

**PUBLIC UTILITIES COMMISSIO**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 20-07-020:

This is the proposed decision of Administrative Law Judge Elaine Lau. 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 July 14, 2022 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 to the proceeding 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).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:lil

Attachment

Decision PROPOSED DECISION OF ALJ LAU (Mailed 6/10/2022)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Recovery of 2011-2014 Gas
Transmission and Storage Capital
Expenditures Reviewed and Certified by the
Safety and Enforcement Division. (U39G.)

Application 20-07-020

**DECISION APPROVING SETTLEMENT AGREEMENT ON
PG&E'S 2011-2014 GT&S CAPITAL EXPENDITURES**

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**DECISION APPROVING SETTLEMENT AGREEMENT ON
PG&E'S 2011-2014 GT&S CAPITAL EXPENDITURES**

Summary

This decision approves a Settlement Agreement, authorizing Pacific Gas and Electric Company (PG&E) to recover \$356.349 million in revenue requirement over a 60-month amortization period for capital expenditures PG&E incurred in 2011-2014 for its gas transmission and storage (GT&S) system. The Settlement Agreement reduced PG&E's request of \$416.3 million by \$60.0 million in revenue requirement and increased PG&E's requested amortization period of 36 months by an additional 24 months.

PG&E incurred these capital expenditures from 2011 to 2014 because of additional GT&S work it had to perform to comply with regulatory and legislative mandates and directives imposed on PG&E after the 2009 San Bruno gas pipeline explosion (San Bruno explosion). The additional work PG&E performed to meet new regulatory directives significantly exceeded the level of GT&S work and costs forecasted in the general rate case prior to the San Bruno explosion, the Gas Accord V proceeding, Application 09-09-013.

This proceeding is closed.

1. Background

In this Application, Pacific Gas and Electric Company (PG&E) requests to recover \$512 million of gas transmission and storage (GT&S) capital expenditures that it incurred in 2011 to 2014 above the costs that the Commission authorized in Decision (D.) 11-04-031 (Gas Accord V decision). If the Commission approves PG&E's entire request, PG&E's revenue requirement would increase by \$416.3 million. PG&E requests to amortize the revenue requirement increase over a 36-month period.

1.1. 2011-2014 GT&S Capital Expenditures

The requested GT&S capital expenditures were investments that PG&E made to its GT&S system over and above the amounts authorized in the Gas Accord V proceeding for Test Year 2011, Application (A.) 09-09-013.¹ PG&E made these investments because of additional regulatory and legislative mandates and directives imposed on PG&E's gas pipeline systems as a result of the gas pipeline explosion in San Bruno in 2010.² These investments were spent to increase the safety, integrity, and reliability of PG&E's gas pipeline infrastructure.

Since the new regulatory directives were imposed on PG&E after the explosion in San Bruno, the work that PG&E had to perform to meet the new regulatory directives significantly exceeded the level of GT&S work forecasted in the general rate case prior to the explosion, the Gas Accord V proceeding, A.09-09-013.³ Because of the additional work PG&E performed in response to the new regulations, PG&E spent over and above the GT&S capital expenditures forecasted and authorized in the Gas Accord V decision, D.11-04-031.

In A.13-12-012 (2015 GT&S rate case), which was the general rate case that followed after the explosion in San Bruno, PG&E sought to recover the 2011 to 2014 GT&S capital expenditures it incurred above the amounts previously authorized in the Gas Accord V decision, D.11-04-031.

1.2. Decision 16-06-056 (2015 GT&S decision)

Decision 16-06-056 (2015 GT&S decision) did not grant recovery of the additional GT&S capital expenditures PG&E spent above authorized amounts,

¹ PG&E-03, Chapter 1S at 4.

² *Ibid.*

³ *Ibid.*

but allowed PG&E to seek recovery of these costs in a future application after the Commission's Safety and Enforcement Division (SED) or a third party performed an audit of these expenditures.⁴ The 2015 GT&S decision required SED to oversee the audit and required that the audit, at a minimum, review whether these costs were related to PG&E's Pipeline Safety Enhancement Program (PSEP), analyze the extent to which the costs were inflated by the accelerated nature of the remediation work, and analyze the extent to which the costs were incurred resulting from prior work PG&E did not perform or performed incorrectly.

