STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

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

FILED
11/14/25
02:37 PM
A2409015

November 14, 2025

Agenda ID #23869
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 24-09-015:

This is the proposed decision of Administrative Law Judge Eric Fredericks. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 18, 2025, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

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

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

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:jds
Attachment

Decision **PROPOSED DECISION OF ALJ FREDERICKS (Mailed 11/14/2025)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Recovery of Recorded Expenditures in Transmission Revenue Requirement Reclassification Memorandum Account. (U-39M)	Application 24-09-015

DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY TO RECOVER RECORDED EXPENDITURES IN THE TRANSMISSION REVENUE REQUIREMENT RECLASSIFICATION MEMORANDUM ACCOUNT

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DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY TO RECOVER RECORDED EXPENDITURES IN THE TRANSMISSION REVENUE REQUIREMENT RECLASSIFICATION MEMORANDUM ACCOUNT

Summary

This decision authorizes Pacific Gas and Electric Company (PG&E) to recover in rates a revenue requirement of $338.2 million for balances recorded in PG&E's Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA) that reflect jurisdictional reclassification of certain costs from Federal Energy Regulatory Commission (FERC) transmission jurisdiction to California Public Utilities Commission distribution jurisdiction. This amount includes $372.8 million for recovery of Common, General, and Intangible plant costs and related expense revenue requirements, $7.9 million for two facilities that changed from California Independent System Operator (CAISO) operational control to non-CAISO operational control in 2023 and associated operations and maintenance expense, and a retail offset of $42.6 million associated with facilities reclassified from distribution to transmission in 2023. The authorized revenue requirement will be recovered in rates beginning January 1, 2026, or the first practicable billing cycle thereafter.

We find that the identified costs were incurred and properly recorded, and that the revenue-requirement calculations are accurate on a net basis.

To provide visibility without delaying implementation, PG&E must serve, within 45 days of this decision, an information-only report that (1) states the effective billing date and the implemented net TRRRMA revenue requirement with a short workpaper and, (2) identifies PG&E's most recent End Use Customer Refund Balancing Account Adjustment filing and whether settlement-

interest refunds are reflected in current FERC-jurisdictional rates. PG&E must also file a Tier 2 Advice Letter within 120 days of this decision to (1) show whether PG&E improperly classified transmission assets from 2006 through 2022, (2) calculate the dollar amount of associated revenue requirement that PG&E collected from distribution customers, and (3) recommend appropriate regulatory channels to address any financial impacts for those customers.

This proceeding is closed.

1. Procedural Background

On September 30, 2024, Pacific Gas and Electric Company (PG&E) filed Application (A.) 24-09-015 (Application) requesting authority to recover recorded expenditures in its Transmission Revenue Requirement Reclassification Memorandum Account (TRRRMA). The application seeks recovery of costs that were reclassified from the jurisdiction of the Federal Energy Regulatory Commission (FERC) to the jurisdiction of the California Public Utilities Commission (Commission) following FERC Opinion No. 572 and the related Transmission Owner 18 (TO18) settlement, which reduced PG&E's authorized transmission revenue requirement. PG&E's Application requests recovery of a total revenue requirement of approximately $338.2 million, excluding interest, revenue fees and uncollectibles, and refunds.

On November 4, 2024, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a protest to PG&E's Application.

On November 14, 2024, PG&E filed a reply to the Cal Advocates protest.

On December 3, 2024, the assigned Administrative Law Judge (ALJ) issued a ruling setting a Prehearing Conference (PHC) and directing the parties to file a joint PHC statement by December 13, 2024.

On December 13, 2024, PG&E and Cal Advocates jointly filed their PHC statement.

On December 17, 2024, the assigned ALJ held a virtual PHC.

On January 9, 2025, the Assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo) categorizing the proceeding as ratesetting and confirming that evidentiary hearings were required.

Evidentiary hearings were held remotely on June 30 and July 1, 2025.

PG&E and Cal Advocates each filed Opening Briefs on July 30, 2025, and Reply Briefs on August 14, 2025.

2. Submission Date

This matter was deemed submitted upon the filing of reply briefs on August 14, 2025.

3. Jurisdiction

PG&E operates as an investor-owned public utility under the Commission's jurisdiction pursuant to Article XII of the California Constitution and Public Utilities Code (Pub. Util. Code) Sections (§) 451, 454, 701, and 728.

Pub. Util. Code § 451 gives the Commission authority to regulate public utility rates, charges, and services to ensure that every rate and charge collected by a utility is just and reasonable. Section 454 grants the Commission authority to approve or deny any proposed change in rates upon a finding that the new rate is justified. Section 701 provides the Commission with broad supervisory and regulatory powers over all public utilities and authorizes the Commission to take any action necessary to carry out its duties under law. Section 728 authorizes the Commission to fix rates and determine whether those rates are just and reasonable.

The Commission holds full authority to decide this application and to grant or deny PG&E's request consistent with the Pub. Util. Code and Commission precedent.

