

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



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Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027. (U 39 M)

Application 25-05-009
(Filed May 15, 2025)

**RESPONSE OF THE UTILITY REFORM NETWORK TO
AMENDED SCOPING MEMO AND RULING'S
QUESTIONS REGARDING INTERPRETATION OF SENATE BILL 254
FOR PURPOSES OF VARIOUS
WILDFIRE MITIGATION MEMORANDUM ACCOUNTS**

Hayley Goodson, Managing Attorney
Robert Finkelstein, General Counsel

The Utility Reform Network
360 Grand Ave., #150
Oakland, CA 94610
Phone: (415) 929-8876
Fax: (415) 912-1422
E-mail: bfinkelstein@turn.org

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**RESPONSE OF THE UTILITY REFORM NETWORK TO
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QUESTIONS REGARDING INTERPRETATION OF SENATE BILL 254
FOR PURPOSES OF VARIOUS
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In the Assigned Commissioner's Amended Scoping Memo and Ruling (Scoping Ruling) issued on January 26, 2026, parties were provided an opportunity to respond to certain questions regarding how the enactment of Senate Bill 254 in 2025 should impact various questions regarding cost recovery opportunities for wildfire mitigation costs, particularly the reliance on existing or new memorandum accounts for that purpose. The Utility Reform Network (TURN) submits these responses to the questions identified in the Scoping Ruling.

At the outset, TURN urges the Commission to understand the positions set forth here are still somewhat works in progress. Intervenor testimony in this General Rate Case (GRC) is due in a week, and TURN anticipates addressing in its testimony a number of issues that are closely related to those raised in the questions in the Scoping Ruling. What TURN describes here is somewhat a preview of what TURN anticipates will appear in that testimony a week from now. However, there is some possibility that TURN's positions may change at least slightly during that period. Therefore, to the extent TURN addresses matters both in this response to the Scoping Ruling's questions and in the prepared testimony served next week, the Commission should rely on the positions set forth in TURN's prepared testimony and ultimately, in TURN's briefs.

The Scoping Ruling correctly recognizes that the enactment of SB 254 and specifically the changed language that now appears in Public Utilities Code §8386.4(a)(2) needs to be considered in determining the cost recording and recovery opportunities available

to Pacific Gas and Electric Company (PG&E) for wildfire mitigation costs. Where the statutory language had previously used more mandatory language (“shall”) regarding the need for a memorandum account, it now specifically places the matter in the Commission’s discretion. Furthermore, the statute adopts a narrower range of costs that may be tracked in any such account, from a more general “not otherwise covered” in the authorized revenue requirement to the more limited “unforeseen and incremental.”¹ In addition, also likely to factor into the Commission’s consideration of such issues in this GRC is the new language of Section 8386.4(a)(1) [“The commission shall consider the cost of implementing each electrical corporation’s plan in its general rate case proceeding and approve the costs for wildfire risk mitigation programs and activities it determines are just and reasonable.”].

1. Should the Commission direct PG&E to close its existing WMPMA and FRMMA memorandum accounts, or otherwise stop recording costs to existing memorandum accounts that exceed PG&E’s GRC authorization of the revenue requirement necessary to implement its WMP?

Yes, the Commission should direct PG&E to close the Wildfire Mitigation Plan Memorandum Account (WMPMA) and Fire Risk Mitigation Memorandum Account (FRMMA), and to otherwise stop recording costs of wildfire mitigation to memorandum accounts to the extent not required by statute. In doing so, the Commission needs to recognize a key distinction between these two accounts: The WMPMA is limited to costs of implementing PG&E’s Wildfire Mitigation Plan (WMP), while the FRMMA permits recovery of fire risk mitigation costs for activities or programs not included in the WMP. Thus, it is not merely a matter of costs that exceed PG&E’s authorized revenue requirement

¹ Scoping Ruling, p. 2, comparing the previous language of Section 8386.4(b)(1) with the current language of the same provision but now renumbered as Section 8386.4(a)(2).

for implementing the WMP that must be addressed but also costs of fire risk mitigation activities or programs that are not included in the WMP.

In making the wildfire-related memorandum accounts discretionary rather than mandatory, the Legislature reflected the spending and cost recovery patterns experienced since enactment of the legislation first calling for such accounts. Simply put, conditions have changed in material ways since 2018 and 2019.

When the FRMMA and WMPMA were each first established, they served to address a timing mismatch. PG&E and the other electric utilities were in the position of facing a need to immediately engage in greater amounts of wildfire risk mitigation activities and programs, but without yet having an opportunity to include the associated costs in their GRC forecasts. The memorandum accounts served to address that timing mismatch, giving the utilities the opportunity to record and later seek recovery of spending that was in excess of amounts included in or deemed recovered through the authorized GRC amounts. Since then, however, PG&E has had several opportunities (first in its test year 2023 GRC, and again in this test year 2027 GRC) to include the costs of wildfire risk mitigation activities and programs in its GRC forecasts. And with those opportunities, the need for the memorandum accounts to make up for that initial timing mismatch between the GRC forecast and the incurrence of wildfire risk mitigation costs has dissipated.

