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

Application of Pacific Gas and Electric Company (U 39 E) for Approval of Electric Rule No. 30 for Transmission-Level Retail Electric Service	Application 24-11-007 (Filed November 21, 2024)

REPLY BRIEF OF THE NATURAL RESOURCES DEFENSE COUNCIL

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OPENING BRIEF OF THE
NATURAL RESOURCES DEFENSE COUNCIL

Pursuant to Rule 13.12 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure and in accordance with the February 17, 2026, Email Ruling Establishing New Proceeding Schedule and Ruling on Motions and the January 9, 2026 Administrative Law Judge's Ruling Establishing Proceeding Schedule, the Natural Resources Defense Council ("NRDC") hereby submits this Reply Brief in response to other parties Opening Briefs on the Application of Pacific Gas and Electric Company (U 39 E) for Approval of Electric Rule No. 30 for Transmission-Level Retail Electric Service ("Application" or "PG&E's Rule 30 Application").

I. INTRODUCTION

Data centers are driving significant and rapid demand growth in PG&E's service area. In theory, demand growth could put a downward pressure on transmission rates for all customers if data centers pay their fair share of transmission costs. The costs of transmission network upgrades (TNUs) are substantial, and in the absence of sufficiently protective terms in Rule 30, could unfairly shift or strand costs with other customers. In opening briefs, TURN, Sierra Club, Cal Advocates, and NRDC have provided substantial evidence and analysis showing that data centers drive unique grid and reliability impacts, require a disproportionate investment in transmission network upgrades (TNUs, or Type 4 facilities) and receive outsized benefits from

TNUs. Therefore, NRDC recommends that the Commission dutifully consider these recommendations to determine an appropriate financing methodology for TNUs.

II. SUMMARY

NRDC appreciates the opportunity to participate in this proceeding and respond to other parties opening briefs. NRDC respectfully submits the following summary for the consideration and action of the Commission, in addition to those in NRDC's Opening Brief:

A. It is within the Commission's authority to require financing requirements for TNUs required for retail service connections based on cost causation and beneficiary pays principles. The Commission should therefore require TNUs to be financed by Rule 30 customers.

B. The Commission should hold a subsequent stakeholder process to determine a detailed methodology for TNU financing requirements. In the interim, data center financing requirements should be adopted. Alternatively, it is reasonable to adopt TURN's interim proposal for a load-based development fee of $667 per kW for loads 25 MW or greater, excluding decarbonizing, electrifying, and EV customers.

C. NRDC recommends the Commission adopt the Cal Advocates proposal to require a fixed load ramp. If the Commission does not require a fixed load ramp, then a retroactive minimum demand charge should be adopted to ensure minimum demand charges reflect actual usage patterns.

III. DISCUSSION

A. It is within the Commission's authority to require financing requirements for TNUs required for retail service connections based on cost causation and beneficiary pays principles. The Commission should therefore require TNUs to be financed by Rule 30 customers.

PG&E continues to defend their proposal to allocate all TNU costs associated with transmission-level customers across all customers, regardless of circumstance.[1] Cal Advocates, TURN, Sierra Club, and NRDC disagree. PG&E's Opening Brief states, "No party in this proceeding has asserted that transmission-level customers exclusively benefit from Transmission Network Upgrades. And yet, parties want these customers to upfront fund most or all of the

[1] PG&E Opening Brief, at 2.

Facility Type 4 costs."[2] However, sole or exclusive benefits are not a requisite for transmission-level customer requirements to finance TNU costs, especially given the disproportionate reliance on TNUs for large load interconnection and the outsized benefits a single customer or small cluster of customers can receive from these upgrades.[3] Costs can be allocated in a manner commensurate with benefits in a process based off CAISO's Generator Interconnection Deliverability Allocation Procedure (GIDAP) as proposed by Cal Advocates[4] and/or by allocating identified TNU costs proportional to the customer's share of load coincident with the peak of the specific grid component.

PG&E also disputes the legal basis and Commission precedent for pre-funding requirements of TNUs. PG&E first argues that because the Commission allows for the costs of distribution upgrades under Rule 15, the same treatment should apply to transmission-level customers regarding TNUs.[5] The existence of socialization in distribution ratemaking does not override governing cost-causation standards, especially in the case that TNUs are substantially caused by a single customer and that causation is readily identifiable, i.e., the size, scope, and/or timing of a TNU is changed by an individual customer or cluster of customers. This cost-causation standard is similarly reflected in CAISO's generation interconnection process.

