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

Application of Pacific Gas and Electric Company for Recovery of Recorded Expenditures Related to Wildfire Mitigation, Catastrophic Events, and Other Recorded Costs. (U 39 M)	Application No. 23-12-001

MOTION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) FOR WILDFIRE MITIGATION AND CATASTROPHIC EVENTS INTERIM RATES

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Pursuant to Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), as well as Public Utilities Code Sections 451 and 701, Pacific Gas and Electric Company (PG&E) submits this motion requesting that the Commission authorize interim rate relief for the *Application of Pacific Gas and Electric Company for Recovery of Recorded Expenditures Related to Wildfire Mitigation, Catastrophic Events, and Other Recorded Costs* (the 2023 WMCE Application).

In brief, the motion seeks $1,458.72 million in interim rate relief (excluding interest).[1] Granting this relief would help address PG&E's ongoing financial constraints, while benefitting customers through interest savings. Interim rate relief would also be consistent with Commission precedent granting such relief under similar circumstances.

Section I summarizes PG&E's interim rate relief request. Section II explains the specific accounts at issue in PG&E's Application. Section III explains PG&E's ratemaking proposal, including the calculation supporting the amount requested. Section IV discusses the legal authority supporting PG&E's request. Section V describes the challenging financial circumstances PG&E faces requiring interim rate relief and discusses how granting of interim

[1] More precise figures are summarized below in Section III.A, Table 6.

rate relief ultimately benefits customers. Section VI provides a proposed schedule for the resolution of this motion.

I. INTRODUCTION

PG&E's 2023 WMCE Application seeks approval to recover costs totaling approximately $1.62 billion in expense and $0.56 billion in capital expenditures. These costs correspond to a total revenue requirement of approximately $1.86 billion (excluding interest), or $2.01 billion (including interest). The majority of the costs requested in the 2023 WMCE application were recorded for: (1) wildfire mitigation activities recorded to the Wildfire Mitigation Balancing Account (WMBA); (2) vegetation management activities recorded to the Vegetation Management Balancing Account (VMBA); and (3) catastrophic event response activities recorded to the Catastrophic Event Memorandum Account (CEMA); including substantial costs incurred in connection with the 2023 winter storms. The application also includes a smaller amount of costs for customer care and climate adaption activities recorded to various other accounts. Finally, the application proposes a refund for residential rate reform activities recorded to the Residential Rate Reform Memorandum Account (RRRMA).[2]

This motion requests approval for interim rate recovery of 85% of the total requested revenue requirement, equating to approximately $1.46 billion (excluding interest) or $1.58 billion (including interest).[3] PG&E proposes to collect the interim revenue over a 12-month period commencing March 2024. Any interim revenues would be subject to refund, with interest, to the extent that the Commission's final decision on the 2023 WMCE Application approves a lower recovery than authorized through interim rates.[4] Interim rate relief is reasonable, appropriate, and achieves objectives consistent with Commission rules and policy. The reasons can be summarized as follows.

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[2] Declaration of Margaret Becker in Support of PG&E's Motion for Interim Rate Relief (Becker Decl.) ¶

[3] More precise figures are summarized below in Tables 3 and 4 .

[4] Becker Decl. ¶ 5.

- **Customers Benefits** – Interim rate relief directly benefits customers by reducing direct and indirect costs to PG&E's customers. This includes interest savings of approximately $74 million, when comparing the total costs customers will pay if rate recovery commences March 2024 as opposed to commencing upon a final decision effective January 1, 2025, approximately a year from now. The interest savings will be higher if the decision is delayed for more than one year. Interim rate relief also facilitates rate stability and rate equity to the benefit of PG&E's customers. The relief would smooth rates due to the longer amortization period proposed for all approved rates. In addition, interim rate relief would promote the generational-equity ratemaking principle of allocating costs to those customers that most benefitted from the services underlying those costs.
- **PG&E's Financial Condition** – Interim rate relief would help mitigate the extraordinary financial pressure currently facing PG&E. Current financial conditions make financing large expenditures particularly challenging. These challenges, if not alleviated, will increase PG&E's cost of capital, which also adversely affects customers. Interim rate relief will continue to improve PG&E's financial condition and credit metrics, which could yield additional customer savings and benefits through PG&E's improved access to capital. Absent the relief PG&E seeks here, PG&E may be required to continue to carry over a billion dollars in costs for several years before any recovery. That would undermine the public perception of PG&E's financial health and of California's regulatory environment, and harm customers by extension.
- **No Risk of Customer Harm** – PG&E's costs are reasonably sought. If, however, the Commission decides at the conclusion of this proceeding that some portion of the costs collected through interim rate relief were not reasonable, customers will not be harmed. PG&E would return any overcollection to customers with interest.

PG&E acknowledges that this motion presents a third request for interim rate relief within this past year. Although the interim relief granted to date by the Commission will help address some of PG&E's financial challenges, it has not (and will not) fully relieve all of those challenges. As further explained below, this request is necessary to provide relief for the ongoing and significant financial constraints PG&E continues to face. Absent the additional interim rate relief PG&E seeks here, PG&E may be required to carry approximately $2.18 billion of costs requested in this Application for up to an additional year or more until a final decision is issued. That, in combination with other substantial costs that PG&E carries, continues to undermine PG&E's financial health and the perception of California's regulatory environment. These conditions also harm customers.

As of September 30, 2023, PG&E had recorded an aggregate amount of approximately $6 billion[5] in costs for the CEMA, Wildfire Expense Memorandum Account, Fire Hazard Prevention Memorandum Account, Fire Risk Mitigation Memorandum Account, Wildfire Mitigation Plan Memorandum Account, VMBA, WMBA, MGMA, and Risk Transfer Balancing Account.[6] Of these costs, only about $1.3 billion[7] has been fully authorized for recovery in a final decision.[8] This large uncollected balance continues to negatively impact PG&E's credit ratings.[9] Under cost-of-service ratemaking principles, this uncollected balance should be close to zero on average for PG&E's long-term financial health and stability and to minimize the borrowing costs for customers, and, indeed, was under $1 billion prior to 2018.[10] PG&E's need for external financing would decrease materially to the extent this cash balance can be recovered

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[5] See *PG&E Q3 2023 Presentation and Complete Earnings Exhibits*, p. 20, available at: <https://s1.q4cdn.com/880135780/files/doc_financials/2023/q3/Q3-23-Earnings-Presentation-Final.pdf> (accessed Nov. 10, 2023).

[6] Becker Decl., ¶ 19.

[7] Becker Decl., ¶ 19. This amount excludes the 2022 WMCE interim rate relief granted in D.23-06-004, which remains subject to refund pending a final decision in that proceeding.

[8] Becker Decl., ¶ 19.

[9] Becker Decl., ¶ 19.

[10] Becker Decl., ¶ 19.

in rates.[11] Every dollar of revenue received for these costs either pays down debt that was used to finance the cost or frees up capacity to finance other long-term investments.[12] The uncertainty of the timing and outcome of cost recovery reviews for these accounts adds significant uncertainty to PG&E's financial plan and contributes to the need for this request.[13] As described later in this motion, other benefits of interim rate relief include the reduction of the cost to customers of uncollected balancing and memorandum account balances at increasingly higher rates and the improvement of PG&E's credit metrics.[14]

II. BACKGROUND

A. Summary of the Costs At Issue In PG&E's 2023 WMCE Application

PG&E brings this motion requesting interim rate relief for costs PG&E seeks to recover through its 2023 WMCE Application, filed on December 1, 2023.[15] PG&E's 2023 WMCE Application includes the following cost categories, which are summarized in Table 1 below.

TABLE 1
2023 WILDFIRE MITIGATION CATASTROPHIC EVENTS COSTS
(THOUSANDS OF DOLLARS)

Line No.	Program	Expense	Capital	Total
1	WMBA	$76,384	$ -	$76,384
2	VMBA	$833,496	$ -	$833,496
3	CEMA	$684,837	$549,972	$1,234,808
4	Other Accounts	$23,232	$9,006	$32,239
5	**Subtotal**	$1,617,949	$558,978	$2,176,927

Notes:
1) "Other" consists of the Customer Care Memorandum Accounts, Microgrids Memorandum Accounts, and Climate Adaptation Memorandum Account

[11] Becker Decl., ¶ 19.

[12] Becker Decl., ¶ 19.

[13] Becker Decl., ¶ 19.

[14] Becker Decl., ¶ 19.

[15] PG&E's costs and its recovery request are described in greater detail in PG&E's 2022 WMCE Application and supporting testimony.

The revenue requirement associated with these costs is summarized in Table 2 below.

TABLE 2
2023 WILDFIRE MITIGATION CATASTROPHIC EVENTS REVENUE REQUIREMENT
(THOUSANDS OF DOLLARS)

Line No.	Program	Expense	Capital	Total
1	WMBA	$76,384	$ -	$76,384
2	VMBA	$833,496	$ -	$833,496
3	CEMA	$684,835	$231,919	$916,754
4	Other Accounts	$22,891	$8,214	$31,105
5	**Subtotal Excluding Interest**	$1,617,606	$ 240,133	$1,857,739
6	**Interest**	$153,251	$1,881	$155,131
7	**Total (including interest)**	$1,770,858	$242,013	$2,012,871

Notes:
1) "Other" consists of the Customer Care Memorandum Accounts, Microgrids Memorandum Accounts, and Climate Adaptation Memorandum Account
2) Numbers exclude interest

These costs have been scrutinized by PG&E and recorded pursuant to various control processes in place at PG&E in order to ensure that the costs are properly tracked to the correct accounts for qualifying activities.[16] In addition, Ernst & Young (EY) reviewed 2022 WMBA and VMBA costs and 2022-2023 CEMA costs in order to confirm the costs incurred were sufficiently supported, reasonable, and directly attributable to the balancing and memorandum accounts as they are captured in PG&E's financial systems. Overall, EY recommended PG&E remove an extrapolated amount of $3.17 million from the 2023 WMCE application. PG&E accepted EY's recommendation and has reduced the amounts requested in the application accordingly.[17]

16 Becker Decl., ¶¶ 7-11.

17 Becker Decl., ¶ 12.

1. Wildfire Mitigation Balancing Account (WMBA)

The Commission authorized the WMBA in D.20-12-005[18] (2020 GRC Decision). The WMBA is a two-way balancing account used to track and record costs for PG&E's Community Wildfire Safety Program (CWSP). The CWSP costs recorded to the WMBA include both operations and maintenance (O&M) expenses, as well as capital expenditures incurred for certain wildfire mitigation activities outlined in PG&E's 2020 GRC.[19] These activities are also included in PG&E's annual wildfire mitigation plans (WMPs).[20] The work recorded to this account was performed to mitigate the risk of catastrophic wildfires, increase public and customer safety and awareness, and more accurately predict the potential and spread of wildfire to inform our future mitigation plans and activities. These activities are critically important for PG&E to comply with state policy under Senate Bill (SB) 901 and Assembly Bill (AB) 1054 to mitigate the increasing risk of wildfire caused by climate change and drought conditions across California.[21]

The 2020 GRC Decision authorized PG&E to recover WMBA expenses up to 115 percent of the adopted values through a Tier 2 advice letter.[22] PG&E must file a reasonableness review application to recover WMBA costs exceeding 115 percent of the GRC authorized amount or if PG&E's recorded average per mile unit costs for system hardening exceed 115 percent of the authorized unit costs.[23] Therefore, 2022 WMBA costs up to 115 percent of the

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[18] D.20-12-005, p. 396, Conclusion of Law (COL) 29 ("Authority to establish a two-way WMBA to record CWSP O&M and capital expenditures is supported by the record and should be authorized.")

[19] *See* A.18-12-009, Hearing Exhibit (HE)-18: Exhibit (PG&E-4), WP 2A-1 to WP 2A-3.

[20] The WMP is filed or updated annually and comprehensively addresses PG&E's activities to reduce wildfire risk. *See* PG&E's 2022 Wildfire Mitigation Plan Update – Revised (Office of Energy Infrastructure Safety Docket #2022-WMPs) (July 26, 2022), available at: <Community Wildfire Safety Program pge.com> (accessed Nov. 28, 2023).

[21] *See also* D.20-12-005, pp. 119-120 ("We generally find the five main programs under CWSP as well as specific programs and projects proposed under the five main programs reasonable and necessary.")

[22] D.20-12-005, p. 413, Ordering Paragraph (OP) 9. PG&E's 2021 WMBA costs up to 115 percent of the GRC-authorized amount were presented in Advice Letter (AL) 4392-G/6100-E, (Feb. 23, 2021). The advice letter became effective March 25, 2021.

[23] D.20-12-005, p. 397, COL 32 ("PG&E should be required to file an application for recovery of CWSP costs recorded in the WMBA if CWSP expenditures are in excess of 115 percent of the authorized amount or if recorded per mile unit costs are in excess of 115 percent of the authorized unit costs."), p.

GRC authorized amount were reported in Advice Letter 4657-G/6721-E, and are considered just and reasonable and are not included in this request.[24]

In the 2023 WMCE application and supporting testimony, PG&E demonstrates the reasonableness of $76.38 million in WMBA costs exceeding the 115 percent threshold.

