

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Application of PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) for a Certificate of Public Convenience and Necessity Authorizing the Construction of the S-238 Hinkley Compressor Station Electrical Upgrades Project.

Dated: April 9, 2025

Application No. 25-04-___

(U 39 E)

APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION OF THE S-238 HINKLEY COMPRESSOR STATION ELECTRICAL UPGRADES PROJECT

PUBLIC VERSION (EXHIBIT B, CONTAINS CONFIDENTIAL MATERIAL)

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Proponent's Environmental Assessment (Electronically Filed and Excluded from Served Version Due to File Size) Exhibit B:

Preliminary Project Schedule Exhibit C:

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PUBLIC VERSION (EXHIBIT B, CONTAINS CONFIDENTIAL MATERIAL)

Pursuant to California Public Utilities Code section 1001 et seq., the California Public Utilities Commission's ("Commission" or "CPUC") General Order 177 ("GO 177"), and the Commission's Rules of Practice and Procedure ("Rules"), Pacific Gas and Electric Company ("PG&E") respectfully requests that the Commission issue a Certificate of Public Convenience and Necessity ("CPCN") authorizing the construction of the S-238 Hinkley Compressor Station Electrical Upgrades Project (the "Project").

I. INTRODUCTION

A. Contents of Application

PG&E's Application for the Project consists of this cover pleading, the Proponent's Environmental Assessment ("PEA") submitted herewith, and the other specific materials required by GO 177 and the CPUC Rules of Practice and Procedure, which are attached as Exhibits A-C, and incorporated herein by reference.

The PEA complies with and provides the information required by CPUC Rule 2.4, GO 177, and the Commission's *Guidelines for Energy Project Applications Requiring CEQA*

Compliance: Pre-filing and Proponent's Environmental Assessments. The PEA includes all information necessary for the Commission to evaluate the environmental consequences of the Project in accordance with the California Environmental Quality Act ("CEQA").

B. Project Overview

The Project will replace the electrical distribution system within PG&E's Hinkley Compressor Station to increase reliability, maintainability, and operational safety. Because of its age, the electrical distribution system is at increased risk of failure, which will impact operation of the station and movement of gas along one of PG&E's major gas transmission systems. Much of the electrical distribution equipment is obsolete, requiring specialized training, procedures, and personal protective equipment to maintain safe and reliable operation. Inspection and maintenance on an aging system is also complex and inefficient. The project upgrades will enable current standard safety procedures and operation, inspection and maintenance efficiency, and cost savings.

If PG&E's proposed schedule, set forth at <u>Exhibit C</u>, is achieved, the Project would be completed by May 2028.

II. PROJECT DESCRIPTION

PG&E's S-238 Hinkley Compressor Station Electrical Upgrades Project will upgrade and replace the station's aging and outmoded electrical distribution equipment, which requires change for safety, reliability, and maintainability. As part of the proposed project, the station's existing electrical power switchgear, motor control centers ("MCCs"), and a load center will be replaced or modified and connecting conduit and new or replacement cable will be installed between the switchgear and MCC locations within the existing substation. PG&E's existing gas transmission system, including pipe, valves, and other gas measurement assets, will not be modified beyond upgrading the station's internal electrical distribution equipment.

Temporary generators, fueled by natural gas already available at the station, will be brought to the project work area to power the station during construction when electric

equipment connecting with the permanent generators is deenergized during specific construction activities. The Hinkley Compressor Station is an integral component of the backbone gas transportation system and must remain operational throughout the construction of this project.

After the upgrade is complete, all temporary generator equipment will be removed.

Hinkley Compressor Station is a staffed facility located at 35863 Fairview Road in the community of Hinkley, California, in San Bernardino County. The main station entrance on Fairview Road is approximately one mile south of State Route (SR) 58. The station is approximately one mile west of the city limits for the City of Barstow. The fenced station occupies approximately 64 acres on an approximately 160-acre parcel adjacent to Community Boulevard at Fairview Road.

Project construction will take place over an approximately 22-month period with a target completion date of May 2028. As detailed in Table 2, PG&E estimates that the total construction cost for the Project will be approximately \$93.5 million.

III. CPCN REQUIREMENTS UNDER GO 177, SECTION IV.A

A. Statement of the Reasons Why and Facts Showing that the Completion and Operation of the Proposed Facility Is Necessary to Promote the Safety, Health, Comfort, and Convenience of the Public, Including:

Pursuant to GO 177, Section VI(A)(1), set forth below is a statement of the reasons why and facts showing that the completion and operation of the Project is necessary to promote the safety, health, comfort, and convenience of the public.

1. An Explanation Why Existing Facilities Are Inadequate or Need Repair to Meet Applicable Safety or Reliability Standards.

Pursuant to GO 177, Section VI(A)(1)(a), PG&E provides the following statement of why the existing facilities are inadequate or need repair to meet applicable safety or reliability standards. The purpose of this project is to address potential safety and reliability issues associated with the Hinkley Compressor Station. The purpose of the project is described in detail in Section 2.1.1. of the PEA (Exhibit B).

2. Need for the Project When Accounting for Projected Declines in Gas Demand Over the Project's Estimated Useful Life.

Pursuant to GO 177, Section VI(A)(1)(b), PG&E provides the following statement regarding the need for the project when accounting for the projected declines in gas demand. An additional discussion of the need for the project is included in Section 2.1.1 of the PEA (Exhibit B). The Project is immediately needed to address potential near-term reliability, maintainability, and safety issues at the Hinkley Compressor Station which is needed to continue operation of PG&E's backbone gas transportation system to serve customer gas demand for the period analyzed by utility long-term gas demand planning.

