



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

**FILED**

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

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September 18, 2020

**Agenda ID #18811**  
**Ratesetting**

TO PARTIES OF RECORD IN APPLICATION 20-02-003:

This is the proposed decision of Administrative Law Judge Robert W. Haga. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 22, 2020 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex-parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:jnf

Attachment

Decision PROPOSED DECISION OF ALJ HAGA (Mailed 9/18/2020)

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company for Wildfire Mitigation and  
Catastrophic Events Interim Rates  
(U39E).

Application 20-02-003

**DECISION APPROVING INTERIM RATE RECOVERY**

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## **DECISION APPROVING INTERIM RATE RECOVERY**

### **Summary**

This Decision authorizes Pacific Gas and Electric Company to recover, on an interim basis and subject to refund, \$447 million in revenue over a period commencing December 2020 and continuing through April 2022 associated with wildfire mitigation related memorandum accounts.

The Decision declines Pacific Gas and Electric Company's request for authorization to institute interim rates, subject to refund, whenever it accumulates a total of \$100 million or more (in revenue requirement equivalent) relating to new Commission- or legislatively-mandated activities in one or more memorandum accounts established to allow the utility to record such costs.

### **1. Background**

Application (A.) 20-02-003 was filed by Pacific Gas and Electric Company (PG&E) on February 7, 2020, seeking to recover, on an interim basis, eighty-five percent of the revenue requirement associated with the recorded costs in four memorandum accounts (the Fire Hazard Prevention Memorandum Account, the Fire Risk Mitigation Memorandum Account, the Wildfire Mitigation Plan Memorandum Account, and the Catastrophic Event Memorandum Account).

PG&E proposes to recover the interim revenue requirement of \$891 million over a 17-month period, from August 2020 through the end of 2021, or as soon as practicable following a final decision. If approved, the interim revenue requirement would be included in the Distribution Revenue Adjustment Mechanism in a future rate change filing.

All of the memorandum accounts for which PG&E requests interim rate recovery for in this Application require a reasonableness review of costs and

expenses included in them. However, PG&E is not seeking a finding of reasonableness of these costs or of final approval to recover these costs in this application, but states that it will be seeking recovery later this year in one or more proceedings. PG&E states that should the final decision approving the costs approve a lower amount than PG&E is authorized to recover on an interim basis, it will refund the overcollection to customers with interest.

The specific memorandum accounts for which PG&E requests interim rate recovery have been authorized for PG&E to track costs not otherwise covered in its authorized revenue requirement and include expenses from 2017 to the end of 2019. Those memorandum accounts are:

- 1) The Fire Hazard Prevention Memorandum Account (FHPMA) is used to record costs related to what are known as the “Fire Safety Rulemakings” that began in 2008. PG&E may recover reasonable costs prudently incurred to comply with the Commission’s measures to reduce fire hazards for electric transmission and distribution lines. PG&E also can recover the costs of complying with General Order 95, which sets forth requirements for Extreme and Very High Fire Threat Zones in Southern California.<sup>1</sup> In Rulemaking (R.) 08-11-005, the Commission issued Decision (D.) 12-01-032, which affirmed that such costs should be verified and recovered in general rate case (GRC) proceedings and established interim mechanisms to “ensure that funding is available in a timely manner to implement the fire-prevention measures adopted in this proceeding.”<sup>2</sup> “Each electric utility could file one or more applications to recover the costs recorded in its FHPMA. The number and timing of those applications is at the discretion of each electric IOU,” or the review could be part

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<sup>1</sup> D.09-08-029 at 2.

<sup>2</sup> D.12-01-032 at 152.

of the utilities next GRC.<sup>3</sup> The Commission has authorized PG&E to track and record costs to implement the regulations adopted in its decision to enhance fire safety in the high fire-threat districts.<sup>4</sup> The FHPMA was originally thought to be a short-lived memorandum account, with future spending forecast for recovery in GRCs.<sup>5</sup> PG&E states the costs recorded in this account include costs associated with enhanced vegetation management work in Tier 2 (elevated risk) and Tier 3 (extreme risk) High Fire-Threat Districts.

- 2) The Wildfire Mitigation Plan Memorandum Account (WMPMA) and the Fire Risk Mitigation Memorandum Account (FRMMA) both arose from legislation enacted in 2018.<sup>6</sup> The purpose of the WMPMA is to record incremental costs incurred to implement an approved wildfire mitigation plan that are not otherwise recovered as part of PG&E's approved revenue requirement. The purpose of the FRMMA is to record incremental costs of fire risk mitigation work not otherwise recovered as part of PG&E's approved revenue requirement. The FRMMA records costs such as expense and capital expenditures for advanced system hardening and resiliency; expanded automation and protection, improved wildfire detection, enhanced event response capacity, and enhanced vegetation management activities not sought under other accounts.

D.19-05-037, authorized PG&E to track costs incurred to implement its wildfire mitigation plan in the Wildfire Mitigation Plan Memorandum Account (WMPMA).<sup>7</sup> The Energy Division approved PG&E's Advice Letter 5419-E

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<sup>3</sup> D.12-01-032 at 153.

<sup>4</sup> D.17-12-024, Ordering Paragraph (OP) 9.

<sup>5</sup> *Id.* (PG&E has proposed closing the FHPMA in its most recent GRC).

<sup>6</sup> *See*, Public Utilities (Pub. Util.) Code § 8386.4. *See also*, Assembly Bill 1054 (Ch. 79, Stats. 2019) amending Senate Bill 901 (Ch. 626, Stats. 2018).

<sup>7</sup> D.19-05-037, OP 21.

request to open a Fire Risk Mitigation Memorandum Account (FRMMA) effective January 1, 2019.<sup>8</sup> In the FRMMA, PG&E is authorized to “track costs incurred for fire risk mitigation that are not otherwise covered in the electrical corporation’s revenue requirements.”<sup>9</sup>

- 3) The Catastrophic Event Memorandum Account (CEMA) is used to record costs for: “(1) [r]estoring utility services to customers, (2) [r]epairing, replacing, or restoring damaged utility facilities, [and] (3) [c]omplying with governmental agency orders in connection with events declared disasters by competent state or federal authorities.”<sup>10</sup> PG&E seeks interim cost recovery for the costs associated with five events from 2019 in its CEMA account: (1) the January/February Severe Storms; (2) the October Wind Events; (3) the Glencove Fire; (4) the Camino Fire, and (5) tree mortality and fire risk reduction activities conducted pursuant to Commission Resolution ESRB-4.

While there are precedent actions by the Commission, the CEMA process formally began with Commission Resolution E-3238 (adopted July 24, 1991) and was codified as Pub. Util. Code § 454.9.

PG&E identified a total of \$1,057,561,000 in associated revenue requirement for the FHPMA (\$317,441,000), FRMMA/WMPMA (\$505,250,000), and CEMA (\$234,871,000) recorded in the accounts covered by this application. PG&E subsequently corrected this amount to reduce it by \$9,900,000 based on a reduction to the return on equity related to Assembly Bill 1054.<sup>11</sup> Specifically, PG&E identified \$370 million in capital expenditures in this proceeding that would be subject to the requirements of Pub. Util. Code § 8386.3(e) and excluded

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<sup>8</sup> Letter from Energy Division to PG&E Approving Advice Letter 5419-E, dated March 12, 2019.