2. Vegetation Management Balancing Account (VMBA)

The 2020 GRC Decision established the VMBA as a two-way balancing account to track and record PG&E's VM costs for: (1) Routine VM, (2) Enhanced VM, (3) Tree Mortality, and (4) Power Generation VM.[25] PG&E's VM program supports public safety, service reliability, and regulatory compliance for vegetation near PG&E's electric distribution facilities. The program complies with General Order (GO) 95 Rules 35 and 37 and California Public Resources Code (PRC) 4292 and 4293.[26] In addition, VM work was performed to mitigate the risk of ignition caused by vegetation contacting electrical lines and components in furtherance of SB 901 and AB 1054.

The 2020 GRC Decision authorized PG&E to recover VMBA expenses up to 120 percent of the adopted values through a Tier 2 advice letter.[27] PG&E must file a reasonableness review application to recover VMBA costs exceeding 120 percent of the GRC authorized amount.[28] Accordingly, 2022 VMBA costs up to 120 percent of the GRC authorized amount were reported

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410, OP 1.b. PG&E's recorded average per mile unit costs for overhead and underground system hardening were less than 115 percent of the authorized per mile unit costs.

[24] In accordance with OP 9 of D.20-12-005 p. 413, PG&E submitted Advice Letter 4657-G/6721-E to seek recovery of the WMBA expense undercollection of $8.178 million as authorized by D.20-12-005 OP 1.

[25] D.20-12-005, p. 318, Section 14.1.5.

[26] A.18-12-009, HE-16: Exhibit (PG&E-4), p. 7-4, lines 3-7.

[27] D.20-12-005, p. 412, OP 8.

[28] D.20-12-005, p. 395, COL 17.

in Advice Letter 6661-E, and are considered just and reasonable and are not included in this request.[29]

In the 2023 WMCE application and supporting testimony, PG&E demonstrates the reasonableness of approximately $833.50 million in VMBA costs exceeding the 120 percent reasonableness review threshold.

3. The Catastrophic Emergency Memorandum Account (CEMA)

Under Public Utilities Code Section 454.9, the purpose of the CEMA is 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."[30]

In the 2023 WMCE application, PG&E seeks recovery of incremental costs recorded in the CEMA totaling approximately $1,234.81 billion.[31] A significant portion of the CEMA incremental costs in the 2023 WMCE application pertain to the series of extreme winter storms that occurred December 2022 through March 2023.[32] Each of the events were declared disasters by state or federal authorities.

B. Customer Care Memorandum Accounts

The 2023 WMCE application also includes a request to recover incremental costs of approximately $26.65 million related to several customer care related memorandum accounts: (1) COVID-19 Pandemic Protections Memorandum Account (CPPMA); (2) Disconnections Memorandum Account (DMA); (3) Emergency Consumer Protections Memorandum Account (ECPMA); (4) California Consumer Privacy Act Memorandum Account (CCPAMA); (5) Percentage of Income Payment Plan Memorandum Account (PIPPMA); and (6) Residential

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[29] In accordance with OP 8 of D.20-12-005, PG&E submitted Advice Letter 6661-E to seek recovery of the VMBA expense undercollection of $134.053 million, as authorized by D.20-12-005 OP 1.

[30] Public Utilities Code (Pub. Util. Code), § 454.9(a).

[31] Exhibit (PG&E-1), p. 1-9 to p. 1-10, Table 1-5.

[32] Exhibit (PG&E-1), p. 4-19 to p. 4-35.

Rate Reform Memorandum Account (RRRMA).[33] Further details regarding these accounts are provided below.

1. California Consumer Privacy Act Memorandum Account (CCPAMA)

D.19-09-026 authorized PG&E to establish the CCPAMA.[34] The purpose of the CCPAMA is to track and record costs associated with PG&E's actions to protect customers' private information in compliance with the CCPA.[35] PG&E recorded approximately $9.11 million in expense and approximately $8.53 million in capital expenditures in the CCPAMA in 2022, and seeks a reasonableness review of those amounts in the 2023 WMCE application.[36] Chapter 8 of PG&E's supporting testimony demonstrates the reasonableness of CCPAMA costs.

2. Emergency Consumer Protections Memorandum Account (ECPMA)

D.18-08-004 authorized PG&E to establish the ECPMA.[37] The purpose of the ECPMA is to track and record incremental costs associated with PG&E's implementation of its Emergency Consumer Protection Plan. PG&E implements this plan when the California Governor's Office or the President of the United States declares a state of emergency due to a disaster that has either resulted in the loss or disruption of the delivery or receipt of utility service or resulted in the degradation of the quality of utility service as defined in D.19-07-015.[38] PG&E recorded approximately $2.15 million in expense in the ECPMA in 2021.[39] Chapter 8 of PG&E's supporting testimony demonstrates the reasonableness of ECPMA costs.

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[33] Exhibit (PG&E-1), p. 1-11, Table 1-6.

[34] D.19-09-026, p. 14, OP 1.

[35] Civil Code, §§ 1798.100 et seq.; AB 375 (2017-2018 Reg. Sess.), Ch. 55; SB 1121 (2017-2018, Reg. Sess.), Ch. 735.

[36] Exhibit (PG&E-1), p. 1-11, Table 1-6.

[37] D.18-08-004, p. 22, OP 3 (the decision directs PG&E to re-name its existing Wildfires Customer Protections Memorandum Account to the ECPMA to reflect the fact that the account includes emergency customer protections for other disasters, not only wildfires).

[38] D.19-07-015, p. 16.

[39] Exhibit (PG&E-1), p. 1-11, Table 1-6.

3. COVID-19 Pandemic Protections Memorandum Account (CPPMA)

Commission Resolution (Res.) M-4842 directed PG&E to establish the CPPMA to track and record costs associated with implementing billing-related protections for residential and small business customers impacted by the COVID-19 pandemic.[40] The costs recorded in the CPPMA are separate from CEMA costs related to COVID-19, which consist of PG&E's costs to respond to the pandemic. In contrast, CPPMA costs involve customer-billing related protections. PG&E recorded approximately $3.51 million to the CPPMA in 2022.[41] Chapter 8 of PG&E's supporting testimony demonstrates the reasonableness of CPPMA costs.

4. Disconnections Memorandum Account (DMA)

The purpose of the DMA is to track and record costs associated with implementing the requirements of D.20-06-003, which established various rules to reduce the number of residential customer disconnections and improve reconnection processes for disconnected customers.[42] PG&E recorded approximately $4.24 million to the DMA in 2022.[43]Chapter 8 of PG&E's supporting testimony demonstrates the reasonableness of DMA costs.

5. Percentage of Income Payment Plan Memorandum Account (PIPPMA)

The purpose of the PIPPMA is to track incremental costs associated with implementing the requirements of D.21-10-012, which included PG&E's proposal for the percentage of Income Payment Plan (PIPP) Pilot to determine if a PIPP program could (i) reduce the number of low income households at risk of disconnection, (ii) encourage participation in energy saving and energy management programs, (iii) increase access to essential levels of energy service, and (iv)

[40] Res. M-4842 (Issued April 17, 2020), p. 12, OPs 2 and 4.

[41] Exhibit (PG&E-1), p. 1-11, Table 1-6.

[42] D.20-06-003, p. 2.

[43] Exhibit (PG&E-1), p. 1-11, Table 1-6.

control program costs.[44] PG&E recorded approximately $1.86 million to the PIPPMA in 2022.[45] Chapter 8 of PG&E's supporting testimony demonstrates the reasonableness of PIPPMA costs.

6. Residential Rate Reform Memorandum Account (RRRMA)

In D.20-12-005, the Commission authorized PG&E to collect a total of $62.69 million, subject to refund, through PG&E's Annual Electric True-up (AET) for costs recorded to the RRRMA, which are related to the transition of most residential customers from a tiered, non-time varying electricity rate to a default time of use electricity rate.[46] During 2020-2022, PG&E recorded $59,936,693 in the RRRMA, which is $2,751,307 less than the $62,688,000 recovered in the AET, and therefore, proposes to refund this amount to customers.[47] Chapter 11 of PG&E's supporting testimony discusses the reasonableness of these costs and the refund amount.

C. Other Memorandum Accounts

The 2023 WMCE application also includes a request to recover approximately $5.59 in incremental costs related to the Microgrids Memorandum Account (MGMA) and the Climate Adaptation Vulnerability Assessment Memorandum Account (CAVAMA),[48] discussed in further detail below.

1. Microgrids Memorandum Account (MGMA)

D.20-06-017 approved various micro-grid related programs and authorized PG&E to track and record associated program costs in the MGMA.[49] The programs seek to mitigate the impact of PSPS events on customers and provide substantial customer benefits in that regard. PG&E recorded approximately $1.77 million in expense and $0.45 million in capital

[44] D.21-10-012, pp. 69-70, p. 87, COL 28, p. 89, OP 2 and p. 91, OP 11.

[45] Exhibit (PG&E-1), p. 1-11, Table 1-6.

[46] D.20-12-005 adopted PG&E's 2020 GRC Settlement Agreement (Dec. 20, 2019), Subsection 2.5.8.2; R.12-06-013.

[47] Exhibit (PG&E-1), p. 1-11, Table 1-6.

[48] Exhibit (PG&E-1), p. 1-11, lines 14-20.

[49] D.20-06-017.

expenditures in the MGMA in 2022.[50] Chapter 10 of PG&E's supporting testimony demonstrates the reasonableness of MGMA costs.

2. Climate Adaptation Vulnerability Assessment Memorandum Account (CAVAMA)

Acknowledging the increasing impacts of climate-driven natural hazards on California's energy system and on disadvantaged communities, the Commission issued D.20-08-046 in order to integrate climate change adaptation matters in relevant Commission proceedings. To that end, D.20-08-046 defined disadvantaged vulnerable communities (DVC), required utilities to engage with DVCs regarding climate vulnerability assessments, and required utilities to file climate vulnerability assessments every four years. To support the new requirements, the Commission directed the utilities to create "Climate Adaptation Vulnerability Assessment Memorandum Accounts - CAVAMA for the purpose of tracking costs directly related to the vulnerability assessments ordered…", as well as tracking the "incremental costs associated with community outreach plans and activities related to Community Engagement Plans and surveys."[51] PG&E incurred and recorded approximately $0.86 million in expense in 2021 and $2.48 million in expense 2022 in direct support of PG&E's climate vulnerability assessment and associated community engagement plan requirements.[52] Chapter 9 of PG&E's supporting testimony demonstrates the reasonableness of CAVAMA costs.

D. Timelines For PG&E's Prior WMCE Applications

PG&E's 2023 WMCE application is the fourth of its kind that PG&E has filed, with the first three having been filed in September 2020 (the 2020 WMCE Application, A.20-09-019), September 2021 (the 2021 WMCE Application, A.21-09-008), and December 2022 (the 2022 WMCE application). The Commission issued a final decision approving a contested proposed

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[50] Exhibit (PG&E-1), p. 1-12, Table 1-7.

[51] D.20-08-046, pp. 51-52.

[52] Exhibit (PG&E-1), p. 1-11, Table 1-7 (providing total), and p. 9-2, Table 9-1 (providing 2021 and 2022 costs respectively).

settlement of PG&E's 2020 WMCE application in February, 2023 – more than two years after PG&E filed the application and one year after PG&E, Cal Advocates, and Federal Executive Agencies (FEA) submitted a motion for approval of a settlement.[53] Reflecting a similar decision-making timeframe, the Commission issued a final decision approving a proposed partial settlement of PG&E's 2021 WMCE application in August 2023, again about two years after PG&E's application;[54] the Commission's decision on 2021 VMBA costs included in the 2021 WMCE remains pending.[55] The 2022 WMCE application remains pending, with a Commission decision expected in the first or second quarter of 2023 based upon the scoping memo for that proceeding. [56]

PG&E respectfully acknowledges that the Commission is undoubtedly seeking to meet standards to review wildfire mitigation and catastrophic event costs expeditiously.[57] However, the procedural history of the WMCE proceedings indicates that, notwithstanding the Commission's efforts to do so, it could be two years, or more, from PG&E's 2023 WMCE application before PG&E receives rate recovery for the costs at issue in this proceeding – costs that were predominantly incurred in 2022. This means that PG&E could carry these costs for up to three years, or more, prior to any recovery, in the absence of interim rate relief.

III. PROPOSAL FOR INTERIM RATE RELIEF

A. Calculation of PG&E's Proposed Interim Rate Relief

PG&E requests authorization to recover, on an interim basis, approximately $1,458.72 million (excluding interest) or $1,582.10 million (including interest) in revenue over a 12-month

[53] D.23-02-017, p. 1.

[54] D.23-08-027, pp. 2-3.

[55] D.23-08-027, p. 3.

[56] A.22-12-009, ALJ Ruling Granting the Utility Reform Network's Request for Modifications to the Procedural Schedule (June 23, 2023), p. 2 (providing for proposed decision no later than 90 days after submission and final decision no sooner than 30 days after the proposed decision).

[57] D.21-08-036, pp. 249-250 (setting forth standard for the reasonableness review of wildfire mitigation costs to be completed expeditiously); Pub. Util. Code, § 454.9(b) (providing for reasonableness review of CEMA costs to be expedited).

period commencing in March 2024 and concluding at the end of February 2025. The calculations and details supporting this request and proposal are described and shown below.

PG&E's request amounts to 85% of the revenue requirement for the costs at issue in the 2023 WMCE Application. This 15% reduction is appropriate for interim rate relief, as it represents a substantial reduction that acknowledges anticipated intervenor positions and a potential final result in this proceeding based upon what has transpired to date in PG&E's prior WMCE applications.[58] Table 3 below shows the calculation for the interim rate relief sought.