PG&E provides gas procurement, transportation, and storage services to approximately 4.52 million commercial and industrial customers. PG&E also provides gas transportation and storage services to a variety of gas-fired electric generating plants and serves multiple Natural Gas Vehicle fleets, including utility-owned facilities, with publicly accessible fueling stations throughout California. Other wholesale distribution systems, which receive gas transportation services from PG&E, serve a small portion of the gas customers in the region. PG&E's customers are in 37 counties from southeast of Bakersfield to north of Redding, with high concentrations in the San Francisco Bay Area and the Sacramento and San Joaquin valleys. In addition, some customers, including other regulated utilities, utilize the PG&E system to meet their gas needs in Southern California.

Gas demand for Northern California customers served by the PG&E gas system is expected to decline at an annual average rate of 3.0 percent per year through 2040. Gas demand from other wholesale distribution systems, including other regulated utilities, that rely on gas transported through the Hinkley Compressor Station is also expected to continue over this period and the foreseeable future.

The Hinkley Compressor Station is a key component of PG&E's backbone gas transportation system providing a connection to interstate gas pipelines. Continuous operation of

^{1/} California Gas and Electric Utilities, 2024 California Gas Report, 35 (available at https://www.pge.com/pipeline/en/reference-library/regulatory/cgr.html)

Hinkley Compressor Station is necessary to transport an adequate amount of gas to meet customer demand. The station receives gas from Topock Compressor Station, approximately 152 miles east and compresses the gas so it can move through the Tehachapi Mountains to Kettleman Compressor Station approximately 200 miles northwest. Without Hinkley Compressor Station operation, gas would need to move approximately 352 miles from Topock Compressor Station to Kettleman Compressor Station without additional compression. It is not possible to transport the required amounts of gas given pressure limitations of the gas transmission pipeline.

The Project does not change the capacity or throughput of gas at the Hinkley Compressor Station. Throughput at the Hinkley Compressor Station may still be increased or decreased to meet actual demand. However, the Project is necessary to maintain safe and reliable operation of the connected pipeline and delivery of an adequate volume of gas to customers.

3. Impact of the Project on Expected Future Gas Demand

Pursuant to GO 177, Section VI(A)(1)(c), PG&E provides the following statement regarding the impact of the Project on expected future gas demand. The Project does not change the capacity of the Hinkley Compressor Station or the connected pipeline. Following completion of the Project, the volume of gas flowing through the Station will continue to be increased or decreased to meet actual customer demand, as is the case today. Thus, the Project will not impact the expected future gas demand.

4. Estimate Useful Life of the Project

Pursuant to GO 177, Section VI(A)(1)(d), PG&E estimates the useful life of the project is 40 Years.²/

^{2/} The estimated useful life of the Project is based on the anticipated typical lifespan of the equipment installed.

5. Consistency with Applicable Long-Term Gas Infrastructure Orders Adopted by the Commission Including in the Commission's Long-Term Gas Planning Proceeding (Rulemaking 20-01-007) and Successor Proceedings.

Pursuant to GO 177, Section VI(A)(1)(e), PG&E confirms that this Application is consistent with orders in R.20-01-007, *Order Instituting Rulemaking to Establish Policies*, *Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and Perform Long-Term Gas System Planning* ("Gas Planning OIR"). Track or Phase 2 of the Gas Planning OIR remains open. In 2024, a ruling was issued providing a draft joint agency Gas Transition White Paper and a draft Phase 3 scope and schedule for comment. Proposed decisions on Phase 3 issues are expected during 2025 and 2026.

During Track 2a of the Gas Planning OIR, the Commission adopted GO 177 requiring utilities to obtain a CPCN for specified large gas infrastructure projects. This application is for a project that is subject to and complies with GO 177, consistent with orders adopted thus far in the Gas Planning OIR.

At a high level, the focus of Phase 3 of R.20-01-007 is to begin to identify short, medium-, and long-term mechanisms for managing the gas transition in support of the Commission's statutory obligations of protecting consumers, safeguarding the environment, and assuring Californians' access to safe, reliable, and affordable energy. The Commission has not issued any decisions regarding Phase 3 issues.

B. Safety and Reliability Information, Including Planned Provisions for Emergency Operations and Shutdowns, and Affected Infrastructure Locations.

Pursuant to GO 177, Section VI(A)(2), PG&E provides safety and reliability information in Section A.1. *supra*. The purpose of the Project is to address potential safety and reliability issues associated with the Hinkley Compressor Station.

The Hinkley Compressor Station is constructed, operated and maintained in compliance with current safety requirements, including CPUC General Orders 95, 128, 165, 166 and 174, state and local building codes, and the California Occupational Safety and Health Act (OSHA).

During construction, PG&E workers will utilize construction Best Management Practices, standard health and safety procedures, and guard structures to ensure the safety of workers and nearby residents. PG&E will also implement transportation safety practices and procedures and coordinate with local government agencies and transportation service providers to ensure safe access of emergency service providers. In addition, PG&E will prepare a Worker Environmental Awareness Program and will implement hazardous substance control/emergency response and fire risk procedures, and will comply with all measures and applicable laws, to address potential hazardous materials safety issues. Additional details regarding safety are provided in Chapter 3 of the attached PEA (Exhibit B).

C. Summary of the Potential Impact of the Proposed Project, Including in the Context of the State's Greenhouse Gas Emission Reduction and Carbon Neutrality Goals.

