COM/ARD/sgu **ALTERNATIVE PROPOSED DECISION**

Agenda ID#21038 (Rev. 1)
Alternate to Agenda ID#21039 (Rev. 1)
Ratesetting
2/2/2023 Item #28A

Decision **ALTERNATE PROPOSED DECISION OF COMMISSIONER ALICE REYNOLDS (Mailed 10/11/2022)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U39M) for recovery of recorded expenditures related to wildfire mitigation and catastrophic events, as well as other recorded costs.	Application 20-09-019

DECISION APPROVING SETTLEMENT

TABLE OF CONTENTS

Title **Page**

DECISION APPROVING SETTLEMENT

Summary

This decision approves a contested Settlement Agreement that resolves Application (A.) 20-09-019. Pacific Gas & Electric Company (PG&E) may recover in total revenue requirement $1,037,899,000 for its operational and capital expenditures associated with recorded amounts in its (1) the Fire Hazard Prevention Memorandum Account, (2) the Fire Risk Mitigation Memorandum Account, (3) the Wildfire Mitigation Plan Memorandum Account, (4) the Catastrophic Events Memorandum Account (CEMA), (5) the Land Conservation Plan Implementation Account, and (6) the Residential Rate Reform Memorandum Account.

PG&E has requested a cost recovery of $1,983,247,000 equaling a revenue requirement of $1,280,657,000. This decision authorizes a revenue requirement amount of $1,037,899,000, broken down by account as follows:[1]

1. Fire Hazard Prevention Memorandum Account authorized recovery amount: $240,041,000 in Operations and Maintenance (O&M),
2. Fire Risk Mitigation Memorandum Account and Wildfire Mitigation Plan Memorandum Account, collectively, authorized recovery amount: $589,586,000 in O&M and $15,834,000 in Capital Expenditures,
3. CEMA authorized recovery amount: $142,772,000 in O&M and $63,172,000 in Capital Expenditures,
4. Land Conservation Plan Implementation Account authorized recovery amount: $63,000 in O&M, and

[1] These numbers are specified in the Joint Summary Tables (corrected), filed by PG&E and Public Advocates Office on November 10, 2021, Appendix 2 to this decision.

5. Residential Rate Reform Memorandum Account authorized recovery amount: ($13,569,000) in O&M.

The rate allocation shall be consistent with what the Commission adopted in Decision (D.) 21-11-016, in A.19-11-019, PG&E's most recent cost allocation and rate design proceeding. Furthermore, PG&E shall only collect $590,864,500, the difference between the $477,034,500 in interim rate relief granted in D.20-10-026 and what is authorized in this instant decision.

The approved Settlement Agreement is contained in Appendix 1 of this Decision. The Decision finds the Settlement Agreement is reasonable in light of the whole record of this proceeding, consistent with the law, and in the public interest. The parties to the Settlement Agreement are the Public Advocates Office, PG&E, and the Federal Executive Agencies.

The Utility Reform Network, Wild Tree Foundation, and Thomas Del Monte filed comments opposing the Settlement Agreement. This Decision finds that the concerns raised by these parties do not warrant modification of the Settlement Agreement but do warrant clarifying next steps.

Application 20-09-019 is closed.

1. Procedural History

On September 30, 2020, Pacific Gas & Electric Company (PG&E) filed Application (A.) 20-09-019 seeking authorization to recover $1,280,657,000 in revenue requirements related to wildfire mitigation, certain catastrophic events, and a number of other activities. Additionally, PG&E seeks authorization to refund $3.7 million from the Residential Rate Reform Memorandum Account (RRRMA).

PG&E had filed a predecessor application on February 7, 2020, A.20-02-003 (Interim Rate Relief Application), seeking to recover, on an interim basis, 85% (or $899 million) of the revenue requirement associated with costs it incurred through December 31, 2019 in four of the memorandum accounts at issue in the instant proceeding: (1) the Fire Hazard Prevention Memorandum Account; (2) the Fire Risk Mitigation Memorandum Account; (3) the Wildfire Mitigation Plan Memorandum Account; (4) the Catastrophic Event Memorandum Account. In Decision (D.) 20-10-026 the Commission approved $447,034,500 in interim rate recovery (approximately 35% of the total), subject to reviewing the reasonableness of the costs recorded in those accounts. Recovery of the $447,034,500 commenced in December 2020.

In the instant application, A.20-09-019, PG&E requests an additional $423 million in incremental revenue requirements beyond its request in the Interim Rate Relief Application, resulting in an outstanding request for $868 million in revenue when accounting for the $447 million already authorized for collection. Though currently $868 million remaining is sought for cost recovery, the reasonableness assessment for the full amount booked in the memorandum accounts, $1,983,247,000 in costs[2] reduced to $1,280,657,000 in revenue requirement, is the subject of this proceeding.

The Utility Reform Network (TURN), Public Advocates Office, Thomas Del Monte (Del Monte), and Wild Tree Foundation filed protests to the Application. Peninsula Clean Energy Authority, Pioneer Community Energy, and Sonoma Clean Power (the Joint CCAs) filed a response to the Application. PG&E filed a Reply to Protests and Response. Del Monte filed a Response to PG&E's Reply to Protests and Response.

---

[2] The cost total includes an Assembly Bill (AB) 1054 reduction of $18,735,000 for foregone equity return on rate base, a proposed refund of $3,738,000 in the RRRMA, and $3,481,000 in costs not sought for recovery pursuant to an Ernst &Young audit.

The Commission held a telephonic prehearing conference on December 4, 2020, where the Federal Executive Agencies (FEA) Motion for Party Status was granted. The previous Assigned Commissioner, Marybel Batjer, issued a Scoping Memo and Ruling on December 23, 2020.

The Commission held evidentiary hearings on June 14, 2021 through June 16, 2021. On July 23, 2021, PG&E, Del Monte, Public Advocates Office, TURN, Wild Tree Foundation, and FEA filed Opening Briefs.

On September 21, 2021, PG&E, on behalf of itself, FEA, and the Public Advocates Office, filed a Joint Motion for Approval of Settlement Agreement. On October 28, 2021, TURN, Del Monte, and Wild Tree Foundation filed comments on the proposed settlement agreement. On November 12, 2021, PG&E, the Public Advocates Office, and FEA jointly filed reply comments on the proposed settlement agreement.