4. Issues Before the Commission

The Scoping Memo identified the following issues to be determined:

1. Does PG&E's Application meet the legal standards for recovery?
2. Has PG&E demonstrated that the Common, General, and Intangible (CGI) Plant costs in PG&E's request were actually incurred?
3. Are PG&E's calculations regarding the revenue requirement requested in its Application accurate and should costs be recovered from Commission ratepayers?
4. Is the interest associated with the CGI Plant costs correctly calculated?

5. Application Background

PG&E filed this instant application seeking authority to recover recorded expenditures in its TRRRMA. PG&E created the TRRRMA to record revenue requirement impacts associated with the reclassification of certain costs from federal to state jurisdiction as directed by FERC.[1]

The costs in this Application originate from PG&E's TO18 proceeding before FERC. In that proceeding, FERC's Initial Decision disallowed PG&E's request to recover certain CGI Plant costs after finding that PG&E's documentation did not establish that the costs were actually incurred.[2] Following

[1] Application at 1-2.

[2] Cal Advocates Opening Brief at 4; PG&E Post-Hearing Opening Brief at 13.

that determination, PG&E and the active parties, including the Commission, entered into a settlement that resolved the remaining TO18 issues.[3]

The TO18 settlement authorized PG&E to seek recovery of up to $472.8 million in CGI Plant costs in a subsequent proceeding before this Commission.[4] The settlement specifies that the Commission retains full authority to determine whether PG&E may recover any portion of those costs from CPUC-jurisdictional ratepayers. The settlement also clarifies that "by entering into this Settlement, the CPUC is not expressing an opinion as to the recoverability of CGI amounts in a subsequent CPUC proceeding."[5]

PG&E's Application requests recovery of $372.8 million in CGI Plant costs that it originally sought in TO18 as well as related administrative and general costs and $7.9 million for two facilities that changed from California Independent System Operator (CAISO) operational control to non-CAISO operational control in 2023 and associated operations and maintenance expense.[6] PG&E also proposes a $42.6 million credit adjustment for electric distribution customers. This credit stems from electric transmission facilities PG&E incorrectly recorded to Electric Distribution FERC Plant Accounts and included in PG&E's 2023 General Rate Case (GRC) revenue requirement calculation. PG&E notes that because these transmission facilities were included in PG&E's FERC-jurisdictional rates, Commission-jurisdictional customers are entitled to a refund of $42.6 million which is being netted against the other revenue requirement

[3] Application at 3-4.

[4] *Id.* at 4.

[5] PGE-1 at Chapter 1, Attachment 1, TO 18 Settlement, Section 5.4.

[6] Application at 1-6.

entries in TRRRMA. This reduces the overall revenue requirement PG&E requested in this Application.[7] PG&E proposes to recover these amounts from Commission-jurisdictional ratepayers over a 12-month period beginning in January 2026[89]

6. Party Positions and Discussion of Scoping Issues

6.1. Scoping Issue 1: Does PG&E's Application Meet the Legal Standards for Recovery?

6.1.1. Legal Standards for Recovery

PG&E states that its application meets the legal standards for recovery because the TRRRMA was created to record and track revenue requirement impacts associated with jurisdictional cost transfers between FERC and the Commission. PG&E explains that the TRRRMA operates as a balancing account authorized by prior Commission decisions to capture changes in cost responsibility arising from regulatory reclassification, including those resulting from FERC Opinion No. 572 and the related TO18 settlement.[10] PG&E maintains that its request is consistent with the TRRRMA's purpose because it seeks recovery of costs reclassified to Commission jurisdiction, not new or incremental spending.[11] PG&E also notes that the Commission has approved similar recoveries in Southern California Edison Company's (SCE) TRRRMA proceeding, and claims the decision in that proceeding was instructive towards a standard of recovery where costs were reasonable and distribution related.

[7] Application at 1-6.

[9] *Id.* at 2.

[10] PG&E Post-Hearing Opening Brief at 5-18.

[11] *Id.* at 7.

PG&E claims the Commission did not require SCE to demonstrate that SCE's costs were actually incurred.[12]

Cal Advocates contends that PG&E's Application does not meet the legal standards for recovery because the TRRRMA framework does not supersede the requirements of Pub. Util. Code § 451, which mandates that all utilities demonstrate that their requested recoveries are just and reasonable. Cal Advocates argues that the TO18 settlement expressly preserved the Commission's discretion to determine whether any of the CGI Plant costs should be recovered from state-jurisdictional ratepayers, and that PG&E has not provided sufficient evidence to show that those costs were actually incurred.[13] Cal Advocates further distinguishes PG&E's request from SCE's prior TRRRMA proceeding, asserting that those cases involved uncontested, well-documented balances, whereas FERC Opinion No. 572 specifically found that PG&E's documentation failed to establish that certain CGI Plant costs represented actual expenditures.[14] Cal Advocates also emphasizes that the Commission's responsibility extends beyond confirming accounting accuracy to independently evaluating the reasonableness and prudence of the recorded costs, supported by transaction-level documentation such as invoices and receipts.[15]

In prior TRRRMA precedent involving SCE, the Commission recognized that CGI costs are, by their nature, not tied to a single function and therefore need not be proven 'distribution-specific'; instead, the reasonableness showing

[12] *Id.* at 32-35.

