STATE OF CALIFORNIA GAVIN NEWSO

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

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July 1, 2025

Agenda ID #23598
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 24-06-013:

This is the proposed decision of Administrative Law Judge Regina DeAngelis. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 14, 2025 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

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

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

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:kp7
Attachment

Decision **PROPOSED DECISION OF ALJ DEANGELIS (Mailed 7/1/25)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority to Issue Wildfire Rate Relief Bonds for Wildfire Costs and Expenses Pursuant to Article 5.8 of the California Public Utilities Code. (U39E)	Application 24-06-013

DECISION DENYING REQUEST BY PACIFIC GAS AND ELECTRIC COMPANY FOR ISSUANCE OF RECOVERY BONDS PURSUANT TO ASSEMBLY BILL 1054

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DECISION DENYING REQUEST BY PACIFIC GAS AND ELECTRIC COMPANY FOR ISSUANCE OF RECOVERY BONDS PURSUANT TO ASSEMBLY BILL 1054

Summary

This decision finds that the request by Pacific Gas and Electric Company (PG&E) to issue bonds and securitize up to $2.356 billion fails to meet the public interest standard required by Pub. Util. Code § 850.1(a)(1)(A). Accordingly, PG&E's request is denied.

This proceeding is closed.

1. Procedural History

On June 20, 2024, Pacific Gas and Electric Company (PG&E) filed the *Application of Pacific Gas and Electric Company for Authority to Issue Wildfire Rate Relief Bonds for Wildfire Costs and Expenses Pursuant to Article 5.8 of The California Public Utilities Code* (Application).[1] PG&E filed this Application pursuant to Public Utilities Code (Pub. Util. Code) §§ 850 *et seq*.[2] When certain conditions are met, §§ 850 *et seq*. provides, generally, that "utilities may seek approval from the Commission to use securitization to finance costs and expenses related to

[1] All documents filed in this proceeding are available on the Commission's website at *Docket Card* by searching *A2406013.* On June 21, 2024, *PG&E* also filed a *Motion of Pacific Gas and Electric Company to shorten the Time for Protest of Application to Issue Wildfire Rate Relief Bonds for Wildfire Costs and Expenses Pursuant to Article 5.8 of the California Public Utilities Code*. This motion is addressed herein.

[2] PG&E Application at 2, *citing to* Pub. Util. Code § 850(a)(2), providing that "If an electrical corporation submits an application for recovery of costs and expenses related to catastrophic wildfires, including fire risk mitigation capital expenditures identified in subdivision (e) of Section 8386.3, in a proceeding to recover costs and expenses in rates and the commission finds that some or all of the costs and expenses identified in the electrical corporation's application are just and reasonable pursuant to Section 451, the electrical corporation may file an application requesting the commission to issue a financing order to authorize the recovery of those just and reasonable costs and expenses by means of a financing order, with those costs and expenses being recovered through a fixed charge pursuant to this article. This paragraph does not apply for costs and expenses incurred by the electrical corporation after December 31, 2035."

catastrophic wildfires that are just and reasonable, in the public interest, and maximize ratepayer savings."[3] This Application represents the fourth request by PG&E under Pub. Util. Code §§ 850 *et seq*.[4]

On July 25, 2024, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) filed protests to PG&E's Application. These protests raised a number of legal and policy issues and suggest that PG&E's request, including the bond issuance, the financing costs, the bill credit, and the subsequent bill increase, does not serve the best interests of ratepayers.[5]

On August 5, 2024, PG&E filed a reply to the protests. PG&E's reply states, among other things, that its request is beneficial to ratepayers based on the proposed 12-month rate reduction of approximately $15.75 per month for the average residential customer ($190 total per customer).[6]

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[3] Decision (D.) 24-02-011, *Financing Order Authorizing Pacific Gas and Electric Company's Third Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (February 15, 2024) at 12.

[4] PG&E's prior applications are summarized as follows: On May 6, 2021, in D.21-05-015, the Commission authorized PG&E to issue recovery bonds pursuant to Pub. Util. Code §§ 850 *et seq*. The decision granted PG&E's request to issue and securitize approximately $7.5 billion of bonds to fund amounts related to the 2017 North Bay Wildfires and other financing costs. On June 24, 2021, in D.21-06-030, the Commission authorized PG&E to issue and securitize approximately $1.2 billion in bonds pursuant to §§ 850 *et seq*. to finance wildfire risk mitigation capital expenditures and applicable financing costs. On August 4, 2022, in D.22-08-004, the Commission authorized PG&E to issue and securitize bonds pursuant to §§ 850 *et seq*. to finance up to approximately $1.4 billion in wildfire mitigation capital expenditures and applicable financing costs. On February 15, 2024, in D.24-02-011, the Commission authorized PG&E to issue and securitize bonds pursuant to §§ 850 *et seq*. for approximately $1.4 billion in wildfire mitigation capital expenditures and applicable financing costs.

