STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

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

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September 23, 2026

Agenda ID #24547
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 26-05-009:

This is the proposed decision of Administrative Law Judge Elizabeth Fox. 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 **October 29, 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: smt

Attachment

Decision **PROPOSED DECISION OF ALJ FOX** (Mailed 9/22/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2027. (U39M)	Application 25-05-009

DECISION AUTHORIZING INTERIM RATE RECOVERY

Summary

The decision authorizes Pacific Gas and Electric Company to recover, on an interim rate basis, no more than $456 million in revenue requirement, beginning January 1, 2027, to remain in effect until implementation of a final decision.

Application 25-05-009 remains open.

1. Background

On May 15, 2025, Pacific Gas and Electric Company (PG&E) filed the instant Application and served supporting testimony for its Test Year 2027 General Rate Case (TY 2027 GRC or GRC). In its Application, PG&E requested to increase its total combined revenue requirement for gas distribution, transmission and storage, electric distribution, and generation, effective January 1, 2027.

The Assigned Commissioner's Scoping Memo and Ruling adopted a schedule that established May 2027 as the expected date for a final decision in Track 1 of this proceeding.[1]

On May 7, 2026, PG&E filed a motion requesting that the Commission authorize interim rate recovery (IRR Motion) for its TY 2027 GRC, pursuant to Public Utilities Code (Pub. Util. Code) §§ 451 and 701.

On June 1, 2026, the following parties filed responses that opposed PG&E's IRR Motion:

- California Large Energy Consumers Association, Energy Producers and Users Coalition, Indicated Shippers (Joint Parties);
- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates); and
- The Utility Reform Network (TURN).

On July 2, 2026, PG&E presented an updated revenue requirement request.[2]

2. PG&E Proposal

PG&E's 2027 GRC revenue requirement forecast is $16.527 billion.[3] In its IRR Motion, PG&E requested interim authorization to recover 55, 75, or 85 percent of its requested combined total $1.188 billion revenue requirement increase for TY 2027,[4] beginning January 1, 2027, to remain in effect until implementation of a final decision. These percentages correspond to

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[1] Assigned Commissioner's Scoping Memo and Ruling issued on July 31, 2025 at 19. As noted in the Scoping Memo and Ruling, the schedule may be modified by the Administrative Law Judges as required to promote the efficient and fair resolution of the Application.

[2] PG&E Opening Brief.

[3] PG&E Ex-10-E-2, Table 1.

[4] As presented in PG&E Ex-10-E-2 at 1-1. *See also* PG&E Motion at 1.

approximately $653.70 million, $891.40 million, or $1.010 billion in revenue requirement.

PG&E noted that the scoping memo in this proceeding anticipates a final decision in May 2027.[5] In addition, PG&E noted that previous GRC decisions have been adopted after the start of the Test Year and beyond the "Rate Case Plan's expectation" that the Commission issue a final decision 565 days after a utility's GRC filing.[6]

PG&E stated that interim recovery beginning January 1, 2027 would advance customers' interests by: 1) avoiding approximately $14 to $21 million[7] in interest that customers would otherwise pay, 2) smoothing rates and reducing rate volatility,[8] and 3) better aligning cost recovery with the period in which costs are incurred.[9]

As proposed, interim rate recovery would be calculated as follows, including proposed reductions for Gas Distribution and Gas Transmission and Storage:[10]

[5] Assigned Commissioner's Scoping Memo and Ruling issued on July 31, 2025 at 19.

[6] IRR Motion at 3, citing Decision (D.) 20-01-002 at 27.

[7] IRR Motion at 1, 4, 6.

[8] IRR Motion at 7-10.

[9] IRR Motion at 1.

[10] IRR Motion at 4. Note that values were originally presented in thousands and have been rounded to millions to correspond with values presented in PG&E Ex-10, Table 1-1.

