

ALJ/KWZ/hma

PROPOSED DECISION Agenda ID #22325 (Rev. 1)

Ratesetting

3/7/24 Item #14

Decision **PROPOSED DECISION OF ALJ WATTS-ZAGHA** (Mailed 2/1/24)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric
Company for Recovery of Recorded
Expenditures Related to Wildfire
Mitigation, Catastrophic Events, and
Other Recorded Costs. (U39M.)

Application 23-06-008

DECISION GRANTING INTERIM RATE RECOVERY

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DECISION GRANTING INTERIM RATE RECOVERY

Summary

This decision grants the request of Pacific Gas and Electric Company (PG&E) for interim rate relief, pending a final decision on what permanent cost increase, if any, is reasonable based on the evidence. PG&E is authorized to recover a maximum of \$516 million (75 percent of PG&E's total request of \$688 million) in interim rates according to the process set forth herein. PG&E is required to refund, with interest, any excess amount it collects in comparison to the Commission's final determination on the amount reasonably incurred.

The key reasons to grant the interim rate recovery are as a preservative to PG&E's credit ratings, and to effectively manage the rate impacts likely to accrue to ratepayers. Intervenors raise countervailing issues, but on balance interim rate relief is appropriate in order to stabilize PG&E's still precarious financial position.

This proceeding remains open.

1. Background

Pacific Gas and Electric Company (PG&E) filed Application (A.) 23-06-008 on June 15, 2023, seeking to recover costs of approximately \$2.49 billion and corresponding to a revenue requirement of approximately \$688 million (excluding interest) spent in two broad categories: wildfire safety work performed during the years 2020 - 2022, with associated costs and electric modernization and gas safety work performed primarily in 2022. Concurrently with A.23-06-008, PG&E filed a Motion for Interim Rate Recovery (Motion), seeking authorization to collect 85 percent of the revenue requirement, equating to \$583 million (excluding interest).

1.1. Procedural Background

On July 17, 2023, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and The Utility Reform Network (TURN) objected to interim rate recovery for reasons described in section 2 of this decision and protested PG&E's application.¹

On July 27, 2023, PG&E replied to the filed protests and also replied to the responses of TURN and Cal Advocates to PG&E's Motion.

On August 22, 2023, a joint Assigned Commissioner (AC) and Administrative Law Judge (ALJ) ruling (AC/ALJ Ruling) was issued with questions pertaining to the interim rate recovery request. As directed, PG&E filed its response on September 1, 2023, and TURN filed its response on September 8, 2023.

A prehearing conference (PHC) was held on September 1, 2023, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary.

On November 1, 2023, the assigned Commissioner issued the Scoping Memo and Ruling (Scoping Memo). The procedural schedule established in the Scoping Memo anticipates a decision resolving \$570 million of the revenue requirement request in the application by winter 2024 and the remaining \$118 million of the revenue requirement by spring 2025. The Commission extended the statutory deadline for this proceeding to June 30, 2025, in the Scoping Memo.

¹ The June 27, 2023, Motion of TURN to late file responses to PG&E's Motion was granted by ALJ Ruling on June 28, 2023.

1.2. Submission Date

This matter was submitted on September 8, 2023, upon TURN's filing of its response to the AC/ALJ Ruling issued August 22, 2023.

1.3. Interim Rate Recovery Requests in Other Proceedings

Recent Commission decisions on utility requests for interim rate recovery include:

- Decision (D.) 22-05-001 in A.21-07-017, which denied San Diego Gas & Electric Company's request for interim recovery of costs recorded in Wildfire Mitigation Plan memorandum accounts.
- D.20-010-026 in A.20-02-003, which approved PG&E's request for interim recovery of costs recorded in three memorandum accounts: the Fire Hazard Prevention, Fire Risk Mitigation, and Wildfire Mitigation Plan accounts, and denied PG&E's request for interim recovery of costs recorded in the Catastrophic Event Memorandum Account (CEMA).
- D.19-04-039 in A.18-03-015, which approved PG&E's second request for interim recovery of vegetation management costs recorded in the CEMA, after denying PG&E's first request.
- D.23-06-004 in A.22-12-009, which approved PG&E's request to recover 85 percent of requested costs in interim recovery for costs recorded in 2021 to its wildfire mitigation and CEMAs.

2. Application and Motion Overview

In its application, PG&E requests three types of Commission action:

1. determination that recorded costs are reasonable;
2. authorization to recover the costs through the related revenue requirement; and

3. approval of the ratemaking proposal, meaning the timing of the cost recovery and the rate mechanisms through which recovery will occur.²

In the Scoping Memo, the Commission determined to address the requests in two stages: first for the broad category of recorded costs for wildfire safety work, and later for the broad category of recorded costs for electric modernization and gas safety work.³ The Commission added to PG&E's requests two additional issues: whether two memorandum accounts should continue or close, and impacts on Environmental and Social Justice Communities and the extent to which this application impacts achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan.⁴ Finally, concluding that the record of this proceeding would benefit from the inclusion of additional audits and compliance reports, the Commission extended the statutory deadline of this proceeding from 18 months to two years to accommodate the audit schedules.⁵

In PG&E's application, PG&E proposes cost recovery for its full request over a period of more than three years, with 85 percent collected in the first 12 months commencing November 2023, assuming its Motion for interim relief is granted.⁶ This decision acts only on PG&E's Motion which requests the Commission grant interim relief of 85 percent of its request over 12 months. In comments on the Proposed Decision, PG&E amended its request regarding the time period over which interim relief would be collected to 12 months or longer,

² Application (A.) 21-09-008 at 1 - 2, 28.

³ Scoping Memo at 8 -9.

⁴ Scoping Memo at 5 - 6.

⁵ Scoping Memo at 6.

⁶ Application at 27.

in order to align the timing of the end of the revenue collection with a scheduled consolidated gas or electric rate change. PG&E also clarified that extending the amortization period beyond 12 months would not shorten the amortization period to less than 12 months nor would PG&E recover interim relief greater than authorized.⁷ Ratemaking for the incremental difference between the interim relief and the authorized relief remains to be determined in the final decision determining costs incremental, reasonable and recoverable.⁸

2.1. Costs at Issue

The general authority under which PG&E requests recovery of costs in all the accounts in this application is provided in Articles 2 and 3 of the Commission's Rules of Practice and Procedure and Public Utilities (Pub. Util.) Code Sections 454 and 701.⁹ As is typical for review of memorandum and balancing accounts, PG&E had originally requested approval in its 2023 General Rate Case (GRC) A.21-06-021. The Commission decided in early 2023 that only memorandum and balancing account costs incurred through 2021 would be resolved in the 2023 GRC and directed PG&E to instead file a separate application for review of the 2022 costs. PG&E thus filed A.23-06-008, including an additional three accounts that were not originally included in A.21-06-021.¹⁰

PG&E states the wildfire mitigation costs at issue in this application were driven by "wildfire mitigation efforts escalated in 2020 – 2022 after PG&E's 2020 General Rate Case (GRC) application was filed in December 2018, in response to severe wildfire events and the California legislature's enactment of Senate Bill

⁷ PG&E Opening Comments on the proposed decision at 4.

⁸ In the Scoping Memo, the ratemaking proposal is scoped as issues 1.c. and 2.c.