Pursuant to GO 177, Section VI(A)(3), PG&E provides Section 5.8 of the attached PEA (Exhibit B) summarizing the potential impact of the Project, including on the State's greenhouse gas emission reduction and carbon neutrality goals.

D. Analysis of Alternatives, Including Non-Pipeline Alternatives, and a Demonstration that No Reasonable Alternatives to the Proposed Project Exist.

Pursuant to GO 177, Section VI(A)(4), PG&E provides an analysis of alternatives to the Project in Section 4 of the PEA (Exhibit B).

1. Examination of Non-Pipeline Alternatives

Pursuant to GO 177, Section VI(A)(4)(a), PG&E provides the following statement regarding the examination of non-pipeline alternatives. Because the Project is limited to maintenance and upgrades of the existing compressor station's internal electric system and does not impact the capacity of the station, nor does it include new pipelines or changes to existing pipelines, non-pipeline alternatives are not applicable and are not examined. In addition, the Hinkley Compressor Station is an integral component of the backbone gas transportation system in the state delivering gas to its customers and other downstream users. PG&E expects demand

from these customers and other users to continue for the foreseeable future and there are no feasible non-pipeline alternatives available to meet this demand.

2. Reasons for Adoption of the Route or Location Selected, Including Comparison with Alternative Routes or Locations.

Pursuant to GO 177, Section VI(A)(4)(b), PG&E includes a discussion of the alternatives it considered in Chapter 4 of the PEA (Exhibit B). That discussion evaluates relocating the compressor station to an alternate location. Alternative pipeline routes were not evaluated because the Project is limited to maintenance and upgrades to the existing compressor station.

3. Discussion of an Alternative to Relocate the Project Outside of an Environmental and Social Justice Community.

Pursuant to GO 177, Section VI(A)(4)(c), PG&E includes a discussion of the alternatives considered in Chapter 4 of the PEA (Exhibit B). The Hinkley Compressor Station is in an ESJ Community; thus, the alternatives discussion includes an evaluation of an alternative to relocate the compressor station in Section 4.1.1 of the PEA.

4. Listing of Government Agencies with which the Proposed Route Reviews Have Been Undertaken.

Pursuant to GO 177, Section VI(A)(4)(d), PG&E provides the following statement regarding communications with government agencies regarding alternative proposed routes. Alternative pipeline routes were not evaluated by PG&E because the Project is limited to maintenance and upgrades to an existing compressor station and thus does not include a proposed pipeline route. Prefiling consultation and public outreach for the Project is discussed in Section 2.2 of the PEA and public and government agency comments on any of the evaluated alternatives are discussed in Chapter 2 (Exhibit B) and summarized below.

a. California Department of Fish and Wildlife

PG&E briefed the California Department of Fish and Wildlife ("CDFW") in March 2024. CDFW was subsequently consulted regarding species surveys and findings of the surveys were shared with CDFW in the spring and summer of 2024.

b. Mojave Desert Air Quality Management District

PG&E briefed the Mojave Desert Air Quality Management District ("MDAQMD") regarding the Project in the summer of 2024. On August 19, 2024, MDAQMD concluded that the Project, including use of portable generators, is exempt from MDAQMD permitting and approved the use of the portable generators under the California Air Resources Board Portable Engine Registration Program.

c. San Bernardino County

PG&E briefed San Bernardino County Community Development Department in September 2024. No conflicts or concerns regarding project compatibility with existing and planned land uses, zoning, or projects were communicated to PG&E.

d. United States Fish and Wildlife Service

PG&E briefed the United States Fish and Wildlife Service ("USFWS") on the Project in March 2024. USFWS was subsequently consulted regarding species surveys and findings of the surveys were shared with USFWS in the spring and summer of 2024.

e. Native American Tribes

PG&E contacted the Native American Heritage Commission ("NAHC") regarding the Project. The NAHC responded that no known Native American cultural sites are in the project area and provided a list of 14 Native American contacts who may have knowledge of tribal cultural resources in the area. PG&E sent information regarding the project to all 14 contacts inviting comments or questions regarding the Project. The Fort Yuma Quechan Indian Tribe responded indicating it did not wish to comment. The Twenty-Nine Palms Band of Mission Indians responded and requested more information from PG&E, which it provided. To date, PG&E has not received additional responses.

5. Cost Analysis Comparing the Proposed Project With Any Feasible Alternatives.

Pursuant to GO 177, Section VI(A)(4)(e), PG&E includes an analysis of cost of the proposed feasible alternatives in Chapter 4 of the PEA (Exhibit B).

6. Discussion of Pollution Burden and Steps Taken to Minimize Gas Infrastructure Density and/or Ensure Substantial Economic Benefits to Local Residents Associated with the Project Alternatives.

Pursuant to GO 177, Section VI(A)(4)(f), PG&E includes an analysis of alternatives in Chapter 4 of the PEA (Exhibit B).

E. Basic Project Information

1. Schedule Showing the Program for Right-of-Way Acquisition, Design, Material Acquisition, Construction, Testing and Operating Dates.

Pursuant to GO 177, Section VI(A)(5)(a), PG&E provides a preliminary, illustrative schedule for design, material acquisition, construction, testing and operating activities in Exhibit C. The final Project schedule can only be determined once the Commission's staff issues a full Notice to Proceed, all applicant-proposed environmental protection measures and any other environmental mitigation measures have been taken into account, materials needed for construction have been delivered and are ready for installation, and PG&E's contractors have mobilized and are ready to initiate construction. The Project will occur within the existing Hinkley Compressor Station, thus no rights-of-way will be acquired.

