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

Application of Pacific Gas and Electric Company (U39E) for Approval Under Public Utilities Code Section 851 to Lease Entitlements to Transmission Projects to Citizens Energy Corporation.	Application No. 24-03-009 (Filed March 12, 2024)

OPENING BRIEF OF CITIZENS ENERGY CORPORATION

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Statutes and Regulations

California Public Utilities Commission Decisions

Federal Energy Regulatory Commission Decisions

Other Authorities

SUMMARY OF RECOMMENDATIONS

As required by Rule 13.12 of the Commission's Rules of Practice and Procedure, Citizens respectfully makes the following recommendations:

1. This case presents a proposed business arrangement between PG&E and Citizens that is closely modeled on similar proposals that the Commission has previously approved, which include the following features:
    a. Citizens will invest its own capital in California's high-voltage transmission system.
    b. The transaction has been carefully structured to both (i) prevent any double recovery of the capital costs of the subject transmission assets, and (ii) limit Citizens' rates to recover its capital costs at an amount no higher than PG&E's rates, thus ensuring that it is "ratepayer neutral."
    c. Citizens, in turn, will be contractually obligated to use a percentage of its after-tax cash flow from the investment to fund substantial, ongoing charitable programs targeting affordability that benefit low-income families and disadvantaged communities.
2. The Commission in D.11-05-048, D.16-08-017, and D.19-03-024 previously considered and approved substantially similar business arrangements, based on a finding that they were "not adverse to the public interest," and in fact would provide substantial public benefits. The Federal Energy Regulatory Commission likewise has approved the same series of transactions.
3. Accordingly, the Commission should approve PG&E's Application, as amended, without condition, under which:

a. PG&E will be authorized to lease Entitlements to PG&E transmission assets to Citizens for an investment of up to $1 billion.

b. PG&E will be authorized to enter into the first Entitlements Lease with Citizens and to submit future Entitlements Leases for review and approval through the Tier 3 Advice Letter process.

4. If approved by the Commission, this transaction will help accomplish three key policy objectives:

   a. It will provide PG&E with a beneficial new source of capital, which will help fund infrastructure investments necessary to achieve California's clean energy and reliability goals.

   b. It will help alleviate the affordability challenges confronting PG&E customers, as the Governor, the Commission, and consumer advocates have been urging.

   c. It will help fulfill the Commission's obligation to address the needs of disadvantaged communities and historically marginalized populations, by protecting literally tens of thousands of PG&E customers every year from service disconnections.

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In accordance with the procedural schedule adopted in the Scoping Memo and Ruling in this case issued on May 6, 2025 ("Scoping Memo"), and pursuant to Rule 13.12 of the Commission's Rules of Practice and Procedure, Citizens Energy Corporation ("Citizens") hereby submits this opening brief addressing the issues identified in the Scoping Memo.

I. INTRODUCTION AND SUMMARY

A. Citizens Energy

Citizens is a non-profit charitable organization under Section 501(c)(4) of the Internal Revenue Code. Since its founding in 1979, Citizens' principal charitable activity has been assisting low-income households and disadvantaged communities with basic needs, with a particular focus on energy bill-paying assistance. Over its 45-plus-year history, Citizens has provided more than $600 million in assistance to those most in need.

Unlike most charities, Citizens does not rely on donations or grants. Rather, Citizens raises money by investing in profit-making enterprises in the energy sector, through wholly-owned, for-profit subsidiary companies. Citizens then uses the after-tax cash flows from these enterprises to fund its charitable programs.

B. The Application In This Case

Pacific Gas and Electric Company ("PG&E") seeks Commission authorization under Section 851 of the Public Utilities Code to lease Entitlements[1] on its high-voltage transmission system to a subsidiary of Citizens.[2] PG&E and Citizens propose a series of up to five Entitlements leases, for a total investment by Citizens of no more than $1 billion in newly constructed projects on PG&E's transmission system. The transaction is referred to as the "Investment Program."

As a lessee of Entitlements on the PG&E transmission system, Citizens' subsidiary will be a Participating Transmission Owner ("PTO") under the California Independent System Operator ("CAISO") tariff, and will be comprehensively regulated by the Federal Energy Regulatory Commission ("FERC") as a "public utility" under the Federal Power Act, 16 U.S.C. §§ 824, *et seq*.

The terms of the Investment Program are set forth in the Amended Application, and are memorialized in an agreement between PG&E and Citizens known as the Amended and Restated Development, Coordination, and Option Agreement ("DCOA"), a copy of which is appended to the Amended Application.

If the Investment Program is approved by the Commission and by FERC and fully implemented as planned, Citizens will invest up to $1 billion in PG&E's transmission system. Citizens will make, and PG&E will receive, up to five pre-paid rent payments of approximately $200 million each. This will provide PG&E a new, incremental source of capital that PG&E can

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1 Entitlements are defined in Appendix A to the California Independent System Operator Corporation ("CAISO") Tariff as "[t]he right of a Participating [Transmission Owner] obtained through contract or other means to use another entity's transmission facilities for the transmission of Energy." CAISO Fifth Replacement FERC Electronic tariff, Appendix A, Entitlements.

2 The Citizens subsidiary for the Investment Program will be Citizens Pacific Transmission LLC.

deploy to help to fund the ambitious infrastructure investments the Governor, the Legislature and Commission have mandated for the transformation of California's energy system.

Citizens, in turn, will be contractually obligated to use an increasing percentage of its after-tax cash flow (50% from the first tranche of $200 million, 60% from the second tranche of $200 million, etc., up to 90% of the fifth tranche of $200 million) for direct bill-paying assistance for PG&E customers who are in arrears on their PG&E bills and thus are at-risk of having their service terminated ("at-risk PG&E customers"). Citizens estimates that it will generate more than $450 million in bill-paying assistance over the life of the proposed Investment Program.

This large amount of bill-paying assistance will provide meaningful relief for the affordability challenges PG&E's customers are facing.

C. Prior Commission Decisions Approving Substantially Similar Business Arrangements

The transaction structure proposed by PG&E and Citizens in this case is closely modeled on prior transactions approved by both the Commission and FERC. The hallmarks of all of these transactions are, first, that they are "ratepayer neutral,"[3] meaning that customers will pay no more for their utility service than they would in the absence of the proposed investment arrangements, and, second, that the arrangement will yield a significant public benefit over the life of the transaction (specifically, in the case of Citizens, a reliable stream of cash flow to fund charitable programs benefitting low-income households and disadvantaged communities).

The first case in which the Commission considered and approved a transaction structure like the Investment Program was Decision 11-05-048. In that case, the Commission approved an

[3] D.16-08-017 at pp. 39, 44.

$85 million investment by Citizens in the 500 kilovolt ("kV") San Diego Gas & Electric Company ("SDG&E") Sunrise Transmission Project, which was placed into service in 2012 ("Sunrise"). The Sunrise investment is producing substantial community benefits for low-income households in the Imperial Valley, one of California's poorest counties, expected to total approximately $45 million over the 30-year life of the investment.

Eight years later, in Decision 19-03-024, the Commission approved a similar investment of $27 million by Citizens in yet another SDG&E transmission project, the Sycamore-to-Penasquitos 230 kV Transmission Project in San Diego County, which was energized in 2018 ("Sycamore"). Citizens has used its after-tax cash flow from the Sycamore investment to fund a variety of clean-energy transportation projects benefitting low-income households and disadvantaged communities in San Diego County. The Citizens Sycamore investment is expected to yield approximately $14 million in community benefits over the 30-year term of the investment.

Both of the foregoing Citizens' investments in SDG&E's transmission system also were approved by FERC.[4] In both instances, the Citizens subsidiaries that entered into the lease transactions with SDG&E are FERC-regulated public utilities under the Federal Power Act, which will also be true for the Citizens subsidiary in this case.