[13] Cal Advocates Opening Brief at 3-4.

[14] Cal Advocates Reply Brief at 7-8.

[15] Cal Advocates Opening Brief at 2-19.

was anchored in the prior GRC review and the absence of disallowance by FERC or the Commission.[16] We consider the SCE TRRRMA decision instructive on how TRRRMA functions procedurally, but our determination here turns on PG&E's evidentiary showing under Pub. Util. Code §§ 451 and 454 for these specific costs.

The Commission finds that the TRRRMA provides an appropriate procedural mechanism for PG&E to record jurisdictional cost transfers but does not itself authorize recovery. Under Pub. Util. Code §§ 451 and 454, PG&E bears the burden of proving by a preponderance of the evidence that the recorded costs are just and reasonable. The preponderance standard requires credible and persuasive evidence demonstrating that the disputed costs were more likely than not incurred and properly recorded. This framework ensures that the Commission's review is both procedural—confirming that the TRRRMA is the proper vehicle—and substantive, requiring an independent assessment of whether the underlying costs meet statutory just and reasonable standards.

The Commission also finds that the scope of this proceeding, as defined in the January 9, 2025, Scoping Memo and Ruling, includes both verification of the TRRRMA balances and a substantive reasonableness review of the underlying costs. While the Commission will not revisit FERC's allocation decisions, it retains full authority to determine whether recovery of the reclassified costs from CPUC-jurisdictional ratepayers meets the statutory standards for just and reasonable rates.

Accordingly, the Commission concludes that PG&E's Application satisfies the procedural requirements for consideration of recovery under the TRRRMA

[16] *See* D.03-08-062.

but that recovery of the recorded costs depends on PG&E's evidentiary showing of actual incurrence and reasonableness.

6.2. Scoping Issue 2: Has PG&E Demonstrated that the CGI Plant Costs in PG&E's Request Were Actually Incurred?

6.2.1. Evidentiary Showing: Sampling, Invoices, and Ledger Support

PG&E states that its evidentiary showing demonstrates that the CGI Plant costs recorded in the TRRRMA were actually incurred and properly classified under Commission jurisdiction.[17] PG&E explains that it supported its request with general ledger data containing 28,875 line items, account-level summaries, and representative invoices verifying the underlying transactions.[18] PG&E contends that this combination of documentation and sworn testimony from accounting and plant witnesses demonstrates that the costs were incurred in the ordinary course of business and are consistent with Commission standards for verifying recorded account costs.[19] PG&E further asserts that requiring production of every invoice for the $372.8 million request would be burdensome and inconsistent with Commission practice, which allows representative documentation and verified accounting records to demonstrate incurrence.[20]

PG&E argues that its sampling approach is consistent with Commission precedent and accepted accounting practice, where complete invoice-level substantiation is not required if ledger records, audit controls, and sworn

[17] PG&E Post-Hearing Opening Brief at 36-56.

[18] *Id.* at 30.

[19] *Id.* at 43-56.

[20] PG&E Post-Hearing Reply Brief at 3-4.

testimony provide reasonable assurance of accuracy.[21] PG&E maintains that its evidence meets the preponderance standard because it shows that the costs were more likely than not incurred, properly booked, and within jurisdictional authority.[22] PG&E also notes that most of the TRRRMA-related costs were already reviewed as part of the 2023 GRC audit conducted by Cal Advocates, which tests recorded expenditures that form the basis for the test year forecast. PG&E argues that because Cal Advocates reviewed many of the same cost categories for audit purposes, its claim that the TRRRMA record lacks sufficient documentation is inconsistent with its own prior audit findings. PG&E adds that its internal and external audits confirmed the reliability of its ledger and that no party identified any specific transaction as erroneous or improperly classified.[23]

Cal Advocates argues that PG&E has not met its burden because the evidence covers only a small fraction of the requested recovery and does not provide transaction-level documentation for most of the costs. Cal Advocates notes that PG&E's invoices represent less than one percent of the total claimed balance and that the remainder relies on internal spreadsheets and summaries. Cal Advocates asserts that PG&E's sample was non-random and statistically unsupported, and that the supporting materials are secondary evidence—summaries and reconciliations—rather than primary proof of payment.[24] Cal Advocates further contends that FERC Opinion No. 572 previously found PG&E's supporting documentation inadequate to demonstrate actual incurrence

[21] PG&E Post-Hearing Opening Brief at 43-47.

[22] *Id.* at 41.

[23] PG&E Post-Hearing Reply Brief at 22-25.

[24] Cal Advocates Opening Brief at 14-15.

and that PG&E has not provided materially stronger evidence here.[25] Cal Advocates does not dispute that it conducted the GRC audit but argues that the purpose of that audit is to test recorded expenditures for forecasting accuracy, not to determine whether those costs are recoverable in a separate jurisdictional proceeding.[26]

On October 1, 2018, FERC Administrative Law Judge Coffman issued an Initial Decision that addressed disputed issues raised by parties in the TO18 rate case, including the CGI plant cost allocation methodology. Judge Coffman first determined that FERC's decision in Kern River Gas Transmission Company (Kern River) is the appropriate standard to evaluate PG&E's two-step allocation methodology. Using the Kern River test from the decision, costs can be directly assigned (i.e., Step 1 of PG&E's proposed methodology) if "the method of assignment is consistent and the cost's relationship to a specific line of business [i.e., functional area] is obvious and reviewable."[27] The Commission notes that FERC's TO18 Initial Decision and Opinion No. 572[28] rejected direct assignment under the Kern River test and required use of an Operations and Maintenance labor allocator. Neither decision found the CGI costs themselves imprudent or unrecoverable, and both allowed an allocated portion in FERC-jurisdictional rates. [29]

[25] *Id.* at 3-8.

