

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



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Petition of the City and County of San
Francisco for a Valuation of Certain Pacific
Gas & Electric Company Property Pursuant to
Public Utilities Code Sections 1401-1421.

P.21-07-012
(Filed July 27, 2021)

**THE CITY AND COUNTY OF SAN FRANCISCO'S OPENING COMMENTS ON
PROPOSED DECISION ESTABLISHING METHODS AND STANDARDS FOR JUST
COMPENSATION AND VALUATION**

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the City and County of San Francisco (“San Francisco” or “City”) submits these opening comments on Administrative Law Judge (“ALJ”) Lirag’s proposed Decision Establishing Methods and Standards for Just Compensation and Valuation issued September 26, 2025 (“Proposed Decision”) in the above-captioned proceeding.

I. INTRODUCTION & SUMMARY OF COMMENTS

The Proposed Decision establishes a generally workable framework for the evidentiary process in this Petition proceeding pursuant to Public Utilities Code §§ 1401-1421 (“Chapter 8”). At a high level, the Proposed Decision provides that the City will next file amended and restated opening testimony setting forth its proposed separation plan, including the lands, property and rights it intends to acquire from Pacific Gas and Electric Company (“PG&E”). The Proposed Decision correctly requires both parties to appraise such assets in their testimony, using all three established valuation methodologies that the Commission historically has weighed based on evidence in the record to fix the just compensation to be paid for such assets.

The Proposed Decision also correctly finds that it is PG&E’s responsibility to produce in its opening and rebuttal testimony the valuation of the entire PG&E system before and after the intended acquisition, including any benefits that may accrue as a result of the acquisition. The Proposed Decision rightly indicates that both the “income” and “sales” approaches should be used in such valuation. The Proposed Decision’s language should be clarified to provide that this “before and after” methodology will be used to determine the business severance damages component of total just compensation that may be owed to PG&E, if any. The Proposed Decision should also establish clearer guidelines for PG&E’s required evidentiary showing, including that valuation of PG&E’s *entire gas system* is unnecessarily broad and burdensome, where the City only proposes to acquire electric assets serving San Francisco.

The Proposed Decision errors as a matter of law and fact, however, in several key respects. First, it inappropriately conflates the issues of the valuation of the lands, property and rights the City intends to acquire with the question of ensuring that PG&E’s ratepayers remain neutral to the municipalization. The City does not object to the consideration of ratepayer neutrality within the Commission’s evaluation of whether any business severance damages exist. Yet, the Proposed Decision makes numerous findings that are speculative and not based on facts in the record and comes to several unfounded conclusions of law that must be corrected.

In addition, the Proposed Decision should be revised to provide guidelines regarding the role of revenues from PG&E's Transferred Municipal Departing Load tariff ("MDL"), which the Commission has already established to compensate remaining ratepayers for the costs accrued on behalf of departing load following a political subdivision's municipalization. Valuations of business severance damages in PG&E's testimony should identify any specific lost revenues for PG&E's remaining system caused by the acquisition that are not compensated by MDL charges, and could otherwise result in increased rates for PG&E's remaining ratepayers. The Proposed Decision must also be revised to provide that PG&E must first present certain quantitative testimony, with the City to respond in rebuttal.

To correct these and several other errors of law and fact, the City's proposed revisions to the findings, conclusions and orders in the Proposed Decision are set forth in Appendix A hereto, and revisions to the Proposed Decision's guidelines for testimony and other language are set forth herein. For ease of review, the City's comments generally follow the organization of the Proposed Decision. With these revisions, clear guidelines based on law and fact for the evidentiary portion of this proceeding will be established.

II. STANDARDS FOR JUST COMPENSATION

A. The Proposed Decision Errs in its Discussion of Ratepayer Impacts.

The just compensation inquiry determines a single value the City would owe PG&E for its lands, property and rights, and a separate amount of just compensation for any severance damages the Commission finds should be paid.¹ While the City supports ensuring the acquisition of PG&E's assets keeps non-San Francisco ratepayers neutral, the Proposed Decision should: (1) better distinguish questions of ratepayer impacts from questions of asset valuation; (2) direct PG&E to specify in testimony the extent to which MDL revenues resulting from the acquisition do not fully ensure remaining ratepayer neutrality; and (3) delete premature findings that ratepayer impacts exist. The following sections identify changes to the Proposed Decision to achieve these ends.

1. The Proposed Decision Should Better Distinguish Between Appraising PG&E's Assets and Ensuring or Evaluating Ratepayer Neutrality.

¹ See Pub. Util. Code §§1401-1421; *Assigned Commissioner's Scoping Memorandum and Ruling* (June 24, 2022).

