

APPENDIX A

APPLICATION 19-09-012

SETTLEMENT AGREEMENT BETWEEN PACIFIC GAS AND ELECTRIC COMPANY, THE UTILITY REFORM NETWORK AND THE PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION

1. INTRODUCTION

In accordance with Article 12 of the Rules of Practice and Procedure (Rule) of the California Public Utilities Commission (CPUC or Commission), the Settling Parties (as defined *infra* at section 2.4) mutually accept the terms and conditions stated herein and enter into this Settlement Agreement (Settlement) to resolve all disputed issues in this matter without the need for an evidentiary hearing before the Commission.

2. DEFINITIONS

- 2.1 The term “PG&E” means Pacific Gas and Electric Company;
- 2.2 The term “Cal Advocates” means the Public Advocates Office at the California Public Utilities Commission;
- 2.3 The term “TURN” means The Utility Reform Network; and
- 2.4 The term “Settling Parties” means collectively PG&E, TURN and the Public Advocates Office.

3. BACKGROUND

On September 13, 2019, PG&E filed Application (A.) 19-09-012 to recover incremental costs recorded in its Catastrophic Event Memorandum Account (CEMA) pursuant to Public Utilities Code Section 454.9, California Public Utilities Commission (CPUC or Commission) Resolution E-3238, and Article 2 of the CPUC’s Ruled of Practice and Procedure. The Catastrophic Events (also referred to as “CEMA Events”) covered by PG&E’s application include 13 events, comprised of the following 12 wildfires and one storm, spanning from mid-2017 through 2018:

- 1) 2017 Wall Fire
- 2) 2017 Alamo Fire
- 3) 2017 Whittier Fire
- 4) 2017 Detwiler Fire
- 5) 2017 Ponderosa Fire
- 6) 2017 Mission Fire
- 7) 2017 Peak Fire
- 8) 2018 March Storms
- 9) 2018 Pawnee Fire
- 10) 2018 Carr Fire
- 11) 2018 Ferguson Fire
- 12) 2018 Mendocino Complex Fire; and
- 13) 2018 Steele Fire

PG&E's A.19-09-012 requested authorization to recover \$159.3 million in electric revenue requirements that are associated with the expenses incurred in responding to the 13 CEMA events listed above. The costs that make up the requested revenue requirement consisted of \$123.6 million of expense and \$79.6 million of capital costs. The total requested revenue requirement amount of \$159.3 million consists of a cumulative revenue requirement of \$151.5 million for the period 2017 through 2021, and \$7.9 million for the year 2022.

For authorized Electric Distribution, Gas Distribution and Gas Transmission expense costs, PG&E proposed to recover the expense-related revenue requirements over a 12-month period, as part of its Annual Electric True-Up (AET) and Annual Gas True-Up (AGT) advice letter filings, respectively, on January 1, 2021, or the next available rate change, as soon as practicable following a final decision in this proceeding. Cost recovery would occur through the Distribution Revenue Adjustment Mechanism, Core Fixed Cost Account and Noncore Customer Class Charge Account rate mechanisms.

For authorized Electric Distribution and Gas Distribution capital costs, PG&E proposed to recover the cumulative 2017-2021 capital-related revenue requirements over a 12-month period as part of the AET and AGT advice letter filings, respectively, on January 1, 2021, or the next available rate change after the effective date of the decision in this proceeding, and to recover the 2022 capital-related revenue requirements through the AET and AGT in 2022. PG&E proposed to continue to recover the authorized Electric Distribution and Gas Distribution capital revenue requirements beyond December 31, 2022 in its next General Rate Case (GRC), currently slated for a 2023 Test Year.¹ Rates set to recover CEMA costs would be set in the same manner as rates set to recover other Electric Distribution, Gas Distribution, and Gas Transmission costs using existing methodologies for revenue allocation and rate design.

Through the meet and confer process, PG&E identified a small number of costs that should be removed from the application. These include \$1.9 million in expense and \$0.3 million in capital associated with the Mendocino Complex Fire.² PG&E reviewed these cost items with the Settling Parties and agreed to reduce the original requested revenue requirement included in its application to reflect their removal. This adjustment resulted in a reduction of the original requested revenue requirement in the Application by approximately \$2.2 million, from \$159.3 million (as filed) to \$157.1 million (as adjusted).³

4. SETTLEMENT TERMS AND CONDITIONS

4.1 PG&E's total CEMA revenue requirement for CEMA Events included in its Application will be \$136.7 million.

¹ Gas Transmission did not incur any capital costs for any of the events included in the 2019 CEMA filing.

