

ATTACHMENT A

APPLICATION 18-03-015

**SETTLEMENT AGREEMENT BETWEEN PACIFIC GAS AND
ELECTRIC COMPANY, THE UTILITY REFORM NETWORK AND
THE PUBLIC ADVOCATES OFFICE**

1. INTRODUCTION

Pursuant to 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 March 30, 2018, PG&E filed Application (A.) 18-03-015 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 Rules of Practice and Procedure. In its Application, PG&E requested authorization to recover electric distribution and electric generation expense and capital revenue requirements associated with the following eleven Catastrophic Events.^{1/}

- 2016 Tree Mortality and Fire Risk Reduction;

^{1/} Some of these events include multiple declared emergencies.

- 2016 Soberanes Fire;
- 2016 Clayton Fire;
- 2016 Chimney Fire;
- 2016 December Severe Storms;
- 2017 Tree Mortality and Fire Risk Reduction;
- 2017 January Severe Storms (Set 1);
- 2017 January Severe Storms (Set 2);
- 2017 February Severe Storms;
- 2018 Tree Mortality and Fire Risk Reduction; and
- 2019 Tree Mortality and Fire Risk Reduction.

With respect to the Tree Mortality and Fire Risk Reduction costs included in the application, as originally filed, A.18-03-015 included recorded costs for 2016 and 2017, and forecasted costs for 2018 and 2019. PG&E amended its application over the course of the proceeding to update the forecasted 2018 and 2019 Tree Mortality and Fire Risk Reduction costs with actual costs that became available for those years. PG&E also assisted with the Commission's hiring of an independent auditor to audit Tree Mortality and Fire Risk Reduction costs included in the application as required by ESRB-4. PG&E requested recovery of the costs associated with hiring the independent auditor in a subsequent amendment to the application. PG&E's Third Revised Application filed January 8, 2021 addresses each of the updates described above.

As set forth in the Third Revised Application, PG&E's A.18-03-015 requested authorization to recover \$763 million in revenue requirements including \$696 million in CEMA-eligible incremental expense, \$114 million in CEMA-eligible incremental capital costs and \$43 million in interest. PG&E also requested authority to recover the costs of hiring of an auditor to review PG&E's 2016-2019 Tree Mortality & Fire Risk Reduction costs pursuant to Commission Resolution ESRB-4, Ordering Paragraph 5.

For authorized Electric Distribution and Electric Generation costs, PG&E proposed recovery of the authorized CEMA expenses and capital costs that had already been incurred over a 1-year period beginning on January 1, 2022, or as soon as possible thereafter, as part of its Annual Electric True-Up (AET) advice filings, or the next available rate change, as soon as practicable following a final decision in this proceeding. Rates set to recover CEMA costs would be set in the same manner as rates set to recover other Electric Distribution and Electric Generation costs using existing methodologies for revenue allocation and rate design.

For authorized CEMA capital costs beyond December 31, 2019, PG&E proposed in A.18-03-015 to roll the authorized CEMA electric distribution capital into the 2020 General Rate Case (GRC) rate base. The CEMA electric distribution capital was later included in 2020 GRC rate base for recovery in customer rates through the Distribution Revenue Adjustment Mechanism (DRAM).

In A.18-03-015, PG&E proposed that the cost recovery for all revenue requirements associated with approved incremental expense and capital additions through December 31, 2019, would occur over one year through the following rate mechanisms:

- Authorized incremental CEMA electric distribution emergency response expense and capital costs – DRAM;
- Authorized incremental CEMA electric distribution tree mortality and fire risk reduction activities expenses – DRAM;
- Authorized incremental CEMA electric generation tree mortality and fire risk reduction activities expense – Portfolio Allocation Balancing Account.

4. SETTLEMENT TERMS AND CONDITIONS

4.1 PG&E's total revenue requirement for the Catastrophic Events included in its Application including the costs of hiring the independent auditor in accordance with ESRB-4 will be \$683.2 million plus interest as described in Section 4.6.

4.2 The \$36.7 million revenue requirement reduction shall be implemented as follows. In accordance with D.19-04-039, PG&E has already collected \$373 million in interim rates associated with the 2016 and 2017 CEMA costs included in its application. The amounts collected through interim rates are less than the total Settlement revenue requirement set forth in Section 4.1 and shall not be subject to refund. PG&E shall collect an additional revenue requirement of \$310.2 million as described Sections 4.3 through 4.5.

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

4.4 The revenue requirement associated with Electric Distribution and Electric Generation expense costs will be recovered over a 12-month period, as part of PG&E's Annual Electric True-Up (AET) on January 1, 2022, 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 and Portfolio Allocation Balancing Account rate mechanisms and will not be re-litigated as part of that process.

4.5 With respect to revenue requirement associated with authorized Electric Distribution capital costs, PG&E will recover the cumulative 2016-2019 capital-related revenue requirements over a 12-month period as part of the AET advice letter filing on January 1, 2022, or the next available rate change after the effective date of the decision in this proceeding. PG&E will continue to recover the authorized Electric Distribution capital revenue requirements beyond December 31, 2019 in its General Rate Case (GRC). Capital costs have been included in rate base in PG&E's 2020 GRC, will be included in future GRCs and such costs will not be subject to re-litigation.

4.6 PG&E shall accrue and be entitled to collect interest associated with the final 2018 CEMA revenue requirement adopted by the Commission, based on the interest rate on

three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13, or its successor.² The interest calculation shall use the average balance of unrecovered amounts, with the average calculated using the beginning and end-of-month balances.

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/Duty to Support the Settlement.* The Settling Parties acknowledge that this Settlement is subject to approval by the Commission. 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. The Settling Parties shall take all reasonable steps necessary to advocate for adoption of the Settlement without modification.

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.

² Ex. PGE-07, pp. 6-8 to 6-9.

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 acknowledgement, 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 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 they 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</p> <p>By: <u>Linda Serizawa</u> <small>Digitally signed by Linda Serizawa Date: 2021.11.04 12:26:24 -0700</small></p> <p>Name: Linda Serizawa Title: Deputy Director</p> <p>Date: November 4, 2021</p>	<p>THE UTILITY REFORM NETWORK A California Corporation</p> <p>By: _____</p> <p>Name: _____ Title: _____</p> <p>Date: _____</p>
<p>PACIFIC GAS AND ELECTRIC COMPANY A California Corporation</p> <p>By: _____</p> <p>Name: _____ Title: _____</p> <p>Date: _____</p>	

6. CONCLUSION

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<p>THE PUBLIC ADVOCATES OFFICE</p> <p>By: _____ Name: Title: Date:</p>	<p>THE UTILITY REFORM NETWORK A California Corporation</p> <p>By:  _____ Name: David Cheng Title: Date: 11/4/2021</p>
<p>PACIFIC GAS AND ELECTRIC COMPANY A California Corporation</p> <p>By: _____ Name: Title: Date:</p>	

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</p> <p>By: _____ Name: Title: Date:</p>	<p>THE UTILITY REFORM NETWORK A California Corporation</p> <p>By: _____ Name: Title: Date:</p>
<p>PACIFIC GAS AND ELECTRIC COMPANY A California Corporation</p> <p>By: <u>David Thomason</u> Name: David Thomason Title: VP, Controller Date: 11/04/2021</p>	

END ATTACHMENT A