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

Application of Pacific Gas and Electric Company to Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design. (U 39 M)	Application No. 24-09-014 (Filed September 30, 2024)

FOURTH SETTLEMENT STATUS REPORT OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 M)

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I. INTRODUCTION

Pursuant to the modified proceeding schedule adopted in the June 17, 2026 Ruling,[1/, 2/] Pacific Gas and Electric Company (PG&E) submits this Fourth Status Report to apprise the Commission about the parties' ongoing negotiations and to summarize their recent progress toward settlements on the issues in the primary track of PG&E's 2023 General Rate Case Phase II (GRC II).[3/] The summaries presented below on each subgroup's settlement status generally reflect activities as of September 3, 2026, when a revised draft of this status report was circulated for parties' review.[4/, 5/]

II. STATUS OF SETTLEMENT TALKS

The parties are pleased to report that five of the ten settlement subgroups have reached or are nearing settlements in principle covering almost all (if not all) of their contested issues. Of

1/ Administrative Law Judge's Ruling Modifying Schedule, pp. 2-3 (setting dates for filing of settlement status reports) (ALJ Ruling).

2/ Joint Motion to Modify Schedule with Status Report on Settlement, pp. 6-7, 12 (proposing "additional Settlement Status Reports to be filed and served by PG&E on July 10, August 7, September 4, and October 2, 2026.") (Joint Motion).

3/ *See id.*, p. 10 (describing status report process). The primary track of this GRC II includes all issues except Real-Time Pricing Rate Design (RTP), which is proceeding on a bifurcated track, under a different CPUC schedule.

4/ The number of settlement conferences is, however, updated through the date of filing.

5/ Additional details regarding the settlement process provided in the Joint Motion and subsequent status reports are incorporated by reference. *See* Joint Motion, pp. 3-5.

particular importance, the Marginal Cost and Revenue Allocation (MCRA) subgroup—which addressed over half of the chapters of testimony served in this proceeding—has agreed in principle to settle all but two limited MCRA issues, as discussed below. In addition, all of the contested issues on Economic Development Rate Design (EDR) as well as Marketing, Education, and Outreach (ME&O) have achieved agreement in principle with the interested parties while Streetlighting Rate Design (Streetlights) is nearing settlement in principle. Further, all of the baseline quantity-related issues have been resolved by the Residential Rate Design (RRD) subgroup. Settlement Agreements formalizing these agreements in principle are now in the process of being finalized and are expected to be filed under separate motions before the end of September 2026.

As for the other contested issues, discussions are ongoing and some have already reached agreements in principle. In the coming weeks, discussions will continue in an attempt to reach agreement on the remaining contested issues.

The parties have convened a tenth settlement subgroup since the Third Settlement Report to address Marginal Transmission Capacity Costs (MTCC), as described below in Section II.A.10.[6/] The nine previously-established settlement subgroups are: Marginal Costs and Revenue Allocation (MCRA), Residential Rate Design (RRD), Commercial and Industrial Rate Design (C&I), Agricultural Rate Design (AgRD), Streetlighting Rate Design (Streetlights), Business Electric Vehicle Rate Design (BEV), Economic Development Rate Design (EDR), Fees for Community Choice Aggregators (CCAs), Direct Access (DA) customers (CCA/DA Fees), and Marketing, Education, and Outreach (ME&O).[7/]

Since the Third Status Report, the parties have maintained a steady settlement cadence, resulting in the total number of settlement conferences increasing substantially from 53 to 76.[8/]

6/ The subgroup discussion of MTCC issues does not reflect any determination or expectation by the parties that MTCC issues cannot be settled or incorporated into a final MCRA agreement.

7/ *Id.*, pp. 4-5.

8/ For comparison, between the June 9 Joint Motion and July 10 Second Status Report, the number of settlement conferences increased from 17 to 30.

All of the settlement subgroups have now commenced settlement negotiations. Until recently, the MCRA settlement subgroup has been the primary focus, because settled marginal cost values are needed as inputs for revenue allocation and rate design.[9/]

The progress of subgroup settlement activities is presented below in Table 1, followed by brief summaries for each subgroup.