1.3. SED's Audit Report

On June 2, 2020, SED completed the audit and issued a report with its findings, *The Report on the Program Review of PG&E's 2011 to 2014 Gas Transmission and Storage Capital Expenditures* (SED Audit Report).⁵ SED reviewed in detail a sample of the 95 projects and four programs PG&E performed. The sample that SED reviewed included the largest 15 of 95 projects and 68 work orders from two of the four programs. SED reviewed \$241.4 million in costs, which is 47% of the \$512 million PG&E recorded in capital expenditures. Addressing the directives in D.16-06-056 (2015 GT&S decision), the Audit Report concludes the following:⁶

- 1) The expenditures were not related to PSEP;
- 2) The programs and projects had not been funded in earlier rate cases;

⁴ D.16-06-056, Ordering Paragraph 26 & 27.

⁵ The SED Audit Report is attached to the Application as Exhibit A.

⁶ SED Audit Report at 2.

- 3) The accelerated load of work performed did not cause any inflation or upward pressures in costs;⁷ and
- 4) The work done was not designed to correct previous deficient work.

1.4. Procedural History

On July 31, 2020, PG&E filed this Application.

Protests were timely filed by the Public Advocates Office (Cal Advocates) and The Utility Reform Network (TURN). TURN contests that the Audit Report establishes reasonableness of the GT&S capital expenditures and proposes that PG&E submit an additional showing to prove the reasonableness of the requested costs.

A prehearing conference was held on September 29, 2020.

On October 16, 2020, the Assigned Commissioner's Scoping Memo and Ruling was issued. It directed PG&E to serve supplemental testimony to demonstrate cost reasonableness of its capital expenditures according to the guidelines set in D.16-06-056 (2015 GT&S decision).

On January 20, 2021, PG&E served supplemental testimony. The intervening parties served direct testimony on April 7, 2021. Parties served rebuttal testimony on May 5, 2021.

On July 7, 2021, the parties submitted an All-Party Motion for Approval and Adoption of Settlement Agreement, *The Settlement Agreement between Pacific Gas and Electric Company, the Public Advocates Office at the California Public Utilities Commission, the Utility Reform Network and Indicated Shippers* (Settlement Agreement). The Settlement Agreement was sponsored by all the parties that

⁷ SED Audit Report at 17.

were actively participating in the proceeding at the time, which were PG&E, Cal Advocates, TURN, and Indicated Shippers.

On December 3, 2021, the assigned Administrative Law Judge (ALJ) issued a Ruling via email asking the Settling Parties to clarify how the record supports the reasonableness of the GT&S capital expenditures adopted in the Settlement Agreement under the standards set in the Scoping Memo. On January 10, 2022, the Settling Parties provided a Joint Response to the ALJ's December 3, 2021 Ruling.

On March 23, 2022, the assigned ALJ issued another Ruling via email asking additional questions about the reasonableness of the GT&S capital expenditures adopted in the Settlement Agreement. The Ruling directed parties to provide specific areas in the record that contain explanations and justifications for PG&E's cost overruns. On April 8, 2022, the Settling Parties provided a Joint Response to the ALJ's March 23, 2022 Ruling.

1.5. Rulings and Motions

The Commission affirms all rulings made by the assigned Commissioner and the assigned ALJ. All motions not previously ruled on are denied.

2. Issues Before the Commission

The issues in this proceeding are:

1. Did PG&E reasonably incur the additional \$512 million of capital expenditures in 2011-2014 that were above the amount authorized in the Gas Accord V decision?
 - a. Were there reasonable justifications for the capital expenditures that were incurred above those forecasted or that were not forecasted in the Gas Accord V proceeding?
 - b. How does Safety and Enforcement Division's Audit Report support or not support the reasonableness of the \$512 million of additional capital expenditures PG&E

incurred above the amount authorized in the Gas Accord V decision?

- c. Should PG&E be allowed to recover any or all of the \$512 million of capital expenditures?
2. What is the appropriate ratemaking mechanism for the capital expenditures that the Commission approves for recovery?
 - a. What is the appropriate revenue requirement calculation?
 - b. What is the appropriate amortization period and the impact it has on customer rates?
 - c. Should the recovery of capital expenditures be calculated as of January 2015?

