

Joint BAMx and CCSF Comments **on PG&E's December 2020 Submission of Section 3.1 Material**

The Bay Area Municipal Transmission group (BAMx)¹ and City and County of San Francisco (CCSF) appreciate the opportunity to provide comments on Pacific Gas and Electric Company's (PG&E) December 1, 2020 submission of Section 3.1 Material for the Stakeholder Transmission Asset Review (STAR) Process on PG&E's FERC-jurisdictional electric transmission projects involving capital expenditures incurred over the past four years and/or anticipated to be incurred through the next five years.

PG&E's Forecasts of Capital Expenditures Are Erratic and Unexplained

In June 2020, PG&E explained it uses Risk Informed Budget Allocation (RIBA) scores and classifications to inform budget prioritization decisions for capital projects and programs.² In the August 2020 stakeholders meeting, PG&E introduced a new concept named "Circuit Ranking." In the September 2020 stakeholders meeting, PG&E added yet another concept called "Loading Order."

In PG&E's December 2020 submission of Section 3.1 material to the stakeholders, PG&E added data fields on Circuit Based Rank and Loading Order with the following descriptions:

- *Circuit Based Rank*: Circuit Based Plan (CBP) was implemented in 2020 and applied to 2020 and beyond in the portfolio. The CBP ranks each transmission circuit and substation 1-N.
- *Loading Order*: Loading Order was implemented in 2019 and applied to 2019 and beyond in the portfolio. Loading Order prioritization evaluates and prioritizes the work portfolio. Loading Order comprises a scale from 1 to 9 with 1 being the highest priority.

BAMx and CCSF continue to find PG&E's budgeting and work prioritization methodologies confusing and their applications inconsistent. PG&E's piecemeal approach in informing the stakeholders combined with the time gaps between PG&E's explanations further hinder sufficient stakeholder understanding and comprehension.

BAMx and CCSF appreciate and understand PG&E's efforts in pulling together the enormous amount of project and financial data to share with the stakeholders. In its June 1, 2020 transmittal letter, PG&E stated that it incurred over 1,600 hours just to compile the June 2020 Section 3.1 material. In addition to PG&E spending time on compiling data, BAMx and CCSF strongly believe that PG&E must increase its effort and spend quality time in explaining to the stakeholders PG&E's capital expenditures in greater, substantive detail. More importantly, PG&E must explain why, or how PG&E determines, PG&E's proposed expenditures are needed, prudent, just, reasonable, and beneficial to PG&E's customers and ratepayers.

¹ BAMx consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power.

² Risk Informed Budget Allocation Scoring Standard, 5/17/2019 Revision: 1.

BAMx and CCSF’s belief is underscored by comparing PG&E’s three different capital forecasts. Over a span of six months, PG&E forecasts drastically increased from \$2.6 Billion in June 2020, to \$6.7 Billion in July 2020, and now to \$9.7 Billion in December 2020.

Table 1 below shows PG&E’s three different annual capital forecasts for the years 2020-2025:

Table 1: Capital Forecasts (million \$) for the year 2020-2025

Year	2020	2021	2022	2023	2024	2025	Total
June 2020 Material Based on PG&E’s April 13, 2020 Data Pull (M\$)	\$520	\$436	\$550	\$668	\$236	\$215	\$2,625
July 2020 Material Based on PG&E’s July 15, 2020 Data Pull (M\$)	\$891	\$1,177	\$1,530	\$1,624	\$847	\$583	\$6,653
December 2020 Material Based on PG&E’s October 8, 2020 Data Pull (M\$)	\$1,504	\$1,846	\$1,788	\$1,982	\$1,511	\$1,060	\$9,691

This drastic change and substantial increase in capital spending are contradictory to PG&E’s statement that:

“Establishment of the budget target is a year over year iterative process. Generally, capital expenditure targets are based on the prior year projection of targets and typically *change little over time [emphasis added]*. Within each annual planning cycle, budget targets are refreshed and prioritization of the portfolio using RIBA takes place. Within the annual planning process, system performance metrics are refreshed as well, and the portfolio of projects and programs are intended to align with long term achievement of target system performance in areas such as public safety and system reliability.”³ (STAR-Process_DR_BAMx_001-Q10.pdf)

PG&E partially explained the substantial change from April to July by referring to its emergence from bankruptcy and data quality issues.

