

**Question and Answer Session on the Audit of
Pacific Gas and Electric Company
Rule 20A Undergrounding Program**

Summary Notes

I. Call Details

Session held pursuant to CPUC Announcement Dated 01-03-20
Issued in Order Instituting Rulemaking 17-05-010

Date: Monday, January 13, 2020
Time: 2:00 pm, Pacific
Conference Line: (866) 830-4003
Passcode: 986 9619

II. Discussion:

A. Introductions

Participants:	Entity:
Ara Azad, Presenter/Host	AzP Consulting (Consultant to CPUC Energy Division)
Ryan Pfaff	AzP Consulting (Consultant to CPUC Energy Division)
Jonathan Frost	CPUC Energy Division
Danielle Dooley	Public Advocates Office
David Bancroft	San Francisco Coalition to Underground Utilities
Marvin Snow	Berkeley Citizens for Utility Undergrounding
Leigh Kammerich	Rural County Representatives of California
Rob Stewart	Pacific Power
Marc Snyder	San Francisco Coalition to Underground Utilities
Representative from	SDG&E
Carla Shapreau	Berkeley Resident
David Thill	Berkeley Resident
Tamon Norimoto	PG&E
Grant Guerra	PG&E
Bruce Smith	PG&E
Yue-Han Chow	City of San José
Georgina Martinez	Telamon Engineering
Karen Englert	SCE (Southern California Edison)
Tony Mathis	SCE
Godofredo ("Geoff") de Vera	SCE
David Cheng	TURN (The Utility Reform Network)

B. Background of Audit & Purpose of Call

AzP was retained by the California Public Service Commission's ("the Commission" or CPUC) Energy Division ("Commission Staff") to audit PG&E's management of the Rule 20A program for the period 2007 to 2016. PG&E's Rule 20 tariff consists of three primary sections, A, B, and C. Section 20A pertains to the utility power line undergrounding program with costs recoverable in utility rates. This call was focused on addressing questions specific to AzP's analysis, findings, and recommendations related to this particular audit.

Within CPUC's January 3rd, 2020 notice of this question and answer session, Commission Staff had requested that interested parties submit their questions advance of the call. Following receipt of questions, Staff circulated a list of final combined question, containing fifteen that were deemed to be directly related to the purpose of this call.

III. Responses to Questions Submitted in Advance of Call

1. The AzP Audit clearly documents that PG&E underspent funds collected from rate payers for Rule 20 A purposes. Figure II.3.1 shows a variance of \$123 million from 2007 - 2016. How can PG&E be held accountable to direct these funds towards the purposes they were intended, or to return them to rate payers?

Response from AzP Consulting:

As discussed in the Ratemaking Section within AzP's audit report, different states use specific ratemaking mechanisms in their respective jurisdictions. One of these mechanisms, which is utilized in California and of significance to the Rule 20A program are balancing accounts. Two types of balancing accounts are utilized in California, a one-way balancing account and a two-way balancing account.

A one-way balancing account helps ensure that ratepayers are not harmed by a utility not spending its authorized funds on a particular activity. It does this by crediting back to ratepayers, or the balancing account, unspent authorized funds.

A two-way balancing account works in a similar manner as a one-way balancing account if the utility spends less than its authorized level of funding. However, if the utility spends more than its authorized level of funding, the difference is recorded and recovered from ratepayers.

Subsequent to the period under audit (in 2017) the Commission ordered a one-way balancing account for PG&E's Rule 20A Program.

The existence of the balancing account in conjunction with, AzP's recommendations related to accounting and transparency requirements, if implemented, could serve to hold PG&E accountable to direct PG&E's Rule 20A funds towards the purposes intended.

For example, implementation of AzP Recommendation No. 10 (reproduced below for reference), would serve to ensure that the utility has in place a protocol for maintaining documentation for CPUC Staff's review and audit of the Rule 20A Balancing Account at a source document (e.g., invoice) level of detail.

AzP Recommendation No. 10:

PG&E should update its Rule 20A Tariff Application Guide to update it for changes necessitated by the adoption of the Rule 20A Balancing Account. Changes should include a protocol for maintaining documentation for CPUC Staff's review and audit of the Rule 20A Balancing Account at a source document (e.g., invoice) level of detail.