3. Standard of Review

In this decision, we are evaluating whether (1) the Settlement Agreement meets the standard for approval in accordance with Article 12 of the Commission's Rules of Practice and Procedure, and (2) the GT&S capital expenditures adopted in the Settlement Agreement are reasonable.

3.1. Reviewing Settlement Agreements

Article 12 of the Commission's Rules of Practice and Procedure addresses settlements.⁸ Under Rule 12.1, the Commission will not approve settlements unless the settlement is reasonable in light of the record as a whole, consistent with the law, and in the public interest.

Settlements are generally in the public interest because they allow both the Commission and parties to reduce litigation expenses and conserve scarce resources. As a result, the Commission has traditionally favored settlements, particularly those with the unanimous sponsorship of all active parties and in

⁸ Hereinafter, "Rules" refers to the Commission's Rules of Practice and Procedure.

which the sponsoring parties are fairly reflective of the affected interests, as is the case in this proceeding. Because of the strong public interest favoring settlements, the Commission does not generally evaluate settlement agreements on whether any single provision in the settlement yields an optimal result but rather on whether the agreement as a whole produces a just and reasonable outcome.

With respect to the Settlement Agreement presented in this proceeding, we apply the same standards. We will not evaluate whether the GT&S capital expenditures PG&E incurred for any single project or program were reasonable, but rather we evaluate whether the total amount of GT&S capital expenditures adopted in the settlement is reasonable. The reasonableness of the settlement's GT&S capital expenditures must be established in order to determine whether the settlement outcome is just and reasonable.

3.2. Reasonableness of the GT&S Capital Expenditures

As we assess the Settlement Agreement presented in this proceeding, we will be specifically evaluating whether the record demonstrates that PG&E's GT&S capital expenditures, as adopted in the Settlement Agreement, were reasonable. D.16-06-056 (2015 GT&S decision) set guidelines for assessing the reasonableness of these costs. It states

(PG&E) should demonstrate that the costs were incurred prudently and that it made best efforts to contain costs (*e.g.*, that there were competitive bids for contracts, that the pace of any work performed did not result in unwarranted upward cost pressures, that cost overruns were explained and reasonable).⁹

⁹ D.16-06-056 at 277.

In assessing the reasonableness of the GT&S capital expenditures adopted in the Settlement Agreement, we evaluate whether the record supports the reasonableness of these expenses for recovery as a whole and not by the individual project or program for which these expenses were incurred. Even as we evaluate these GT&S expenses together as a settlement outcome, we look to the standards set in the 2015 GT&S decision to assess whether the costs are reasonable. Specifically, we evaluate whether PG&E incurred these GT&S expenditures prudently, acted as a prudent manager in containing these expenditures, and provided reasonable explanations for incurring these expenditures.

4. Parties' Litigation Positions

The parties that actively participated in this proceeding are PG&E, Cal Advocates, TURN, and Indicated Shippers. They are the only parties that served testimony. Prior to reaching the Settlement Agreement, the active parties each proposed a diverse set of recommendations.

4.1. Cal Advocates

Cal Advocates recommended a reduction of \$19.2 million in capital expenditures for costs that PG&E spent more than the Authorized Job Estimates in 26 of the 95 projects PG&E performed.¹⁰

4.2. Indicated Shippers

Indicated Shippers recommended that the Commission deny PG&E's request in its entirety or, alternatively, disallow PG&E from collecting a return on common equity on the requested capital expenditures.¹¹ Indicated Shippers

¹⁰ CalAdvocates-01 at 1-2.

¹¹ IS-01 at 2.

estimated that denying PG&E the return on common equity will result in a \$234.3 million revenue requirement decrease.¹²

4.3. TURN

TURN asserted that PG&E failed to meet its burden of showing the reasonableness of the expenditures.¹³ TURN argued that, given the large amount of documentation PG&E provided, it couldn't meaningfully evaluate PG&E's testimony.¹⁴ TURN was not able to review all PG&E's projects, but argued that the costs it reviewed for several of PG&E's projects were not reasonable.¹⁵ TURN suggested that the Commission adopt "an outcome intended to achieve a degree of rough justice, with appropriate adjustments to the Utility's recovery through disallowance, reduced return on the allowed investment, or similar ratemaking measures."¹⁶ TURN also proposed that, should any cost recovery be authorized, the amortization period should be longer than the three-year amortization period PG&E proposed.¹⁷

5. Settlement Agreement

In July 2021, the active parties in this proceeding reached a Settlement Agreement. The active parties in this proceeding are PG&E, Cal Advocates, TURN, and Indicated Shippers. At the time, it was a settlement between all the active parties.¹⁸

¹² IS-01, Attachment (Schedule MEB-1).