On October 13, 2021, the Assigned Administrative Law Judge (ALJ) issued a ruling directing the filing of a joint summary table. On December 17, 2021, Public Advocates Office filed a Motion for Leave to Identify and Admit PG&Es Data Request Responses Into Evidence, in addition to a Motion to File Under Seal Attachment B. On January 18, 2022, the ALJ issued a ruling granting the Public Advocates Office's December 17, 2021 Motions and submitting the record for this proceeding.

D.21-09-041 extended the statutory deadline for the issuance of a proposed decision until April 1, 2022, concurrent with the 18-month statutory timeframe for resolving ratesetting proceedings. D.22-04-018 extended the statutory deadline from April 1, 2022 to October 1, 2022.

1.1. Issues to be Decided

The Scoping Memo identified the following issues:

a. Whether the Commission should grant PG&E's request to recover up to $1.3 billion in revenue requirement.

b. Whether the recorded costs are reasonable and incremental in nature.

c. Whether the costs are appropriate to record and recover through the corresponding account.

d. Whether the cost recovery proposal is reasonable.

e. Whether the Commission should grant PG&E's proposal to recover the authorized revenue requirements over a 12-month or 24-month period, or some other time period.

f. Whether the Commission should grant PG&E's proposed functionalization of the costs at issue in the Application.

Each of these issues will be reviewed for the memorandum accounts for which PG&E seeks recovery.

2. Description of Memorandum Accounts Under Review

This application includes costs from six accounts:

a. Fire Hazard Prevention Memorandum Account,

b. Fire Risk Mitigation Memorandum Account,

c. Wildfire Mitigation Plan Memorandum Account,

d. Catastrophic Events Memorandum Account,

e. Land Conservation Plan Implementation Account, and

f. Residential Rate Reform Memorandum Account.

2.1. Fire Hazard Prevention Memorandum Account

The Fire Hazard Prevention Memorandum Account (FHPMA) is used to record costs related to what are known as the "Fire Safety Rulemakings" that began in 2008. In Rulemaking (R.) 08-11-005, the Commission issued D.09-08-029, which directed PG&E to establish a memorandum account to track costs associated with changes to General Order (GO) 95 and other wildfire related measures.[3] PG&E may recover reasonable costs prudently incurred to comply with the State's requirements to reduce fire hazards for electric transmission and distribution lines. In D.12-01-032 the Commission ordered recorded costs in the FHPMA shall not be recovered elsewhere and the memorandum account shall close in the first general rate case (GRC) that occurs after the close of the proceeding.[4] Because the FHPMA account is now closed, the instant proceeding is the final review of costs within the FHPMA.[5]

2.2. Fire Risk Mitigation Memorandum Account and Wildfire Mitigation Plan Memorandum Account

The Wildfire Mitigation Plan Memorandum Account (WMPMA) and the Fire Risk Mitigation Memorandum Account (FRMMA) both arose from legislation enacted in 2018.[6] The purpose of the Wildfire Mitigation Plan Memorandum Account is to record incremental costs incurred to implement an approved wildfire mitigation plan that are not otherwise recovered as part of PG&E's approved revenue requirement. The purpose of the Fire Risk Mitigation Memorandum Account is to record incremental costs of fire risk mitigation work not otherwise recovered as part of PG&E's approved revenue requirement or its WMPMA.

The Commission's Energy Division found PG&E's Advice Letter 5419-E to be compliant with SB 901 and approved its request to open a Fire Risk Mitigation Memorandum Account effective January 1, 2019.[7] In the FRMAA, PG&E is

---

[3] D.09-08-029, Ordering Paragraph 7.

[4] D.12-01-032, Ordering Paragraph 14. (*See* also D.14-02-016, OP 3.)

[5] D.20-12-005 at 318.

[6] *See,* Public Utilities (Pub. Util.) Code § 8386.4. *See also*, AB 1054 (Ch. 79, Stats. 2019) amending Senate Bill (SB) 901 (Ch. 626, Stats. 2018).

[7] Letter from Energy Division to PG&E Approving Advice Letter 5419-E, dated March 12, 2019.

authorized to "track costs incurred for fire risk mitigation that are not otherwise covered in the electrical corporation's revenue requirements."[8]

On August 8, 2019, the Energy Division approved, retroactive to June 5, 2019, PG&E's Advice Letter 5555-E establishing a Wildfire Mitigation Plan Memorandum Account to track costs incurred implementing its Wildfire Mitigation Plan (WMP) pursuant to SB 901 and D.19-05-037.[9]

PG&E states that FRMMA was used to track costs incurred and contemplated by its 2019 WMP, after the account's retroactively established date of January 1, 2021 but before to the Commission approved its 2019 WMP on June 4, 2021.[10] And the WMPMA was used to record costs after the 2019 WMP was approved on June 4, 2019.[11]

2.3. Catastrophic Event Memorandum Account

The Catastrophic Event Memorandum Account is used to record costs for: "(1) [r]estoring utility services to customers, (2) [r]epairing, replacing, or restoring damaged utility facilities, [and] (3) [c]omplying with governmental agency orders in connection with events declared disasters by competent state or federal authorities."[12] PG&E seeks interim cost recovery for the costs associated with five events from 2019 in its CEMA account: (1) the January/February Severe Storms; (2) the October Wind Events; (3) the Glencove Fire; (4) the Camino Fire, and (5) tree mortality and fire risk reduction activities conducted pursuant to Commission Resolution ESRB-4.

[8] Pub. Util. Code § 8386.4(b)(1).

[9] Letter from Energy Division to PG&E Approving Advice Letter 5555-E, dated August 8, 2019

[10] Exhibit PGE-1 at 1-8, fn.4

[11] Ibid.

[12] Pub. Util. Code § 454.9(a).

2.4. Land Conservation Plan Implementation Account

Commission Resolution E-4072 (May 3, 2007) authorized PG&E to pursue an application to recover the costs recorded in the Land Conservation Plan Implementation Account to process applications before the CPUC or the Federal Energy Regulatory Commission (FERC) for transactions necessary to implement the Land Conservation Plan approved in D.03-12-035. The costs recorded in this account date back to 2011.

