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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Joint Application of Pacific Gas and Electric Company (U39G) and Standard Pacific Gas Line Incorporated for Approval of the Sale of Gas Transmission Pipeline Facilities Under Public Utilities Code Section 851, Authorization to Enter Into Inter-Utility Service Agreement and Related Transportation Service Agreement, and Authorization to Acquire Standard Pacific Gas Line Incorporation Stock Under Public Utilities Code Section 852. (U39G)	Application No. 25-12-014 (Filed December 19, 2025)

PACIFIC GAS AND ELECTRIC COMPANY'S (U 39G), STANDARD PACIFIC GAS LINE INCORPORATED'S, AND CHEVRON PIPE LINE COMPANY'S OPENING BRIEF ON AFFILIATE TRANSACTION RULES

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I. INTRODUCTION AND EXECUTIVE SUMMARY

Pacific Gas and Electric Company (PG&E), Standard Pacific Gas Line Incorporated (Stanpac), and Chevron Pipe Line Company (Chevron) (collectively Joint Parties) submit this Opening Brief pursuant to the Administrative Law Judge's (ALJ) directive for Joint Parties to address Proposed Issue 10 raised by the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) as to "Whether the suite of transactions before the Commission for approval under the Joint Application complies with the Commission's Affiliate Transaction Rules" applies to the Joint Application.[1] The issue, properly framed, is not whether the transactions are complex or whether California Public Utilities Commission (CPUC or Commission) review is warranted (it is, and is already invoked under California Public Utilities

[1] "Joint Application" refers to A.25-12-014, the Joint Application of Pacific Gas and Electric Company (U39G) and Standard Pacific Gas Line Incorporated for Approval of the Sale of Gas Transmission Pipeline Facilities Under Public Utilities Code Section 851, Authorization to Enter Into Inter-Utility Service Agreement and Related Transportation Service Agreement, and Authorization to Acquire Standard Pacific Gas Line Incorporation Stock Under Public Utilities Code Section 852.

Code sections 851, 852, 451, 454, and 701), but whether the Affiliate Transaction Rules (ATR)[2] are triggered at all by the relationships and transactions presented.

The ATR are not triggered. The ATR applies to transactions between a Commission-regulated utility and its "affiliates" as that term is defined in the ATR and implemented through the utility's compliance plan.[3] The record shows that Stanpac is a Commission-regulated public utility whose costs have historically been recovered through PG&E's rates (Stanpac has no revenues or customers, exists solely to transport gas for its owners, and is operated by PG&E personnel alongside PG&E's system). The ATR definition of "Affiliate" expressly excludes regulated subsidiaries—i.e., subsidiaries whose revenues and expenses are subject to Commission regulation and included in the Commission's establishment of rates for the utility.[4] Because Stanpac is a regulated subsidiary, it is not an "affiliate" for ATR purposes, and transactions between PG&E and Stanpac are outside the ATR's coverage. The only other counterparty relevant to Proposed Issue 10—Chevron—does not meet the ATR definition of "Affiliate" with respect to PG&E because neither company owns, controls, or holds a qualifying financial interest in the other. Accordingly, Proposed Issue 10 is unnecessary, duplicative, and out of scope as a distinct ATR compliance inquiry. That conclusion is reinforced by the fact, as explained in Section IV(D), that the transaction does not implicate the competitive or cross-subsidization concerns the ATR were designed to address and is already subject to comprehensive statutory review.

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[2] See D.06-12-029, Opinion Adopting Revisions to (1) The Affiliate Transaction Rules and (2) General Order 77-L, as Applicable to California's Major Energy Utilities and Their Holding Companies, R.05-10-030, Dec. 20, 2006.

[3] D.06-12-029, Appendix A-3 at 3 ("For purposes of a combined gas and electric utility, these Rules apply to all utility transactions with affiliates…"); Advice Letter 5081 G/7629-E, 2025 Affiliate Transaction Rules Compliance Plan Tier 1, June 30, 2025.

[4] D.06-12-029, Appendix A-3 at2 ("Regulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate").

Based on the aforementioned reasons, the Joint Parties respectfully request that the Commission reject including the issue of whether the Joint Application complies with the ATR as it is out of scope for this proceeding.

II. PROCEDURAL BACKGROUND

On December 19, 2025, PG&E and Stanpac filed the Joint Application seeking Commission approval of (i) the sale of substantially all Stanpac pipeline and land assets to PG&E under Public Utilities Code section 851; (ii) authorization to enter into a Gas Transportation Agreement and Inter-Utility Service Agreement under Public Utilities Code sections 451, 454, 701; and (iii) authorization for PG&E to acquire the remaining Stanpac stock under Public Utilities Code section 852.