Second, PG&E argues that FERC's authority over interstate commerce preempts the Commission's authority.[6] However, the Commission retains jurisdiction over retail service, which extends to cost recovery of retail interconnection costs. If there is a significant causational link between a customer and a network upgrade, regardless of whether it is a distribution or transmission network upgrade, the Commission retains authority to determine the appropriate cost recovery mechanisms and rates in alignment with the Commission's stated policy and ratemaking principles.

Third, PG&E states that appellate courts have upheld that TNUs benefit all customers, citing to two FERC cases.[7] NRDC does not dispute that TNUs could benefit all customers, but benefits are not shared equally across customers, and this does not preclude customers from being assigned costs commensurate with the benefits they receive. Additionally, these cases do

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[2] Id. at 11.
[3] NRDC Opening Brief, at 6-7.
[4] Cal Advocates Opening Brief, at 18-20.
[5] PG&E Opening Brief, at 11-12.
[6] Id. at 12-13.
[7] Id. at 13.

not appear to address or alter the Commission's jurisdiction over the interconnection of retail customers. Even so, these cases uphold that generators can and are often required to pre-fund their attributable share of TNUs.[8]

Fourth, PG&E cites a lack of precedent for prefunding of network upgrades in other states, pointing to the lack of evidence in the record to show a state that has enacted a TNU financing mechanism.[9] This does not mean that other states are not considering the same questions and challenges associated with large load driven TNU cost recovery posed to the Commission in this proceeding. Furthermore, a novel approach to cost recovery should not be judged based on precedent, rather, it should be based on legal authority, Commission standards, and alignment with state policy goals. The rapid influx of large load interconnection requests in PG&E's territory is a unique circumstance, so relying on precedents will not be helpful in determining TNU financing requirements.

Lastly, PG&E argues that FERC has sole jurisdictional authority over TNUs, citing three cases.[10] All three of these cases address generator interconnections, not retail customer connections. FERC has jurisdiction over interstate transmission and electric power sales at wholesale in interstate commerce. The precedent set in these cases does not pre-empt state jurisdiction over retail interconnections, nor does it circumvent the Commission's cost causation and beneficiary pays principles that suggest transmission-level retail customers TNU cost responsibility for.

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[8] Id. at 13 (referencing Paragould Light & Water Com. V. FERC, (2025) 144 F.4th at 294; Duke Energy Progress, LLC v. FERC, 106 F.4th 1145, 1155 (D.C. Cir. 2024))
[9] PG&E Opening Brief, at 13.
[10] PG&E Opening Brief at 13-14, (referencing PG&E Initial Op. Br. at 28-29 (citing Nantahala Power & Light Co. v. Thornburg, 476 U.S. 953 (1986); Mississippi Power & Light Co. v. Mississippi ex rel. Moore, 487 U.S. 354 (1988); Southern California Edison Co. v. PUC, 121 Cal.App.4th1303, 1310 (2004) ("SCE"))).

B. The Commission should hold a subsequent stakeholder process to determine a detailed methodology for TNU financing requirements. In the interim, data center financing requirements should be adopted. Alternatively, it is reasonable to adopt TURN's interim proposal for a load-based development fee of $667 per kW for loads 25 MW or greater, excluding decarbonizing, electrifying, and EV customers.

` TURN's proposal for a $667 per kW fee for customers over 25 MW, or PG&E's proposal to adopt the 75% refund cap in Resolution E-5420 are simple approaches to financing requirements.[11] However, both of these approaches will undoubtedly diverge from actual TNU costs posed by transmission-level customers. The Commission should strive to approve a methodology that is most aligned with cost-causation and beneficiary pays principles. NRDC recommends that this methodology should require financing requirements for the cost of TNUs identified in PES reports in proportion to the customer's share of load, coincident with the peak of the specific grid component in question. The Commission should hold a subsequent stakeholder process to determine a detailed methodology, which could be encompassed in Rulemaking 26-04-009 or conducted in a separate workshop, and should adopt an interim mechanism until a final methodology is developed and adopted.