Table 1: Expected schedule for the Project

Milestone	Start Date	End Date
Preliminary Engineering & Design	02/2016	05/2020
Detailed Engineering & Design	04/2021	04/2023
Procurement (Materials, Equipment)	10/2021	08/2027
Construction, Commissioning, Testing	07/2026	05/2028
Operative Date	05/2028	05/2028

2. Available Site Information

Pursuant to GO 177, Section VI(A)(5)(b), PG&E includes available site information, including maps and description of the present and proposed development in the PEA (Exhibit B), including but not limited to Chapters 3 and 5.

3. Map of the Proposed Routing

Pursuant to GO 177, Section VI(A)(5)(c), PG&E provides the following statement regarding a map of the proposed routing. The Project is limited to the existing Hinkley Compressor Station and does not include routing of new pipelines or re-routing of existing pipelines. An overview map of the Project area is in Exhibit A and additional maps are in the PEA (Exhibit B).

4. Preliminary Engineering and Design Information

Pursuant to GO 177, Section VI(A)(5)(d), PG&E includes preliminary engineering and design information in Chapter 3 of the PEA (Exhibit B). That information is preliminary and subject to change based on final engineering and design.

5. Project Implementation Plan

Pursuant to GO 177, Section VI(A)(5)(e), PG&E provides the following project implementation plan. The expected schedule for the Project is shown in Table 1 above. Detailed Engineering and Design was started in 2021, and accordingly this project was included in the 2023 GRC forecast (A.21-06-021). Before beginning the detailed engineering and design phase, a competitive bid process was utilized to evaluate and select appropriate engineering resources. PG&E solicited a Request for Proposal ("RFP") for the detailed engineering scope from several bidders. The bids were evaluated on several criteria including commercial, technical, safety, responsibility, and pricing by a cross-functional team. The scores from all bidders were compiled and the best fit engineering resource was selected.

During the detailed engineering and design phase, long lead materials were specified by the engineering team. Some long lead materials and equipment, such as the switchgear, had expected lead times of one year or longer requiring procurement considerations early in the design process. PG&E utilized a competitive bid process for switchgear equipment.

Specifications were developed by the engineering team, an RFP was distributed to several potential vendors, the resulting bids were evaluated, and the successful bidder was selected.

Construction is planned to begin in July 2026 pending the issuance of a full Notice to Proceed by the Commission's staff. The estimated construction duration for the Project is approximately 22 months, and PG&E's intent is to complete construction by May 2028. Construction activities generally will be scheduled to occur during daylight hours for 10 hours per day, 5 days per week, Monday through Friday, with an occasional weekend day. Night work is not anticipated but may be necessary on occasion to avoid or reduce schedule delays, complete construction activities, or accommodate system outages.

Chapter 3 of the PEA (Exhibit B) provides a more detailed construction schedule.

F. Cost Information

1. An Estimate of "Fully Loaded" Costs

Pursuant to GO 177, Section VI(A)(6)(a), PG&E provides the "fully loaded" Project costs as follows. The cost estimates are prepared in accordance with American Society of Civil Engineers (AACE) Class 2 with an estimated accuracy range of –15%/+20%.

Table 2: Estimated Project Costs

Estimated Costs	Amount (\$MM)
Direct Costs	55.6
Contingency	23.7
Escalation	2.1
Indirect Costs	12.0
Fully Loaded Costs	93.5

These costs represent the expected case estimate based on the current design of the Project, estimated schedule of the Project, and knowledge of the site conditions and existing equipment health. Estimates are subject to change based on new information, changing site conditions, or other items such as delays outside of PG&E's control.

2. Financial Impact of the Project Construction on the Utility's Ratepayers, Stockholders, and on the Cost of the Utility's Borrowed Capital.

Pursuant to GO 177, Section VI(A)(6)(b), PG&E provides the following demonstration of the financial impact of the Project construction on the utility's ratepayers, stockholders, and on the cost of the utility's borrowed capital.

a. Financial Impact on the Utility's Ratepayers

In this Application, PG&E seeks authority to construct the Project, which has a current estimated capital cost of \$93.5 million. While the financial impact of Project construction on PG&E's ratepayers will be determined in subsequent ratemaking proceedings before the Commission (the first of which will be PG&E's upcoming 2027 GRC), PG&E expects to seek full recovery of Project-related costs in rates.² Set forth below is a discussion of PG&E's expected requested revenue requirement associated with the Project under existing CPUC authorities and assuming current cost estimates.

PG&E used the Results of Operations ("RO") model to estimate the revenue requirement of the fully loaded cost presented above. The calculation assumed a useful life of 40 years, using asset category G-368 Transmission – Compressor Station Equipment, which prescribes 40 years. The calculation also assumed the most current authorized CPUC cost of capital, which was prescribed in D. 24-10-008.

Table 3 below presents the estimated revenue requirement for the fully loaded project cost over the upcoming rate case period (2027-2030), starting with the year of 2028 the project is expected to become operational.

Table 3. Forecasted Revenue Requirement Summary (In Millions)

Project	Total	2028	2029	2030
Revenue Requirement	\$21	3	9	9

^{3/} The Project was forecast in the 2023 GRC. Since the project will not be operational until at least 2028, it will not be included in rate base until after the 2023 rate case period, as determined in a future rate request.