<sup>9</sup> Pub. Util. Code § 8386.4(b)(1).

<sup>10</sup> Pub. Util. Code § 454.9(a).

<sup>11</sup> PG&E Reply to Protests and Responses, March 23, 2020.

from its equity rate base. PG&E calculated the associated return on equity at issue in this proceeding of the \$370 million in capital to be \$8.4 million. Thus, PG&E reduced its original interim rate relief request by \$8.4 million.<sup>12</sup>

If approved at the 85 percent amount requested, PG&E claims the \$891 million revenue requirement will have the typical residential electric customer see a bill increase of approximately five percent, or \$5.70 monthly over seventeen months. The proceedings to review the reasonableness of the costs incurred largely from 2018 and 2019 are not likely to be concluded before the end of 2021. PG&E is seeking interim recovery, subject to refund, now as it emerges from bankruptcy as approval now will provide immediate and long-term benefits to ratepayers through lower financing costs.<sup>13</sup> PG&E claims that beginning collection from ratepayers in 2020 will also create an overall smoothing impact on rates instead of waiting for a final decision approving the costs resulting in rate increases in 2021 and 2022.

PG&E also proposes the Commission make a policy determination that on a going forward basis it may recover via interim rates, subject to refund, significant accumulated balances in similarly situated memorandum accounts. PG&E proposes the Commission authorize interim rate relief whenever PG&E accumulates a total of \$100 million or more (on a revenue requirement basis) in memorandum accounts established to record costs associated with new Commission or legislative-mandated activities. PG&E proposes that in such circumstances it be authorized to collect eighty-five percent of the revenue requirement.

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<sup>12</sup> *Id.*

<sup>13</sup> *See*, Application, Exhibit D at 8-12.



PG&E claims that it has incurred substantial costs and that interim rates are justified for reasons of fairness and would result in greater equity in ratemaking. PG&E is not seeking a factual determination regarding the reasonableness of the expenses in this proceeding. It does claim that the Commission has broad authority to authorize interim rate relief, and that since the reasonableness and incrementality of the costs sought for interim recovery will be evaluated in one or more future proceedings there are no factual disputes in this proceeding that would require evidentiary hearings.

PG&E alleges various financial benefits associated with interim rate relief that will also benefit ratepayers. PG&E claims these benefits include: (1) the ability to obtain a lower interest rate from the marketplace on debt;<sup>14</sup> (2) the impact to credit rating agencies' assessment of PG&E's ability to obtain timely cost recovery;<sup>15</sup> and (3) the impact to PG&E's annual cash flow operation.<sup>16</sup>

Protests to the Application were received from the Public Advocates Office of the California Public Utilities Commission (Cal Advocates), The Utility Reform Network (TURN), the Joint Community Choice Aggregators (Joint CCAs), and Wild Tree Foundation. In addition, Southern California Edison Company submitted a response, and San Diego Gas & Electric Company filed a motion for party status. PG&E submitted a Reply to Protests and Response on March 23, 2020.

Notice of the Application appeared on the Commission's Daily Calendar on February 11, 2020. Resolution ALJ 176-3456 was adopted on

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<sup>14</sup> Application, Exhibit D at 8.

<sup>15</sup> Application, Exhibit D at 9.

<sup>16</sup> Application, Exhibit D at 10.

February 27, 2020, and preliminarily categorized this proceeding as ratesetting and determined that hearings were necessary.

A prehearing conference (PHC) was held on April 2, 2020, by teleconference, to discuss the issues of law, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The assigned Administrative Law Judge (ALJ) preliminarily decided that no issues of fact have been identified that would be required to resolve this Application. That decision was confirmed in the Scoping Memo issued on April 14, 2020, changing the preliminary determination to evidentiary hearings are not needed. The Scoping Memo also confirmed the ratesetting categorization.<sup>17</sup>

The PHC was held by teleconference, and the assigned ALJ allowed parties to comment on the proposed scope. The Joint CCAs, PG&E, TURN, and Wild Tree Foundation submitted comments on April 9, 2020.

Opening Briefs were filed by the Public Advocates of the California Public Utilities Commission, the Joint CCAs, PG&E, TURN, and Wild Tree Foundation on April 29, 2020. The Joint CCAs also submitted a motion requesting the admission of four exhibits into the record. That motion was granted on May 21, 2020. Reply Briefs were filed by PG&E, TURN, and Wild Tree Foundation on May 8, 2020.

## **2. Issues Before the Commission**

The issues to be determined are:

1. Consideration of whether PG&E's request to recover, on an interim basis subject to refund, \$891 million in revenue requirements related to wildfire related costs incurred

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<sup>17</sup> See, California Public Utilities Commission (CPUC) Rules of Practice and Procedure 7.3.

- mainly during 2017-2019 in certain memorandum accounts should be granted.
- a. Consideration of whether PG&E's proposal minimizes the cost incurred by ratepayers and provides better rate stability for PG&E customers.
  - b. Consideration of whether the proceedings underlying the memorandum accounts require a reasonableness review before any recovery is approved.
  - c. Consideration of whether "an interim basis subject to refund" is just and reasonable under Section 451 of the Pub. Util. Code.
2. Consideration of whether PG&E's proposal to recover, on an interim basis subject to refund, the authorized revenue requirements over a 17-month period, as soon as practicable following a final decision, should be granted.
- a. Consideration of whether PG&E has demonstrated that recovering \$891 million in 2020 and 2021 rather than in future years (*e.g.*, 2021 and 2022) is fair to the utility and ratepayers.
  - b. Consideration of whether any alternative rate increase proposals should be considered.
  - c. Consideration of what, if any, additional reporting requirements should be adopted.
  - d. Consideration of the appropriate regulatory accounting process to effectuate the proposed recovery, on an interim basis subject to refund, the authorized revenue requirements.
3. Consideration of whether PG&E's proposal for interim rate relief whenever PG&E accumulates a total of \$100 million or more (in revenue requirement equivalent) in one or more memorandum accounts for new mandated activities should be granted.

### **3. Position of the Parties**

#### **3.1. Public Advocates Office of the California Public Utilities Commission**

Public Advocates Office of the California Public Utilities Commission argues that PG&E's request for interim relief should be denied. Public Advocates Office of the California Public Utilities Commission claims the request does not guarantee any greater rate stability as the procedural processes that are in place already ensure a timely review of PG&E's expenses. Further, Public Advocates Office of the California Public Utilities Commission claims PG&E has not explained what negative financial impacts merit interim relief. Public Advocates Office of the California Public Utilities Commission cites four reasons why PG&E's application has not met the standards for interim relief and should be denied.

First, Public Advocates Office of the California Public Utilities Commission claims there is no impediment to timely reasonableness review. For example, the legislation authorizing CEMA includes a provision for expedited review.<sup>18</sup> Further, the other memorandum accounts are governed by provisions that allow the utility to determine when to file for recovery.

