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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for a Limited Capital Structure Adjustment. (U39M).	**Application 24-08-004** **(Filed August 05, 2024)**

ENERGY PRODUCERS AND USERS COALITION AND INDICATED SHIPPERS OPENING COMMENTS ON ALTERNATE PROPOSED DECISION

Nora Sheriff
Samir A. Hafez
Buchalter LLP
425 Market Street, 29th Floor
San Francisco, CA 94105-2491
415.227.3551 office
415.227.0770 fax
nsheriff@buchalter.com
shafez@buchalter.com

Counsel for the Energy Producers and Users Coalition and the Indicated Shippers

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TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page

Subject Index of Recommended Changes

- The Commission should preserve the denial of PG&E's requested exclusions for the Kincade and Dixie wildfire-related debt and equity charges.
- If the Commission adopts the Alternate Proposed Decision (APD), it should preserve the APD's narrowly drawn, fact-specific rationale for excluding the DWR Loan.
- The Commission should revise Finding of Fact 3 and adopt three additional Findings of Fact to align the APD's formal holdings with its record-supported affordability analysis.
- The Commission should adopt an additional Conclusion of Law confirming that frequent and unjustified deviations from the Commission-authorized capital structure undermine the balance between customer and shareholder interests and are not in the public interest.
- The Commission should retain the APD's reporting requirements.

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Energy Producers and Users Coalition (EPUC)[1] and the Indicated Shippers[2] submit these opening comments on the Alternate Proposed Decision of Commissioner John Reynolds,[3] issued July 31, 2026 (Alternate Proposed Decision or APD), which will be considered together with the Proposed Decision of Administrative Law Judge Amin Nojan,[4] issued May 21, 2026 (Proposed Decision or PD).

I. INTRODUCTION

Both the PD and the APD properly deny Pacific Gas and Electric Company's (PG&E) requested capital structure exclusions for the Kincade and Dixie wildfire-related debt and

[1] EPUC represents the electricity end-use interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., PBF Holding Company, Phillips 66 Company, and Tesoro Refining & Marketing Company LLC.
[2] The Indicated Shippers represent the natural gas non-core customer interests of the following companies in this proceeding: California Resources Corp., Chevron U.S.A. Inc., Marathon Petroleum Company LP, PBF Holding Company, and Phillips 66 Company.
[3] *Decision Regarding PG&E'S Request For A Limited Capital Structure Adjustment*, A.24-08-004, Jul. 31, 2026.
[4] *Decision Denying PG&E'S Request For A Limited Capital Structure Adjustment,* A.24-08-004, May 21, 2026.

equity charges. In separately granting PG&E's requested adjustment for the Department of Water Resources loan (DWR Loan), the APD appropriately relies on narrowly drawn, fact-specific grounds that expressly distinguish the loan from the wildfire-related financing. The APD also appropriately requires PG&E to address any resulting surplus equity in its next Cost of Capital application. The Commission should preserve these aspects and adopt targeted revisions that more fully reflect the evidentiary record concerning PG&E's prolonged capital structure misalignment.

II. COMMENTS

A. The Commission Should Preserve The Common Outcome Denying The Kincade And Dixie Exclusions

Like the PD, the APD reaches a reasonable and record-supported outcome by denying PG&E's requested exclusions for the Kincade and Dixie wildfire-related debt and equity charges.[5] Both decisions find that the wildfire-related costs represent approximately a 0.6 percent change in PG&E's debt-to-equity ratio, fall below Rule IX-B's one-percent threshold, and are materially smaller than the charges underlying prior wildfire waivers.[6] Both decisions also recognize that unwarranted deviations would undermine Rule IX-B's intended protections.[7] Importantly, the APD explains that denying these requested adjustments preserves Rule IX-B's equity discipline, maintains the Commission's intended balance between customer and shareholder interests, and avoids normalizing adjustments that are intended to remain exceptional.[8] The Commission

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[5] *See Energy Producers and Users Coalition and Indicated Shippers Opening Comments on Proposed Decision*, A.24-08-004, Jun. 10, 2026 (EPUC/IS Opening Comments on PD); *Energy Producers And Users Coalition, Indicated Shippers, And The Utility Reform Network Joint Reply Comments On Proposed Decision*, A.24-08-004, Jun. 15, 2026 (EPUC/IS/TURN Reply Comments on PD).
[6] PD at 18-19, 23-24; APD at 11-12, 18, 26-27.
[7] PD at 6-8, 12, 22-24; APD at 7-8, 27-28.
[8] APD at 26-28.

should preserve that common outcome and supporting rationale regardless of whether it adopts the PD or the APD, or a revised version of one of those decisions..