[26] Cal Advocates Reply Brief at 8-10.

[27] PGE Post Hearing Opening Brief at 11-15.

[28] *See* PGE-1 at page 1-5 through page 1-12.

[29] *Id.* at 50-54.

The Commission finds that PG&E bears the burden of proving by a preponderance of the evidence that the recorded TRRRMA costs were actually incurred and reasonable. This standard does not require exhaustive documentation of every transaction but credible and persuasive evidence showing that the costs were more likely than not incurred. PG&E's documentation included line-item charges for the largest work order from each of the top ten CGI planning orders, paired with invoices where feasible, plus more than 20,000 general ledger line entries. While not a random sample, the selection focuses on the highest-dollar orders. Commission precedent recognizes that representative sampling, general ledger data, and sworn testimony may suffice when supported by verifiable controls. The record shows that PG&E's documentation—together with the independent audit review conducted by Cal Advocates as part of the GRC—provides additional corroboration that the TRRRMA balances represent costs actually incurred and properly recorded. Although Cal Advocates correctly notes that the sample size is limited and not statistically derived, those concerns go to the weight of the evidence rather than its sufficiency. Although we could require additional negotiated or random sampling or keeping the record open for further documentation, we determine that those requirements are not necessary given the sufficiency of the present record. The Commission therefore concludes that PG&E's evidentiary showing meets the applicable standard and reasonably demonstrates that the CGI Plant costs recorded in the TRRRMA were incurred and properly classified.

6.2.2. Non-Invoice Categories

PG&E states that certain portions of the TRRRMA balance are supported by accounting and cost-allocation records rather than invoices because some

costs—such as payroll, shared services, and internal labor allocations—do not generate vendor billing. PG&E explains that these costs are documented through journal entries, work orders, and labor distribution schedules that reconcile to its general ledger. PG&E argues that these records are equally probative of actual incurrence because they reflect costs that were accrued and booked consistent with the Uniform System of Accounts. PG&E maintains that the Commission has long accepted internal accounting records, audit reports, and other corroborative business documents as sufficient evidence of incurrence when invoices are unavailable or not typically produced for the type of transaction at issue.

PG&E also asserts that the internal cost categories recorded in the TRRRMA are regularly subject to internal and external audits verifying their accuracy. PG&E states that Cal Advocates' insistence on invoice-level documentation for all costs disregards accepted accounting practice and prior balancing account decisions allowing the use of internal labor and overhead records. PG&E contends that these categories—primarily payroll, overhead allocations, and joint facility costs—are routine operational expenses already reviewed and approved by the Commission in other proceedings.[30]

Cal Advocates argues that PG&E's reliance on internal accounting records does not meet its evidentiary burden because journal entries and internal spreadsheets lack independent verification.[31] Cal Advocates maintains that PG&E failed to demonstrate that these allocations were correctly applied or that they do not duplicate recovery elsewhere. Cal Advocates further notes that

[30] PG&E Post-Hearing Opening Brief at 47-50.

[31] Cal Advocates Reply Brief at 8-10.

PG&E provided no statistical validation or audit analysis showing what portion of labor or overhead costs relates to the reclassified transmission assets.[32]

The Commission finds that PG&E bears the burden of proving that all recorded costs, including non-invoice categories, were actually incurred and reasonable. The Commission recognizes that not all legitimate utility costs produce invoices and that internal accounting records, reconciliations, and work orders can serve as credible evidence of incurrence when they are consistent with standard accounting practices. After reviewing the record, the Commission finds that PG&E's documentation—consisting of journal entries, reconciliation schedules, and cross-referenced ledger data—provides sufficient support under the preponderance of the evidence standard to demonstrate that these costs were incurred. Although internal documentation carries less independent verification than third-party invoices, the consistency of PG&E's accounting controls and the absence of evidence suggesting error or duplication lend credibility to the showing. The Commission therefore concludes that PG&E's evidentiary support for non-invoice categories reasonably establishes that these costs were incurred and properly recorded in the TRRRMA.

6.2.3. Timing of Production and Due Process Considerations

PG&E states that it provided all responsive data and supporting materials for its TRRRMA showing in accordance with the procedural schedule and Commission rules. PG&E explains that the January 9, 2025, Scoping Memo was the first procedural document to expressly identify the "actually incurred" issue as a distinct question, and it promptly supplemented the record with invoice

[32] *Id.* at 5-7.

samples and accounting evidence once that issue was clarified. PG&E maintains that its April 4, 2025, data responses and May 30, 2025, rebuttal testimony were timely and submitted within the schedule adopted by the assigned ALJ. PG&E further notes that all parties received the materials before evidentiary hearings, had an opportunity to cross-examine witnesses on them, and that no motion to strike or request for additional discovery was filed.