Second, Public Advocates Office of the California Public Utilities Commission claims that while the costs recorded are related to Legislative and Commission mandates, those mandates were enacted in response to fires started by the equipment of PG&E and other utilities. Thus, there are significant questions about whether the costs recorded include costs related to measures that PG&E should have proactively taken to responsibly manage its utility

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<sup>18</sup> Pub. Util. Code § 459(b).

infrastructure in advance of the fires that led to the enactment of Senate Bill 901 and Assembly Bill 1054.

Third, Public Advocates Office of the California Public Utilities Commission argues that PG&E's application lacks legal and factual analysis to support its request. Public Advocates Office of the California Public Utilities Commission says that PG&E has failed to meet its burden to show that facts and circumstances are consistent for instances where the Commission has previously approved interim rate requests. Public Advocates Office of the California Public Utilities Commission claims the Commission's general rule is that interim rate relief may be granted when a utility has a financial emergency or there is an absence of dispute as to the reasonableness of certain costs.<sup>19</sup> Public Advocates Office of the California Public Utilities Commission claims that if neither of those criteria are present the Commission has found that, "it is reasonable to grant interim rate relief, where all of the following factors are present: a substantial portion of a utility's total capital investment is at issue, a long prudency review is anticipated, there are fuel savings generated, a MAAC balancing account has been established, the utility has shown a need for improvement in its cash flow, and the interim rate relief is authorized subject to refund."<sup>20</sup> Public Advocates Office of the California Public Utilities Commission states that the Diablo Canyon case it cites developed from prior decisions granting interim relief to construct new or additional power plants,<sup>21</sup> and that PG&E does not demonstrate

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<sup>19</sup> Public Advocates Office of the California Public Utilities Commission Opening Brief at 10, citing D.86-04-080, Order modifying but denying rehearing of D.85-12-05, *aff'd Toward Utility Rate Normalization v. Public Utilities Commission* (1988) 44 Cal.3d 870.

<sup>20</sup> *Id.*

<sup>21</sup> Public Advocates Office of the California Public Utilities Commission Opening Brief at 10, citing e.g., D.84-07-070 (Helms), D.83-11-091 (San Onofre Nuclear Generating Station).

that its current request is consistent with those situations and thus it has failed to meet its burden of proof in this case. Public Advocates Office of the California Public Utilities Commission claims that a recent decision cited by PG&E, D.19-04-039, is not precedent for this case as PG&E failed to explain the “extremely rare and unique facts that apply to PG&E’s [filing for voluntary bankruptcy]” are present here where more than double the amount in interim rate relief is requested.<sup>22</sup>

The fourth reason identified by Public Advocates Office of the California Public Utilities Commission to deny the application is that it is not reasonable to increase rates in August 2020, when PG&E will file applications for rate recovery later this year. Public Advocates Office of the California Public Utilities Commission argues that permitting PG&E to recover almost \$1 billion in costs and expenses in advance of the appropriate cost recovery applications is not fair to ratepayers.

Public Advocates Office of the California Public Utilities Commission also provides an alternative proposal that would allow interim recovery for some non-CEMA costs. Specifically, Public Advocates Office of the California Public Utilities Commission recommends that if the Commission decides to authorize interim rate relief, it limits the increase to one-third of the non-CEMA costs. This would result in interim recovery of \$274.2 million. Public Advocates Office of the California Public Utilities Commission states that the one-third figure is measured and moderate and that now is not the appropriate time to grant interim recovery of a larger amount. Public Advocates Office of the California Public Utilities Commission excludes the CEMA costs as consideration of the

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<sup>22</sup> Public Advocates Office of the California Public Utilities Commission Opening Brief at 11, *citing* D.19-04-039 at 5.

CEMA costs as the procedural process in place for CEMA ensures timely recovery while safeguarding ratepayers from unnecessarily paying imprudent expenses.

Finally, Public Advocates Office of the California Public Utilities Commission opposes PG&E's blanket request for interim relief whenever a memorandum account related to new mandated activities reaches \$100 million. Public Advocates Office of the California Public Utilities Commission argues that PG&E can and should file a new request any time such a threshold is reached so that the Commission can determine on the merits of each case whether interim relief is warranted.

### **3.2. Joint CCAs**

Marin Clean Energy, Peninsula Clean Energy, Pioneer Community Energy, and Sonoma Clean Power (collectively the Joint CCAs) oppose PG&E's request and argue that if any portion of the request is approved, that a review of the "functionalization" of PG&E's underlying costs must occur as part of the later reasonableness review.

The Joint CCAs agree that the particular facts and considerations justifying interim rate relief have varied somewhat over time. In this case, however, the Joint CCAs argue that PG&E has not provided sufficient detail to allow the Commission to conduct a rigorous review of the application, overstates the ratepayer benefits and ignores likely ratepayer harms. The Joint CCAs dispute the assertion that the costs are all electric distribution costs and point out that there is no Commission precedent on the appropriate mode of cost recovery for many of the costs recorded in the memorandum accounts. The Joint CCAs point out that in the pending PG&E GRC that PG&E agreed to reallocate certain Community Wildfire Safety Program costs as common costs as opposed to

distribution costs. The Joint CCAs argue that “functionalization issues” should occur prior to rate recovery and that any determination here for interim recovery should have no precedent on other cases where it may be reviewed.

The Joint CCAs also contend the policy determination should be rejected as it is overly broad and contravenes Commission precedent requiring fact-based inquiry into the circumstances surrounding each interim rate request.

### **3.3. Pacific Gas and Electric Company**

PG&E claims its Application and Declaration provide the requisite legal authority for the Commission to grant interim rate relief stating that the “cases granting such relief are numerous and broad ranging.”<sup>23</sup> PG&E states that the conclusion of D.19-04-039 is most apropos here as it concluded that “interim recovery is warranted to promote fairness, minimize costs to ratepayers, and promote rate stability.”<sup>24</sup> However, PG&E notes the Commission has granted interim relief based on only one of those reasons, for example “where there is a showing that fairness to both the utility and the public require immediate action,”<sup>25</sup> and the objective of “mitigating sharp rate increases.”<sup>26</sup>

PG&E states that the proposal will minimize the costs to ratepayers as interim rate relief will improve its credit quality and credit ratings, lower its cost of debt, and thus result in a lower cost of capital as soon as this fall. Further, PG&E claims the resultant lower interest rate will provide costs savings to

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<sup>23</sup> PG&E Opening Brief at 2, *citing* Application at 13-14 (discussing D.19-04-039, D.16-08-008, D.02-07-031, D.88-05-074, as well as *Toward Utility Rate Normalization v. Public Utilities Commission* (1988) 44 Cal.3d 870).

<sup>24</sup> D.19-04-039 at 6.

<sup>25</sup> D.02-07-031 at 12-15. *See also*, D.16-08-003.

<sup>26</sup> D.16-08-003 at 9-10, Finding of Fact 4.



customers that will last for decades into the future.<sup>27</sup> PG&E acknowledges the challenge of the flow-through financial analysis, but it does provide a demonstration of how interim rate relief will qualitatively reduce customer costs.<sup>28</sup>

PG&E also points to the benefit of collecting the costs at issue over multiple years by providing two scenarios to recover “100 cents” in rates for costs already incurred. In the first scenario a utility collects 85-cents in year one and 15-cents in year two, which all else being equal, would result in an 85-cent increase to customers in year one and a 70-cent reduction in year two, and a 15-cent reduction in year three. In the second scenario customers see a 100-cent increase in year two, and a 100-cent reduction in year three. According to PG&E, ratepayers have less rate stability in the second scenario as the entire increase is pushed into a single year.