“... PG&E pulled the data for the STAR Project Data Spreadsheet on April 13, 2020. At that time, the company was undergoing major changes to its five-year investment plan due to planned emergence from bankruptcy, reorganization, and reprioritization using new methods such as Loading Order and Circuit Based Plan.”⁴

“... The primary reason for differences in the April 13th and July 15th data extractions was an inadvertent data extraction that was explained in PG&E’s response to BAMx Set#1, Question 01, Revision 01 that was provided on August 3, 2020. PG&E also explained during the August 4th Stakeholder meeting that its forecasts re consistently being updated to reflect the best available and most up to data information. PG&E’s forecasts can be affected by events

³ Source: PG&E’ response to BAMx comments, dated July 22, 2020, STAR-Process_DR_BAMx_001-Q10.pdf

⁴ Source: PG&E’ response to BAMx comments, dated July 22, 2020 (original) August 3, 2020 (revise), STAR-Process_DR_BAMx_001-001Rev01.pdf

or changes in circumstances/analyses, such as bankruptcy emergence and reorganization, as well as reprioritization of projects based on the Loading Order and Circuit Based Plan. Forecasts for specific projects may change over time based on circumstances such as these events.”⁵

Regrettably, BAMx and CCSF did not see any explanations of the 45% spending increase (compared with July 2020) in PG&E’s December 1, 2020 Transmittal Letter - perhaps due to the brevity of PG&E’s letter.

Question 1: Please describe in detail PG&E’s plan of actions to engage stakeholders to explain and to obtain stakeholder support of PG&E’s latest \$9.7B capital expenditure plan as shown in Table 1.

Question 2: PG&E indicated that “capital expenditure targets are based on the prior year projection of targets and typically change little over time.” In a response to the City and County of San Francisco (CCSF) and the City of Santa Clara, Silicon Valley Power (SVP) comments, PG&E stated PG&E had the following budget targets for Electric Transmission Capital in its 2020 budget cycle for the years 2020 to 2025 (STAR-Process_DR_Joint-CS_001-Q03):

Table 2: Budget Target for the year 2020-2025 (million \$)

Year	2020	2021	2022	2023	2024	2025
Budget Targets from PG&E’s 2020 Budget Cycle (M\$)	\$1,467	\$1,501	\$1,536	\$1,571	\$1,608	\$1,645

Given PG&E’s approved combined budget targets are lower than PG&E’s forecast for the years 2021, 2022, and 2023 by \$1 Billion, are there projects and/or programs of work that PG&E will postpone, defer, or cancel using PG&E’s RIBA, CBP and Loading Order methodologies? If PG&E plans to utilize other budget allocation and prioritization methods, please describe them in detail.

Question 3: PG&E indicated in the December 1, 2020 Project Data Spreadsheet (PDS) that PG&E has ranked each transmission line and substation from 1 to N for the CBP ranking.

Question 3a: Did PG&E assign one single ranking for an entire substation? If not, please describe PG&E’s methodology and process in assigning multiple rankings to a substation.

Question 3b: PG&E’s December 1, 2020 material contained circuit rankings from 1 to 1,459. What are the total counts of PG&E substations and transmission lines? What is the lowest priority ranked facility and its rank number?

Question 3c: Please list all PG&E transmission lines and substations from 1 to N including but not limited to the facility’s name, location, CBP ranking and description.

⁵ Source: PG&E’ response to Joint SVP-CCSF comments, dated September 29, 2020, STAR-Process_DR_Joint-CS_001-Q01

PG&E Continues to be Non-Responsive to Stakeholder Inquiries on Project Need and Benefits

PG&E continues to be non-responsive to questions and inquiries about the need for, and specified benefits from, its proposed capital projects. In responding to a BAMx's question on PG&E's process or methodology in evaluating the cost-effectiveness of a proposed capital project or expenditure, PG&E stated that:

“A comprehensive economic evaluation is required for every project that exceeds \$1 million in financial cost. Economic analysis of the cost and benefits of the projects allow for informed decisions to maximize the usefulness and effectiveness of investments.” (STAR-Process_DR_BAMx_001-012.pdf)

Similar to material submitted to the stakeholders in June 2020, PG&E produced 555 Advanced Authorizations and Business Cases for in-flight projects in its December 2020 showing. However, a close examination of the provided Advanced Authorizations and Business Cases clearly show a lack of quantifying benefits for PG&E's proposed projects.

