



PUBLIC UTILITIES COMMISSION505 VAN NESS AVENUE
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July 7, 2025

Agenda ID # 23611
Ratesetting**TO PARTIES OF RECORD IN APPLICATION 24-10-014:**

This is the proposed decision of Administrative Law Judge Joanna Perez-Green. 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 COOKEMichelle Cooke
Chief Administrative Law Judge

MLC: avs

Attachment

Decision **PROPOSED DECISION OF ALJ PEREZ-GREEN** (Mailed 7/7/2025)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Approval of Its Billing
Modernization Initiative.

Application 24-10-014

**DECISION AUTHORIZING ESTABLISHMENT
OF MEMORANDUM ACCOUNTS**

Summary

This decision authorizes Pacific Gas and Electric Company to establish the Billing Modernization Memorandum Accounts, effective October 23, 2024, to track costs related to its Billing Modernization Initiative, including interest, based on a Federal Reserve three-month commercial paper rate.

This decision does not authorize Pacific Gas and Electric Company to recover costs recorded in the Billing Modernization Memorandum Accounts. Whether, how and to what extent Pacific Gas and Electric Company may recover the costs tracked in these memorandum accounts will be determined after Application 24-10-014 has been fully reviewed and determined in this proceeding.

This proceeding remains open.

1. Background

On June 30, 2021, Pacific Gas and Electric Company (PG&E) filed Application (A.) 21-06-021 (GRC Application) requesting approval of its forecast general rate case (GRC) revenue requirement for implementation beginning January 1, 2023. Decision (D.) 22-06-033 granted PG&E's unopposed request to track costs related to PG&E's 2023 test year GRC in memorandum accounts with an effective date of January 1, 2023.¹ In D.23-11-069 regarding the Test Year 2023 GRC for PG&E, the Commission denied PG&E's forecasted expense for its billing system upgrade based on a lack of basic information and benefits.²

On October 23, 2024, PG&E filed A.24-10-014 (Application) for approval of its Billing Modernization Initiative (BMI) to update its billing system. On November 25, 2024, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Direct Access Customer Coalition (DACC), Peninsula Clean Energy Authority (PCE), Small Business Utility Advocates (SBUA), and The Utility Reform Network (TURN) filed responses or protests to the Application.

On November 15, 2024, PG&E filed a motion (Motion) to establish Billing Modernization Memorandum Accounts (BMMAs) for approval by the Commission. PG&E's Motion asks the Commission to authorize the establishment of the BMMAs, for gas and electric, to track actual revenue requirements for the BMI. PG&E proposes two start dates of January 1, 2023 based on the filing of the GRC Application or, alternatively, October 23, 2024 based on the filing of this Application, either of which would be effective until

¹ D.22-06-033, Ordering Paragraphs (OP) 2 and 3, at 7.

² D.23-11-069 at 548.

the date of the Commission's final decision in this proceeding. PG&E also requests that the Commission issue an order that the adopted revenue requirement include interest, based on a Federal Reserve three-month commercial paper rate.

On December 2, 2024, Cal Advocates and TURN filed responses to PG&E's Motion. Cal Advocates generally opposes establishing a memorandum account based on the dates proposed by PG&E. TURN opposes BMMA's with an effective date of January 1, 2023, but not October 23, 2024. If the Commission establishes BMMA's, Cal Advocates recommends an effective date of January 1, 2025.

On December 26, 2024, the Administrative Law Judge (ALJ) issued a ruling setting a remote prehearing conference and directing parties to meet and confer. On January 13, 2025, all parties met and conferred. On January 17, 2025, PG&E filed the joint parties prehearing conference statement.

A prehearing conference was held on January 24, 2025 to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary.

On March 27, 2025, the assigned Commissioner issued a Scoping Memo and Ruling.

2. Issues Before the Commission

This decision addresses the issue whether PG&E's proposed BMMA's to track and record PG&E's actual revenue requirements for the BMI should be approved and, if so, what the effective date for the BMMA's should be.

3. Discussion

3.1. Establishing Memorandum Accounts is Reasonable

Establishing the BMMA's is granted for the purposes of allowing PG&E to track costs of activities performed for BMI. While the BMMA's do not meet all the

criteria the Commission uses when assessing whether to approve memorandum accounts, it is in the public interest to establish a BMMA immediately based on the project's potential cost and implementation before the next GRC.

The Commission often uses the criteria set forth in the Commission's Standard Practice U27W to determine whether to authorize a memorandum account. While Standard Practice U27W provides general guidance for approval of memorandum accounts, we nonetheless have discretion to approve a memorandum account that meet some or all of the criteria.