[5] Cal Advocates July 25, 2024 Protest at 2, stating "It is Cal Advocates' position that PG&E's Wildfire Rate Relief Bond Application is not in the ratepayers' best interests;" TURN July 25, 2024 Protest at 4, stating "TURN believes that this application is yet another attempt for PG&E to raise capital without issuing equity – this time disguised as an effort to improve affordability."

[6] PG&E August 5, 2024 Reply to Protests at 2; PG&E Application at 3; PG&E Ex-01E at 4-5.

A prehearing conference was held on August 6, 2024 to identify disputed issues of law and fact, determine the need for evidentiary hearings, set the schedule for resolving the matter, and address other matters as necessary.

On August 6, 2024, pursuant to a directive in an Administrative Law Judge (ALJ) Ruling, PG&E submitted supplemental prepared testimony addressing ratemaking matters. On October 28, 2024, in response to PG&E's prepared testimony, TURN submitted prepared testimony. On November 6, 2024, PG&E submitted prepared rebuttal testimony.[7]

On November 7, 2024, a status conference was held to discuss the upcoming evidentiary hearings. At the status conference, parties informed the ALJ that parties did not need to engage in cross examination, and therefore, suggested that evidentiary hearings be removed from the calendar.

On November 12, 2024, PG&E, TURN, and Cal Advocates filed a motion, *Joint Stipulation Regarding Entry of Exhibits into the Record,* requesting to move the prepared testimony into the evidentiary record of the proceeding. On November 12, 2024, the ALJ issued a ruling granting this request and also removed the evidentiary hearings from the calendar.[8]

On December 4, 2024, PG&E, TURN, and Cal Advocates filed opening briefs. On December 18, 2024, PG&E, TURN, and Cal Advocates filed reply briefs. [9]

This proceeding is closed.

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[7] The prepared testimony submitted by parties is available on the Commission's website at *Commission's E-Filed Documents Search Form* under the drop-down menu *Supporting Documents*.

[8] ALJ Ruling, *Email Ruling Canceling Hearings and Entering Exhibits into the Record* (November 12, 2024).

[9] *Assigned Commissioner's Scoping Memo and Ruling* (September 11, 2024) at 3-4.

2. Submission Date

In accordance with the *Assigned Commissioner's Scoping Memo and Ruling,* this matter was submitted on December 18, 2024 upon receipt of reply briefs.[10]

3. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure allows members of the public to submit written comments in a Commission proceeding in a number of different ways, including via the *Public Comment* tab, which is found at the online *Docket Card* on the Commission's website. Rule 1.18(b) requires that comments by the public submitted in a proceeding be summarized in the decision issued in that proceeding. The public comments submitted in this proceeding were received from customers across PG&E's service territory. These comments generally state that the Commission should deny this request based on concerns regarding long-term rate increases, recent rate increases due to wildfire mitigation, company profits, and executive compensation. More information regarding the public comments is available on the Commission's website.

4. Jurisdiction

The Commission has jurisdiction over this matter pursuant to Pub. Util. Code §§ 850 *et seq*. PG&E filed this Application by relying on the provisions set forth in Pub. Util. Code § 850(a)(2), which provide in relevant part, as follows:

> "If an electrical corporation submits an application for recovery of costs and expenses related to catastrophic wildfires, including fire risk mitigation capital expenditures identified in subdivision (e) of Section 8386.3, in a proceeding to recover costs and expenses in rates and the commission finds that some or all of the costs and expenses identified in the electrical corporation's application are just and reasonable pursuant to Section 451, the electrical corporation may file an

[10] *Assigned Commissioner's Scoping Memo and Ruling* (September 11, 2024) at 8.

> application requesting the commission to issue a financing order to authorize the recovery of those just and reasonable costs and expenses by means of a financing order, with those costs and expenses being recovered through a fixed charge pursuant to this article. This paragraph does not apply for costs and expenses incurred by the electrical corporation after December 31, 2035."

As set forth above, Pub. Util. Code §§ 850 *et seq*. provides that electric utilities may seek approval from the Commission to use securitization to finance costs and expenses related to catastrophic wildfires that are just and reasonable, in the public interest, and maximize ratepayer savings.

Based on this statute, among other statutory authorities, and well-established Commission precedent regarding rate regulation, the Commission has jurisdiction in this proceeding to review, approve, or deny, all or part, of PG&E's request.

5. Burden of Proof

Pub. Util. Code § 451 provides that "all charges demanded or received by any public utility … shall be just and reasonable." Pursuant to Pub. Util. Code § 454(a): "A public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified." It is well established that an applicant, such as PG&E, must meet the burden of proving that it is entitled to a rate modification, which PG&E is requesting here.[11] PG&E has the burden of affirmatively establishing the reasonableness of all aspects of this Application. Although the utility bears the

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[11] D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (August 19, 2021) at 9, *citing to* D.09-03-025, *Alternate Decision of President Peevey on Test Year 2009 General Rate Case for Southern California Edison Company* (March 13, 2009) at 8; D.06-05-016, *Opinion on Southern California Edison Company's Test Year 2006 General Rate Increase Request* (May 11, 2006) at 7.

ultimate burden to prove the reasonableness of the relief it seeks and the costs it seeks to recover, the Commission has held that when other parties propose a different result, they too have a "burden of going forward" to produce evidence to support their different position and to raise a reasonable doubt as to the utility's request.[12]

6. Issues Before the Commission

As set forth in the *Assigned Commissioner's Scoping Memo and Ruling* dated September 11, 2024, the issues to be determined or otherwise considered in this proceeding are as follows:

1. Whether the $2.356 billion transaction proposed by PG&E is eligible for financing under Pub. Util. Code §§ 850 *et seq*?