⁹ Application at 28.

¹⁰ Application at 11 – 12.

901,” and performed in accordance with its 2020 – 2022 Wildfire Mitigation Plan (WMP).¹¹ Pub. Util. Code Section 8386.4 mandated the Commission’s authorization of the Wildfire Mitigation Plan Memorandum Account (WMPMA)¹² to record costs for activities approved in PG&E’s WMP and not recovered through other revenue requirements. Pub. Util. Code Section 8386.4 also authorized the Fire Risk Mitigation Memorandum Account (FRMMA) for wildfire mitigation costs incurred that were not specifically approved through the wildfire mitigation plan and not recovered in other revenue requirements.¹³

In 2016¹⁴ and 2019¹⁵ Gas Transmission and Safety (GT&S) Rate Case Decisions, the Commission authorized memorandum or balancing account treatment for gas safety work as follows:

1. In Line Inspection Memorandum Account;¹⁶
2. Internal Corrosion Direct Assessment Memorandum Account;¹⁷
3. Gas Statutes, Regulations, & Rules Memorandum Account;¹⁸
4. Transmission Integrity Management Program Memorandum Account;

¹¹ Application at 9 - 10.

¹² The Commission authorized PG&E’s WMPMA in D.19-05-007 at Ordering Paragraph (OP) 21.

¹³ The Commission approved PG&E’s implementation of the FRMMA with acceptance of PG&E’s Advice Letter 5419-E, as mandated by Pub. Util. Code Section 8386(j) which through subsequent legislative revisions is now included in Pub. Util. Code Section 8386.4(b)(1).

¹⁴ D.16-06-056.

¹⁵ D.19-09-025.

¹⁶ D.19-09-025 at 137 – 139, 331, OP 63.

¹⁷ D.19-09-025 at 145, 331, OP 64.

¹⁸ D.19-09-025 at 332, OP 67; PG&E AL 4468-G.

5. Measurement & Control Station Over Pressure Protection Memorandum Account ;¹⁹
6. Critical Documents Program Memorandum Account, authorized in the 2015 GT&S Rate Case Decision;²⁰
7. Gas Storage Balancing Account;²¹ and
8. Line 407 Memorandum Account.²²

In D.17-12-004, the Commission authorized the Dairy Biomethane Pilots Memorandum Account, and PG&E recorded costs throughout 2017 - 2022.²³

The Commission authorized or implemented memorandum account ratemaking for various electric modernization activities at issue in this application as follows:

- D.17-09-026 authorized the Distribution Resources Plan Tools Memorandum Account;²⁴
- D.16-06-007 authorized the Avoided Cost Calculator Uptake Memorandum Account;²⁵
- D.16-12-036, D.18-02-004 and D.21-02-006 authorized the Distributed Energy Resources Distribution Deferral Account in which PG&E recorded costs throughout 2019 - 2022; and
- Pub. Util. Code Section 740.19(c) authorized the Assembly Bill 841 Transportation Electrification Memorandum

¹⁹ D.19-09-025 at 331, OP 63.

²⁰ D.16-06-056 at 139 and D.19-09-025 at 117.

²¹ D.19-09-025 at 95.

²² D.19-09-025 at 238.

²³ D.17-12-004 at OP 5.

²⁴ D.17-09-026 at 37 (for Integration Capacity Analysis costs) and at 55 – 56 (for Local Net Benefits Analysis costs).

²⁵ D.16-06-007 at 6, 27, OP 8.

Account (AB841MA) in which PG&E recorded costs during 2021 - 2022.²⁶

2.2. Ratemaking Proposal at Issue

PG&E's third request in its application, for approval of its ratemaking proposal, is partially resolved by this decision. Ratemaking is the second part of all Commission determinations on cost recovery: for costs found just and reasonable, there is a related revenue requirement, and the Commission also determines the manner in which the revenue requirement is to be collected from ratepayers. Such a "ratemaking proposal" may vary by length of time over which collection occurs, through which rate mechanisms the surcharges are assessed (different rate mechanisms may be collected only for some types of customers) and by allocation of costs.

According to the Scoping Memo, the earliest the Commission may approve costs in the first stage would be in the winter of 2024, and the complete determination would conclude in the summer of 2025.²⁷ PG&E's ratemaking proposal is twofold: to collect a portion of the recorded costs as soon as practicable and before the Commission's determination on the amount just and reasonable, and to collect the remainder after that determination. PG&E asserts interim relief is appropriate and necessary because carrying the \$2.49 billion of costs at issue until a final decision is issued undermines PG&E's financial health and the perception of California's regulatory environment and that these conditions harm customers.²⁸ PG&E asserts 85 percent of \$688 million, or \$583 million, is an appropriate amount for interim relief because "it represents a

²⁶ PG&E implemented the AB841MA in PG&E Advice Letter 6102-E-A.

²⁷ Scoping Memo at 8 - 9 and ALJ Ruling issued February 12, 2024 Revising Track 1 Procedural Schedule at 2.

²⁸ Motion at 4.

substantial reduction that acknowledges anticipated intervenor positions in prior proceedings regarding wildfire mitigation costs.”²⁹ PG&E would thus commence cost recovery of \$583 million, plus \$48 million in interest, in November 2023 over twelve months.³⁰ PG&E proposal for rate mechanisms, revenue allocation and rate design is the same regardless of interim relief and is the same as that in effect for revenues approved in its 2020 GRC.³¹

The timing of collection has cost consequences due to the time value of money, which motivates PG&E’s request for interim relief. When funding is delayed, or when more funding than ultimately justified is collected, the reconciliation accounts not only for the difference, but also applies interest on the amount, to compensate for the value the money during the time of the undercollection or overcollection.

3. Standard of Review

The Commission is charged with the responsibility of ensuring that all rates demanded or received by a public utility are just and reasonable.³² In ratemaking applications, the burden of proof is on the applicant utility.³³

²⁹ Motion at 16.

³⁰ Motion at 16. PG&E provides further information about how its interim cost recovery proposal separately affects the electric and the gas revenue requirements, and over what time period, in its Reply to Opposition, showing the impact on its electric revenue requirement at B-1 and D-4, and showing the impact on its gas revenue requirement at B-3 and D-6.

³¹ Application at 28 and Motion at 17.

³² Pub. Util. Code Section 451. Application of Pacific Gas and Electric Company (2000) D.00-02-046, at 36, 2000 Cal. PUC LEXIS 239 (“no public utility shall change any rate ... except upon a showing before the Commission, and a finding by the Commission that the new rate is justified”).

³³ Application of Pacific Gas and Electric Company (2000) D.00-02-046, at 36, 2000 Cal. PUC LEXIS 239, citing *Re Pacific Bell* (1987) 27 CPUC 2d 1, 21, D.87-12-067. *See also* *Re Energy Cost Adjustment Clauses* (1980) 4 CPUC 2d 693, 701; D.92496, *Re Southern California Edison Company* (1983) 11 CPUC 2d 474, 475; D.83-05-036 (“Of course the burden of proof is on the

Footnote continued on next page.