Table 1: PG&E Calculation of IRR Scenarios by Function (Millions)

	2026 Revenue Requirement	2027 Proposed Change	Percent of Requested Revenue Requirement		
			55	75	85
Electric Distribution	$8,819	$979	$539	$735	$833
Gas Distribution	$3,104	$(57)	$(31)	$(43)	$(48)
Electric Generation	$1,220	$280	$154	$210	$238
Gas Transmission & Storage	$2,196	$(14)	$(8)	$(11)	$(12)
Total GRC	**$15,339**	**$1,188**	**$654**	**$891**	**$1,010**

PG&E illustrated an approximate combined bill impact by comparing the interim rate recovery scenarios presented in the IRR Motion to its original request in its Application:[11]

Table 2: PG&E Calculation of Incremental Percent Change in Combined Non-CARE Residential Bill[12]

	Jan. 1, 2027	Sept. 1, 2027	Jan. 1, 2028	Sept. 1, 2028	Jan. 1, 2029	Jan. 1, 2030
As Filed	3.6%	-	3.2%	-	3.3%	3.4%
No IRR	-	5.9%	3.1%	-2.2%	3.3%	3.4%
55% IRR	1.9%	2.7%	3.2%	-1.0%	3.3%	3.4%
75% IRR	2.6%	1.6%	3.2%	-0.6%	3.3%	3.4%
85% IRR	2.9%	1.0%	3.2%	-0.3%	3.3%	3.4%

PG&E argued that if the Commission authorizes interim rate recovery, PG&E's customers will avoid incurring the financing cost on memorandum account undercollections. The Commission sets this interest rate at the 90-day

[11] IRR Motion at 8.

[12] Note that this calculation presumes a 12-month amortization of any undercollection. Non-CARE customers are customers that pay standard gas and/or electric rates and do not receive the California Alternate Rates for Energy (CARE) program monthly discount.

commercial paper rate, as reported by the Federal Reserve, which PG&E reported was 3.71 percent as of March 2026. PG&E stated that if its IRR request was granted and interim rate recovery commences on January 1, 2027, direct customer savings would be approximately $13.6 million, $18.5 million, or $21.0 million under the 55 percent, 75 percent, or 85 percent IRR scenarios, respectively. PG&E's calculations compared its scenarios with rate recovery beginning on September 1, 2027, and taking place over a 12-month period.

PG&E stated that interim rate recovery would be subject to refund and fully refundable, to ensure that customers are made whole.[13]

3. Updated Calculations

In its Opening Brief, PG&E presented the following updated revenue requirement forecast:[14]

Table 3: 2027 GRC Revenue Requirement Forecast (Millions)

	2026 Revenue Requirement	2027 Proposed Change
Electric Distribution	$8,819	$722
Gas Distribution	$3,104	($63)
Electric Generation	$1,220	265
Gas Transmission & Storage	$2,196	($39)
Total GRC	**$15,339**	**$885**

[13] IRR Motion at 1.

[14] PG&E Opening Brief at 10-47 updates the 2027 proposed revenue requirement, removing costs from memorandum accounts related to Senate Bill 410 and Assembly Bill 841 from this GRC as discussed in PG&E Ex-22 at 7-27, 7-29.

Using these values, we calculate various IRR scenarios ranging from 55 to 85 percent of values in the "2027 Proposed Change" column, shown in the table below:

Table 4: Updated Calculation of IRR Scenarios by Function (Millions)

	2026 Revenue Requirement	2027 Proposed Change	Percent of Requested Revenue Requirement Change		
			55%	75%	85%
Electric Distribution	$8,819	$722	$397	$542	$614
Gas Distribution	$3,104	($63)	($35)	($47)	($54)
Electric Generation	$1,220	265	$146	$199	$225
Gas Transmission & Storage	$2,196	($39)	($21)	($29)	($33)
Total GRC	**$15,339**	**$885**	**$487**	**$664**	**$752**

4. Party Comments

All parties that filed responses to the IRR Motion opposed granting PG&E's request.

4.1. Cal Advocates

Cal Advocates argued that the Commission should deny the IRR motion in full.[15] Cal Advocates noted that the Commission may approve interim rate recovery "if the facts warrant such summary relief"[16] and where "fairness to both the utility and the public required immediate action."[17] Citing a 2024 Commission decision granting interim rate recovery, Cal Advocates stated that

[15] Public Advocates Office Response in Opposition to Pacific Gas and Electric Company's Motion for Interim Rate Recovery (Cal Advocates Response) at 9.

[16] Cal Advocates Response at 11, citing Pub. Util. Code §451; *Los Angeles v. Pub. Utils. Com.*, 7 Cal. 3d 331, 102 Cal. Rptr. 313, 497 P.2d 785 (1972), 354; *Toward Util. Rate Normalization v. Pub. Utils. Com (TURN v. PUC)*, 44 Cal. 3d 870, 245 Cal. Rptr. 8, 750 P.2d 787 (1988) at 878.