   1.1 Have the recovery costs sought to be reimbursed been found to be just and reasonable, in compliance with Pub. Util. Code § 850.1(a)(1)(A)(i)?

   1.2 Are the proposed bonds just and reasonable, in compliance with Pub. Util. Code § 850.1(a)(1)(A)(ii)(I)?

   1.3 Are the proposed bonds consistent with the public interest, in compliance with Pub. Util. Code § 850.1(a)(1)(A)(ii)(II)?

2. Whether the public interest is served by Commission authorization of a financing order pursuant to Pub. Util. Code §§ 850 et seq. for PG&E to issue $2.356 billion in bonds to finance wildfire vegetation management operation and maintenance (O&M) expenses?

3. Whether PG&E's request for a financing order to securitize a bond issuance of $2.356 billion under Pub. Util. Code §§ 850 et seq. promotes affordability for its ratepayers and is consistent with a strategy to equitably minimize customer rates and bills?

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[12] D.21-08-036, *Decision on Test Year 2021 General Rate Case for Southern California Edison Company* (August 19, 2021) at 10; D.20-07-038, *Order Modifying D.19-09-051 and Denying Rehearing, as Modified* (July 16, 2020) at 3-4; D.87-12-067 at 25-26, 1987 Cal. PUC LEXIS 424, *37.

4. Would the proposed bonds reduce consumer rates to the maximum extent possible compared to traditional utility financing mechanisms, in compliance with Pub. Util. Code § 850.1(a)(1)(A)(ii)(III)?
5. If PG&E is eligible for financing under Pub. Util. Code §§ 850 et seq., what is the appropriate customer allocation for implementing a fixed recovery charge, the required content of the financing order, and the adjustment to PG&E's authorized revenue requirements, and should those adjustments be reflected in any calculation of customer rate impact?
6. Whether the transaction proposed by PG&E should be used as a financial tool to address affordability concerns through a temporary reduction and by distributing wildfire-related O&M expenses across current and future ratepayers?
7. Whether PG&E's request is inconsistent with Pub. Util. Code § 451.3 (added by Assembly Bill 1054) by "requesting recovery of costs that were previously authorized by the commission for cost recovery" because the O&M expenses that PG&E requests to be financed and securitized have, in part, already been recovered in rates pursuant to D.23-11-069?
8. How does PG&E's proposal in this proceeding relate to a strategy that would address affordability for its ratepayers? If there is such a strategy, what are the merits of that strategy within the context of this proceeding?

7. Relevant Facts

PG&E seeks a Financing Order under Pub. Util. Code §§ 850 *et seq.* authorizing PG&E to securitize an amount, already collected, based on O&M expenses of up to $2.356 billion and originally related to activities described in its Wildfire Mitigation Plans.[13] PG&E explains that it seeks to finance and recover

[13] PG&E explains that the "WMP [Wildfire Mitigation Plan] is subject to review and approval by OEIS [Office of Energy Infrastructure Safety] and comprehensively addresses PG&E's activities

Footnote continued on next page.

an amount equal to a portion of its vegetation management expenses, which consists of vegetation management O&M expense associated with PG&E's Community Wildfire Safety Program and its Wildfire Mitigation Plan incurred on or after January 1, 2023, with the total amount not to exceed the authorized expenses.[14] PG&E's prior applications for Financing Orders address capital expenditures and catastrophic wildfire costs.[15] PG&E has not previously sought Commission authorization to securitize O&M expenses previously collected from ratepayers.[16]

7.1. Prior Rate Recovery Approval

Regarding the costs at issue, PG&E already sought and obtained Commission approval to recover these costs in rates during 2023 and 2024 in D.23-11-069, the Commission's decision resolving PG&E's recent general rate case (A.21-06-021).[17] PG&E refers to this prior authorization and adoption in its Application, stating: "The expenses to be financed through the Wildfire Rate Relief Bond issuance includes vegetation management Operation and Maintenance (O&M) expenses incurred in 2023 and 2024 or that will be incurred in 2024 that were adopted by the Commission in the 2023 GRC [General Rate Case] Decision [D.23-11-069]."[18] PG&E further explains that this Application can

to reduce wildfire risk." PG&E Ex-01E at 1-9. Electric utilities submit Wildfire Mitigation Plans pursuant to Pub. Util. Code Section 8386(c)(9).

[14] PG&E Ex-01E at 1-9.

[15] *See*, A.21-01-004, A.21-02-020, A.22-03-010, A.23-08-009.

[16] PG&E Application at 2.

[17] PG&E Ex-01E at 1-11.

