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**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.

(U 39 M)

Application No. 25-05-009
(Filed May 15, 2025)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 M) ON PROPOSED DECISION AUTHORIZING INTERIM RATE RECOVERY**

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Pursuant to Rule 14.3, Pacific Gas and Electric Company (“PG&E”) submits the following reply comments on the Proposed Decision (“PD”) authorizing PG&E to recover, on an interim basis, \$456 million in 2027 revenue requirements on January 1, 2027.¹ PG&E urges the Commission to adopt the PD without modification to smooth rates and mitigate rate volatility.

I. THE COMMISSION HAS AUTHORITY TO GRANT INTERIM RECOVERY

The PD correctly concludes that the Commission has the authority to set interim rates, based on the California Supreme Court’s decision in *Toward Utility Rate Normalization v. Public Utilities Commission*, in which it held that the Commission may grant interim rate relief in situations “in which fairness to both the utility and the public required immediate action.”² The Commission considers various factors when deciding whether to grant or deny a utility’s interim rate request, including but not limited to reducing the potential for rate shock, ensuring rate stability, and smoothing rate impacts on customers.³ “[A]ny one of those factors may be sufficient for the Commission to grant relief.”⁴

A. Cal Advocates Advances An Incorrect Legal Standard

Cal Advocates argues that the standard for interim rate recovery established in *TURN v. PUC* is “incorrect and lower”⁵ than the legal standard the PD should have applied.⁶ Cal Advocates’ argument has been rejected by the California Supreme Court and the Commission, rests on misrepresentations too numerous to detail here, and should be rejected. Cal Advocates claims that the Commission can authorize interim rate recovery only when a utility faces a “financial emergency” or when the utility “investment costs are indisputably reasonable.”⁷ That argument was rejected by the California Supreme Court:

Petitioner contends the commission was powerless to allow the interim rates unless failure to do so would result in a financial emergency or unless the

¹ PG&E responds to the Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”), The Utility Reform Network (“TURN”), and the Energy Producers and Users Coalition, the Indicated Shippers, and California Large Energy Consumers Association (“Joint Parties”).

² *Toward Utility Rate Normalization v. Public Utilities Comm’n*, (1988) 44 Cal.3d 870, 878-79.

³ D.24-09-003, pp. 7-8; D.23-06-004, p. 10.

⁴ D.20-10-026, p. 26, *citing* D.02-07-031, pp. 12-13; *see also* D.24-09-003, p. 8.

⁵ Cal Advocates Opening Comments, p. 8.

⁶ Cal Advocates Opening Comments, pp. 2-5.

⁷ Cal Advocates Opening Comments, p. 2.

reasonableness of the investment costs covered by the rates is undisputed. **We shall conclude that the commission’s power is not so narrow.** . . .⁸

The Commission’s authority to grant interim rate recovery applies in cases “in which fairness to both the utility and the public required immediate action.”⁹

Cal Advocates also claims that “[T]he Commission is not permitted to grant any increase for investment-related costs, such as interim rates, prior to a final determination that the costs are reasonable and prudent,” purporting to quote D.13-10-051.¹⁰ This is misleading. Cal Advocates omits the beginning of the sentence (bolded below) from the quoted language:

DRA notes that under Pub. Util. Code section 454, the Commission is not permitted to grant any increase for investment-related costs, such as interim rates, prior to a final determination that the costs are reasonable and prudent.¹¹

The omitted material makes clear that Cal Advocates relies on nothing more than its own argument. In any event, the Commission *rejected* Cal Advocates’ argument:

As the California Supreme Court found in [*TURN v. PUC*], an interim increase need not be premised on the presence of a financial emergency or the absence of any dispute regarding the investment costs, but could be based on other circumstances as well.¹²

The Commission rejected Cal Advocates’ argument in 2013; it should do the same now.¹³

Finally, Cal Advocates misrepresents the Court’s holding in *TURN v. PUC*, claiming that the Court found a utility is required to show “need and urgency” as well as “fairness to both the utility and the public.”¹⁴ While Cal Advocates includes “need and urgency” in quotations, that phrase does not appear in the Court’s decision. Cal Advocates’ criticisms of PG&E’s request for failing to meet Cal Advocates’ invented “need and urgency” standard should be ignored.¹⁵

⁸ *TURN*, 44 Cal.3d at 872 (emphasis added).

