

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



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Application of Pacific Gas and Electric
Company for Authority, Among Other Things,
to Increase Rates and Charges for Electric and
Gas Service Effective on January 1, 2027.

A. 25-05-009
(Filed May 15, 2025)

PROTEST OF SIERRA CLUB

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Dated: June 18, 2025

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PROTEST OF SIERRA CLUB

Pursuant to Rule 2.6 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Sierra Club submits the following timely protest to the Application of Pacific Gas & Electric Company (“PG&E”) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027 (“2027 GRC Application”), which appeared on the Daily Calendar on May 19, 2025.¹

I. INTRODUCTION

PG&E’s 2027 GRC Application follows years of unprecedented rate increases. Since 2020, the average PG&E utility bill has increased by nearly 70 percent and rates have more than doubled since 2015.² Yet while PG&E customers have been squeezed by the increasing unaffordability of energy bills, PG&E reported a \$2.47 billion profit in 2024, shattering records for a second year in a row.³ Accordingly, PG&E’s assertion that “this GRC interrupts a trend of double-digit revenue requirement increases requested by utilities” is hardly cause for

¹ 2027 General Rate Case Application of Pacific Gas and Electric Company (U 39 M) (May 15, 2025) (“2027 GRC Application”),

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M566/K363/566363587.PDF>; CPUC, Daily Calendar: Tuesday, May 19, 2025, at 14,

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M566/K591/566591563.PDF>.

² KQED, The Average PG&E Utility Bill Has Gone Up Nearly 70% Since 2020 (Mar. 29, 2025), <https://www.kqed.org/news/12033386/pge-electricity-rates-have-jumped-nearly-70-since-2020>; Public Advocates Office at the California Public Utilities Commission, Q1 2025 Rates Report, California Public Advocates Office (May 20, 2025), <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/242005-public-advocates-office-q1-2025-rates-report.pdf>.

³ ABC7 News, PG&E reports profit of \$2.47B for 2024, shattering records for a second year in a row (Feb. 14, 2025), <https://abc7news.com/post/pge-reports-profit-247b-2024-shattering-records-second-year-row/15904733/>.

celebration.⁴ PG&E’s \$1.24 billion—or 8 percent—requested increase in its revenue requirement is on top of a revenue requirement that has ballooned over the past several years. Indeed, PG&E’s current requested revenue increase is 20 percent more than what it requested in its 2020 General Rate Case.⁵

On top of their affordability impacts, the rapid rise of electric rates undermine California’s urgently need transition off of fossil fuels by diminishing operational cost savings from switching from combustion vehicles and appliances to electric alternatives. On the gas side, substantial increases in capital investments in the gas system create stranded asset risks and increase the likelihood of escalating and unsustainable future rate increases as gas demand declines. To afford needed rate relief and further California’s decarbonization objectives, it is incumbent on the Commission to strictly hold PG&E to its burden to prove the reasonableness of all requested costs and endeavor not merely to stabilize rates but to reduce them from their currently exorbitant levels.

II. GROUNDS FOR PROTEST

While Sierra Club is still in the preliminary stage of its investigation, Sierra Club expects to present evidence showing that PG&E has failed to meet its burden of demonstrating the reasonableness of a number of aspects of its rate request. From its initial review, Sierra Club has identified the following areas that merit further scrutiny.

A. **PG&E’s Request for Substantial Increases in Capital Investment in Gas Distribution System Will Undermine California’s Efforts at a Managed Gas Transition.**

Sierra Club has significant concerns regarding PG&E’s requests for substantial increases in gas distribution system capital spending. Capital spending on gas distribution infrastructure must be viewed in the context of California’s climate, public health, and equity goals, and must be grounded in the realities of shrinking gas demand. The California Energy Commission (“CEC”) recently determined that PG&E residential gas transportation rates would increase close to fifty-fold by 2050, from \$2.14/therm in 2025 to \$102.76/therm in 2050, assuming continued business-as-usual investments in the gas system and declines in gas demand that would occur

⁴ 2027 GRC Application, Exh. PG&E-01 at 1-6:17–18.

⁵ A.18-12-009, Test Year 2020 General Rate Case Application of Pacific Gas & Electric Company, at 1 (Dec. 12, 2018), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M250/K270/250270251.PDF>.