[18] PG&E Application at 2.

be distinguished from its prior requests for securitization under § 850 because amounts at issue have been "previously collected [in] revenue."[19]

7.2. Rate Modification Proposal

Under the provisions set forth in Pub. Util. Code § 850(a)(2), PG&E states that it requests authority in this Application to issue bonds up to $2.356 billion. PG&E's Application also requests authority pursuant to the Commission's general ratemaking jurisdiction to use the proceeds from the proposed bond transaction to provide bill reductions to customers in the form of a credit to PG&E's distribution rates starting in April 2025 through March 2026. A rate increase is also included in PG&E's proposal.

7.3. Proposed Bill Credit and Rate Increase

PG&E's proposal includes a residential bill credit of approximately $15.75 per month for 12 months as a rate reduction for the average residential customer ($190 total average 12 month reduction per customer).[20] This bill credit is funded by the proceeds PG&E receives through the sale of its proposed bonds.[21] The bonds are financed over time by a nonbypassable surcharge on customer bills that will increase customer bills (after the first 12 months' refund and rate reduction) by an estimated $2.40 per month for the average residential customer over the remaining life of the bonds (years 2-10), for approximately 9 years (totaling approximately $260 per customer) at the end of the ten year period.[22] According to PG&E, this proposal would provide approximately $110 million in "positive net present value" to ratepayers.[23] The assumptions underlying this

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[19] PG&E Ex-01E at 6-1.

[20] PG&E August 5, 2024 Reply to Protests at 2.

[21] PG&E Application at 3.

[22] PG&E Application at 3.

[23] PG&E Opening Brief at 4, *citing to* PG&E-03 (Rebuttal) at 4-4 to 4-8.

valuation are disputed. No party disputes that Pub. Util. Code § 850.1(i) expressly provides that fixed recovery charges shall not be imposed on CARE or FERA customers.[24] PG&E's proposal will only impact CARE or FERA rates to the extent required to the current rate design methodology.[25]

7.4. Amount Collected in 2023 and 2024 Rates

PG&E has collected from ratepayers the full amount at issue, the $2.356 billion, with the exception of perhaps a *de minimis* amount.[26] PG&E seems to confirm that the total has been collected, stating that the amounts at issue have been "previously collected [in] revenue."[27] PG&E's claim is consistent with the ratemaking processes for electric utilities and D.23-11-069, the Commission decision which authorized rate recovery of the amount set forth in this Application related to 2023-2024 vegetation management costs.[28] Subsequently, PG&E sought and obtained Commission permission to incorporate these costs into 2023 and 2024 rates charged to customers for services.[29]

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[24] CARE refers to customers enrolled in PG&E's California Alternate Rates for Energy program; FERA refers to Family Electric Rate Assistance programs. These two programs are for customers demonstrating certain income limitations. CARE and FERA customers are, therefore, exempt from the nonbypassable charge. Notably, at PG&E Application at 3, PG&E states that the proposed $15.75 residential monthly credit will not apply to CARE or FERC customers.

[25] PG&E Ex-1E at Ch. 7, Attachment A, at 7-AtchA-2 "CARE rates and bills do not include the WRRFRC, but change to retain the CARE percentage discount under current rate design methodology."

[26] PG&E Ex-1E at 7-9 (fn. 18), PG&E confirms that it proposes to provide the rate reduction through distribution rates "in the same manner as the revenues were originally collected from customers." TURN estimates that a *de minimis* amount may remain to be collected after end of 2024, stating, as of "January 1, 2025, only $260 million of the $2.356 proposed securitization request will remain for recovery." TURN Ex-01E at 4.

[27] PG&E Ex-01E at 6-1.

[28] PG&E Application at 6.

[29] As PG&E confirmed, it has collected the amounts from customers: PG&E proposes to "Provid[e] the rate reduction through distribution rates is in the same manner as the revenues were originally collected from customers."

7.5. Amount PG&E Requests to Finance and Securitize

Pursuant to this previously obtained Commission authority, the amount PG&E requests to finance and securitize tracks the amount previously authorized by the Commission in D.23-11-069 for recovery in rates for its forecasted 2023 and 2024 vegetation management costs.[30] As explained by PG&E, Wildfire Vegetation Management (VM) "Expenses up to the Authorized VM Expenses for 2023 and 2024, which is $1,181,820,000 in 2023 and $1,174,270,000 in 2024, for a total of $2,356,090,000 over both years."[31]

7.6. Bonds and Securitization

PG&E proposes to set forth the final amounts to be included in the bond issuance, up to $2.356 billion, in an Advice Letter filing.[32] PG&E estimates the initial financing costs associated with the proposed transaction to be approximately $15.4 million.[33] PG&E proposes to use a bond tenor of no longer than 10 years.[34] PG&E states that the bonds will only reflect amounts equal to vegetation management O&M expenses that have been incurred and paid.[35] PG&E's proposal allows PG&E to receive up to $2.356 billion in cash immediately at the transaction closing while it pays out the proceeds to ratepayers through a rate reduction over 12 months.[36] PG&E will pay ratepayers

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[30] PG&E's securitization request also includes $15.4 million as the principal amount of the costs of this transaction, which is an estimate with the actual amount to be reflected in an advice letter filing. PG&E-01E at 1-12.