TABLE 1: PROGRESS OF SETTLEMENT DISCUSSIONS
Cumulative Settlement Conferences as of Date

Subgroup	**June 9, 2026**	**July 10, 2026**	**August 7, 2026**[†]	**Sept. 4, 2026**[‡]
MCRA	11	16	22	28
RRD	3	5	8	10
C&I	-	1	7	7[*]
AgRD	-	2	4	6
Streetlights	-	-	-	3
BEV	-	1	1	5
EDR	3	3	6	8
CCA/DA Fees	-	2	4	7
ME&O	-	-	1	1
MTCC	-	-	-	1
TOTAL	**17**	**30**	**53**	**76**

[†] The Third Settlement Status Report reflected settlement subgroup progress as of August 4, 2026.
[‡] This Fourth Settlement Status Report reflects settlement progress as of September 1, 2026, except the number of settlement conferences is reported through September 4, 2026.
[*] C&I settlement conferences include issue-specific meetings consistent with the Third Status Report.

9/ Marginal transmission capacity costs (MTCC) do not feed into revenue allocation for CPUC rate design because retail transmission rates fall under FERC jurisdiction. For purposes of the GRC Phase II, MTCCs are used to check that contribution to margin is being ensured under the EDR rate.

A. SUMMARIES BY ISSUE AREA

All of the original nine settlement subgroups have engaged in multiple settlement negotiations, with the new MTCC subgroup having just held its first meeting this week. PG&E is working diligently with the parties participating in each of the settlement subgroups to identify uncontested issues and to continue to narrow the contested issues as much as possible through negotiated, arms-length settlement agreements.

Each subgroup's settlement progress is briefly summarized below, subject to the limitations Rule 12.6 places on disclosing confidential substantive details of these settlement discussions beyond what has been agreed to by the parties.

1. Marginal Cost and Revenue Allocation

The MCRA settlement subgroup has been meeting at least weekly since mid-April, so far resulting in 28 total meetings. This subgroup has reached an agreement in principle on all but two of the contested MCRA issues, which is currently being memorialized in a detailed term sheet. The two issues the MCRA subgroup has not been able to settle, and which will proceed to litigation, are:

- The determination of what revenue requirements will qualify for the special wildfire allocation, how such qualifying revenues should be allocated, and whether these revenues should be collected in the distribution component or in public purpose programs (PPP); and,
- Whether the revenues supporting the Family Electric Rate Assistance (FERA) program should be collected in distribution or PPP, and what the allocation of those revenues should be.

As noted above, a tenth settlement subgroup was formed to discuss MTCC issues. It is too early to assess the likelihood of whether an agreement in principle on MTCC might be achieved.

2. Residential Rate Design

The RRD settlement discussions have so far mainly focused on baseline quantities and baseline tier differentials, which are the only two contested RRD issues that are not dependent on having a settlement in principle on MCRA. RRD discussions have primarily been with TURN and Cal Advocates, as only these two parties presented different proposals regarding the two baseline-related sub-issues identified above. After nine settlement meetings, PG&E, TURN and Cal Advocates have reached agreement in principle on all of the contested sub-issues related to residential rate baseline quantities and baseline tier differentials.

The only remaining contested RRD issues that require further discussion are Master Meter discounts and TOU differentials.[10/] PG&E has started working with the parties interested in TOU differentials and anticipates beginning discussions on Master Meter discounts soon with the goal of achieving resolution as soon as possible.

3. Commercial and Industrial Rate Design

The C&I subgroup commenced its settlement negotiations on July 1, 2026, and reached consensus about what sub-issues were not contingent on the conclusion of the MCRA negotiations and could be addressed independently of the MCRA-dependent C&I rate design issues.

A total of fifteen C&I settlement conferences have taken place, with seven held since the Third Status Report (three of them being all-party conferences and four targeted side meetings regarding narrow issues with fewer interested parties). To date, all intervenor proposals and PG&E's non-rate design proposals have been discussed, and research has been conducted that has led to progress toward potential compromises still being considered.

So far, not only have the parties agreed that two of PG&E's proposals are uncontested but also have reached agreement in principle on five other intervenor proposals.[11/] The interested

10/ The agreed, uncontested RRD issues are: minimum bill revisions, elimination of the EV2 requirement (i.e., the requirement customer usage remain below 800% of baseline allowance), SmartRate modifications, and rate changes between GRCs.

11/ The two uncontested PG&E proposals are (1) the adoption of a flat A-1 rate schedule for existing unmetered customers after current A-1 customers are transitioned to later TOU peak periods, and (2) no changes to the A-6, A-10, E-19, and E-20 rate schedules set to expire at the end of 2027.

parties are continuing to work hard on potential compromises regarding the remaining contested C&I issues.