TABLE 3
REVENUE REQUIREMENT BY YEAR
(THOUSANDS OF DOLLARS)

Line No.	Annual RRQ and Interest	WMBA	VMBA	CEMA	Other Accounts	Total RRQ	85% of Requested RRQ
1	2020	$13,764	-	-	$(14,664)	$(900)	$(765)
2	2021	$5,273	-	$377	$10,103	$15,753	$13,390
3	2022	$57,347	$833,496	$173,836	$27,461	$1,092,140	$928,319
4	2023			$526,595	$2,127	$528,722	$449,414
5	2024			$78,431	$1,996	$80,428	$68,363
6	2025			$68,812	$2,049	$70,861	
7	2026			$68,702	$2,034	$70,737	
8	Subtotal RRQ Without interest	$76,384	$833,496	$916,754	$31,106	$1,857,740	$1,458,721
9	Interest (2020-2026)	$7,991	$85,727	$57,238	$4,176	$155,131	$123,378
10	**Total RRQ**	**$84,375**	**$919,222**	**$973,992**	**$35,282**	**$2,012,871**	**$1,582,099**

Table 4 below provides more detail on the expense revenue requirement and capital revenue requirement breakouts to arrive at the total of $1,458.72 million (excluding interest) and $1,582.10 million (including interest) for the requested 85% interim rate relief.

[58] See, e.g., A.21-09-008, Opening Brief of the Public Advocates Office at the California Public Utility Commission (Cal Advocates) (Sept. 16, 2022), pp. 1-2; A.21-09-008, Opening Brief of the Utility Reform Network (TURN)(Sept. 16, 2023, p. 1; A.20-09-019, Opening Brief of Cal Advocates, Summary of Recommendations (July 23, 2023); A.20-09-019, Opening Brief of TURN (July 23, 2019), p. 4.

TABLE 4
REVENUE REQUIREMENT BY FUNCTIONAL AREA
(THOUSANDS OF DOLLARS)

Line No.	Annual RRQ and Interest	Electric Distribution RRQ	Electric Generation RRQ	Gas Distribution RRQ	Gas Transmission RRQ	Total Revenue Requirement Request	85% of Requested RRQ
1	2020	$(900)	-	$(0)	-	$(900)	$(765)
2	2021	$15,318	$180	$179	$75	$15,753	$13,390
3	2022	$1,090,331	$(73)	$4,957	$(3,075)	$1,092,140	$928,319
4	2023	$513,559	$6,706	$4,614	$3,843	$528,722	$449,414
5	2024	$77,533	$30	$1,007	$1,858	$80,428	$68,363
6	2025	$68,253	$31	$1,004	$1,573	$70,861	
7	2026	$68,084	$30	$1,000	$1,622	$70,737	
8	Subtotal RRQ Without interest	$1,832,178	$6,903	$12,762	$5,896	$1,857,740	$1,458,721
9	Interest (2020-2026)	$153,706	$526	$882	$17	$155,131	$123,378
10	**Total RRQ**	**$1,985,884**	**$7,430**	**$13,644**	**$5,914**	**$2,012,871**	**$1,582,099**

B. Proposed Ratemaking

PG&E proposes to recover the interim revenue requirement of $1,458.72 million (excluding interest) over a 12-month period, from March 2024 through the end of February 2025, or as soon as practicable following a ruling on this motion. The approved revenue requirement will be included in the Distribution Revenue Adjustment Mechanism (DRAM) in an upcoming rate change filing.

The interim rates to recover these costs will be set in the same manner as rates set to recover electric distribution costs using existing methodologies for revenue allocation and rate design. The change in rates for approved cost recovery in the 2023 WMCE application will affect total charges for bundled customers and for customers who purchase energy from other suppliers (*i.e.*, direct access and community choice aggregation customers).

C. The Requested Interim Rate Relief Would Be Subject to Refund

If a final decision on PG&E's 2023 WMCE application awards an amount less than what has already been collected through this interim mechanism, PG&E would return any overcollection to customers with interest calculated at the three-month commercial paper rate.

IV. AUTHORITY FOR RELIEF

The Commission's authority to grant interim rate relief is well established.[59] The Commission has granted interim rate increases to promote fairness to both the utility and public;[60] to reduce costs to ratepayers;[61] to reduce the potential for rate shock;[62] and to preserve the financial integrity of a utility and ensure rate stability.[63] A utility's continued viability need not be in the balance for interim rate relief to be appropriate; the Commission may grant such relief "where there is a showing that fairness to both the utility and the public require immediate action."[64]

As the California Supreme Court noted in *TURN v. PUC*:

> It is an elementary rule of law that the power to grant a particular relief carries with it all the incidental, necessary and reasonable authority to grant that which is less. It is apparent that the authority delegated to this Commission by the Public Utilities Act to award rate relief to a public utility carries with it the incidental and implied power to grant interim rate relief, if the facts warrant such summary relief.[65]

In *TURN v. PUC*, the California Supreme Court upheld the Commission's authority to award interim rates to PG&E for the operation of the Diablo Canyon Power Plant.[66] In doing so, the court rejected arguments that the Commission may only authorize interim rates if "failure to

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[59] *Toward Utility Rate Normalization v. Public Utilities Commission* (1988) 44 Cal.3d 870, 878, citing *City of Los Angeles v. Public Utilities Commission* (1972) 7 Cal.3d 331.

[60] D.02-07-031, pp. 13-14.

[61] D.20-10-026, p. 24; D.23-06-004, pp. 14-22.

[62] D.16-08-003, p. 9.

[63] D.88-05-074, p. 32, Finding of Fact 23.

[64] D.91-02-035, p. 10.

[65] *TURN*, 44 Cal.3d at 878.

[66] *Id.* at 872.

do so would result in financial emergency or unless the reasonableness of the investment costs covered by the rates is undisputed."[67] The Court held that the "commission's power is not so narrow, and that the commission has regularly pursued its authority in authorizing the interim rates."[68] The Commission's authority to grant interim rate relief was appropriately exercised in the case because "the situation was one in which fairness to both the utility and the public required immediate action."[69]

Among the factors the Commission considers in evaluating the fairness of the interim rate relief is the length of time before a decision would be made with respect to an application for the rate recovery in question.[70] The Commission also considers "the importance of cash flow to [the utility] in the process of . . . a final determination" regarding rates.[71] Accordingly, the Commission has granted interim rate relief where a utility has established that interim rate relief will materially alleviate adverse financial consequences, including negative impacts on its credit rating and financing costs.[72] Below, PG&E provides analyses establishing the financial need for interim rate relief and the adverse consequences to PG&E and its customers that will flow from the absence of interim rate relief.

[67] *Id.*

[68] *Id.*

[69] *Id.* at 879.

[70] *Id.*

[71] *Id.* at 876.

[72] D.19-04-039, p. 6 ("We are … persuaded, in light of PG&E's financial condition and the perception of that condition represented by rating agency reports, that it would be unreasonable to continue to require PG&E to wait for recovery of these amounts."); D.20-10-026, pp. 26-27 (approving interim rate relief for PG&E on essentially the same grounds as in D.19-04-039); see also A.19-08-013, *ALJ's Ruling Denying SCE's Motion for Interim Rate Recovery* (May 22, 2020), at p. 11 (denying interim rate relief to Southern California Edison (SCE) because the Commission was "unconvinced that interim rate recovery is needed to preserve SCE's financial integrity, and … SCE fail[ed] to provide specific data or analysis to demonstrate otherwise."); D.22-05-001, pp. 13-17 (denying interim rate relief to SDG&E where "[n]o party dispute[d] that SDG&E is financially stable[,] SDG&E's investment grade rating was upgraded to A3 by Moody's in May 2021" and SDG&E "[did] not claim to be in the same financial position as PG&E.").

Interim rate relief is also just, in part, because it facilitates an equitable balance between current and future customers – where the former might otherwise benefit from improvements ultimately funded by the latter:

> The possibility that the current rates will 'fall short of' the capital expenditures ultimately found reasonable can place no undue burden on the current ratepayers, but to the contrary may provide them with a windfall, shifting the burden to those future ratepayers who …will have to make up for the undercollection. Conversely, if current ratepayers are burdened because current charges for investment-related costs exceed those later found reasonable, the excess will be refunded, with interest, to future ratepayers. As commission counsel point out in their answer to TURN's petition, the provision for interim rates …lessens both of these risks in accordance with the 'key' principle 'that costs borne by ratepayers should closely match benefits they receive.'[73]

As explained below, interim rate relief here is fully supported by the principles underlying the Commission's precedents and California law.

V. PG&E'S REQUEST FOR INTERIM RATE RELIEF IS IN THE INTERESTS OF THE COMPANY AND ITS CUSTOMERS.

Interim rate relief is in the best interests of PG&E's customers for several reasons.

A. Interim Rate Relief Is Appropriate Given the Likely Length of Time Required Between Recording and Recovering These Costs

As in *TURN v. PUC*, interim rate relief is appropriate here because of the time that is likely to elapse before a final decision in this case. As discussed above in Section II.D, it could be three years, or more, from the time costs at issue in this proceeding, totaling $2.176.93 billion, were incurred to the time of a final decision on PG&E's 2023 WMCE application. If the amortization schedule is extended, PG&E may have to carry these costs for even longer. Under the circumstances described below, carrying investments at this scale presents a serious financial challenge for PG&E, which in turn creates substantial risk to customers of bearing higher costs associated with future capital investments. Granting interim rate relief will also "help to smooth customer rates . . . [a]s the bulk of the costs at issue were incurred" in 2022 and the "proceedings to consider them will take another" approximately 24 months, or more, to resolve based upon

[73] *TURN*, 44 Cal.3d at 877.

recent timelines in prior WMCE proceedings. Accordingly, “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” and “[i]nterim rate relief provides a hedge against a potentially larger rate increase on customers after the reasonableness review.”[74]

PG&E’s costs incurred in 2022 ideally would be allocated to customers of the utility close to that same period of time. Perfect alignment is not often practical, but closer alignment is a goal to promote and achieve when possible. As it now stands, current customers would experience the "windfall" warned of in *TURN vs. PUC*, shifting the burden to future customers. Interim rate relief will mitigate this effect.

B. Delaying Collection of Costs Will Put Undue Financial Pressure on PG&E to the Detriment of PG&E’s Customers

The costs at issue in this proceeding, totaling $ 2,176.93 billion, are substantial. If PG&E carries them for an extended period, it will create unnecessary financial pressure and may translate into a higher cost of capital, to the detriment of PG&E’s customers.

In 2021, PG&E filed its 2023 General Rate Case (GRC) (A.21-06-021) proposing to receive a Commission decision by late 2022 such that the 2023 adopted revenue requirement could be incorporated into customer rates effective early 2023. Doing so would ensure that PG&E’s costs incurred in 2023 relative to those adopted in the 2023 GRC would be recovered in customer rates concurrent with PG&E’s incurrence of those costs.[75]

On November 16, 2023, Commission adopted a final decision[76] in the 2023 GRC. The Commission’s final decision on escalation, in particular, will unfortunately put considerable financial pressure on PG&E to fund its key investments that are needed to further reduce wildfire risk, improve safety and climate resiliency, and support the continued growth of clean energy to

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[74] D.20-10-026, p. 26.

[75] Becker Decl., ¶ 13.

[76] D.23-11-069.

benefit our customers.[77] Specifically, the decision only allows PG&E to recover 50% of the escalation proposed for 2023 and attrition years,[78] which means PG&E would have to absorb most of the inflationary pressures on costs, adding significant uncertainty to PG&E's financial plan and contributing the need for this interim rate relief request.[79]

The 2023 GRC decision also amortizes incremental 2023 revenue requirements over a 24-month period starting Jan, 1, 2024,[80] meaning that PG&E will need to finance any 2023 costs that are not being recovered in current rates.[81] PG&E will also have to raise cash for the payment of interest on any new debt it raises to finance expenses and capital expenditures that are not included in current rates, thereby increasing PG&E's need to raise cash in 2023.[82]

In addition to these financial pressures, in the winter of 2022-2023, California faced unprecedented winter storms and atmospheric river events which were declared as a catastrophic event by the Governor of California and as a major disaster by the President of the United States. PG&E has incurred hundreds of millions of dollars in costs for repair and restoration activities in response to the 2022-2023 winter storms and the February-March 2023 storms. PG&E has spent more than $875[83] million to repair facilities and restore service between December 2022 and June 2023.[84] These costs, which continue to increase, represent only a portion of the costs as PG&E still addresses the restoration of facilities impacted by these storms, have been recorded to the CEMA, and have not been recovered in customer rates.[85] These circumstances, combined with PG&E's sub-investment grade credit ratings, have strained PG&E's ability to raise funds

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[77] Becker Decl., ¶ 14.

[78] D.23-11-069, pp. 739-740, 780-783, and p. 915, OP 56.

[79] Becker Decl., ¶ 14.

[80] D.23-11-069, p. 783.

[81] Becker Decl., ¶ 15.

[82] Becker Decl., ¶ 15.

[83] Exhibit (PG&E-1), p. 1-10, Table 1-5 (lines 6 and 7).

[84] Becker Decl., ¶ 16.