The California Supreme Court reiterated the Commission's power to grant rate increases prior to a final Commission determination whether the costs were just and reasonable in *Toward Utility Rate Normalization v. Public Utilities Commission (TURN v. PUC)*.³⁴ In *TURN v. PUC*, the Court characterized the Commission's grant of interim relief as consistent with Pub. Util. Code Section 451, "if the facts warrant such summary relief,"³⁵ and described such facts as a situation "in which fairness to both the utility and the public required immediate action."³⁶

In determining whether to grant a motion for interim rate relief, the Commission has applied as relevant factors fairness to both the utility and public;³⁷ the public interest;³⁸ reducing the potential for rate shock;³⁹ intergenerational equity;⁴⁰ preserving the financial integrity of a utility,⁴¹ minimizing costs incurred by ratepayers,⁴² and ensuring rate stability.⁴³

utility applicant to establish the reasonableness We expect a substantial affirmative showing by each utility with percipient witnesses in support of all elements of its application.").

³⁴ *TURN v. PUC* (1988) 44 Cal.3d 870 at 878 ("The commission's power to grant interim rate increases was recognized by this court in *City of Los Angeles v. Public Utilities Commission* (1972) 7 Cal.3d 331.").

³⁵ *Ibid.*

³⁶ *Id.* at 879.

³⁷ D.02-07-031 at 13 – 14; D.20-10-016 at 22.

³⁸ ALJs' Ruling Denying Southern California Edison Company's (SCE) Motion for Interim Rate Recovery issued May 22, 2020, in A.19-08-013 at 9.

³⁹ D.16-08-003 at 9.

⁴⁰ D.23-06-004 at 10.

⁴¹ D.22-05-001 at 16; ALJs' Ruling Denying SCE's Motion for Interim Rate Recovery issued May 22, 2020, in A.19-08-013 at 11.

⁴² D.23-06-004 at 10.

⁴³ D.88-05-074 at 14; D.20-10-016 at 22.

4. Summary of Positions

4.1. PG&E

PG&E asserts it is in the interest of both the company and its customers to grant interim relief as proposed. PG&E claims granting the relief as proposed is reasonable in light of PG&E financial constraints. PG&E also asserts interim relief will benefit customers through 1) reduced interest costs and indirect credit metric impacts,⁴⁴ 2) improved rate stability,⁴⁵ and 3) rate equity.⁴⁶ Finally, PG&E argues granting relief is consistent with recent Commission decisions approving interim cost recovery under similar circumstances.⁴⁷

PG&E estimates that had its request been authorized and implemented on November 1, 2023, as proposed, customers would have directly saved \$25 million in interest costs on its undercollected revenues.⁴⁸

4.2. Cal Advocates

Cal Advocates opposes the amount proposed by PG&E for interim cost recovery. Cal Advocates recommends that the Commission grant interim cost recovery of \$378.4 million, corresponding to 55 percent of the total requested \$688 million revenue requirement, instead of \$583 million, 85 percent of the total requested revenue requirement. Cal Advocates recommends an alternative interim cost recovery schedule based on the Commission's grant of interim rates associated with PG&E's 2020 Wildfire Mitigation Catastrophic Event (WMCE) application for interim relief approved by D.20-10-026. Cal Advocates believes

⁴⁴ Motion at 21.

⁴⁵ Motion at 25 and Reply to Opposition at 2.

⁴⁶ *Id.*

⁴⁷ PG&E Response to AC/ALJ Joint Ruling at 1.

⁴⁸ PG&E Response to AC/ALJ Joint Ruling at 2.

the Commission's D.20-10-026 approving 55 percent for interim cost recovery is more applicable than the 85 percent approved by the Commission in D.23-06-004, and has "the benefit of a fully briefed application, rather than in response to a motion such as this one (citing PG&E Motion filed in A.22-12-009) or ruling seeking comments (citing ALJ Ruling Seeking Comments in A.22-12-009)."⁴⁹ Cal Advocates states interim relief generally is justified because Commission authorization of the subject memorandum and balancing accounts is an indicator that some costs will be approved.⁵⁰

4.3. TURN

TURN opposes interim cost recovery entirely, arguing 1) interim cost recovery will exacerbate rate shock and decrease rate stability, 2) PG&E fails to make a convincing case that interim cost recovery will alleviate its financial condition or that it is necessary to prevent financial harm, 3) it is legally improper to consider the potential for costs savings from interest, given that only interest on costs ultimately determined reasonable will be eligible for recovery, thereby making estimates of cost savings subject to an unknown, and 4) PG&E ignores the significant relief on the horizon once the Commission determines 2023 GRC rates, which will adequately address all the needs on which PG&E's request is premised.

TURN also identifies that PG&E prematurely includes in rate base its capital costs requested for recovery in this A.23-06-008 in A.21-06-021, PG&E's 2023 GRC.⁵¹ PG&E subsequently confirmed this as true in its Reply dated July 27,

⁴⁹ Cal Advocates' Opposition to Motion at 3.

⁵⁰ *Id.*

⁵¹ Application at 27. PG&E omitted from its request in A.23-06-008 wildfire mitigation capital costs for 2021 – 2026 because these costs were forecast in PG&E's 2023 General Rate Case (GRC).

Footnote continued on next page.

2023. In approving PG&E's GRC in D.23-11-096, the Commission directed PG&E to deduct from rate base the revenue associated with the capital costs at issue in this A.23-06-008, making this problem moot.⁵²

4.4. Comparison of Impacts

PG&E presented only one timing proposal for collection in its Motion; commencing collection of \$583 million, plus \$48 million in interest, in November 2023 and continuing over a 12-month period.

Parties and the Commission asked PG&E to compare its proposal to alternatives. Table 1 below shows different scenarios for cost recovery, the time period, and date when collection would commence.

The Commission directed PG&E to remove the forecast wildfire mitigation capital costs from PG&E's GRC in D.23-11-069 at 770 – 777 and Finding of Facts 402 – 405.

⁵² D.23-11-096 at 770 – 777 and Finding of Facts 402 – 405. PG&E has yet to introduce in the instant A.23-06-008 revenue requirements deducted from A.21-06-021 for capital expenditures for the years 2023 – 2026.

Table 1
PG&E Cost Recovery Scenarios with and without Interim Relief

Scenario #	Scenario Description	Percentage Collected of Total Request	Date Collection Begins	Collection Time Period	Rev Req Addition, including Interest (\$ millions)	Interest Savings (\$ millions)
1	Interim Relief	85%	Nov '23	12 mo. ⁵³	\$631 ⁵⁴	\$25 ⁵⁵
2	Interim Relief	75%	Nov '23	12 mo.	*	\$21 ⁵⁶
3	Interim Relief	50%	Nov '23	12 mo.	*	\$12 ⁵⁷
4	No Interim Relief	100%	Sep '24 ⁵⁸	12 mo.	\$768 ⁵⁹	*
5	No Interim Relief	100%	Sep '24	26 mo.	\$781 ⁶⁰	*
* indicates not provided by PG&E						

⁵³ The amounts in this row reflect the Motion's proposed collection of 85 percent, or \$583 million (excluding interest), of the total requested revenue requirement of \$688 million (excluding interest) over the 12-month period beginning November 1, 2023. PG&E's Motion proposes a collection period of 12 months beginning November 1, 2023 and does not address collection of the remainder of the full request if granted. In contrast, PG&E's application proposes collection of the remainder of the full request over periods of 12 months beginning November 1, 2024, and 14 months beginning November 1, 2025; thus 99 percent of the total requested revenue requirement would be collected in the first 24 months.