2.5. Residential Rate Reform Memorandum Account

The application also includes a $3.7 million refund due to overcollections relating to the Residential Rate Reform Memorandum Account. In the Residential Rate Reform Memorandum Account, PG&E recorded costs incurred in response to the Residential Rate Reform Order Instituting Rulemaking during the 2017-2019 GRC cycle. For 2017-2019, PG&E recorded $54,161,754 in total costs. Per the 2017 GRC decision, PG&E recovered via the Annual Electric True-up $19.3 million annually, subject to refund, for costs recorded to the Residential Rate Reform Memorandum Account or a total of $57.9 million from 2017 through 2019.[13] In this application, PG&E seeks to refund the difference between the recorded amount of $54,161,754 in the Residential Rate Reform Memorandum Account, which is $3,738,246 less than the $57,900,000 that PG&E already recovered.[14]

3. Requested Cost Recovery

PG&E identified a total of $1,280,657,000 in associated revenue requirement for the Fire Hazard Prevention Memorandum Account

---

[13] *See* D.17-05-013, Authorizing PG&E's General Rate Case Revenue Requirement for 2017-2019.

[14] Exhibit PGE-1 at Chapter 7, at 7-1.

($293,269,000), Fire Risk Mitigation Memorandum Account/Wildfire Mitigation Plan Memorandum Account ($739,874,000), Catastrophic Event Memorandum Account ($251,175,000), Land Conservation Plan Implementation Account ($77,000), and Residential Rate Reform Memorandum Account (negative $3,738,000) recorded in the accounts covered by this application.

If the full amount proposed its application were approved, PG&E states that the additional $868 million in revenue requirement would result in the typical electric customer seeing an approximately $7.64 per month increase and the typical residential gas customer seeing an approximately $0.10 per month increase over currently effective rates.[15] However, pursuant to D.20-10-026, $447,034,500 of the requested revenue requirement has already been collected in interim rates, in part to provide rate stability, so typical rate increases will be proportionally reduced.

4. The Settlement Agreement

On September 21, 2021, PG&E, Public Advocates Office, and FEA (Settling Parties) jointly filed a Motion for Adoption of Settlement Agreement.[16] The proposed Settlement Agreement would resolve all issues within the scope of the proceeding.

The proposed settlement would authorize PG&E to recover approximately $1.038 billion to be collected as follows:

1. The D.20-10-026 Interim 2020 Wildfire Mitigation and Catastrophic Event Revenue Requirement will continue until fully collected.
2. An additional revenue requirement of $590,864,500 over a 24-month amortization period following the conclusion of

---

[15] Exhibit PGE-1 at Chapter 10, at 10-11.

[16] *See* Appendix 1 to this decision.

the 17-month amortization period for the Interim 2020 Wildfire Mitigation and Catastrophic Event Revenue Requirement.

Pursuant to the settlement, the Final 2020 Wildfire Mitigation and Catastrophic Event Revenue Requirement of approximately $1.038 billion would reflect recovery of 81% of the $1,280,657,000 revenue requirement proposed in A.20-09-019.

The Settlement Agreement proposes a revenue requirement of $958,893,000 in total O&M expenses and $79,006,000 in total capital expenditures.[17] The Settling Parties state that the various elements and sections of this Settlement Agreement are closely interrelated and should not be altered, "as the Settling Parties intend that the Settlement Agreement be treated as a package of elements that balances and aligns the interests of each Settling Party."[18] The Settling Parties recommend the Commission approve the Settlement Agreement without modification.

4.1. The Settling Parties

The Settling Parties state that the Settlement Agreement is the negotiations among the parties over a period of time that necessitated an extended settlement deadline. For the reasons stated below, the Settling Parties ask the Commission to find the Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest.

---

[17] Joint Summary Tables (corrected), filed by PG&E and Public Advocates Office on November 10, 2021, Appendix 2 to this decision.

[18] Settlement Agreement at 1.

4.1.1. Reasonable in Light of the Whole Record

The Settling Parties assert that the Settlement Agreement reflects a reasonable balance of the various interests in this proceeding by knowledgeable and experienced parties who have a well-documented history of strongly held positions. They note that the Settlement Agreement proposed revenue requirement essentially reflects Public Advocates Office's litigation position.

4.1.2. Consistent with the Law

The Settling Parties assert that the Settlement Agreement is consistent with the law because the costs are for activities that carry out "important California state and Commission policy objectives for wildfire mitigation, CEMA response activities, and other environmental- and customer-focused initiatives" and were tracked and recorded in previously CPUC-approved memorandum accounts.[19] And lastly, that they are aware of no statutory provisions or controlling law that would be contravened or compromised by the Settlement Agreement.

4.1.3. In the Public Interest

The Settling Parties claim the Settlement Agreement is in the public interest because it substantially reduces the costs that customers will cover while conserving the Commission's and the Settling Parties' time and resources, which in turn benefits customers.

5. Comments on the Settlement Agreement

Peninsula Clean Energy Authority, Pioneer Community Energy, and Sonoma Clean Power (the Joint CCAs) did not enter into the Settlement Agreement, nor did they file comments on the Settlement Agreement. Comments were filed by TURN, Del Monte, and Wild Tree Foundation.

[19] Joint Motion for Adoption of Settlement Agreement at 12.

5.1. TURN

TURN argues that "the total revenue forgone by PG&E under the settlement is insufficient, given the strength of the record as developed thus far in support of far higher disallowances".[20] In particular, TURN claims the Settlement Agreement is unreasonable because it deems all capital expenditures for 2019 system hardening and distribution line replacements to be just and reasonable.[21] TURN highlights that the Settlement Agreement's 19% reduction (or about $152 million) of capital expenditures used to calculate the 2017-2022 revenue requirements, does not permanently disallow any of the capital expenditures recorded in the FRMMA/WMPMA for system hardening or any of the capital expenditures recorded in the WMPMA for distribution line replacements. TURN contends these "unreasonable" capital expenditures, could be added to rate base in the future, and should therefore be disallowed permanently. In the alternative to rejection of the Settlement Agreement, TURN argues that the 19% reduction in capital costs should be extended to the depreciable life of the assets as opposed to the six-year revenue requirement timeframe that is the subject of the Settlement Agreement. TURN asserts that if the 19% reduction of capital expenditures is eliminated in future ratemaking applications, then (assuming a 40 to 50 year asset life) the reduction in total capital revenue requirement is 2% or less.

The Settling Parties do not agree with TURN's characterization of "unreasonable" capital costs, explaining the work completed consists of new electric, gas and power generation facilities for work completed under PG&E's

[20] TURN Comments on Settlement at 2-3.

