let's go back on the record.
8 With us right now on the witness
9 stand is Mr. Chris Lambert. Welcome back,
10 Mr. Lambert. I believe you were excused, so
11 we are going to swear you in again.

12 CHRISTIAN LAMBERT, called as a
13 witness by Public Advocates Office,
14 having been sworn, testified as
15 follows:

16 THE WITNESS: I do.

17 ALJ LAU: Can you state for the record
18 your full name, spelling your last, and give
19 us your business address.

20 THE WITNESS: Christian Lambert,
21 L-a-m-b-e-r-t. My business address is 505
22 Van Ness Avenue, San Francisco.

23 ALJ LAU: Before we begin, let us
24 identify some exhibits. So we have here
25 Exhibit 235, and that is Cal Advocates
26 Prepared Testimony Concerning Rate Base,
27 Including Working Cash.

28 (Exhibit No. 235 was marked for
identification.)

///

1 ALJ LAU: And there is also -- we are
2 also identifying Exhibit 236. This is the
3 workpapers to Mr. Lambert's testimony on rate
4 base, which is Cal Advocates' testimony.

5 (Exhibit No. 236 was marked for
6 identification.)

7 ALJ LAU: We also have here several
8 cross-examination exhibits from PG&E. First
9 we will identify as Exhibit 237, this is the
10 table referencing financial authorities.

11 (Exhibit No. 237 was marked for
12 identification.)

13 ALJ LAU: And Exhibit 238, also
14 cross-examination exhibit of PG&E, is titled
15 DRA-17 Testimony to PG&E 2007 GRC.

16 (Exhibit No. 238 was marked for
17 identification.)

18 ALJ LAU: Exhibit 239 is titled Data
19 Responses.

20 (Exhibit No. 239 was marked for
21 identification.)

22 ALJ LAU: Mr. Bush...

23 MR. BUCHSBAUM: Buchsbaum.

24 ALJ LAU: Buchsbaum, can you elaborate
25 what kind of data responses these are?

26 MR. BUCHSBAUM: These are data
27 responses let me pull my record here -- that
28 relate to 2018 data that PG&E provided to Mr.

1 Lambert and that some -- in some respects did
2 not get commented on in the testimony. Some
3 of the data requests, it looks like, might
4 have gotten out after Mr. Lambert filed his
5 testimony, in fairness to him.

6 ALJ LAU: So I will title this Data
7 Responses DR-PG&E-Public Advocates-9, because
8 that is the data request number that is
9 referenced here.

10 MR. BUCHSBAUM: There is several.
11 There is also a data response from Mr.
12 Lambert. So basically the exhibit has a
13 number of data requests and data responses
14 attached.

15 ALJ LIRAG: Let's just say it is a
16 document containing various data responses
17 pertaining to the testimony that is going to
18 be covered by Mr. Lambert.

19 MR. BUCHSBAUM: That is correct, your
20 Honor.

21 ALJ LAU: So for clarification,
22 Exhibit 239 is data responses related to
23 Mr. Lambert's testimony.

24 MR. BUCHSBAUM: Correct.

25 ALJ LAU: Exhibit 240 is titled CPUC
26 Treatment of Long-Term Assets and
27 Liabilities.

28 MR. BUCHSBAUM: Correct.

1 (Exhibit No. 240 was marked for
2 identification.)

3 MS. SHEK: For clarification, what was
4 Exhibit 237?

5 ALJ LIRAG: With decisions, the exhibit
6 is a table, and then the table contains
7 various references to different decisions.

8 ALJ LAU: Let's go off the record.
9 (Off the record.)

10 ALJ LAU: Back on the record.

11 And also PG&E served reference
12 material that has all the decisions that were
13 listed in Exhibit 237, which is the table
14 referencing financial authorities.

15 Ms. Shek.

16 MS. SHEK: Yes.

17 ALJ LAU: Are you ready to begin your
18 direct?

19 MS. SHEK: Yes. Thank you. Good
20 afternoon, your Honors.

21 DIRECT EXAMINATION

22 BY MS. SHEK:

23 Q Good afternoon, Mr. Lambert.

24 A Good afternoon.

25 Q Did you prepare all of Exhibit 235
26 and 236?

27 A Yes, I did.

28 Q And you also have your errata,

1 which was Exhibit No. 166?

2 A I don't believe I have that
3 document with me.

4 ALJ LAU: Let's go off the record.
5 (Off the record.)

6 ALJ LAU: Back on the record.

7 MS. SHEK: Thank you.

8 Q Mr. Lambert, do you have before you
9 Exhibit 166, the Public Advocates' Office
10 errata?

11 A Yes, I do.

12 Q Do you have any additions or
13 corrections to make to your testimony based
14 on the errata that has been provided?

15 A Not with respect to Exhibits 235 or
16 236.

17 Q Thank you.

18 Are the facts and opinions set
19 forth in Exhibits 1 -- excuse me, Nos. 235
20 and 236, true and correct to the best of your
21 knowledge?

22 A Yes.

23 MS. SHEK: Thank you, Mr. Lambert.

24 Your Honor, we have no further
25 direct for Mr. Lambert. He is available for
26 cross-examination.

27 ALJ LIRAG: Let me check with Mr.
28 Buchsbaum if that 120 minutes is still fairly

1 accurate at this point.

2 MR. BUCHSBAUM: Unfortunately, I'm not
3 sure. I'm going to see how interested you
4 guys are. If you are not, we will conclude
5 early; if you are interested, we might keep
6 going.

7 ALJ LIRAG: We are going to hold you to
8 that time, but we are going to fast rate
9 things in the last 30 minutes, probably.

10 MR. BUCHSBAUM: All right.

11 ALJ LAU: Mr. Bucks -- Buchsbaum,
12 right?

13 MR. BUCHSBAUM: Yes.

14 CROSS-EXAMINATION

15 BY MR. BUCHSBAUM:

16 Q Let's get started and going
17 quickly. The first question I have is always
18 focusing on the dollar amounts. And for the
19 purposes of the ALJs, what is your
20 understanding of the revenue requirement
21 impact from a working cash adjustment?

22 MS. SHEK: Your Honor, objection. Can
23 I have Mr. Buchsbaum refer to Mr. Lambert's
24 testimony in reference to that question?

25 ALJ LAU: Can you please refer to
26 your -- Mr. Lambert's testimony in asking
27 your question?

28 ///

1 BY MR. BUCHSBAUM:

2 Q Well, I can refer to --

3 ALJ LIRAG: I think it is a general
4 question. So I think -- let's see, if Mr.
5 Lambert --

6 MR. BUCHSBAUM: Yeah. I'm trying to --
7 I'm trying to sort of get through this
8 quickly and try to -- try to lead the
9 tribunal so they understood the issues. If I
10 keep getting interrupted, I can find the
11 specific references. It is going to --

12 ALJ LIRAG: Ms. Shek has a right to
13 object. For this first question, I believe,
14 Ms. Shek, it is more of a general question.
15 So let's see if Mr. Lambert has an answer.
16 If there is something you want to point out,
17 then we will allow you to do so, since this
18 is more of -- we are trying to --

19 MS. SHEK: Not have two hours. Thank
20 you.

21 BY MR. BUCHSBAUM:

22 Q All right. So I could ask a more
23 leading question: A rate base impact results
24 in a rate of return impact on a specified
25 amount of plant, or whatever is allowed in
26 rate base, right? So you multiply the rate
27 base times the rate -- overall rate of return
28 to get the rate base impact?

1 A You would then also gross that
2 amount up for taxes. So it is not just --

3 Q Right.

4 A -- the rate of return.

5 Q Just to be in very rough terms,
6 would you accept subject to check that our
7 rate of return, both debt and equity, grossed
8 up on the equity side, is roughly 10 percent?

9 A Yes.

10 Q So if rate base was \$100, the
11 impact would be 10; is that right?

12 A Yes.

13 Q So can you turn to Bate 151, and
14 this is --

15 A Mr. Buchsbaum, which document are
16 we --

17 Q When I refer to "Bates," they are
18 also going to be in the authorities binder.
19 Before we actually ask a question on that,
20 I'm going to ask a follow-up on the dollar
21 amount issue.

