

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



FILED

10/07/26

03:04 PM

A2505009

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. (U 39 M)

Application 25-05-009
(Filed May 15, 2025)

UPDATE PHASE OPENING BRIEF OF THE UTILITY REFORM NETWORK

October 7, 2026

Hayley Goodson
Managing Attorney

The Utility Reform Network
360 Grand Ave., #150
Oakland, CA 94610
Phone: (415) 929-8876
Fax: (415) 912-1422
E-mail: hayley@turn.org

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	STANDARD OF REVIEW	2
III.	CONTEXT FOR PG&E’S WORKING CASH UPDATE	4
IV.	ARGUMENT	5
	A. The Commission Should Adopt the Same Working Cash Approach for Income Taxes in this GRC as Adopted in the 2023 GRC Because PG&E’s Updated Tax Situation is the Same.....	6
	B. PG&E’s Obligation to Fund the Customer Credit Trust With Income Tax Benefits Has No Bearing on Its Working Cash Needs.	7
	C. Extending the 2023 GRC Approach to This GRC Preserves the Ratepayer Neutrality Intention Behind the Creation of the Customer Credit Trust Funded by Income Tax Benefits.	11
V.	CONCLUSION.....	11

UPDATE PHASE OPENING BRIEF OF THE UTILITY REFORM NETWORK

I. INTRODUCTION

The Commission's Rate Case Plan contemplates the opportunity for a utility to update discrete areas within its General Rate Case (GRC) forecasts following the conclusion of evidentiary hearings.¹ The areas subject to potential update are limited to: (1) known changes in the cost of labor based on contract negotiations completed since the tender of the notice of intent or known changes that result from updated data using the same indexes used in the original presentation during hearings; (2) changes in non-labor escalation factors based on the same indexes the applicant used in its original presentation during hearings; and (3) known changes due to governmental action such as changes in tax rates, postage rates, or assessed valuation.²

Pursuant to the Rate Case Plan, Pacific Gas and Electric Company (PG&E) filed a motion on July 31, 2026, requesting permission to submit "Update Testimony", which the Commission granted on August 11, 2026.³ PG&E served its Update Testimony on August 14, 2026, proposing (1) labor cost increases based upon contract negotiations with PG&E labor unions; and (2) removal of the Corporate Alternative Minimum Tax (CAMT) from 2027 GRC revenue requirements based upon the issuance of Internal Revenue Service (IRS) Notice

¹ D.20-01-002, p. 49, Table 3 – Adopted Revised GRC Application Filing Schedule (including "Update testimony and hearings, if necessary").

² D.07-07-004, Appendix A, p. A-36; D.21-08-036, p. 180.

³ Email Ruling Permitting and Scheduling Update Phase, 8/11/26.

2026-7, issued February 18, 2026, which reduces rate base and revenue requirements for deferred taxes and working cash.⁴

Pursuant to Rule 13.12 of the Commission’s Rules of Practice and Procedure and Administrative Law Judge Larsen’s Email Ruling Scheduling Remaining Update Phase Events, The Utility Reform Network (TURN) files this Update Phase Opening Brief.⁵ TURN addresses PG&E’s proposed working cash updates flowing from the removal of CAMT, and specifically PG&E’s proposal to modify the federal income tax expense lag to equal the revenue lag because PG&E will not be a cash taxpayer in this GRC period.⁶ As explained below, PG&E has not established the reasonableness of this approach, which the Commission rejected under similar circumstances in the 2023 GRC. The Commission should instead adopt the approach found reasonable in the 2023 GRC, which would result in a lower working cash revenue requirement than proposed by PG&E in its Update Testimony.

TURN understands that the Public Advocates Office is addressing PG&E’s proposed labor cost updates, and TURN has not investigated that issue.⁷

II. STANDARD OF REVIEW

The Commission must ensure that “[a]ll charges demanded or received by any public utility, ... shall be just and reasonable” and cannot approve a rate change “except upon a

⁴ PG&E Ex-58, pp. 2, 6-7.