¹³ TURN-01 at 4-5.

¹⁴ TURN-01 at 3-5.

¹⁵ TURN-01 at 7-9.

¹⁶ TURN-01 at 3-4.

¹⁷ TURN-01 at 11-12.

¹⁸ Moss Landing Power filed a motion for party status on June 29, 2021, after the parties filed an All-Party Motion for adoption of the Settlement Agreement. Moss Landing Power was granted
Footnote continued on next page.

Under the Settlement Agreement, the parties agreed to a revenue requirement of \$356.349 million for 2015 to 2022, a \$60.0 million reduction to PG&E's original request of \$416.349 million, for GT&S capital expenditures PG&E incurred from 2011 to 2014. The parties also agreed to amortize the revenue requirement over a 60-month period, which extends PG&E's requested 36-month period by 24 months.

With these settlement terms, PG&E estimates that a typical gas residential customer who is not on California Alternate Rates for Energy and uses 32 therms per month would see a monthly bill increase by approximately 0.83 percent, or \$0.45 over their current bill.¹⁹

6. The Settlement Agreement is Reasonable and is Approved

We approve the Settlement Agreement presented by the Settling Parties. We find that the Settlement Agreement is reasonable in light of the record, consistent with law and prior Commission decisions, and is in the public interest. Furthermore, we also find that the GT&S capital expenditures adopted in the Settlement Agreement to be reasonable.

6.1. The Settlement is Reasonable in Light of the Record

We find that the Settlement Agreement is reasonable in light of the record. The Settlement Agreement resolves all the issues in this proceeding and is uncontested.

party status, with limitations, via an email Ruling from the assigned ALJ on July 9, 2021. The Ruling limited Moss Landing Power's participation to only commenting on the proposed settlement and proposed decision based on the current evidentiary record. Moss Landing Power did not comment on the Settlement Agreement.

¹⁹ All-Party Motion for Approval and Adoption of Settlement Agreement at 17.

The Settling Parties are knowledgeable and experienced in the issues examined. The Settling Parties are the only parties that actively served testimony and presented recommendations in this proceeding. After extensive discovery, careful review and analysis of PG&E's requests, the Settling Parties reached an agreement after proposing various disallowances and reductions.

Cal Advocates reviewed PG&E's projects and recommended reducing PG&E's requested revenue requirement by \$15.2 million for projects where PG&E overspent the budget.²⁰ Indicated Shippers recommended that the Commission either deny PG&E's entire request or disallow PG&E from earning a return on common equity on the capital expenditures, which would have reduced PG&E's revenue requirement by \$234 million.²¹ Because TURN couldn't thoroughly review PG&E's testimony given the large amount of documentation, TURN suggested that the Commission adopt "an outcome intended to achieve a degree of rough justice, with appropriate adjustments to the Utility's recovery through disallowance, reduced return on the allowed investment, or similar ratemaking measures."²² TURN also proposed that, should any cost recovery be authorized, the amortization period should be longer than the three-year amortization period PG&E proposed.²³

With the diverse positions and recommendations the Settling Parties presented, the Settlement Agreement adopts an outcome that is within the range of proposals presented by the Settling Parties. Supported by the substantial record in this proceeding, the Settlement Agreement is a result of significant

²⁰ CalAdvocates-01 at 1-2.

²¹ IS-01 at 2 & Attachment (Schedule MEB-1).

²² TURN-01 at 3-4.

²³ TURN-01 at 11-12.

concessions from each party and reflects a reasonable compromise of each party's litigation position.

The extensive evidentiary record developed in this proceeding contains sufficient information for the Commission to determine the reasonableness of the Settlement Agreement and the GT&S capital expenditures adopted in the Settlement Agreement. As we discuss below, the record supports the reasonableness of the GT&S capital expenditures adopted in the Settlement Agreement, as measured against the standards set in D.16-06-056 (2015 GT&S decision) and the standards of reviewing settlement agreements.