PG&E acknowledges the recent COVID-19 pandemic declared after it filed its application does impact its request as well as its operations. PG&E points to a number of initiatives it has or will be implementing to protect customers from disconnection and adverse impacts during the effects of the pandemic. PG&E continues to believe that acting now to approve the interim rates will have a net positive impact on customers as it will help lower overall costs to customers by reducing the cost of borrowing money to finance essential safety and reliability work, including wildfire mitigation work, and will help PG&E’s suppliers at a time when the most affected customers are protected. In addition, PG&E argues

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<sup>27</sup> See, Application, Exhibit D at 8-13 (a one-notch improvement in PG&E’s credit rating would save customers about \$25 million annually in lower costs of debt).

<sup>28</sup> PG&E Opening Brief at 4-5, *citing*, *TURN v. PUC*, 44 Cal.3d at 875[-879] (the Commission need not quantify financial benefits or find emergency circumstances justify interim relief).

that while the mandated memorandum accounts do solve the problem of how to track the costs incurred for mandated activities between general rate cases, they also create a problem for ratemaking outside the traditional process. PG&E claims the size of these “unfunded mandates” has grown so large and are “characterized by unfairness” creating significant carrying costs and pushing costs off to future ratepayers. Finally, PG&E points out that the alternatives presented by opposing parties do not provide any better solutions than what has been implemented to address pandemic related challenges while also balancing the accumulated costs in these accounts.

PG&E disputes calling the interim rate relief a loan from ratepayers or a shift of the financial burden from the utility to ratepayers. PG&E states the costs were incurred on behalf of ratepayers and customers benefit immediately from the work it has done. PG&E says its request is to have customers share the carrying-cost of these investments and is similar to asking any customer to pay for services already provided. PG&E criticizes TURN’s alternative proposal to allow interim rate relief of 25 percent as it would result in a more delayed peak for rates, with a higher and steeper bill impact.

PG&E also disputes parties’ suggestion that this interim rate relief is not needed as the review of the underlying accounts will begin soon. PG&E notes that this is the first-time the wildfire mitigation programs will be reviewed, and the last CEMA proceeding is already over two years old and still awaiting an external audit before intervenor testimony and hearings can be held.

PG&E supports a reporting requirement designed to reconcile amounts collected through interim rate relief compared to any revenue requirement authorized after the reasonableness reviews of the associated costs. PG&E proposes two options to ensure transparency. The first option would have

PG&E show what revenues were authorized in this docket and how those revenues were used to reduce the revenue requirement request in the future dockets seeking a reasonableness review of the costs. The second option would be for PG&E to submit a reconciliation report to the Energy Division.

In reply, PG&E says that Wild Tree Foundation is incorrect to allege a violation of due process. PG&E points out that not all matters presented to the Commission require hearings: “There is no constitutional requirement that the Commission hold an evidentiary hearing in a ratemaking proceeding.”<sup>29</sup> It is well established that the “amount of process due depends on the particular situation.”<sup>30</sup>

Finally, PG&E attempted to clarify its policy request to clarify that accounts where management has the discretion to decide whether or not to undertake the spending would not be included. PG&E is proposing that the policy would not apply to spending that is merely “authorized” (but not ordered) by the Commission. PG&E also clarified that the \$100 million figure that would trigger the interim rate relief constitutes an amount that results in material carrying costs.

### **3.4. The Utility Reform Network**

TURN agrees the Commission has the legal authority to authorize interim rate recovery where costs are included in rates prior to any review of the reasonableness of spending. However, it calls granting such a request contrary to normal ratemaking and has only been done by this Commission a handful of times over the past forty years. TURN argues that the facts of this case are

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<sup>29</sup> D.20-02-070 at 3, citing *Wood v. Public Util. Comm.* (1971) 4 Cal.3d 288, 292.

<sup>30</sup> D.20-02-070 at 3, citing *Mathews v. Eldridge* (1976) 424 U.S. 319, 343.

different from times the Commission has granted such relief and the Commission should dismiss PG&E's application. TURN says PG&E's proposal is not consistent with the principles and factors the Commission has historically used when it has granted the extraordinary relief of interim rate recovery prior to a review of the underlying costs. For example, TURN states that when the Commission has granted interim relief in the past it granted between 40 and 60 percent of the total so as to prevent a larger future rate increase and promote rate stability.

TURN argues that in this case PG&E has not provided a showing that the costs were reasonable, and the Commission has never previously reviewed three of the four memorandum accounts in the application. TURN states that PG&E's proposal to recover 85 percent of the revenue requirements does not provide any rate stability as it only moves the peak collection forward in time. TURN also argues that PG&E's proposed recovery is not material to PG&E's successful exit from bankruptcy and no linkage was ever alleged by PG&E.

TURN also says that now maybe the worst time ever to accelerate a \$900 million rate increase that would not normally happen before PG&E even files the applications seeking review of these accounts. However, TURN does provide an alternative if the Commission disagrees with its analysis. TURN proposes that no more than 25 percent of the costs, or about \$250 million in revenue requirements, could be approved on an interim basis consistent with prior decisions supporting rate stability and a balancing of interests of the utility and ratepayers. TURN calculates the \$250 million figure as 50 percent of the FHPMA and CEMA expenses and would exclude the FRMMA and WMPMA as those accounts have never before been reviewed by the Commission. TURN explains that the factors supporting interim recovery, including intergenerational

equity could justify interim recovery of 50 percent of CEMA and FHPMA expenses. TURN notes that its figure is close to that recommended by the Public Advocates Office of the California Public Utilities Commission (\$274 million), and that while it does not agree with the rationale for calculating that figure, any approval for interim recovery should be between \$250 and \$275 million.

Finally, TURN argues the Commission should dismiss PG&E's policy request for automatic interim recovery of memorandum account balances that exceed \$100 million. TURN says such a policy represents a fundamental change in regulatory practice that must be more closely considered as there are several policy and factual issues that would need to be addressed before such a significant change is made. If the Commission wishes to explore the concept proposed by PG&E it should do so in a thorough and probative process, not as an add-on to a specific request. For example, in order to even consider if the \$100 million threshold is reasonable TURN would have the Commission explore, among other things, the historic amounts in memorandum accounts, and the relationship between memorandum account balances and utility financing costs.

### **3.5. Wild Tree Foundation**

Wild Tree Foundation claims that ratepayers are harmed by any increase in rates, even when an increase has been ruled reasonable by the Commission, and that here, where there will not be such a ruling by the Commission, the harm is great. Wild Tree Foundation states that given all the other rate pressure, and the impact of the COVID-19 pandemic, now is not the time to increase rates before a reasonableness review is completed and that any later refund does not alleviate the harm.