Likewise, in Decision 16-08-017, the Commission approved a substantially similar transaction of $400 million, between Southern California Edison Company ("SCE") and the Morongo Band of Mission Indians ("Morongo"). In that instance, the Commission again found,

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[4] The Citizens investments in SDG&E's transmission system were approved by FERC, and the lease holding Citizens subsidiaries are FERC-regulated public utilities. This will also be true of Citizens Pacific in this case. *Citizens Sunrise Transmission, LLC,* 138 FERC ¶ 61,129 (2012); and *Citizens Sycamore-Penasquitos Transmission, LLC,* 164 FERC ¶ 61,149 (2018).

as it did in the two SDG&E-Citizens transactions, "that the proposed transaction is not adverse to the public interest and should be approved."[5] The Commission further determined that, because the capital costs that Morongo, as lessee of the SCE assets, would recover from ratepayers were "capped" at the amount that "SCE would charge ratepayers" in the absence of the proposed Morongo investment, the transaction taken as a whole was "ratepayer neutral." Again, citing its earlier decision in the Citizens-Sunrise case (D.11-05-048), the Commission concluded: "*We see no reason to deviate from this precedent*."[6]

Additionally, in 2022, FERC approved a substantially similar $40 million investment by Citizens in the Imperial Irrigation District ("IID") S-Line 230 kV transmission upgrade project, which was energized in 2024 ("S-Line"). Citizens' S-Line investment is expected to yield approximately $18 million in community benefits in Imperial County over the 30-year term of the investment. Although the Commission was not asked to approve this project because IID is not a Commission-regulated public utility, the Commission did not raise any objections to the proposal when it was submitted to FERC for approval.

In this case, PG&E and Citizens have agreed on a transaction structure closely modeled on the previous transactions between Citizens and SDG&E. As explained more fully below, the proposed Investment Program embeds the same ratepayer protections as the prior transactions, and Citizens in this instance also has agreed to even stronger ratepayer and public benefits.

Specifically, Citizens has agreed to two significant enhancements, as compared to the transactions approved by the Commission and FERC in the above cases:

- Citizens in this case has agreed to not seek rate recovery of its own incremental costs (other than limited financing costs) for the Investment Program. In contrast, in all three of Citizens' prior transmission investments in California (the Sunrise,

[5] Morongo 851, D.16-08-017, p 39, citing the Sunrise Decision, D.11-05-048.

[6] Morongo 851, D. 16-08-017, p 40 (emphasis added).

Sycamore and S-Line projects), the FERC-regulated Citizens subsidiaries were authorized to recover their incremental costs in their FERC transmission rates.

- Citizens also has agreed to dedicate an escalating portion of its after-tax cash flow to the defined charitable purpose (namely, bill-paying assistance for at-risk PG&E customers). Specifically, Citizens has committed to dedicate 50% of its after-tax cash flow from the first tranche of $200 million, 60% of its after-tax cash flow from the second tranche of $200 million, etc., increasing up to 90% of its after-tax cash flow from the fifth tranche of $200 million. In contrast, in the prior Citizens transmission investments (the Sunrise, Sycamore and S-Line projects), Citizens committed to dedicate a flat 50% of its after-tax cash flow to the designated charitable purposes.

In sum, the prior decisions by the Commission and by FERC, which approved transactions substantially similar to the proposed Investment Program (namely, the Sunrise, Sycamore and SCE-Morongo transactions approved by the Commission and by FERC, and the Citizens-S-Line transaction approved by FERC without objection by the Commission), constitute strong precedent in favor of approving the proposed Investment Program.

First, as the Commission found when it approved the SCE-Morongo transaction in Decision 16-08-017, because the capital costs recovered by Citizens will be "capped" at the amount PG&E would otherwise charge in the absence of the proposed Investment Program, the transaction structure appropriately can be regarded as "ratepayer neutral."[7]

Second, the public benefits that will flow from Citizens' charitable contributions are truly impressive (in this case, more than $450 million in bill-paying assistance for at-risk PG&E customers).

Third, the proposed Investment Program includes the above-described enhancements to which Citizens has agreed, as compared to the previously approved Citizens transmission investments (namely, no rate recovery for Citizens' incremental costs, and the escalating portion

[7] D.16-08-017, p. 39.

of Citizens' after-tax cash flow that will be dedicated to its charitable purpose, as compared to the flat 50% commitment in the Sunrise, Sycamore and S-Line Projects).

For these reasons, and as explained more fully below, the Commission can and should rely on its own prior decisions, and on the prior decisions by FERC, to approve the Investment Program in this case.

II. BACKGROUND

A. Citizens Energy Corporation and Citizens Pacific Transmission LLC

Citizens is incorporated in Massachusetts with its principal headquarters located in Boston, Massachusetts; as a non-profit charitable corporation, it is exempt from federal taxes under Section 504(c)(4) of the Internal Revenue Code. Charity and public assistance are at the heart of Citizens' mission and are the sole reason the organization exists. Founded in 1979 by Joseph P. Kennedy II, Citizens has spent more than 45 years working to make life's most basic needs more affordable. To date, Citizens has provided more than $600 million in assistance to people in need, including more than $20 million to Californians.

When evaluating the Sunrise transaction, Citizens' first transmission investment, the Commission's Division of Ratepayer Advocates ("DRA") (as the California Public Advocates Office was then known), stated that "DRA does not know of any other investor in the electric industry such as Citizens, whose corporate goal is to engage in business ventures that generate revenue for the funding of social and charitable assistance programs for the elderly and the poor."[8] As of today, Citizens believes this is still true, and it is proud of its track record of negotiating creative transactions that generate assistance to those most vulnerable while not increasing costs for others.

[8] Sunrise Decision, D.11-05-048 at 12-13.

Unlike most charities, Citizens does not rely on donations or grants to fund its charitable programs. Rather, Citizens is structured as a non-profit company that owns 100% of a for-profit holding company, Citizens Enterprises Corporation ("Citizens Enterprises"). Citizens Enterprises, in turn, owns several for-profit subsidiaries, including Citizens Sunrise Transmission LLC (with its interest in the Sunrise Powerlink Project), Citizens Sycamore-Penasquitos Transmission LLC (with its interest in the Sycamore-Penasquitos 230 kV Transmission Line), and Citizens S-Line Transmission LLC (with its interest in the IID S-Line Upgrade Project).

Citizens Pacific is a Delaware limited liability company and wholly owned subsidiary of Citizens Enterprises that has been created for the sole purpose of effectuating the Entitlements leases with PG&E under the Investment Program. Like Citizens Sunrise, Citizens Sycamore and Citizens S-Line, Citizens Pacific will be a Federal Energy Regulatory Commission ("FERC") regulated public utility under the Federal Power Act, and its cost of service to the public will be reviewed under the Federal Power Act's "just and reasonable standard," the same standard FERC applies to as any other FERC-jurisdictional utility's transmission rates (such as PG&E's own transmission rates).

Additional background on Citizens, along with a more detailed description of Citizens' involvement with the Investment Program, can be found in the Amended Direct and Rebuttal Testimony of Peter F. Smith, Citizens' Chief Executive Officer[9] and the Amended Direct Testimony of Joseph P. Kennedy III, President of Citizens Energy Corporation .[10]

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9 Exhibits PGE-01 Amended Prepared Testimony, Smith Direct Testimony Chapter 5 and Citizens-01, Smith Rebuttal Testimony.

10 Exhibit PGE-01 Amended Prepared Testimony, JPK Direct Testimony Chapter 7.

B. The Investment Program and DCOA

The Amended and Restated Development, Coordination, and Option Agreement ("DCOA") between PG&E and Citizens establishes the terms for the proposed Investment Program.[11] The DCOA is substantially similar to the agreements the Commission approved in D.11-05-048 and D.19-03-024 in connection with Citizens' participation in the Sunrise and Sycamore projects. Under the DCOA, as described in more detail in the Direct Testimony of PG&E witness Michael Medeiros,[12] the DCOA includes the following key features:

1. PG&E will have the opportunity to provide Citizens Pacific with up to five separate options to lease Entitlements to an identified group of PG&E high-voltage transmission projects that meet specified eligibility requirements, for a total investment by Citizens Pacific of up to $1 billion. Citizens' interest in any project will not exceed 49.9%.