[31] PG&E Ex-01E at 1-12.

[32] PG&E Application at 6.

[33] PG&E Application at 4.

[34] PG&E Application at 11.

[35] PG&E Application at 10.

[36] TURN Ex-01E at 7.

interest on the funds.[37] In the absence of a required escrow, PG&E will have access to average cash balances of roughly $1.1 billion in float over the 12 month period.[38]

8. Discussion

The question framed by *Issue 1*, as set forth in the *Assigned Commissioner's Scoping Memo and Ruling*, is whether the proposed bond transaction for up to $2.356 billion is eligible for financing under Pub. Util. Code §§ 850 *et seq.* To resolve this question, past Commission decisions under this statute are reviewed. The specific facts of this case are taken into consideration. The stated purpose of Pub. Util. Code §§ 850 *et seq.* within the context of utility ratemaking will also be discussed. The Commission's review focuses on § 850.1, one of the code sections relied upon by PG&E to submit its request. For the reasons set forth below, the Commission finds that the proposed transaction is not eligible for financing under § 850.1(a)(1)(A). As a result, the remaining issues identified in the *Assigned Commissioner's Scoping Memo and Ruling* have no practical relevance to the outcome of this proceeding and do not need to be considered.

The Commission finds these remaining issues moot.

8.1. Pub. Util. Code Section 850 *et seq.*

On July 12, 2019, Governor Newsom signed into law Assembly Bill 1054 (AB 1054) (Stats. 2019, Ch. 79), which amended Pub. Util. Code Division 1, Part 1, Chapter 4, Article 5.8, commencing with § 850 of the Pub. Util. Code. Article 5.8 was later amended by AB 913 (AB 913) (Stats. 2020, Ch. 253, Sec. 2), which amended Division 1, Part 1, Chapter 4, Article 5.8, commencing with § 850.

[37] TURN Ex-01E at 7.

[38] TURN Ex-01E at 7.

Together, these laws authorize the issuance and securitization of recovery bonds to fund wildfire-related expenditures.

Under this statutory framework, Pub. Util. Code § 850(a) sets forth certain circumstances when the utility may file an application requesting the Commission to issue a Financing Order, to authorize the recovery of just and reasonable costs and expenses through a nonbypassable rate surcharge.

The Commission's analysis of PG&E's request in this proceeding relies on specific provisions of the statute, Pub. Util. Code § 850.1(a)(1)(A), as set forth in detail below.

8.2. Pub. Util. Code § 850.1(a)(1)(A)

The Commission must determine that a number of conditions are met before issuing a financing order. Some of these conditions are set forth in Pub. Util. Code § 850.1(a)(1)(A). The analysis below focuses on one component of this section, Pub. Util. Code § 850.1(a)(1)(A)(ii)(II), which requires the Commission to find that the utility proposal is "consistent with the public interest" before authorizing the utility to issue bonds and securitize related wildfire costs.[39] As explained below, PG&E fails to meet this requirement.

8.2.1. Public Interest Standard - Pub. Util. Code § 850.1(a)(1)(A)(ii)(II)

In past proceedings under Pub. Util. Code §§ 850 *et seq*., the Commission determined that the phrase "consistent with the public interest," as used in Pub. Util. Code § 850.1(a)(1)(A)(ii)(II), is tantamount to "in the public interest," a legal standard the Commission has "considerable experience applying."[40]

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[39] Pub. Util. Code § 850.1(a)(1)(A)(ii)(I) – (III). Because the Commission's analysis of the public interest standard under Pub. Util. Code § 850.1(a)(1)(A)(ii)(II) is dispositive, the other requirements of Section 850 do not need to be addressed and are not addressed here.

[40] D.21-06-030, *Financing Order Authorizing the Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (June 24, 2021) at 43-44.

Expanding upon how the Commission's past experience applying the legal standard "in the public interest" applies in the context of Pub. Util. Code §§ 850 *et seq*., the Commission in D.21-06-039 pointed to the interpretation of the term "in the public interest" in the statutory provisions enacted in 1951 which govern numerous utility financial transactions, stating that "[t]he phrase 'public interest' is language that appears in [Pub. Util. Code] §§ 852, 853, and 854, regarding proposed public utility transactions."[41]

Similarly, the Commission in this proceeding appropriately relies upon decades of well-established legal precedent under Pub. Util. Code §§ 852, 853, and 854 when interpreting and applying the legal standard "in the public interest" here to PG&E's proposal under §§ 850 *et seq.*

Notably, under Pub. Util. Code §§ 852, 853, and 854, the Commission's analysis of "public interest" routinely includes a finding of whether the proposed transaction could (1) "provide short-term and long-term economic benefits to ratepayers," (2) "maintain the safe and reliable operation of the utility," (3) "maintain or improve the financial condition of the… utility," and (4) "maintain or improve the quality of service to public utility ratepayers."[42] As such, the Commission relies upon and analyzes these factors when interpreting whether PG&E's proposal is consistent with Pub. Util. Code §§ 850 *et seq.*

8.2.1.1. Economic Benefit to Ratepayers

Following the Commission's well-established precedent in applying the public interest standard set forth in § 850.1(a)(1)(A)(ii)(II), the first factor

[41] D.21-06-030, *Financing Order Authorizing the Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (June 24, 2021) at 43-44.