⁵ Email Ruling Scheduling Remaining Update Phase Events, 9/22/26.

⁶ See PG&E Ex-58, p. 9.

⁷ TURN did, however, conduct discovery regarding PG&E’s decision not to propose updates to non-labor escalation, and TURN supports PG&E’s approach.

showing before the commission and a finding by the commission that the new rate is justified.”⁸ As the Commission explained in D.01-10-031:

We have a regulatory responsibility to ensure PG&E provides adequate service at just and reasonable rates, and we must view the facts accordingly. Our legislative mandate encompasses promoting the “safety, health, comfort, and convenience of PG&E’s patrons, employees, and the public.” *See* Cal. Pub. Util. Code §451.⁹

It is well-established that PG&E, as the applicant, must meet the burden of proving that it is entitled to the relief it is seeking by affirmatively establishing the reasonableness of all aspects of its Application with a preponderance of the evidence.¹⁰ “To meet their burden, applicants must clearly delineate in their GRC filings how their forecasted costs are just, reasonable and necessary, as well as being separate and distinct from the costs they are presently, or in the future, tracking in balancing and memorandum accounts.”¹¹ Although the utility bears the ultimate burden to establish the reasonableness of its requested relief, the Commission has previously found that other parties proposing a different result have a burden “to produce evidence to support their position and raise a reasonable doubt as to the utility’s request.”¹²

⁸ Cal. Pub. Util. Code §451 and Cal. Pub. Util. Code §454.

⁹ D.01-10-031, Order Granting Rehearing of and Modifying Decision 00-02-046, p. 5; D.23-11-069, p. 25.

¹⁰ D.23-11-069, p. 24, citing, *e.g.*, D.21-08-036, p. 9.

¹¹ D.23-11-069, p. 25.

¹² D.23-11-069, pp. 24-25.

III. CONTEXT FOR PG&E’S WORKING CASH UPDATE

PG&E’s forecast for the working cash capital component of rate base includes an allowance for (1) operational cash, or amounts needed for day-to-day operations, and (2) amounts used to pay operating expenses in advance of receiving customer payments for those expenses.¹³ These amounts are included in rate base to compensate shareholders for the commitment of funds they provide to finance these requirements.¹⁴ To estimate the cash required due to time lags, PG&E uses a lead-lag study, which establishes a lag in the collection of revenues and a lag in the payment of expenses.¹⁵ The expense lag for state and federal income taxes is part of the working cash computation.¹⁶ PG&E has generally computed the expense lag for current federal and state income taxes based on a projection of when estimated taxes will be paid during the test year.¹⁷

When PG&E filed its 2027 GRC, PG&E expected to “pay federal CAMT and/or other regular income taxes in 2027 on a consolidated tax basis.”¹⁸ Based on this expectation, PG&E included a ratemaking CAMT deferred tax asset (DTA) in rate base to recover this new tax. PG&E also reflected the federal CAMT cash taxes payable to the IRS during the 2027 GRC period in its working cash calculations.¹⁹ As PG&E explained in its original working cash testimony, “The expense lag for these Income Tax expenses is calculated based on the

¹³ D.23-11-069, pp. 683-684.

¹⁴ D.23-11-069, p. 684.

¹⁵ PG&E Ex-10, pp. 11-6 – 11-7.

¹⁶ See PG&E Ex-10, Appendix A, RO Tables 8-12; PG&E Ex-58, Appendix A, RO Tables 8-12.

¹⁷ PG&E Ex-10, p. 11-11.

¹⁸ PG&E Ex-10, p. 11-13.