[21] TURN Comments on Settlement at 11.

wildfire mitigation and CEMA programs, is expected to provide value for future generations of customers over the next several decades. The Settling Parties point to Section 5.2 of the Settlement Agreement which provides "with respect to revenue requirements associated with authorized expense and capital costs, PG&E shall recover the cumulative 2017-2022 revenue requirements over the approved amortization periods in Sections 5.1.1[22] and 5.1.2[23] through routine advice letter filings. Future revenue requirements associated with capital expenditures in A.20-09-019 will be included in future GRCs or as authorized."[24]

5.2. Del Monte

Del Monte opposes the Settlement Agreement and asserts it has a lack of specifics on categories of recovered costs and that CEMA costs related to the Tubbs Fire do not meet the conditions for recovery. Del Monte contends that the proposed Settlement fails to "adequately represent all issues relevant to the public interest" as it is only a compromise between the positions of PG&E and the Public Advocates Office.[25]

5.3. Wild Tree Foundation

Wild Tree Foundation opposes, intra alia, the Settlement Agreement because it asserts PG&E's 2019 PSPS events violated applicable laws, rules and regulations, and as such should not be eligible for cost recovery. Wild Tree Foundation also claims that other CEMA events do not otherwise meet the

---

[22] Settlement Agreement at 5: Section 5.1.1, "the interim 2020 WMCE revenue requirement of $447,034,500 granted in D.20-10-026 shall continue until fully collected by PG&E over the 17-month amortization period authorized in that decision."

[23] Settlement Agreement at 5: Section 5.1.2, "An additional revenue requirement of $590,865,000 shall be recovered over a 24-month amortization period following the conclusion of the 17-month amortization period for the Interim 2020 WMCE Revenue Requirement."

[24] Settling Parties Comments at 6; Settlement Agreement at 5.

[25] Del Monte Comments on the Settlement Agreement at 10.

conditions for recovery. Furthermore, Wild Tree Foundation characterizes the Settlement Agreement as "allow[ing] PG&E to collect a completely random amount for which the Proposed Settling Parties have provided no evidence or argument[.]"[26]

The Settling Parties respond that the Commission need not address Wild Tree Foundation's arguments regarding PSPS costs because the proposed Settlement Agreement includes a 19% reduction for PSPS costs recorded in the WMPMA.[27] The Settling Parties considered the positions by TURN and the Public Advocates Office on PSPS reduction costs, and purports the underlying settlement contemplates these issues in the agreed upon revenue requirement reduction.[28]

6. Reply Comments on the Settlement Agreement

Reply comments by the Settling Parties rebut the objections to the Settlement Agreement. They claim that PG&E has made a strong showing for the recovery of the costs in the Settlement Agreement, that wildfire mitigation work is required by California and Commission law and policy, and that costs were audited by an independent third party (Ernst & Young). Their reply asserts that the overall revenue requirement for 2017-2022 is a reasonable compromise between the litigation positions of PG&E, Public Advocates Office, and TURN, and that settling on an overall revenue requirement basis, as opposed to cost categories, is reasonable given the divergent litigation positions on cost within various categories.

---

[26] Wild Tree Comments on Settlement Agreement at 4.

[27] Joint Reply Comments at 14.

[28] Joint Reply Comments at 14.

In response to TURN's alternative position that capital disallowances be made permanent, the Settling Parties respond that future costs will be included in future GRCs. As explanation, the Settling Parties point to D.20-11-035, which approved a Settlement with the term that "PG&E will continue to recover the authorized Electric Distribution and Gas Distribution capital revenue requirements beyond December 31, 2022 in its next GRC, currently slated for 2023 Test Year."[29]

7. Discussion

7.1. Settlement Agreement Standard of Review

Rule 12.1(d) states, "The Commission will not approve settlement, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest."

The Commission has also stated that, "Beyond this basic [Rule 12.1(d)] standard, we have incorporated other standards into its analysis, which have largely depended on situational factors, such as the type of proceeding at issue, the interests of the settling parties and whether the settlement is contested."[30]

This is a contested settlement and we have said, "[A] contested settlement is not entitled to any greater weight or deference merely by virtue of its label as a settlement; it is merely the joint position of the sponsoring parties, and its reasonableness must be thoroughly demonstrated by the record."[31] However, contested or not, the Commission has long favored the settlement of disputes.[32]

---

[29] Joint Reply Comments at 7, fn16

[30] D.20-12-015 at 9.

[31] D.02-01-041 at 13.

[32] For examples of adoptions of contested or not all-party settlements where the Commission still recognizes the favoring of settlements *see* D.18-05-042 at 20, and D.11-05-018 at 16.

This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.

While our policy is to favor settlement of disputed issues, our standard of review for settlements is designed to ensure that settlements meet a minimum standard of reasonableness in light of the law and the record of the proceeding. A settlement can be unreasonable, and we will not be persuaded to approve unreasonable settlements simply because of a general policy favoring the approval of settlements. There are several characteristics that can render a settlement unreasonable. One such attribute is the presence of significant deviations from Commission findings, policies, and practices if those deviations are not adequately explained and justified in the motion for the settlement's adoption. Another such attribute is the lack of demonstration that the settlement fully and fairly considered the interests of all affected entities – both parties and non-party entities such as affected customers. We have no obligation to approve unreasonable settlements.

With this standard in mind, we turn to the contested settlement at issue here.

7.1.1. The Proposed Settlement is Reasonable

The Commission has a well-established policy of adopting settlements if they are fair and reasonable in light of the whole record. In D.00-09-034, the Commission held that the parties' evaluation of their respective litigation positions and the settlement agreement is reasonable because it represents the best efforts of the settling parties.

After review of the Settlement Agreement dated September 21, 2021, we conclude the Settlement Agreement is reasonable in light of the whole record. The substantive record of this proceeding includes an application, protests and responses to that application, testimony, evidentiary hearings, opening briefs, motions and rulings regarding the scope of the record, a joint motion for approval of Settlement Agreement, responses to Settlement Agreement and a reply to those responses.

While the standard for review is to look at the settlement as a whole in relationship to the whole record, it is worth explaining our approval of the Settlement Agreement in relation to some of the basic disputes in this proceeding as raised by the non-settling parties. Those disputes, as demonstrated by the record, are the reasonableness of certain costs related to: CEMA; PSPS events; system hardening; vegetation management; the incrementality of costs and the level of granularity in the Settlement Agreement; and, TURN's proposed modification regard the reduction in capital expenditures allowed.

