Docket No.: A.22-02-015

Exhibit No.:

Date: October 31, 2022

Witness: Brian Shuey

PREPARED DIRECT TESTIMONY OF BRIAN SHUEY
ON BEHALF OF
THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION
IN PACIFIC GAS AND ELECTRIC COMPANY'S
2021 ERRA COMPLIANCE PROCEEDING

Public Version

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Attachments

I. INTRODUCTION AND SUMMARY OF TESTIMONY

The California Community Choice Association ("**CalCCA**") presents this direct testimony in the *Application of Pacific Gas and Electric Company ("***PG&E***") for Compliance Review of Utility Owned Generation Operations, Portfolio Allocation Balancing Account ("***PABA***") Entries, Energy Resource Recovery Account ("***ERRA***") Entries, Contract Administration, Economic Dispatch of Electric Resources, Utility Owned Generation Fuel Procurement, and Other Activities for the Record Period January 1 Through December 31, 2021* ("**Application**"). This testimony has been prepared on behalf of CalCCA by Brian Shuey, Senior Manager, NewGen Strategies and Solutions, LLC. Mr. Shuey's qualifications are set forth in Attachment A.

CalCCA has a particular interest in the PABA which is charged to CalCCA members' customers through the PCIA rates. This testimony presents the recommendations of CalCCA on issues falling within scope of the following items from the Assigned Commissioner's Scoping Memo and Ruling in this case:[1]

1. Whether PG&E, during the record period, prudently administered and managed, in compliance with all applicable rules, regulations and Commission decisions, including but not limited to Standard of Conduct No. 4 (SOC 4), the following:
    a. Utility-Owned Generation facilities;
    b. Qualifying Facilities (QF) Contracts; and
    c. Non-QF Contracts.

   If not, what adjustments, if any, should be made to account for imprudently managed or administered resources?

[1] Application ("A.") 22-02-015, *Assigned Commissioner's Scoping Memo and Ruling* at 2-4 (Aug. 9, 2022) ("Scoping Ruling").

3. Whether the entries recorded in the ERRA and the Portfolio Allocation Balancing Account are reasonable, appropriate, accurate, and in compliance with Commission decisions.

8. What is the revenue requirement equal to the estimated unrealized volumetric sales and unrealized revenue resulting from the Public Safety Power Shutoff events in 2021 that PG&E must forgo in accordance with Decision 21-06-014? What is the appropriate methodology for calculating PG&E's unrealized volumetric sales and unrealized revenues resulting from 2021 PSPS events?

Based on my review of PG&E's Application, supporting workpapers, and responses to discovery I make the following recommendations:

- PG&E should provide additional transparency when vintaging new Utility Owned Generation ("**UOG**") by submitting a Tier 1 Advice Letter.
- PG&E should provide disposition of the new processes developed as a result of the Regulatory Data Inventory recommendation from the 2020 PABA Audit.
- PG&E's Internal Audit Department should consider completing an audit of processes and procedures over customer vintaging determinations.

Further, I note that review of the Public Safety Power Shutoff ("**PSPS**") issues cannot occur until the Commission resolves the issue in dispute from the 2019 ERRA Compliance Case, A.20-02-009.

II. DATA TRANSPARENCY AND REVIEW IN PG&E'S ERRA COMPLIANCE APPLICATIONS

A. Data Availability and Discovery Disposition

Having access to the detailed resource-specific data – including costs, revenues, and the underlying volumetric quantities – from the beginning of this case significantly increased the transparency of PG&E's filing and streamlined CalCCA's efforts to review that filing. PG&E was forthcoming with data and provided thorough responses to data requests in a timely manner allowing CalCCA to complete its review and analysis. Through review of testimony and discovery, I was able to identify and research a number of issues and found no issues which require adjustment to the Power Charge Indifference Adjustment (“**PCIA**”) at this time. However, a few notable open issues include the following:

- PG&E has committed to transferring costs from PABA to the Green Tariff Shared Renewables (“**GTSR**”) Balancing Account to properly account for the use of an interim resource pool to serve GTSR customers.[2] The entry has not yet occurred as PG&E has stated it is awaiting approval of Advice Letter AL-6677-E.[3]
- Through discovery PG&E disclosed it made an error in the recording of GRC-related costs to PABA. Table 12-8 of PG&E’s original testimony includes an improper allocation of costs between Electric Supply Administration (“**ESA**”) and non-ESA components. However, the incorrect credit to ESA costs is offset by an equally incorrect debit to non-ESA cost which resulted in no impact to the net PABA balance.[4] PG&E should make adjusting entries to the PABA so that the individual line items reflect the correct accounting treatment.