The revenue requirement for future years will be forecasted and set in future GRCs.

b. Financial Impact on the Utility's Stockholders

As mentioned above, the revenue requirement associated with this project includes a component for the cost of capital, which itself includes a component for return on equity ("ROE"). The Commission sets the ROE as the amount of stockholder return that is reasonably expected by investors given the risk faced by the Company and other factors. Currently, the Commission has authorized an ROE at 10.28% and PG&E has proposed to raise that to 11.3% starting in 2026.4 The revenue requirement figures set forth in Table 3 above use the currently authorized 10.28%. Finally, notwithstanding the use of this factor in the calculation, there is no guarantee that PG&E will achieve the Commission-prescribed return. Whether or not the Company is able to do so is based on a multitude of factors beyond the scope of this discussion.

c. Financial Impact on the Utility's Borrowed Capital

PG&E intends to finance the cost of the Project consistent with the financing of other rate base assets, specifically in keeping with its authorized cost of capital and capital structure requirements approved by the Commission. The impact on the Utility's borrowed capital will be an increase in balance sheet liabilities associated with financing rate base. To the extent that external sources of capital are needed, borrowing of such funds would be represented in publicly available financial reports (e.g., SEC 10k), specifically balance sheet accounts for the type(s) of capital sourced (e.g., long-term debt, common equity).

3. Design and Construction Management and Cost Control Plan

Pursuant to GO 177, Section VI(A)(6)(c), PG&E provides the following design and construction management and cost control plan for the Project. The Project is being managed by PG&E's Gas Transmission Department using industry accepted project management tools. Activities are planned and tracked using the Primavera P6 scheduling tool. Costs are estimated, forecasted, and controlled using the P6 schedule and PG&E's SAP business system. The project

^{4/} A.25-03-010.

management team will plan, monitor and control Project activities and costs in relationship to the schedule. Monthly reports will be provided to PG&E management showing progress, status, planned work, cost information, issues, and risks.

PG&E management will provide authorization and approvals for the Project via PG&E's project management tools. This allows management to set spending limits, provides opportunities to check the Project for compliance with project governance rules, provide input on major decisions, and resolve issues that arise. Management will also control contingency funds approved for use with this Project.

4. An Estimate of the Guaranteed Cost of Capital Investment Benefit to the Utility.

Pursuant to GO 177, Section VI(A)(6)(d), PG&E provides the following statement on the guaranteed cost of capital investment benefit to the utility. PG&E understands this request to mean the return on rate base associated with all project dollars being spent and added to rate base as forecast. The illustrative revenue requirement included in this Application has a return on rate base of approximately \$100.8 million over the 40 years of the asset (not discounted to present value).

G. Equity Information

1. Statement Explaining How the Project is Consistent with the Goals of the Commission's ESJ Action Plan.

Pursuant to GO 177, Section VI(A)(7)(a), PG&E provides the following statement explaining how the Project is consistent with the goals of the Commission's Environmental and Social Justice Action Plan ("Commission's ESJ Action Plan").

The Commission's ESJ Action Plan defines "Environmental and Social Justice Communities" ("ESJ Communities") as "predominantly communities of color or low-income communities that are underrepresented in the policy setting or decision-making process, subject to a disproportionate impact from one or more environmental hazards, and are likely to experience disparate implementation of environmental regulations and socioeconomic

investments in their communities." The Project is in a sparsely populated area of unincorporated San Bernandino County that meets the guidelines for inclusion as an ESJ Community under the Commission's ESJ Action Plan.

The Commission's Action Plan includes nine goals and ninety-three corresponding action items reflecting the Commission's current priorities. PG&E has adopted its own ESJ Framework and Action Plan which synthesizes PG&E's current and planned ESJ efforts and reflects how PG&E is addressing the Commission's ESJ Action Plan.

The overarching PG&E ESJ Policy is described as follows:

At PG&E, Environmental and Social Justice means making better business decisions by understanding the impacts of our activities and investments on environmental and social justice communities, while providing more sustainable, inclusive, and equitable customer solutions. Environmental and social justice communities consist of disadvantaged communities, low-income communities, and historically marginalized racial and ethnic communities who have been disproportionately impacted by environmental hazards. To better serve environmental and social justice communities, we will:

- Take responsibility for our actions and operations—past, present, and future.
- Comply fully with the letter and spirit of all applicable environmental and social justice laws and regulations.
- Actively seek community input and use data-driven tools to better understand potential cumulative impacts of PG&E business decisions and to prioritize our actions to help support sustainable communities.
- Incorporate environmental and social justice considerations into our operations and energy delivery and maximize

The ESJ Action Plan states that ESJ Communities to include 1) Disadvantaged Communities, defined as census tracts that score in the top 25% of CalEnviroScreen 3.0, along with those that score within the highest 5% of CalEnviroScreen 3.0's Pollution Burden but do not receive an overall CalEnviroScreen score; 2) All Tribal lands 3) Low income households (Household incomes below 80 percent of the area median income); and 4) Low income census tracts (Census tracts where aggregated household incomes are less than 80 percent of area or state median income).

^{6/} The Hinkley Compressor Station is located in an area with a CalEnviroScreen 4.0 score of 78 out of 100 placing it in the top 25%. CalEPA's website has updated the CalEnviroScreen tool to version 4.0, version 3.0 is no longer readily available.