2. PG&E will present Citizens Pacific with a list of projects before Citizens exercises each option, requiring all projects to meet the specific criteria set forth in the DCOA. The criteria for these projects are as follows:

   (1) The capital costs associated with the expected Citizens Pacific interest in each project must not already be included in PG&E's existing FERC transmission rates for purposes of cost recovery;

   (2) Each project must be eligible for direct cost recovery from the California Independent System Operator ("CAISO") through the CAISO High-Voltage Transmission Access Charge ("TAC");

   (3) Each project must be expected to operate at 200 kilovolts or above; and

   (4) Each project must have already received all regulatory approvals and permits required at that time.

3. PG&E will continue to own and operate all of the transmission projects, and Citizens Pacific's participation will be a leasehold interest to certain Entitlements

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11 The DCOA was initially executed on February 20, 2024, and then amended and restated on January 29, 2025, to provide updated project information and specify that 100% of Citizens Pacific's charitable donations will be dedicated to direct bill-paying assistance for PG&E customers in need. A copy of the DCOA and Amended and Restated DCOA were attached to PG&E's Application and Amended Application, respectively.

12 Exhibit PGE-01, Mederios Direct Testimony Chapter 2.

in the projects identified in each Entitlements Lease. The Entitlements will revert to PG&E at the end of each lease term. PG&E will be responsible for the development, design, permitting, engineering, procurement, construction, and operation and maintenance of all projects.

4. PG&E will submit an annual report to the Commission confirming Citizens has satisfied its charitable commitment, giving the Commission information on both the amount of charitable support and the organizations in receipt of the support.

If Citizens and PG&E close on an option, then Citizens Pacific and PG&E will enter into a 30-year Entitlements Lease with respect to the projects comprising that option period. Citizens Pacific will be a CAISO Participating Transmission Owner and turn its interest in the projects over to the CAISO's operational control.

Given the size and scope of the Investment Program, Citizens and PG&E were able to provide additional customer benefits and protections beyond those in the Sunrise and Sycamore transactions. These additional benefits include Citizens' commitment not to recover in rates its upfront and ongoing internal costs. Citizens has also committed to providing an escalating portion of its net after-tax cash flow to direct bill-paying assistance programs for at-risk PG&E customers. In contrast to the Sunrise and Sycamore transactions, where Citizens' charitable contribution commitment was 50% of its after-tax cash flow, here Citizens will dedicate 50% of the net after-tax cash flow generated by the first $200 million invested to support direct bill-paying assistance, and the percentage of support will increase by ten percentage points for each additional $200 million invested, reaching 90% of the net after-tax cash flow generated by the final $200 million going towards bill paying assistance programs.

C. Required Regulatory Approvals

The Investment Program is contingent on approvals both by this Commission, through the instant Application under Section 851, and by the FERC under the Federal Power Act.

a. FERC Approvals

The transmission rates that Citizens may charge customers for use of its transmission entitlements are FERC jurisdictional. On August 14, 2025, Citizens obtained FERC approval for Citizens Pacific to use certain rate treatments for any investments it makes through this Investment Program.[13] The FERC Declaratory Order granted Citizens Pacific's request to (1) use a hypothetical capital structure of 50% debt and 50% equity; (2) a 30-year levelized fixed rate of recovery of capital requirements; (3) use of a proxy return on equity ("ROE") (which will be reviewed in a subsequent Federal Power Act Section 205 Filing); and (4) a formula rate to recover actual operating costs (also to be reviewed in a subsequent Section 205 filing). The Declaratory Order makes clear that Citizens Pacific's ultimate rate, including the use of a proxy ROE, will be examined under Federal Power Act Section 205 to ensure the rate is just and reasonable.[14] These rate treatments are consistent with those sought by Citizens and granted by FERC for the Sunrise, Sycamore, and S-Line transactions.

Each Entitlements Lease will also require applications under Federal Power Act Sections 203, 204 and 205 proceeding to get FERC approval for the following:

- Authorization for PG&E to lease an interest in certain transmission facilities to Citizens Pacific under Federal Power Act Section 203;

- Authorization for Citizens Pacific to issue the securities necessary to finance its investment in each Entitlements Lease pursuant to Federal Power Act Section 204; and

- Approval of Citizens Pacific's Transmission Owner Tariff and Revenue Requirement associated with each Entitlements Lease pursuant to Federal Power Act Section 205, including examination of Citizens Pacific's ROE. PG&E will also make its own Section 205 filing to ensure its Transmission Owner Tariff and

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13 *Citizens Pacific Transmission LLC.,* "Order on Petition for Declaratory Order," FERC Docket No. EL24-101-000, 192 FERC ¶ 61,146 (issued August 14, 2025).

14 *Id.* at P 43.

Revenue Requirement properly exclude the projects included in an Entitlements Lease and allocate to Citizens an appropriate share of PG&E's O&M costs.

b. The Instant Section 851 Proceeding

Under Section 851, the Commission determines whether a public utility may lease any part of its "line, plant, system or other property" to another entity.[15]

On March 12, 2024, PG&E filed its Application for Approval under Section 851 to Lease Entitlements to Transmission Projects to Citizens Energy Corporation. On March 26, 2024, Citizens was granted party status. On April 15, 2024, protests were filed by The Utility Reform Network ("TURN"), and the Public Advocates Office at the California Public Utilities Commission ("Cal Advocates"). On July 23, 2024, The Center for accessible Technology ("CforAT") was granted party status as an intervenor in this matter.

On January 31, 2025, with permission of the Assigned Commissioner and Assigned Administrative Law Judge, PG&E filed an Amended Application, to respond to stakeholder concerns. Cal Advocates, TURN and CforAT filed protests to the Amended Application. On April 21, 2025, the National Diversity Coalition was granted party status. At the status conference held on September 8, 2025, all parties agreed that hearings were not necessary and agreed to briefing the issues in the Scoping Memo for the Commission.

III. ISSUES IDENTIFIED IN THE SCOPING MEMO AND RULING

The Scoping Memo, at pages 4-6, set forth the following issues for consideration and decision by the Commission in this case:

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15 "A public utility … shall not sell, lease, assign, mortgage, or otherwise dispose of, or encumber the whole or any part of its … line, plant, system, or other property necessary or useful in the performance of its duties to the public, … without first having … secured an order from the commission authorizing it to do so for qualified transactions valued above five million dollars…" Cal. Pub. Util. Code § 851(a).

(1) What should the standard of review be for this Amended Application?

(2) Has PG&E demonstrated that the ratepayer impact of this transaction will not be less favorable than the ratepayer impact of PG&E paying for the same transmission projects through its usual practice of including the costs on its balance sheet and recovering those costs through rates?

a. What are the strengths and weaknesses of the representative rate model as a counterfactual for the purpose of determining that ratepayers are held harmless over a 30-year lease period? What risks to ratepayers over the lease period may not be adequately reflected in this model?

b. Is locking the rates that Citizens Energy Corporation will charge for 30 years reasonable and beneficial to ratepayers?

c. If adopted, how would PG&E's proposed investment program created by the DCOA impact ratepayers, rates, and revenue requirements?

(3) Should the Commission, under Pub. Util. Code § 851, grant the proposed transaction between PG&E and Citizens, which is subject to the terms and conditions of the DCOA?

a. If granted, should the Commission impose any conditions? For example, should PG&E be required to file an Advice Letter to the Commission seeking approval of transmission projects to be funded as part of the second to fifth Option Periods?

b. If PG&E's proposal is adopted, how would PG&E ensure timely completion of projects included as part of the DCOA?

c. If PG&E's proposal is adopted, should PG&E and Citizens make a periodic showing to the Commission demonstrating that ratepayers are not being harmed by the lease agreements? If so, how?