Wild Tree Foundation believes any approval would violate due process and the Public Utilities Code. Wild Tree Foundation claims that the request to

approve an increase in rates without a Commission determination that such increase would be just and reasonable, without a hearing, and without development of a record would violate United States and California Constitutional due process rights and the Public Utilities Code. Wild Tree Foundation says the proceeding schedule does not allow meaningful participation by parties and development of a record upon which a reasoned decision can be made. Further, this decision has nothing to do with bankruptcy and there is no justification for rushing this proceeding as this proceeding is not listed as a necessary approval in PG&E's current proposed reorganization plan. Wild Tree Foundation says the Supreme Court has held due process in ratemaking proceedings by the Commission requires a fair hearing.<sup>31</sup>

Wild Tree Foundation says that when the Commission has approved interim rates in the past it has only done so when proceedings to review reasonableness were underway. Wild Tree Foundation says the Commission has denied interim rate increases where "the applicant could have raised the issue in a more timely fashion," which is the case here.<sup>32</sup> Wild Tree Foundation disputes the reasonableness of a number of underlying costs and concludes that therefore those costs should not be eligible for interim rate recovery.<sup>33</sup>

Wild Tree Foundation says that PG&E has not met the standard for interim rate relief. Wild Tree Foundation says that interim rates are unfair to the public because the vast majority of costs were predictable, and PG&E should have been

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<sup>31</sup> Wild Tree Foundation Opening Brief at 5-7, citing *Railroad Com. of California v. Pacific Gas & Electric Co.* (1938) 302 U.S. 388, 393-394, *Goldberg v. Kelly* (1970) 397 U.S. 254, Cal. Pub. Util. Code § 1705, and *Clean Energy Fuels Corp. v. Public Utilities Com.* (2014) 227 Cal. App. 4th 641, quoting *Greyhound Lines, Inc. v. Public Utilities Com.* (1967) 65 Cal.2d 811.

<sup>32</sup> Wild Tree Foundation Opening Brief at 9, citing D.09-06-010.

<sup>33</sup> Wild Tree Foundation Opening Brief at 11-17.

undertaking mitigations already. Further, Wild Tree Foundation asserts these increases will be compounded by rate increases due to bankruptcy and Assembly Bill 1054 and will therefore not “smooth” rates as PG&E alleges. Wild Tree Foundation claims that PG&E has not explained why it cannot use the normal means of recovery for these accounts, or have simply included them as part of its 2020 GRC. Further, Wild Tree Foundation alleges that the legislative and regulatory mandates that underpin the accounts exist only because PG&E failed to maintain a safe and reliable electric system.

Finally, Wild Tree Foundation calls the PG&E policy request outrageous and without justification. Wild Tree Foundation says that should the Commission wish to entertain the idea it should not do so as part of the compressed schedule to resolve the case but should do so in a separate phase of the proceeding.

#### **4. Interim Recovery of a Portion of the Revenue Requirement Associated with Subject Memorandum Accounts**

##### **4.1. Recovery on an Interim Basis, Subject to Refund, of \$447 Million Is Reasonable.**

As noted above, the instant proceeding is categorized as ratesetting. The Commission is charged with the responsibility of ensuring that all rates demanded or received by a public utility are just and reasonable.<sup>34</sup> In ratemaking applications, the burden of proof is on the applicant utility.<sup>35</sup>

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<sup>34</sup> Pub. Util. Code § 451. Application of Pacific Gas and Electric Company (2000) D.00-02-046, at 36, 2000 Cal. PUC LEXIS 239 (“no public utility shall change any rate ... except upon a showing before the Commission, and a finding by the Commission that the new rate is justified”).

<sup>35</sup> Application of Pacific Gas and Electric Company (2000) D. 00-02-046, at 36, 2000 Cal. PUC LEXIS 239, *citing* Re Pacific Bell (1987) 27 CPUC 2d 1, 21, D.87-12-067. *See also*, Re Energy Cost Adjustment Clauses (1980) 4 CPUC 2d 693, 701; D.92496, Re Southern California Edison Company (1983) 11 CPUC 2d 474, 475; D.83-05-036 (“Of course the burden of proof is on the

*Footnote continued on next page.*

As the Applicant, PG&E must meet the burden of proving that it is entitled to some of the relief it is seeking in this proceeding.<sup>36</sup> As no issues of fact were identified for resolution in this Application, the case rests on the merits of the arguments of policy and law presented.

Intervenors do not have the burden of proving the unreasonableness of PG&E's arguments but may challenge PG&E's rationale and conclusions through the presentation of additional rationale and alternative conclusions. Once the parties have completed their arguments, our role is to weigh arguments presented and approve, modify, or deny the application in whole or in part.

In this case PG&E has met its burden to prove some interim rate recovery, subject to refund, is warranted to promote fairness, minimize costs to ratepayers, and promote rate stability. Intervenors did identify alternative options to consider, however, and we agree that it is reasonable and appropriate for the Commission to approve a lower amount for interim recovery.

As a basic matter, "[t]he Commission may fix rates ... for all public utilities subject to its jurisdiction,"<sup>37</sup> while the reasonableness of a rate is determined by looking at the "end result" or "total effect."<sup>38</sup> The Legislature has enacted specific requirements for the Commission to follow when reviewing and approving requests to increase rates.<sup>39</sup>

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utility applicant to establish the reasonableness .... We expect a substantial affirmative showing by each utility with percipient witnesses in support of all elements of its application.").

<sup>36</sup> See, e.g., *In the Matter of the Application of California Water Company* (2003) D.03-09-021, at 17.

<sup>37</sup> Cal. Const., Article XII, Sec. 6.

<sup>38</sup> *Federal Power Commission v. Hope Natural Gas Company*, 320 U.S. 591 (1944)

<sup>39</sup> See e.g., Cal. Pub. Util. Code §§ 451-467.



The Commission has authority to authorize interim rate recovery prior to reviewing the reasonableness of spending. The California Supreme Court determined almost fifty years ago that the Commission has the power to grant interim rate increases.<sup>40</sup> The Court said “the Commission’s authority to grant interim rate relief is well established.”<sup>41</sup> While it is not common, the Commission has granted interim rate increases to (1) promote fairness to both the utility and the public;<sup>42</sup> (2) reduce the potential for rate shock;<sup>43</sup> (3) preserve the financial integrity of a utility, minimize costs incurred by ratepayers and ensure rate stability;<sup>44</sup> and (4) smooth rate impacts on customers.<sup>45</sup> While parties dispute the number of factors we should consider and whether we need some or all of them to be present, we find no such requirements in the prior cases where we have granted interim relief. While any one of those factors may be sufficient for the Commission to grant relief,<sup>46</sup> we conclude here that “interim recovery is warranted to promote fairness, minimize costs to ratepayers, and promote rate stability.”<sup>47</sup>

PG&E has met its burden to justify its request for interim rate recovery, in part, on the basis of fairness and because interim recovery will help to smooth

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<sup>40</sup> *City of Los Angeles v. Public Utilities Commission* (1972) 7 Cal.3d 331 (the Commission “may grant interim rate increases should it find them appropriate”), citing *Pacific Telephone and Telegraph Company* (1949) 48 Cal.P.U.C. 487.