On January 21, 2026, Cal Advocates filed a protest to the Joint Application, identifying multiple proposed scoping issues for Commission consideration, including Proposed Issue 10: "Whether the suite of transactions before the Commission for approval under the Joint Application complies with the Commission's Affiliate Transaction Rules."[5] Cal Advocates further characterized Stanpac as "PG&E and its affiliate, Standard Pacific Gas Lines Incorporated (Stanpac)."[6]

In the Joint Prehearing Conference Statement filed February 23, 2026, the Joint Parties identified Proposed Issue 10 as disputed and stated that the ATR are not implicated, because (i) Stanpac is a regulated subsidiary excluded from the ATR definition of "Affiliate," and (ii) Chevron is not an affiliate of PG&E under the same definition.[7] The ALJ directed the parties to submit briefs on Proposed Issue 10 addressing whether, and how, the ATR apply to the Application and Transaction.

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[5] Protest of the Public Advocates Office, A.25-12-014, Jan. 21, 2026 at 6.

[6] *Id.* at1.

[7] Pacific Gas and Electric Company, Standard Pacific Gas Line Incorporated, Chevron Pipe Line Company, and the Public Advocate Office's Joint Prehearing Conference Statement (Joint Prehearing Conference Statement), A.25-12-014, Feb. 23, 2026 at 5-6.

III. DEFINITIONS AND APPLICABILITY OF AFFILIATE TRANSACTION RULES

A. Purpose and Trigger for ATR Application

The ATR are a standards-of-conduct regime adopted to govern certain interactions between Commission-regulated utilities and their affiliates. The rules are designed to prevent a utility from providing preferential treatment, cross-subsidization, or non-public advantages to affiliates in markets where those affiliates could benefit from the utility's regulated status.[8] This regime is triggered only where the counterparty is an "affiliate" as defined in the ATR (and as implemented through a utility's compliance plan).[9]

B. Definition of "Affiliate"

ATR 1.A defines "Affiliate" to include entities in which a utility (or its controlling corporation/subsidiaries) owns or controls 5% or more of voting securities, or over which the utility exerts "substantial control" or has "substantial financial interests" by means other than ownership. The definition also addresses holding companies and the prohibition on using non-covered entities as conduits to circumvent the rules.

C. Express Exclusion for Regulated Subsidiaries

Critically for Proposed Issue 10, ATR 1.A expressly excludes regulated subsidiaries from the definition of "affiliate." Specifically, regulated subsidiaries—defined as subsidiaries whose revenues and expenses are subject to Commission regulation and are included by the Commission in establishing rates for the utility—"are not included within the definition of affiliate."[10] The rules then clarify that, while regulated subsidiaries are not "affiliates," the rules can still apply to interactions a regulated subsidiary has with other affiliated entities covered by the rules (i.e., the exclusion is not a blanket exemption from all conduct standards, but it removes

[8] See D.06-12-029, Appendix A-3, Rule II (Applicability) (establishing scope of entities and transactions subject to ATR); *id.* Rule VI.A (requiring each utility to implement compliance plan defining covered affiliates and compliance procedures); Advice Letter 5081 G/7629 E, Tier 1, June 30, 2025.

[9] *Id*.

[10] See Advice Letter 5081 G/7629 E, Tier 1, June 30, 2025; *see also* D.06-12-029, Appendix A-3, Rule I.A (Definition of "Affiliate") at 2.

the regulated subsidiary from the "affiliate" category that triggers ATR review of the utility-subsidiary transaction itself).

D. Applicability Inquiry for this Proceeding

Accordingly, the legal question presented by Proposed Issue 10 is straightforward:

1. Are the transactions "utility–affiliate" transactions within the meaning of the ATR?
2. If not, is there any other ATR trigger (e.g., use of an affiliate conduit or provision of preferential access to a covered affiliate) that would bring the Transaction within the ATR's intended scope?

The answer to both questions is no.