[42] D.21-06-030, *Financing Order Authorizing the Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (June 24, 2021) at 43-44, *citing to* § 854(b)(1), § 854(b)(4), § 854(c)(1), § 854(c)(2).

considered here is whether "the proposed transaction provides short-term and long-term economic benefits to ratepayers."[43]

The Commission first discussed in detail the factor "short-term and long-term economic benefits to ratepayers" within the context of §§ 850 *et seq*. in a proceeding initiated in 2021 by PG&E.[44] In D.21-06-030, the Commission granted PG&E's request, finding, among other things, that PG&E's proposed transaction under §§ 850 *et seq*. provided short-term and long-term economic benefits "[by] reducing cost compared to traditional utility financing mechanisms…."[45]

In a later proceeding initiated by SCE regarding a proposal under §§ 850 *et seq*., the Commission clarified this requirement, stating in D.21-10-025 that the Commission's review under the "public interest test of § 850.1(a)(1)(A)(ii)(II)" includes determining that the electric utility demonstrate *both* short-term and long-term economic benefits to ratepayers.[46]

The Commission's findings in these prior proceedings are instructive in determining whether the proposal presented here by PG&E satisfy *both short-term*

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[43] D.21-10-025 at 27; D.21-06-030, *Financing Order Authorizing the Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (June 24, 2021) at 44; Cal Advocates Reply Brief at 2: "As the Commission has previously stated, such public interest analysis includes whether the proposal offers both short-term and long-term economic benefits to ratepayers." [citations omitted.]

[44] D.21-06-030, *Financing Order Authorizing the Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (June 24, 2021) at 44. Within the context of Section 850 *et seq*., the Commission first addressed "short-term and long-term economic interest to ratepayers" in D.20-11-007 but not in detail.

[45] D.21-06-030, *Financing Order Authorizing the Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (June 24, 2021) at 44, stating that "the Application is generally consistent with the public interest, in that it clearly works to provide economic benefit to rate payers … [by] reducing cost compared to traditional utility financing mechanisms…."

[46] D.21-10-025 at 27, *citing to* D.21-10-025 at 43-44; D.21-10-025 at 27, stating "In our view, we find no such facts or circumstances demonstrating overriding benefits so as to reasonably justify a proposed uneconomic securitization. We find that securitizing the O&M and Uncollectibles expenses fails to provide both short-term and long-term economic benefits to ratepayers. Therefore, we decline to adopt SCE's approach."

and long-term economic benefits to ratepayers under the public interest standard set forth in 850.1(a)(1)(A)(ii)(II). The Commission's analysis first considers the Cal Advocates' description of PG&E's proposal that "[t]here is no real short-term benefit, as most of the costs at issue have already been included in current rates. And, the public interest is not furthered, as the long-term disadvantages in the form of increased costs for the next decade, do not justify the proposal."[47]

PG&E claims its proposal meets the public interest test based on its proposed short-term economic benefits, the one-year monthly $15.75 residential bill credit. However, as the Commission stated in D.21-10-025, PG&E must establish *both* short-term and long-term economic benefit to ratepayers. Evidence of short-term economic benefits is not enough to meet the requirements under 850.1(a)(1)(A)(ii)(II).

Consistent with the Commission's analysis in both the PG&E and SCE proceedings regarding public interest, the comparison between the impact on ratepayers under traditional ratemaking approaches versus the proposed transaction is also a relevant consideration.

PG&E states its proposal could result in a positive net present value of $110 million as compared to traditional ratemaking and that this would satisfy the Commission's requirement of long-term economic benefits to ratepayers under § 850.1(a)(1)(A)(ii)(II).[48]

In contrast, TURN provides evidence that depending on the discount rate used in the calculation, ratepayers could pay up to $142 million more in the long-

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[47] Cal Advocates Reply Brief at 2-3.

[48] PG&E Opening Brief at 18-20. PG&E Application at 3. PG&E estimates that rates will increase by $2.40 per month for the average residential customer over the life of the bonds, approximately 10 years.

term as compared to ordinary ratemaking approaches approved in D.23-11-069, while also paying higher utility rates than they would under ordinary ratemaking approaches for the bond term.[49]

The Commission is not persuaded by PG&E's argument regarding long-term economic benefits to ratepayers under § 850.1(a)(1)(A)(ii)(II). Rather, the Commission finds TURN's evidence convincing that the outcome could result in a negative net present value. TURN provides several arguments that weakened PG&E's analysis of net present value, for example, that PG&E's analysis is largely based on a number of unknown foundational financial assumptions, such as interest rates for the bonds, that are not sufficiently reliable to reasonably guarantee long-term economic benefits to ratepayers under the public interest standard.[50]