III. 2020 PABA AUDIT AND DISPOSITION

A. PG&E should provide additional transparency when vintaging new UOG through a Tier 1 Advice Letter.

In PG&E’s 2020 PABA Internal Audit, the Internal Audit report stated that it “could not determine the validity of the vintage classification for several UOG resources

[2] *See* PG&E’s Response to CalCCA DR 3.26.
[3] *See* PG&E’s Response to CalCCA DR 4.03.
[4] *See* PG&E’s Response to CalCCA DR 5.01.

due to the lack of formal definition of the UOG construction start date,"[5] and recommended that PG&E "[F]ormally, define "construction start date" to ensure UOG vintage classification complies with AL 5440-E".[6] In response, PG&E developed the following definition:

> "For the purpose of determining the "Construction Start Date" for PCIA-eligible utility-owned (UO) generation resources and storage resources, PG&E shall use the later of: (1) the first date that expenditures are recorded to SAP Project Order(s) established for the resource that are associated with site-specific construction work and that will be capitalized once the project reaches commercial operation, or (2) the date the Commission approves the new generation resource for cost recovery. Alternatively, if the Commission decision directing procurement assigns a resource vintage prior to selection of the resource, the Commission-assigned vintage will supersede vintaging the resource based on a construction start date."[7]

CalCCA is not opposed to PG&E's proposed definition for UOG vintaging. However, because only PG&E knows when it begins recording expenditures to SAP Project Orders, impacted stakeholders such as CalCCA's members and their customers would only be able to verify future UOG vintage assignments through an audit of PG&E's accounting records in an open Commission proceeding. Accordingly, CalCCA recommends that PG&E provide additional transparency when vintaging new UOG by filing a Tier 1 Advice Letter with the Commission with notification of the assigned vintage and supporting rationale. This will memorialize the start date of new UOG in a public manner that will easily allow for review and validation during the ERRA compliance cases.

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5 *See* PG&E's Prepared Testimony, Chapter 12, page 12-4; lines 8-10.
6 *See id*., Chapter 12, page 12-3; lines 11-12.
7 *See id*., Chapter 12, page 12-4; lines 18-30.

B. PG&E should provide a description of the new processes developed as a result of the Regulatory Data Inventory ("RDI") recommendation from the 2020 PABA Audit.

The 2020 PABA internal audit report noted that, "Improving controls over the RDI will enhance the Utility's ability to accurately classify, track, and bill costs to the correct group of PCIA customers, reducing the risk of third-party claims and heightened regulatory scrutiny." This significant statement indicates that consistent review by the Commission, CalCCA, and other intervenors is a critical need in PG&E's ERRA proceedings.

PG&E's testimony stated that it is transitioning ownership of the RDI process to a new owner and set a date of March 31, 2022 to complete the transition and design of new processes.[8] In response to a CalCCA Data Request PG&E noted that the estimated completion date of this transition was updated to August 31, 2022.[9]

CalCCA recommends that when activities to resolve the audit findings related to the RDI audit remediation efforts are complete PG&E should provide, in rebuttal testimony, a detailed description of the revised processes, polices, and procedures developed to improve maintenance and control over the RDI, similar to the information it provided for the other audit remediation efforts.

C. PG&E's Internal Audit Department should consider completing an audit of processes and procedures over customer vintaging.

The 2020 PABA internal audit report stated that "we did not assess the accuracy of the process to determine customer vintages" but that "[t]his may be considered for a future audit."[10] CalCCA observes that there have been instances of departing load

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8 *See id.*, Chapter 12, page 12-6; line 1.
9 *See* PG&E's response to CalCCA DR 2.20.
10 *See* PG&E's response to CalCCA DR 2.03, Internal Audit Report Scope.

customers being assigned to the incorrect customer vintage. Indeed, in a settlement agreement resolving issues raised in PG&E's 2019 ERRA Compliance proceeding, PG&E agreed to rebill certain commercial and industrial CCA customers that were assigned an incorrect vintage and to provide a one-time bill credit to certain residential and non-residential customers that had an incorrect PCIA vintage assignment.[11] Due to the complexity of customer vintaging and the potential for error, CalCCA recommends that PG&E's internal audit department prioritize an audit of customer vintaging.