IV. DISCUSSION

A. The Transaction and Parties' Roles

The Joint Application presents a "suite of interdependent agreements" among PG&E, Stanpac, and Chevron. The core components relevant to Proposed Issue 10 are:

1. **Asset Purchase Agreement (APA)**. Stanpac sells substantially all of its pipeline and land assets to PG&E for $150,400,166. Stanpac then pays a dividend to its owners in proportion to ownership interests (PG&E 6/7; Chevron 1/7), resulting in an effective $21,485,738 economic buyout of Chevron's 1/7 interest in the assets.
2. **Transportation Agreement (TA) and Inter-Utility Service Agreement (IUSA)**. Stanpac continues to exist and remains contractually obligated, for a 20-year term, to provide gas transportation service to Chevron up to 30.7 MMcf/d. Stanpac is permitted to subcontract performance to PG&E through an inter-utility service agreement. The Application states that delivery will occur using PG&E's system (including PG&E's Flatlands Metering Station, which came online in February 2025) and a combination of PG&E legacy facilities and the acquired Stanpac assets. Chevron pays Stanpac an amount roughly corresponding to historical cost contributions (identified as an average of approximately $894,147 in 2025 dollars, escalated by CPI), and Stanpac remits that amount to PG&E as payment for PG&E's services under the IUSA.

3. **Stock Purchase Agreement (SPA)**. At the end of the 20-year term, PG&E acquires Chevron's remaining Stanpac shares (200 shares representing 1/7 ownership) for $1.00. After becoming sole owner, PG&E intends to seek Commission approval in a separate filing to dissolve Stanpac.

Cal Advocates asserts that because the Joint Application involves PG&E and Stanpac, the Transaction is subject to the ATR. That conclusion does not follow the ATR definitions.

B. Stanpac is Not an "Affiliate" Under the ATR Because It Is a Regulated Subsidiary

The lynchpin of Proposed Issue 10 is Cal Advocates' assertion that Stanpac is "PG&E's affiliate."[11] Under the ATR framework, that label is legally incorrect for the following reasons:

1. **Stanpac's regulated status and integration into rates**. The record describes Stanpac as a gas transmission utility that has no revenues or customers and exists solely to transport gas for its owners (PG&E and Chevron).[12] Its facilities are used in conjunction with PG&E's gas transmission system to serve PG&E customers and to deliver transportation service supporting Chevron's Richmond refinery. Stanpac's system is operated and maintained by PG&E personnel in a coordinated fashion alongside PG&E's system.
2. **Regulated subsidiary exclusion**. The ATR definition of "affiliate," as implemented in the compliance plan framework referenced in the record, expressly provides that regulated subsidiaries—subsidiaries whose revenues and expenses are subject to Commission regulation and included in Commission ratemaking—"are not included within the definition of affiliate."[13] That exclusion squarely applies to Stanpac as described in the Application record (regulated utility operations and costs addressed within the Commission's ratemaking context).[14]

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[11] Protest of the Public Advocates Office [to] A.25-12-014, p. 1.

[12] Joint Application, Ex. 1 at 3.

[13] *See* D.06-12-029, Appendix A-3, Rule I.A (Definitions) at 2.

[14] *See* Advice Letter 5081 G/7629 E, Tier 1, June 30, 2025.

Because Stanpac is excluded from "Affiliate," the APA and IUSA are not "utility–affiliate" transactions that trigger ATR compliance review. Put differently: if the counterparty is not an "affiliate," the ATR's affiliate-transaction regime does not govern the transaction. The Commission still retains full authority to review the transaction's reasonableness and ratepayer impacts under Public Utilities Code sections 851, 852, 451, 454, and 701—indeed, that is exactly what this proceeding is for—but Proposed Issue 10 would add an inapplicable analytical layer.

C. Chevron is Not an "Affiliate" of PG&E, and the Chevron-Facing Transaction Elements Do Not Trigger ATR

Proposed Issue 10 also implicates Chevron because the Transaction includes both (a) continuing transportation service agreements involving Chevron, and (b) PG&E's eventual acquisition of Chevron's Stanpac stock. Those aspects still do not trigger ATR. Namely, there is no qualifying ownership or control relationship between PG&E and Chevron. The ATR "Affiliate" definition is keyed to a utility's ownership, voting power, substantial control, or substantial financial interest in the counterparty. PG&E does not own or control more than five percent of Chevron, and Chevron does not own more than five percent or have control of PG&E, and neither exerts or has substantial control over the other's operations as contemplated by the ATR definition. Neither PG&E nor Chevron has any governance rights or operational control over the other. Instead, Chevron is a minority owner of Stanpac (1/7) and a shipper/beneficiary of Stanpac's transportation obligation; those facts do not create an ATR affiliate relationship between PG&E and Chevron.

Additionally, the SPA is a utility acquisition of remaining stock in a regulated subsidiary from a non-affiliate. The SPA provides that PG&E will acquire Chevron's remaining Stanpac shares at the end of the 20-year term for $1.00. That is a Commission-reviewable Public Utilities Code section 852 stock acquisition, and it is fully within the Commission's statutory review. It is not, however, a utility transaction with an "affiliate" of the utility (Chevron) because Chevron is not an affiliate under the ATR definition.