6.2. The GT&S Capital Expenditures, as Adopted in the Settlement Agreement, are Reasonable

We find that the record supports the reasonableness of the GT&S capital expenditures adopted in the Settlement Agreement. Applying the standards of evaluating settlement agreements, we evaluate the reasonableness of the GT&S capital expenditures as a whole and not by the individual projects or programs. We find that the GT&S expenditures, as adopted in the Settlement Agreement, meet the standards for cost reasonableness set in the 2015 GT&S decision. The record demonstrates that PG&E incurred these expenditures prudently, acted as a prudent manager in containing these expenditures, and provided reasonable explanations for incurring these expenditures.

In its Prepared Testimony, PG&E provided detailed explanations and documentation of the GT&S capital expenditures it incurred from 2011 to 2014. For each project, PG&E provided project justification, regulatory and operational drivers for the work, scope of work, project costs, project timeline and the amount of recovery requested. In its Supplemental Testimony, PG&E provided details of how it conducted careful project management for each project and

described efforts at increasing efficiencies and cost savings throughout the project cycle of each project, from planning and design to implementation and completion. PG&E also described how it implemented governance and oversight controls for each project, which include accounting controls that ensured costs were appropriately charged and were not redundant of any PSEP costs.

The findings from SED's Audit Report further support the reasonableness of these capital expenditures. SED's Audit Report finds that 1) the expenditures were not duplicative of any PSEP expenses, 2) the expenditures were not funded in earlier rate cases, 3) the accelerated load of work PG&E performed did not cause any inflation or upward pressures in costs, and 4) the work PG&E performed did not correct or remediate any deficient work previously performed.

Based on PG&E's careful documentation and explanation of the GT&S capital expenditures, the comprehensive project management, controls and governance PG&E provided for each project, and the findings from SED's Audit Report, we find that the record sufficiently supports the reasonableness of the GT&S capital expenditures that were adopted in the Settlement Agreement.

6.3. The Settlement Agreement Is Consistent with Law and Prior Commission Decisions

We find that the Settlement Agreement is consistent with statute and prior Commission decisions.

The Settlement Agreement is consistent with D.16-06-056 (2015 GT&S Decision). The GT&S capital expenditures adopted in the Settlement satisfy the standards for reasonableness set in that decision.

The statutes applicable to this proceeding include Public Utilities Code (Pub. Util. Code) §§ 451 and 454. Section 451 states that “all charges demanded or received by any public utility . . . shall be just and reasonable.” Section 454 states that “a public utility shall not change any rate . . . except upon a showing before the commission and a finding by the commission that the new rate is justified.” The extensive record developed in this proceeding, including the parties’ testimony, workpapers, and discovery responses, has provided sufficient showing that the rate changes resulting from the settled terms are just and reasonable and are consistent with Pub. Util. Code §§ 451 and 454.

6.4. The Settlement Agreement is in the Public Interest

We find that the Settlement Agreement is in the public interest. The Settlement Agreement, sponsored by parties that are fairly representative of the interests affected in this proceeding, reflects a reasonable balance of the affected interests. Furthermore, the Settlement Agreement, through resolving the disputed issues involving 95 individual projects and four programs, allows the parties to avoid extensive litigation and conserves the resources of the Commission and the parties. Because settlements conserve Commission resource and the resources of the parties, they are generally in the public’s interest if they are reasonable in light of the record. The Settlement Agreement presented in this proceeding is reasonable in light of the record and is in the interest of the public.

7. Comments on Proposed Decision

The proposed decision of ALJ Elaine Lau in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

8. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Elaine Lau is the assigned ALJ in this proceeding.

Findings of Fact

1. Article 12 of the Commission's Rules of Practice and Procedure addresses settlements. Rule 12.1(d) provides that, prior to approval, the Commission must find a settlement "reasonable in light of the whole record, consistent with the law, and in the public interest."

2. D.16-06-056 (2015 GT&S decision) set guidelines for assessing the reasonableness of PG&E's GT&S capital expenditures, stating that PG&E "should demonstrate that the costs were incurred prudently and that it made best efforts to contain costs (*e.g.*, that there were competitive bids for contracts, that the pace of any work performed did not result in unwarranted upward cost pressures, that cost overruns were explained and reasonable)."