⁵⁴ PG&E Reply to Opposition, showing an electric revenue requirement increase of \$507 million increase at B-1 and D-4, and showing a gas revenue requirement increase of \$124 million at B-3 and D-6.

⁵⁵ Interest savings of \$25 million is estimated compared to PG&E's scenario of no interim relief which assumes collection commences in September 2024 over a 12 month period. Were collection to commence in September 2024 over a 26 month period as shown in Scenario #5 in Table 1, PG&E estimates interest savings of \$47 million (PG&E Response to AC/ALJ Ruling at 10).

⁵⁶ Exhibit A to TURN Opposition to Motion, PG&E Response to TURN Data Request 2 Q 1.

⁵⁷ *Id.*

⁵⁸ Motion at 24.

⁵⁹ PG&E Reply to Opposition, showing an electric revenue requirement increase of \$617 million at B-1, and showing a gas revenue requirement increase of \$151 million at B-3.

⁶⁰ PG&E Reply to Opposition, showing an electric revenue requirement increase of \$627 million at B-1, and showing a gas revenue requirement increase of \$154 million at B-3.

PG&E presented rate, bill and affordability impacts in its application with its proposal for interim rate relief. PG&E provided comparative affordability impacts for select alternatives to its proposal. In Table 2 below, the first rows show recent utility bills for representative households in different climate zones and also with different income levels (median income, and lower-income). The associated Affordability Ratio (AR) metric shows how much of the household's budget⁶¹ the utility bill consumes, and the Hours-at-Minimum Wage (HM) metric shows the number of hours worked to pay the bill. When the bill goes up, affordability decreases by the \$ or hours shown in Table 2 below.

⁶¹ The Commission's affordability framework defines the household budget by deducting housing costs, including the cost of other utility bills, from the income. See D.22-08-023 for additional information.

Table 2

PG&E Residential (non-CARE) Utility Bills, and Comparisons of Affordability Impacts for Selected Hypothetical Representative Residential Customer Types

	AFFORDABILITY IMPACTS ⁶² AR=Affordability Ratio					
Climate Zone	Monthly Gas & Electric Bill, by date & Change to Bill, by scenario	Bill Amount	Median Income Household, AR50	Household with Income at 20th percentile, AR20	Hours at Minimum Wage	Area of Concern: Southwest Fresno City
X Milder Climate & More Affordable Bill	Date of Bill: Jun-23	\$212	1.9%	6.8%	10.7	n/a
	Date of Bill: Jan-24 ⁶³	+~\$26				
	Change, no interim relief			0.2%	0.7	
	Change, PG&E's Proposal	+\$4	0.1%	0.1%	0.2	
	Change, no interim relief & 26 mo.			0.1%	0.13	
R Severe Climate & Less Affordable Bill	Date of Bill: Jun-23	\$256	4.5%	18.6%	12.1	41.60%
	Date of Bill: Jan-24 ⁶⁴	+~\$26				n/a
	Change, no interim relief			0.6%	0.31	0.5%

⁶² Values of AR50, AR20, Hours at Minimum Wage and Area of Concern are the sum of the values found in gas and electric nonCARE tables in Exhibit E to A.23-06-008 and in Attachment B to PGE Response to AC/ ALJ Ruling, and are based on the 2020 Affordability Ratio Calculator released July 2022. It is technically incorrect to sum gas and electric affordability metrics due to the difference in the denominator. The sum is presented for illustrative purposes as the difference is miniscule.

⁶³ Illustrative average residential customer bill impacts associated with implementation of PG&E 2023 GRC rates on January 1, 2024 as provided in A.21-06-021 Email Ruling with Illustrative Rates for September 13, 2023 Proposed Decision and Alternate dated September 25, 2023.

⁶⁴Id.

	Change, PG&E's Proposal	\$6	0.1%	0.4%	0.3	0.4%
	Change, no interim relief & 26 mo.			0.3%	0.15	0.3%

At present rates before any increase, PG&E residential bills, combined for electric and gas, average about \$286 per month (in more extreme climate zones) and \$238 per month (in the milder climate zone). With interim cost recovery, a typical residential customer⁶⁵ will have a higher bill by \$4 - \$6 in the first year.⁶⁶

Table 3 below reflects the bill and affordability impacts for PG&E residential customers enrolled in the rate discount for low-income customers, the California Alternative Rates for Energy (CARE) program. As shown below, CARE customers have a combined average bill for electric and gas of about \$215 per month (in more extreme climate zones) and \$163 per month (in the milder climate zone). With interim cost recovery as proposed by PG&E in the Motion, a CARE customer⁶⁷ will have a higher monthly bill by \$3 - \$4, in the first year.

⁶⁵ A typical residential electric customer is a residential electric customer not enrolled in the low-income discount rate buying bundled electric service at the \$/kWh rate displayed in Table 1 of Exhibit B to A.23-06-008. The name of the low-income discount rate program is California Alternate Rates for Energy (CARE).

PG&E does not define typical usage. However, PG&E presents average bill by climate zone, for residential electric CARE and non-CARE customers in Exhibit E to A.23-06-008.

⁶⁶ For bills by defined customer groups, see Exhibit E to A.23-06-008.

⁶⁷ A typical residential electric customer is a residential electric customer not enrolled in the low-income discount rate buying bundled electric service at the \$/kWh rate displayed in Table 1 of Exhibit B to A.23-06-008. The name of the low-income discount rate program is California Alternate Rates for Energy (CARE).

PG&E does not define typical usage. However, PG&E presents average bill by climate zone, for residential electric CARE and non-CARE customers in Exhibit E to A.23-06-008.

Table 3
PG&E Residential CARE Utility Bills, and Comparisons of Affordability Impacts for Selected Hypothetical Representative Residential Customer Types

	Affordability impacts ⁶⁸ AR=Affordability Ratio					
Climate Zone	Monthly Gas & Electric Bill, by date & Change to Bill, by scenario	Bill, Average Use	Median Income Household AR50	Household with Income at 20th percentile, AR20 ⁶⁹	Hours at Minimum Wage	Area of Concern: Southwest Fresno City
X Milder Climate & More Affordable Bill	Date of Bill: Jun-23	\$146		4.7%	7.6	
	Date of Bill: Jan-24 ⁷⁰	+~\$17				
	Change, no interim relief			0.14%	0.15	n/a
	Change, PG&E's Proposal	\$3		0.10%	0.1	
	Change, no interim relief & 26 mo.		n/a	0.02%	0.02	
W Severe Climate & Less Affordable Bill	Date of Bill: Jun-23	\$198		12.5%	8.3	27.5%
	Date of Bill: Jan-24 ⁷¹	+~\$17				n/a
	Change, no interim relief			0.33%	0.29	0.30%

⁶⁸ Values of AR50, AR20, Hours at Minimum Wage and Area of Concern are the sum of the values found in gas and electric CARE tables in Exhibit E to A.23-06-008 and in Attachment B to PGE Response to AC/ALJ Ruling, and are based on the 2020 Affordability Ratio Calculator ARC released July 2022. It is technically incorrect to sum gas and electric affordability metrics due to the difference in the denominator. The sum is presented for illustrative purposes.

⁶⁹ Affordability impacts reflect the essential use bills, not the average bills.