<sup>41</sup> *Toward Utility Rate Normalization v. Public Utilities Commission* (1988) 44 Cal.3d 870, 877.

<sup>42</sup> D.02-07-031 at 14, D.19-04-039 at 6.

<sup>43</sup> D.16-08-003 at 9.

<sup>44</sup> D.88-05-074 at 14.

<sup>45</sup> D.19-04-039 at 6, D.19-04-039 at 6.

<sup>46</sup> See, D.02-07-031 at 12-13.

<sup>47</sup> D.19-04-039 at 6.

customer rates. As the bulk of the costs at issue were incurred in 2018 and 2019 and some of the proceedings to consider them will take another 12-18 months to resolve, there is a level of interim relief that will improve intergenerational equity and avoid the significant increases and subsequent decreases that are associated with the approval of costs tracked in accounts like these. Interim rate relief provides a hedge against a potentially larger rate increase on customers after the reasonableness review. We are also persuaded, in light of PG&E's financial condition and the perception of that condition represented by rating agency reports, that it would not be fair to ratepayers to continue to require PG&E to carry the entire costs tracked in these memorandum accounts.<sup>48</sup> While the dollars and carrying time at issue in this case are but a fraction that were at issue in *TURN v. PUC*, 44 Cal.3d 870, the regulatory environment and financial markets for utilities are also significantly different. As any overcollection would be refunded with interest, the long-term cost associated with the interim rate relief favors the ratepayer in this specific instance.

After reviewing PG&E's request and intervenors arguments, we are persuaded that ratepayers will pay less over the next five years and are likely to pay less for a significantly longer period if some form of interim rate relief is granted in this application. Accordingly, we find it appropriate to allow interim recovery for a portion of the identified revenue requirement based the facts specific to this case, and its particular timing with respect to the underlying costs, and PG&E's current financial condition. Thus, we conclude that PG&E has shown in this case that interim recovery is warranted to promote fairness, minimize costs to ratepayers, and promote rate stability.

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<sup>48</sup> Application, Exhibit D at 8-12.

**4.2. A 17-Month Period to Recover, on an Interim Basis Subject to Refund, the Authorized Revenue Requirement is Reasonable.**

PG&E has presented over \$1.6 billion in recorded costs and more than \$1 billion in associated revenue requirement associated with the four memorandum accounts at issue in this proceeding.<sup>49</sup> The revenue requirements set forth by PG&E in its application were not disputed for the purpose of this proceeding as they will be subject to reasonableness review in future proceedings. PG&E is seeking interim recovery, subject to refund, of \$891 million or 85 percent of the calculated revenue requirement.

PG&E claims that a 15 percent reduction is substantially more than the typical level of adjustments to otherwise-eligible recorded costs and in-line with its recent CEMA cases. TURN points out that when the Commission has previously authorized interim rate relief where addressing costs for new programs like the FRMMA and the WMPMA, it only granted a portion of the costs.<sup>50</sup> Further, TURN and Wild Tree Foundation express concerns with the reasonableness of the CEMA costs at issue in this case,<sup>51</sup> while Public Advocates Office of the California Public Utilities Commission would exclude CEMA entirely from consideration in this case as the normal process is sufficient to consider those costs.<sup>52</sup> Accordingly, the Public Advocates Office of the California Public Utilities Commission proposed an alternative interim increase of \$274.2 million, one-third of the non-CEMA costs presented, and TURN proposed

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<sup>49</sup> Application at 7-8.

<sup>50</sup> See, D.16-08-003 at 9-11 (interim recovery of 50 percent of Pipeline Safety Enhancement Plan costs).

<sup>51</sup> TURN Opening Brief at 8, Wild Tree Foundation Opening Brief at 11.

<sup>52</sup> Public Advocates Office of the California Public Utilities Commission Opening Brief at 7.

an alternative interim increase of no more than 25 percent of the costs, or about \$250 million in revenue requirements.

We are well aware that during the consideration of this application the world has changed as the COVID-19 pandemic has impacted everything, including our view of this application. We know that residential bills are higher than normal with many families working and schooling from home. We note that PG&E has or will be implementing a number of actions to protect customer disconnection and adverse impacts during the effects of the pandemic.<sup>53</sup> In order to accomplish these customer protections and ensure PG&E can continue to provide safe, affordable, and reliable service, we must also consider its long-term financial health in addition to the short-term financial impacts of this decision. As we balance all of these factors and the various inputs thereto, we conclude that some level of interim rate relief is warranted in this case.

While this decision does not prejudice any pending or future cost recovery request, we are not persuaded by the intervenor arguments that the uncertainty of whether the full amount of recorded costs may be recovered after reasonableness review is material to our consideration here. While we make no conclusion as to the reasonableness of the recorded costs here, we will review those costs when they are presented in future applications. However,

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<sup>53</sup> PG&E notes that it has: suspended service disconnections for non-payment, including all notices and calls; waived security deposits; is implementing flexible payment plan options; and providing additional support for low-income and medical baseline customers, such as additional financial support to qualifying customers through the California Alternate Rates for Energy (CARE) Program, the Family Electric Rate Assistance (FERA) Program, the Relief for Energy Assistance through Community Help (REACH), and the Medical Baseline Program.

intervenors acknowledge that some costs recorded in the accounts are likely to be approved.<sup>54</sup>

We do find persuasive the arguments to exclude the CEMA costs from recovery in this case. PG&E cites D.08-01-021 in support of its request being consistent with historical CEMA cost recovery.<sup>55</sup> That CEMA decision accepted a settlement where PG&E was authorized recovery of \$12,138,000 in revenue requirements.<sup>56</sup> In the underlying CEMA application, PG&E had sought \$44,580,000 in revenue requirements,<sup>57</sup> of which over half was denied in D.07-07-041. The \$12,138,000 approved in the acceptance of the settlement<sup>58</sup> represented a 73 percent reduction from the costs initially requested in the CEMA application. While recent decisions in other CEMA proceedings have granted substantially more interim rate recovery, Commission precedent also supports granting interim recovery of much lower percentages than may ultimately be allowed for rate recovery.<sup>59</sup>

Moreover, as discussed by the Public Advocates Office of the California Public Utilities Commission, the CEMA statute itself provides for expedited proceedings, which are an avenue for PG&E to seek prompt relief for

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<sup>54</sup> See, Public Advocates Office of the California Public Utilities Commission Opening Brief at 11-12 (recommending any interim increase be limited to \$274.2, one-third of the non-CEMA costs, and no CEMA costs As the CEMA procedural process ensure timely recovery while safeguarding ratepayers); TURN Opening Brief at 29 (if the Commission grants interim rate recovery it should limit recover to no more than 50 percent of the costs after removing capital costs and costs from the never-before reviewed FRMMA/WMPMA, which would allow interim recovery of approximately \$250 million).

<sup>55</sup> Application, Exhibit D at 8.

<sup>56</sup> See, D.08-01-021 at 2.

<sup>57</sup> A.06-11-005 at 3.

<sup>58</sup> D.08-01-021 at 19.

<sup>59</sup> See, e.g., TURN Opening Brief at 17.