7.1.1.1. CEMA Expenses

PG&E requests recovery of $347 million recorded to the CEMA. The non-settling parties provide recommendations for disallowances regarding recorded CEMA expenses.

Del Monte recommends that the Commission deny PG&E's CEMA cost recovery for the Tubbs fire in its entirety. Asserting, inter alia, that if PG&E had corrected prior vegetation management deficiencies it "would have with near certainty avoided the Tubbs Fire and resulting CEMA costs."[33] Del Monte cites no evidence in support of the conclusion that vegetation management would

[33] Del Monte Opening Brief at 11.

have avoided the Tubbs Fire and instead simply assumes that the fire would not have spread. This assertion involves hypothetical conditions and does not establish that costs resulting from the Tubbs Fire would have been avoided with certainty, near or not, if PG&E had done the work Del Monte claims should have been done. Moreover, CalFIRE has concluded that PG&E did not cause the fire and the Commission's Safety and Enforcement Division has found no violations by PG&E with respect to the fire.[34] Lastly, the cause of the Tubbs Fire is outside the scope of this proceeding.[35]

Del Monte also asserts that the Tubbs fire was a man-made disaster and not a natural disaster and thus is not eligible under CEMA. This is not the proper test for CEMA eligibility under Public Utilities Code Section 454.9.

Wild Tree argues that various CEMA events are not eligible events because they are predictable reoccurring events, the declared state of emergencies was caused by human activity as opposed to natural disasters, or beyond the scope of an emergency declaration. We find these arguments unconvincing.

7.1.1.2. PSPS Events

TURN and Wild Tree Foundation would reduce or deny completely PG&E's costs for some 2019 PSPS events because of its mismanagement. D.21-06-014 did find PSPS events should be a last resort mitigation measure and that the utilities' deficiencies in their 2019 PSPS actions required a monetary

---

[34] Exhibit PGE-105 (CAL FIRE Tubbs Fire Report of Investigation); Exhibit PGE-106 (SED Report Regarding Tubbs Fire); *see also* Tr., Vol. 1, June 7, 2021 Status Conference, 24:22 to 26:7 (Commission will take official notice of these reports), D.20-05-019 at 60-61.

[35] Assigned Commissioner's Scoping Memo and Ruling (Dec. 23, 2020) at 3; *see also* Administrative Law Judge's Ruling Denying Motion to Amend Scope and Denying Motion to Strike Testimony (May 21, 2021) at 3-4.

remedy.[36] That remedy was a disallowance of "any undercollections of previously authorized revenue requirement due to the lower volumetric sales caused by a power shutoff during a PSPS event."[37] That matter is being addressed in A.20-02-009. Additionally, D.21-09-026 looked at 2019 PSPS events and penalized PG&E $106.003 million, which included requiring PG&E to provide bill credits of $18.585 million to harmed customers and made shareholders fund $1.418 million in backup portable batteries.[38] We find in this proceeding that the Settlement Agreement's overall 19% reduction in costs covered by this application reasonably accounts for managerial decisions made during the 2019 PSPS events.

7.1.1.3. System Hardening

TURN takes issue with certain system hardening costs that occurred in the lower 5% of identified High Fire-Threat District (HFTD) and for replacement of assets that it claims were unreasonably replaced. We note that the work was done in HFTD, which are areas of elevated fire risk, in furtherance of wildfire risk mitigation efforts as required by state law and set forth in PG&E's Wildfire Mitigation Plan, but we also note that PG&E has been found lacking in its prioritization[39] of work before, on balance we agree with the Settling Parties' 19% reduction in the revenue requirement to capture disallowance of inefficiencies in implementing the plan.

---

[36] D.21-06-014 at 2, 59.

[37] D.21-06-014 at 60-61.

[38] D.21-09-026 at 2 and OPs 2-4.

[39] Resolution M-4852, placing PG&E into the Enhanced Oversight and Enforcement Process for failure to sufficiently prioritize its Enhanced Vegetation Management work based on risk. That process is progressing separately from this proceeding.

Regarding the replacement of assets, there is evidence that this work advanced wildfire mitigation and was done in fulfillment of its 2019 Commission approved WMP. For example, PG&E states it replaced 706 non-exempt fuses in 2019 in HFTDs – in other words it replaced fuses that may generate arc or sparks during normal operations.[40] We approved PG&E's system hardening plan in its 2019 WMPs as being consistent with SB 901 but acknowledged that additional analysis should be included in its future WMPs.[41] And PG&E acknowledged that the WMPs was "an iterative process."[42] While we reiterate that approval or ratification of an WMP is no guarantee for rate recovery, we also recognize the state of knowledge at the time these decisions were made. In totality, we find that the whole of the record shows that Settlement Agreement's 19% overall reduction in revenue requirement is reasonable.

7.1.1.4. Vegetation Management

TURN also raises concerns regarding the removal of all trees within a 12-foot buffer zone around electrical infrastructure, without any analysis of the tree type and risk. Some of this work was done during a 4-month period ending in December 2018 as part of the required implementation of PG&E's wildfire mitigation plan through an accelerated program focusing on Tier 3 HFTD areas and adjacent areas of Tier 2 HFTD, while other work was done over 2019. Tier 2 HFTD, or elevated risk, is defined as including likelihood and potential impacts of occurrence for utility associated wildfires.[43] Tier 3 HFTD, or extreme risk, is distinguished from Tier 2 by having the *highest likelihood* of fire ignition and

[40] Exhibit PGE-1 at 2-18.

[41] D.19-05-037 at 19

[42] D.19-05-037 at 17.

[43] Exhibit PGE-1 at 2-12, citing CPUC HFTD Map Tier Definitions.

growth that would impact people or property from utility associated fires, and where the most restrictive utility regulations are necessary to reduce utility fire risk.[44]

We note that the Commission's Rulemaking (R.18-10-007) to implement SB 901 was opened contemporaneously, and that our related guidance to PG&E to refine their tree removal processes came in mid-2019, after some of the costs at issue were incurred.[45] As electric corporation's wildfire mitigation plans are submitted and approved annually, lessons are learned and regulatory and utility expertise is built.[46] We find that given the requirements in existence in late 2018 the Settlement Agreement's 19% overall reduction in revenue requirement is reasonable. However, as we review wildfire mitigation costs from subsequent years in future applications we will consider that PG&E continues to receive more detailed direction on its activities and those facts may be relevant to our review.