⁹ *TURN*, 44 Cal.3d at 879.

¹⁰ Cal Advocates Opening Comments, p. 2, fn. 8.

¹¹ D.13-10-051, p. 11 (emphasis added). In 2013, Cal Advocates was called the Division of Ratepayer Advocates (“DRA”).

¹² D.13-10-051, p. 14 (internal citation omitted).

¹³ Cal Advocates also relies on *S. Cal. Gas Co. v. Pub. Util. Com.*, (1990), 50 Cal.3d 31. That case does not address interim rate recovery, but concerns the attorney-client privilege. The language quoted by Cal Advocates appears in a footnote explaining the consolidated adjustment mechanism procedure authorized by Resolution G-2406, which is not at issue here. *S. Cal. Gas Co.*, 50 Cal.3d at 35, n. 3.

¹⁴ Cal Advocates Opening Comments, p. 5.

¹⁵ Cal Advocates also claims that the PD should not rely on *TURN v. PUC* because the facts of that case are different from this case. Cal Advocates Opening Comments, pp. 8-11. PG&E has confidence in the Commission’s ability to analyze the unique facts presented by each case under controlling law.

B. The PD Appropriately Applies The Correct *TURN v. PUC* Legal Standard

Joint Parties argue that the PD misapplies *TURN v. PUC* by relying on the Court’s ultimate statement that “the Commission could set interim rates as long as the rate is subject to refund and sufficiently justified,” and ignoring the standard of relief.¹⁶ Not so. The PD cites approvingly the legal standard established in *TURN v. PUC*, and properly applies it to conclude that interim rate recovery promotes fairness by smoothing rates, alleviating potential rate shock, and ensuring rate stability.¹⁷ Each of these factors is sufficient on its own to justify interim rates, even in the absence of other factors.¹⁸

Similarly, Joint Parties’ criticism of the PD for failing to identify why immediate action is necessary, lacks merit.¹⁹ Joint Parties claim that, “PG&E identified no operational activity dependent on interim recovery, threat to its financial integrity, or concrete, time-sensitive harm requiring immediate action.”²⁰ They cite no authority requiring PG&E to identify any operational activity dependent on interim recovery or threat to its financial integrity, and the Commission has held that “extreme financial conditions” or other “extraordinary situations” are not required.²¹ Moreover, PG&E demonstrated that “immediate” action was necessary to capture the benefits of interim rate recovery. As the Commission has recognized, “with the passage of time, these benefits may diminish.”²²

II. THE PD’S CONCLUSION THAT INTERIM RATE RECOVERY WILL SMOOTH RATES IS SUPPORTED BY THE RECORD

The PD’s conclusion that interim rate recovery will achieve rate smoothing benefits is supported by evidence submitted by PG&E. Because PG&E’s 2027 GRC test-year revenue requirement will not be implemented in rates on January 1, 2027, memorandum accounts will record the difference between the placeholder GRC revenue requirement effective in rates as of January 1, 2027 and the GRC revenue requirement authorized by the Commission. If the Commission approves an increase in the GRC revenue requirement, this memorandum account will accumulate an undercollection that must be recovered through rates. Customer rates would

¹⁶ Joint Parties Opening Comments, p. 3.

¹⁷ PD, p. 7, fn. 19; pp. 10-11.

¹⁸ D.20-10-026, p. 26, *citing* D.02-07-031, pp. 12-13; *see also* D.24-09-003, p. 8.

¹⁹ Joint Parties Opening Comments, p. 4.

²⁰ Joint Parties Opening Comments, p. 4.

²¹ D.24-07-012, p. 14.

²² D.24-07-012, p. 15.

change based on both the approved test-year revenue requirement increase *and* to true-up the undercollection recorded to the memorandum account, creating additional rate volatility. By approving interim rate recovery, the balance that accumulates would be reduced, resulting in a smaller rate change upon implementation once a final decision is issued.