PG&E also contends that the Commission has consistently permitted the introduction of clarifying or supplemental documentation in rebuttal testimony when it responds to intervenor issues and does not introduce new proposals. PG&E emphasizes that the rebuttal documents did not expand its request but provided additional evidentiary support for the same TRRRMA balances presented in its Application. PG&E adds that, after the close of evidentiary hearings, both PG&E and the assigned ALJ offered Cal Advocates additional time to review the rebuttal materials before post-hearing briefs were due, but Cal Advocates declined the offer, indicating it was ready to proceed under the existing briefing schedule. PG&E argues that this sequence demonstrates full procedural fairness and that no party was denied the opportunity to review, test, or respond to the evidence.[33]

Cal Advocates argues that PG&E's late production of key supporting evidence deprived parties of a fair opportunity to review, analyze, and test the data before hearings. Cal Advocates maintains that PG&E should have included complete evidentiary support with its opening testimony rather than withholding thousands of pages of invoices and reconciliation data until rebuttal.

[33] PG&E Post-Hearing Opening Brief at 56-57.

Cal Advocates asserts that the compressed timeline between rebuttal and hearings limited its ability to meaningfully evaluate the new information and undermined due process.[34]

The Commission finds that PG&E's production of additional evidence in rebuttal did not violate due process or prevent meaningful participation by other parties. The Scoping Memo first identified the "actually incurred" issue on January 9, 2025, and PG&E supplemented the record within the established procedural timeline. The Commission notes that all supplemental materials were filed before the evidentiary hearings, made available for review and cross-examination, and that after hearings concluded, both PG&E and the assigned ALJ offered Cal Advocates additional time to review and address the rebuttal evidence before briefs were due—an offer Cal Advocates declined. Offering additional time to review mitigates, but does not automatically cure, concerns about late production. On balance, we find the combination of pre-hearing availability of evidence, the opportunity for cross-examination, and Cal Advocates' declination of additional time preserved due process. This sequence demonstrates that the procedural record afforded full opportunity for review and response. Accordingly, the Commission concludes that PG&E's production of evidence complied with procedural fairness and due process requirements.

6.2.4. Treatment of Administrative and General Expenses

PG&E states that the TRRRMA includes certain Administrative and General (A&G) expenses that were transferred from FERC to Commission jurisdiction as part of the reclassification resulting from Opinion No. 572 and the

[34] Cal Advocates Opening Brief at 8-15.

TO18 settlement.[35] PG&E explains that these A&G costs reflect the company's standard allocation of corporate support functions—such as accounting, information technology, human resources, and facilities management—that are proportionally assigned to utility operations under long-established accounting methodologies.[36] PG&E argues that these allocations are consistent with both the Uniform System of Accounts and prior Commission decisions, which have routinely recognized A&G as a recoverable component of plant-related costs.[37]

PG&E further asserts that the A&G expenses included in the TRRRMA are not duplicative of any amounts recovered through other mechanisms, such as the GRC, because the affected balances were removed from FERC jurisdiction and have not been included elsewhere for cost recovery.[38] PG&E contends that its internal accounting controls prevent double counting by ensuring that A&G allocations are recorded only once in the applicable jurisdiction. PG&E also notes that its testimony and workpapers include documentation demonstrating that the reclassified A&G costs were allocated using the same ratios and labor distribution methods that have been reviewed and accepted in prior proceedings.[39]

Cal Advocates argues that PG&E has not demonstrated that the A&G costs included in the TRRRMA are incremental or jurisdictionally distinct from those already recovered through the GRC. Cal Advocates contends that PG&E's

[35] Application at 1, 3-4.

[36] PGE-4, 14-15; Attachment B at 10-14.

[37] PG&E Post-Hearing Opening Brief at 8-11.

[38] *Id.* at 20-21.

[39] *Id.* at 16-18.

request to recover A&G costs is derivative of the disputed CGI Plant capital expenditures and if the Commission finds PG&E has not shown that the underlying CGI Plant costs were actually incurred, the associated A&G amounts should also be disallowed. Cal Advocates further maintains that PG&E has not satisfied its evidentiary burden to establish claims that the CGI Plant is in service, used and useful. Cal Advocates states that PG&E has not substantiated the base costs from which A&G is calculated, so recovery of those overheads should be denied. [40]

The Commission finds that A&G expenses are a standard component of utility cost recovery and may be recovered when properly supported by evidence showing that they were actually incurred, appropriately allocated, and not subject to double recovery. The Commission notes that PG&E provided allocation tables, accounting records, and testimony explaining that these A&G amounts were transferred from FERC jurisdiction and excluded from its GRC recovery request. The record shows that PG&E applied its established cost allocation methodologies, which the Commission has previously found reasonable, and that those allocations are consistent with the Uniform System of Accounts.