The Proposed Decision repeatedly blends the concepts of the appraised value of PG&E assets to be acquired with that of ensuring the proposed acquisition does not cause increased rates for remaining PG&E ratepayers (referred to herein as “ratepayer neutrality costs”).² But, there is a meaningful distinction between these concepts that is apparent in the statutory scheme of Chapter 8.³ Section 1403 specifies that “[t]he petition shall pray that the commission fix the just compensation which shall be paid by the political subdivision, under the law, for such lands, property and rights.” Section 1411 instructs the Commission to use this proceeding to set “a single sum” that would constitute just compensation to be paid for the “lands, property, and rights” and, if the Commission determines that severance damages should be paid, just compensation for such damages must be found and “stated separately.” The Legislature could have - but did not - instruct the Commission to also use this proceeding to set what amount would make ratepayers whole. The cited language from § 366.2 “prohibiting cost shifting”⁴ was not included in §§ 1401-1421, and the Legislature did not include eminent domain in § 366.2. Moreover, the Commission has not sought comment on § 366.2 in this proceeding.⁵ Therefore, Finding of Fact 6 should be deleted as it is not fact based on evidence in the record, nor is it legally supported or accurate. Finding of Fact 4, Conclusions of Law 1 and 2, and Ordering Paragraphs 1 and 4 conflate these distinct concepts of asset valuation and ratepayer neutrality and should be revised, as proposed in Appendix A. Lastly, while the Commission is established in the California Constitution and has a *statutory* obligation to ensure just and reasonable rates, Conclusion of Law 3 is not supported in the Proposed Decision’s reasoning or analysis and should be deleted.

² See, e.g., Proposed Decision at Finding of Fact (“FOF”) 4, Conclusions of Law (“COL”) 1 and 2, Ordering Paragraphs (“OP”) 1 and 4, and at 20-21 (stating “PG&E’s remaining ratepayers and shareholders should remain in the same financial position after the acquisition.”).

³ See City and County of San Francisco’s Brief on Standards for Just Compensation (Jan. 17, 2023) (“CCSF Brief on Standards for Just Compensation”) at 2-3 (describing the statutorily-prescribed process for determining just compensation).

⁴ Proposed Decision at FOF 6 and at 21.

⁵ See *Administrative Law Judge’s Ruling Soliciting Comments* (Mar. 27, 2024) (“March 2024 Ruling”); *Administrative Law Judge’s Ruling Requesting Comments and Responses* (Jan. 24, 2025) (“January 2025 Ruling”).

2. The Question of Ratepayer Neutrality Should Center on Whether Additional Business Severance Damages Are Necessary in Light of PG&E's MDL Charges.

The Proposed Decision requires the testimony to “include quantitative accounting that shows how cost shifting will be avoided and how the just compensation award is allocated between shareholders and ratepayers so that remaining ratepayers will be left unharmed.”⁶ The City agrees that testimony should address how the just compensation award should be allocated between PG&E's remaining ratepayers and the company, and with the direction to address ratepayer neutrality under the umbrella of business severance damages.

But, it is not appropriate or necessary to require testimony submitted in this valuation proceeding to include a specific sum for each component of rates that are addressed in the Commission-approved PG&E MDL Electric Schedule.⁷ The MDL is the ongoing obligation the Commission has already tailored via its decisions, orders and tariffs to ensure that departing load from a municipalization pays to compensate remaining load for any costs accrued on their behalf. It already includes the Power Charge Indifference Adjustment (“PCIA”) and other nonbypassable costs.⁸ MDL revenues address many of the ratepayer neutrality components of business severance damages because PG&E will continue to receive the MDL charges after the acquisition. The amount owed for each MDL rate component is determined in annual ratesetting proceedings, Annual Electric True-Up Advice letters, and other periodic rate change advice letters. The specific rates and amounts that will be charged after the acquisition are not now known. Parties should not be required to sum

⁶ Proposed Decision at COL 4, OP 3.

⁷ See Proposed Decision at 33 (discussing the Power Charge Indifference Adjustment (“PCIA”), wildfire mitigation, and others).

⁸ See PG&E, *Electric Schedule E-TMDL, Transferred Municipal Departing Load*, available at https://www.pge.com/tariffs/assets/pdf/tariffbook/ELEC_SCHEDS_E-TMDL.pdf (last accessed Oct. 15, 2025) (listing the Wildfire Fund Charge, PCIA, Competition Transition Charge, Nuclear Decommissioning Charge, Regulatory Energy Cost Recovery Amount Charge, Wildfire Hardening Charge, and Recovery Bond Charge as some of the rates applicable to customers under the TMDL schedule). See also PG&E Advice Letter 6568-E, *Revising Departing Load Tariffs and Electric Preliminary Statements Pursuant to Decision 21-05-015* (Accepted May 22, 2022), available at https://www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_6568-E.pdf (considering the potential rate impact of a change of ownership from PG&E to a public entity in Conclusion of Law 65 and Ordering Paragraph 55); D.03-07-028 Order Adopting Cost Responsibility Surcharge Mechanism for Municipal Departing Load (July 10, 2003); D.03-08-076 Order Granting Limited Rehearing on the Issue of the Allocation of the Exception for New Municipal Load, Modifying Decision (D.) 03-07-028 for Purposes of Clarification, and Denying Rehearing of Decisions, as Modified, in All Other Respects (Aug. 28, 2003).

up the value of the different components of the existing MDL or predict its future changes in testimony in this proceeding.