⁷⁰ Illustrative average residential customer bill impacts associated with implementation of PG&E 2023 GRC rates on January 1, 2024 as provided in A.21-06-021 Email Ruling With Illustrative Rates for September 13, 2023 Proposed Decision and Alternate dated September 25, 2023.

⁷¹ *Id.*

Change, PG&E's Proposal	\$4	0.30%	0.2	0.20%
Change, no interim relief & 26 mo.		0.16%	0.14	0.10%

Tables 2 and 3 above show bills and impacts for any household earning minimum wage anywhere in the area served by PG&E. Minimum wage households must work about 10 hours per month to pay the cost of a PG&E bill for essential use, before the increases shown in the table above, and assuming they are receiving the CARE discount (Table 3). Without the CARE discount (Table 2), these households work 12 – 14 hours to pay the cost of a PG&E bill for essential use, before the increase shown in the table above.

The last category of customers shown in Tables 2 and 3 live in southwest Fresno City. Nearly 100,000 PG&E customers live in southwest Fresno City, which is a more severe climate zone and where the essential use bill is estimated to require disproportionately more of their income-after-housing than customers in most other areas of California. For this reason, southwest Fresno City is called an “Area of Affordability Concern.” Here, for the 20,000 households at the bottom of the income distribution scale, their bill for an essential amount of gas and electricity comprises 41.6 percent of their income-after-housing each month if they do not receive the CARE discount and 27.5 percent of their income-after-housing each month if they receive the CARE discount.⁷²

5. Issues

In determining whether interim cost recovery is appropriate, we consider the following:

⁷² Without the CARE discount, these customers’ essential use bills equate to 42 percent of their income-after-housing each month.

1. Has PG&E shown that interim cost recovery is warranted?
2. If so, what amount of interim cost recovery is justified?

6. Interim Cost Recovery is Warranted

As noted above, the Commission has made determinations on interim rate relief based on a number of factors, all consistent with the standard set in *TURN v. PUC* evaluating fairness to the utility and the public, the public being inclusive of the ratepayers as a whole. This decision finds accelerating the collection of 75 percent of PG&E recorded costs now is a fair and reasonable balance of interests.

In this case, the circumstances justify granting interim cost recovery prior to a determination on whether the costs are reasonable. In doing so, the Commission departs from the general requirement to raise rates only after the costs are determined reasonable by this Commission. Nothing in this grant of interim rate relief prejudices whether the costs in the relevant accounts are just and reasonable. PG&E must still prove the reasonableness of all costs in the accounts at issue, whether or not allowed in interim rates.

6.1. PG&E's Financial Condition

On balance, PG&E's financial condition justifies interim rate relief to stabilize below investment-grade credit ratings. Financing billions of uncollected revenues is more costly to both the utility and ratepayers as interest rates rise. Ratepayers and the utility would be better served by nominally reducing PG&E's total uncollected revenues by partially granting this request for relief.

PG&E's financial condition is not disputed. PG&E states that its credit metric (defined as Funds from Operations over total debt, or FFO/debt) was at 12.4 percent at the end of 2022.⁷³ Ultimately, PG&E's credit ratings by three credit

⁷³ PG&E Reply to Opposition at 13.

agencies have experienced minimal change since emerging from bankruptcy and remain overall sub-investment grade. In approving PG&E's Plan of Reorganization in D.20-05-053, the Commission required PG&E to report annually, in part, its current credit ratings (Annual Capital Structure Advice Letter).⁷⁴ In December 2023, PG&E declared its credit ratings remain unchanged since filing A.23-06-008 in June 2023. In fact, changes to PG&E's credit ratings have been minimal since 2020. "PG&E's S&P and Moody's credit ratings, [presented below in Table 4] remain unchanged from those presented in its 2020 Annual Capital Structure Advice letter. In March 2023, Fitch announced a one-notch upgrade to PG&E's ratings, reflected in Table [4]."⁷⁵

⁷⁴ D.20-05-053 at 85.

⁷⁵ PG&E Advice Letter 7104_E dated December 18, 2023 at 5.

Table 4
PG&E Current Credit Ratings⁷⁶

	Standard and Poor's	Moody's	Fitch
Secured Debt	BBB-	Baa3	BBB
Issuer Rating	BB-	Ba2	BB+
Unsecured Debt	NA	NA	NA

PG&E argues interim relief is a reasonable and appropriate strategy to address the financial challenges it faces. PG&E presents interim relief as just one of a variety of strategies it is using to improve the costs of attracting capital and financing debt.⁷⁷ PG&E's unresolved undercollections of \$2.7 billion⁷⁸ cause identifiable costs to the utility and in turn to the ratepayers due to interest carried on the undercollections. The longer it takes to resolve the question of whether the costs are just and reasonable and should therefore be recovered at all, the more the interest mounts.

TURN's arguments in response have some merit, but on balance do not warrant denial of PG&E's request. TURN points out this scenario depends upon a presumption that PG&E's recorded costs will be found just and reasonable.⁷⁹ TURN is correct that, should the cost be determined unreasonable and therefore unrecoverable, no savings will occur. Not only will no savings occur, but

⁷⁶ *Id.*

⁷⁷ PG&E Motion at 4, 28 – 29.

⁷⁸ PG&E's total unrecovered balance as of June 30, 2023 excluding all balancing and memorandum accounts authorized for recovery. PG&E Response to ALJ Ruling at 9.

⁷⁹ TURN Opposition to Motion at 7 – 8.

ratepayers will have prematurely funded costs and will incur lost opportunities by financing PG&E rather than using their money elsewhere.

Additionally, PG&E argues interim cost recovery could potentially save costs for the utility and customers alike if PG&E improves its credit ratings. TURN challenges PG&E's assertion in multiple ways. First, TURN states PG&E lacks evidence that its proposal will materially alleviate its precarious financial condition.⁸⁰ TURN further states that PG&E has revenue increases pending in multiple venues and any of the pending revenue streams, if and when authorized, would have a similar effect on PG&E's financial condition. Finally, TURN argues PG&E would have to dedicate the relief to debt reduction rather than funding additional spending, and PG&E makes no such commitment.⁸¹

TURN's conclusion that "PG&E has failed to present a convincing case that granting its motion will deliver any indirect benefits to customers in the form of reduced interest costs from an improved credit rating" neglects to consider the negative impacts on customers should PG&E's credit ratings decrease. Neither PG&E nor its customers can afford a decrease in credit ratings. Interim relief is credit-supportive, not necessarily enough on its own to raise credit ratings, but likely to shield against a downgrade.

PG&E's own statement in its December 2023 Annual Capital Structure Advice Letter identifies Fitch's one notch improvement in March 2023 as the only credit rating change. Since 2020, PG&E has received approval of its 2020 GRC, its 2023 GRC and two interim rate requests.⁸² Based on three years of PG&E's credit ratings, the most likely impact to PG&E's credit rating from granting interim cost

⁸⁰ TURN Opposition to Motion at 9.