2. What can CPUC do to improve the transparency of Rule 20 A charges and expenditures?

Response from AzP Consulting:

Of the 50 recommendations contained in AzP's report, 18 (partially reproduced below for reference) address issues pertaining to improvement in transparency—to the Commission and to the local agencies.

AzP specifically discussed several of the 18 transparency-related recommendations (those bolded below for ease of reference) and listed the number of each of the 18 for parties interested in reviewing the discussion related to each in greater detail within AzP's audit report.

AzP Recommendation No. 1:

PG&E should be required to support its future GRC filings with well-defined project-level forecasts and the relevant localities should be made aware of the level of expenditures PG&E has forecast for each community, by project in PG&E's proposed forecast Rule 20A expenditures.

AzP Recommendation No. 3:

At the time of each GRC, PG&E should demonstrate how the approved or imputed Commission-adopted portion of the capital expenditures forecast within the approved GRC revenue requirement at the project level for Rule 20A Program reconcile to actual spending since the prior GRC.

AzP Recommendation No. 5:

PG&E should provide detailed support for the activity within the PG&E Rule 20A balancing account with each GRC filing.

AzP Recommendation No. 6:

We recommend that the Commission consider requiring PG&E to utilize a balancing account for all programs that are routinely over- or underfunded.

AzP Recommendation No. 8:

PG&E should provide to the Commission analysis of, and justification for, programs that are routinely over- or underfunded.

AzP Recommendation No. 12:

We recommend that the structure of the Rule 20A program be modified so that rather than all ratepayers paying for this special service, only those who receive the service are charged with its costs.

AzP Recommendation No. 14:

PG&E should either more closely adhere to the tenets of its prioritization model, or more accurately describe the Rule 20A program's level of priority in its GRC filings.

AzP Recommendation No. 23:

We recommend that PG&E provide each agency a complete detailed invoice accounting for all the costs associated with any projects for which the city or county's WCA balance is deducted at project conclusion and in conjunction with the annual letter in the form of year-end activity summary.

AzP Recommendation No. 24:

We recommend that PG&E create a public web portal, updated at least quarterly, through which municipalities can review data regarding project status, work credit balance, and the work credit balances of other PG&E Rule 20A communities.

AzP Recommendation No. 29:

We recommend that PG&E include in its annual Rule 20A reports, tracking and reporting of metrics that measure the progress of Rule 20A conversions.

AzP Recommendation No. 30:

PG&E should implement necessary controls to ensure that key historical project data is both retained and easily accessible electronically.

AzP Recommendation No. 34:

Consistent with AzP Recommendation No. 23 in the Allocations section of this report, PG&E should provide localities with a detailed breakdown of final project costs upon completion of a project.

AzP Recommendation No. 35:

AzP recommends that the Commission consider the appropriateness of PG&E's cost allocation methodology within the Rule 20A Order Instituting Rulemaking (OIR) proceeding and in the context of the Company's GRC, with particular

attention to the impact of the Company's change in accounting related to EM labor costs as they pertain to Rule 20A cost allocations.

AzP Recommendation No. 40:

We recommend that the Commission dismiss PG&E's claims of improvements unless the Company is able to present clear and convincing documentation that supports the necessity and positive impact of steps implemented.

AzP Recommendation No. 43:

AzP recommends that PG&E standardize and document its protocol for communicating the Company's determination of project eligibility to the respective governmental agencies. AzP recommends this protocol include a review of, on an annual or more frequent basis, projects submitted for consideration and deemed eligible, as well as projects underway, for assessment of changing conditions on eligibility. The original eligibility assessment should be formally documented in an "eligibility checklist" further discussed in Recommendation 44 below.

AzP Recommendation No. 45:

AzP recommends that PG&E implement a standard step-by-step dispute resolution process regarding Rule 20A projects and for the Company to make this protocol public by providing a standard dispute resolution form for submission by local agencies, which should include PG&E's and the government agency's completed eligibility checklist.

AzP Recommendation No. 47:

PG&E should enhance its transparency regarding the potential costs of Rule 20A projects. This should include providing accurate and updated information regarding PG&E's historical performance in both its estimating accuracy and operational efficiency in conducting Rule 20A projects.