Instead, the Proposed Decision should require PG&E's testimony to demonstrate any ways in which it claims that existing MDL charges do not fully address ratepayer neutrality. In essence, parties' testimony should demonstrate any *additional* damages to PG&E caused by the loss of San Francisco ratepayers *after* taking into account the MDL. If the MDL does not cover certain lost revenues for PG&E's remaining system—lost revenues that could otherwise cause PG&E to raise rates for remaining ratepayers—and such revenues are otherwise reasonable to include as business severance damages, then PG&E may provide evidence of those lost revenues in testimony. In this way, PG&E's remaining customers can be made whole when PG&E receives the MDL plus those additional business severance damages, if any (after such revenues are allocated to PG&E's remaining ratepayers). If, however, the MDL already covers all such lost revenues, there will be no negative impacts to remaining ratepayers to account for through the business severance damages component of the just compensation valuation.

Conversely, the Commission is right to ensure that—per Ordering Paragraph 4⁹—no costs are charged to the City and its residents twice, and that any *benefits* of San Francisco's departure are included in a quantification of ratepayer neutrality. There should not be severance damages that would double-compensate PG&E or its ratepayers for categories of payments included in the MDL payments.¹⁰ The Commission's determination of ratepayer neutrality should therefore explicitly consider that the City's departure will reduce PG&E's costs because it will no longer deliver electricity in the City, and that the City will have independent obligations to provide some of the services to its ratepayers (such as low income customer discounts and energy efficiency incentives) that PG&E previously provided.¹¹

To these ends, Section 7 of the Proposed Decision should be revised to require PG&E's testimony to include evidence of whether the MDL charges fully compensate for the full suite of

⁹ See also, Proposed Decision at 32 (instructing PG&E's Opening and Rebuttal Testimony to address how their appraisal "avoid[s] double counting"), 27 (instructing parties to demonstrate in their testimony "how their proposed approach is consistent with California law and Commission precedent, provides the most accurate valuation, and avoids double counting"), 25 and COL 7 (recognizing that severance benefits offset severance damages). See proposed minor revision in **Appendix A**.

¹⁰ See Proposed Decision at 27, 34 (recognizing that double-counting must be avoided).

¹¹ See CCSF Reply Brief on Standards for Just Compensation (Jan. 31, 2023) ("CCSF Reply Brief on Just Compensation") at 19-20.

ratepayer neutrality costs, including the extent to which benefits of San Francisco departing load reduces business severance damages, and, based on those analyses, what single-sum quantity of ratepayer neutrality costs (if any) should be included as business severance damages. Further, changes are needed to align the question of ratepayer neutrality with other testimony requirements on business severance damages, including:

- Revising the Proposed Decision to make clear that PG&E is the party generally responsible for presenting “quantitative accounting” in its testimony on ratepayer impacts in the first instance (revisions needed on p. 24, Finding of Fact 11, and Ordering Paragraph 3);¹² and
- Revising the City’s responsibility to address quantification of rate neutrality as part of its business severance damages rebuttal testimony (revisions needed on p. 31 (moving and editing a portion of Section 7.1(d)’s third bullet to Section 7.3),¹³ pp. 31-32 (moving and editing text underneath Section 7.1(f) to Section 7.3, and combining it with the moved third bullet from Section 7.1(d)),¹⁴ and p. 33 (revising Section 7.3(a) to avoid prejudging the question of whether additional business severance damages are needed beyond the MDL and, if so, how to include those in the just compensation calculation)).¹⁵
- In the third bullet in Section 7.1.d., deleting the requirement for “an income approach based on actual revenues” for the City’s amended testimony on value of assets to be acquired

¹² Appendix A moves OP 3 to OP 4, and deletes FOF 11 as it is a legal conclusion. Alternatively, it could be revised to: “~~be unharmed by cost shifting~~remain neutral to the potential acquisition.” The text on page 24 should be revised to: “...so that remaining ratepayers will ~~be left unharmed~~remain neutral to the potential acquisition. CCSF’s and PG&E’s and then CCSF’s appraisals must address how the just compensation award is allocated between shareholders and ratepayers.”

¹³ Deleting the bolded and crossed out text out of Section 7.1(d): “The testimony must produce an income approach based on actual revenues and an income approach based on return on rate base, ~~to demonstrate how the valuation accounts for the CCSF customer base’s contribution to lowering PG&E system rates for remaining customers;~~”

¹⁴ Deleting all of the text underneath Section 7.1(f) and adding the following text to Section 7.3: **CCSF must submit its proposed regulatory accounting treatment of the recommended just compensation award, with a rate impact analysis demonstrating that the proposed regulatory accounting of the recommended just compensation award, after accounting for future MDL obligations, will result in rate neutrality for PG&E’s remaining customers based upon rates in place on the Petition date.**

¹⁵ Changing Section 7.3 by adding in the bolded and underlined text, and deleting the bolded and crossed out text: “In addition, **CCSF must identify whether** business severance damages **exist that are not compensated by the MDL must provide a specific sum that represents the PCIA, safety, reliability, wildfire mitigation, public benefit, stranded asset costs, joint and common costs, public purpose charges, and other pass-through costs, stranded costs, and stranded assets. If such business severance damages exist, CCSF must provide a specific sum quantifying such damages.**”

because “actual revenue” should not be used to quantify fair market value (and is only relevant to quantifying severance damages).