¹⁹ PG&E Ex-58, p. 7.

required payment dates. Federal income tax liabilities are due in equal installments on four quarterly dates. PG&E's tax NOLs [Net Operating Losses] cannot offset CAMT under IRS rules."²⁰ PG&E used 37.88 lag days for federal income taxes in the lead-lag study.²¹

With the issuance of new IRS guidance earlier this year in Notice 2026-7, PG&E recomputed its ratemaking CAMT liability.²² PG&E no longer forecasts paying federal CAMT and/or regular income taxes in 2027 or through the duration of this GRC on a consolidated tax basis.²³ PG&E likewise forecasts paying no state income cash taxes during this 2027 GRC (which is unchanged from PG&E's original GRC forecast).²⁴ PG&E now proposes to adjust the federal income tax lag to equal PG&E's estimated revenue lag of 56.35 days, which is the same treatment originally proposed for the state income tax lag.^{25 26}

IV. ARGUMENT

With PG&E's tax update, PG&E is now in the same situation regarding payment of cash income taxes as it was in its 2023 GRC.²⁷ The Commission should accordingly adopt the same approach to determining income tax lag for purposes of calculating working cash as it did in the 2023 GRC. PG&E has failed to demonstrate the reasonableness of the alternative

²⁰ PG&E Ex-10, p. 11-13.

²¹ PG&E Ex-10, Appendix A, RO Tables 9-12.

²² PG&E Ex-58, p. 7.

²³ TURN Ex-21.

²⁴ TURN Ex-21.

²⁵ PG&E Ex-58, p. 9; Appendix A, RO Tables 9-12.

²⁶ PG&E's revenue lag estimate is one of the working cash issue in dispute in this proceeding. *See, e.g.,* TURN Opening Brief, Section 10.11.2.

²⁷ TURN Ex-22.

proposal it presented in its Update Testimony, which the Commission rejected in the 2023 GRC.²⁸ Extending the Commission’s approach from the 2023 GRC to this GRC would result in a lower working cash revenue requirement for the 2027 GRC than proposed by PG&E in its Update Testimony.

A. The Commission Should Adopt the Same Working Cash Approach for Income Taxes in this GRC as Adopted in the 2023 GRC Because PG&E’s Updated Tax Situation is the Same.

As a result of PG&E’s updated income tax forecast, PG&E’s tax circumstances for the 2027 GRC period are very similar to PG&E’s tax circumstances for the 2023 GRC period. In the 2023 GRC, PG&E did not forecast paying federal or state income taxes to the tax authorities for the 2023 GRC cycle, due to the presence of shareholder-borne net operating losses related to claims paid by PG&E to wildfire victims.²⁹ PG&E also noted that, pursuant to D.21-04-030 and D.21-05-015, it will contribute the cash from realizing certain NOL-related tax benefits accruing to shareholders to fund the Customer Credit Trust. The Customer Credit Trust, in turn, will provide credits to customers for non-bypassable charges on recovery bonds related to the rate-neutral financing of some of the wildfire claim payments.³⁰

The Commission in D.23-11-069 considered the fact that “PG&E has rarely made actual cash [income tax] payments in recent years, and the same holds true for the forecast years of this GRC” in determining a reasonable federal income tax lag for calculating working

²⁸ See D.23-11-069, pp. 692, 694.

²⁹ TURN Ex-22; TURN Ex-23, p. 14-9.

³⁰ TURN Ex-23, pp. 14-9, fn. 11, 14-12.

cash.³¹ The Commission also considered the 365-day federal and state income tax lag adopted in the recent Southern California Edison Company (SCE) 2021 GRC, as “SCE (like PG&E) had not paid federal income taxes for several GRC cycles” and “held substantial net operating losses associated with wildfires that would reduce or eliminate cash tax payments through the forecasted years of the GRC.”³² For these reasons, the Commission rejected PG&E’s proposal to set the income tax expense lag equal to the revenue lag of 48.66 days and instead adopted TURN’s proposed federal income tax expense lag of 292 days and state income tax expense lag of 365 days.³³ TURN had proposed a 292-day federal income tax expense lag in that case based on PG&E’s assertion that recent tax operating losses would only offset 80 percent of PG&E’s taxable income for federal purposes.³⁴

For the 2027 GRC period, PG&E now expects that NOLs will offset 100 percent of PG&E’s taxable income for both federal and state purposes. As such, the Commission should adopt the same approach to determining income tax expense lag here as found reasonable in the 2023 GRC. The Commission should use a 365-day expense lag for state and federal income taxes in computing working cash requirements.