⁸¹ *Id.*

⁸² D.20-10-026 and D.23-06-004.

recovery is no change. However, no change to credit ratings holds value for the utility and its customers. PG&E estimates as follows:

The difference in cost to customers of a credit rating that is at the bottom of the investment grade category (BBB-) is substantial – about 0.40 percent. Applied to PG&E’s portion of estimated 2023 total rate base financed by debt, the additional annual cost to customers would be on the order of \$100 million, or about \$3 billion over 30 years if PG&E’s bond ratings were to be downgraded.⁸³

If, on the other hand, PG&E were to receive a one-notch upgrade from BBB- to BBB, PG&E estimates it “would decrease theoretical customer costs by about \$25 million annually if the savings were applied to the portion of rate base financed by debt.”⁸⁴ As identified by TURN,⁸⁵ and acknowledged by PG&E,⁸⁶ the impact on PG&E’s FFO/debt metric “depends on how those incremental cash flows are used.....PG&E cannot forecast the exact impact of the interim rate relief on FFO-debt as the cash flow will be used for both incremental spending and reduction in debt, and the exact proportion is not known at this time.”⁸⁷

While prospects of indirect cost savings from improvements in credit metrics have been estimated and presented by PG&E, it is a leap to make a causal connection from incremental cash flows associated with interim relief to cost savings from credit metric improvements. With or without interim relief as requested here, PG&E’s financial challenges continue to exist. Since the applicant’s and parties’ filings over the last six months, the Commission approved PG&E’s 2023 GRC rates, and as a result, incremental cash flows are

⁸³ Supporting Declaration of Margaret Becker to Motion at paragraph 35.

⁸⁴ *Ibid.* at paragraph 29.

⁸⁵ TURN Opposition to Motion at 9.

⁸⁶ PG&E Reply to Opposition at 14.

⁸⁷ *Id.*

now increasing. However, funding for operations and investments forecast for the 2023 GRC time period of 2023 – 2026 does not address revenues uncollected and spent for other purposes.

PG&E predicated its Motion on \$5.7 billion in unrecovered balances, inclusive of revenue already authorized for recovery and not yet effective in rates.⁸⁸ In response to inquiries by TURN and the Commission, PG&E clarified that the total unrecovered balance not already authorized for recovery was \$2.7 billion as of June 30, 2023.⁸⁹ In presenting amounts of undercollected revenues, PG&E should be more transparent at the outset to assist with decision-making. PG&E explains that its penchant for presenting revenues already authorized for collection by the Commission as “unrecovered” in its motions for interim cost recovery is consistent with its financial disclosure in its 10-Q reports and because “all unrecovered amounts constitute a financial burden until the amounts are recovered.”⁹⁰ As PG&E asserts regulatory risk is a key concern,⁹¹ revenues already determined reasonable and recoverable carry less risk than unreviewed balances. Combining approved revenues with unreviewed revenues makes it difficult to isolate the need for and the impacts of requested relief.

The amount of pending revenue is constantly in flux and not decreasing. PG&E shows this by referencing both the \$2.7 billion unrecovered balance reported on June 30, 2023 and the total of \$3.1 billion that takes into account the 2023 winter storms that are not reflected in the \$2.7 billion amount.⁹² PG&E’s

⁸⁸ Motion at 4 and Reply to Opposition to Motion at 14.

⁸⁹ PGE Response to AC/ALJ Ruling at 9.

⁹⁰ *Id.*

⁹¹ Supporting Declaration of Margaret Becker to Motion at paragraph 21.

⁹² PG&E Response to AC/ALJ Ruling at 9.

total revenue, both authorized and pending Commission review, linked to relevant Commission proceedings, is found in its Energy Trackers publicly filed quarterly in the docket of Rulemaking 18-07-006. The Commission requires this report because “[a]ccounting for the individual revenue requests approved recently and pending before the Commission in a transparent and comprehensive manner will enhance public understanding of rate changes,”⁹³ because it strengthens the Commission’s decision-making and furthers the intent of Pub. Util. Code Section 454.⁹⁴ PG&E’s Q3 2023 report presented in Attachment D to PG&E’s Response to the AC/ALJ Ruling shows \$5.9 billion in just electric revenue undercollections. PG&E’s Q4 2023 Energy Tracker shows \$4.3 billion in that same category.

While constantly changing, substantial undercollected balances have persisted in recent years.⁹⁵ We agree with PG&E that “[i]n general, customers would be better served by cost recovery policies that minimize the balances in balancing and memorandum accounts so that customers do not have to pay additional interest on uncollected revenue requirements for these accounts.”⁹⁶

6.2. Rate Stability, Equity, and Customer Affordability

Interim cost recovery is also warranted because it will smooth rates and ensure that current customers pay current costs (the principle of intergenerational equity). While rate increases will make current bills less affordable immediately, on balance interim rate relief is a reasonable strategy because it lowers costs overall and maintains fairness between customer groups.

⁹³ D.22-08-023 at FoF 2.

⁹⁴ *Ibid.* at FoF 3 – 11, CoL 7 – 9.

⁹⁵ PG&E states its undercollections were less than \$1 billion prior to 2018.

⁹⁶ PG&E Response to AC/ALJ Ruling at 2.

The most disputed issue is whether interim cost recovery will cause rate shock or rate stability. It is axiomatic that collecting revenue over a longer time period “smooths” rates. PG&E itself clarifies that the rate smoothing benefit it asserts is mostly due to the extended time period for collection.⁹⁷ As shown by PG&E and underscored by TURN, the same smoothing effect could be achieved absent interim relief if the Commission were to direct PG&E to amortize the revenue collection over 26 months rather than one year. Amortizing the collection of revenue over a longer time period is an option independent of interim rate relief.

PG&E estimates the Commission’s approval of interim relief in D.20-10-026 saved customers approximately \$40 million in interest charges,⁹⁸ stating:

For example, had IRR [Interim Rate Relief] in the 2020 WMCE [Wildfire Mitigation Catastrophic Event] (opposed by TURN) not been granted for reasons of avoiding rate shock, there would have been a much larger rate increase and rate shock in 2023 when the Commission issued its final decision approving recovery of the remaining amounts.”⁹⁹

