

PACIFIC GAS AND ELECTRIC COMPANY
Wildfire Mitigation Plans Discovery 2023
Data Response

PG&E Data Request No.:	CalAdvocates 022-Q004		
PG&E File Name:	WMP-Discovery2023_DR_CalAdvocates 022-Q004		
Request Date:	May 2, 2023	Requester DR No.:	CalAdvocates-PGE-2023WMP-22
Date Sent:	May 5, 2023	Requesting Party:	Public Advocates Office
PG&E Witness:		Requester:	Holly Wehrman

QUESTION 004

Table PG&E-22-11-3 on page 903 of PG&E's WMP states that the cost per circuit mile of covered conductor was \$825,698 in 2022. PG&E's response to data request CalAdvocates-PGE-2023WMP19, question 10 confirms that "There are no additional costs associated with overhead hardening that were excluded from Table 22-11-3."

In response to data request CalAdvocates-PGE-2023WMP-06, question 10, PG&E stated that its actual 2022 expenditures related to covered conductor were \$285,544,000 and that PG&E installed 335 miles. This results in \$851,860 per circuit mile of covered conductor in 2022.

In response to data request CalAdvocates-PGE-2023WMP-09, question 14, PG&E provided a unit cost forecast of \$1.678 million per mile for overhead hardening in 2025.

- a) Please explain the discrepancy in 2022 covered conductor unit costs between PG&E's response to CalAdvocates-PGE-2023WMP-06, question 10 (\$851,860 per circuit mile) and Table PG&E-22-11-3 (\$825,698 per circuit mile).
- b) Why is PG&E's forecast of covered conductor unit cost in 2025 nearly double the actual unit cost in 2022?
- c) Please *state the basis* of your unit cost forecast of \$1.678 million per mile in 2025.
- d) Provide any workpapers or analyses that you used to develop your unit cost forecast of \$1.678 million per mile in 2025.

ANSWER 004

- a) The primary driver for this discrepancy is that in Table PG&E-22-11-3 of the WMP, the unit cost is calculated on 2022 projects using the cost-since-inception methodology to derive the true unit cost. Meaning, the costs for those projects include the whole lifecycle of costs from prior to 2022.

The inferred unit cost calculation in this data request using data from CalAdvocates-PGE-2023WMP-06, question 10, does not give you the true unit cost since there are costs in 2022 that are specific to 2022 miles achieved—primarily close-out costs for 2021 completed projects—and readiness costs (Estimating/Design, Permitting, Materials, etc.) for 2023 and beyond projects. PG&E recommends avoiding calculating unit cost by using financials and units from the same year.

- b) With the reduction in overhead hardening mileage over the WMP period (as compared to prior years), PG&E anticipates an increase in the unit cost of covered conductor installations due to an assumed loss of economies of scale.
- c) PG&E's 2025 forecast for the unit cost of covered conductor in the WMP is aligned with PG&E's forecast in the 2023 GRC. The unit cost forecast from the 2023 GRC is provided in the table excerpt below. The 2025 unit cost forecast specifically reflects an escalation of the unit cost forecasts from 2023 and 2024, noting that the 2025 unit cost forecast is an ~2.96% increase from the 2024 unit cost forecast. So the driver of the 2025 unit cost is the 2023 unit cost which is \$1.56 million per mile.

The 2023 unit cost is based on the 2020 recorded unit costs of approximately \$1.89 million per mile plus certain adjustments.

The 2020 recorded unit costs included approximately \$250,000 to \$300,000 per mile for vegetation clearing. PG&E excluded these vegetation costs from the 2023 unit costs because work planned in future years is likely to occur in areas with much less vegetation. Excluding vegetation clearing reduced the unit costs to approximately \$1.59 million per mile to \$1.64 million per mile. PG&E further reduced the unit costs to address affordability concerns and increased costs to account for inflation.

With these adjustments, the 2023 unit cost for System Hardening OH is \$1.56 million per mile. (In PG&E's initial 2023 GRC filing this figure was \$1.52 million per mile but with the increase in inflation observed during the proceeding it was updated to \$1.56 million in a February 2022 update to PG&E's 2023 GRC filing.)

This 2023 unit cost was then escalated to forecast the 2024 and 2025 unit costs for overhead system hardening.

Overhead		Forecast Costs & Units (Escalated) (A) (C)					
	Year	2021	2022	2023	2024	2025	2026
16	Forecast	\$ 288,000,000	\$ 366,000,000	\$ 265,376,800	\$ 81,506,979	\$ 83,918,200	\$ 86,401,800
17	Units (Miles)	180	305	170	50	50	50
18	Unit Cost	1,600,000	1,200,000	1,561,040	1,630,140	1,678,364	1,728,036

- d) The analysis used to develop the 2025 unit cost is provided in the response to subpart c above and aligns with PG&E's response to data response TURN_007-Q06 in the 2023 GRC proceeding.