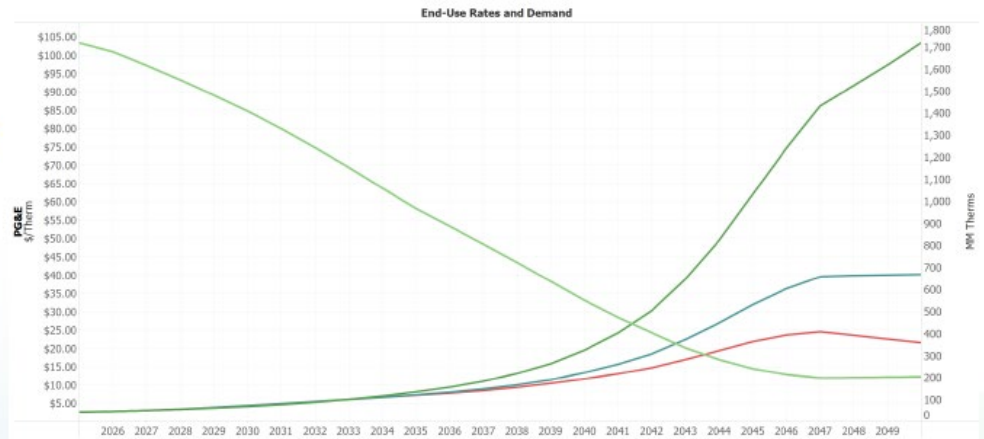
where buildings are electrified at a significantly slower pace than under the California Air Resources Board (“CARB”) Scoping Plan.⁶



End-Use Rates: PG&E

PG&E Residential End-Use Rates

- GT AAFS 2.5 Demand Scenario
- Constant Growth RR
- Front Load RR
- Pruning RR



PG&E itself acknowledges that “decarbonization of the [gas] distribution system and of end-use retail customers is California policy,” and requests substantial capital expenditures on the electric side to “support California’s decarbonization goals,” including both vehicle and building electrification.⁷ Yet despite these acknowledgments, PG&E does not propose “any projects that would start to significantly shrink the size of gas system.”⁸ To the contrary, PG&E is seeking significant *increases* in new capital investment in the gas system. For example, PG&E has requested an over \$212 million, or 42 percent increase, in its Gas Distribution

⁶ CEC, Docket No. 25-IEPR-03, TN #264052, Gas End-Use Rates: Understanding Long-Term Trends in Gas End-Use Rates at Slide 30 (June 5, 2025), <https://efiling.energy.ca.gov/GetDocument.aspx?tn=264052&DocumentContentId=100744>; CEC, Docket No. 25-IEPR-03, TN #264052, 2025 IEPR End-Use Rate Results for California Utilities, PG&E Res Tab, Cells 80G, 105G (June 5, 2025), <https://efiling.energy.ca.gov/GetDocument.aspx?tn=264063&DocumentContentId=100747>.

Assumptions for gas demand reductions under the Gradual Transformation (AAFS 2.5) Forecast and comparisons to reductions under the Scoping Plan are available at CEC, Docket No. 25-IEPR-03, TN #24046, 2023 IEPR Additional Achievable Fuel Substitution Scenarios at Slide 6–7 (June 5, 2025), <https://efiling.energy.ca.gov/GetDocument.aspx?tn=264046&DocumentContentId=100716>.

⁷ Application at 13; Exh. PG&E-04 at 2-2:13–20.

⁸ Exh. PG&E-01 at 1-14:21–22.

Pipeline Replacement Program (“MWC 14”).⁹ As observed in the *2024 Joint Agency Staff Paper: Progress Towards a Gas Transition*, “[i]f too much infrastructure is maintained at too high a cost, and those costs must be spread across a declining customer base, gas transportation rates could increase to unsustainable levels.”¹⁰ The proposed increase in capital spending undermines California’s efforts to manage the transition off the gas system, must be carefully scrutinized, and avoided where possible, including though deployment of non-pipeline alternatives wherever feasible and cost-effective.

B. PG&E’s Gas System Capacity Program is Based Off the Same Flawed Historic Look-Back the Commission Recently Rejected in the Sempra GRC.