[17] Cal Advocates Response at 11, citing *TURN v. PUC* at 879.

the Commission has considered various factors when determining whether a utility is entitled to interim rates:

- Fairness to both the utility and public;
- The public interest;
- Reducing the potential for rate shock;
- Intergenerational equity;
- Preserving the financial integrity of a utility;
- Minimizing costs incurred by ratepayers; and
- Ensuring rate stability.[18]

Cal Advocates noted that "interim rate relief is not routine" and that such relief "requires a showing of need and urgency, not merely a net benefit."[19]

Cal Advocates further argued that PG&E's request in the IRR Motion is fundamentally different from past cases in which the Commission has authorized interim rate relief.[20] Cal Advocates stated that GRC proceedings prospectively authorize rates for future costs and projects; that these costs are inherently uncertain and may not be incurred at all; and that, following a GRC, utilities retain the discretion and flexibility to reprioritize funding within the authorized revenue requirement.[21] Further, the Commission may modify, reduce, or fully reject many proposed expenditures under examination in the current PG&E 2027 GRC. Cal Advocates argued that if the Commission were to

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[18] Cal Advocates Response at 2, citing D.24-03-006 at 11.

[19] Cal Advocates Response at 2, citing *TURN v. PUC* at 879. Cal Advocates notes that the California Supreme Court explained that while the situation for interim rate relief need not rise to the level of an "emergency," it must be a situation where "fairness to both the utility and the public required immediate action."

[20] Cal Advocates Response at 2-4.

[21] Cal Advocates Response at 3.

grant the requested interim rate relief, PG&E could fund projects that have yet to be approved and where no costs have been incurred.

In addition, Cal Advocates noted that PG&E's request for interim rates "is not grounded in operational necessity,"[22] as it does not identify or claim any safety, reliability, wildfire, gas, electric, or customer-service work would not proceed absent interim rate relief.[23] In addition, Cal Advocates noted that PG&E does not identify any project, program, compliance activity, or operational function that depends on receiving a partial GRC increase before the Commission issues a final decision. Cal Advocates further argued that PG&E's request therefore is not grounded in operational necessity and does not identify any concrete, time-sensitive harm to either customers or the utility that would be addressed with interim rate recovery.[24]

Cal Advocates also stated that it is unclear why PG&E chose to request interim rate relief rather than avail itself of a memorandum account as it has done in past GRCs.[25] For example, in the 2023 GRC, rather than request interim rates, PG&E sought an order making the 2023 Test Year GRC revenue requirement effective as of January 1, 2023 in the event the Commission adopted its final decision after that date.[26] Cal Advocates stated the established memorandum account mechanism would preserve the status quo while allowing the Commission to complete its review on a full record before authorizing any

[22] Cal Advocates Response at 3.

[23] Cal Advocates Response at 3.

[24] Cal Advocates Response at 4.

[25] Cal Advocates Response at 4, citing D.22-06-033.

[26] Cal Advocates Response at 4, citing D.22-06-033 at 2.

rate changes.[27] According to Cal Advocates, granting interim rates in a GRC would "invert GRC due process by requiring customers pay first and litigate later."[28]

4.2. Joint Parties

The Joint Parties asked the Commission to deny PG&E's request for interim recovery of any portion of its proposed TY 2027 revenue requirement increase.[29] According to the Joint Parties, the IRR Motion failed to establish that the proposed relief is warranted.[30]

The Joint Parties argued that PG&E: 1) overstates the extent to which its request resembles interim rate relief the Commission has granted in prior cases;[31] 2) unreasonably presumes that its proposed $1.18 billion revenue increase is reasonable and will be approved;[32] and 3) has a "fundamentally incomplete" affordability and rate-volatility showing that ignores impacts on non-residential customers.[33]

4.3. TURN

TURN asks the Commission to deny PG&E's request because the IRR Motion "lacks sufficient support for the extraordinary relief sought therein."[34]

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[27] Cal Advocates Response at 4.

[28] Cal Advocates Response at 4.

[29] Joint Response of California Large Energy Consumers Association, Indicated Shippers, and Energy Producers and Users Coalition in Opposition to Motion of Pacific Gas and Electric Company for Interim Rate Recovery (Joint Response), filed June 1, 2026.

[30] Joint Response at 2.

[31] Joint Response at 2-5.

[32] Joint Response at 3, 5-6.

[33] Joint Response at 3, 6-8.

[34] Response of The Utility Reform Network to the Motion of Pacific Gas and Electric Company for Interim Rate Recovery (TURN Response), filed June 1, 2026 at 2.

