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

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. (U39M.)

Application 25-05-009

**ASSIGNED COMMISSIONER’S SECOND AMENDED SCOPING MEMO AND RULING**

**1. Introduction**

This ruling adds to the scope of this proceeding issues related to implementing new statutory provisions affecting general rate case (GRC) forecasting. The statutes require the Commission to examine prior GRC forecasted and actual rates of return, and make appropriate adjustments in subsequent GRCs, as well as determine whether a GRC application that requests authorization for or recovery of capital expenditures requires estimates of impacts on revenue requirements, as described below.

Assembly Bill (AB) 2666 (Stats. 2024, Ch. 413) added Section 451.8 to the Public Utilities Code (Pub. Util. Code), with an effective date of January 1, 2025. The statute directs the Commission to establish guidelines and adopt processes regarding the reporting and tracking of actual versus forecasted rates of return. Specifically, the statute provides:

Pub. Util. Code Section 451.8 (a) Following the approval of each general rate case, the commission shall review which costs, if any, differed from the general rate case forecasts for each electrical corporation or gas corporation.

The commission shall adjust the authorized revenue requirement in the subsequent general rate case, as appropriate, based on the actual past costs for corporation records.

(b) (1) The commission shall establish guidelines for electrical corporations and gas corporations to calculate and report their actual rates of return to the commission.

(2) The commission shall require electrical corporations and gas corporations to report their actual rates of return to the commission annually.

(3) The commission shall adopt processes to adequately track an electrical corporation's or gas corporation's actual rate of return relative to its forecasted rate of return and shall require the corporation to identify the cost categories where projected costs differed from actual costs.

(c) This section does not restrict, limit, or otherwise affect the commission's obligation to ensure that rates are sufficient to enable an electrical corporation or gas corporation to recover a just and reasonable amount of revenue, pursuant to Section 451, including a reasonable return.

AB 2847 (Stats. 2024, Ch. 578) added Section 739.15 to the Pub. Util. Code, with an effective date of January 1, 2025. This statute requires the Commission to determine in every new authorization of capital expenditures (via an Application) whether to require the cost estimate described below:

Pub. Util. Code Section 739.15 (a) The commission shall determine in a scoping ruling or other ruling whether an application from an electrical corporation or gas corporation requesting authorization for or recovery of capital expenditures requires the estimates described in subdivision (b).

(b) An application from an electrical corporation or gas corporation requesting authorization for or recovery of capital expenditures, including an application for conditional approval of the costs of an undergrounding plan pursuant to Section 8388.5, shall include, if the commission pursuant to

subdivision (a) determines that the estimates are required, the electrical corporation's or gas corporation's best estimate of both of the following:

- (1) The application's impact on the electrical corporation's or gas corporation's annual revenue requirement for each year that the capital expenditures described in the application are expected to remain in the application's rate base if the application is approved or conditionally approved.
- (2) The net present value of the application's impact on the electrical corporation's or gas corporation's annual revenue requirement provided pursuant to paragraph
- (c) The commission shall require the electrical corporation or gas corporation to provide supporting workpapers and calculations for the estimates described in subdivision (b).

In D.24-12-074, the Commission stated that if the Commission has not adopted an order or decision implementing AB 2666 prior to their next general rate case filings, then SoCalGas and SDG&E shall calculate their actual annual rates of return, compare their annual rates of return relative to their forecasted annual rates of return, identify the cost categories where projected (forecasted) costs differed from actual (recorded) costs, and provide this information in its next GRC application.<sup>1</sup>

This ruling adds interpretation of new AB 2666 and AB 2847 provisions to the scope of this proceeding and seeks input on questions relevant to how to interpret and implement the new statutes.

## **2. New Scope**

The following issues are added to the scoping memo of July 31, 2025. The other issues in the scoping memo are unchanged.

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<sup>1</sup> D.24-12-074, at p. 806.

- a. Should the Commission establish guidelines for Pacific Gas & Electric Company (PG&E) to calculate and report its actual rates of return to the Commission in this General Rate Case (GRC) decision? If so, what should those guidelines include?
- b. Should the Commission adopt processes to adequately track PG&E's actual rate of return relative to its forecasted rate of return and require PG&E to identify the cost categories where projected costs differed from actual costs in this GRC decision? If so, what should those processes include?
- c. Should the Commission require PG&E to provide the application's impact on PG&E's annual revenue requirement for each year that the capital expenditures described in the application are expected to remain in the application's rate base if the application is approved or conditionally approved? If so, should the Commission require PG&E to provide supporting workpapers and calculations for the net present value and other estimates, and what capital expenditures or projects should be identified?

**3. Questions to Parties**

PG&E shall and other parties may address the following questions in response to this amended scoping ruling.

- i. How should the Commission require PG&E to calculate the actual rate of return in this proceeding? Or should that be determined in a rulemaking providing further guidance?
- ii. What was PG&E's actual annual rate of return for each of years 2023, 2024, 2025, and 2026? And what methodology was used for the calculation of the actual rates of return?
- iii. What methodology should be used to compare actual versus authorized costs?
- iv. Does AB 2666 require PG&E to provide more information in this GRC than the above, pending further

