

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

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April 10, 2026

Agenda ID #24147
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 24-03-018:

This is the proposed decision of Administrative Law Judge Nilgun Atamturk. 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 May 14, 2026, 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:cg7

Attachment

Decision **PROPOSED DECISION OF ALJ ATAMTURK (Mailed 04/10/2026)****BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company to Recover in Customer Rates the Costs to Support Extended Operation of Diablo Canyon Power Plant from September 1, 2023 through December 31, 2025 and for Approval of Planned Expenditure of 2025 Volumetric Performance Fees. (U39E)

Application 24-03-018

**DECISION GRANTING, IN PART, PETITION FOR MODIFICATION OF
DECISION 24-12-033****Summary**

This decision grants, in part, the petition for modification of Decision (D.) 24-12-033, dated October 27, 2025, filed by Alliance for Nuclear Responsibility. Accordingly, D.24-12-033 is modified, so that the updated final Resource Adequacy (RA) Market Price Benchmark (MPB) as opposed to forecast RA MPB is used to calculate RA substitution capacity costs when assessing whether the actual costs and expenses necessary to operate Diablo Canyon Power Plant fall within the 115 percent of the forecasted costs under Public Utilities Code § 712.8h(1). This approach shall apply to all annual Diablo Canyon Power Plant cost forecast proceedings through 2030, not just the 2025 revenue requirement approved in D.24-12-033.

This proceeding is closed.

1. Background

Section 1.1 provides a brief overview of Decision (D.)24-12-033,¹ the decision sought to be modified, and D.25-06-049, which is relevant to the modifications proposed by Alliance for Nuclear Responsibility (A4NR). Section 1.2 provides the procedural background.

1.1. Overview of D.24-12-033 and D.25-06-049

In D.24-12-033, the Commission approved a revenue requirement of \$722.6 million for Pacific Gas and Electric Company (PG&E) for the extended operations of the Diablo Canyon Power Plant (DCPP) during the 2023-2025 record period. Specifically, among other cost categories, D.24-12-033 approved PG&E's \$210 million Resource Adequacy (RA) substitution capacity cost forecast² using the 2025 forecast RA Market Price Benchmark (MPB) of \$42.54 per kilowatt (kW)-month and a 2024 final RA MPB of \$28.65 per kW-month. These benchmarks were Commission-produced and used to value the substitute capacity needed to cover DCPP RA obligations during periods of outages and short-term curtailment.³

After the issuance of D.24-12-033, the Commission opened Rulemaking (R.) 25-02-005 to evaluate, among other matters, the RA MPB methodology.⁴ The Commission adopted D.25-06-049 in R.25-02-005, revising the RA MPB methodology. The first revision adopted a single RA MPB utilizing the time restriction on transaction data currently applicable to the local RA MPBs. The

¹ All references to D.24-12-033 include modifications made by D.25-07-041.

² D.24-12-033 at Conclusion of Law 10.

³ D.24-12-033 at Conclusion of Law 11.

⁴ See Order Instituting Rulemaking to Update and Reform Energy Resource Recovery Account and Power Charge Indifference Adjustment Policies and Processes.

second revision removed affiliate, swap, and duplicative sleeve transactions from the calculation. In that decision, the Commission concluded that the prior indifference methodology leads to outcomes that are inconsistent with the statutory indifference requirement and was vulnerable to manipulation, making a reform necessary.⁵ The new methodology was applied to the upcoming 2025 final RA MPB calculation, even though the 2025 forecast RA MPB had been calculated based on the previous approach.⁶ The Commission stated that nothing in statutes limits its authority to modify the methodology when necessary and found that “it would be inconsistent with the statutory mandate to ensure indifference to make the above findings, yet prohibit the adopted remedy from being applied immediately.”⁷

1.2. Procedural Background

On October 27, 2025, A4NR filed a petition to modify D.24-12-033 (Petition). PG&E filed a response on November 26, 2025, supporting the Petition in part.

2. Relief Requested and PG&E’s Position

In its Petition, A4NR requests that the revenue requirement approved in D.24-12-033 be modified to incorporate the final RA MPB in place of the forecast RA MPB.⁸ A4NR argues that the Diablo Canyon cost recovery process, unlike the Energy Resource Recovery Account (ERRA) forecast process,⁹ cannot fully

⁵ D.25-06-049 at 11, Finding of Fact 1, COL 1.

⁶ D.25-06-049 at 29.

⁷ D.25-06-049 at 29.

⁸ Petition at 2-4.