Lastly, the Proposed Decision should be revised as set forth in Appendix A to reflect the need for ratepayer neutrality, *i.e.*, “the standard that ratepayers remain neutral to the proposed acquisition” (Ordering Paragraph 1, Conclusions of Law 2 and 4, and Finding of Fact 4) and to make requirements to avoid cost-shifting more specific (Conclusion of Law 1). Finally, Finding of Fact 8 is a legal conclusion and should be deleted.

3. The Proposed Decision’s Assumption that PG&E’s Revenues from San Francisco Customers are Greater than Its Cost to Serve is Speculative and Not Based on Evidence in the Record.

At the same time the Proposed Decision asks parties to address ratepayer neutrality in testimony, it prematurely decides remaining ratepayers are harmed by the acquisition. Nothing on the record supports Finding of Fact 5, that “PG&E’s remaining customers may suffer significant harm because the departed load will cause sales to decline and increase the share that remaining customers pay.” This language should be deleted. It is presented as a half speculation followed by half factual claim—“customers *may* suffer significant harm because the departed load *will* cause sales to decline[.]” But that structure essentially renders the entire sentence as unfounded speculation. It is not appropriate to include this finding if it does not also reference the other possibility: customers *may* benefit because the departed load *will* cause costs to decline in a way that more than offsets lost value. More importantly, parties will address questions of ratepayer neutrality in their testimony, and the Commission should not prejudge that testimony here.

Avoiding such prejudgment requires deleting the unsupported and speculative language regarding ratepayer neutrality and the impact of the City’s departure on PG&E ratepayers (p. 28 (discussing the “value” the City customers bring but not the costs), p. 31 (Section 7.1(d), third bullet (assuming the City’s customer base contributes to lowering PG&E system rates)),¹⁶ and rewording Findings of Fact 5 and 11 to avoid prejudging cost-shifting (or deleting them altogether because they are legal conclusions).

¹⁶ See *supra* notes 12, 13.

B. Determining Value

1. The Proposed Decision Correctly Directs the Parties to Apply All Three Established Valuation Methods to Determine the Appraised Value of PG&E's Lands, Property and Rights Proposed to be Acquired.

The Proposed Decision correctly declines to adopt a “prescriptive” valuation methodology, and instead requires PG&E and the City to submit appraisals applying *each* of the three established valuation methods (sales comparison, income and cost approaches) for the value of PG&E’s lands, property and rights proposed to be acquired (component “D” of the Staff Proposal’s just compensation formula).¹⁷ The parties agree with this approach.¹⁸ The Commission has utilized all three of these methodologies to estimate value.¹⁹ The Commission has discretion to assign varying degrees of weight to each of the three methodologies, depending on the relevant factual circumstances and expert analysis.²⁰ The Proposed Decision correctly applies this precedent.

2. When Applying the Before and After Approach to Determine the Value of the Part Taken (Including Assets, Property and Business Severance Damages), PG&E Must at a Minimum Present Evidence Utilizing the Income Approach.

As the Proposed Decision notes, the first step (“Step 1”) of the Staff Proposal’s methodology and steps for determining total just compensation and the various components thereof is to “[a]pply and reconcile the income approach and the sales comparison approach to value the PG&E electric utility system (“EUS”) before and after the taking.”²¹ The assets the City seeks to acquire are used to

¹⁷ Proposed Decision §§7.1(d), 7.2(d), COL 6, OP 4; March 2024 Ruling, Attachment A Draft Proposal on Standards for Just Compensation in P.21-07-012 (“Staff Proposal”) §2.2.1.

¹⁸ See Proposed Decision at 14; CCSF Opening Brief on Just Compensation at 5-7; PG&E Brief on Standards for Just Compensation (Jan. 17, 2023) (“PG&E Opening Brief on Just Compensation”) at 5-6; PG&E Comments on Draft Proposal on Standards for Just Compensation in P.21-07-012 (May 13, 2024) (“PG&E Opening Comments on Staff Proposal”) at 15-16, 22.

¹⁹ CCSF Opening Brief on Just Compensation at 5 (citing *In the Matter of the Petition of the Winton Sanitary Dist. Requesting the Pub. Util. Comm’n to Fix Just Compensation for the Acquisition of the Pub. Util. Property of Winton Water Co., Inc.* (Aug. 7, 1984) 16 CPUC 2d 123, 1984 Cal. PUC LEXIS 1304 at *26 (“Winton”)); see also, e.g., *In the Matter of the Petition of the Vandenberg Village Community Serv. Dist. Requesting the Pub. Util. Comm’n to Fix Just Compensation for the Acquisition of the Pub. Util. Property of Park Water Co.* (Jul. 29, 1987) 25 CPUC 2d 20, 1987 Cal. PUC LEXIS 846, * 93-94, FOF 7 (“Vandenberg”).

²⁰ *Winton* at *26; *Vandenberg* at FOF 8; CCSF Opening Brief on Just Compensation at 5; PG&E Opening Brief on Just Compensation at 5-6.