- opportunities for small and diverse businesses in PG&E's supply chain.
- Consider environmental and social justice impacts in our policy engagement to create opportunities for and minimize adverse effects on environmental and social justice communities.
- Educate our coworkers about our Environmental and Social Justice Policy and how to operationalize the policy in their work practices.
- Maintain open communication and seek opportunities to partner with our stakeholders on environmental and social justice concerns.
- Strengthen relationships with the Native American tribal governments and communities we serve and develop partnerships to better address their environmental justice concerns.
- Conduct our business in a manner that respects the human rights of all individuals, as outlined in our Human Rights Policy.

Below, applicable Commission ESJ Action Plan Goals and how PG&E's ESJ Action Items are consistent with the Commission's Goals is summarized.

a. Commission Goal 1 – Consistently integrate equity and access to CPUC activities and decision-making throughout CPUC regulatory activities.

PG&E's Action Plan addresses this goal through its Operations, Infrastructure and Policy Action Item, which seeks to integrate equity and access considerations throughout PG&E's policies and operations. Here, PG&E takes a broad approach, including integrating ESJ policies into its True North Strategy, developing ESJ metrics and guidelines and operationalizing its ESJ policy. This Project is consistent with the Commission's goals to integrate equity and access to its activities and decision-making because it falls under the GO 177 CPCN approval process. In accordance with its outreach plan, described in more detail below, members of the community surrounding the Project will be informed of the CPCN application and of their opportunity to engage in the Commission's decision-making process.

b. Commission Goal 2- Increase investment in clean energy resources to benefit ESJ communities, especially to improve air quality and public health

PG&E's Action Plan addresses this goal through its Customer Programs Action Item which seeks to increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health. This action item includes investments in clean energy transportation, multicultural internal education and customer marketing programs, and microgrid incentive programs.

c. Commission Goal 4 - Increase climate resiliency

PG&E's Action Plan addresses this goal through its Climate Resilience Action Item which seeks to increase climate resiliency in ESJ communities. PG&E increases climate resiliency in these communities through conducting climate vulnerability and community engagement and supporting the integrated grid planning process.

d. Commission Goal 5 – Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the CPUC's decision-making process and benefit from CPUC programs.

PG&E's Action Plan addresses this goal through its Stakeholder Engagement Action Item. Through stakeholder engagement, PG&E enhances outreach, engagement and opportunities for ESJ communities to participate in PG&E's programs. PG&E also engages with federal and state agencies to support opportunities for ESJ communities to participate in the decision-making process of regulatory agencies. This includes enhancing engagement with ESJ and tribal governments and utilizing PG&E's external advisory groups to engage on ESJ issues.

For this Project, PG&E supports public involvement in the Commission's CPCN and related CEQA processes. PG&E will conduct outreach in accordance with GO 177 and take additional actions to bolster outreach to underserved members of the community as described infra in Section III.G.2.

e. Commission Goal 7 – Promote high road career paths and economic opportunity for residents of ESJ communities.

PG&E's Action Plan addresses this goal through its Economic and Job Opportunities Action Item which promotes economic and workforce development opportunities in ESJ communities. This includes statewide third-party education and training programs to increase career and workforce readiness and career connections and implementation of PG&E's PowerPathway program which supports workforce development and diversity and inclusion.

f. Commission Goal 8 - Improve training and staff development related to environmental and social justice issues within the CPUC's jurisdiction.

PG&E's Action Plan addresses this goal through its Internal Capacity Action Item which improves training and staff development related to ESJ issues at PG&E. This includes leading, developing, and advances trainings and workshops addressing ESJ, Cultural Competency, Tribal relations, and Diversity, Equity and Inclusion. Members of the PG&E team for this Project have participated in internal ESJ training.

2. A Summary of Outreach to, and Engagement Undertaken with, Local Communities

Pursuant to GO 177, Section VI(A)(7)(b), PG&E provides the following summary of outreach to, and engagement undertaken with local communities. PG&E will conduct outreach in accordance with GO 177, which includes providing notice of the application to local and state agencies, landowners within 300 feet of the station, and parties on relevant service lists, and posting notice of the application in a local newspaper and at the station. In addition, PG&E will enhance its outreach regarding the project and the Commission's CPCN process to target ESJ communities. Notices of the applications provided to local landowners will include a copy of the notice in Spanish so that any seasonal workers housed or employed at neighboring properties are made aware of the proposed project. PG&E will also post notice of the application, in English and Spanish, at the Hinkley Community Center, where most of the community of Hinkley visits regularly to retrieve mail and attend community meetings. Notice of the application will include

contact information for PG&E outreach staff who will be available to respond to any questions from the community in English or Spanish.

H. Proponents Environmental Assessment

Pursuant to GO 177, Section VI(A)(8), PG&E submits a PEA for the Project as Exhibit B. Pursuant to GO 177, Section VI(C), PG&E submitted a draft version of this PEA to Commission CEQA staff on November 8, 2024 which is greater than three months prior to this filing.

IV. CEQA COMPLIANCE AND MINOR MODIFICATIONS IN FINAL PROJECT DESIGN

GO 177, Section IX, and CPUC Rule 2.4 require that the Project comply with CEQA. PG&E submits herewith as Exhibit B its PEA for the Project. The Commission's Energy Division will review the Project in accordance with CEQA and either find that the Project qualifies for one or more exemptions from CEQA or prepare the appropriate CEQA document (a Negative Declaration ("ND"), Mitigated Negative Declaration ("MND"), or Environmental Impact Report ("EIR")). The Commission will determine whether any required CEQA document was completed in compliance with CEQA and, if so, certify it for the Project.