AzP Recommendation No. 49:

PG&E should utilize conversion cost per mile as a performance metric for projects completed during each year. The year-over-year performance of this metric should be a primary component of the performance evaluation of the Rule 20A program manager.

Improvements in transparency were a major area in which AzP believes improvements in the program are necessary going forward.

Response from Energy Division:

In addition to program management changes, another potential improvement to transparency that is under consideration is inclusion of the Rule 20A program as a separate line item on utility bills; TURN had recommended this in a prior undergrounding proceeding before the Commission.

Additional Response from AzP Consulting:

Enhanced transparency in utility bills is also addressed by AzP in the report.

(Please refer to AzP's Recommendation No. 12 for details.)

3. What enforcement measures are needed to ensure that PG&E does not overcharge for its Rule 20 work, and thereby unjustifiably deplete those funds?

Response from AzP Consulting:

Please refer to responses to questions 1 and 2 (specifically, increased level of reporting requirements in conjunction with the balancing account would serve to monitor PG&E's use of the funds collected for Rule 20A).

4. What enforcement measures are needed to ensure that PG&E does not hoard Rule 20A funds rather than do the approved work in a timely fashion.

Response from AzP Consulting:

Please refer to responses to questions 1 and 2.

5. When does the CPUC expect to make its determinations as to what actions it will take based on the audit report and the suggestions and requests of the parties to the Order Instituting Rulemaking?

Response from Energy Division:

A definitive date has not yet been set. In the context of the Rulemaking proceeding, the Energy Division is currently in the process of determining how to effectuate changes to the program most effectively and is considering the findings of the audit report and anticipated comments from the parties.

6. Will the AzP Audit of PG&E, including redacted confidential sections, be shared with the bankruptcy court concerning the PG&E bankruptcy, and with the Attorney General's office?

Response from Energy Division:

Procedural next steps remain to be determined as they pertain to the communication of the Rule 20A audit report with the bankruptcy court and Attorney General's office.

7. AzP recommended that "the Commission disallow recovery of any forecast Rule 20A program expenditures to the extent PG&E has previously recovered those costs in rates and deferred expenditures." Is there a particular reason that AzP recommends disallowance of future Rule 20A forecasts instead of a credit to ratepayers for past overcollection?

Response from AzP Consulting:

This particular recommendation was prospective. And determination of a credit back would require two specific considerations outside the scope of AzP's audit:

1- Potential implications of retroactive ratemaking prohibition, which would require regulatory policy/legal determination, and

2- Determination of the proper amount of overcollection requires analysis of information that is outside the scope of this audit, specifically due to the focus of AzP's audit directed to the 10-year, 2006 to 2017, period while the of funds collected for the Rule 20A Program date back to the mid-1960s

Does AzP also support a credit to ratepayers for past overcollection?

Response from AzP Consulting:

Yes, we would support a credit to ratepayers to the extent that option is available within the regulatory framework in place in California.

If yes, what amount of credit does AzP recommend– the full \$123 million or another amount?

Response from AzP Consulting:

The amount would have to take into account the net overcollection from program inception to date. The determination of this amount is outside the scope of the AzP audit as the program dates back to the 1960s and AzP's analysis was focused on the 10-year period of 2007-2016.

8. Would AzP agree that PG&E's reduction of the annual work credit allocation to half its original amount, as referenced at pages 79-80 of the Audit Report, did not have the desired effect the CPUC intended to essentially reduce the back log of projects?

Response from AzP Consulting:

AzP agrees that as the Commission expressed in its decision to PG&E's 2017 GRC, the approach to setting work credit allocations and budgets in recent years has not yielded the outcome the Commission intended.

This is expressed in AzP's report on page 91, (reproduced below for reference, with the emphasis added to the underlined statement below) and the Commission statement on page 76 of D.17-05-013. We believe this concern on the Commission's part is one of the primary reasons the CPUC ordered a thorough investigation and development of potential solutions in the form of the audit that is the subject of this call.