Additionally, NRDC, TURN, Sierra Club, CLECA, and Cal Advocates have shown support for imposing certain requirements only on data centers and/or creating a data center specific customer class. Creating data center specific requirements is in the Commission's jurisdictional authority, aligns with California policy goals, and adheres to Commission ratemaking standards.[12] Therefore, NRDC recommends the commission apply TNU financing requirements to data centers. If the Commission does not do so, TURN's proposal to require a $667 per kW fee for customers above 25 MW, excluding load additions from existing customers due to decarbonization, electrification or EV deployment would likely capture most new data center customers and is therefore reasonable as an interim proposal until broader data center rate design is addressed in Rulemaking 26-04-009.

[11] PG&E Opening Brief, at 21-24, TURN Opening Brief at 7-8.
[12] NRDC Opening Brief, at 8-9.

C. NRDC recommends the Commission adopt Cal Advocates proposal to require a fixed load ramp. If the Commission does not require a fixed load ramp, then a retroactive minimum demand charge should be adopted to ensure minimum demand charges reflect actual usage patterns.

PG&E proposed a 75 percent minimum demand charge from year one through 15 based on a binding load ramp negotiated between the Rule 30 customer and PG&E.[13] In Opening Briefs, TURN, Sierra Club, and Cal Advocates recommended that the Commission reject PG&E's proposal for a customer negotiated load ramp due to potential gaming opportunities, cost shift risks, and related load forecasting uncertainties in Opening. Rather, TURN and Sierra Club support Cal Advocate's proposal to instead require a fixed, standardized load ramp based on a percent of a customer's maximum contracted demand that is aligned with realistic load ramp expectations. PG&E shares these concerns and addresses them: "PG&E proposes that, as part of negotiations, PG&E and the customers agree to a contractual, binding load ramp as part of the customer's interconnection agreement. Exceeding the binding load ramp would be a breach of contract, and PG&E is able to monitor customers' usage for this exact purpose."[14] The result of a breach of contract is not clear in PG&E's Opening Brief, and PG&E does not offer a mechanism by which a load ramp will be enforced or penalized. This is not a clearly defined mechanism that would prevent potential cost shifts and should be rejected.

NRDC shares the same concerns regarding a customer negotiated load ramp, and recommends the Commission adopt a fixed load ramp approach. If the Commission decides against a fixed load ramp approach, an alternative proposal is to require a retroactive minimum demand charge based on previous usage during the load ramp period, implemented through monitoring and reporting to the Commission. Should a customer consume more than is in their contractual load ramp, then their minimum demand charge should reflect their actual energy usage. For example, during the duration of the load ramp, the minimum demand charge could be calculated based on the maximum of the following: (1) the customer's peak demand over the past 12 months, (2) 75% their requested load ramp, or (3) the customer's actual monthly peak. This would ensure that the customer's minimum demand charge is aligned with their actual usage.

[13] PG&E's Motion For Leave to Submit Supplemental Testimony, at 3.
[14] PG&E Opening Brief, at 56.

Additionally, requiring customers and PG&E to submit frequent load ramp progress updates allows for appropriate and timely adjustments to demand forecasts that reflect project realization and load realization, as well as provides important information, metrics, and data that can be incorporated into future load forecasting and planning processes.

IV. CONCLUSION

The Commission should exercise its authority to ensure that the costs of TNUs attributable to retail transmission-level customers transmission network upgrades are financed by these same customers. Doing so is consistent with fundamental cost causation and beneficiary pays principles and is within the Commission's jurisdiction over retail customer interconnection. To develop a more comprehensive and durable framework, NRDC recommends the Commission convenes a subsequent stakeholder process. $667 per kW fee is an appropriate interim mechanism that would sufficiently protect against cost shift risks. PG&E's proposal for a 75% minimum billing demand and customer negotiated load ramp is not as protective as Cal Advocates fixed load ramp proposal. NRDC recommends the Commission adopt the latter. If not, NRDC recommends the adoption of a retroactive minimum demand charge to reflect actual usage over a load ramp period. NRDC appreciates the opportunity to engage in these issues and looks forward to participating in Rulemaking 26-04-009.

Respectfully submitted,

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