22 So, for example, if you made a
23 \$2 million working cash adjustment, that
24 would be worth 200,000 a year; is that
25 correct?

26 A Approximately, yes.

27 Q Can you look at Bate 151. When you
28 are there, you can tell me.

1 A Okay.

2 Q And you will notice on the
3 right-hand side, upper right-hand side, can
4 you read the first two sentences?

5 A "Working cash calculations require
6 a level of precision, complexity, and
7 sometimes controversy, which are out of
8 proportion to the significance of working
9 cash in the greater scheme of regulation.
10 This is one area where a simple but intuitive
11 calculation, even lacking in imprecision,
12 would be an improvement over the current
13 circumstance."

14 Q So do you tend to agree with that?

15 A No.

16 Q You do not agree with that?

17 A No.

18 Q Okay. Thank you.

19 I can see why the judge in this
20 case, if you turn to the first page of this
21 case, page 149, the order starts out in
22 saying: In what is likely to be a gas and
23 electric company's last-ever general rate
24 case -- it is kind of a joke around the
25 office, but that is -- so maybe there isn't
26 credibility to be given to that. I don't
27 know.

28 So certainly if the working cash

1 issue was a permanent issue, for example,
2 your adjustment on emission allowances, where
3 emission allowances were not included in rate
4 base. If it continued for many years, let's
5 talk about, throw out a number, 100 million.
6 That would be 10 million a year, assuming it
7 stayed 100 million. That would be more of a
8 material issue, correct?]

9 In other words, just a forecast
10 error that comes up from case to case.

11 A I am sorry. Would you define
12 "material" for this question?

13 Q Okay. So what I would say is an
14 adjustment that sets a policy that goes on
15 for many many years is going to have a
16 recurring impact. Whereas a single argument
17 about one rate cycle would only go on for
18 three years. I'm just asking you wouldn't it
19 be -- wouldn't one's focus better be attended
20 to the larger issue where the policy could be
21 set for many many years?

22 A In general, I would agree.

23 Q Okay. Let's turn now to some
24 questions I'd like to ask you about
25 financing. The equity maintenance condition,
26 are you familiar with that at all?

27 I can lead you through it. But if
28 you have some familiarity, it would be

1 appreciated.

2 A I have some familiarity.

3 Q And you're aware that the utilities
4 are required, as part of their holding
5 company conditions, to maintain the equity
6 ratio found reasonable by the Commission in
7 their cost of capital cases; is that correct?

8 A Actually, my understanding is that
9 PG&E has a pending waiver application from
10 this condition. And that that waiver is
11 considered effective as of the application
12 itself.

13 Q Yes. But I realize that in the
14 bankruptcy situation and the special
15 situation of PG&E in general. Do you know
16 how many waivers PG&E has sought over the
17 years?

18 A First, I don't think it had to do
19 with the bankruptcy itself. It was the
20 booking of the liabilities. And my
21 understanding is that this is the first such
22 application from PG&E.

23 Q Okay. And there is a waiver
24 procedure. But you would agree that in
25 general -- the general rule is the utilities
26 are supposed to -- and a waiver has to be
27 approved; right?

28 I mean, while it's pending -- I

1 don't want to get into the nuances of our
2 waiver. But while the waiver is pending,
3 PG&E can rely on it. But it's subject to
4 approval in the Commission; correct?

5 A Yes.

6 Q So why do you think the Commission
7 imposed that requirement on the utilities?

8 MS. SHEK: Your Honor, objection. That
9 calls for speculation on what the
10 Commission's thought process was.

11 BY MR. BUCHSBAUM:

12 Q Do you know why the Commission
13 establishes a debt equity ratio for the
14 utilities in the cost of capital proceeding?

15 A There are a number of concerns that
16 the Commission generally balances
17 including -- I think with respect to this
18 question -- concerns about ring fencing of a
19 utility from the holding company's financial
20 structure and risk.

21 Q Well, I was asking a broader
22 question about leverage. When the Commission
23 establishes the amount of equity and the
24 amount of debt that should be part of the
25 utility capital structure, what is it looking
26 at?

27 A Those are some of the factors that
28 I mentioned. So the overall leverage, but

1 also the cost of these different sources of
2 capital.

3 Q Can we turn to Bate 13 in your
4 authority binder. And I'd like you to read
5 -- I'd like you to read at page 5 what the
6 Commission says about capital structure.

7 MS. SHEK: Mr. Buchsbaum, is that
8 actually Bates 12?

9 BY MR. BUCHSBAUM:

10 Q I am sorry. Yes. I'm going to
11 make that mistake. I'm sorry. Bates 12.
12 Can you read that paragraph that begins under
13 Three Point Capital Structures? That is the
14 heading.

15 A Says:
16 Capital structure consists
17 of long-term debt,
18 preferred stock, and common
19 equity.
20 In Footnote 7:
21 Debt due within one year.
22 Short-term debt is excluded
23 because the level of
24 financial risk that the
25 utilities face is
26 determined in part by the
27 proportion of their debt to
28 permanent capital for

1 leverage. We must ensure
2 that the utility's adopted
3 equity ratios are
4 sufficient to maintain
5 reasonable credit ratings
6 and to attract capital.

7 Q I am sorry. You added a phrase
8 that you said, "Because it excludes short
9 term"?

10 A The document that you provided me
11 in asking me to read includes a footnote.

12 Q Oh. That's very good. I didn't
13 see that. That actually helps make my point.
14 Can you read also on page 13, which at the
15 very top of the page just the first sentence,
16 and we can talk about it a bit.

17 A I am sorry. Is this Bates 13?

18 Q I am sorry. Bates 20.

19 A Okay:

20 The capital structures
21 requested by SCE, SoCalGas,
22 PG&E, and SDG&E's capital
23 structure recommended by
24 FEA are balanced
25 attainable, and are
26 intended to maintain an
27 investment grade rating and
28 to attract capital.

1 Q So -- and you've already
2 acknowledged that PG&E is required to
3 maintain the ratios at a level at least equal
4 to the equity unless it submits a waiver;
5 correct?

6 A Yes.

7 Q Now, I want to move from the equity
8 maintenance condition to general financing
9 practices and what your understandings of
10 them are. Because the Commission has had
11 cause to address these issues in other
12 contexts.

13 ALJ LIRAG: Let me interject,
14 Mr. Buchsbaum.

15 So, Mr. Lambert, are you comfortable
16 with these questions?

17 So I allowed that general question
18 on working cash, but I believe we're getting
19 into more detailed questions regarding other
20 general matters and decisions from the CPUC
21 or in fact some policies relating to PG&E's
22 situation.

23 So are you comfortable answering
24 these questions?

25 THE WITNESS: Your Honor, my
26 understanding only goes so far. So within a
27 certain range, I'm comfortable. But I'm not
28 a cost of capital witness. I have not

1 analyzed PG&E's debt applications or anything
2 of the sort.

3 MR. BUCHSBAUM: Your Honor, I'm not
4 really -- I think if I go forward here, it's
5 basically the same arguments that have been
6 made somewhat repeatedly in different context
7 regarding long-term financing issues. And
8 they are directly pertinent to the treatment
9 of financing long-term or permanent assets.
10 Or on the other hand, receiving permanent
11 liabilities. So these issues, they've
12 permeated Commission decisions that have been
13 cited by this witness.

14 MS. SHEK: Your Honor?

15 ALJ LIRAG: Yes, Ms. Shek?

16 MS. SHEK: Just to point out, we would
17 like if Mr. Buchsbaum can refer specifically
18 to references to Mr. Lambert's testimony to
19 what his questions pertain to. That would be
20 helpful. Because he has provide testimony on
21 those exhibits.

22 ALJ LIRAG: Mr. Lambert is sponsoring
23 only a certain portion. I mean, he's only
24 here to present his testimony. He's not here
25 to answer questions regarding CPUC policy and
26 prior decisions. You can test his knowledge
27 regarding that. But it's probably better if
28 it is related to his testimony rather than

1 something in general. Are you --

2 MR. BUCHSBAUM: Well, what I was --
3 what I was trying to do is for the first
4 part, go over general principles of finance.
5 And then move into the specifics.