[85] Becker Decl., ¶ 16.

for the total of its financing requirements, pushing PG&E near the limit of its ability to raise external financing at a reasonable cost to customers.[86]

Exacerbating PG&E's limitation on new financing is the lack of timely recovery of very substantial costs that have been incurred over the last several years, but have yet to be recovered in rates.[87] As of September 30, 2023, PG&E had recorded an aggregate amount of approximately $6 billion[88] in costs for the CEMA, Wildfire Expense Memorandum Account, Fire Hazard Prevention Memorandum Account (FHPMA), Fire Risk Mitigation Memorandum Account (FRMMA), Wildfire Mitigation Plan Memorandum Account (WMPMA), VMBA, WMBA, MGMA, and Risk Transfer Balancing Account (RTBA).[89] Of these costs, approximately $1.3 billion[90] has been fully authorized for recovery.[91] This large uncollected balance continues to negatively impact PG&E's credit metrics.[92]

Under cost-of-service ratemaking principles, this uncollected balance should be close to zero on average for PG&E's long-term financial health and stability and to minimize borrowing costs for customers, and, indeed, was under $1 billion prior to 2018.[93] PG&E's need for external financing would decrease materially to the extent this cash balance can be recovered in rates.[94] Every dollar of revenue received for these costs either pays down debt that was used to finance

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[86] Becker Decl., ¶ 17.

[87] Becker Decl., ¶ 18.

[88] Becker Decl., ¶ 18. *See PG&E Corporation 2023 Third Quarter Earnings (Q3 2023 Presentation and Complete Earnings Exhibits)*, Oct. 26, 2023, Slide 20, Appendix 3, Expected Recovery of Wildfire-Related Costs, available at: <https://s1.q4cdn.com/880135780/files/doc_financials/2023/q3/Q3-23-Earnings-Presentation-Final.pdf> (accessed Nov. 28, 2023).

[89] Becker Decl., ¶ 18.

[90] Becker Decl., ¶ 18. This amount excludes the 2022 WMCE interim rate relief granted in D.23-06-004, which remains subject to refund pending a final decision in that proceeding.

[91] Becker Decl., ¶ 18.

[92] Becker Decl., ¶ 18.

[93] Becker Decl., ¶ 19.

[94] Becker Decl., ¶ 19.

the cost or frees up capacity to finance other long-term investments.[95] The uncertainty of the timing and outcome of cost recovery reviews for these accounts adds significant uncertainty to PG&E's financial plan and contributes to the need for this request.[96] As described later in this motion, other benefits of interim rate relief include the reduction of the cost to customers of uncollected balance at current high rates and the improvement of PG&E's credit metrics.[97]

To meet its financial obligations without impeding its need to improve its credit ratings in recent years, PG&E has and is pursuing all options for raising capital efficiently, including issuing debt at the parent holding company and utility levels, issuing new stock, suspending dividends, monetizing net operating losses, and selling assets.[98] Pursuant to its Plan of Reorganization,[99] PG&E Corporation issued a historically large amount of stock and debt and agreed to suspend PG&E Corporation's common stock dividend until certain financial metrics were achieved.[100] After it emerged from bankruptcy, PG&E also sought, and was granted, Commission approval for a rate-neutral securitization transaction to monetize its net operating losses and to retire non-traditional utility debt.[101] In another non-traditional capital raise, PG&E securitized its accounts receivable as an additional form of lower-cost debt financing. PG&E has also engaged in asset transactions, such as the sale of its General Office building in downtown San Francisco[102] and the sale of licenses to third parties to use PG&E assets for cellular

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[95] Becker Decl., ¶ 19.

[96] Becker Decl., ¶ 19.

[97] Becker Decl., ¶ 19.

[98] Becker Decl., ¶ 20.

[99] Order Confirming Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization Dated June 19, 2020, In re PG&E Corp., Case No. 19-30088 (DM) (N.D. Cal. Bankr. Ct. June 20, 2020) (Docket No. 8053).

[100] See D.20-05-053, p. 82.

[101] See, D.21-04-030; D.21-05-015.

[102] See, D.21-08-027.

communication equipment.[103] In 2022, PG&E proposed to sell a minority interest in its non-nuclear generation facilities to raise equity capital efficiently.[104] In order to preserve liquidity, PG&E postponed the purchase of the Oakland Headquarters to 2025, prioritizing investments in natural gas and electric system safety and reliability.[105] Additionally, PG&E has applied for a $7 billion loan from the Department of Energy to fund large-scale energy infrastructure projects, such as undergrounding of the electric powerlines.[106]

After pursuing all of these strategies to support PG&E's emergence from bankruptcy and post-emergence financial recovery, the remaining options available to PG&E to raise capital have narrowed, and its ability to raise debt and equity is limited.[107] PG&E's capital expenditure program requires substantial amounts of equity to fund its future rate base investments.[108] PG&E's limited ability to raise equity also constrains its ability to issue debt, thereby limiting the total amount of funds it can raise in the capital markets and hence the amount needed for its infrastructure investments.[109] PG&E can only issue debt to the extent that it maintains a balanced capital structure (the proportions of debt and equity that finance rate base) and acceptable credit metrics, which can require issuance of equity if the long-term debt issuance continues to increase.[110] An increasing debt burden, without offsetting equity, would adversely affect PG&E's credit metrics, impeding its ability to preserve and improve its credit ratings, and could potentially result in a decrease to its credit ratings and higher customer costs.[111]

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[103] Becker Decl., ¶ 20. See, SEC Form 8-K (Feb. 2, 2021), available at: <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001004980/ce82e227-cb26-4abc-bd0b-c56113ebbfe4.pdf> (accessed Nov. 30, 2023).

[104] See, A.22-09-018.

[105] Becker Decl., ¶ 20.

[106] Becker Decl., ¶ 20.

[107] Becker Decl., ¶ 21.

[108] Becker Decl., ¶ 21.

[109] Becker Decl., ¶ 21.

[110] Becker Decl., ¶ 21.

[111] Becker Decl., ¶ 21.

Due to the current market price of PG&E Corporation common stock, issuing more shares would substantially dilute the value of existing shares.[112] This would cause particular harm to the Fire Victim Trust, which owns a sizeable portion of PG&E Corporation's common stock.[113] Issuing shares at the currently low stock price not only dilutes the value of existing shares, but doing so would be broadly interpreted by the markets as a failure to protect the value of their investments in PG&E.[114] This could have long-term adverse impacts on PG&E's ability to raise capital.[115]

In response to limitations on its financing capacity, PG&E is forced to prioritize its infrastructure investments, which may result in delays to customers' requests for new or expanded services, as well as to investments in system hardening, safety, and reliability.[116] This will have adverse consequences, not just for those affected customers, but also for California's energy driven economy.[117] Deferring new services and capacity upgrades hinders new economic development, not only damaging the California economy, but also impacting the national and international economies.[118]

Granting PG&E's request for interim rate relief would provide material relief to PG&E's funding constraints.[119] The additional cash flow, combined with PG&E's other efforts to minimize its need for financing in the capital markets, may allow PG&E to fully fund all its infrastructure projects, and would also provide substantial customer benefits.[120]

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[112] Becker Decl., ¶ 22.

[113] Becker Decl., ¶ 22. See, Letter From FVT Trustee, (June 21, 2022), available at: <https://www.firevictimtrust.com/Docs/Letter_from_the_Trustee_6-21-22.pdf> (accessed Nov. 30, 2023).

[114] Becker Decl., ¶ 22.

[115] Becker Decl., ¶ 22.

[116] Becker Decl., ¶ 23.

[117] Becker Decl., ¶ 23.

[118] Becker Decl., ¶ 23.

[119] Becker Decl., ¶ 24.

[120] Becker Decl., ¶ 24.

First, customers would benefit because the resulting cash flow would allow PG&E to fund capacity for new or expanded service that PG&E might otherwise have to defer until it could raise the requisite capital.[121]

Second, it would relieve the downward pressure on PG&E's credit metrics.[122] PG&E continues to be rated sub-investment grade by all three rating agencies.[123] S&P and Moody's have not changed PG&E's credit ratings since PG&E emerged from bankruptcy in June 2020.[124] Although PG&E has demonstrated improvements since emerging from bankruptcy, recent financing needs in the absence of timely cost recovery from customers have the potential to set back this incremental progress.[125] In February 2023, Moody's updated PG&E's ratings outlook to "Positive," but the timing and outcome for any potential ratings change is unknown.[126] In March 2023, Fitch Ratings upgraded PG&E Corporation's (PCG) and PG&E's Issuer Default Ratings by one notch to 'BB+' from 'BB,', which is still sub-investment grade.[127] Fitch has also upgraded PCG's secured debt to 'BB+'/'RR4' from 'BB'/'RR4' and PG&E's first mortgage bonds to 'BBB'/'RR2' from 'BBB-'/'RR2'. Fitch's Rating Outlook is "Stable."[128] From the perspective of these ratings agencies, the Commission's final decision in PG&E's 2023 GRC and pending WMCE filings will be key determinants of PG&E's long-term credit trajectory.[129] In December 2023, S&P updated PG&E's ratings outlook to "Positive" due to increased authorized revenues from 2023 GRC decision and PG&E's ongoing wildfire risk reduction and mitigation

[121] Becker Decl., ¶ 25.

[122] Becker Decl., ¶ 26.

[123] Becker Decl., ¶ 26.

[124] Becker Decl., ¶ 26.

[125] Becker Decl., ¶ 26.

[126] Becker Decl., ¶ 26.

[127] Becker Decl., ¶ 26.

[128] Becker Decl., ¶ 26.

[129] Becker Decl., ¶ 26.

activities.[130] The positive outlook reflects the potential for an upgrade within the next 12 months, subject to PG&E's continued efforts on wildfire mitigations and consistently achieving FFO/Debt above 13%, which requires timely cost recovery.[131] From the perspective of these ratings agencies, the Commission's decision on pending deferred cost recovery filings and PG&E's continued improvement in operating cash flow will be determinants of PG&E's long-term credit trajectory.[132]

Although PG&E's overall credit ratings are currently below investment grade, its long-term debt that finances rate base is rated BBB-, the lowest level of investment grade rating.[133] If PG&E were to be downgraded, the rating on its secured debt would be below investment grade, and any new debt would be issued at an interest rate materially higher than if the debt were rated BBB- as it is today.[134] Customers would ultimately bear this higher cost of debt.[135]

As of year-end 2022, PG&E's credit metric (defined as Funds from Operations over total debt, or FFO/debt) was approximately at 11.7%,[136] based on S&P calculations.[137] S&P has indicated that a consistent 13% or higher metric could lead to a ratings upgrade; at its current level, PG&E needs three notches of upgrades from S&P to get to an investment grade rating.[138] Currently, PG&E's cost of raising debt is approximately 100 basis points higher than its utility peers.[139] Improving credit ratings, and ultimately achieving investment grade ratings, would

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[130] Becker Decl., ¶ 26.

[131] Becker Decl., ¶ 26.

[132] Becker Decl., ¶ 26.

[133] Becker Decl., ¶ 27.

[134] Becker Decl., ¶ 27.

[135] Becker Decl., ¶ 27.

[136] Becker Decl., ¶ 27. S&P's final calculation issued in August 2023 resulted in 11.9% FFO/Debt; PG&E's preliminary estimation of S&P calculation in February 2023 was 12.4%.

[137] Becker Decl., ¶ 28.

[138] Becker Decl., ¶ 28.

[139] Becker Decl., ¶ 28.

reduce PG&E's cost of raising debt and would lower customer costs significantly.[140] This difference in financing cost, when applied to the debt portion of PG&E's estimated 2023 total rate base, would theoretically result in additional annual savings to customers on the order of $250 million, or about $8 billion over 30 years if PG&E's debt costs were in line with its utility peers.[141] PG&E believes this can only be achieved with, among other things, timely cost recovery that improves cash flow and reduces financing needs, thereby improving key credit metrics.[142] In PG&E's third quarter 2023 earnings presentation, PG&E signaled challenges to achieving its 2024 credit metrics target to be at mid teens by 2024 due to factors such as the significant reduction in 2023 GRC revenues, delayed recovery of 2020-2022 wildfire mitigation memo account costs, and the amortization period for 2023 undercollection, as provided in the 2023 GRC decision.[143]

On June 8, 2023, the Commission approved PG&E's motion for 85% interim rate relief in PG&E's 2022 WMCE.[144] The decision acknowledges that PG&E's current financial condition justifies interim rate relief[145] and granting interim rate relief will reduce direct and indirect cost to customers.[146] The decision also supported PG&E's 85% interim rate relief as it provides more substantial cost savings to customers than a reduced amount of relief or extension of the collection period.[147]

PG&E continues to face similar cash flow constraints and a tight financial market as outlined in the 2022 WMCE interim rate relief decision.[148] Interest rates have continued to

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[140] Becker Decl., ¶ 28.

[141] Becker Decl., ¶ 28.

[142] Becker Decl., ¶ 28.

[143] Becker Decl., ¶ 28.

[144] D.23-06-004, pp. 2, 22-23, and 29, at OP 1.

[145] D.23-06-004, pp. 14, and 28, at COL 8.

[146] D.23-06-004, pp. 15, and 28, at COL 5.

[147] D.23-06-004, pp. 22-23.