The recorded and forecasted spending figures bear this out. PG&E's GRC-authorized revenue requirement for wildfire risk mitigation programs has increased very substantially since the 2020 GRC period (2020-2022). For example, looking at the O&M expense amounts for programs tracked in PG&E's Wildfire Mitigation Balancing Account (WMBA), the 2020-2022 authorized amounts were approximately \$55 million per year, and grew to

approximately \$435 million per year for 2023 and 2024.² PG&E’s forecast for such O&M expenses in 2027 is approximately \$330 million.³ For capital expenditures tracked in the WMBA, the 2020 authorized figure of \$509 million increased to \$1.06 billion for 2022, with the 2023 and 2024 authorized figures at \$841 million and \$1.1 billion, respectively.⁴ PG&E’s forecast for 2027 is \$1.4 billion.

The amounts recorded in the WMPMA and the FRMMA reflect a mirror image pattern of decline over this period, as shown below:⁵

WMPMA (in millions)	Actual O&M	Actual Capital Expenditures	Total
2020	\$217.7	\$245.7	\$463.4
2021	\$297.3	\$557.8	\$855.1
2022	\$326.0	\$676.8	\$1,002.8
2023	\$23.2	\$14.7	\$37.9
2024	\$21.7	\$12.6	\$34.3

FRMMA (in millions)	Actual O&M	Actual Capital Expenditures	Total
2020	\$40.9	\$44.3	\$85.2
2021	\$45.1	\$7.9	\$53.0
2022	\$27.3	\$1.3	\$28.6
2023	\$1.7	\$0.6	\$2.3
2024	\$1.7	\$1.8	\$3.5

² These figures are based on the response PG&E provided to TURN DR 107, Question 6. TURN expects to include the response as an attachment to its testimony on these topics.

³ PG&E-4, Chapter 4, Table 4-33 (in November 2025 Errata). PG&E’s data request response indicates the utility will at some point submit errata that would increase the 2027 forecast to approximately \$373 million.

⁴ These figures are based on the response PG&E provided to TURN DR 107, Question 7, and reflect adjustments made by PG&E to remove from the 2020-2024 authorized amounts the costs associated with items that it proposes to no longer be tracked through the WMBA in 2027. Again, TURN expects to include the response as an attachment to its testimony on these topics.

⁵ These figures are based on the response PG&E provided to TURN DR 107, Question 8. Again, TURN expects to attach this information to its testimony.

This pattern of declining amounts recorded in the WMPMA and the FRMMA support eliminating these accounts. Whatever were the program and spending uncertainties that warranted establishing the accounts in 2018 and 2019, they are no longer present in anything close to that magnitude in the current environment. And the amounts recorded in the two accounts in 2023 and 2024 (approximately \$40 million total in each year) is a very small percentage of the GRC-authorized amounts for that year even if one considers only the amounts tied to wildfire risk mitigation (approximately \$1.2 to \$1.5 billion). It is, of course, an even smaller percentage of PG&E's overall GRC revenue requirement for those years (\$13.5 billion for 2023, and \$14.2 billion for 2024⁶). The Commission should recognize that at least since the 2023 GRC and the amounts authorized there, PG&E should reasonably have been expected to manage to accommodate this level of above-authorized spending within its overall authorized GRC budget.

Elimination of the WMPMA and FRMMA for PG&E could also create a cleaner starting point for dealing with costs of the utility's Electric Undergrounding Plan (EUP) that is part of the SB 884 Program for undergrounding. In Resolution SPD-15 and Resolution SPD-37 regarding the SB 884 Program for undergrounding, the Commission provides for a large electrical corporation to record costs of an Electric Undergrounding Plan (EUP) in a one-way balancing account up to an identified cost cap, and a memorandum account for costs that exceed the cost cap.⁷ Elimination of the WMPMA and FRMMA for PG&E should eliminate the risk that undergrounding costs associated with the SB 884 Program could be

⁶ D.23-11-069, p. 3.

⁷ Resolution SPD-37, pp 2-3.

recorded in those memorandum accounts and thus complicate the Commission's determination of the reasonableness of costs of the SB 884 Program.

2. Should the Commission exercise its discretion to authorize PG&E to establish new memorandum accounts, or allow PG&E to continue recording costs to existing memorandum accounts, for costs exceeding PG&E's GRC authorization for wildfire mitigation plan implementation during the GRC period?

No, for the same reasons addressed in the response to Question 1, above. The conditions that existed in 2018 and 2019 may have presented forecasting uncertainties regarding new or greatly expanded wildfire risk management programs that warranted memorandum account treatment. But now that PG&E has many years of experience with such programs and a very substantially increased GRC-authorized budget for its current programs, the Commission should presume that PG&E's experience is sufficient such that memorandum account protection is no longer appropriate.