6 ALJ LIRAG: All right. But I'm
7 wondering what benefit we will have having
8 Mr. Lambert answer questions relating to
9 that. He may or may not know.

10 MR. BUCHSBAUM: Well, can I at least go
11 through a few of the questions?

12 ALJ LIRAG: All right. Let's try it
13 out. I was just checking to see if
14 Mr. Lambert is comfortable asking (sic). I
15 think I may have asked Ms. Shek to withhold
16 on the objections to see where it goes. But
17 I think it's gone a little bit deeper than
18 what Mr. Lambert might be comfortable with --

19 (Cross talk.)

20 MR. BUCHSBAUM: I think the equity
21 maintenance condition although it was
22 discussed extensively in the case of nuclear
23 fuel.

24 ALJ LIRAG: All right. Let's proceed
25 with your questioning, and Ms. Shek is free
26 to object.

27 MR. BUCHSBAUM: Okay.

28 ALJ LIRAG: All right. And Mr. Lambert

1 can answer if he knows the answer or has an
2 answer.

3 BY MR. BUCHSBAUM:

4 Q So as a general financing
5 principle, do you agree that the long-term
6 asset should be financed with long-term
7 sources of capital?

8 A Yes.

9 Q And you're aware the Commission has
10 expressed that in various circumstances?
11 That general principle?

12 A Yes.

13 Q And part of the reason for that is
14 an expression of turnover risk; is that
15 correct?

16 In other words, that rollover risk
17 if you have to continually finance something,
18 you have to constantly -- with short-term
19 debt, you're going to have to constantly
20 refinance that; correct?

21 A I'm aware of role risk. But I'm
22 not aware of where the Commission may have
23 commented on the importance of role risk.

24 Q So you're -- so to tie it directly
25 to your testimony, your testimony is that the
26 Commission allowances should be financed with
27 short-term debt; right?

28 A Correct.

1 Q Is that the kind of short-term debt
2 that has to be continually renewed?

3 A This is a ratemaking consideration.
4 I can refer you to my testimony, but this
5 would be similar to the affording of
6 short-term debt on nuclear fuel inventory or
7 fuel oil inventory. But it is not
8 prejudicing the company about, you know, its
9 own decisionmaking to go and finance these
10 inventories that the company sees fit.

11 Q But you would understand an
12 inventory such as nuclear fuel. I don't want
13 to get specific on your emission allowances.
14 In the 1980's when PG&E had nuclear fuel --

15 MS. SHEK: Your Honor, objection. A
16 reference to 1986 is not something
17 necessarily Mr. Lambert would be able to
18 answer about.

19 MR. BUCHSBAUM: Well, it's the same --
20 okay. I was trying to avoid getting into an
21 argument about emission allowances per se
22 right off the bat. I'm happy to talk about
23 --

24 Would you prefer that we go directly
25 there, your Honor?

26 ALJ LIRAG: Let's go directly there,
27 and see where it goes. Some of the questions
28 you're asking are better addressed in briefs,

1 not by Mr. Lambert.

2 MR. BUCHSBAUM: Okay.

3 ALJ LIRAG: At least as far as the
4 latter parts.

5 BY MR. BUCHSBAUM:

6 Q Okay. So the emission allowances
7 themselves, would you agree with me that they
8 -- that PG&E's going to have a fairly
9 consistent level -- actually, a growing level
10 of inventory to finance?

11 A I would agree that it is likely the
12 balance of inventory will grow over time.

13 Q And you've made -- you've made a --
14 you've made a -- you've taken a position on
15 customer deposits; correct?

16 A Yes, that's correct. Would you
17 like me to explain?

18 Q Please.

19 A Consistent with the treatment from
20 Decision 14-08-032, the Public Advocates'
21 position is that the customer deposits should
22 be treated as a source of long-term debt.

23 Q And why do you think that is?

24 A This was an interim ratemaking
25 mechanism adopted by the Commission. I
26 believe in here my understanding is a little
27 more limited. The company had proposed a
28 short-term debt compensation. A different

1 intervenor, I believe, TURN had proposed a
2 ratebase reduction. And so this was docketed
3 as an interim ratemaking mechanism.

4 Q Okay. But the -- but PG&E argued
5 that the customer deposits were short-term
6 debt; right? Because most of them were
7 returned within a year.

8 Why do you think the Commission
9 felt that this was a long-term source of
10 capital?

11 A I can't speculate on why that was.

12 Q Can -- but you're asking in this
13 case for long-term treatment?

14 A This is a continuation of the
15 interim ratemaking mechanism.

16 Q So you don't have any opinion
17 whether it was a correct decision or a wrong
18 decision? You're just recommending it?

19 MS. SHEK: Your Honor, objection
20 Mr. Lambert has already answered that. He
21 cannot speculate what the Commission's intent
22 was.

23 ALJ LIRAG: All right. So I'll sustain
24 it.

25 So Mr. Lambert has his position.
26 But he has no explanation for why the
27 Commission decided one way or the other in
28 the decision you're referring to.

1 BY MR. BUCHSBAUM:

2 Q Are you aware that the Commission
3 in the case of Southern California Edison
4 took the position that because the customer
5 deposits were rotating and constantly being
6 renewed, that they were in a sense a
7 permanent source of cash? Are you aware?

8 A I am aware, yes.

9 Q So do you have any idea how much
10 short-term debt PG&E will be able to issue
11 when it exits bankruptcy?

12 MS. SHEK: Your Honor, Mr. Lambert
13 can't answer that question. He's not a
14 witness that would have that knowledge.

15 MR. BUCHSBAUM: Well, that might be
16 true. But he's recommending that we finance
17 our emission allowances with short-term debt.

18 ALJ LIRAG: I'll allow it, Ms. Shek.
19 Mr. Lambert is also an expert witness on the
20 topics. So lets allow it and see where it
21 goes.

22 THE WITNESS: Mr. Buchsbaum, would you
23 please repeat your question?

24 BY MR. BUCHSBAUM:

25 Q Do you think -- do you know how
26 much short-term debt PG&E might be able to
27 raise once it exits bankruptcy?

28 A This would be conditional on many

1 factors including how the financial markets
2 respond to the eventual planned
3 reorganization. At this point, it's unclear
4 to me that I have enough information to
5 speculate.

6 Q So how would you feel about -- you
7 know, let's say you own a house. And you had
8 a choice between a long-term loan with a
9 variable rate or a loan that you had to
10 refinance every six months. Would you prefer
11 to have to worry about refinancing that loan
12 every six months?

13 A Mr. Buchsbaum, the question is
14 still on the subject of emissions allowances.
15 I don't think we're talking about mortgage
16 length time spans.

17 Q Well, your testimony said that you
18 thought the amount of emission allowances
19 that PG&E would be holding would be actually
20 increasing?

21 A No, Mr. Buchsbaum. I said that the
22 balance of the inventory would grow. But the
23 way that the emissions allowances work is
24 that the Cap and Trade Program has
25 consecutive three-year compliance periods.

26 PG&E may choose -- consistent with
27 its bundled procurement plan -- to procure
28 allowances and offsets in advance of the

1 surrender date for the most part and
2 consistent with rebuttal testimony and data
3 request responses we received from PG&E the
4 information that I had to analyze before me
5 shows that these are more short-term assets
6 and I believe could be as little as if PG&E
7 were to procure offsets on the secondary
8 market immediately in advance of surrender if
9 that would be a matter of days or weeks.

10 Q Your point -- maybe I'm missing it.
11 But on page 4 and 5 of your testimony:

12 The potential impacts of
13 PG&E's request for ratebase
14 financing for its GHG
15 compliance instrument
16 inventory is significant.

17 And then you go on to talk about the
18 design and the prices that increase from \$15
19 to \$150. I was assuming that you were
20 concluding that the amount that PG&E would
21 probably be holding in inventory would be
22 increasing.

23 A That's correct. But your prior
24 question. The phrasing of the question
25 implied that the compliance instruments
26 themselves rather than the balance of the
27 inventory would be held over such a long time
28 period. I don't believe that's correct.

1 Q That's fine. But I care obviously
2 more about our cash commitment than I care
3 about whether we're holding more or less
4 allowances.