While Cal Advocates correctly observes that PG&E's documentation could more clearly identify the specific source accounts for each A&G transfer, the record as a whole demonstrates that these costs were properly recorded, jurisdictionally distinct, and not duplicative of other recoveries. The Commission therefore finds that PG&E has met its burden under the preponderance of the

[40] Cal Advocates Opening Brief at 23-24.

evidence standard and that the A&G costs included in the TRRRMA were appropriately transferred and are recoverable as part of the overall TRRRMA balance approved in this decision.

6.3. Scoping Issue 3: Are PG&E's Calculations Regarding the Revenue Requirement Requested in Its Application Accurate and Should Costs Be Recovered from Commission Ratepayers?

6.3.1. Arithmetic and Allocators

PG&E states that its calculation of the TRRRMA revenue requirement correctly applies the allocator methodology required under FERC Opinion No. 572 and the TO18 settlement. PG&E explains that the allocator shifts CGI costs between FERC and CPUC jurisdictions using the labor ratio adopted in the settlement, which replaced the prior direct-assignment method. PG&E maintains that this methodology ensures accurate jurisdictional apportionment and prevents double recovery because the same allocator is applied consistently across all cost components. PG&E also notes that its calculations were reviewed and verified through internal audit controls and that the resulting revenue requirement ties directly to the underlying general ledger data supporting the TRRRMA.

PG&E asserts that its arithmetic calculations were performed in accordance with the TO18 settlement formula and that all parties to that settlement, including Cal Advocates, agreed to the allocator structure. PG&E argues that Cal Advocates' challenges in this proceeding do not allege computational errors but instead seek to relitigate policy determinations resolved at FERC. PG&E emphasizes that its revenue requirement model was provided in

both native and PDF formats during discovery and that Cal Advocates did not identify any mathematical or formulaic discrepancies.[41]

Cal Advocates does not dispute the arithmetic accuracy of PG&E's calculations but argues that the allocator inputs are not fully transparent and that PG&E has not demonstrated that the labor allocator ratios reflect current operational data.[42] Cal Advocates contends that because the allocator was established as part of a prior FERC settlement, PG&E should have updated its labor ratios to ensure they remain representative of current staffing levels and cost drivers.[43] Cal Advocates further maintains that the record lacks sufficient explanation of how indirect costs were distributed among business units, limiting the ability to confirm that the allocator was applied uniformly across all accounts.[44]

The Commission finds that PG&E has demonstrated that the TRRRMA revenue requirement was calculated in accordance with the methodology adopted in the TO18 settlement and that the resulting arithmetic is accurate. The record shows that PG&E used the labor allocator established under the settlement and applied it consistently to all relevant cost categories. The Commission notes that Cal Advocates does not identify any computational errors or inconsistencies in the model itself.

While Cal Advocates correctly observes that the allocator ratios are based on historical labor data, the settlement expressly provides that these ratios

[41] PG&E Post-Hearing Opening Brief at 1-4, 57-64.

[42] Cal Advocates Opening Brief at 16-19; Cal Advocates Reply Brief at 10.

[43] Cal Advocates Opening Brief at 3-7; CA-01-E2, Attachment 15.

[44] Cal Advocates Reply Brief at 10.

remain in effect unless modified by FERC, and no party has sought such modification. The Commission therefore finds that PG&E's use of the established allocator is appropriate for this proceeding and that its arithmetic calculations accurately reflect the required jurisdictional shift. The resulting revenue-requirement is presented on a net basis that includes the $42.6 million distribution-to-transmission offset.

6.3.2. Distribution to Transmission Accounting Adjustment Refund

PG&E proposes to refund $42.6 million to electric distribution customers for costs associated with certain transmission assets that PG&E incorrectly classified as distribution facilities. PG&E identified and remedied the misclassification of these assets in 2023 and began recovering costs for these assets in FERC-jurisdictional rates during the same year. In this application, PG&E seeks to refund revenue that it will collect from electric distribution customers for these assets over the current GRC cycle (from January 1, 2023 through December 31, 2026), to avoid double recovery between FERC and CPUC-jurisdictional rates.[4546] Cal Advocates asks the Commission to order PG&E to file a Tier 2 Advice Letter to compensate electric distribution customers for all costs from 2006 to 2022 erroneously recovered in distribution rates as a result of PG&E's misclassification. [47]

PG&E argues the TRRRMA credit should only apply from January 1, 2023, onward because that is when the costs were first included in FERC-jurisdictional

[45] PG&E Post-Hearing Opening Brief at 2-3.

[46] Cal Advocates Opening Brief at 22; Ex. PGE-4 – PG&E Rebuttal, p. AtchJ-3.

[47] Cal Advocates Opening Brief at 22-23.

rates.[48] PG&E argues that Cal Advocates' request would result in "trapped costs" because PG&E would be required to refund amounts to CPUC-jurisdictional customers for earlier periods but may not be able to recover these costs at FERC and cannot adjust prior period stated FERC rates.[49]

We find merit in reviewing the actual error that may have occurred before finding whether there are trapped costs. The TRRRMA is an accounting mechanism designed to align revenues going forward. The existence of an established forward-looking account does not eliminate the responsibility of reviewing charges that may have been incorrectly booked for years before 2023. An appropriate regulatory pathway to address any trapped costs, pattern of misclassification and refinement to the TRRRMA that can avert future misclassification, can only take place when PG&E submits relevant data on past errors.

