PACIFIC GAS AND ELECTRIC COMPANY
10 Year Electrical Undergrounding Plan (EUP)
Data Response

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QUESTION 001

Given that the avoided vegetation management (VM) costs cited in the article are a direct result of the Electric Undergrounding Program (EUP), which is outside the General Rate Case (GRC), but cost recovery for VM is authorized through the GRC:

a. How will the VM savings—and operations and management (O&M) savings in general—claimed in the EUP, be reflected as savings in the GRC?
   i. Will VM savings realized through completion of EUP projects be credited as a refund in the Vegetation Management Balancing Account, or via some other mechanism? Please explain your answer.
   ii. How will non-VM savings be reflected in the 2027-2030 GRC period?
   iii. How will non-VM savings be reflected in future GRC periods?

b. Please provide each Major Activity Type (MAT) code in which savings claimed in the EUP will be realized. Will those VM and O&M savings be traceable between the EUP and GRC? In other words, will savings for a given EUP project be identifiable to that project in the GRC? If so, how and at what level of granularity (e.g., project or subproject)?

ANSWER 001

a. The EUP will eliminate the need for certain vegetation management (VM) and overhead operations and maintenance (O&M) activities in locations where overhead distribution facilities have been removed and placed underground. As a result, PG&E no longer incurs some costs for the VM and overhead O&M work associated with maintaining those facilities in undergrounded areas.

   These avoided costs can be realized in different ways. In some cases, they are reflected in lower forecasted funding requirements. For example, avoided VM costs attributable to undergrounding are already incorporated into PG&E's 2027 General Rate Case (GRC) request for Routine Patrol (MAT HNA) and Hazard Patrol (MAT IGI). These forecasts assume that, as undergrounding progresses, fewer overhead line miles will require inspection and fewer trees will require vegetation management

work. Because the forecasts reflect a reduced overhead vegetation workload, the resulting 2027 vegetation management request includes the expected avoided cost savings associated with undergrounding. Additional information is provided in the underlying 2027 GRC Vegetation Management workpapers for Routine Patrol and Hazard Patrol. (See A.25-05-009, Exhibit (PG&E-4), WP 8-7 (Table 8-7), WP 8-8 (Table 8-7a) and WP 8-10 (Table 8-9), as corrected by Exhibit (PG&E-30)). Furthermore, these vegetation management costs are subject to the one-way Vegetation Management Balancing Account. To the extent that vegetation management costs are less than forecast, any balance is returned to customers. Future GRC periods will also use updated forecasts that reflect the reduced need for VM and overhead O&M work based on the undergrounding miles achieved.

In other instances, avoided VM or overhead O&M costs may not appear as a direct reduction in recorded expenditures or GRC funding requirements because the costs savings from reduced VM or overhead O&M work are redeployed to address safety and reliability needs elsewhere on the system. For example, VM and O&M organizations may use those resources to perform work in non-undergrounded areas, accelerate planned work, or address emerging priorities. Where avoided work is not reflected in a lower forecast, available funding may be applied to other authorized work, consistent with the applicable balancing account treatment. Decisions regarding whether avoided costs are reflected in reduced funding requests or are reinvested in other work are based on operational, compliance, safety, reliability and budgeting priorities.

i. No separate VMBA refund is presently contemplated for the VM savings already incorporated into the 2027 GRC forecast. The savings are reflected prospectively through a lower forecast of VM work and expense, rather than by first collecting the forecasted cost and subsequently treating the EUP-related avoided cost as a separate refund. That said, should PG&E observe greater savings over the term of the 2027 GRC cycle and the VMBA is underspent, any remaining balance in the VMBA will be credited to ratepayers.

ii. See response to subpart a. above.

iii. See response to subpart a. above.

b. As explained in response to subpart a. above, the avoided work and avoided costs at specific locations that have been undergrounded may not appear as a direct reduction in another work area's expenditures or funding requirements. For VM Routine Patrol (MAT HNA) and VM Hazard Patrol (MAT IGI), our 2027 GRC forecasts already reflect the reduced overhead vegetation workload expected as undergrounding progresses, as shown in the underlying 2027 GRC Vegetation Management workpapers. (See A.25-05-009, Exhibit (PG&E-4), WP 8-8 (Table 8-7a, as corrected by Exhibit (PG&E-30).)

Beyond HNA and IGI, we do not identify additional MATs as reflecting a discrete EUP savings amount because the incremental impact of EUP undergrounding at the individual-MAT level is immaterial at the volume reflected in the 2027 GRC; thus, is not separately forecast or tracked as an EUP-specific savings amount. The grid is dynamic and O&M needs are impacted by more than line miles undergrounded. As our assets age and as load grows and new customers are interconnected, GRC funding needs will grow or shrink to reflect that future state.

Nevertheless, examples of MATs in which undergrounding may result in some avoided overhead work include:

- BFA: Inspections: OH Patrol
- BFB: Inspections: Detailed Ground / OH
- 2AA: Distribution Maintenance Overhead Corrective Capital Corrective Notifications
- KAA: Distribution Maintenance Overhead Corrective Expense Corrective Notifications
- 07D: Distribution Maintenance Pole Replacement Program

Avoided costs from EUP undergrounding that are realized in these other types of work areas will not be directly traceable from individual EUP projects to a GRC forecast. GRC VM and O&M forecasts are volumetric; they reflect forecasted annual work volumes across the system that are not planned at the project level. As we complete more undergrounding, we expect these volumetric forecasts to be affected, but those effects will not be attributable to specific EUP projects. (See A.25-05-009, Exhibit (PG&E-4), WP 8-7 (Table 8-7) and WP 8-10 (Table 8-9), as corrected by Exhibit (PG&E-30), as VM examples.)

Additionally, certain avoided O&M costs are inherently not traceable as recorded costs in PG&E's systems of record because they are counterfactual costs that, by definition, are never incurred. PG&E's accounting systems record actual expenditures incurred, not expenditures that would have occurred under a no-build baseline but were avoided as a result of undergrounding. For example, if undergrounding eliminates an overhead pole, the future cost of replacing that pole represents a legitimate avoided cost relative to the no-build baseline. However, if no corrective notification or replacement work order is subsequently generated for the removed asset, there is no realized transaction in PG&E's accounting systems against which that avoided cost can be traced. Accordingly, while PG&E can track certain instances in which specific planned or identified O&M work is rendered unnecessary by undergrounding, the full amount of avoided O&M attributable to the EUP cannot be measured by tracing recorded expenditures and instead must be estimated relative to the no-build baseline using modeled costs and savings.

PG&E has previously explained this distinction in its response to SPD-37-JointIOU-PhI_DR_CPUC_001, Question 002(b). The response is provided for reference to this response as "*EUP-PhI_DR_CalAdvocates_001-Q001Atch01.pdf*."