5 MS. SHEK: Your Honor, does
6 Mr. Buchsbaum have a question with that
7 statement he's made?

8 BY MR. BUCHSBAUM:

9 Q Yes. I would say -- I would say
10 for purposes -- for financial purposes if
11 we're looking at risk to the company; right?
12 Holding \$2 billion in short-term notes would
13 be a different financial exposure than
14 holding \$100 million in notes; correct?

15 A In this hypothetical, yes.

16 Q Now, you probably -- I'm sure
17 you've read Mr. Patterson's testimony;
18 correct?

19 A Which testimony is this?

20 Q This would be the rebuttal
21 testimony on emission allowances for
22 Mr. Patterson described short-term debt
23 limitations that PG&E faces.

24 MS. SHEK: Mr. Buchsbaum, can you refer
25 to a page?

26 MR. BUCHSBAUM: Yes. So it's
27 Exhibit-72. Where did we talk about it?
28 I'll --

1 ALJ LAU: Go off the record.

2 (Off the record.)

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

5 Go ahead, Mr. Buchsbaum.

6 BY MR. BUCHSBAUM:

7 Q So it's at the bottom of page 14-18
8 and 14-19.

9 A I am sorry. Is there a question?

10 Q No. Are you there?

11 A Yes.

12 Q And you'll see at the bottom of the
13 page, it talks about specific problems that
14 PG&E had obtaining short-term credit. Do you
15 see that?

16 A Are you referring to October 20,
17 2008 and April and May, 2009?

18 Q Correct.

19 A Yes. I see that.

20 Q And are you familiar at all with
21 that period? How old were you then? 2008?
22 2009?

23 MS. SHEK: Your Honor, that's not
24 relevant.

25 ALJ LIRAG: All right. That's not
26 relevant, Mr. Buchsbaum.

27 MR. BUCHSBAUM: I'll withdraw the
28 question.

1 Q Do you know how much short-term
2 debt we might be talking about PG&E financing
3 in 2008 -- not 2008. In 2000 -- going
4 forward with your proposal?

5 A For the balance --
6 (Cross talk.)

7 Q For the -- yeah. So the emission
8 allowances from 2000 to 2022, what do you
9 think they are going to be?

10 A A very rough estimate -- if you
11 want more specific numbers, I can look. But
12 I would say around starting around 300 -- a
13 little over \$300 million.

14 Q And PG&E already has Diablo Canyon
15 to worry about; right?

16 A For that rate cycle. But then that
17 would presumably no longer --

18 Q So that's \$800 million.

19 ALJ LIRAG: Let's try not to talk over
20 each other.

21 All right. Continue.

22 THE WITNESS: I believe Mr. Patterson
23 provided those numbers in response to a data
24 request. So I can dig through these
25 documents if you would like.

26 BY MR. BUCHSBAUM:

27 Q And then you also want to have the
28 habitat also finance with short-term debt;

1 right? The HCP?

2 A Yes.

3 Q So do you know how much -- after
4 PG&E exits bankruptcy, do you know how much
5 we could issue in short-term debt without
6 impacting our credit rating?

7 A Mr. Buchsbaum, I've already
8 explained that would require me to speculate
9 on organization and the condition of the
10 financial market.

11 Q That's fine. I am sorry.

12 ALJ LIRAG: So that's Mr. Lambert's
13 response to questions of that type.

14 MR. BUCHSBAUM: Yes.

15 Q And you probably -- I'm going to
16 run through them quickly. But do you know
17 how much banks put a limit on how much
18 short-term debt PG&E can issue?

19 MS. SHEK: Your Honor, these are
20 questions that specifically Mr. Lambert is
21 not able to speculate on. There's no reason
22 to have this in the record. A question that
23 can't be answered.

24 MR. BUCHSBAUM: Well, it's important to
25 -- it's important for the record then to
26 indicate and then our last hearing on this
27 subject that the witness is not a financial
28 expert. And if --

1 MS. SHEK: Your Honor, that's not
2 what's at question. What's at question is
3 what Mr. Buchsbaum's asking Mr. Lambert to
4 speculate on.

5 MR. BUCHSBAUM: Well, I'm not --

6 MS. SHEK: He is a financial expert for
7 the Public Advocates Office.

8 MR. BUCHSBAUM: So I'll say that the
9 banks put a limit on how much short-term debt
10 any issuer can issue.

11 MS. SHEK: I'm sorry. Is that a
12 question?

13 MR. BUCHSBAUM: Yes.

14 MS. SHEK: Or is it a statement?

15 BY MR. BUCHSBAUM:

16 Q Do the banks put a limit on how
17 much any corporation could issue in
18 short-term debt? Do they put limits on it?

19 A Let me refer you, Mr. Buchsbaum, to
20 Exhibit 239, page 2, which is Page No. 3,
21 answer No. 5:

22 PG&E's credit qualities
23 constrained by the
24 circumstances of PG&E's
25 Chapter 11 case.

26 What I would like to point out is
27 that PG&E's debtor-in-possession financing
28 required the collateralization of

1 substantially all of PG&E's assets to use
2 PG&E's phrase for the matter.

3 So what I could suggest is that it
4 is likely that whatever terms the banks may
5 have, look more favorable upon exit from
6 bankruptcy likely due to the resolution of
7 the debtor-in-possession financing by any
8 plan of reorganization.

9 Q Do you know if under the equity
10 maintenance condition that short-term debt is
11 permanent whether PG&E would have to issue
12 additional equity?

13 A I think actually that issue is
14 currently in front of the Commission in the
15 consolidated waiver application of PG&E and
16 Edison because there is an outstanding
17 question of does the equity maintenance
18 condition through that specific affiliate
19 transaction rule apply on a spot basis or in
20 reference to a 36 rolling -- 36 month rolling
21 average. And I also referenced that in the
22 affiliation transaction rule.

23 Q Yeah. I don't know whether that
24 really answers the question of whether the
25 cost of capital proceeding considers
26 short-term debt at all for purposes of the
27 equity ratio?

28 A I am sorry. I'm confused. I think

1 those were different questions. Which
2 question should I answer?

3 Q That one -- that question -- can
4 somebody reread the first question. Somehow
5 or another I don't think I got the answer.

6 ALJ LIRAG: Let's go off the record.
7 (Off the record.)]

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

10 While we were off the record the
11 reporter reread the question, and Mr.
12 Buchsbaum affirmed that that was the
13 question.

14 So do you have an answer for that,
15 Mr. Lambert? We are not going to repeat the
16 question, since it was already stated in the
17 record. But you heard it off the record.

18 THE WITNESS: Maybe I'll just clarify.
19 I'll just clarify my answer, which is that
20 the issue is pending before the Commission in
21 those consolidated waiver applications. And
22 I have not taken any position, Public
23 Advocates Office has no position.

24 ALJ LIRAG: All right. Thank you.
25 Let's move on.

26 BY MR. BUCHSBAUM:

27 Q So I have a -- do you have any idea
28 what would happen if the company exhausted --

1 MS. SHEK: Your Honor, that is, again,
2 asking Mr. Lambert to speculate.

3 MR. BUCHSBAUM: No, I --

4 ALJ LIRAG: Let's treat it as a
5 hypothetical.

6 MR. BUCHSBAUM: It is a hypothetical.

7 Q Do you have any idea what would
8 happen if the company exhausted its
9 short-term debt capability by financing these
10 items that you are talking about, and then
11 the company experienced some sort of cash
12 flow shock, like what happened in 2008?

13 ALJ LIRAG: Mr. Buchsbaum, we are
14 treating this is a hypothetical.

15 MR. BUCHSBAUM: We are treating --
16 (Crosstalk)

17 BY MR. BUCHSBAUM:

18 Q Consider a situation where PG&E is
19 leveraged itself up with short-term debt, and
20 there was a financial crisis. At that point
21 PG&E, and everybody else, couldn't refinance
22 short-term debt, you know, at that point.
23 Well, PG&E would have used up its credit
24 lines, so it couldn't issue short-term debt.
25 What would be the consequences to PG&E and
26 its customers under that circumstance?

27 ALJ LIRAG: Mr. Lambert, your answer
28 will be limited to that hypothetical, and

1 then there are also terms there that need
2 further explanation.