According to TURN, unlike the circumstances underlying the decisions PG&E cited in support of its motion, PG&E seeks relief for "speculative, forecasted costs in 2027, and anticipates being able to start collecting those costs deemed reasonable by the Commission the same year, in 2027."[35] TURN also stated that ratepayers would likely overpay under any of PG&E's three proposals, and noted that PG&E "exaggerates the benefits to ratepayers associated with interest expense, rate smoothing, and intergenerational equity."[36]

5. Discussion

5.1. Smooth Rates and Alleviate Rate Shocks

Cal Advocates stated that "interim rate relief is not routine" and that such relief "requires a showing of need and urgency, not merely a net benefit" for the Commission to justify authorization.[37] TURN similarly argued that the IRR Motion "lacks sufficient support for the extraordinary relief sought therein."[38]

While we agree that interim rate recovery is not, and should not be, routine, we disagree that a showing of urgency or extraordinary circumstances is needed to authorize interim rate recovery. The Commission has the authority to set interim rates, and in *TURN v. PUC*, the California Supreme Court held that the Commission could set interim rates as long as the rate is subject to refund and sufficiently justified.[39]

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[35] TURN Response at 2.

[36] TURN Response at 2.

[37] Cal Advocates Response at 2, citing *TURN v. PUC* at 879.

[38] TURN Response at 2.

[39] *TURN v. PUC*, 44 Cal. 3d 870, 880 (1988). ["We conclude that the commission had authority to determine that the interim rate increases, subject to refund, prescribed by its decisions of December 18, 1985, and April 16, 1986, are 'just and reasonable' (§ 451) and 'justified' (§ 454, subd. (a))."]

Moreover, we are persuaded by PG&E that interim rate relief is appropriate, specifically to smooth rates and alleviate potential rate shock. The timing of the instant decision, in advance of the Annual Electric True-up Advice Letter, would allow implementation of the interim rate relief in the winter season to avoid the potential of layered rate increases in the summer months, when total customer bills are typically higher. Our finding here is consistent with the Commission's recent decision to change the timing of Climate Credit distribution to summer months to lower customers' highest electricity and gas bills.[40]

If the interim rate relief authorized herein exceeds the amount authorized in the Phase 1 decision, any excess values must be returned to customers, providing additional relief to customers.

5.2. Previous Interim Rate Decisions

PG&E and parties presented various interim rate recovery decisions to consider as references for the Commission's consideration. We have reviewed these decisions and find that the Commission has recently granted 50-85 percent interim rate recovery in them.[41] We also note, however, that the circumstances of each of these cases differ from those presented in this proceeding since each of these decisions addressed applications for the recovery of costs already recorded in memorandum or other regulatory accounts. In the instant Application, PG&E is forecasting revenues needed for operations. Therefore, we consider similar decisions when weighing whether and to what extent to approve PG&E's

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[40] D.26-04-036.

[41] In D.24-07-012, the Commission authorized 55 percent of Southern California Edison's (SCE's) request. In D.23-06-004 the Commission authorized 85 percent of PG&E's request. In D.24-02-010, the Commission authorized 50 percent of San Diego Gas & Electric's (SDG&E's) Request. In D.19-04-039 and D.24-03-006, the Commission authorized 63 percent and 75 percent of PG&E's Requests, respectively.

request, including final revenue requirement authorizations in recent GRCs. Any interim rate recovery should not exceed authorized amounts in similar cases.

5.3. Previous GRC Authorizations

Upon review, PG&E's request exceeds final revenue requirement authorizations of nearly all recent GRCs, which ranged from 31.5 percent to 56.9 percent. We are therefore not persuaded to fully grant PG&E's request for 55, 75, or 85 percent of its requested revenue requirement before a final Phase 1 decision.

In the most recently concluded GRC Phase 1, the Commission granted SCE 56.9 percent of its requested increase for the Test Year 2025 GRC. Of the $1.901 billion increase proposed, $1.082 billion was authorized.[42]

In 2024, the Commission authorized 31.5 percent of the initial combined request of Southern California Gas Company (SoCalGas) and SDG&E. The two utilities proposed a total increase of $1.368 billion and the Commission authorized $431 million.[43]

Finally, in its final decision on PG&E's Test Year 2023 GRC, the Commission authorized 40.9 percent of the total requested increase: PG&E proposed a $3.198 billion increase and the Commission authorized a $1.307 billion increase.[44]

5.4. Conclusion

Given the need to ensure stability of rates, we partially grant the IRR Motion, allowing PG&E interim recovery of 55 percent of its requested revenue requirement increase for Electric Distribution and Electric Generation, and a 85

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[42] D.25-09-010, Appendix B, 2025 CPUC Results of Operations at 4.