D. The ATR Are Not Necessary to Ensure Ratepayer Protection Here; That Work is Already Accomplished by the Existing Statutory Issues

Cal Advocates' broader concern appears to be ensuring that ratepayers do not bear unreasonable costs or cross-subsidize private interests. That concern is fully addressed by the issues already in scope. But beyond the threshold question of ATR applicability addressed above, there is a more fundamental reason to decline Proposed Issue 10: this transaction is not the type of conduct the ATR was designed to prevent.

The ATR were adopted in the post-restructuring era to address a specific and well-defined regulatory problem: the risk that a Commission-regulated utility would exploit its captive ratepayer base to advantage unregulated affiliates competing in open markets—through preferential access to services, non-public information, shared facilities, or cross subsidization of affiliate operations.[15] The Commission has recognized that the ATR's animating concern as preventing a utility from leveraging its regulated market position to benefit unregulated affiliates at ratepayer expense.[16]

None of those risks are present here. This Transaction does not involve PG&E conferring preferential access, non-public information, or below-market services on an unregulated competitor. Stanpac is not a market competitor—it is a regulated gas transmission utility that has no customers, no revenues, and no market presence independent of its regulated function. It does not compete in any unregulated market where preferential utility treatment could distort competition. Chevron, for its part, is a co-owner with PG&E in Stanpac and Chevron's equity ownership capacity will be served under terms that will be reviewed for reasonableness by the Commission under Public Utilities Code sections 451, 454, and 701—not an affiliated entity seeking to free-ride on PG&E's regulated status.

To the contrary, the Transaction moves in the opposite direction from the self-dealing the ATR targets: PG&E is acquiring assets and consolidating a regulated subsidiary that has

[15] See D.06-12-029 at 10.

[16] D.97-12-088 at 10 ("[T]he development of competitive markets would be undermined if the utility were able to leverage its market power into the related markets in which their affiliates compete").

historically been integrated into PG&E's own rate base and operations, while unwinding a multi-party ownership structure. The practical effect is regulatory simplification and full Commission oversight of the resulting unified entity—not the entrenchment of an affiliate relationship designed to capture ratepayer-funded benefits. Applying ATR compliance review to a transaction that eliminates a layered ownership structure and brings all assets under a single regulated entity would invert the rules' purpose.

Imposing ATR review here—where no affiliate relationship is triggered, no competitive market is implicated, and no cross-subsidization risk exists—would convert the ATR from a targeted competitive safeguard into a general-purpose transactional review standard, a role already occupied by Public Utilities Code sections 851, 852, 451, 454, and 701.

The Commission's existing statutory review can address all ratepayer protection concerns Cal Advocates identifies:

- Public Utilities Code section 851 review of whether the proposed asset sale is adverse to the public interest (including valuation and ratemaking proposals tied to the asset transfer).
- Public Utilities Code sections 451, 454, and 701 review of whether the Transportation Agreement and Inter-Utility Service Agreement are just and reasonable (including cost allocations, crediting of payments, and rate impacts).
- Public Utilities Code section 852 review of the stock acquisition and whether it is harmful to the public interest.

Thus, scoping an ATR compliance issue is unnecessary. The Commission can and should evaluate the transaction under the statutory standards pled—standards that directly address valuation, just-and-reasonable charges, and ratepayer impacts—without importing an ATR framework that is not triggered by the Transaction's relationships (regulated subsidiary exclusion; non-affiliate counterparty) and was never designed to govern the type of consolidating, Commission-reviewable transaction presented here.

V. CONCLUSION

Proposed Issue 10 should not be adopted as a scoping issue because the ATR are not implicated by the Transaction:

1. The ATR definition of "Affiliate" expressly excludes regulated subsidiaries whose revenues and expenses are regulated by the Commission and included in Commission ratemaking; Stanpac fits within that exclusion as described in the record.
2. Chevron does not qualify as an "affiliate" of PG&E under the ATR ownership/control/financial interest tests; the Chevron-related transaction elements therefore do not trigger ATR applicability.
3. All necessary consumer protection and reasonableness review is already squarely within the Commission's statutory review under Public Utilities Code sections 851, 852, 451, 454, and 701, which are the governing authorities invoked by the Joint Application and already reflected in the Joint Parties' scoping posture.

For these reasons, the Commission should decline to adopt Proposed Issue 10 as a separate ATR scoping issue and proceed under the statutory framework pled.

Respectfully Submitted,

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By: */s/ Nick Karkazis*

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