“[AzP] recommend[s] that Rule 20A communities' purchasing power (i.e., annual WCAs), be adjusted and set at a rate commensurate with what their citizens are paying (and have paid), rather than be tied to PG&E's internal budget or related to 1990 base allocations, both of which represent imprecise measures for setting this figure. Annual WCAs should be set at an amount equal to that which is authorized to be collected in rates

(See AzP's discussion of imputed adopted amounts for Rule 20A), with an escalation factor to account for the time value of money. For any given year, the amount approved for inclusion in rates, should be limited to that which PG&E has demonstrated historical willingness and ability to provide in services. **The Commission has stated that it believes its approach to setting work credit allocations and budgets in recent GRCs has not been successful, as the outcome has been inconsistent with the Commission's intention and expectation of reducing PG&E's credit backlog.**¹ We understand that the Commission seeks to ensure the Rule 20A projects incorporated in customer rates provide the intended benefits to ratepayers. Accordingly, we recommend the following.

First, perform an objective, third-party cost-benefit analysis of the Rule 20A program that considers the actual (not perceived) net value of the conversion of overhead lines to underground lines based on real historical statistics. While this analysis and determination is not within the scope of this audit, it is imperative that an objective third-party examination assess the costs and benefits (quantifiable impact on safety and reliability, property values, necessity for continued service in light of road construction, etc.) of the conversions in order for all stakeholders to employ an appropriate understanding of the necessity and costs and benefits of the program before proceeding with next actions. Currently, the program's primary purpose appears to be tied to beautification, road widening and road improvements, perceived safety improvement and perceived reliability improvement.² To the extent public perception is gauged in the assessment of "benefits", the public must first be provided with a presentation of sound, objective, non-biased representation of the overhead (OH) conversions' true net costs or net benefits. Second, based on the results of the cost-benefit analysis, the Commission should assess whether the benefits of the Program justify its costs."

9. Did AzP determine if PG&E had a methodology to prioritize which 20A projects were to be scheduled to be budgeted?

If there was a methodology can AzP provide it?

If AzP did not request this information can the CPUC require PG&E to provide its methodology?

Response from AzP Consulting:

In discovery, AzP requested information very similar to that which is the subject of this question specifically, in AzP-001-066 (discovery set 1, question 66) AzP asked PG&E to:

"describe the process by which projects are prioritized for budgeting purposes. Please include in this response how Rule 20A projects are prioritized relative to other Rule

¹ D.17-05-013, p. 76

² GRC 2017 Rule 20A Audit, Case No. A.15-09-001, Response to Discovery, AzP-005-037, Att. 09, slide 9, "Why do we underground?"

20A projects as well as against non-Rule 20A projects.”

PG&E responded by saying that its internal budget for this program’s expenditures is set at the Major Work Category level (which is at a higher level of categorization or less granular than project level), and that other than a review of expected expenditures for pending projects, and an estimate of expenditures for projects that may be proposed during the year, there is not a prioritization of the internal program budget between projects.

10. AzP states the average number of years to complete Rule 20A projects is five to seven years. Audit Report at p. 34.

What is considered the start of the project?

Response from AzP Consulting:

The project length estimate of 5 to 7 years was defined in discovery as “from onset of planning to removal of poles.”³ Projects enter the “planning phase” as soon as a project is initiated through a resolution passed by the Rule 20A community that creates an underground district in the area.⁴

Can AzP define the term “initiated” in regards to project start?

Response from AzP Consulting:

Initiated projects are all projects in which a Rule 20A community has passed a resolution or ordinance that creates an underground district in the area. And, also as part of the project initiation, the community provides some additional information to the project liaison.

See, e.g., Audit Report at pp. 108-117. Does this mean estimating has begun?

Response from AzP Consulting:

(this question refers to AzP’s discussion of “Projects Initiated, But Not Completed”)

A high level cost estimate is made in the planning phase by the Project Liaisons. The use of estimators does not occur until the Design Phase (which is the phase after Planning). An estimate is made in the planning phase of the Rule 20A project life cycle; then the use of estimator personnel takes place later in the design phase of Rule 20A projects.

(additional clarification: in short, ‘yes’, an initial estimate has been made when the project is initiated; however, cost estimates are refined and revised throughout the project’s life cycle using various estimating measures, inputs, and personnel.)

³ Responses to AzP-005-037, Att. 10, page 6

⁴ Response to 001-090

In the same vein, how was AzP able to determine that 53% of PG&E's projects were behind the initially estimated schedule? Audit Report at p. 112.