7.1.1.5. Incrementality

Incrementality of costs is a standard requirement for recovery of memorandum accounts costs but how to measure it is a matter of disagreement amongst the parties.[47] Traditionally, memorandum accounts are for matters that are not included in GRC forecasts, like emergency events or new and costly regulatory obligations that arose between GRC proceedings. Consistent with this approach, in 2019 the Legislature recognized the need to track and recover

---

[44] Exhibit PGE-1 at 2-12; citing CPUC HFTD Map Tier Definitions.

[45] D.19-05-037 at OP 7.

[46] *See* generally Resolutions WSD-002, Resolution WSD-003, Resolution WSD-021.

[47] Exhibit PG&E-1 "Incremental" costs are those labor, equipment, material, contract, and other support costs associated with work that is not included in PG&E's GRC authorized revenue requirements or other recovery mechanisms.

costs for wildfire mitigation, given the urgency of the need to undertake extensive work quickly to reduce the risk of wildfire ignitions and with the understanding that WMP and GRC review timelines do not necessarily sync up. This wildfire mitigation work is critical to the state's overall efforts to prevent catastrophic wildfires, but it is also critical that ratepayers are not charged twice for the same work or capital expenditures.

TURN and the Public Advocates Office take the approach that if PG&E did not complete the originally forecasted activity and instead redirected those labor or resources towards wildfire mitigation activities, without demonstrating PG&E backfilled for the activities from which its workforce was redeployed, such costs should not be considered incremental. TURN provides the following summary to highlight the fundamental ratemaking dispute between Public Advocates Office and PG&E's view of incrementality:

> Public Advocates Office argues that if PG&E were able to perform the necessary recovery work without hiring additional staff, or using overtime, then the actual "incremental" cost to PG&E was zero, and so PG&E should not recovery any additional costs. This constitutes Public Advocates Office "straight-time labor" disallowance. Similarly, the advocacy group disallows various overhead expenses that are already included in rate base.
>
> PG&E argues that rate case forecasts are based on "activities" not staffing numbers, and that CEMA recovery work was specifically not "forecast" for recovery in its rate case, and PG&E explains that it specifically "removes CEMA costs from the GRC."[48]

Regarding the CEMA account, TURN argues PG&E fails to provide any explanation of actual financial consequences to the utility of using existing

[48] TURN Opening Brief at 55 to 56.

straight-time labor to do the recovery work recorded to CEMA.[49] TURN believes there is no evidence that PG&E truly incurred incremental costs, arguing the utility bases its argument on the theoretical accounting argument that "CEMA work" is excluded from rate case forecasts.[50]

PG&E provides a demonstration of incrementality in testimony. PG&E explains how historically the utility's GRC revenue requirement contemplated routine or baseline levels of emergency response activity, vegetation management, electric asset inspection work, and electric asset maintenance and replacements.[51] In recent years however, PG&E notes the utility incurred incremental costs in these areas to address heightened wildfire risks and comply with both Commission policy and state rule changes.[52] The utility confirms that each of the costs included in the instant application relates to work that is new, or in addition to, what was contemplated by PG&E's existing rates, confirming PG&E does not forecast CEMA costs in their GRCs.[53]

Regarding wildfire costs, PG&E provides three different mechanisms to track the incrementality of the costs requested. First, PG&E tracks costs associated with this incremental work in the FRMMA and WMPMA memorandum accounts, which is separate from those used to track costs comprising PG&E's base rates. PG&E testifies that such costs were also tied to specific work orders to ensure they had not already been recovered through

---

[49] TURN Opening Brief at 56.

[50] TURN Opening Brief at 56.

[51] Exhibit PGE-1 at 8-1.

[52] Exhibit PGE-1 at 8-1.

[53] Exhibit PGE-1 at 8-2.

existing rates, other proceedings, or any other recovery mechanism.[54] Second, PG&E hired an independent auditor, Ernst & Young to evaluate whether the wildfire mitigation costs were booked to the appropriate memorandum accounts and were for activities that were incremental to those contemplated by rates established in the GRC.[55] And finally, PG&E claims they incorporated lessons learned from prior filings to address questions on the utility's methodologies for ensuring incrementality.[56]

Turning to the independent audit, Ernst & Young concluded no exclusions would materially affect the balances of the memorandum accounts.[57] Specifically, Ernst & Young found no evidence to question PG&E's conclusions that costs were: (1) incurred for activities set forth in the corresponding, relevant commission-approved memorandum accounts; (2) accurately recorded; and (3) incremental in nature.[58] The audit additionally identifies $2.9 million (extrapolated to $6.2 million) that were not properly supported for inclusion in the memorandum accounts largely due to: (1) unsupported vendor expenses, consisting of unsubstantiated per diems, inconsistent hotel charges, labor expense inconsistencies, and other unsubstantiated miscellaneous expenses; (2) markups, instances where vendors would be directly contracted by PG&E for a specific service and also engaged as a subcontractor for a different service; (3) transaction recorded in the wrong account, limited to costs recorded in FRMMA that should have been in the FHPMA; (4) labor and overhead charges

---

[54] Exhibit PGE-1 at 8-2.

[55] Exhibit PGE-1 at 8-2.

[56] Exhibit PGE-1 at 8-2.

[57] Exhibit PGE-1, Attachment A at 7.

[58] Exhibit PGE-1, Attachment A at 7.

for nuclear generation employees; and (5) employee expense charges that were not accompanied with labor charged to WMCE accounts.[59] The Ernst & Young audit highlights all excluded amounts for the aforementioned cost categories were validated and conformed by PG&E for removal from the instant application.[60] Ratepayers will not be charged for the removed costs.

Regardless of these analytical differences between the parties, there is no evidence to suggest that double-counting occurred in this case. Indeed, the costs claimed here were validated in an independent audit performed by Ernst & Young and no party has identified duplicative costs.

Going forward we expect electric corporations to clearly delineate in their GRCs how their forecasted costs are separate and distinct, including labor and overhead, from the costs they are presently, or in the future, tracking in wildfire related memorandum accounts and to make a similar showing in any application for which they seek recovery of recorded costs, including a catastrophic wildfire proceeding. The Commission has found that an incrementality analysis can compare costs incurred to those previously "authorized recovery for similar expenditures,"[61] and it is not necessary to compare costs recorded in memorandum accounts against companywide authorized expenses. The Legislature also anticipated this issue and held the chief executive officer of each electric corporation accountable for ensuring applications do not seek double recovery.[62]

---

[59] Exhibit PGE-1, Attachment A at 7.