⁹ D.02-10-062 established the ERRA process to provide recovery of energy procurement costs, including expenses associated with fuel and purchased power, utility retained generation, California Independent System Operator related costs, and costs associated with the residual

Footnote continued on next page.

correct a flawed forecast through a later true up.¹⁰ Under Pub. Util. Code § 712.8 (h)(1), there is no further review of cost reasonableness if actual costs are below 115 percent of forecasted costs.¹¹ As a result, A4NR argues, using the 2025 forecast RA MPB of \$42.54, even if later trued down to the 2025 final MPB of \$11.21/kW-month, would still create a large margin that shields substantial operating costs from reasonableness review, benefitting PG&E.

To prevent this outcome, A4NR requests that the Commission modify D.24-12-033 so that both the 2025 forecast and final MPB for the relevant period are set at \$11.21 per kW-month, and the corrected 2024 final MPB of \$26.26 is incorporated.¹² In A4NR's view, this would mirror the corrective effect of an ERRA true up. A4NR also proposes specific wording reflecting its requested modifications.

PG&E supports using the updated RA MPB to assess whether costs fall below the 115 percent of the forecasted costs pursuant to Pub. Util. Code § 712.8(h)(1). However, PG&E argues, this approach should apply to all annual

net short procurement requirements to bundled electric service customers of the three large electric investor-owned utilities.

¹⁰ Petition at 2.

¹¹ Pub. Util. Code § 712.8 (h)(1) provides:

The commission shall authorize the operator to recover all reasonable costs and expenses necessary to operate Diablo Canyon Units 1 and 2 beyond the current expiration dates, including those in subdivisions (f) and (g), net of market revenues for those operations and any production tax credits of the operator, on a forecast basis in a new proceeding structured similarly to its annual Energy Resource Recovery Account forecast proceeding with a subsequent true-up to actual costs and market revenues for the prior calendar year via an expedited Tier 3 advice letter process, provided that there shall be no further review of the reasonableness of costs incurred if actual costs are below 115 percent of the forecasted costs. All costs shall be recovered as an operating expense and shall not be eligible for inclusion in the operator's rate base.

¹² Petition at 2-3. The Energy Division's November 4, 2024, report corrected the 2024 final RA MPB to \$26.26/kW-month.

DCPP forecast proceedings through 2030, not just the 2025 revenue requirement approved in D.24-12-033. According to PG&E, limiting the adjustment to only 2025 “would be inconsistent and undermine the proposition that the variance between the forecast and final RA MPB should not affect the analysis of the 115 percent evaluation.”¹³ PG&E also contends that the proposed revisions to findings, conclusions of law, and ordering paragraphs are unnecessary and inconsistent with the ERRA Forecast framework, which trues-up RA MPB values in subsequent years without reopening prior decisions.¹⁴ Therefore, PG&E recommends granting the Petition in part.

3. Discussion

Upon consideration of the Petition and PG&E’s response, we find the Petition persuasive in part. Accordingly, D.24-12-033 is modified, so that the final RA MPB, as opposed to forecast RA MPB, is used to calculate RA substitution capacity costs when assessing whether the actual costs and expenses necessary to operate Diablo Canyon Units 1 and 2 fall within the 115 percent of the forecasted costs under Public Utilities Code § 712.8h(1). This approach shall apply to all annual DCPP cost forecast proceedings through 2030, not just the 2025 revenue requirement approved in D.24-12-033.

3.1. Timeliness of the Petition

Rule 16.4 of the Commission’s Rules of Practice and Procedure requires petitions for modification to be filed and served within one year of the effective date of the decision proposed to be modified. If more than one year has elapsed, the petition must explain why the petition could not have been presented within one year of the effective date of the decision.

¹³ PG&E Response at 1-2.

¹⁴ PG&E Response at 2-3.

D.24-12-033 became effective on December 19, 2024. Because it is filed within one year of the effective date of D.24-12-033, A4NR's Petition is timely.

3.2. A4NR's Petition is Granted in Part

In its Petition, A4NR proposes replacing the forecast 2025 RA MPB of \$42.54 per kW-month with the final value of \$11.21 per kW-month when applying the 115 percent threshold. This would substitute the forecast RA MPB with the final RA MPB in determining whether actual costs reach 115 percent of forecasted costs under PU Code § 712.8h(1). As noted by PG&E, the RA MPB is a Commission-issued, market-based benchmark. Therefore, using the final value rather than the forecast value for the 115 percent evaluation is consistent with the statute's intent to assess costs.

However, as pointed out by PG&E, restricting this modification to 2025 would be inconsistent since the same reasoning would apply across years. Therefore, the modification should apply to all DCPD extended operations forecast proceedings, rather than limiting it to a single year.