²¹ Proposed Decision at 11.

serve less than 6% of PG&E’s total electric load.²² The City does not interpret the Proposed Decision to suggest testimony should or could include an inventory and Replacement (or Reproduction) Cost New Less Depreciation (“RCNLD”) analysis of the PG&E assets that the City does *not* seek to acquire that serve the other 95% of load; this would not be reasonable, is unnecessary and unprecedented, and, as the Staff Proposal noted, would be a monumental task both for parties to undertake and for the Commission to review.²³ While the Proposed Decision strives to avoid being prescriptive, Section 7.2.e. should clarify that, at a minimum, PG&E must present evidence as to the value of PG&E’s EUS before and after the acquisition (i.e., Step 1) utilizing the income approach to valuation.

C. Severance Damages

1. PG&E Must Prove Its Entitlement to Severance Damages and the Decision Should Provide Clearer Guidelines for Such Showing.

The Proposed Decision correctly finds that “PG&E *may* be entitled to business and physical severance damages,”²⁴ consistent with the permissive nature of §1411. The Proposed Decision appropriately requires that PG&E first produce its evidence in support of its claim of severance damages, with rebuttal by the City.²⁵ Upon a review of the full evidentiary record, the Commission may then determine whether or not PG&E is owed severance damages. But Finding of Fact 9 regarding potential entitlement to severance damages is a legal conclusion, not based on facts in the record, and should be deleted.

As referenced in Section II(A)(2) above, the Proposed Decision also correctly notes that, as part of this determination, any benefits that flow from the proposed acquisition must also be quantified and will offset potential severance damages.²⁶ Yet, the Proposed Decision fails to make clear that PG&E must quantify all such severance benefits in its opening and rebuttal testimony. The first sentence of Section 7.2(e) should therefore be revised to explicitly require “Appraisals as

²² Petition of the City and County of San Francisco for a Valuation of Certain Pacific Gas & Electric Company Property Pursuant to Public Utilities Code Section 1401-1421 (Jul. 27, 2021) at 12 note 48.

²³ See Staff Proposal at 13.

²⁴ Proposed Decision at 2 (emphasis added).

²⁵ *Id.* at §§7.2, 7.3.

²⁶ *Id.* at 25 (citing Civ. Proc. Code §1263.410); see also COL 7 and minor revision in **Appendix A**.

evidence supporting PG&E's claim for business severance damages, **including a quantification of and calculation of offsetting by severance benefits.**"

In addition, the Proposed Decision should provide clearer guidelines on the evidentiary standard for severance damages. PG&E's opening and rebuttal testimony will need to meet its burden to prove the "three unities" ("unity of ownership, contiguity of the parcels and unity of use") to establish that severance damages are owed.²⁷ PG&E must demonstrate that such damages "directly and proximately flow from the taking" and are not "speculative, remote, imaginary, contingent, or merely possible."²⁸ The City recommends that such requirements be added to the Conclusions of Law, as set forth in Appendix A, to provide appropriate guidance for testimony.

2. PG&E Must First Identify the Specific Interrelationships Between its Electric and Gas Assets in San Francisco to Demonstrate Whether It Is Owed Severance Damages to Its Gas System.

The Proposed Decision finds that, as part of any severance damage determination, the factual record must be developed regarding the "interrelationship between PG&E's electric and gas businesses."²⁹ As noted above, the Proposed Decision rightly provides in its testimony guidelines in Section 7 that PG&E *first* needs to provide "[a]ppraisals as evidence supporting PG&E's claim for business severance damages" and that the City may *then* rebut this evidence regarding "net business severance damages" and "PG&E's claim for severance damages."³⁰ PG&E agreed with this evidentiary sequence in its opening comments on the Staff Proposal, stating that it would submit opening testimony on severance damages, including "outlin[ing] the specific interrelationships between PG&E's electric and gas businesses that give rise to such severance damages."³¹ Per PG&E, the City would have an opportunity to respond in its rebuttal testimony.³²

²⁷ Staff Proposal at 10; CCSF Reply Comments on Administrative Law Judge Ruling Soliciting Comments (Jun. 4, 2024) ("CCSF Reply Comments on Staff Proposal") at 3.

²⁸ CCSF Comments on Administrative Law Judge Ruling Soliciting Comments (May 13, 2024) ("CCSF Opening Comments on Staff Proposal") at 4 (citing *City of Carlsbad v. Rudvalis* (2003) 109 Cal.App.4th 667, 679; PG&E Reply Comments on Draft Proposal on Standards for Just Compensation in P.21-07-012 (Jun. 4, 2014) ("PG&E Reply Comments on Staff Proposal") at 8-9 (describing as "well-established rules").

²⁹ Proposed Decision at 25, FOF 13.

³⁰ *Id.*, §§7.2, 7.3 at 32-33. The Proposed Decision does not require evidence as to severance damages in the City's amended and restated Testimony. *See* Proposed Decision, §7.1 at 30-31.

³¹ PG&E Opening Comments on Staff Proposal at 8.