[60] Exhibit PGE-1, Attachment A at 7.

[61] D.21-08-024 at 19-20; *see* also D.22-06- at 12-14.

[62] Pub. Util. Code § 8386.4(b)(3) requires PG&E's chief executive officer to certify that it "has not received authorization from the commission to recover the costs in a previous proceeding, including wildfire cost recovery applications."

Recently, in D.22-06-032, the Commission noted that it is inconsistent with prospective ratemaking principles to use "costs recorded in a memorandum or balancing account to offset forecast variances for unrelated budget categories."[63] The Commission recognized the issue of "whether the current ratemaking framework is incentivizing the reassignment of resources authorized in a GRC to activities not otherwise included in the GRC but whose costs are separately recoverable via a memorandum or balancing account."[64] Generally, costs are incremental if, in addition to completing the planned work that underlies the authorized costs, the utility had to procure additional resources, be they in labor or materials, to complete the new activity. The existence and completion of a new activity by itself does not prove the cost was incremental. If a new activity is completed by redirecting existing resources in a related work category, no incremental cost was incurred, despite the activity itself being "incremental." Here, we evaluate the proposed settlement, taken as a whole. On balance, as we find the whole of the Settlement Agreement reasonable, we need not evaluate the incrementality of individual expenditures on which parties to the settlement have reached a compromise.

7.1.1.6. Specificity

Regarding lack of specificity, as detailed above, the standard of review is whether or not a settlement is reasonable in light of the whole record. We do not need to determine the reasonableness of every asserted sub-issue. And while no settlement is precedential, prior settlements have also included a certain level of generality. For example, in D.22-03-011 we approved a settlement between

---

[63] D.22-6-032 at 10.

[64] D.22-06-032 at 12.

PG&E, TURN, and Public Advocates Office that stated, "The $37 million in total revenue requirement reduction is not specific to any particular CEMA events, and is instead a global reduction"[65] The Settling Parties Joint Summary Tables does provide a reasonable level of detail in this instance, and we adopt the revenue requirement breakdown as expressed in Attachment A to the Joint Summary Tables (Corrected), filed on November 10, 2021.[66]

Looking at the whole of the record, the proposed Settlement Agreement, which results in a $242.757 million reduction in the total revenue requirement request of $1,280.657 million – a reduction of about 19% - represents a reasonable compromise between the respective parties' positions.

The Commission finds that the settlement agreement should be approved. The Commission recognizes the parties' extensive settlement efforts and the Commission's policy favoring settlements. Furthermore, there are meritorious aspects of the settlement agreement as detailed above.

Regarding TURN's alternative proposal to extend the Settlement Agreement's 19% reduction through the life of the included capital assets, we clarify next steps. We recognize PG&E's point that "no discovery was conducted [in this proceeding] regarding the amount of the revenue requirement for PG&E's rate base for the assets in question beyond the time period set forth in the application – which is the duration of the Settlement Agreement's proposed disallowance."[67] For this reason, and in alignment with Section 5.2 of the Settlement Agreement, we agree that "[f]uture revenue requirements associated

---

[65] D.22-03-011 at 16.

[66] *See* Appendix 2 to this decision. This is the same revenue requirement adopted in the Settlement Agreement, except it is not rounded.

[67] Opening Comments of Pacific Gas & Electric Company on this decision at 5.

with capital expenditures in A.20-09-019 will be included in future GRCs or as authorized." Based on Section 5.2 of the Settlement Agreement, the Commission expects PG&E to include revenue requirements associated with capital expenditures beyond the 2017-2022 period in future GRCs, and if there are determinations needed at that time regarding the provisions of the Settlement Agreement, the Commission or parties may raise them then.

7.1.2. The Proposed Settlement is Consistent with the Law

Based on our review of the Settlement Agreement and the record of this proceeding, we find the Settlement Agreement is consistent with the Public Utilities Code, Commission decisions, and all other applicable laws.

The costs were tracked and recorded in memorandum accounts previously approved by the Commission. Many of these costs were incurred by PG&E's attempts to meet Commission approved and/or ratified wildfire mitigation plans, risk mitigation strategies, or in response to government-declared emergency events.

The terms and scope of the proposed Settlement Agreement are similar to past Commission decisions regarding CEMA-related settlements.[68]

7.1.3. The Proposed Settlement is in the Public Interest

Based on our review of the Settlement Agreement and the record of this proceeding, we find the Settlement Agreement is in the public interest. The Commission has previously noted that "in order to consider [a] proposed

---

[68] As an example, the proposed Settlement Agreement is similar to D.22-03-011, whereas "The Parties did not determine separate revenue requirements for each event." (D.22-03-011 at 15-16.). *See* also, D.18-06-011's finding that a settlement agreement between PG&E, TURN and Cal Advocates (then ORA) represents a reasonable compromise on the dispute of the incrementality of CEMA straight-time labor and overhead costs. (D.18-06-011 at 7.)

Settlement Agreement … as being in the public interest, we must be convinced that the parties have a sound and thorough understanding of the application and all the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record is necessary to meet our requirements for considering any settlement."[69]

In this instance the Settling Parties are sophisticated parties. PG&E and Public Advocates Office, particularly, have extensive experience and expertise with Commission ratemaking applications. The record here is well developed with the proposed Settlement Agreement occurring after testimony, hearings and opening briefs. We are convinced that Settling Parties have a sound and thorough understanding of the application and all the underlying assumptions and data included in the record. The Settling Parties also fairly represent the interests of the public affected by application.

Substantively, the 19% overall reduction in the revenue requirement is within the public interest as the Settling Parties acknowledge the cost burden on customers of PG&E's original request. Also, the cause of much of the costs at issue are related to wildfire mitigations, wildfire impacts and other issues that impact customers. Advancement of the policy and legal goals that are the genesis of, or related to, the costs at issue are the public interest. Issues and concerns raised by the non-settling parties were reviewed and considered but do not rise to the level of making the proposed Settlement Agreement fail the public interest analysis of our standard of review.

[69] D.20-12-005 at 25-26.

7.1.4. Approval of Settlement

We reviewed the proposed Settlement Agreement pursuant to Rule 12.1(d) and find the settlement meets the three criteria of reasonableness, legal consistency, and being in the public interest.