In PG&E's December 1, 2020 Transmittal Letter, PG&E stated that “Since the term ‘benefit-cost analysis’ is not defined in the STAR Process Tariff, PG&E is interpreting this term, for purposes of the PDS, to refer to the economic analysis performed for projects over \$1 million.”

This does not appear to be accurate. PG&E has a section entitled “Alternative Analysis” in its business case documents. It is NOT an economic analysis of the proposed project. There are industry-standard methods for comparing the economic benefits of system performance improvements to the capital cost of a project from the standpoint of utility customers. Rather, what PG&E has been doing is merely an analysis of the cost of alternatives to the proposed project and ignoring quantification of benefits. Furthermore, in almost all cases, the *Status Quo* option is the least-cost option but is not being selected by PG&E.

PG&E has stated that “the STAR Process is intended to provide Stakeholders the opportunity to engage in a review of PG&E's Five-Year Plan for capital transmission projects so that Stakeholders can understand the need for and anticipated costs of projects that are not reviewed in the ISO's Transmission Planning Process.”⁶ Qualitatively, PG&E has been representing that its proposed projects are needed to ensure public safety, mitigate wildfire risks, comply with NERC, CPUC and other regulatory requirements, and/or improve service reliability.

BAMx, SVP and CCSF have submitted questions seeking quantitative information on project need and benefits. These previous questions were either dismissed by PG&E stating that “the request is beyond the scope of the STAR Process” or were not adequately addressed during the September 30th stakeholder meeting.

⁶ PG&E STAR Tariff, Section 1, p.3.

Question 4: Please explain why questions seeking quantitative information and assessment on project need is beyond the scope of the STAR process?

Question 5: There are 74 entries of “Bus Upgrade” projects⁷ in PG&E’s December 2020 PDS that totaled \$993 million for the years 2021-2025. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 6: There are 20 entries of Replace Conductor (non-seismic upgrades) projects in PG&E’s December 2020 PDS that totaled \$555 million for the years 2021-2025. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 7: There are 88 entries of Modular Protection, Automation and Control (MPAC) projects in PG&E’s December 2020 PDS that totaled \$480 million for the years 2021-2025. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 8: There are 12 entries of Replace Wood Poles projects in PG&E’s December 2020 PDS that totaled \$382 million for the years 2021-2025. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 9: There are 49 entries of Line Reconductoring projects in PG&E’s December 2020 PDS that totaled \$322 million for the years 2021-2025. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 10: There are 20 entries of Line ROW Access projects in PG&E’s December 2020 PDS that totaled \$302 million for the years 2021-2025. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 11: There are 153 entries of Wildfire Mitigation projects in PG&E’s December 2020 PDS that totaled \$1.42 billion for the years 2021-2025. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 12: Based on PG&E’s description of its loading order with 9 being the lowest priority, BAMx and CCSF noticed that there are \$822 million worth of loading order 9 low priority projects. Please provide a project-by-project quantitative benefit assessment focusing on how

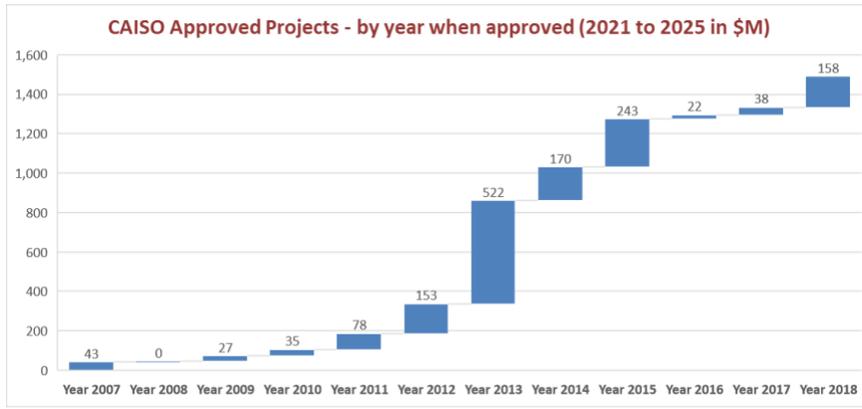
⁷ Secondary Purpose (Data Field #9) as identified in the PDS.

each individual project with loading order 9 is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Question 13: Based on PG&E’s description of its CBP with 1 being the highest priority, BAMx and CCSF noticed that there are \$569 million worth of “CBP >1,000” low priority projects. Please provide a project-by-project quantitative benefit assessment focusing on how each individual project with *CBP >1,000* is needed from a public safety, wildfire risk, compliance, and/or reliability perspective.