B. PG&E’s Obligation to Fund the Customer Credit Trust With Income Tax Benefits Has No Bearing on Its Working Cash Needs.

When TURN asked PG&E through discovery to distinguish PG&E’s current tax situation, as reflected in its Update Testimony, from its tax situation in the 2023 GRC, PG&E

³¹ D.23-11-069, pp. 692-694.

³² D.23-11-069, p. 693.

³³ D.23-11-069, pp. 692, 694.

³⁴ D.23-11-069, p. 691. 292 days is 80 percent of 365 days.

confirmed that they are the same.³⁵ However, PG&E suggested that the Commission in D.23-11-069 may have failed to “consider the implications of the rate-neutral securitization and the customer credit trust funded by income tax benefits in deciding the income tax expense lag issue.”³⁶ PG&E noted that the Commission’s resolution of income tax expense lags in the 2023 GRC “was based on the treatment of the same issue in SCE’s 2021 GRC.”³⁷ However, PG&E believes that its situation was (and is) distinguishable because SCE’s securitizations of wildfire claim payment costs did not involve the use of tax benefits from net operating losses to offset fixed recovery charges, to PG&E’s knowledge.³⁸

PG&E provides no basis for reaching a different outcome in this GRC than in the 2023 GRC. First, PG&E’s testimony in the 2023 GRC explained that PG&E was obligated by D.21-04-030 to contribute \$7.59 billion funded by certain shareholder-owned tax deductions or NOLs to the Customer Credit Trust to support rate-neutral securitization of wildfire claims costs.³⁹ This fact was known to the Commission when it resolved the disputed income tax expense lag issue.

Moreover, there was no reason for the Commission to mention PG&E’s Customer Credit Trust obligations in its working cash discussion in D.23-11-069. PG&E’s rate-neutral securitization affects neither the amount nor timing of cash federal and state income taxes PG&E must pay, which is the central inquiry in the working cash calculations. Rather, the

³⁵ TURN Ex-22.

³⁶ TURN Ex-22.

³⁷ TURN Ex-22.

³⁸ TURN Ex-22.

³⁹ TURN Ex-23, pp. 14-9, fn. 11, 14-12.

Customer Credit Trust obligations impact how shareholders will use up to \$7.59 billion in tax benefits when received. The context in which these obligations arose makes their irrelevance here abundantly clear.

PG&E and its holding company PG&E Corporation filed voluntary bankruptcy petitions on January 1, 2019, under Chapter 11 of the U.S Bankruptcy Code, after a series of major wildfires in 2017 and 2018, including fires for which PG&E expected to be held liable.⁴⁰ In D.20-05-053, the Commission approved the reorganization plan of PG&E and PG&E Corporation with conditions and modifications pursuant to the requirements of Assembly Bill (AB) 1054 (2019).⁴¹ The Commission addressed, in pertinent part, the extent to which PG&E’s plan of reorganization is “neutral, on average, to the ratepayers” as required by AB 1054, including PG&E’s potential recovery of otherwise disallowed 2017-2018 wildfire claims costs through rate-neutral securitization.⁴²

In Application 20-04-023, PG&E asked the Commission to determine that \$7.5 billion in 2017 catastrophic wildfire costs and expense, to be disallowed by the Commission otherwise, are eligible under Public Utilities Code Sections 451.2 and 850.1(a) to be financed through the issuance of recovery bonds. In exchange for PG&E’s ability to securitize these costs through a non-bypassable Fixed Recovery Charge, PG&E proposed the creation of the Customer Credit Trust to provide offsetting credits to customers and achieve the ratepayer neutral result required by PG&E’s commitments to the Bankruptcy Court, AB 1054, and

⁴⁰ D.20-05-053, p. 2.