We grant the motion of the Settling Parties to adopt the Settlement. We authorize recovery of $1,037,899,000 in revenue requirement, consistent with the ratemaking treatment afforded in Section 9 of the instant decision.

8. Ratemaking

PG&E recommends that the rates set to recover costs that are approved in this proceeding be determined in the same manner as rates set to recover other Electric Distribution, Power Generation, Gas Distribution, and Gas Transmission costs, using the current Commission adopted methodologies for revenue allocation and rate design. PG&E notes that revenue allocation and rate design are being considered in Phase II of PG&E's 2020 GRC. PG&E recommends that the Commission's decision regarding cost recovery in this proceeding is consistent with the Commission's final decision on revenue allocation in the GRC Phase II proceeding (A.19-11-019).[70] The decision adopting revenue allocation in PG&E's GRC Phase II for A.19-11-019, D.21-11-016, was adopted on November 18, 2021.

TURN recommends that "the outcome in A.19-11-019 should establish the allocation for the electric utility costs as of January 1, 2022, when PG&E expects rate recovery of the WCME [*sic*] revenue requirements to begin."[71] TURN states that because PG&E agrees that the question of cost recovery be made consistent

---

[70] PG&E Opening Brief at 96-97.

[71] TURN Opening Brief at 57.

with the CPUC's final decision on revenue allocation in the GRC Phase II, the allocation issue no longer appears to be in dispute between the parties.

The Federal Executive Agencies states that it supports PG&E's position regarding cost allocation or, if the settlement on rate allocation is adopted in Phase II of PG&E's GRC (A.19-11-019), then that allocation should be substituted for the allocation presented in PG&E's direct testimony in this docket.[72]

There does not appear to be controversy among the parties to this proceeding regarding revenue allocation. For purposes of consistency and ease of evaluating rate impact, the revenue allocation for costs authorized in this proceeding will be consistent with what was adopted in D.21-11-016.

9. Conclusion

This decision authorizes PG&E to recover a total revenue requirement of $1,037,899,000. For purposes of collection in rates, this recovery is reduced by an amount of $447,034,500 due to the proceeding's interim decision, D.20-10-026, that allowed some interim revenue requirement collection.

This decision's rate recovery is based on a settlement that we find reasonable in light of the whole record, consistent with law, and in the public interest, for the reasons discussed herein.

Ratemaking treatment for the authorized amounts shall be consistent with D.21-11-016.

10. Comments on Proposed Decision

The alternate proposed decision of President Alice Reynolds in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of

[72] Federal Executive Agencies Opening Brief at 1-2.

Practice and Procedure. Comments were filed on November 16, 2022 by Wild Tree Foundation, and on November 18, 2022 by TURN, PG&E, Del Monte, and Cal Advocates, and reply comments were filed on December 13, 2022 by PG&E, Southern California Edison Company, and TURN. In response to comments, clarifying revisions and a removal of the settlement modification have been made throughout Section 7.1, and corresponding findings, conclusions, and ordering paragraphs.

11. Assignment of Proceeding

Alice Reynolds is the assigned Commissioner and Amin Nojan is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. On September 30, 2020, PG&E filed A.20 09 019 for recovery of recorded expenditures related to wildfire mitigation and catastrophic events, as well as other recorded costs.

2. On September 21, 2021, PG&E, the Public Advocates Office, and the Federal Executive Agencies jointly filed a Motion for Approval of Settlement Agreement proposing recovery of approximately $1.038 billion in revenue requirement.

3. On October 28, 2021, TURN, Thomas Del Monte, and the Wild Tree Foundation filed comments opposing the proposed Settlement Agreement.

4. The proposed Settlement Agreement presents a compromise of the Settling Parties positions and identifies a settled cost recovery amount as a revenue requirement.

5. The proposed Settlement Agreement reflects a 19% reduction in overall revenue requirement.

6. The proposed Settlement Agreement would authorize a revenue requirement of $958,893,000 in total Operating and Maintenance expenses and $79,006,000 in total Capital Expenses.
7. We find that the cause of the Tubb's Fire is outside the scope of this proceeding.
8. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for managerial decisions made during the 2019 PSPS events.
9. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for managerial decision regarding system hardening prioritization and replacement of assets.
10. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for managerial decision regarding vegetation management for the time period covered by this application.
11. We find the Settlement Agreement's overall reduction in revenue requirement reasonably accounts for the requirement that costs tracked in memorandum accounts must be incremental.
12. There is no evidence to suggest that double-counting of costs occurred in this instance.
13. Ernst & Young performed an audit of PG&E and identified costs that were not supported.
14. PG&E has removed the costs identified by Ernst & Young from its requested recovery.
15. The Settlement Agreement does not specify which activities, in whole or in part, are to be disallowed.

16. We find the Settlement Agreement's language, "[f]uture revenue requirements associated with capital expenditures in A.20-09-019 will be included in future GRCs or as authorized" to govern the timing for consideration of treatment of future revenue requirements associated with capital expenditures.

17. A lengthier amortization period can soften the impact to customer rates when the revenue to be recovered is substantial.

18. Adopting the same revenue allocation mechanism in the instant proceeding as the Commission adopted in Phase II of PG&E's GRC will ensure consistency and simplify the evaluation of rate impacts.

19. PG&E has already been authorized to recover $447,034,000 in interim rate relief pursuant to D.20-10-026.

20. The recovery authorized by this decision includes the amounts authorized in D.20-10-026 and is not in addition to those amounts.

Conclusions of Law

1. The Settlement Agreement is reasonable in light of the record.
2. The Settlement Agreement is consistent with applicable law.
3. The Settlement Agreement is in the public interest.
4. The Settlement Agreement should be approved.
5. Under Rule 12.5, the adoption of the proposed Settlement creates no precedent for subsequent applications.
6. The revenue allocation for costs authorized in this proceeding should be consistent with what was adopted in D.21-11-016.
7. Treatment of future revenue requirements associated with capital expenditures should be included in a future GRC application.

O R D E R

IT IS ORDERED that:

1. The Settlement Agreement, dated September 21, 2021, attached as Appendix 1 to this decision is approved.
2. Consistent with the Settlement Agreement, dated September 21, 2021, attached as Appendix 1 to this decision and Appendix 2, Pacific Gas and Electric Company is authorized to recover $1,037,899,000, which includes amounts authorized in Decision 20-10-026.
3. Application 20-09-019 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.