3. The active parties in this proceeding, which are PG&E, Cal Advocates, TURN, and Indicated Shippers, entered into a Settlement Agreement.

4. The Settlement Agreement reduced PG&E's GT&S requested capital expenditures by \$60 million in revenue requirement and increased the amortization period of the revenue requirement by 24 months.

5. The Settlement Agreement resolves all the issues in this proceeding.

6. The Settlement Agreement is uncontested.

7. The Settling Parties are the only parties that served testimony and presented recommendations in this proceeding.

8. The Settling Parties are knowledgeable and experienced in the issues examined.

9. After extensive discovery, careful review and analysis of PG&E's requests, the Settling Parties reached an agreement after proposing various disallowances and reductions.

10. The Settlement Agreement adopts an outcome that is within the range of proposals presented by the Settling Parties.

11. The Settlement Agreement is a result of significant concessions from each party and reflects a reasonable compromise of each party's litigation position.

12. The extensive evidentiary record developed in this proceeding contains sufficient information for the Commission to determine the reasonableness of the Settlement Agreement and the GT&S capital expenditures adopted in the Settlement Agreement.

13. The record demonstrates that PG&E prudently incurred the GT&S capital expenditures adopted in the Settlement Agreement, acted as a prudent manager in containing these expenditures, and provided reasonable explanations for incurring these expenditures.

14. The record contains detailed explanations and documentation of PG&E's GT&S capital expenditures, detailed project justification for each project, regulatory and operational drivers for the work of each project, scope of work for each project, and project costs and timeline for each project.

15. The record demonstrates that PG&E provided comprehensive project management, controls and governance for each project.

16. SED's Audit Report finds that 1) the expenditures were not duplicative of any PSEP expenses, 2) the expenditures were not funded in earlier rate cases, 3) the accelerated load of work PG&E performed did not cause any inflation or upward pressures in costs, and 4) the work PG&E performed did not correct or remediate any deficient work previously performed.

17. The findings from SED's Audit Report support the reasonableness of the GT&S capital expenditures.

18. The Settlement Agreement is consistent with D.16-06-056. The GT&S capital expenditures adopted in the Settlement satisfy the standards for reasonableness set in that decision.

19. The statutes applicable to this proceeding include Pub. Util. Code §§ 451 and 454.

20. Pub. Util. Code §§ 451 states that "all charges demanded or received by any public utility . . . shall be just and reasonable."

21. Pub. Util. Code §§ 454 states that "a public utility shall not change any rate . . . except upon a showing before the commission and a finding by the commission that the new rate is justified."

22. The extensive record developed in this proceeding, including the parties' testimony, workpapers, and discovery responses, has provided sufficient showing that the rate changes resulting from the settled terms are just and reasonable and are consistent with Pub. Util. Code §§ 451 and 454.

23. The Settlement Agreement, sponsored by parties that are fairly representative of the interests affected in this proceeding, reflects a reasonable balance of the affected interests.

24. The Settlement Agreement, through resolving the disputed issues involving 95 individual projects and four programs, allows the parties to avoid extensive litigation and conserves the resources of the Commission and the parties.

Conclusions of Law

1. The Settlement Agreement is reasonable in light of the record.

2. The record supports the reasonableness of the GT&S capital expenditures adopted in the Settlement Agreement, as measured against the standards set in D.16-06-056 (2015 GT&S decision) and the standards of reviewing settlement agreements.

3. The Settlement Agreement is consistent with law and prior Commission decisions.

4. The Settlement Agreement is in the public interest.

5. The Settlement Agreement satisfies the requirements of Rule 12.1 and should be approved.

O R D E R

IT IS ORDERED that:

1. *The Settlement Agreement between Pacific Gas and Electric Company, the Public Advocates Office at the California Public Utilities Commission, the Utility Reform Network and Indicated Shippers*, attached as Appendix A to this decision, is approved.

2. Within 60 days of the issuance of this decision, Pacific Gas and Electric Company shall file a Tier 1 advice letter with Energy Division to implement this decision, including the terms of *The Settlement Agreement between Pacific Gas and Electric Company, the Public Advocates Office at the California Public Utilities Commission, the Utility Reform Network and Indicated Shippers*.

3. Application 20-07-020 is closed.

This order is effective today.

Dated _____, at Los Angeles, California