PG&E has requested \$33.4 million in total distribution capital expenditures related to gas system capacity for test year 2027, compared to recorded adjusted costs of \$17.4 million in the 2024 base year.¹¹ PG&E explains that “[t]he key driver in the 2027 capital forecast increase is the Gas Distribution Capacity program (MAT 47B),” that the increase is “driven by an abnormally low recorded cost in MAT 47B in 2024” due to reallocation of funds from that program to “higher priority work,” and that “PG&E forecasts to return to the average level of execution achieved over a three-year period (2022–2024).”¹² This backward-looking approach fails to capture the relevant policy context and forecasted decreases in gas demand. Indeed, in explaining why these capacity projects are necessary, PG&E repeatedly references continued demand growth, noting that “[a]fter years of demand growth,” the gas distribution system is vulnerable to pressure reductions even with “small increases in gas load,”¹³ and explaining that the MAT 47B cost category, for “Gas Distribution Capacity, Mains,” accounts for PG&E’s installation of “new gas distribution main to add system capacity in order to meet increased gas demand.”¹⁴ PG&E does not offer any factual basis for its premise of increasing gas demand. To the contrary, the 2024 California Gas Report projects declining 1-in-10 Year Peak Winter Demand on PG&E’s system.¹⁵ Moreover, PG&E does not offer any evidence of having explored

⁹ Exh. PG&E-03 at 4-4, Table 4-2, Line 1.

¹⁰ *2024 Joint Agency Staff Paper: Progress Toward a Gas Transition*, at 6 (Feb. 22, 2024), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M525/K660/525660391.PDF>.

¹¹ Exh. PG&E-03 at 9-3, Table 9-2, Line 3.

¹² *Id.* at 9-5:6–11.

¹³ *Id.* at 9-11:9–14.

¹⁴ *Id.* at 9-12:14–18.

¹⁵ California Gas and Electric Utilities, 2024 California Gas Report, at 60, <https://www.socalgas.com/sites/default/files/2024-08/2024-California-Gas-Report-Final.pdf>.

alternative options to installing new mains and regulator stations or station components to reduce concerns regarding system pressure to the extent that it is concerned about minor demand increases in specific areas.

PG&E arrived at its test year 2027 forecasts by looking at three- or four-year historical averages.¹⁶ The Commission rejected this backward-looking approach in SoCalGas and SDG&E's most recent rate case. In assessing SoCalGas and SDG&E's analogous pressure betterment capital expenditures, the Commission agreed with intervenors' concerns that forecasts for pressure betterment projects based on historical averages were "unreliable and unsupported."¹⁷ The Commission adopted "a forecast of zero cost" for the pressure betterments category due to "the substantial policy efforts to reduce gas consumption (thereby reducing the need for pressure betterments)," as well as "the unreliable and unsupported SoCalGas forecast for pressure betterment projects (that rely on historic data that does not reflect future changes in gas demand)."¹⁸ The Commission also specified that "[i]n the next general rate case, any forecast for pressure betterment work must be based on planned work in order to properly reflect reduced gas consumption," as well as "to prevent continued use of unreliable and unsupported prior forecasts."¹⁹ PG&E's request suffers the same flaws and should not be approved.

C. New Gas System Business Costs Do Not Appear Supported.

While PG&E's application acknowledges that the Commission ended gas line extension subsidies in D.22-09-026, it still contains substantial new business capital expenditure forecasts, particularly within its transmission pipe asset family.²⁰ PG&E indicates that it included in its forecast for the transmission pipe new business category, MAT 26A, a forecast for new construction projects that meet the narrow exemption criteria set forth in D.22-09-026, and

¹⁶ Exh. PG&E-03, WP 9-24 to 9-26 (explaining that for distribution main capacity projects and regulator station component capacity projects, PG&E used a three-year historical averages for completed units and costs, and for regulator station rebuild or install capacity projects, four-year historical averages were used to establish test year forecasts).

¹⁷ D.24-12-074, *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company*, at 108 (Dec. 23, 2024) ("D.24-12-074"), <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M550/K485/550485071.pdf>.

¹⁸ *Id.* at 946, FOF #14(c); *see also id.* at 959–960, FOF #20(aa).

¹⁹ *Id.* at 946, FOF #14(d), 1092, OP #15 ("In addition to any other forecast Southern California Gas Company may present, at least one forecast for pressure betterment work in its next general rate case shall be based on planned work and show that cost recovery for the same work is not requested in this or other cost categories.")

²⁰ Exh. PG&E-03 at 5-126:19–127.

which could thus receive gas line subsidies, citing the “annual July 1 gas line subsidy exception application” that PG&E may file on behalf of customers seeking such subsidies.²¹ However, PG&E recently moved to withdraw its pending application for customers’ gas line subsidies.²² Accordingly, any forecasted expenditures on exempt projects appear to be speculative and unsupported. While PG&E states that its MAT 26A forecast relies upon “a 5-year historical average (2020–2024) of costs *excluding* net reimbursement credits provided by PG&E to customers,”²³ it is unclear what costs PG&E is including in this category beyond the potential projects that could qualify for an exemption to policy eliminating line extension subsidies. In SoCalGas and SDG&E’s most recent rate case, the utilities acknowledged that the New Business cost category would zero out as projects that met the July 1, 2023 deadline finished out their construction, with SDG&E indicating that 91% of projects that qualified for line extension subsidies prior to their phase-out being completed by 2025, and SoCalGas indicating that “somewhere between 64 and 100 percent” of projects would no longer qualify for line extension subsidies in 2025.²⁴