Therefore, it is reasonable for PG&E to submit, within 120 days of the effective date of this decision, a Tier 2 Advice Letter to show whether PG&E incorrectly recovered revenue requirements associated with misclassified transmission assets from distribution customers from 2006 through 2022. PG&E shall quantify the revenue requirement amount resulting from any identified misclassification of assets and provide calculations to support that quantification. PG&E shall also provide recommendations for an appropriate regulatory path to address the financial impact of its misclassification on distribution customers and avert future asset misclassification, including reporting requirements.

[48] PG&E Post-Hearing Opening Brief at 59.

[49] PG&E Post-Hearing Opening Brief at 59-60.

Based on the information that PG&E submits in its Advice Letter, Energy Division staff may determine the appropriate path for remedying past and future asset misclassifications.

6.3.3. CAISO-to-Non-CAISO Transfer Amount

PG&E seeks recovery of $7.7 million associated with a facility moved from CAISO control to non-CAISO control in 2023, stating the amount is recorded in the TRRRMA and within the scope of this Application.[50]

Cal Advocates does not oppose recovery of this $7.7 million CAISO-to-non-CAISO transfer amount and recommends that, if authorized, it be included in the adopted revenue requirement on a net basis consistent with the implementation section of this decision.[51]

We approve recovery of the $7.7 million CAISO-to-non-CAISO transfer amount. The record supports the amount, it is uncontested on the merits, and it falls within the TRRRMA showing.

6.3.4. Implementation Schedule

PG&E proposes prospective implementation beginning January 1, 2026, or the first practicable billing cycle after the final decision, characterizing this request as recovery of balances recorded in TRRRMA rather than retroactive ratemaking.[52]

[50] PG&E Post-Hearing Opening Brief at 21-22.

[51] Cal Advocates Opening Brief at 1.

[52] PG&E Post-Hearing Opening Brief at 23.

Cal Advocates does not oppose prospective implementation if the authorized amount is expressly net of the retail offset associated with facilities moved between distribution and transmission.[53]

The Commission notes that the implementation schedule proposed by PG&E does not appear to result in rate shock (an increase of more than ten percent) and Cal Advocates did not propose an alternative to PG&E's proposal. We therefore adopt this implementation plan, effective January 1, 2026 (or the first practicable billing cycle thereafter). The amount authorized is on a net basis, meaning we subtract the $42.6 million retail offset tied to facilities moved between distribution and transmission before it appears in rates. Within 45 days of this decision, PG&E shall serve an information-only compliance report that (1) states the effective billing date and the implemented net TRRRMA revenue requirement with a short workpaper, and (2) shows where the retail offset appears in rates. PG&E shall serve the report on the service list and send a copy to the Commission's Energy Division.

6.4. Scoping Issue 4: Is the Interest Associated with the CGI Plant Costs Correctly Calculated?

6.4.1. Treatment of FERC-Determined Interest and Retail Offset

PG&E states that settlement-related refunds and interest are administered at FERC through ECRBAA and should not be duplicated in CPUC rates. PG&E also indicates it expects to make its next ECRBAA filing in September 2025 for rates effective January 1, 2026.[54]

[53] Cal Advocates Opening Brief at 22-23.

[54] PG&E Post-Hearing Reply Brief at 27; Cal Advocates Reply Brief at 25.

Cal Advocates seeks safeguards to prevent duplication for CPUC-jurisdictional customers. Cal Advocates contends PG&E has only sought partial interest refunds to date, estimating about $34.3 million remains outstanding, and Cal Advocates asks for an Advice Letter so parties can confirm that the upcoming ECRBAA filing fully reflects the required refunds.[55]

The Commission notes the interest at issue is administered at FERC through ECRBAA. No party asks the Commission to compute an interest amount in this proceeding. Our task is to ensure that recovery authorized here does not duplicate FERC-administered refunds. To provide transparency without delaying implementation, the information-only report required by this decision shall also include a brief ECRBAA status that identifies PG&E's most recent filing (caption and filing date) and states whether TO18 settlement-interest refunds are reflected in current FERC-jurisdictional rates.

7. Determination of Scoping Issues

Based on the discussion above and in consideration of party and public comments, we find that PG&E's application meets the legal standards for recovery. PG&E has demonstrated that the CGI Plant costs recorded to TRRRMA were actually incurred and its revenue-requirement calculations are accurate. These costs should be recovered from CPUC-jurisdictional ratepayers on a prospective basis. We find no remaining issues regarding interest associated with the CGI Plant amounts.

8. Summary of Public Comments

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online

[55] *Id.* at 24-25.

Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

At the time of issuance of this decision, 34 written public comments had been submitted in this proceeding.

Most comments opposed the Application. Commenters primarily cited affordability concerns and hardships from rising bills, with many urging the Commission to reject additional increases or cost shifts. Several also expressed frustrations with the number and pace of utility requests before the Commission.