To avoid incurring significant costs before the Commission approves the Project, PG&E will perform final engineering after the Commission has completed its CEQA review and approved the Project or an alternative thereto. Final engineering sometimes results in minor modifications to the Project design. Under Section 15162(a)(1) of the CEQA Guidelines, which commence at Section 15000 of Title 14 of the California Code of Regulations, a subsequent ND, MND or EIR is required if the lead agency determines that "[s]ubstantial changes are proposed in the project which will require major revisions of the previous EIR or negative declaration due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects."

PG&E requests that in issuing any CPCN approving the Project, the Commission explicitly order that the Energy Division shall be authorized to determine whether a minor

Project modification would trigger any of the criteria that require preparation of a subsequent

ND, MND or EIR under CEQA Guideline § 15162(a), including the standard set forth above. If

a proposed change to the approved Project requires a subsequent ND, MND or EIR under this

standard, then Energy Division would determine that a Petition for Modification of the

Commission Decision granting the CPCN must be filed and a subsequent ND, MND or EIR must

be prepared if the proposed change is pursued. If a proposed change to the approved Project

does not trigger the subsequent ND, MND or EIR standard under CEQA, then the Energy

Division should be authorized by the Commission's CPCN Decision to grant any requested

minor Project modification required during final engineering and construction.

The Applicant Α.

PG&E is, and since October 10, 1905, has been, an operating public utility corporation

organized under California law. It is engaged principally in the business of furnishing electric

and gas services in California. PG&E's principal place of business is 300 Lakeside Drive,

Oakland, CA 94612.

A certified copy of PG&E's Amended and Restated Articles of Incorporation, effective

as of June 22, 2020, is on record before the Commission in connection with PG&E's A.20-07-

002, filed with the Commission on July 1, 2020. These articles are incorporated herein by

reference pursuant to Rule 2.2 of the Commission's Rules.

PG&E's most recent Proxy Statement dated April 4, 2024 was filed with the Commission

on May 15, 2024, as Exhibit D to Application 24-05-009, and is incorporated herein by

reference.

Communications with regard to this Application should be addressed to:

DAVID T. KRASKA

DARRIN D. GAMBELIN

Law Department

Pacific Gas and Electric Company

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Oakland, CA 94612

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B. Competing Utilities

CPUC Rule 3.1(b) requires an applicant to address utilities, corporations, persons, or other entities with which the proposed construction is likely to compete. The proposed construction is limited to maintenance and upgrades to an existing compressor station that transports gas on PG&E's existing pipeline system, and as such, will not compete with any other utility, corporation or person.

C. Required Permits

CPUC Rule 3.1(d) requires an applicant to identify the franchises and such health and safety permits as the appropriate public authorities have required or may require for the Project. Chapter 2.2 of the PEA (Exhibit B) lists the potential permits that may be required by other public authorities.

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D. Public Notice

Pursuant GO 177, Section V, notice of this Application will be given by electronic service, mail, by advertisement, by posting, and by publishing: (1) to certain public agencies and legislative bodies; (2) to owners of property located on or within 300 feet of the Project area; (3) by advertisement in a newspaper or newspapers of general circulation; and (4) by posting a notice on-site and off-site at the Project location; and by publishing on the website of the applicant. A copy of the notice will be delivered to the Commission's Public Advisor and the Energy Division on the same day it is mailed. A declaration of mailing and posting as required by GO 177 will be filed with the Commission within 5 days of completion. In addition, PG&E will perform outreach to the ESJ community surrounding the Project as described in Section III.G.2 of this application. PG&E has given, or will give, proper notice as described in GO 177.

Pursuant to GO 177 (Section V(A)(1)), notice of the filing of an application shall be provided "by electronic service to the planning commission and the legislative body for each county or city or tribal land in which the proposed facility would be located, the California Energy Commission, the State Department of Transportation and its Division of Aeronautics, the Secretary of the California Natural Resources Agency, the Department of Fish and Wildlife, the Department of Health Services, the State Water Resources Control Board, the California Air Resources Board, and other interested parties having requested such notification. The utility shall also give notice to the following agencies and subdivisions in whose jurisdiction the proposed facility would be located: the Air Pollution Control District, the California Regional Water Quality Control Board, the State Department of Transportation's District Office, and any other State or Federal agency, including but not limited to PHMSA and CalGEM, which would have jurisdiction over the proposed construction[.]"

^{8/} Pursuant to GO 177 (Section V(A)(2)), notice of the filing of an application for a CPCN must be sent by direct mail to "all owners of land on which the proposed facility would be located and owners of property within 300 feet of the right-of-way as determined by the most recent local assessor's parcel roll available to the utility at the time notice is sent[.]"

^{9/} Pursuant to GO 177 (Section V(A)(3)), publication of the notice of the filing of an application for a CPCN must be "[b]y advertisement, not less than once a week, two weeks successively, in a newspaper or newspapers of general circulation in the county or counties in which the proposed facilities will be located, the first publication to be not later than ten days after filing of the application[.]"

^{10/} Pursuant to GO 177 (Section V(A)(4)), notice of the filing of an application for a CPCN must be posted "[b]y posting a notice on-site and off-site where the project would be located[.]"

^{11/} Pursuant to GO 177 (Section V(A)(5)), notice of the filing of an application for a CPCN must be posted by "publishing the notice prominently on the website of the entity seeking a CPCN."