CEMA-eligible costs.<sup>60</sup> We agree with the Public Advocates Office of the California Public Utilities Commission on this point and decline to grant interim rate relief for the requested CEMA costs. PG&E may file an expedited application for those costs, including a recommended procedural schedule for disposition.

We find that interim recovery, subject to refund, of 55 percent of the identified revenue requirement in the FHPMA, FRMMA, and WMPMA accounts will best promote fairness, minimize costs to ratepayers, and promote rate stability. We have reviewed the alternatives presented and have concerns that the 25 percent proposals of the Public Advocates Office of the California Public Utilities Commission and TURN underestimate the potential recovery and are less likely than PG&E's proposal to lead to rate stability. However, we are not convinced that PG&E's 85 percent proposal is a reasonable interim recovery amount for these accounts that have not heretofore been reviewed for reasonableness. We select a 55 percent recovery figure as it balances the potential interim and long-term rate and recovery amounts. Thus, we determine that a 55 percent recovery of the expenses in the FHPMA, FRMMA, and WMPMA accounts on an interim basis is reasonable and fair. We agree that there are benefits to ratepayers that would result from beginning collections now for a portion of the expenses PG&E has already incurred. Accordingly, based on the circumstances of this case, we find that a 55 percent interim recovery provides rate stabilization, while providing the opportunity for substantial benefits in reduced financing costs borne by ratepayers.

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<sup>60</sup> Public Advocates Office of the California Public Utilities Commission Opening Brief at 7, *citing* Cal. Pub. Util. Code § 454.9(b).

PG&E identified the revenue requirements associated with the FHPMA, FRMMA and WMPMA as \$822.69 million. Reducing that by the \$9.9 million in revenue requirement associated with Assembly Bill 1054<sup>61</sup> and multiplying the remainder by 55 percent results in the \$447 million interim recovery amount authorized below.

The authorized \$447 million amount is subject to refund, with interest, to the extent the Commission's final decisions reviewing these accounts awards PG&E a lower amount. This grant of interim rate relief does not create any presumptions or inferences for the subsequent reasonableness review of PGE's CEMA, FHPMA, FRMMA, and WMPMA costs.

Thus, PG&E is authorized to recover the interim revenue requirement of \$447 million, subject to refund, with interest, over a 17-month period from December 2020 through the end of April 2022. Should PG&E begin recovery after December 2020, the end of the recovery period shall be extended commensurately. PG&E may include the approved revenue requirement in the Distribution Revenue Adjustment Mechanism in an upcoming rate change filing.<sup>62</sup>

#### **4.2.1. Additional Reporting Requirements**

PG&E agreed that additional reporting requirements should be adopted to aid reconciliation of the amounts collected through interim rate relief compared to any revenue requirement authorized after the reasonableness reviews of the

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<sup>61</sup> Pub. Util. Code §8386(e). PG&E Reply to Protests and Response at 4-5 (March 23, 2020), *citing*, Pub. Util. Code § 8386.3(e), Assembly Bill 1054 (Ch. 79, Stats. 2019) amending Senate Bill 901 (Ch. 626, Stats. 2018).

<sup>62</sup> We note that the Joint CCAs and PG&E agree that a full review of functionalization issues should occur in the proceeding(s) to occur later this year concerning these costs. *See*, Joint CCAs Opening Brief at 7.

associated costs. We adopt both methods proposed by PG&E as together they provide better visibility and oversight into PG&E's activities and spending than either would do alone. We modify PG&E's proposal to the extent it called for a single report at the end of the collection period to provide interim reports. Additional reporting provides greater transparency and allows the Commission to track and monitor the reconciliation over the course of the coming years.

Specifically, in any future request for reasonableness review and/or recovery of the costs in the memorandum accounts approved for interim recovery in this decision, PG&E shall affirmatively identify the amount of interim relief granted by this decision for each specific account, and identify the dollar amounts already collected from ratepayers for each account.

In addition, PG&E shall submit a reconciliation report to the Energy Division, with a copy to the service list in this proceeding, for the periods ending each June 30 and December 31, showing the revenues collected for each memorandum account identified, reconciled against the reductions made in other dockets where PG&E has requested recovery of these same costs, and any other information requested by Energy Division regarding these memorandum account balances. PG&E shall submit the final report to Energy Division no later than 90 days after the entire amount authorized in this decision has been included in rates or refunded to customers as required by this decision.

#### **4.3. PG&E's Proposal for an Interim Rate Relief Policy**

While this not the first time an interim rate has been authorized,<sup>63</sup> PG&E claims that such action is an improvement over the traditional ratemaking

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<sup>63</sup> See, TURN Opening Brief at 10-15. We note that while TURN says three of its eight identified cases as concern energy crisis procurement costs, the most recent cases are similar to this one and concern the financial health of PG&E as it works through and past the bankruptcy process.

*Footnote continued on next page.*



process, as it provides greater assurance to both the utility and ratepayer that significant costs incurred to provide safe and reliable energy in California will be recovered in a more efficient and economical fashion.

Taking it a step further, PG&E presents an opportunity for the Commission to consider whether ratepayers will always benefit from a lower carrying cost for the expenses it has booked to these memorandum accounts.

While the debate over how to handle changes to costs between general rate cases is not new, the pace of change over the past few decades has altered the traditional ratemaking process and case law provides examples approving new programs and allowing other changes between general rate cases.<sup>64</sup> Here PG&E would have us further adapt to streamline the time between when new costs are incurred and those costs are recovered from ratepayers. There is merit to PG&E's claims that its proposal allows recovery to begin closer in time to when the costs were incurred, both in terms of equity and cost savings. This promotes intergenerational equity. However, in evaluating a request like this we look to our precedent where we have looked at the merits of each individual request at the time and circumstances under which it was made and reviewed whether it was more likely than not that some or all of the amount requested was likely to be approved, and conditioned our approval on the requirement to refund any amount collected related to costs not approved in a subsequent reasonableness

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Our expectation is that interim rate requests will be as infrequent as they were before PG&E's recent bankruptcy. *See also*, D.19-04-039.

<sup>64</sup> *See, e.g.*, D.19-04-013. *See also*, Cal. Pub. Util. Code § 454.5 and the resultant Energy Resource Recovery Account process.

review.<sup>65</sup> Further, the burden to justify such requests falls on the utility, and it is not one that has always been met.<sup>66</sup> We do not see how PG&E's general policy is consistent with our precedent and process. In short, PG&E has not met its burden that such a broad policy shift will result in just and reasonable rates in all situations.

There are numerous implications that such a policy would have, and even more questions raised about how it would actually work. Further, we are concerned that consideration in this proceeding for one utility might result in different rules and approaches as similar relief is sought by other utilities. This narrow proceeding is not the best way to consider the broad question.

Accordingly, the request of Pacific Gas and Electric Company for a policy determination that would provide for interim rates, subject to refund, when a memorandum account established to track any Commission or legislative-mandated activity exceeds \$100 million is denied.

## **5. Comments on Proposed Decision**

The proposed decision of the Commissioner in this matter was mailed to the parties in accordance with Pub. Util. Code section 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed by \_\_\_\_\_ on \_\_\_\_\_. Reply comments were filed by \_\_\_\_\_ on \_\_\_\_\_.