With regard to gas distribution capital expenditures for New Business, PG&E states that it is “not forecasting any capital expenditures associated directly with customer borne cost” for line extensions, pursuant to D.22-09-026 and Commission Resolution G-3598, which further clarified cost treatment for line extensions following the elimination of subsidies.²⁵ However, Sierra Club is concerned that due to the timing of the rate case cycle, savings from D.22-09-026’s elimination of line extension subsidies are not being properly passed through to ratepayers. PG&E’s forecasts for 2025 and 2026 distribution new business costs are each listed at roughly \$72 million, with a drop to approximately \$15 million in the 2027 forecast.²⁶ This could be a result of PG&E using the 2025 and 2026 forecasted amounts from the last GRC, which were approved prior to D.22-09-026. The Commission should ensure that savings resulting from D.22-09-026 are accurately accounted for and passed through to ratepayers.

²¹ *Id.* at 5-126:20–28.

²² A.24-07-002, Pacific Gas and Electric Company’s Motion to Withdraw Application No. 24-07-002 (May 15, 2025), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M566/K246/566246428.PDF>.

²³ Exh. PG&E-03 at 5-128:23–26 (emphasis added).

²⁴ See A.22-05-015/016, Opening Comments of California Environmental Justice Alliance on Proposed Decision, at 7 n.20 (Nov. 7, 2024), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M545/K343/545343575.PDF>.

²⁵ Exh. PG&E-03 at 11-30:7–14.

²⁶ See *id.* at 11-31, Table 11-13.

D. PG&E’s Proposed Alternative Energy Program Requires Additional Detail, Transparency and Accountability to Maximize Deployment of Non-Pipeline Alternatives.

PG&E notes that its “Gas Distribution Alternative Energy Program (AEP) provides incentive payments to gas customers to convert their gas service to non-pipeline alternatives (primarily electric), which avoids continued gas asset spending including upgrades, replacement, and operation and maintenance.”²⁷ PG&E proposes “that work forecasted in the AEP be treated as a regulatory assets by amortizing the amount spent each year starting in January of the year of spend over the course of 15 years.”²⁸ Particularly in the near term, Sierra Club has supported regulatory asset treatment of non-pipeline alternatives (“NPA”) to provide the same incentive to NPAs as the gas pipelines that would otherwise be built in the absence of the NPA. In addition, even with full capitalization of NPA costs, their shorter amortization period avoids the significant stranded asset risks from the much longer amortization periods for gas pipelines and other gas infrastructure.

Sierra Club is generally supportive of AEP and believes all feasible and cost-effective opportunities to pivot away from new long-term investments in the gas system to climate-friendly alternatives should be pursued. However, from an initial review of the GRC Application, additional transparency, direction, and accountability for AEP implementation are needed. For example, PG&E vaguely states that it “seeks to evaluate alternatives to Reliability Service Replacement, where feasible, though leveraging the Alternative Energy Program.”²⁹ It is unclear how this evaluation will occur, the level of incentives that would be offered in lieu of service line replacement and how this will be communicated to potential beneficiaries. Given that gas service lines may only connect to a single customer meter, NPAs are low-hanging fruit in avoiding this type of new capital investments in the gas system. Sierra Club intends to propose additional program design features to help maximize NPA implementation.

E. Capital Investments in the Electric System

With regard to new investments in the electric system, Sierra Club is concerned with the need and cost-effectiveness of wildfire mitigation strategies, including the extent to which

²⁷ *Id.* PG&E-03 at 9-17:11–13.

²⁸ *Id.* at 9-19:16–18.

²⁹ *Id.* at 4-41:10–12.

undergrounding is deployed over less costly approaches such as insulating power lines. In addition, Sierra Club intends to explore whether proposed upgrades to the electric distribution system to accommodate increased load from electrification properly account for demand response, load management, and other strategies that can flatten demand and minimize upgrade costs.