IV. OUTSTANDING ISSUES WITH REGARD TO PUBLIC SAFETY POWER SHUTOFFS

In Decision ("**D.**") 21-06-104, the Commission "disallowed collection in rates from customers of all authorized revenue requirement equal to the estimated unrealized volumetric sales and unrealized revenue resulting from PSPS events after the effective date of the decision and ordered the IOUs to agree on one methodology to calculate the estimated unrealized volumetric sales and unrealized revenue."[12] As discussed in the Scoping Ruling, review of the unrealized sales and revenues from PSPS events was intended to be in scope for this case.[13] However, I am unable to complete a thorough analysis until a final decision is issued in PG&E's 2019 ERRA Compliance case, A.20-02-009.[14] Several parties to the 2019 ERRA Compliance case, including the Joint CCAs and Joint IOUs, have proposed various methodologies for determining unrealized sales and revenue during PSPS events. The Commission has not yet issued a decision to

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11 *See* PG&E's response to CalCCA DR 03.23.

12 D.21-06-014, Ordering Paragraph 1 at 283.

13 Scoping Ruling at 3-4 (Aug. 9, 2022).

14 A.20-02-009, 20-04-002, and 20-06-001, consolidated, *Assigned Commissioner's Second Amended Scoping Memo and Ruling, Notice of Consolidation, and Statutory Deadline Extension*, pp. 6-7 (Sep. 7, 2021).

determine the appropriate method for use in later cases, including phase II of PG&E's 2020 ERRA Compliance case, A. 21-03-008,[15] and the current proceeding. Until the method for calculating unrealized sales and revenue is approved, it is not possible to quantify the impact of PSPS events during 2021.

PG&E has committed to providing more information in this case once the 2019 ERRA Compliance case is resolved.[16] As such, CalCCA will review the PSPS methodology and outcomes at that time and, if necessary, seek to submit supplemental testimony.

This concludes my testimony.

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15 A.21-03-008, *Assigned Commissioner's Scoping Memo and Ruling*, p. 4 (June 21, 2021).

16 A.22-02-015, PG&E Application at 14-15.

Attachment A

Curriculum Vitae of Brian Shuey

Brian T. SHUEY

SENIOR MANAGER

Mr. Brian Shuey joined NewGen as a Senior Manager in May 2022, with over 15 years of experience in consulting and the utility industry. Mr. Shuey has audited specialized financial statements and reviewed adjustment clause rate filings for electric, gas, water, and steam utility companies. Additionally, Mr. Shuey participated in various special projects regarding utility rate-making issues. He also has significant Big 4 internal audit, enterprise risk management, regulatory compliance, IT consulting, and process improvement experience.

CONTACT

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EDUCATION

BS Accounting, 2004 The Pennsylvania State University

PROFESSIONAL REGISTRATIONS/ CERTIFICATIONS/ AWARDS

Certified Internal Auditor; Institute of Internal Auditors

KEY EXPERTISE

Adjustment Clause Rate Filing Review
Cost Recovery
Enterprise Risk Management
Financial Statement Audits
IT Consulting
Management Consulting
Process Improvement
Project Management
Regulatory Compliance
Utility Rate Design

NewGen Strategies & Solutions

RELEVANT EXPERIENCE

Litigation Support

Mr. Shuey provides litigation support related to utility revenue requirements, rate design, and other ratemaking issues before state and local regulatory bodies. He has evaluated utility stranded costs and exit fees for retail customer choice, including on behalf of approximately a dozen Community Choice Aggregators in California. A sample of Mr. Shuey's clients includes the following:

- California Community Choice Association, CA
- Clean Power Alliance, CA

PRIOR RELEVANT EXPERIENCE

Below is a small sample of Mr. Shuey's work within the energy utility industry.