[43] D.24-12-074, Appendix A, 2024 GRC FD Revenue Requirement and Base Margin Comparison.

[44] D.23-11-069, Appendix A, Table 1.

percent reduction for Gas Distribution and Gas Transmission & Storage functions.

This percentage is consistent with previous interim rate decisions as described above and, for Electric Distribution and Electric Generation, at approximately the midpoint of recent GRC authorizations. For Gas Distribution and Gas Transmission & Storage, we find recovery of 85 percent of the revenue requirement change reasonable to stabilize customer bills and mitigate the overall interim rate increase. In summary, we authorize the following interim rate recovery, totaling $456 million:

Table 5: Authorized Interim Rate Recovery (Millions)

	2026 Revenue Requirement	2027 Proposed Change	Authorized Amount
Electric Distribution	$8,819	$722	$397
Gas Distribution	$3,104	($63)	($54)
Electric Generation	$1,220	265	146
Gas Transmission & Storage	$2,196	($39)	($33)
Total GRC	**$15,339**	**$885**	**$456**

Partial revenue requirement authorization in advance of a final Phase 1 decision presents ratepayers with minimal risk of pre-approving cost recovery for costs that will not be incurred. The totality of circumstances justifies granting interim cost recovery prior to a determination on whether all costs are reasonable.

The Commission will conduct a review of all operations and maintenance expenses and capital expenditures for the accounts considered in this proceeding, whether or not authorized for interim rate recovery by this decision. Any amount authorized for interim rate recovery by this decision is subject to refund, with interest, depending on the final resolution of all outstanding issues in this proceeding.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judges (ALJs) Elizabeth Fox, Darryl Gruen, and John Larsen in this matter was mailed to the parties in accordance with Pub. Util. Code §311 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 ________________.

7. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Elizabeth Fox, Darryl Gruen, and John Larsen are the assigned ALJs in this proceeding.

Findings of Fact

1. PG&E filed a motion requesting interim authorization to recover 55, 75, or 85 percent of its requested $1.188 billion revenue requirement increase for TY 2027, beginning January 1, 2027, to remain in effect until implementation of a final decision in this proceeding.

2. Cal Advocates, California Large Energy Consumers Association, Energy Producers and Users Coalition, Indicated Shippers, and TURN opposed PG&E's motion.

3. PG&E updated its TY 2027 revenue requirement request to $885 million above the 2026 adopted value. This comprises: $722 million for Electric

Distribution, -$63 million for Gas Distribution, $265 million for Electric Generation, and -$39 million for Gas Transmission & Storage.

4. In recent GRCs, the Commission has authorized recovery of between 31.5 percent and 56.9 percent of total revenue requirement increase requests.

5. Residential customer bills are typically higher in the summer months.

Conclusions of Law

1. The Commission has the authority to set interim rates.

2. In *TURN v. PUC*, the California Supreme Court held that the Commission could set interim rates as long as the rate is subject to refund and sufficiently justified.

3. The totality of circumstances justifies granting interim cost recovery prior to a determination on whether the costs are reasonable.

4. It is reasonable for the Commission to authorize PG&E to recover, on an interim basis, 55 percent of PG&E's requested revenue requirement increase for Electric Distribution and Electric Generation, and 85 percent of PG&E's requested revenue requirement decrease for Gas Distribution, and Gas Transmission & Storage.

5. The underlying operation and maintenance expenses, and capital expenditures for the accounts at issue in this proceeding, whether or not authorized for interim rate recovery by this decision, will be reviewed for reasonableness in this proceeding.

6. The amount authorized for interim rate recovery by this decision is subject to refund, with interest, depending on the final resolution of all outstanding issues in this proceeding.

7. This proceeding should remain open.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to recover, on an interim rate basis, no more than $456 million in revenue requirement, beginning January 1, 2027, to remain in effect until a final decision is implemented. This comprises an increase of $397 million for Electric Distribution and $146 million for Electric Generation, and a reduction of revenue requirement of $54 million for Gas Distribution, and $33 million for Gas Transmission & Storage.
2. Pacific Gas and Electric Company (PG&E) shall promptly refund, with interest, any amount PG&E is authorized to recover pursuant to this decision that exceeds the amount authorized for cost recovery by PG&E in a final Phase 1 decision in this proceeding.
3. Application 25-05-009 remains open.

This order is effective today.

Dated ______________________, at San Francisco, California