3 MR. BUCHSBAUM: Maybe I should be
4 shorter.

5 ALJ LIRAG: There is a lot of -- let's
6 have you repeat the question, Mr. Buchsbaum,
7 and then understand that this is a
8 hypothetical.

9 BY MR. BUCHSBAUM:

10 Q So suppose PG&E did what you are
11 suggesting, and levered up with short-term
12 debt and we hit another financial crisis.
13 And PG&E had exhausted its lines at that
14 point, because it has been using short-term
15 lines for this purpose. What kind of impacts
16 would that have on customers and PG&E's
17 operations?

18 A Mr. Buchsbaum, where -- are we
19 still talking about the emissions allowances?

20 Q We are. We are talking about the
21 emissions allowances and short-term debt
22 being excessive, used for what PG&E perceives
23 to be a long-term purpose. And so we
24 basically --

25 MS. SHEK: Objection, your Honor. Mr.
26 Buchsbaum is mischaracterizing the term
27 excessively using short-term debt. That is a
28 characterization made by Mr. Buchsbaum. That

1 is not in Mr. Lambert's testimony. He is
2 recommending short-term debt.

3 ALJ LIRAG: So I think there is some
4 confusion, Mr. Buchsbaum. I'm allowing the
5 question as a hypothetical. But I think you
6 are referring to PG&E's actual situation, and
7 you are representing that that is the
8 situation right now.

9 MR. BUCHSBAUM: I'm representing in the
10 future PG&E does what Cal Advocates is saying
11 to do, uses short-term debt to finance
12 nuclear fuel and the emission allowances.
13 And then you hit a financial crisis, what
14 could be the implications for PG&E's
15 customers.

16 ALJ LIRAG: If it is not a
17 hypothetical, I'm going to uphold Ms. Shek's
18 objection that it calls for a speculation.
19 Because there is several terms there that
20 need further definition, such as what
21 conditions, and what do you mean by no
22 short-term debt available, or overuse, et
23 cetera.

24 MR. BUCHSBAUM: Okay. It is intended
25 as a hypothetical. It is intended to bot --
26 well, I can go back and talk about what is in
27 our testimony, and ask him whether he
28 considered what happened to Ameren.

1 ALJ LIRAG: Let's do that.

2 MR. BUCHSBAUM: Okay.

3 Q Do you know what happened to Ameren
4 during the financial crisis?

5 MS. SHEK: Objection. Mr. Buchsbaum,
6 where do you refer to Ameren in your
7 testimony?

8 MR. BUCHSBAUM: Yes. In our rebuttal,
9 it is on page --

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

11 (Off the record.)

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

14 So the question was, Mr. Lambert, do
15 you know what happened to Ameren. And you
16 were referred to the rebuttal testimony.

17 THE WITNESS: This information was not
18 presented to me at the time that I prepared
19 my testimony. I'm not aware of the details
20 of this case.

21 ALJ LIRAG: So the answer is he read
22 what is on the rebuttal, but he has no
23 personal knowledge regarding what happened to
24 Ameren.

25 BY MR. BUCHSBAUM:

26 Q Well, I guess I'll put it this way,
27 hypothetically. Suppose PG&E had exhausted
28 its short-term lines, and there was a crisis

1 in the sense that PG&E -- that the public
2 markets were in turmoil. What would PG&E do
3 to raise money in those circumstances?

4 A Mr. Buchsbaum, I believe you are
5 misinterpreting my recommendation, which is
6 for ratemaking treatment at the short-term
7 debt rate. If you read my description of the
8 nuclear fuel inventory, and what the
9 Commission had previously said with respect
10 to nuclear fuel about how the company is
11 nonetheless free to finance these inventories
12 as it sees fit. But ratepayers' share of
13 those carrying costs, or financing costs, if
14 you will, for the emissions allowances, would
15 be limited to the short-term debt. It is not
16 a mandate from the Commission that the
17 company must use exclusively some unspecified
18 short-term debt instrument.

19 Q So you are -- so are you saying
20 that PG&E, even though it might be prudent
21 for them to finance these kinds of
22 instruments with a mix of long-term and
23 short-term debt, should nonetheless receive
24 only short-term debt?

25 A I am saying that it may be
26 long-term debt, it may be retained earning
27 equity component, whatever the company sees
28 fit. Ratepayers, under my recommendation,

1 would be limited to reimbursing compensation
2 at the short-term debt rate.

3 Q Let me just be clear. You are not
4 recommending we finance this with short-term
5 debt?

6 A I don't believe I stated that
7 anywhere in my testimony.

8 Q So if you don't know or don't --
9 aren't recommending whether it be short term
10 or long term, and if PG&E's testimony is that
11 this needs long-term financing, do you know
12 what the cost differential is between the
13 two?

14 MS. SHEK: Your Honor, again, Mr.
15 Lambert has answered the question he has only
16 made a ratemaking treatment recommendation of
17 short-term debt. That is where his
18 recommendation lies, nowhere else.

19 ALJ LIRAG: I'll allow the question
20 insofar as it is identifying the difference
21 between short-term and long-term debt.

22 THE WITNESS: Mr. Buchsbaum, I'll refer
23 you in my testimony to some adjustments,
24 which do address this rate differential.

25 May I have a moment off the record,
26 please?

27 ALJ LIRAG: Off the record.

28 (Off the record.)

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

3 THE WITNESS: In Exhibit 235, Mr.
4 Buchsbaum, if you will turn to page 11.

5 BY MR. BUCHSBAUM:

6 Q Hold on. Good. Thank you.

7 A In lines 4 through 7 I explain that
8 as of April 2019 the average three-month
9 nonfinancial commercial paper rate was
10 approximately 2.47 percent. The footnote
11 there represents -- references the source.
12 And I can explain that by "average rate" I
13 meant average daily rate. That rate more
14 recently has dropped into perhaps the
15 1.8 percent range.

16 PG&E's cost of long-term debt at
17 that time, so in advance, not exclusive of
18 the cost of the capital proceeding that is
19 ongoing, was 4.89 percent producing a rate
20 differential in April 2019 of 2.42 percent.

21 Q So let me ask you this question:
22 If it could be proven to you that it is
23 prudent for PG&E to use long-term debt rather
24 than short-term debt --

25 MS. SHEK: Objection, your Honor. How
26 is it going to be proven to Mr. Lambert what
27 Mr. Buchsbaum is trying to point out?

28 MR. BUCHSBAUM: I think the evidence is

1 going to be pretty overwhelming, frankly,
2 that short-term debt is not something that a
3 big company like ours would want to use for a
4 continuing capital commitment. I think the
5 Commission's -- I could cite you numerous
6 decisions on this point.

7 ALJ LIRAG: All right. Let's do this.
8 I believe that argument is better raised in
9 briefs. You are here to question Mr. Lambert
10 based on his recommendations, not to argue
11 about what is prudent for PG&E to do.

12 MR. BUCHSBAUM: That is why I was
13 trying to ask if it could be proven that it
14 was prudent for PG&E to finance these assets
15 with long-term financing.

16 ALJ LIRAG: And the objection was how
17 will it be proven.

18 MS. SHEK: And then --

19 (Crosstalk.)

20 MR. BUCHSBAUM: I'm asking as a
21 hypothetical.

22 ALJ LAU: One at a time.

23 ALJ LIRAG: It doesn't seem like a
24 hypothetical. It seems like an actual issue
25 relating to PG&E.

26 MR. BUCHSBAUM: Hypothetically, it
27 could be proven.

28 MS. SHEK: Mr. Lambert hasn't been able

1 to be proven this point, because he has not
2 made this recommendation that would otherwise
3 have been proven to him.

4 MR. BUCHSBAUM: No. He is recommending
5 short-term debt. He has gone on the record
6 by saying he doesn't know what we should
7 finance it with. I was saying if it was
8 proven to the Commission's satisfaction that
9 PG&E should finance this kind of asset with
10 long-term debt, would he favor something like
11 what happened, what he is proposing in the
12 case of customer deposits.

13 MS. SHEK: When would he ever be forced
14 to admit such a subsequence?

15 ALJ LIRAG: I think you are asking it
16 in the way where he will just have to say
17 yes. But then the objection is, again, on
18 how will it be proven to Mr. Lambert.