B. The Alternate Proposed Decision Properly Treats The DWR Loan As A Distinct, Fact-Specific Exception

The APD's approval of the requested DWR Loan adjustment is consistent with its denial of the Kincade and Dixie adjustments because the underlying obligations have different regulatory and financial characteristics. The APD finds that the DWR Loan "is a one-of-a-kind financial occurrence that has no prior example for review for capital structure treatment."[9] It explains that, although GAAP requires PG&E to record the DWR Loan as debt, the loan is interest-free, largely forgivable, and imposes no general repayment obligation on PG&E.[10] Public Utilities Code Section 712.8(h)(1) also prohibits PG&E from recovering the relevant Diablo Canyon costs in rate base,[11] and PG&E cannot seek cost recovery for expenditures paid with DWR Loan proceeds.[12] The APD therefore finds that the DWR Loan cannot finance rate-base assets, does not create a regulatory repayment obligation for ratepayers, and does not resemble conventional utility debt used for ratemaking.[13]

In contrast, the Kincade equity charge permanently reduced the common equity capital used to finance PG&E's rate base, while the Kincade and Dixie long-term debt restored cash depleted by wildfire claim payments and is used to finance utility rate base and operations.[14] The APD separately concludes that the wildfire-related costs do not qualify for a Rule IX-B waiver, and

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[9] APD at Finding of Fact 15.
[10] APD at 6, 19-20; Findings of Fact 14-15, 17; Conclusion of Law 6.
[11] APD at 19; Finding of Fact 16.
[12] APD at 19; Finding of Fact 18
[13] APD at 19-21; Findings of Fact 15-18; Conclusions of Law 6, 10.
[14] Ex. EPIS-001 at 7-10; see also *Joint Opening Brief Of The Energy Producers And Users Coalition And Indicated Shippers*, A.24-08-004, Jun. 9, 2025 (EPUC/IS Opening Brief) at 10-12.

remain subject to a pending prudency determination.[15] The APD thus appropriately treats the DWR Loan as a "fact-specific exception" and the wildfire-related adjustments as a "fundamentally different policy matter."[16]

C. The Alternate Proposed Decision's Formal Findings And Conclusions Should More Fully Reflect PG&E's Capital Structure Misalignment

The APD's affordability discussion properly recognizes that a utility's prolonged deviation from its authorized capital structure can weaken credit quality, increase borrowing costs, and ultimately increase customer rates.[17] The APD explains that PG&E's authorized capital structure reflects a carefully determined balance between customer and shareholder interests and is intended to govern throughout the applicable Cost of Capital cycle.[18] It also acknowledges the significant adjustments already incorporated into PG&E's regulatory capital structure, and that each successive waiver or adjustment further undermines that balance. [19]

Although this well-reasoned affordability analysis is supported by substantial record evidence, it is not fully reflected in the APD's formal Findings and Conclusions. As EPUC/IS explained in their Opening Comments on the PD, the final decision's formal holdings should more clearly reflect the record concerning PG&E's prolonged capital structure misalignment and the resulting financial risks and costs borne by customers.

Specifically, the Commission should revise APD Finding of Fact 3 and adopt the following additional Findings and Conclusions:

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[15] Findings of Fact 12-13, 20-21; Conclusions of Law 7-9.
[16] APD at 20-21, 27.
[17] APD at 23-26.
[18] APD at 26.
[19] APD at 26 (citing Ex. TURN-01C, Attachment 5).