Regarding the new Findings of Fact, Conclusions of Law, and Ordering Paragraphs to update the 2025 revenue requirement and to also reflect the corrected RA MPB, the Commission finds that A4NR's proposed revisions to update the 2025 revenue requirement and correct the 2025 RA MPB are unnecessary.

As explained by PG&E, the DCPD proceedings follow the same model as ERRA Forecast proceedings, which rely on forecast RA MPB values that are later trued up when final values are issued. In this proceeding, the forecast 2025 RA MPB was approved and properly used to set the rates from January 1 to December 31, 2025. Any difference between forecast and final values is reflected

in rates beginning January 1, 2026, through the standard true up process.¹⁵ Customers therefore received the appropriate credit or charge without a need to reopen prior decisions and revise rates retroactively.

PG&E also points out, and the Commission agrees, that revising prior findings to reflect the final 2024 RA MPB is misguided because that value has already been incorporated into rates through the consolidated January 1, 2025, true up.¹⁶ Adding new language or revising the existing language would duplicate actions already taken and create confusion.

For these reasons, the Commission denies A4NR's request to modify Findings of Fact, Conclusions of Law, and Ordering Paragraphs, as proposed, and adopts the modifications proposed by PG&E, which reflect that the updated RA MPB as opposed to forecast RA MPB should be used to assess whether costs fall within the 115 percent under PU Code Pub. Util. Code § 712.8h(1) not just for 2025 but across all years. The Commission does not find a need to modify the revenue requirement authorized in D.24-12-033 for customers to receive any adjustment associated with the final RA MPB as the currently used method of accounting already implements the change.

4. Modifications

Based on the discussion above, Conclusion of Law 11 of D.24-12-033 is modified to read as follows:

11. The use of the RA MPB is appropriate and should be approved for the purpose of calculating the RA substitution capacity.

A new Conclusion of Law is added to read as follows:

¹⁵ See Advice Letter (AL) 7797-E-A, approved January 29, 2026, with an effective date of January 1, 2026.

¹⁶ See AL 7469-E, approved on January 23, 2025, with an effective date of January 1, 2025.

32. For this and future DCPD Forecast Extended Operations proceedings, for the purpose of evaluating whether actual costs are below 115 percent of the forecasted costs under Public Utilities Code § 712.8(h)(1), the final RA MPB should be used in place of the forecast RA MPB, so that any variance from the forecast to the final RA MPB is not considered in the evaluation.

5. Comments on Proposed Decision

The proposed decision of ALJ Nilgun Atamturk 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. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Nilgun Atamturk is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. A4NR filed its petition for modification within one year of D.24-12-033's effective date.
2. D.25-06-049, issued in Rulemaking 25-02-005, revised the RA MPB calculation methodology.
3. The DCPD proceedings follow the same model as ERRA Forecast proceedings, which rely on forecast RA MPB values that are later trued up when final values are issued.
4. There is no need to modify the revenue requirement authorized in D.24-12-033 for customers to receive any adjustment associated with the final RA MPB as the currently accepted method of accounting already implements the change.

5. Under the DCPD proceeding framework, the approved 2025 forecast RA MPB was properly used to set rates for that year, and any difference between forecast and final values was reflected in rates beginning January 1, 2026, through the standard true up process.

6. The final 2024 RA MPB value has already been incorporated into rates through the consolidated January 1, 2025, true up.

Conclusions of Law

1. A4NR's Petition meets the timeliness requirement of Rule 16.4 of the Commission's Rules of Practice and Procedure.

2. A4NR's Petition should be granted in part.

3. D.24-12-033 should be modified to reflect that for this and future DCPD Forecast Extended Operations proceedings, for the purpose of evaluating whether actual costs are below 115 percent of the forecasted costs under Public Utilities Code § 712.8(h)(1), the final RA MPB should be used in place of the forecast RA MPB.

4. A4NR's request to modify Findings of Fact, Conclusions of Law, and Ordering Paragraphs, as proposed, should be denied.

5. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The October 27, 2025, petition to modify Decision 24-12-033, filed by the Alliance for Nuclear Responsibility, is granted in part.

2. Conclusion of Law 11 of Decision 24-12-033 is modified to read as follows:
The use of the RA MPB is appropriate and should be approved for the purpose of calculating the RA substitution capacity.

3. Conclusion of Law 32 is added to Decision 24-12-033 to read as follows:

32. For this and future DCPD Forecast Extended Operations proceedings, for the purpose of evaluating whether actual costs are below 115 percent of the forecasted costs under Public Utilities Code § 712.8(h)(1), the final RA MPB should be used in place of the forecast RA MPB, so that any variance from the forecast to the final RA MPB is not considered in the evaluation.

4. Application 24-03-018 is closed.

This order is effective today.

Dated May __, 2026, at San Francisco, California