(4) Does the proposed transaction differ from Commission Decision 11-05-048 and Decision 19-03-024 or any other similar decision or authority and if so, how?

(5) Should the Commission authorize PG&E to enter into the first entitlements lease with Citizens pursuant to the terms and conditions of the investment program created by the DCOA and as described in the Amened Application?

(6) How does the proposed transaction align with the Commission's activities under its affordability Ratemaking 18-07-006?

(7) How does the proposed transaction impact environmental and social justice communities, including achievement of any of the nine goals of the Commission's

Environmental and Social Justice Action Plan? What impacts would the transfer of Citizens' leasehold interest(s) to a third party have to the benefits received by disadvantaged and vulnerable communities?

(8) If granted, should Citizens be entitled to the proposed rate of return in PG&E's application?

IV. DISCUSSION

A. The Appropriate Standard of Review is Whether the Investment Program is Adverse to the Public Interest (Issues 1, 3 & 4)

The Commission's well-established standard for evaluating a Section 851 Application is whether the proposed transaction is "adverse to the public interest."[16] This is the legal standard the Commission has consistently applied for similar transactions, for Citizens' past transactions with SDG&E (Sunrise and Sycamore, D.11-05-048 and D.19-03-024, respectively), and for the SCE- Morongo transaction (D.16-08-017), and it is the appropriate standard of review for this transaction.

The Investment Program is based on the same structure as the Sunrise and Sycamore transactions.[17] Like those transactions, the Investment Program involves:

- A leasehold interest in transmission assets. As in the Sunrise and Sycamore transactions, under the Investment Program Citizens will not own or operate any transmission asset, and Citizens' leasehold interest will revert to PG&E upon expiration of each applicable lease.

- A rate no higher than PG&E's rate for transmission. The Investment Program uses the same Representative Rate Model, updated with PG&E specific inputs, with the same Citizens commitment to charge the *lower* of either the revenue requirement produced by its FERC approved rate model, or the revenue requirement produced by the Representative Rate Model.

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[16] Sycamore Section 851 Decision, D.19-03-024 at 9; Sunrise Section 851 Decision, D. 11-05-048, pp. 6-11.

[17] The SCE-Morongo transaction shares a similar structure in that it involves a leasehold interest in a transmission asset, with a rate capped no higher than what SCE would charges absent Morongo's involvement (D.16-08-017 at p.38-40). However, the SCE-Morongo transaction did not include the charitable donation commitment that Citizens includes in its transactions.

- A commitment to fund charitable contributions. Citizens continues its commitment to dedicate a portion of its after tax cash flow to support charitable causes. For the Investment Program, Citizens' charitable commitment will go to direct bill-paying assistance programs.

The Investment Program takes this familiar, Commission-approved structure, and scales it up in ways that provide additional customer protections and benefits, including:

- Citizens has agreed not to recover any of its internal and administrative costs in rates, a benefit Citizens is able to provide given the size of the investment in this transaction. This is a direct savings to customers as compared to the Sunrise and Sycamore transactions where Citizens' regulatory costs are recovered in rates.

- Citizens has contractually committed to dedicate an escalating percentage of its net after-tax cash flow to direct bill-paying assistance programs for PG&E customers. In its other transactions, Citizens' dedicates 50% of its net after-tax cash flow to charitable purposes. Here, Citizens' charitable commitment starts at 50% of its net after-tax cash flow associated with the first $200 million invested and then increases the percentage of its charitable commitment by ten percentage points for each additional $200 million, with 90% of its net after-tax cash flow committed to direct bill-paying assistance programs. This is a substantial increase in customer benefit that is directly linked to the size and structure of the Investment Program and is expected to produce more than $450 million in charitable assistance for PG&E's most at risk customers.

- The multi- lease structure of the Investment Program allows for flexibility to tailor Citizens' investment with the needs of PG&E's transmission planning process. By splitting Citizens $1 billion investment into multiple leases, the Investment Program also ensures that it factors in any changes in market conditions because each lease will reflect the conditions in place at the time of that lease. This offers a fair balance of enabling a larger investment (capable of producing substantially larger charitable contributions) while also ensuring each lease reflects current capital market conditions.

- PG&E's request for a single Commission approval under Section 851 for the full Investment Program of up to $1 billion, including the use of Tier 3 Advice Letters for the approvals of leases two through five, avoids the regulatory duplication, delays and costs associated with filing five, structurally identical 851 Applications. If approved, this pragmatic and efficient approach will conserve Commission resources and preserve the right of interested parties to participate, while minimizing PG&E's and Citizens' costs and thus maximizing the amount of charitable donations the Investment Program can generate.

These differences do not change the underlying structure of the deal and do not make it novel or unprecedented. Rather, these differences between this Investment Program and the Sunrise and Sycamore transactions should be regarded as enhancements, because they provide *additional* benefits and protections to customers, and they do so without introducing adverse impacts. Because they include and build upon the customer protections in the prior Commission-approved Sunrise and Sycamore transactions, these enhancements do not make the Investment Program "novel," and they should not trigger a heightened standard of review. This is especially true, since the Commission specifically rejected arguments to apply a heightened standard of review in the Sunrise transaction, which was the first time a transmission investment of this type had been proposed.[18] If ever there was a time when a transaction like this could be considered "novel," it would have been when the Commission was considering the Sunrise transaction, not now, when the Commission is being asked to evaluate this type of transmission investment by Citizens for the third time. The Commission also applied the "not adverse to the public interest" standard in the SCE- Morongo transaction, where the investment was $400 million for a single lease, which is larger than any anticipated single Entitlements Lease under the proposed Investment Program.[19] These cases make it clear, therefore, that the appropriate standard for review for this transaction continues to be whether or not the Investment Program is adverse to the public interest.

The record in this proceeding amply demonstrates that the Investment Program will not be "adverse to the public interest," as the statute requires. The projects eligible for inclusion in the Investment Program will be planned, owned, operated and maintained by PG&E in exactly

[18] Sunrise Section 851 Decision, D. 11-05-048 at 9.

[19] Morongo Section 851 Decision, D.16-08-017 at p 39.

the same way as they would be absent Citizens' involvement. Customers will not be exposed to higher rates than they otherwise would pay, and there will be no harm to PG&E's financial health or credit rating. For these reasons, the transaction is not adverse to the public interest.

But there is more. The record also demonstrates that the Investment Program will provide affirmative customer benefits, and therefore would satisfy even a heightened standard of review, for at least four reasons:

First, the Investment Program is structured to provide more than $450 million in direct bill-paying assistance to PG&E's at-risk customers, while ensuring, as the Commission said in the SCE-Morongo decision, that it is "ratepayer neutral." [20] Once fully implemented, Citizens expects this support to generate more than $16 million in bill-paying assistance per year for over 25,500 PG&E customers.[21] Citizens' charitable commitment will be incremental to other assistance programs, such as PG&E's Relief for Energy Assistance through Community Help ("REACH") program, the federal government's Low Income Home Energy Assistance Program ("LIHEAP"), and this Commission's CARE program. As such, Citizens bill-paying assistance will provide reliable, additional assistance to address the affordability challenges facing California families (including, notably, in disadvantaged communities and historically marginalized and low-income populations in the state, as Citizens witness, former Massachusetts State Commissioner Susan Tierney, has testified[22]). It is a timely and appropriate response to the affordability challenges families are facing due to rising energy costs.

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20 *Id.*

21 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8, at 8-11.

22 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8, Section D.2.