PA Public Utility Commission Auditor & Supervisor

- Experience reviewing and auditing Electric Default Service, Transmission Service, Competitive Transition Charges, and Infrastructure Improvement Charges.
- Developed and maintained a training program for new and current employees to complete the review of adjustment clause rate filings.
- Assigned and supervised the review of over 300 adjustment clause filings per year for conformity to Commission directives and State statutes.
- Led discussions with utility personnel to revise or update filings as needed.
- Supervised the preparation of all audit work papers and reports for a team of seven auditors.
- Reviewed the work of Audit Team Leaders to ensure the audits were in accordance with generally accepted auditing standards.

Brian T.
SHUEY

SENIOR MANAGER

Enterprise Risk Management/Internal Audit

- Directed and supervised up to 15 staff while completing multi-year internal control assessments over multiple large and small state agencies.
- Participated in risk assessments and control testing in multiple organizations over five years, utilizing COSO 13 and Green Book internal control frameworks.
- Facilitated the documentation of over 35 key processes and over 500 controls for a single client and assisted in developing and executing a risk-based monitoring plan for these controls.
- Participated in executing a risk-based audit plan, including process/control documentation and control testing.

<u>Attachment B</u>

PG&E Responses to CalCCA Data Requests

PACIFIC GAS AND ELECTRIC COMPANY
2021 Energy Resource Recovery Account Compliance
Application 22-02-015
Data Response

PG&E Data Request No.:	JointCCAs_002-Q003		
PG&E File Name:	ERRA-2021-PGE-Compliance_DR_JointCCAs_002-Q003		
Request Date:	April 8, 2022	Requester DR No.:	002
Date Sent:	May 6, 2022	Requesting Party:	Joint CCAs
PG&E Witness:	Ryan Stanley	Requester:	Nikhil Vijaykar

QUESTION 003

Referring to PG&E's Prepared Testimony page 12-2, lines 17-21: Please provide PG&E's internal audit report for the PABA account, including all audit findings and recommendations to management.

ANSWER 003

THE ATTACHMENT TO THIS DATA RESPONSE CONTAINS CONFIDENTIAL INFORMATION PROTECTABLE UNDER DECISION 14-10-033, DECISION 06-06-066, AND/OR PUBLIC UTILITIES CODE SECTION 454.5(G) – SUBJECT TO NDA

Attachment 1 to this data response includes the audit report dated July 2020 performed by PG&E's Internal Audit department as it related to the 2019 transactions in PABA. Please refer to the PDF document:

"ERRA-2021-PGE-Compliance_DR_JointCCAs_002-Q003_Atch01-CONF.pdf"

Attachment is confidential.

PACIFIC GAS AND ELECTRIC COMPANY
2021 Energy Resource Recovery Account Compliance
Application 22-02-015
Data Response

PG&E Data Request No.:	JointCCAs_002-Q020		
PG&E File Name:	ERRA-2021-PGE-Compliance_DR_JointCCAs_002-Q020		
Request Date:	April 8, 2022	Requester DR No.:	002
Date Sent:	May 6, 2022	Requesting Party:	Joint CCAs
PG&E Witness:	Ryan Stanley	Requester:	Nikhil Vijaykar

QUESTION 020

Referring to PG&E's Prepared Testimony page 12-5, lines 30-33 and page 12-6, lines 1-2: When available, please provide all documentation of the further management action plan related to RDI process maintenance developed by the new owner of the RDI.

ANSWER 020

THE ATTACHMENT TO THIS DATA RESPONSE CONTAINS CONFIDENTIAL INFORMATION PROTECTABLE UNDER DECISION 14-10-033, DECISION 06-06-066, AND/OR PUBLIC UTILITIES CODE SECTION 454.5(G) – SUBJECT TO NDA

Please see ERRA-2021-PGE-Compliance_DR_JointCCAs_002_Q020_Atch01-CONF.xlsx for PG&E's further management action plan related to RDI process maintenance.

Attachment is confidential.