² See Attachment B, Settlement Revenue Requirement, p.1 (which lists the costs PG&E identified for removal from the Application for the Mendocino Complex Fire).

³ See Attachment B, Settlement Revenue Requirement, p. 2 (which includes an updated cost table and updated RRQ reflecting this adjustment).

4.2 The revenue requirement reduction of \$20.4 million will be implemented as follows. The costs that make up the \$136.7 million settled revenue requirement consist of \$105.8 million of expense and \$69 million of capital costs. Including interest, the resulting expense revenue requirement is \$112 million and capital revenue requirement for 2017 through 2022 is \$24.7 million.

4.3 Revenue requirement for each functional area will be assigned based on the actual costs recorded by functional area.⁴ CEMA costs will be recovered in the same manner as other electric distribution, gas distribution, and gas transmission costs are recovered in rates, using existing methodologies for revenue allocation and rate design.

4.4 The revenue requirement associated with Electric Distribution, Gas Distribution and Gas Transmission expense costs will be recovered over a 12-month period, as part of PG&E's Annual Electric True-Up (AET) and Annual Gas True-Up (AGT) advice letter filings, respectively, on January 1, 2021, or the next available rate change, as soon as practicable following a final decision in this proceeding. Cost recovery will occur through the Distribution Revenue Adjustment Mechanism, Core Fixed Cost Account and Noncore Customer Class Charge Account rate mechanisms.

4.5 With respect to revenue requirement associated with authorized Electric Distribution and Gas Distribution capital costs, PG&E will recover the cumulative 2017-2021 capital-related revenue requirements over a 12-month period as part of the AET and AGT advice letter filings, respectively, on January 1, 2021, or the next available rate change after the effective date of the decision in this proceeding, and will recover the 2022 capital-related revenue requirements through the AET and AGT in 2022. PG&E will continue to recover the authorized Electric Distribution and Gas Distribution capital revenue requirements beyond December 31, 2022 in its next General Rate Case (GRC), currently slated for a 2023 Test Year.

⁴ See Attachment B, Settlement Revenue Requirement, p. 3 (showing costs by Line of Business and associated RRQ.)

5. OTHER TERMS AND CONDITIONS

5.1 *Commission's Primary Jurisdiction.* The Settling Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedies regarding this Settlement. None of the Settling Parties may bring an action regarding this Settlement in any State or Federal court or administrative agency without having first exhausted its administrative remedies at the Commission.

5.2 *Further Actions.* The Settling Parties acknowledge that this Settlement is subject to approval by the Commission. As soon as practicable after all the Settling Parties have signed the Settlement, the Settling Parties through their respective attorneys will prepare and file a Motion for Approval and Adoption of the Settlement. The Settling Parties will furnish such additional information, documents, or testimonies as the Commission may require for purposes of granting the Motion and approving and adopting the Settlement.

5.3 *No Personal Liability.* None of the Settling Parties, or their respective employees, attorneys, or any other individual representative or agent, assumes any personal liability as a result of the Settling Parties signing this Settlement.

5.4 *Non-Severability.* The provisions of this Settlement are non-severable. If any of the Settling Parties fails to perform its respective obligations under this Settlement, the Settlement will be regarded as rescinded.

5.5 *Voluntary and Knowing Acceptance.* Each of the Settling Parties hereto acknowledges and stipulates that it is agreeing to this Settlement freely, voluntarily, and without any fraud, duress, or undue influence by any other Settling Party. Each Settling Party has read and fully understands its rights, privileges, and duties under this Settlement, including its right to discuss this Settlement with its legal counsel, which has been exercised to the extent deemed necessary.

5.6 No Modification. This Settlement constitutes the entire understanding and agreement of the Settling Parties regarding the matters set forth herein. Until such time as the Commission has adopted this Settlement, the Settlement may not be altered, amended, or modified in any respect except in writing and with the express written and signed consent of all the Settling Parties hereto. All prior oral or written agreements, settlements, principles, negotiations, statements, representations, or understandings whether oral or in writing regarding any matter set forth in this Settlement, are expressly waived and have no further force or effect.