Moreover, the Commission finds it notable that this added amount, $142 million, is similar to the amount presented in the SCE proceeding of $134 million where the Commission denied SCE's request based on the finding that SCE failed to provide economic benefits to ratepayers.[51] The Commission denied part of SCE's request because "ratepayers would pay $134 million more than they would under ordinary ratemaking approaches, and for at least two-thirds of the bond term, ratepayers will pay a higher utility rate than they would under ordinary ratemaking approaches."[52] A denial here is similarly reasonable, as

[49] TURN Opening Brief at 10, stating: "Depending on the discount rate, PG&E's proposal could result in ratepayer benefits ranging from a positive $128 million to a negative $142 million. This underscores the discount rate sensitivity. Considering the fees and costs of securitization, the Commission should take note of the sensitivity of purported ratepayer present value to changes in the discount rate used in evaluating the best course for ratepayers."

[50] TURN Opening Brief at 5-6.

[51] D.21-11-025 at 28.

[52] D.21-11-025 at 28.

PG&E's argument based on net present value is not persuasive evidence of long-term economic benefit due to, among other things, the uncertainty of the interest rates and the long tail of higher utility rates.

As set forth above, PG&E fails to establish long-term economic benefits to ratepayers, which is one of the factors considered under the public interest standard as set forth in Pub. Util. Code § 850.1(a)(1)(A)(ii)(II).

8.2.1.2. Other Factors Considered

Beyond economic benefits to ratepayers in the form of short-term and long-term benefits, the Commission in D.21-06-030 pointed to other factors considered under the public interest standard, as follows: the Commission can review whether proposed transactions, among other things, "maintain the safe and reliable operation of the utility," "maintain or improve the financial condition of the… utility," and "maintain or improve the quality of service to public utility ratepayers."[53] The evidence provided by PG&E is not persuasive on these additional factors.

PG&E does not state that its proposal is justified to "maintain the safe and reliable operation of the utility." Rather, PG&E explains that its proposal "does not compromise safety."[54]

PG&E does not claim that its proposal is justified to "maintain or improve the financial condition of the… utility." Instead, PG&E states the proposed transaction will be "financially neutral to PG&E."[55]

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[53] D.21-06-030, *Financing Order Authorizing the Issuance of Recovery Bonds Pursuant to Assembly Bill 1054* (June 24, 2021) at 43-44 and fn. 69, stating "Applying descriptions found in § 854(b)(1), § 854(b)(4), § 854(c)(1), § 854(c)(2), respectively."

[54] PG&E Opening Brief at 20, and similar statements at 5, 9, 16, 28, and 29.

[55] PG&E Opening Brief at 5, 29.

Lastly, PG&E does not address how its proposal might "maintain or improve the quality of service to public utility ratepayers."

Accordingly, the Commission finds that PG&E does not present sufficient evidence to justify its proposal under the other factors of the public interest standard.

Therefore, after taking into account other factors of the public interest standard together with PG&E's unpersuasive showing on long-term economic benefit to ratepayers, the Commission finds PG&E has not established that its proposed transaction is in the public interest under Pub. Util. Code § 850.1(a)(1)(A)(ii)(II). For this reason, the proposal is denied.

9. Issues Not Addressed

As the Commission denies PG&E's request under § 850.1(a)(1)(A)(ii)(II), it is unnecessary to address the remaining issues set forth in the September 11, 2024, *Assigned Commissioner's Scoping Memo and Ruling*.

10. Motions

This decision affirms the rulings made by the assigned ALJ and assigned Commissioner in this proceeding. On June 21, 2024, *PG&E also* filed a *Motion of Pacific Gas and Electric Company to shorten the Time for Protest of Application to Issue Wildfire Rate Relief Bonds for Wildfire Costs and Expenses Pursuant to Article 5.8 of the California Public Utilities Code*. This motion is denied. All motions not ruled upon are denied.

11. Comments on Proposed Decision

The proposed decision of ALJ Regina DeAngelis in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

12. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Regina DeAngelis is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PG&E seeks a Financing Order under Pub. Util. Code §§ 850 et seq. authorizing it to securitize up to $2.356 billion.

2. PG&E seeks to finance and recover $2.356 billion, an amount equal to the vegetation management O&M expense associated with PG&E's Community Wildfire Safety Program and Wildfire Mitigation Plan incurred on or after January 1, 2023, with the total amount not to exceed the authorized expenses.

3. Regarding the costs at issue, PG&E sought and obtained Commission approval to recover these costs in rates during 2023 and 2024 in D.23-11-069, the Commission's decision resolving PG&E's recent general rate case proceeding (A.21-06-021).

4. PG&E's request can be distinguished from its prior requests for securitization under Pub. Util. Code §§ 850 et seq. because the amounts at issue have been "previously collected [in] revenue."

5. PG&E's proposal includes bonds financed over time by a nonbypassable surcharge on customer bills that will increase customer bills (after the first 12 months) by an estimated $2.40 per month for the average residential customer over the remaining life of the bonds (years 2-10), totaling an increase of approximately $260 per customer.