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<sup>65</sup> See, *Toward Utility Rate Normalization v. Public Utilities Commission* (1988) 44 Cal.3d at 879 ("[T]he situation was one in which fairness to both the utility and the public required immediate action.").

<sup>66</sup> E.g., Ruling Denying Southern California Edison Company's Motion for Interim Rate Recovery in A.19-08-013 (May 22, 2020).

## **6. Assignment of Proceeding**

Marybel Batjer is the assigned Commissioner and Robert Haga is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. PG&E requests authorization to recover, on an interim basis, \$891 million in revenue over a period commencing in August 2020, and concluding at the end of 2021.

2. PG&E has been authorized to track costs not otherwise covered in its authorized revenue requirement.

3. PG&E has included expenses from 2017 to the end of 2019 in the Fire Hazard Prevention Memorandum Account (FHPMA), the Wildfire Mitigation Plan Memorandum Account (WMPMA), the Fire Risk Mitigation Memorandum Account (FRMMA), and the Catastrophic Event Memorandum Account (CEMA) in this application.

4. PG&E identified a total of \$1,057,561,000 in associated revenue requirement for the FHPMA (\$317,441,000), FRMMA/WMPMA (\$505,250,000), and CEMA (\$234,871,000) recorded in the accounts covered by this application.

5. PG&E subsequently corrected this amount to reduce it by \$9,900,000 based on a reduction to the return on equity related to Assembly Bill 1054.

6. PG&E will seek reasonableness review of the costs in the FHPMA, WMPMA, FRMMA, and CEMA accounts later this year in one or more proceedings.

7. PG&E will refund any overcollection to customers with interest if the final decisions approving the costs approve a lower amount than PG&E is authorized to collect in this decision.

8. Any approved revenue requirement associated with this request would be included in the Distribution Revenue Adjustment Mechanism in a future rate change filing.

9. Opening Briefs were filed by Public Advocates Office of the California Public Utilities Commission, the Joint CCAs, PG&E, TURN, and Wild Tree Foundation on April 29, 2020.

10. Reply Briefs were filed by PG&E, TURN, and Wild Tree Foundation on May 8, 2020.

11. The revenue requirements set forth by PG&E in its application were not disputed for the purpose of this proceeding as they will be subject to review in future proceedings.

12. The Public Advocates Office of the California Public Utilities Commission proposed an alternative interim increase of \$274.2 million, one-third of the non-CEMA costs presented.

13. TURN proposed an alternative interim increase of no more than 25 percent of the costs, or about \$250 million in revenue requirements.

14. Interim rate relief, subject to later reasonableness review by the Commission, and subject to refund, with interest, to the extent final Commission decisions regarding these accounts award PG&E a lower amount, reasonably balances the objective of mitigating sharp rate increases with the need for Commission review of utility costs prior to collection from ratepayers.

15. PG&E identified \$370 million in capital expenditures in this proceeding that would be subject to the requirements of Pub. Util. Code § 8386.3(e) and excluded from its equity rate base. PG&E calculated the associated return on equity at issue in this proceeding of the \$370 million in capital to be \$8.4 million.

16. It is reasonable to award interim rate relief of \$447,034,500, subject to later reasonableness review by the Commission, and subject to refund, with interest, to the extent final Commission decisions regarding these accounts award PG&E a lower amount.

17. Additional reporting requirements should be adopted to aid reconciliation of the amounts collected through interim rate relief compared to any revenue requirement authorized after the reasonableness reviews of the associated costs.

### **Conclusions of Law**

1. The Commission has the authority to set interim rates.
2. In *TURN v. PUC*, the California Supreme Court held that the Commission could set interim rates as long as the rate is subject to refund and sufficiently justified.
3. The Commission should approve interim rate recovery, subject to refund, now as Pacific Gas and Electric Company emerges from bankruptcy protection to achieve immediate and long-term benefits to ratepayers through lower financing costs.
4. Based on the circumstances of this case, interim recovery of fifty-five percent of the revenue requirements recorded in the Fire Hazard Prevention Memorandum Account (FHPMA), Fire Risk Mitigation Memorandum Account (FRMMA), and Wildfire Mitigation Plan Memorandum Account (WMPMA) provides rate stabilization, is reasonable and provides substantial benefits in reduced financing costs borne by ratepayers.
5. Granting Pacific Gas and Electric Company's request to recover, on an interim basis, up to an amount of \$447,034,500 in revenue requirement is reasonable and should be adopted.

6. Granting Pacific Gas and Electric Company's request to increase rates on an interim basis, subject to refund, at fifty-five percent of the revenue requirement for the recorded amounts for the FHPMA, FRMMA, and WMPMA is reasonable and should be adopted.

7. PG&E should be required to verify the amount of interim recovery appropriately excludes return on equity of capital expenditures subject to Public Utilities Code section 8386.3(e).

8. The underlying operation and capital expenditures for these accounts will be reviewed for reasonableness in future proceedings.

9. Pacific Gas and Electric Company has not shown that its requested policy determination that whenever Pacific Gas and Electric Company accumulates a total of \$100 million in revenue requirement equivalent is consistent with the law or our rules for rate changes.

10. The policy determination that whenever Pacific Gas and Electric Company accumulates a total of \$1000 million in revenue requirement equivalent requested by Pacific Gas and Electric Company is more appropriate for consideration in a broad multi-utility proceeding.

## **O R D E R**

### **IT IS ORDERED** that:

1. Pacific Gas and Electric Company (PG&E) is authorized to recover, on an interim rate basis, no more than \$447,034,500 in revenue for its recorded Fire Hazard Prevention Memorandum Account, Fire Risk Mitigation Memorandum Account, and Wildfire Mitigation Plan Memorandum Account costs, over a 17-month period from December 2020 through the end of April 2022. Should PG&E begin recovery after December 2020, the end of the recovery period shall be extended commensurately.

2. Pacific Gas and Electric Company shall refund, with interest, any excess rate recovery amount it obtained pursuant to Ordering Paragraph 1 in comparison to final decisions reviewing the prudence of the costs recorded in those accounts.

3. In any future request for reasonableness review and/or recovery of the costs in the memorandum accounts listed in Ordering Paragraph 1, PG&E shall affirmatively identify the amount of interim relief granted by this decision for each specific account, and identify the dollar amounts already collected from ratepayers for each account.

4. Pacific Gas and Electric Company (PG&E) shall submit a reconciliation report to the Energy Division, with a copy to the service list in this proceeding, for the periods ending each June 30 and December 31, showing the revenues collected for each memorandum account identified in Ordering Paragraph 1, reconciled against the reductions made in other dockets where PG&E has requested recovery of these same costs, verifying that interim recovery appropriately excludes return on equity of capital expenditures subject to Public Utilities Code section 8386.3(e), and any other information requested by Energy Division regarding these memorandum accounts balances. The final report shall occur no later than 90 days after the entire amount authorized in this decision has been included in rates.

5. The request of Pacific Gas and Electric Company for a policy determination that would provide for interim rates, subject to refund, when a memorandum account established to track any Commission or legislative-mandated activity exceeds \$100 million is denied.

6. Application 20-02-003 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California