TURN argues that illustrative bill impacts assume Commission adoption of 100% of PG&E's requested GRC increase, were calculated before PG&E reduced its GRC revenue requirement increase, and therefore exaggerate rate smoothing effects.²³ Even taking those facts into account, there would still be rate volatility in the absence of interim rate recovery. Even if the Commission authorizes less than 100% of PG&E's requested increase, interim rate recovery will lead to a smaller accumulated undercollection, meaning that the eventual implementation of the final test-year revenue requirement and the accumulated undercollection due to delayed implementation of the GRC would result in a less impactful rate change than the one that would be needed without interim rate recovery.²⁴ TURN also claims that layered increases in the summer months can be avoided without interim rate relief by, for example, delaying implementation of the rate increase until fall 2027.²⁵ However, delaying implementation will increase the accumulated undercollection and exacerbate rate volatility.

Cal Advocates argues that the claim that interest savings would smooth customer rates is speculative.²⁶ Cal Advocates conflates rate smoothing and interest savings, which are independent factors justifying interim rate recovery. Rate smoothing benefits stem from implementing the interim rate increase on January 1 to avoid accumulating a potentially larger undercollection, while interest savings result from avoiding incurring the financing cost on memorandum account undercollections.²⁷ PG&E does not agree with parties' characterization of customer interest savings as *de minimus*. Even if the interest savings is half of the amounts presented in the motion (or \$7 to \$10.5 million)—as TURN suggests—the Commission has found projected savings of approximately \$7 million sufficient to justify interim rate recovery.²⁸

²³ TURN Opening Comments, p. 3.

²⁴ In addition, there are known items being removed from rates on January 1, 2027; by pairing interim rate recovery with those downward changes, customers will experience less rate volatility.

²⁵ TURN Opening Comments, p. 4.

²⁶ Cal Advocates Opening Comments, p. 7.

²⁷ Cal Advocates' claim that the PD contains a technical error concerning gas revenue requirement changes is inaccurate. COL 4 correctly notes that PG&E requests revenue requirement *decreases* (not *increases* as Cal Advocates suggests) for gas distribution, transmission and storage.

²⁸ D.24-07-012, p. 14.

III. THE PD WILL NOT RENDER INTERIM RATE RECOVERY ROUTINE

Parties express concern that the PD would make interim rate recovery routine in GRCs.²⁹ TURN argues that the PD sets a low bar by authorizing interim rate recovery based on “speculative and *de minimus* rate smoothing benefits.”³⁰ The customer benefits from interim rate recovery are neither speculative nor *de minimus*. Joint Parties argue that the PD would weaken utilities’ incentives to limit requested increases and submit timely, accurate and well-supported GRC forecasts.³¹ Neither concern applies to PG&E’s 2027 GRC, which requested the smallest percentage test year revenue requirement increase since our 2017 GRC, and was submitted timely and without the type of “successive, material corrections” that Joint Parties invoke.³²

IV. CONCLUSION

For the foregoing reasons, the Commission should adopt the PD to provide customers significant benefits resulting from interim rate recovery.

Respectfully Submitted,

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²⁹ Joint Parties Opening Comments, pp. 6-7; TURN Opening Comments, pp. 1, 5; Cal Advocates Opening Comments, p. 8.

³⁰ TURN Opening Comments, p. 5.

³¹ Joint Parties Opening Comments, pp. 6-7.

³² Joint Parties Opening Comments, p. 7.

APPENDIX

Appendix with Proposed Modifications to Findings of Fact and Conclusions of Law
(additions underlined)

Conclusions of Law

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. The Court held that the Commission could set interim rates if the facts warrant such relief, and described such facts as a situation “in which fairness to both the utility and the public required immediate action.”

2.a No showing of urgency or extraordinary circumstances is necessary to authorize interim rate recovery.

3. The totality of circumstances justifies granting interim cost recovery prior to a determination on whether the costs are reasonable. Immediate action is required to smooth rates and alleviate potential rate shock.