5.7 No Reliance. None of the Settling Parties has relied or presently relies on any statement, promise, or representation by any other Settling Party, whether oral or written, except as specifically set forth in this Settlement. Each Settling Party expressly assumes the risk of any mistake of law or fact made by such Settling Party or its authorized representative.

5.8 Counterparts. This Settlement may be executed in separate counterparts by the different Settling Parties hereto and all so executed will be binding and have the same effect as if all the Settling Parties had signed one and the same document. All such counterparts will be deemed to be an original and together constitute one and the same Settlement, notwithstanding that the signatures of the Settling Parties and/or of a Settling Party's attorney or other representative do not appear on the same page of this Settlement.

5.9 Binding upon Full Execution. This Settlement will become effective and binding on each of the Settling Parties as of the date when it is fully executed. It will also be binding upon each of the Settling Parties' respective successors, subsidiaries, affiliates, representatives, agents, officers, directors, employees, and personal representatives, whether past, present, or future.

5.10 Commission Adoption Not Precedential. In accordance with Rule 12.5, the Settling Parties agree and acknowledge that unless the Commission expressly provides otherwise, Commission approval and adoption of this Settlement does not constitute approval of

or precedent regarding any principle or issue of law or fact in this or any other current or future proceeding.

5.11 *Enforceability.* The Settling Parties agree and acknowledge that after issuance of the Commission decision approving and adopting this Settlement, the Commission may reassert jurisdiction and reopen this proceeding to enforce the terms and conditions of this Settlement.

5.12 *Finality.* Once fully executed by the Settling Parties and adopted and approved by a Commission Decision, this Settlement fully and finally settles any and all disputes among and between the Settling Parties in this proceeding, unless otherwise specifically provided in the Settlement.

5.13 *No Admission.* Nothing in this Settlement or related negotiations may be construed as an admission of any law or fact by any of the Settling Parties, or as precedential or binding on any of the Settling Parties in any other proceeding whether before the Commission or in any state or federal court or administrative agency. Further, unless expressly stated herein this Settlement does not constitute an acknowledgment, admission, or acceptance by any of the Settling Parties regarding any issue of law or fact in this matter, or the validity or invalidity of any particular method, theory, or principle of ratemaking or regulation in this or any other proceeding.

5.14 *Authority to Sign.* Each Settling Party executing this Settlement represents and warrants to the other Settling Party that the individual signing this Settlement and the related Motion has the legal authority to do so on behalf of the Settling Party.

5.15 *Limited Admissibility.* Each Settling Party signing this Settlement agrees and acknowledges that this Settlement will be admissible in any subsequent Commission proceeding for the sole purpose of enforcing the Terms and Conditions of this Settlement.

5.16 *Estoppel or Waiver.* Unless expressly stated herein, the Settling Parties' execution of this Settlement is not intended to provide any of the Settling Parties in any manner a basis of estoppel or waiver in this or any other proceeding.

5.17 *Rejection or Modification of the Settlement Agreement.* The Settling Parties agree that if the Commission fails to adopt this Agreement in its entirety and without modification, the Settling Parties shall convene a settlement conference within 15 days thereof to discuss whether they can resolve the issues raised by the Commission's actions. If the Settling Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the agreement shall be rescinded, and the Settling Parties shall be released from their obligation to support the Settlement. Thereafter, the Settling Parties may pursue any action the deem appropriate, but agree to cooperate in establishing a procedural schedule. Settling Parties reserve all rights set forth in Rule 12.4 of the Rules of Practice and Procedure.

6. CONCLUSION

6.1 Each of the Settling Parties has executed this Settlement as of the date appearing below their respective signature.

<p>THE PUBLIC ADVOCATES OFFICE AT THE CALIFORNIA PUBLIC UTILITIES COMMISSION</p> <p>By: <u> /s/ Darwin Farrar </u> Name: Darwin Farrar Title: Chief Counsel for the Public Advocates Office at the California Public Utilities Commission (Cal. Advocates)</p> <p>Date: 08/28/20</p>	<p>THE UTILITY REFORM NETWORK A California Corporation</p> <p>By: <u> /s/ David Cheng </u> Name: David Cheng Title:</p> <p>Date: 08/28/20</p>
<p>PACIFIC GAS AND ELECTRIC COMPANY A California Corporation</p> <p>By: <u> /s/ David Thomason </u> Name: David Thomason Title: Vice President, Controller, Utility Chief Financial Officer</p> <p>Date: 08/25/2020</p>	