19 MR. BUCHSBAUM: I mean --

20 MS. SHEK: If PG&E makes this point in
21 the proceeding, Mr. Lambert is not going to
22 be able to admit to this fact.

23 ALJ LIRAG: Right. So we are doing
24 factual, mostly factual, questions. I
25 believe that is a legal question, and a legal
26 argument is better made in briefs.

27 MR. BUCHSBAUM: Okay.

28 ALJ LIRAG: We are not depriving you of

1 the opportunity of arguing that point.

2 MR. BUCHSBAUM: Thank you, your Honor.
3 I appreciate that. I appreciate that.

4 ALJ LIRAG: No worries.

5 BY MR. BUCHSBAUM:

6 Q Let's go to that cross exhibit
7 table.

8 MS. SHEK: What exhibit number, Mr.
9 Buchsbaum?

10 MR. BUCHSBAUM: This is Exhibit 340.

11 MS. SHEK: 240?

12 MR. BUCHSBAUM: 340.

13 ALJ LAU: 240, I believe.

14 MR. BUCHSBAUM: Is it 240?

15 ALJ LAU: Yes.

16 MR. BUCHSBAUM: I'm sorry.

17 Q I think some of this I might have
18 asked you before. If I did, I apologize, and
19 say you already answered it.

20 On the customer liability issue,
21 customer deposits, the utilities argued that
22 these deposits were short term, because they
23 needed to be returned to customers every
24 year. And yet as you can see from the boxes,
25 I think you don't disagree that long-term
26 financing benefits were conferred on the
27 ratepayers with respect to SCE and PG&E but
28 not with respect to Sempra; is that correct?

1 A Are you referring to the Decision
2 19-09-051?

3 Q Correct.

4 A I believe that is correct.

5 Q And do you have any objection that
6 the check in the box that shows that SCE
7 received a rate base reduction, whereas PG&E
8 was treated as conferring the benefit of a
9 long-term debt?

10 A Mr. Buchsbaum, would you just
11 confirm this column Long-Term Financing
12 before --

13 Q So, thank you. Good question. By
14 "Long-Term Financing" I mean financed either
15 with long-term debt or a combination of debt
16 and equity.

17 A What maturity for debt constitutes
18 long term?

19 Q So it would be at the embedded cost
20 of capital in the case of PG&E's -- in the
21 case -- well, long-term debt in this column
22 means what was decided in the 2014 GRC, which
23 would be the difference between the embedded
24 cost of debt, right, and the short-term
25 interest rate. Exactly what you did in your
26 testimony.

27 A I'm still just a little confused.
28 I want to make sure that I understand what

1 you are thinking of when you created this
2 chart that differentiates long-term financing
3 from short-term financing. For purposes of
4 debt instruments, where is the maturity of
5 the debt that differentiates short term from
6 long term.

7 Q So short-term debt means the
8 commercial paper rate. And I think that is
9 used in balancing accounts. It is the three
10 month, if I have that right. So the right
11 column would mean short-term debt, meaning
12 commercial paper rate, three months; the
13 left-hand column means long-term financing,
14 which could be either embedded cost of debt
15 or embedded cost of debt and equity. You
16 know, the normal return, rate base reduction
17 or rate base increase, as the case may be.

18 A What was the question?

19 Q You asked me --

20 A Yes.

21 Q What I was meaning --

22 (Crosstalk.)

23 BY MR. BUCHSBAUM:

24 Q So let's go through the Long-Term
25 Financing column. You see working cash? You
26 probably have no disputes it is a working
27 cash adjustment, it would impact rate base?

28 A Correct.

1 Q And the same goes for CWIP and
2 AFDC, that has been litigated, and that goes
3 long term?

4 A In general, yes.

5 Q The habitat conservation plan, I
6 put a check, but a question mark, because you
7 are litigating that now, and you don't agree
8 with the 2014 GRC, correct? As you think
9 that is a -- you think that should also be
10 financed with short-term debt?

11 A Mr. Buchsbaum, I'll refer you to
12 pages 24 and 25 in my testimony. The crux of
13 my recommendation or objection for PG&E's
14 proposal is to include the habitat
15 conservation plan expenditures and its
16 operational costs.

17 As you can see, in my testimony
18 here I walk through our efforts to understand
19 what were these expenditures, what was the
20 nature, what are the controls, how does this
21 plan benefit ratepayers and how the company
22 can ensure that. There was no substantive
23 testimony that we were able to find outside
24 of the working cash, except for two short
25 paragraphs referenced on page 24 at line 12,
26 as compared to the test year 2014 case, which
27 we explain, I explain in testimony on page 25
28 at lines 21 to 22. At that time the forecast

1 was 1.588 million, and now we have a much
2 more substantial forecast from the company of
3 approximately 60 million.

4 Q So let's put aside. You've made
5 the point here that it is not used and
6 useful; is that correct?

7 A Yes. But I want to point out that
8 the reasoning behind my recommendation really
9 has to do with the showing of the company,
10 and the showing had substantially improved.
11 I'm not sure I would have made the same
12 recommendation.

13 Q As the short-term debt?

14 A That is correct.

15 Q So let me ask you this: If PG&E
16 were to agree to put this in construction
17 work in progress, whereby it would not be
18 tested for prudence until the property was
19 actually moved into service, would you be
20 willing to then withdraw this objection,
21 because ratepayers wouldn't be paying
22 anything for it?

23 MS. SHEK: Your Honor, objection. This
24 program is not requested under CWIP.

25 ALJ LIRAG: The habitat?

26 MS. SHEK: Right. It is not requested
27 under CWIP. Mr. --

28 MR. BUCHSBAUM: I -- I --

1 MS. SHEK: -- Buchsbaum provided
2 testimony regarding this request made under
3 other requests and other requirements.

4 ALJ LIRAG: I believe Mr. Buchsbaum was
5 trying to get to the point about clarifying
6 what Mr. Lambert's position on it was.

7 MR. BUCHSBAUM: We also, your Honor,
8 from our standpoint, if there is a prudency
9 problem, and the Commission would, as an
10 alternative, want to treat this similar to
11 other construction work in progress, that
12 that could be a solution to this problem.
13 Because our main issue, obviously, is we
14 don't want to finance this with short-term
15 debt.

16 ALJ LIRAG: Correct.

17 BY MR. BUCHSBAUM:

18 Q Isn't it true that construction
19 work in progress is one vehicle used to
20 compensate the investors for the period
21 before property goes in service?

22 A Yes.

23 Q And isn't it true that in this case
24 the property that you are concerned about has
25 not yet gone in service?

26 A That is correct.

27 Q So if the issue isn't a financing
28 issue, but it is a prudency issue, shouldn't

1 it be acceptable to Cal Advocates to move
2 this into the construction work in progress?

3 A No. And I'll reiterate that this
4 is the question of the showing of the company
5 in this case. So if the proposal had then to
6 include these amounts in CWIP, we probably
7 would have done additional, or different,
8 analysis. One of the claims from PG&E
9 regarding these expenditures is that they
10 would reduce cost to ratepayers. But in the
11 showing that I've seen, I don't have enough
12 information to ascertain whether that is
13 correct or not.

14 Q Maybe I forgot, but I thought for
15 sure you also made this financing argument
16 with respect to HCP. In fact, if you turn to
17 page 26 of your testimony, these HCP
18 development costs do not meet the threshold,
19 which is meant to -- you know, permanently
20 committed to its business?

21 A I think you are misinterpreting. I
22 would like you to continue reading that same
23 paragraph. It explains that the issue is
24 that PG&E has proposed double recovery of
25 these expenditures, because they will be
26 booked to plant. So they will receive a full
27 rate of return from their booking to plant.

