FILED
08/25/26
04:59 PM
A2408004

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

Application of Pacific Gas and Electric Company for a Limited Capital Structure Adjustment

(U 39 M)

Application No. 24-08-004
(Filed August 5, 2024)

REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M) ON ALTERNATE PROPOSED DECISION OF COMMISSIONER REYNOLDS

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Dated: August 25, 2026

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I. INTRODUCTION

Pursuant to Rule 14.3(d) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) provides Reply Comments to the Opening Comments submitted by Energy Producers and Users Coalition and Indicated Shippers (EPUC/IS) on the July 31, 2026 Alternate Proposed Decision of Commissioner John Reynolds (APD). EPUC/IS agrees with granting a Rule IX.B adjustment with respect to the forgivable loan from the California Department of Water Resources (DWR Loan), as reflected in the APD. Thus, the Commission should adopt the APD, not the PD, subject to the minor modifications and clarifications suggested in PG&E's opening comments. EPUC/IS's proposed additional findings, which are unnecessary and unsupported by the record, should be disregarded.

II. THE COMMISSION SHOULD ADOPT THE APD, NOT THE PD

EPUC/IS agrees that the APD correctly grants PG&E a Rule IX.B adjustment with respect to the forgivable DWR Loan.[1] As EPUC/IS recognizes, the DWR loan is a unique, "one-of-a-kind financial" arrangement that "cannot finance rate-base assets, does not create a regulatory repayment obligation for ratepayers" and therefore is appropriately excluded from

[1] EPUC/IS Comments on Alternate Proposed Decision (Aug. 20, 2026) at 4 (concluding that "[t]he APD thus appropriately treats the DWR Loan as a 'fact-specific exception'" for Rule IX.B purposes) (EPUC/IS APD Comments).

PG&E's regulatory capital structure.[2] Whereas the PD would penalize PG&E for pursuing such an innovative and creative funding structure, the APD appropriately grants PG&E's requested relief as to the DWR loan. The parties agree that the APD should be adopted. Thus, the Commission should adopt the APD, not the PD.

III. EPUC/IS'S PROPOSED MODIFICATIONS ARE UNNECESSARY AND LACK SUPPORT IN THE RECORD

EPUC/IS's proposed modifications to the APD rehash its comments on the May 31, 2026 Proposed Decision of ALJ Amin Nojan (PD) and should be similarly rejected.[3] EPUC/IS proposes to revise one Finding of Fact, add three additional factual findings, and one additional Conclusion of Law.[4] These proposed additions or alterations largely mirror those proposed by EPUC previously in its comments on the PD.[5] EPUC/IS does not argue that these proposed findings are necessary to the resolution of this proceeding, or are necessary to resolve factual errors in the APD's holdings. The Commission should reject them on that basis alone.[6] These EPUC/IS recommendations were already considered and effectively rejected by the Commission in this proceeding in connection with the PD and should be similarly rejected in the APD.

PG&E's reply comments on the PD responded in detail to EPUC/IS's similar proposals with respect to the PD.[7] EPUC/IS's recommendations remain unsupported by the factual record and seek to relitigate EPUC/IS's policy disagreement with regulatory adjustments previously approved by the Legislature and/or the Commission. There is no basis to find any improper "divergence"[8] between PG&E's GAAP capital structure and its regulatory capital structure. Regulatory adjustments do not generate "value[]in the billions of dollars"[9] for PG&E and its shareholders—on the contrary, the Commission sets a utility's authorized regulatory capital

[2] EPUC/IS APD Comments at 3.
[3] EPUC/IS also continues to incorrectly assert that the "Kincade and Dixie long-term debt restored cash depleted by wildfire claim payments and is used to finance utility rate base and operations." EPUC/IS APD Comments at 3. There is no evidence in the record supporting this assertion, which is self-evidently incorrect, because proceeds from debt used to fund wildfire claims undisputedly do not finance rate base.
[4] EPUC/IS APD Comments at 4-5.
[5] *Compare* EPUC/IS APD Comments at 5 *with* EPUC/IS PD Comments at 4-5.
[6] *See* Rules of Practice and Procedure, Rule 14.3(c) ("Comments shall focus on factual, legal or technical errors in the proposed or alternate decision and in citing such errors shall make specific references to the record or applicable law. Comments which fail to do so will be accorded no weight.").
[7] *See* PG&E Reply Comments on Proposed Decision (June 15, 2026).
[8] EPUC/IS APD Comments at 5.
[9] EPUC/IS APD Comments at 5.

structure to identify the appropriate mix of long-term debt and equity capital for funding a utility's rate base *only*, ensuring no equity return is received for non-rate base assets such as wildfire costs.[10] There is no reason to include references to "numerous waivers and adjustments" or "[f]requent and unjustified deviations," particularly in reference to prior actions by the Commission and the Legislature. Similarly, EPUC/IS's repeated inclusion of references to "financial risk" allegedly resulting from regulatory adjustments remains unsupported by any actual evidence from a credit rating agency or market participant of such a negative financial impact.[11]

EPUC/IS's proposed additions would also create needless confusion. For example, EPUC/IS's proposed addition of "actual" to Finding of Fact #3 creates needless uncertainty regarding what constitutes an "actual" utility equity ratio in this context. As PG&E explained in its Opening Comments, such ambiguous phrasing should be avoided.[12] Other of EPUC/IS's proposed findings are self-contradictory, such as suggesting that the "requested exclusions would not change PG&E's actual leverage"[13] but would somehow "increas[e] financial risk for which customers are the ultimate backstop."[14] EPUC/IS does not justify or otherwise explain these contradictions, which the Commission should not adopt.

IV. THE COMMISSION SHOULD CLARIFY THE APD'S REPORTING REQUIREMENT AS PG&E RECOMMENDED

EPUC/IS supports the APD's reporting requirements and does not propose any modifications.[15] PG&E's Opening Comments proposed minor clarifications to the reporting requirements, which the Commissions should adopt.

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[10] See PG&E Opening Comments (June 10, 2026) at 2, 7-10; D.25-12-043 at 71, Ordering Paragraph 1 (authorizing overall weighted "Return on Rate Base" of 7.61% for PG&E).
[11] *See* PG&E Reply Comments on PD at 1-2.
[12] *See* PG&E Opening Comments on Alternate Proposed Decision (Aug. 20, 2026) at 3 (PG&E APD Comments).
[13] EPUC/IS APD Comments at 5.
[14] EPUC/IS APD Comments at 5.
[15] EPUC/IS APD Comments at 5-6.

Respectfully Submitted,

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Dated: August 25, 2026