E. Compliance with Rule 2.5

CPUC Rule 2.5 provides that an applicant include a deposit, to be applied to the costs the Commission incurs to prepare a negative declaration or an environmental impact report, when the Commission is acting as the lead agency pursuant to CEQA. Pursuant to Rule 2.5, PG&E has calculated the total deposit to be \$122,000. Rule 2.5 additionally provides: "Proponent shall pay the applicable deposit in progressive payments due as follows: One-third of the deposit at the time the application or pleading is filed, an additional one-third no later than 120 days after the time the application or pleading is filed, and the remaining one-third no later than 180 days after the time the application or pleading is filed." Therefore, PG&E has provided with this application a check payable to the Commission in the amount of \$40,666.67.

F. PG&E's Financial Ability

CPUC Rule 3.1(h) asks for: "Statements or exhibits showing the financial ability of the applicant to render the proposed service together with information regarding the manner in which applicant proposes to finance the cost of the proposed construction or extension." PG&E will own the assets that comprise the Project, and such assets will be added to PG&E's utility rate base. PG&E intends to finance the Project's estimated cost of approximately \$ 93.5 million consistent with its authorized capital structure requirements approved by the Commission: 47.5% long-term debt; 0.5% preferred stock; and 52% common stock.

PG&E anticipates that the funds to finance the Project will be primarily derived from cash generated by PG&E's operations and, to the extent necessary, from external sources of funds. External sources of funds would come from the issuance of some combination of debt and equity securities. PG&E's ability to fund this Project is demonstrated through PG&E's financial statements contained in PG&E Corporation's Annual Report on Form 10-K filed with the United States Securities and Exchange Commission on February 13, 2025 for the period ending December 31, 2024. PG&E believes that its utility operations will continue to generate substantial cash with which to fund its construction activities, including the Project.

G. Proposed Rates for the Project

CPUC Rule 3.1(h) asks for a "statement of the proposed rates to be charged for service to be rendered by means of such construction or extension." PG&E does not propose any particular rates in this Application. For an illustrative calculation of the potential revenue requirement associated with this Project, see Section III.F.2.a.

V. APPLICATION EXHIBITS

The following Exhibits are attached to this Application:

- A. Project Overview Map
- B. Proponent's Environmental Assessment (Electronically Filed and Excluded from Served Version Due to File Size)
- C. Preliminary Project Schedule

VI. CATEGORIZATION OF PROCEEDINGS AND NEED FOR HEARINGS

Pursuant to CPUC Rule 2.1(c), the Application must contain: "The proposed category for the proceeding, the need for hearing, the issues to be considered including relevant safety considerations, and a proposed schedule. (See Article 7.) The proposed schedule shall be consistent with the proposed category, including a deadline for resolving the proceeding within 12 months or less (adjudicatory proceeding) or 18 months or less (ratesetting or quasi-legislative proceeding)." CPUC Rule 7.1(e)(2) provides: "When a proceeding does not clearly fit into any of the categories as defined in Rules 1.3(a), (d), and (e), the proceeding will be conducted under the rules applicable to the ratesetting category unless and until the Commission determines that the rules applicable to one of the other categories, or some hybrid of the rules, are best suited to the proceeding."

Because this Application raises issues that do not fall within a single category, it should be conducted under the rules applicable to the ratesetting category in accordance with CPUC Rule 7.1(e)(2).

The issue in this proceeding, as set forth in GO 177, is whether the Project is necessary to promote the safety, health, comfort, and convenience of the public, and thus is required by the public convenience and necessity.

Safety considerations will be addressed in the following manner. The new switching station and rerouted underground cables will be constructed, operated and maintained in compliance with current safety requirements, including CPUC General Orders 95, 128, 165, 166 and 174, state and local building codes, and OSHA. PG&E workers will utilize construction Best Management Practices, standard health and safety procedures, and guard structures to ensure the safety of workers and nearby residents throughout construction. PG&E will also implement transportation safety practices and procedures and coordinate with local government agencies and transportation service providers to ensure safe access of emergency service providers during lane closures associated with construction. In addition, PG&E will prepare a Worker Environmental Awareness Program and will implement hazardous substance control/emergency response and fire risk procedures, and will comply with all measures and applicable laws, to address potential hazardous materials safety issues. Removed equipment and other waste generated during construction will be characterized and disposed of appropriately in accordance with applicable law.

Whether hearings are needed should be determined after protests, if any, are filed. PG&E's proposed certification schedule is set forth in Exhibit C.

VII. CONCLUSION

PG&E respectfully requests that the Commission:

1. Issue a Decision and Order granting PG&E a Certificate of Public Convenience and Necessity, certifying any required environmental document for the Project, and granting any other permission and authority necessary to construct, operate and maintain the Project.

- 2. Determine that the public convenience and necessity does now, and will in the future, require the proposed Project.
- 3. Authorize Energy Division to approve requests by PG&E for minor project modifications that may be necessary during final engineering and construction of the Project so long as Energy Division finds that such minor project modifications do not require a subsequent environmental document under Section 15162 of the CEQA Guidelines.
- 4. Grant such other and further relief as the CPUC finds just and reasonable.

Respectfully Submitted,

DAVID T. KRASKA DARRIN D. GAMBELIN

By: /s/ Darrin D. Gambelin
DARRIN D. GAMBELIN

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Telephone: (650) 203-3177 Email: <u>darrin.gambelin@pge.com</u>

Attorneys for
Dated: April 9, 2025 PACIFIC GAS AND ELECTRIC COMPANY

VERIFICATION

I, the undersigned, declare:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are stated on information or belief, and as to those matters I believe them to be true.

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

Executed on April 9, 2025, at Oakland, California.

/s/ Brooke Reilly

Brooke Reilly Vice President, Land, Environmental & Permitting Services