⁴¹ D.20-05-053, p. 2.

⁴² D.20-05-053, pp. 67, 72-78.

D.20-05-053.⁴³ In D.21-04-030, the Commission approved PG&E’s proposed securitization structure and directed PG&E to create and fund the Customer Credit Trust over time, in part through realized shareholder tax benefits.⁴⁴ Then in D.21-05-015, the Commission authorized PG&E to issue \$7.5 billion of Recovery Bonds to fund costs and expenses related to the 2017 catastrophic wildfires and to collect nonbypassable Fixed Recovery Charges from customers in amounts sufficient to repay the Recovery Bond principal, interest, and related costs.⁴⁵

Today, PG&E’s customers are paying for the securitization of PG&E’s disallowed 2017 catastrophic wildfire costs and are receiving the offsetting Customer Credits promised by PG&E in its bankruptcy reorganization plan. PG&E made this bargain during its emergence from bankruptcy regarding the use of certain NOLs accruing to shareholders. PG&E’s contribution of these NOLs to the Customer Credit Trust has nothing to do with whether PG&E will pay federal or state cash income taxes, the amount of such taxes, or the timing of any such tax payments. For purposes of determining PG&E’s expense lag for working cash calculations, the important fact is that PG&E expects to pay no cash taxes in the 2027 GRC period. Contrary to PG&E’s suggestion, there was no “omission” in the 2023 GRC decision that the Commission should remedy here.⁴⁶

⁴³ D.21-04-030, pp. 3-4; D.20-05-053, pp. 67, 72-78.

⁴⁴ D.21-04-030, Ordering Paragraphs 1-4, 17.

⁴⁵ D.21-05-015, p. 2.

⁴⁶ TURN Ex-22.

C. Extending the 2023 GRC Approach to This GRC Preserves the Ratepayer Neutrality Intention Behind the Creation of the Customer Credit Trust Funded by Income Tax Benefits.

The Commission should not depart from the income tax expense lag outcome in the 2023 GRC decision for a second reason. PG&E suggests that the Commission should treat it differently than SCE when neither utility expects to be a cash taxpayer, solely because of PG&E's obligation to use certain realized NOL tax benefits to fund the Customer Credit Trust.⁴⁷ Essentially, PG&E is proposing that because of the Customer Credit Trust, PG&E's ratepayers should pay more in rates during this GRC than they would have absent PG&E's novel and entirely voluntary structure to securitize its wildfire-related disallowed bankruptcy liabilities. However, the express purpose of the Customer Credit Trust is "to achieve a ratepayer neutral result" from any securitization of costs and expenses arising from a catastrophic wildfire with an ignition date in 2017.⁴⁸ PG&E's ratepayers would be decidedly worse off if required to fund unnecessary amounts of working cash for tax expense that PG&E will not incur in this GRC period. Accordingly, the Commission should reach the same conclusion here as it did in the 2023 GRC: PG&E's tax circumstances justify departing from the general principles set forth in OII 24 and adopting a federal and state income tax expense lag of 365 days for purposes of calculating working cash.⁴⁹

V. CONCLUSION

PG&E correctly recognizes that its tax update requires reductions to rate base and the revenue requirements for deferred taxes and working cash. However, PG&E's proposed

⁴⁷ TURN Ex-22.

⁴⁸ D.21-04-030, p. 2.

⁴⁹ D.23-11-069, pp. 693-694.

working cash reductions are insufficient in light of the Commission's analysis in the 2023 GRC, when PG&E faced similar tax circumstances. The Commission should adopt the same income tax expense lag in this GRC as adopted in the 2023 GRC, which further reduces PG&E's working cash revenue requirement.

Date: October 7, 2026

Respectfully submitted,

By: _____/s/_____
Hayley Goodson
Managing Attorney

The Utility Reform Network
360 Grand Ave., #150
Oakland, CA 94610
Phone: (415) 929-8876
Fax: (415) 912-1422
E-Mail: hayley@turn.org