28 Q So you don't intend this to apply?

1 Maybe I misread it. So are you saying
2 that -- your objection that the monies that
3 are going to be advanced for a long period of
4 time and banked, but the land will not be
5 actually used to get a permit, are you saying
6 that you don't think -- you are not trying to
7 apply short-term financing to that --

8 A I am applying --
9 (Crosstalk.)

10 ALJ LAU: One at a time.

11 THE WITNESS: Please finish.

12 BY MR. BUCHSBAUM:

13 Q Sorry, go ahead.

14 A I'm applying in my recommendation
15 short-term debt to those exact costs as a
16 policy consideration for the fact that this
17 program, as I explained in my testimony
18 beginning on page 25, was indeed authorized
19 to insignificant level of funding, but that
20 in this particular rate case the company's
21 showing is very minimal. There was only
22 serious discussion of these expenditures in
23 the working cash testimony. As the working
24 cash witness, I am not examining every
25 substantive area of electric distribution or
26 generation or gas distribution. And that is
27 really where the company should be making
28 meaningful, substantive testimony in support

1 of expenditures of such a magnitude.

2 Q So this isn't a financing
3 recommendation at all?

4 A No.

5 Q I missed that. Okay.

6 ALJ LIRAG: Let's pause for a second.

7 Can we do a time check, Mr.

8 Buchsbaum?

9 MR. BUCHSBAUM: I don't know.

10 ALJ LIRAG: Let's try it differently.

11 Ms. Shek, is Mr. Lambert available
12 tomorrow or another day that we have left?

13 MS. SHEK: Are we off the record?

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

15 (Off the record.)

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

18 Why don't we take a short break
19 until 3:18 on that clock. So off the record.

20 (Recess.)]

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

23 We're back from our afternoon break.
24 Let's continue with the cross by
25 Mr. Buchsbaum. Was there a decision on
26 whether to try to finish this today.

27 MR. BUCHSBAUM: We're going to try to
28 finish.

1 ALJ LIRAG: All right. Let's go.

2 BY MR. BUCHSBAUM:

3 Q So can you turn to page 7, lines 12
4 to 13 of your testimony? I'm sorry. Lines
5 12 to 13 on page 7 of your testimony. Are
6 you with me?

7 A I am sorry. Would you repeat those
8 line numbers?

9 Q Lines 12 to 13.

10 A Yes, I'm there.

11 Q And there you say, "Compliance
12 instrument inventories have similar
13 characteristics."

14 And then you say, "Compliance
15 instruments are fungible commodities." Do
16 you see that?

17 A Yes.

18 Q And above that some of the
19 compliance instruments have -- inventories
20 have similar characteristics you talk about
21 fuel oil inventory being risk free. Do you
22 see that?

23 A Yes.

24 Q And these same cases involve
25 nuclear fuel also; correct?

26 A Yes.

27 Q And are you aware that
28 notwithstanding the fact that the Commission

1 said the nuclear fuel inventory was risk free
2 because it was recovered in a balancing
3 account, that SCE just agreed to write off
4 nearly \$200 million?

5 MS. SHEK: Your Honor, does
6 Mr. Buchsbaum have a reference to --

7 MR. BUCHSBAUM: Yes.

8 MS. SHEK: -- Commission decisions?

9 BY MR. BUCHSBAUM:

10 Q I will refer you to the authorities
11 binder, and -- I am sorry. Bate 404. Just
12 one second. So Bate 404. And if you could
13 refer to Bate 407 at the bottom and 408. Are
14 you with me?

15 A Yes.

16 Q It says:

17 After the utility -- after
18 the cessation date, the
19 utilities will not seek
20 recovery for any and all
21 costs related to the NFL
22 (sic).

23 Do you see that? NFI. NFI. And do
24 you see that the balance of that amount on --

25 A I am sorry, Mr. Buchsbaum. Which
26 page again?

27 Q Page 21.

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

1 (Off the record.)

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

4 BY MR. BUCHSBAUM:

5 Q So do you see at the top of
6 page 407, Bate 407:

7 Utilities under the 2018
8 settlement agreement will
9 retain all proceeds from
10 the sale of nuclear fuel.
11 Utilities would not recover
12 Nuclear Fuel Investment,
13 NFI, rates after the
14 cessation date.

15 Do you see that?

16 A Yes, I see that.

17 Q Is that consistent with an asset
18 that has no risk?

19 A Mr. Buchsbaum, we're talking about
20 a settlement here, and I think this is just
21 an excerpt. So in light of the treatment of
22 this settlement is sort of a black box. I
23 don't really have the full body in front of
24 me. And particularly given the circumstances
25 of the SONGS case, I can't comment on that
26 specific question.

27 Q Okay. So you take the position
28 that because something is collected in

1 balancing account, that it's no risk?

2 A If we're still talking about SONGS,
3 Mr. Buchsbaum, I think these specific types
4 of risk that manifested in this case are
5 substantially different from the risk that
6 I'm referring to. And that would generally
7 be considered reasonable for compensation
8 from ratepayers.

9 Q Okay. Can you turn to lines 12 to
10 13 of your testimony where you say,
11 "Compliance instruments are fungible
12 commodities"?

13 ALJ LIRAG: Do you have the page
14 number?

15 MR. BUCHSBAUM: Page 7.

16 THE WITNESS: I'm there.

17 BY MR. BUCHSBAUM:

18 Q What -- you know, what are you
19 saying is a commodity?

20 A These are tradeable goods for maybe
21 want of a better word because it's not a
22 physical good. But certainly within the
23 three-year compliance period or year-to-year,
24 those commodities are certainly identical to
25 each other; tradeable on the secondary market
26 for example.

27 Q Are you trying to say their similar
28 to fuel oil?

1 A I would say that this
2 characteristic of compliance instruments is
3 similar to the same characteristics of fuel
4 oil.

5 Q Can these emission allowances be
6 used outside of California?

7 A Well, there are non-California
8 entities who have participated in Cap and
9 Trade.

10 Q That wasn't my question. Can these
11 emission allowances be used outside of
12 California?

13 A If you were in one of those
14 jurisdictions you could use --

15 Q Which jurisdictions?

16 A Quebec participates.

17 Q Who does?

18 A Quebec. It's a province in Canada.
19 And for some time Ontario did previously
20 participate.

21 Q But you don't know of any others
22 that they use?

23 A There are --

24 Q Can they be used in Texas?

25 MS. SHEK: Your Honor --

26 (Cross talk.)

27 ALJ LIRAG: Let's have -- please allow
28 Mr. Lambert to answer the question before you

1 jump into the next one. All right. Quebec,
2 Ontario, and he's asking if there are other
3 entities that you know.

4 THE WITNESS: There other are states
5 that have considered or given indications of
6 consideration joining the Cap and Trade
7 Program. But Texas is not one of them.

8 BY MR. BUCHSBAUM:

9 Q What if the regulatory framework
10 that was in place -- that is in place got
11 changed?

12 MS. SHEK: Your Honor, Mr. Buchsbaum
13 again is asking a speculative question.

14 MR. BUCHSBAUM: No. Because he said --
15 he said there's no risk associated with this.

16 ALJ LIRAG: All right. It's a little
17 vague. Can you be a little more specific
18 with the change?

19 BY MR. BUCHSBAUM:

20 Q Okay. Suppose the regulators
21 decided that this was hurting the California
22 economy and they decided to issue more
23 allowances. What would that do to the price
24 of the allowance?

25 A Mr. Buchsbaum, that's not how the
26 reserve amounts of allowances would be
27 issued. And if a trigger threshold is
28 reached, more allowances would be issued.

1 But it's not on a, sort of, ad hoc regulatory
2 discussion kind of schedule.

3 Q Well, your testimony showed that
4 there was a schedule to make the emission
5 allowances more restrictive going forward;
6 correct?

7 A Yes.

8 Q And what if California -- and that
9 caused the price to go up?

10 A Yes.

11 Q What if California reversed course
12 and decided to make the emission allowances
13 less restrictive? Wouldn't that lower the
14 price?

15 A The Cap and Trade Program already
16 includes terms to make the program less as
17 you say restrictive.

18 Q I said -- you said that the number
19 of emission allowances was going to be
20 reduced. That would in turn drive up the
21 price?

22 A Yes. That statement is inclusive
23 of the current cap and trade structure, which
24 does allow for the issuance of reserve
25 allowances.

26 Q And I'm saying if the structure
27 changed such that they relaxed the standards
28 so that wouldn't the price go down?

1 A Mr. Buchsbaum, I'm not aware of any
2 legislative prerogative to alter the Cap and
3 Trade System in such a way that would affect
4 this change.