[148] Becker Decl., ¶ 30.

remain high in 2023 and granting the interim rate relief in this WMCE proceeding will further reduce cost for customers.[149] In addition, PG&E faces significant near-term uncertainty in its financial plan due to ongoing cost-recovery requests proceedings, including the 2021 and 2022 WMCE proceedings and the 2023 WGSC (Wildfire and Gas Safety Costs) proceeding.[150] Further, as noted above, the 2022-2023 winter storms increased pressure on PG&E's ability to raise external short-term financing at a reasonable cost to customers and underscore the urgency for interim rate relief and timely cost recovery.[151] In light of these continuing challenges, additional interim rate relief of $1,458.72 million (excluding interest) in this proceeding supports the cash needs for PG&E's investments and PG&E's credit metrics.[152]

C. Interim Rate Relief Will Benefit Customers Directly and Indirectly

The customer benefit from interim relief comes in two main forms: the direct interest costs and the indirect credit metric impact.[153]

The most direct cost is the financing cost that is paid by customers on memorandum and balancing account undercollections.[154] The Commission sets this interest rate at the 90-day commercial paper rate, as reported by the Federal Reserve.[155] Those rates have remained high over the last several months, and the 90-day commercial paper rate is in the 5.36-5.42 range today.[156] But as the Federal Reserve continues to maintain high rates, the 90-day commercial paper will also remain high, raising costs for consumers. For customers, this means paying

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[149] Becker Decl., ¶ 30.

[150] Becker Decl., ¶ 30.

[151] Becker Decl., ¶ 30.

[152] Becker Decl., ¶ 30.

[153] Becker Decl., ¶ 31.

[154] Becker Decl., ¶ 32.

[155] Becker Decl., ¶ 32.

[156] Becker Decl., ¶ 32. *See* Board of Governors of the Federal Reserve System, Commercial Paper Rates and Outstanding Summary, available at: <https://www.federalreserve.gov/releases/cp/> (accessed Nov. 30, 2023).

annual interest on the order of $270 million.[157] Providing interim rate recovery can provide a material benefit to customers in the longer run by substantially reducing the average outstanding memorandum and balancing account balances.[158] In general, customers would be better served by cost recovery policies that minimize the balances in the memorandum and balancing accounts so that customer do not have to pay so much in interest on these accounts.[159] This fact has become much more acute in recent months due to high interest rates, relative to the near-zero short-term rates in prior years.[160] By providing interim rate relief commencing March 2024, customer will save approximately $67 million[161] in interest costs compared to recovery commencing upon a final decision effective January 1, 2025, approximately one year after this application.[162]

The indirect customer benefits are the costs associated with a perception of regulatory risk and impacted financial metrics.[163] Generally, investors expect that utility expenses, such as for maintenance and operating costs and purchased power (*i.e.*, for expenditures that do not create an asset that provides service for more than 12 months) are currently recoverable in rates on a forecast basis.[164] Similarly, there is an expectation for capital projects (those that benefit both current and future customers) that the expenditures will be recoverable through a revenue requirement that includes both a capital recovery component (depreciation) and a rate of return.

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[157] Becker Decl., ¶ 32. This amount of $270 million assumes an annual interest rate of 5.39% applied to an average balance of $5 billion.

[158] Becker Decl., ¶ 32.

[159] Becker Decl., ¶ 32.

[160] Becker Decl., ¶ 32.

[161] Becker Decl., ¶ 32. $67 million interest cost assumes interim rate relief starts in March 2024 while regular recovery starts in January 2025 and uses 90-day commercial paper interest rate of 5.41% as of November 7, 2023.

[162] Becker Decl., ¶ 32. Deferring cost recovery is also unfair to customers, as it gives current customers a service benefit at the expense of future customers and fails to signal to customers the actual costs of providing utility service to them. *Id.*, at ¶ 43.

[163] Becker Decl., ¶ 33.

[164] Becker Decl., ¶ 33.

When deviating materially from this generally expected ratemaking process, investors impute more risk to the regulatory framework.[165]

The credit rating agencies heavily weight timely cost recovery when evaluating credit ratings.[166] For example, regulatory risk comprises 50% of the Moody's rating.[167] Similarly, in Fitch Rating's Utility Sector Credit Factors, Fitch states that "[t]ariff setting mechanisms that allow utilities to recover costs in a manner that limits regulatory lag are favorable to their risk profile."[168] And S&P Global's regulatory utility methodology also emphasizes the importance of timely cost recovery and strong regulatory environment for regulated utility credit ratings:

> The regulatory framework/regime's influence is of critical importance when assessing regulated utilities' credit risk because it defines the environment in which a utility operates and has a significant bearing on a utility's financial performance.
>
> **We base our assessment of the regulatory framework's relative credit supportiveness on our view of how regulatory stability, efficiency of tariff setting procedures, financial stability, and regulatory independence protect a utility's credit quality and its ability to recover its costs and earn a timely return.** Our view of these four pillars is the foundation of a utility's regulatory support. We then assess the utility's business strategy, in particular its regulatory strategy and its ability to manage the tariff-setting process, to arrive at a final regulatory advantage assessment.[169]

Currently, S&P highlights a Key Strength for PG&E: "The company minimizes regulatory lag by using forward-looking test years, decoupling, and multiyear rate setting."[170] To

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165 Becker Decl., ¶ 33.

166 Becker Decl., ¶ 34.

167 Becker Decl., ¶ 34.

168 Becker Decl., ¶ 34.

169 Becker Decl., ¶ 34. See, *Key Credit Factors For The Regulated Utilities Industry*, S&P Global Ratings, (Nov. 19, 2013), p. 4, available at: <https://www.maalot.co.il/Publications/MT20180809101627.PDF> (accessed Nov. 30, 2023) (emphasis added).

170 Becker Decl., ¶ 35. See, *Summary: Pacific Gas & Electric Co.*, S&P Global Ratings, (Nov. 9, 2018) (subscription material available upon request).

the extent that the regulatory framework for PG&E now features multi-year delays in cost recovery that exacerbate regulatory lag, however, that strength is weakened.

The indirect customer benefits associated with a perception of reduced regulatory risk and less negatively-impacted financial metrics would be realized in PG&E's next cost of capital proceeding, when such improvements would translate to reductions in the otherwise-applicable cost of capital.[171]

In its decision approving interim rate relief in the 2022 WMCE, the Commission also discussed its concern regarding affordability issues, comparing anticipated customer rate impacts under two scenarios: (1) interim rate relief and (2) no interim rate relief with recovery commencing approximately 15 months after the filing of PG&E's application. The Commission concluded that "[d]elaying or denying interim cost recovery is not a reasonable solution to assist disadvantaged customers."[172] To aid the Commission's comparison for the request made in this proceeding, Attachment A provides comparison tables showing the rate impact under interim rate relief commencing March 1, 2024 versus rate relief being delayed to February 28, 2024 (about 15 months after the filing of the 2023 WMCE application).[173] The Commission should reach a similar conclusion regarding affordability issues in this proceeding.

D. Interim Rate Relief Benefits PG&E's Stakeholders More Broadly

PG&E's suppliers are also adversely impacted by PG&E's financial health. For example, Topaz Solar Farms LLC, Genesis Solar LLC, Ruby Pipeline, and Panoche Energy all experienced downgrades in 2018 and 2019 related to PG&E's declining credit quality. These credit actions reflect PG&E's role as a key revenue counterparty for these projects and demonstrate the potential for ratings actions to impact energy procurement costs for customers.[174]

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171 Becker Decl., ¶ 36.

172 D.23-06-004, p. 22.

173 Becker Decl., ¶ 37.

174 Becker Decl., ¶ 38.

E. 85% Interim Rate Relief Is Consistent With Prior Recovery Levels And Is Reasonable

The requested 85% interim rate relief is consistent with PG&E's recovery in the most recent WMCE and CEMA reasonableness review cases.[175] In its decision approving interim rate relief in the 2022 WMCE, the Commission noted that "[t]he deciding factor in this instant decision, cost savings, would not materialize if the Commission were to reduce the amount and/or extend the time period over which the costs are collected."[176]

In addition, the Commission found that interim rate relief is consistent with Public Utilities Code Section 454.9 and Section 8386.4 to fund wildfire mitigation (WMBA and VMBA) and CEMA activities expeditiously.[177] The decision further found it reasonable to balance statutory guidance by commencing collections for a portion of the requested amount sooner rather than later.[178]

Finally, the decisions and resolutions authorizing each balancing and memorandum account referenced above in Section II are consistent with PG&E's interim rate relief request insofar as they each contemplate that PG&E will incur new and incremental expenditures – outside of PG&E's GRC recovery – to advance critical state and Commission policies.[179]

The correlation between PG&E's financial condition and cost to customers is indisputable. The potential for higher costs to customers resulting from the lack of timely cost recovery is substantial and could be on the order of hundreds of millions of dollars in future years.[180] Additionally, rate movements in 2022 and 2023 have dramatically changed the cost to customers to finance delays in cost recovery.[181] As such, PG&E and the Commission

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175 Becker Decl., ¶ 39. D.16-04-004 (2015 CEMA), D.18-06-011 (2016 CEMA), D.22-03-011 (2018 CEMA), D.20-11-035 (2019 CEMA), and D.23-02-017 (2020 WMCE).

176 Becker Decl., ¶ 39. D.23-06-004, p. 23.

177 Becker Decl., ¶ 40. D.23-06-004, pp. 24-25.

178 Becker Decl., ¶ 40. D.23-06-004, pp. 22-24.

179 Becker Decl., ¶ 41.

180 Becker Decl., ¶ 42.

181 Becker Decl., ¶ 42.

collectively should look for any reasonable action that can be taken to both improve credit ratings and reduce the cost of capital for its customers.[182]

Deferring cost recovery is also unfair to customers, as it gives current customers a free ride at the expense of future customers and fails to signal to customers the actual costs of providing utility service to them.[183]

PG&E views its motion for interim rate relief as the best path forward for it to raise capital while balancing a variety of important objectives. These include: (1) minimizing costs to customers; (2) meeting PG&E's near term capital needs, including substantial safety and reliability investments in the coming years; (3) supporting the overall deleveraging plans of PG&E and PG&E Corporation consistent with D.20-05-053; and (4) avoiding the dilutive effect of a PG&E Corporation common stock issuance and its associated impact on the Fire Victim Trust.[184]

VI. CONCLUSION

The interim rate relief requested by PG&E here will provide important financial benefits for PG&E's customers. PG&E has limited its request to a portion of the costs at issue in its 2023 WMCE Application in order to mitigate the risk of a temporary over-recovery. But in any event, there will be no harm to customers resulting from such a circumstance, because PG&E will refund any overcollection, plus interest. Conversely, interim rate relief will result in considerable benefits to PG&E's customers and other stakeholders. The Commission should grant PG&E's interim rate relief request for 85% of the revenue requirement associated with the costs in PG&E's 2023 WMCE, which amounts to $1,458.72 million (excluding interest) and $1,582.10 million (including interest) in interim rate recovery.

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182 Becker Decl., ¶ 42.

183 Becker Decl., ¶ 43.

184 Becker Decl., ¶ 44.

PG&E respectfully requests the following schedule for Commission consideration of this interim rate relief request:

Activity	**Proposed Date**
Interim Rate Relief Motion Filed	December 1, 2023
Responses to Motion	December 18, 2023
Reply to Responses	December 28, 2023
Draft Decision or Ruling	By January 8, 2024 (with 15 day comment period)
Final Decision or Ruling	January 25, 2024 CPUC Business Meeting
IRR Effective in Rates	March 1, 2024

Respectfully Submitted,

WALKER A. MATTHEWS

By: */s/ Walker A. Matthews*
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Dated: December 1, 2023

SUPPORTING DECLARATION OF MARGARET K. BECKER

DECLARATION OF MARGARET K. BECKER IN SUPPORT OF THE MOTION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) FOR WILDFIRE MITIGATION AND CATASTROPHIC EVENTS INTERIM RATES

1. I, Margaret K. Becker, make this declaration to support PG&E's Motion for Interim Rate Relief requested in the above-referenced application (referred to as the 2023 Wildfire Mitigation and Catastrophic Events (WMCE) application). The statements in this declaration are true and correct to the best of my knowledge.

2. I am the Vice President and Treasurer for Pacific Gas and Electric Company (PG&E, the Company or the Utility) and Vice President and Treasurer for PG&E Corporation, the corporate parent of PG&E.

I. BACKGROUND

3. On December 1, 2023, PG&E filed the 2023 WMCE application seeking approval to recover costs totaling approximately $1.62 billion in expense and $0.56 billion in capital expenditures. These costs correspond to a total revenue requirement of approximately $1.86 billion (excluding interest), or $2.01 billion (including interest). The majority of the costs requested in the 2023 WMCE application were recorded for: (1) wildfire mitigation activities recorded to the Wildfire Mitigation Balancing Account (WMBA); (2) vegetation management activities recorded to the Vegetation Management Balancing Account (VMBA); and (3) catastrophic event response activities recorded to the Catastrophic Event Memorandum Account (CEMA); including substantial costs incurred in connection with the 2023 winter storms. The application also includes a smaller amount of costs for customer care and climate adaption activities recorded to various other accounts. Finally, the application proposes a refund for residential rate reform activities recorded to the Residential Rate Reform Memorandum Account (RRRMA)

4. Concurrent with the 2023 WMCE application, PG&E also submitted a Motion for Interim Rate Relief requesting approval for interim rate recovery of 85% of the requested

revenue requirement for these costs, totaling approximately $1.46 billion (excluding interest) or $1.58 billion (including interest).[1]

5. PG&E proposes to collect the interim revenue over a 12-month period commencing March 2024. Any interim revenues would be subject to refund, with interest, to the extent that the Commission's final decision on the 2023 WMCE application approves a lower recovery than authorized through interim rates.