³² *Id.*

Conclusion of Law 5, however, provides that “Parties should include in their testimony facts and evidence supporting the definition of the ‘before’ property and quantify in their valuations the potential effects on PG&E’s gas business caused by the taking.”³³ To prevent any confusion as to the sequencing and evidentiary burden, this conclusion and Ordering Paragraph 2 should be modified as set forth in Appendix A hereto to make clear that PG&E is responsible for *first* producing this evidence, and the City should then have the opportunity to rebut.³⁴

3. PG&E’s Valuation of the “Before” Property Should Not Include PG&E’s Entire Gas System.

The “before” analysis used in Step 1 of Section 2.2.1 of the Staff Proposal to determine the value of the part taken (including assets, property and business severance damages) should not include PG&E’s *entire* gas system.³⁵ Such an undertaking would be unnecessarily time-consuming and burdensome and would require the City to present evidence on the value of the gas system, which it is not seeking to acquire.³⁶ Instead, PG&E’s opening and rebuttal testimony must establish the interrelationships that justify any severance damages it alleges it will incur in no longer operating both the electric and gas systems in San Francisco.³⁷ To meet its burden of proof, PG&E should be required to specifically identify any alleged harm to PG&E’s gas assets from the acquisition, prove the “three unities,” and that damages “directly and proximately flow from the taking” and are not speculative. Finding of Fact 10 should be revised per Appendix A, and a new conclusion of law added, to clarify that PG&E should not include its entire gas system in the “before” property in its evidence to support any severance damages that PG&E seeks to address impacts to the gas system.

If the Commission declines to take a position on whether the “before property” includes PG&E’s entire gas system, it should require at a minimum that if PG&E does present evidence on the valuation of the before property that includes the entire gas system, PG&E should be required to *also* quantify damages to its gas system separately.

³³ See also OP 2.

³⁴ Appendix A moves this portion of OP 2 to OP 3 and deletes COL 5 as redundant with new OP 3.

³⁵ CCSF Opening Comments on Staff Proposal at 9.

³⁶ See *id.*

³⁷ See Proposed Decision at 25, FOF 13; CCSF Opening Comments on Staff Proposal at 8-9; CCSF Reply Comments on Staff Proposal at 3-5.

III. METHODOLOGY FOR DETERMINATION OF COMPONENTS OF JUST COMPENSATION

A. The Proposed Decision Must Clarify That the Before and After Methodology is Appropriate as the First Step for Valuing the Business Severance Damages Component, If Any, of Total Just Compensation.

The Proposed Decision orders that the “before and after rule” is “adopted” as the appropriate framework for “determining just compensation.”³⁸ This is too broad an application of the before and after rule, which could cause confusion and imprecision in the evidentiary process and the Commission’s determination pursuant to §1411. The Proposed Decision’s language should clarify that the before and after method is part of determining any business severance damages that the Commission may award, as a *component* of total just compensation. This distinction is important because the before and after methodology is not needed to determine the appraised value of the lands, assets and rights to be acquired (item (D) in Section 2.2.1 of the Staff Proposal); this component of the total just compensation formula is to be determined based on the Commission’s weighing of evidence of the valuation using the three established appraisal methods (income, sales and cost approaches).³⁹

The first clause of Ordering Paragraph 2 correctly describes the role of the before and after rule: “The ‘before and after rule’ ... measures the difference between the value of the whole property before the taking and the value of the remaining property after the taking” This is an accurate description of the function of the before and after rule as *the first step* in the calculation methodology proposed by Commission Staff.⁴⁰ Step 1 subtracts the value of the PG&E EUS after the acquisition (B) from the value of the PG&E EUS before the acquisition (A) to arrive at “C” the “value of the part taken” (including assets, property and business severance).⁴¹ PG&E and the City agree about this use of the before and after rule.⁴²

³⁸ Proposed Decision at 2, OP 2, FOF 10.

³⁹ *See id.* §§7.1(d), 7.2(d), COL 6, OP 4.

⁴⁰ *Id.* at 11; Staff Proposal at 8.

⁴¹ *Id.*

⁴² CCSF Opening Comments on Staff Proposal at 8; PG&E Opening Comments on Staff Proposal at 2.

As noted above, the Commission is not required to find that PG&E should be paid severance damages.⁴³ The Commission should not predetermine or prejudice, prior to its full evaluation of the evidence produced, that severance damages will be owed. Adopting the before and after rule as “*the* appropriate framework for determining just compensation”⁴⁴ could be misinterpreted to imply that business severance damages are certain, and is inaccurate because the method is not needed to determine the appraised value of the lands, assets, and rights intended to be acquired. For all the reasons stated above, the description of the before and after rule on page 2, Finding of Fact 10 and Ordering Paragraph 2 in the Proposed Decision must be modified for greater specificity, as set forth in Appendix A hereto.

B. The Proposed Decision Must Be Corrected to Require an Appraisal of “Land, Property and Rights,” Rather Than “Assets, Property and Customers” in Step 2 of the Staff Proposal’s Calculation Methodology.