PACIFIC GAS AND ELECTRIC COMPANY
2021 Energy Resource Recovery Account Compliance
Application 22-02-015
Data Response

PG&E Data Request No.:	JointCCAs_003-Q026		
PG&E File Name:	ERRA-2021-PGE-Compliance_DR_JointCCAs_003-Q026		
Request Date:	May 22, 2022	Requester DR No.:	003
Date Sent:	June 14, 2022	Requesting Party:	Joint CCAs
PG&E Witness:	Donna Barry	Requester:	Nikhil Vijaykar

QUESTION 026

Referring to PG&E's Prepared Testimony page 11-9, lines 1-6: Assuming the GTSR interim pool of 20 resources listed in Advice Letter 6451-E is approved by the CPUC, please quantify the adjustment required to the PABA for calendar year 2021 to recognize utilization of these resources for the E-GT Program. Provide all supporting workpapers with working formulae intact.

ANSWER 026

THE ATTACHMENT TO THIS DATA RESPONSE CONTAINS CONFIDENTIAL INFORMATION PROTECTABLE UNDER DECISION 14-10-033, DECISION 06-06-066, AND/OR PUBLIC UTILITIES CODE SECTION 454.5(G) – SUBJECT TO NDA

PG&E's estimate of the adjusting entry is $23.1 million, and a workpaper supporting this estimate is included in attachment, "ERRA-2021-PGE-Compliance_DR_Joint CCAs_003-Q026-CONF.xlsx."

PACIFIC GAS AND ELECTRIC COMPANY
2021 Energy Resource Recovery Account Compliance
Application 22-02-015
Data Response

PG&E Data Request No.:	JointCCAs_004-Q003		
PG&E File Name:	ERRA-2021-PGE-Compliance_DR_JointCCAs_004-Q003		
Request Date:	August 23, 2022	Requester DR No.:	004
Date Sent:	September 7, 2022	Requesting Party:	Joint CCAs
PG&E Witness:	Ryan Stanley	Requester:	Tim Lindl

QUESTION 003

Referring to PG&E's response to CalCCA's DR 03.26: Has PG&E made the journal entry to record the 2021 excess MWhs transferred to GTSR? If so, please provide support for that journal entry.

ANSWER 003

The attachment to this data response contains confidential information protectable under Decision 14-10-033, Decision 06-06-066, and/or Public Utilities Code Section 454.5(G). – Subject to NDA

To clarify, PG&E's response to JointCCAs DR 03.26 refers to an estimated entry that will transfer costs from PABA to GTSRBA for the proposed interim resource pool to cover the volume of E-GT Program subscribed usage in excess of the dedicated resources.

No, PG&E has not made the journal entry to record the 2021 interim pool resource costs to the GTSRBA as there is a pending advice letter requesting approval of preliminary statement tariff changes to facilitate the expense transfer from PABA to GTSRBA. Advice Letter (AL-6677-E) was filed on August 11, 2022 and is pending commission's approval. PG&E will make the journal entry in the first accounting close after the advice letter approve the tariff changes.

PACIFIC GAS AND ELECTRIC COMPANY
2021 Energy Resource Recovery Account Compliance
Application 22-02-015
Data Response

PG&E Data Request No.:	JointCCAs_005-Q001		
PG&E File Name:	ERRA-2021-PGE-Compliance_DR_JointCCAs_005-Q001		
Request Date:	September 12, 2022	Requester DR No.:	005
Date Sent:	September 30, 2022	Requesting Party:	Joint CCAs
PG&E Witness:	Ryan Stanley	Requester:	Tim Lindl

SUBJECT: A.22-02-015: CALCCA'S FIFTH DATA REQUEST TO PG&E

QUESTION 001

Referring to PG&E's testimony page 12-17, lines 19-22 and page 12-28 Table 12-8;

a. Please explain why ESA costs resulted in a credit of $1,063,513,612 during the period.

b. Please explain what's included in this credit.

c. Please explain why this credit is so large and why it would not be smaller given its overhead allocated to generation.

d. Please describe how this credit was calculated.

e. Will this credit continue into future years? If so, please explain for how long and what amount.

ANSWER 001

a. The credit found on tariff line 5.o. of Table 12-8 is primarily driven by monthly amortization of the GRCMA. Pursuant Decision (D).20-12-005 OP3, GRCMA records the difference between 1) the revenue requirement effective on January 1, 2020 to February 2021 and 2) the authorized 2020 GRC revenue requirements. In accordance with the decision, the difference (undercollected amount) in the GRCMA is amortized in rates over 22 months beginning March 1, 2021 through December 31, 2022, including amounts related to both Electric Supply Administration (ESA) revenue requirements as well as non-ESA revenue requirements found in tariff line 5.n. In total, this entry amounts is $8.1 million additional debit to PABA per month.