Response from AzP Consulting:

In discovery, AzP received a list including PG&E's Planned Completion Date and Current Completion Date.⁵ Figure III.2.18 was developed based on the information obtained from this list. Specifically, AzP compared the initial and current planned completion dates. If the current planned completion dates were later than the initial planned completion dates, these projects were noted as being behind schedule. An important point to note is that AzP estimated that the percentages of projects shown as behind schedule in Figure III.2.18 were likely understated because 24% of the projects in the queue did not have either an initial planned completion date or a current planned completion date, so their status could not be calculated. Additionally, several projects did not have work order numbers, even though some of them had been initiated in the 1990s or early 2000s, so these would almost certainly have been behind schedule, and, potentially, inactive (see AzP Recommendation No. 26 for recommendation related to inactive projects).

11. AzP has pointed out that some of the resource and productivity issues was with obtaining easements. PG&E has pointed to cities as the cause of these delays. Audit Report at pp. 52, 138. City X has experienced delays in obtaining easements not due to the City but the lack of resources within PG&E Land Department. Did AzP verify that cities are solely responsible for not obtaining the easements?

Response from AzP Consulting:

It is AzP's understanding that, prior to the revised General Conditions Agreement, PG&E provided easement documents to the relevant Rule 20A community, who then had the responsibility to acquire the signatures.⁶ AzP is not opining in its report that the cities are solely responsible for not obtaining the easements.

AzP noted on page 114 of the audit report that the length of the delays relative to the reasons PG&E provided for the delays appears, in many cases, to be disproportionate. For example, Project Number 74001556 in Madera County had a delay of over six years and the reason given was, "Issues with easement acquisition, such as at cell tower."

PG&E stated in discovery that it does not conduct or retain formal analyses of instances where one or more...possible causes of project delays occurs."

AzP also inquired as to whether PG&E made efforts to improve the impact of easement-related delays. In AzP Finding No. 11, we noted, "[a]nother reason cited by PG&E for underspending⁷ and delays⁸ in the Rule 20A Program were third party administrative issues, such as problems in obtaining easements. Given that PG&E noted

⁵ Response to AzP-005-022, Att. 1

⁶ AzP-005-035, Att. 6, pg. 18

⁷ GRC 2017 Rule 20A Audit, Case No. A.15-09-001, Response to Discovery AzP-001-004

⁸ GRC 2017 Rule 20A Audit, Case No. A.15-09-001, Response to Discovery AzP-002-015

these as being substantial and recurring roadblocks that were causing delays on multimillion-dollar projects, AzP asked PG&E whether the Company considered hiring additional personnel to assist localities with their responsibilities, to which PG&E replied, 'No.'⁹

12. City X agrees with AzP on the adjustment of allocation for the impact of inflation and rising costs. Audit Report at 91. Although EEI used Consumer Price Index (CPI) as the adjustment which is repeated in AzP's analysis, would AzP be comfortable using the Construction Cost Index (CCI) instead when adjusting for inflation?

Response from AzP Consulting:

AzP did not analyze the differences between these two indices in the audit report and is not formally opining on this question based on the analysis contained in the AzP report.

It is AzP's understanding that CCI is calculated utilizing change in price for a specific combination of construction labor, steel, concrete, cement and lumber in various cities within the U.S., including regionally representative cities (including San Francisco and Los Angeles), so it includes geographically representative data and would be appropriate for consideration of infrastructure projects.

13. How did AzP determine which local agencies to survey in their questionnaire? Audit Report pp. 89, 133.

Response from AzP Consulting:

AzP provided the Rule 20A survey through the CPUC liaisons to all local agencies within PG&E's service territory.

14. In Figure III.3.4 at p. 132, AzP provided the breakdown of the Rule 20A team. What was AzP's understanding about the hierarchy of the Rule 20A team?

Response from AzP Consulting:

AzP's understanding of PG&E's Rule 20A team is that the program's core personnel are comprised of one Program Manager, four Program Liaisons, and two Program Analysts, and Project Managers. AzP inquired into the "level and nature of interaction between the Rule 20A Program Manager and the individual project managers in the field." (AzP-001-024) Based on the information provided by PG&E's it is AzP's understanding that the Rule 20A Program Manager checks in regularly with the Project Managers and that detailed portfolio reviews are conducted on a quarterly basis and project risks and mitigations are reviewed monthly. The PG&E Rule 20A Program Manager is either a reviewer or approver on the various documents that require approval including the business case. The Rule 20A Program Manager and Project Managers interact closely regarding projects that may have challenges until challenges are resolved.