6. PG&E's proposal also includes a residential bill credit of approximately $15.75 per month for 12 months as a rate reduction for the average residential customer ($190 total average 12 month reduction per customer), which would be funded by the proceeds received through the sale of the bonds.

7. PG&E proposes to use a bond tenor of no longer than 10 years.

8. This proposal would allow PG&E to receive up to $2.356 billion in cash immediately at the transaction closing.

9. In the absence of an escrow, PG&E would have access to average cash balances of roughly $1.1 billion in float over the 12 month period.

10. Evidence of short-term economic benefits in the form of the one-year monthly $15.75 residential bill credit is not enough to meet Pub. Util. Code 850.1(a)(1)(A)(ii)(II) because D.21-10-025 states that both short-term and long-term economic benefit to ratepayers must be considered under the public interest standard.

11. PG&E's analysis of long-term economic benefit to ratepayers under the public interest standard set forth in Pub. Util. Code § 850.1(a)(1)(A)(ii)(II) is largely based on a number of unknown foundational financial assumptions, such as interest rates for the bonds, that are not sufficiently reliable to reasonably guarantee long-term economic benefits to ratepayers under the public interest standard.

12. PG&E's proposal could result in a negative net present value.

13. Depending on the discount rate used in the calculation, ratepayers could pay more in the long-term as compared to ordinary ratemaking approaches approved in D.23-11-069, while also paying higher utility rates than they would under ordinary ratemaking approaches for the bond term.

14. PG&E did not otherwise provide persuasive evidence to support the various other factors that may be considered under the public interest standard set forth in Pub. Util. Code § 850.1(a)(1)(A)(ii)(II), including whether the proposed transaction maintains the safe and reliable operation of the utility, or maintain or improve the quality of service to public utility ratepayers or maintain or improve the financial condition of the utility.

Conclusions of Law

1. It is reasonable to find that a number of conditions must be met before the Commission issues a financing order under Pub. Util. Code § 850 et seq., with some of the conditions found in Pub. Util. Code § 850.1(a)(1)(A).

2. It is reasonable to find that Pub. Util. Code § 850.1(a)(1)(A)(ii)(II) requires the Commission to find that the utility proposal is "consistent with the public interest" before authorizing the utility to issue bonds and securitize related wildfire costs.

3. It is reasonable to find that the phrase "consistent with the public interest," as used in Pub. Util. Code § 850.1(a)(1)(A)(ii)(II), is tantamount to "in the public interest," a legal standard the Commission has "considerable experience applying" under Pub. Util. Code §§ 852, 853, and 854.

4. It is reasonable to rely upon decades of well-established legal precedent under Pub. Util. Code §§ 852, 853, and 854 when interpreting and applying the legal standard "in the public interest" to PG&E's proposal under Pub. Util. Code §§ 850 et seq.

5. PG&E's proposal, with a one-year bill credit and a nine year bill increase, does not meet the public interest standard required by Pub. Util. Code § 850.1(a)(1)(A)(ii)(II) because PG&E fails to establish long-term economic benefits to ratepayers and otherwise fails to establish the proposed transaction meets any of the other considerations under the public interest standard, including whether the proposed transaction maintains the safe and reliable operation of the utility, or maintain or improve the quality of service to public utility ratepayers or maintain or improve the financial condition of the utility.

6. It is reasonable to find that the evidence of short-term economic benefits in the form of a one-year bill credit is not enough to meet the requirements under Pub. Util. Code § 850.1(a)(1)(A)(ii)(II) because D.21-10-025 states that both short-

term and long-term economic benefit to ratepayers must be considered under the public interest standard.

7. Because PG&E fails to provide persuasive evidence of long-term economic benefit to ratepayers or otherwise provide persuasive evidence on any factors considered under the public interest standard set forth in Pub. Util. Code § 850.1(a)(1)(A)(ii)(II), it is reasonable to find that the proposed transaction is not eligible for financing under Pub. Util. Code § 850.1(a)(1)(A).

8. Because the outcome of this proceeding is determined under Pub. Util. Code § 850.1(a)(1)(A), remaining issues identified in the *Assigned Commissioner's Scoping Memo and Ruling* have no practical relevance to the outcome of this proceeding and do not need to be considered.

9. Beyond consideration of Pub. Util. Code § 850.1(a)(1)(A), the remaining issues in this proceeding are moot.

10. The rulings made by the assigned ALJ and assigned Commissioner in this proceeding should be affirmed.

11. On June 21, 2024, PG&E's June 21, 2024, *Motion of Pacific Gas and Electric Company to Shorten the Time for Protest of Application to Issue Wildfire Rate Relief Bonds for Wildfire Costs and Expenses Pursuant to Article 5.8 of the California Public Utilities Code* should be denied.

12. All motions not ruled upon should be denied.

O R D E R

IT IS ORDERED that:

1. The June 20, 2024 *Application of Pacific Gas and Electric Company for Authority to Issue Wildfire Rate Relief Bonds for Wildfire Costs and Expenses Pursuant to Article 5.8 of The California Public Utilities Code* is denied.

2. Application 23-06-013 is closed.

This order is effective today.

Dated ___________, 2025, at Sacramento, California