II. <u>SUMMARY OF COSTS AT ISSUE IN THE 2022 WMCE APPLICATION</u>

6. PG&E's 2023 WMCE application requests recovery of costs recorded to the following Commission-authorized balancing and memorandum accounts:

a) Wildfire Mitigation Balancing Account (WMBA)
b) Vegetation Mitigation Balancing Account (VMBA)
c) Catastrophic Event Memorandum Account (CEMA)
d) California Consumer Privacy Act Memorandum Account (CCPAMA)
e) Emergency Consumer Protections Memorandum Account (ECPMA)
f) COVID-19 Pandemic Protections Memorandum Account (CPPMA)
g) Disconnections Memorandum Account (DMA)
h) Percentage of Income Payment Plan Memorandum Account (PIPPMA)
i) Climate Adaptation Vulnerability Assessment Memorandum Account (CAVAMA)
j) Microgrids Memorandum Account (MGMA)
k) Residential Rate Reform Memorandum Account (RRRMA)

PG&E's application, supporting testimony, and motion for interim rate relief provides further details regarding these accounts.

[1] More precise figures are summarized in PG&E's Motion for Interim Rate Relief.

III. PROCESS CONTROLS

7. PG&E took appropriate steps to record the costs to the various balancing and memorandum accounts at issue in the 2023 WMCE application, consistent with the regulatory decisions creating these accounts and the approved preliminary statements.

8. PG&E establishes dedicated work orders in PG&E's financial accounting system, SAP, to properly track and record all relevant expense and capital expenditures. Each work order is assigned to a responsible cost center in SAP in order to ensure cost ownership and transparency.

9. PG&E's finance organization and operational lines of business establish controls to ensure costs are booked to the correct work orders. These controls include detailed cost accounting instructions to the appropriate lines of business and analysis of recorded costs in comparison to budget through monthly spending reports. Through regular and rigorous reconciliation processes spend may be identified that does not belong in a certain program and is adjusted out of the account. The procedures and cost monitoring activities are designed to ensure that costs associated with specific activities that are tracked in balancing or memorandum accounts for which PG&E seeks cost recovery in a separate application are not co-mingled with the costs that are funded by the General Rate Case or other regulatory proceedings. If the incremental amounts being requested are due to an overrun of a two-way balancing account, then the distinct work order would include costs originally adopted in the balancing account, but the cost recovery request only includes the amounts above that original adopted amount.

10. As part of the financial closing process, a monthly review of the expenditures is performed by PG&E's respective departments, including the accountable program managers and the finance organization. This monthly review, as well as account reconciliations and Sarbanes-Oxley controls testing, are conducted to ensure the appropriateness of the charges to a given work order.

11. Prior to the formal filing of an application for cost reasonableness, PG&E further scrutinizes and adjusts the costs recorded in the balancing and memorandum accounts. This

examination looks for any costs improperly booked to these accounts and also adjusts the cost recovery request to take into account all applicable Commission decisions and accounting orders. As an example of the type of adjustment made prior to formal filing, PG&E removes capitalized administrative and general costs and benefits-related expense from the CEMA, pursuant to Decision (D.) 08-01-021. These adjustments typically comprise approximately five percent of otherwise-eligible recorded costs.[2]

12. Ernst & Young (EY) reviewed 2022 WMBA and VMBA costs and 2022-2023 CEMA costs in order to confirm the costs incurred were sufficiently supported, reasonable, and directly attributable to the balancing and memorandum accounts as they are captured in PG&E's financial systems. Overall, EY recommended PG&E remove an extrapolated amount of $3.17 million from the 2023 WMCE application. PG&E accepted EY's recommendation and has reduced the amounts requested in the application accordingly.

IV. FINANCIAL CIRCUMSTANCES

13. In 2021, PG&E filed its 2023 General Rate Case (GRC) (A.21-06-021) proposing to receive a Commission decision by late 2022 such that the 2023 adopted revenue requirement could be incorporated into customer rates effective early 2023. Doing so would ensure that PG&E's costs incurred in 2023 relative to those adopted in the 2023 GRC would be recovered in customer rates concurrent with PG&E's incurrence of those costs.

14. On November 16, 2023, Commission adopted a final decision[3] in the 2023 GRC. The Commission's final decision on escalation, in particular, will unfortunately put considerable financial pressure on PG&E to fund its key investments that are needed to further reduce wildfire risk, improve safety and climate resiliency, and support the continued growth of clean energy to benefit our customers. In particular, the decision only allows PG&E to recover 50% of the

[2] This percentage was determined based on analysis of PG&E's past WMCE application from the 2020 WMCE through the most recently filed application, the 2021 WMCE.

[3] D.23-11-069.

escalation proposed for 2023 and attrition years,[4] which means PG&E would have to absorb most of the inflationary pressures on costs, adding significant uncertainty to PG&E's financial plan and contributing the need for this interim rate relief request.

15. The 2023 GRC decision also amortizes incremental 2023 revenue requirements over a 24-month period starting January 1, 2024, meaning that PG&E will need to finance any 2023 costs that are not being recovered in current rates.[5]

16. In addition to these financial pressures, in the winter of 2022-2023, California faced unprecedented winter storms and atmospheric river events which were declared as a catastrophic event by the Governor of California and as a major disaster by the President of the United States. PG&E has incurred hundreds of millions of dollars in costs for repair and restoration activities in response to the 2022-2023 winter storms and the February-March 2023 storms. PG&E has spent more than $875[6] million to repair facilities and restore service between December 2022 and June 2023. These costs, which continue to increase, represent only a portion of the costs as PG&E still addresses the restoration of facilities impacted by these storms, have been recorded to the CEMA and have not been recovered in customer rates.

17. These circumstances, combined with PG&E's sub-investment grade credit ratings, have strained PG&E's ability to raise funds for the total of its financing requirements, pushing PG&E near the limit of its ability to raise external financing at a reasonable cost to customers.

18. Exacerbating PG&E's limitation on new financing is the lack of timely recovery of very substantial costs that have been incurred over the last several years, but have yet to be recovered in rates. As of September 30, 2023, PG&E had recorded an aggregate amount of

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4 D.23-11-069, pp. 739-740, 780-783, and 956, Ordering Paragraph (OP) 56.

5 D.23-11-069, p. 783.

6 Exhibit (PG&E-1), p. 1-10, Table 1-5 (lines 6 and 7).

approximately $6 billion[7] in costs for the CEMA, Wildfire Expense Memorandum Account (WEMA), Fire Hazard Prevention Memorandum Account (FHPMA), Fire Risk Mitigation Memorandum Account (FRMMA), Wildfire Mitigation Plan Memorandum Account (WMPMA), VMBA, WMBA, MGMA, and Risk Transfer Balancing Account (RTBA). Of these costs, only about $1.3 billion[8] has been fully authorized for recovery in a final decision. This large uncollected balance continues to negatively impact PG&E's credit metrics.

19. Under cost-of-service ratemaking principles, this uncollected balance should be close to zero on average for PG&E's long-term financial health and stability and to minimize borrowing costs for customers, and, indeed, was under $1 billion prior to 2018. PG&E's need for external financing would decrease materially to the extent this cash balance can be recovered in rates. Every dollar of revenue received for these costs either pays down debt that was used to finance the cost or frees up capacity to finance other long-term investments. The uncertainty of the timing and outcome of cost recovery reviews for these accounts adds significant uncertainty to PG&E's financial plan and contributes to the need for this request. As described later in this declaration, other benefits of interim rate relief include the reduction of the cost to customers of uncollected balancing and memorandum account balances at current high rates and the improvement of PG&E's credit metrics.

20. To meet its financial obligations without impeding its need to improve its credit ratings in recent years, PG&E has and is pursuing all options for raising capital efficiently, including issuing debt at the parent holding company and utility levels, issuing new stock, suspending dividends, monetizing net operating losses, and selling assets. Pursuant to its Plan of

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[7] *See PG&E Corporation 2023 Third Quarter Earnings (Q3 2023 Presentation and Complete Earnings Exhibits)*, Oct. 26, 2023, Slide 20, Appendix 3, Expected Recovery of Wildfire-Related Costs, available at: <https://s1.q4cdn.com/880135780/files/doc_financials/2023/q3/Q3-23-Earnings-Presentation-Final.pdf> (accessed Nov. 28, 2023).

[8] *Id.* This amount excludes the 2022 WMCE interim rate relief granted in D.23-06-004, which remains subject to refund pending a final decision in that proceeding.

Reorganization,[9] PG&E Corporation issued a historically large amount of stock and debt and agreed to suspend PG&E Corporation's common stock dividend until certain financial metrics were achieved.[10] After emerging from bankruptcy, PG&E also sought, and was granted, Commission approval for a rate-neutral securitization transaction to monetize its net operating losses and to retire non-traditional utility debt.[11] In another non-traditional capital raise, PG&E securitized its accounts receivable as an additional form of lower-cost debt financing. PG&E has also engaged in asset transactions, such as the sale of its General Office building in downtown San Francisco[12] and the sale of licenses to third parties to use PG&E assets for cellular communication equipment.[13] In 2022, PG&E proposed to sell a minority interest in its non-nuclear generation facilities to raise equity capital efficiently.[14] In order to preserve liquidity, PG&E postponed the purchase of the Oakland Headquarters to 2025, prioritizing investments in natural gas and electric system safety and reliability. Additionally, PG&E has applied for a $7 billion loan from the Department of Energy to fund large-scale energy infrastructure projects, such as undergrounding of the electric powerlines.

21. After pursuing all of these strategies to support PG&E's emergence from bankruptcy and post-emergence financial recovery, the remaining options available to PG&E to raise capital have narrowed, and its ability to raise debt and equity is limited.[15] PG&E's capital expenditure program requires substantial amounts of equity to fund its future rate base

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[9] Order Confirming Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization Dated June 19, 2020, In re PG&E Corp., Case No. 19-30088 (DM) (N.D. Cal. Bankr. Ct. June 20, 2020) (Docket No. 8053).

[10] *See* D.20-05-053, p. 82.

[11] *See* D.21-04-030; D.21-05-015.

[12] *See* D.21-08-027.

[13] See Feb. 2, 2021 SEC Form 8-K, available at: <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001004980/ce82e227-cb26-4abc-bd0b-c56113ebbfe4.pdf> (accessed Nov. 29, 2023).

[14] *See* A.22-09-018.

[15] *See PG&E Financial Squeeze Threatens Fire Plan*, The Wall Street J., Dec. 13, 2022, p. B1 (subscription material available upon request).

investments. PG&E's limited ability to raise equity also constrains its ability to issue debt, thereby limiting the total amount of funds it can raise in the capital markets and hence the amount needed for its infrastructure investments. PG&E can only issue debt to the extent that it maintains a balanced capital structure (the proportions of debt and equity that finance rate base) and acceptable credit metrics, which can require issuance of equity if the long-term debt issuance continues to increase. An increasing debt burden, without offsetting equity, would adversely affect PG&E's credit metrics, impeding its ability to preserve and improve its credit ratings, and could potentially result in a decrease to its credit ratings and higher customer costs.

22. Due to the current market price of PG&E Corporation common stock, issuing more shares would substantially dilute the value of existing shares. This would cause particular harm to the Fire Victim Trust, which owns a sizeable portion of PG&E Corporation's common stock.[16] Issuing shares at the currently low stock price not only dilutes the value of existing shares, but doing so would be broadly interpreted by the markets as a failure to protect the value of their investments in PG&E.[17] This could have long-term adverse impacts on PG&E's ability to raise capital.

23. In response to limitations on its financing capacity, PG&E is forced to prioritize its infrastructure investments, which may result in delays to customers' requests for new or expanded services, as well as to investments in system hardening, safety, and reliability. This will have adverse consequences, not just for those affected customers, but also for California's energy driven economy. Deferring new services and capacity upgrades hinders new economic development, not only damaging the California economy, but also impacting the national and international economies.

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[16] *See* A Letter From the Trustee of the Fire Victim Trust (June 21, 2022), available at: <https://www.firevictimtrust.com/Docs/Letter_from_the_Trustee_6-21-22.pdf> (accessed Nov. 29, 2023).

[17] *See PG&E Financial Squeeze Threatens Fire Plan*, The Wall Street J., Dec. 13, 2022, p. B2 (subscription material available upon request).

24. Granting PG&E's request for interim rate relief would provide material relief to PG&E's funding constraints. The additional cash flow, combined with PG&E's other efforts to minimize its need for financing in the capital markets, may allow PG&E to fully fund all its infrastructure projects, and would also provide substantial customer benefits.

25. First, customers would benefit because the resulting cash flow would allow PG&E to fund capacity for new or expanded service that PG&E might otherwise have to defer until it could raise the requisite capital.