   PG&E has re-analyzed the expected impact of the implementation of the GRCMA amortization, and has determined that the total PABA entry is correct, but that the supporting allocation between ESA and non-ESA components, as well as between PABA vintages is incorrect due to an error in calculating the allocations within the PABA subledger.

PG&E's additional analysis and summary is included in ERRA-2021-PGE-Compliance_DR_JointCCAs_005-Q001_Atch 001-CONF.xlsx. As shown in the attachment, the following outcomes were found:

1. The total $8.1 million monthly amortization from March 2021 is correctly calculated in total.
2. The incorrect credit for ESA costs is fully offset by an incorrect debit in the non-ESA tariff line 5.n. Accordingly, there is no impact to the total PABA balance.[1]
3. The vintage reallocation results in a net shift of approximately $276 thousand combined in debits from the UOG Legacy and 2009 vintages to the 2010-2018 vintages, for the full record period of 2021.[2]

PG&E will make an adjusting entry for the March 2021 through YTD 2022 entries in the fourth quarter, after conducting a final comprehensive review. This entry will primarily be between tariff line 5.o for ESA and tariff line 5.n for Non-ESA. However, the net impact is still $8.1M, which is the GRCMA monthly amortization as demonstrated below.

Summary of Split between ESA and Non-ESA Costs for the GRCMA Amortization Monthly Amounts

Base RRQ in effect January 2020	$ 2,424,840,353.04
Authorized 2020 GRC RRQ Base	$ 2,602,178,575.12
Difference(Undercollected Balance)	$ 177,338,222.08
Amortized over 22 mos	22.00
Monthly amortization	**$ 8,060,828.28**

	ESA Allocation		**ESA Allocation (recalculated)**
RRQ Base in effect January 2020	2,500,225,543.79	RRQ Base in effect January 2020	86,510,415.07
Authorized RRQ Base	51,559,178.69	Authorized RRQ Base	51,559,178.69
Difference	(2,448,666,365.10)	Difference	(34,951,236.38)
Amortized over 22 mos	22.00	Amortized over 22 mos	22.00
Monthly amortization to tariff 5.o.	**$ (111,303,016.60)**	**Monthly amortization to tariff 5.o.**	**$ (1,588,692.56)**

	Non- ESA Allocation		**Non- ESA Allocation (recalculated)**
RRQ Base in effect January 2020	(75,385,190.76)	RRQ Base in effect January 2020	2,338,329,938.95
Authorized RRQ Base	2,550,619,396.43	Authorized RRQ Base	2,550,619,396.43
Difference	2,626,004,587.18	Difference	212,289,457.48
Amortized over 22 mos	22.00	Amortized over 22 mos	22.00
Monthly amortization to tariff 5.n.	**$ 119,363,844.87**	**Monthly amortization to tariff 5.n.**	**$ 9,649,520.79**
Impact	**$ 8,060,828.28**	Impact	**$ 8,060,828.23**

1 The current supporting analysis shows a total 2021 impact to PABA of under $30 on vintage recalculation, and under $1 in total. The expectation is that these amounts will be resolved as part of a final comprehensive review.

2 More detailed analysis found on Tab D1 of the attachment.

Refer to the attached GRCMA UOG Analysis: ERRA-2021-PGE-Compliance_DR_JointCCAs_005-Q001_Atch 001.xlsx for more details.

b. The credit includes GRCMA's undercollected balances which is the difference between the revenue requirement effective on January 1, 2020 and the 2020 GRC authorized revenue requirement. Refer to a. for more details.

c. Refer to a. for more details.

d. Refer to a. for more details.

e. The monthly GRCMA amortization will continue through December 2022 pursuant to the GRCMA implementation (amortization of the difference between the final 2020 GRC decision and interim RRQs were to be amortized over a 22-month period from March 2021 through December 2022). The ESA costs will be a credit of ($1,588,693) and Non-ESA costs will be a debit of $9,649,521. The net impact is still $8,060,828. Refer to a. for more details.

Attachment is confidential.