On page 11, the Proposed Decision summarizes the Staff Proposal’s steps for valuation of just compensation. In the second step, it states “Apply all applicable approaches to value the assets, properties and customers in the part taken.” This was a mistake in the Staff Proposal that should be corrected in the Proposed Decision to prevent confusion. Throughout Chapter 8, the Legislature refers to the acquisition of “lands, property and, rights” for which the Commission determines just compensation.⁴⁵ The statute does not provide that “customers” are to be appraised or valued. Nor would such a valuation requirement make any practical sense; a customer is not property to be “taken” and cannot be valued according to the income, sales comparison or cost approaches. The City pointed this out on page 9 of its comments on the Staff Proposal. The Proposed Decision should be modified to reference the obligation for the parties to provide appraisals of the value of the **“lands, property, and rights”** to be taken.

In addition, the City agrees with the direction in Section 7.1.d. of the Proposed Decision that City amended testimony “include a stipulation of the assets to be taken,” but parties may not agree on every item, so 7.1.d. should be revised to require a stipulation **“to the extent possible.”**

⁴³ See *supra*, section II.C.1.

⁴⁴ Proposed Decision OP 2 (emphasis added).

⁴⁵ See, e.g., Pub. Util. Code §§1403, 1404, 1405, 1411.

C. The Statement of Principles of Just Compensation Should Be Revised to Reflect that This is Not a Condemnation Proceeding.

The Proposed Decision states “the [City’s] condemnation of PG&E’s property in and around San Francisco constitutes a partial taking” framing this as one of its three “principles of just compensation.”⁴⁶ The City understands this finding as the Proposed Decision’s legal basis for applying the before and after approach to the calculation of the value of the part taken including business severance damages (as clarified in Section III(A) of these comments, above).⁴⁷ As the City pointed out numerous times in comments on the record, however, the instant Petition does not *itself* constitute a condemnation proceeding (which is within the jurisdiction of the courts and not the Commission).⁴⁸ This Petition expresses the City’s *intention* to acquire PG&E’s San Francisco transmission and distribution assets and its prayer for the Commission to fix the just compensation to be paid for the lands, property and rights.⁴⁹ The City has previously stated its preference to acquire the assets through a negotiated purchase rather than a condemnation. To avoid confusion about the nature of this Petition, the Proposed Decision should not refer to “the [City’s] condemnation” in one of its stated principles of just compensation and this language on page 2 should be deleted.

IV. SEPARATION PLAN

A. The Proposed Decision Should Clarify That the Separation Plan Will Be Provided as Part of the City’s Amended and Restated Opening Testimony.

The Proposed Decision directs the City to provide certain information in a separation plan “before any other testimony submissions.”⁵⁰ The quoted phrase is likely in reference to PG&E’s previous comments asserting that a separation plan would be necessary before PG&E could submit its own testimony.⁵¹ However, the phrase is ambiguous and could be interpreted to mean the

⁴⁶ Proposed Decision at 2.

⁴⁷ See Proposed Decision at 10.

⁴⁸ CCSF Opening Comments on Staff Proposal at 6.

⁴⁹ Pub. Util. Code §§ 1403, 1404.

⁵⁰ Proposed Decision at 30.

⁵¹ Pacific Gas and Electric Company’s (U 39 E) Comments on Administrative Law Judge’s Ruling Requesting Comments and Responses in P.21-07-012 (Feb. 24, 2025) at 2, 19-20. See also Pacific Gas and Electric Company’s (U 39 E) Reply Comments on Administrative Law Judge’s Ruling Requesting Comments and Responses in P.21-07-012 (Mar. 27, 2025) at 21 (“Finally, once CCSF provides a complete and adequate separation plan and asset inventory, PG&E will need at least eight months before the deadline for PG&E’s testimony to perform certain critical work.”); Proposed Decision at 19 (referencing PG&E’s Comments); Proposed Decision at 11 (referencing the January 2025 Ruling) at 6 (proposing the City submit a separation

separation plan must be provided before any party submits testimony. The Proposed Decision should be clarified so it is consistent with the proposal in the January 2025 Ruling and the testimony guidelines in Section 7 of the Proposed Decision, which direct the City to provide a separation plan as part of its amended and restated opening testimony.⁵²

B. The Commission Lacks Jurisdiction to Dictate the Contents of the City’s Environmental Impact Report.

The Proposed Decision’s testimony guidelines improperly direct that the “separation plan shall be subject to the draft environmental impact report.”⁵³ In addition, in a paragraph describing PG&E’s comments, the Proposed Decision states that “CCSF’s single taking scenario must be evaluated in its Draft Environmental Impact Report,”⁵⁴ without expressly qualifying this incorrect conclusion as PG&E’s position. The City’s Planning Department is the lead agency with respect to the intended acquisition under the California Environmental Quality Act. The Commission lacks jurisdiction to specify the scope of the City’s Draft Environmental Impact Report (“EIR”), the extent to which such report includes the separation plan or whether the separation plan is “subject to” the Draft EIR.⁵⁵ Nothing in Chapter 8, elsewhere in California statute, caselaw or Commission precedent requires a Chapter 8 petition to be preceded by an EIR.⁵⁶ Moreover, the City’s Planning Department already published its Draft EIR in March 2025. The quoted language above on pages 19 and 31 of the Proposed Decision referencing the Draft EIR should be stricken.