⁹ GRC 2017 Rule 20A Audit, Case No. A.15-09-001, Response to Discovery AzP-004-011

It is the City's understanding that the Electric and Gas Associate Distribution Engineers/Estimators do not directly report to any of the other 20A team members. Would AzP be able to evaluate if a change in the chain of command within the Rule 20A team would create any efficiencies?

Response from AzP Consulting:

This determination would be too speculative based on the information available. As a related consideration, AzP would rather point to the findings and recommendations made with respect to utilization of resources for potential improvement in management of the Rule 20A program

Given that PG&E collected more from its ratepayers on the Rule 20A program during the audit period than it spent on administering the program. PG&E's recurring underspending could potentially have been utilized to address bottlenecks in resource constraints to utilize the funds collected to improve the performance of the program. (See AzP Finding No. 11, audit report, page 51 for further discussion)

15. If the Energy Division is taking questions at this session: has the CPUC determined an approximate timeline for providing comments on the audit?

Response from Energy Division:

The Energy Division anticipates issuing the Staff proposal for the Rulemaking and the audit at the same time and requesting comments on both. A definitive timeline has not yet been established, pending internal considerations at the CPUC. An update will be provided to the parties once additional information is available.

IV. Additional Questions, Comments, and Discussions

Question from Marvin Snow (Berkeley Citizens for Utility Undergrounding):

Mr. Snow inquired as to whether additional responses would be provided to questions from the parties that were not included in the 15 that comprised the final list of questions circulated to the parties and addressed during this session. Specifically, what will be the form of responses to outstanding questions?

Response from AzP Consulting:

It is AzP's understanding that, in an effort to keep this question and answer session focused most closely on the analysis performed in the course of AzP's audit and the resulting findings and recommendations, to the extent questions were submitted in advance of the call but not deemed directly related to the intended content of this session's discussion, the Energy Division has notified the parties that those questions have been received and the CPUC Staff will be directly responding to the individuals or parties who submitted those inquiries.

Comments from Marvin Snow (Berkeley Citizens for Utility Undergrounding):

Mr. Snow indicated that this is consistent with the response provided by the Energy Division and requested clarification on the following two observations related to AzP Exhibit Q.

1- The column titled "Project Completion Year" appears mislabeled.

2- The content on line 165 in AzP Exhibit Q is believed by Mr. Snow to yield an incorrect calculation of approximately \$9.5 million due to the input of 0.54 miles [of overhead line converted to underground] being inaccurate.

Mr. Snow expressed concerns that an overstatement in costs per mile of conversion can serve as disincentives to undertake undergrounding projects.

Response from AzP Consulting:

1- AzP confirmed that Mr. Snow's observation is correct, and that this column's content was inadvertently duplicated from the adjacent column, which is the project's order number.

2- AzP indicated that the data points utilized for this calculation, including the 0.54 miles were obtained from information provided by PG&E and have been calculated by AzP consistent with the data provided.

(Specifically, AzP utilized data provided in response to discovery, AzP-001-092, Attachment 1 and response to the Master Data Request in the Rule 20 OIR, R.17-05-010, "Detailed Project Information" tab)

Comment from Marvin Snow (Berkeley Citizens for Utility Undergrounding):

Mr. Snow expressed concerns regarding delays with Berkeley, CA, utility undergrounding district (UUD) 48, established in 1992, which Mr. Snow recounted as having encountered delays due to incorrect accounting of work credit allocations that were understated in earlier years, and subsequent delays related to obtaining right of way and resolving retaining wall issues, which have further caused delays to contract that were anticipated to be awarded in 2017, delayed to 2018, 2019, and currently to 2022. Mr. Snow further expressed concerns regarding increases in project costs.

Response from AzP Consulting:

AzP thanked Mr. Snow for his comments and reiterated that to the extent the parties' comments or questions related to the PG&E Rule 20A Program extend beyond the scope of AzP's audit, they are anticipated to be addressed by the Energy Division outside this question and answer session.