- **Revised Finding of Fact 3:** A utility's actual equity-to-debt ratio is relevant to market participants' and credit rating agencies' assessment of the utility's financial risk and credit quality.[20]

- **Additional Finding of Fact:** The requested Kincade and Dixie exclusions would permit PG&E to avoid issuing or retaining equity otherwise required to maintain its authorized ratemaking capital structure. This would allow PG&E to operate with greater actual debt leverage than its ratemaking capital structure reflects, increasing financial risk for which customers are the ultimate backstop, while shareholder compensation continues to be calculated using the authorized ratemaking equity ratio.[21]

- **Additional Finding of Fact:** The requested exclusions would not change PG&E's actual debt leverage, but would permit PG&E to avoid issuing or retaining offsetting equity and would further widen the divergence between PG&E's authorized ratemaking capital structure and the actual capital structure evaluated by market participants and credit rating agencies.[22]

- **Additional Finding of Fact:** PG&E's current request arises while numerous waivers and adjustments, valued in the billions of dollars, are already incorporated into its authorized ratemaking capital structure calculation.[23]

- **Additional Conclusion of Law:** Frequent and unjustified deviations from the Commission-authorized ratemaking capital structure undermine its intended balance between customer and shareholder interests and are not in the public interest.[24]

These targeted revisions would align the APD's formal Findings of Fact and Conclusions of Law with its record-supported affordability analysis without altering its disposition or its fact-specific treatment of the DWR Loan.

D. The Commission Should Retain the Alternate Proposed Decision's Reporting Requirements

The APD correctly recognizes that Rule IX-B's equity threshold helps ensure that shareholders bear meaningful financial consequences rather than defer that responsibility

[20] Ex. EPIS-002 at 3; EPIS-001C at 15.
[21] Ex. EPIS-001C at 13-16; Ex. TURN-001C at 11; APD at 23-26.
[22] Ex. EPIS-001C at 14-15, 19-20. Ex. EPIS-002 at 6: Ex. TURN-001C at 10-11. 13-17.
[23] Ex. TURN-01C, Attachment 5; APD at 26.
[24] APD at 26; D.22-12-031 at 6.

through capital structure adjustments. It also concludes that denying the Kincade and Dixie exclusions preserves Rule IX-B's equity discipline while the Commission determines whether the underlying wildfire costs are reasonable and recoverable.[25] The APD's reporting requirements reasonably address PG&E's asserted concerns about surplus equity without relaxing the present capital structure discipline required by Rule IX-B. [26]

The APD's reporting requirements will facilitate the development of a record in PG&E's next Cost of Capital proceeding concerning the appropriate treatment of any equity later determined to be surplus. That record will assist the Commission in evaluating the potential ratepayer implications of any identified surplus when considering PG&E's requested authorized equity ratio and return on equity. Accordingly, the Commission should retain the reporting requirements in the final decision.

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[25] APD at 27-28.
[26] APD at 28-29; Ordering Paragraph 3.

III. CONCLUSION

For the foregoing reasons, the Commission should preserve the denial of PG&E's Kincade and Dixie wildfire-related adjustments and the APD's reporting requirements, and adopt the targeted revisions proposed herein. The Energy Producers and Users Coalition and the Indicated Shippers appreciate the opportunity to provide these comments.

Respectfully submitted,

BUCHALTER LLP

By:

Nora Sheriff

Nora Sheriff
Counsel for the Energy Producers and Users Coalition and the Indicated Shippers

August 20, 2026

Appendix with Proposed Changes to Findings of Fact and Conclusions of Law

Findings of Fact (FOF)

Revised FOF 3: A utility's **actual** equity-to-debt ratio **is relevant to market participants' and credit rating agencies' assessment of the utility's** ~~affects its~~ ~~perceived~~ financial risk **and credit quality**.

New FOF: The requested Kincade and Dixie exclusions would permit PG&E to avoid issuing or retaining equity otherwise required to maintain its authorized ratemaking capital structure. This would allow PG&E to operate with greater actual debt leverage than its ratemaking capital structure reflects, increasing financial risk for which customers are the ultimate backstop, while shareholder compensation continues to be calculated using the authorized ratemaking equity ratio.

New FOF: The requested exclusions would not change PG&E's actual debt leverage, but would permit PG&E to avoid issuing or retaining offsetting equity and would further widen the divergence between PG&E's authorized ratemaking capital structure and the actual capital structure evaluated by market participants and credit rating agencies.

New FOF: PG&E's current request arises while numerous prior waivers and adjustments, valued in the billions of dollars, are already incorporated into its authorized ratemaking capital structure calculation.

Conclusions of Law (COL)

New COL: Frequent and unjustified deviations from the Commission-authorized ratemaking capital structure undermine its intended balance between customer and shareholder interests and are not in the public interest.