Second, by providing direct bill-paying assistance, Citizens' charitable commitment is expected to reduce costs for *all* PG&E customers, by directly alleviating some portion of the unpaid bills and arrearages that otherwise would be paid by all PG&E customers through the Ratepayer Utility Bill Assistance ("RUBA") account.[23]

Third, the Representative Rate Model is designed to ensure that Citizens' participation does not increase transmission rates. The Representative Rate Model is designed to model the rate PG&E would charge for these assets absent Citizens' involvement, and Citizens commits to charge the *lower* of the rate produced by its FERC approved rate model, or the rate produced by the Representative Rate Model.

Fourth, the fixed and levelized nature of Citizens' rate will provide long-term rate stability and certainty for all customers.[24] In contrast, without the Investment Program, PG&E customers would be subject to changes in FERC rates over time, as PG&E's cost of capital fluctuates.

Each of these ratepayer benefits is discussed in more detail below. While each benefit is significant in its own right, when taken collectively, they clearly support a finding that the Investment Program not only satisfies the "not adverse to the public interest" standard but any more stringent standard.

It must be noted, moreover, that every one of the transmission projects Citizens and PG&E will include in the Investment Program will be built, placed into service, and their costs will be recovered in rates, whether the Investment Program is approved or not. Therefore, the only question is whether customers will pay for these projects through the status quo of PG&E's

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23 Exhibit PGE-02 Rebuttal Testimony, Raman Rebuttal Testimony Chapter 3 at 3-10.

24 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8, Section D-3.

FERC approved transmission rate, or whether they will pay for a portion of them through Citizens' FERC approved transmission rate. But only if Citizens is allowed to participate will the very substantial bill-paying assistance for at-risk PG&E customers (estimated to be over $450 million) be realized. As the Commission recognized in the SCE-Morongo decision, a transaction like this "poses no ratepayer risk because, regardless of whether or not" Citizens invests in these transmission assets "ratepayers will pay for the proposed projects through FERC-approved transmission rates."[25]

For these reasons, and as discussed more fully in the remainder of this brief, the record in this case strongly supports the conclusion that the public interest will be well served if the Commission approves PG&E's Amended Application.

B. Citizens' Fixed and Levelized Rate Provides Customer Benefits While Fairly Balancing Citizens' Financing Requirements (Issues 2b & 3c)

Citizens will seek to recover its investment in the Investment Program through a fixed and levelized FERC-approved rate structure that will provide rate stability to customers while allowing the Citizens subsidiary (Citizens Pacific) to align its revenue with its debt obligations. This fixed and levelized rate structure is identical to the rate structure FERC has approved for Citizens' prior transmission investments in California. Both this Commission and FERC have recognized this to be a reasonable approach that provides customer benefits. Specifically:

- In the Citizens-Sunrise Decision, the Commission held that the levelized nature of Citizens' rate "provides a net benefit to ratepayers, because ratepayers are paying a constant amount for the lease period. While some could argue that this levelization is merely an inter-temporal shift of cost responsibility among ratepayers, it is a benefit to the ratepayers of today to not have to pay the front-ended costs. It is fair to ratepayers to levelize the cost out, at a set, but lower amount, for the entire 30 years rather than burdening some ratepayers today.

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25 Morongo Decision D.16-08-017 at p. 40.

Under the circumstances, we conclude that the [transaction's] levelized rate methodology provides a ratepayer benefit."[26]

- In the Citizens-Sycamore Decision, the Commission held that regardless of potential changes in capital market conditions "Citizens' fixed capital costs provide rate stability to ratepayers. They also protect ratepayers from changes in money costs caused by fluctuations in the market. Furthermore, the rate stability and protection from market fluctuations provide tangible benefits to ratepayers.[27]

- FERC has approved the fixed and levelized rate structure for Citizens in three different transactions: (1) the Citizens-Sunrise transaction in 2009 (holding that "Citizens proposed levelized approach is reasonable in the context of rate recovery for a single asset and will ensure a constant revenue stream"),[28] (2) the Citizens-Sycamore transaction in 2018 (holding that "the 30-year levelized fixed rate of recovery of capital requirements is reasonable because it will match the benefits of the Project that are constant over time with the cost recovery")[29] and (3) the Citizens-IID S-Line transaction in 2022 (holding that "Citizens S-Line's proposed capital cost recovery is expected to benefit consumers by providing rate stability and protection against potential capital cost increases over time").[30]

All of the foregoing ratepayer benefits previously identified and endorsed by this Commission and by FERC apply with equal measure to the Investment Program.

As with past transactions, Citizens' fixed and levelized rate structure under the Investment Program will provide three primary customer benefits.

First, the levelized rate provides for a more equitable distribution of costs by avoiding the front-loading of costs in the early years of a project that occurs under traditional ratemaking.[31]

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26 Sunrise Decision D.11-05-048 at 18-19.

27 Sycamore Decision D.19-03-024 at 16.

28 *Citizens Energy Corp.*, 129 FERC ¶ 61,242 at P 23 (2009).

29 *Citizens Energy Corp.*, 162 FERC ¶ 61,161 at P 22 (2018).

30 *Citizens S-Line Transmission, LLC*, 175 FERC ¶ 61,046 at P 25 (2021).

31 Exhibits PGE-01 Amended Prepared Testimony, R. Kennedy Direct Testimony Chapter 6 at 6-11; PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-24.

This approach flattens and smooths the timing of recovery so that the costs customers pay match the benefits received and is therefore consistent with the principles of rate stability and intergenerational equity.[32]

Second, Citizens' fixed and levelized rate structure provides certainty and stability in rates, which acts as a hedge against market volatility and fluctuations.[33] For each lease under the Investment Program, Citizens will calculate a fixed and levelized rate using current market information which will ensure that customers get the benefit of any changes in market conditions that might occur from one lease to the next, while also providing stability for a small portion of the overall CAISO high-voltage transmission system. As Citizens witness, former Massachusetts State Commissioner Dr. Susan B. Tierney, has testified, a hedge of this type is part of a prudent risk-management strategy.[34] Furthermore, it is important to recognize that locking in the debt cost for this type of financing is standard practice for PG&E,[35] and therefore that customers' rates will reflect a locked in cost of debt regardless of whether the transmission facilities in question are financed by PG&E or by Citizens.

With regards to ROE, the record in this proceeding demonstrates that locking in an ROE benefits customers by providing a hedge against future capital cost increase as well as market volatility, as both the Commission and FERC have recognized.[36] As Dr. Tierney has testified in

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32 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-24.

33 *Id.* at 8-17.

34 *Id.* at 8-23.

35 Exhibit PGE-01, D. Raman Direct Testimony Chapter 3 at 3-3 and 3-4.

36 *See* Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-17-18, Sunrise Decision D.11-05-048 at 18-19, Sycamore Decision D.19-03-024 at 16, *Citizens Energy Corp.*, 129 FERC ¶ 61,242 at P 23 (2009), *Citizens Energy Corp.*, 162 FERC ¶ 61,161 at P 22 (2018), and *Citizens S-Line Transmission, LLC*, 175 FERC ¶ 61,046 at P 25 (2021).

this proceeding, ROEs have historically trended within a narrow band and PG&E's current ROE is among the lowest it has been since 1990,[37] making it unlikely that customers would be harmed by locking in an ROE under current market conditions. Dr. Tierney's analysis is consistent with Commission Decision 24-10-008, where the Commission found persuasive Cal Advocates' analysis on "how little the average authorized ROEs moves over time" as compared to the Cost of Capital Mechanism proposed in that proceeding.[38] Further, as Dr. Tierney has also testified, while it is impossible to precisely predict the changes in future capital market conditions, locking in a portion of the overall California transmission rates remains beneficial as part of an overall strategy of risk diversification, especially when considered in conjunction with the other benefits of the Investment Program.[39]

Third, the fixed and levelized rate is necessary as a practical matter for Citizens to obtain financing, and so is directly linked to the substantial public benefits stemming from Citizens' commitment to fund direct bill-paying assistance for at-risk PG&E customers.[40] As Citizens' CEO, Peter Smith, explains in his testimony, the fixed and levelized nature of the Citizens' rate allows its FERC-regulated subsidiary (Citizens Pacific in this transaction) to match its debt service obligations to its incoming revenue stream.[41] Mr. Smith has explained that, since the revenue generated by the Investment Program will be Citizens Pacific's only source of revenue,

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37 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-21 to 8-22 and Figure 6.