V. CONCLUSION

The City thanks the Commission for the attention to the City’s Petition and development of the Proposed Decision. The City respectfully requests the Commission adopt the changes to the Proposed Decision presented above and set forth in Appendix A to these comments.

plan as part of its supplemental testimony).

⁵² January 2025 Ruling at 6; Proposed Decision at p. 31.

⁵³ Proposed Decision §7.1(e) at 31.

⁵⁴ *See id.* at 19.

⁵⁵ *See id.* at 31.

⁵⁶ CCSF Response to PG&E Motion to Dismiss or Stay the Petition (Sept. 7, 2022) at 3; CCSF Response in Opposition to PG&E’s Motion to Dismiss or Stay the Petition (Jun. 29, 2023) at 16-17; CCSF Corrected Reply Comments Regarding ALJ Ruling Requesting Comments and Responses (Apr. 16, 2025) at 3-6.

Date: October 16, 2025

Respectfully submitted,

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**APPENDIX A
RECOMMENDED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW
AND ORDERING PARAGRAPHS**

Proposed text deletions show as ~~bold and strikethrough~~. Proposed text additions show as **bold and underlined**.

Findings of Fact

...

4. Parties generally agree that the ~~policy and legal~~ objectives in determining just compensation are to **fully compensate** ~~make~~ PG&E's ~~investors~~ and **leave any** remaining customers **neutral whole to the acquisition;** and that from a financial perspective, PG&E should be in the same position before and after the acquisition.

~~5. If CCSF were to depart and immediately cease to share in paying for the same cost drivers that it currently pays, PG&E's remaining customers may suffer significant harm because the departed load will cause sales to decline and increase the share that remaining ratepayers pay.~~

~~6. The principles in Pub. Util. Code Section 366.2, prohibiting cost shifting from customers that depart IOU service to participate in Community Choice Aggregation on the remaining utility ratepayers also apply to load departure to a municipal utility.~~

...

~~8. There is a need for the just compensation award to include an accounting of allocation of the award to ratepayers and shareholders to ensure a fair allocation.~~

~~9. Condemnees may also be entitled to severance damages for losses sustained to property remaining after severance and for loss sustained through diminution in value of the property not taken.~~

10. Parties agree that the before and after rule is the appropriate framework for determining **the first step in the business severances component, if any, of total** just compensation, but disagree whether the larger property is PG&E's EUS or its entire system which includes its gas business.

~~11. The evidence presented in this proceeding to prove just compensation must include testimony of how remaining ratepayers will be left unharmed by cost shifting.~~

...

~~14. Separation costs and the value of the part taken are contingent on a single scenario separation plan.~~

...

Conclusions of Law

1. CCSF should pay its share of the costs necessary to keep remaining ratepayers neutral to the potential acquisition, ~~including costs which it was already paying, or committed to pay, at the time of CCSF's Petition.~~

2. The standard of just compensation that PG&E's ~~remaining ratepayers and shareholders~~ remains in the same financial position and ratepayers remain neutral after the acquisition should be adopted.

3. ~~The governing statute on eminent domain does not explicitly address ratepayer impacts but the Commission has a Constitutional duty to protect ratepayers.~~

4. ~~CCSF's and~~ PG&E and then CCSF should provide's testimony ~~that should~~ includes quantitative accounting that shows how cost shifting will be avoided and how the just compensation award and its component parts should be ~~is~~ allocated between shareholders and ratepayers so that remaining ratepayers will remain neutral to the potential acquisition ~~be left unharmed.~~

5. ~~Parties should include in their testimony facts and evidence supporting their definition of the "before" property and quantify in their valuations the potential effects on PG&E's gas business caused by the taking.~~

...

7. Severance damages (as offset by ~~or~~ severance benefits) should not count against the valuation of the part taken and should be separately stated.

[X.] It is not reasonable for PG&E to include its entire gas system in its valuation of the “before” property.

...

[X.] To prove business severance damages, PG&E’s testimony must establish unity of ownership, contiguity of the parcels and unity of use and that claimed damages are not speculative.

Ordering Paragraphs

1. ~~The s~~Standards for just compensation a. and c. stated in the Staff Proposal and summarized in Section 3.1 of this decision are adopted and shall serve as guiding principles for this proceeding. This includes the standard that ratepayers remain neutral to~~in the same financial position after~~ the proposed acquisition.

2. The “before and after rule” which measures the difference between the value of the whole property before the taking and the value of the remaining property after the taking, is adopted as the first step in the appropriate framework for determining the business severances component, if any, of total just compensation.

3. but parties shall include testimony supporting their definition of the “before” property and quantify in their valuations the potential effects on PG&E’s gas business caused by the taking. PG&E should include in its opening and rebuttal testimony facts and evidence supporting the potential effects on PG&E’s gas business caused by the taking. PG&E’s valuation of the “before” property should, at a minimum, apply the “income” approach. CCSF should respond to this evidence in its rebuttal testimony.

4.3. CCSF’s and PG&E’s testimony shall include quantitative accounting that shows ~~how cost shifting will be avoided and~~ how the just compensation award is allocated between shareholders and ratepayers so that remaining ratepayers will remain neutral to the proposed acquisition~~be left unharmed.~~