5 Q Okay. You also used the word
6 "fungible." What do you mean by that?

7 A If I was to acquire or procure two
8 2017 compliance instruments that are
9 functionally identical to each other.

10 Q Do you know if the California Air
11 Resources Board would permit PG&E to fully
12 transfer those allowances?

13 A There would be -- I believe there's
14 certain limitations on transfers.

15 Q And what about the CPUC? What if
16 -- are we required to have a certain amount
17 of allowances on hand by the CPUC?

18 A With the caveat that I'm not a GHG
19 witness, I'm actually not sure about the
20 answer to that question.

21 Q Okay. Would -- do you believe that
22 emission allowances are the same in terms of
23 being favored by California policy as fuel,
24 oil, and coal and even nuclear when the
25 Commission determined that those weren't in
26 short-term debt.

27 MS. SHEK: Objection, your Honor.
28 Mr. Buchsbaum is asking Mr. Lambert to

1 speculate on the intent of California
2 legislature.

3 MR. BUCHSBAUM: I'll withdraw the
4 question.

5 ALJ LIRAG: All right. So,
6 Mr. Buchsbaum, I'm going to allow about
7 15 minutes -- five minutes for Ms. Shek to
8 formulate her redirect questions and ten
9 minutes to do redirect. So leaves you with
10 15 minutes for today.

11 MR. BUCHSBAUM: Okay. I'm going to
12 finish up.

13 ALJ LIRAG: Again, you are welcome to
14 continue tomorrow if that is your choice.

15 MR. BUCHSBAUM: I don't think so.

16 ALJ LIRAG: Let's go off the record.
17 (Off the record.)

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

20 Mr. Buchsbaum, you have no more
21 questions?

22 (No response.)

23 ALJ LIRAG: Ms. Shek, do you need time?

24 MS. SHEK: Yes, your Honor. Can I have
25 some time?

26 ALJ LIRAG: Let's take a break until
27 3:35. If you need more time, then let me
28 know.

1 Let's go off the record.

2 (Off the record.)

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

5 Ms. Shek, any redirect?

6 MS. SHEK: No, your Honor. Thank you.

7 ALJ LIRAG: That means no recross.

8 All right. Any questions, ALJ Lau?

9 ALJ LAU: No.

10 ALJ LIRAG: Let's take up the exhibits.

11 Ms. Shek, is there a move to admit
12 Exhibits 235 and 236 into the record?

13 MS. SHEK: Yes, your Honor.

14 ALJ LIRAG: Any objections?

15 MR. BUCHSBAUM: No.

16 ALJ LIRAG: Hearing none, Exhibits 235
17 and 236 are received into the record.

18 (Exhibit No. 235 was received into
19 evidence.)

20 (Exhibit No. 236 was received into
21 evidence.)

22 ALJ LIRAG: So this is for
23 Mr. Buchsbaum. A move to admit Exhibits 237
24 to 240 into the record?

25 MR. BUCHSBAUM: Yes. We'd like to.

26 ALJ LIRAG: Any objections?

27 (No response.)

28 ALJ LIRAG: Hearing none, Exhibits 237,
238, 239, and 240 are received into the

1 record.

2 (Exhibit No. 237 was received into
evidence.)

3 (Exhibit No. 238 was received into
4 evidence.)

5 (Exhibit No. 239 was received into
evidence.)

6 (Exhibit No. 240 was received into
7 evidence.)

8 ALJ LIRAG: Thank you, Mr. Lambert.

9 You are excused.

10 So that ends today's hearing at
11 least for our schedule today. Tomorrow we'll
12 have cross and direct examination for
13 Mr. Tang -- who is sitting at the back right
14 there -- Mr. Harbor, and Mr. Loy.

15 All right. Thank you, everybody.

16 Ms. Goodson.

17 MS. GOODSON: Thank you, your Honor. I
18 do have a few exhibits that I could
19 distribute and seek to admit into evidence
20 now if the reporter is able to stay and you
21 still have the --

22 ALJ LIRAG: All right. Very quickly.
23 Let's go off the record then.

24 (Off the record.)

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

26 We were about to go on hiatus, but
27 Ms. Goodson recalled everyone including
28 Ms. Shek to hand these exhibits from TURN.

1 So let's identify them right now.

2 First is Exhibit-241. This is The
3 Prepared Testimony of David Garrett.

4 (Exhibit No. 241 was marked for
5 identification.)

6 ALJ LIRAG: Next is Exhibit-242. And
7 this is The Responses to TURN Data
8 Request-105. PG&E's response.

9 (Exhibit No. 242 was marked for
10 identification.)

11 ALJ LIRAG: Next is Exhibit-243, PG&E's
12 Response to TURN's Data Request 106.

13 (Exhibit No. 243 was marked for
14 identification.)

15 ALJ LIRAG: So I guess they're not in
16 order. But anyway. Exhibit-244 is PG&E's
17 Response to TURN Data Request-104, which we
18 should have numbered first. But we'll stick
19 with that order.

20 (Exhibit No. 244 was marked for
21 identification.)

22 ALJ LIRAG: Next is 245. This is an
23 Excerpt From PG&E Premarked Chapter 5 on
24 Fossil and Other Generation Operation Costs.
25 And the excerpt includes excerpts from
26 workpapers. This is for test year -- PG&E's
27 test year 2017 GRC. That is Exhibit-245.

28 ///

1 (Exhibit No. 245 was marked for
2 identification.)

3 ALJ LIRAG: Exhibit-246 is The Prepared
4 Testimonies of Paul Alvarez and Dennis
5 Stevens (sic).

6 (Exhibit No. 246 was marked for
7 identification.)

8 ALJ LIRAG: And finally Exhibit-247 are
9 Attachments to the Testimony of Mr. Alvarez
10 and Mr. Stevens.

11 (Exhibit No. 247 was marked for
12 identification.)

13 ALJ LIRAG: Ms. Goodson, is there a
14 move to admit Exhibits 241 to 247 into the
15 record?

16 MS. GOODSON: Yes, please, your Honor.

17 ALJ LIRAG: Any objections.

18 MS. GANDESBERY: No objection, your
19 Honor.

20 ALJ LIRAG: All right. Hearing none,
21 Exhibits 241 to 247 are received into the
22 record.

23 (Exhibit Nos. 241-247 were received
24 into evidence.)

25 ALJ LIRAG: Thank you.

26 MS. GOODSON: Thank you.

27 ALJ LIRAG: That concludes today
28 hearing. We'll adjourn until tomorrow at

1 9:30. We'll have the direct and cross of
2 Mr. Tang who is still here. All right.
3 Thank you again.

4 Off the record.

5 (Off the record.)]

6 (Whereupon, at the hour of 3:41 p.m.
7 this matter having been continued to
8 9:30 a.m. October 16, 2019 at
San Francisco, California, the
Commission then adjourned.)

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, ANA M. GONZALEZ, CERTIFIED SHORTHAND REPORTER
NO. 11320, IN AND FOR THE STATE OF CALIFORNIA, DO
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THIS MATTER ON OCTOBER 15, 2019.

I FURTHER CERTIFY THAT I HAVE NO INTEREST IN THE
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EXECUTED THIS OCTOBER 18, 2019.


ANA M. GONZALEZ
CSR NO. 11320

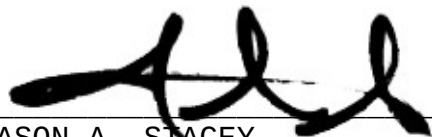
BEFORE THE PUBLIC UTILITIES COMMISSION
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CERTIFICATION OF TRANSCRIPT OF PROCEEDING

I, JASON STACEY, CERTIFIED SHORTHAND REPORTER
NO. 14092, IN AND FOR THE STATE OF CALIFORNIA DO
HEREBY CERTIFY THAT THE PAGES OF THIS TRANSCRIPT
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TRANSCRIPT OF THE TESTIMONY AND PROCEEDINGS HELD IN
THIS MATTER ON OCTOBER 15, 2019.

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

EXECUTED THIS OCTOBER 18, 2019.

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

JASON A. STACEY
CSR NO. 14092

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