38 D.24-10-008 at 27-33.

39 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-20-23

40 Exhibit PGE-01 Amended Prepared Testimony, Smith Direct Testimony Chater 5 at 5-11 to 5-12.

41 *Id.* at 5-11.

the consistent and stable structure of the Citizens' rate is critical to Citizens' ability to obtain financing.[42] Thus, the structure of the Citizens' rate is directly linked to the charitable benefits and these two elements must be viewed jointly.

For similar reasons, any condition that would attempt to subject Citizens to a true-up structure, rate change, or future refund obligation, would likely render the transaction unfinanceable.[43] Based on experience, Citizens anticipates that lenders and rating agencies, in evaluating the Investment Program, will run multiple analyses to ensure that the Citizens subsidiary (Citizens Pacific) has sufficient cash flow to meets its debt service obligations.[44] These evaluators also will be aware of the fact that the Investment Program in this instance differs from prior Citizens transmission investments in California, because Citizens here has agreed to forego rate recovery of its internal costs. This difference – a customer benefit unique to this transaction – will affect how lenders and rating agencies model the transaction. The record in this case confirms that any attempt to require Citizens to participate in other periodic showings during the course of the Investment Program, which might trigger an obligation by Citizens to change its rates, or to pay customer refunds, would be misplaced. It would constitute a fundamental departure from the transactions Citizens has financed in the past. Citizens is legitimately concerned that the imposition of such a requirement would render Citizens unable to secure funding for the Investment Program, thus sacrificing all of the benefits the transaction would bring to customers.[45]

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42 *Id.* at 16.

43 *Id.* at 16.

44 Exhibit TURN-02, Citizens Response to TURN Second Request.

45 *Id.*.

This Commission and FERC have recognized the reasonableness and beneficial nature of the Citizens' rate structure in several past transactions. The fixed and levelized rate structure is a critical component of the overall Investment Program. It has clear customer benefits, and importantly it also provides the Commission with a unique opportunity to address affordability and PG&E's capital needs. Finally in this regard, it must be borne in mind that the Citizens fixed and levelized rate will apply to only a small percentage of PG&E's overall transmission system, and will represent an even smaller percentage of the overall CAISO Transmission Revenue Requirement. As Dr. Susan Tierney testifies, even assuming (contrary to reality) that the current size of the CAISO transmission system were to remain static, the revenue requirement associated with the fully implemented Investment Program will be quite small in absolute terms, representing less than 3.5% of the total CAISO Transmission Revenue Requirement.[46]

C. Reducing Citizens' Rate of Return Is Not in the Public Interest (Issue 8)

The Commission should not attempt to require a reduction in Citizens' rate of return in this proceeding, for two independent reasons.

First, attempts to reduce Citizens' ROE would run the risk of making the transaction unworkable. In this proceeding, TURN initially recommended limiting Citizens' rate of return to 6.3%, based on an argument that Citizens faces risks similar to those of securitized debt holders.[47] However, as Citizens' witness Peter Smith testified in his rebuttal testimony, adopting TURN's position would result in a transaction with financial metrics significantly below those required by lenders, making it impossible to finance.[48] After seeing Mr. Smith's rebuttal

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46 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-23.

47 Exhibit TURN-01E, Dowdell Testimony at 4-7.

48 Exhibit Citizens-01, Smith Rebuttal Testimony at 15-16.

testimony, TURN requested that Citizens run its models to identify the rate of return necessary to maintain a 1.25 debt service coverage ("DSC") ratio, which, in Citizens' experience is the minimum lenders will consider for financing. Citizens' response to TURN's data request shows that it is not possible to pinpoint a single rate of return that would satisfy lenders' requirements, for several reasons:

- Lenders and credit rating agencies will run a variety of models testing multiple scenarios to evaluate whether or not the Citizens subsidiary (Citizens Pacific) will have sufficient cash flow to satisfy its debt obligations. These scenarios are likely to involve sensitivities around Citizens Pacific's costs, since those will not be recovered in rates under the Investment Program and are likely to vary year to year. Citizens does not know exactly how lenders or credit rating agencies will model this transaction, and restricting the rate of return increases the risk that lenders will not find the Investment Program a safe investment option.[49]

- The models included with the Amended Application are illustrative, and all inputs will change at the time each lease is executed. Trying to "solve" for a specific DSC ratio or evaluate whether a specific rate of return is financeable using illustrative models provides little useful information because a rate of return that might be financeable now might not be financeable if the model inputs change.[50]

- Trying to "triangulate" the bare minimum return that would allow the transaction to get financed is an impossible task that does not take into consideration the qualitative factors that go into lender and rating agency decisions, such as regulatory uncertainty, asset-specific risks, market volatility, and market conditions impacting lending in general.[51]

Further, lenders and rating agencies will take into account the fact that the Investment Program involves several new commitments by Citizens which, while they clearly benefit customers and increase the amount of Citizens' charitable donations, also affect the way lenders and credit rating agencies view the riskiness of the transaction.

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[49] Exhibit TURN-02, Response to TURN Second Request at 1-2.

[50] Exhibit TURN-02, Response to TURN Second Request at 3.

[51] Exhibit TURN-02, [Response to TURN Second Request at 3.

To briefly summarize, the evidence provided by Citizens in response to TURN's data request shows the impracticality of proposals like TURN's to condition the Investment Program on an arbitrary restriction on Citizens' rate of return, beyond the cap embedded in the Representative Rate Model cap, which restricts Citizens' rate to no higher than PG&E's.

Second, and equally important, the Commission has no need to address Citizens' ROE in this proceeding. This is an issue that FERC will address directly, acting under its jurisdiction to set rates that are "just and reasonable" under the Federal Power Act. FERC is the appropriate forum for interested parties, including the Commission, to raise concerns about Citizens Pacific's ROE. Meanwhile, however, for purposes of this Section 851 proceeding, the Commission can be assured that whatever rate is set by FERC will be no higher than what PG&E would otherwise charge for transmission service for the affected transmission assets.

The Commission in its prior decisions has recognized as much. In the Sycamore case (D.19-03-024), for example, the Commission found that "any rate Citizens charges must be authorized by FERC. FERC, which evaluates cost reasonableness using similar cost-of-service ratemaking principles that this Commission uses, will review Citizens' costs to ensure that Citizens' transmission rates are just and reasonable."[52]

Indeed, FERC has already weighed in on these issues in connection with the proposed Investment Program. Citizens in this case petitioned FERC, as Citizens has done in connection with its prior California transmission investments, requesting an order authorizing the Citizens subsidiary (Citizens Pacific) to use a proxy ROE and its actual cost of debt, both of which would be fixed for the full duration of each lease. Earlier this year, FERC issued the order Citizens

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[52] Sycamore Decision D.19-03-0024 at 17. *See also* Morongo 851 Decision D.16-08-017, at 40 (holding "regardless of whether or not Morongo Transmission LLC invests in the proposed project, ratepayers will pay for the proposed project through FERC-approved transmission rates."

requested. Although FERC granted Citizens Pacific's request to use a proxy ROE, FERC also made it clear that Citizens Pacific will bear the burden of demonstrating, in a future rate proceeding, that its chosen proxy ROE will result in rates that are just and reasonable under Section 205 of the Federal Power Act. Specifically, FERC ruled that:

> Citizens Pacific will need to demonstrate that it features comparable risks to that of the source of the proxy ROE. Citizens Pacific will also need to demonstrate that financial conditions underlying the cost of capital are similar at the time of the Citizens Pacific's section 205 filing and for the test period underlying the proxy ROE.[53]

When Citizens Pacific submits its Section 205 filing to FERC, all interested parties, including this Commission, will have the opportunity to examine and challenge Citizens Pacific's requested proxy ROE, ensuring that the ultimate ROE reflected in the Citizens' rate will be just and reasonable and in the public interest.