Many comments linked affordability to broader concerns about PG&E's profitability and executive compensation, wildfire and safety history, and a perceived lack of visible service improvements or maintenance. Commenters questioned whether prior increases had produced commensurate improvements in reliability or vegetation management.

Several commenters described concrete household impacts such as difficulty keeping up with utility bills and making tradeoffs in other essential expenses. Others criticized aspects of the ratemaking process, including the clarity of notices and perceived complexity, and expressed skepticism that customers had meaningful opportunity to influence outcomes.

No comments in the record expressly supported approval of the Application. The remaining comments did not take a clear position.

9. Procedural Matters

We grant PG&E's July 17, 2025, motion for transcript corrections. The corrections are adopted and deemed part of the record.

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All other motions not ruled on are deemed denied.

10. Comments on Proposed Decision

The proposed decision of ALJ Eric Fredericks in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure.

11. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Eric Fredericks is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PG&E recorded balances in the TRRRMA and seeks recovery of those recorded amounts as described in the evidentiary record.
2. PG&E has demonstrated that the CGI Plant costs recorded to TRRRMA were actually incurred and properly recorded for purposes of this Application.
3. PG&E's request of $372.8 million in CGI Plant costs is within the $472.8 million ceiling authorized by the TO18 settlement.
4. The A&G amounts included in this decision reflect a jurisdictional reclassification from FERC to Commission accounting and are not duplicative of amounts authorized in the most recent GRC.
5. The $7.7 million CAISO-to-non-CAISO transfer amount is supported by the record, was not opposed on the merits, and is properly included in the adopted net revenue requirement.

6. The revenue-requirement calculations presented for recovery are accurate on a net basis and include the $42.6 million retail offset associated with facilities moved between distribution and transmission.

7. Prospective implementation is reasonable and will begin January 1, 2026, or the first practicable billing cycle thereafter.

8. PG&E had improperly classified some transmission assets as distribution facilities between 2006 and 2023.

9. PG&E reclassified the improperly classified facilities from distribution to network transmission facilities in 2023, and in the same year, began collecting the related costs for these facilities in FERC-jurisdictional rates.

10. Though TRRRMA is a forward-looking account, it does not absolve the responsibility of reviewing charges that may have been incorrectly recorded in years 2006 through 2023.

11. An information-only compliance report will provide needed transparency by identifying the effective billing date, the implemented net TRRRMA revenue requirement with a short workpaper, and where the retail offset appears in rates.

12. Settlement-related interest associated with TO18 is administered at FERC through ECRBAA, and no party requests that the Commission calculate interest in this proceeding.

13. Adding a brief ECRBAA status in the information-only compliance report will provide coordination without delaying implementation or creating a parallel interest review.

14. The adopted transparency steps do not require the proceeding to be held open and do not alter the implementation schedule.

Conclusions of Law

1. Authorizing recovery here on a prospective basis is lawful and consistent with Commission practice and the record in this proceeding.

2. Recovery must be limited to CPUC-jurisdictional amounts and structured to avoid duplication with FERC-administered refunds.

3. Settlement-related interest associated with TO18 is administered at FERC through ECRBAA; the Commission does not calculate interest in this proceeding.

4. Requiring PG&E to submit a Tier 2 Advice Letter showing any improperly classified transmission assets, calculating the revenue requirement collected from distribution customers, and recommending regulatory channels to address financial impacts and prevent future misclassifications is reasonable.

O R D E R

IT IS ORDERED that:

1. The Application of Pacific Gas and Electric Company (PG&E) in this proceeding is approved, and PG&E is authorized to recover in rates a revenue requirement of $338.2 million. This amount includes $372.8 million for recovery of common, general, and intangible plant costs and related expense revenue requirements, $7.9 million for two facilities that changed from California Independent System Operator (CAISO) operational control to non-CAISO operational control in 2023 and associated operations and maintenance expense, and a retail offset of $42.6 million associated with facilities moved between distribution and transmission. Recovery shall be authorized beginning January 1, 2026, or the first practicable billing cycle thereafter.

2. Within 120 days of the effective date of this decision, Pacific Gas & Electric Company (PG&E) shall file a Tier 2 Advice Letter to show whether PG&E misclassified transmission and distribution assets from 2006 through 2022.

PG&E shall quantify the total revenue requirement impact as a result of these misclassifications, and provide calculations to support that quantification. PG&E shall also provide recommendations for an appropriate regulatory path to address the financial impact on customers, and to avert future asset misclassification, including any reporting requirements.

3. Within 45 days of the effective date of this decision, Pacific Gas and Electric Company (PG&E) shall serve an information-only compliance report that: (a) states the effective billing date and the implemented net revenue requirement adopted in this decision with a short workpaper and (b) provides the status of the most recent End-Use Customer Refund Balancing Account Adjustment filing at the Federal Energy Regulatory Commission, including the filing caption and filing date, and states whether Transmission Owner 18 settlement-interest refunds are reflected in current Federal Energy Regulatory Commission-jurisdictional rates. PG&E shall serve the report on the service list for this proceeding and send a copy to the California Public Utilities Commission Energy Division.

4. Application 24-09-015 is closed.

This order is effective today.

Dated December __, 2025, at Sacramento, California.