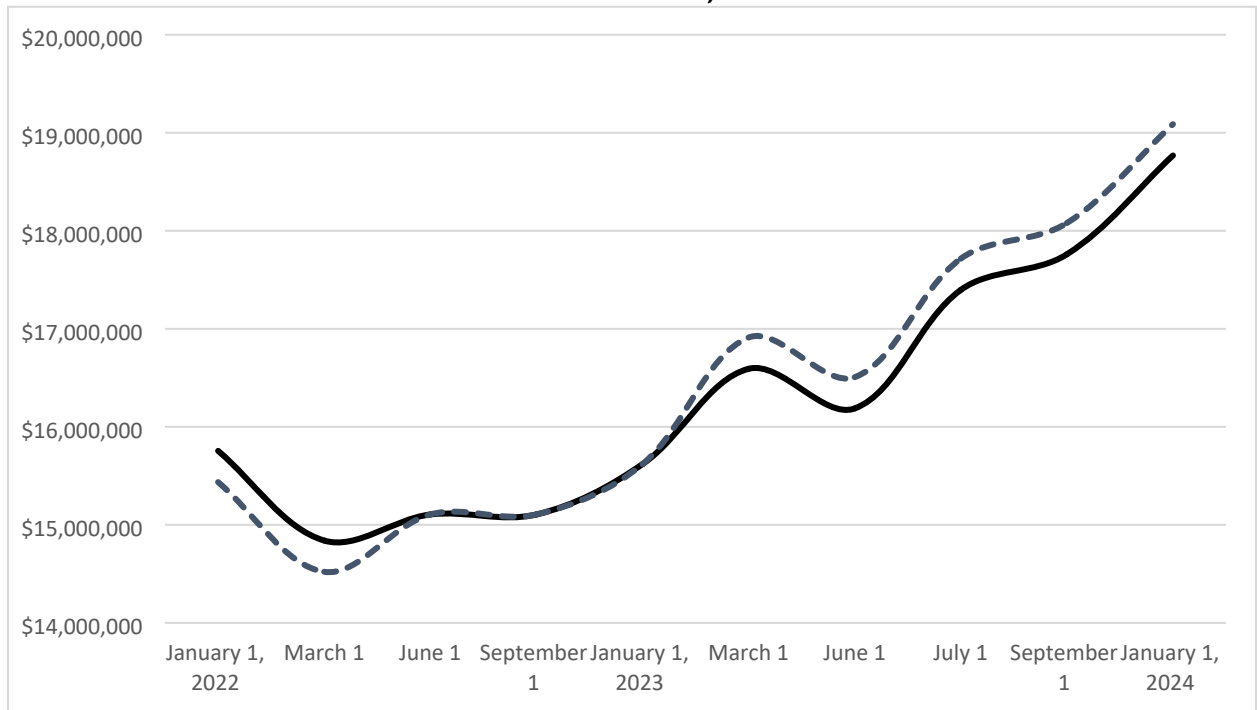
Showing PG&E’s total revenue collected over the last two years since January 1, 2022, illustrates the rate smoothing effect of the interim relief granted by D.20-10-026. In the graph below, the solid line shows the actual revenue collected over the last two years, compared to the dotted line showing the revenue that would have been collected without the interim relief.

⁹⁷ PG&E Reply to Opposition at 5.

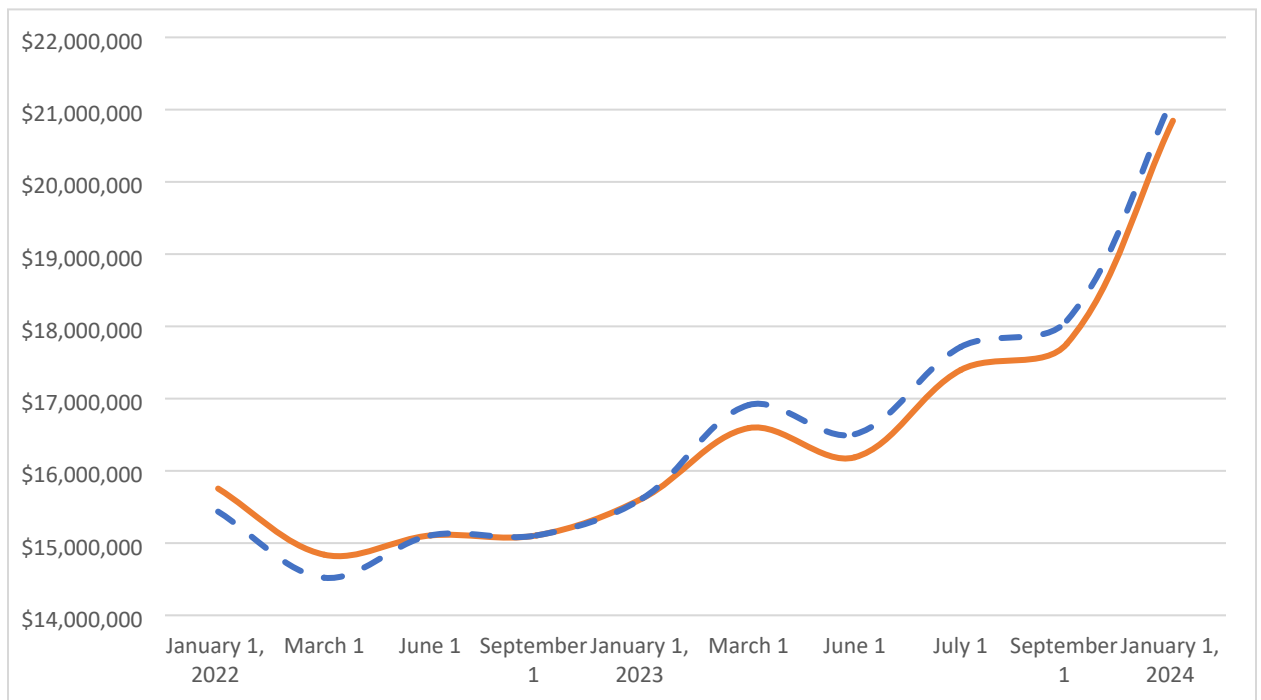
⁹⁸ PG&E Response to AC/ALJ Ruling at 3.

⁹⁹ PG&E Reply dated July 28, 2023 to Responses to Motion at 4.

Figure 1
PG&E Authorized Revenue Requirement 2022-2024 from Q4 2023 Report filed
in R.18-07-006 on December 1, 2023¹⁰⁰



¹⁰⁰ PG&E Q4 2023 Revenue Requirement Report or associated Tracker filed March 1, 2024 in R.18-07-006. The dotted line is created by removing collection of interim 2020 WMCE revenue in January 1, 2022, and March 1, 2022, and including the same amount of collection beginning March 1, 2023.



The graph above also displays PG&E's revenue increases over the past two years, corresponding to rate increases averaging 8 percent per year between 2020 – 2023.¹⁰¹ The pattern of increasing revenue also shows how fraught it would be to try and time a rate increase to a time when revenue collection is relatively low.

The principle of rate equity, also known as intergenerational equity, is prominent in Commission decisions and California law. As asserted by PG&E, "Interim rate relief facilitates an equitable balance between current and future customers - where the former might otherwise benefit from improvements ultimately funded by the latter:

The possibility that the current rates will "fall short of" the capital expenditures ultimately found reasonable can place no undue burden on the current ratepayers, but to the contrary may provide them with a windfall, shifting the burden to those future ratepayers who....will have to make up for the undercollection. Conversely, if current ratepayers are burdened because current charges for investment-related costs

¹⁰¹ TURN Response to ALJ Ruling at 2.

exceed those later found reasonable, the excess will be refunded, with interest, to future ratepayers. As commission counsel point out in their answer to TURN's petition, the provision for interim rates....lessens both of these risks in accordance with the "key" principle "that costs borne by ratepayers should closely match benefits they receive."¹⁰²

The Commission anticipates two years to resolve this A.23-06-008 from the time PG&E filed the application. This decision finds it reasonable to commence collections for a portion of the requested amount sooner rather than later. Utility customers will be impacted by the longer timeframe before recovery due to the necessity of the longer procedural schedule. Granting interim cost recovery will preserve some intergenerational rate equity in light of the necessarily longer procedural schedule.

Granting interim cost recovery now is consistent with the legislative mandate to accelerate recovery for costs incurred to reduce the risk of catastrophic wildfire. Pub. Util. Code Section 8386.4(a) authorizes PG&E to pursue recovery of wildfire mitigation costs, and Pub. Util. Code Section 8386.4(b)(2) generally instructs the Commission to consider wildfire mitigation cost recovery within 12 months.¹⁰³

Of all the factors under consideration, TURN would give the most weight to affordability, and, to the extent possible, avoiding layering rate increases. TURN recommends denying interim relief, commencing cost recovery of revenues authorized at the conclusion of this proceeding, and amortizing collections over 26 months.¹⁰⁴

¹⁰² Motion at 20, inset reference to *TURN v. PUC* at 877.