26. Second, it would relieve the downward pressure on PG&E's credit metrics. PG&E continues to be rated sub-investment grade by all three rating agencies. S&P and Moody's have not changed PG&E's credit ratings since PG&E emerged from bankruptcy in June 2020. Although PG&E has demonstrated improvements since emerging from bankruptcy, recent financing needs in the absence of timely cost recovery from customers have the potential to setback this incremental progress. In February 2023, Moody's updated PG&E's ratings outlook to "Positive," but the timing and outcome for any potential ratings change is unknown. In March 2023, Fitch Ratings upgraded PG&E Corporation's (PCG) and PG&E's Issuer Default Ratings by one notch to 'BB+' from 'BB', which is still sub-investment grade. Fitch has also upgraded PCG's secured debt to 'BB+'/'RR4' from 'BB'/'RR4' and PG&E's first mortgage bonds to 'BBB'/'RR2' from 'BBB-'/'RR2'. Fitch's Rating Outlook is "Stable." In December 2023, S&P updated PG&E's ratings outlook to "Positive" due to increased authorized revenues from 2023 GRC decision and PG&E's ongoing wildfire risk reduction and mitigation activities. The positive outlook reflects the potential for an upgrade within the next 12 months, subject to PG&E's continued efforts on wildfire mitigations and consistently achieving FFO/Debt above 13%, which requires timely cost recovery. From the perspective of these ratings agencies, the Commission's decision on pending deferred cost recovery filings and PG&E's continued improvement in operating cash flow will be determinants of PG&E's long-term credit trajectory.

27. Although PG&E's overall credit ratings are currently below investment grade, its long-term debt that finances rate base is rated BBB-, the lowest level of investment grade rating.

If PG&E were to be downgraded, the rating on its secured debt would be below investment grade, and any new debt would be issued at an interest rate materially higher than if the debt were rated BBB- as it is today. Customers would ultimately bear this higher cost of debt.

28. As of year-end 2022, PG&E's credit metric (defined as Funds from Operations over total debt, or FFO/debt) was approximately at 11.7%,[18] based on S&P calculations. S&P has indicated that a consistent 13% or higher metric could lead to a ratings upgrade; at its current level, PG&E needs three notches of upgrades from S&P to get to an investment grade rating. Currently, PG&E's cost of raising debt is approximately 100 basis points higher than its utility peers. Improving credit ratings, and ultimately achieving investment grade ratings, would reduce PG&E's cost of raising debt and would lower customer costs significantly. This difference in financing cost, when applied to the debt portion of PG&E's estimated 2023 total rate base, would theoretically result in additional annual savings to customers on the order of $250 million, or about $8 billion over 30 years if PG&E's debt costs were in line with its utility peers.[19] PG&E believes this can only be achieved with, among other things, timely cost recovery that improves cash flow and reduces financing needs, thereby improving key credit metrics. In PG&E's third quarter 2023 earnings presentation,[20] PG&E signaled challenges to achieving its 2024 credit metrics target to be at mid teens by 2024 due to factors such as the significant reduction in 2023 GRC revenues, delayed recovery of 2020-2022 wildfire mitigation memo account costs, and the amortization period for 2023 undercollection, as provided in the 2023 GRC decision.

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[18] S&P's final calculation issued in November 2023 resulted in 11.7% FFO/Debt; PG&E's preliminary estimation of S&P calculation in February 2023 was 12.4%.

[19] This assumes the change is applicable to a total 2023 estimated rate base of about $56 billion, and the currently CPUC adopted 47.5% debt ratio.

[20] PG&E's 2023 Third Quarter Earnings, Investing in California's Prosperity (Oct. 26, 2023), p. 9, available at: <https://s1.q4cdn.com/880135780/files/doc_financials/2023/q3/Q3-23-Earnings-Presentation-Final.pdf> (accessed on Nov. 30, 2023).

29. On June 8, 2023, the Commission approved PG&E's motion for 85% interim rate relief in PG&E's 2022 WMCE.[21] The decision acknowledges that PG&E's current financial condition justifies interim rate relief[22] and granting interim rate relief will reduce direct and indirect cost to customers.[23] The decision also supported PG&E's 85% interim rate relief as it provides more substantial cost savings to customers than a reduced amount of relief or extension of the collection period.[24]

30. PG&E continues to face similar cash flow constraints and a tight financial market as outlined in the 2022 WMCE interim rate relief decision. Interest rates have continued to remain high in 2023 and granting the interim rate relief in this WMCE proceeding will further reduce cost for customers. In addition, PG&E faces significant near-term uncertainty in its financial plan due to ongoing cost-recovery requests proceedings, including the 2021 and 2022 WMCE proceedings and the 2023 WGSC (Wildfire and Gas Safety Costs) proceeding. Further, as noted in Paragraph 16, the 2022-2023 winter storms increased pressure on PG&E's ability to raise external short-term financing at a reasonable cost to customers and underscore the urgency for interim rate relief and timely cost recovery. In light of these continuing challenges, additional interim rate relief of $1,458.72 million (excluding interest) in this proceeding supports the cash needs for PG&E's investments and PG&E's credit metrics.

V. <u>CUSTOMER FINANCIAL BENEFITS</u>

31. The customer benefit from interim relief comes in two main forms: the direct interest costs and the indirect credit metric impact.

32. The most direct cost is the financing cost that is paid by customers on memorandum and balancing account undercollections. The Commission sets this interest rate at

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[21] D.23-06-004, pp. 2, 22-23, and 29, OP 1.

[22] D.23-06-004, pp. 14 and 28, Conclusion of Law (COL) 8.

[23] D.23-06-004, pp. 15 and 28, COL 5.

[24] D.23-06-004, pp. 22-23.

the 90-day commercial paper rate, as reported by the Federal Reserve. Those rates have remained high over the last several months, and the 90-day commercial paper rate is in the 5.36-5.42 range[25] today. But as the Federal Reserve continues to maintain high rates, the 90-day commercial paper will also remain high, raising costs for consumers. For customers, this means paying annual interest on the order of $270 million.[26] Providing interim rate recovery can provide a material benefit to customers in the longer run by substantially reducing the average outstanding memorandum and balancing account balances. In general, customers would be better served by cost recovery policies that minimize the balances in the memorandum and balancing accounts so that customer do not have to pay so much in interest on these accounts. This fact has become much more acute in recent months due to high interest rates, relative to the near-zero short-term rates in prior years. By providing interim rate relief commencing March 2024, customer will save approximately $67 million[27] in interest costs compared to recovery commencing upon a final decision effective January 1, 2025, approximately one year after this application.

33. The indirect customer benefits are the costs associated with a perception of regulatory risk and impacted financial metrics. Generally, investors expect that utility expenses, such as for maintenance and operating costs and purchased power (*i.e.*, for expenditures that do not create an asset that provides service for more than 12 months) are currently recoverable in rates on a forecast basis. Similarly, there is an expectation for capital projects (those that benefit both current and future customers) that the expenditures will be recoverable through a revenue requirement that includes both a capital recovery component (depreciation) and a rate of return.

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[25] *See* Board of Governors of the Federal Reserve System, Commercial Paper Rates and Outstanding Summary, available at: <https://www.federalreserve.gov/releases/cp/> (accessed Nov. 30, 2023).

[26] This amount of $270 million assumes an annual interest rate of 5.39% applied to an average balance of $5 billion.

[27] $67 million interest cost saving assumes interim rate relief starts in March 2024 while regular recovery starts in January 2025 and uses 90-day commercial paper interest rate of 5.41% as of November 7, 2023.

When deviating materially from this generally expected ratemaking process, investors impute more risk to the regulatory framework.

34. The credit rating agencies heavily weight timely cost recovery when evaluating credit ratings. For example, regulatory risk comprises 50% of the Moody's rating. Similarly, in Fitch Rating's Utility Sector Credit Factors, Fitch states that "[t]ariff setting mechanisms that allow utilities to recover costs in a manner that limits regulatory lag are favorable to their risk profile."[28] And S&P Global's regulatory utility methodology also emphasizes the importance of timely cost recovery and strong regulatory environment for regulated utility credit ratings:

> The regulatory framework/regime's influence is of critical importance when assessing regulated utilities' credit risk because it defines the environment in which a utility operates and has a significant bearing on a utility's financial performance.
>
> **We base our assessment of the regulatory framework's relative credit supportiveness on our view of how regulatory stability, efficiency of tariff setting procedures, financial stability, and regulatory independence protect a utility's credit quality and its ability to recover its costs and earn a timely return.** Our view of these four pillars is the foundation of a utility's regulatory support. We then assess the utility's business strategy, in particular its regulatory strategy and its ability to manage the tariff-setting process, to arrive at a final regulatory advantage assessment.[29]

35. Currently, S&P highlights a Key Strength for PG&E: "The company minimizes regulatory lag by using forward-looking test years, decoupling, and multiyear rate setting."[30] To the extent that the regulatory framework for PG&E now features multi-year delays in cost recovery that exacerbate regulatory lag, however, that strength is weakened.

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[28] *See* Fitch Ratings, *Rating U.S. Utilities, Power and Gas Companies* (Mar. 11, 2014), p. 4, available at: <https://www.fitchratings.com/research/corporate-finance/rating-us-utilities-power-gas-companies-sector-credit-factors-11-03-2014> (accessed Nov. 30, 2023).

[29] *See* S&P Global Ratings, *Key Credit Factors For The Regulated Utilities Industry* (Nov. 19, 2013), p. 4, (emphasis added), available at: <https://www.maalot.co.il/Publications/MT20180809101627.PDF> (accessed Nov. 30, 2023).

[30] *See* S&P Global Ratings, *Summary: Pacific Gas & Electric Co* (Nov. 9, 2018) (subscription material available upon request).

36. The indirect customer benefits associated with a perception of reduced regulatory risk and less negatively-impacted financial metrics would be realized in PG&E's next cost of capital proceeding, when such improvements would translate to reductions in the otherwise-applicable cost of capital.

37. The 2022 WMCE interim rate relief decision noted the Commission's concern regarding affordability issues, comparing anticipated customer rate impacts under two scenarios: (1) interim rate relief and (2) no interim rate relief with recovery commencing approximately 15 months after the filing of PG&E's application. The Commission concluded that "[d]elaying or denying interim cost recovery is not a reasonable solution to assist disadvantaged customers."[31] To aid the Commission's comparison for the request made in this proceeding, Attachment A provides comparison tables showing the rate impact under interim rate relief commencing March 1, 2024 (over a three-year period) versus rate relief being delayed to January 1, 2025 (over a two-year period) at the requested conclusion of the 2023 WMCE application.

VI. OTHER CUSTOMER BENEFITS

38. PG&E's suppliers are also adversely impacted by PG&E's financial health. For example, Topaz Solar Farms LLC, Genesis Solar LLC, Ruby Pipeline, and Panoche Energy all experienced downgrades in 2018 and 2019 related to PG&E's declining credit quality. These credit actions reflect PG&E's role as a key revenue counterparty for these projects and demonstrate the potential for ratings actions to impact energy procurement costs for customers.

VII. 85% INTERIM RATE RELIEF IS CONSISTENT WITH PRIOR RECOVERY LEVELS AND IS REASONABLE

39. The 85% interim rate relief is consistent with PG&E's recovery in the most recent WMCE and CEMA reasonableness review cases.[32] In its decision approving interim rate relief in the 2022 WMCE, the Commission noted that "[t]he deciding factor in this instant decision,

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[31] D.23-06-004, p. 22.

[32] D.16-04-004 (2015 CEMA), D.18-06-011 (2016 CEMA), D.22-03-011 (2018 CEMA), D.20-11-035 (2019 CEMA), and D.23-02-017 (2020 WMCE).

cost savings, would not materialize if the Commission were to reduce the amount and/or extend the time period over which the costs are collected."[33]

40. In addition, the Commission found that interim rate relief is consistent with Section 454.9 and Section 8386.4 to fund wildfire mitigation (WMBA and VMBA) and CEMA activities expeditiously.[34] The decision further found it reasonable to balance statutory guidance by commencing collections for a portion of the requested amount sooner rather than later.[35]

41. Finally, the decisions and resolutions authorizing each balancing and memorandum account referenced above in Section II are consistent with PG&E's interim rate relief request insofar as they each contemplate that PG&E will incur new and incremental expenditures – outside of PG&E's GRC recovery – to advance critical state and Commission policies.

42. The correlation between PG&E's financial condition and cost to customers is indisputable. The potential for higher costs to customers resulting from the lack of timely cost recovery is substantial and could be on the order of hundreds of millions of dollars in future years. Additionally, rate movements in 2022 and 2023 have dramatically changed the cost to customers to finance delays in cost recovery. As such, PG&E and the Commission collectively should look for any reasonable action that can be taken to both improve credit ratings and reduce the cost of capital for its customers.

43. Deferring cost recovery is also unfair to customers, as it gives current customers a free ride at the expense of future customers and fails to signal to customers the actual costs of providing utility service to them.

44. PG&E views its motion for interim rate relief as the best path forward for it to raise capital while balancing a variety of important objectives. These include: (1) minimizing

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[33] D.23-06-004, p. 23.

[34] D.23-06-004, pp. 24-25.