Question from David Bancroft (San Francisco Coalition to Underground Utilities):

Mr. Bancroft requested clarification regarding AzP's response to Question No. 3 regarding enforcement measures for ensuring that PG&E does not overcharge for its Rule 20A work and to ensure the utility is conducting the program in an economically efficient manner.

Response from AzP Consulting:

Within the regulatory context, specifically the GRC process in place, within which the utility is required to support its requested revenue requirement, a balancing account could partly address accountability in the program. AzP makes a number of recommendations that go beyond what a balancing account alone can accomplish in this regard for providing additional comfort over the reasonableness of the expenditures recorded for the program.

AzP believes that additional accountability measures required would include increased level of detail necessary to support the expenditures accounted in the balancing account. Many of the related recommendations are those noted earlier in response to questions 1 and 2 with respect to accounting transparency.

Comment from David Bancroft (San Francisco Coalition to Underground Utilities):

Mr. Bancroft expressed concerns regarding PG&E's high undergrounding costs and expressed concerns that measures in place are not adequate to ensure program funds are not unreasonably depleted, expressing that the measures in place are not adequate to provide comfort that PG&E will be held accountable to perform reasonably with respect to costs incurred for the Rule 20A Program.

Response from AzP Consulting:

AzP acknowledged concern over enforcement/assurance of accountability in the program and noted that it would require tangible financial consequences being imposed both internally (within PG&E) and externally (from the CPUC) to hold the utility accountable. AzP pointed to measures such as AzP Recommendation No. 49, that would use metrics such as conversion cost per mile for undergrounding in PG&E's evaluation of the program as well as personnel performance reviews.

Comment from Marvin Snow (Berkeley Citizens for Utility Undergrounding):

Mr. Snow echoed Mr. Bancroft's concerns that the measures currently in place are inadequate to ensure reasonableness in PG&E's costs for the Rule 20A Program and urged the Commission to implement more stringent requirements.

Response from Energy Division:

The Energy Division noted the parties' point was heard and will be considered by Staff in the evaluations in the context of the Rulemaking.

Response from AzP Consulting:

AzP also pointed to AzP Recommendation No. 5, where AzP recommends that PG&E provide detailed support for the activity within the PG&E Rule 20A balancing account with each GRC filing.

AzP also pointed to AzP Recommendation No. 47, where AzP recommends calculation

of specific metrics for PG&E's estimating accuracy and operational efficiency be developed and be provided to both the local agencies as well as the Commission to serve as a basis for consideration in the rate-setting process, providing a means for the Commission to scrutinize the validity and reasonableness of the forecasts presented by PG&E for recovery of expenditures in rates for costs related to the Rule 20A Program.

Question from Yue-Han Chow (City of San José):

Ms. Chow followed up on Mr. Snow's earlier inquiry and requested clarification as to the procedure for submitting agency-specific questions and observations related to figures quoted in the report and its exhibits that differ from an agency's records.

Response from Energy Division:

Energy Division indicated that there will be an official comment period, but questions are also welcome via email to Commission Staff at this time. If necessary for inclusion on the record for this proceeding, parties may also submit their comments during the designated period.

Additional Inquiry (Call Participant not Identified):

There was an inquiry as to whether the Energy Division deems the process of AzP's audit complete at this time or if Staff envisions requesting additional analysis from AzP following receipt of comments.

Response from Energy Division:

AzP has completed its analysis and production of the audit report. No follow-up analysis is anticipated at this time for AzP as procedural next steps are anticipated to be conducted in the context of the Rulemaking. If Staff and AzP determine changes to the report are deemed necessary, Staff and AzP will determine next steps accordingly.

V. Next steps

- A.** Parties with additional inquiries or individual questions regarding agency-specific content contained in the AzP audit report may submit questions to Jonathan Frost (jonathan.frost@cpuc.ca.gov) at the CPUC Energy Division.
- B.** Parties will have an opportunity to submit formal comments related to the AzP report and Staff's proposal, with notification of timing and protocol detail to be provided once available.
- C.** Next steps regarding policy issues related to PG&E Rule 20A will be addressed in the context of OIR 17-05-010.