This rigorous examination by FERC is consistent with Citizens' experience in its most recent transmission investment (the IID S-Line project). In that instance, FERC requested additional information and analysis from the Citizens subsidiary (Citizens S-Line) examining (i) Citizens S-Line's credit rating and risk profile as compared to those of the utility whose ROE Citizens S-Line sought to use as a proxy; (ii) Citizens' corporate structure; and (iii) a comparison and analysis of the capital market conditions, including interest rates, stock prices, and growth rates, for the time when the proxy ROE was set and the time of Citizens S-Line's request.[54] Citizens expects a similar level of scrutiny and need to provide robust support for Citizens Pacific's ROE when it makes its Section 205 filings under the Investment Program in this case.

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53 *Citizens Pacific Transmission, LLC*, 192 FERC ¶61,146 at P 43 (2025).

54 *See* Exhibit Citizens-01, Smith Rebuttal Testimony at 13-14; FERC Docket No. ER21-2082, Citizens S-Line Transmission Response to Deficiency Letter, eLibrary Accession No. 20211105-5183 (Nov. 5, 2021).

It is clear, therefore, that FERC will carefully scrutinize the Citizens Pacific rate for each Entitlements Lease to ensure that it is "just and reasonable" under the Federal Power Act standards. Accordingly, proposals in the context of this Section 851 proceeding to reduce Citizens' rate of return are more appropriately directed to FERC.

The Commission properly should defer to FERC in setting Citizens Pacific's ROE and should not accept proposals such as that advanced by TURN. The Commission can have full confidence that, under the plain terms of the DCOA, any rate approved by FERC for Citizens' investment in PG&E's transmission assets will be capped at the rate that FERC would otherwise approve for PG&E's investment.

Again, the Commission here does not write on a blank slate. The Commission specifically endorsed this same "capped" rate approach in three prior decisions approving substantially similar third-party transmission investments in California.[55]

For these reasons, the Commission should not adopt TURN's proposal to condition the approval of PG&E's Application upon changing Citizens' rate of return.

D. The Representative Rate Model is Designed to Protect Customers from Paying More Under the Investment Program Then They Would Absent Citizens' Involvement (Issues 2, 2a, & 2c)

Under the Investment Program, Citizens' recovery will be the lower of either the FERC approved Citizens Rate Model or the Representative Rate Model. This ensures that customers will get the benefit of whichever model produces a lower rate. In the absence of the Investment Program to which Citizens and PG&E have agreed, PG&E will recover its costs through traditional FERC ratemaking. Thus, the capped rate ensures that customers will not pay more

55 D.11-05-048 (*Sunrise*), D.16-08-017 (*SCE-Morongo*), and D.19-03-024 (*Sycamore*).

than they would without the Investment Program. This structure is identical to how Citizens' transactions with SDG&E are structured, and here PG&E and Citizens have adopted the same Representative Rate Model but updated it to reflect PG&E's FERC-approved ratemaking methodology and parameters such as taxes, depreciation and return on rate base.[56] The SCE-Morongo transaction adopted a similar model, which, as the Commission recognized when it approved that transaction capped Morongo's recovery to the same rate that SCE would recover absent Morongo's involvement and thereby held customers neutral.[57] Thus, the structure PG&E proposes here is a familiar one for the Commission, and provides the same protections the Commission previously has considered and approved to ensure that customers will pay no more than they would in the absence of the Citizens investment.

The rate cap, as the Commission found in the SCE-Morongo case, ensures that this proposal is "ratepayer neutral."[58]

While the Representative Rate Model is a Commission approved method of protecting customers, no one can predict the future, and over the course of the term of the Investment Program, certain inputs into the Representative Rate Model such as ROE or capital structure may fluctuate. However, these fluctuations could go in either direction, and to the extent those fluctuations would increase rates, the fixed and levelized nature of the Citizens' rate would provide an effective hedge. To the extent that the fluctuations would result in a lower rate, customers would continue to benefit from the significant direct bill-paying assistance generated

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[56] Exhibit PGE-01 Amended Prepared Testimony, Raman Amended Direct Testimony Chapter 3 at 3-5 to 3-6.

[57] Morongo 851 D.16-08-017 at 38, 40.

[58] *Id.*

by Citizens' participation. As Dr. Tierney has testified, a hedge provides insurance-like benefits, even if it ultimately is not used. [59]

In addition to the protections provided by the Representative Rate Model, the terms of the DCOA protect customers against double recovery (1) by requiring that an amount equal or greater than the expected Citizens' leasehold percentage interest of the capital costs of each project must not already be included in PG&E's existing FERC transmission rates for cost recovery; (2) by requiring that PG&E exclude from its transmission rates for cost recovery an amount of dollars equivalent to the total Prepaid Rent from Citizens; and (3) providing for PG&E to allocate to Citizens a proportionate share of expense costs for the projects subject to an Entitlements Lease and requiring PG&E to exclude from its transmission rates for cost recovery any amount allocated to Citizens.[60] This structure, which the Commission in prior cases has recognized effectively protects against double recovery,[61] offers additional protection to ensure customers are not negatively impacted by the transaction.

For all of these reasons, the proposed Investment Program is well designed to provide customers the benefit of Citizens' direct bill-paying assistance, while continuing to remain "ratepayer neutral" by capping the Citizens rates at the rates PG&E otherwise would charge.

E. Citizens' Direct Bill-Paying Assistance Advances the Commission's Efforts to Advance Affordability and the Commission's Environmental and Social Justice Action Plan (Issues 6 & 7)

Customer affordability is a top priority for the Commission. The Commission has recognized that it "faces multiple intersecting policy mandates that require a delicate balance

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59 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-17 to 8-

60 DCOA §§ 3.4(a)(i), 4.6.

61 Sunrise Decision D.11-05-048 at 19.

between achieving California's policy goals without negatively impacting affordability for those customers most in need.[62] Likewise, in its "Q 1 2025 Rates Report," Cal Advocates has stressed that residential rates for energy customers in California have "increased significantly" in recent years, and that "low-income households are most impacted" by these higher rates.[63]

Citizens' commitment to use a significant and increasing share of its after-tax cash flow from this Investment Program to fund direct bill-paying assistance for at-risk PG&E customers is an effective and commendable response to the challenge of affordability. This assistance, which Citizens estimates will exceed $450 million over the life of the Investment Program (assuming the full $1 billion investment), offers the Commission a unique opportunity to advance its efforts under both its Affordability Rulemaking[64] and its Environmental and Social Justice Action,[65] while being "ratepayer neutral" (D.16-08-017, p. 39) from a cost perspective.

In its Affordability Rulemaking, the Commission recognized ongoing affordability issues, with the most acute concerns "continu[ing] to be in the particularly low-income parts of major metropolitan areas, as well as in the Central Valley,"[66] areas which include parts of the

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62 *See* CPUC Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates, and Equity Issues Pursuant to P.U. Code Section 93.1 (May 2021) at p. 3, available at: [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/en-banc/senate-bill-695-report-2021_en-banc-white-paper.pdf.

63 Cal Advocates, Q 1 2025 Rates Report," available at https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/242005-public-advocates-office-q1-2025-rates-report.pdf

64 *See CPUC* Affordability Rulemaking 18-07-006.

65 *See CPUC* Environmental and Social Justice Action Plan, Version 2.0 (April 7, 2022).

66 *See* CPUC 2021/2022 Annual Affordability Report (October 2023) at p 5-6 of https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/affordability-proceeding/2021-2022/2021-and-2022-annual-affordability-report.pdf.