The Commission has authorized utilities to establish memorandum accounts in order to track costs approved by the Commission and track costs that have been approved to be tracked due to events of an exceptional nature that

- a) are not under the utility's control,
- b) could not have been reasonably foreseen in the utility's last general rate case,
- c) that will occur before the utility's next scheduled rate case,
- d) are of a substantial nature in that the amount of money involved is worth the effort of processing a memo account, and
- e) have ratepayer benefits.³

The first standard in Standard Practice U27W is whether the expenses are caused by an exceptional event that is outside of the control of the utility. As indicated in its application, PG&E has an outdated billing system that requires upgrades. We do not find that these events are exceptional in nature as defined by our traditional standards for approving memorandum accounts.

The second standard in Standard Practice U27W is if expenses could not have been reasonably foreseen in the utility's last GRC. PG&E foresaw the need

³ Standard Practice U27W.

for a billing system upgrade and included it in the GRC Application. In D.23-11-069, the Commission ultimately adopted a forecast of \$0 for the billing system upgrade based on insufficient information from the utility.

Cal Advocates suggests that the Commission deny PG&E's request for the BMMA's based on the denial of the billing system upgrade in D.23-11-069. We disagree. D.23-11-069 denied the project based on insufficient information. The Commission stated that PG&E could file another application on its billing system with instructions on information to include.⁴

The third standard in Standard Practice U27W is whether the expense will occur before the utility's next scheduled rate case. PG&E's Motion specifies an urgency to upgrade the billing system for reasons including rate implementation and avoiding cybersecurity risk.⁵ We find that tracking costs for BMMA's for a billing system upgrade is reasonable, though the costs tracked in these memorandum accounts are not guaranteed and their reasonableness will be determined in a final decision.

The fourth standard in Standard Practice U27W is whether the substantial amount of money involved is worth the effort of processing a memo account. The Application's summary of capital and operations and management (O&M) outlays BMI cost of \$761.3 million dollars through 2030.⁶ Cal Advocates claims that the costs are too speculative, referencing D.18-06-089. We find this proposed cost of BMI to be substantial. Additionally, the specificity of the final revenue requirements will be determined in the final decision.

⁴ D.23-11-069 at 549-550.

⁵ Motion at 1-2.

⁶ Application at 2.

The fifth standard in Standard Practice U27W is whether the costs sought to be tracked will have ratepayer benefits. In the Application, PG&E proposed that the BMI will have multiple ratepayer benefits. The final decision will make a final determination on ratepayer benefits.

Though the BMMAs do not meet all the criteria the Commission uses, we find it reasonable to establish memorandum accounts to track actual revenue requirements associated with this project given the project's potential cost and implementation before the next GRC.

The BMMAs are granted for the purpose of allowing PG&E to record actual revenue requirements associated with this project. PG&E has and will continue to incur associated incremental costs relevant to this proceeding that must be recorded.

Even if the utility ultimately presents sufficient evidence through this proceeding, PG&E cannot collect revenue from its customers to cover its BMI costs until we issue a decision regarding its request for a revenue requirement.

3.2. Effective Date

We find that establishing the BMMAs with an effective date of October 23, 2024, based on the filing of this Application, is reasonable.

In its Motion, PG&E asks to establish BMMAs with its preferred effective date of January 1, 2023, based on the filing of the GRC Application. The Motion reflects that parties were aware that PG&E sought to recover costs related to billing system upgrades since 2021 based on the GRC Application. PG&E states that D.22-06-033 authorized PG&E to track GRC costs, including its billing system upgrade project, in a memorandum account effective January 1, 2023. PG&E acknowledges that the Commission, in D.23-11-069, did not adopt the billing system upgrade project. The utility claims that D.23-11-069 invited PG&E

to seek recovery of billing system upgrade costs in a separate application. Additionally, PG&E argues that this was a “procedural delay” and, subsequently, that it would be unfair to deny the utility an opportunity to recover costs that the Commission ultimately finds reasonable.

In their response to the Motion, Cal Advocates and TURN oppose the January 1, 2023 effective date.⁷ Both parties state that such recovery would constitute retroactive ratemaking.⁸ “The Commission does not authorize increased utility rates to account for previously incurred expenses, unless the Commission has authorized the utility to book those expense into a memorandum or balancing account before the utility incurs those expenses.”⁹ Parties also indicate that D.22-06-033 was limited to the GRC Application and that the funds were subsequently disallowed in D.23-11-069. Both parties disagree with PG&E’s characterization of “unfairness” if the utility is not allowed an opportunity for cost recovery based on a procedural delay.¹⁰ As TURN states, “PG&E’s failure to make an adequate showing in the GRC does not constitute a ‘procedural delay.’”¹¹

While the Commission authorized PG&E to track costs for the purposes of the 2023 PG&E GRC,¹² the Commission ultimately removed the forecasted costs related to its billing system upgrade in D.23-11-069,¹³ based on a lack of basic

⁷ Cal Advocates’ and TURN’s Responses at 1.