3. Should the Commission direct PG&E to seek Commission authorization to record unforeseen and incremental wildfire mitigation costs, if necessary, through an appropriate administrative process in the future? Should the Commission specify an administrative process (e.g., via Advice Letter filing, Application, or other administrative process) in this GRC?

The Commission should start with a presumption that no opportunity to record unforeseen and incremental wildfire risk mitigation costs is necessary or appropriate, and that PG&E should be expected to work within its overall GRC-authorized revenue requirement to address any such costs. The Commission should direct PG&E to present any request to seek non-GRC recovery of such unforeseen and incremental costs only if it faces circumstances such as those costs having reached a level that would present a meaningful risk of causing the utility to significantly under-earn its authorized rate of return, or some other similarly high bar

for materiality. Given the amounts recorded in the WMPMA and FRMMA in 2023 and 2024 (approximately \$40 million total each year) and the amount of PG&E’s authorized GRC revenue requirement for those years (\$13.5 billion for 2023, and \$14.2 billion for 2024⁸), the Commission should make it very clear that any such request for an opportunity to record wildfire risk mitigation costs from 2027 or later for potential recovery outside of the GRC will be met with serious skepticism by the agency. And any such request for authorization to record unforeseen and incremental wildfire mitigation costs for potential rate recovery must be made through an application process in order to enable the degree of review that such a request warrants under these circumstances, rather than the more limited review achievable through even a Tier 3 advice letter. The Commission should reject as not serious any suggestion that the necessary review might be achieved through a Tier 2 or Tier 1 advice letter.

4. Should the Commission adopt any requirements or guidance to demonstrate that costs recorded to memorandum accounts are “unforeseen and incremental” to the programs and activities authorized in this GRC?

Again, to the extent the Commission determines that no opportunity to record unforeseen and incremental wildfire risk mitigation costs is necessary or appropriate, and that PG&E should be expected to work within its overall GRC-authorized revenue requirement to address any such costs, there is no need for adoption of any requirements or guidance on the “unforeseen and incremental” element of Public Utilities Code §8386.4(a)(2).

Should the Commission instead permit PG&E to establish or maintain a memorandum account for wildfire risk mitigation costs, it is essential that the Commission clearly establish

⁸ D.23-11-069, p. 3.

requirements for the showing required to establish that the recorded costs truly qualify as “unforeseen and incremental” and deny rate recovery of any costs that do not meet those requirements.

TURN addresses here the “incremental” requirement.⁹ Under this requirement, the utility must establish that the costs recorded in the memorandum account are both for incremental work (that is, work that is not already the subject of specifically authorized funding), and that the resources used for this incremental work were themselves incremental rather than, for example, redirected funding from other GRC-authorized sources. The Commission has already described such an approach in several reasonableness review proceedings:

Generally, costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they in labor or materials, to complete the new activity. The existence and completion of a new activity does not prove the cost was incremental. If a new activity is completed by redirecting existing resources in a related work category, no incremental cost was incurred, despite the activity itself being “incremental.”¹⁰

In TURN’s view, this already-adopted description is at least a good starting point for the “requirements or guidance” associated with the incrementality requirement for any memorandum account here, should the Commission decide to permit such an account going forward. The utility would also need to demonstrate that it is not “[u]sing costs recorded in a memorandum account to offset the forecast variances for unrelated budget categories,”

⁹ TURN may address the “unforeseen” requirement in testimony or other submissions provided later in this proceeding.

¹⁰ D.23-02-017 (PG&E WMCE Reasonableness Review), p. 27; *see also*, D.25-06-051 (SCE Wildfire Mitigation and Vegetation Management Reasonableness Review), pp. 13-14; D.25-09-008 (PG&E WMCE), p. 10; D.26-01-025, *Order Modifying Decision 25-07-009 and Denying Rehearing, as Modified*, p. 7.

consistent with the Commission’s recognition that such use would be inconsistent with GRC ratemaking principles.¹¹ And, of course, for the requirements or guidance to be effective, the Commission will need to require the utility’s reasonableness review showing to include a demonstration that it met all elements, and be prepared to disallow any and all costs associated with activities the utility fails to establish were incremental per the statute’s “unforeseen and incremental” language.

5. Are there other issues the Commission should consider with regard to the cited new provision of SB 254?

TURN has not identified other issues at this time but may include such issues in TURN’s prepared testimony or other record materials as this GRC proceeding moves forward.

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Respectfully submitted,

By: _____/s/_____
Robert Finkelstein
General Counsel

Hayley Goodson
Managing Attorney

The Utility Reform Network
360 Grand Ave., #150
Oakland, CA 94610
Phone: (415) 929-8876
Fax: (415) 912-1422
E-Mail: bfinkelstein@turn.org

¹¹ D.22-06-032 (SCE Test Year 2021 GRC Track 3 decision), p. 10.