F. Trade Association Dues

Sierra Club intends to explore the extent to which PG&E seeks to pass membership dues of trade associations such as the American Gas Association (“AGA”) and Edison Electric Institute (“EEI”) to captive customers. These trade associations engage in lobbying and advertising activities that are impermissible for recovery through rates, including activities that undermine California’s climate policies.³⁰ In SoCalGas and SDG&E’s most recent rate case, the utilities relied upon statements on their AGA and EEI invoices regarding the percentages of dues that is allocable to lobbying for tax purposes when requesting rate recovery of the remainder of dues from the Commission, despite the fact that the Internal Revenue Code’s definitions of lobbying do not encompass the full spectrum of political and advertising costs for which the Commission prohibits recovery.³¹ Without specific evidence to support recovery of a given portion of association dues, these expenses must be borne by shareholders.³² Accordingly, Sierra Club intends to investigate the accounting treatment of PG&E’s trade association dues, determine whether PG&E has relied upon the same flawed methodology.

G. Depreciation Methodology

Sierra Club intends to explore PG&E’s proposal for depreciation rates and depreciation expense forecasting, particularly with regard to gas distribution and electric distribution assets. In its last GRC, PG&E proposed a Units of Production (“UoP”) methodology to address declines in forecasted gas throughput, reducing stranded asset risk and providing “a solution to the concern that low-income and disadvantaged customers could be left with a disproportionate

³⁰ See D.24-12-074 at 758 (explaining party objections to AGA dues being recovered through rates due to demonstrable lobbying activities impermissible for recovery and lack of support for a finding of any portion of the dues to be recoverable).

³¹ *Id.* at 758.

³² *Id.* at 758–759, 770–771 (denying AGA dues for SoCalGas and SDG&E and denying EEI dues for SDG&E).

share of costs” of the gas system as wealthier customers electrify.³³ The Commission rejected the UoP approach at that time, noting a number of “unresolved questions” related to the merits and implementation of such an approach, which it suggested should be taken up in the Long-Term Gas Planning Proceeding (previously R.20-01-007, and current R.24-09-012).³⁴ The Commission also noted that “while it does not adopt PG&E’s specific UoP depreciation method proposed here, this does not foreclose PG&E or other utilities or stakeholders from proposing alternative depreciation methods in future GRCs.”³⁵ As PG&E notes in its current application materials, no decision on UoP depreciation has been made yet in the Long-Term Gas Planning Proceeding.³⁶ In this application, PG&E has not proposed UoP depreciation, but has instead proposed “a much smaller increase to depreciation rates than is recommended by the depreciation study findings” to address several concerns, “including near-term affordability for ratepayers as well as uncertainty regarding future electric and gas demand.”³⁷ Sierra Club intends to investigate PG&E’s proposed methodology for setting depreciation rates and potentially propose alternative depreciation methodologies that support electrification and California’s energy transition objectives.

III. EFFECT OF THE APPLICATION ON THE PROTESTANT

Sierra Club is a non-profit public benefit corporation with over 618,000 members nationwide, and more than 140,000 members living in California, including PG&E ratepayers. Sierra Club’s mission is to promote the responsible use of the earth’s ecosystems and resources and to protect and restore the quality of the natural and human environment. In California, Sierra Club supports policies that will help cost-effectively and swiftly meet the State’s clean energy, air quality, and climate protection goals, and reduce our dependence on polluting forms of energy. Because this proceeding directly impacts both continued investments in fossil fuel infrastructure and the affordability of switching from fossil-fueled vehicles and appliances to electric alternatives, Sierra Club’s mission and members are directly impacted by the outcome of

³³ See D.23-11-069, *Decision on Test Year 2023 General Rate Case for Pacific Gas and Electric Company*, at 656 (Nov. 17, 2023), <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M520/K896/520896345.pdf>.

³⁴ *Id.* at 659–661.

³⁵ *Id.* at 660.

³⁶ Exh. PG&E-10 at 9-1:33–9-2:2.

³⁷ *Id.* at 8-6:18–20, 11–12.

this proceeding.

IV. CATEGORIZATION OF PROCEEDING

Sierra Club recommends that this proceeding be categorized as rate-setting.

V. NEED FOR HEARING

Sierra Club anticipates that evidentiary hearings will be necessary in this proceeding.

VI. SCHEDULE

Sierra Club does not have comments on the proposed schedule at this time.

VII. COMMUNICATION OF SERVICE

For the purpose of receipt of all correspondence, pleadings, orders, and notices in this proceeding, the following representative for Sierra Club should be added to the service list as a “party”:

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The following representatives should be added to the service list as “information only” and should be included on communications to Sierra Club regarding this proceeding from the Commission and other parties:

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VIII. CONCLUSION

Sierra Club appreciates the opportunity to submit this protest.

Dated: June 18, 2025.

Respectfully submitted,

/s/ Matthew Vespa

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