4. Agricultural Rate Design

On June 16, 2026, PG&E initiated settlement discussions regarding AgRD proposals with AECA and CFBF. The early and continuing focus of AgRD settlement discussions has been on contested AgRD issues that the parties believe can be settled or narrowed prior to an agreement in principle on MCRA. These early AgRD issues are primarily PG&E's proposed change to the Demand Charge Rate Limiter (DCRL) and CFBF's proposed agricultural pump test credit.[12/] Issues dependent upon an MCRA settlement include, but are not limited to, rate schedule-specific customer charges, demand and energy charge splits, and TOU differentials. There are also issues that the AgRD parties presently regard as uncontested but which the parties intend to review holistically prior to the conclusion of the AgRD settlement process.

Since the last status report, six AgRD settlement meetings have been held.[13/] Over the course of these meetings, the AgRD parties have mainly made progress during settlement discussions regarding two of the three contested issues[14/]: (1) the DCRL and (2) the pump test credit. PG&E has provided additional analyses and scenarios to facilitate the parties' settlement discussions, and the parties generally have exchanged alternative ideas and/or counterproposals. PG&E is optimistic that some level of alignment can be reached with AECA and CFBF on these issues.

5. Streetlighting Rate Design

The Streetlighting Rate Design subgroup, which consists of PG&E and the California City County Street Light Association (CALSLA), held three settlement conferences. The parties agreed that four of PG&E's proposals are uncontested and are nearing settlement in principle on

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12/ Strictly speaking, the DCRL may be impacted by the MCRA settlement, however.

13/ The sixth settlement conference is scheduled on the filing deadline for this Fourth Status Report. If that settlement conference is unexpectedly cancelled or rescheduled, any such change would be reflected in the next status report.

14/ The third contested AgRD issue concerns changes in the customer charge for Ag rate schedules.

the remaining three contested issues, two of which are also related to C&I Rate Design.[15/] The draft term sheet is currently being drafted for formal approval by all parties in the Streetlighting settlement subgroup.

6. Business Electric Vehicle Rate Design

The BEV subgroup has held five BEV rate design settlement meetings since early July, with additional smaller meetings to discuss the types of changes that may or may not be feasible given PG&E's billing system limitations. The parties have been exploring potential BEV rate design compromises and remain hopeful that many or all of the contested BEV rate design issues can be resolved.

7. Economic Development Rate

The EDR settlement subgroup[16/] has held a total of eight settlement conferences. The EDR settlement subgroup has reached a settlement in principle resolving all contested issues. The draft term sheet is currently being drafted for formal approval by all parties in the EDR settlement subgroup.

8. Community Choice Aggregation and Direct Access Program Fees

The CCA/DA Fees settlement subgroup, which consists of PG&E and CalCCA, has held seven settlement meetings. The parties are continuing to work hard in good faith to explore potential compromises on the contested issues. Parties have determined that they will not come to an agreement on the Provider of Last Resort issue.

9. Marketing, Education, and Outreach

As explained in the Third Status Report, the ME&O subgroup was recently added and consists of PG&E and TURN. During the first ME&O settlement meeting on July 23, the parties discussed TURN's concerns regarding aspects of PG&E's proposed ME&O plan. Over the week

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15/ These Streetlighting issues relate to customer charges for rate schedules LS-3 and TC-1 as well as modifications under rate schedule TC-1F.

16/ The EDR subgroup consists of PG&E, Cal Advocates, CalCCA, CFLP, CLECA, CMTA, EPUC, FEA, SBUA, TURN and Walmart.

of August 24, PG&E and TURN corresponded and have since reached an agreement in principle. A draft term sheet has been agreed upon by both parties.

10. Marginal Transmission Capacity Costs

As the MTCC issues are of interest to only a few of the parties which participated in the broader MCRA negotiations, they were separated for discussion into a new MTCC subgroup composed of AECA, Cal Advocates, PG&E, and SEIA. The first MTCC settlement conference was held on August 31. The second MTCC settlement conference is scheduled for September 9.

III. NO ISSUES PRESENTLY REQUIRE ALTERNATIVE DISPUTE RESOLUTION

PG&E continues to believe there are not likely to be any issues that would benefit from the assignment of a neutral ALJ from the CPUC's ALJ Division's Alternative Dispute Resolution (ADR) Program. No party has expressed interest in ADR.

IV. CONCLUSION

Since the Third Status Report filed on August 7, the parties have made meaningful progress toward settlement of contested issues. The parties have reached or are nearing agreement in principle on some or all contested issues for MCRA, RRD, Streetlights, EDR, and ME&O. For the remaining settlement subgroups, the interested parties remain actively engaged.

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PG&E and the other parties appreciate this opportunity to update the ALJ and the Commission on the status of ongoing settlement discussions and look forward to providing the Fifth and Final Settlement Status Report on October 2, 2026.[17/]

Respectfully Submitted,

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17/ Ruling, p. 2; Joint Motion, pp. 11-12.