PG&E service territory.[67] While existing customer assistance programs like CARE provide a meaningful affordability benefit,[68] the Commission has recognized there continues to be a "significant gap in affordability between low-income and median income customers"[69] which indicates a need for incremental bill-paying assistance like the Investment Program would provide. The Commission's analysis of the CARE program aligns with PG&E's experience with its REACH program, where the 2024 program was fully exhausted by September, even at its recent higher funding levels. [70]

In addition, while undeniably helpful and needed, programs like CARE and the Family Electric Rate Assistance Program ("FERA") are subsidized by other customers, resulting in a cost shift from one group of customers to another in the range of customers approximately $1.75 billion per year, by the Commission's estimates.[71] In contrast, the Investment Program will generate a very substantial amount of bill-paying assistance, but without placing upward pressure

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67 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8, Section D-2.

68 *Id*. At 8.

69 *Id.* At 41.

70 *See* PG&E Press Release – *PG&E Provides Over $5 Million in Bill Support to Customers Through REACH Program in 2024, Additional CARE & FERA Discounts Available to Qualifying Customers* (November 25, 2024), available at: https://investor.pgecorp.com/news-events/press-releases/press-release-details/2024/PGE-Provides-Over-50-Million-in-Bill-Support-to-Customers-Through-REACH-Program-in-2024-Additional-CARE--FERA-Discounts-Available-to-Qualifying-Customers/default.aspx#:~:text=(REACH%20&%20REACH%20Triple%20Match),-Fresno&text=Funding%20for%20the%20REACH%20program,apply%20for%20the%20availabl e%20support.%22

71 *See* 2024 Senate Bill 695 Report, *Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to Public Utilities Code Section 913*.1, (July 2024) at pg 16, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf

on the rates paid by other customers. Thus, the Investment Program, once fully implemented, presents the Commission with the opportunity to provide CARE level assistance to an additional 25,500 PG&E customers annually, above and beyond the assistance programs that are already in place.[72]

The Investment Program also offers a level of predictability in funding that unfortunately does not exist for other assistance programs like REACH and LIHEAP. PG&E is currently able to fund REACH at a level significantly higher than the program has seen historically,[73] which provides a clear customer benefit, but the REACH program includes no year-to-year funding commitment or guarantee. In contrast, Citizens is contractually committed to dedicate a specific and increasingly large percentage of its net after-tax cash flow to direct bill-paying assistance, resulting in a predicable and stable funding source. The stability of the Citizens' charitable commitment is especially useful in the current political climate, where the Trump Administration has been threatening to cut off funding for the LIHEAP program.[74] While the Senate Appropriations Committee turned back the administration's recent effort to defund LIHEAP, the future of LIHEAP funding remains uncertain. Against this challenging backdrop facing the LIHEAP program, the predictability of the Citizens' charitable commitment will have a significant impact on those PG&E customers most at risk.

Importantly, Dr. Tierney has provided insightful testimony confirming that there is significant overlap in the distribution of low-income customers and the location of disadvantaged

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72 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-11.

73 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-8, Figure 1.

74 Exhibit Citizens-01, Smith Rebuttal Testimony at 5-6.

communities within the PG&E service territory. Attachment SFT-1 to Dr. Tierney's initial testimony shows the overlap between the PG&E service territory and (i) Disadvantaged Communities; (ii) Low-Income Communities; (iii) Electric Areas of Affordability Concern; (iv) California Electricity Climate Zones; and (v) California Communities with a majority of residents that are Hispanic. Based on Dr. Tierney's analysis, over half of PG&E's low-income residential customers that are eligible for the CARE program reside in the Central Valley, an area the Commission has specifically identified for affordability concerns. The Central Valley is also an area of the PG&E service territory with a significant population living in disadvantaged communities, and with a high percentage of customers who are members of a historically marginalized minority.[75] Addressing affordability for these communities through direct bill-paying assistance will advance the Commission's goals of prioritizing these communities in its Environmental and Social Justice Action Plan.[76]

Citizens and PG&E also have taken steps to ensure that these charitable benefits will continue, even in the unlikely event that Citizens were to ever assign its interest in any lease under the Investment Program. To be clear, this scenario is unlikely to occur; Citizens has never assigned any of its transmission leases and has no intention of doing so here. In any event, however, Section 11.2 of the Form of Entitlements Lease conditions any assignment on, among other things, that the assignee be bound by the charitable commitment language contained in Section 5.3. Thus, the Entitlements Leases will ensure that the charitable commitment will

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75 Exhibit PGE-01 Amended Prepared Testimony, Tierney Direct Testimony Chapter 8 at 8-13-8-16.

76 *See* CPUC Environmental and Social Justice Action Plan, Version 2.0 (April 7, 2022), Goals 1 & 4, p 3, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf

continue to be enforceable, even if assigned to another party. Thus, even in the unlikely event of an assignment of the lease, such a transfer is not expected to impact the benefits received by disadvantaged and vulnerable communities.

F. The Commission Should Approve the Investment Program As Proposed in the Amended Application and as Outlined in the DCOA Without Additional Conditions (Issues 3, 3a, 3b, & 5)

After PG&E filed its Section 851 Application, several parties expressed their concerns about the identity of projects to be included in the Investment Program and the details of Citizens' charitable giving program. In response to this feedback from stakeholders, PG&E and Citizens revised the Investment Program by:

- Identifying a master list of projects that PG&E expects to use to develop the Project List for each lease[77] and a list of projects for PG&E to include in the first lease;[78]
- Requiring PG&E to submit an expedited Tier 3 Advice Letter process prior to leases two through five to allow for stakeholder review;[79]
- Committing that Citizens will use its charitable donations for direct bill-paying assistance programs.[80]

These refinements, which were directly responsive to many of the concerns stakeholders raised, bolster the other preexisting benefits of the Investment Program already discussed in the sections above. They have produced a proposed Investment Program that maintains the considerable public benefits, including the charitable contributions, while equitably balancing:

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77 *See* Amended Application of Pacific Gas and Electric Company for Approval Under Public Utilities Code Section 851 to Lease Entitlements to Transmission Projects to Citizens Energy Corporation ("Amended Application"), Attachment 2 .

78 *See* Amended Application, Exhibit B to Attachment 1, Amended DCOA.

79 Exhibit PGE-01 Amended Prepared Testimony, Medeiros Direct Testimony Chapter 2 at 2-7.

80 Exhibit PGE-01 Amended Prepared Testimony, Smit Direct Testimony Chapter 5 at 5-2.

(i) PG&E's need for flexibility to tailor the program to its transmission planning process; (ii) Citizens' need for a transaction that it can finance, and (iii) stakeholders' need for further information and certainty, all while generating more than $450 million in direct bill-paying assistance for at-risk PG&E customers.

In addition, because any project included in the Investment Program will need to be fully constructed and in service in order to be eligible for inclusion in any lease,[81] the Investment Program will have no impact on PG&E's timeline for completing these projects. All of the projects eligible for inclusion in the Investment Program are projects identified as part of PG&E's ongoing transmission planning process, and they will be built and put into service with or without Citizens' participation. This is why the Investment Program is developed around a diverse portfolio of assets. PG&E cannot indefinitely "hold" projects already online for a future Entitlements Lease, and PG&E also cannot include projects in an Entitlements Lease that are delayed in the development process due to factors outside of PG&E's control. The flexibility built into the DCOA is necessary to allow the Investment Program to align with PG&E's evolving transmission project pipeline.

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81 *See* Amended Application, Attachment 1, Amended DCOA at p. 14.

V. CONCLUSION

PG&E and Citizens have demonstrated that the Investment Program will not be adverse to the public interest, as required by Section 851 of the Public Utilities Code, and that the Investment Program also will provide affirmative customer and public interest benefits. Accordingly, Citizens respectfully asks that the Assigned Commissioner and Assigned Administrative Law Judge issue a Proposed Decision finding that the Investment Program, as described in PG&E's Amended and Restated Application, should be approved. Further, the Commission should authorize PG&E to enter into the first lease with Citizens.

Respectfully submitted,

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