⁸ Cal Advocates’ and TURN’s Responses at 1.

⁹ Cal Advocates at 2 referencing D.22-06-032 at 53.

¹⁰ Cal Advocates’ and TURN’s Responses at 6.

¹¹ TURN’s Response at 3.

¹² D.22-06-033 at 3-4.

¹³ D.23-11-069 at 548.

information to justify forecasted upgrades, an implementation plan, timeline, and clear benefits.¹⁴ D.23-11-069 states that “should PG&E seek to pursue this Billing System Upgrade Project” it may file an application with the Commission.¹⁵ Despite clarity in what should be included in a subsequent application, D.23-11-069 does not state that removed costs of the billing system upgrade project should be carried over. We agree with Cal Advocates and TURN that PG&E’s inadequate showing in the GRC Application does not constitute a procedural delay. We also agree with Cal Advocates and TURN on the issue of retroactive ratemaking. We do not find it reasonable to establish a BMMA effective date of January 1, 2023.

In its Motion, PG&E requests authority to establish the BMMAs with an alternative effective date of October 23, 2024, based on the filing of this Application. PG&E states that this is consistent with Commission policy and precedent. TURN does not oppose the proposed effective date of October 23, 2024. Cal Advocates is opposed to PG&E’s alternative effective date. Cal Advocates recommends an effective date of January 1, 2025. Additionally, Cal Advocates recommends PG&E be able to track and record reasonably incurred capital expenditures associated with BMI prior to 2025, receive revenue requirement recovery after January 1, 2025 for capital investments that are fully operational and used useful, and not be able to recover O&M expenses prior to January 1, 2025. While we appreciate Cal Advocates’ detail on revenue requirement recovery, we will make that determination in the final decision. We

¹⁴ D.23-11-069 at 548.

¹⁵ D.23-11-069 at 549.

find that it is reasonable to establish an effective date of October 23, 2024, based on the filing of this application.

3.3 Interest Rate

PG&E requests that the Commission issue an order that the revenue requirements associated with the costs recorded in the memorandum account include interest, based on a Federal Reserve three-month commercial paper rate. No party opposed this request. The Commission has a provision for accrued interest, based on a Federal Reserve three-month commercial paper rate, to the extent necessary to have ratepayers relatively indifferent to the timing of a Commission's final decision.¹⁶ We find PG&E's request reasonable and grant it.

4. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Approximately 60 public comments were submitted using the Public Comment tab of the online Docket Card for this proceeding on the Commission's website. The comments to date express opposition to an increase in PG&E's rates and appear relevant to a final decision to be issued in this proceeding. The present decision does not address a rate increase.

5. Comments on Proposed Decision

The proposed decision of ALJ Joanna Perez-Green in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of

¹⁶ D.22-06-033 at 8.

Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Joanna Perez-Green is the assigned ALJ in this proceeding.

Findings of Fact

1. On October 23, 2024, PG&E filed A.24-10-014 for approval of its BMI to update its billing system.
2. On November 15, 2024, PG&E filed a Motion to establish BMMAAs to track costs related to its BMI, with an effective date of January 1, 2023, based on the filing of the 2023 PG&E GRC Application, or October 23, 2024, based on the filing of this Application.
3. In D.23-11-069, the Commission removed PG&E's forecasted costs related to its billing system upgrade because PG&E failed to provide basic information to support its forecast.
4. Granting approval to establish the BMMAAs does not guarantee recovery of any costs recorded in these memorandum accounts.

Conclusions of Law

1. PG&E's request to establish BMMAAs with an effective date of October 23, 2024, based on the filing date of this Application, is reasonable and should be granted.
2. PG&E's request to establish BMMAAs with an effective date of January 1, 2023, is not reasonable and should be not granted because PG&E failed to provide basic information to support its forecasted billing system upgrade costs in PG&E's GRC.

3. PG&E's request that the Commission order that any adopted revenue requirements include interest, based on a Federal Reserve three-month commercial paper rate, is reasonable and should be granted.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to establish Billing Modernization Memorandum Accounts, effective October 23, 2024.
2. Pacific Gas and Electric Company must file its tariff implementing the Billing Modernization Memorandum Accounts consistent with this decision via a Tier 2 Advice Letter no later than 30 days from the date of this decision.
3. Any adopted revenue requirement in this proceeding will include accrued interest covering the period starting on October 23, 2024, based on the applicable three-month commercial paper rate published in the Federal Reserve Statistical Release H.15 or its successor.
4. Application 24-10-014 remains open.

This order is effective today.

Dated _____, at San Francisco, California.