Need for CAISO Previously Approved Projects To Be Reaffirmed

BAMx and CCSF applaud PG&E’s efforts in improving the completeness of its PDS. Information such as Original Projected Cost (Data Field #51), CAISO Approval (Data Fields #31-#33) and Percentage of Work Requested by Others Passed onto Ratepayers (Data Field #56) are examples which BAMx and CCSF find beneficial in completing its review.



For projects approved by the CAISO, as illustrated by the bar chart above, BAMx and CCSF noticed that most of the projects (\$1.3B out of \$1.5B) were approved more than five years ago. Some of them were approved as far back as 2007 when the planning environment was vastly different from today. Are these projects still needed given the reality that the electric grid is functioning satisfactorily without them? Furthermore, BAMx and CCSF also noticed that their cost estimates have increased substantially from their original estimated amounts which could make them economically unattractive. For example, when the *Wheeler Ridge Junction* Substation project (T.0000156) was approved in the CAISO 2013-2014 TPP, it was estimated to cost between \$90 million and \$140 million.⁸ However, the December 2020 PDS identifies the Estimate at Completion (EAC) for this project to be as high as \$286 million.

BAMx and CCSF believe PG&E must immediately stop work on these previously-approved CAISO projects unless PG&E can confirm that they are still needed.

⁸ CAISO Board-Approved 2013-2014 Transmission Plan, p.83.

Question 14: Please describe PG&E’s process and procedures that periodically re-affirm the need for the CAISO approved projects.

Question 15: For projects with CAISO approval prior to 2016, please provide project-by-project data on when it was last reaffirmed by PG&E and/or the CAISO.

Question 16: For projects with CAISO approval prior to 2016, please provide a project-by-project description of their project development activities including but not limited to environmental assessment, engineering design, material procurement and construction. For projects that have minimal or no project development activities, why should ratepayers continue to be burdened with financial charges such as AFUDC?

Additional PDS Fixes and Updates Are Necessary

Although PG&E has improved the completeness of its PDS, we include the following comments and questions related to the accuracy and adequacy of the December 1, 2020 PDS.

Question 17: The data field #51, i.e., “Original Projected Cost or Cost Range (\$000)” appears to be inaccurate and misleading as it seems to “look up” the “less specific” T.dot field and not the “more specific” Planning Order (PO) number. As a result, the “Original Projected Cost” data field overestimates the costs, as it repeats the T.dot level cost for each PO within that T.dot.

Question 18: The December 2020 submittal does not include the projects that were approved in the CAISO 2019-2020 TPP. When would we expect those projects to be included in the PDS?

Question 19: The original *Midway-Andrew* transmission project has been replaced by the CAISO with a revised scope under a new name of the “North of Mesa” project. This project is currently “On Hold” at the CAISO.⁹ PG&E should update the PDS to incorporate the revised scope of the project and update the project description and project costs fields associated with this project (T.0000153) accordingly. Once the CAISO makes a decision regarding the need and scope of the *North of Mesa* Project, it should be reflected in the PDS accordingly.

Conclusion

BAMx and CCSF appreciate the opportunity to comment on the STAR process. BAMx and CCSF would also like to acknowledge PG&E’s willingness to work with the stakeholders and looks forward to more fruitful project need and benefit discussions with PG&E and other stakeholders.

If you have any questions concerning these comments, please contact Paulo Apolinario (papolinario@svpower.com or (408) 615-6630).

⁹ See slide #5 of the CAISO “2020-2021 TPP: PG&E On Hold Projects Status Update,” 2020-2021 Transmission Planning Process Stakeholder Meeting, November 17, 2020.