¹⁰³ Pub. Util. Code Section 8386.4.

¹⁰⁴ TURN Response to ALJ Ruling at 8.

Commencing cost recovery now, and at a lesser amount than requested by PG&E, will capture the benefit of the longer amortization period, adhere to the principles of intergenerational equity and likely reduce the total amount of revenue collection and impact on customers, if carefully calibrated.

6.3. Seventy-five Percent of PG&E's Revenue Request Is the Appropriate Amount of Interim Cost Recovery

After careful consideration of the factors set forth above, we determine that the interim collection of 75 percent of the total requested \$688 million revenue requirement strikes the correct balance between public, utility, and ratepayer interests. PG&E's statement that "in its previous WMPMA and FRMMA cost recovery application, the Commission approved more than 80 percent of PG&E's request"¹⁰⁵ is an acknowledgement that final cost recovery in this proceeding of at least 85 percent of PG&E's requested revenue requirement, the percentage sought in the Motion, is not a certainty. Furthermore, no matter how justified on a total cost basis, we remain concerned that this grant of interim relief, combined with the recent rate increase from PG&E's 2023 GRC, may be difficult for many customers earning minimum wage and those earning approximately at the 20th percentile for their area. For example, the combination of this rate increase layered with the 2023 GRC rate increase will dwarf the San Francisco Bay Area inflation rate of 2.9 percent for the 12 months ending June 2023.¹⁰⁶ It is reasonable and appropriate to decrease the amount of relief granted

¹⁰⁵ PG&E Reply to Opposition at 9.

¹⁰⁶ TURN Response to AC/ALJ Ruling at 5, inset reference to the Consumer Price Index for All Urban Consumers (CPI-U) for San Francisco-Oakland-Hayward available as of the effective date of this decision at: <https://data.bls.gov/timeseries/CUURS49BSA0>. Calculated based on the index value of 340.056 for June 2023, compared to the value of 330.539 for June 2022.

to 75 percent of PG&E's requested revenue requirement to mitigate the effects on particular customer groups who will struggle to afford the rate increases, no matter the benefits to ratepayers in the aggregate.

7. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

At the time of issuance of this decision, 35 public comments were written on the docket card in this proceeding uniformly opposing PG&E's request to increase rates. The commenters, who represent nearly 30 cities throughout PG&E's service territory, assert that compounding rate increases are unaffordable and unfair, and that PG&E inadequately maintains its infrastructure.

8. Conclusion

Today's approval of interim cost recovery does not disturb our bedrock ratemaking principles expressed in Pub. Util. Code Sections 451 and 454 to raise rates after the costs are determined reasonable by this Commission, that all utility charges must be just and reasonable, and that the utility must justify any rate change. Further, the interim cost recovery approved in this decision is subject to refund with interest in a final decision in this proceeding after we have had the opportunity to conduct a full review of the reasonableness of PG&E's costs. We reduce the amount requested by PG&E to 75 percent of its \$688 million revenue request in order to balance capturing costs savings, and the potential for

cost savings, likely to accrue to the utility and customers as a whole, with the needs of customers facing affordability challenges.

9. Comments on Proposed Decision

The proposed decision of ALJ Camille Watts-Zagha 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 Practice and Procedure. Comments were filed on February 20, 2024 by TURN and on February 21, 2024 by PG&E and jointly by the Energy Producers and Users Coalition/Indicated Shippers, and reply comments were filed on February 26, 2024 by PG&E.

Changes in response to comments are incorporated in the decision.

10. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Camille Watts-Zagha is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. PG&E's Motion requests authorization to recover, on an interim basis, 85 percent of \$688 million in revenue over a 12- month period commencing in November 2023.
2. TURN opposes PG&E's Motion because it will exacerbate rate increases recently implemented through PG&E's 2023 GRC.
3. PG&E estimates direct interest savings of \$25 million had PG&E's request for interim rate recovery been granted as proposed.
4. PG&E's credit ratings have improved nominally since 2020 and remain below investment grade overall.
5. The Commission requires energy utilities to itemize revenue changes by proceeding quarterly and to estimate residential rate and bill impacts to facilitate

the Commission's tracking of costs, rates, and bill impacts and to strengthen the Commission's decision-making abilities.

6. Including revenue already authorized for collection by the Commission as part of unrecovered balances makes it difficult to isolate the need for, and the impacts of interim rate relief requests.

7. Commencing cost recovery as soon as practicable after the issuance of this decision will potentially smooth rates by amortizing revenue collection over a longer period of time.

8. Nothing in this grant of interim rate relief prejudices whether the costs in the relevant accounts are just and reasonable.

Conclusions of Law

1. The Commission has the authority to set interim rates.

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.

3. Pub. Util. Code Section 8386.4(b)(2) generally instructs the Commission to consider and resolve wildfire mitigation cost recovery within 12 months of the filing of an application.

4. The totality of circumstances justifies granting interim cost recovery prior to a determination on whether the costs are reasonable.

5. It is reasonable for the Commission to authorize PG&E to recover, on an interim basis, 75 percent of PG&E's requested revenue requirement of \$688 million.

6. The underlying operation and maintenance expenses, and capital expenditures for the accounts at issue in this proceeding, whether or not

authorized for interim rate recovery by this decision, will be reviewed for reasonableness in this proceeding.

7. The amount authorized for interim rate recovery by this decision is subject to refund, with interest, depending on the final resolution of all outstanding issues in this proceeding.

8. This proceeding should remain open.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized to recover, on an interim rate basis, no more than seventy-five percent of \$688 million in revenue requirement associated with its recorded costs in the Wildfire Mitigation Plan Memorandum Account, Fire Risk Mitigation Memorandum Account, In Line Inspection Memorandum Account, Internal Corrosion Direct Assessment Memorandum Account, Gas Statutes, Regulations, & Rules Memorandum Account, Transmission Integrity Management Program Memorandum Account, Measurement & Control Station Over Pressure Protection Memorandum Account, Critical Documents Program Memorandum Account, Gas Storage Balancing Account, Line 407 Memorandum Account, Dairy Biomethane Pilots Memorandum Account, Distribution Resources Plan Tools Memorandum Account, Avoided Cost Calculator Uptake Memorandum Account, Distributed Energy Resources Distribution Deferral Account, and the Assembly Bill 841 Transportation Electrification Memorandum Account over a period of at least 12-months beginning as soon as it is practicable for PG&E to implement recovery.

2. Pacific Gas and Electric Company (PG&E) shall promptly refund, with interest, any amount authorized for recovery by PG&E pursuant to this decision

that exceeds the amount authorized for cost recovery by PG&E in a final decision in this proceeding.

3. In any future request for reasonableness review and/or recovery of the costs in the accounts listed in Ordering Paragraph 1, Pacific Gas and Electric Company shall affirmatively identify the amount of interim relief granted by this decision for each specific account, and identify the dollar amounts already collected from ratepayers for each account.

4. Application 23-06-008 remains open.

This order is effective today.

Dated _____, at San Francisco, California.