[35] D.23-06-004, pp. 22-24.

costs to customers; (2) meeting PG&E's near term capital needs, including substantial safety and reliability investments in the coming years; (3) supporting the overall deleveraging plans of PG&E and PG&E Corporation consistent with D.20-05-053; (4) avoiding the dilutive effect of a PG&E Corporation common stock issuance and its associated impact on the Fire Victim Trust.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on December 1, 2023, at Oakland, California

/s/ Margaret K. Becker

Margaret K. Becker

ATTACHMENT A

Table 1a
Pacific Gas and Electric Company
Illustrative Electric Revenue Increase and Class Average Rates
Period 1 (IRR): March 2024 - February 2025

Line No.	Customer Class	Proposed Revenue Increase (000's)	Present Rates ($/kWh)	Proposed Rates ($/kWh)	Percentage Change	Line No.
	Bundled Service*					
1	Residential	$ 259,706	$ 0.32153	$ 0.34443	7.1%	1
2	Small Commercial	$ 94,048	$ 0.36225	$ 0.38975	7.6%	2
3	Medium Commercial	$ 58,749	$ 0.33912	$ 0.35984	6.1%	3
4	Large Commercial	$ 70,147	$ 0.29293	$ 0.30982	5.8%	4
5	Streetlights	$ 2,662	$ 0.48301	$ 0.51411	6.4%	5
6	Standby	$ 3,793	$ 0.19218	$ 0.20158	4.9%	6
7	Agriculture	$ 123,164	$ 0.33072	$ 0.35425	7.1%	7
8	Industrial	$ 36,121	$ 0.23026	$ 0.24007	4.3%	8
9	Total	$ 648,390	$ 0.31332	$ 0.33412	6.6%	9
	Direct Access and Community Choice Aggregation Service**					
10	Residential	$ 417,466	$ 0.19621	$ 0.22129	12.8%	10
11	Small Commercial	$ 130,589	$ 0.21789	$ 0.24539	12.6%	11
12	Medium Commercial	$ 102,291	$ 0.17796	$ 0.19814	11.3%	12
13	Large Commercial	$ 164,786	$ 0.14062	$ 0.15667	11.4%	13
14	Streetlights	$ 4,396	$ 0.28592	$ 0.31701	10.9%	14
15	Standby	$ 1,196	$ 0.13741	$ 0.15370	11.9%	15
16	Agriculture	$ 29,075	$ 0.18221	$ 0.20401	12.0%	16
17	Industrial	$ 100,507	$ 0.09504	$ 0.10453	10.0%	17
18	Total	$ 950,306	$ 0.16261	$ 0.18205	12.0%	18
	Departing Load***					
19	Residential	$ 2			0.3%	19
20	Small Commercial	$ 12			2.3%	20
21	Medium Commercial	$ 71			3.0%	21
22	Large Commercial	$ 117			3.7%	22
23	Streetlights	$ -			0.0%	23
24	Standby	$ -			0.0%	24
25	Agriculture	$ 29			3.5%	25
26	Industrial	$ 1,580			3.8%	26

* Customers who receive electric generation as well as transmission and distribution service from PG&E.

** Customers who purchase energy from non-PG&E suppliers.

*** Customers who purchase their electricity from a non-utility supplier and receive transmission and distribution service from a publicly owned utility or municipality. A rate comparison cannot be provided for Departed Load as the applicable rates vary by specific departed load customer categories and any average rate that could be derived, would not be representative of any particular departed load category.

Table 1b
Pacific Gas and Electric Company
Illustrative Electric Revenue Increase and Class Average Rates
Period 2: March 2025 - February 2026

Line No.	Customer Class	Proposed Revenue Increase (000's)	Present Rates ($/kWh)	Proposed Rates ($/kWh)	Percentage Change	Line No.
	Bundled Service*					
1	Residential	$ 56,118	$ 0.32153	$ 0.32648	1.5%	1
2	Small Commercial	$ 20,299	$ 0.36225	$ 0.36819	1.6%	2
3	Medium Commercial	$ 12,772	$ 0.33912	$ 0.34363	1.3%	3
4	Large Commercial	$ 15,309	$ 0.29293	$ 0.29662	1.3%	4
5	Streetlights	$ 572	$ 0.48301	$ 0.48969	1.4%	5
6	Standby	$ 837	$ 0.19218	$ 0.19425	1.1%	6
7	Agriculture	$ 26,622	$ 0.33072	$ 0.33581	1.5%	7
8	Industrial	$ 8,008	$ 0.23026	$ 0.23243	0.9%	8
9	Total	$ 140,536	$ 0.31332	$ 0.31783	1.4%	9
	Direct Access and Community Choice Aggregation Service**					
10	Residential	$ 90,108	$ 0.19621	$ 0.20162	2.8%	10
11	Small Commercial	$ 28,184	$ 0.21789	$ 0.22383	2.7%	11
12	Medium Commercial	$ 22,235	$ 0.17796	$ 0.18235	2.5%	12
13	Large Commercial	$ 35,849	$ 0.14062	$ 0.14411	2.5%	13
14	Streetlights	$ 944	$ 0.28592	$ 0.29260	2.3%	14
15	Standby	$ 260	$ 0.13741	$ 0.14095	2.6%	15
16	Agriculture	$ 6,292	$ 0.18221	$ 0.18693	2.6%	16
17	Industrial	$ 21,973	$ 0.09504	$ 0.09711	2.2%	17
18	Total	$ 205,844	$ 0.16261	$ 0.16682	2.6%	18
	Departing Load***					
19	Residential	$ 0			0.1%	19
20	Small Commercial	$ 3			0.5%	20
21	Medium Commercial	$ 15			0.6%	21
22	Large Commercial	$ 25			0.8%	22
23	Streetlights	$ -			0.0%	23
24	Standby	$ -			0.0%	24
25	Agriculture	$ 6			0.7%	25
26	Industrial	$ 341			0.8%	26

* Customers who receive electric generation as well as transmission and distribution service from PG&E.

** Customers who purchase energy from non-PG&E suppliers.

*** Customers who purchase their electricity from a non-utility supplier and receive transmission and distribution service from a publicly owned utility or municipality. A rate comparison cannot be provided for Departed Load as the applicable rates vary by specific departed load customer categories and any average rate that could be derived, would not be representative of any particular departed load category.

Table 1c
Pacific Gas and Electric Company
Illustrative Electric Revenue Increase and Class Average Rates
Period 3: March 2026 - December 2026

Line No.	Customer Class	Proposed Revenue Increase (000's)	Present Rates ($/kWh)	Proposed Rates ($/kWh)	Percentage Change	Line No.
	Bundled Service*					
1	Residential	$ 11,110	$ 0.32153	$ 0.32251	0.3%	1
2	Small Commercial	$ 4,023	$ 0.36225	$ 0.36343	0.3%	2
3	Medium Commercial	$ 2,515	$ 0.33912	$ 0.34001	0.3%	3
4	Large Commercial	$ 3,004	$ 0.29293	$ 0.29366	0.2%	4
5	Streetlights	$ 114	$ 0.48301	$ 0.48434	0.3%	5
6	Standby	$ 164	$ 0.19218	$ 0.19258	0.2%	6
7	Agriculture	$ 5,264	$ 0.33072	$ 0.33173	0.3%	7
8	Industrial	$ 1,549	$ 0.23026	$ 0.23068	0.2%	8
9	Total	$ 27,742	$ 0.31332	$ 0.31421	0.3%	9
	Direct Access and Community Choice Aggregation Service**					
10	Residential	$ 17,859	$ 0.19621	$ 0.19728	0.5%	10
11	Small Commercial	$ 5,585	$ 0.21789	$ 0.21907	0.5%	11
12	Medium Commercial	$ 4,378	$ 0.17796	$ 0.17882	0.5%	12
13	Large Commercial	$ 7,056	$ 0.14062	$ 0.14131	0.5%	13
14	Streetlights	$ 188	$ 0.28592	$ 0.28725	0.5%	14
15	Standby	$ 52	$ 0.13741	$ 0.13812	0.5%	15
16	Agriculture	$ 1,243	$ 0.18221	$ 0.18315	0.5%	16
17	Industrial	$ 4,308	$ 0.09504	$ 0.09545	0.4%	17
18	Total	$ 40,669	$ 0.16261	$ 0.16344	0.5%	18
	Departing Load***					
19	Residential	$ 0			0.0%	19
20	Small Commercial	$ 1			0.1%	20
21	Medium Commercial	$ 3			0.1%	21
22	Large Commercial	$ 5			0.2%	22
23	Streetlights	$ -			0.0%	23
24	Standby	$ -			0.0%	24
25	Agriculture	$ 1			0.1%	25
26	Industrial	$ 68			0.2%	26

* Customers who receive electric generation as well as transmission and distribution service from PG&E.

** Customers who purchase energy from non-PG&E suppliers.

*** Customers who purchase their electricity from a non-utility supplier and receive transmission and distribution service from a publicly owned utility or municipality. A rate comparison cannot be provided for Departed Load as the applicable rates vary by specific departed load customer categories and any average rate that could be derived, would not be representative of any particular departed load category.

Table 2a
Pacific Gas and Electric Company
Illustrative Electric Revenue Increase and Class Average Rates
2023 WMCE - No IRR: January 2025 - December 2025

Line No.	Customer Class	Proposed Revenue Increase (000's)	Present Rates ($/kWh)	Proposed Rates ($/kWh)	Percentage Change	Line No.
	Bundled Service*					
1	Residential	$ 322,998	$ 0.32153	$ 0.35001	8.9%	1
2	Small Commercial	$ 116,974	$ 0.36225	$ 0.39645	9.4%	2
3	Medium Commercial	$ 73,263	$ 0.33912	$ 0.36496	7.6%	3
4	Large Commercial	$ 87,591	$ 0.29293	$ 0.31402	7.2%	4
5	Streetlights	$ 3,309	$ 0.48301	$ 0.52166	8.0%	5
6	Standby	$ 4,750	$ 0.19218	$ 0.20395	6.1%	6
7	Agriculture	$ 153,275	$ 0.33072	$ 0.36000	8.9%	7
8	Industrial	$ 45,365	$ 0.23026	$ 0.24258	5.3%	8
9	Total	$ 807,525	$ 0.31332	$ 0.33923	8.3%	9
	Direct Access and Community Choice Aggregation Service**					
10	Residential	$ 519,104	$ 0.19621	$ 0.22740	15.9%	10
11	Small Commercial	$ 162,420	$ 0.21789	$ 0.25209	15.7%	11
12	Medium Commercial	$ 127,560	$ 0.17796	$ 0.20312	14.1%	12
13	Large Commercial	$ 205,638	$ 0.14062	$ 0.16065	14.2%	13
14	Streetlights	$ 5,463	$ 0.28592	$ 0.32456	13.5%	14
15	Standby	$ 1,494	$ 0.13741	$ 0.15776	14.8%	15
16	Agriculture	$ 36,195	$ 0.18221	$ 0.20935	14.9%	16
17	Industrial	$ 125,832	$ 0.09504	$ 0.10692	12.5%	17
18	Total	$ 1,183,706	$ 0.16261	$ 0.18683	14.9%	18
	Departing Load***					
19	Residential	$ 2			0.3%	19
20	Small Commercial	$ 15			2.9%	20
21	Medium Commercial	$ 89			3.7%	21
22	Large Commercial	$ 145			4.6%	22
23	Streetlights	$ -			0.0%	23
24	Standby	$ -			0.0%	24
25	Agriculture	$ 36			4.3%	25
26	Industrial	$ 1,965			4.8%	26

* Customers who receive electric generation as well as transmission and distribution service from PG&E.

** Customers who purchase energy from non-PG&E suppliers.

*** Customers who purchase their electricity from a non-utility supplier and receive transmission and distribution service from a publicly owned utility or municipality. A rate comparison cannot be provided for Departed Load as the applicable rates vary by specific departed load customer categories and any average rate that could be derived, would not be representative of any particular departed load category.

Table 2b
Pacific Gas and Electric Company
Illustrative Electric Revenue Increase and Class Average Rates
2023 WMCE - No IRR: January 2026 - December 2026

Line No.	Customer Class	Proposed Revenue Increase (000's)	Present Rates ($/kWh)	Proposed Rates ($/kWh)	Percentage Change	Line No.
	Bundled Service*					
1	Residential	$ 11,110	$ 0.32153	$ 0.32251	0.3%	1
2	Small Commercial	$ 4,023	$ 0.36225	$ 0.36343	0.3%	2
3	Medium Commercial	$ 2,515	$ 0.33912	$ 0.34001	0.3%	3
4	Large Commercial	$ 3,004	$ 0.29293	$ 0.29366	0.2%	4
5	Streetlights	$ 114	$ 0.48301	$ 0.48434	0.3%	5
6	Standby	$ 164	$ 0.19218	$ 0.19258	0.2%	6
7	Agriculture	$ 5,264	$ 0.33072	$ 0.33173	0.3%	7
8	Industrial	$ 1,549	$ 0.23026	$ 0.23068	0.2%	8
9	Total	$ 27,742	$ 0.31332	$ 0.31421	0.3%	9
	Direct Access and Community Choice Aggregation Service**					
10	Residential	$ 17,859	$ 0.19621	$ 0.19728	0.5%	10
11	Small Commercial	$ 5,585	$ 0.21789	$ 0.21907	0.5%	11
12	Medium Commercial	$ 4,378	$ 0.17796	$ 0.17882	0.5%	12
13	Large Commercial	$ 7,056	$ 0.14062	$ 0.14131	0.5%	13
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	Departing Load***					
19	Residential	$ 0			0.0%	19
20	Small Commercial	$ 1			0.1%	20
21	Medium Commercial	$ 3			0.1%	21
22	Large Commercial	$ 5			0.2%	22
23	Streetlights	$ -			0.0%	23
24	Standby	$ -			0.0%	24
25	Agriculture	$ 1			0.1%	25
26	Industrial	$ 68			0.2%	26

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